

Miami Rides The Wave

October 2022

Per-Unit Prices Surge

YoY Rent Gains Among Nation's Highest

Unemployment Remains Below 3%

MIAMI MULTIFAMILY



Deliveries Soften, Sales Maintain Momentum

Following an exceptional performance in 2021, South Florida's multifamily market cooled to a more sustainable pace of growth. Overall rents grew 0.4% on a trailing three-month basis through August—20 basis points behind the U.S. rate—to \$2,344. Year-over-year among large U.S. metros, only Orlando (16.9%) posted stronger growth than Miami (16.7%).

Trade, transportation and utilities (41,700 jobs) led employment gains in the 12 months ending in June, followed by leisure and hospitality (38,400 jobs). The metro's travel industry rebounded rapidly, with traffic through Miami International Airport at 25.5 million passengers in the first half of the year. With business-friendly laws and top universities, Miami has been steadily growing its tech scene, fueled by the wide adoption of remote and hybrid work models. Tech trade association CompTIA found that a fifth of the 10,522 new tech jobs that Florida added last year were in Miami. The Sunshine State trailed only Texas (10,851 positions) in tech job growth in 2021, with California (5,165 new jobs)—a global tech staple—ranking third nationally.

Multifamily development shifted down a gear. Following the 18,070-unit record supply added to the metro's inventory in 2021, only 9,351 apartments came online in Miami this year through August. Meanwhile, at \$4.7 billion, investment volume was on par with 2021's first eight months.

Market Analysis | October 2022

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Recent Miami Transactions

Miro Brickell



City: Miami
Buyer: Harbor Group International
Purchase Price: \$185 MM
Price per Unit: \$495,968

Soleste Grand Central



City: Miami
Buyer: Avanti Residential
Purchase Price: \$181 MM
Price per Unit: \$502,778

Alvista Hollywood



City: Hollywood, Fla.
Buyer: Phoenix Realty Group
Purchase Price: \$70 MM
Price per Unit: \$220,128

The Asher



City: North Lauderdale, Fla.
Buyer: Electra America
Purchase Price: \$61 MM
Price per Unit: \$270,089

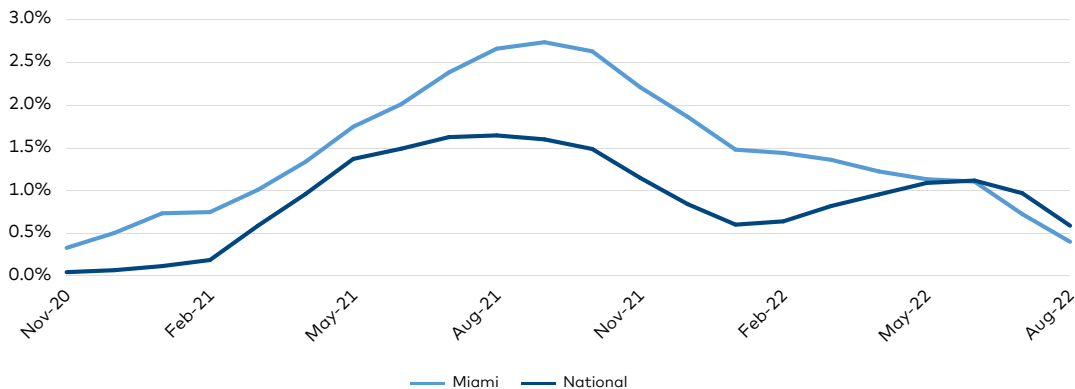
RENT TRENDS

- ▶ Miami rents rose 0.4% on a trailing three-month (T3) basis through August, lagging the national rate by 20 basis points. The average clocked in at \$2,344, while the national figure was \$1,718. Despite the deceleration, year-over-year rent growth across the Sun Belt was the strongest in the country, with Orlando (16.9%), Miami (16.7%) and Nashville (14.8%) claiming the top three spots among larger metros.
- ▶ On a T3 basis, gains were led by the working-class Renter-by-Necessity segment, up 1.2% to \$1,810. Meanwhile, rents in the Lifestyle segment rose only 0.1% to \$2,690, with growth steadily decelerating since September 2021.
- ▶ Despite the addition of almost 77,000 new units to the metro's stock in the six years ending in

2021, the occupancy rate in stabilized properties remained high, at 96.7% as of July, outpacing the national figure by 70 basis points.

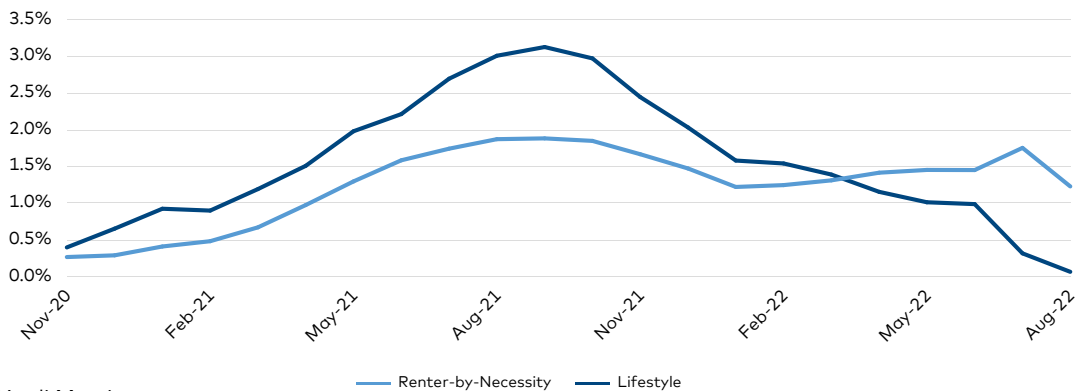
- ▶ Of the 73 submarkets that Yardi Matrix monitors in South Florida, 69 posted double-digit rent increases in the 12 months ending in August. Rents grew fastest in Miami-Wynwood (29.2% to \$3,436), followed by Tamarac (26.1% to \$2,116), in the Fort Lauderdale area.
- ▶ Rent growth in the SFR sector appears to be moderating on a national level, and Miami is no exception. Year-over-year through August, rents were up 13.7%, a significant drop from the 29.3% rate the sector recorded one year prior. The average SFR rent in Miami was \$3,102, exceeding the U.S. figure by \$1,012.

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

- Unemployment remained below 3.0% in South Florida's three main areas, according to preliminary Bureau of Labor Statistics data for August. This is in line with Florida's 2.7% jobless rate.
- Miami employment expanded by 5.8% in the 12 months ending in June, 110 basis points above the national rate. All sectors gained jobs, with trade, transportation and utilities (41,700 jobs) leading the way, followed by leisure and hospitality (38,400 jobs). Devastated by the pandemic, the tourism industry is coming back to life. Miami International Airport served 25.5 million passengers in the first half of the year, marking an 8.5% increase from the first six months of 2019, a record year for the airport.

Cargo shipments at MIA also soared, prompting airport officials to announce a \$2 billion expansion. Plans call for a new 1.7 million-square-foot cargo handling hub by 2027. The hub would create 3,000 permanent jobs.

- Meanwhile, Miami-Dade County has an ambitious urban redevelopment plan for 17 acres in the Government Center District. Through a \$10 billion public-private partnership, the county intends to build 2,000 affordable and workforce housing units, commercial spaces, a new transit terminal and public facilities. As of September, the county was looking for a single master developer for the massive project that would take between 12 and 15 years to build.

Miami Employment Share by Sector

| Code | Employment Sector | Current Employment | |
|------|-------------------------------------|--------------------|---------|
| | | (000) | % Share |
| 40 | Trade, Transportation and Utilities | 638 | 23.8% |
| 70 | Leisure and Hospitality | 327 | 12.2% |
| 60 | Professional and Business Services | 489 | 18.3% |
| 65 | Education and Health Services | 415 | 15.5% |
| 80 | Other Services | 119 | 4.4% |
| 55 | Financial Activities | 202 | 7.5% |
| 30 | Manufacturing | 96 | 3.6% |
| 15 | Mining, Logging and Construction | 55 | 2.1% |
| 50 | Information | 53 | 2.0% |
| 90 | Government | 285 | 10.6% |

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- In the decade ending in 2021, Miami's population rose by 6.0%, 30 basis points above the U.S. rate.
- Estimates released by the state Demographic Estimating Conference show that Florida's population growth is expected to slow down over the next decade.

Miami vs. National Population

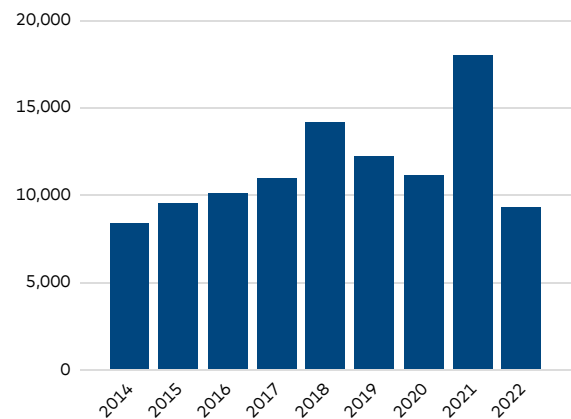
| | 2018 | 2019 | 2020 | 2021 |
|----------|-------------|-------------|-------------|-------------|
| National | 326,838,199 | 328,329,953 | 331,501,080 | 331,893,745 |
| Miami | 6,140,602 | 6,164,887 | 6,126,441 | 6,091,747 |

Source: U.S. Census

SUPPLY

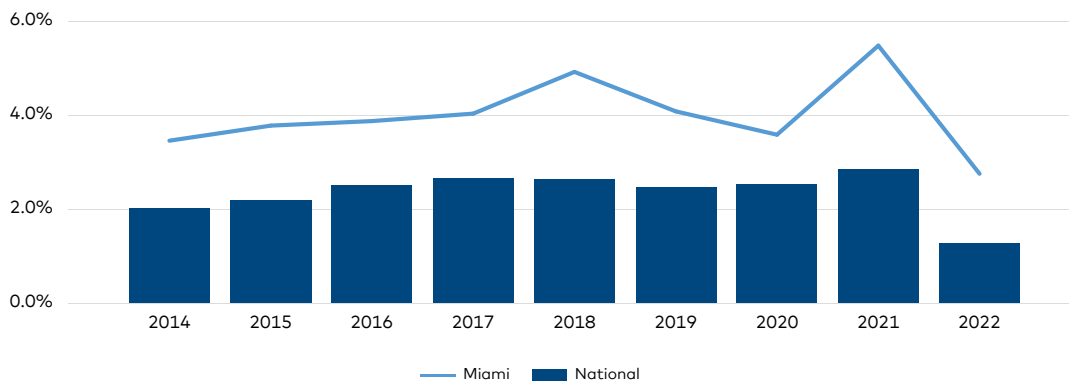
- ▶ South Florida had 39,890 units under construction as of August, with only a little more than 10.0% of them in fully affordable developments. Another 225,000 units were in the planning and permitting stages, but with new projects becoming harder to finance due to tightening monetary policies, developers will most likely reconsider some of them going forward.
- ▶ After recording an 18,070-unit peak in 2021, completions started to decelerate. A total of 9,351 apartments came online this year through August, a notable drop from the 12,587 units completed during the first eight months of 2021. However, total deliveries in 2022 will most likely surpass the average of the previous five years, which is 11,779 units.
- ▶ Miami's urban core areas led the metro for construction activity. Edgewater had 2,647 units under construction as of August, while Downtown had another 2,605. Hialeah, a submarket experiencing unprecedented growth in recent years, rounded out the top three with 2,321 units underway. With a total of 3,016 units under construction, Dania Beach and Plantation in Fort Lauderdale accounted for almost a third of that area's total pipeline. In West Palm Beach-Boca Raton, only the Central submarket had more than 1,000 units underway.
- ▶ The largest project under construction as of August was 1 Southside Park, a 1,175-unit mixed-use development in Brickell that is set to be delivered in early 2025. JDS Development Group is behind the 64-story project that will include 200,000 square feet of office and retail space, a 200-key hotel and 1,400 parking spaces. The developer secured \$86 million in financing from Maxim Capital Group in June.

Miami Completions (as of August 2022)



Source: Yardi Matrix

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

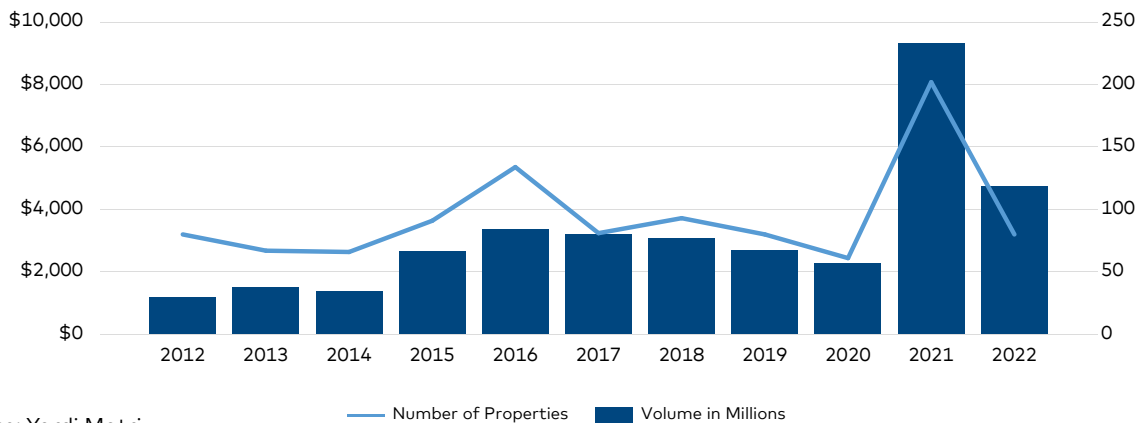


Source: Yardi Matrix

TRANSACTIONS

- ▶ More than \$4.7 billion in multifamily assets traded in the first eight months of the year, on par with the volume recorded during the same time frame last year. Total sales hit an all-time high of \$9.3 billion in 2021, but conditions have changed. The higher cost of debt and tighter underwriting standards will most likely inhibit some deals going forward.
- ▶ The per-unit price in Miami surged to \$321,438, marking a hefty 39.2% increase since the end of 2021. Meanwhile, the U.S. price per unit rose to \$217,196.
- ▶ In the 12 months ending in August, the Miami and Fort Lauderdale areas were the most sought-after, accounting for more than two-thirds of South Florida's \$9.8 billion total investment volume. Some of the largest transactions closed in Pembroke Pines, where Electra America paid \$200 million for the 487-unit Mosaic at Miramar Town Center, and AvalonBay Communities acquired two new assets for \$295 million.

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



Source: Yardi Matrix

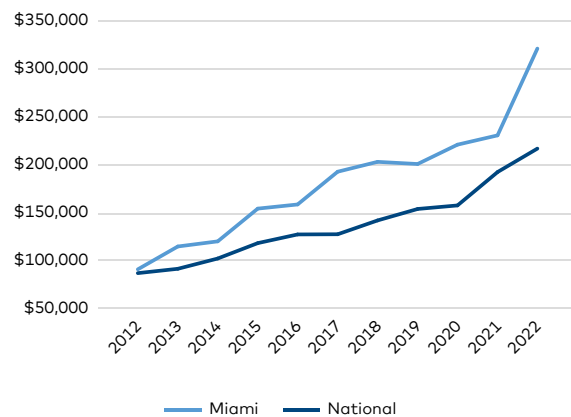
Top Submarkets for Transaction Volume¹

| Submarket | Volume (\$MM) |
|-------------------------|---------------|
| Pembroke Pines-Miramar | 816 |
| Boynton Beach | 687 |
| Jupiter | 638 |
| Miami-Edgewater | 603 |
| Fort Lauderdale-Central | 550 |
| Doral | 433 |
| Miami Gardens | 324 |

Source: Yardi Matrix

¹ From September 2021 to August 2022

Miami vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Multifamily Markets by Sales Volume in 2022 H1

By Anca Gagiuc

The U.S. multifamily market had an exceptional performance from an investment standpoint during the first half of the year, according to Yardi Matrix data. Overall national multifamily sales volume surpassed \$101 billion in the first six months of 2022, outperforming the \$67 billion volume registered in 2021 during the same interval, while the average price per unit rose 28.4 percent year-over-year, to a new high of \$218,377.

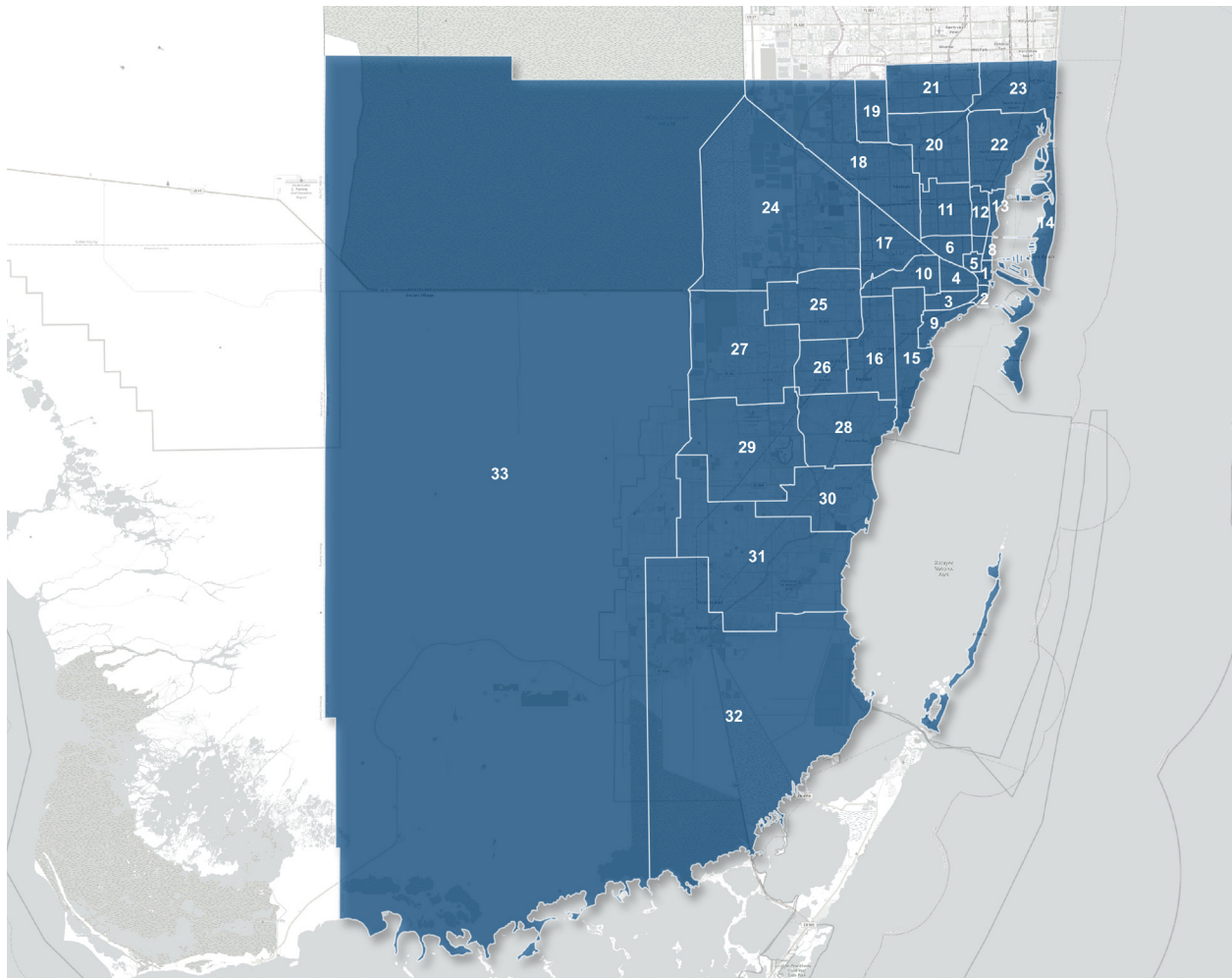
| Metro | Sales Volume \$ H1 2022 | Price Per Unit H1 2022 | PPU Evolution YoY | Units Sold H1 2022 |
|------------------|-------------------------|------------------------|-------------------|--------------------|
| Phoenix | \$7,351,109,167 | \$339,622 | 58.3% | 24,787 |
| Atlanta | \$7,012,412,048 | \$204,312 | 27.0% | 39,113 |
| Dallas | \$6,568,096,859 | \$186,049 | 22.7% | 64,213 |
| Houston | \$6,401,791,606 | \$155,780 | 25.6% | 56,895 |
| New York | \$3,997,523,782 | \$642,482 | -7.8% | 7,524 |
| Orlando | \$3,827,154,801 | \$253,975 | 32.6% | 16,222 |
| Los Angeles | \$3,714,402,840 | \$444,200 | 17.9% | 8,812 |
| Miami | \$3,581,485,100 | \$350,816 | 43.6% | 14,701 |
| Washington, D.C. | \$2,647,298,705 | \$276,249 | 6.5% | 11,944 |
| Denver | \$2,621,243,333 | \$340,687 | 14.2% | 10,635 |

Miami

The second Florida market in our ranking is down two positions from last year, with a sales volume of nearly \$3.6 billion. Still, it is higher than the \$2.7 billion volume recorded during 2021's first half. In 2022 through June, 60 properties changed hands, and last year through June, 59, with the more visible difference in the number of units—14,701 units in 2022 and 13,993 units in 2021.



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

- ▶ While nationwide deal volume rose from \$30 billion year-to-date through June 2021, to \$43.7 billion in the first half of this year, [Miami's office transaction volume](#) (\$995 million) was the lowest among gateway cities, according to CommercialEdge data. Although transaction activity cooled down in the metro, the average price per square foot rose to \$356 in the first half of 2022—a 21 percent rise since mid-2021. However, The Magic City was the third-cheapest among gateway markets, with only Washington, D.C. (\$300 per square foot) and Chicago (\$168 per square foot) posting lower per-square-foot rates.
- ▶ One of the largest office transactions in Miami in the first half of the year was CP Group and Related Fund Management's [acquisition of Las Olas Square](#), a two-building property in downtown Fort Lauderdale, Fla. SQUARE2 Capital, global private equity giant Apollo Global Management and Steelbridge Capital reportedly sold the property for \$144.5 million.
- ▶ As of June, construction activity was heavily concentrated in Miami's Brickell submarket, with two office projects totaling more than 800,000 square feet of office space. Developers also focused their efforts in the Central Business District: Three projects totaling 515,000 square feet were under construction in the submarket, with the largest being [Royal Caribbean's future headquarters](#). Designed by HOK, the \$300 million project will feature a cruise ship-inspired look.
- ▶ While Charlotte had the second-highest listing rate increase in August, Miami posted one of the lowest vacancy rates nationwide at 8.6%. [CommercialEdge data](#) shows that Miami also recorded the sharpest drop in vacancy across the top 50 office markets in the country, dropping by 490 basis points compared to the same period last year.

Industrial

- ▶ National in-place rents for industrial space averaged \$6.60 per square foot in July, [according to CommercialEdge](#). Average rents increased by 530 basis points year-over-year and three cents when compared to the previous month.

- ▶ [Bridge Industrial's 2.6 million-square-foot project](#) in Doral, Fla., is among the largest industrial developments underway in the metro. Bridge Point Doral will be built on a 175-acre and is set to include facilities that will range from 165,000 to 900,000 square feet. Bridge Industrial plans another logistics facility near Miami Opa Locka Executive Airport. The company intends to build a [409,189-square-foot project called Bridge Point Gratigny](#) on 26 acres of land, with completion slated for early 2024.
- ▶ Industrial transaction activity is slowing down in metro Miami. According to CommercialEdge data, more than 4.7 million square feet of industrial space changed hands year-to-date through September, for a total of \$789 million. That is a significant drop from the 6.5 million square feet—totaling \$967 million in sales—that traded in 2021 during the same period.

Self Storage

- ▶ The national new-supply pipeline continued to grow in August, with properties under construction or in the planning stages of development at 10.3% of existing inventory, a 20-basis-point month-over-month increase. In Miami, the new-supply pipeline increased by 20 basis points month-over-month, with the share of existing projects in the planning or under-construction phases equal to 9.5% of existing inventory.
- ▶ Yardi Matrix data shows that self storage transaction activity in metro Miami totaled \$346 million in the first three quarters of the year, a significant jump from the \$198 million in sales recorded over the same period of 2021.
- ▶ Snapbox Self Storage [acquired a 110,000-square-foot facility in North Miami](#), Fla., for \$26 million. Completed last year, the Class A property has four stories and encompasses 900 climate and non-climate-controlled units, ranging between 25 and 360 square feet. Meanwhile, [U-Haul made its first acquisition in Sebring](#), Fla. The company purchased a 575-unit self storage facility and plans to add drive-in storage units and a warehouse for portable storage containers.

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.



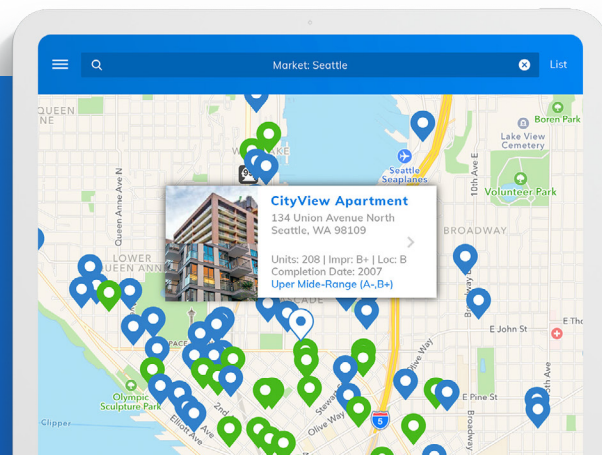
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MULTIFAMILY KEY FEATURES

- 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
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