



BAWONS
PROPERTIES

MULTI HOUSING REPORT Q3 2017

MIAMI DADE COUNTY MARKET



MARKET TRENDS Q3 2017



CONSTRUCTION

ABSORPTION



VACANCY

RENT GROWTH

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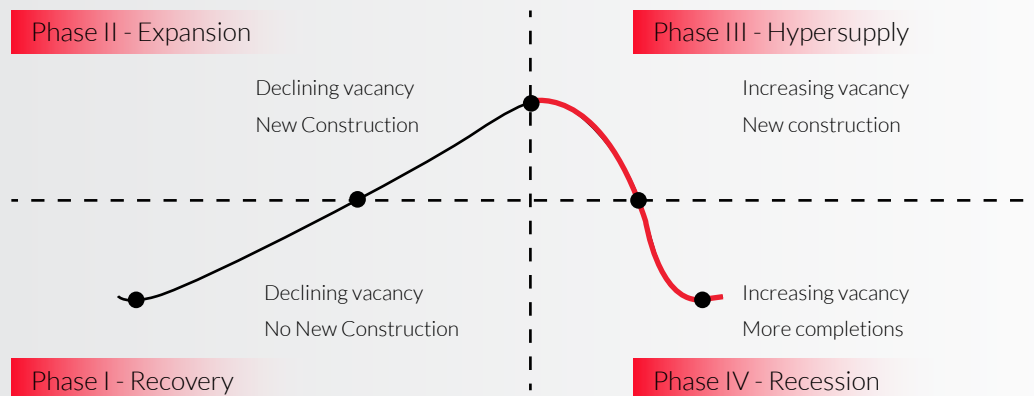
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MARKET ANALYSIS

The apartment market in Miami Dade County has remained in the advanced stage of the Hypersupply phase of this real estate cycle in Q3 2017 (See Market Cycle Figure Below). This phase of the real estate cycle is characterized by the construction of over 10,000 market rate apartments, double-digits vacancy rate in Class A buildings, and decreasing absorption level. As the condo market is softening, a considerable stock of vacant condo units will enter the shadow rental market to increase market vacancy thereby decreasing market value for conventional apartment properties. Unless the local economy, median household income, and household formation strengthen significantly landlord should expect a major correction in the apartment market due to the sheer volume and pace of market rate apartment constructions in Miami Dade County. Although the Class A apartment sector is on a downhill slope, Class B and Class C apartment buildings continue to outperform with historically low vacancy rates and unsustainably high rent growth rate, accentuating the financial hardship on families with minimal or no wage growth.

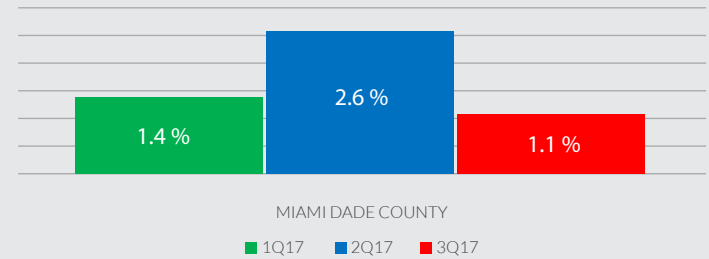
The drastic reduction of affordable rental stock and the surge of luxury rental units during this real estate cycle are worsening the skewness of the apartment market. This mismatch between the type of unit demanded versus the kind of the apartment delivered is expected to be part of the roots of the next crisis.

MARKET CYCLE QUADRANTS

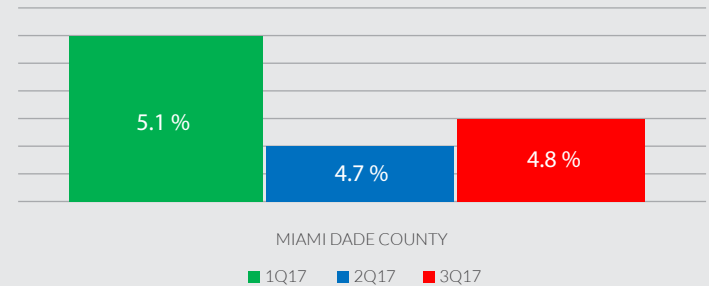


Source: Mueller, Real Estate Finance, 1995

RENT GROWTH COMPARAISON



VACANCY RATE COMPARAISON



DEVELOPMENT ANALYSIS

The sky-high development cost environment has made it extremely difficult for developers to build anything other than luxury units during this real estate cycle as construction cost of Class B properties is relatively similar to Class A communities. Hence, investors have focused on delivering Class A apartments with higher rents that can support the steep cost of land, labor, and materials. Albeit developers can argue there is a shortage of housing units due to the lack of construction during the recession years, the luxury apartments built have fail to meet the pent-up demand for affordable units.

The apartment market in Miami Dade County is expected to reach its highest vacancy rate level since 2009 within the next 6 months due to the steep amount of luxury units to be delivered in a market with decreasingly low absorption level (See Absorption and Construction Ledgers below). Typical households formed within a specific sub-market with the area median income cannot absorb this glut of newly built units neither at the price nor at the rate they are being developed.

This overdevelopment of Class A units will eventually impact demand for Class B and Class C apartments as renters typically move up whenever landlords become more competitive for tenants with their rental rates and concessions to fill up vacancies. The resulting high vacancy environment is expected to trigger this cycle recessionary phase for the apartment market in South Florida.

Most of the recently proposed apartment projects are expected to remain on the drawing board until the market can absorb the 16,000 dwelling units (10,000 rentals and 6,000 condos) currently under construction in Miami Dade County

Market-Rate Apartment Absorption

Markets	1Q17		2Q17		3Q17	
	Units Built	Absorption	Units Built	Absorption	Units Built	Absorption
Miami Dade County	784	1206	483	650	400	247

Market-Rate Apartment Construction

Name & Address	# of Units	Completion
Park Square NE 30th ave, North Miami Beach	145	Dec-17
SOLE MIA 15045 Biscayne Blvd, North Miami	400	Jul-19
Gables Aventura 20080 W Dixie Hwy, North Miami	400	Aug-17
Hyde Midtown 340 NE 1st Ave, Miami	400	Dec-17
Villa de Las Palmas W 9th Ave & W 35th St, Hialeah	226	Mar-18
Mirador at Doral 2541 NW 84th Ave, Doral	332	Dec-17
Gables Gate Tower 2001 SW 67th Ave, West Miami	221	Dec-17
8800 Doral 880 Doral Blvd, Doral	550	Dec-17
Modera River House 1035 NW 11th Ct, Miami	59	Feb-18
Vice 243 NE 3rd St, Miami	464	Aug-18
Avant at Met Square 340 SE 3rd St, Miami	391	May-18
Solitaire Brickell 80 SW 8th St, Miami	438	Jan-18
2500 Biscayne 2500 Biscayne Blvd, Miami	156	Dec-17
Miami Worldcenter NW 1st Ave & 7th St, Miami	444	
Modera Station 3090 S Douglas Rd, Miami	181	Jan-18
Midtown 8 2091 NE 1st Ave, Miami	387	Apr-19
Square Station 1410 NE Miami Pl, Miami	710	
MiamiCentral Parkline 200 NW 1st Ave, Miami	800	
RiverView Tower 1681 West Ave, Miami Beach	100	
Biscayne 27 2701 Biscayne Blvd, Miami	330	Apr-17
Gran Paraiso 650 NE 31st Street, Miami	321	May-18
Paraiso BayViews 501 NE 31st St, Miami	388	Dec-17
One Paraiso 3131 NE 7th Ave, Miami	273	Dec-17
Panorama Tower 1101 Brickell Ave, Miami	621	Dec-17
17 West 1681 West Ave, Miami Beach	23	
Motion At Dadeland 8326 SW 84th St, Miami	294	Jul-18
Columbus Center 100 Alhambra Cir, Coral Gables	200	Oct-17
The Sophia 2020 Salzedo St, Coral Gables	213	Dec-17
Modera Metro Dadeland 8215 SW 72nd Ave, Miami	422	Dec-18
Kira's Apartment 21401 SW 112th Ave, Miami	55	
Deering Groves SW 256 St & SW 137th Ave, Homestead	281	Nov-19
Signature at Kendall 8881 SW 172nd Ave, Miami	150	Dec-17
South Pointe SW 272nd Street, Homestead	252	Dec-17
Alcazar Apartment SW 284th St, Homestead	288	Mar-18
Total Under construction	10,915	

VALUATION ANALYSIS

In the long term, population growth, demographic, and psychographic trends in South Florida are expected to favor apartment market fundamentals, whereas in the near term, current market statistics are pointing to a major correction because the lofty volume Class A units excessively outpace effective demand for those luxury apartments within the county.

The Miami Dade County apartment market is also exposed to external economic and political risks, as the Trump administration policy changes in trade, immigration, and relationship toward Cuba might reduce trade volumes, thus negatively impact the fragile local economy. Landlord should not underestimate those risks as this real estate market is vulnerable to other perils such as a future increase in the homeownership rate.

Demographically, Miami's median household income of \$34,900, although growing rapidly, is an impediment to the soundness of a healthy housing market when you consider that the national median household income is \$57,405. This wide discrepancy shows the weak fundamentals inherent to the Miami Dade County apartment market, as renters commonly spend more than half of their income on housing cost.

The recent pullbacks in the investment sales and construction markets for the first half of 2017 are very important market indicators pointing to a maturing real estate cycle as the apartment market is near its inflection point (See Sale Comparables Below). Landlords should be cautious in assessing their projections for the coming recessionary phase of this real estate cycle.

At least two condo development sites are already facing foreclosure in Miami Dade County and more than 6700 planned condo units are already being scrapped. Therefore, apartment building owners should be vigilant about monetizing their gains either through a reversion or a refinance while investors' demand and lenders' appetite are still strong.

SALES COMPARABLES

Miami Dade County

Name & Address	Sale Date	Sale Price	Price / SF	Price / Units	Sale Date	Cap Rate	# of Units	Total SF	Year Built
23 Palms	11/2/17	\$7,550,000	\$275.00	\$173,762	11/2/17	4.50%	42	27,456	1972
435 NE 23rd Street, 33137									
Naranjo Apartment	10/30/17	\$5,000,000	\$246.71	\$192,308	10/30/17	3.50%	26	20,267	1967
1208 Salzedo St, Coral Gables									
Granada Capri	10/30/17	\$8,600,000	\$201.47	\$204,762	10/30/17	3.60%	42	42,686	1969
800 Capri St, Coral Gables									
Harding Beach	10/13/17	\$3,940,000	\$430.41	\$151,538	10/13/17	4.58%	26	9,154	1947
7451 Harding Ave, Miami Beach									
Plaza Del Sol	8/30/17	\$4,500,000	\$153.48	\$225,000	8/30/17	3.88%	20	29,230	1980
6960 Rue Vandome, Miami Beach									
Saha Apartments	8/25/17	\$2,050,000	\$127.01	\$53,947	8/25/17	8.75%	38	16,140	1958
7001 NW 15th Ave, Miami									
Cameron Creek	8/17/17	\$9,125,500	\$65.76	\$61,659	8/17/17	7.50%	148	138,763	2001
1720 NW 3rd Ter, Florida City									
Park Avenue	8/7/17	\$4,800,000	\$490.20	\$240,000	8/7/17	1.20%	20	9,792	1947
2150 Park Avenue, Miami									
Phyllis Gardens	8/4/17	\$4,500,000	\$433.40	\$225,000	8/4/17	2.00%	20	10,383	1950
835 Alton Road, Miami									
Velde Apartments	7/28/17	\$1,600,000	\$152.56	\$80,000	7/28/17	5.70%	20	10,488	1955
2081 NW 31st Street, Miami									
Blue Dome Apartments	7/10/17	\$2,500,000	\$115.12	\$104,167	7/10/17	5.50%	24	21,716	1946
530 NE 82nd St, Miami									
SunKing Apartments	7/7/17	\$5,100,000	\$101.80	\$75,000	7/7/17	6.15%	68	50,100	1968
12401 NE 16th Ave, Miami									
Antonio Apartments	6/30/17	\$1,800,000	\$143.86	\$90,000	6/30/17	5.80%	20	12,600	1970
14100 NW 6th Ct, North Miami									
Lummus Park Manor	6/23/17	\$3,960,000	\$96.60	\$79,200	6/23/17	5.95%	50	40,995	1981
350 NW 2nd St, Mami									
The Shutters	6/23/17	\$2,300,100	\$132.87	\$100,004	6/23/17	5.21%	23	17,311	1967
1425 NE 125th Ter, North Miami									
Pequena Habana	6/9/17	\$1,170,000	\$73.20	\$41,786	6/9/17	7.25%	28	15,984	1953
1601 NW 62nd St, Miami									
San Sherri Apartments	6/5/17	\$16,100,000	\$195.46	\$149,074	6/5/17	4.85%	108	82,368	1967
1310 W 29th St, Hialeah									
The Virginian	6/1/17	\$4,100,000	\$393.36	\$170,833	6/1/17	4.55%	25	10,423	1963
427 Anastasia Ave, Coral Gables									
Averages			\$212.68	\$134,336		5.03%			

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