MARKET REPORT

Multifamily

Miami-Dade Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

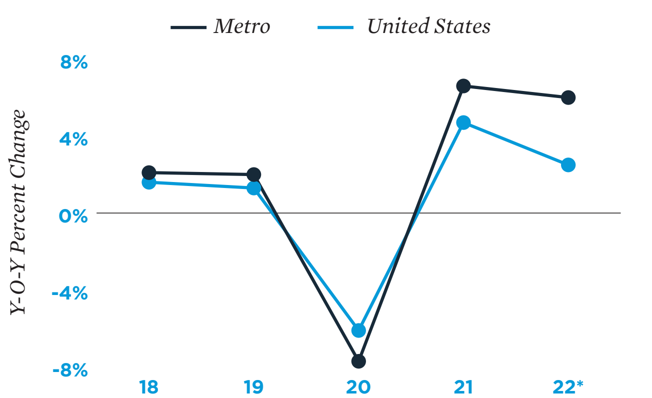
2Q/22

Vacancy Stays at Historic Low, Preceding the Largest Supply Wave On Record

The need for housing is imminent. Following a year when over 17,500 units were absorbed on a net basis, it has never been harder for residents to find a vacant apartment in Miami-Dade. Availability was at 1.5 percent entering the second quarter, ranking the third lowest among all major United States markets. Leasing activity is widespread, with net absorption in both the urban core and suburban submarkets more than doubling previous annual record totals. Demand should remain strong, in part because of high for-sale housing prices that encourage renting. The metro is experiencing its largest supply wave in more than two decades, but apartment demand is expected to remain near record levels, stimulating a pace of rent growth that leads all major metros nationally this year.

Job gains bolster Class A demand. Construction continues to rise, and developers are focusing on high-end offerings in dense neighborhoods like Downtown Miami-South Beach and Coral Gables-South Miami. Supply additions are expected to be well received this year. Employment in the metro's office-using sectors was well above the pre-COVID-19 peak entering this year, and more high-paying jobs are on the way as firms like Microsoft and Blackstone build out sizable hubs in Miami. Renter demand for luxury units will remain elevated as a result, maintaining tight market conditions throughout 2022.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook

72,500 JOBS
will be created

EMPLOYMENT:

Spurred by increases in the professional and business services sector, employers expand Miami's workforce by 6 percent in 2022. This marks the second-largest annual employment growth rate on record, following the 6.6 percent jump recorded in 2021.

8,700 UNITS
will be completed

CONSTRUCTION:

Developers complete more than 6,000 units for the fourth consecutive year, increasing rental inventory by 2.8 percent. This year's development pipeline is headlined by Modern Towers, delivering 665 units in Homestead-South Dade County.

0 BASIS POINT
change in vacancy

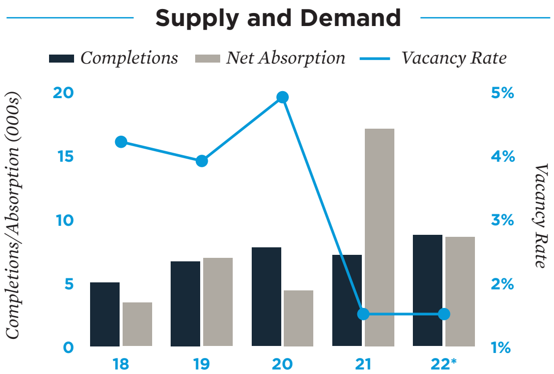
VACANCY:

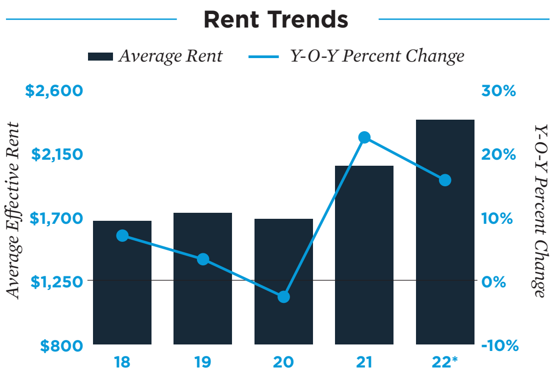
Renters will absorb more than 8,000 units this year, maintaining tight market conditions in the metro. Availability will remain flat at 1.5 percent, following the 340-basis-point plunge recorded in 2021.

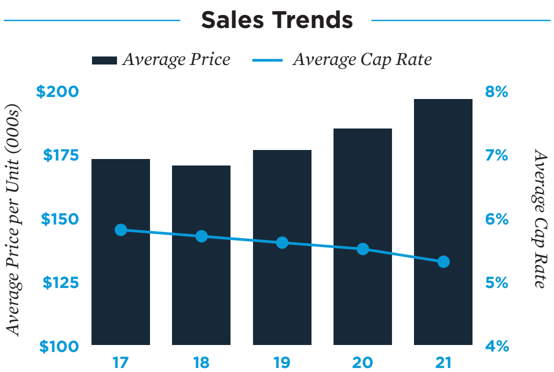
15.7% INCREASE
in effective rent

RENT:

Robust renter demand stimulates double-digit rent growth for the second straight year in Miami. The average effective rent will rise to $2,383 per month by year-end, the highest growth rate among all major Florida metros.







* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

IPA Multifamily

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Price: $250

1Q 2022 - 12-Month Period

CONSTRUCTION

7,160 units completed

- Apartment inventory expanded by 2.2 percent over the past 12 months ending in March, with Coral Gables-South Miami and Downtown Miami-South Beach receiving the bulk of completions.
- Supply additions in North Central Miami cooled to a three-year low, as developers focused on more dense neighborhoods.

VACANCY

300 basis point decrease in vacancy Y-O-Y

- Net absorption exceeded the 15,500 unit mark over the past four quarters, lowering metrowide vacancy to 1.5 percent, roughly 240 basis points below Miami's pre-pandemic rate.
- Class A vacancy contracted approximately 370 basis points during this span, with availability in this apartment tier entering April at 2.5 percent.

RENT

26.9% increase in the average effective rent Y-O-Y

- Tight market conditions stimulated a rise in the average effective rent to $2,174 per month at the onset of the second quarter, following the 0.6 percent decrease recorded in the prior yearlong span.
- Effective rents in Coral Gables-South Miami, Northeast Miami, West-Miami-Doral and Downtown Miami-South Beach rose by at least 30 percent.

Investment Highlights

- Transaction velocity soared to a two-decade high in 2021, more than double the number of trades from the previous year, as historically tight market conditions heightened buyer interest in the Miami-Dade metro. A flurry of out-of-market investors are entering the market, elevating competition for available listings. The average sale price increased by more than 6 percent over the past year as a result, compressing the mean cap rate to 5.3 percent.
- Robust development over the past few years has given investors access to a wide range of institutional-grade product, resulting in a significant rise in Class A transactions. Luxury assets are changing hands most often in Downtown Miami, where much of the metro's new inventory is concentrated. Entry costs here are the highest in the metro, often exceeding the $500,000 per-unit threshold.
- Buyers seeking upside potential are targeting listings in lower-cost submarkets like Little Havana, Homestead-South Dade, Hialeah-Miami Lakes and North Miami. Class B/C assets here generally change hands at per-unit prices below the market average, with first-year returns that can reach into the mid-6 percent range.