

Yardi® Matrix

Blazing Miami

Multifamily Report Summer 2018

Construction Surge Continues

Per-Unit Values Reach New Peak

Rent Growth Mirrors National Trend

Market Analysis

Summer 2018

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Author

Laura Calugar

Associate Editor

Construction Surge Dilutes Rent Growth

Miami's multifamily market remains relatively healthy amid population and job gains, producing growth across asset classes, as rent increases continue to be on par with the national figure. However, following another record-breaking year for deliveries, the metro is on the verge of oversupply, with the accelerated rhythm of inventory expansion expected to linger.

The metro added 24,000 jobs in the 12 months ending in March, with professional and business services (7,100) leading the way. Manufacturing (5,400) and construction (4,300) followed. Two large master-planned projects are underway—Miami Worldcenter, a \$2 billion mixed-use development, and Metropica, a \$1.5 billion property. Although job growth is primarily fueling workforce housing demand, developers continue to cater to high-income renters. More than 80% of apartments underway are upscale, which continues to fuel the affordability crisis. Additionally, the National Low Income Housing Coalition's annual report showed that 79% of Florida's extremely low-income renter households are severely cost burdened.

We expect some 11,500 units to come online during the whole of 2018, slightly above last year's cycle high. The average rent was \$1,615 as of May, but as new units add up to the existing stock, growth is bound to roughly follow the national trend. We expect rents to rise 3.0% in 2018.

Recent Miami Transactions

Casa Vera



City: Miami
Buyer: LivCor
Purchase Price: \$139 MM
Price per Unit: \$254,451

850 Boca



City: Boca Raton, Fla.
Buyer: AvalonBay Communities
Purchase Price: \$138 MM
Price per Unit: \$372,973

The Manor CityPlace Doral



City: Doral, Fla.
Buyer: TA Associates Realty
Purchase Price: \$135 MM
Price per Unit: \$339,196

Amaray Las Olas by Windsor

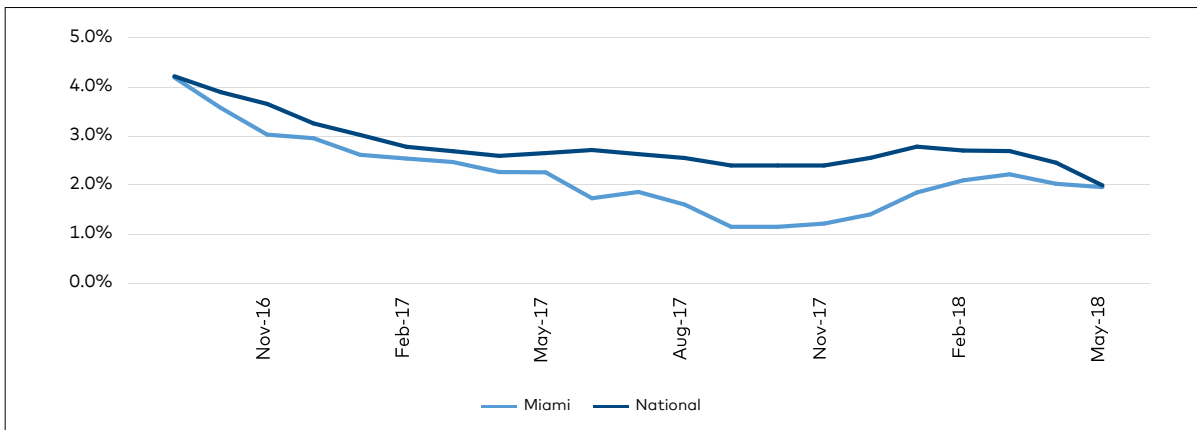


City: Fort Lauderdale, Fla.
Buyer: GID
Purchase Price: \$134 MM
Price per Unit: \$525,787

Rent Trends

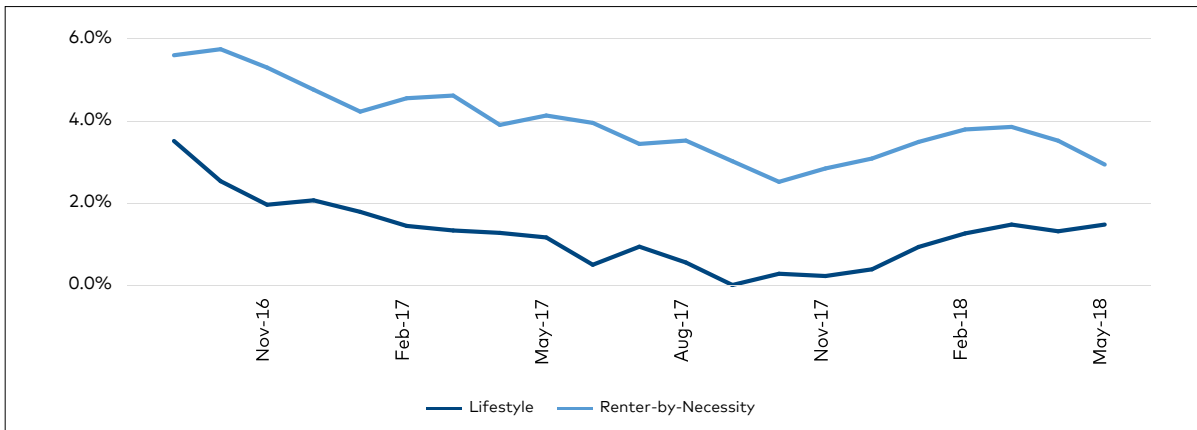
- Miami rents rose 2.0% year-over-year through May, on par with the national growth rate. However, the average rent across the metro was \$1,615 as of May, above the \$1,381 U.S. rate. Mirroring the nationwide trend, Miami's rent growth gradually decelerated since peaking at 5.8% in December 2015.
- The working-class Renter-by-Necessity segment led gains, with rents up 2.9% to \$1,296. Average rents in the Lifestyle segment rose only 1.5%, to \$1,858. Demand for working-class units should continue to outstrip supply, since most developers are focusing on delivering upscale projects.
- More affordable submarkets such as West Little River (up 13.0%) and Bunche Park (up 8.0%) saw the strongest year-over-year rent growth. Despite a 3.4% decrease, the average rent in Coconut Grove was still the highest in the market (\$2,334), followed by Brickell (\$2,292).
- South Florida is set to benefit further not only from job growth but also from the positive effects of the new tax law. Lower taxes should stimulate more high-wealth companies to transfer their business in the metro, additionally fueling demand for rentals. Yardi Matrix expects rents to rise 3.0% in 2018, despite the rapid addition of new apartments across Miami.

Miami vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: YardiMatrix

Miami Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

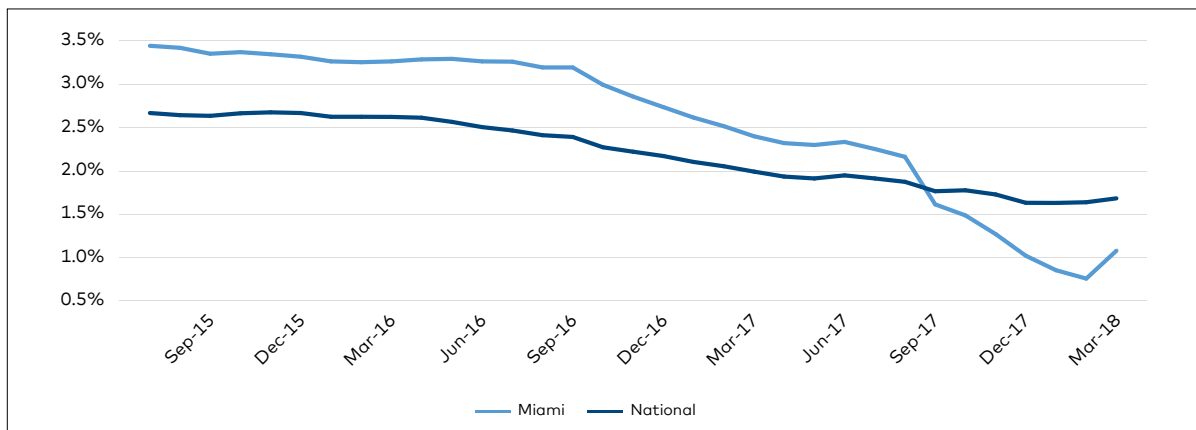


Source: YardiMatrix

Economic Snapshot

- Metro Miami added 24,000 jobs in the 12 months ending in March, up 1.1% but 60 basis points below the national rate. Employment growth has been tempering over the past few years due to a shortage of workers, among other factors.
- Leading the way is the professional and business services sector (7,100 jobs), followed by manufacturing (5,400 jobs) and construction (4,300 jobs). Bermello Ajamil & Partners and NV2A-Haskell began work on a 166,500-square-foot futuristic cruise terminal at PortMiami, which is likely to boost the construction sector going forward. Downtown Miami is in the middle of a major makeover due to the largest construction site in the city's history: Miami Worldcenter, a \$2 billion mixed-use development. More than 800 people work at the site daily. The project is the best-connected development in South Florida, offering access to five transit systems, including the new Brightline rail line. Another master-planned project is under construction in Fort Lauderdale. Metropica, a 65-acre, \$1.5 billion development, topped off its first residential tower in February.
- The office market in Miami-Dade County remains stable. Throughout 2017 and entering 2018, vacancy rates in the county were in the 9.0% range, according to Colliers International. The high cost of land and construction is inhibiting new office development in the metro's core areas.

Miami vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

Miami Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
60	Professional and Business Services	440	17.0%	7,100	1.6%
30	Manufacturing	94	3.6%	5,400	6.1%
15	Mining, Logging and Construction	52	2.0%	4,300	9.1%
70	Leisure and Hospitality	334	12.9%	2,300	0.7%
65	Education and Health Services	394	15.2%	2,200	0.6%
40	Trade, Transportation and Utilities	599	23.2%	2,000	0.3%
80	Other Services	125	4.8%	1,600	1.3%
55	Financial Activities	179	6.9%	300	0.2%
90	Government	316	12.2%	100	0.0%
50	Information	51	2.0%	-1,300	-2.5%

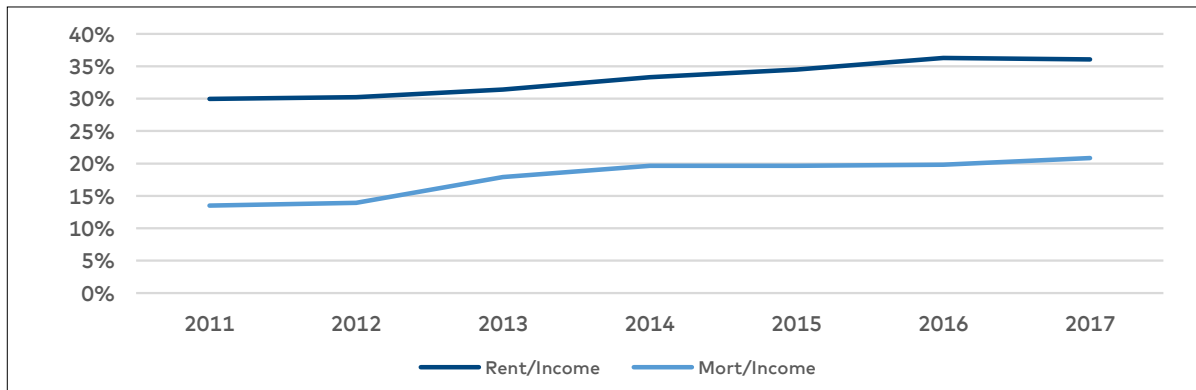
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

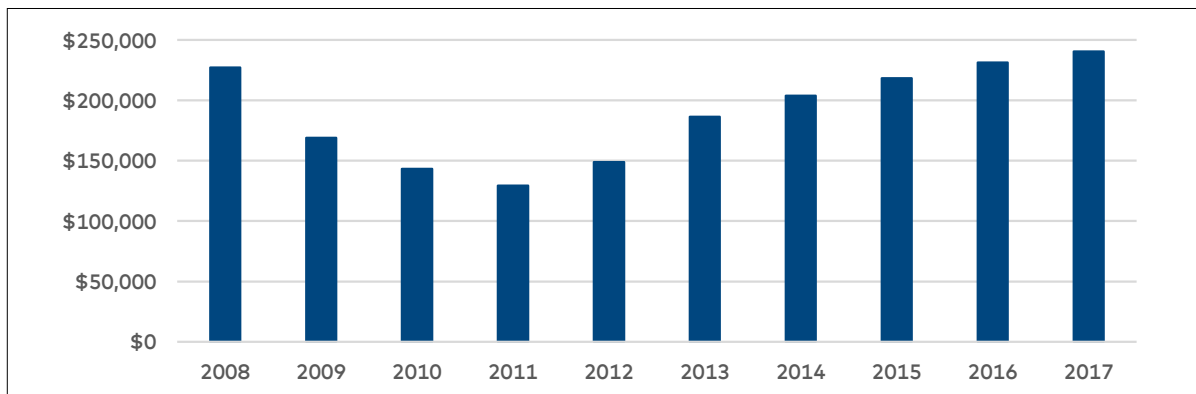
- Home prices in Miami steadily hiked during the cycle, with the median home value hitting \$240,469 last year, a new peak. Ownership remains far more affordable than renting, as the average mortgage payment accounted for 21% of the area's median income, while the average rent comprised 36%.
- A recent Miami Homes for All study revealed that nearly 10,000 units in Miami-Dade County are at risk of either ceasing their affordable restrictions or being too old to support housing going forward. According to the Shimberg Center at the University of Florida, roughly 5,000 affordable housing units in the county have lost their affordability status in the past 17 years.

Miami Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Miami Median Home Price



Source: Moody's Analytics

Population

- The metro gained 51,000 residents in 2017, a 0.8% increase, 10 basis points above the U.S. rate.
- The metro has added almost 300,000 people since 2013, for a 5.0% demographic expansion.

Miami vs. National Population

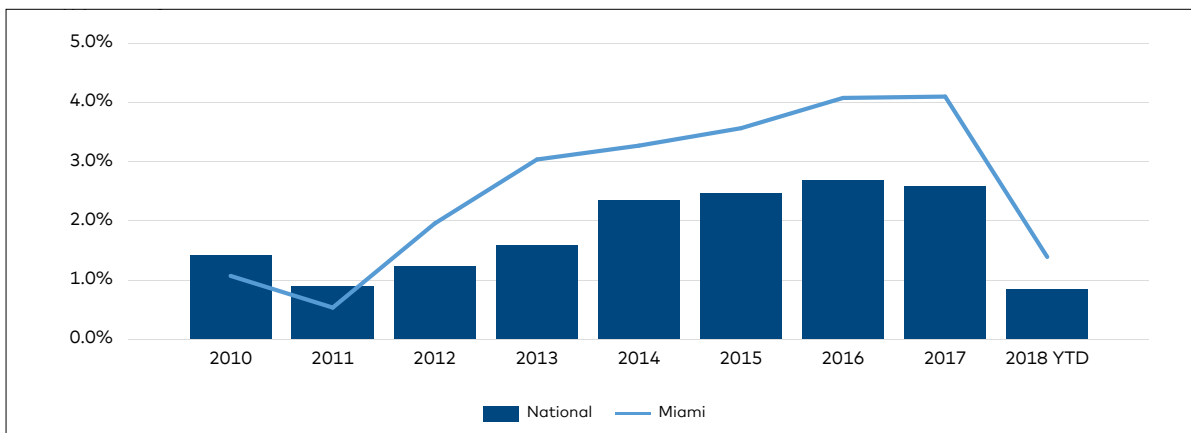
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Miami Metro	5,862,992	5,943,656	6,026,044	6,107,433	6,158,824

Sources: U.S. Census, Moody's Analytics

Supply

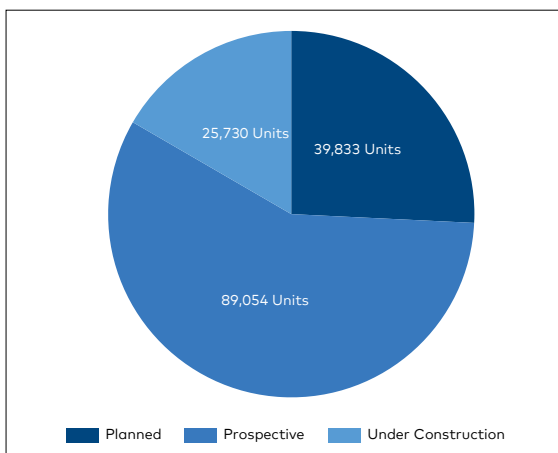
- Approximately 3,800 units were delivered in 2018 as of May, following last year's 11,150-unit cycle peak. The metro continues to add apartments at a fast clip, putting rapidly growing areas of Miami at risk of oversupply over the short term. The rhythm is expected to remain strong throughout the year, as we anticipate some 11,500 units to be delivered during the whole of 2018.
- Roughly 25,700 units were underway as of May, mainly in areas close to the Brightline and new Tri-Rail stations. An additional 129,000 units were in the planning and permitting stages. Amid strong development, occupancy in stabilized properties slid to 95.1% as of April, down 0.6% over 12 months.
- Development is concentrated in Miami's core, with Downtown Miami (3,177 units) and Edgewater-Wynwood (2,437 units) leading growth. Due to new zoning, Wynwood is in the middle of a redevelopment rush, with developers building micro units in response to high land prices.
- The supply pipeline continues to cater to the luxury segment. Florida East Coast Realty is building Panorama Tower, an 821-unit skyscraper that is slated to become the tallest building in the metro.

Miami vs. National Completions as a Percentage of Total Stock (as of May 2018)



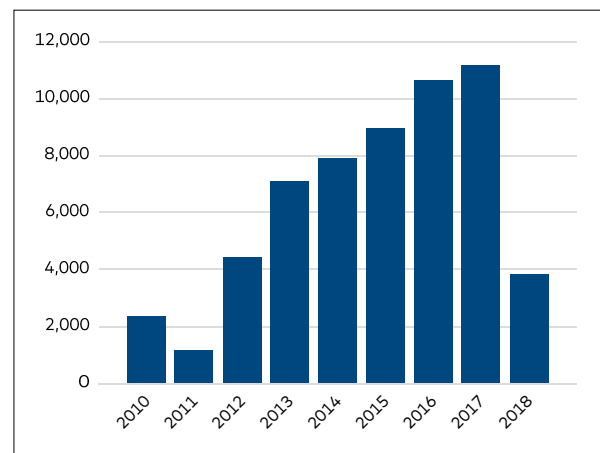
Source: YardiMatrix

Development Pipeline (as of May 2018)



Source: YardiMatrix

Miami Completions (as of May 2018)

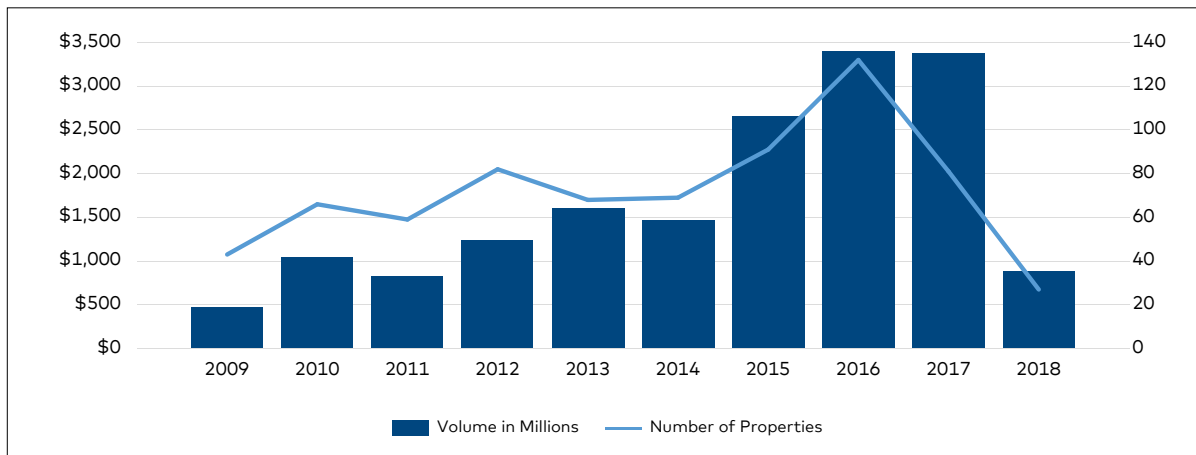


Source: YardiMatrix

Transactions

- Investor appetite remains high in Miami, with more than \$3.3 billion in multifamily properties trading in the 12 months ending in April. Fort Lauderdale is leading the way—with \$1.3 billion in assets changing hands—since Miami has become too pricey for some investors. With a transaction volume of roughly \$876 million over the first four months, 2018 is off to a strong start. Per-unit prices were at \$194,139 year-to-date through May, after spiking to a cycle high of \$200,633 in 2017. The average price per unit outperformed the national average in 2013 and remained above it over the past five years.
- Although multifamily investment is spread across the map, Fort Lauderdale submarkets such as Coral Springs–North (\$219 million) and Pembroke Pines (\$202 million) led the way in the 12 months ending in April. The 542-unit Advenir at PGA marked the largest transaction of 2018 through April. Advenir purchased the Palm Beach Gardens asset for \$97.3 million, or \$179,428 per unit, from Electra America.

Miami Sales Volume and Number of Properties Sold (as of April 2018)



Source: YardiMatrix

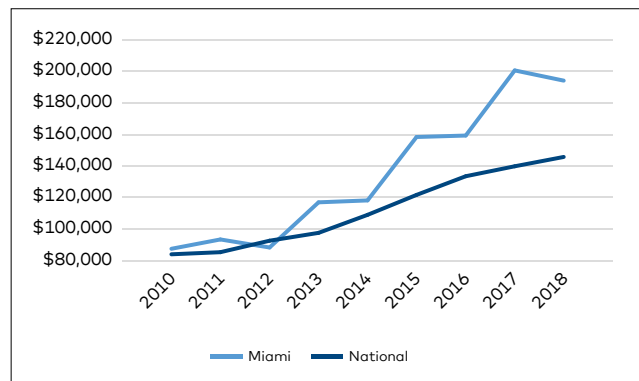
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Coral Springs–North	219
Pembroke Pines	202
Jupiter	201
Kendall–West	200
Coral Way–Flagler	178
Delray Beach	164
Coconut Creek–North	147
Boca Raton–West	138

Source: YardiMatrix

¹ From May 2017 to April 2018

Miami vs. National Sales Price per Unit



Source: YardiMatrix

News in The Metro

Brought to you by:



Franklin Street Facilitates \$2M Miami Sale

Oscar Banegas, Kameron Djamal and Dan Dratch represented the seller in the transaction. Director of Capital Advisors Tony Gannacone secured financing for Sabal Capital Royal Palms Apartments.



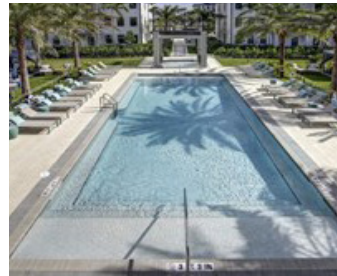
South FL Value-Add Property Sells For \$44M

ARA Newmark's Vice Chairmen Avery Klann and Hampton Beebe, together with Director Jonathan Senn, represented the seller in the transaction.



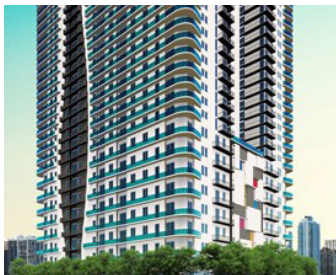
Massive Concrete Pour Begins At FL Condos

Two Roads Development has started construction on Elysee Miami. When completed, the 57-story, 100-unit luxury high-rise will be one of the tallest buildings in the East Edgewater neighborhood.



Greystar Completes Suburban Miami Community

The resort-style Elan Maison in Davie features 394 units and includes an herb garden, a tanning room and a yoga studio.



Melo Group Scores \$85M Financing for Residential Towers

Ocean Bank provided the funding for the construction of a residential community comprising two 34-story towers and 667 units in the heart of downtown Miami.



Midtown 8 Tops Off in Miami

Wood Partners developed the 28-story mixed-use development four miles from downtown. The project is slated for completion by May 2019.

Log on to Multi-HousingNews.com to get the latest metro-specific news.



A Close Look at Miami's Smart Towers

Santiago Vanegas, president & CEO of Habitat Group, talked to Multi-Housing News Associate Editor Timea Papp about the company's project taking shape in the Brickell neighborhood.

One of Habitat Group's latest developments, dubbed Smart Brickell, is the first of its kind in the firm's portfolio. Located in Miami's Brickell neighborhood, the condo project includes a hotel component and will combine elements of smart design, smart technology and smart use across 170 residences and 150 guestrooms. The three towers will also feature 30,000 square feet of retail space. Smart Brickell is slated for completion in 2020, with prices for fully furnished condos starting in the low \$300,000s.

What is the vision behind Smart Brickell and what separates it from other downtown projects?

Smart Brickell's goal is to set the new standard of living in Miami through our Smart Living Philosophy, where every aspect is designed to enrich and energize your lifestyle, by designing apartments that offer flexible usage, unique and modern design, and smart technology features.

What can you tell us about the demographic you are targeting with Smart Brickell?

Smart Brickell will be a place for working professionals and seasonal residents. It is also the ideal location for the business traveler. Not only is the development less than 10 miles from the airport and within walking distance of several other modes of transportation but it also offers you the option to rent your apartment multiple times a year through platforms such as Airbnb, adding value to your investment while you are away.



What are some of the functions, amenities and apps that make the project smart?

The move-in-ready residences allow for flexible usage. Each space has been created to take advantage of every square foot while addressing a bold and modern aesthetic. Units will be delivered fully finished and furnished and feature city-view terraces with floor-to-ceiling sliding glass doors and kitchens fully equipped with Bosch appliances and Italkraft cabinetry.

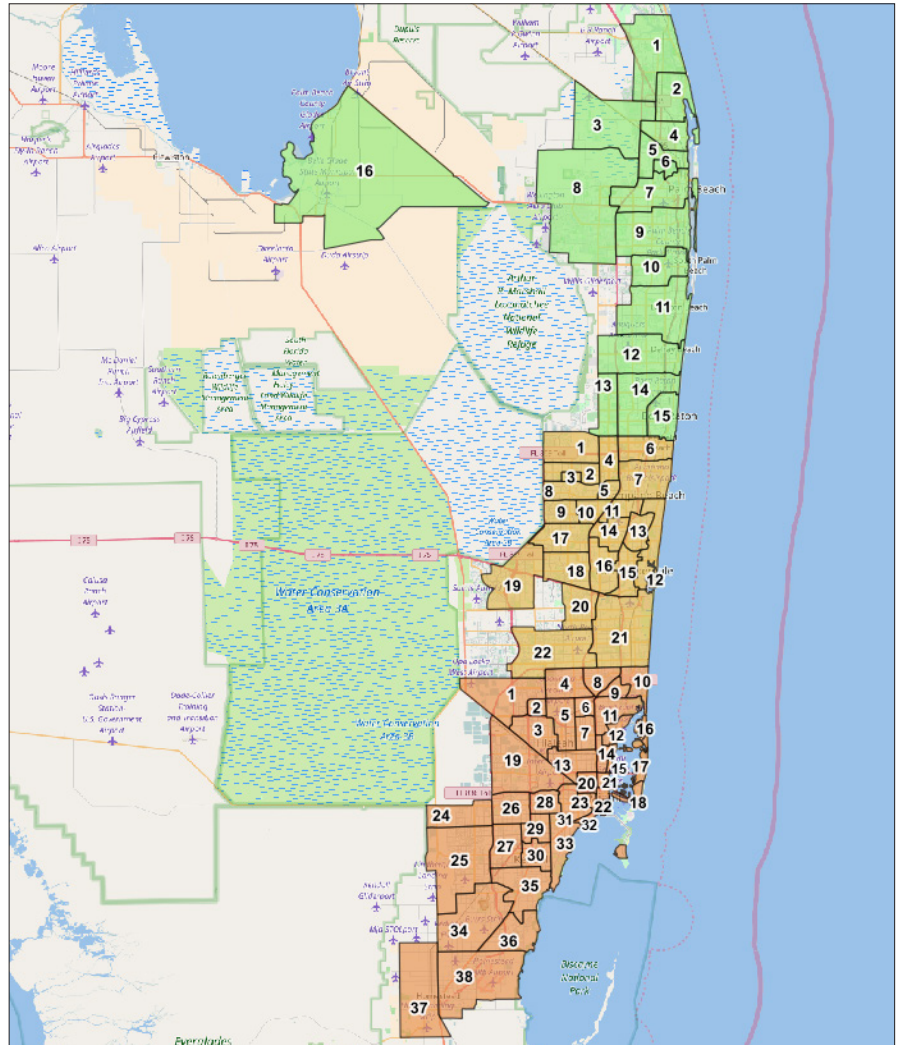
The units at Smart Brickell are delivered fully equipped with smart, Wi-Fi enabled features, including a Nest thermostat, LIFX Wi-Fi enabled LED smart bulbs, an Amazon Echo/Alexa home and personal assistant and a concierge app allowing residents to request services from the comfort of their smartphone.

Residents will also enjoy building amenities such as an organic café on the ground level, an amenity deck with a landscaped recreational area and expansive terrace, resort-style pools, a spa and wellness center, a fully equipped business center, a Sky fitness center located on the 25th floor, a rooftop lounge bar and Wi-Fi throughout the lobby and amenity deck. The unique combination of flexible usage, architectural design, integration of smart technological features, central location and resort-style amenities are what make this project the gateway to the future of smart living.

Miami Submarkets

Area #	West Palm Beach Submarket
1	Jupiter
2	North Palm Beach
3	Palm Beach Gardens
4	Riviera Beach
5	Palm Beach Shores
6	Mangonia Park
7	West Palm Beach
8	Royal Palm Beach
9	Palm Springs
10	Atlantis
11	Boynton Beach
12	Delray Beach
13	Sandalfoot Cove
14	Boca Raton–West
15	Boca Raton–East
16	Belle Glade

Area #	Ft. Lauderdale Submarket
1	Parkland
2	Coral Springs–North
3	Coral Springs–Central
4	Coconut Creek–North
5	Coconut Creek–South
6	Deerfield Beach
7	Pompano Beach/Lighthouse Point
8	Coral Springs–South
9	Tamarac
10	North Lauderdale
11	Palm Aire
12	Fort Lauderdale–East
13	Oakland Park
14	Lauderdale Lakes
15	Fort Lauderdale–West
16	Lauderhill
17	Sunrise
18	Plantation
19	Weston
20	Davie
21	Hollywood
22	Pembroke Pines



Area #	Miami Submarket
1	Country Club
2	Miami Lakes
3	Hialeah
4	Miami Gardens
5	Opa–Locka
6	Bunche Park
7	West Little River
8	Norland
9	North Miami Beach
10	Golden Beach
11	North Miami
12	Miami Shores
13	Liberty City–Brownsville

Area #	Miami Submarket
14	Little Haiti
16	North Beach
17	Mid Beach
18	South Beach
19	Doral
20	Allapattah
21	Edgewater–Wynwood
22	Downtown Miami
23	Little Havana
24	Tamiami
25	Kendale Lakes
26	Fountainbleau
27	Sunset

Area #	Miami Submarket
28	West Miami
29	South Miami
30	Glenvar Heights
31	Coral Way–Flagler
32	Brickell
33	Coconut Grove
34	South Miami Heights
35	Kendall
36	Cutler Bay
37	Florida City
38	Homestead

Definitions

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 may 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 may 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, may 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.

Fogelman drives deals with Yardi® Matrix



"Yardi Matrix is a major contributor to our profitable investments and informed property management."

Mark Fogelman
President
Fogelman Properties

800.866.1144
YardiMatrix.com



Energized for Tomorrow

DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2018 Yardi Systems, Inc. All Rights Reserved.