

RENTAL APARTMENT MARKET – Southeast Florida

As of May, 2009 the vacancy rate in Miami-Dade County apartment developments stood at a moderate 6.6% level while in Broward County the rate was 6.8%. The vacancy rate is somewhat higher in Palm Beach County at 7.9%.

The vacancy rate in all three counties has been increasing since 2006. In May, 2006 the vacancy rates were exceptionally low due largely to conversion of apartments to condominiums and the lack of new apartment construction.

During the four year period of 2003 through 2006 a total of 64,501 apartments in Southeast Florida were converted to condominiums. During this same period only 19,430 new apartments were added to the market. These factors resulted in vacancy rates falling to 3.0% or less in each of the three counties.

Following 2006 many ownership housing units, including both condominiums and single family homes, were placed into the rental market by developers and individual owners unable to sell their units, creating a “shadow” rental market. By mid-2008 the shadow rental market had at least stopped expanding and vacancy rates tended to level out. Soon, however, the economic recession became more apparent and job losses grew pushing vacancy rates upward.

The dual factors of the shadow rental market and the recession would have pushed vacancy rates to considerably higher levels in recent months were it not for two other important market influences working in the opposite direction. One factor was the continued low level of new apartment construction while the second was the reduction of rents.

During 2007 through the first quarter of 2009 only 2,989 additional apartment units were completed in Southeast Florida. While apartment rents moderated in Miami-Dade and Broward Counties from May, 2007 to May, 2008, they declined from May, 2008 to May, 2009, falling by 3.5% in Miami-Dade County and by 1.6% in Broward County. In Palm Beach County rents fell by 3.2% and by 3.7% over these past two years.

New apartment development activity is expected to remain at relatively low levels in the near-term future. Presently, there are 11 market rate apartment developments under construction or still in lease-up in Southeast Florida. These developments have a total of 3,086 units still to be absorbed, almost all of which are still under construction. A total of 21 market rate apartment developments are known to be planned/proposed in

Southeast Florida and these developments are to provide a total of 6,769 apartments if and when they are built. Including both units still to be absorbed from apartment developments under construction as well as those planned/proposed, the total new unit supply potential of market rate apartments is 9,855 units over the next three years.

Over the next one year there is an estimated demand for 4,888 additional market rate apartments in the three-county area and demand from 2010 to 2012 is for 7,124 units per year. The total demand potential over the next three year period, therefore, is for 19,136 units, almost twice the estimated supply potential.

Assuming that all of the planned/proposed apartment developments are built and delivered into the market over the next three years, the following shows the forecasted apartment vacancy rates for each of the Southeast Florida Counties:

	Miami-Dade County	Broward County	Palm Beach County	Southeast Florida (Overall)
May, 2009	6.6%	6.8%	7.9%	7.0%
May, 2010	5.2%	6.7%	5.9%	5.9%
May, 2011	3.0%	5.1%	3.1%	3.8%
May, 2012	3.0% Or Less	3.0% Or Less	3.0% Or Less	3.0% Or Less

Apartment rents are expected to hold rather steady over the next one year with a 1.0% increase possible. From 2010 to 2011 a 2.0% increase is expected and from 2011 to 2012 a more normal 3.0% increase is forecast.