

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

Miami-Dade Metro Area

2020

Long-Overlooked Submarkets Stand Out With Strong Upside Potential and Healthy Demand Factors

Renter pool remains full with little relief from the single-family housing market. Warm weather and tax benefits are attracting more residents to Miami-Dade County from out of state, driving housing demand and powering the apartment sector through 2020. Job growth in the market remains healthy going into the next decade, supported by a maturing tech ecosystem and strong international business ties that beckon young professionals. Land constraints and high construction costs have led to one of the most challenging single-family housing markets in the nation for first-time buyers. The median home price was more than six times higher than the median household income at the end of 2019, contributing to a robust apartment development pipeline as builders work to meet demand. Construction activity is elevated in some of Miami's suburbs including the Coral Gables/South Miami area and West Miami/Doral, neighborhoods that have been undersupplied and contain rapidly growing segments of the population.

Attractive yield profile and underlying demand fuel interest in suburban markets. Healthy demographics and a high propensity to rent will motivate investors to deploy more capital in Miami-Dade this year. As many assets have traded already this cycle, buyers are being challenged with finding properties to match acquisition criteria. Class A assets in the urban core will remain a target of institutional groups, which accept yields near 4 percent as they trade higher returns for underlying security. High pricing closer to downtown Miami encourages investors to boost acquisitions in more suburban locations, areas that will stand out this year for their remaining upside and investment opportunities. Initial yields in areas including Miami Gardens, Hialeah and North Miami Beach fall in the upper-5 percent to mid-6 percent band. Properties in suburban submarkets have faced little competition from new supply as workers are trading longer commutes for more affordable rent.

2020 Market Forecast

Employment
up 1.8%



This year 22,500 jobs will be created, a deceleration from the 2.5 percent expansion posted in 2019, as a tight labor market creates challenges for employers in search of qualified workers.

Construction
6,200 units



Deliveries reach their highest level in at least two decades this year and surpass last year's total of 6,000 units.

Vacancy
down 10 bps



Demand outpaces supply growth, compressing the vacancy rate to 3.4 percent after falling 50 basis points last year.

Rent
up 3.6%



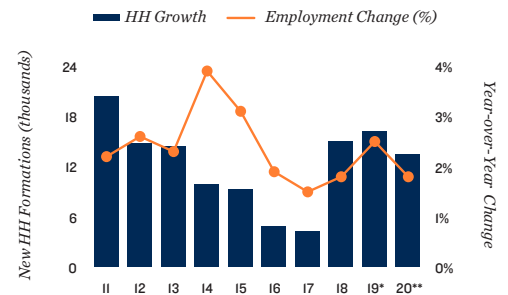
Tight operations lift the average effective rent to \$1,750 per month in 2020, a slowdown from the 4.5 percent increase registered last year.

Investment

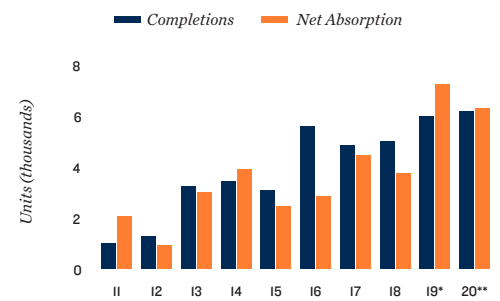


Rent regulations in other gateway markets along with higher yields will attract investors and developers, targeting areas of growth including North Miami Beach and South Miami.

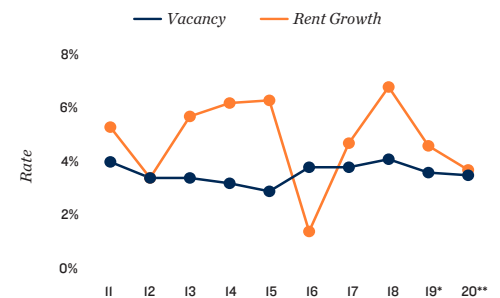
Economic Trends



Completions vs. Absorption



Vacancy and Rents



* Estimate; ** Forecast

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 2019. 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.