



MULTIFAMILY REPORT

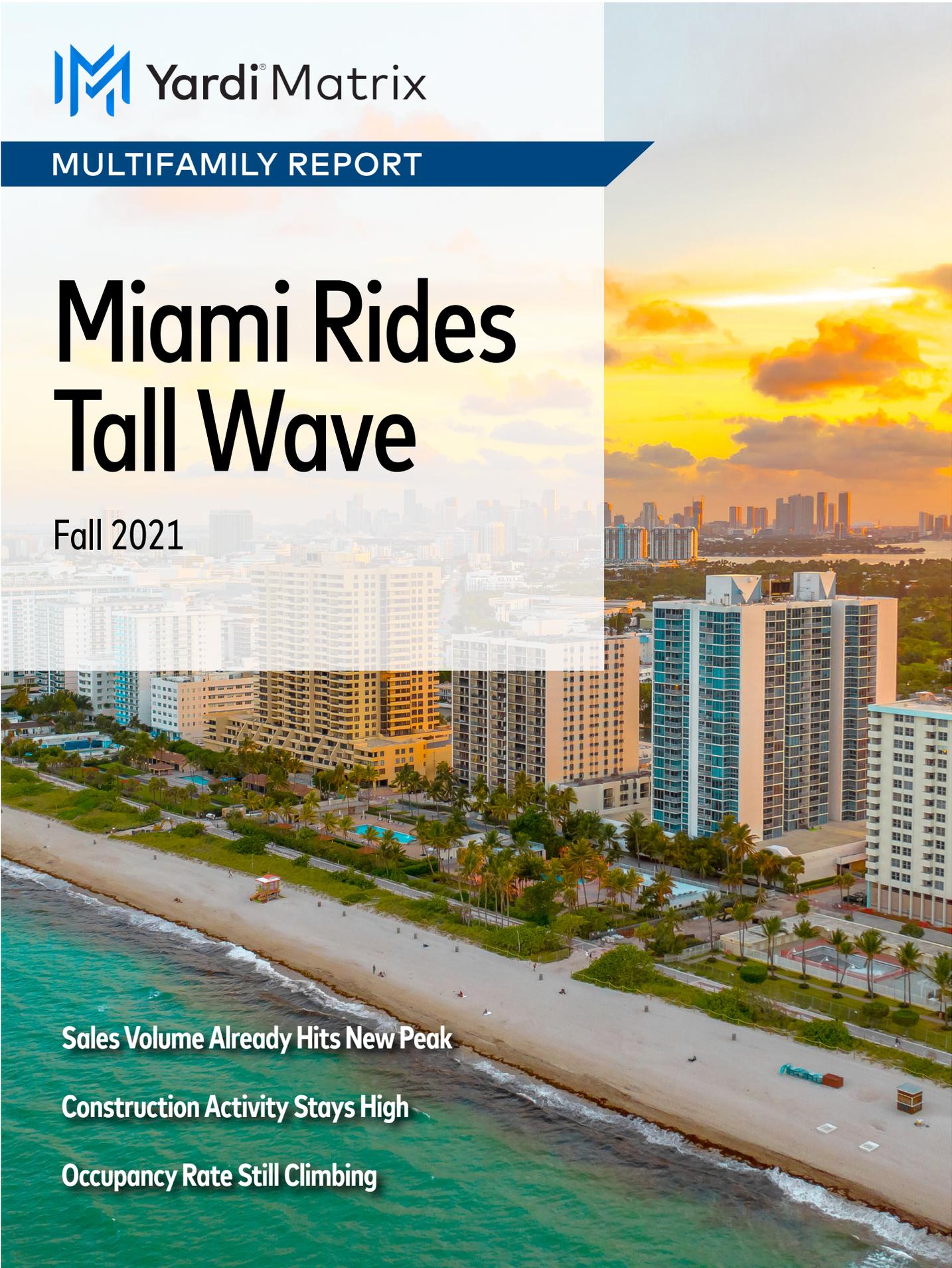
Miami Rides Tall Wave

Fall 2021

Sales Volume Already Hits New Peak

Construction Activity Stays High

Occupancy Rate Still Climbing



MIAMI MULTIFAMILY



Rents, Values Climb As Demand Holds

Miami's rental market is overperforming in 2021, largely on the back of accelerated demand generated by incoming residents. Despite solid supply additions throughout the cycle, demand has maintained rent growth at some of the highest levels in the nation, with improvement at 2.8% on a trailing three-month basis. Meanwhile, year-over-year growth hit 17.5% as of August, pushing the average overall rent to \$1,992.

Miami's economy is finally ready to trend back upward, after the employment rate was down just 4 basis points year-over-year as of June. With only two employment sectors—government and construction—losing positions through the interval, and the metro's unemployment rate down to 5.7% as of July, it is likely that the bulk of losses has been curbed. With capital improvement plans worth \$5 billion underway at Miami International Airport and \$137 million in funds from the American Rescue Plan Act coming to the city of Miami, the market's main economic drivers are ready to steadily gain ground.

Multifamily investment is overperforming in 2021, with \$4.2 billion in deals recorded through August, already \$1.3 billion over the previous five-year annual average. Development is also up, with 39,921 units underway as of August and an additional 215,000 apartments in the planning and permitting stages.

Market Analysis | Fall 2021

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Recent Miami Transactions

City Center on 7th



City: Pembroke Pines, Fla.
Buyer: AIR Communities
Purchase Price: \$223 MM
Price per Unit: \$318,071

Doral West



City: Doral, Fla.
Buyer: RREEF Property Trust
Purchase Price: \$146 MM
Price per Unit: \$377,191

Marela



City: Pembroke Pines, Fla.
Buyer: DWS
Purchase Price: \$121 MM
Price per Unit: \$329,484

The Point at Wellington

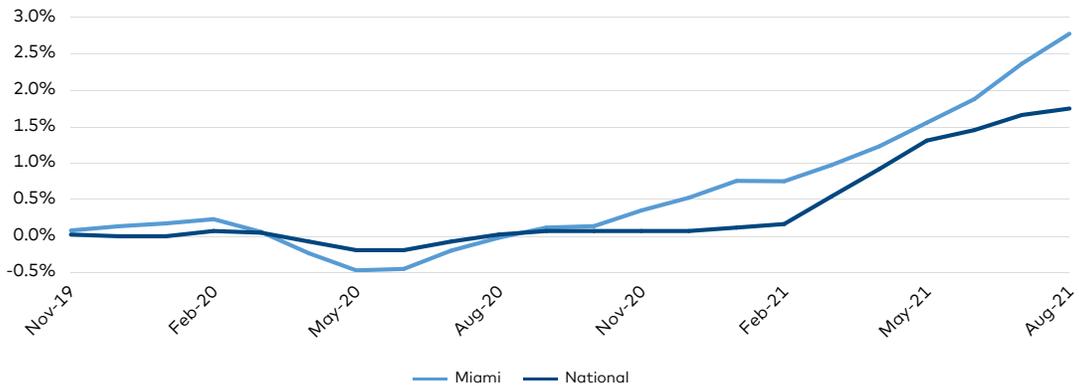


City: Royal Palm Beach, Fla.
Buyer: Pantzer Properties
Purchase Price: \$119 MM
Price per Unit: \$304,503

RENT TRENDS

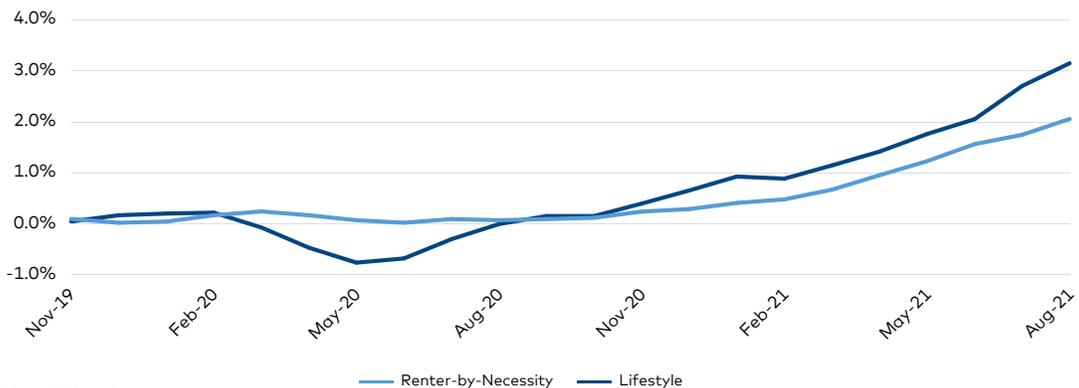
- ▶ Miami rents have increased at a strong clip, up 2.8% on a trailing three-month (T3) basis as of August, 110 basis points higher than the national rate. The average overall rent reached \$1,992, just under the \$2,000 mark and well above the \$1,539 national figure.
- ▶ On a year-over-year basis, rent growth was one of the strongest among major U.S. metros, at 17.5% as of August. Helped by statewide mandates limiting the scope of lockdown measures, residents flocked to Florida, pushing demand for rental housing across the quality spectrum. Lifestyle assets saw a stronger rate of improvement, at 3.1% on a T3 basis, while the working-class Renter-by-Necessity segment recorded a 2.1% rise.
- ▶ Although inventory additions in metro Miami have consistently outperformed the nation, demand for rental housing has held strong. As a result, the average occupancy rate in stabilized properties has seen a significant uptick, reaching 96.3% as of July, up 170 basis points from July 2020.
- ▶ During the 12 months ending in August, West Palm Beach submarkets recorded some of the strongest gains: North Palm Beach (28.7%), Boca Raton-West (26.0%) and Royal Palm Beach (23.8%).
- ▶ At the current pace, Miami rents may exceed the 12.1% expected growth rate for 2021.

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

- ▶ The recovery of Miami's economy is well underway, with employment growth barely in negative territory, down 4 basis points year-over-year as of June. With only two sectors still recording net losses—government and construction—the metro is steadily gaining ground once again.
- ▶ As the hardest-hit sector, leisure and hospitality is also now the fastest to recover, having added 47,400 jobs for a 20.1% year-over-year spike.
- ▶ Trade, transportation and utilities remains the market's main economic driver. The sector added 18,800 jobs—bringing it to 582,000 positions—accounting for 23.4% of total non-farm employment in the market. With a \$5 billion capital improvement plan underway at Miami International Airport that aims to expand all three passenger terminals, and the local industrial market outperforming a white-hot national trend, the sector is poised for further improvement.
- ▶ Miami will have access to \$137 million in funding from the American Recovery Plan Act, to invest in initiatives meant to boost the bounce back from the health crisis.

Miami Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	284	11.4%
60	Professional and Business Services	448	18.0%
40	Trade, Transportation and Utilities	582	23.4%
80	Other Services	113	4.6%
65	Education and Health Services	396	16.0%
55	Financial Activities	191	7.7%
30	Manufacturing	89	3.6%
50	Information	47	1.9%
15	Mining, Logging and Construction	51	2.1%
90	Government	283	11.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Miami's population bounced back in 2020, having added roughly 6,500 people. Following a sharp 32,000-resident decline in 2019, the demographic trend has been reversed by an open economy and limited lockdown measures.

Miami vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Miami Metro	6,149,687	6,198,782	6,166,488	6,173,008

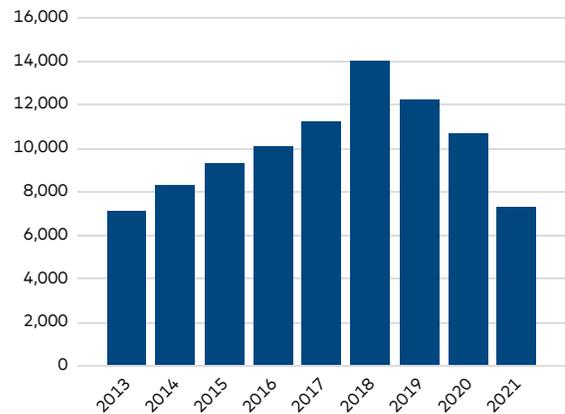
Sources: U.S. Census, Moody's Analytics

SUPPLY

- Construction has continued at a solid pace in Miami, with 39,921 units under construction as of August. Deliveries also kept a steady rate, as 7,314 units came online in 2021 through August, roughly on pace to match last year's 10,682 units. Deliveries have accounted for 2.3% of existing rental inventory, 100 basis points above the U.S. rate. Miami has consistently overperformed the national rate of deliveries for the past decade.
- Demand has kept the multifamily pipeline hot, as developers look to further supply additions: There were 215,000 units in the planning and permitting stages going into the fourth quarter.
- Despite Miami's strong pipeline, occupancy in stabilized properties kept growing, at 96.3% as of July 2021. That's 170 basis points higher than it was in July 2020, showcasing strengthening rental demand. With Florida's lockdown measures eased earlier than in other states, residents have flocked to Miami, boosting an already elevated market. Although both quality segments maintained above-average occupancy rates, the Renter-by-Necessity segment led, at 96.7% as of July.

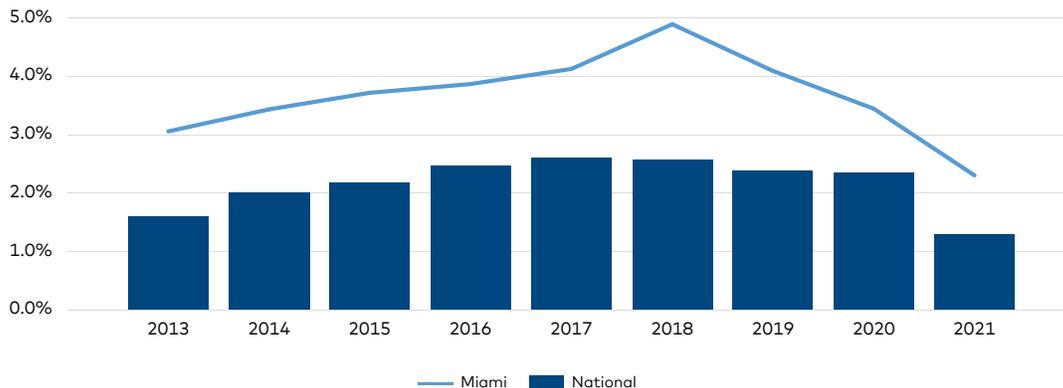
- As was the case with investment sales, submarkets in Fort Lauderdale also led construction activity: Fort Lauderdale-West (3,124 units under construction) and Pembroke Pines (1,878 units) were first and third in the ranking, while Miami-Downtown (2,893 units) came in second.

Miami Completions (as of August 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

TRANSACTIONS

- ▶ Investment amounted to more than \$4.2 billion this year through August, as Miami assets were in high demand. The total sales volume is already 34.2% higher than the previous five-year average, and on pace to mark the metro's strongest year for investment in over a decade.
- ▶ With 81 transactions in the first eight months of the year, investment has already exceeded 2020's total volume, when 63 deals were completed. Elevated deal flow has also led to significant value increases—the average price per unit hit \$239,000, well above the \$176,903 U.S. figure.
- ▶ In the 12 months ending in August, investment was highest in two Fort Lauderdale submarkets: Pembroke Pines (\$547 million) and Fort Lauderdale-East (\$359 million). In fact, of the top 10 submarkets, four were in the Fort Lauderdale area, five in West Palm Beach-Boca Raton and only one in Miami proper.

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



Source: Yardi Matrix

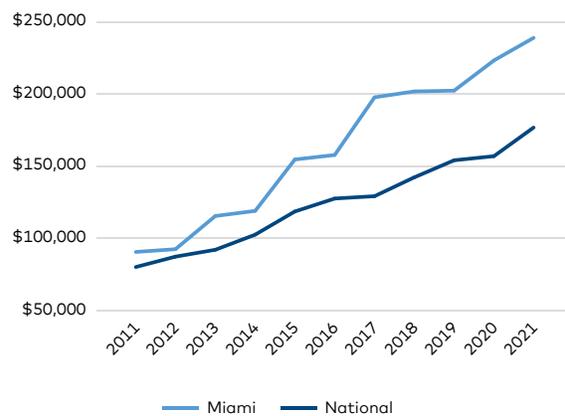
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Pembroke Pines	547
Fort Lauderdale-East	359
Boynton Beach	353
Fort Lauderdale-West	344
Royal Palm Beach	277
Sandalfoot Cove	230
Miami-Wynwood	228

Source: Yardi Matrix

¹ From September 2020 to August 2021

Miami vs. National Sales Price per Unit



Source: Yardi Matrix



Close-Up on Florida Multifamily from Camden Property Trust

By Anca Gagiuc

Florida continues to act as a magnet for New York City and California companies looking to relocate to more business-friendly markets. This in-migration of employers sustains a steady flow of residents, a combination that has accelerated the recovery of the state's multifamily fundamentals. Property owners and operators in Florida are looking at a great year, Camden Property Trust's Regional Vice President Ed Malone believes.

How has Camden's Florida portfolio performed over the past years?

Camden operates 25 communities with more than 9,000 apartment homes in our Florida portfolio and we are nearly 98 percent occupied. Despite a steady flow of new supply over the past few years, demand for apartment homes has clearly exceeded our expectations and allowed for significant absorption of those new units, as well as strong growth in occupancy and rental rates for our existing assets.

Which factors contribute to Florida's magnetism? How can its multifamily market be improved?

Florida has consistently attracted residents moving south for better weather, housing affordability and lower income tax rates. The quality of life and affordability remain Florida's top attractions for individual relocations, but companies are also recognizing the benefits for them and their workforce.



Corporate relocations and expansions have translated into a more diverse job base in Florida, and education/university growth is also at an all-time high: The University of Florida, Central Florida and the University of South Florida all rank in the top 10 for in-state university enrollment in the country. Major investments in infrastructure for airports and high-speed rail are other examples of Florida's investments for future growth.

How has the health crisis affected rent collection?

In the early part of the pandemic, rent collections in South Florida lagged the overall portfolio due to

the region's strong ties to tourism, retail and travel, which all suffered from the state's mandatory shutdowns and shelter-in-place initiatives. Today, rent collections are quite good in all our Florida markets and are relatively in line with long-term trends.

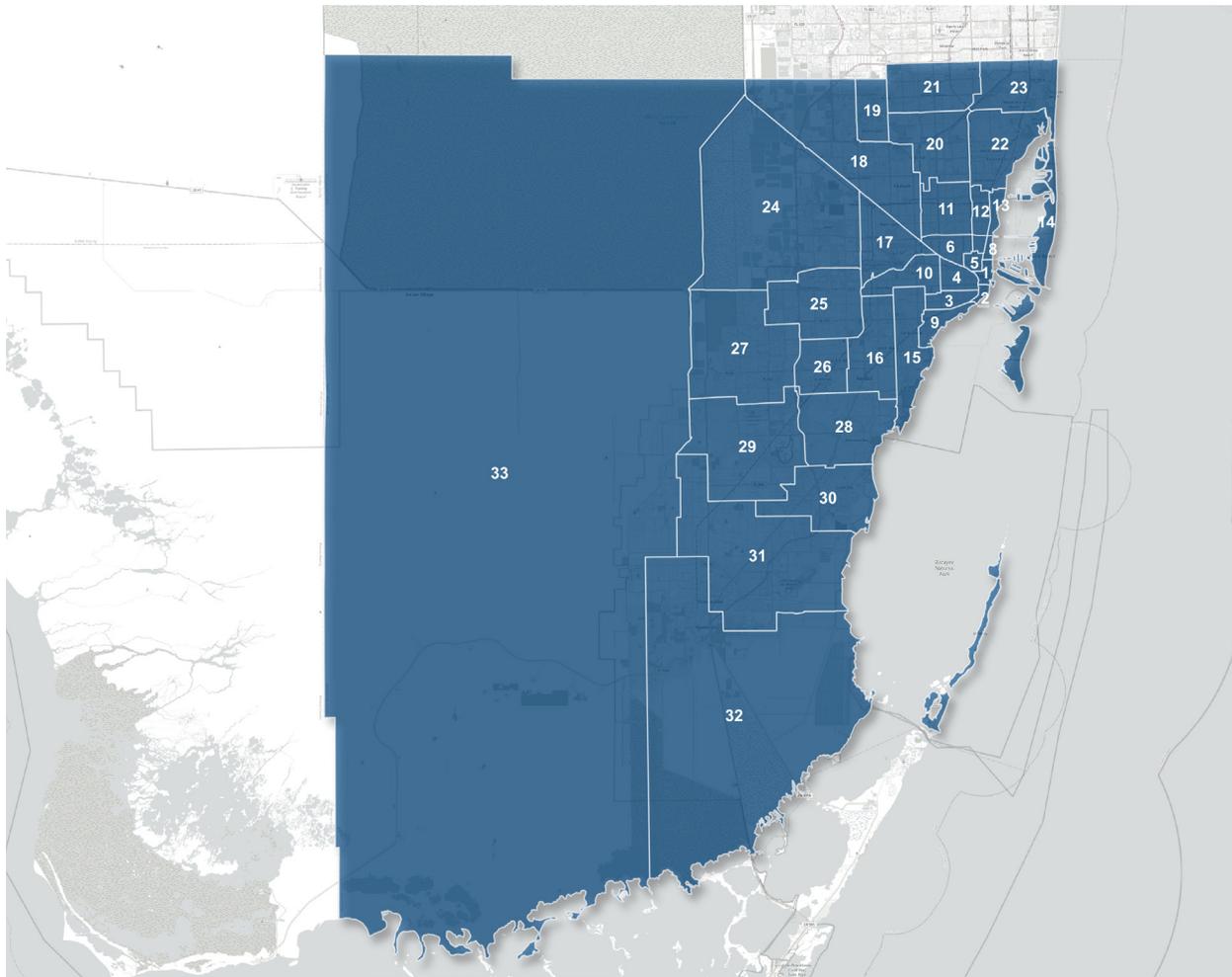
What about leasing activity?

Leasing activity has been very strong in all our Florida markets for the past several quarters, and at this point, we have very few units available to lease. Camden has focused on providing an easy, virtual platform for prospective residents to search for apartments.

With our new technologies, prospective residents can shop for an apartment, generate a quote, visit the community and tour available units at their convenience, complete an application, sign a lease, and even move in using their phone or personal device.

(Read the complete interview on multihousingnews.com.)

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

OTHER PROPERTY SECTORS

Office

- ▶ The [U.S. office market](#) is still trading water, with the surging life science subsector propping up the bulk of investment activity. Although on the upswing compared to a significantly hobbled 2020, U.S. sales activity, at roughly \$45 billion, still largely lags behind pre-COVID-19 years.
- ▶ As with the metro's rental market, Miami's office sector is one of the better performing sales-wise, with roughly \$1.6 billion in [office deals](#) recorded this year through July, CommercialEdge data shows.
- ▶ Property values are also outperforming the overall market, with office space trading at an average price per square foot of \$304 as of August. Meanwhile, the national figure stood at \$287.
- ▶ Miami's office development pipeline is operating at above-average levels, with more than 2.7 million square feet of office space under construction as of August. That accounted for 4.0% of the metro's existing stock, well above the 2.4% U.S. rate.

Industrial

- ▶ One of the fastest-growing real estate sectors through the health crisis was industrial, as e-commerce and data centers have pushed leasing, sales and development numbers throughout one of the toughest intervals in the national economy, a recent [CommercialEdge report](#) shows.
- ▶ Despite strong numbers for the industrial sector across most of the U.S., Miami has managed to outperform national figures, having fared better for average rent (\$8.66 per square foot vs. \$6.31 per square foot nationally), 12-month change in rent rates (4.4% vs. 4.0%), and vacancy (5.7% vs 5.8% nationally).

Self Storage

- ▶ The overall [self storage market](#) has performed well through the end of the year's third quarter, with figures for rent growth and overall rents now near historic highs. The national average rent for climate-controlled 10x10 units was \$146 in August 2021, just \$1 shy of the highest ever rate recorded by Yardi Matrix, which occurred in August 2018.
- ▶ The Miami market actually recorded the highest improvement rate among metros tracked by Yardi Matrix, at 20.2% year-over-year for 10x10 non climate-controlled units, and 17.2% year-over-year for 10x10 climate controlled units. The average rent for 10x10 non-CC units stood at \$161, well above the near-record high national rate.
- ▶ Miami ranked fourth for [self storage deliveries](#) this year through July, with 857,353 square feet coming online. The market trailed only Dallas-Ft. Worth, New York City and Washington, D.C.

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.

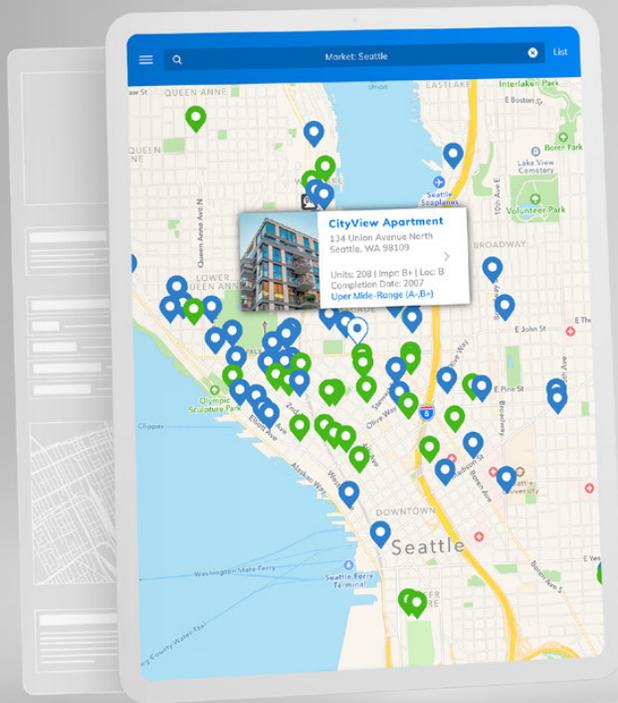
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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



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