

# MULTI HOUSING REPORT Q4 2019 MIAMI DADE COUNTY MARKET



# MARKET TRENDS Q4 2019



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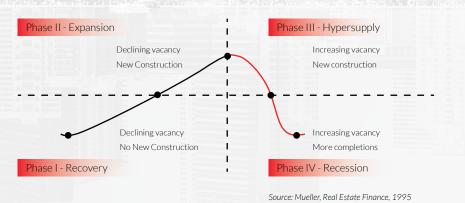


**MARKET ANALYSIS** 

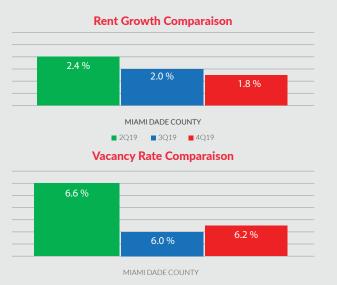
The Miami Dade County apartment market has progressed to the advanced stage of the Hypersupply phase of this real estate cycle in Q4 2019 with over 17,000 apartments under construction. (See Figure Below). This Hypersupply phase is characterized by the increasing vacancy rate, decelerating rent growth, 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



**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**

Main Construction Details   # of Vinit   # of Ploors   Competion     Park-Line at Mainsi Central   816   24   Jan-20     100 MV20h Street, Mainsi   10   Jan-20     200 DNE 2nd Ave, Miami   440   16   Jan-20     200 DNE 2nd Ave, Miami   351   14   Jan-20     200 MV20h More Doral   365   3   Jan-20     200 MV20h More Doral   366   32   Jan-20     200 MV30h Street, Wanking   262   19   Jan-20     201 MV 318 Street, Mains   245   20   Jan-20     202 MV20h More Mians   391   8   Feb-20     300 Inter Street, Mains   320   S   Apr-20     300 Inter Street, Mains   425   30   Apr-20     300 Inter Street, Mains   425   30   Apr-20     300 Inter Street, Mains   426   Jan-20   Apr-20     300 MV30h Street, Mains	Markets Miami Dade County	2Q19 Units Built 3698	Absorbtion 2093	3Q19 Units Built 397	Absorbtion 1423	4Q19 Units Built 1369	Absorbtion 1094			
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251 S Dixie Hwy, Coral Gables   245   8   Aug-20     Atlantico   245   8   Aug-20     11055 W 36th Ave, Hialeah   259   16   Dec-20     13899 Biscayne Blvd, N Miami Beach   447   32   Dec-20     3101 NE 1st Ave, Miami   5   5   5   5	15520 SW 127th Ave, Miami									
Atlantico 245 8 Aug-20   11055 W 36th Ave, Hialeah 259 16 Dec-20   Capri Tower 259 16 Dec-20   13899 Biscayne Blvd, N Miami Beach 447 32 Dec-20   3101 NE 1st Ave, Miami 5 5 5	Gable Station		444		13		Jul-20			
I 1055 W 36th Ave, Hialeah Dec-20   Capri Tower 259 16 Dec-20   13899 Biscayne Blvd, N Miami Beach Harris Martine Beach Dec-20   Gio Midtown 447 32 Dec-20   3101 NE 1st Ave, Miami Dec-20 Dec-20	251 S Dixie Hwy, Coral Gables									
Capit Tower 259 16 Dec-20   13899 Biscapne Blvd, N Miami Beach      Gio Midtown 447 32 Dec-20   3101 NE 1st Ave, Miami	Atlantico		245		8		Aug-20			
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Gio Midtown 447 32 Dec-20   3101 NE 1st Ave, Miami			259		16		Dec-20			
3101 NE 1st Ave, Miami	13899 Biscayne Blvd, N Miami Be	ach								
			447		32		Dec-20			
Total Units Near Completion 7090	3101 NE 1st Ave, Miami									
	Total Units Near Completion		7090							

MDC Employment Growth	2019
Sector	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 appetence 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	12/9/2019	\$4,000,000	\$317.76	\$133,333	5.32%	30	12,588	1957
8215 Harding Ave, Miami Beach <b>Hialeah Flats</b>	11/13/2019	\$3,750,000	\$230.00	\$144,231	5.15%	26	16,304	1968
40 W 5th Street Hialeah Homestead Gardens	11/5/2019	\$3,985,000	\$123.68	\$90,568	6.24%	44	32,220	1964
777 NE 11th Street, Homestead The Beckham Downtown	10/10/2019	\$4,146,000	\$280.38	\$121,941	5.33%	34	14,787	1953
420 NW 10th Street, Miami Vegas Apartments	9/20/2019	\$5,100,000	\$198.37	\$141,667	5.05%	36	25,710	1959
960 S Le Jeune Rd, Coral Gables MOCA Apartments	8/23/2019	\$3.050.000	\$353.21	\$127,083	4.95%	24	8,635	1953
770 NE 123rd Street, North Miami California Club	8/13/2019	\$7,050,000	\$206.29	\$110,156	5.47%	64	34,176	1978
770 NE 195th Street, Miami								
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	6/5/2019	\$3,200,000	\$239.41	\$133,333	5.52%	24	13,366	1968
181 NW 57th Ave, Miami Prestige Byscayne	6/3/2019	\$8,200,000	\$135.81	\$69,492	6.58%	118	60,379	1952
12501 NE 13th Ave, North Miami Timbercreek Apartments	4/29/2019	\$4,800,000	\$179.01	\$179.429	4.50%	28	26,814	1981
11098 SW 107th Street, Miami Red Road Apartments	4/26/2019	\$7,830,000	\$169.87	\$145,000	4.92%	54	46,094	1965
501 NW 57th Ave, Miami New Castle Lake	4/12/2019	\$23,311,000	\$108.38	\$97,536	5.75%	239	215,087	1964
1401 NW 103rd Street, Miami The Luxe Miami	4/11/2019	\$4,600,000	\$210.05	\$164,286	5.25%	28	21,900	2018
971 W Flagler Street, Miami RiverWalk	4/10/2019	\$1,200,000	\$134.50	\$107,143	5.70%	112	89.218	1994
301 SE 6th Ave, Homestead							Sector New York Party Party	
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	3/15/2019	\$2,285,000	\$173.50	\$78,793	4.90%	29	13,170	1929
340 SW 5th Ave, Miami Townhouse Apartments	2/27/2019	\$3,600,000	\$178.66	\$156,522	4.76%	23	20,150	1972
2345 NE 135th Street, Miami Byron Air Apartments	2/25/2019	\$3,700,000	\$198.35	\$164,286	4.88%	24	18,654	1947
8401 Byron Ave, Miami Beach Malecon Apartments	2/22/2019	\$2,150,000	\$130.01	\$157,500	4.50%	20	24,228	2008
735 SW 2nd Street, Miami The Virginian	1/17/2019	\$4,490,000	\$430.78	\$187,083	4.25%	24	10,423	1963
427 Anastasia Ave, Coral Gables Salem House	1/4/2019	\$3,260,000	\$132.23	\$101,875	5.45%	32	24.654	1964
13155 NE 6th Ave, North Miami	1/4/2017					52	27,007	1704
		Averages	\$196	\$128,888	5.20%			