MARKET REPORT

MULTIFAMILY

Miami-Dade Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

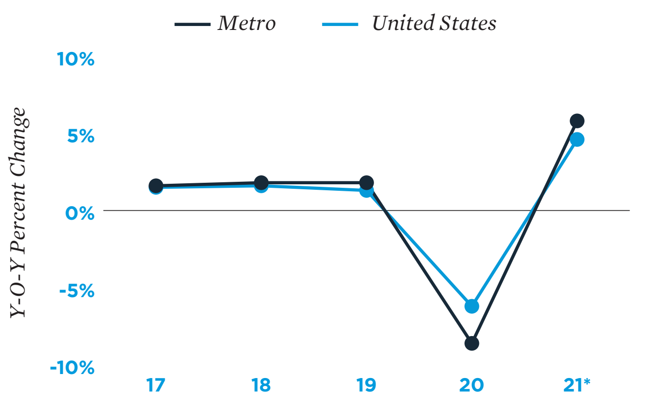
3Q/21

Metro Fundamentals Return to Pre-Pandemic Level Despite Heightened Delivery Pace

Miami-Dade steadily recalibrates. Apartment demand has surged in the metro in recent months with renters absorbing over 5,100 units during the April through June period of 2021, the strongest leasing quarter in more than 20 years. As a result, the market experienced rent gains and vacancy contraction at pace well above historical averages. Miami-Dade's apartment fundamentals improved despite the metro's high unemployment, which sits 500 basis points above its pre-pandemic trough. In the second half, widespread vaccinations will improve tourism, helping restore service jobs cut as a result of the pandemic. Financial incentives from the market's Follow the Sun campaign are also prompting some companies to relocate, aiding future office job growth. These factors will lead to employment gains above the national average by the end of the year, which should only further bolster apartment performance.

Large construction pipeline adds hurdle to some submarkets. Apartment completions in the market will notch a 20-year high in 2021, which may slow the recovery in some parts of the metro. Over 50 percent of this year's supply additions will be split between just two submarkets. Deliveries in Downtown Miami-South Beach are expected to expand the submarket's supply by over 4 percent, lengthening the locale's recovery. As of June, Coral Gables-South Miami had the highest vacancy rate in the metro and inventory will expand by over 6 percent this year.

Employment Trends



* Forecast

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

Multifamily 2021 Outlook

65,000 JOBS
will be created

EMPLOYMENT:

Following an 8.6 percent decline in 2020, employers will expand payrolls 5.8 percent in 2021. The metro's unemployment rate was 6.9 percent as of July, 150 basis points above the national level.

10,300 UNITS
will be completed

CONSTRUCTION:

Inventory will increase 3.4 percent during 2021 as deliveries rise to the highest level in more than 20 years and exceed the trailing-five-year average by over 4,000 units. Over a quarter of deliveries this year are slated in the urban core.

90 BASIS POINT
decrease in vacancy

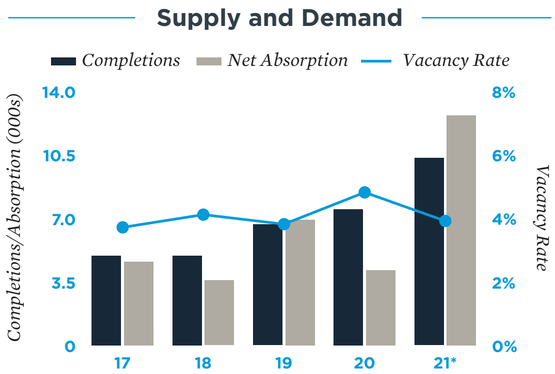
VACANCY:

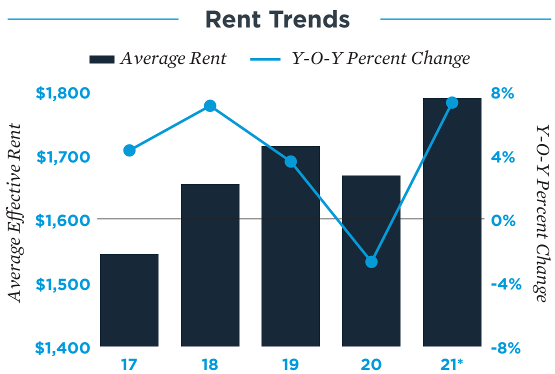
Net absorption will total over 12,500 units in 2021, marking a 20-year high for the metro. Vacancy will drop to 3.9 percent this year as a result, only 10 basis points higher than the market's pre-pandemic level.

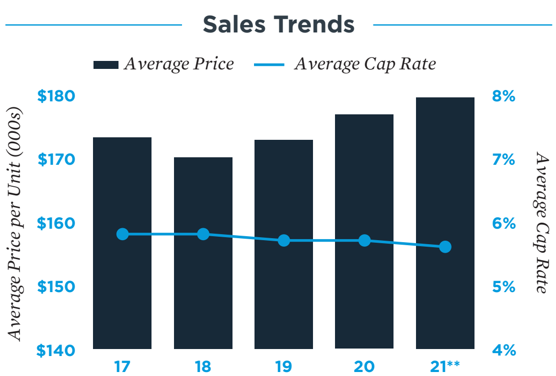
7.3% INCREASE
in effective rent

RENT:

A tighter vacancy rate and the delivery of new, high-priced units will push the average asking rent up to $1,790 per month in 2021. The metro's annual growth rate will be the highest since 2005 and more than double the trailing-five-year average.







** Forecast; ** Through 2Q*

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

2Q21 — 12-Month Period

CONSTRUCTION

8,598 units completed

- Apartment inventory in Miami-Dade expanded by 2.8 percent annually in June as deliveries surpassed the previous 12-month total by about 1,500 units.
- West Miami-Doral added over 2,200 units over the last four quarters, the largest inventory expansion for this submarket in over 20 years.

VACANCY

100 basis point decrease in vacancy Y-O-Y

- Renters absorbed 11,300 units over the past four quarters, lowering Miami-Dade's vacancy rate to 3.7 percent, 10 basis points below the metro's rate at the end of 2019.
- Since September 2020, Class A vacancy in the metro contracted 300 basis points to 4.6 percent, the lowest since 2016.

RENT

6.6% increase in the average effective rent Y-O-Y

- The average effective rent in Miami-Dade increased to $1,796 per month during the second quarter of 2021, following a 2.7 percent decrease last year.
- Rental demand was consistent across all property classes, with each tier recording rent gains above 5 percent year over year in June.

Investment Highlights

- Transaction velocity has returned in recent quarters after a drastic slowdown last year amid the onset of the pandemic. The pace of sales is up about 30 percent year over year in June and was on par with activity prior to the pandemic. More transactions occurred in the metro during the April through June time frame of 2021 than any other quarter over the last 20 years.
- Despite an increase in Class C transactions over the 12-month period ending in June, apartments traded during that span at an average of $179,500 per unit, up 3 percent year over year. At the same time, the average cap rate declined 10 basis points to 5.6 percent.
- Nearly 20 percent of all sales in the metro occurred in the Little Havana neighborhood. Buyers were attracted to this area due to lower entry costs, higher yields and solid Class C fundamentals during the pandemic. Private investors have been targeting older Class C properties under 30 units and built in the 1950s. Properties traded here at $142,000 per unit, about 25 percent less than the metro average. The average cap rate for rentals in Little Havana was in the 6 percent band.

IPA Multifamily

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