MARKET REPORT

Multifamily

Miami-Dade Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

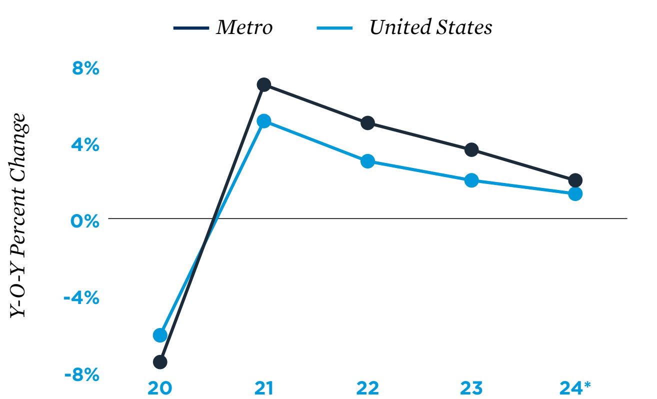
4Q/24

Miami Shines as a Pillar of Strength in the Sunbelt; Renters Target Suburban Neighborhoods

Falling vacancy reflects stable outlook. After two years of rising vacancy, the first half of 2024 marked a shift, with the metrowide rate contracting by 20 basis points to 4.6 percent as of June. Driven by an inflow of affluent households attracted by a plethora of job opportunities, net absorption outweighed new supply during this period despite a record number of completed units. This supported annual rent growth that outpaced the national average and was the fastest among major Southeast markets. Looking ahead, deliveries are expected to peak in 2025, which should ease competitive pressures. Meanwhile, key infrastructure projects — including the near completion of a $450 million terminal at PortMiami — are expected to boost local employment, expanding the pool of prospective renters.

Limited availability in outlying locales. Demand for cost-effective housing as well as proximity to urban amenities has bolstered leasing activity west of Interstate 95, particularly in submarkets like North Central Miami, Hialeah-Miami Lakes and Homestead-South Dade County. As of June, rents in these areas were more than 30 percent below the Downtown-South Beach submarket, encouraging steady interest from price-sensitive consumers. As a result, local vacancy rates stayed below 4.0 percent. This helped rent growth outpace the metro average, even as elevated construction activity introduced new competition. With fewer completions on the horizon, property fundamentals are expected to remain strong.

Employment Trends



* Forecast

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

Multifamily 2024 Outlook

27,000 JOBS
will be created

EMPLOYMENT:

Job gains for traditionally office-using workers remain strong, but the manufacturing sector stalls, slowing overall employment growth to 2.0 percent in 2024. Still, the total headcount will be 9.8 percent above the 2019 level.

8,600 UNITS
will be completed

CONSTRUCTION:

After nearly 5,500 units opened over the first half of 2024, deliveries will slow for the remainder of the year. Nevertheless, annual supply additions set an all-time high, with inventory growth reaching 2.6 percent.

10 BASIS POINT
decrease in vacancy

VACANCY:

Heightened rental demand tightens vacancy this year, providing relief after recording over 100-basis-point lifts in each of the last two years. At 4.7 percent, Miami will boast the lowest rate among all major Sunbelt markets.

2.1% INCREASE
in effective rent

RENT:

Lower vacancy supports rent growth, as the metro's mean monthly rate reaches $2,620 by year-end. This sits 48.5 percent above the 2019 level and marks the eighth-highest rent among major U.S. markets.

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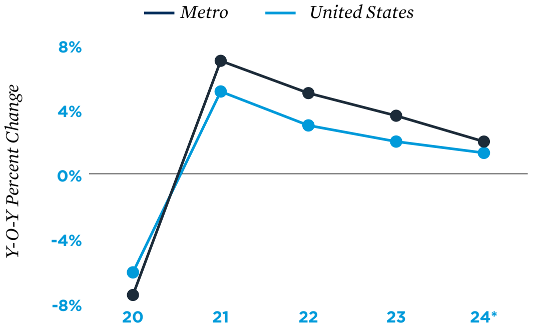
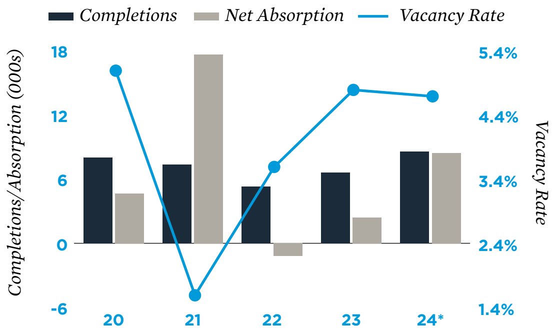
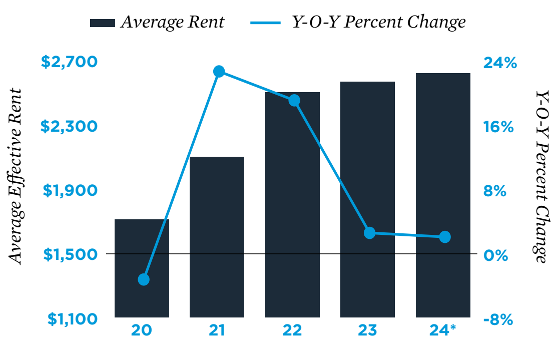
Employment Trends



Supply and Demand



Rent Trends



** Forecast ** Through 2Q*

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

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2Q 2024 — 12-Month Period

CONSTRUCTION

8,934 units completed

- Completions over the past year ended in June rose 2,300 units above the prior year. Inventory growth hit 2.7 percent — the highest level since 2021.
- The Homestead-South Dade County submarket added over 1,600 units in the past 12 months, the most in the metro. Downtown Miami-South Beach and Hialeah-Miami Lakes each received over 1,300 units.

VACANCY

10 basis point increase in vacancy Y-O-Y

- Elevated net absorption nearly kept pace with supply additions, resulting in a slight increase in vacancy to 4.6 percent as of June.
- Vacancy in Downtown Miami-South Beach fell 70 basis points to 4.5 percent. In contrast, vacancy rose to or held flat near 5 percent in Northeast Dade County and Coral Gables South, the two other largest areas by stock.

RENT

1.2% increase in the average effective rent Y-O-Y

- The mean effective rent reached $2,603 per month in June, led by a 6.2 percent lift in Class C rents. Class A and B grew by less than 2.0 percent.
- Of the metro's nine submarkets, eight observed rent growth. Northeast Miami and Coral Gables South posted gains of 1.5 and 1.2 percent, respectively, while Downtown Miami-South Beach recorded just a 0.5 percent uptick.

Investment Highlights

- Deal flow over the past year remained consistent with pre-pandemic standards, as both private and institutional investors stayed relatively active. This supported a modest year-over-year increase in Miami's average price per unit, reaching $248,000 in June, while a 40-basis-point lift in the mean cap rate to 5.7 percent may encourage more buyers to enter the market.
- Institutions seeking deals of $100 million or more have shifted their focus to Miami's suburban neighborhoods, driven by substantial supply additions in the urban core. The West Miami-Doral area, in particular, experienced elevated activity due in part to its strong employment base, proximity to downtown and sustained rent growth. It also offered the third-highest rents among metro submarkets at a mean of $2,731 per month in June.
- Many Florida investors have struggled to secure financing due to a lack of insurance coverage while major storms in other parts of the Southeast, such as Hurricane Helene, continue to challenge the sector. Recently passed legislation — including fraud minimization, rate increase exemptions and reforms to Citizens Property Insurance — aims to stabilize the insurance market and potentially provide relief for property owners.