

A vibrant sunset scene of a Miami marina. In the foreground, a large white yacht is docked at a pier. The water is filled with numerous other boats of various sizes. In the background, a dense city skyline of skyscrapers is visible, with many windows glowing with light. The sky is a mix of blue, orange, and yellow, with scattered white clouds. The overall atmosphere is bright and energetic.

Yardi® Matrix

Miami's Alluring Force

Multifamily Report Summer 2019

Rent Growth Levels Off

Development Surge Continues

Occupancy Endures Despite Record Deliveries

Market Analysis

Summer 2019

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South Florida Continues Healthy Streak

Despite the 40,000 units coming online since the beginning of 2016, Miami's multifamily market continues to be strong, fueled by above-trend job gains and population growth. Heavy supply, however, did leave marks: Alongside Houston (0.8%), Miami (2.2%) was one of the only two major U.S. metros where year-over-year rent growth fell below the 2.5% mark as of June.

Metro Miami gained 52,300 jobs over 12 months, with education and health services and professional and business services accounting for roughly 60% of additions. Developers are ramping up office construction, but they are also betting on the metro's entertainment hub status. Triple Five Group is moving forward with the American Dream Miami megamall after putting in place agreements for a massive amount of infrastructure near the site. The construction sector is expected to be one of the \$4 billion project's first beneficiaries. Additionally, Whitman Family Development landed a \$550 million loan for the expansion of Bal Harbour Shops.

More than 26,000 units were underway across the metro as of June, and demand shows no signs of abating. Investor appetite remained high, particularly for Fort Lauderdale assets. With strong development matching elevated demand, we expect rents to advance at moderate levels for the foreseeable future, following national trends.

Recent Miami Transactions

Doral View



City: Miami
Buyer: LivCor
Purchase Price: \$104 MM
Price per Unit: \$289,931

Cielo Boca



City: Boca Raton, Fla.
Buyer: Electra America
Purchase Price: \$92 MM
Price per Unit: \$204,241

Cottonwood West Palm



City: West Palm Beach, Fla.
Buyer: Cottonwood Residential
Purchase Price: \$67 MM
Price per Unit: \$273,157

Boynton Place

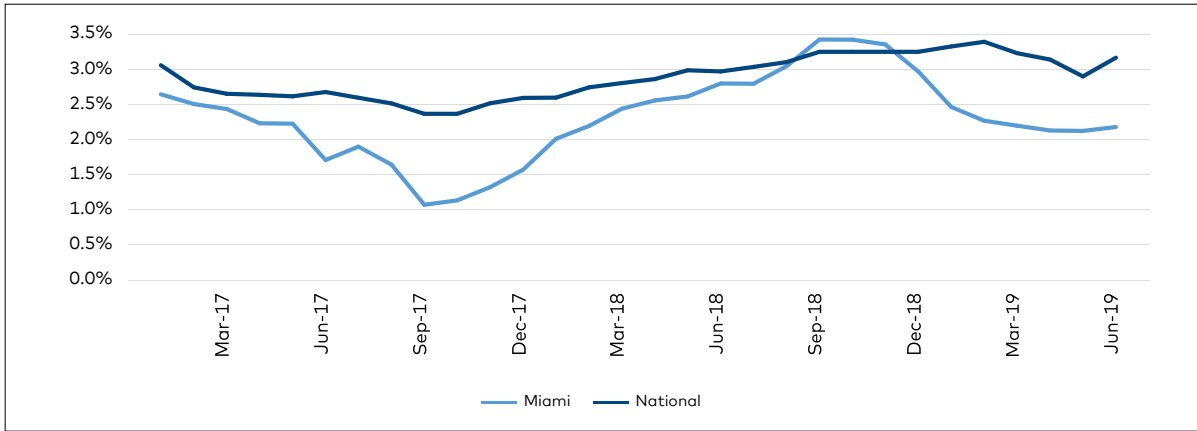


City: Boynton Beach, Fla.
Buyer: Robbins Property Associates
Purchase Price: \$34 MM
Price per Unit: \$177,083

Rent Trends

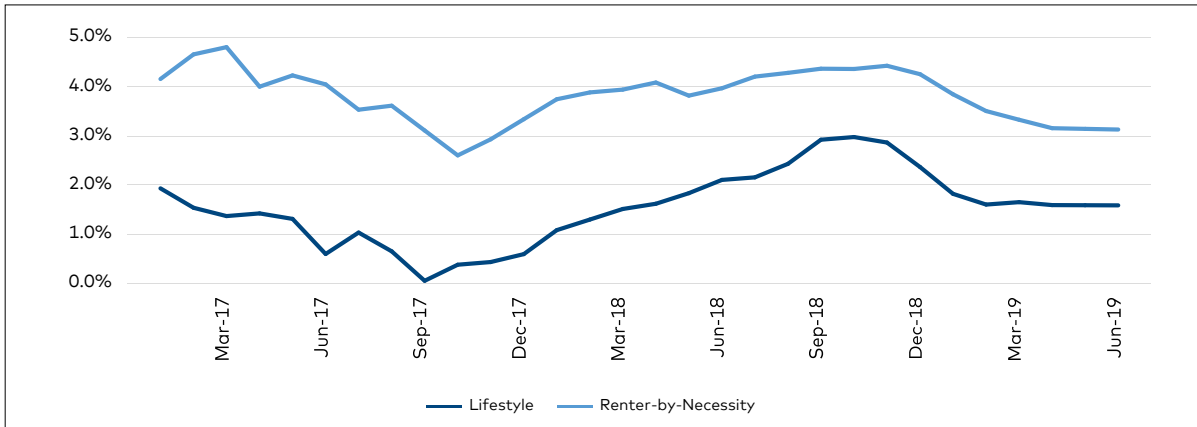
- Miami rents rose 2.2% year-over-year through June, 110 basis points below the national average. Miami joined Houston (0.8%) as the only two large metros to fall below 2.5% rent growth over the past 12 months. And despite record deliveries during the past three years, absorption kept up pace, backed by strong population growth and a thriving tourism industry. At \$1,687 as of June, the average Miami rent was \$222 above the U.S. figure.
- Assets in the working-class Renter-by-Necessity segment led rent growth, with the average rate up 3.1%, to \$1,352. Mainly due to strong supply at the upper end of the quality spectrum, rent growth in Lifestyle properties was limited—only 1.6%, to an average of \$1,923. In addition, with almost all of the projects delivered in the first half of 2019 catering to high-income residents and more than two-thirds of the upcoming supply geared toward the same demographic, the gap between the two segments is bound to widen, putting additional pressure on workforce and low-income households.
- Rents grew fastest in workforce-heavy submarkets such as Miami Gardens (11.8%) and Belle Glade (6.5%). Meanwhile, Brickell (\$2,358) and Boca Raton–East (\$2,261), as well as other waterfront areas, continued to command the highest rates.

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)

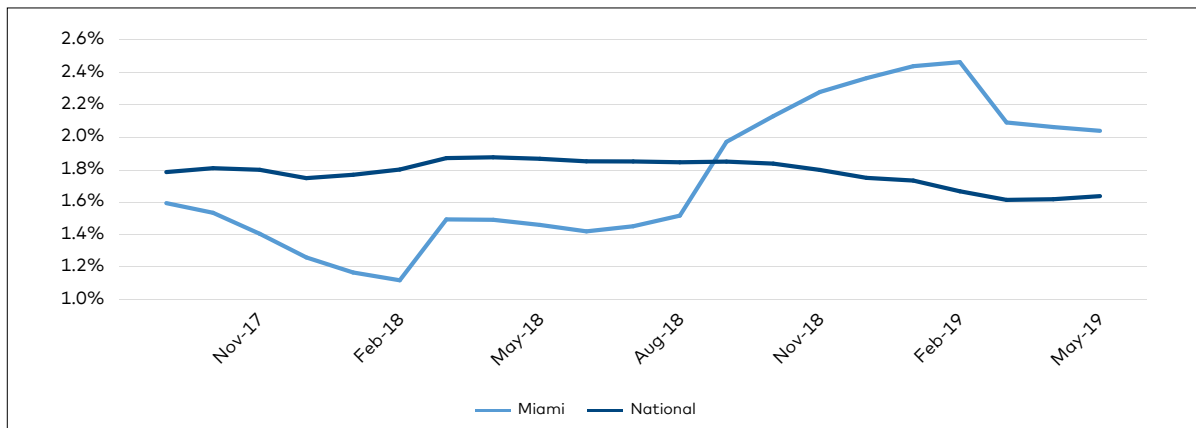


Source: YardiMatrix

Economic Snapshot

- Miami added 52,300 jobs in the 12 months ending in May for a 2.0% uptick, 40 basis points above the national average. Despite job growth slowly decelerating since the beginning of the year, the employment rate remained above the U.S. figure, where it has been since September 2018.
- Education and health services, one of the metro's main economic drivers, added the largest number of jobs (17,100), followed by professional and business services (14,800). With office-using employment on the rise, due in part to a growing tech ecosystem, coworking companies such as WeWork and Pipeline are leasing large spaces in Brickell, Coral Gables and downtown Fort Lauderdale. Metro Miami has a substantial cost-of-living advantage over established tech hubs such as San Francisco, New York or Boston, putting it in line with other rapidly growing secondary hubs such as Austin, Denver or Raleigh-Durham.
- Miami-Dade County officials are planning \$5 billion in investments at Miami International Airport over the next 15 years. In 2018, the airport surpassed 45 million passengers for the first time, fueled by leisure and hospitality, a sector that added 7,300 jobs in the 12 months ending in May. Meanwhile, the Florida Department of Transportation is on schedule with its \$802 million design-build project encompassing three major thoroughfares.

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	%
65	Education and Health Services	417	15.8%	17,100	4.3%
60	Professional and Business Services	458	17.3%	14,800	3.3%
70	Leisure and Hospitality	338	12.8%	7,300	2.2%
40	Trade, Transportation and Utilities	607	22.9%	3,100	0.5%
15	Mining, Logging and Construction	55	2.1%	3,100	6.0%
55	Financial Activities	186	7.0%	2,700	1.5%
30	Manufacturing	91	3.4%	2,100	2.4%
80	Other Services	125	4.7%	1,300	1.1%
90	Government	317	12.0%	1,100	0.3%
50	Information	51	1.9%	-300	-0.6%

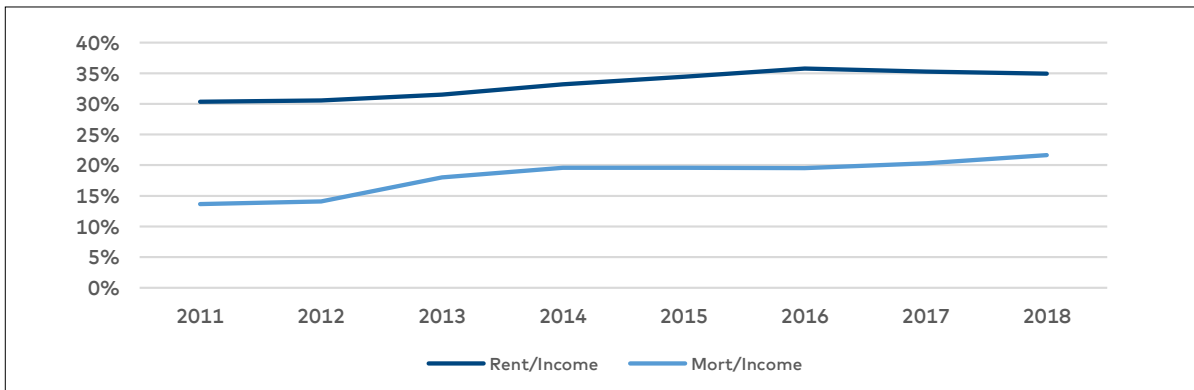
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

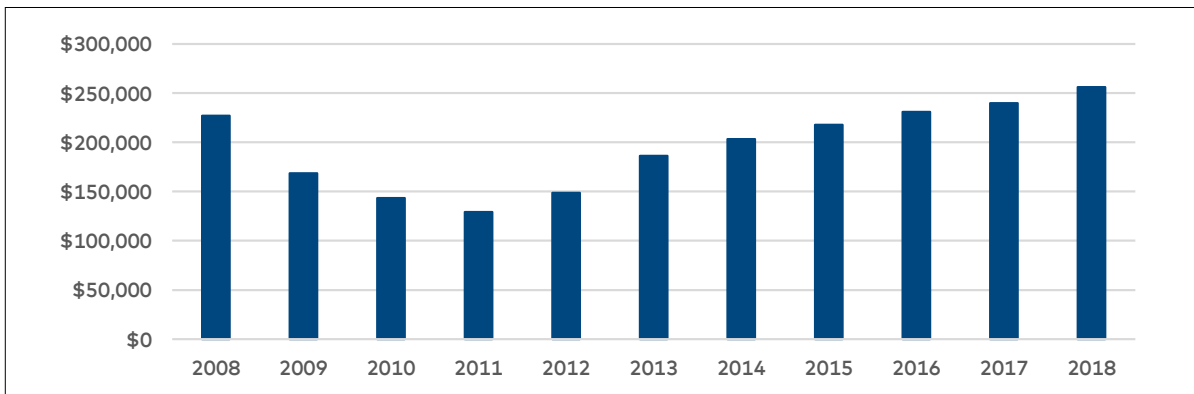
- The median home price peaked at \$256,281 in 2018, twice the cycle's 2011 trough. The average mortgage payment made up 22% of the area median income, while the average rent equated to 35%.
- Miami officials pledged to create or preserve 12,000 affordable units by 2024, despite the fact that the recently passed HB 7103 requires any costs associated with setting aside a certain percentage of units for low-income residents be fully offset by incentives. South Florida's stock of low-rent units priced under \$800 declined 39% between 2011 and 2017, with the number of low-income renters dropping just 2%, according to this year's Harvard State of the Nation's Housing report.

Miami Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Miami Median Home Price



Source: Moody's Analytics

Population

- Miami added 51,400 residents in 2017, a 0.8% increase.
- International migration is fueling population growth. Miami ranked second in the U.S. for international immigration between 2010 and 2017, second only to NYC.

Miami vs. National Population

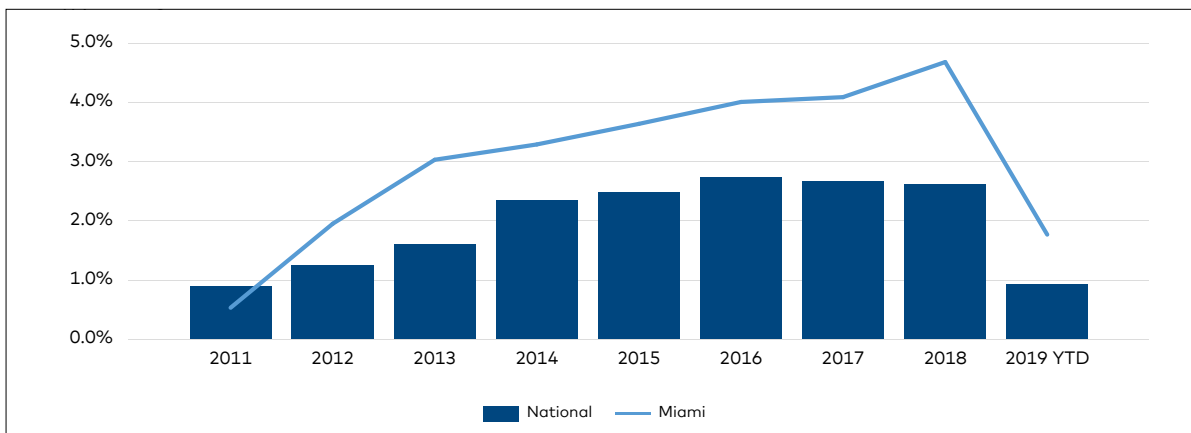
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Miami Metro	5,862,992	5,943,656	6,026,044	6,107,433	6,158,824

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

Supply

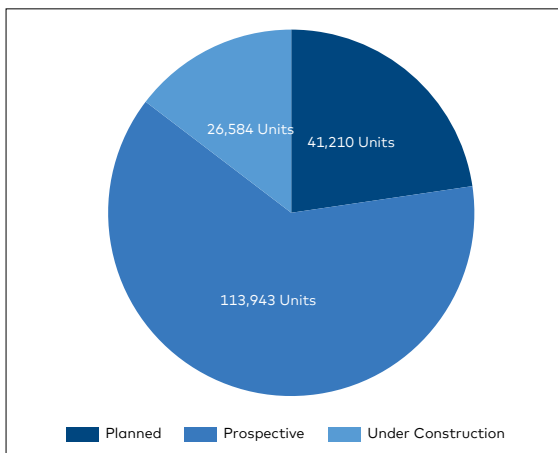
- Miami developers had 26,584 units under construction as of June, with most in upscale projects across urban submarkets. Development activity remained very strong despite rising construction costs. The metro mitigated overbuilding concerns as robust demographic growth and high occupancy levels are encouraging developers to continue the streak.
- Deliveries surpassed 5,000 units during the first half of 2019. Yardi Matrix expects completions in 2019 to exceed last year's figure and mark a new cycle high of more than 16,000 apartments. Despite the elevated rate of deliveries, Miami's growing population and strong economy have kept occupancy rates in stabilized properties at 95.2% as of May, unchanged over 12 months.
- The most active submarkets for multifamily development as of June were Fort Lauderdale–West (3,456 units), Edgewater–Wynwood (2,783) and Downtown Miami (2,112). Melo Group's Art Plaza, a 667-unit luxury tower, is the largest project underway. Last year, Ocean Bank provided an \$85 million construction loan for the transit-oriented development in the heart of downtown Miami, scheduled for completion by early 2020.

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



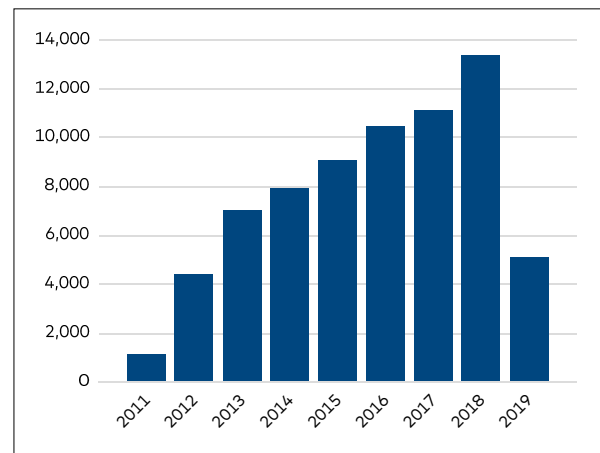
Source: YardiMatrix

Development Pipeline (as of June 2019)



Source: YardiMatrix

Miami Completions (as of June 2019)

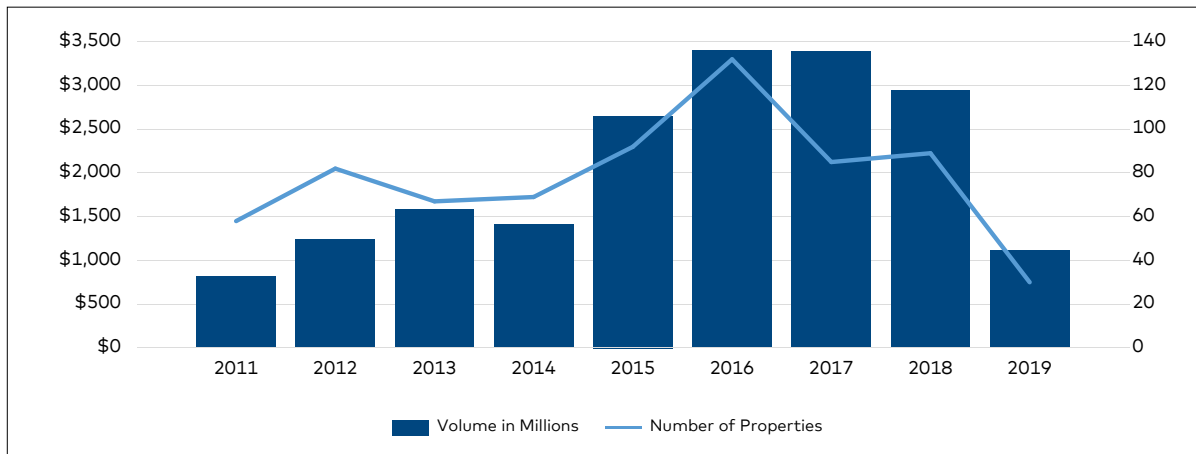


Source: YardiMatrix

Transactions

- Roughly \$1.1 billion in multifamily assets traded during the first half of 2019 and investment activity stayed solid across the metro, with the average per-unit price peaking at \$204,585. Last year, multifamily transactions in Miami totaled approximately \$2.9 billion and the metro is likely to surpass the \$2 billion mark this year as well. As developable land in South Florida becomes more scarce, existing assets will continue to appreciate, presenting attractive investment opportunities.
- Drawn by the metro's prospects for higher rents, investors favored RBN assets. In the 12 months ending in June, Fountainbleau attracted the most capital (\$269 million). The total transaction volume for this submarket was mainly due to LivCor's investment in two 360-unit Lifestyle assets—Doral View and Town Fountainbleau Lakes—that commanded almost \$210 million combined. Boynton Beach and Golden Beach followed, with multifamily investment sales surpassing \$170 million for each.

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



Source: YardiMatrix

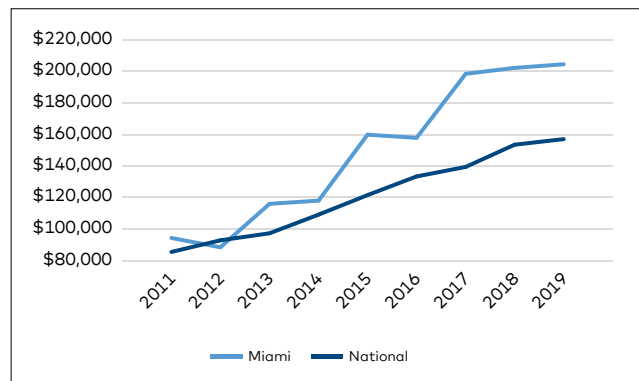
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Fountainbleu	269
Boynton Beach	176
Golden Beach	171
Pembroke Pines	163
Hollywood	154
Davie	149
Sunrise	143
Plantation	136

Source: YardiMatrix

¹ From July 2018 to June 2019

Miami vs. National Sales Price per Unit



Source: YardiMatrix

News in the Metro

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HTG Completes 4th Miami-Dade County Community

The affordable housing developer finished work on Princeton Park, a 150-unit income-restricted property. The Florida Housing Finance Corp. provided part of the financing for the \$36 million project.



Fort Lauderdale Luxury Tower Lands \$140M Refi

SunTrust Banks Inc. originated the Freddie Mac loan. Built in 2017 by Related Group, Rabina Properties and Perella Weinberg Partners, Icon Las Olas provides 272 apartments.



Florida Projects Get \$67M In Construction Loans

Developers in Miramar and Palm Bay plan to build two communities with 280 units and 197 units, respectively. Hunt Real Estate Capital provided the HUD financing.



South FL Community Sells for \$92M

The buyer, American Landmark Apartments, plans an additional \$6.2 million in capital improvements at the 448-unit property located in Boca Raton. A Mill Creek Residential joint venture sold the property.



JV Opens Affordable Senior Community

The \$36 million development is an age-restricted community encompassing 110 units in Broward County. Housing Trust Group and Miami Jewish Health Systems broke ground on the project in 2018.



Estate Investments Group Tops Off 2 Miami Communities

The properties total 517 units, broke ground last year and are slated for completion in November 2019 and January 2020, respectively.



Miami River Walk: An Atypical Waterfront Development

By Laura Calugar

Catering to the large number of health professionals working in the area, Mast Capital and AEW Capital Management's Miami River Walk project broke ground at the beginning of this year. The joint venture secured a \$59.7 million construction loan from PNC Bank for Mast's largest ground-up project to date.

Mast Capital CEO Camilo Miguel Jr. discusses the development located on the south bank of the Miami River, in an urban transit zone, and shares his insights on the future of the burgeoning district, which features more than 1,000 linear feet of direct water frontage.

What is the current status of the project? Please tell us more about the next phases of development.

We broke ground in January and we'll be developing the project in two phases: Phase 1 will consist of 346 rental units and is expected to be delivered in the fourth quarter of 2020. Plans for Phase 2 currently (include) an additional 342 multifamily units. The project will collectively feature approximately 20,000 square feet of amenity space and include a full suite of Class A amenities, such as a swimming pool, a state-of-the-art fitness center, a game room and package locker rooms.

How does the project complement Miami's Health District and the Downtown/Brickell CBD area?

Our proximity to Miami's largest employment centers will enable us to provide accessible housing options and a convenient commute for a significant share of the metro area's workforce. In addition, our project will also be a part of the Riverwalk that will eventually connect to Down-



town/Brickell via a continuous pedestrian walkway along the Miami River. To that end, we are improving the 1,000-plus linear feet of Riverwalk on our site, which will seamlessly connect to our neighbors along the river.

Why did you decide to invest in a Miami waterfront development?

It wasn't the waterfront aspect that made us excited about this project. Common threads across Mast Capital's investments involve uncovering underserved market niches and opportunities to create what we call the "convenience factor," which includes providing high walkability to nearby

hotspots, offering thoughtful, experiential amenities for residents and their guests and being located near public transportation systems.

We knew it presented an immense opportunity to create a convenient option for this major employment center while being part of the transformation that's happening along the Miami River.

How do you expect waterfront projects to evolve in the metro going forward?

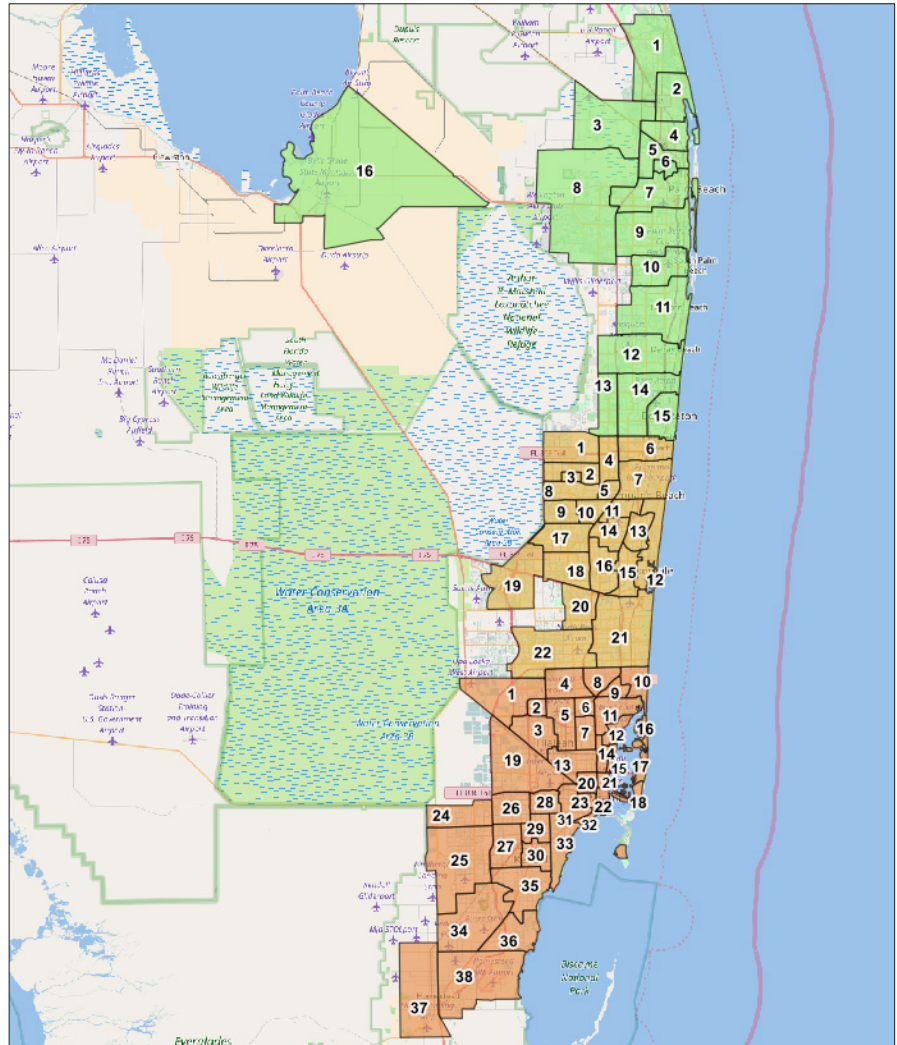
We expect to see continued growth for sites along the Miami River, as oceanfront opportunities have become scarce and expensive. Residents are increasingly looking to live in urban areas in which the location is an amenity in itself. As the Miami River continues its transformation by offering more dining, retail and entertainment, it will undoubtedly attract more and more developers and residents to this area.

(Go to multihousingnews.com to read the complete interview.)

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
15	Morningside
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	Kendall–West
26	Fountainbleau

Area #	Miami Submarket
27	Sunset
28	West Miami
29	South Miami
30	Glennvar Heights
31	Coral Way–Flagler
32	Brickell
33	Coconut Grove
34	South Miami Heights
35	Kendall–East
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.

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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