MARKET REPORT

Marcus & Millichap

MULTIFAMILY

Miami-Dade Metro Area

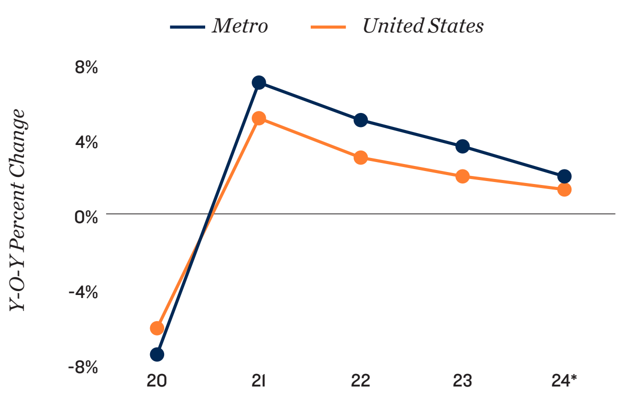
2Q/24

Relocating Companies Fuel Employment Gains, Housing Demand as Construction Impacts Rents

Job opportunities underpin housing growth. Corporate relocations and expansions in recent years by prominent employers, such as Citadel Securities and SH Hotels & Resorts, are helping grow Miami-Dade's labor force. Company commitments from just 2022 supported an estimated 8,000 new positions with average salaries of over $100,000. Greater white collar employment, in turn, drives demand for other consumer-facing services, aiding hiring more broadly. This growth is nevertheless impacting the housing landscape. In 2019, the average effective apartment rent in Miami was 23 percent above the U.S. mean. That margin will have nearly doubled by the end of this year. As rising insurance rates and other housing costs dampen the financial benefits of relocating, emphasis shifts further to corporate investment to support jobs and demographic growth.

Class B and C rentals weathering construction challenges. After Class A vacancy dropped below 3 percent in late 2021, multifamily developers have rapidly accelerated construction activity across the metro. While warranted, this condensed delivery volume is outdistancing leasing, pulling Class A vacancy above 5 percent last year and flattening rent growth. Mid- and lower-tier rentals are more insulated from the supply pressure and benefiting from demand for lower cost housing options. Class B vacancy was below 2 percent downtown entering 2024, with similarly tight operations for Class C rentals in six of the metro's nine submarkets.

Employment Trends



** Forecast*

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

Multifamily 2024 Outlook

26,000
JOBS
will be created

EMPLOYMENT:

Miami-Dade's labor market continues to grow, returning to the roughly 2 percent pace observed in 2018 and 2019 before the pandemic disruption. Hiring momentum is particularly apparent in leisure and hospitality.

8,900
UNITS
will be completed

CONSTRUCTION:

As is the case nationally, developers will set a local record in openings this year. Close to 3,000 units will arrive in Downtown Miami, with about 2,000 doors delivering across Homestead-South Dade County.

20
BASIS POINT
increase in vacancy

VACANCY:

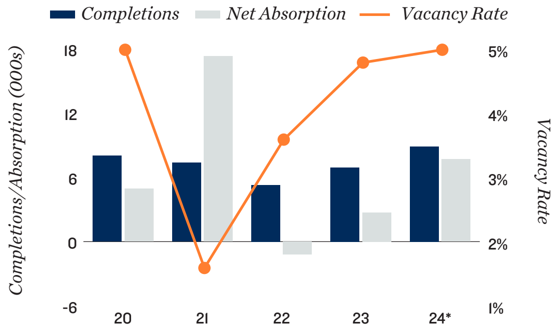
A new construction high mark will pave the way for elevated net absorption, but demand will not quite keep pace with supply. Metrowide vacancy will inch up to 5.0 percent as a result, matching the 2020 peak.

2.5%
INCREASE
in effective rent

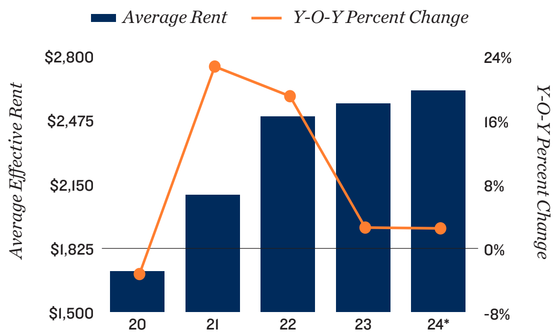
RENT:

A higher number of vacant units will weigh on effective rent growth, although the marketwide average will still clear $2,600 per month by the end of the year. Rents will be up nearly 50 percent compared to 2019.

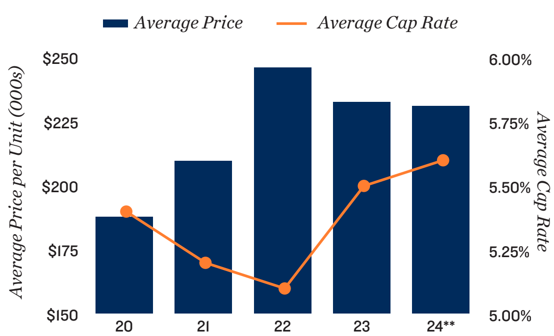
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 1Q*

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

1Q 2024 - 12-Month Period

CONSTRUCTION

7,823 units completed

- The pace of construction climbed over the last four quarters, with nearly 1,700 additional units delivered compared to the prior period.
- Completions were heaviest in Homestead-South Dade County, Hialeah-Miami Lakes, and Downtown Miami-South Beach. The largest individual project, Manor Hialeah, added 642 doors to the market.

VACANCY

70 basis point increase in vacancy Y-O-Y

- After jumping 70 basis points between March and September of last year, metrowide vacancy then held flat at 4.7 percent through March 2024.
- While local vacancy jumped by 240 basis points year-over-year in Miami Gardens amid less low-income renter demand, vacancy remains below 3.2 percent in lower-cost Hialeah-Miami Lakes and North Central Miami.

RENT

2.2% increase in the average effective rent Y-O-Y

- Though new supply has stalled Class A rent growth, effective rates for mid- and low-tier apartments continued to climb across the market, with mean increases topping 5 percent year-over-year through March for each class.
- In Miami's suburbs, rents are rising by more than double the pace of the central business district, led by North Central Miami at 11.3 percent.

Investment Highlights

- As in past years, more apartment buildings changed hands in Little Havana over the last four quarters than any other Miami submarket. Properties that traded had an average age over 70 and a mean size of fewer than 15 units, qualities that appeal to private investors with less than $5 million in capital to deploy. Strong renter demand for less costly options near Downtown Miami is reiterated by a Class C vacancy rate near 1 percent.
- Investors leaning toward Class B options have also tended to favor Downtown Miami, along with South Beach and North Beach, over the 12-month period ended in March. Smaller unit counts provide options for private investors, while a track record for development also presents opportunities to acquire post-2000-built assets. Properties of this vintage represented about 40 percent of Class B trades in the area.
- Due to escalating climate challenges and higher replacement costs, insurance expenses for apartment owners have risen rapidly in the metro. Entering 2020 at about 2.7 percent of revenue, monthly insurance costs climbed above 6 percent of per-unit revenues earlier this year. Higher expenses amid tapered rent growth may impact trading in the short term.

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