

# MARKET REPORT

Multifamily  
Miami-Dade Metro Area

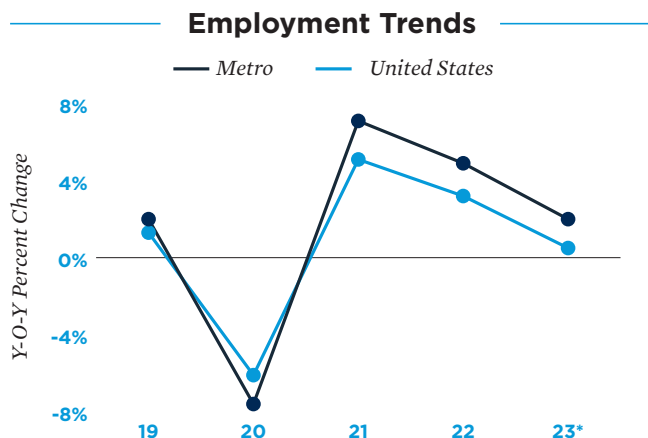
IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2Q/23

## Expanding Population and Diversifying Economy Support a Record Supply Wave

**Resilient labor market aids metro conditions.** As of March, the unemployment rate in Miami stood at just 1.9 percent, the lowest figure among all major U.S. markets. A resurgence in domestic leisure travel to Southeast Florida spearheaded hiring in the leisure and hospitality sector, while continued corporate headquarter relocations, alongside expansions from firms like Kaseya and LeverX, helped bolster job gains in the professional and business services sector. Although economic uncertainty has moderated renter demand nationally in recent months, the strength and diversity of Miami's local economy has helped limit vacancy increases across all property tiers. In fact, the metro recorded one of the nation's lowest Class A vacancy rates among major markets in the first quarter at 4.8 percent, and overall availability was equal to the 2019 rate entering April.

**Builders bet big on Miami's long-term demand drivers.** The addition of nearly 70,000 new residents, coupled with numerous corporate headquarter relocations over the past four years, warrants Miami's ongoing supply wave. As of the first quarter, there were nearly 25,000 units underway with completion dates extending into 2025. The bulk of near-term completions are slated in Downtown Miami-South Beach; however, Coral Gables-South Miami and Northeast Miami also have a sizable number of projects in the pipeline. Supply additions are expected to place upward pressure on apartment availability in the near-term, while recessionary fears continue to tighten household budgets and weaken renter demand.



\* Forecast

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

## Multifamily 2023 Outlook



**25,000  
JOBS**

*will be created*

### EMPLOYMENT:

Although job gains are expected to slow relative to last year's pace, local firms still expand headcounts by 2 percent in 2023. The Miami metro will lead all major U.S. markets in employment growth as a percentage of the existing labor count.



**8,800  
UNITS**

*will be completed*

### CONSTRUCTION:

Annual supply additions will reach a two-decade high as developers increase local apartment inventory by 2.8 percent in 2023. This year's pipeline is headlined by Manor Hialeah, which will deliver 642 units during the fourth quarter.



**110  
BASIS POINT**

*increase in vacancy*

### VACANCY:

Elevated development will place upward pressure on vacancy, resulting in the rate reaching 4.6 percent in 2023. This is the highest year-end measure in Miami since 2020, following the COVID-19 pandemic.



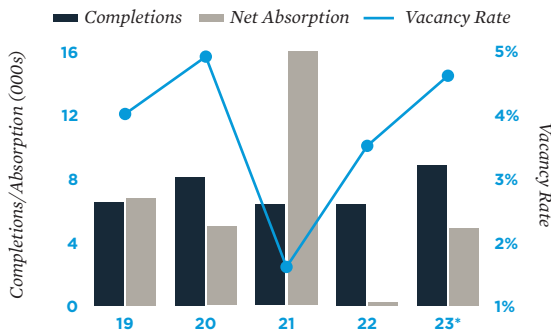
**6.1%  
INCREASE**

*in effective rent*

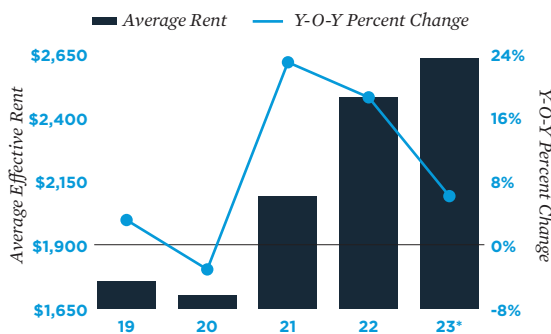
### RENT:

Miami outpaces all other major U.S. markets in rent growth this year, despite a significant slowdown from the 18 percent gain recorded last year. The average effective rate will rise to \$2,631 per month in 2023.

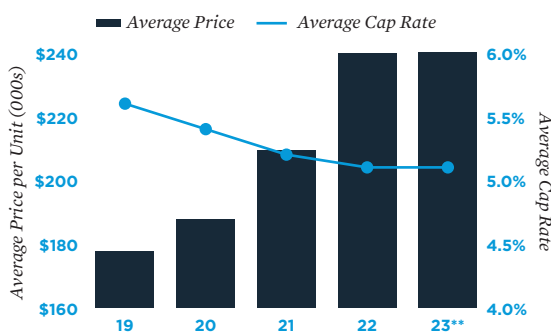
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

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

**IPA Multifamily**  
**John Sebree**

Senior Vice President, Director  
Tel: (312) 327-5400 | jsebree@ipausa.com

**IPA Multifamily Research**  
**Greg Willett**

First Vice President  
Tel: (972) 755-5200 | gwillett@ipausa.com

Price: \$250

## 1Q 2023 - 12-Month Period

### CONSTRUCTION

**7,284 units completed**

- Completions during the past four quarters ending in March outpaced the previous yearlong span by more than 1,500 units, as developers increased local apartment stock by 2.3 percent.
- Inventory in Homestead-South Dade County rose by 5.8 percent during this span, the area's largest annual stock expansion in over 20 years.

### VACANCY

**250 basis point increase in vacancy Y-O-Y**

- Net absorption was slightly negative over the 12-month period ended in March, resulting in vacancy climbing to 4.0 percent.
- Robust supply additions drove up local availability in Downtown Miami-South Beach by nearly 300 basis points during this span to 4.4 percent, roughly 60 basis points above the CBD's long-run average.

### RENT

**13.6% increase in the average effective rent Y-O-Y**

- The Miami metro led all major U.S. markets in rent growth pace over the trailing 12-month period ending in March, as the average effective rate was lifted to \$2,515 per month.
- Seven of Miami's nine submarkets recorded double-digit rent growth during this span, signaling widespread apartment demand.

## Investment Highlights

- Standout rent growth in Miami, following the onset of the pandemic, has significantly elevated investor interest for local apartment assets. Transaction velocity reached an all-time high in 2022, with the total number of annual trades outpacing the long-term average by more than 200. However, financing hurdles have created a disconnect between buyer and seller expectations, and deal flow began to slow during the fourth quarter and entering 2023. While these challenges may continue to moderate trading activity in the short-term, Miami's robust population and economic growth trends should fuel investor demand once conditions normalize.
- Investors seeking mid- to high-tier properties have been most active in Downtown Miami-South Beach and Coral Gables-South Miami. Local deal flow for Class A and B apartments may remain strong for the foreseeable future as significant construction activity in these submarkets may continue to create opportunities for buyers to acquire newer assets.
- Buyers may place an emphasis on assets in submarkets like Westchester-Kendall and Hialeah-Miami Lakes that face minimal supply pressure relative to other locales. Both of these areas recorded vacancy rates below the market average entering the second quarter.

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.

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