

A vibrant photograph of the Miami skyline, featuring numerous high-rise buildings and palm trees in the foreground. The sky is a clear, bright blue with a few wispy clouds. The water in the foreground is a deep turquoise color. The overall scene is bright and sunny, reflecting the 'Sunny Outlook' theme of the report.

Yardi® Matrix

Miami's Sunny Outlook

Multifamily Report Fall 2019

Per-Unit Prices
Continue to Climb

Investment Activity
Remains High

Job Growth Outpaces
US Average

Market Analysis

Fall 2019

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Stock Additions Soften Rent Growth

Backed by above-trend job gains and a friendly business climate, Miami's multifamily market remains healthy, despite accelerating development since 2015. The occupancy rate in stabilized properties saw a slight drop, but remained among the highest in Florida, at 95.1% as of September.

Metro Miami gained 61,600 jobs in the 12 months ending in July, for a 2.2% uptick. Education and health services accounted for 20,500 positions, followed by professional and business services (16,600 jobs). Due to high demand, office construction is on an upswing in the metro. OKO Group's 57-story tower will be the first major office building in the city's urban core in a decade. The \$5 billion American Dream Mall and the \$5 billion overhaul of the Sunshine State's airports over the next 15 years are among the largest projects underway. The Florida Department of Transportation is also moving forward with its \$802 million redesign of three major Miami thoroughfares, while a 20-mile bus rapid transit system connecting the Dadeland South Metrorail station to Florida City is also in the works.

Both transactions and development dropped a gear in the first three quarters of the year. Nonetheless, increased interest is coming from investors redirecting capital from states adopting rent-control laws. We expect the average South Florida rent per unit to rise moderately going into 2020.

Recent Miami Transactions

The Avant at Pembroke Pines



City: Pembroke Pines, Fla.
Buyer: NexPoint Residential Trust
Purchase Price: \$322 MM
Price per Unit: \$211,842

Cortland Boca Raton



City: Boca Raton, Fla.
Buyer: Cortland
Purchase Price: \$121 MM
Price per Unit: \$314,674

Avalon Bonterra



City: Hialeah, Fla.
Buyer: AvalonBay Communities
Purchase Price: \$90 MM
Price per Unit: \$286,624

Bell Lighthouse Point

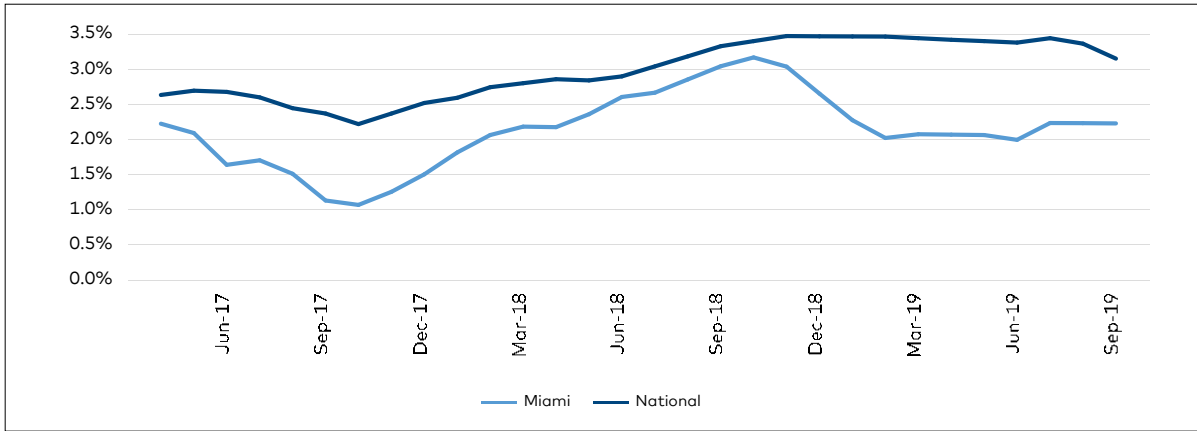


City: Pompano Beach, Fla.
Buyer: Bell Partners
Purchase Price: \$59 MM
Price per Unit: \$234,940

Rent Trends

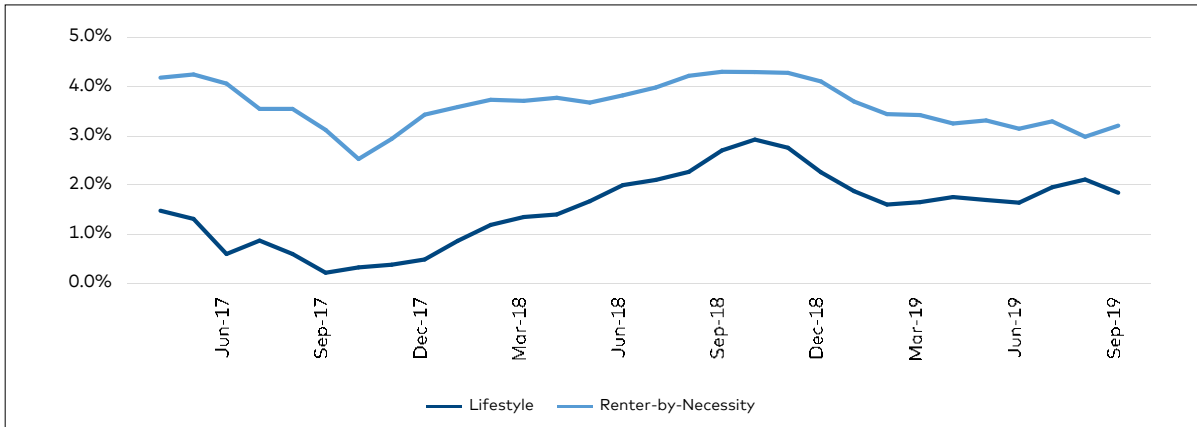
- Miami rents were up 2.2% year-over-year through September, 100 basis points below the U.S. average. Due to strong supply, rent growth has moderated across all major Florida metros, including Orlando (down to 2.4% from 6.4% in September 2018) and Tampa (down to 2.4% from 4.3% a year ago). Meanwhile, the \$1,694 average Miami rent remained well above the \$1,471 national figure.
- Gains were led by the working-class Renter-by-Necessity segment, with the average rate advancing 3.2%, to \$1,352. Demand for workforce housing continues to rise, widening the gap between the two segments. Additionally, the significant amount of new high-end supply is limiting rent growth at the upper end of the quality spectrum. Lifestyle rents only rose 1.9%, to \$1,935.
- Submarkets across Fort Lauderdale and Miami led growth, with waterfront areas among the most expensive: In Fort Lauderdale–East, rates went up 1.4% to \$2,323, while Brickell rents rose 3.1% to \$2,307. Despite a 5.5% drop, Coconut Grove (\$2,305) continues to command some of the highest rates.
- Miami’s occupancy rate in stabilized properties remained among the highest across the state, despite a drop of 10 basis points year-over-year, to 95.1% as of September. Although the construction boom lingers, we expect steady fundamentals to keep sustaining a moderate rent growth going into 2020.

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)

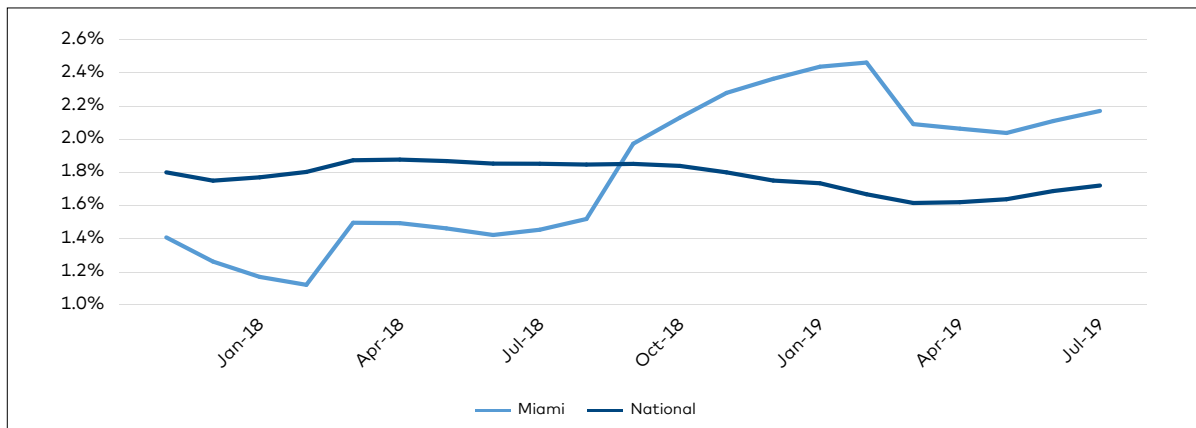


Source: YardiMatrix

Economic Snapshot

- Metro Miami gained 61,600 jobs in the 12 months ending in July, marking a 2.2% expansion and surpassing the 1.7% U.S. rate. All employment sectors recorded gains, with education and health services accounting for one-third of them, followed by professional and business services (16,600 jobs).
- Fueled by demand coming from office-using industries, the metro's office development pipeline is showing no signs of deceleration, with roughly 3.3 million square feet of space underway as of late October. One of the largest projects in the works is 830 Brickell, a 57-story skyscraper built by an OKO Group joint venture and set to open in 2022.
- Last year, traffic data firm INRIX ranked Miami as the 10th most traffic-clogged city in the world. Several massive infrastructure projects are underway to address the metro's notorious traffic congestion issues. The Florida Department of Transportation and the Miami-Dade Expressway Authority have partnered on an \$802 million project that redesigns three highways feeding downtown Miami, Miami Beach and the Civic Center area. Moreover, an interchange needed for the planned \$5 billion American Dream Miami Mall is expected to begin construction shortly. In addition, Miami-Dade Transportation Planning Organization approved the county's first bus rapid transit system—a \$243 million project.

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	412	15.8%	20,500	5.2%
60	Professional and Business Services	461	17.7%	16,600	3.7%
70	Leisure and Hospitality	328	12.6%	7,100	2.2%
40	Trade, Transportation and Utilities	607	23.2%	4,200	0.7%
80	Other Services	127	4.9%	3,700	3.0%
15	Mining, Logging and Construction	55	2.1%	3,000	5.7%
30	Manufacturing	92	3.5%	2,800	3.1%
55	Financial Activities	187	7.2%	2,200	1.2%
90	Government	291	11.1%	1,400	0.5%
50	Information	51	2.0%	100	0.2%

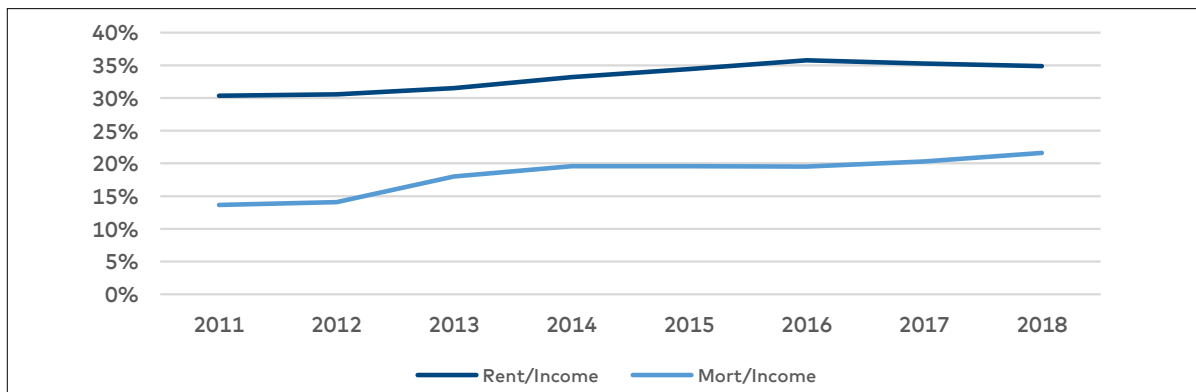
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

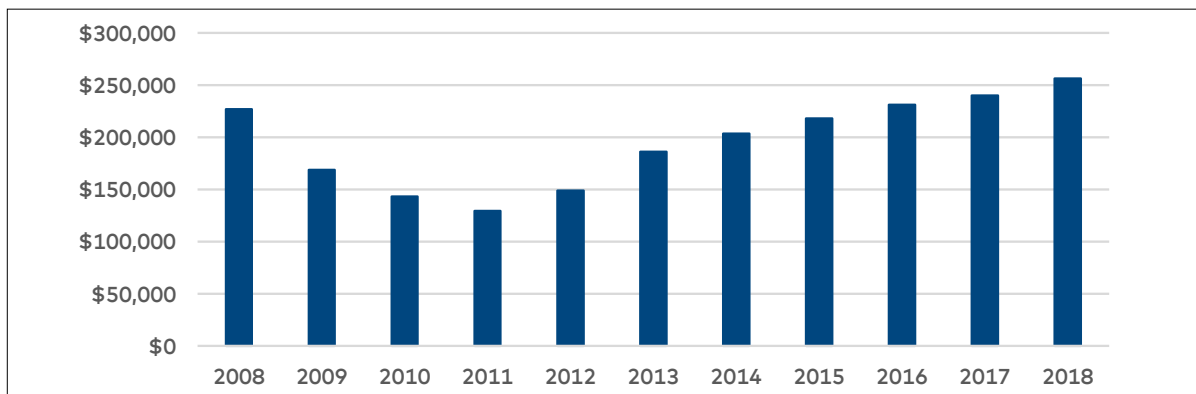
- Miami's median home price climbed to \$256,238 in 2018, up 52% from the 2009 trough. Last year, the average rent was 35% of the area median income, while home ownership remained significantly more affordable, with the average mortgage payment equating to 22%.
- According to a recent market update from Florida International University's Metropolitan Center, more than 50% of Miami-Dade's cost-burdened residents are actually severely cost burdened, meaning they spend more than half of their income on rent. The city needs at least 50,000 units just to meet the existing need, according to advocacy groups and city officials.

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 49,095 residents last year, for a 0.8% uptick.
- Miami's population growth was among the slowest in Florida, with Tampa (4.0%) leading the way, followed by Orlando (2.4%) and Jacksonville (2.0%).

Miami vs. National Population

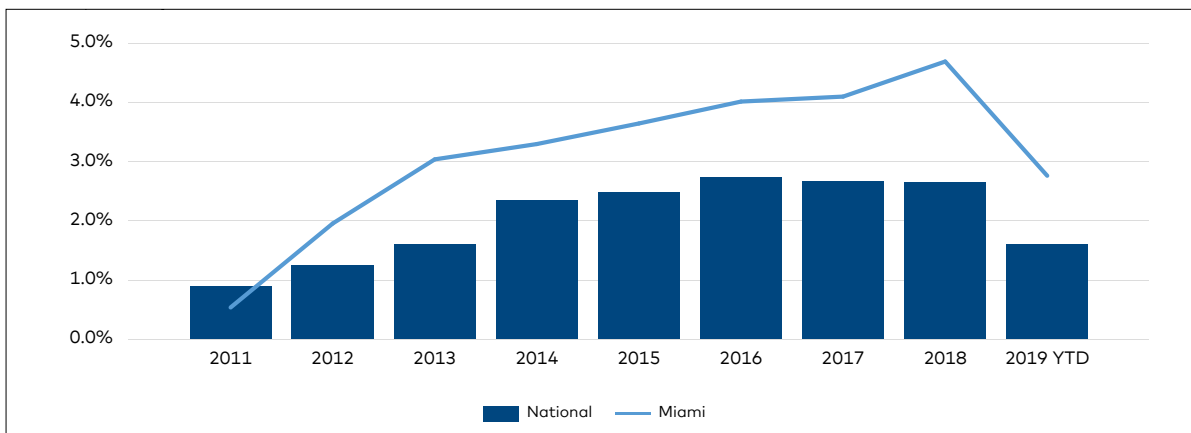
	2014	2015	2016	2017	2018
National	318,386,421	320,742,673	323,071,342	325,147,121	327,167,434
Miami Metro	5,921,030	5,998,284	6,086,935	6,149,687	6,198,782

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

Supply

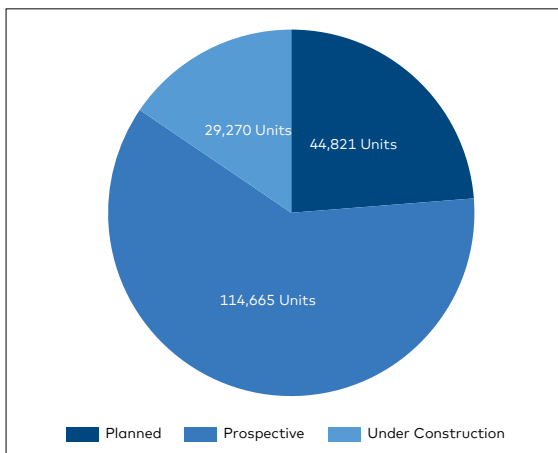
- Developers had 29,270 units underway across the metro as of September, most of them within easy reach of downtown Miami. With more than 70% of the upcoming inventory geared toward Lifestyle renters, fears that the metro's high-end market might be overbuilt have intensified. At the same time, demand for Renter-by-Necessity assets has skyrocketed.
- Following last year's cycle peak of 13,396 new units in addition to the 21,630 apartments delivered in 2016 and 2017, construction activity is slowly tapering, but remains significantly above the U.S. average. In the first three quarters of this year, 34 properties containing some 8,000 apartments were completed, representing 3.9% of stock, 230 basis points above the national figure.
- With more than 3,200 units under construction, Fort Lauderdale–West leads the development pipeline, followed by Downtown Miami (2,426) and Edgewater–Wynwood (2,404). Catering to Florida International University students, Atlantic Housing Foundation's 886-unit University Bridge is the largest project underway. Miami's first student condo property is being built with a \$228 million construction loan originated by the Capital Trust Agency. Completion is expected by the end of 2020.

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



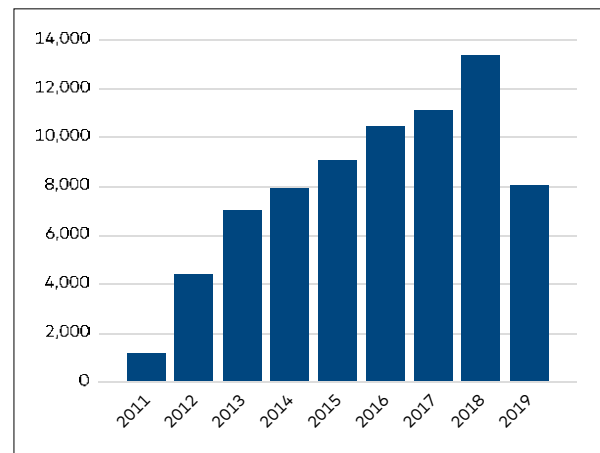
Source: YardiMatrix

Development Pipeline (as of September 2019)



Source: YardiMatrix

Miami Completions (as of September 2019)

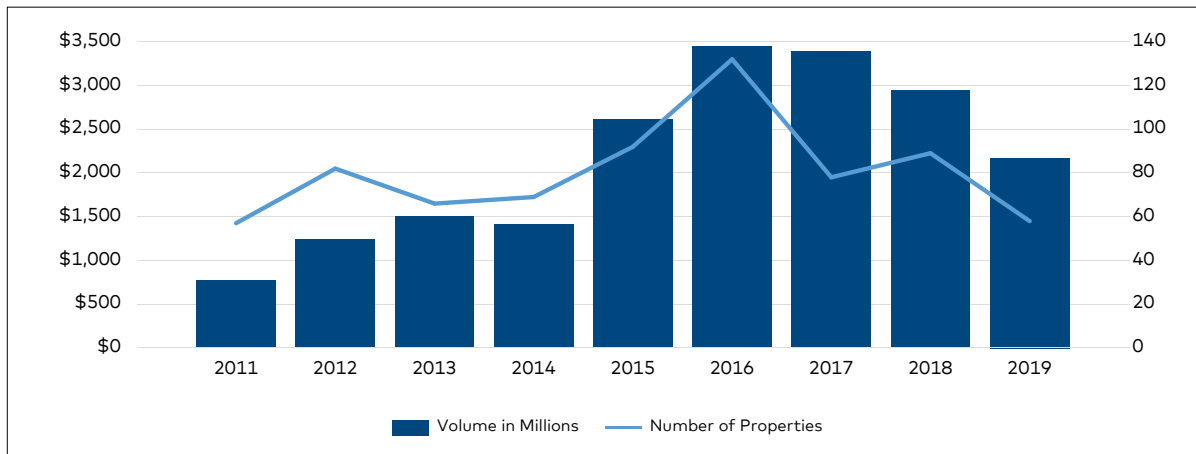


Source: YardiMatrix

Transactions

- After peaking at \$3.4 billion in 2016, Miami's transaction activity fell, with \$2.1 billion in multifamily assets trading this year, through September. Nonetheless, per-unit prices continued to rise, with the average figure hitting \$205,964 in 2019, significantly above the \$158,670 U.S. figure.
- Foreign interest in the Miami market has exploded this decade, according to the Miami Association of Realtors. For example, between August 2017 and July 2018, foreign buyers spent \$8.7 billion on residential properties across Miami-Dade, Broward and Palm Beach counties. The amount is nearly double the \$4.4 billion foreign buyers spent in 2010. In the 12 months ending in September 2019, the Fort Lauderdale area attracted the most capital, with Pembroke Pines (\$393 million) leading the way. The total transaction volume for this submarket was mainly boosted by NexPoint Residential Trust's investment in The Avant at Pembroke Pines, a 1,520-unit community that traded for \$322 million.

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



Source: YardiMatrix

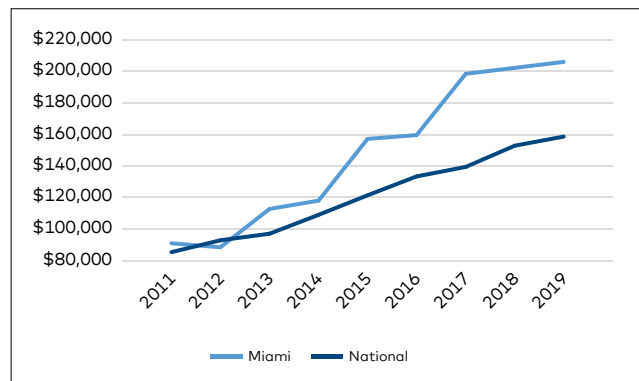
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Pembroke Pines	393
Fountainbleau	286
Davie	180
Boynton Beach	176
Sunrise	163
Pompano Beach/Lighthouse Point	163
Plantation	136
Ft. Lauderdale-East	136

Source: YardiMatrix

¹ From October 2018 to September 2019

Miami vs. National Sales Price per Unit



Source: YardiMatrix



Finding Opportunity in Miami's Multifamily Market

By Adina Marcut

With more than \$3 billion in originations in South Florida and 146 loans granted nationwide in 2018, Berkadia is one of the region's largest commercial mortgage lenders. As part of its expansion in Florida, Berkadia hired Charles Foschini as senior managing director back in 2016.

In an interview with *Multi-Housing News*, Foschini talks about Miami's current multifamily investment trends and how new supply will impact the market. He also shares his predictions for the metro's multifamily landscape for the next 12 months.

How has Miami's multifamily market changed in recent years?

First, there's extraordinary demand for multifamily product not only as a result of strong job and population growth but also due to the limited inventory of affordably priced single-family homes. A shortfall of homes priced at \$250,000 or below has prolonged renting for many would-be first-time homebuyers and those who lost their homes during the housing market collapse of 2008. At the same time, more people across the age and income spectrum—from millennials to retirees—are renting by choice. They like the choice amenities many new developments offer and the worry-free lifestyle of renting.

Last, there has been an extraordinary amount of urban infill development in this cycle.

Yardi Matrix predicts more than 16,000 units will be delivered by year's end. How will the new supply impact the Miami market?



The new supply will be absorbed. Demand is still incredibly strong. More than 900 people are moving to Florida every day and our population is expected to soar to 22 million over the next three years. Absorption continues to outpace deliveries by almost a 2-1 ratio in South Florida at large. The reality is that Miami is really a confined space, on a peninsula. There are only 13 miles between the Everglades and Biscayne Bay and that's all the land there is.

Which Miami submarkets are most attractive for investors and developers?

Miami is so dense that any area can be successful. The key is finding land

at a value where you can hit your return on cost and make a profit. With that in mind, developers are finding some interesting deals in neighborhoods that are still technically in the city but west of Interstate 95—neighborhoods like Allapattah, Opa-Locka and even Hialeah.

As developable land in South Florida becomes scarcer, how will this affect construction activity and financing?

Land is scarcer, that's true, but there is no shortage of opportunity. As the highest and best use of land evolves, we will see more existing projects such as shopping centers and small offices come down to make way for redevelopment as multifamily. It is my belief that lenders' spreads have been higher than in previous cycles and they were able to get away with it because the baseline indexes were so low. I believe that if the indexes trend up, competition will push spreads down and the environment, at least on the debt side, will remain favorable.

News in the Metro

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\$73M Construction Loan Secured For Miami Condos

CIM Group provided financing for the first oceanfront development in Delray Beach in more than 30 years. Ocean Delray will be located on the former site of the Wright by the Sea Hotel.



Toll Brothers to Bring More Luxury Student Housing to Miami

Scheduled for completion in 2021, the Lapis tower will include 1,100 beds serving students at the nearby Florida International University. The project is scheduled to open in time for the 2021 school year.



South Florida Community Trades For \$56M

A Miami-based investment firm picked up the 206-unit residential property in Pembroke Pines, Fla. The firm paid \$55.6 million for the recently built community, which was completed last year.



Ft. Lauderdale's Tallest Apartment Tower Tops Out

The stars of the 43-story development are the two-story, townhome-style units overlooking the river. Preleasing is slated to start in January 2020 and move-ins are anticipated for May.



Miami Co-Living Tower Lands \$162M Loan

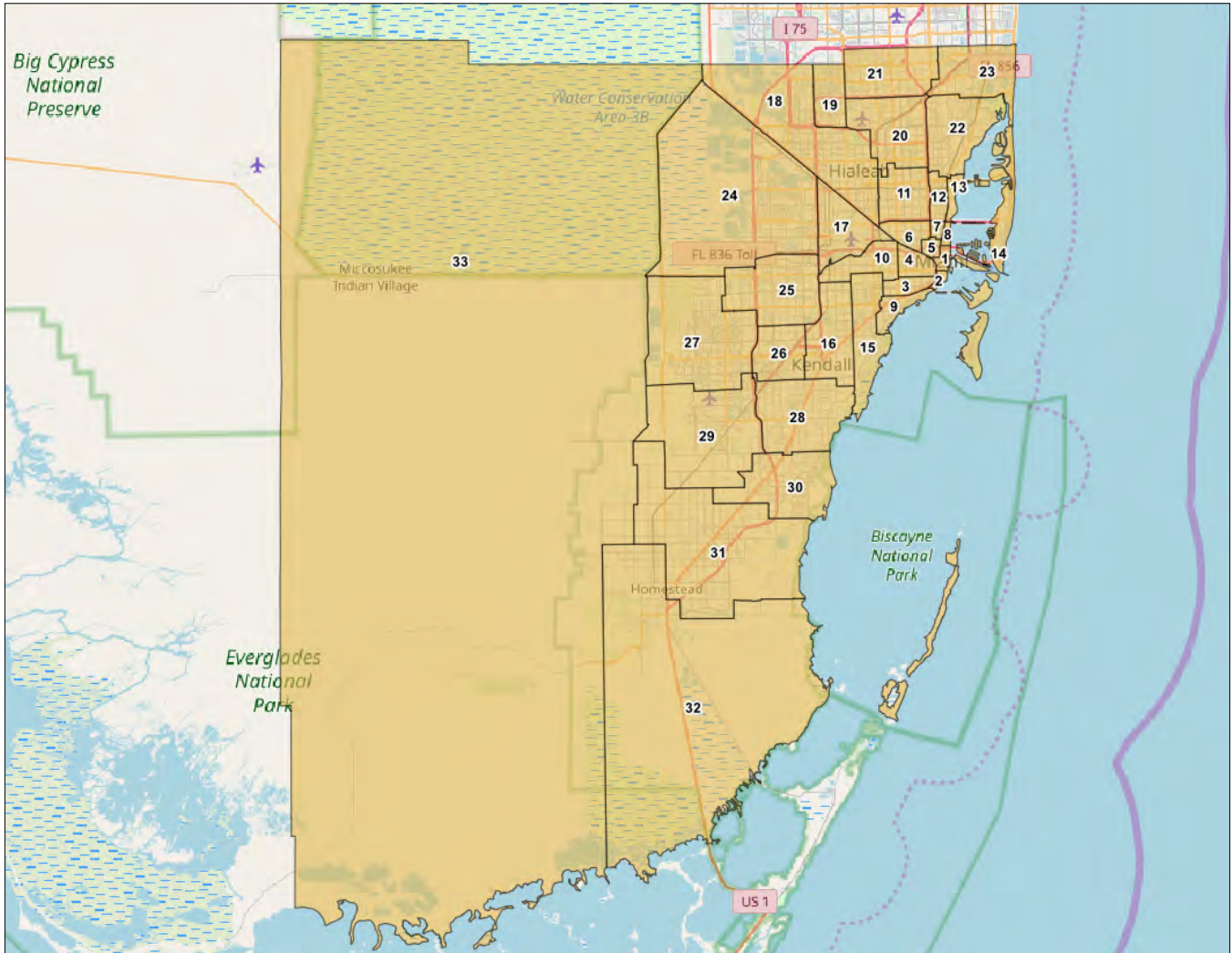
PMG and Greybrook Realty Partners are developing 400 Biscayne, a 646-unit residential high-rise in the downtown area.



Miami-Area Luxury Tower Scores \$460M Refi

Fontainebleau Development received the floating-rate loan for its 54-story condo project in Sunny Isles Beach.

Miami Submarkets



Area #	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 #	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 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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