



BAWONS
PROPERTIES

MULTI HOUSING REPORT Q4 2019

MIAMI DADE COUNTY MARKET



MARKET TRENDS Q4 2019



CONSTRUCTION



VACANCY



ABSORPTION



RENT GROWTH

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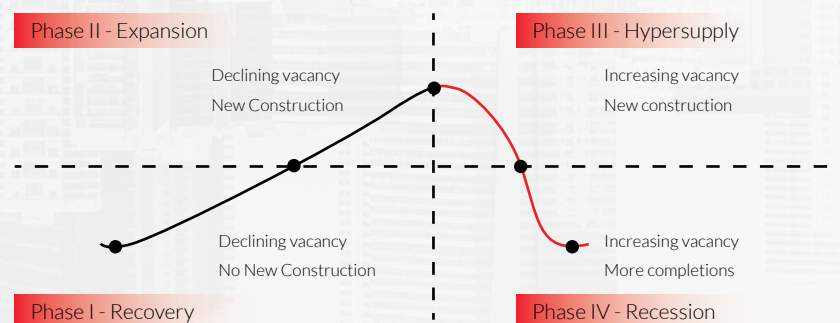
MARKET ANALYSIS

The Miami Dade County apartment market has progressed to the advanced stage of the Hypersupply phase of this real estate cycle in Q4 2019 with over 17,000 apartments under construction. (See Figure Below). This Hypersupply phase is characterized by the increasing vacancy rate, decelerating rent growth, and rising concessions due to supply fatigue. In 2019, the Miami Dade labor market growth of 2.4% beat the national employment growth of 1.4%; as a result the apartment market performed very well with occupancy rates at 95%, 96.6%, and 98.7% respectively for Class A, Class B, and Class C units while lease renewal rates grew at 1.7%, 4.7%, and 6.2% respectively for Class A, Class B, and Class C units. Experienced multifamily experts are forecasting vacancy rates to reach the double digit range within the next 2 years if absorption does not pick up significantly to cushion the tsumani of new apartments coming online at the tail end of the longest economic cycle in American history.

We are forecasting the supply pressure to be affecting fundamentals of Class A properties in the heavily developed submarkets of Downtown Miami, Coral Gables, and Doral. Although Miami is one of the most expensive housing markets in term of aggregate share of household income going toward housing expense; we do see risks of the Class A “renter by choice” exiting the rental market to purchase their own units and the Class C “renter by necessity” moving up to fancier apartments as leasing rates become more competitive with increasing vacancies.

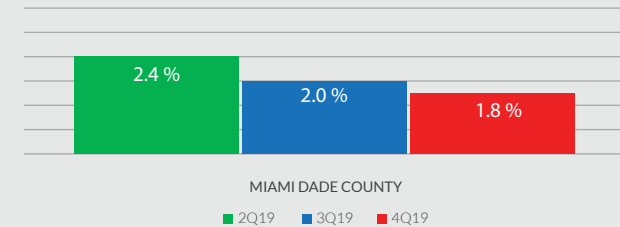
Multifamily investors are cautiously optimistic about the market as the US economy is forecasted to grow by at least 2% if there is no “black swan event”. Apartments continue to be the most favored sector among commercial real estate investors due to its liquidity sustained by the government sponsored debt market, reliable cash flow, and lower maintenance cost. Investors remain hopeful that future public-private infrastructure investments will boost demands and opportunities for commercial real estate.

MARKET CYCLE QUADRANTS

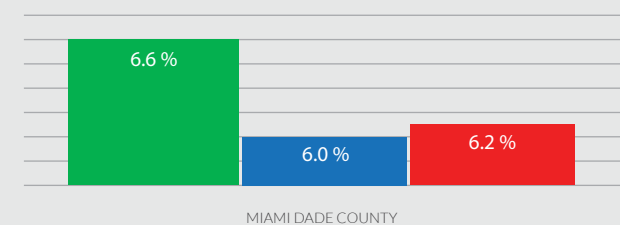


Source: Mueller, Real Estate Finance, 1995

Rent Growth Comparaison



Vacancy Rate Comparaison



DEVELOPMENT ANALYSIS

As of January 2020, Miami Dade County had about 17,743 apartments under construction heavily concentrated in Downtown Miami, Coral Gables, and Doral submarkets. This excessive development of luxury units is partly due to capital chasing risk-adjusted yield as construction costs are steepening, demographics are trending toward renting urbanized units, and jurisdictions are approving projects to their tax roll. Although the arguments for higher-end apartment demand can be made, the limited supply of moderately priced units amplifies the pent-up demand for affordable units.

This construction boom is the highest in Miami-Dade County's history and the highest in the country in terms of percentage of stock under-construction with more than 10% of Miami-Dade apartment inventory under development. Miami Dade County is already the least affordable rental market in the nation in terms of rent to income ratio and this supply pressure is expected to accentuate the decelerating rent growth, increasing vacancy rates, and rising concession packages in the coming quarters.

The Miami Dade apartment development pipeline is projected to be heavy in deliveries and skewed toward luxury units until 2022. Investors are aggressively targeting cash flowing properties with great next cycle development potentials in up and coming neighborhoods throughout South Florida. The Sunshine State's favorable tax codes, desirable lifestyle, and attractive weather should support long term demand for Miami-Dade housing; nonetheless, current household growth formation numbers may not be enough to absorb the glut of apartments coming through the pipeline very soon. (See construction table below.)



ABSORPTION ANALYSIS

Markets	2Q19 Units Built	Absorbtion	3Q19 Units Built	Absorbtion	4Q19 Units Built	Absorbtion
Miami Dade County	3698	2093	397	1423	1369	1094

Miami Dade Construction Details

Name & Address	# of Unit	# of Floors	Completion
Park-Line at Miami Central 100 NW 6th Street, Miami	816	24	Jan-20
AMLI Downtown 3000 NE 2nd Ave, Miami	511	14	Jan-20
Palmera 8560 NW 102th Ave, Doral	440	16	Jan-20
The Elan 8500 NW 41st Street, Doral	385	3	Jan-20
Soleste Alameda 6290 SW 8th Street, West Miami	306	32	Jan-20
Maison at Brickell 221 SW 12th Street, Miami	262	19	Jan-20
Atlantico at Aqua Bella 16975 NW 97th Ave Hialeah	245	20	Jan-20
Midtown 7 3001 NE 1st Avenue, Miami	391	8	Feb-20
MiMo Bay 5050 Biscayne Blvd	236	4	Feb-20
Avalon Doral 7905 NW 36th Street, Doral	350	5	Apr-20
LandTower River 1400 NW North River Dr, Miami	507	5	Apr-20
Miami Plaza 1502 NE Miami Place, Miami	425	35	May-20
Seventh Street 697 N Miami Ave, Miami	413	14	Jun-20
Mareas at Botanica 15520 SW 127th Ave, Miami	408	1	Jun-20
Gable Station 251 S Dixie Hwy, Coral Gables	444	13	Jul-20
Atlantico 11055 W 36th Ave, Hialeah	245	8	Aug-20
Capri Tower 13899 Biscayne Blvd, N Miami Beach	259	16	Dec-20
Gio Midtown 3101 NE 1st Ave, Miami	447	32	Dec-20
Total Units Near Completion	7090		

MDC Employment Growth Sector	2019 Rate
Professional and Business Services	2.4%
Trade, Transportation and Utilities	2.0%
Education & Health Services	5.9%
Leisure and Hospitality Services	2.9%
Construction Services	3.0%
Financial Services	-2.2%
Government Services	1.7%

VALUATION ANALYSIS

Miami Dade apartment sale volume in 2019 was shy of \$800 million, well below the \$1 billion past year averages as buyers are becoming increasingly cautious. Sophisticated investors mainly targeted apartment acquisitions in the submarkets with high barriers of entry, low construction activities, and above average rent growth potential. While total deal volume has been weakening year over year, price per unit continues to rise as buyers are becoming more selective and wary of over-development, therefore making it challenging to find attractive opportunities. Institutional investors were net sellers in 2019 by reducing their portfolio exposure to the Miami Dade apartment market by about 20%. It is important to notice the pullback of institutional investors and the recent weakening of transaction velocity due to the widening of the pricing expectation gap between buyers and sellers at this phase of the real estate cycle.

Miami Dade County apartment market remained very competitive as capitalization rates compressed by an average of 100 basis point to 5.2% in 2019. Investor demand for yield has compressed cap rates on value-add properties near their replacement value, continuing the longest wave of cap rate compression in recent history. Demand is so strong for value add properties that some landlords are strategically selling an un-renovated asset at a 4% cap rate premium and successfully replacing it with a renovated asset at a 5% cap rate, which is classic evidence of pricing distortion.

We are tactically advising our clientele to be proactive in order to capitalize on the inevitable recessionary phase of this real estate cycle. It is recommended to have less appetite for risk, follow a wealth preservation strategy, and strengthen liquidity at this phase of the economic cycle. Currently our team is helping our clientele efficiently monetize their gains and timely maximize value while retail investor demand is still strong.

Disclaimer: The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. The economic, market and employment data and relative summaries expressed throughout this document were derived from the following sources: Axiometrics, REIS, Certified Commercial Investment Member Institute (CCIM), Costar Group, Mueller, Real Estate Finance, Multi-Housing News, National Multifamily Housing Council, National Real Estate Investor, South Florida Business Journal, The Real Deal and US Bureau of Labor Statistics.



SALES ANALYSIS

Name & Address	Sale Date	Sale Price	Price / SF	Price / Units	Cap Rate	# of Units	Total SF	Year Built
Gospel Apartments 419 SW 2nd Ave, Homestead	12/23/2019	\$1,300,000	\$223.48	\$59,091	5.43%	22	5,817	1958
Ingram Park 14255 NW 22nd Ave, Opa Locka	12/19/2019	\$8,200,000	\$135.81	\$69,492	6.55%	118	60,379	1952
Miracle Apartments 8215 Harding Ave, Miami Beach	12/9/2019	\$4,000,000	\$317.76	\$133,333	5.32%	30	12,588	1957
Hialeah Flats 40 W 5th Street Hialeah	11/13/2019	\$3,750,000	\$230.00	\$144,231	5.15%	26	16,304	1968
Homestead Gardens 777 NE 11th Street, Homestead	11/5/2019	\$3,985,000	\$123.68	\$90,568	6.24%	44	32,220	1964
The Beckham Downtown 420 NW 10th Street, Miami	10/10/2019	\$4,146,000	\$280.38	\$121,941	5.33%	34	14,787	1953
Vegas Apartments 960 S Le Jeune Rd, Coral Gables	9/20/2019	\$5,100,000	\$198.37	\$141,667	5.05%	36	25,710	1959
MOCA Apartments 770 NE 123rd Street, North Miami	8/23/2019	\$3,050,000	\$353.21	\$127,083	4.95%	24	8,635	1953
California Club 770 NE 195th Street, Miami	8/13/2019	\$7,050,000	\$206.29	\$110,156	5.47%	64	34,176	1978
Summer Grove 10331 SW 24th Street, Miami	8/1/2019	\$22,450,000	\$221.18	\$193,534	4.65%	116	106,309	1973
St George Apartments 5200 NW 26th Ave, Miami	7/31/2019	\$7,560,000	\$150.00	\$90,000	5.25%	84	50,400	1958
Spring Garden 1040 Spring Garden Rd, Miami	7/31/2019	\$3,920,000	\$208.00	\$163,000	4.57%	24	18,846	1973
Elizabeth Garden Homes 8400 NW 25th Ave, Miami	7/1/2019	\$12,450,000	\$129.63	\$88,298	5.50%	137	96,042	1968
Las Palmas Apartments 181 NW 57th Ave, Miami	6/5/2019	\$3,200,000	\$239.41	\$133,333	5.52%	24	13,366	1968
Prestige Biscayne 12501 NE 13th Ave, North Miami	6/3/2019	\$8,200,000	\$135.81	\$69,492	6.58%	118	60,379	1952
Timbercreek Apartments 11098 SW 107th Street, Miami	4/29/2019	\$4,800,000	\$179.01	\$179,429	4.50%	28	26,814	1981
Red Road Apartments 501 NW 57th Ave, Miami	4/26/2019	\$7,830,000	\$169.87	\$145,000	4.92%	54	46,094	1965
New Castle Lake 1401 NW 103rd Street, Miami	4/12/2019	\$23,311,000	\$108.38	\$97,536	5.75%	239	215,087	1964
The Luxe Miami 971 W Flagler Street, Miami	4/11/2019	\$4,600,000	\$210.05	\$164,286	5.25%	28	21,900	2018
RiverWalk 301 SE 6th Ave, Homestead	4/10/2019	\$1,200,000	\$134.50	\$107,143	5.70%	112	89,218	1994
Havana Palms 901 SW 3rd Street, Miami	4/4/2019	\$10,100,000	\$195.08	\$127,848	4.86%	79	51,774	1946
Green Tree Apartment 1755 NE 164th Street, Miami	4/1/2019	\$4,900,000	\$184.24	\$153,125	4.93%	32	26,596	1971
Hialeah Lakes 2450 W 56th Street, Hialeah	4/1/2019	\$3,320,000	\$172.86	\$166,000	5.15%	20	19,206	1987
Little Havana Apartments 220 SW 17th Court, Miami	3/29/2019	\$2,900,000	\$127.36	\$145,000	4.67%	20	22,770	1972
Villa Sonia 340 SW 5th Ave, Miami	3/15/2019	\$2,285,000	\$173.50	\$78,793	4.90%	29	13,170	1929
Townhouse Apartments 2345 NE 135th Street, Miami	2/27/2019	\$3,600,000	\$178.66	\$156,522	4.76%	23	20,150	1972
Byron Air Apartments 8401 Byron Ave, Miami Beach	2/25/2019	\$3,700,000	\$198.35	\$164,286	4.88%	24	18,654	1947
Malecon Apartments 735 SW 2nd Street, Miami	2/22/2019	\$2,150,000	\$130.01	\$157,500	4.50%	20	24,228	2008
The Virginian 427 Anastasia Ave, Coral Gables	1/17/2019	\$4,490,000	\$430.78	\$187,083	4.25%	24	10,423	1963
Salem House 13155 NE 6th Ave, North Miami	1/4/2019	\$3,260,000	\$132.23	\$101,875	5.45%	32	24,654	1964
		Averages	\$196	\$128,888	5.20%			