



MULTIFAMILY REPORT

Miami: On Firm Ground

June 2023

YoY Rent Gains in Top 6 Nationally

Pipeline Points to Robust Growth

Job Expansion Softens, Above US Rate

MIAMI MULTIFAMILY



High Demand Sustains Rental Market

South Florida's multifamily market continued to stabilize, following two fast-paced years. As of April, Miami's average asking rate posted a consistent 4.5% year-over-year increase, to \$2,397, ranking sixth nationally for rent growth. U.S. rates rose only 3.2%, to \$1,709. Meanwhile, at 96.0% as of March, the occupancy rate in stabilized properties remained 100 basis points above the national figure, as demand endured in the face of recession fears.

The unemployment rate in South Florida dropped to 2.2% in March, according to preliminary data from the Bureau of Labor Statistics, leading both the state (2.6%) and the U.S. (3.5%). The job market expanded by 84,800 jobs, or 4.1%, in the 12 months ending in February, with trade, transportation and utilities (19,100 positions) leading gains. Only one sector recorded contractions—mining, logging and construction lost 2,900 jobs. Miami is moving forward with several multibillion-dollar projects that are luring in well-capitalized investors and supporting job growth. A Terra-led group spent \$1.2 billion for the largest undeveloped waterfront site in the city's urban core. In the Wynwood Arts District, an L&L Holding Co. joint venture began work on a 1 million-square-foot campus.

With economic growth ebbing across the country, both investment and development activity in Miami decelerated. In the first four months of the year, \$516 million in multifamily assets traded, and developers brought 2,732 units online.

Market Analysis | June 2023

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Recent Miami Transactions

Southgate Towers



City: Miami Beach, Fla.
Buyer: AIR Communities
Purchase Price: \$289 MM
Price per Unit: \$583,838

Riverland



City: Fort Lauderdale, Fla.
Buyer: Stratford Management
Purchase Price: \$84 MM
Price per Unit: \$304,594

Seascape Pointe



City: Homestead, Fla.
Buyer: IMC Equity Group
Purchase Price: \$67 MM
Price per Unit: \$229,452

Ambergate/Greengate

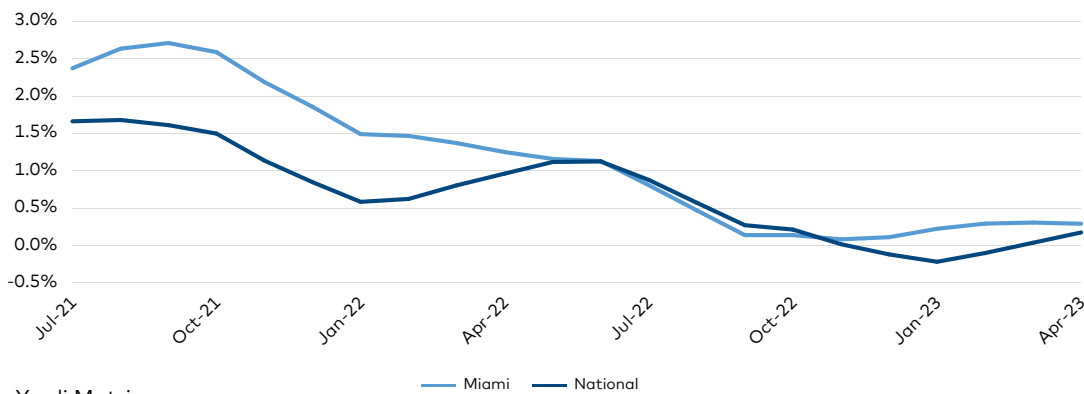


City: West Palm Beach, Fla.
Buyer: North Point Management
Purchase Price: \$18 MM
Price per Unit: \$92,440

RENT TRENDS

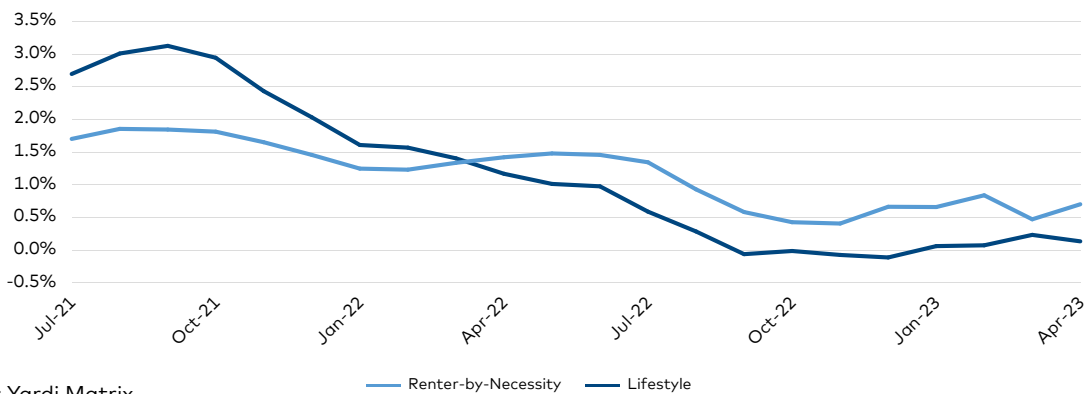
- Rent growth has been stabilizing in Miami, with the average asking rate rising 0.3% on a trailing three-month (T3) basis through April, to \$2,397. That was in line with the U.S. figure, which increased by 0.2% to \$1,709. On a year-over-year basis, Miami rents grew by 4.5%, the strongest improvement among Sun Belt metros.
- Rent expansion was led by the working-class Renter-by-Necessity segment, up 0.7% on a T3 basis, to \$1,883. Rents in the Lifestyle segment grew by just 0.1%, clocking in at \$2,722.
- National lease renewal rates were 64.0% in February, with Miami (70.2%) ranking among the top markets in the country, behind only Philadelphia (79.1%).
- With the addition of more than 30,000 units to the metro's stock in 2021 and 2022 combined, the occupancy rate in stabilized properties across South Florida decreased 70 basis points year-over-year through March, to 96.0%, but was still 100 basis points higher than the national rate.
- On a year-over-year basis, North Miami (up 16.1% to \$1,972) led rent gains, followed by Miami-Edgewater (15.1% to \$3,132). The latter was among the seven submarkets where average prices surpassed the \$3,000 mark as of April, with West Palm Beach-Central (\$3,833) being the most expensive area of the metro, followed by Coral Gables (\$3,748) and Miami-Wynwood (\$3,492).

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 unemployment stood at 2.2% in March, among the lowest rates in the country, according to preliminary BLS data. The figure was 40 basis points lower than the state—and all other large Florida metros—as well as 130 basis points below the U.S. rate.
- ▶ In the 12 months ending in February, the job market's expansion continued to decelerate, but still surpassed the 3.4% national rate by 70 basis points. Trade, transportation and utilities (19,100 jobs) led employment gains, followed by leisure and hospitality (17,500 jobs) and education and health services (16,700 jobs). Mining, logging and construction was the only sector that contracted, down 2,900 jobs.
- ▶ Meanwhile, several massive private projects moved forward. In Miami's Wynwood Arts District, L&L Holding Co. and Oak Row Equities, together with Shorenstein Properties and Claire Group, broke ground on a 1 million-square-foot mixed-used campus, after closing on a \$215 million construction loan for the development. In downtown Miami, a Terra-led investment group known as SmartCity paid \$1.2 billion for a 15.5-acre site, which is the largest undeveloped waterfront area in the city's urban core. In Pompano Beach, The Cordish Cos. and Caesars Entertainment unveiled details of The Pomp, a \$2 billion mixed-use development that broke ground last year. The 223-acre project will include a retail core, anchored by an entertainment district.

Miami Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
40	Trade, Transportation and Utilities	649	23.4%
70	Leisure and Hospitality	334	12.0%
65	Education and Health Services	437	15.8%
60	Professional and Business Services	516	18.6%
90	Government	309	11.1%
55	Financial Activities	210	7.6%
80	Other Services	114	4.1%
30	Manufacturing	97	3.5%
50	Information	55	2.0%
15	Mining, Logging and Construction	51	1.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Miami-Dade County's population contracted by 1.0% between April 2020 and July 2022, according to U.S. Census Bureau data.
- ▶ Meanwhile, Palm Beach County's demographic expansion hit 1.8% and Broward County's population inched up 0.1%.

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

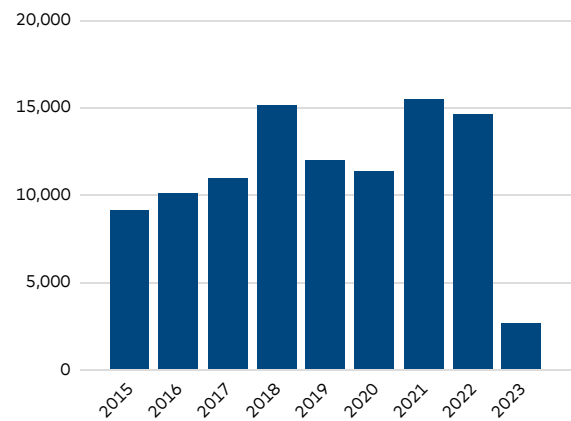
SUPPLY

- ▶ As of April, there were 42,882 units under construction in the metro, with 11.0% of them in fully affordable developments. Miami accounted for almost 60.0% of the construction pipeline. Another 257,957 apartments were in the planning and permitting stages, signaling developers' confidence in the metro's long-term demand drivers. For now, however, the tight financing environment coupled with labor shortages—South Florida's construction sector contracted by 2,900 jobs in the 12 months ending in February—will likely stall many projects.
- ▶ Developers brought 2,732 units online in the first four months of the year, accounting for 0.8% of total stock, 30 basis points above the U.S. rate. The largest project that came online was Lake View Villas, a 384-unit development in Belle Glade. Yardi Matrix expects more than 19,000 units to be completed this year across the metro, which would mark an all-time high, substantially surpassing the 13,751-unit average for the five years ending in 2022.
- ▶ Developers began work on only 3,842 apartments year-to-date through April, a notable drop from the 9,084 units they broke ground on over the same interval last year. With turbulence in the banking sector and the Federal

Reserve rolling out the 10th interest rate hike, getting projects off the ground has been difficult. The decline in construction starts was most visible in West Palm Beach–Boca Raton, where developers began work on only a 142-unit project in Delray Beach.

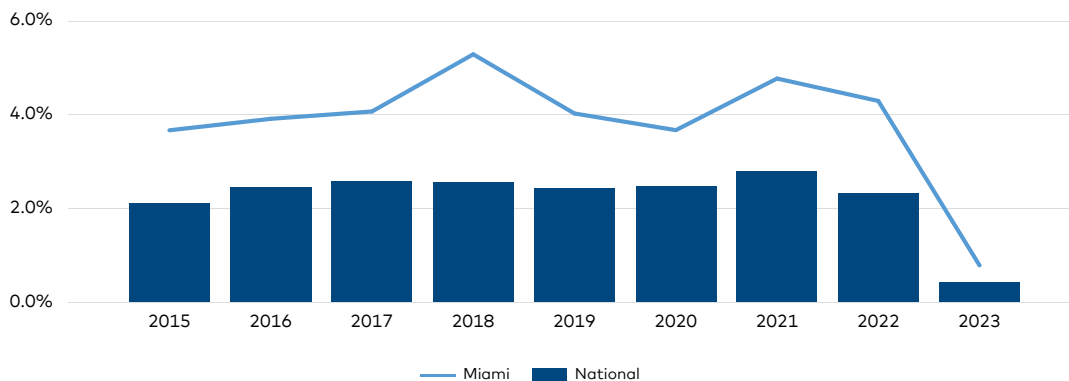
- ▶ Of the 52 submarkets tracked by Yardi Matrix, two urban core areas had more than 2,500 units underway: Miami–Edgewater (2,647) and Miami–Downtown (2,596).

Miami Completions (as of April 2023)



Source: Yardi Matrix

Miami vs. National Completions as a Percentage of Total Stock (as of April 2023)



Source: Yardi Matrix

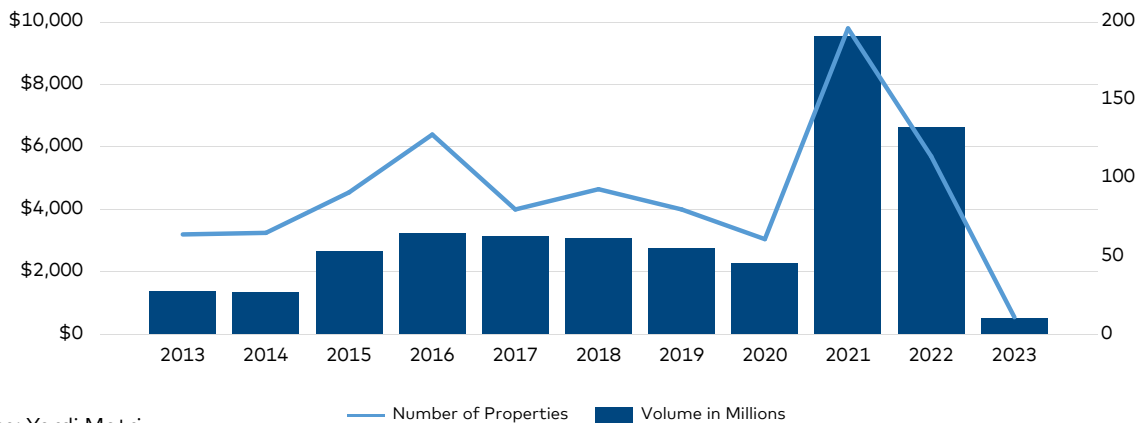
TRANSACTIONS

- ▶ Following two exceptional years—when sales hit \$16.2 billion combined—trading activity moderated, as the gap between buyer-seller expectations became harder to bridge. Only \$516 million in multifamily assets changed hands in the first four months of 2023 in the metro, totaling a quarter of the investment volume recorded over the same interval in the prior year.
- ▶ Investor interest tilted toward value-add plays, which pushed down the average price per unit to \$315,894, a 3.5% depreciation from 2022 lev-

els. Meanwhile, the national average clocked in at \$178,275, for a 15.4% contraction.

- ▶ In the 12 months ending in April, Pembroke Pines–Miramar (\$634 million) was the most sought-after submarket, followed by Miami–Edgewater (\$431 million). Although financing hurdles will likely continue to limit transaction activity, at least for the next couple of quarters, Miami’s enduring appeal should revive investor confidence once conditions stabilize.

Miami Sales Volume and Number of Properties Sold (as of April 2023)



Source: Yardi Matrix

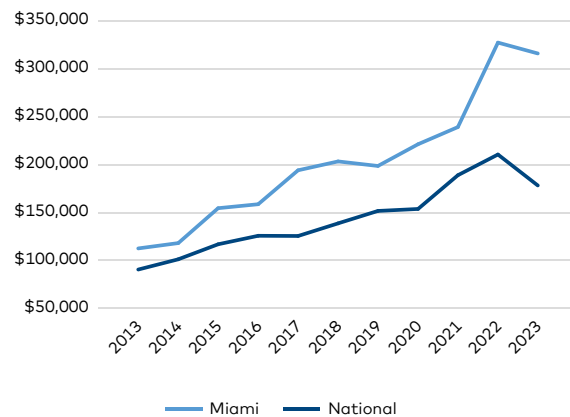
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Pembroke Pines–Miramar	634
Miami–Edgewater	431
Coral Gables	386
Miami Beach	289
Lauderdale Lakes	274
Coconut Creek	262
Boynton Beach	209

Source: Yardi Matrix

¹ From May 2022 to April 2023

Miami vs. National Sales Price per Unit



Source: Yardi Matrix



How Will Florida's 'Live Local Act' Impact Affordable Development?

By Anda Rosu

Florida's expanding population is putting increased pressure on its affordable housing sector, particularly when it comes to developments that cater to low-income seniors. A recent bill aims to pump \$711 million into housing programs and provide developers with major tax breaks. David Druey, Centennial Bank's Florida regional president, and Interurban Principal Jake Morrow discuss this major legislation, and their efforts to ease Miami's housing crisis.

Why is South Florida's affordable senior housing sector currently critical in inventory?

Morrow: South Florida residents face the nation's largest disparity between rents and incomes. This disparity is magnified for low-income elderly households, who frequently have only social security income to rely on. The availability of these households has been well below the need for many years, as vacancy rates of low-income elderly development are routinely at or near 0 percent.

Druey: Florida has long been an attractive retirement destination for its taxes, good weather and health-care system, but the migration influx after the pandemic heightened the population numbers. Additionally, the aging population is living longer, and Baby Boomers are retiring, thus, widening the senior population pool.

How do you expect the affordable housing bill to impact the state's housing crisis?

Morrow: Florida Senate Bill 102



David Druey (left) and Jake Morrow (right)

is among the most impactful legislation to stimulate the new construction of affordable housing that's taken effect in Florida. The bill increases funding availability and provides important incentives to make affordable housing more feasible. However, Senate Bill 102 alone is not a silver bullet.

What else needs to change to stimulate developers?

Druey: The easiest change local and central governments can make is revising the density requirements in land use by allowing the build of more units to promote better development affordability. The municipality

covering the payment impact fees would incentivize developers by removing one large cost component from project fees when undertaking an affordable housing development.

How much will Centennial focus on financing senior affordable housing developments?

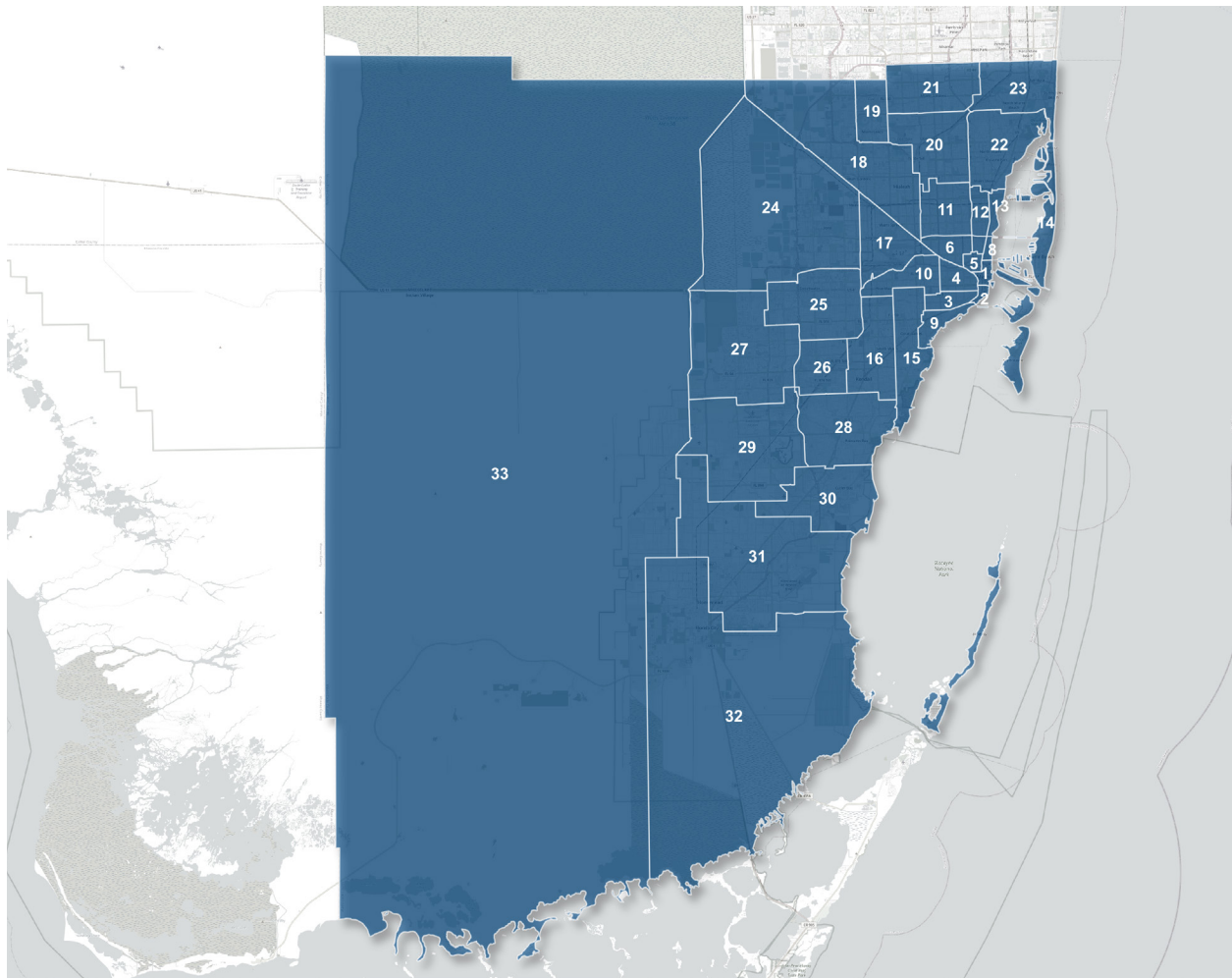
Druey: We are focusing on a push in South and Southwest Florida. Areas hit by Hurricane Irma, such as Sarasota and Bradenton, are in great need of affordable development, as well as markets with unprecedented housing prices.

What makes the affordable senior housing sector attractive in the long term?

Morrow: Low-income elderly housing developments are stable assets that lease up rapidly and quickly achieve and maintain full occupancy.

(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

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.



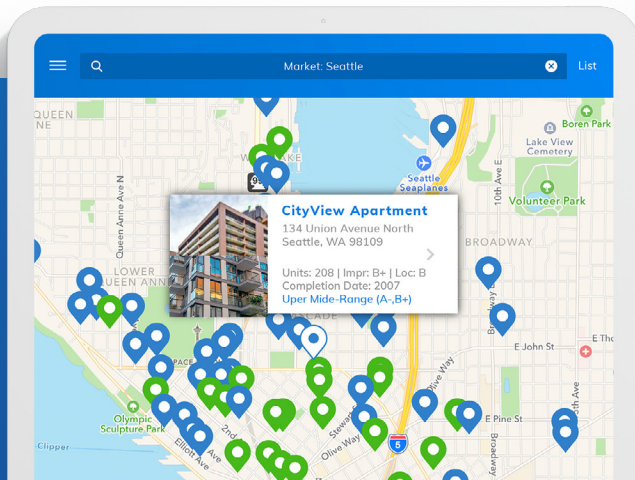
Yardi Matrix

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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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