Yardi® Matrix

MULTIFAMILY REPORT

More Sunshine In Miami

Winter 2020

Rent Gains Remain Steady

Investor Confidence Stays Strong

Pipeline Indicates Strong Construction Year

Yardi® Matrix

South Florida Starts The Year on High Note

Miami remained one of the most robust U.S. rental markets, backed by a friendly business environment, low unemployment rates and sustained household growth. After nearly a decade of strong performance, rent growth began to moderate in 2019, reaching 2.2% year-over-year as of January. This was partly due to the addition of more than 47,000 units since the beginning of 2016.

The metro gained 38,400 jobs in the 12 months ending in November, almost half of them in education and health services. Miami's expanding pool of highly educated workers continued to lure companies to the area. Meanwhile, location technology company TomTom ranked the metro as the sixth-most congested city in the U.S. To accommodate expected growth, Miami International Airport embarked on a $5 billion capital improvement program. Virgin Trains' $2.5 billion high-speed rail project across Florida is also underway, set to connect Orlando and West Palm Beach by 2022.

Miami's prospects continued to attract foreign capital—as well as new domestic investors—particularly from areas where new rent control regulations were enacted such as New York and California. Last year's total transaction volume exceeded the $2.5 billion mark for the fifth consecutive year. With demand unabated, we expect the average Miami rent to advance by more than 2.0% for the year.

Market Analysis | Winter 2020

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On the cover: Photo by frankpeters/iStockphoto.com

Recent Miami Transactions

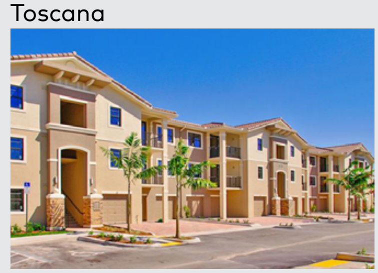
Sole at City Center

City: West Palm Beach, Fla.
Buyer: Nuveen Real Estate
Purchase Price: $104 MM
Price per Unit: $328,552

Verona View

City: Plantation, Fla.
Buyer: PGIM Real Estate
Purchase Price: $75 MM
Price per Unit: $255,973

Toscana



City: Margate, Fla.
Buyer: AvalonBay Communities
Purchase Price: $60 MM
Price per Unit: $251,042

The Mile Coral Gables

City: Miami
Buyer: Acumen Real Estate Advisors
Purchase Price: $40 MM
Price per Unit: $333,333

RENT TRENDS

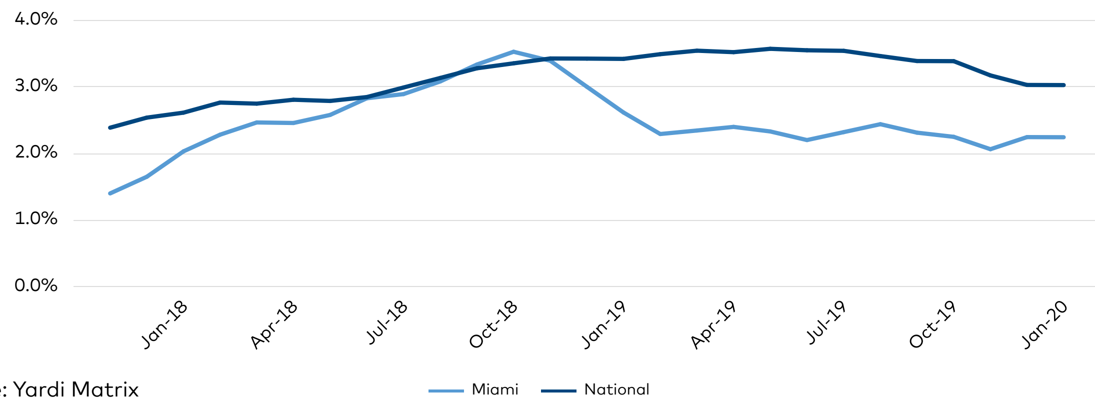
- Miami rents rose by 2.2% in the 12 months ending in January, trailing the 3.0% national rate. The metro's average rent stood at $1,684, above the nation's $1,463 figure. The delivery of 46,425 units over the past four years has also affected rent growth. Meanwhile, occupancy in stabilized properties dropped 30 basis points to 94.9% in the 12 months ending in December, slightly above the 94.8% national average.

- Working-class Renter-by-Necessity rates increased by 2.7% to $1,354, while Lifestyle rents rose by 2.2% to $1,926—a record for the segment. Fueled by demographic and economic expansions, demand remained strong across asset classes, which is likely to keep year-over-year rent growth above 2.0% throughout 2020.

- With a notorious affordable and workforce housing crisis across the entire metro, rents grew faster in workforce-heavy submarkets such as Miami-Liberty City (11.9% to $1,267). Despite employment growth in Miami holding above the national average, many residents work in relatively low-paying industries, further boosting the Renter-by-Necessity demand.

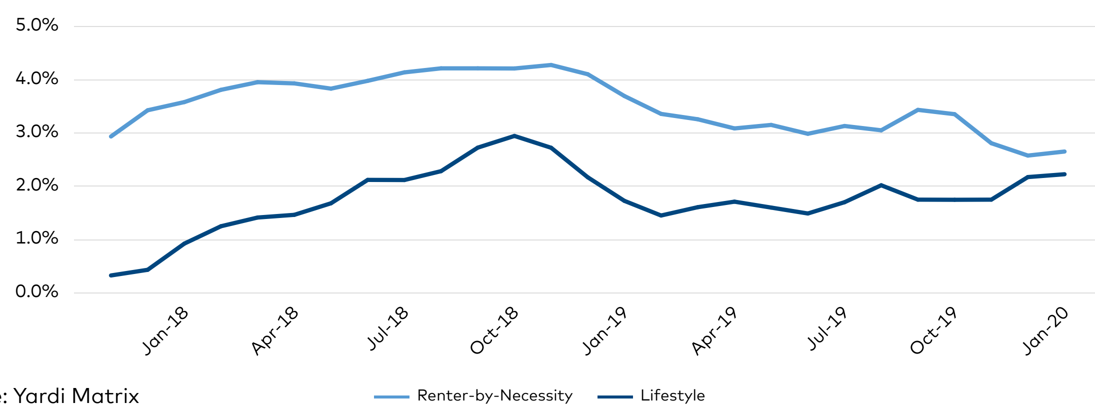
- Wynwood ($2,420), Brickell ($2,352) and other core submarkets offering quick waterfront access commanded the highest rents. Belle Glade ($632), 44 miles west of West Palm Beach and 80 miles northwest of downtown Miami, posted the area's lowest average rent as of January.

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



Source: Yardi Matrix

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



Source: Yardi Matrix

ECONOMIC SNAPSHOT

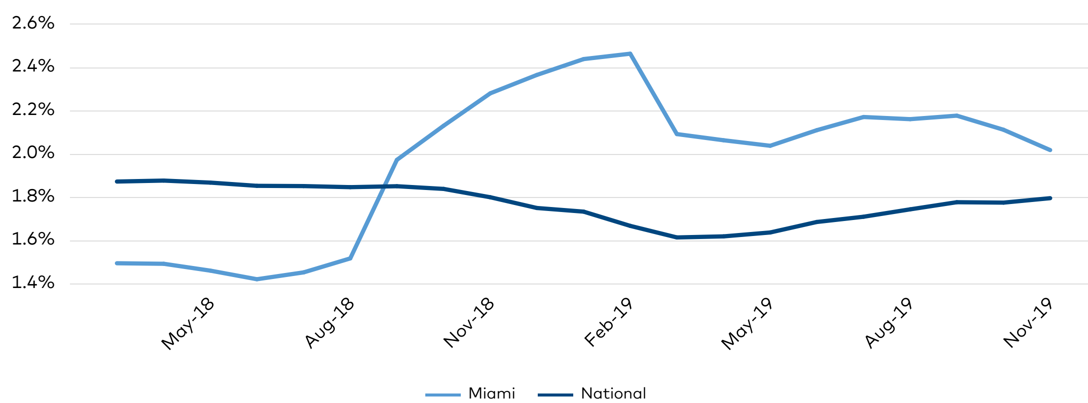
- Miami gained 38,400 jobs in the 12 months ending in November, marking a 2.0% uptick and surpassing the national figure by 20 basis points. However, Miami's expansion ranked last among Florida's larger metros, trailing Orlando (3.5%), Jacksonville (3.5%) and Tampa (2.1%).

- Education and health services—one of the metro's main economic drivers—led growth with 17,200 jobs. Professional and business services followed with 7,300 jobs. Anders Group, Masc Medical and Odell Medical Search announced job additions, while finance firms and hedge funds are relocating from high-tax states such as New York, Illinois and California.

- With employment and population on the rise, several transit-oriented projects are underway or have already been delivered. Through a public-private partnership, Adler Group, 13th Floor Investments and Miami-Dade County are working on the Link at Douglas—a $600 million mixed-use development in Coconut Grove—after completing the 25-story Motion at Dadeland next to the Dadeland North Metrorail station last year.

- Leisure and hospitality gained 3,800 jobs through November. That number did not account for February's Super Bowl LIV, which attracted 200,000 visitors, with an estimated economic impact of more than $400 million.

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



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

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

		Current Employment		Year Change	
Code	Employment Sector	(000)	% Share	Employment	%
65	Education and Health Services	425	15.8%	17,200	4.2%
60	Professional and Business Services	462	17.2%	7,300	1.6%
90	Government	323	12.0%	5,300	1.7%
70	Leisure and Hospitality	336	12.5%	3,800	1.1%
55	Financial Activities	189	7.0%	3,200	1.7%
80	Other Services	127	4.7%	2,800	2.2%
15	Mining, Logging and Construction	56	2.1%	1,700	3.1%
40	Trade, Transportation and Utilities	626	23.3%	800	0.1%
50	Information	51	1.9%	-1,000	-1.9%
30	Manufacturing	89	3.3%	-2,700	-2.9%

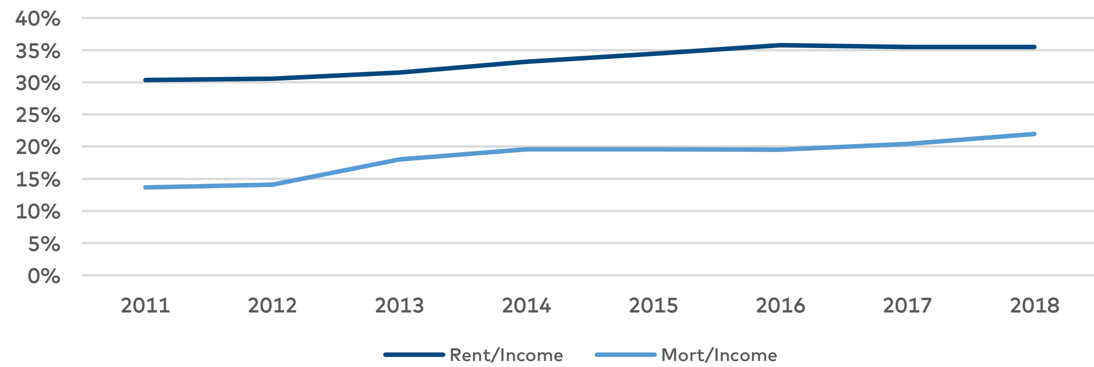
Sources: Yardi Matrix, Bureau of Labor Statistics

DEMOGRAPHICS

Affordability

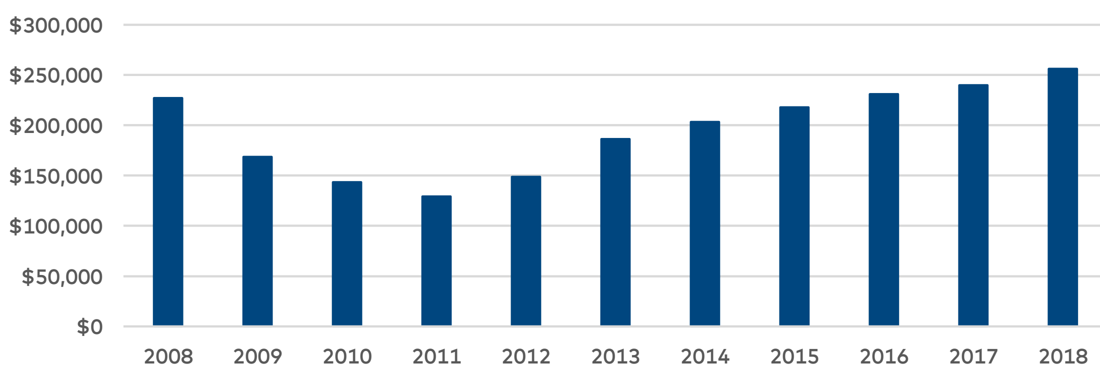
- Miami's median home price rose to $256,134 in 2018, up by 6.8% year-over-year and almost doubling since 2011, when the market bottomed out. The average rent in the metro accounted for a hefty 35% of the area median income, while the average mortgage payment equated to only 22%.
- According to a recent report from Florida International University, Miami is among the most expensive cities in the country and needs to build or preserve at least 32,000 units over the next decade to mitigate its housing affordability crisis. The research paper introduced an affordable housing master plan that suggests creating a corporation—appointed by city commissioners—to pursue funding sources.

Miami Rent vs. Own Affordability as a Percentage of Income



Sources: Yardi Matrix, Moody's Analytics

Miami Median Home Price



Source: Moody's Analytics

Population

- The MSA gained 49,095 residents in 2018—a 0.8% uptick, but a relatively low rate for a Florida metro.
- Domestic migration out of Miami has steadily increased over the past few years, but that is being offset by steady immigration into the metro.

Miami vs. National Population

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

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

SUPPLY

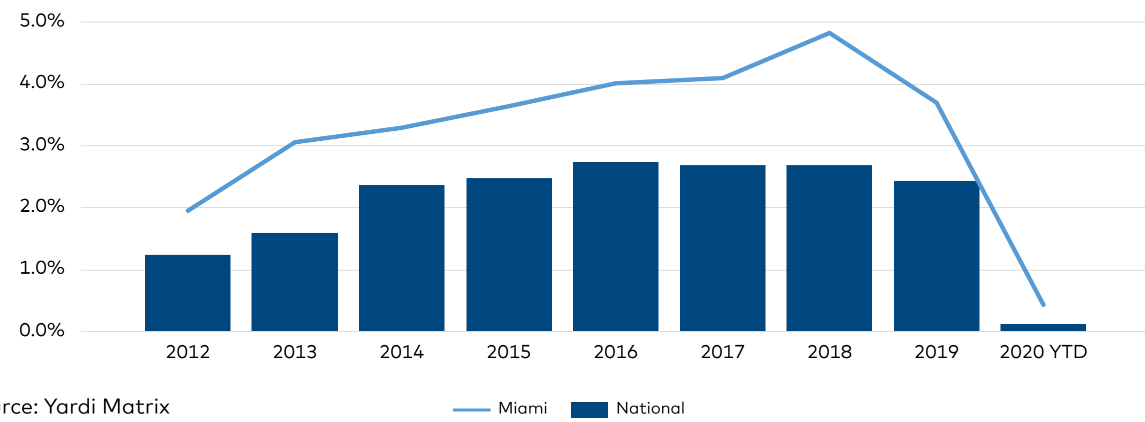
- Miami had 33,494 units underway as of January, leading the state in projects under construction. Based on its high volume, Miami will likely face inventory surplus concerns over the next few years, alongside Dallas, Washington, D.C., and Denver. Additionally, the metro's multifamily stock is competing with a growing condominium inventory. And with demand from foreign tenants weakening, the South Florida market could face some strong headwinds looking beyond 2020.

- A total of 10,989 apartments came online in 2019—the fourth consecutive year with deliveries over 10,000 units. Two Class A properties—in downtown Miami and Fort Lauderdale-East—came online in January, adding another 878 units.

- Developers are heavily targeting urban core areas. With 3,238 units under construction as of January, downtown Miami is leading the way. The pipeline is heavily geared toward Lifestyle renters earning above-average wages, while new stock in the Renter-by-Necessity class is at a standstill, making it the primary segment for rent increases.

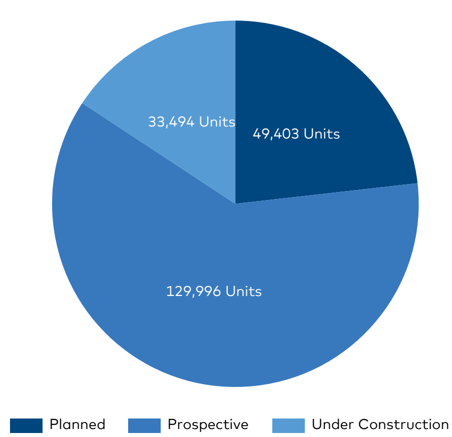
- The Melo Group's 1,042-unit Downtown 5th in the city's CBD is not only the company's biggest single project but also the metro's largest rental development underway. The two 53-story towers are slated for completion in 2023.

Miami vs. National Completions as a Percentage of Total Stock (as of January 2020)



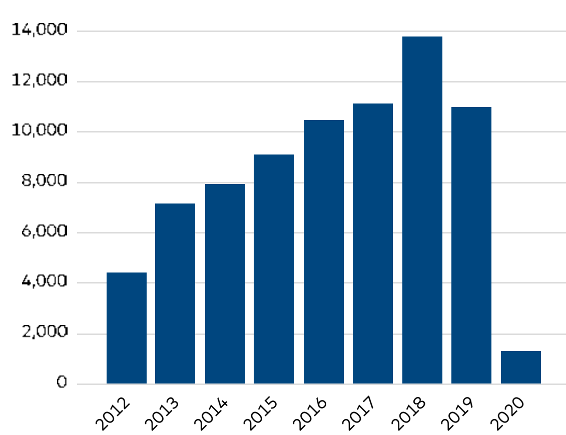
Source: Yardi Matrix

Development Pipeline (as of January 2020)



Source: Yardi Matrix

Miami Completions (as of January 2020)



Source: Yardi Matrix

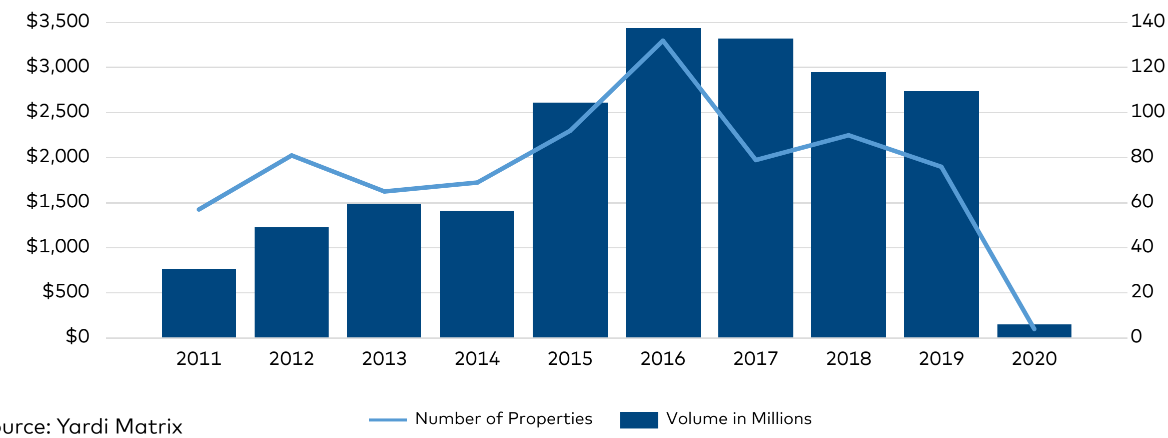
TRANSACTIONS

- Miami's transaction total surpassed $2.7 billion last year. Four assets changed hands in January for a combined $153 million, supporting a strong first quarter. At $204,121 in 2019, the average Miami per-unit price reached a new cycle peak.

- Investors favored the Fort Lauderdale area, where $1.3 billion in assets traded in 2019. Pembroke Pines accounted for one-third of that. With Miami prices skyrocketing, some investors are now looking at nearby northern submarkets that also benefit from an expanding economy, but display more attractive prices.

- NexPoint Residential Trust's $322 million purchase of the 1,520-unit Avant at Pembroke Pines was last year's largest transaction. National Property REIT Corp. sold the asset for $211,842 per unit, just five months after purchasing it from GoldOller.

Miami Sales Volume and Number of Properties Sold (as of January 2020)



Source: Yardi Matrix

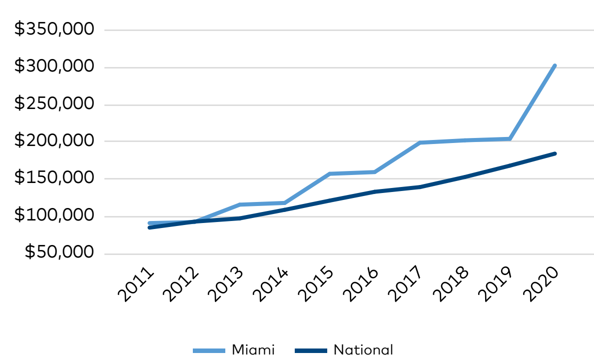
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Pembroke Pines	449
Fontainebleau-University Park	286
West Palm Beach	226
Boynton Beach	176
Fort Lauderdale-East	136
Boca Raton-West	134
Fort Lauderdale-West	126

Source: Yardi Matrix

[1] From February 2019 to January 2020

Miami vs. National Sales Price per Unit



Source: Yardi Matrix

The Woman Behind Miami River's Transformation

By Adina Marcut

Lissette Calderon is the president & CEO of Neology Life Development Group—a firm that focuses on redefining urban neighborhoods in South Florida. She is one of the first developers who decided to focus her work on revitalizing the Miami River district. Calderon details her path toward waterfront development and explains what attracted her to the Allapattah submarket for her company's recent project—No. 17 Residences Allapattah.

Neology Life is the most active developer on the Miami River. What attracted you to the area?

One of the greatest pleasures I find in life is traveling. And having traveled to some of the world's greatest cities, the one thing I found they all have in common is that the river is at the heart of the city and here was Miami with this opportunity for riverfront living that had been consistently overlooked. I also believe that the river's authenticity is something that has always attracted me to the area and can be seen in some of Neology Life's projects along the water, like our latest Pier 19 Residences and Marina.

As a pioneer of development in the Miami River district, could you describe the area's transformation over the years?

Since I first developed NeoLofts on the river almost 20 years ago, the River District has certainly undergone a renaissance from a strictly industrial-focused area to a true residential and commercial district. With new restaurants,

a major retail complex under construction and recently opened residential projects, the Miami River is emerging as one of the most desirable waterfront communities in Miami. Additionally, as more residents look for living options in uniquely positioned neighborhoods, the riverfront is increasingly becoming an attractive option for working professionals and families.

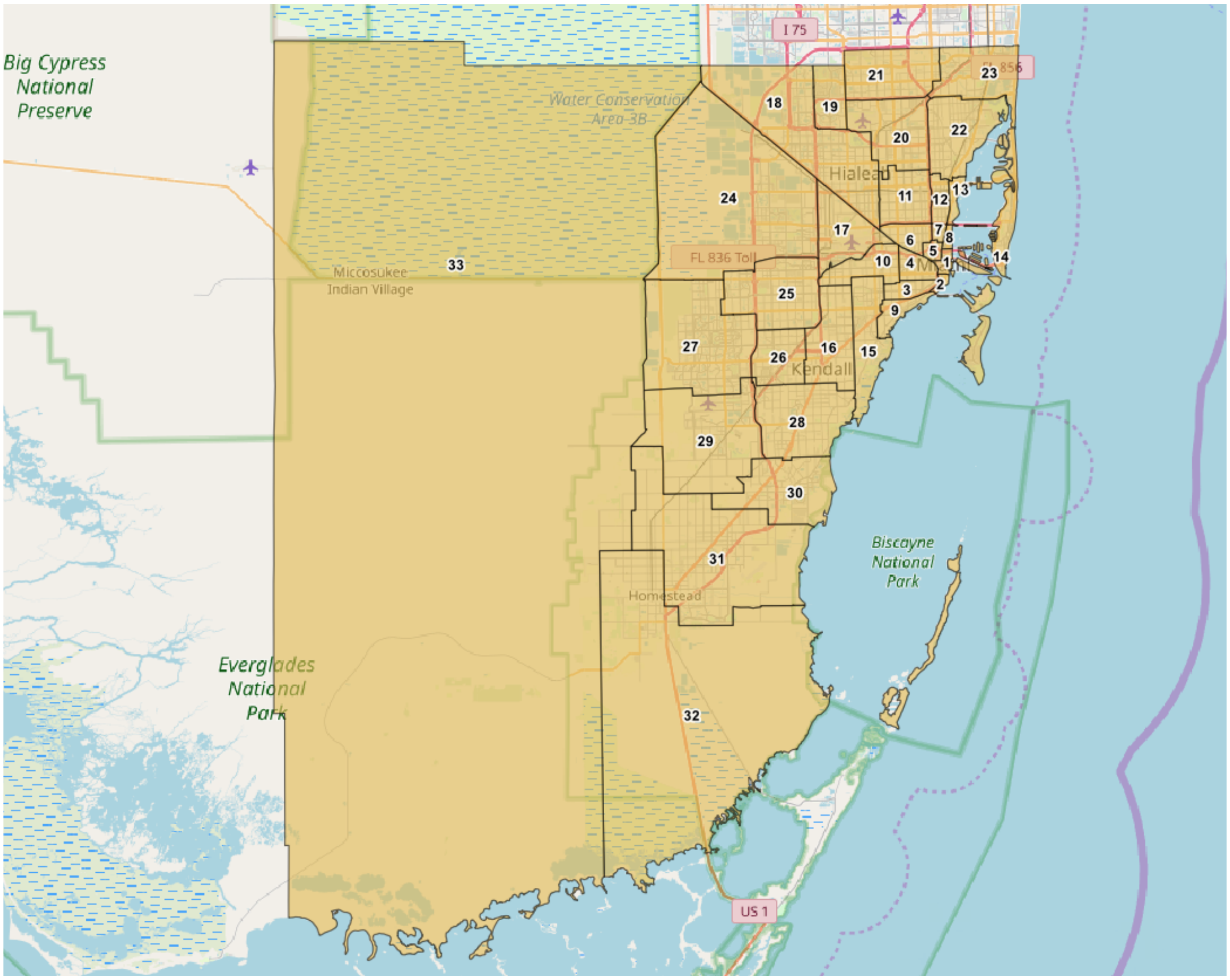
What changes do you foresee in the River District?

I feel the river's evolution is still ongoing and I anticipate more of this growth going forward. Downtown Miami's population has grown by nearly 40 percent since 2010, according to the Miami Downtown Development Authority. These young, hip renters are spilling over into adjacent markets such as the River District. Our most recent project in the area, Pier 19 Residences and Marina, places residents near the most popular destinations and large employers.

One of your recent projects is No. 17 Residences Allapattah. Why did you choose this neighborhood?

Allapattah is seeing significant residential and commercial real estate investment underway that will enhance the neighborhood's appeal and quality-of-life offerings. Our project, No. 17 Residences Allapattah, will play a key role in bringing this vision to life in one of Miami's oldest neighborhoods. The 14-story, attainable luxury rental building will comprise 192 residential units—complete with seven ground-floor, walk-up units—and is slated for completion in early first quarter 2021.

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 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.