

Multifamily Metro Outlook:

Miami - Q1 2022

Overview:

- Miami is a cosmopolitan and international city, which in the current pandemic has both its pros and cons. Among the benefits are its international connections and an extensive international trade and tourism economy, which will likely be a powerful engine of growth once the pandemic subsides worldwide. But until then, the market's reliance on international connections is currently a speedbump as most international business in the metro has slowed dramatically.
- Miami's apartment market had been generally stable in 2019 in the midst of decent job growth and a surge in condo deliveries. The apartment market saw a modest increase in vacancy rates, with nicely positive rent growth prior to 2020, but was beginning to ease slightly more as a wave of new apartment supply, as well as condos, made its way to the market. The pandemic temporarily softened apartment market conditions in the metro, but fundamentals rebounded robustly as vaccinations helped to open up the local economy. But the significant supply of new units, coupled with a somewhat sluggish job market recovery, will likely result in softness in the local apartment market.
- Miami's job market should eventually return to being a national leader, as its strong financial ties to Latin America bolster the area's economy. But international commerce will have to operate more smoothly before that can happen.

Market Strengths:

- Job growth in Miami had been positive, slightly beating the national average: jobs grew +2.0% in 2019, above the national rate of +1.4%. The port of Miami should eventually return to being an economic driver, as it is a vital hub for importing and exporting, as well as cruise passengers. Expansions of both infrastructures were underway when the pandemic led recession began, and its likely that once the current turbulence subsides, the port will return to being an economic engine.

Market Weaknesses:

- While Florida overall was not initially hard-hit by the pandemic, Miami later became one of the hot spots in the state and the country. It will likely take longer than other parts of the state to full recover and enter into a sustained expansion.
- New apartment rental supply is picking up after a prolonged development lull. Currently around 21,800 units are underway. While the pipeline is not overwhelming, additional units in the shadow market from unsold or converted condos makes further tightening of the rental market unlikely.

Development:

- Development in the Miami metro during the housing boom was heavily weighted towards condos: since 2006, over 60,800 condo units were completed and around 2,200 condo units are underway and due through 2022.

Outlook:

- Prior to the pandemic, a surge in new apartment supply put some upward pressure on vacancy rates and modestly slowed rent growth, but the market remained in good shape. The pandemic brought substantial softness in 2020, but in 2021 the market experienced a significant rebound in rent growth and vacancies, and the market tightening has persisted into 2022. The pace of the recent rebound is unlikely to be sustained, but the market should experience more modest improvement in the near term. Once the recovery eases back to more measured performance, the market will have to contend with the supply surge, which may result in some brief periods of softness.
- There may be some softening of apartment fundamentals in the near term, and a potentially volatile condo market in the background, but the metro's solid demographic trends and attractive job growth forecast should allow the economy to sustain growth at above national average rates once the pandemic and recession are in the past. But Miami remains a place that will have meaningful swings in short-term economic performance, due to the preponderance of international investors and business in the metro, as well as a significant tourism sector.

Five Year Metro Area Growth Forecast

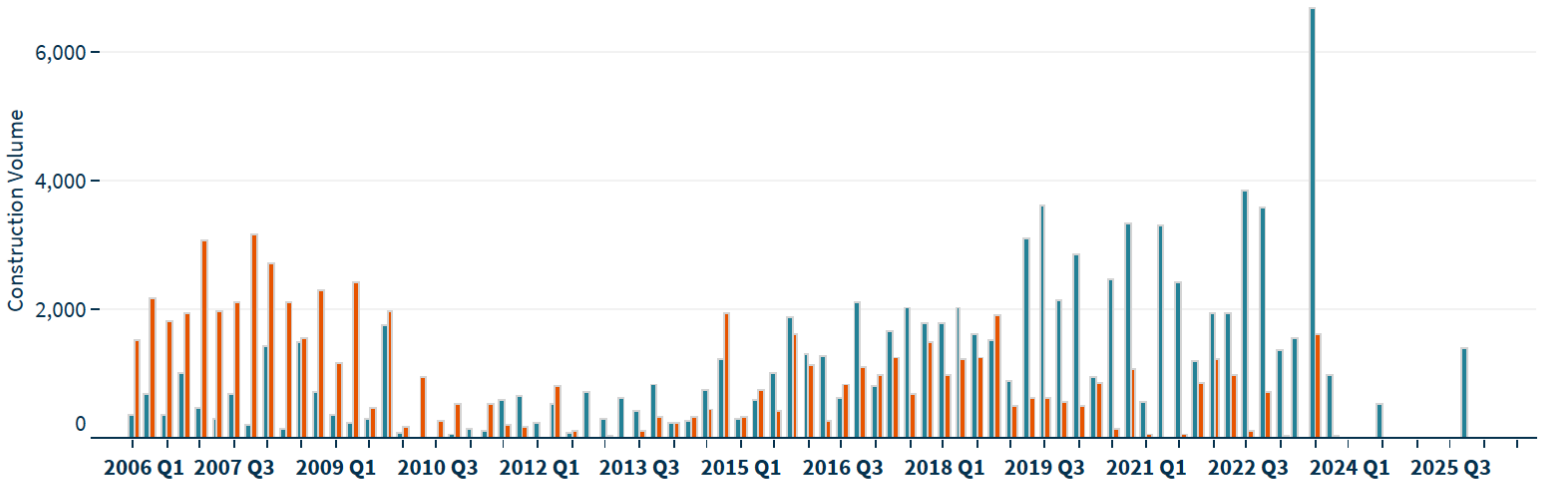
	Q4 2021	Q4 2026	Miami (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,754	2,861	0.76%	0.47%
Households (000s)	953	1,027	1.51%	0.90%
Renting Cohort (Ages 20-34) (000s)	552	552	0.01%	-0.30%
Total Employment (000s)	1,182	1,303	1.95%	1.08%
Median Household Income	\$54,341	\$63,988	3.32%	3.30%
Median SF Home Price	\$524,780	\$494,902	-1.17%	1.93%
Net Migration	13,560	16,704		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



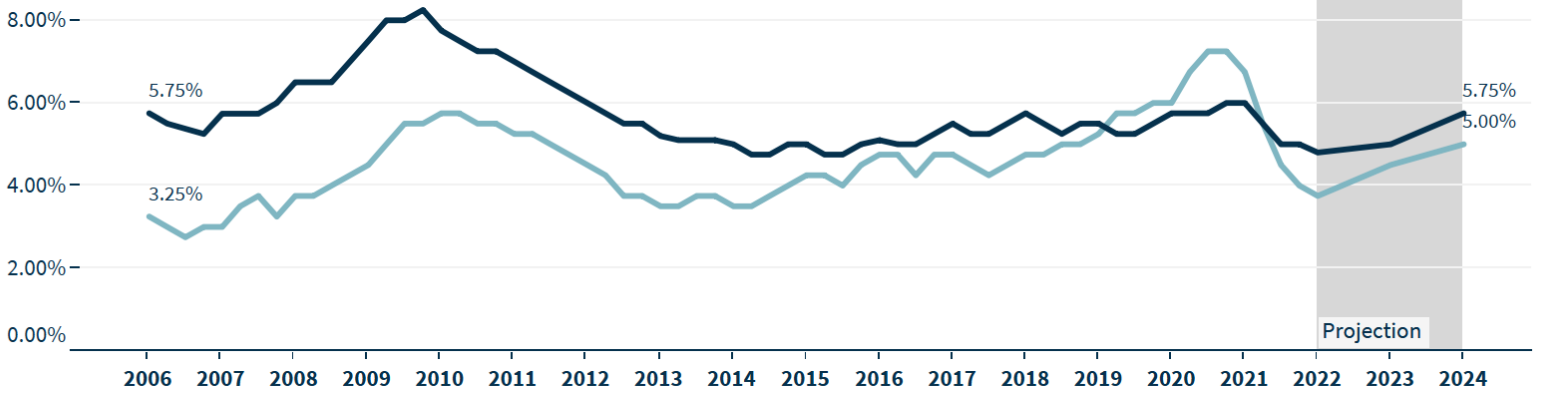
Vacancy & Rent Composite Estimates

Vacancy Rates

Miami | National

Q1 2022 Vacancy Rate:

3.75%

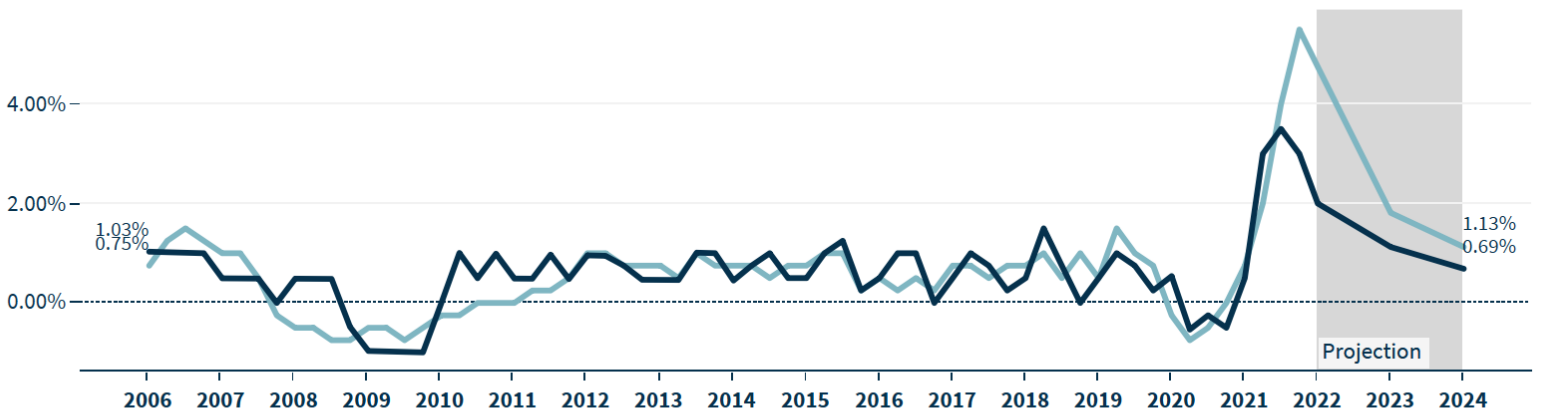


Asking Rent Growth

Miami | National

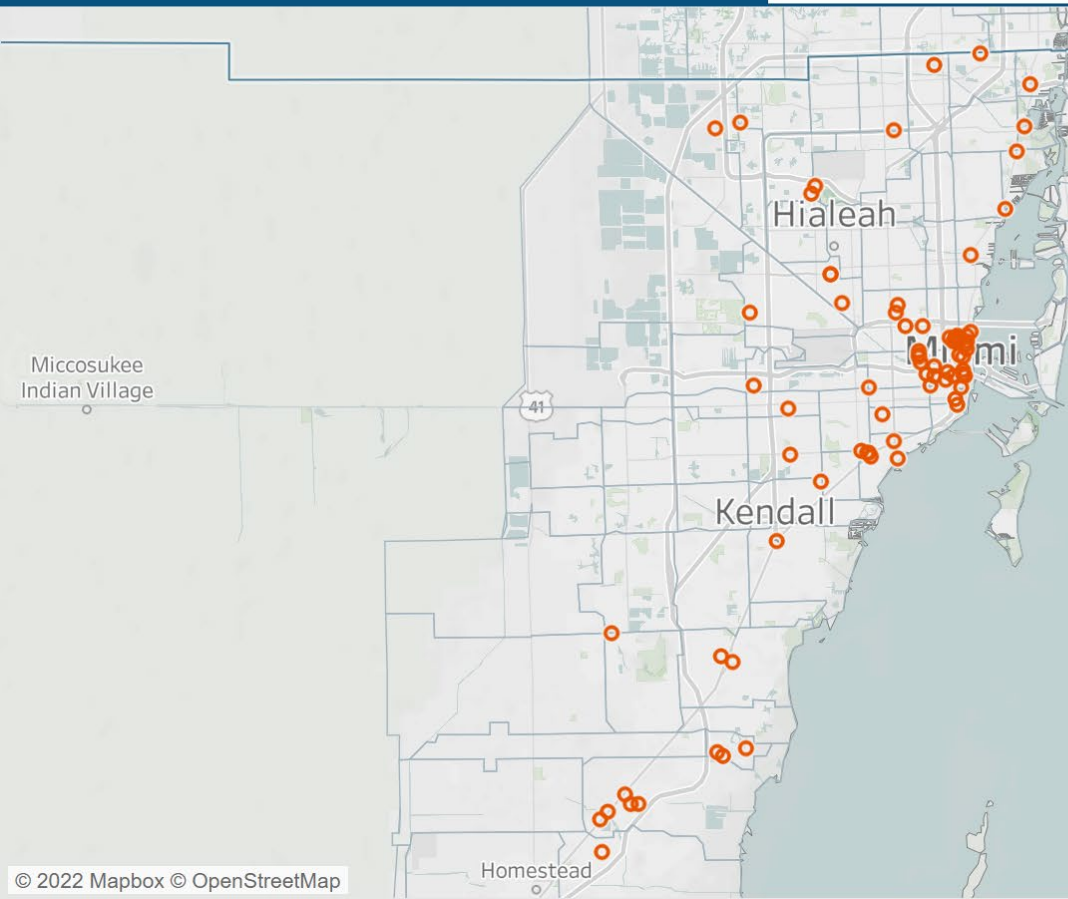
Q1 2022 Asking Rent:

\$1,900



Source: Multifamily Economics and Research

Construction: Bidding & Underway



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<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Coral Gables/South Miami	24	6,575	8.82M
Downtown Miami/South Beach	11	5,228	6.92M
Hialeah/Miami Lakes	7	1,943	2.04M
Homestead/South Dade County	11	1,736	1.73M
Miami Gardens	3	939	0.99M
North Central Miami	13	2,716	3.20M
Northeast Miami	5	1,487	2.01M
West Miami/Doral	2	584	0.64M
Westchester/Kendall	3	615	0.83M
Grand Total	79	21,823	27.20M

Multifamily: ESR Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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