



MULTIFAMILY REPORT

Miami's Tight Rental Market

June 2022

YoY Rent Growth Leads Nation

Investment Activity Remains Red Hot

Construction Continues at Steady Pace

MIAMI MULTIFAMILY



High Demand Fuels Rent, Occupancy Growth

Boosted by above-average job growth, Miami has one of the country's tightest rental markets. As of April, rates were up by a whopping 24.6% year-over-year, earning Miami the top spot nationally in terms of annual rent growth. On a T3 basis, rates improved by 0.9% to \$2,261, while the U.S. average hit \$1,659, up 0.8%.

Miami added 153,200 positions in the 12 months ending in February, up 6.3% and 160 basis points above the national rate. Leisure and hospitality accounted for more than a third of the gains (49,800 jobs), followed by trade, transportation and utilities (40,400 jobs). The metro's northern area is among the hottest for investment, with Palm Beach County establishing itself as a thriving financial hub. According to the county's Business Development Board, around 100 financial firms set up locations here over the past few years, including JPMorgan Chase and Goldman Sachs.

Year-to-date through April, developers delivered 3,256 units and investors spent \$2 billion on multifamily assets across Miami. Investment activity is expected to slow down going forward, considering the rising interest rates and the uncertainty that comes with a high inflation climate. Additionally, increasing construction costs will likely limit development to some degree which, in return, will support rent growth. Yardi Matrix expects rates in Miami to grow by 9.0% this year—the largest hike in the country.

Market Analysis | June 2022

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Recent Miami Transactions

The Sophia at Abacoa



City: Jupiter, Fla.
Buyer: Berkshire Residential
Investments
Purchase Price: \$203 MM
Price per Unit: \$519,231

Jupiter Isle



City: Jupiter, Fla.
Buyer: S2 Capital
Purchase Price: \$127 MM
Price per Unit: \$353,760

Verona at Boynton Beach



City: Boynton Beach, Fla.
Buyer: Waterton
Purchase Price: \$80 MM
Price per Unit: \$370,370

Solera at City Centre

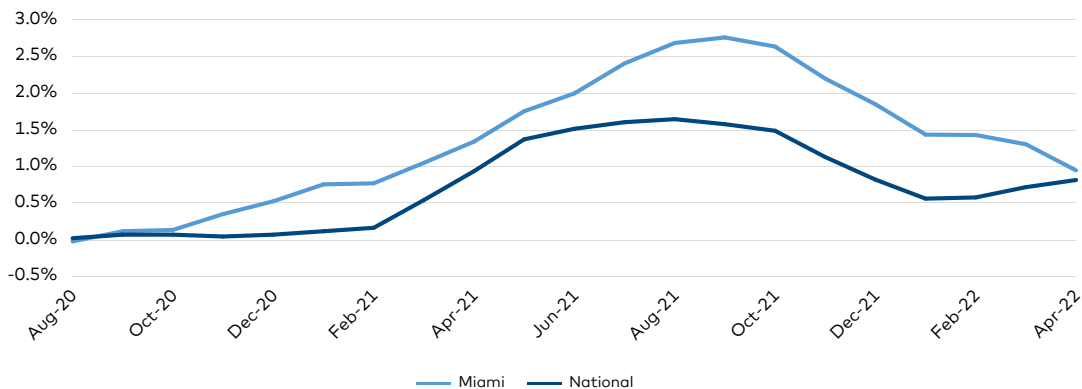


City: Palm Beach Gardens, Fla.
Buyer: Pantzer Properties
Purchase Price: \$67 MM
Price per Unit: \$496,269

RENT TRENDS

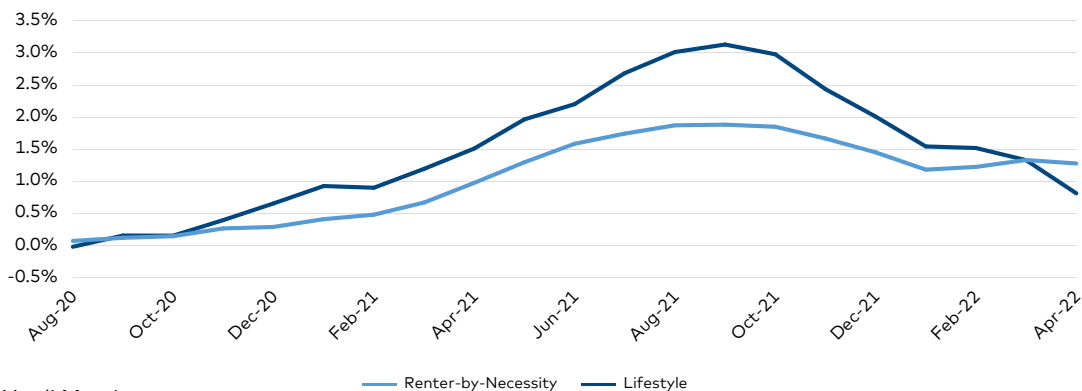
- Rents in Miami increased 0.9% on a trailing three-month basis through April, to \$2,261. Meanwhile, national figures rose 0.8% to an average of \$1,659. Year-over-year, Miami led the way with a 24.6% increase, but month-over-month, rent expansion in the metro was among the lowest in the country (0.2%), trailed only by Washington, D.C. (0%) and Twin Cities (0.1%).
- On a T3 basis through April, growth was led by the working-class Renter-by-Necessity segment, which improved 1.3%, to \$1,709. Meanwhile, the Lifestyle segment grew 0.8%, to \$2,622.
- Occupancy in stabilized Miami properties hit 97.1% in March, a full percentage above the U.S. rate and a 120-basis-point increase compared to March 2021.
- In the single-family-rental sector, asking rates continued to soar on par with multifamily. Miami was among the only three major U.S. metros with rent growth above 20.0%. These were: Orlando (50.3%), Miami (31.7%) and Las Vegas (20.3%).
- In the 12 months ending in April, rates grew at the fastest rates in the West Palm Beach-Boca Raton submarket of Jupiter (39.2% to \$2,507), but West Palm Beach-Central (\$3,485) remained the most expensive area.
- Despite the addition of 66,720 units to the metro's stock in the past five years, apartment demand continues to surge due to above-average employment gains, among others. And near-record rental demand is bound to continue as single-family home prices keep rising.

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 metro's unemployment rate continued to tighten—preliminary Bureau of Labor Statistics data shows that the jobless rate in each of the metro's three main areas was at or below the 3.0% mark in March.
- ▶ Miami gained 153,200 positions in the 12 months ending in February. That marked a 6.3% growth rate, 160 basis points above the U.S. figure. Leisure and hospitality, one of the metro's economic backbones, added a third of the jobs (49,800). Banking on the sector's resilience, MSC Group broke ground on its \$350 million Port of Miami terminal, a project that shows hope for the pandemic-hit cruise industry.
- ▶ Another project that is set to support both the tourism and e-commerce industries is the \$5 billion capital improvement plan underway at Miami International Airport. In 2021, Miami was the busiest airport for international passenger traffic in the U.S., according to Airports Council International. The facility also handled 2.7 million metric tons of freight, 17% more than it handled in 2020. With cargo volume only increasing, DHL Express invested \$78 million to expand its MIA hub and FedEx also spent \$72 million to double its total facility size.
- ▶ Meanwhile, Gov. Ron DeSantis announced that more than \$80 million has been allocated in South Florida for various infrastructure projects aimed at helping flooding concerns.

Miami Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	320	12.0%
40	Trade, Transportation and Utilities	635	23.8%
60	Professional and Business Services	482	18.1%
65	Education and Health Services	415	15.5%
55	Financial Activities	201	7.5%
80	Other Services	114	4.3%
50	Information	53	2.0%
30	Manufacturing	92	3.4%
90	Government	306	11.5%
15	Mining, Logging and Construction	53	2.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Although the health crisis generated an exodus to the Southeast, Miami actually lost residents—the metro's population contracted by 34,694 residents in 2021, for a 0.6% decline.
- ▶ Meanwhile, all other major Florida metros expanded. Tampa led the way with a 1.1% growth rate.

Miami vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Miami Metro	6,140,602	6,164,887	6,126,441	6,091,747

Source: U.S. Census

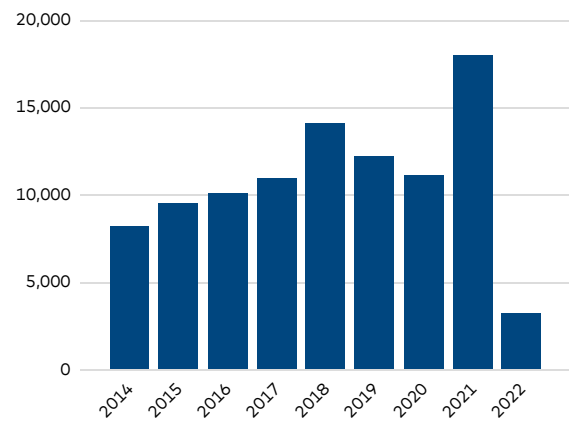
SUPPLY

- ▶ The Miami metro had 36,024 units under construction as of April, with the bulk in Lifestyle projects. Another 219,000 apartments were in the planning and permitting stages, a validation of developers' continued confidence in South Florida's long-term potential, despite the ongoing labor shortage, rising interest rates and high construction costs.
- ▶ Following the addition of 18,068 units to the metro's stock last year and an average of 11,770 units delivered during each of the previous five years, 3,256 units came online in the first four months of 2022. That accounted for 1.0% of the existing rental inventory, double the U.S. rate. Yardi Matrix expects 19,739 units to be completed by year-end in the metro, which would mark a new record.
- ▶ Development activity continues to be intense, but construction starts have moderated. Developers broke ground on 5,204 units in the first four months of the year, a noteworthy drop from the 6,402 units they started work on in the same period of 2021.
- ▶ Most of the projects underway as of April were in urban neighborhoods such as Plantation (2,163 units under construction), Hialeah (1,917

units), Fontainebleau-University Park (1,825 units) and Miami-Downtown (1,800 units).

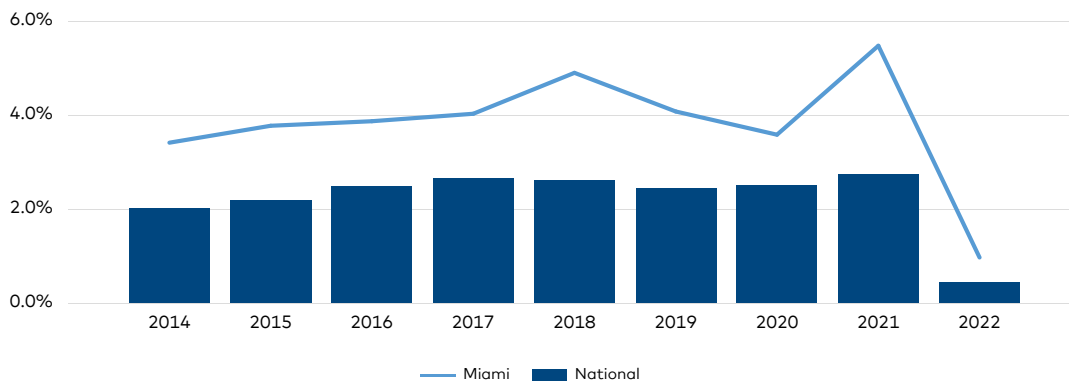
- ▶ The largest project under construction was 10726 Southwest Seventh Street, a 932-unit student housing development set to serve Florida International University. Adam America Real Estate and JW Capital Management are using a \$147 million loan from MSD Capital to erect the 22-story building in Sweetwater.

Miami Completions (as of April 2022)



Source: Yardi Matrix

Miami vs. National Completions as a Percentage of Total Stock (as of April 2022)



Source: Yardi Matrix

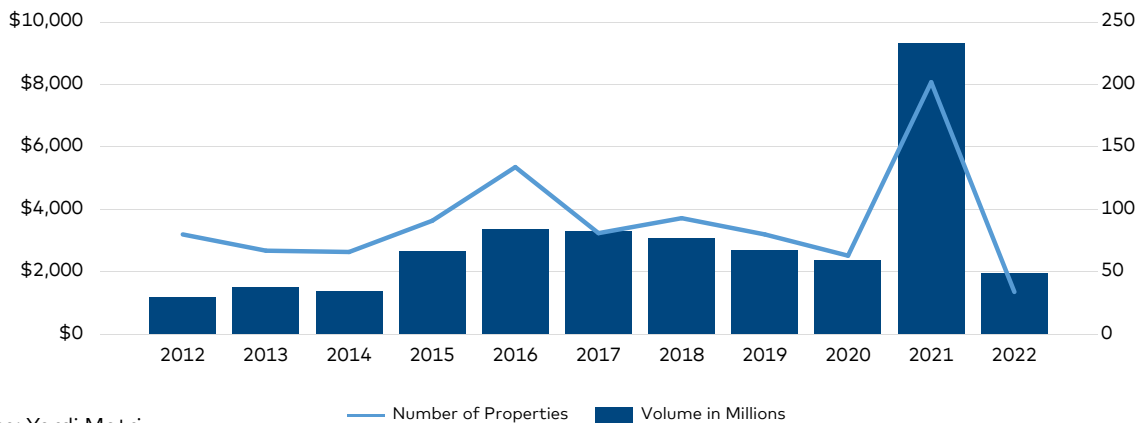
TRANSACTIONS

- ▶ Year-to-date through April, investment activity hit \$2 billion, surpassing last year's \$1.6 billion in sales for the same interval. With a total transaction volume of \$9.3 billion, 2021 was a record year. For context, rental sales had averaged only \$2.9 billion per year during the previous six years.
- ▶ This year, investors targeted Lifestyle assets—19 of the 34 communities that traded were luxury assets. This pushed the per-unit price above the

\$300,000 mark for the first time. Meanwhile, the U.S. average was \$209,274.

- ▶ Fort Lauderdale attracted the most dollars in the 12 months ending in April, with the Fort Lauderdale-Central (\$818 million) submarket being the most sought-after by investors. Although the state's pro-business climate and no tax policy will continue to lure both institutional and foreign capital, rising interest rates and inflation may lead to a slowdown in deal volume in the second half of the year.

Miami Sales Volume and Number of Properties Sold (as of April 2022)



Source: Yardi Matrix

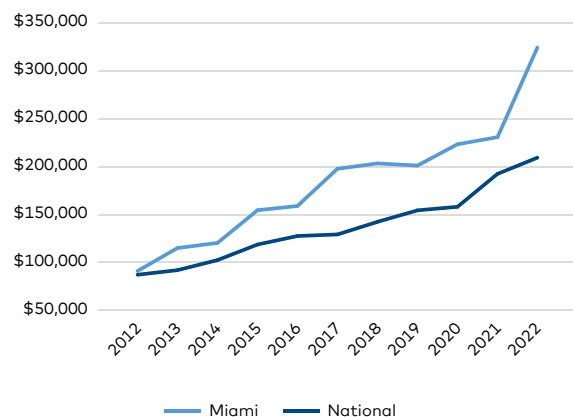
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Fort Lauderdale-Central	818
Boynton Beach	759
Pembroke Pines-Miramar	665
Doral	580
Jupiter	468
Three Lakes	335
Homestead	297

Source: Yardi Matrix

¹ From May 2021 to April 2022

Miami vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Multifamily Markets by Sales Volume in 2021

By Anca Gagiuc

Although in 2021 the retail, office and hospitality industries showed some signs of recovery, they still struggled, leading to a shift in investment toward multifamily. The attention boosted the annual investment volume to a new high, surpassing \$213 billion in 2021. The amount is more than double the \$96 billion total recorded in 2020 and well above the previous investment peak recorded in 2019 of \$129 billion.

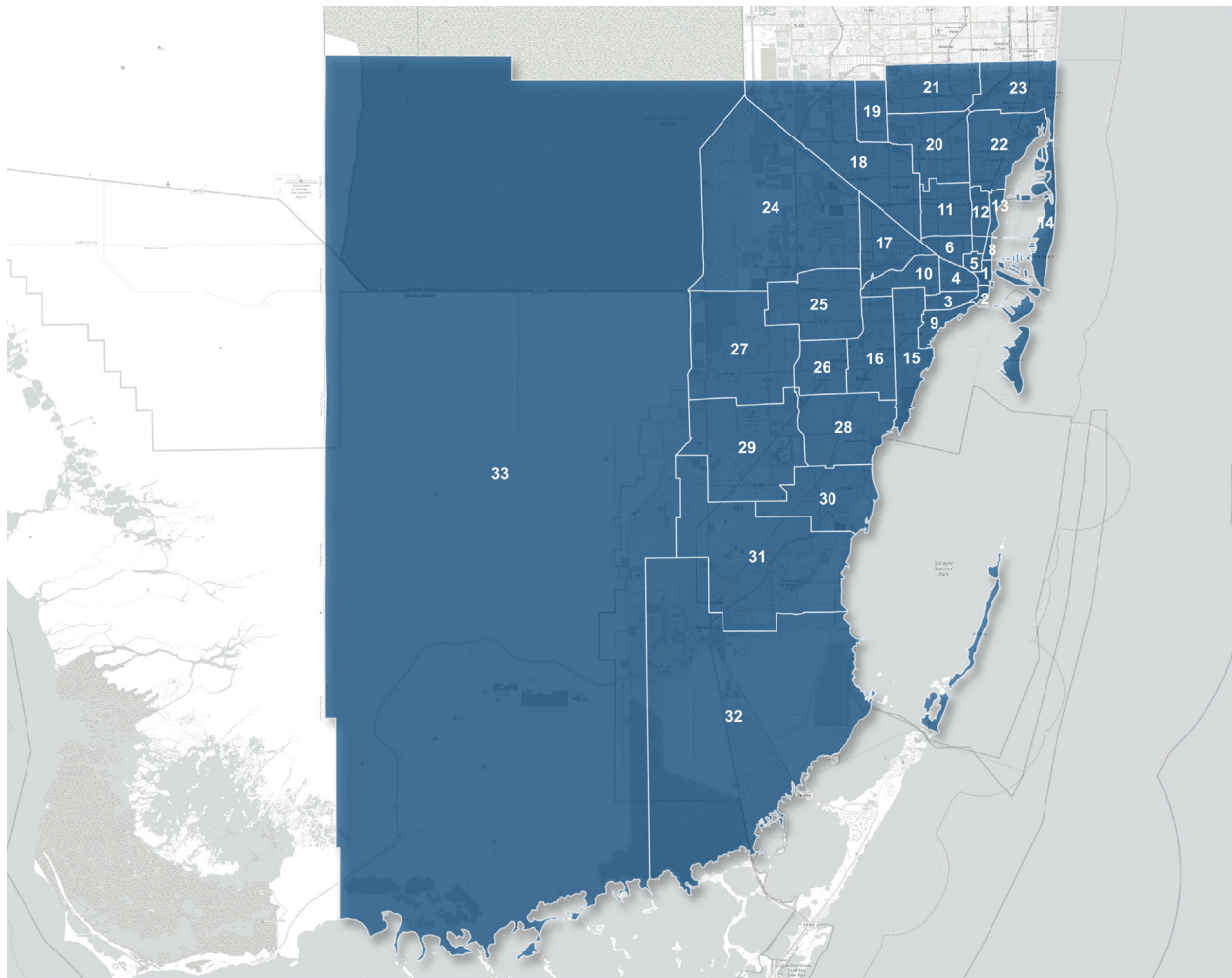
Metro	Sales Volume 2021	Properties Sold 2021	Units Sold 2021	Average Sale Price Per Unit 2021
Dallas – Fort Worth	\$14,638,381,314	551	140,640	\$171,005.13
Atlanta	\$14,462,137,683	325	83,765	\$192,369.38
Phoenix	\$14,412,674,811	270	56,789	\$258,166.74
Houston	\$11,059,042,386	426	115,011	\$146,827.43
Denver	\$9,771,559,229	143	32,630	\$322,238.47

Miami

Investors traded more than \$9.3 billion in Miami multifamily assets in 2021, a big jump from the \$2.4 billion in 2020 and \$2.7 billion in 2019. Overall, in 2021, 201 properties, or 45,806 units changed ownership, well above 2020 (63 properties, or 15,911 units) and 2019 (79 properties, or 19,265 units). The price per unit in Miami posted a 14.1 percent year-over-year increase in 2021, to \$254,904, and a 26.5 percent increase since 2019.



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

- In April, U.S. office listing rates averaged \$37.37 per square foot, [according to CommercialEdge](#) research, accounting for a 2.5% year-over-year drop. The most significant listing rate gains were recorded in Charlotte (\$32.29 per square foot) and Miami (\$47.76) for the second month in a row.
- In the past few years, Miami has cemented its place on the map as a destination for fintech, financial services, banking and private equity firms. As of March, Miami had [5.4 million square feet of office space under construction](#), according to the same data provider. In fact, at the end of the first quarter, the pipeline more than doubled since the same period in 2020, when it reached 2.5 million square feet.
- Brand Atlantic Real Estate Partners launched the [first ground-up commercial building in West Palm Beach](#) in over 30 years. Located at 300 Banyan Blvd., the building will encompass 140,000 square feet of Class A office space in the Clematis Waterfront District.
- On the leasing front, prominent venture capital, hedge fund, private equity and family offices signed deals in the most active submarkets, including the Brickell area, Coconut Grove, Wynwood, Miami Beach and West Palm Beach. AerCap, one of the world's largest aircraft leasing companies, [signed a 20,000-square-foot lease at 830 Brickell](#), a skyscraper taking shape in the heart of Miami's financial district. Meanwhile, [Nuveen Real Estate signed Mastercard International](#) to a 53,700-square-foot lease renewal at 801 Brickell, ensuring that the global payment technology solutions company stays put at the iconic 415,000-square-foot building that has been its for more than three decades.

Industrial

- The industrial sector remains one of the strongest in the country, according to [CommercialEdge data](#). Demand for new industrial space is sky-high and new leases premiums are expected to keep rising. Coastal metro markets ranked highest for newly signed lease averages. New industrial space in Orange County leased

for \$15.55 per square foot in April, followed by Los Angeles (\$13.94 per square foot), the Bay Area (\$12.16) and Miami (\$10.25).

- Link Logistics, Blackstone's U.S. industrial real estate platform, [signed two leases](#) totaling 153,495 square feet at its newly constructed Cypress Pointe Distribution Center in Pompano Beach, Fla., bringing the warehouse and distribution facility to full occupancy. JFC International Inc. committed to 87,190 square feet and Reload Floating Energy leased the remaining space.
- As of April, the industrial construction pipeline stood at 640.1 million square feet nationally, despite escalating construction costs, labor shortages and supply chain issues.
- Bridge Industrial is among the most active players in Miami's industrial market. The company formed a \$1.1 billion partnership with CPP Investments to develop industrial assets across the U.S., including six warehouse facilities totaling 2.6 million square feet in Doral, Fla. Bridge is also building Bridge Point Commerce Center, an industrial project in Miami Gardens, Fla. The firm [obtained a \\$153.5 million loan](#) to complete the second phase of the development. Once fully built out, Bridge Point Commerce Center will include more than 2.7 million square feet.

Self Storage

- Even with large amounts of storage stock available per person, high-growth secondary metros continue to post the strongest performance in rates, according to Yardi Matrix data. Of the top 10 metros for year-over-year growth in street rates for 10X10 NON CC units, only one—Miami—had self storage stock below the national average amount of net rentable square feet per capita as of April.
- Schulman Properties obtained [\\$8.7 million in joint venture equity financing](#) for Dixie Self Storage, a 1,068-unit facility underway in North Miami Beach.
- The recent spike in interest rates is putting the market to the test, but panelists at the [New York State Self-Storage Association's 2022 Investment Forum](#) in Tarrytown, N.Y., agreed that the sector is well-positioned to thrive in an inflationary environment due to growing demand stemming from changing lifestyle trends.

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 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 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, 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.



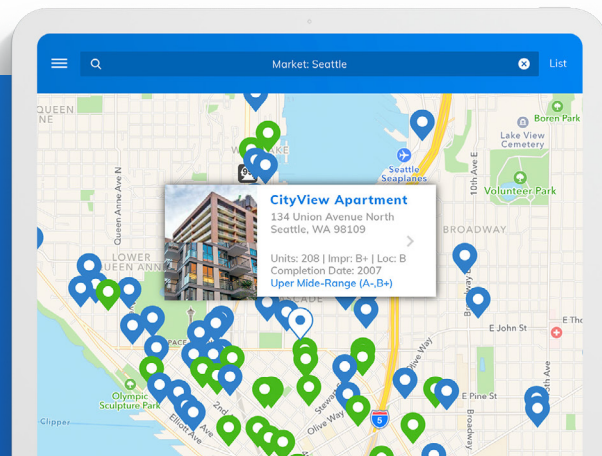
Yardi Matrix

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with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
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92% of the U.S. population.



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