



MULTIFAMILY REPORT

Miami's Modest Gains

February 2024

Unemployment at Record Low

2023 Deliveries Top 16,000 Units

YoY Rent Gains Low But Positive



MIAMI MULTIFAMILY



Rent Gains Ebb As Supply Wave Hits Market

For South Florida, 2023 was a year of slow growth and moderation. Year-over-year, rents improved by only 0.4%, but this was in line with the deceleration that occurred across the country, with U.S. rates up just 0.3%, to \$1,709. In the shorter term, Miami rates slid 0.2% in the fourth quarter, to \$2,384. Meanwhile, demand stood firm in the face of an unprecedented wave of new supply, with occupancy at 95.5% as of November, 70 basis points above the U.S. figure.

Miami unemployment was at a very tight 1.4% as of November, according to preliminary data from the Bureau of Labor Statistics. The metro's workforce expanded by 2.7%, or 78,500 jobs, in the 12 months ending in October 2023, with trade, transportation and utilities accounting for almost a third of gains. Despite recording the lowest unemployment rate among major Florida metros and outpacing the U.S. (3.7%), two sectors—information and construction—lost 3,600 jobs combined.

A total of 16,194 units came online in South Florida in 2023, following more than 30,000 apartments developers delivered over the previous two years. Construction activity remains high, with another 44,324 units underway as of December. Deals cooled off following two exceptional years for investment, when \$15.9 billion in multifamily assets changed hands. Transaction volume in 2023 was only \$2.5 billion, but the per-unit average stood some \$78,000 above the \$185,172 U.S. figure.

Market Analysis | February 2024

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Recent Miami Transactions

29 WYN



City: Miami
Buyer: Berkshire Residential
Investments
Purchase Price: \$135 MM
Price per Unit: \$544,355

Pinebrook Pointe



City: Margate, Fla.
Buyer: Bar Invest Group
Purchase Price: \$93 MM
Price per Unit: \$236,041

Sorrento at Miramar



City: Miramar, Fla.
Buyer: Related Cos.
Purchase Price: \$48 MM
Price per Unit: \$150,625

Sunrise Commons

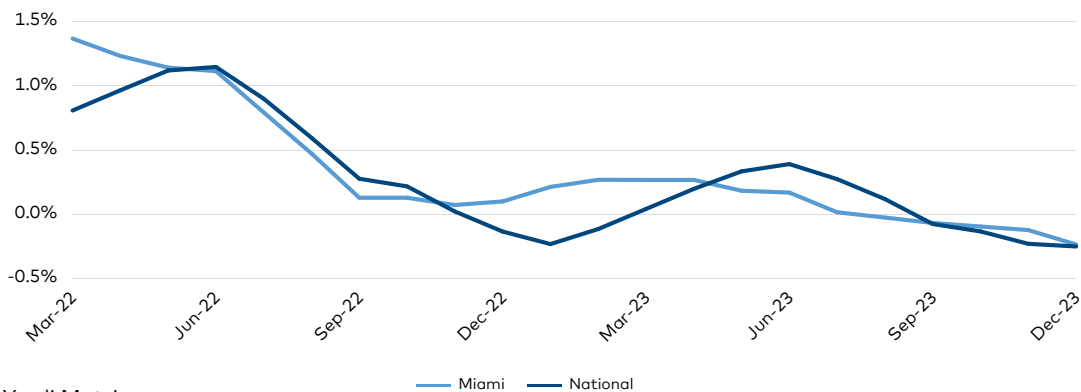


City: Homestead, Fla.
Buyer: Lincoln Avenue Capital
Purchase Price: \$15 MM
Price per Unit: \$143,868

RENT TRENDS

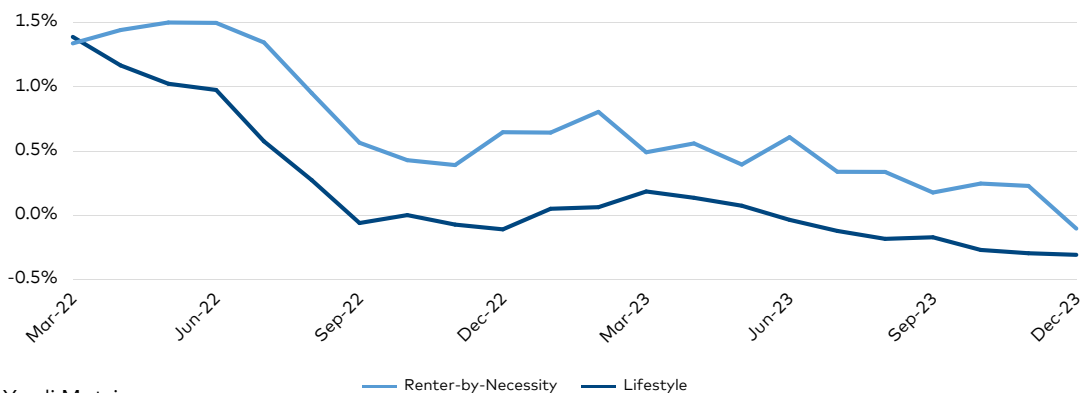
- Rents in metro Miami ended 2023 in negative territory on a trailing three-month (T3) basis, contracting 0.2%, to \$2,384. That was in line with the U.S. figure, which slid 0.3%, to \$1,709. On a year-over-year basis, Miami rents improved only 0.4% in 2023. This is not surprising, considering South Florida's high volume of deliveries over the past three years.
- At -0.3% on a T3 basis as of December, rent movement in the Lifestyle segment had been in the red for six consecutive months. The average rent in upscale apartments decreased to \$2,678. Rate evolution in the working-class Renter-by-Necessity segment was also negative on a T3 basis. The average rate recorded a 0.1% contraction, to \$1,896.
- Although slightly declining, the occupancy rate in stabilized Miami assets remained well above the 94.8% U.S. rate due to sustained demand. As of November, South Florida occupancy was 95.5%, marking a 50-basis-point decline in 12 months.
- In 2023, rent expansion was strongest in North Miami (up 9.7% to \$1,990) and Hialeah (up 7.4% to \$1,028). Of the 75 submarkets that Yardi Matrix tracks, a third saw rent contractions, particularly the urban core areas such as Brickell (-5.8%) in Miami and Palm Beach Gardens (-4.2%) in the West Palm Beach area.
- The single-family rental sector also saw declines in Miami. Rents contracted 1.4% last year, to \$3,011, while the U.S. rate improved by 1.2%, to \$2,123.

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 declined to an unprecedented 1.4% in November 2023, according to preliminary BLS data. The jobless rate in other major metros across the state was more than double that—Orlando and Jacksonville were both at 3.0%, while Tampa stood at 3.1%. Overall, Florida's unemployment rate clocked in at 2.9%.
- ▶ South Florida's workforce increased by 2.7% in the 12 months ending in October, 40 basis points above the U.S. rate. Growth was led by trade, transportation and utilities, which accounted for 23,100 of the 78,500 net jobs added. Education and health services followed with 20,000 jobs. Despite the low unemployment rate, two sectors contracted—information (-1,500 jobs) and construction (-2,100 jobs).
- ▶ One of the largest projects set to serve the health-care sector is Black Salmon and The Allen Morris Co.'s Highland Park Miami, a \$1 billion mixed-use development that will span 7 acres and increase the footprint of the Miami Medical District by roughly 10%. Meanwhile, construction on Miami Freedom Park has begun. A new stadium, a 58-acre public park and an entertainment district are all slated to open ahead of the 2026 FIFA World Cup, with Miami hosting several matches. Soccer-related ventures are just beginning to take off, yet they're already sparking real estate investment and making a significant impact on South Florida's economy.

Miami Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
40	Trade, Transportation and Utilities	666	23.5%
65	Education and Health Services	454	16.0%
60	Professional and Business Services	532	18.7%
90	Government	315	11.1%
55	Financial Activities	220	7.7%
70	Leisure and Hospitality	330	11.6%
80	Other Services	115	4.1%
30	Manufacturing	98	3.5%
50	Information	54	1.9%
15	Mining, Logging and Construction	53	1.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Last year, Florida (1.6%) and South Carolina (1.7%) were the fastest-growing states, according to U.S. Census Bureau estimates released in late December. Most of that expansion came from international migration.
- ▶ Miami's population rose 9.0% in the decade ending in 2021.

Miami vs. National Population

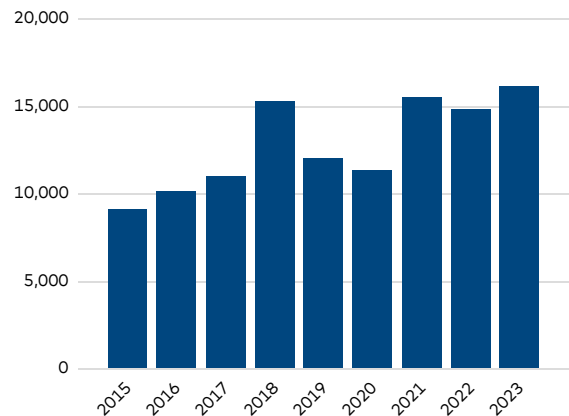
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Miami	6,140,602	6,164,887	6,126,441	6,091,747

Source: U.S. Census

SUPPLY

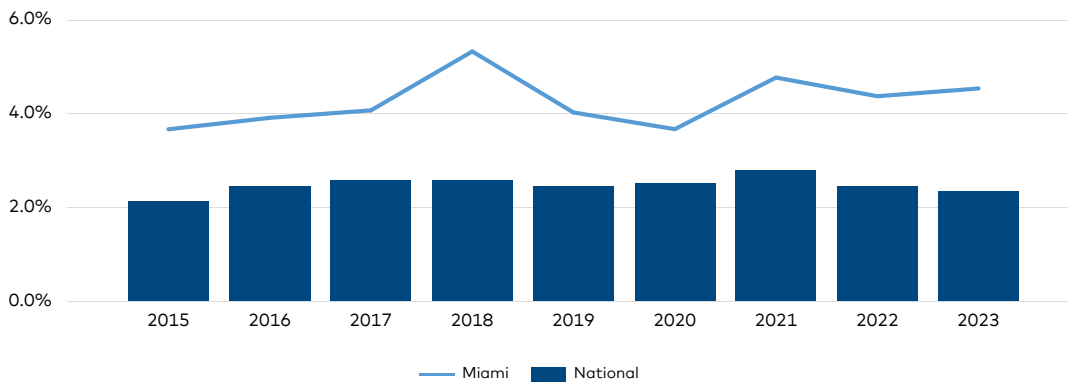
- ▶ In 2023, developers brought 16,194 units online across the metro, half of them in and around Miami proper. Overall, South Florida's stock expanded by 4.5%, with completions marking a decade high. This followed two other strong years for deliveries, when 30,441 units combined were added to stock.
- ▶ There were 44,324 units under construction in South Florida at the end of last year, with only a tenth of them in fully affordable developments. An additional 260,000 units were in the planning and permitting stages, but considering recent supply increases, weaker rent performance and lingering economic hurdles, some projects may be postponed or even canceled.
- ▶ Construction starts slightly tempered in 2023 but remained high. Developers broke ground on 19,267 units across the metro, following the 22,017 units they started work on in 2022. New development is more difficult to pencil out due to tight borrowing conditions and high construction costs. From 2021 to 2022, the amount spent on new multifamily construction rose by 33% in Miami, according to a report from construction data and analytics company Dodge Construction Network.
- ▶ Miami–Downtown remained the most sought-after submarket, with 3,430 units underway as of December 2023, followed by Fort Lauderdale–Central (3,146 units). Thirteen other submarkets out of the 75 that Yardi Matrix tracks also had more than 1,000 units under construction each. The largest project underway at the end of 2023 was Namdar Group's 222 in the metro's urban core. The developer is using a \$195 million loan from Slate Property Group to erect the 1,394-unit, two-tower project.

Miami Completions (as of December 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

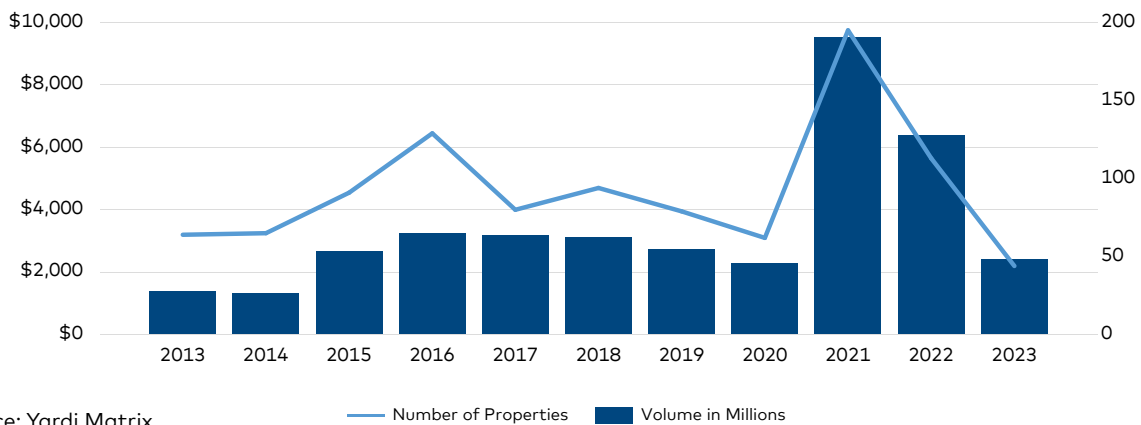
TRANSACTIONS

- Investment activity slowed significantly last year, with only \$2.5 billion in multifamily sales across South Florida, well below the previous year's \$6.4 billion and 2021's \$9.5 billion high. In 2023, the average per-unit price clocked in at \$263,124, in line with the prior three-year average. Investor activity favored high-end assets, keeping per-unit prices above the \$185,172 U.S. figure.
- Miami (\$1.1 billion) and Fort Lauderdale (\$937 million) were the most sought-after ar-

reas. The largest deal closed early in 2023, when AIR Communities paid \$289 million for the 495-unit Southgate Towers in Miami Beach.

- Sales are expected to pick up to a certain extent, as the prospect of interest rate cuts later this year will likely reignite dealmaking. However, some Sun Belt investors might remain hesitant to buy due to declines in both rent and occupancy caused by high volumes of deliveries in several metros, including Miami.

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



Source: Yardi Matrix

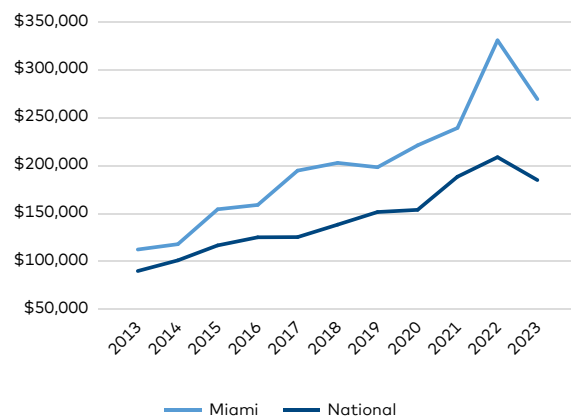
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Miami Beach	289
Plantation	174
Fontainebleau–University Park	156
Coral Springs–North	149
Lantana	138
Miami–Wynwood	135
Homestead	121

Source: Yardi Matrix

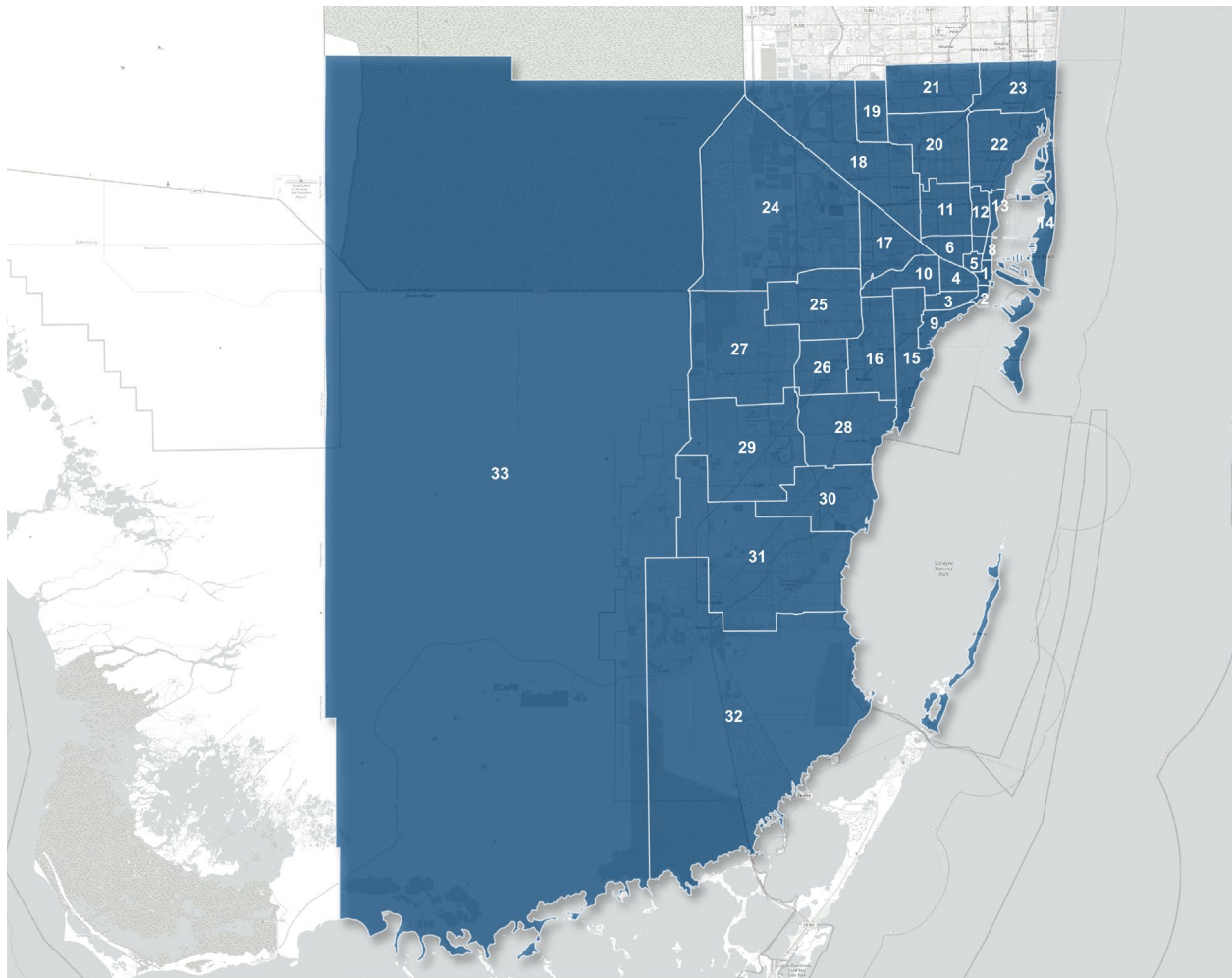
¹ From January 2023 to December 2023

Miami vs. National Sales Price per Unit



Source: Yardi Matrix

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.



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