INVESTMENT FORECAST

Multifamily
Miami-Dade

IPA | INSTITUTIONAL PROPERTY ADVISORS

2020

Select Submarkets Stand Out With Strong Upside Potential and Healthy Demand

Renter pool remains full with little relief from the single-family housing market. Warm weather and tax benefits are attracting more residents to Miami-Dade County from out of state, driving housing demand and powering the apartment sector through 2020. Job growth in the market remains healthy going into the next decade, supported by a maturing tech ecosystem and strong international business ties that beckon young professionals. Land constraints and high construction costs have led to one of the most challenging single-family housing markets in the nation for first-time buyers. The median home price was more than six times higher than the median household income at the end of 2019, contributing to a robust apartment development pipeline as builders work to meet demand. Construction is elevated in some of Miami's suburbs including the Coral Gables/South Miami area and West Miami/Doral, neighborhoods that have been undersupplied and contain rapidly growing segments of the population.

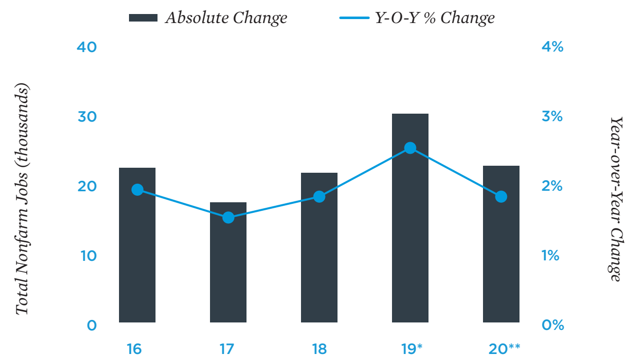
Elevated institutional buying highlights market's upside potential. Transaction volume for $20 million-plus assets has remained steady over the past three years. However, in order for 2020 sales to increase, buyers and sellers must bridge the gap on valuations. Sellers see the low-interest-rate environment maintaining as they seek the maximum price for their properties. Buyers, on the other hand, believe in the Miami investment thesis but have been cautious regarding purchasing at the top of the market. A positive sign of a possible closing of the pricing gap could be the recent purchases by institutional firms and Avalon Bay reaffirming the positive long-term outlook. Investors will still be primarily focused on purchases in the city of Miami with infill locations near downtown plus northern and western neighborhoods. In addition, with supply peaking this year, a stabilization of Class A rents should follow and allow developers an excellent opportunity to capitalize on the strong demand for new product, especially in higher-density locations preferred by institutional capital. The key, however, will be whether developers keep their pricing expectations in line with the overall sale comparables.

20.2% *2019 share of local population between 20 and 34 years old*

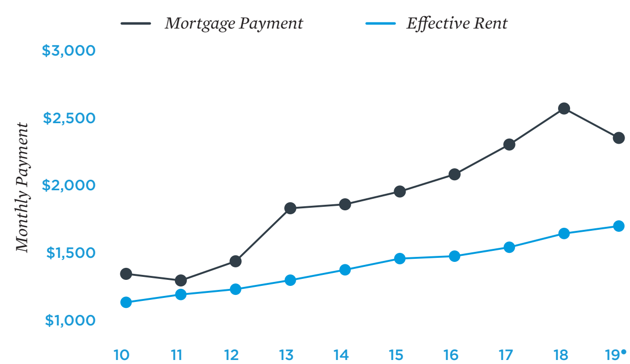
27.8% *of local population hold bachelor's degree or higher*❖

$378,573 *2019 median home price*

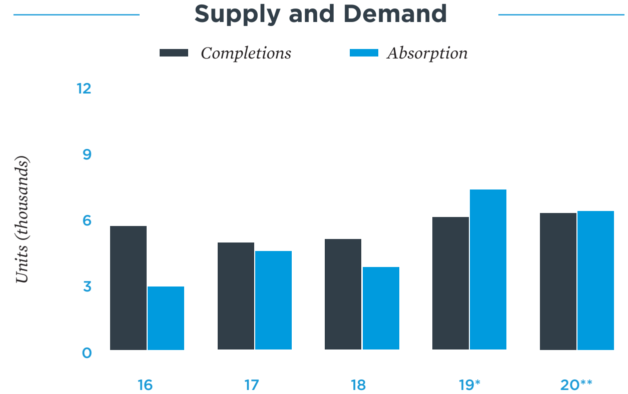
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast • Through 3Q
❖ 2019: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

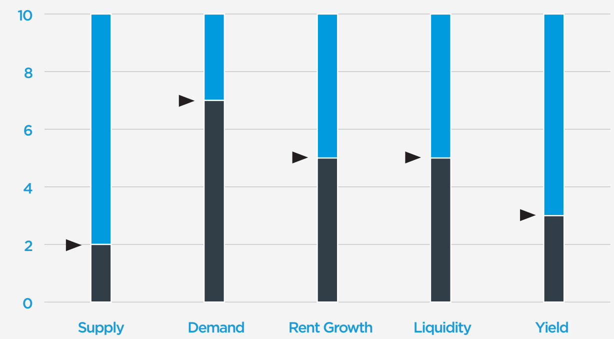
2020 Investment Outlook

The Key Performance Index created more balance for multifamily fundamentals in the second half of 2019 as both demand and rent growth advanced. Rent growth now firmly stands at 5 and points to the upside growth potential still available for property revenues expanding in 2020.

Investor demand still outstrips available properties for acquisition, which is why the liquidity index held steady at 5, the second lowest level nationally. Yield declined 2 points, reflecting the high investor demand for assets and positive pro forma forecasts.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2020 Market Forecast

Employment
22,500 jobs
Metro **1.8%**
U.S. **1.0%**

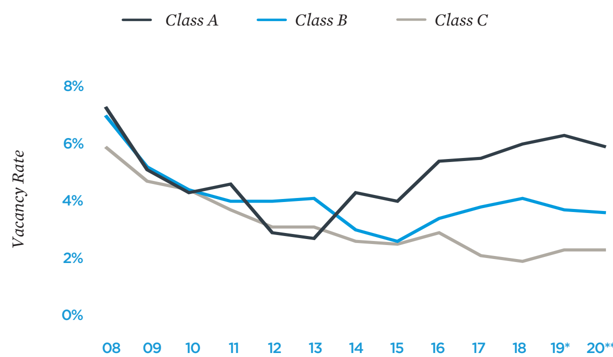
Construction
as % of inventory❖
Metro **2.1%**
U.S. **1.7%**

Class A Vacancy
Down 40 bps
Metro **5.8%**
U.S. **5.3%**

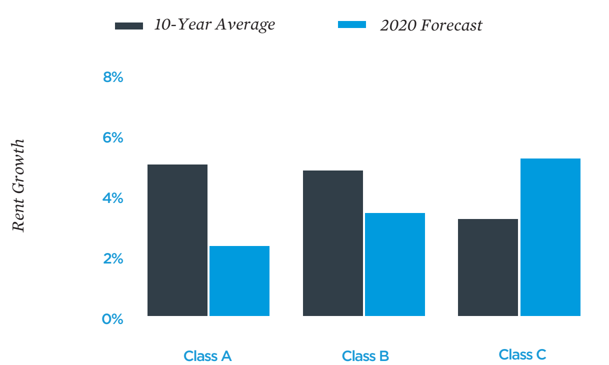
Class A Rent
$2,258 per month
Metro **2.3%**
U.S. **3.3%**

Investment
3-yr. avg. activity
$20+ million
Deals: **17**
Volume: **$877 million**

Vacancy By Class



Rent Growth By Class



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** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2019
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics