Low Vacancy Attracts Additional Capital From Around the World to South Florida

Miami among tightest apartment markets in the country. A prime destination for renters seeking to avoid stricter lockdowns in the Northeast and on the West Coast, Miami recorded significant vacancy compression last year. Tight conditions are positioned to persist in the near term as the metro attracts more workers, boosting the local population count. The number of executives and other employees on waiting lists from JP Morgan Chase and Goldman Sachs requesting transfers to Florida is at an all-time high. Recent vacancy compression has come without the benefit of international tourism, which will increase this year as travel restrictions ease. Furthermore, an increase in cruise ship calls will enhance hiring in the leisure and hospitality sector. The number of those positions remains approximately 25,000 spots below the pre-recession level and a return to previous staffing levels should help pull down the unemployment rate, which remains among the highest in Florida.

Elevated yields preserve outside investor activity. Buyers are capitalizing on the relatively favorable returns in Miami and the potential for near-term rent growth. Despite the very low vacancy level, construction will decline this year, providing investors with an opportunity to acquire assets with upside rent potential. Out-of-state buyers are the most active in the market, accounting for approximately 80 percent of the transactions during the past year. More capital from outside Florida is expected in 2022, especially from Latin America buyers. These investors tend to gravitate to South Florida due to familial experience or leveraging property ownership to acquire a visa. Additionally, metro submarkets enter the year with average cap rates in the low- to mid-5 percent range. Top-tier returns fall into the 4 percent area, and even lower in some cases for A-plus properties or high-rise apartments. Lower-tier assets in the suburbs can be acquired for first-year returns in the high-5 percent area.

2022 Market Forecast

NMI Rank 10 — A swift pace of rent growth, tight apartment vacancy and an expanding employment count spearhead Miami's high ranking.

Employment up 4.7% — Employment gains 56,000 positions this year as Miami recoups all of the jobs lost during the recession.

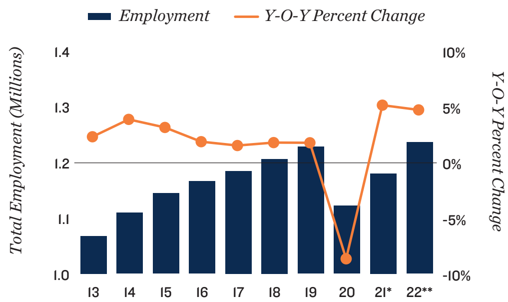
Construction 6,900 units — Builders slow the pace of construction this year as inventory expands just 2.2 percent. In 2021, developers added 10,300 units to local apartment stock.

Vacancy up 20 bps — The vacancy rate should rest at 2.3 percent at the end of 2022, one of the lowest levels in the nation. Last year, the rate declined 270 basis points.

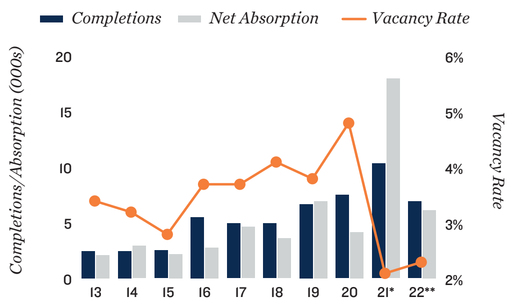
Rent up 7.0% — After an impressive 16.1 percent jump in 2021, the average effective rent is projected to climb to $2,077 per month this year. Rent growth is robust due to low housing affordability.

Investment — International investors will compete with institutional capital for top-end apartments in the market. Local buyers will move into the suburbs.

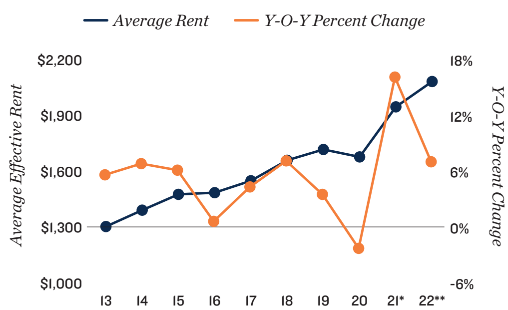
Employment Trends



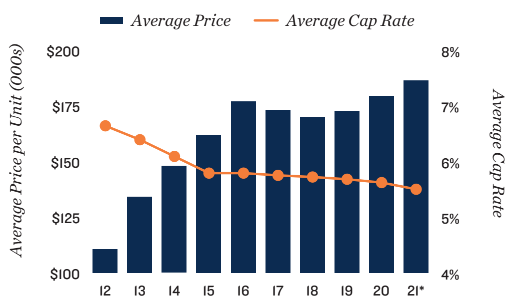
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

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