Yardi Matrix

Miami Cools Off

October 2023

Rent Growth Moderates

Investment Volume Decelerates

Supply Slated for Strong Expansion

IM Yardi Matrix

Heavy Supply Ahead In South Florida

After two years of stellar performance, South Florida's fundamentals began moderating as the fourth quarter approached. Rent growth tempered, up 2.1% year-over-year as of August, to $2,412. This placed Miami 10th among the nation's top 30 metros and 60 basis points ahead of the U.S. average. Meanwhile, despite robust supply, occupancy inched down just 40 basis points in the 12 months ending in July, to 95.8%.

Metro Miami continued to display a solid unemployment rate, at 2.6% in July, unchanged from June, according to data from the Bureau of Labor Statistics. Miami outperformed the U.S. (3.5%), Florida (2.7%) and all other major Florida metros. The employment market gained 85,200 jobs in the 12 months ending in June, a 3.2% expansion and 40 basis points higher than the national rate. Mining, logging and construction was the only sector to lose jobs (-3,300). South Florda's largest sectors led job gains—trade, transportation and utilities (22,600 jobs), professional and business services (18,500) and education and health services (18,400).

Development remained intense, with 45,673 units under construction and 5,868 units delivered in 2023 as of August, despite dwindling construction starts. Similarly, following two exceptional years, investment activity tapered off, down to a volume of just $1.7 billion through August. Furthermore, the price per unit depreciated by 19.0% from December, to $264,053 as of August.

Market Analysis | October 2023

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Recent Miami Transactions

The Villas at Wyndam Lakes

City: Coral Springs, Fla.
Buyer: The Connor Group
Purchase Price: $121 MM
Price per Unit: $364,458

Avana Palm Beach Gardens

City: Palm Beach Gardens, Fla.
Buyer: Greystar
Purchase Price: $92 MM
Price per Unit: $205,580

Windsor Ludlam Trail

City: Miami
Buyer: GID
Purchase Price: $91 MM
Price per Unit: $292,821

One Plantation

City: Plantation, Fla.
Buyer: Waterton
Purchase Price: $88 MM
Price per Unit: $275,337

RENT TRENDS

➤ Rent expansion maintained its pace for the fourth consecutive month, with rates up 0.2%, on a trailing three-month (T3) basis in August, to $2,412. The national average matched this rate of growth, up 0.2%, to $1,728. Year-over-year, Miami rents rose 2.1%, which placed it among the top 10 best large metros for rent growth in the U.S.

➤ Following seven months of growth above the 0.5% mark ending in June, working-class Renter-by-Necessity performance softened to 0.1%, on a T3 basis through August, to $1,885. Meanwhile, Lifestyle rents increased 0.2%, to $2,735.

➤ Renewal rent gains, the change for residents that are rolling over existing leases, remained in the double digits, at 12.4% year-over-year in June—the highest in the country. Strong demand

propped up the occupancy rate in stabilized properties, which decreased by just 40 basis points in the 12 months ending in July, to 95.8%. Specifically, the rate dropped 50 basis points in the RBN segment, to 96.6%, and was also down for Lifestyle assets, sliding 30 basis points, to 95.4%.

➤ Rent growth was spotty across the map, ranging from double-digit increases in 10 submarkets to contractions in another 23. Rates declined in the three most expensive areas: Coral Gables (-0.3% to $3,680), West Palm Beach-Central (-0.4% to $3,614) and Miami-Wynwood (-0.4% to $3,445).

➤ Miami single-family rentals endured, with rates declining only slightly, by 1.3% year-over-year as of August, while occupancy improved 0.5% through July.

Miami vs. National Rent Growth (Trailing 3 Months)
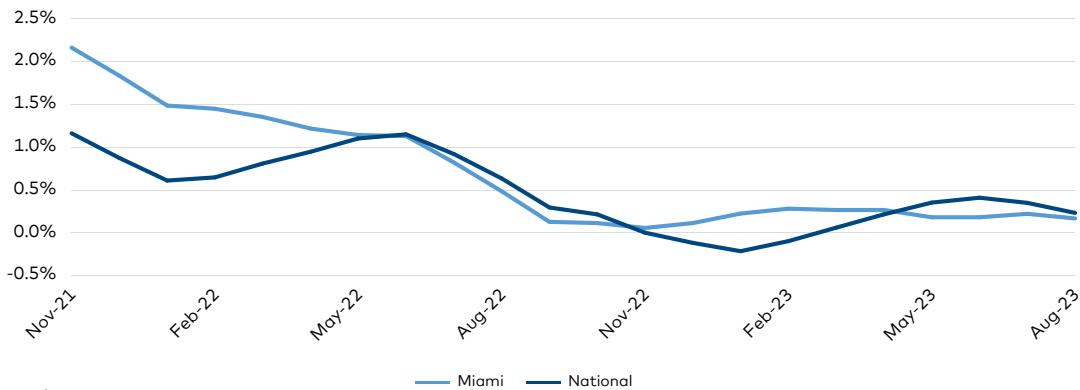
Source: Yardi Matrix

Miami Rent Growth by Asset Class (Trailing 3 Months)
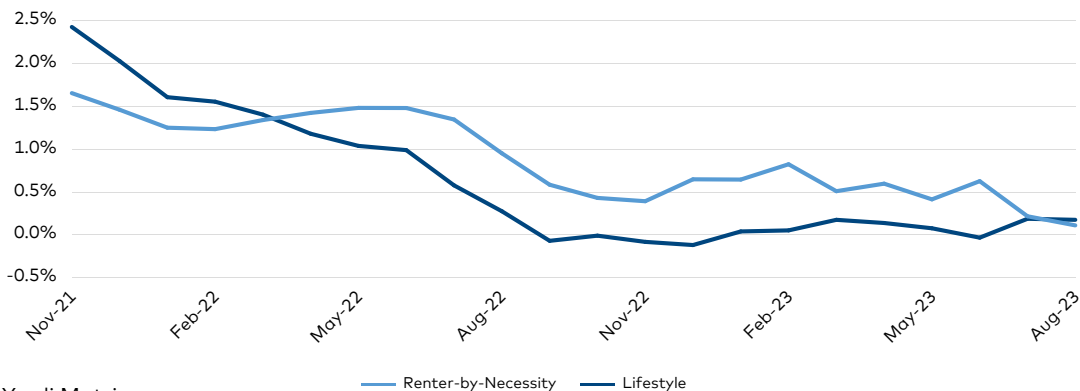
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ Miami remained one of the tightest employment markets in the country, with unemployment at just 2.6% as of July, according to preliminary data from the Bureau of Labor Statistics. This placed it ahead of the 3.5% U.S. rate, as well as Florida's 2.7%. The metro also outpaced Jacksonville (3.2%), Orlando and Tampa (both at 3.1%).

➤ In the 12 months ending in June, South Florida added 85,200 jobs for a 3.2% expansion, 40 basis points above the national rate. Of all sectors, only mining, logging and construction lost 3,300 jobs. The area's largest sectors—trade, transportation and utilities (22,600 jobs), professional and business services (18,500 jobs) and education and health services (18,400 jobs) continued to lead gains.

➤ Miami remains a top tourist destination but continues to diversify its economy, thanks to its business-friendly regulatory environment and abundance of highly skilled workers. South Florida continues to attract companies and employees from all over the country. Examples include Rothschild & Co., which opened its first Miami office this year, LeverX, which moved its global headquarters to the metro, and Kaseya, which announced a 3,400-job expansion. In addition, the area's office market had 2.7 million square feet underway, or 3.4% of stock, surpassing the 2.1% U.S. average.

Miami Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
40	Trade, Transportation and Utilities	651	23.6%
60	Professional and Business Services	520	18.8%
65	Education and Health Services	436	15.8%
70	Leisure and Hospitality	332	12.0%
90	Government	292	10.6%
80	Other Services	116	4.2%
30	Manufacturing	97	3.5%
55	Financial Activities	213	7.7%
50	Information	55	2.0%
15	Mining, Logging and Construction	51	1.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ Between the 2010 Census and 2021, the metro's population grew by 9.1%, ahead of the 7.3% national rate.

➤ Marking an unusual year, Miami's population dropped in 2021, down by 0.6%, or 34,694 residents, while the U.S. total inched up 0.1%.

Miami vs. National Population

|	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Miami	6,140,602	6,164,887	6,126,441	6,091,747

Source: U.S. Census

SUPPLY

➤ Miami's multifamily stock expanded by 5,868 units in 2023 through August, the equivalent of 1.7% of total stock, 50 basis points above the national rate. The bulk of these (83.6%) were in upscale Lifestyle properties, while 16.3% were in fully affordable communities. Drilling down, deliveries were highest in the Miami area (3,172 units), followed by West Palm Beach-Boca Raton (1,600 units) and the Fort Lauderdale area (1,096 units).

➤ Development remained elevated in Miami, with 45,673 units under construction as of August, and another 135,000 units in the planning and permitting stages. The pipeline was also tilted toward the upscale segment, with 86.7% of units underway in Lifestyle properties. For 2023, Yardi Matrix expects South Florida's stock to expand by a total of 20,906 units, marking a strong decade high and one of the country's strongest development markets.

➤ Ongoing financial challenges have been putting pressure on construction starts as of late. Work started on 12,357 units in 2023 through August, down from 15,681 units during the same period in 2022. The West Palm Beach area had the lowest volume of new projects

(1,612 units), followed by Fort Lauderdale (3,517 units) and the Miami area (6,630 units).

➤ The largest project delivered through August was the 560-unit Downtown 1st in Miami. The property includes office and retail space and was built by Melo Group with aid from a $75 million construction loan issued in 2021 by Truist Bank.

Miami Completions (as of August 2023)
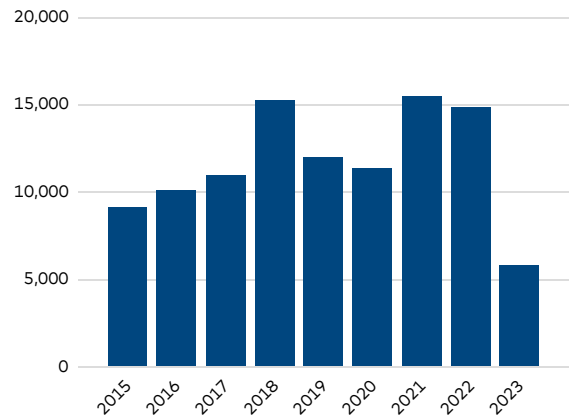
Source: Yardi Matrix

Miami vs. National Completions as a Percentage of Total Stock (as of August 2023)
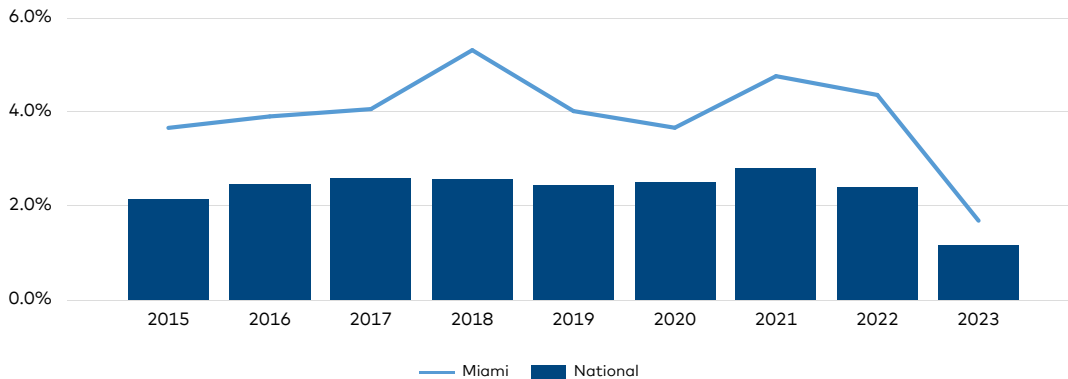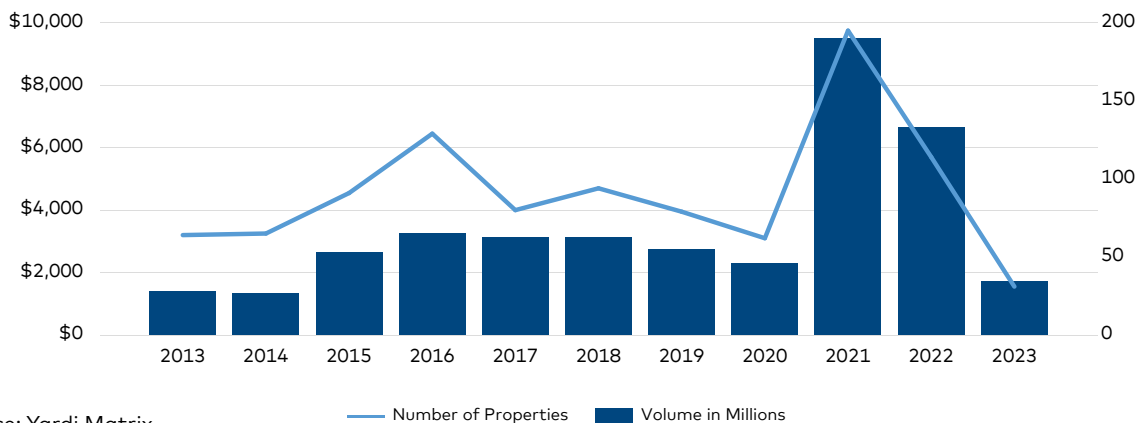

Source: Yardi Matrix

TRANSACTIONS

➤ Mirroring the national trend, investment activity tempered in South Florida, especially when compared to the previous two years ($16.1 billion combined). This year through August, just $1.7 billion in multifamily assets traded in the metro.

➤ Sales composition through August was slightly tilted toward the upscale segment, with 17 of the 31 transactions in Lifestyle properties. Even so, per-unit prices took a hit from macroeconomic conditions, down by 19.0% from last year, to

$264,053 this year through August. Meanwhile, the U.S. average also depreciated, to $186,926.

➤ In the 12 months ending in August, $715 million traded in the Miami area, $590 million in and around Fort Lauderdale and $400 million in West Palm Beach-Boca Raton. Miami Beach recorded the metro's largest sale during this time, when AIR Communities acquired the 495-unit Southgate Towers from Gumenick Properties for $289 million, or $583,838 per unit.

Miami Sales Volume and Number of Properties Sold (as of August 2023)
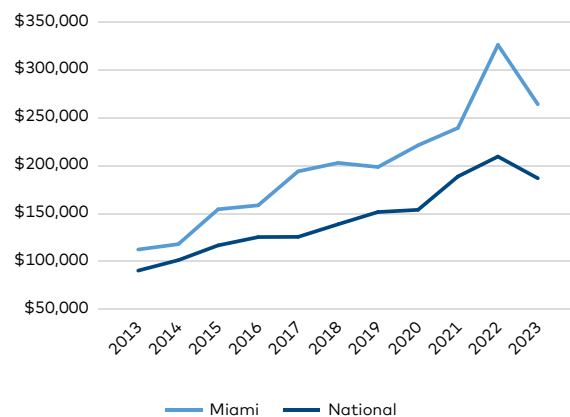

Source: Yardi Matrix

Number of Properties ── Volume in Millions ■

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Miami Beach	289
Parkland	276
Coconut Creek	262
Boca Raton-West	194
Plantation	174
Homestead	149
Lauderdale Lakes	141

Source: Yardi Matrix
[1] From September 2022 to August 2023

Miami vs. National Sales Price per Unit

── Miami ── National

Source: Yardi Matrix

Top 10 Markets for Multifamily Deliveries in H1 2023

By Anda Rosu

Multifamily demand stayed elevated in 2023 despite major economic headwinds and despite underperforming compared to the first six months of 2022. According to Yardi Matrix data, 154,366 units came online nationwide between January and June 2023. The volume of multifamily deliveries accounts for a 60-basis-point increase from the 153,314 units that were delivered last year during the same period.

Rank	Metro	Projects Delivered 2023 H1	Number of Units Delivered 2023 H1	Construction Starts 2023 H1 Units
1	Phoenix	36	8,062	10,886
2	Washington D.C.	25	6,333	5,288
3	Atlanta	29	6,178	10,380
4	Austin	23	5,473	11,220
5	Dallas	20	5,133	15,747
6	Miami Metro	22	5,109	9,969
7	Charlotte	21	4,595	6,441
8	Orlando	19	4,445	5,437
9	Denver	23	4,270	6,046
10	Houston	17	3,910	6,562

Miami

Sixth on our list, Miami had 5,109 units in 22 properties delivered between January and June 2023, representing 3.3% of existing stock. The volume of completions recorded a 34% decrease from the same time in 2022, when 6,852 units were added. As of June, Miami's pipeline included another 47,688 units under construction. The number of units that broke ground in the first half of 2023 also decreased in Miami, to 9,969 units in 35 properties, from 12,937 units in 44 properties in 2022.

MIAMI SUBMARKETS
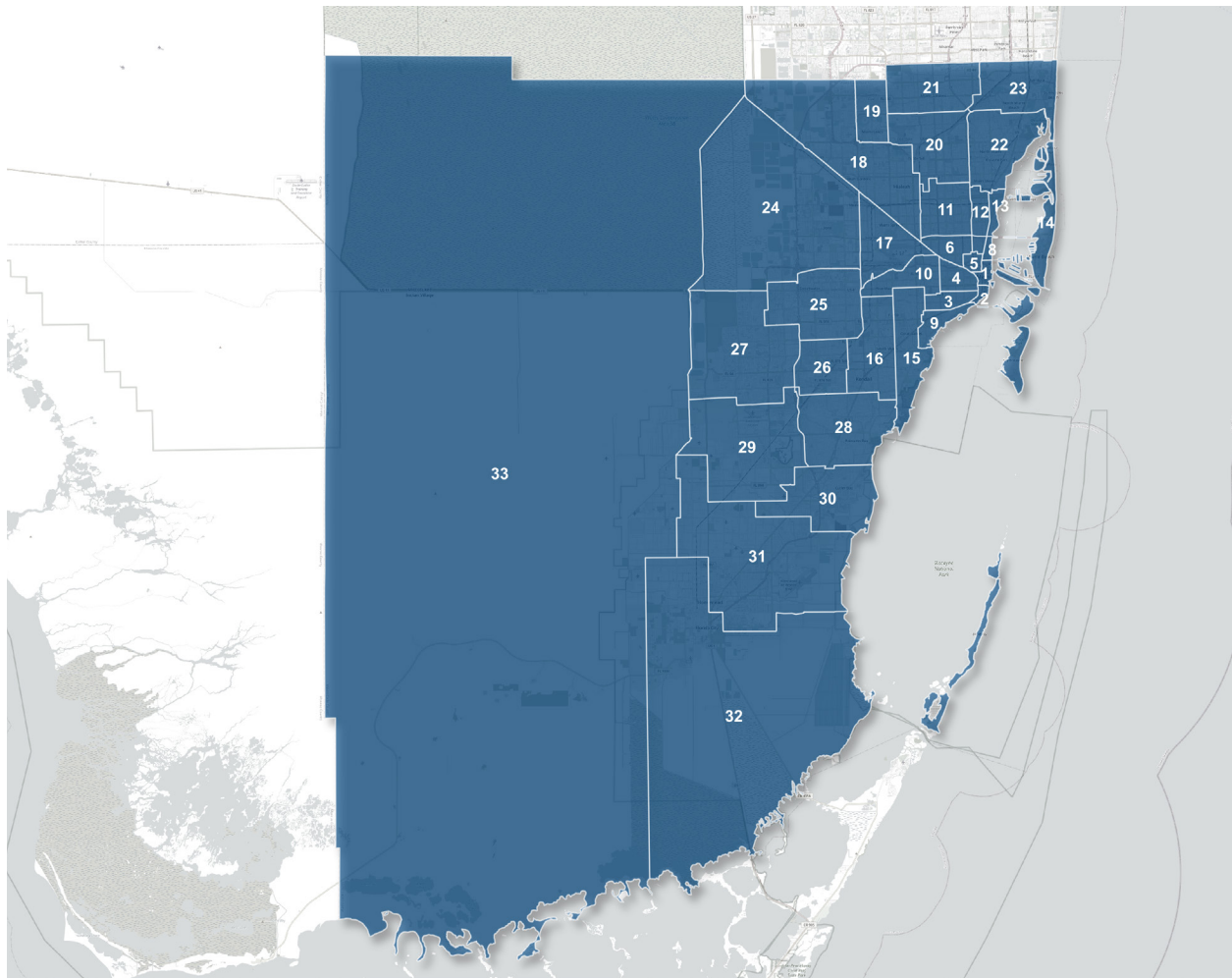
Area No.	Submarket
1	Miami–Downtown
2	Miami–Brickell
3	Miami–Coral Way
4	Miami–Little Havana
5	Miami–Overtown
6	Miami–Allapattah
7	Miami–Wynwood
8	Miami–Edgewater
9	Miami–Coconut Grove
10	Miami–Flagami
11	Miami–Liberty City
12	Miami–Little Haiti
13	Miami–Upper East Side
14	Miami Beach
15	Coral Gables
16	South Miami
17	Airport

Area No.	Submarket
18	Hialeah
19	Miami Lakes
20	Opa-locka
21	Miami Gardens
22	North Miami
23	North Miami Beach
24	Doral
25	Fontainebleau–University Park
26	Sunset
27	Kendall West
28	Kendall
29	Three Lakes
30	Goulds
31	Homestead
32	Florida City
33	Outlying Miami–Dade County

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

➤ *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;

➤ *Students,* who also span a range of income capability, extending from affluent to barely getting by;

➤ *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;

➤ *Blue-collar households,* which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;

➤ *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;

➤ *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.
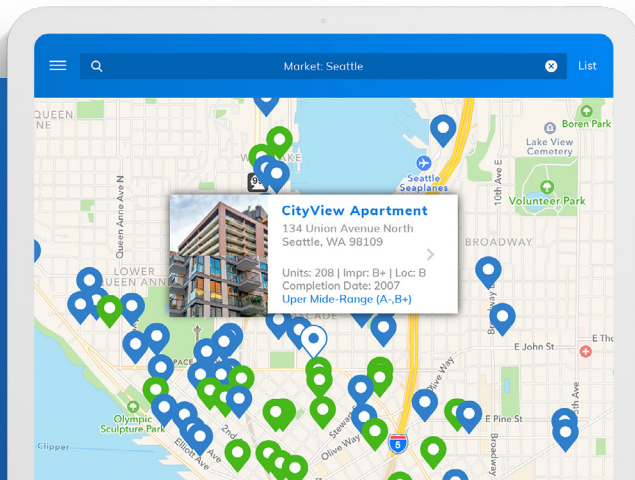
Yardi® Matrix

Power your business with the industry's leading data provider

MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info

- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps

Market: Seattle   List

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Uper Mide-Range (A-,B+)

Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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Contact us