

Florida Multi-Family Market Topics and Trends – Q2 2021

This report analyzes the trends in market fundamentals and investment sales in the Florida multi-family market. The Florida market has seen a sharp increase in demand in most asset classes and continues to remain a relatively stable market despite the impact of COVID-19.

FEATURE: COVID-19 and its Impact on the Market

In Mid-March 2020, the Global COVID-19 Pandemic brought much of the world to a halt. The spread of the virus was so rapid, that nations, states, and local municipalities were forced to take drastic measures. Conditions improved in the summer months, but a second surge in the fall brought about new restrictions and further economic hardship for individuals and businesses alike. On the forefront as we close out Q2 2021 is the rollout of three approved vaccines to the public and the short and long-term effects this has on the performance of different asset classes.

Short Term Impact

The impact of COVID-19 on the Florida multi-family market has generally resulted in increased

leasing activity and lower vacancy rates. Leasing activity has increased significantly over the past year due to high demand for properties within this market. Since the onset of COVID-19, Florida in general

has seen a large increase in out of state renters which has created higher demand for this asset class, pushing vacancy downward.

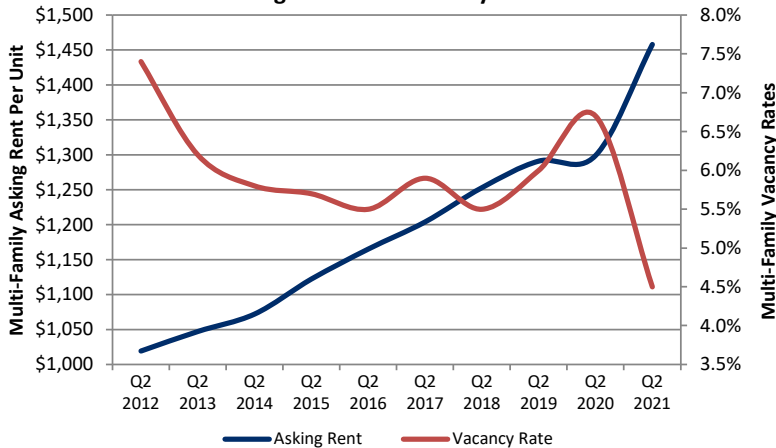
As such, effective rents are increasing, and trends continue to push upward.

Construction activity has decreased only slightly since Q1 2020. The market continues to deliver on new projects, and there remains a substantial amount of space under construction.

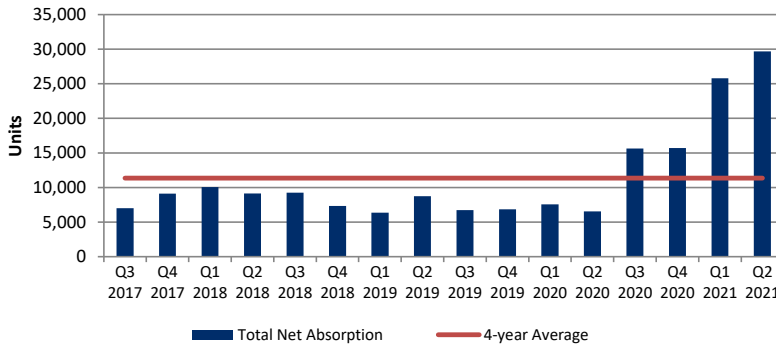
Long Term Impact

The impact of COVID-19 on the multi-family property type will differ from market to market. The multifamily market in Florida was fortunate in that it did not experience the devastating effects that have besieged other asset classes during COVID-19. During the pandemic, it became clear that there was an influx of people moving to Florida from other states. This influx of people included would-be renters which created a direct benefit to the multi-family sector.

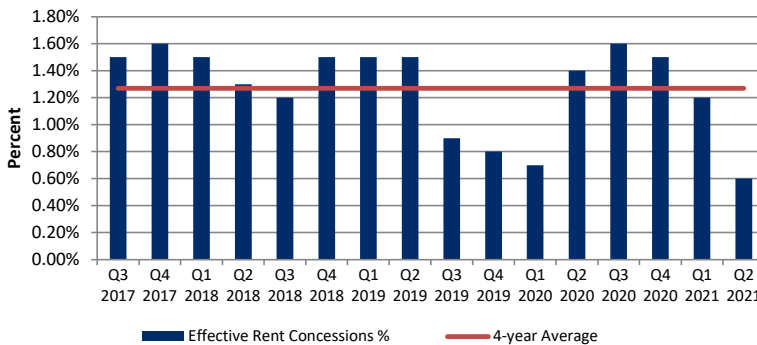
Asking Rents and Vacancy Rates



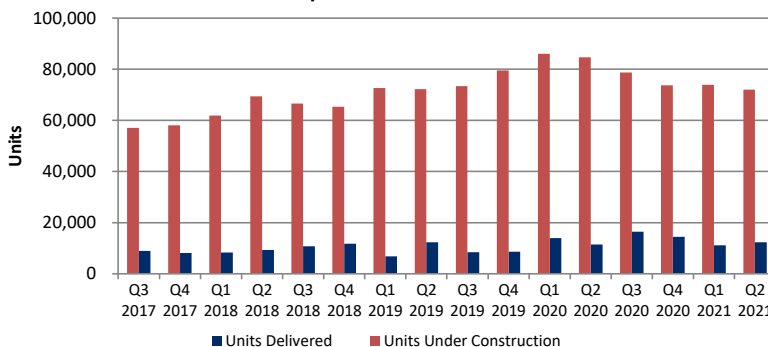
Total Net Absorption



Effective Rent Concessions



Space Additions



MARKET FUNDAMENTALS: Average Asking Rents & Vacancy

From Q2 2012 to Q2 2021, vacancy rates fluctuated between 4.5% (Q2 2021) and 7.4% (Q2 2012). Q2 2012 marks the highest vacancy rate over the entire analysis period. Over the same period, asking rents ranged from \$1,009 (Q2 2012) to \$1,450 (Q2 2021). Rents increased significantly over the analysis, with just a slight dip in 2020. Effective rental rates will most likely continue to trend upward in the near term, as vacancy continues to trend downward.

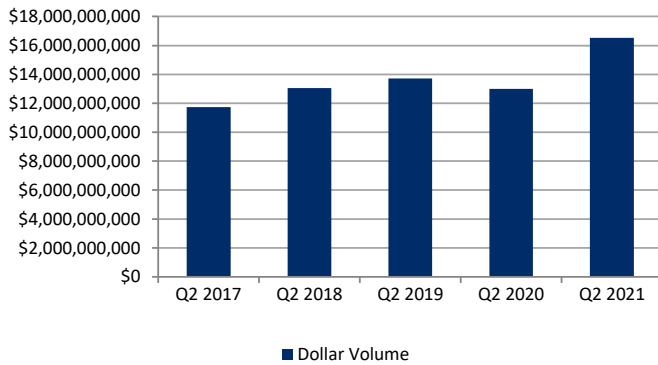
Net Absorption and Rent Concessions

Total net absorption in the Florida market has generally been below the four-year-average, with the two most recent quarters exhibiting a significant increase in net absorption. Effective rent concessions were low coming out of 2019 but jumped up in the middle of 2020. As of Q2 2021, concessions decreased dramatically, even below pre-pandemic levels.

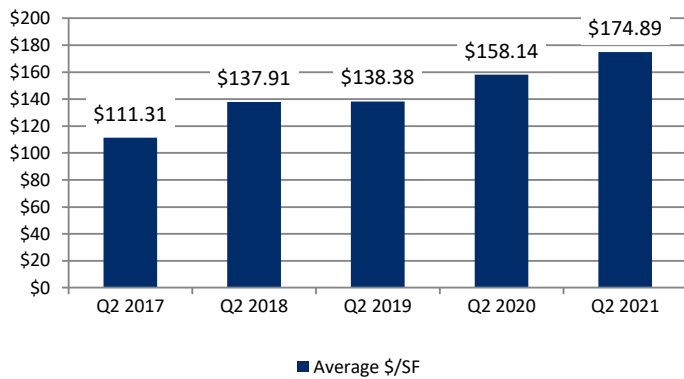
Space Addition Activity

Square footage under construction has generally increased over time and has been consistent over the last year. There is still a substantial amount of space under construction that is waiting to be delivered, indicating an active construction pipeline. Developers will look to profit on these projects over the upcoming quarters, so long as they remain financially feasible.

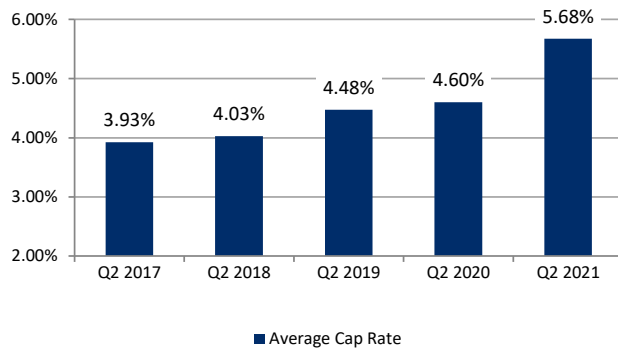
Florida Multi-Family Building Dollar Volume



Florida Multi-Family Building Average \$/SF



Florida Multi-Family Building Average Cap Rate



SALES (5 YEAR TREND - YE Q2): Volume

Total dollar volume for investment sales of multi-family properties in Florida was fairly consistent from Q2 2017 to Q2 2020 and there was a recent increase in the year ending Q2 2021. COVID-19 contributed to a significant increase in transaction volume, as dollar volume increased roughly 27% from \$13.1 billion to \$16.5 billion from FYE Q2 2020 to FYE Q2 2021. Over the analysis period, volume ranged from \$11.7 billion to \$16.5 billion. Dollar volume increased by 41% from 2017 to 2021.

Average Pricing Per SF (YE Q2)

Average pricing increased from \$158.14 per square foot in FYE Q22020 to \$174.89 per square foot in FYE Q2 2021. Despite increasing capitalization rates, falling vacancy rates and increasing rents have led to substantially higher pricing per square foot. Market participants will be watching this metric carefully in 2021.

Capitalization Rates (YE Q2)

The average cap rate in the year ending Q2 2021 was 5.68%. Capitalization rates have been increasing over the analysis period, and most recently increased approximately 108 basis points in the past year. It is difficult to say that rising cap rates will become a trend going forward, especially given the overall health of the Florida Multi-Family Market.

SOURCE: CoStar and Marshall & Stevens



Patrick T. Craig, MAI, MRICS
 Executive Managing Director
 Real Estate Valuation Practice
 212.897.9481
 ptcraig@marshall-stevens.com



Emily Ferreira
 Director
 Real Estate Valuation Practice
 646.438.7605
 eferreira@marshall-stevens.com



Brianna Strzerek
 Analyst
 Real Estate Valuation Practice
 732.500.1609
 bstrzerek@marshall-stevens.com