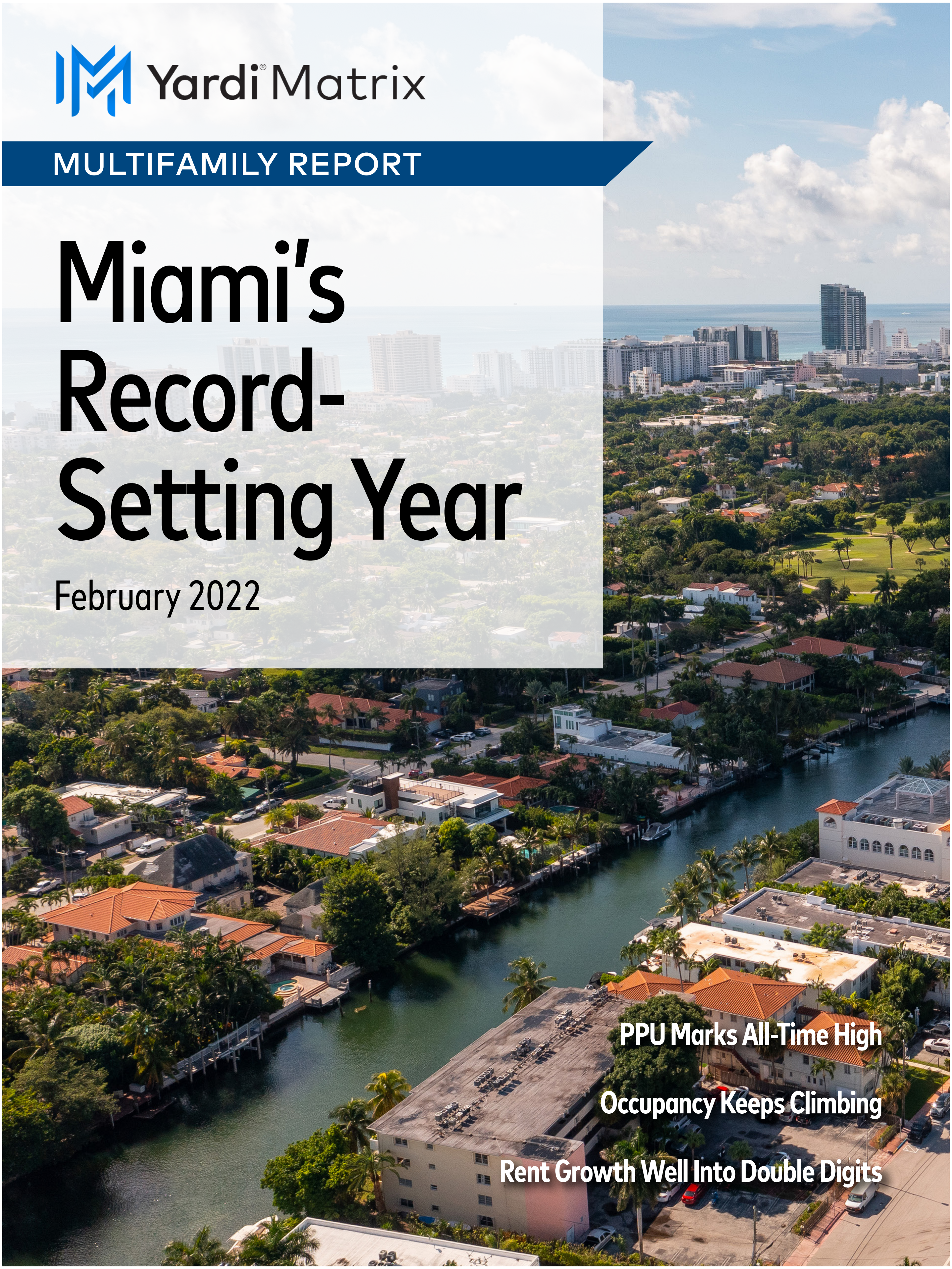
Yardi Matrix

MULTIFAMILY REPORT

Miami's Record-Setting Year

February 2022



PPU Marks All-Time High

Occupancy Keeps Climbing

Rent Growth Well Into Double Digits

MIAMI MULTIFAMILY

Yardi Matrix

Deliveries, Transactions Go Through the Roof

In 2021, the Miami market had one of its best years in decades, with some fundamentals hitting records. High demand coming from a steady inflow of high-wage workers pushed up rents at a dizzying rate. Last year, rates increased by 23.5%, placing Miami in the third spot nationally among major metros. The average rent clocked in at $2,133, while the U.S. figure stood at $1,594.

After peaking at 15.2% in July 2020, Miami unemployment began to steadily improve, reaching 3.8% in October 2021—the lowest rate since the onset of the health crisis. Underpinned by its business-friendly climate, the metro continues to see an acceleration in financial and tech companies relocating to the area, with West Palm Beach among preferred destinations. To accommodate economic growth, authorities are planning several infrastructure improvements. Florida is set to receive roughly $245 million for bridge repairs under the bipartisan $1.2 trillion infrastructure package, but funds for road improvements, septic-to-sewer conversions and sea-level-rise projects are also expected.

Multifamily investment and development reached new highs in 2021. A record-breaking $7.4 billion in deals closed last year, while completions hit an unprecedented 16,221 units. Yardi Matrix expects the Miami rental market to continue to perform well in 2022, but growth will most likely moderate.

Market Analysis | February 2022

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Recent Miami Transactions

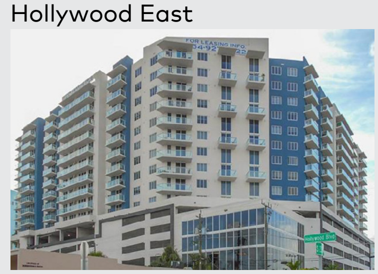
San Michele

City: Weston, Fla.
Buyer: Cardone Capital
Purchase Price: $207 MM
Price per Unit: $353,528

Cortland South Kendall

City: Miami
Buyer: Cortland
Purchase Price: $160 MM
Price per Unit: $392,826

Hollywood East



City: Hollywood, Fla.
Buyer: GMF Capital
Purchase Price: $102 MM
Price per Unit: $412,955

Running Brook

City: Miami
Buyer: Fairfield Residential
Purchase Price: $45 MM
Price per Unit: $241,935

RENT TRENDS

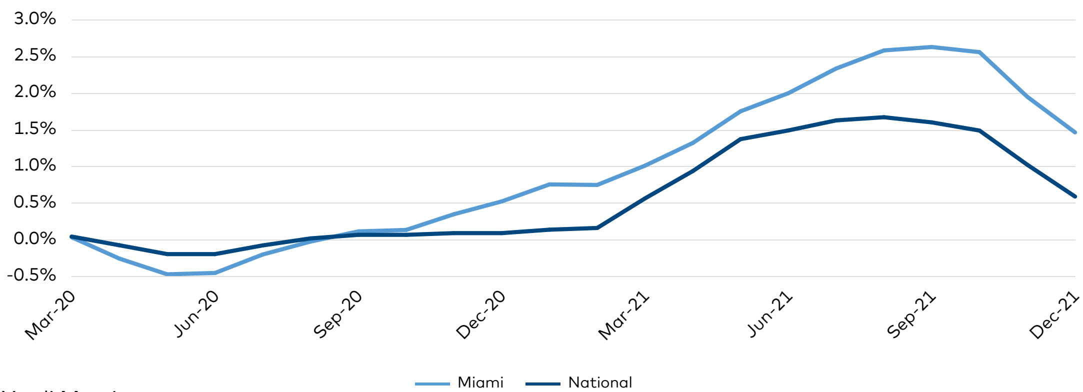
- Miami rates grew by 1.5% in the fourth quarter, 90 basis points above the U.S. rate. The average rent in Miami hit $2,133 in December, while the national average clocked in at $1,594. Year-over-year, asking rents increased by double digits in 26 of the top 30 metros that Yardi Matrix monitors, with Miami (23.5%) ranking third nationally, after Phoenix (25.3%) and Tampa (24.6%).

- Rent gains in the Lifestyle segment continued to outstrip working-class Renter-by-Necessity expansion. On a trailing three-month basis through December, rates for upscale assets edged up by 1.6% to $2,476, while RBN prices increased by 1.2%, to $1,611. Despite the substantial stock expansion of the past few years—almost 64,700 units were added to the metro's stock between 2017 and 2021—occupancy in stabilized properties increased 220 basis points in the 12 months ending in November, to 97.2%.

- For single-family rentals, 2021 ended on a high note. At 37.4%, Miami led the nation for year-over-year rent growth, while the U.S. rate stood at 13.8%. The average SFR rent was $2,973, significantly exceeding the $1,940 U.S. figure.

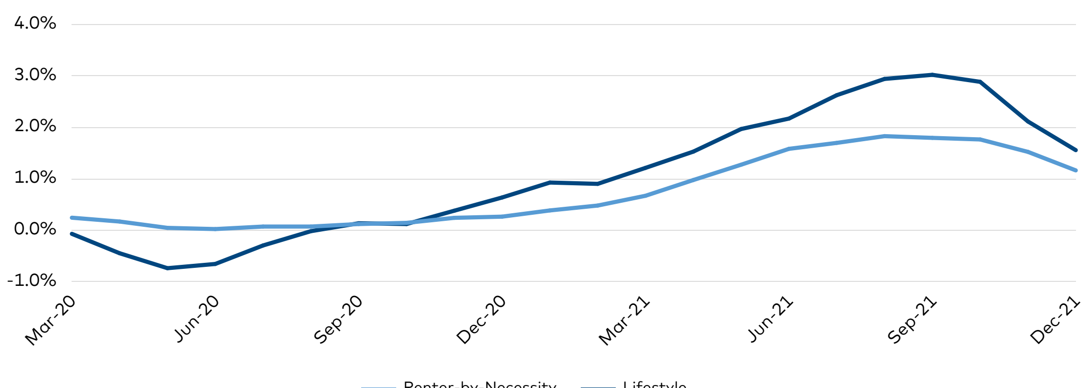
- Rent growth exceeded 40.0% in three submarkets last year—North Palm Beach (42.3%), Parkland (40.5%) and Palm Beach Gardens (40.2%). However, Coral Gables ($3,241) and West Palm Beach–Central ($3,170) were the most expensive submarkets in the metro at the end of 2021.

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

- As of October, Miami unemployment improved to 3.8%, the lowest level since the onset of the health crisis. The metro gained 121,800 jobs in the 12 months ending in October for a 5.5% expansion, 20 basis points above the national rate.

- Leisure and hospitality led job growth, with the sector adding 45,200 jobs, experiencing an 18.4% surge. And although South Florida is known for heavily relying on travel and tourism, other sectors have been steadily growing, as well. Major firm relocations and expansions in Miami earned the metro a reputation as a burgeoning tech and financial hub. After giants such as Microsoft, Blackstone and Goldman Sachs opened offices in South Florida in the past couple of years, Colony Capital announced it would move its corporate offices from Los Angeles to Boca Raton. Cryptocurrency investment firm Blockchain.com also relocated its headquarters to Miami from New York City.

- The soaring economic growth brought with it an outbreak of inflation—mirroring national trends—which could prove damaging over the long haul. In addition, headwinds such as rising sea levels could derail the metro's long-term development plans. To mitigate the effects of climate change, the city revealed a 40-year, $3.8 billion project that aims to alleviate projected flooding scenarios.

Miami Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	291	11.3%
60	Professional and Business Services	468	18.3%
40	Trade, Transportation and Utilities	599	23.4%
65	Education and Health Services	407	15.9%
80	Other Services	113	4.4%
55	Financial Activities	194	7.6%
30	Manufacturing	89	3.5%
50	Information	47	1.8%
15	Mining, Logging and Construction	53	2.1%
90	Government	304	11.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Miami added only 6,520 residents in 2020 for a 0.1% uptick, below the 0.4% U.S. average. Meanwhile, Jacksonville (1.8%) and Tampa (1.5%), recorded the highest population increases in the state, fueled by the ongoing migration to Sun Belt secondary and tertiary markets.

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

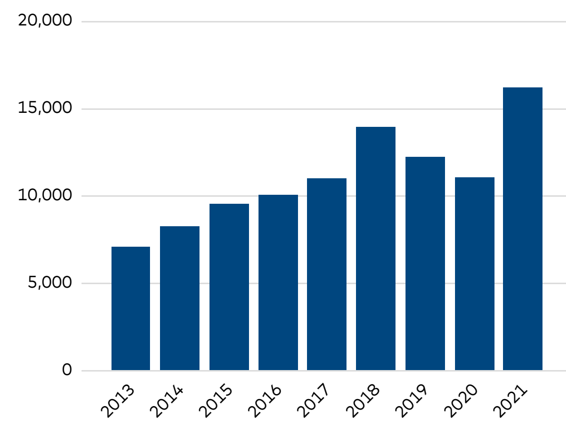
- The metro had 34,711 units under construction at the end of last year, with more than half of them in Miami–Dade County. Another 214,911 apartments were in the planning and permitting stages, a sign that developers are confident in the market's long-term perspectives.

- Multifamily deliveries soared to 16,221 units last year, setting a new peak. Developers largely favored the Lifestyle segment, with 86% of the newly completed units in luxury properties. Over the previous five years, an average of 11,719 apartments came online across the metro each year. Yardi Matrix expects Miami to add another 14,850 units to its stock in 2022.

- Developers broke ground on 18,319 units across 74 properties last year. The figure is more than double the one recorded in the previous 12 months, when developers started work on only 9,089 units across 40 projects. Fueled by in-migration and strong job growth, demand for multifamily is not anticipated to soften in the foreseeable future.

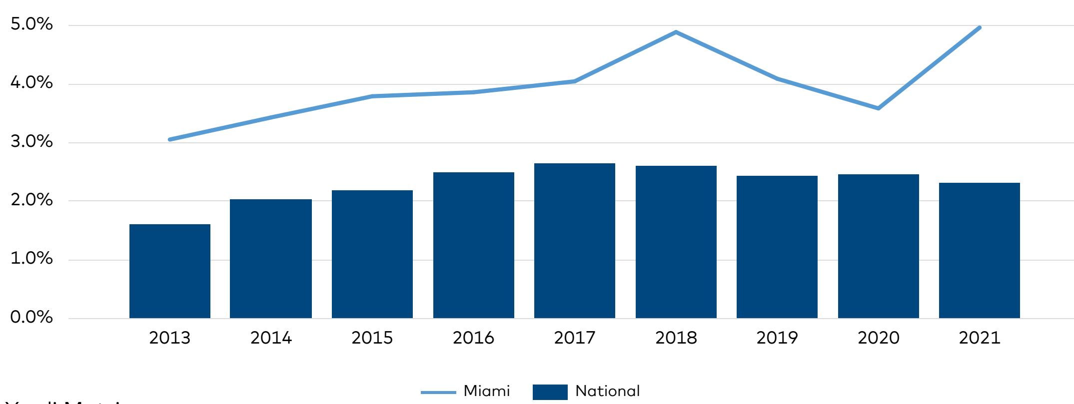
- As of December, roughly a quarter of the construction pipeline was centered in five Miami and Fort Lauderdale submarkets—led by Plantation (2,163 units underway), Miami–Downtown (2,158 units) and Hialeah (1,917 units). The largest project underway across the three urban core areas is Society Biscayne, a 704-unit development by PMG. On a metro level, the project is second only to Tavistock Group's redevelopment of the historic Pier Sixty-Six Hotel and Marina. Plans call for the addition of three towers totaling 740 units along Fort Lauderdale's 17th Street Causeway.

Miami Completions (as of December 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

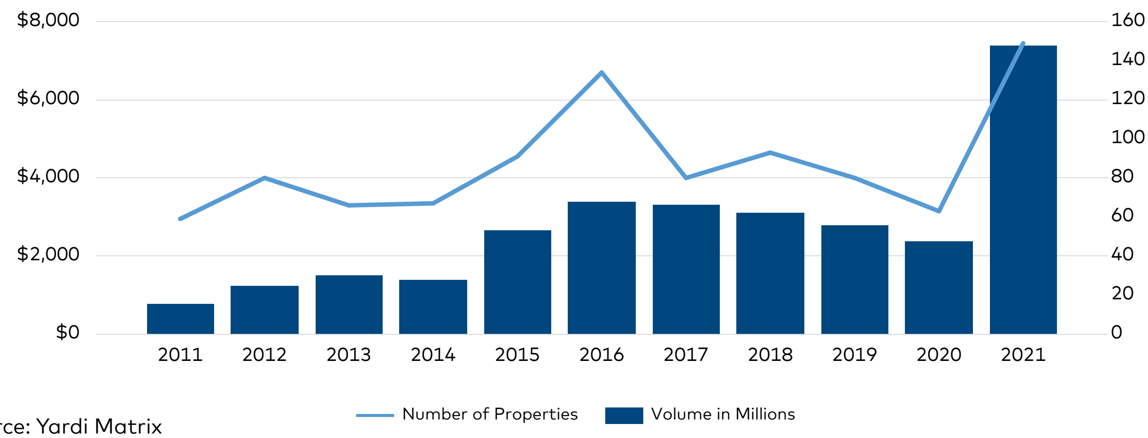
TRANSACTIONS

- Investment skyrocketed in 2021 to more than $7.4 billion, the metro's strongest year on record. For comparison, the previous six-year average was $2.9 billion. Deal volume accelerated in the second half of last year, with $4.8 billion in multifamily assets changing hands. The expansion of high-wage tech and financial sectors, along with increased economic confidence, created the optimal climate for investors to act.

- The per-unit price hit $255,445 in 2021, well above the $188,338 U.S. average.

- At $677 million, Boynton Beach had the highest transaction volume last year. Two $150 million-plus deals closed in the submarket—LivCor spent $171 million on the 494-unit One Boynton, and The Shidler Group paid $153 million for the 433-unit Sealofts at Boynton Village. However, 2021's largest transaction was in Boca Raton–West. Cortland paid $230 million for Cortland Uptown Boca, a recently completed 456-unit community.

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



Source: Yardi Matrix

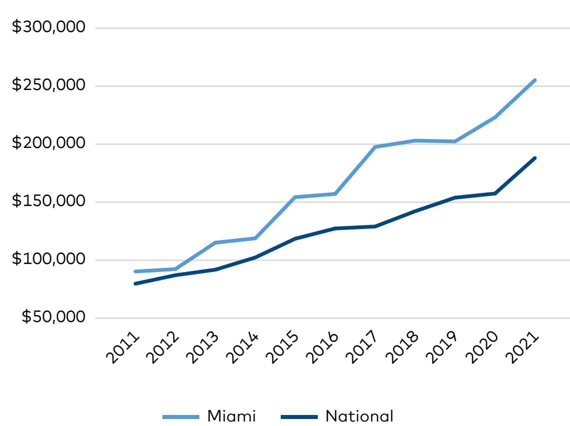
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Boynton Beach	677
Pembroke Pines–Miramar	556
Doral	451
Fort Lauderdale–Central	383
Boca Raton–West	335
Three Lakes	335
Hollywood	233

Source: Yardi Matrix

[1] From January 2021 to December 2021

Miami vs. National Sales Price per Unit



Source: Yardi Matrix

Why the Southeast Remains the Star of Multifamily

By Laura Calugar

The perfect climate, tax breaks and some of the highest-paying jobs—the Southeast has got them all. No wonder so many people have been relocating to this region, even before the health crisis. The move continues to fuel a surge in multifamily demand across several established metros, but smaller cities are also performing well. First Communities Executive Vice President Pauline Houchins explains what continues to entice new residents to the region.

In the past 18 months, what southeast areas were the most sought-after and why?

COVID-19 changed the work model for many, and more employers than ever are allowing a truly remote workforce. As people came out of lockdown, individuals were drawn to areas that provided outdoor accessibility—lakes, beaches, mountains—to escape the feeling of confinement. As a result, we are seeing demand and population increases in South Carolina, North Carolina and Florida in areas that provide access to these features.

The move from high-tax states such as New York and New Jersey to Florida is notorious. How have you perceived this trend?

We have seen an influx of residents moving from the Northeast to our Florida region, and while many attribute it to tax breaks, the cost of living plays a role. Residents often tell us that their money goes further than what they are accustomed to seeing up north.

Would you say the Southeast is a haven for remote workers?

Our Texas and Florida communities have benefited significantly from the relocation of remote workers and are experiencing higher occupancy trends and increased rental rates due to the influx of residents entering the southern markets

We've received consistent feedback from new residents in these markets that their quality of life is improved as they appreciate the size of the units available in the Southeast.

Will those who have experienced living in the Southeast want to go back to large coastal cities?

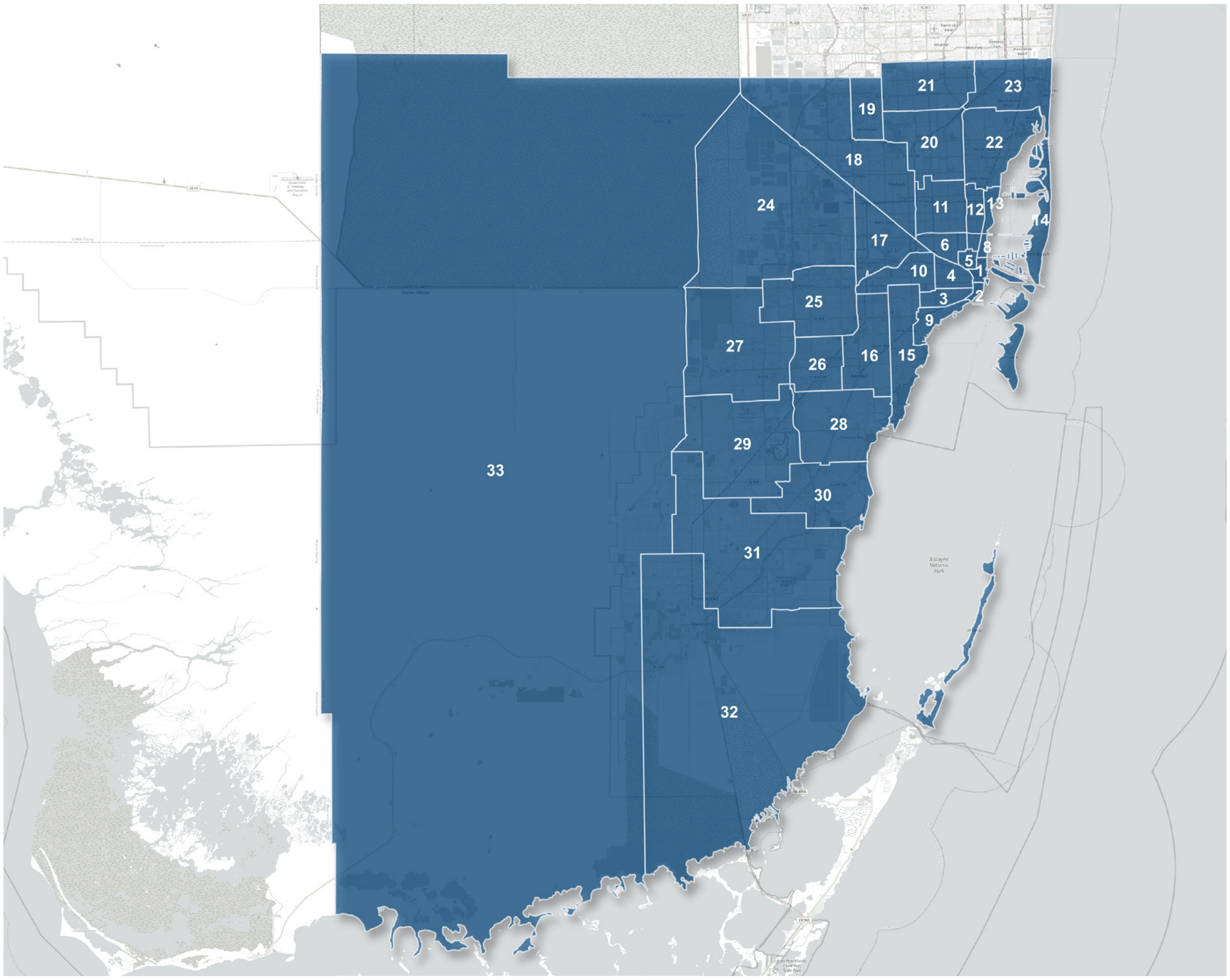
I think COVID-19 has redefined how and where we choose to spend our time. Markets are cyclical and so are the trends that we see in rental and housing markets. Rates will be the driver on where people are able to live, and their employer requirements will dictate when they need to make that change.

What will be the hardest for a multifamily property manager going forward? What challenges should they expect to face in 2022?

I think multifamily managers will face challenges when the market changes. Although our teams have experienced hardships during COVID-19, they've learned to adapt in different work environments, and the high occupancies and demand made things manageable. As the market changes, our managers will have to adapt yet again to working in a far more competitive market.

(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

- According to CommercialEdge data, 156.6 million square feet of office space was under construction in the U.S. at the end of 2021, of which roughly 3.5 million square feet were in the Miami metro area. Despite the uncertainty around the future of the sector, corporate expansions and strong in-migration of large companies have maintained developers' interest in new office projects across the metro.

- One of the largest office projects underway in Miami is 830 Brickell Plaza, a roughly 640,00-square-foot development by OKO Group and Cain International in the metro's financial district. The 55-story project was financed with a $300 million construction loan obtained in 2019 and is expected to be completed this year. Tech giant Microsoft has already inked a 50,000-square-foot lease at the forthcoming Class A office building. Private equity firm Thoma Bravo also signed up for 36,500 square feet on two floors.

- There were 56.3 million square feet of new office space started in 2021 in the U.S., but more than half of all starts were in just 10 markets. With 4.4 million square feet of new space, Austin led the country for office starts, followed by Dallas (3.8 million), the Bay Area (3.8 million) and Miami (3.4 million).

- The average sale price for office properties across the top 50 U.S. markets climbed to $293 per square foot in December as the national sales volume topped $77 billion. In Miami, the average asking rent was $295 per square foot, with investment sales last year totaling $1.7 billion. A notable deal is the sale of The Offices at Plantation Walk, an approximately 173,200-square-foot office building within a new $350 million mixed-use development in Plantation, Fla. Developer Encore Capital Management sold the Class A tower to Vision Properties for $57.5 million, or roughly $330 per square foot, a premium price for the Fort Lauderdale area.

Industrial

- Although e-commerce growth has started to slow down, it's still well above pre-pandemic levels. National rents for industrial space averaged $6.37 per square foot in November, a 3.8% year-over-year increase. In South Florida, the average rent was $9 per square foot, a 3.8% improvement.

- Miami continues to be a top market for logistics and e-commerce firms, with Doral among the most sought-after submarkets for investment. After forming a $1.1 billion strategic partnership, Bridge Industrial and CPP Investments announced plans to build a 2.6 million-square-foot industrial campus on 175 acres, the largest undeveloped tract of land in the city of Doral. Additionally, Foundry Commercial and Modlo, the logistics platform of GLP Capital Partners, broke ground on Modlo Air Logistics Center, a 495,000-square-foot facility that will take shape on a nearly 24-acre site that used to house a PepsiCo bottling facility.

Self Storage

- The self storage sector continued to record strong movement last year, despite slowing rent growth. According to Yardi Matrix, nearly 95 million square feet of storage space traded in 2021 across the U.S., for a combined $9.9 billion. This marks a 137% jump compared to 2020, when the total transaction volume totaled $4.1 billion.

- Miami ranked fourth among the top self storage markets for 2021 sales. More than 1.8 million square feet of storage space changed hands last year for a total transaction volume of $298.2 million. Investment increased by almost 87% in the second half of the year compared to the first six months, when sales amounted to $105.5 million. However, the volume has not yet reached pre-pandemic levels. In 2019, investors closed more than $403 million in self storage deals.

- In the seven U.S. gateway markets—including Miami—self storage is under-represented when it comes to inventory per capita. However, developers are striving to rectify this situation. As of November, South Florida ranked 16th in the country for self-storage square feet under construction.

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.