

Metro Housing Outlook:

Miami – Q3 2024

Overview:

- Miami is a cosmopolitan and international city, which had its pros and cons during the pandemic. Among the benefits were its international connections and extensive international trade and tourism economy, which has recently returned to being an engine of growth after a prolonged period of being a headwind. The market's reliance on international connections was a speed bump in the pandemic recovery, as most international business in the metro slowed dramatically. But Miami overcame these hurdles by early 2024, and the metro has seen other sources of economic activity continually strengthen for several years.
- Miami's apartment market saw a modest increase in vacancy rates, with nicely positive rent growth prior to 2020, but it was beginning to ease slightly as a wave of new apartment and condo supply made its way to the market. The pandemic temporarily softened apartment market conditions in the metro, but fundamentals rebounded robustly as the area saw a rapid expansion and a wave of corporate relocations. After the rebound, the significant supply of new units, coupled with a somewhat sluggish job market recovery (primarily due to a limited number of available workers), has resulted in some softness in the local apartment market, which was likely inevitable after several quarters of unsustainable rent growth.

Market Strengths:

- Job growth in Miami has been beating the national average: jobs overall grew 1.9% in the year ending Q3 2024, well above the national growth rate of 1.4%. The past 10 years have seen an influx of relocated high-paying financial services jobs, which grew 2.3% annually in that period, well above the 1.45% national average. Professional and business service jobs, which are also high-paying, saw above-average growth as well recently, growing 2.3% in the year ending Q3 2024, compared with the 0.7% national average.
- The Port of Miami, which is an important source of jobs and economic activity, saw record utilization in 2023 — achieving new historical highs for the number of cruise passenger embarkations and record cargo volume.

Market Weaknesses:

- Being a bit of a more mature economy relative to its in-state neighbors, Miami will likely grow somewhat slower than the rest of Florida over the next several years.
- Housing affordability is a concern in the metro and could be a speedbump for further economic expansion. Miami is often ranked as one of the higher-cost-burden metros for renters, and the area saw significant home price appreciation as migration into the metro was rapid after the pandemic. The metro's condo market is also in the midst of turbulence as individual associations face significant owner assessments to comply with new state laws regarding property maintenance and reserves.
- New apartment rental supply is picking up after a pre-pandemic development lull. Currently around 23,600 units are underway. While the pipeline is not overwhelming relative to expected economic and demographic growth, 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: over 65,000 condo units were completed since 2006, and around 3,100 condo units are underway and due through 2025.

Outlook:

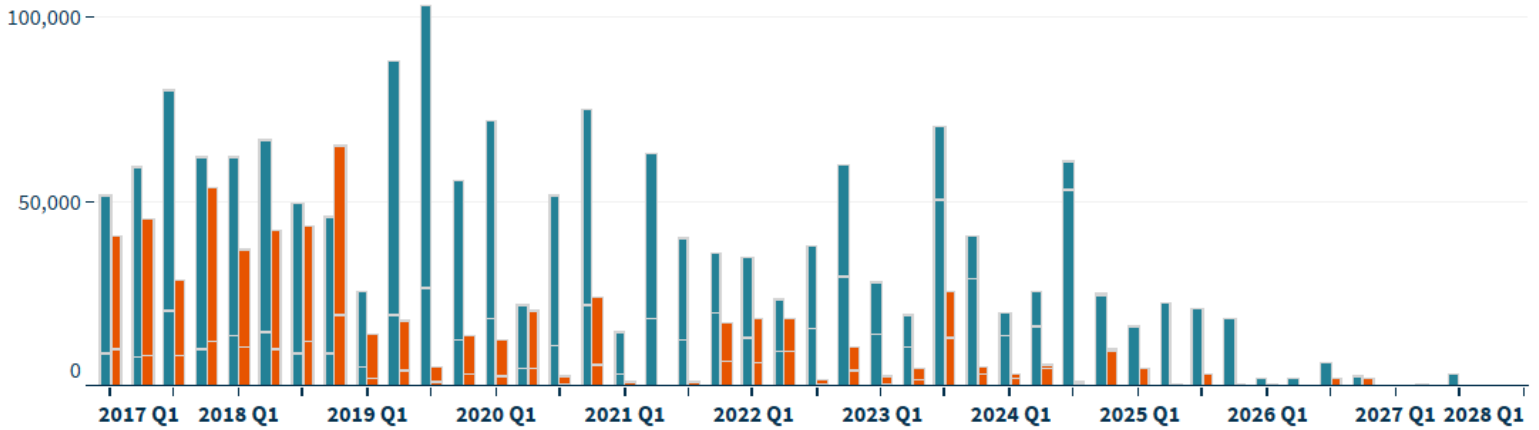
- Prior to the pandemic, a surge in new apartment supply put some upward pressure on vacancy rates and modestly slowed rent growth, but the market remained in good shape. The pandemic brought substantial softness in 2020, but in 2021 the market experienced a significant rebound in rent growth and vacancies, and market tightening persisted into mid-2022. The pace of the recent rebound slowed in late 2022 and is unlikely to return, but the market should experience more modest performance in the near term. Once the national economy enters a more stable period of sustained expansion, the market will have to contend with the supply surge, which may result in some brief periods of softness.
- There may be some easing 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 forecast should allow the economy to sustain job growth at above-national-average rates once the country enters a sustained expansion. 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.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

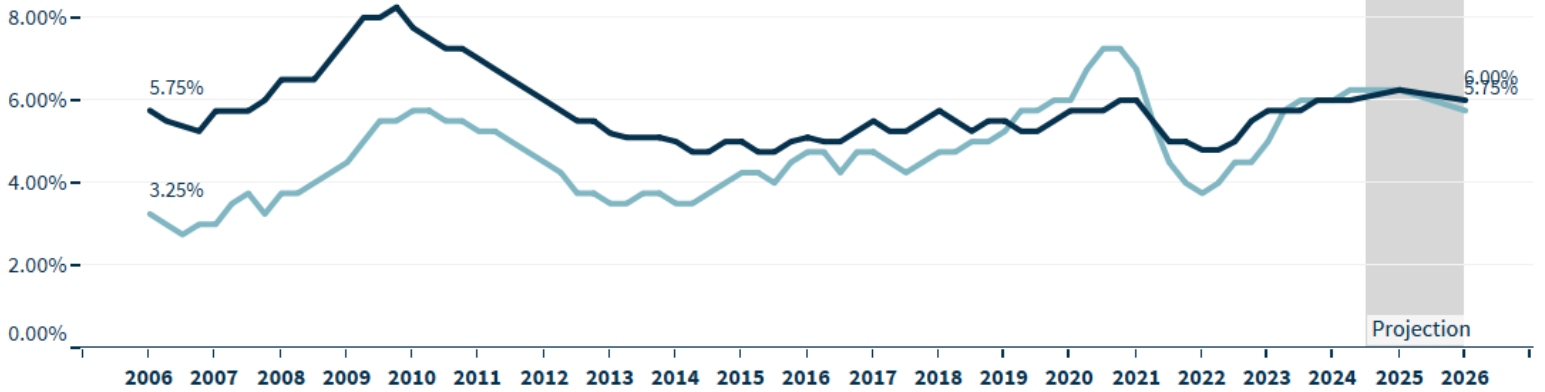
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Miami | National

Q3 2024 Vacancy Rate:

6.00%



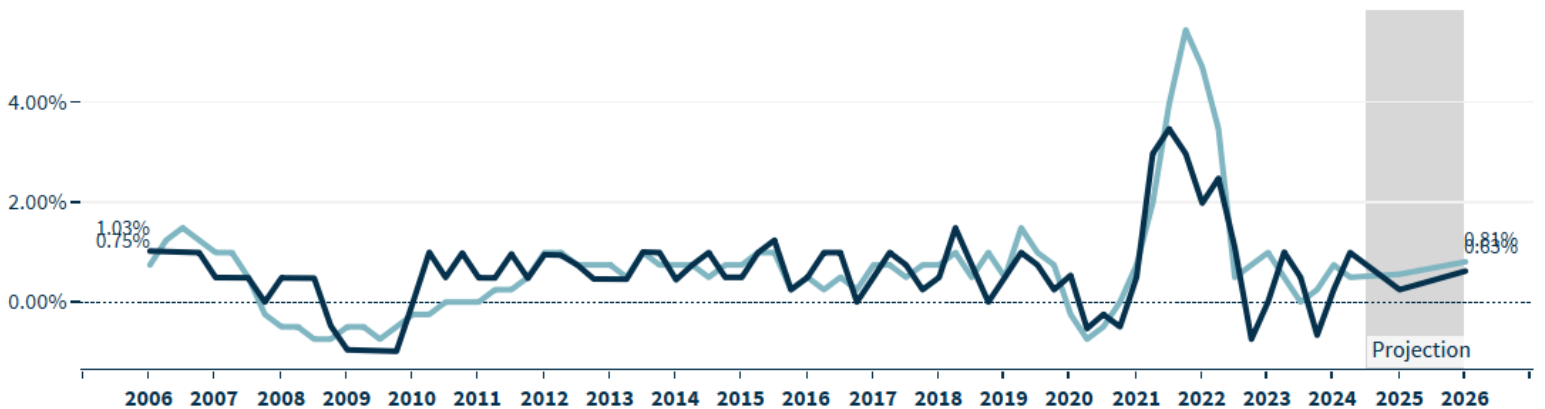
Projection

Asking Rent Growth

Miami | National

Q3 2024 Asking Rent:

\$2,060

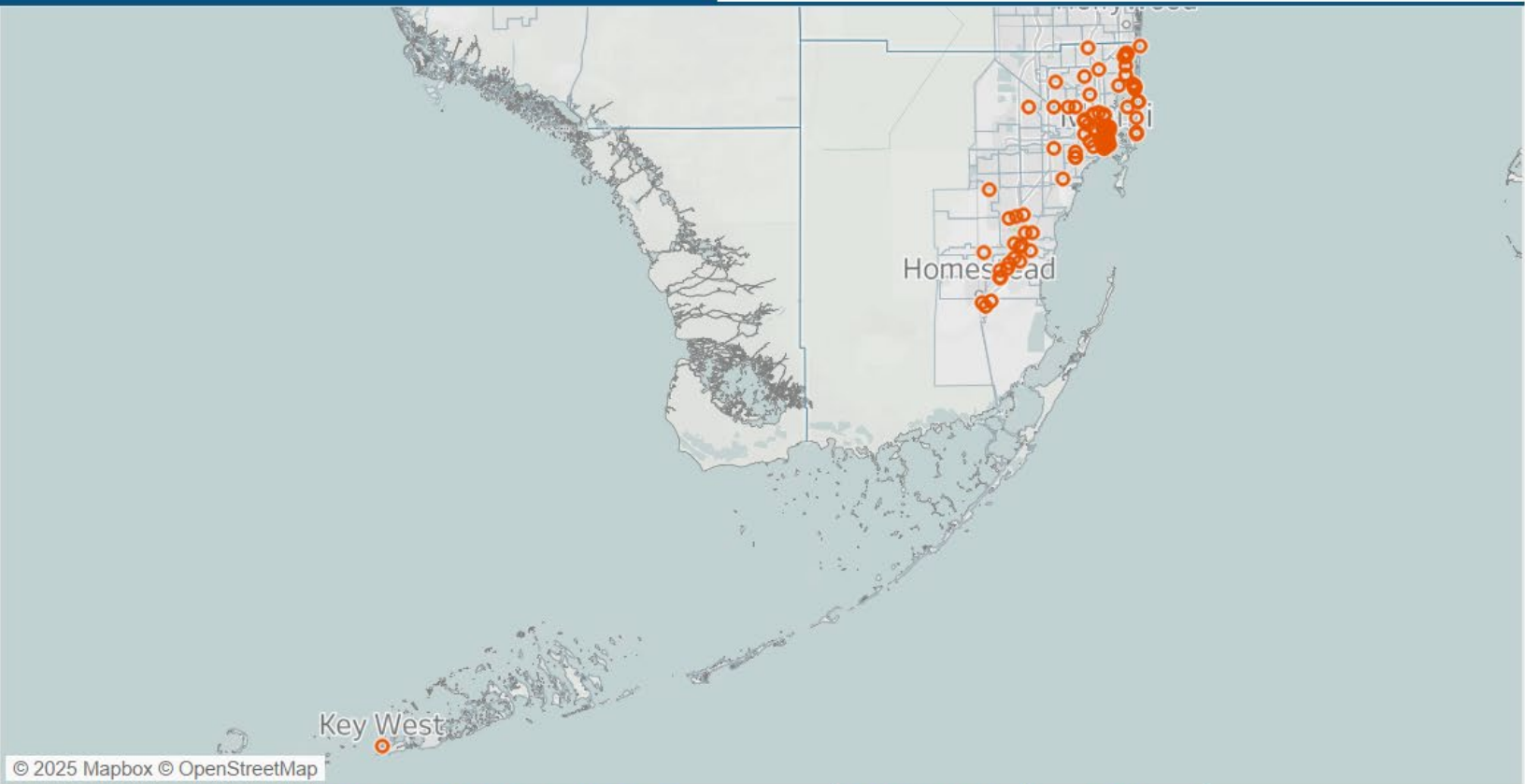


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Coral Gables/South Miami	14	4,397
Downtown Miami/South Beach	19	7,949
Hialeah/Miami Lakes	4	1,078
Homestead/South Dade County	18	2,123
Miami Gardens	3	860
NA	1	150
North Central Miami	17	1,995
Northeast Miami	16	3,391
West Miami/Doral	1	408
Westchester/Kendall	4	1,261
Grand Total	97	23,612

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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