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Apartment rents soar 8% year-over-year amid pent-up demand: report

Rebounding employment, population growth fueled leasing

Miami / By Lidia Dinkova

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The Residences at Uptown Boca with Rent and Occupancy data from Berkadia (Berkadia)

South Floridians are reveling in the strong employment market, but there is always a tradeoff.

Multifamily dwellers are paying higher rents due to pent-up demand created by the job opportunities attracting new residents, according to a report from commercial mortgage servicer Berkadia. Rents increased even in urban centers that saw a mass exodus over the past year.

The demand for rental housing, which is also a byproduct of the high cost of buying a home, has made for healthy investment activity in the sector. So far this year, sales volume is \$1.8 billion across 22 deals worth over \$50 million each.

In this year's second quarter, average effective rents reached \$1,831 per month, a 7.9 percent increase year-over-year, according to the mid-year report. Occupancy went up to 96.5 percent, an increase of 140 basis points.

"The velocity of leasing of new product appears to be unprecedented in many markets," Charles Foschini of Berkadia said in a statement.

South Florida employment has not only rebounded from the lows of last year's lockdown but has grown past the pre-pandemic baseline. Since mid-2020, employment grew 9.9 percent, with 234,500 jobs added, according to Berkadia.

This includes the 95,900 leisure and hospitality positions created or restored in light of the region opting to reopen the sector last September, much earlier than other U.S. metros. Finance, Tech and other professional and business services added 46,800 jobs, while the trade, transportation and utilities sector's staffing grew by 44,200.

Overall, employment is expected to grow 6.5 percent over the next year, Berkadia reports.

As employment grows, so does the region's population. Net migration to South Florida is expected to be 274,700 new residents over the next five years.

Leases, Sales Flow

Berkadia projects 20,752 units will be leased this year, more than the 18,327 expected to be delivered. In this year's second quarter, there was a net absorption of 10,028 units.

In total, 8,553 apartments were delivered in the first half of 2021, with another 9,774 expected by year's end.

Urban centers saw an exodus of 191,400 residents last year but the majority moved to more affordable neighborhoods in the region. The downtown Miami-South Beach and Coral Gables-South Miami submarkets, considered urban centers, still had a net absorption of 5,029 over the past year.

The supply-and-demand balance is expected to tip next year, with a projected 15,800 in deliveries but 11,283 in absorption. This will push down occupancy to the low 95 percent range, giving renters a reprieve on rent growth.

Still, the pent-up demand and increasing rental rates this year have caught the eye of investors.

In the most expensive purchase, Cortland bought the new Residences at Uptown Boca for \$230 million in August.

Investor Grant Cardone paid \$69 million for the Camino Real Apartments in May, and Crow Holdings bought a Delray Beach apartment complex for \$111.75 million in July.