

## Why Investors Are Still Betting On Miami Multifamily

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### South Beach multifamily portfolio

**M** IAMI—Fueled by low interest rates and the strong performance, rental apartments continue to be extremely desirable among **commercial real estate** investors. So says **Brad Capas**, president of **CapasGroup Realty Advisors**.

"South Florida is one of the nation's most favored markets. Investors' appetite for apartments spans all class categories," Capas tells GlobeSt.com. "Newly constructed apartments are particularly desirable among institutional investors due to their need to deploy capital in gateway markets such as South Florida. These dynamics have resulted in record pricing for several recent **apartment** transactions."

Investors have increasingly turned to Miami-Dade real estate since the economic downturn, driving up property values and substantially lowering capitalization rates, according to **Marcus & Millichap**. In 2015, out-of-state investors targeted assets at the high end of the market, the firm reports, which contributed to a substantial rise in the dollar volume from the previous year.

“Older-vintage assets are experiencing heightened transaction activity,” Capas says. “These properties are particularly appealing to a combination of institutional and private, ‘value add’ investors seeking to generate rent premiums through property upgrades. The value-add business model has proven highly successful in most South Florida submarkets due to strong apartment demand and tenants’ willingness to pay higher rents for upgraded units.”

According to M&M, **multifamily** investor demand remains unfulfilled, as evidenced by a decline in sales velocity last year. While the reduction in **multifamily** deal flow reflects a shortage of listings, buyers’ and sellers’ price expectations were also somewhat misaligned, lengthening the transaction process.

“Generally, investors continue to search for higher yields and are migrating into the secondary submarkets,” the report reads. “More intense bidding in this segment of the market has reduced the cap rate for Class C assets to 5.8%, and investors will maintain a sharp focus here while long-term interest rates remain low.”

Condos Vs. Multifamily: Where’s The Near-Term Future? [Check out my recent column.](#)