

Metro Housing Outlook:

Miami – Q4 2023

Overview:

- Miami is a cosmopolitan and international city, which during the pandemic had its pros and cons. Among the benefits were its international connections and an 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 speedbump in the recovery from the pandemic, as most international business in the metro was slowed dramatically. But these hurdles have been overcome by early 2024, and Miami has been seeing 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 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 the area saw a rapid expansion and a wave of corporate relocations. But after the current rebound, the significant supply of new units, coupled with a somewhat sluggish job market recovery, 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 +1.8% in 2023, above the national rate of +1.5%. The past several years have seen an influx of relocated high-paying financial services jobs, which grew 2.2% in the metro in 2023, well above the 0.6% national average. Professional and business service jobs, which are also high-paying, saw strong growth as well in 2023, growing nearly 3.5%, compared to the 0.8% national average.
- The Port of Miami, which is an important source of jobs and economic activity, saw record utilization in 2023, having achieved 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 burdened metros for renters, and the area saw significant home price appreciation as migration into the metro was rapid after the pandemic.
- New apartment rental supply is picking up after a pre-pandemic development lull. Currently around 31,200 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: since 2006, over 63,500 condo units were completed and around 3,800 condo units are underway and due through 2024.

Outlook:

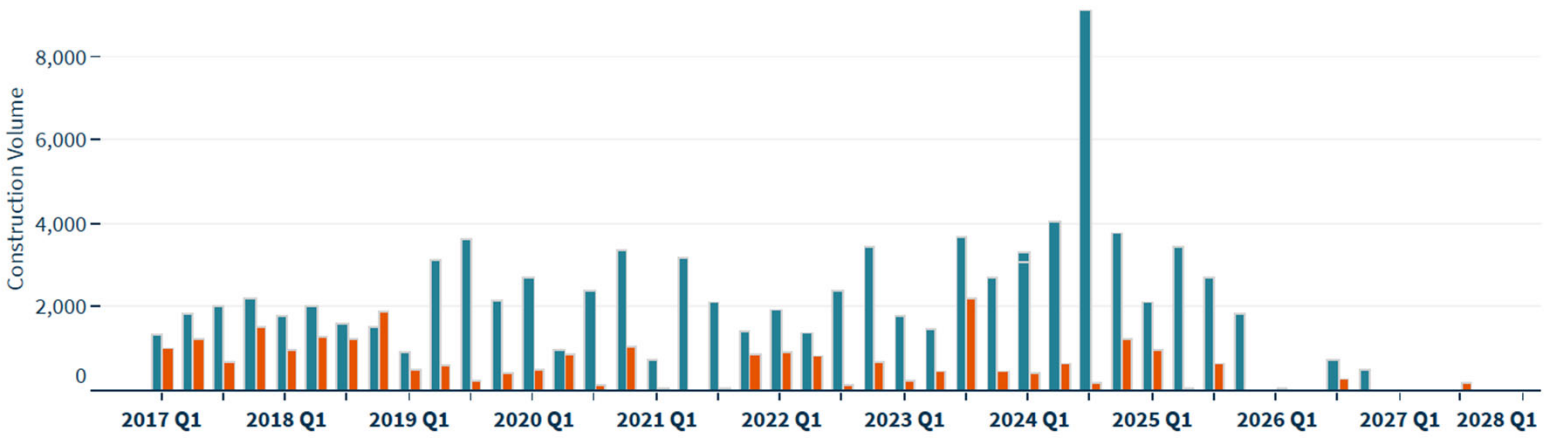
- Prior to the pandemic, a surge in new apartment supply put some upward pressure on vacancy rates and modestly slowed rent growth, but the market remained in good shape. The pandemic brought substantial softness in 2020, but in 2021 the market experienced a significant rebound in rent growth and vacancies, 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, 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 growth forecast should allow the economy to sustain 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

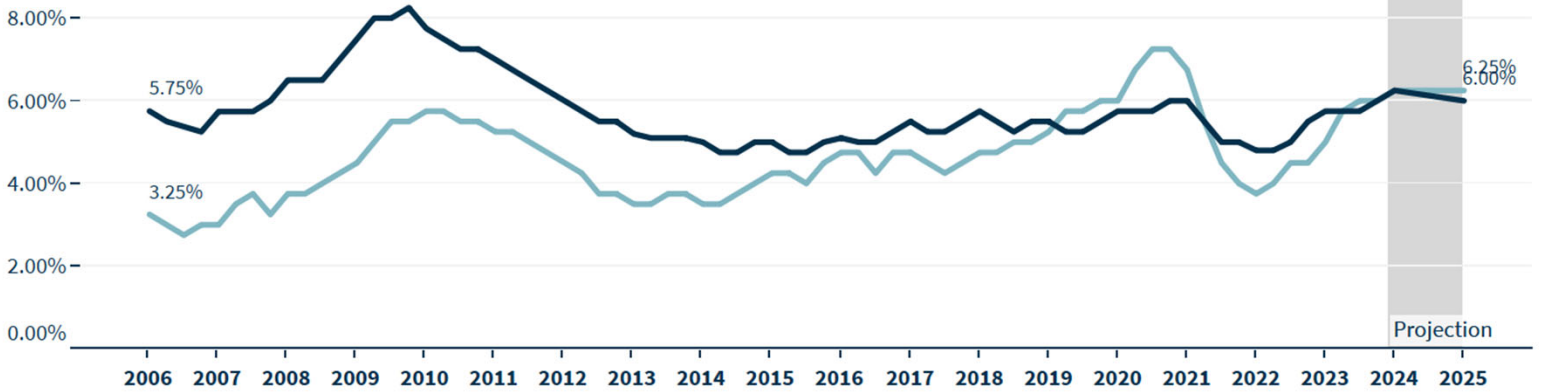
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Miami | National

Q4 2023 Vacancy Rate:

6.00%

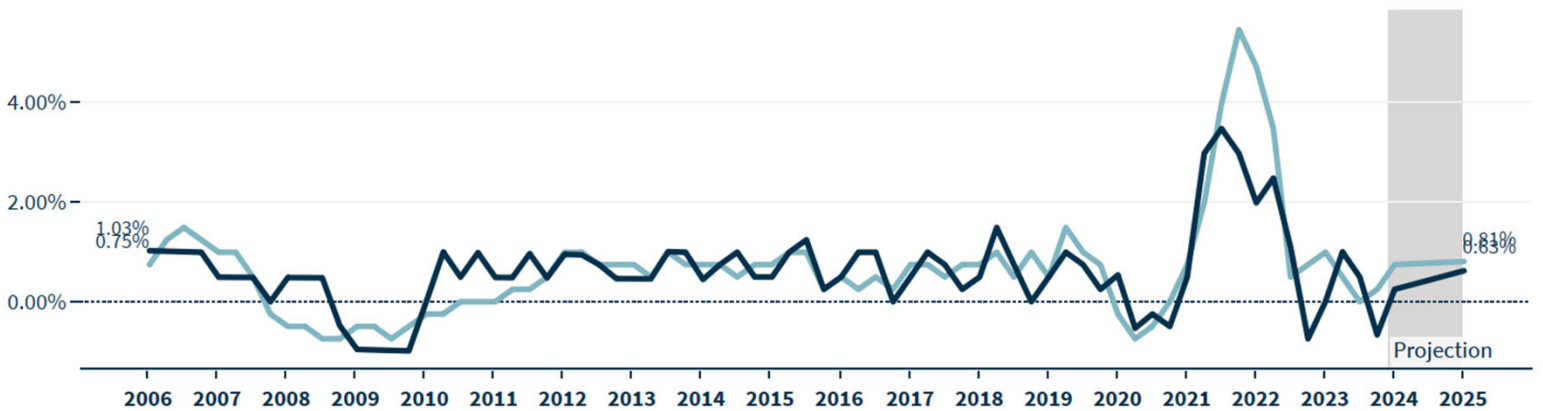


Asking Rent Growth

Miami | National

Q4 2023 Asking Rent:

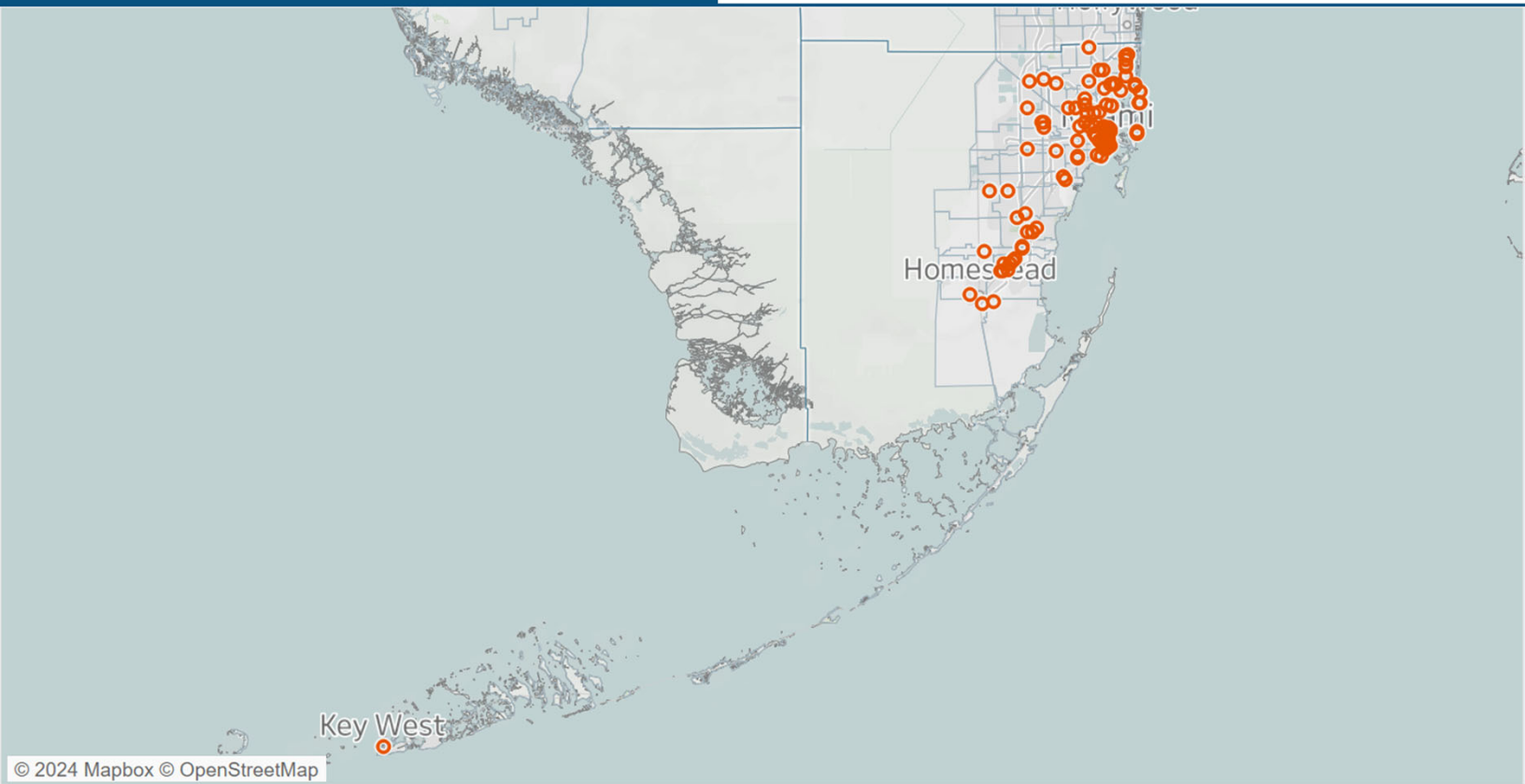
\$2,030



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



| <i>MultiHousingSubmarketName</i> | <i>Apartments</i> | <i>Units</i> |
|----------------------------------|-------------------|---------------|
| Coral Gables/South Miami | 11 | 4,061 |
| Downtown Miami/South Beach | 22 | 9,750 |
| Hialeah/Miami Lakes | 5 | 1,451 |
| Homestead/South Dade County | 18 | 3,407 |
| Miami Gardens | 4 | 741 |
| NA | 1 | 150 |
| North Central Miami | 22 | 3,493 |
| Northeast Miami | 21 | 4,266 |
| West Miami/Doral | 5 | 1,595 |
| Westchester/Kendall | 6 | 2,352 |
| Grand Total | 115 | 31,266 |

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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