

A nighttime photograph of a city skyline, likely Miami, featuring several tall skyscrapers with illuminated windows and colorful light displays. In the foreground, a multi-lane highway runs along a waterfront, with light trails from cars and streetlights reflecting on the water. The sky is a deep blue with some light clouds.

Yardi® Matrix

# Mighty Miami

Multifamily Report Winter 2019

Rent Growth Picks Up

Supply Reaches Cycle Peak

Per-Unit Prices Hit Decade High

## Market Analysis

Winter 2019

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## Jobs, Demographic Growth Push Demand

Miami's strong and diversifying economy, employment gains and population growth continue to fuel rental demand, despite a new cycle high for deliveries. More than 11,300 units came online in 2018 through October, surpassing 2017's total. Meanwhile, investor appetite remained high, especially in the case of Fort Lauderdale assets.

The metro added 94,800 jobs in the 12 months ending in September, with a significant increase in construction jobs—up 22% for the year—due to intense development activity. Leisure and hospitality (19,500 jobs), professional and business services (18,400) and trade, transportation and utilities (17,000) led gains. The metro is solidifying its status as an entertainment epicenter, with billion-dollar mixed-use projects such as the recently approved Freedom Park and Soccer Village offering everything from sports arenas to office space and hotels. South Florida's expanding infrastructure, including the upcoming Brightline routes to Tampa and Orlando, is also anticipated to create thousands of jobs in the region.

Roughly 26,600 units were underway in the metro as of October, but the area's rapid demographic growth is bound to keep demand high for the foreseeable future. With South Florida's economy likely to continue adding jobs at a healthy pace, Miami rents should also continue to steadily rise.

### Recent Miami Transactions

#### Luzano



City: Pompano Beach, Fla.  
Buyer: Praedium Group  
Purchase Price: \$94 MM  
Price per Unit: \$232,921

#### Bell Pembroke Pines



City: Pembroke Pines, Fla.  
Buyer: Bell Partners  
Purchase Price: \$92 MM  
Price per Unit: \$306,000

#### Latitudes at the Moors



City: Hialeah, Fla.  
Buyer: TH Real Estate  
Purchase Price: \$71 MM  
Price per Unit: \$199,162

#### Park Plaza

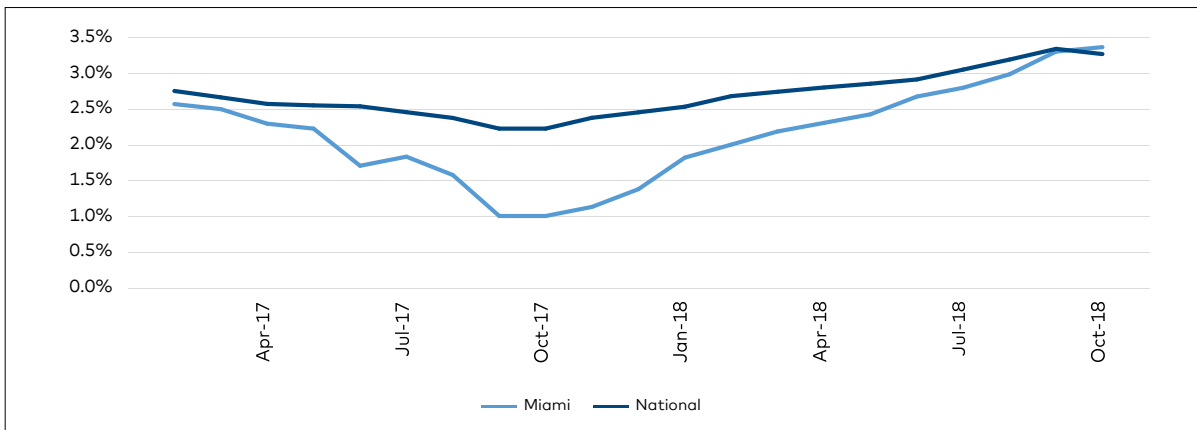


City: Miami  
Buyer: Coastline Management  
Purchase Price: \$33 MM  
Price per Unit: \$142,735

## Rent Trends

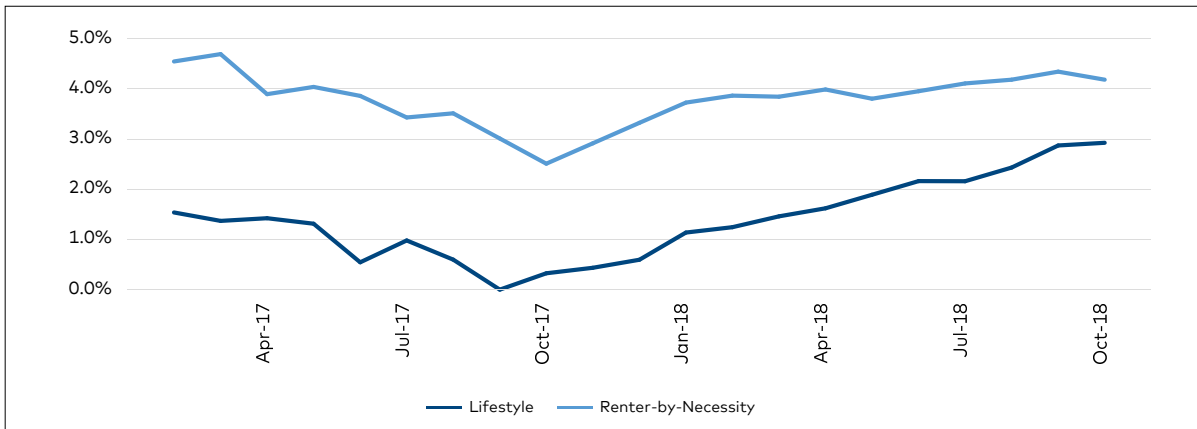
- Rents in Miami rose 3.4% year-over-year through October, on par with the national figure and reaching \$1,656. The growth rate picked up over the summer, following the heavy wave of new supply, which led to a slower start to 2018.
- Gains were led by the working-class Renter-by-Necessity segment, with rates up 4.2% to \$1,320, as roughly 80% of new product is high-end and demand for more affordable housing is on the rise. Lifestyle rents improved by an average 2.9%, to \$1,900.
- Submarkets such as Coconut Grove (\$2,506), Brickell (\$2,381), Boca Raton–East (\$2,198), Fort Lauderdale–East (\$2,165) and Edgewater–Wynwood (\$2,158) command the highest rents. These areas are in the midst of a transformation, with modern high-rise developments offering state-of-the-art amenities and attractive entertainment options that suit the Millennial renter, contrasting existing historic structures.
- Population growth, an expanding infrastructure and modern leisure facilities are bound to continue fueling demand and to boost Miami's shift from condos to rentals. Anticipated employment growth should also contribute to healthy absorption of new supply, driving further rent hikes.

### Miami vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: YardiMatrix

### Miami Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

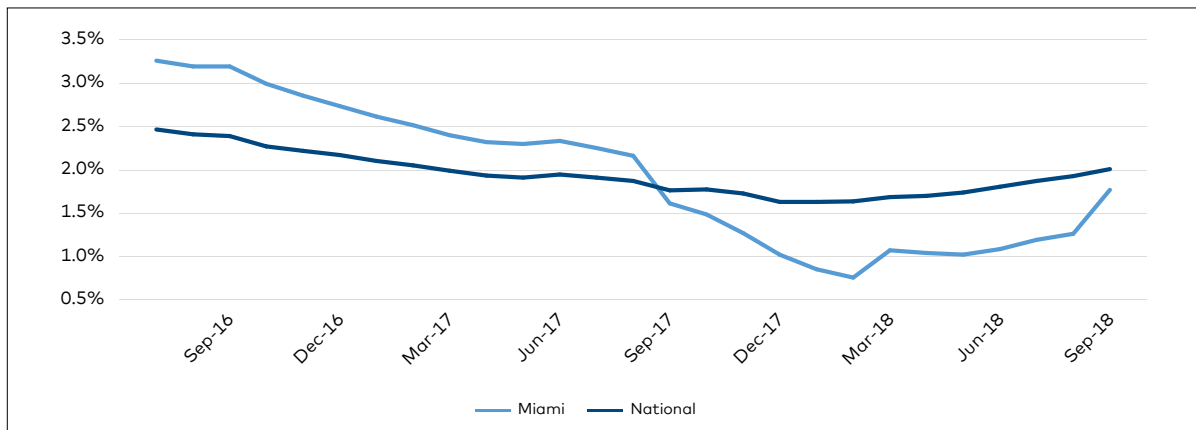


Source: YardiMatrix

## Economic Snapshot

- Miami added 94,800 jobs in the 12 months ending in September, up 1.8% and quickly approaching the 2.0% U.S. average. The metro's vertical expansion has led to a remarkable increase in the construction sector—up 22% for the year, with 9,700 jobs added through September.
- However, gains were led by leisure and hospitality (19,500), professional and business services (18,400), and trade, transportation and utilities (17,000). The metro's hospitality and construction sectors are poised for further growth as several mega-developments are expected. In addition to the 20 million-square-foot Miami Worldcenter and the 5.4 million-square-foot Brickell City Centre, David Beckham's Freedom Park and Soccer Village—a mixed-use project with a focus on leisure and sports—obtained the support of the local government, aiming for a 2019 groundbreaking. The \$1 billion project is anticipated to create 11,000 jobs over the next three years and 2,300 permanent positions.
- Plans for an expansion of the Brightline route—now connecting Fort Lauderdale, West Palm Beach and Miami—toward Tampa and Orlando have been approved. The new project is expected to create 2,000 additional jobs in the region and have an economic impact of approximately \$2.4 billion, according to legislators quoted by *The Miami Herald*.

### Miami vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

### Miami Employment Growth by Sector (Year-Over-Year)

| Code | Employment Sector                   | Current Employment |         | Year Change |       |
|------|-------------------------------------|--------------------|---------|-------------|-------|
|      |                                     | (000)              | % Share | Employment  | %     |
| 70   | Leisure and Hospitality             | 322                | 12.5%   | 19,500      | 6.5%  |
| 60   | Professional and Business Services  | 441                | 17.1%   | 18,400      | 4.4%  |
| 40   | Trade, Transportation and Utilities | 600                | 23.3%   | 17,000      | 2.9%  |
| 65   | Education and Health Services       | 398                | 15.4%   | 11,100      | 2.9%  |
| 15   | Mining, Logging and Construction    | 54                 | 2.1%    | 9,700       | 21.8% |
| 30   | Manufacturing                       | 96                 | 3.7%    | 8,900       | 10.2% |
| 80   | Other Services                      | 128                | 5.0%    | 8,900       | 7.5%  |
| 55   | Financial Activities                | 181                | 7.0%    | 3,000       | 1.7%  |
| 50   | Information                         | 50                 | 1.9%    | 1,000       | 2.0%  |
| 90   | Government                          | 310                | 12.0%   | -2,700      | -0.9% |

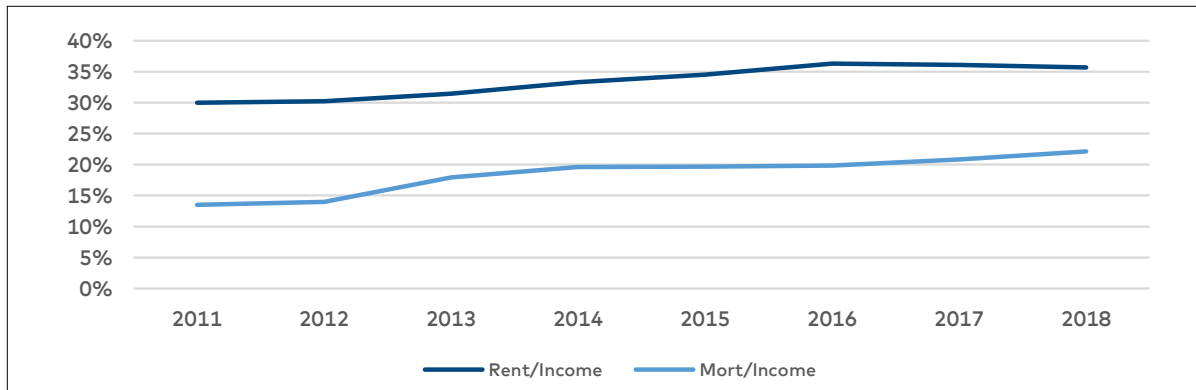
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

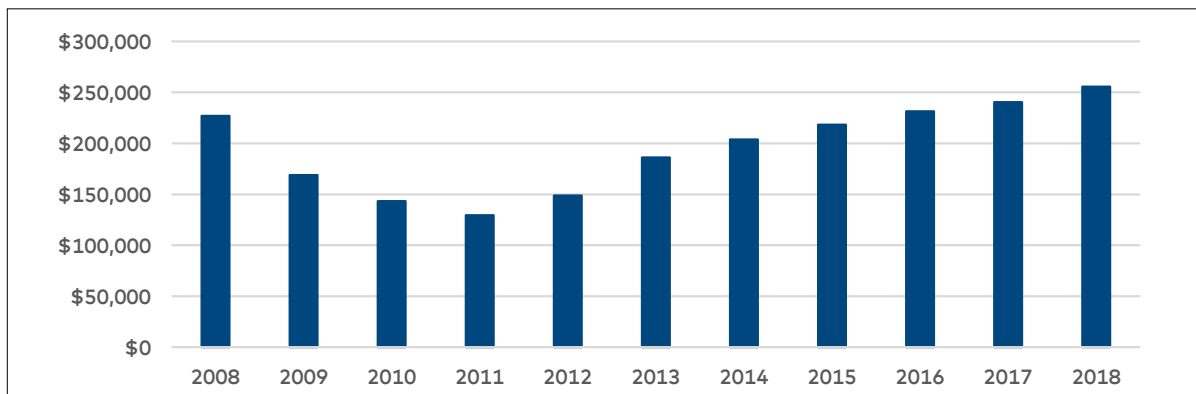
- The median home price in Miami rose steadily once market recovery started, peaking at \$255,694 in the first half of 2018, the highest value in a decade—up 6% for the year and 37% since 2013. While rent growth has been roughly aligned with the rise in incomes lately, mortgages are becoming more expensive. The average mortgage payment accounted for 22% of the area’s median income, 100 basis points over the 2017 value. At the same time, the average rent equated to 36%.
- Miami has initiated its first inclusionary zoning measure. The rules constrain developers looking for more density in the Arts and Entertainment District to include low-income units in their projects.

### Miami Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

### Miami Median Home Price



Source: Moody's Analytics

### Population

- The metro added roughly 380,000 residents over the past five years.
- In 2017, the metro’s population increased by 0.8%, slightly above the 0.7% national figure.

### Miami vs. National Population

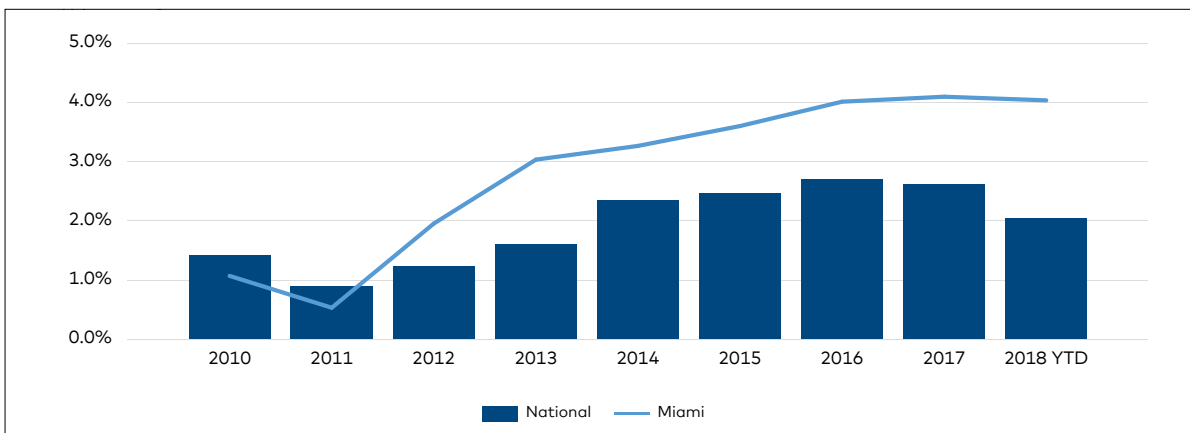
|             | 2013        | 2014        | 2015        | 2016        | 2017        |
|-------------|-------------|-------------|-------------|-------------|-------------|
| National    | 316,234,505 | 318,622,525 | 321,039,839 | 323,405,935 | 325,719,178 |
| Miami Metro | 5,862,992   | 5,943,656   | 6,026,044   | 6,107,433   | 6,158,824   |

Sources: U.S. Census, Moody's Analytics

## Supply

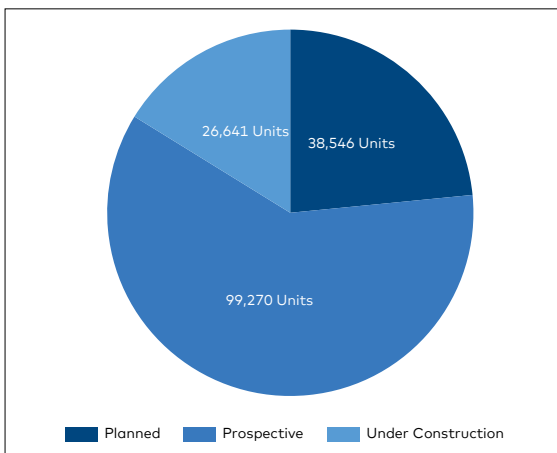
- With more than 11,300 units delivered in the first 10 months of 2018, new supply has already topped the 2017 cycle high—and the strong development wave pushes on.
- As rent growth picked up significantly in the last year, reflecting healthy housing demand driven by young professionals moving to the metro, developers continued to expand the pipeline. More than 26,600 units were under construction as of October, mostly along major transportation routes, with an additional 138,000 apartments in the planning and permitting stages. The metro absorbed more than 11,000 units in the 12 months ending in October, a fact that has tempered fears of immediate oversupply. The occupancy rate in stabilized properties dropped just 20 basis points year-over-year as of September, to an average of 95.1%.
- With roughly 2,800 apartments underway, downtown Miami remains the most active submarket for multifamily development, followed by Edgewater–Wynwood (2,400 units). A mid-year report by Miami’s Downtown Development Authority shows that the number of condos under construction dropped year-over-year, with no condo projects breaking ground in the first half of 2018.

**Miami vs. National Completions as a Percentage of Total Stock** (as of October 2018)



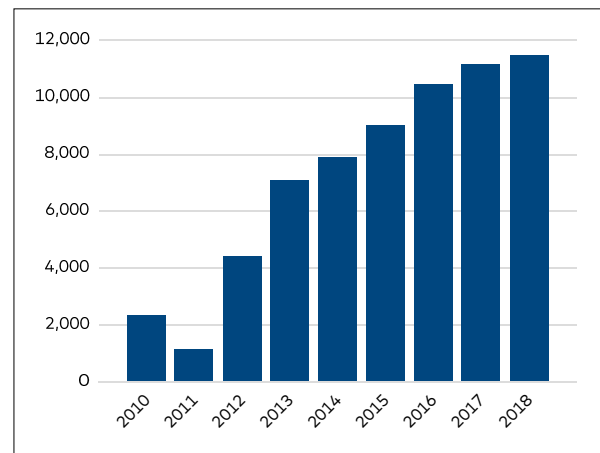
Source: YardiMatrix

**Development Pipeline** (as of October 2018)



Source: YardiMatrix

**Miami Completions** (as of October 2018)

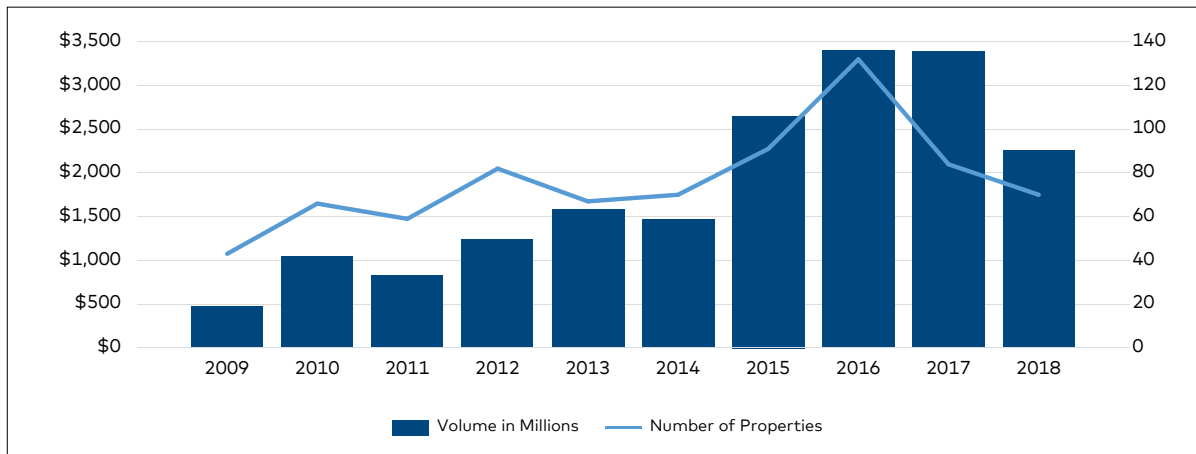


Source: YardiMatrix

## Transactions

- Despite an overall slowdown expected in the market, investment activity remained high, with roughly \$2.3 billion in metro Miami multifamily assets trading in the first 10 months of 2018. The full-year figure should come close to the peak values of 2016 and 2017, which each saw some \$3.4 billion in communities changing hands. Many investors preferred Fort Lauderdale to Miami due to more attractive prices and the area's rapidly growing economy. The city registered \$900 million in traded assets in the 12 months ending in October, compared to \$770 million for Miami.
- Per-unit prices set a new post-recession high of \$202,483 in the first 10 months of 2018, a 2% uptick over 2017 but more than double the values between 2010 and 2012, when the market bottomed out. Acquisition yields in the metro are generally higher than in other gateway cities—in the 5.0% range for Class A properties and 6.0% to 7.0% for Class B and C assets.

### Miami Sales Volume and Number of Properties Sold (as of October 2018)



Source: YardiMatrix

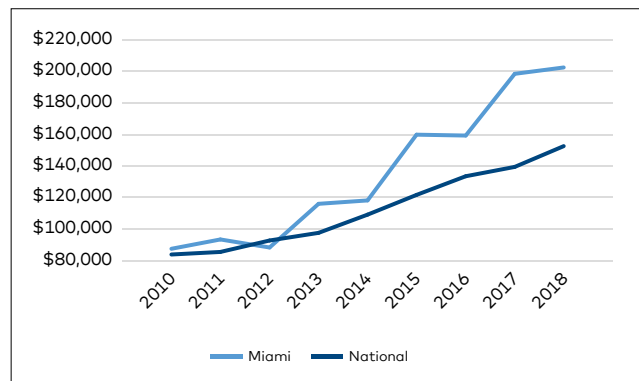
### Top Submarkets for Transaction Volume<sup>1</sup>

| Submarket                      | Volume (\$MM) |
|--------------------------------|---------------|
| Boca Raton–West                | 342           |
| Boynton Beach                  | 268           |
| Hollywood                      | 244           |
| Pompano Beach/Lighthouse Point | 189           |
| Golden Beach                   | 171           |
| Kendall–West                   | 139           |
| Fountainbleau                  | 125           |
| Royal Palm Beach               | 120           |

Source: YardiMatrix

<sup>1</sup> From November 2017 to October 2018

### Miami vs. National Sales Price per Unit



Source: YardiMatrix

## News in the Metro

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### C&W Arranges \$50M Sale in Fort Myers

The firm represented Mosaic Development in selling Mosaic at the Forum, a 252-unit, newly constructed community managed by Incore Residential.



### American Landmark Acquires South FL Portfolio

The \$106 million transaction includes two properties—Siena and Hidden Harbor—encompassing 492 units. The seller was represented by ARA Newmark.



### HTG Opens 100-Unit South FL Affordable Community

Arbor View is a \$27 million development in Margate, roughly 18 miles from Fort Lauderdale. The community is restricted to residents 55 years and over and includes one- and two-bedroom units.



### LMC Launches Leasing at FL Community

The Whitney, a 386-unit mixed-use property in Fort Lauderdale, offers trendy amenities such as coworking spaces and smart-home technology packages for select units.



### Miami Luxury Project Tops Off

The first residential project in the Western Hemisphere designed by the celebrated Renzo Piano Building Workshop will offer 66 apartments with amenities such as a swimming pool, concierge services and a library.



### Praedium Group Acquires FL Community for \$94M

Completed in 2017, the property is located in a designated opportunity zone in Pompano Beach and provides several amenities for leisure. The seller is ZOM Living.





## Miami's \$425M Project: Where Urban Living Meets the River

By Adina Marcut

UrbanX Group's Andrew Hellinger reveals the details behind one of Miami's hottest projects: River Landing Shops and Residences, located on the Miami River. Hellinger shares project insights and evaluates how the massive development will influence the Miami market.

Currently under construction, River Landing Shops and Residences, located at 1500 NW North River Drive, is scheduled for completion in 2020. The development will include 529 residential units and approximately 345,000 square feet of retail space. So far, roughly \$117.4 million has been invested in the development, out of the total estimated cost of \$424.8 million.

*What innovations does the residential part of River Landing bring to the market?*

The final amenity packages for the residential part of River Landing are under development and not completed yet. However, the amenity deck will include an indoor and outdoor fitness center that is currently in design. We are also planning to have our tenants benefit from the retail project—for example, having restaurants deliver directly to apartments. Another amenity will include electric car stations, and each unit will have internet service. We will launch leasing in about a year.

*How is this development suitable for Millennials?*

Millennials are known as the social generation, and they want to live and play where they work. They also seek new and authentic experiences. River Landing will create a retail oasis and provide market-rate housing options to doctors, University of Miami medical students, nurses, judges,



lawyers, etc., in a unique environment on the Miami River.

The ground floor of the project will have a variety of restaurants—from casual and fine dining to chef-driven concepts—with indoor and outdoor seating, opening to a landscaped linear park inspired by Manhattan's High Line. We seek to offer retail options that our shoppers care about, including retailers that cater to Millennials that are health-conscious, tech-savvy, foodies and more.

*What types of amenities are trending? Will we find them at River Landing?*

The main amenity that is trending in Miami is access to the water. The project will open public access to the scenic Miami River through its landscaped riverfront park. The park will provide a unique experience for residents and the public and will enhance the historical character of the Miami River, while preserving and protecting the commercial nature of the river. It will also provide boaters access to River Landing's retail and restaurants. We will also have a park where we plan to host movie nights and community events.

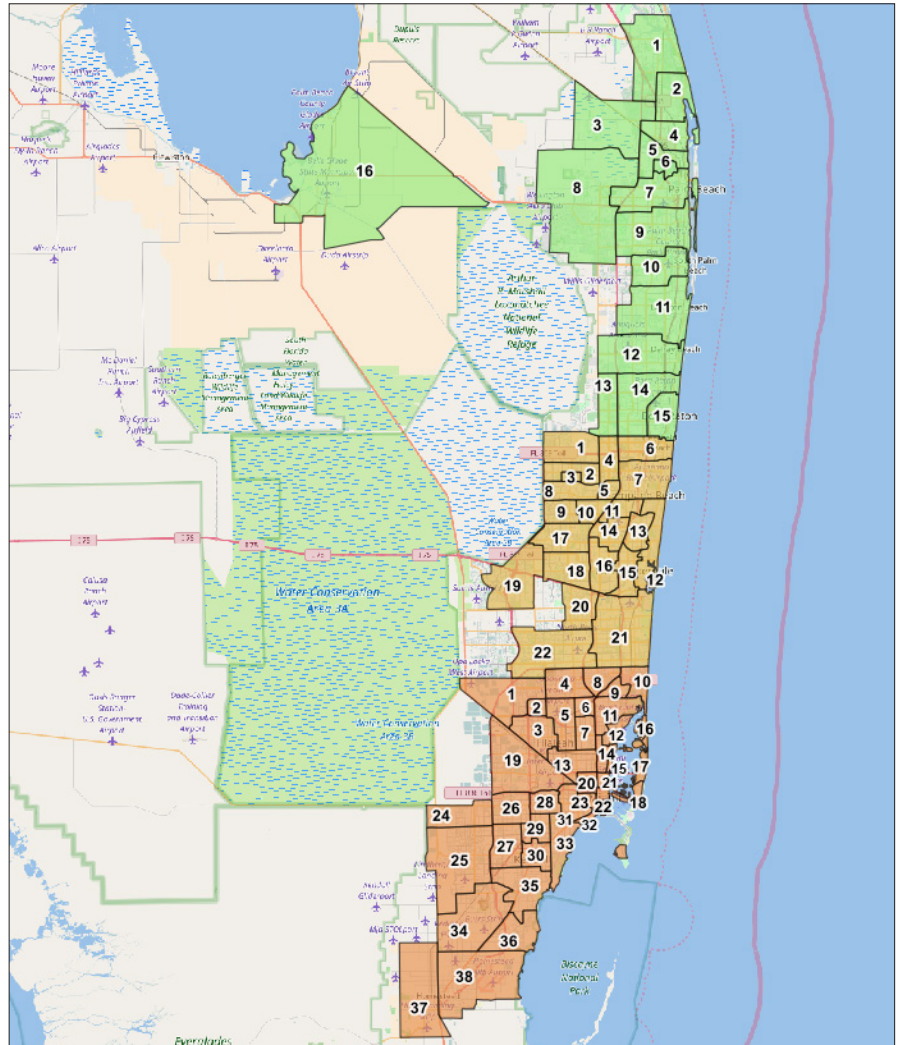
*What can you tell us about demand for multifamily units in the area where the project is being developed?*

River Landing is located in Miami's Health District, one of South Florida's largest employment centers. More than 70,000 people descend on the Health District every day, including attorneys, medical professionals and students, and court and county employees. The demand for market-rate housing in this area is significant because there hasn't been a lot of new construction in decades.

## Miami Submarkets

| Area # | West Palm Beach Submarket |
|--------|---------------------------|
| 1      | Jupiter                   |
| 2      | North Palm Beach          |
| 3      | Palm Beach Gardens        |
| 4      | Riviera Beach             |
| 5      | Palm Beach Shores         |
| 6      | Mangonia Park             |
| 7      | West Palm Beach           |
| 8      | Royal Palm Beach          |
| 9      | Palm Springs              |
| 10     | Atlantis                  |
| 11     | Boynton Beach             |
| 12     | Delray Beach              |
| 13     | Sandalfort Cove           |
| 14     | Boca Raton–West           |
| 15     | Boca Raton–East           |
| 16     | Belle Glade               |

| Area # | Ft. Lauderdale Submarket       |
|--------|--------------------------------|
| 1      | Parkland                       |
| 2      | Coral Springs–North            |
| 3      | Coral Springs–Central          |
| 4      | Coconut Creek–North            |
| 5      | Coconut Creek–South            |
| 6      | Deerfield Beach                |
| 7      | Pompano Beach/Lighthouse Point |
| 8      | Coral Springs–South            |
| 9      | Tamarac                        |
| 10     | North Lauderdale               |
| 11     | Palm Aire                      |
| 12     | Fort Lauderdale–East           |
| 13     | Oakland Park                   |
| 14     | Lauderdale Lakes               |
| 15     | Fort Lauderdale–West           |
| 16     | Lauderhill                     |
| 17     | Sunrise                        |
| 18     | Plantation                     |
| 19     | Weston                         |
| 20     | Davie                          |
| 21     | Hollywood                      |
| 22     | Pembroke Pines                 |



| Area # | Miami Submarket          |
|--------|--------------------------|
| 1      | Country Club             |
| 2      | Miami Lakes              |
| 3      | Hialeah                  |
| 4      | Miami Gardens            |
| 5      | Opa–Locka                |
| 6      | Bunche Park              |
| 7      | West Little River        |
| 8      | Norland                  |
| 9      | North Miami Beach        |
| 10     | Golden Beach             |
| 11     | North Miami              |
| 12     | Miami Shores             |
| 13     | Liberty City–Brownsville |

| Area # | Miami Submarket   |
|--------|-------------------|
| 14     | Little Haiti      |
| 16     | North Beach       |
| 17     | Mid Beach         |
| 18     | South Beach       |
| 19     | Doral             |
| 20     | Allapattah        |
| 21     | Edgewater–Wynwood |
| 22     | Downtown Miami    |
| 23     | Little Havana     |
| 24     | Tamiami           |
| 25     | Kendale Lakes     |
| 26     | Fountainbleau     |
| 27     | Sunset            |

| Area # | Miami Submarket     |
|--------|---------------------|
| 28     | West Miami          |
| 29     | South Miami         |
| 30     | Glenvar Heights     |
| 31     | Coral Way–Flagler   |
| 32     | Brickell            |
| 33     | Coconut Grove       |
| 34     | South Miami Heights |
| 35     | Kendall             |
| 36     | Cutler Bay          |
| 37     | Florida City        |
| 38     | Homestead           |

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## 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 may 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 may 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, may 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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