Yardi Matrix

MULTIFAMILY REPORT

Miami Steadily Recalibrates

Summer 2021

Construction Stays Elevated

Rental Market Surges Ahead

Investment Activity Rebounds

MIAMI MULTIFAMILY

Yardi Matrix

Positive Performance Indicators Hold

South Florida's rental market showed strong signs of recovery in the first four months of the year, steadily rebounding from the pandemic. Miami led gateway markets with 0.8% rent growth on a trailing three-month basis through April, with Chicago (0.5%) and Boston (0.4%) also showing solid gains.

Miami's unemployment rate has improved steadily over the past few months, hitting 8.2% in March, according to preliminary BLS data. Several companies have traded New York City and Silicon Valley for South Florida in the past 15 months, including investment firm Colony Capital and hedge fund Elliott Management. Others, such as Goldman Sachs and Blackstone, are opening new offices in Miami. One factor fueling interest is Miami Downtown Development Authority's Follow the Sun initiative, which provides economic incentives to eligible businesses creating jobs that pay a minimum salary of $68,000 per year. Meanwhile, according to allocation information published by the Treasury Department, Miami-Dade County will receive $528 million from the $350 billion pandemic recovery program that the Biden administration signed into law in March as part of the response to the coronavirus pandemic.

The metro's business-friendly environment and steady demographics are likely to support demand for multifamily rentals going forward. Yardi Matrix expects rents to improve 3.6% in 2021.

Market Analysis | Summer 2021

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Author

Laura Calugar
Senior Editor

On the cover: Photo by David Steinberg/iStockphoto.com

Recent Miami Transactions

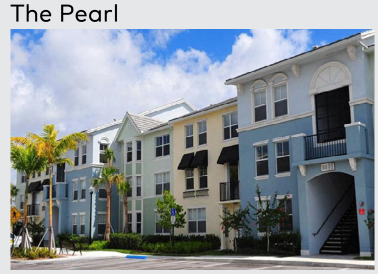
The Heritage at Boca Raton

City: Boca Raton, Fla.
Buyer: Harbor Group International
Purchase Price: $81 MM
Price per Unit: $326,815

The Village at Eastpointe

City: Fort Lauderdale, Fla.
Buyer: R.O.I. Capital Group
Purchase Price: $59 MM
Price per Unit: $197,635

The Pearl



City: Plantation, Fla.
Buyer: Electra America
Purchase Price: $58 MM
Price per Unit: $260,090

Waterview at Coconut Creek

City: Coconut Creek, Fla.
Buyer: Nuveen Real Estate
Purchase Price: $47 MM
Price per Unit: $242,188

RENT TRENDS

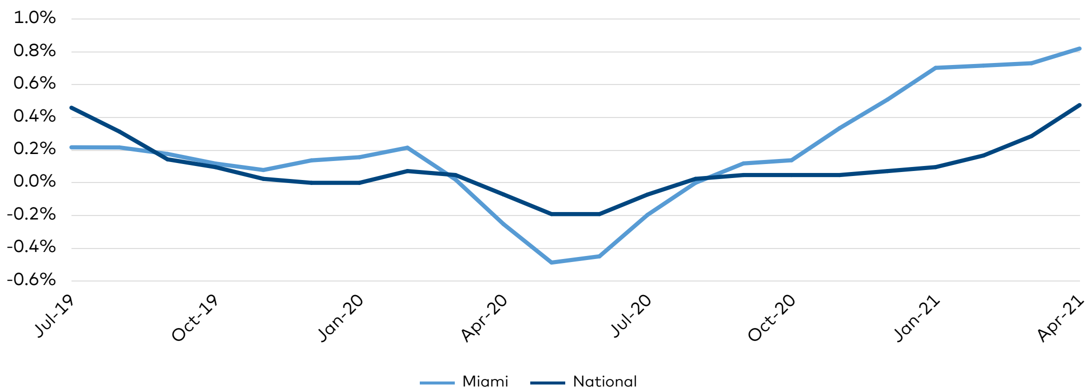
- Rents were up 0.8% on a trailing three-month basis through April, to an average of $1,775, with Miami leading gateway markets across the country for rent growth. Month-over-month, the metro was the best-performing gateway city, with a 1.0% rent increase, followed by Chicago, at 0.9%. All gateway markets began to rebound, with some further along in the recovery process than others.

- The positive in-migration recorded over the past few years accelerated throughout the pandemic, generating demand for both Lifestyle and Renter-by-Necessity assets. Rent expansion in the metro was consistent through the first four months of 2021, with the high-end segment leading growth on a T3 basis through April—up 0.9% to an average of $2,023. Meanwhile, rates in the working-class Renter-by-Necessity segment improved by 0.6% to $1,412.

- Mirroring nationwide trends, rents in urban core areas contracted the most: Miami-Wynwood (-2.7% to $2,402) and Miami-Edgewater (-1.5% to $2,157). Many properties in core locations are likely to face an extended recovery period, despite the recent overall rent gains.

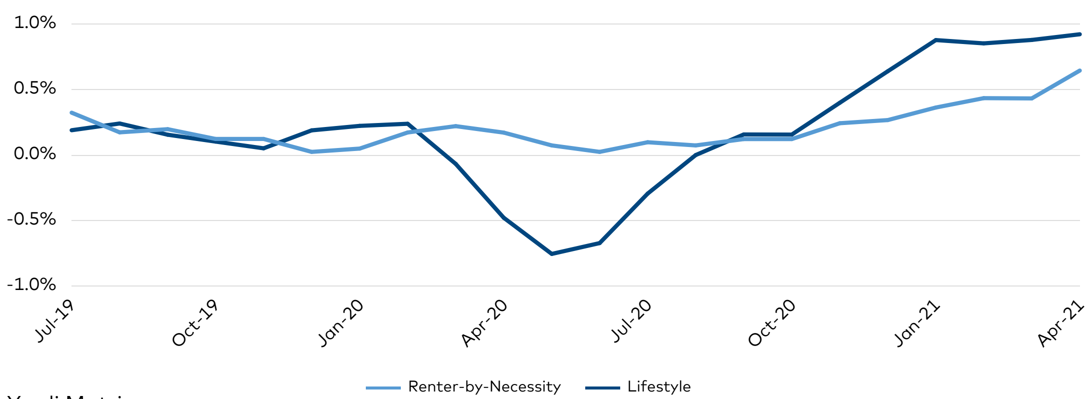
- South Florida's business-friendly environment continues to fuel population growth. This, coupled with average home values increasing at a greater rate than rents, is bound to support demand for multifamily rentals. We expect rents to rise 3.6% by year-end.

Miami vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Miami Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- After peaking at 15.2% in July 2020, the unemployment rate in Miami started to steadily improve, but it has been hovering around 8.0% since November, which is almost four times higher than pre-pandemic levels. Leisure and hospitality—the sector bearing the brunt of the impact—lost the largest share of its workforce (22.2%) in the 12 months ending in February.

- Alongside a residential migration, the Miami metro is also undergoing a commercial one, partly due to its low corporate income tax environment. Hedge fund Elliott Management will reportedly relocate its headquarters to West Palm Beach from Midtown Manhattan, joining a growing list of companies moving to or expanding in South Florida since the onset of the pandemic. Private-equity giant Blackstone purchased two office buildings for $230 million, intending to grow its tech team.

- The industrial scene is also booming in the metro. Amazon purchased a vacant 77-acre site in south Miami-Dade County, where it plans to build a roughly 1 million-square-foot distribution facility. The area north of Miami International Airport has become a hotbed for speculative industrial development. In May, Duke Realty Corp. broke ground on a 501,000-square-foot spec logistics building.

Miami Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
15	Mining, Logging and Construction	52	2.1%
30	Manufacturing	87	3.5%
55	Financial Activities	187	7.6%
50	Information	47	1.9%
80	Other Services	107	4.3%
60	Professional and Business Services	443	17.9%
90	Government	303	12.3%
65	Education and Health Services	397	16.1%
40	Trade, Transportation and Utilities	577	23.4%
70	Leisure and Hospitality	268	10.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Although Miami's population contracted in 2019, the metro is expected to be one of the biggest winners from the pandemic when 2020 figures come in. With COVID-19 inhibiting international mobility, the demographic growth was most likely supported by domestic migration.

Miami vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Miami Metro	6,086,935	6,149,687	6,198,782	6,166,488

Sources: U.S. Census, Moody's Analytics

SUPPLY

- Miami metro had 36,734 units under construction as of April, with more than 85% of them catering to the Lifestyle segment. Another 199,000 apartments were in the planning and permitting stages, indicating that developers continue to rely on the multifamily industry's resilience.

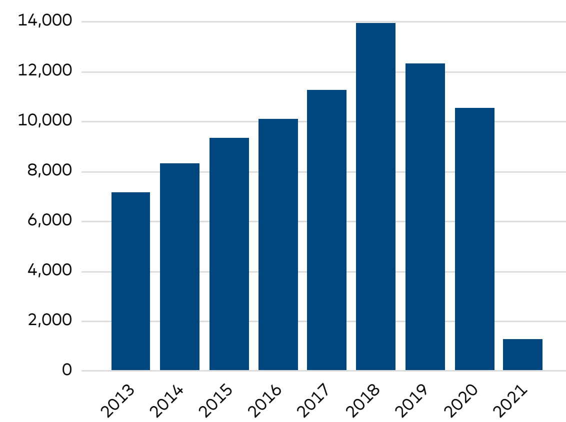
- Developers delivered 3,188 units in 2021 through April, for a 1.0% expansion of the total stock, 40 basis points above the national rate. Following some temporary shutdowns of work sites and supply chain disruptions at the beginning of the health crisis, work on multifamily housing projects continued through 2020 and into 2021. Some 15,229 units are scheduled to come online by the end of the year, which would mark a new cycle high.

- In the first four months of the year, developers broke ground on 5,935 units, an 8.3% drop from the same interval last year. Despite the modest dip, demand is not anticipated to soften. An average of 11,643 units were added to the metro's inventory each year between 2016 and 2020, and the expected recovery of service jobs as vaccines roll out will most likely support demand for multifamily space.

- As of April this year, more than half of the construction pipeline was clustered in Miami (20,103 units), followed by Fort Lauderdale with 10,637 units and West Palm Beach-Boca Raton with 5,994 units.

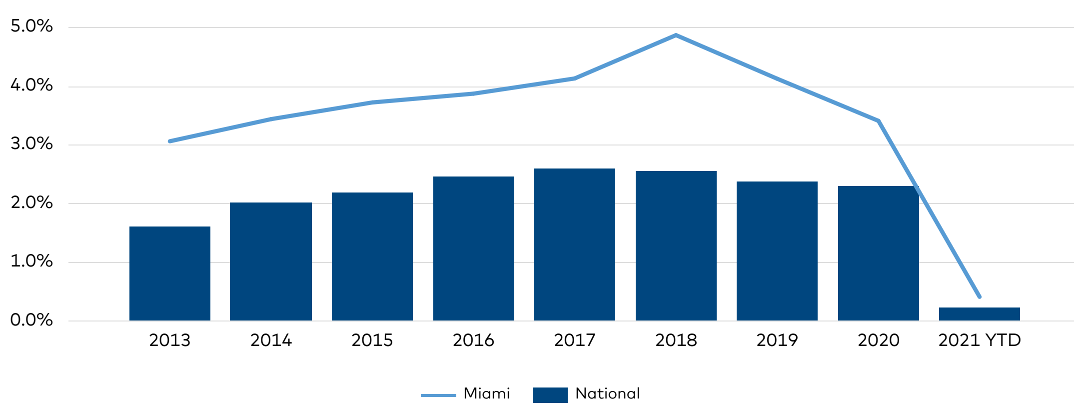
- The largest project that came online this year was Las Olas Walk, a 456-unit development in Fort Lauderdale-East, developed by ZOM.

Miami Completions (as of April 2021)



Source: Yardi Matrix

Miami vs. National Completions as a Percentage of Total Stock (as of April 2021)

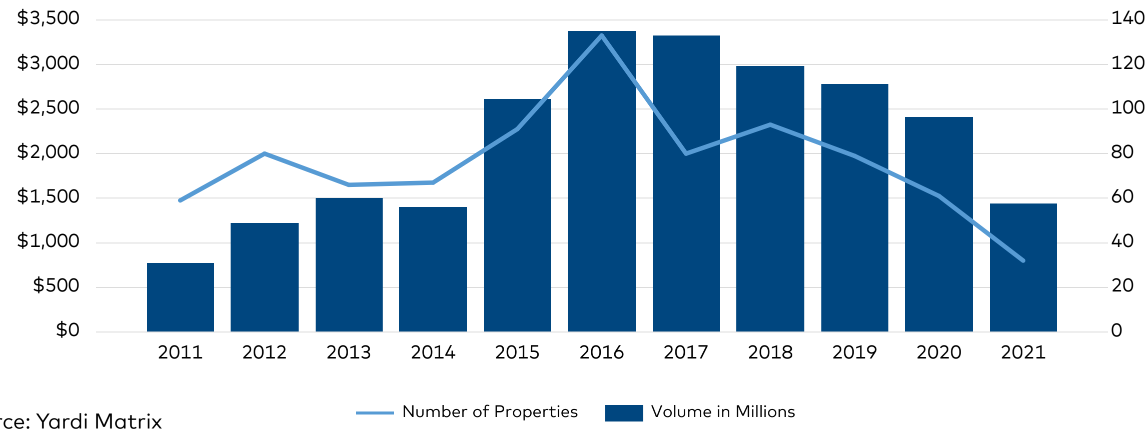


Source: Yardi Matrix

TRANSACTIONS

- Multifamily transaction volume in Miami surpassed $1.4 billion in the first four months of the year, twice the volume recorded in the same interval in 2020. Following a short-lived, pandemic-induced economic dislocation, deal velocity picked back up, with investors mostly interested in upscale product. Of the 32 assets that changed hands this year through April, 21 were in the Lifestyle segment, bringing the per-unit price to a cycle peak of $254,938. That was 50% higher than the U.S. average.
- Private investors have been coming off the sidelines recently, with the majority favoring communities outside the market core. Fort Lauderdale accounted for half of the $3.1 billion in multifamily assets that traded in the 12 months ending in April, followed by West Palm Beach-Boca Raton with $966 million.
- Sterling American Properties' $154 million acquisition of the 400-unit Midtown 5 in Miami was the largest deal year-to-date through April.

Miami Sales Volume and Number of Properties Sold (as of April 2021)



Source: Yardi Matrix

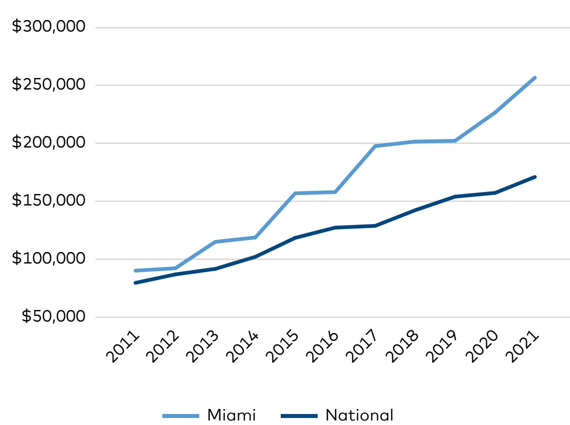
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Fort Lauderdale-East	275
Miami-Wynwood	228
West Palm Beach	215
Boca Raton-East	208
Pembroke Pines	204
Plantation	200
Fort Lauderdale-West	160

Source: Yardi Matrix

[1] From May 2020 to April 2021

Miami vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

MULTI-HOUSING NEWS

data by Yardi Matrix

Top 5 Florida Markets for Construction Activity

By Corina Stef

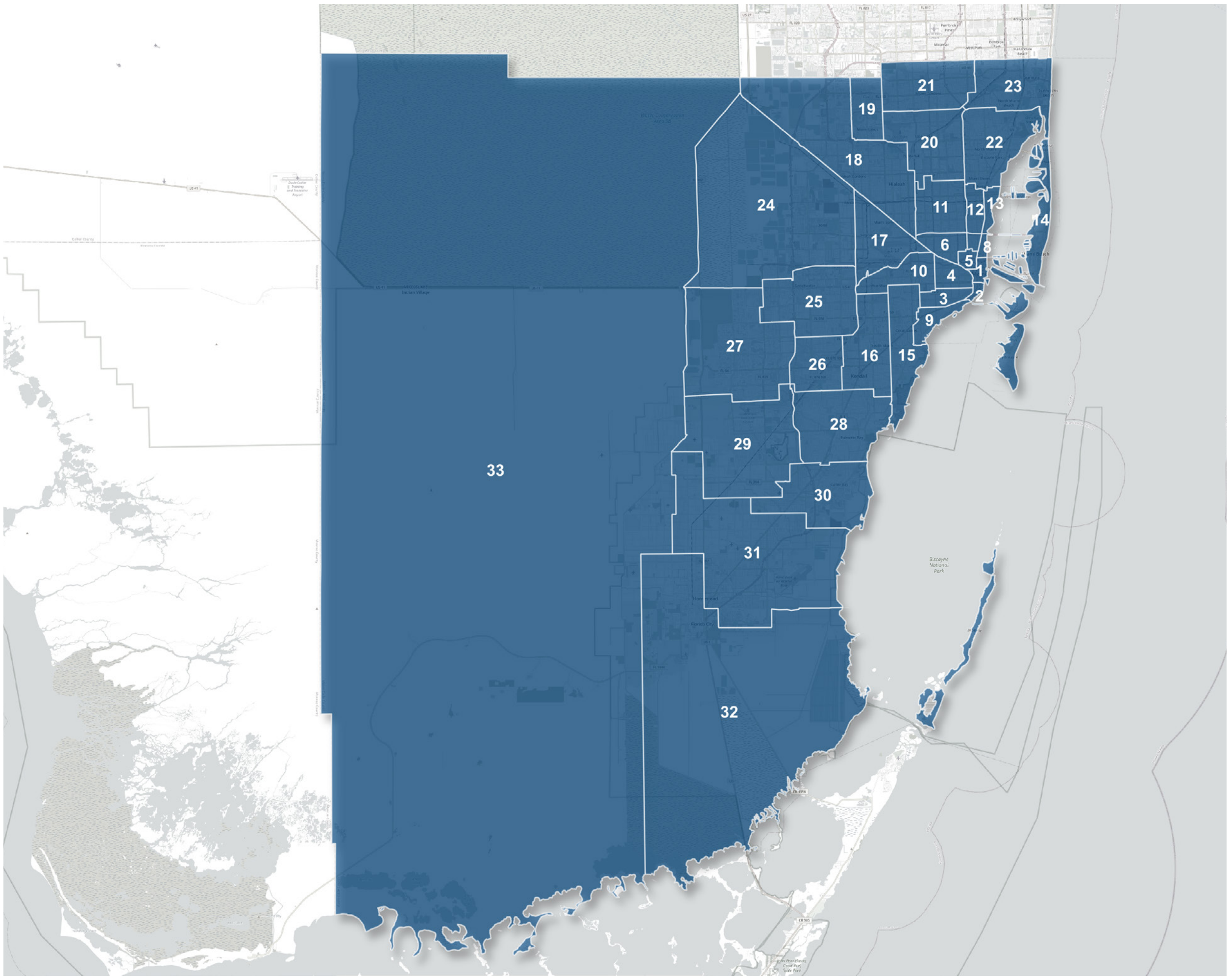
Construction activity hasn't lost momentum in Florida, with the multifamily sector powering through despite nationwide and local hurdles. More than 11,300 units were delivered in the first quarter of the year, according to Yardi Matrix data. As of May, the state had more than 100,000 units underway. Development activity was concentrated in the larger metro areas, where demand for new supply was high even before the onset of the pandemic.

Rank	Market	Units Underway	Percentage of Stock
1	Miami	21,104	15.4%
2	Orlando	21,025	9.2%
3	Tampa–St Petersburg–Clearwater	17,287	7.7%
4	Fort Lauderdale	11,837	11.3%
5	Southwest Florida Coast	7,991	11.1%

Miami

First on our list is Miami, which has been benefiting from waves of residents and investors heading south from the East Coast. Despite the health crisis, construction activity ramped up, with developers working on projects totaling more than 21,100 units as of May. The number accounts for 15.3 percent of the total stock. The largest project under construction was Melo Group's Downtown 5th, a 1,045-unit property in downtown Miami scheduled for completion this summer. The twin towers will also incorporate 12,500 square feet of retail space.

MIAMI SUBMARKETS



Area No.	Submarket
1	Miami–Downtown
2	Miami–Brickell
3	Miami–Coral Way
4	Miami–Little Havana
5	Miami–Overtown
6	Miami–Allapattah
7	Miami–Wynwood
8	Miami–Edgewater
9	Miami–Coconut Grove
10	Miami–Flagami
11	Miami–Liberty City
12	Miami–Little Haiti
13	Miami–Upper East Side
14	Miami Beach
15	Coral Gables
16	South Miami
17	Airport

Area No.	Submarket
18	Hialeah
19	Miami Lakes
20	Opa-locka
21	Miami Gardens
22	North Miami
23	North Miami Beach
24	Doral
25	Fontainebleau–University Park
26	Sunset
27	Kendall West
28	Kendall
29	Three Lakes
30	Goulds
31	Homestead
32	Florida City
33	Outlying Miami–Dade County

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.