MARKET REPORT

Marcus & Millichap

MULTIFAMILY

Miami-Dade Metro Area

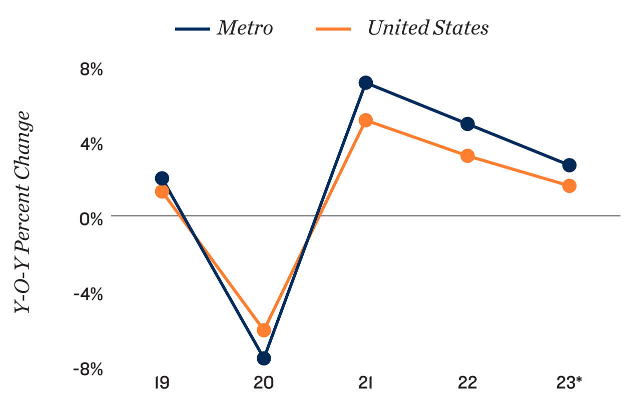
3Q/23

Miami Remains One of the Ten Least Vacant Metros Amid Record Levels of Development

Income discrepancy underpins demand for lower-tier housing. Robust rent growth since the onset of the pandemic has elevated Miami's average asking rent above $2,500 per month, ranking among the top 10 most expensive markets in the nation. This rapid rise has created concerns over affordability, as the local median household income was at least 15 percent below the national average in June and the second lowest among all major U.S. metros. Although a strong influx of businesses have created diversity in the economy in recent years, roughly 36 percent of the labor force remains in leisure and hospitality, as well as the trade, transportation and utilities sectors — industries that historically garner relatively lower wages. As a result, there is vigorous demand for Class C housing metrowide. Vacancy in the segment was at 1.6 percent in the second quarter, roughly 360 basis points below any other property tier.

Growth prospects spur new builds. Over the next five years, Miami's population is expected to grow by nearly 95,000 new residents. To prepare for this, multifamily developers have ramped up construction in order to meet the projected incoming demand. As of June, there were close to 25,000 units underway metrowide, accounting for 7.6 percent of existing inventory. Areas like Downtown Miami-South Beach, North Central Miami and Northeast Miami are often targeted by builders, with each of these submarkets slated to receive more than 3,000 units over the next three years.

Employment Trends



** Forecast*

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

Multifamily 2023 Outlook

35,000
JOBS
will be created

EMPLOYMENT:

As of July, Miami maintained the nation's lowest unemployment rate at 1.8 percent. While the tight labor market may slow hiring during the second half, firms will still expand staff counts by 2.7 percent in 2023.

8,000
UNITS
will be completed

CONSTRUCTION:

Supply additions reach the 8,000 unit threshold for the second time in the past four years as developers expand inventory by 2.5 percent this year. The pace of construction is expected to accelerate further in 2024.

130
BASIS POINT
increase in vacancy

VACANCY:

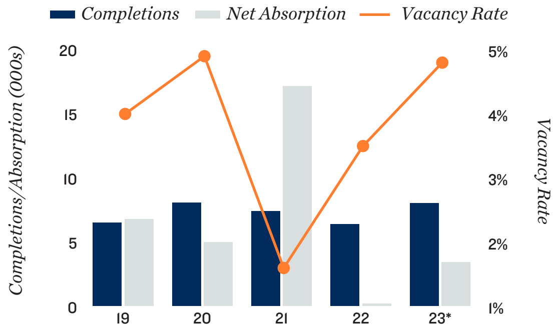
Although net absorption is positive, mounting supply pressure will lift vacancy on an annual basis for the second straight year. Still, at 4.8 percent, the rate is the eighth lowest among all major U.S. markets.

4.8%
INCREASE
in effective rent

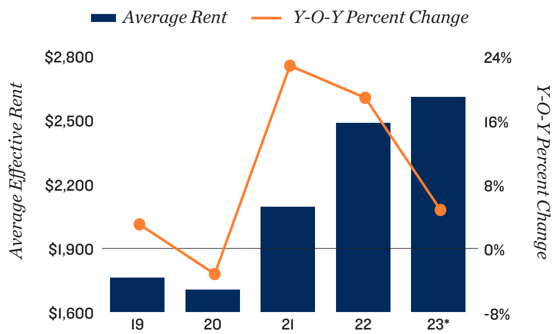
RENT:

Following two consecutive years of gains exceeding 18 percent, rent growth returns to a more sustainable level in 2023. The metro's average effective rent is projected to reach $2,605 per month by year-end.

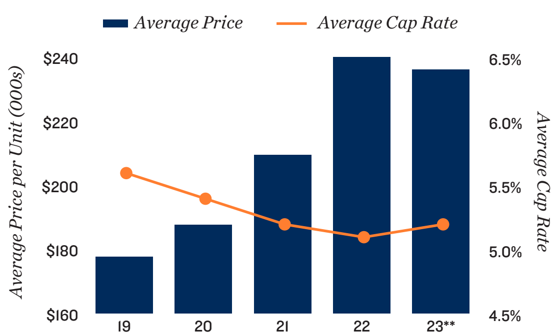
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 2Q*

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

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2Q 2023 - 12-Month Period

CONSTRUCTION

7,332 units completed

- During the past four quarters ending in June, apartment inventory in Miami-Dade increased by roughly 2.3 percent.
- Completions were concentrated in areas like Hialeah-Miami Lakes, Homestead-South Dade County and North Central Miami, with local stock in each submarket expanding by at least 4 percent during this span.

VACANCY

210 basis point increase in vacancy Y-O-Y

- Deliveries outpaced net absorption by nearly 7,000 units during the past year ending in June, lifting metro vacancy to 4.4 percent.
- Relatively lower cost submarkets, including Hialeah-Miami Lakes, Homestead-South Dade County and North Central Miami, each boasted a local vacancy rate at least 130 basis points below the metro average in June.

RENT

9.1% increase in the average effective rent Y-O-Y

- Miami ranked second among all major U.S. markets in rent growth during the trailing 12 months ending in June, as the average effective rate jumped to $2,557 per month, marking a new all-time high.
- North Central Miami and Hialeah-Miami Lakes led all submarkets in rent gains, posting growth rates of 19.4 and 11.8 percent, respectively.

Investment Highlights

- Although trading activity has slowed from the record levels observed in 2021 and 2022, deal flow through the first half of this year still closely aligns with the metro's long-term average. Robust rent gains and future population growth prospects continue to draw investor interest to the area. Entry costs have averaged around $236,000 per unit over the past year ending in June, with cap rates trending in the low-5 percent range.
- Recent transaction velocity has been strongest in Little Havana. This area is less than five miles from Downtown Miami and Brickell, and around 10 miles from Miami Beach. Relatively lower rents, coupled with close proximity to entertainment amenities and major office hubs, help keep local fundamentals tight, and continues to drive investor interest for multifamily assets in this portion of the metro.
- Investors seeking stability may target assets in Hialeah-Miami Lakes and Westchester-Kendall. These areas face less supply pressure and boast lower vacancy rates compared to other submarkets. Here, smaller communities with under 50 units are often changing hands, with entry costs that closely align with the market average.