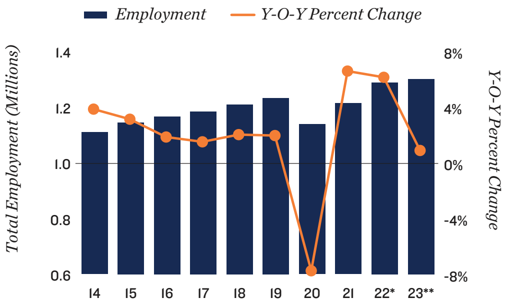
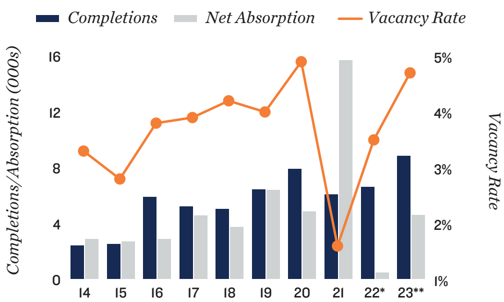
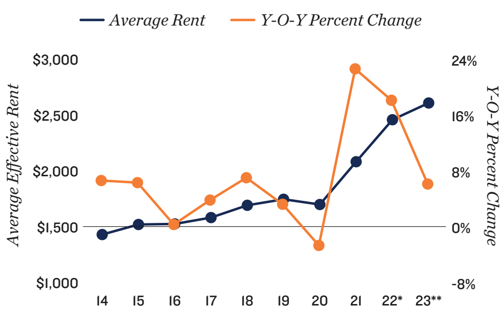
Employment Trends



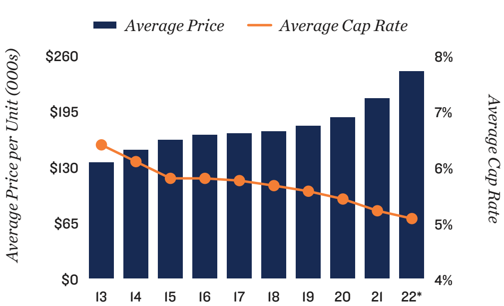
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

Tourism-Related Hiring Spearheads Renter Demand for Lower-Tier Apartments in Miami-Dade

Strong renter demand spurs record supply wave. Passenger arrivals at Miami International Airport surpassed 50 million for the first time on record in 2022. To accommodate this massive influx of visitors, hiring in the leisure and hospitality sector surged over the past year, returning to levels seen prior to the pandemic. As a result, renter demand for Class C apartments skyrocketed, with vacancy in the segment registering near 1 percent entering this year, one of the lowest rates among all major U.S. markets. No personal income tax, a warm climate and a business-friendly environment are also supporting employment opportunities through corporate relocations, facilitating robust net in-migration. With median single-family home prices ranking the highest among major Florida metros, many of these incoming residents will be steered toward the multifamily market, bolstering demand for mid- and higher-tier apartments. However, luxury rentals will face heightened competition from new supply in the near term, with roughly 8,800 units expected to deliver this year. Vacancy will likely continue to rise in response, as the economy begins to slow and newly-completed communities enter their lease-up period.

Investors are bullish on Miami's long-term outlook. Transaction velocity for multifamily assets in Miami reached an all-time high in 2022, outpacing the previous annual peak by more than 100 deals. This is an indication investors are optimistic on the long-term apartment demand drivers present in the region, despite near-term headwinds. Extremely tight Class C availability has underscored interest for lower-tier rentals, particularly in the metro's more affordable submarkets. Assets in areas like Little Havana, North Beach, Hialeah-Miami Lakes, Miami Gardens-Opa-locka and Homestead-South Dade are sought after, with first-year returns that still provide margins above elevated borrowing costs. Buyers selecting luxury product look to affluent locales like Downtown Miami, South Beach and Coral Gables, where entry costs frequently rise above $350,000 per unit.

2023 Market Forecast

NMI Rank 4 — Miami-Dade secures a top-10 rank, as hiring props up household formation and sustains nation-leading rent growth.

Employment up 0.9% — Job growth in Miami slows in 2023, following two consecutive years of employment gains exceeding 6 percent.

Construction 8,800 units — Annual deliveries will reach an all-time high this year, in response to the recent surge in renter demand. Developers will expand local apartment inventory by 2.8 percent.

Vacancy up 120 bps — A record supply wave, coupled with slowing household formation due to widespread inflation and a potential recession, results in vacancy rising for the second consecutive year.

Rent up 6.1% — In 2023, Miami is projected to outpace all other major Florida metros in rent growth. The average effective rate will rise to $2,600 per month by the end of this year.

Investment — Development activity has elevated in West Miami-Doral over the past five years, and may provide opportunities for multifamily investors moving forward.