

2022 Florida Multifamily Outlook: HOT! Florida Population + Job Growth = Continued Boom for Multifamily



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Florida's exceeding employment growth and highest-ranking net migration rates, have resulted in multifamily rent increases expanding rapidly and rental rates soaring by over 30%. The surge in costs of purchasing single family homes along with a shortage of inventory has created a growing demand for multifamily properties and affordable housing options. Is this the right time to invest in the multifamily market? Absolutely! Now is a wonderful time to invest in Florida's multifamily market and here are few of the reasons why:

Growing Demand

Several components take play here when it comes to the growing demand for multifamily properties in Florida. To name a few: outpacing job growth, lower tax rates, significantly lower living costs than a majority of states, housing shortages, and lack of affordable housing all play a significant part in the surge in demand for multifamily properties. This lower percentage of homeownership in Florida is essential in keeping the residential rental business well solidified. Combine that with Florida's very desirable climate, no state income tax, and rents which are

well behind the national average have all participated and you have the recipe for a multifamily boom.

It is important to highlight that Florida has taken the number one spot for net migration five consecutive times. The largest gain in numbers was seen between July 2019 and July 2020, giving residence to over 252,700 people. Each day about 1,000 new residents are moving into Florida and according to statistics, it is evident that this rate will continue for the next two or three years. Therefore, it is safe to say that growing demand in the multifamily market will continue to grow in the coming years and so will the investment opportunities.

Another contributing factor is Florida's growing job market which has exceeded the national economy, along with low unemployment rates. In November, a tremendous 51,000 new jobs were created in Florida, outpacing the national metric six-fold. Urban centers of Florida, have experienced eye-catching growth over the years. According to the Florida Department of Economic Opportunity, despite losing over 1.2 million jobs in just three months due to the COVID-19 pandemic, the state has gained back 91.2 percent of the lost jobs.

A large and growing white-collar worker population, military presence, and other large infrastructure business ventures have contributed to the surge of significant job growth in Greater Central Florida and Jacksonville. As a result, Florida has become more and more popular for potential residents all across the United States and has led to exponential rent growth and demand in the multifamily sector in recent times.

Rental Rates

Compared to other large cities in the United States average rental rates are lower in Florida. In September 2021, compared to San Francisco's \$3,062 dollars, the average monthly rent in Miami for one bedroom apartment was about \$1,565 and for two bedroom apartments approximately \$2,044.

In November, compared to Boston's rent price of \$2,509, the average rent price for one bedroom in Orlando was approximately \$1,442 and \$1,714 for two bedrooms. However, Florida is currently experiencing a healthy increase in rental rates. Miami rent prices saw a growth of 27.5% than last year, keeping a monthly increase of around 2.1%. Tampa rent prices saw a one-year increase of approximately 34.5%. Orlando saw a 28% increase in rent prices compared to last year's rates. Similarly, Naples, and Marco Island saw a 27% increase; West Palm Beach, Boca Raton, and Delray Beach all saw a 25%+ increase in rent

prices. Of note, while the rates of growth may fluctuate, rental rates are expected to continue to grow over the coming months or years.

Rent Market Analysis

Despite the fact that Miami and Orlando employment took big hits during pandemic, they rapidly bounce back; employment rates are now back to 91.2% across the state. This shows the robust nature of job rates and economic diversity which have created a sky-high demand for multifamily housing. In the later part of 2021, 17,000 new apartments entered the market in South Florida. North Port Ritchey, Sarasota, and Bradenton saw a 26% rent increase from the previous year. Additionally, the relocation of various finance and tech firms will continue to create favorable conditions for increased rents and demand due to a growing job market.

Florida is a popular retirement location for most Americans with its beautiful warm and sunny weather, white-sandy beaches, and popular entertainment options. Luxury apartments are selling at record-breaking prices and cities like Tampa are gaining recognition as top emerging tech cities in the US. Jacksonville, secured the fourth position as the largest growing metropolitan city due to its economic and population growth.

Key Facts for Investors and Developers

Interested investors and developers should keep in mind several facts about the multifamily market prior to investing. The first consideration is that the multifamily sector is competitive and will remain so in the near future. Apartment properties continue to perform with good returns of investments and the surge in institutional investments is ever growing.

Well-established multifamily investors will always add competition in the market as well as newer participants. It is important to note that some established investors will encounter a dilemma when having to buy properties at higher rates than in past decades. However, the market conditions will continue to be lucrative with no slowing down in the foreseeable future.

We encourage new participants who want to participate as new investors in a very competitive market to try these suggestions:

- If finding properties becomes challenging, invest with partners who have access to off-market deals.
- Value-add properties continue to remain one of the most popular class of properties. However, since capitalization rates have dropped at record lows, a lot of value investors are more willing to invest in Class A/B properties which may be better long-term investments.
- Secondary Multifamily markets in Tallahassee, Naples, Sarasota, Space Coast and Ocala are showing good ROI.

The Florida multifamily market is ever growing and continues to show signs that it will deliver good outcomes to those who are looking for investment opportunities. As net migration is soaring, there are booming job opportunities, and strong local economy, it is evident that the multifamily market in Florida will continue to grow.

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ABOUT THE AUTHOR



Ismael "Rey" Reyes has been actively investing in residential real estate since 2005 and has focused exclusively on multifamily since 2016. He has led MI Real Estate in investing in 13 multifamily properties in Alabama, Florida, Georgia, and Tennessee, totaling over 700 units and valued at over \$70 million. Rey also provides independent consulting to multifamily investors and is the international bestselling author of

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