

Yardi® Matrix

Miami Shines Bright

Multifamily Report Spring 2019



Investor Interest Remains High

Completions to Hit Another Cycle Peak

Job, Population Gains Fuel Economic Expansion

Market Analysis

Spring 2019

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Construction Surge Tempers Rent Growth

Despite another record development year, Miami's healthy economy and rapidly growing population continue to bolster the metro's multifamily market. Roughly 13,300 apartments were delivered last year and another 26,793 units were underway as of February, signaling another strong year for multifamily construction.

Metro Miami added 52,300 jobs in 2018, with leisure and hospitality—a local staple—continuing to drive growth. The state's tourism marketing agency reported an all-time record for visitors last year, with 126.1 million out-of-state tourists. This, coupled with strong in-migration, has maintained Miami as one of the most traffic-congested cities in the country, according to research by traffic data firm INRIX. In an effort to relieve pressure and support the metro's infrastructure, an \$802 million project that will rebuild parts of Interstate 395 and construct a new bridge between Miami and Miami Beach has broken ground.

Concerns about the metro's capacity to absorb the large amount of recently delivered units have been largely mitigated. However, with developers continuing to bring projects online, rent growth is bound to remain moderate. With 16,320 units slated to come online in 2019 for yet another cycle peak, Yardi Matrix expects Miami rents to advance 2.1% this year.

Recent Miami Transactions

The Avenue



City: Davie, Fla.
Buyer: Boardwalk Properties
Purchase Price: \$119 MM
Price per Unit: \$302,030

ARIUM Sunrise



City: Plantation, Fla.
Buyer: Carroll Org.
Purchase Price: \$87 MM
Price per Unit: \$216,750

Milano at Miramar



City: Miramar, Fla.
Buyer: Bell Partners
Purchase Price: \$62 MM
Price per Unit: \$258,000

Island Reach

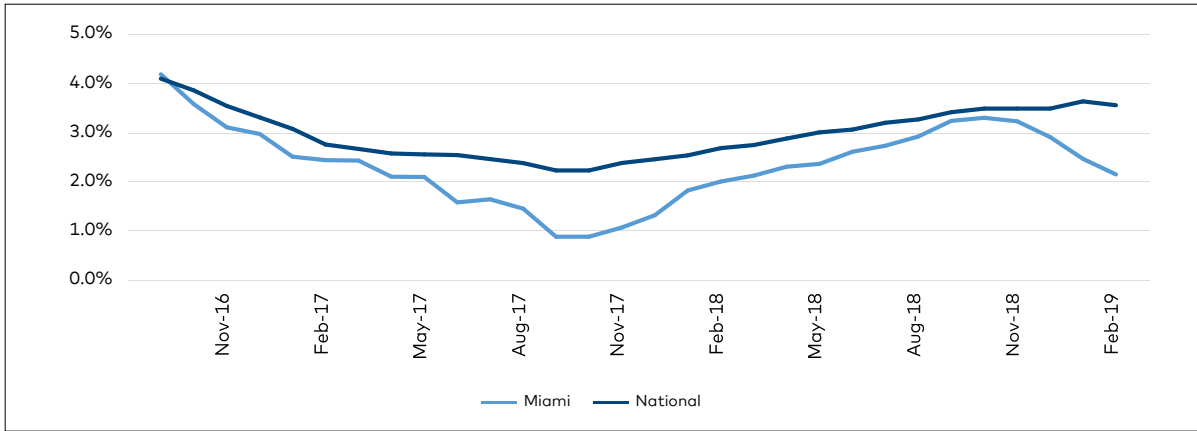


City: Boynton Beach, Fla.
Buyer: Klingbeil Capital Management
Purchase Price: \$52 MM
Price per Unit: \$185,000

Rent Trends

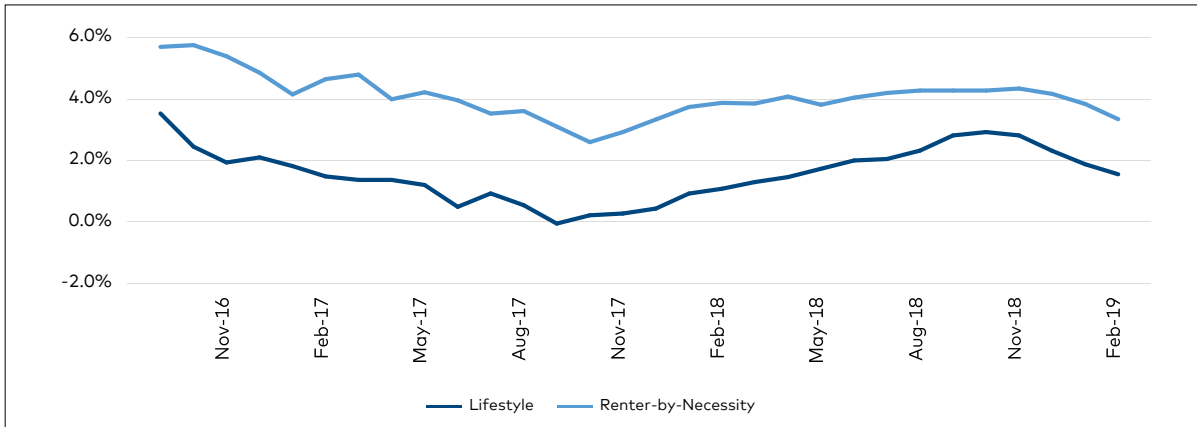
- Miami rents were up 2.1% year-over-year through February, 150 basis points below the national average. At \$1,663, the average rate remained above the \$1,426 U.S. figure. Despite strong completion levels, the region's growing population is supporting a rapid absorption pace. The occupancy rate in stabilized properties was 95.0% as of January, down 30 basis points over 12 months and 10 basis points above the national average.
- The working-class Renter-by-Necessity segment led growth, with rents rising 3.3% to \$1,331. Lifestyle rents improved just 1.5%, reaching \$1,902. The significant amount of new luxury supply continues to limit rent growth in high-end assets, while demand for workforce housing is on an upswing.
- Upscale areas such as Brickell (\$2,343), Boca Raton–East (\$2,249) and Coconut Grove (\$2,235) were the most expensive submarkets as of February, with the last one's average rent recording a 4.6% drop over 12 months.
- Strong demographic growth, an expanding infrastructure and solid employment figures are bound to further fuel demand. However, considering the metro's solid pipeline, we expect rents to rise only 2.1% in 2019.

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)

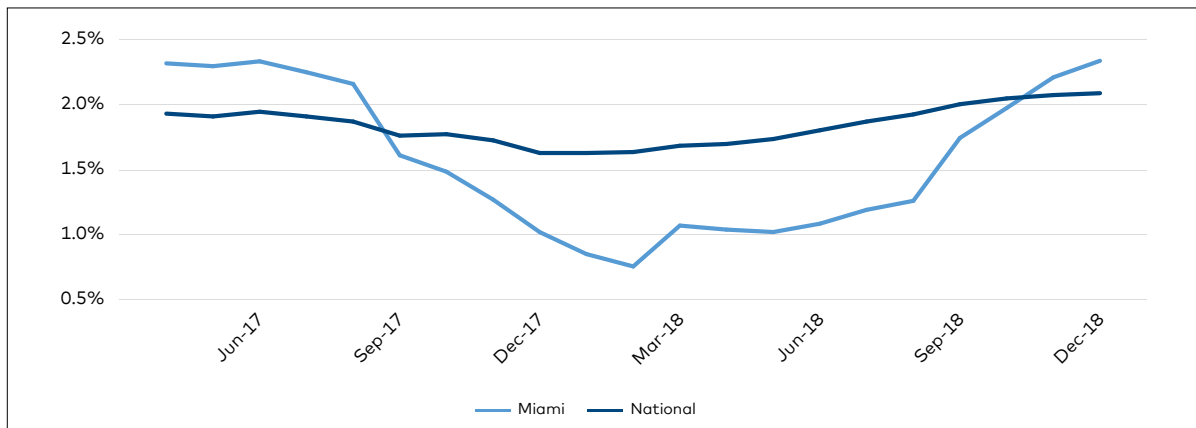


Source: YardiMatrix

Economic Snapshot

- Metro Miami added 52,300 jobs in 2018, a 2.3% increase and 20 basis points above the national growth rate. The relatively small construction sector recorded an impressive expansion due to the metro's vertical development surge, adding 8,100 jobs last year for a 17.1% boost.
- Miami's tourism industry remains one of the area's main drivers, with leisure and hospitality having added 9,500 jobs last year. Florida's tourism marketing agency reported that the state welcomed an all-time record number of visitors last year—126.1 million out-of-state tourists. Trade, transportation and utilities is also poised for further growth, as large-scale developments are expected to contribute to the metro's expansion. The Florida Department of Transportation, together with Archer Western and The de Moya Group, kicked off an \$802 million project set to rebuild parts of Interstate 395 and construct a new bridge connecting Miami and Miami Beach.
- One of the largest projects under construction in the metro is Agave Holdings' \$600 million, 2.3 million-square-foot mixed-use complex in Coral Gables, the largest in the city's history. Nearby, to the north, soccer superstar David Beckham and the Mas brothers are planning to bring a \$1 billion mixed-use development to what is now a public golf course. Plans for Freedom Park call for the construction of a 28,000-seat soccer stadium and a surrounding sports campus near Miami International Airport.

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	334	12.6%	9,500	2.9%
65	Education and Health Services	405	15.3%	9,200	2.3%
40	Trade, Transportation and Utilities	627	23.7%	8,200	1.3%
15	Mining, Logging and Construction	55	2.1%	8,100	17.1%
30	Manufacturing	97	3.7%	5,300	5.8%
60	Professional and Business Services	448	16.9%	4,500	1.0%
80	Other Services	129	4.9%	3,500	2.8%
55	Financial Activities	184	7.0%	2,000	1.1%
50	Information	52	2.0%	1,300	2.6%
90	Government	313	11.8%	700	0.2%

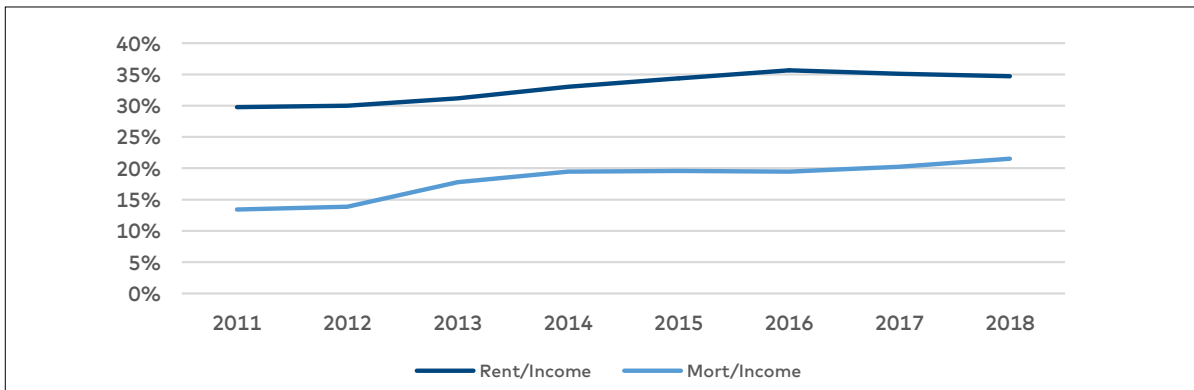
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

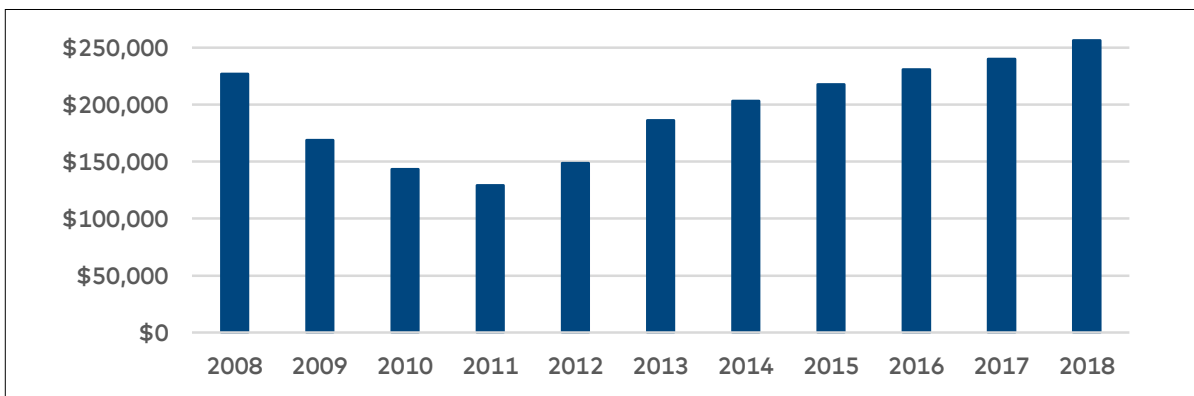
- The median home price in Miami climbed to \$256,691 last year, with broad-based employment growth and demographic expansion continuing to fuel housing demand. The average rent equated to 35% of the area median income last year, while mortgages—although 20 basis points above the 2017 figure—were significantly more affordable. The average mortgage payment accounted for only 22%.
- At the end of 2018, city commissioners approved an ordinance that requires developers in the Arts & Entertainment District to include affordable units in their projects in exchange for density bonuses. The ordinance is the city's first venture into inclusionary zoning and foreshadows similar rules citywide.

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's population grew 0.8% in 2017, up 51,400.
- The 2018 ISG World Miami report found that 45% of the roughly 900 people moving to Florida daily choose Miami-Dade, Broward and Palm Beach counties.

Miami vs. National Population

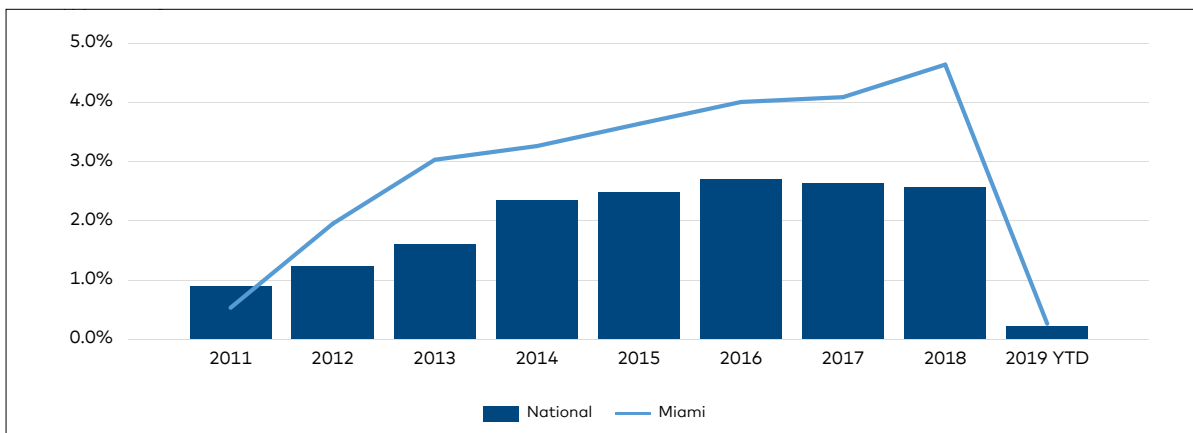
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Miami Metro	5,862,992	5,943,656	6,026,044	6,107,433	6,158,824

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

Supply

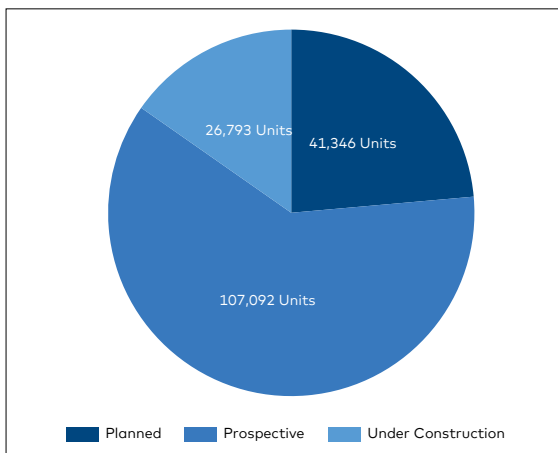
- Developers added 13,281 apartments in Miami last year for another cycle peak. Solid in-migration, a strong economy and widespread lack of affordable single-family homes are sustaining multifamily demand, reinforcing fundamentals and prompting developers to power through.
- Construction activity is showing no signs of slowing down, as 26,793 units were underway as of February, with the majority located within easy reach of downtown Miami. Another 148,438 units were in the planning and permitting stages. Yardi Matrix expects 2019 completions to exceed last year's figure by roughly 3,000 units for yet another cycle high.
- With almost 3,130 apartments underway, Fort Lauderdale–West leads the development pipeline, followed by Edgewater–Wynwood (2,437 units) and downtown Miami (2,383 units). University Bridge, Atlantic Housing Foundation's 886-unit student housing development in Fountainbleau, is one of the largest projects under construction. Florida East Coast Industries is building an 816-unit tower in downtown Miami, scheduled to come online this spring. Residents will live above a food hall and retail complex and have access to Brightline and other rail transportation options.

Miami vs. National Completions as a Percentage of Total Stock (as of February 2019)



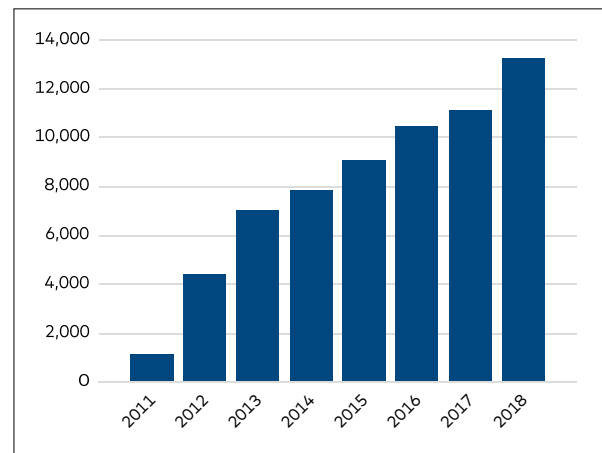
Source: YardiMatrix

Development Pipeline (as of February 2019)



Source: YardiMatrix

Miami Completions (as of February 2019)

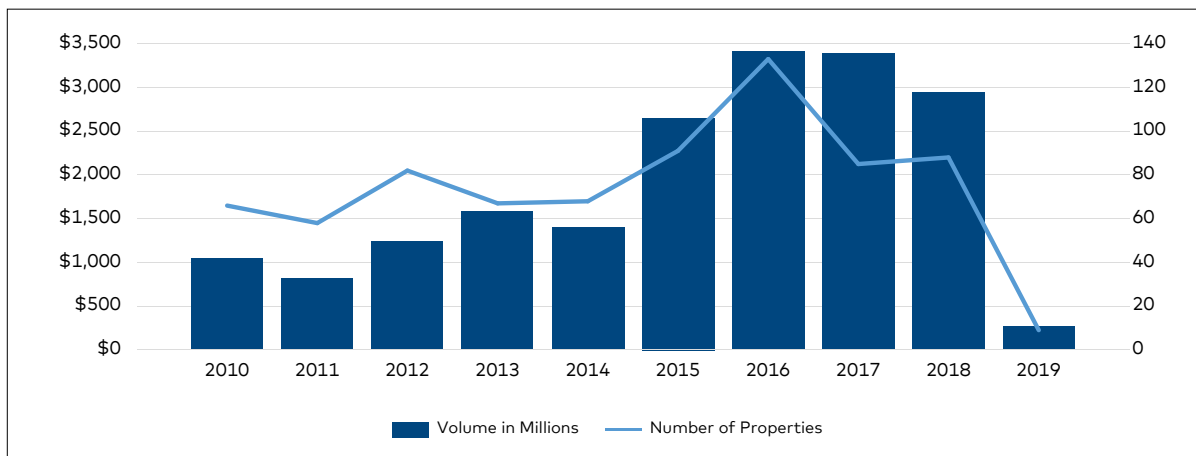


Source: YardiMatrix

Transactions

- Investment activity remained high across the metro last year, with roughly \$2.9 billion in multifamily assets changing hands. The figure comes third in the cycle, following the peak values of 2016 and 2017. With nine properties trading for a combined \$266 million in the first two months, 2019 is off to a sharp start. At \$202,265, per-unit prices hit a cycle peak in 2018, outperforming the national average by \$47,960. Last year, acquisition yields were in the 4.0% range for Class A stabilized assets and 5.0% to 6.0% for Class B and C properties.
- The West Palm Beach, Boca Raton and Fort Lauderdale submarkets were the most sought after in the 12 months ending in February, with Boynton Beach (\$259 million), Boca Raton–West (\$204 million), Pompano Beach/Lighthouse Point (\$189 million) and Davie (\$173 million) leading the way. These areas are also popular among investors priced out of Miami’s high-end core.

Miami Sales Volume and Number of Properties Sold (as of February 2019)



Source: YardiMatrix

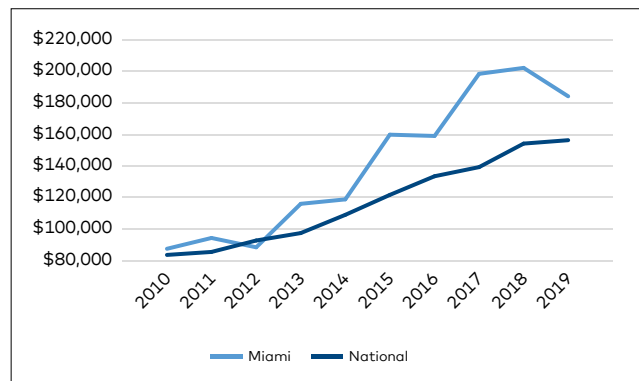
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Boynton Beach	259
Boca Raton–West	204
Pompano Beach/Lighthouse Point	189
Davie	173
Golden Beach	171
Royal Palm Beach	164
Pembroke Pines	163
Hollywood	154

Source: YardiMatrix

¹ From March 2018 to February 2019

Miami vs. National Sales Price per Unit



Source: YardiMatrix

News in the Metro

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Affordable Senior Housing Project Coming to South FL

Pinnacle Housing Group began work on a 120-unit project in Hollywood. Construction of Pinnacle at Peacefield is expected to take roughly two years. The developer took out \$22 million in construction financing.



Luxury Rental Community Opens In Fort Lauderdale

Morgan and institutional investors advised by J.P. Morgan Asset Management opened the 350-unit Pearl Flagler Village, located in one of the city's most popular neighborhoods.



Bay Harbor Islands Condo Building Tops Off

Ability by Acierto's first South Florida development is a waterfront property that broke ground in June 2017 and is scheduled for completion in July. Construction costs are estimated at \$20 million.



Miami High-Rise Lands \$92M Financing

Modera Metro Dadeland features 422 apartments within walking distance of the Dadeland North Metrorail station. It is the first of a two-phase multifamily development planned by Mill Creek Residential at the site.



236-Unit Community Underway in Miami

Developed by Asia Real Estate and a Canadian pension fund, the building will replace the former American Legion Post 29, which for decades has been a popular spot in the city's MiMo District.



JV Secures \$60M Loan For Miami Project

Built by a partnership of Mast Capital and AEW Capital Management, Miami River Walk will encompass 688 units. The riverfront development is slated to incorporate sustainability practices.



Miami Worldcenter's 1st Tower Comes Online

By Laura Calugar

Named after the Spanish word for the tropical hardwood "mahogany," Caoba Apartments is the first tower to open at Miami Worldcenter, the 27-acre, \$4 billion mixed-use project in the heart of the city. Featuring 444 luxury units, the 43-story development is move-in ready one year after topping off.

Nitin Motwani, managing principal at Miami Worldcenter Associates, speaks in depth about the milestone for the project—one of the largest of its kind in the U.S.—located near the Brightline at MiamiCentral.

What difficulties did you overcome in order to be able to deliver this first tower?

Caoba is the first element of our 27-acre city within a city in the heart of downtown Miami, which is one of the country's fastest-growing urban areas. There will be some element of disruption at street level anytime you're developing in a highly active, densely populated area, but we've gone to great lengths to minimize impacts on our neighbors and keep them informed of our progress.

This level of community engagement has always been a priority of ours, dating back to when we were seeking initial approval for our plans. Our team hosted dozens of community meetings, spent countless hours listening to nearby residents and business owners, and ultimately came away with unanimous approval at more than 10 public meetings.

Please describe the types of apartments that Caoba includes and tell us a bit more about the resident profile.



One of the best things about Caoba is that our floorplans range from studios to three bedrooms, which creates a diverse set of price points. In the first month of leasing, we've seen a great deal of interest among young professionals, students, families and even empty nesters who have decided to downsize and relocate to an urban, walkable environment that's just steps away from many of Miami's most beloved amenities.

How will Caoba fit into Miami's luxury housing market?

Caoba's debut coincides with steadily growing demand for residential living in downtown Miami. According to the Miami Downtown Development Authority's 2018 demographics report, the neighborhood's residential population has grown by nearly 40 percent since 2010 to 92,235 residents and the number of people spending each weekday in downtown now eclipses 250,000.

Caoba fits squarely into the luxury rental segment, with prices starting at \$1,775 per month.

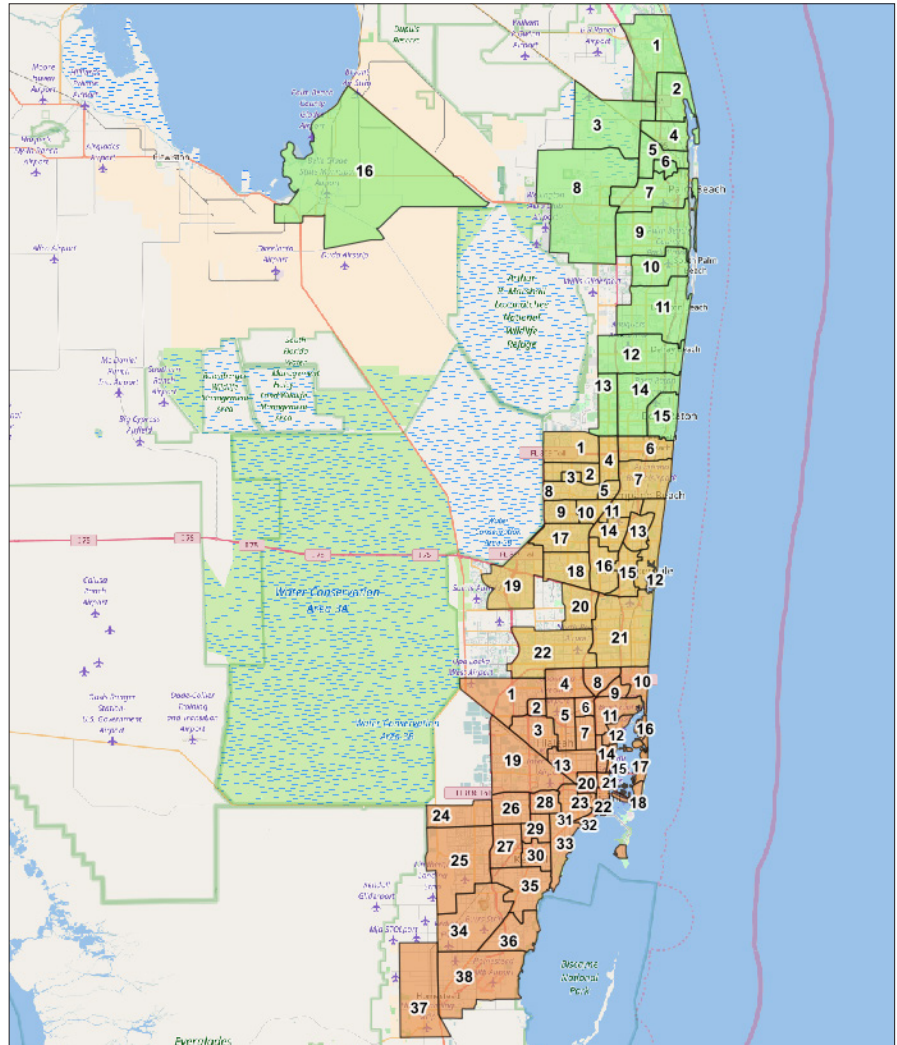
What is next for Miami Worldcenter?

The opening of Caoba is the first in a string of milestones that will take place at Miami Worldcenter this year. Over the coming months, we'll see Paramount Miami Worldcenter condominiums completed, our 348-room citizenM hotel break ground and 150,000 square feet of retail space deliver. Luma, a 434-unit apartment tower by ZOM, will also break ground in 2019.

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	Sandalfoot 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

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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