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# Multifamily Housing Booms in South Florida Due to a 'Great Migration'

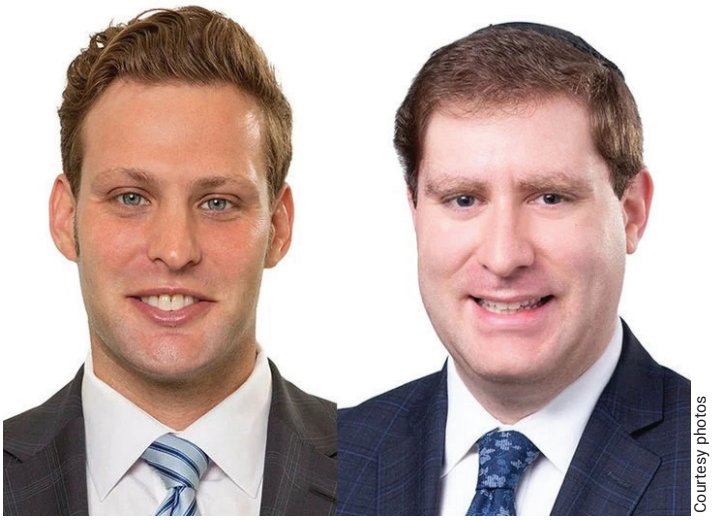
**By Gary Itskovich and Donny Schreiber**
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No longer is Florida exclusively a paradise for retirees occupying their days with golf, playing bridge and catching the early-bird dinner special. In recent years, Florida—specifically South Florida—has experienced one of the largest migration booms in U.S. history. And according to some reports, it's expected that the population of South Florida will continue to grow by roughly 18,000 people a year for each of the next five years.

Florida's handling of the COVID-19 pandemic, its no-state income tax policy, laissez-faire business policy, and of course, picturesque beaches, have many Americans stampeding toward South Florida. The database for the Florida Department of Highway Safety and Motor Vehicles indicates that New Yorkers top the list for the most out-of-state driver license changes.

These Northeastern newcomers are eager to capitalize on all that South Florida has to offer and this population surge has led to a rapid demand for housing in South Florida. True to Adam Smith's principle of supply and demand, the median single-family home price in South Florida rose roughly 17% year-over-year in 2022. As a result of higher-priced homes, coupled with soaring insurance and interest rates, many South Floridians cannot afford to buy homes, and are therefore forced into renting instead.

To help absorb many of the new-to-market renters, and those unable to afford a home, merchant apartment developers have been feverously working to keep up with demand and satisfy the appetite for both market-rate and affordable housing rental projects. Nelson Mullins has been fortunate to be at the forefront of the development frenzy, leveraging its vast experience counseling some of the most prominent and industry leading developers in South Florida.



Courtesy photos

**Gary Itskovich, left, and Donny Schreiber, right, of Nelson Mullins Riley & Scarborough.**

Andrea Rowe, senior managing director of development for South Florida at Mill Creek Residential, said, "We are bullish on the continued growth and maturation of the South Florida market. As more companies relocate here and bring well-paying jobs, the demand for housing is anticipated to increase at a faster pace than previous decades. With South Florida's limited land availability, more new multifamily housing development throughout the area is going to be necessary just to keep up with the population growth, even in submarkets that previously may not have been as attractive for new development."

In order to compete and entice high paying renters, we have observed the following trends in the South Florida market-rate asset class:

- **High–End Amenities:** Developers are providing highly amenitized, luxury Class-A projects geared toward attracting young professionals looking to enjoy the South Florida lifestyle and experiential living environments. To this end, developers are offering exceptional apartments with amenities like rooftop pools, private dog parks, state-of-the-art fitness centers, golf simulators, beach access and concierge services.
- **Mixed–Use Developments:** Another meaningful change to the multifamily real estate market is that developers are incorporating trendy restaurants, retail and commercial spaces into their developments, creating a "live-work-play" environment. These new mixed-use developments are especially desirable by renters coming from walkable cities in the Northeast that are looking for that "one-stop-shop" to meet their work and social needs, all within walking distance.
- **Micro–Units:** Renters today have different priorities than in the past. Developers haven taken note and they are creating smaller, more efficient units to appeal to younger renters who value location and amenities over space. This has been advantageous for developers and investors as well, who have been able to increase rental revenue with higher density and unit counts.

While the migration boom has certainly resulted in additional market-rate and luxury developments, it has simultaneously increased the demand for affordable housing in South Florida. The more affluent renters, typically younger professionals, have caused market-rate rental prices in Palm Beach, Broward and Miami-Dade counties to reach all-time highs. Escalating rents and high inflation have made it harder for South Floridians to pay the new increased average monthly rents, resulting in a spike of affordable housing developments in the southern portion of the state.

Florida's Legislature has responded to the unprecedented affordable housing demand. On March 29, Gov. Ron DeSantis signed Senate Bill 102; otherwise known as the "Live Local Act" into law, representing the largest investment for housing efforts in Florida history. The bill provides $711 million into affordable housing programs and tax incentives to developers constructing affordable and workforce housing in Florida. The new law will have a significant impact on the approval and development of affordable housing projects, as well as market-rate developments that have an affordable housing component.

Sydne Garchik, founder and president of MRK Partners, a California real estate investment and asset management company specializing in affordable housing, states, "COVID-19 sent many running to South Florida seeking economic refuge and less stringent COVID-19 protocols, and though that caused some of the South Florida economy to thrive where many other states suffered, it profoundly impacted the affordable housing availability as market-rate rents skyrocketed and areas of affordable housing were transformed into areas where our lower income residents could no longer afford to call home. We see such a huge demand for affordable housing in South Florida that we have opened an office with the hopes of continuing to expand our existing presence, and provide housing to those that most need it."

The migration boom has caused developers and real estate investors to pivot to meet the robust population growth and demands as South Florida transforms from a predominantly retiree and tourism-based landscape into a diverse economy with a workforce capable of paying rental rates on par with other major markets. It will be interesting to see how developers navigate the current market headwinds with the cost of debt being double compared to twelve months ago, apprehensive equity and rising insurance premiums. That said, there's no doubt that the South Florida real estate market will continue to evolve and adapt over the coming years.

**Gary Itskovich***, a partner at Nelson Mullins Riley & Scarborough, represents both regional and national clients in real estate transactions involving the acquisition, disposition, financing and development of an array of different asset types that include market-rate apartments, affordable housing communities, office buildings, mixed-use projects and retail shopping centers.*

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