MARKET REPORT

Marcus & Millichap

MULTIFAMILY

Miami-Dade Metro Area

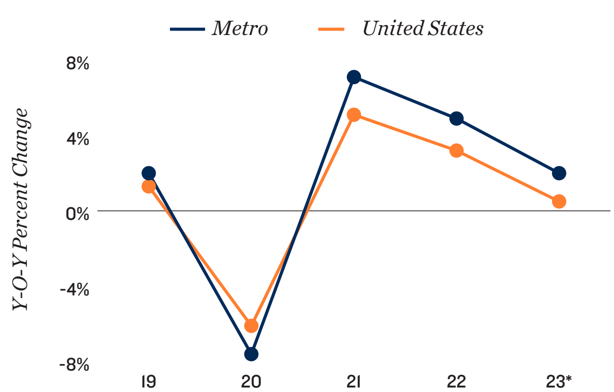
2Q/23

Miami's Expanding Resident Base and Diversifying Economy Support a Historically Large Pipeline

Resilient labor market aids market conditions. As of March, the unemployment rate in Miami stood at just 1.9 percent, the lowest figure among all major U.S. markets. A resurgence in domestic leisure travel to Southeast Florida spearheaded hiring in the leisure and hospitality sector, while continued corporate headquarter relocations — alongside expansions from firms like Kaseya and LeverX — helped bolster job gains in the professional and business services sector. Although economic uncertainty has moderated renter demand nationally in recent months, the strength and diversity of Miami's local economy has helped limit vacancy increases across all property tiers. In fact, the metro recorded the nation's lowest Class C vacancy rate among major markets in the first quarter, and overall availability was equal to the 2019 rate entering April.

Builders bet big on Miami's long-term demand drivers. The addition of nearly 70,000 new residents, coupled with numerous corporate headquarter relocations over the past four years, warrants Miami's ongoing supply wave. As of the first quarter, there were nearly 25,000 units underway with completion dates extending into 2025. The bulk of near-term completions are slated in Downtown Miami-South Beach. However, Coral Gables-South Miami and Northeast Miami also have a sizable number of projects in the pipeline. Supply additions are expected to place upward pressure on apartment availability in the near-term, while recessionary fears continue to tighten household budgets and weaken renter demand.

Employment Trends



** Forecast*

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

Multifamily 2023 Outlook

25,000
JOBS
will be created

EMPLOYMENT:

Although job gains are expected to slow relative to last year's pace, local firms still expand headcounts by 2 percent in 2023. The Miami metro will lead all major U.S. markets in employment growth as a percentage of the existing labor count.

8,800
UNITS
will be completed

CONSTRUCTION:

Annual supply additions will reach a two-decade high as developers increase local apartment inventory by 2.7 percent in 2023. This year's pipeline is headlined by Manor Hialeah, which will deliver 642 units during the fourth quarter.

110
BASIS POINT
increase in vacancy

VACANCY:

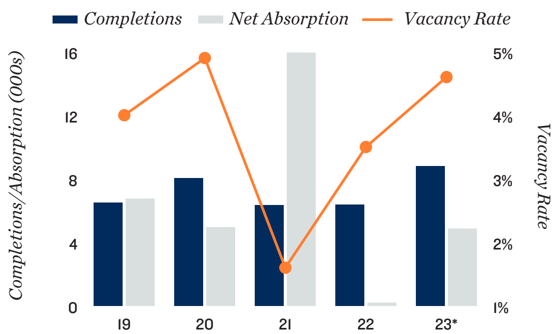
Elevated development will place upward pressure on vacancy, resulting in the rate reaching 4.6 percent in 2023. This is the highest year-end measure in Miami since 2020, following the COVID-19 pandemic.

6.1%
INCREASE
in effective rent

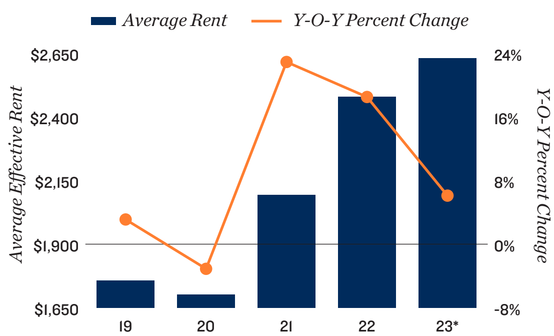
RENT:

Miami outpaces all other major U.S. markets in rent growth this year, despite a significant slowdown from the 18 percent gain recorded last year. The average effective rate will rise to $2,631 per month in 2023.

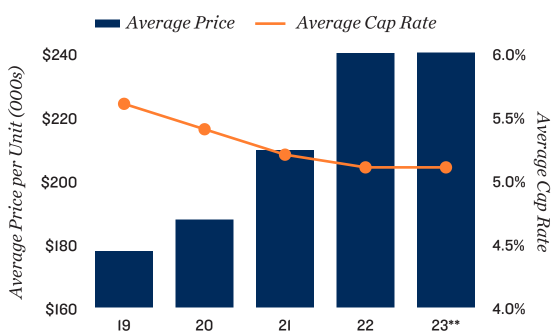
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 1Q*

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

1Q 2023 - 12-Month Period

CONSTRUCTION

7,284 units completed

- Completions during the past four quarters ending in March outpaced the previous yearlong span by nearly 1,500 units, as developers increased local apartment stock by 2.3 percent.
- Inventory in Homestead-South Dade County rose by 5.8 percent during this span, the area's largest annual stock expansion in over 20 years.

VACANCY

250 basis point increase in vacancy Y-O-Y

- Supply additions outpaced net absorption by more than 7,000 units over the past year ending in March, resulting in vacancy climbing to 4 percent.
- Locales with a mean effective rent below the market average, such as Hialeah-Miami Lakes and North Central Miami, recorded the metro's lowest vacancy rates. This reflects cost-cutting measures amid inflation.

RENT

13.6% increase in the average effective rent Y-O-Y

- The Miami metro led all major U.S. markets in rent growth pace over the trailing 12-month period ending in March, as the average effective rate was lifted to $2,515 per month.
- Eight of Miami's nine submarkets recorded double-digit rent growth during this span, signaling widespread apartment demand.

Investment Highlights

- Standout rent growth in Miami, following the onset of the pandemic, has significantly elevated investor interest for local apartment assets. Transaction velocity reached an all-time high in 2022, with the total number of annual trades outpacing the long-term average by more than 200. However, financing hurdles have created a disconnect between buyer and seller expectations, and deal flow began to slow during the fourth quarter entering 2023. While these challenges may continue to moderate trading activity in the short-term, Miami's robust population and economic growth trends should fuel investor demand once conditions normalize.
- Historically tight Class C vacancy stimulated investor demand for lower-tier rentals in less-costly submarkets, such as Little Havana. In this area, private buyers frequently target smaller assets in the 5- to 30-unit range, with entry costs that often fall below the metro mean.
- Investors seeking mid- to high-tier properties have been most active in Downtown Miami-South Beach and Coral Gables-South Miami. Local deal flow for Class A and B apartments will likely remain strong for the foreseeable future, as significant construction activity in these submarkets may continue to create opportunities for buyers to acquire newer assets.

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