



MULTIFAMILY REPORT

Miami: Another Solid Year

February 2023

Unemployment Near Record Lows

2022 Investment Volume Tops \$6.6B

YoY Rent Growth Moderates



MIAMI MULTIFAMILY



Miami Market Tempers, But Remains Robust

With substantial investment activity and steady rent gains, South Florida's multifamily market had a solid run in 2022. Rents increased 8.1% year-over-year, with the metro ranking fourth nationally for rate improvement. In the last quarter however—as the U.S. economy began to decelerate—rent growth flattened, and the average rate stabilized at \$2,356 in December. Meanwhile, U.S. figures contracted by 0.2%, to \$1,715.

Metro Miami added 138,900 jobs in the 12 months ending in October, with leisure and hospitality, along with trade, transportation and utilities, accounting for half of the gains. Preliminary Bureau of Labor Statistics data shows that the metro had the lowest unemployment rate among large Florida metros, at 1.5% as of November. Besides the talent shortage, supply-chain issues were also a significant problem for builders, forcing The Florida Department of Transportation to revise the anticipated completion date of the I-395/SR 836/I-95 highway improvement project by nearly two years, to 2026.

After hitting record levels in 2021, when 16,887 apartments came online, development activity moderated last year. Only 12,955 units were delivered, accounting for 3.8% of stock. Investors also hit the brakes on deals, as the cost of debt increased. However, investment volume in 2022 totaled \$6.6 billion, the second-best year for transaction activity in the metro during the past decade.

Market Analysis | February 2023

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Recent Miami Transactions

Bell Parkland



City: Parkland, Fla.
Buyer: Capital Square
Purchase Price: \$155 MM
Price per Unit: \$391,414

Grand Riviera Miramar



City: Miramar, Fla.
Buyer: The Connor Group
Purchase Price: \$139 MM
Price per Unit: \$374,663

Core Link at Douglas



City: Miami
Buyer: 13th Floor Investments
Purchase Price: \$127 MM
Price per Unit: \$407,051

Monterra

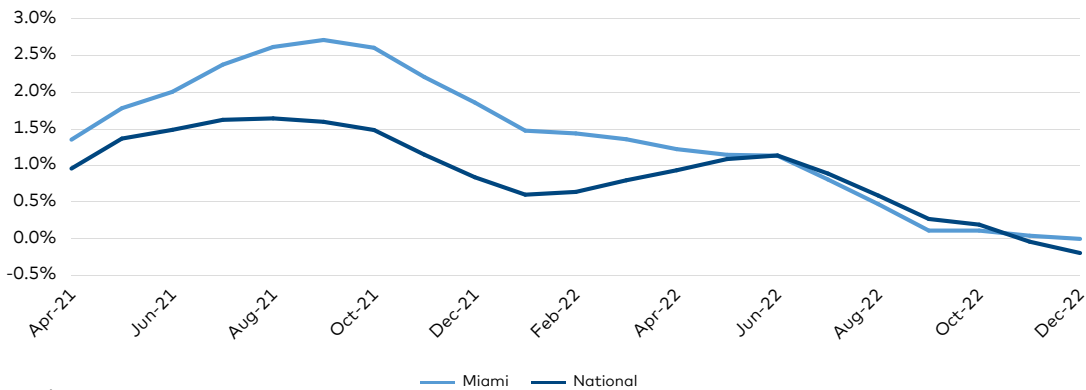


City: Cooper City, Fla.
Buyer: Related Cos.
Purchase Price: \$56MM
Price per Unit: \$185,000

RENT TRENDS

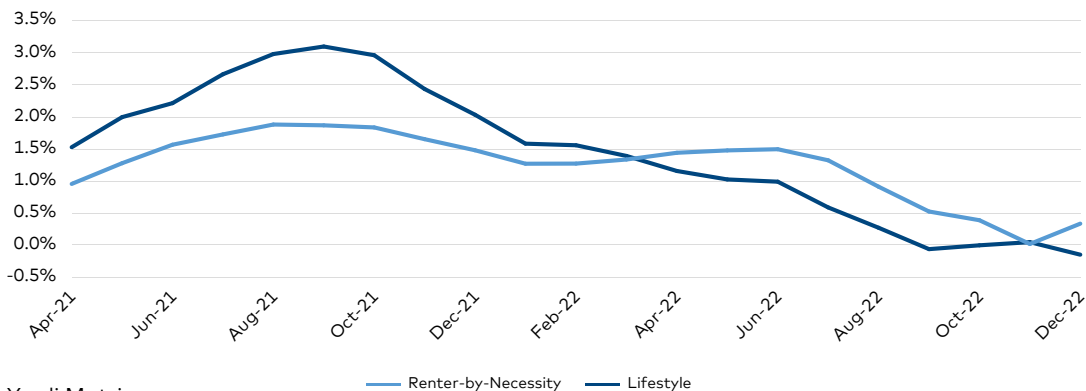
- ▶ Miami rent growth was flat in the last quarter of 2022, as rates stabilized at \$2,356 in December. With rates improving 8.1% year-over-year, the metro was among the top four nationally for rent growth, only trailing Indianapolis (11.4%), San Jose (9.0%) and Kansas City (8.3%).
- ▶ In the fourth quarter, rent development was driven by demand for working-class Renter-by-Necessity assets, with average rates rising 0.3%, to \$1,814. Meanwhile, figures for upscale Lifestyle apartments contracted by 0.1%, to \$2,697. Due to significant deliveries in the past couple of years—particularly in the luxury segment—the occupancy rate in stabilized properties was down 110 basis points year-over-year through November, to 96.0%. However, it remained above the 95.4% national figure.
- ▶ Landlords continued bringing rents of existing residents closer to asking rates, with Florida metros Miami (19.2%), Tampa (18.9%) and Orlando (16.6%) all in the top four nationally for renewal rate growth year-over-year through October.
- ▶ In 2022, rent expansion was strongest in submarkets with heavy RBN supply such as Miami-Flagami (20.8% to \$2,043) and South Miami (19.2% to \$2,512). Seven of the 73 submarkets that Yardi Matrix tracks still posted average rents above the \$3,000 mark.
- ▶ Average rates in the single-family rental sector clocked in at \$3,103 at the end of December, which was \$127 above the December 2021 figure and \$1,020 above the national average.

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

- ▶ Miami's unemployment rate was near record lows in November—1.5%—according to preliminary BLS data. That was well below the jobless rate in other large Florida metros such as Jacksonville (2.5%), Tampa (2.6%) and Orlando (2.7%), but also 110 basis points below the state's figure.
- ▶ Employment growth has been steadily decelerating in Miami since the third quarter of 2021, reaching 5.5% year-over-year through October 2022. However, that was still above the 4.1% U.S. rate. Leisure and hospitality (35,500 positions) led the way, followed by trade, transportation and utilities, with 33,900 jobs. South Florida is expected to continue to benefit from the federal government's increased funding of transportation projects. Late last year, Miami-Dade County decided to accelerate the development of the North Corridor, a rail system intended to connect passengers to the Hard Rock Stadium. The total cost of the 8-mile expansion is estimated at almost \$2 billion and will be partly federally funded.
- ▶ Meanwhile, supply-chain issues have taken their toll on another large project in Miami: the \$840 million improvement of the I-395/SR 836/I-95 highway connecting Miami to Miami Beach. The Florida DOT revised the anticipated completion date of the project by nearly two years, to 2026.

Miami Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	338	12.2%
40	Trade, Transportation and Utilities	652	23.6%
65	Education and Health Services	439	15.9%
60	Professional and Business Services	499	18.0%
55	Financial Activities	208	7.5%
80	Other Services	122	4.4%
30	Manufacturing	97	3.5%
90	Government	307	11.1%
50	Information	53	1.9%
15	Mining, Logging and Construction	54	2.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ While all other major Florida metros recorded two-digit population increases in the decade ending in 2021, Miami's demographic expansion was only 6.0%.
- ▶ Census estimates show that Florida (1.9%) was the fastest-growing state in the country in 2022.

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

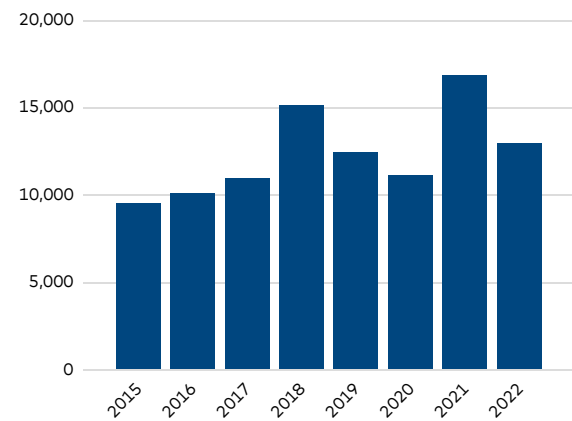
SUPPLY

- ▶ At the end of last year, there were 39,713 units under construction in the Miami metro, with only roughly a tenth of them in fully affordable developments. Another 250,000 units were in the planning and permitting stages, but the tougher terms for construction loans will most likely force some developers to postpone or at least recalibrate their projects.
- ▶ Developers completed 12,955 units in 2022, accounting for 3.8% of existing stock, 170 basis points above the U.S. rate. Deliveries moderated compared to a record-setting 2021, when 16,887 units came online, but they still exceeded the 12,010-unit average of the five years ending in 2020.
- ▶ In the last quarter of 2022, developers hit the brakes on construction starts, beginning work on only seven projects totaling 2,429 units. That was a significant drop from the 20 projects encompassing 4,842 units they broke ground on in Q4 of 2021. The higher interest rate environment that cast a shadow on debt-funded multifamily development is one of the main hurdles new construction is facing.
- ▶ Construction activity was most intense in Miami, where three submarkets had more

than 2,500 units underway—Hialeah (2,725 units), Edgewater (2,647 units) and Downtown (2,596 units). In West Palm Beach-Boca Raton, developers were working on 1,882 apartments in West Palm Beach-Central alone, while Dania Beach (1,726 units) led ranks in Fort Lauderdale for the most units underway.

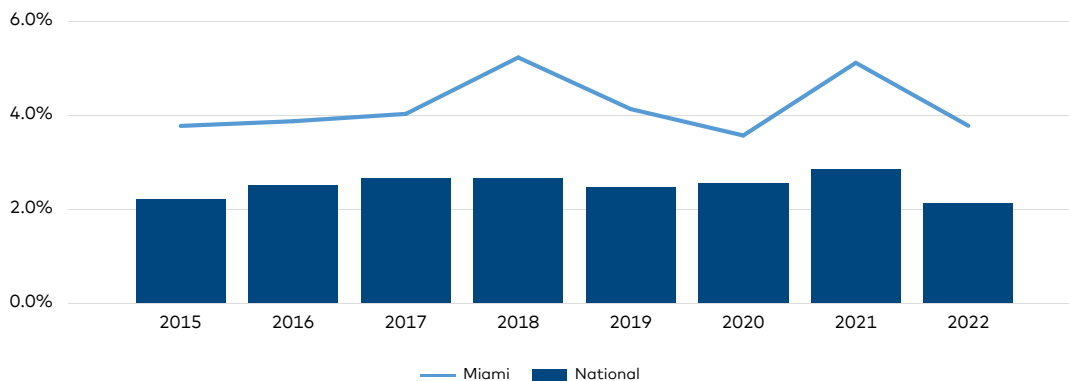
- ▶ At the end of 2022, JDS Development Group's 1,175-unit development in Brickell was the largest project under construction in the metro.

Miami Completions (as of December 2022)



Source: Yardi Matrix

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

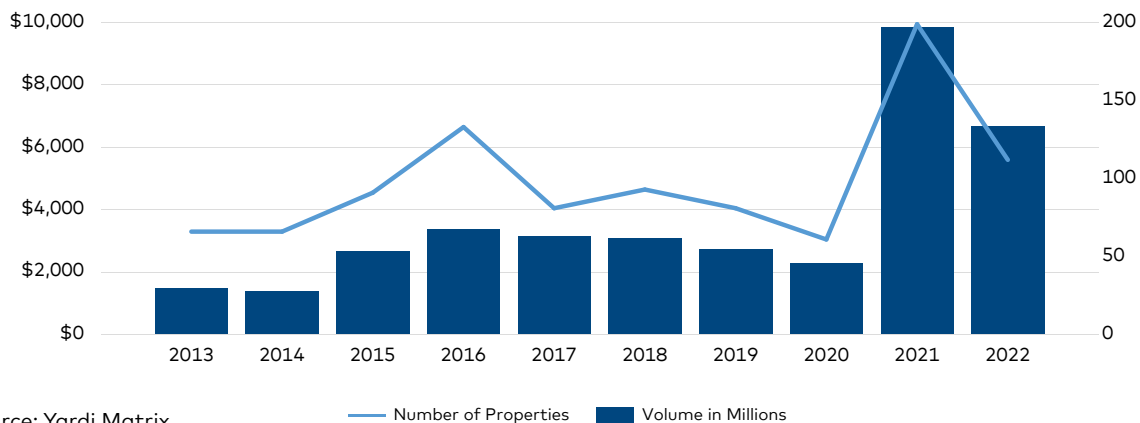


Source: Yardi Matrix

TRANSACTIONS

- ▶ Last year was the second-best year of the decade for South Florida multifamily investment. More than \$6.6 billion in assets changed hands in the metro. Miami and Fort Lauderdale were the most-coveted areas, each accounting for roughly \$2.6 billion of the total transaction volume. The multiple interest rate hikes by the Federal Reserve in 2022 increased borrowing costs, creating a slowdown in investment toward the end of the year, as the bid-ask spread widened.
- ▶ The average price per unit surpassed the \$300,000 mark for the first time ever, hitting \$326,792 in 2022. That was 51.5% above the \$215,719 national average.
- ▶ Jupiter and Pembroke Pines-Miramar were the only submarkets with transaction volumes above \$600 million last year. Miami-Edgewater rounded out the top three with \$536 million. The largest deal of 2022 was Hines' \$430 million purchase of the 495-unit Life Time Living at Gables Station in Coral Gables.

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



Source: Yardi Matrix

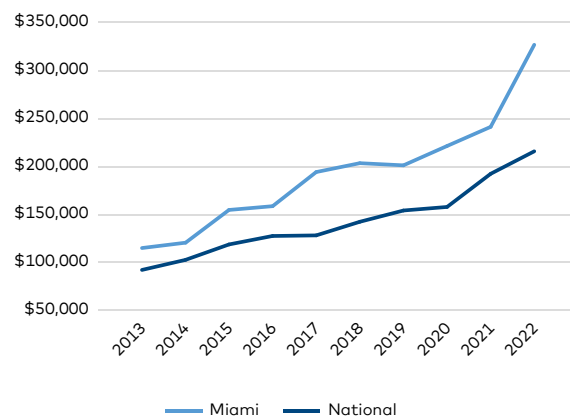
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Jupiter	638
Pembroke Pines-Miramar	634
Miami-Edgewater	536
Coral Gables	430
Fort Lauderdale-Central	381
Lauderdale Lakes	324
Boynton Beach	289

Source: Yardi Matrix

¹ From January 2022 to December 2022

Miami vs. National Sales Price per Unit



Source: Yardi Matrix

Top Florida Markets for Multifamily Construction

By Anda Rosu

More than 38,337 units were delivered year-to-date through November, according to Yardi Matrix data. As of November, the state had more than 110,609 units underway, representing 11% of the national stock under construction. In the list below, we've highlighted the top multifamily markets in Florida for construction activity, using Yardi Matrix data as of November 2022.

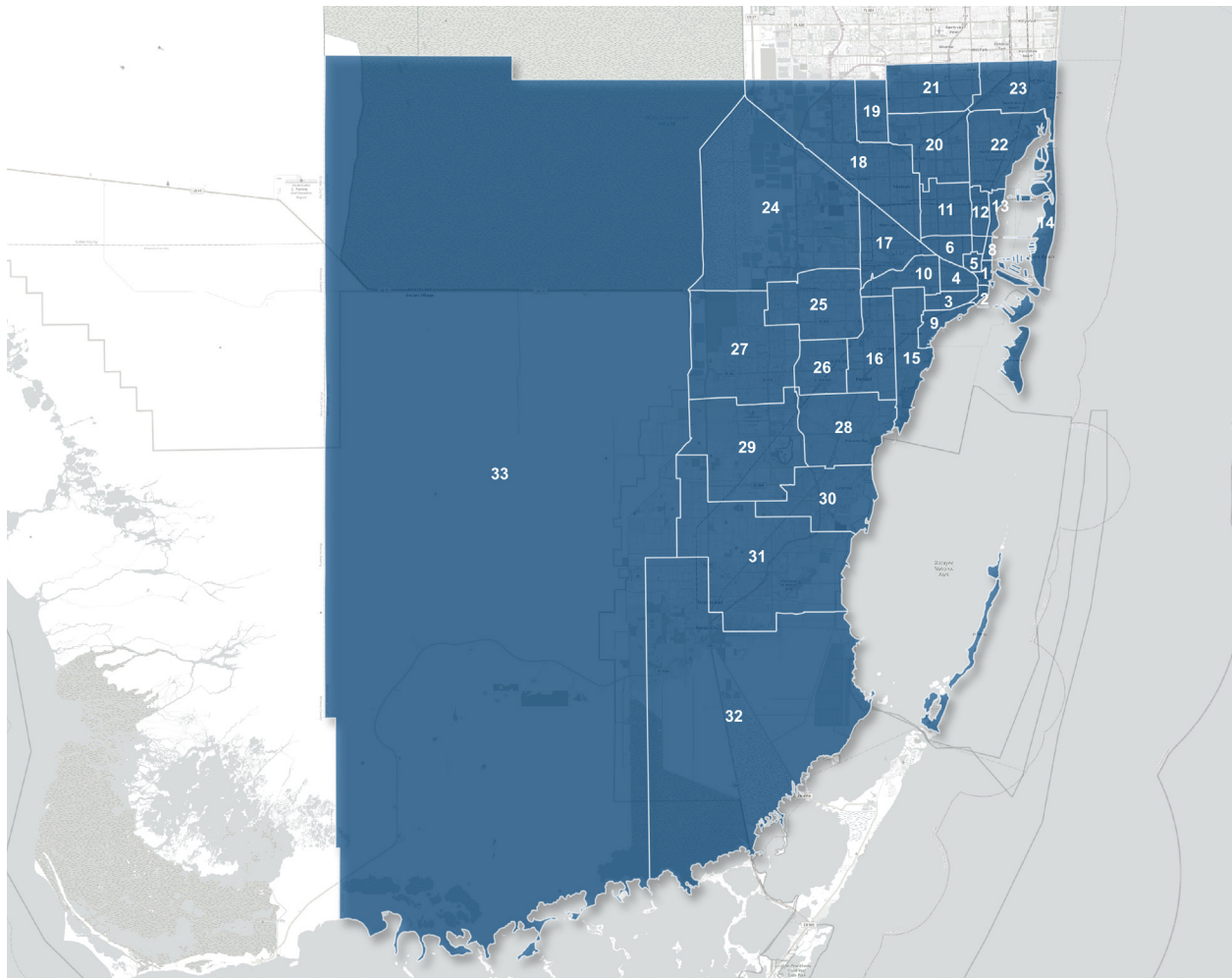
Rank	Metro	Units Under Construction	Units Delivered 2022 YTD	Units Delivered 2021
1	Miami Metro	39,889	12,434	16,887
2	Orlando	25,330	6,725	14,086
3	Tampa	17,522	7,268	7,950
4	Jacksonville	10,291	3,476	3,564
5	Southwest Florida Coast	8,811	2,871	7,462
6	North Central Florida	3,992	1,507	2,741
7	Tallahassee	2,432	252	719
8	Pensacola	2,342	3,804	2,206

Miami

Florida's strongest multifamily market, the Miami Metro, had 39,889 units under construction, as of November 2022. This represents a 36% share of Florida's multifamily pipeline and more than 4% of all units under construction nationwide, as of November 2022. This year, construction started on 3,164 units in Miami, down 81% from last year's 16,387 construction start figure.



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 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.

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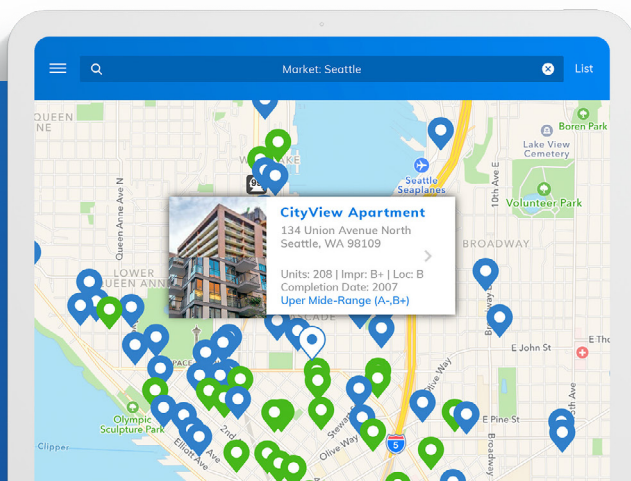
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- Pierce the LLC every time with true ownership and contact details
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- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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