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Miami Multifamily: Next Crash Won't Be So Bad

Rents are rising, lenders are competing on condo deals, land's trading at high prices, **cranes are everywhere**—the state of Miami **multifamily is clearly robust**. But for **how long?**

Our speakers at *Bisnow's* **Miami Multifamily Summit** at the Hyatt Regency this week wrestled with this topic. The conclusion: it's tricky. **Demand** for both **rental and for-sale properties** is strong, fueled by Millennials and eager condo investors with cash. Also, any downturn this time is likely to be a slowdown rather than a crash, because of the **more conservative** way **deals** are structured. (People may still be wearing barrels, but only because it's become fashionable.)

Franklin Street regional managing partner **Deme Mekras** and Grass River Property principal **Chris Cobb**. One thing that's different about this expansion, our speakers noted, is that Miami is experiencing what it's like to be a **big city on an international scale:** an **influx of people and capital** from around the world, infrastructure growth, world-caliber arts and dining, and more. Both domestic and overseas investors consider Miami in that light, yet they still see **land** and other investment opportunities here as a **bargain** compared with the likes of New York and Hong Kong.

13th Floor Investments managing principal **Arnaud Karsenti** and Related Development CEO **Steve Patterson**. Another recent change for Miami multifamily is that **flight capital** isn't quite what it used to be. Family offices and other overseas investors now have some **return expectations**, not just a belief that Miami's a convenient and safe place to stash some capital. But they also tend to have a **long-term outlook** and, as equity investors, are thus less worried about the inevitability of real estate cycles.

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Hunt Mortgage Group SVP **Marc Suarez** and ADD principal **Rachel Cardello**. The economics of development will, for now, favor **condos**, the panelists explained. Buyers are contributing a lot **more equity** than they did in the mid-2000s, so from the point of view of the developer, that's like getting **free money to build** that product for a number of years. That dynamic won't last forever, but while it does, the **capital in the system** today is a **point of health**. When a downturn comes, there will be stalled projects and lawsuits, but probably not to the degree of the post-recession crash.

Bilzin Sumberg partner **Jim Shindell**, who moderated. On the rental side, South Florida is one of the **least affordable housing markets** in the country; costs are increasing 8% a year, while incomes are barely up 1% a year, the panelists said. That means **affordable housing** is, and will remain, a **stubborn problem**. Even Class-B and -C apartments are becoming less affordable. Another bit of **uncertainty** is how many investor-owned condos are actually being rented and for how much. There's no data on that, but it could have a major impact on new rental properties, say, just outside Brickell.