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Competition for Apartments Intensifies in Midwest This Rental Season, but Miami Holds Onto 1st Place

Miami Dominates as the Most Competitive Rental Market

Miami, often associated with its sun-kissed beaches and vibrant culture, has earned a new accolade: being the most competitive rental market during this year's summer peak moving season. With a remarkable occupancy rate of 97.1%, Miami boasts a staggering 25 renters per vacant unit. The allure of Miami as a rental destination remains unparalleled.

Midwest Emerges as America's Hottest Apartment Region

However, the Midwest has surged ahead, capturing the nation's attention with not one but three markets in the top five nationally. The Midwest's appeal lies in its diverse housing options catering to various budgets and a cost of living that won't break the bank. It's a region that strikes a perfect balance between affordability and quality of life, making it an attractive choice for renters.

Rental Market Statistics

Here's a snapshot of the rental market's performance during the peak season:

National Competition: The national market remained moderately competitive, with 10 renters per vacant unit compared to 15 the previous year.

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Supply vs. Demand: Housing supply increased by 0.57%, down from 0.67% the previous year, with an impressive 60.5% of renters choosing to renew their leases.

Milwaukee Surges: Milwaukee took the rental world by storm, leaping from seventh to second place this season, leaving the notoriously competitive North Jersey in its wake.

New York Shines: New York, particularly Brooklyn and Manhattan, continued to be a magnet for renters in the Northeast, securing spots in the top 15.

Why the Midwest?

The Midwest's rise in popularity can be attributed to several major companies, such as Amazon, Walmart, and Ford Motor Co., relocating or expanding their operations in the region. This influx has not only boosted the Midwest's economy but also intensified rental competition. More individuals from states with higher living costs, such as California, Florida, Texas, or North Carolina, are now choosing the Midwest for better housing and job opportunities.

Investors' Aims are Significant

Investors may be interested in the Midwest rental market for several reasons. First, the region is experiencing strong economic growth, which is leading to increased demand for housing. Second, the Midwest offers more affordable housing options than other parts of the country. This makes it a more attractive investment opportunity for investors who are looking for a good return on their investment. Overall, the Midwest rental market is a good option for investors who are looking for a strong return on their investment and who are willing to invest in a region with a growing economy.

Miami’s Apartment Market is Still Red-Hot as Florida’s Overall Competitiveness Dwindles

Miami Remains the Most Competitive Rental Market in the US During Peak Season.

Miami is the most competitive rental market in the United States, even though it has seen a decline in population. This is due to a number of factors, including its booming economy, diverse population, and relaxed lifestyle. Despite the fact that developers are building new apartments, renters are still having a hard time finding a place to live. This is because the demand for apartments is so high. Nearly three-quarters of apartment dwellers renewed their leases during peak rental season, rather than moving into a new place. This kept the occupancy rate at a high 97.1%.Additionally, there are more renters competing for each vacant unit, and apartments are being occupied in about one month, three days faster than at the start of the rental season. This all means that renters in Miami are facing a very competitive market. They need to be prepared to act quickly and be flexible with their search in order to find a place to live.

Rental Markets Competitivity in Florida in Peak Rental Season 2023

Finding a rental apartment in Orlando is tough right now due to high demand. Orlando is a popular place to live with job opportunities and is family-friendly in 2023, attracting many renters. However, there aren't enough apartments available (less than 5% of the total) because most people renewed their leases (65.3%). Apartments get rented within 32 days on average, with 12 people competing for each one. It's a competitive market, so act fast if you're looking for an apartment in Orlando!

Rental Markets Competitivity in the Midwest in Peak Rental Season 2023

Suburban Chicago and Grand Rapids are two of the hottest rental markets in the country, with low vacancy rates and high demand. This is due to some factors, including rising home prices, strong job growth, and a growing population. As a result, renters in these areas are facing stiff competition and longer wait times for apartments. Other Midwestern markets that are highly competitive in peak rental season include Omaha, Kansas City, Cincinnati, and Chicago.

Rental Markets Competitivity in the Northeast in Peak Rental Season 2023

Brooklyn and Manhattan are two of the hottest rental markets in the country, with low vacancy rates and high demand. This is due to some factors, including the affordability of Brooklyn compared to Manhattan, the return of office workers to Manhattan, and the lack of new construction in both boroughs. As a result, renters in these areas are facing stiff competition and longer wait times for apartments. In Brooklyn, the occupancy rate is 96.1% and the average vacant apartment is filled within 38 days. In Manhattan, the occupancy rate is 94.7% and the average vacant apartment is also filled within days. Renters in both Brooklyn and Manhattan should be prepared to act quickly and be flexible when searching for an apartment.

Rental Markets Competitivity in the California in Peak Rental Season 2023

In Orange County, there's a challenge with finding apartments because the number of new apartments being built only increased by a small amount (0.23%). This small increase hasn't kept up with the high demand for housing. As a result, most people who were already renting apartments (61%) decided to stay where they were during the busiest rental seasons. This situation has left very few options for people looking for apartments because the occupancy rate is very high at 95.7%. On average, it takes about 40 days for an empty apartment to be rented because there are so many people looking for the same apartments. In fact, there are typically 13 prospective renters trying to get the same unit. This makes it a highly competitive and challenging rental market in Orange County.

Evergreen Insights:

For Evergreen Capital, Miami's red-hot rental market presents both a tantalizing opportunity and a calculated risk. The high demand, low vacancy rates, and rapid lease turnover offer the potential for attractive returns on multifamily investments. However, the fierce competition and tight supply necessitate a cautious approach. To navigate this dynamic market effectively, Evergreen Capital should:

- Prioritize high-quality assets in prime locations with strong job growth and limited new development.
- Adopt a value-added strategy, identifying properties with potential for operational improvements or rent increases.
- Maintain a conservative leverage profile to mitigate potential rent stagnation or oversupply in the future.
- Monitor market trends closely, focusing on occupancy rates, lease renewal rates, and competition levels.
- Consider alternative financing options in anticipation of tighter bank lending constraints.

By combining a data-driven approach with a focus on long-term fundamentals and diversification, Evergreen Capital can unlock the potential of Miami's competitive rental market while managing the inherent risks. Remember, flexibility and quick decision-making will be key in securing desirable assets and maximizing returns in this fast-paced environment.

A heads-up: Capitalizing on changing Fed policy and inflation

We've always appreciated the saying, "Don't fight the Fed." While many competitors overpaid for assets by up to 20% during peak inflation and rising rates to swiftly increase revenues from up-front fees, we remained steadfast to our principles. Although this approach led to fewer deals, it offered a financial buffer against tough times. Moreover, it positioned us to benefit from interest rates that could likely decline in 2024 and cooling inflation. Our research validates this strategy.

Fed Rate Cuts on the Horizon: Good News for Real Estate Investors

After a year of aggressive rate hikes, the Fed is poised to start cutting rates in 2024. Prominent financial institutions expect rates to fall below 2.00% by mid-2025, which would be a boon for real estate investors.

Lower rates would make it more affordable for buyers to purchase homes, which would boost demand and prices. Additionally, investors could refinance existing mortgages at lower rates, freeing up cash for other investments or reinvesting in their properties.

With rates expected to drop to 2.5% in the coming years, real estate investors are in a prime position to capitalize on favorable market conditions. 2025 to 2028, in particular, looks like a favorable time for potential exits as many recent transactions reach maturity.

So, what does this mean for you?

If you're a real estate investor, now is the time to start planning for the future. Consider refinancing existing mortgages to lock in lower rates. You may also want to start looking for new investment opportunities, as demand is likely to increase as rates fall.

If you're a buyer, be patient and wait for rates to come down before making a purchase. You'll likely be able to get a better deal and save money on your monthly mortgage payments.

Overall, the anticipated Fed rate cuts are good news for real estate investors. With lower rates, demand is likely to increase and prices are likely to rise. This is a great opportunity to invest in real estate and build wealth for the future.

Final Thought

As the warmth of summer gives way to the cool of autumn, the focal point of our real estate outlook revolves around the anticipated Fed rate cuts.

The Fed's decisions have always had a major impact on the real estate market, and this is no exception. With rates expected to fall in 2024, we see a tangible warmth of opportunities on the horizon for real estate investors.

We're prepared for any scenario, but we're hopeful that the Fed's rate cuts will lead to a boost in demand and prices. This would be a boon for investors and would create a more favorable market for buyers as well.

We're excited to see what the coming months and years hold for the real estate market. With careful planning and execution, we believe that investors can capitalize on the opportunities that lie ahead.