

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

Miami-Dade Metro Area


2019


Investors Revitalize Aging Assets as Miami Emerges as a Regional Tech Hub


Strong in-migration and employment outlook sustain demand. A favorable tax climate, international business ties and one of the nation's largest coworking markets have rapidly evolved Miami's tech ecosystem, attracting more young entrepreneurs and startups and boosting household formation this year. Many of these young professionals prefer to rent as the lifestyle provides greater mobility and the ability to live and work in the same neighborhood, taking in nearby restaurants and entertainment. Heavily congested streets and minimal parking build on this trend as millennials are eager to walk from home to work. Developers have their sights on Downtown Miami and the immediate neighborhoods of Wynwood and Brickell, areas that are highly desired by the younger cohort. Pockets beyond the urban core are transforming quickly as well with renters seeking out the greater affordability that West Miami and Hialeah can provide, yet with demand outpacing supply growth, rents are quickly rising toward the market average. Vacancy will soften marketwide, though, as completions reach a cycle high this year.


Transformation of older submarkets gaining greater attention among investors. Favorable demographic trends and changing attitudes about homeownership will keep investor activity across Miami-Dade County elevated this year. Buyers have been increasing searches in neighborhoods outside of the urban core, where years of investment and enhancements are attracting more employers and renters. As a result of increased sales in emerging submarkets, the average cap rate has begun to climb higher, holding in the upper-5 percent area for recently traded assets. Years of strong appreciation may motivate more owners to list this year to capitalize on current pricing, particularly in the existing rising interest rate environment. With such a strong influx of new units entering the market, listings by merchant developers may increase as well, potentially boosting sales activity for updated and modern complexes.


2019 Market Forecast

- Employment**  Following the creation of 27,000 jobs in 2018, hiring slows to 24,000 jobs this year as employers struggle to match open positions with qualified talent.

up 2.0%
- Construction**  Deliveries climb to a new high for the current cycle this year, surpassing last year's total of 4,800 units.

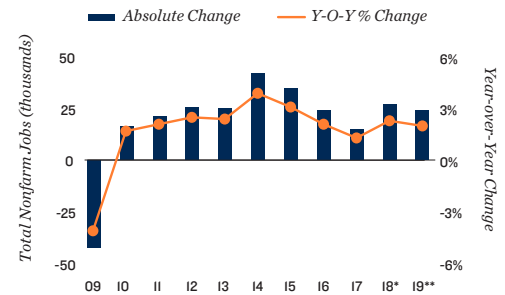
7,500 units
- Vacancy**  A surge of new apartments lifts the vacancy rate to 4.4 percent this year, erasing the 10-basis-point decline posted in 2018.

up 70 bps
- Rent**  Rent growth will slow from the 5.1 percent increase posted last year as the vacancy rate climbs, bringing the average effective rent to \$1,640 per month this year.

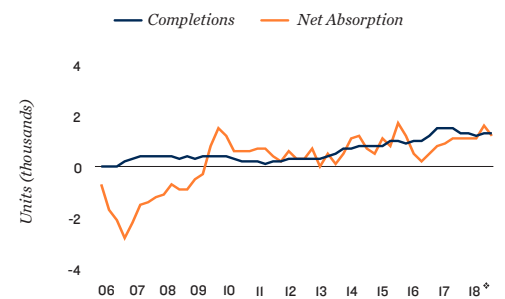
up 2.9%
- Investment**  Properties in proximity to new and future mass-transit improvements in downtown Miami will be highly coveted by investors seeking to revitalize aging complexes.

up 2.9%

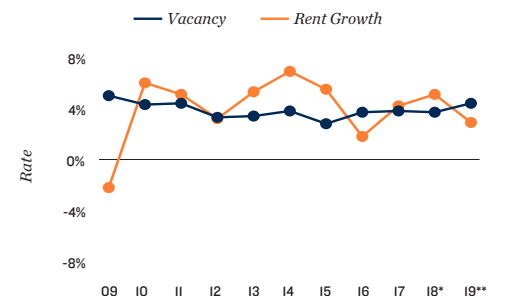
Employment Trends



Quarterly Completions vs. Absorption*



Vacancy and Rents



* Estimate; ** Forecast; † Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of November 2018. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.