

MARKET REPORT

Multifamily
Miami-Dade Metro Area

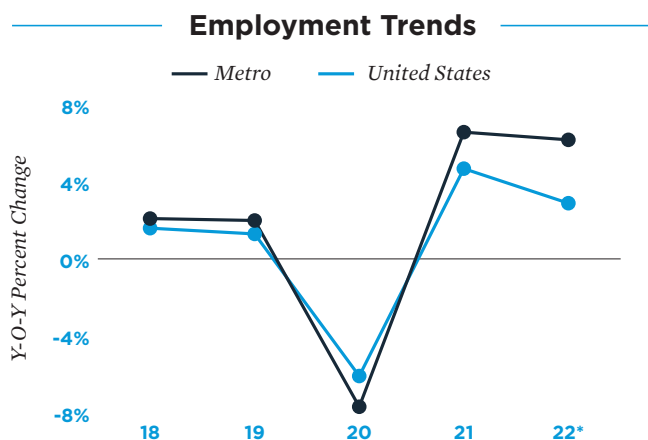
IPA
INSTITUTIONAL
PROPERTY
ADVISORS

3Q/22

Miami Boasts Florida's Lowest Vacancy, Aided by Household Creation and Job Gains

Robust hiring underpins renter demand. Many companies and employees are migrating from other cities and states to Miami, due to the region's business-friendly environment, and the flexibility hybrid and remote work schedules provide. This has led to robust gains in the metro's labor market, with job growth in the trailing 12-month period ending in June outpacing the national average by nearly 300 basis points. These strong economic fundamentals are fueling renter demand, resulting in vacancy falling to 2.3 percent in the past year, the lowest rate among major Florida markets. Looking ahead, Miami is well positioned to sustain this momentum long term, as more than 13,000 new households are projected to be formed annually over the next 10 years. Additionally, median home prices are nearly 10 times the metro's average household income, likely steering much of the metro's incoming population toward the rental market.

Development pace rises. New supply coming to the market is being absorbed quickly, which is giving developers the confidence to continue building at a heightened pace. Entering July, more than 23,000 units were underway, equating to 7.4 percent of existing inventory. Downtown Miami-South Beach and Coral Gables-South Miami are being targeted most often, as new builds in these locales are commanding premium rents. Annual Class A growth rates reached at least the 30 percent threshold in both neighborhoods during the second quarter, with the average effective rent for luxury units in Downtown Miami-South Beach rising to nearly \$3,200 per month.



* Forecast

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

Multifamily 2022 Outlook



**75,000
JOBS**

will be created

EMPLOYMENT:

More than 40,000 new jobs were added during the first half of 2022, as Miami continues to draw expanding and relocating companies. Total employment is on pace to rise 6.2 percent, the largest growth rate among all major markets in the U.S.



**7,600
UNITS**

will be completed

CONSTRUCTION:

Supply additions surpass the 5,000-unit threshold for the seventh consecutive year, as developers increase rental stock by 2.4 percent. North Central Miami will record the largest local inventory increase in over a decade this year.



**110
BASIS POINT**

increase in vacancy

VACANCY:

After falling to a record low at the turn of the calendar, vacancy will rise to 2.6 percent by year-end. Still, this rate is projected to be the seventh lowest nationally, and 130 basis points below the pre-pandemic level.



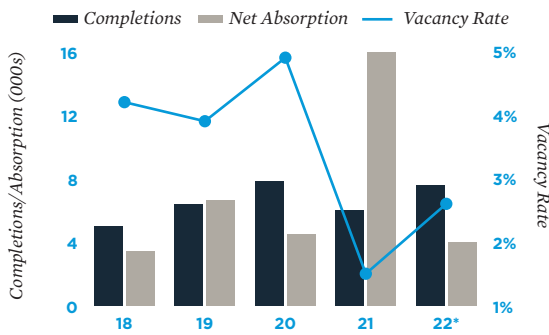
**19.2%
INCREASE**

in effective rent

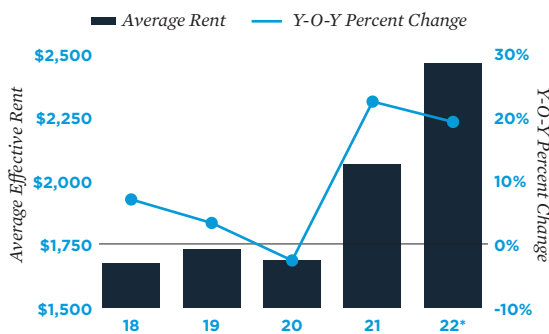
RENT:

Availability remains well below historical norms, facilitating a second consecutive year of double-digit rent gains. This year's growth rate ranks second among all major U.S. markets, lifting the average effective rent in Miami to \$2,460 per month.

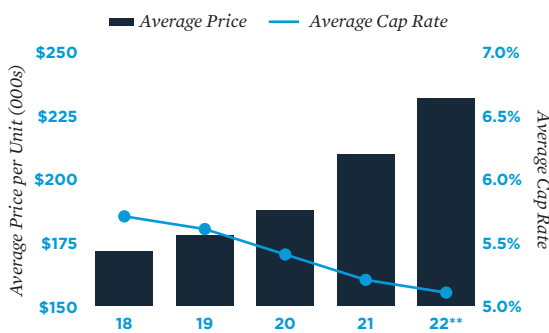
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

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Price: \$250

2Q 2022 - 12-Month Period

CONSTRUCTION

5,363 units completed

- Apartment inventory grew by 1.6 percent over the past four quarters ending in June, highlighted by the 640-unit Society Biscayne, which delivered in Downtown Miami-South Beach.
- Rental stock in Miami Gardens increased by 4.3 percent during this span, the largest local gain among metro submarkets.

VACANCY

140 basis point decrease in vacancy Y-O-Y

- All but one of Miami's nine submarkets recorded vacancy compression over the past year ending in June, lowering overall availability to 2.3 percent — 160 basis points below the long-term average.
- Vacancy in Class A units was at 3.6 percent at midyear, down 90 basis points from June 2021 and 340 basis points under the same period of 2020.

RENT

26.6% increase in the average effective rent Y-O-Y

- The average effective rent in Miami rose to \$2,299 per month in the trailing 12-month period ending in June, a growth rate that ranks fourth among major metros in the U.S.
- Effective rents in the CBD advanced by 31 percent on average during this span. Meanwhile, the suburbs recorded a 24 percent gain.

Investment Highlights

- Strong population and job gains, coupled with rapidly rising single-family home prices, are fueling rental demand in Miami. The market contains a diverse set of inventory and is ideally positioned for continued long-term growth. Investors have taken notice, with deal flow reaching an all-time high over the past year ending in June, increasing nearly 30 percent from the previous yearlong span.
- Elevated competition for listings resulted in a 17 percent surge in the average sale price to \$231,800 per unit, the second highest among major Florida metros. First-year returns for Class A properties average in the high-3 percent range, while Class B assets generally land in the high-4 percent span.
- Institutions concentrating on top-tier assets in the highest rent areas look to the North Central submarket, Miami Gardens and Downtown Miami-South Beach. The average Class A effective rents in all of these locales exceeded \$3,150 per month in the second quarter of 2022.
- Year-over-year Class B vacancy declines of at least 250 basis points in Coral Gables-South Miami, Homestead-South Dade County and Miami Gardens could persuade institutions to aggressively pursue mid-tier listings here.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.