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Miami Moves Up in National Apartment Rent Rankings

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What do Miami, Chicago and Seattle have in common?

The three cities were the least expensive among the top 10 priciest rental markets in the U.S. last month.

But Miami jumped ahead of Chicago in March to become the eighth most expensive metropolitan area for renters, according to Zumper, a San Francisco-based online rental platform.

Renters paid an average of $1,900 for a one-bedroom apartment in Miami, an 8.6 percent jump in the year. Two-bedroom units cost an average of $2,640 per month.

"I've been looking at Miami for a while," said Devin O'Brien, head of marketing at Zumper, which analyzes data from over 1 million active listings across the U.S. "It's slowly creeping up the rankings."

Compared to San Francisco, where one bedroom costs on average $3,590 per month, and New York, where the corresponding rent hit $3,340, Miami is still relatively cheaper "given how desirable a place it is to live," O'Brien said.

Miami is rubbing elbows with major metropolitan areas close to Los Angeles, where one-bedroom units cost just $70 more per month.

Its neighboring markets aren't far behind.

Average rental rates in Fort Lauderdale and West Palm Beach pushed above the $1,000 threshold last year, Cushman & Wakefield reported.

Palm Beach County led the region with a 9 percent annual gain, with cities like Boca Raton registering double-digit growth. Rents in the county hit an average of $1,437 in 2015, with Broward County close behind.

Broward renters paid an average of $1,427 per month last year, an 8.5 percent gain over 2014. Rents in the eastern portion of county from Plantation to Miramar were far more than $1,500 per month, according to the commercial real estate firm.

But a one-bedroom unit in Broward cost about $1,235 per month in March, nearly $700 less than in Miami, according to data gathered by the Greater Fort Lauderdale Realtors association. A two-bedroom unit cost an average of $1,721 last month, nearly $1,000 less than in Miami.

The pricing push is attributed to escalating demand, which is quickly outpacing supply for South Florida rentals.

Vacancy rates in each of the three markets dropped below 5 percent last year, and the tightest market was Miami-Dade County at 2.4 percent. Hialeah in particular fell below 2 percent.

While this is good news for investors, there's some good news for South Florida renters: The days of 8-percent rental jumps are over.

"We've been seeing 5 to 8 percent rental growth — I think that rental growth is going to slow," said Anthony M. Graziano with Integra Realty Resources. About 1,100 to 1,400 units will be delivered in or near downtown Miami area by the end of this year, with more rentals hitting the market in 2017, said Graziano, senior managing director at the real estate research firm's South Florida offices.

He said the 10,000 units in the pipeline will drive average rents upward because developers are building top-tier properties. But the influx of fancy rental towers will put downward pressure on older properties, which had been growing at a 5 to 6 percent annual rate.

"Rent growth in the 'B' product is likely to slow first," he said, defining Class B product as 10- to 25-year-old properties.

The massive supply proposed or under construction also will put pressure on landlords to retain existing tenants, giving renters additional leverage to negotiate better terms on lease renewals.

Rents are peaking beyond Miami's high-rises.

In Palm Beach, rental rates will begin to crest as "consumers reach the height of what they are able to afford," the Cushman & Wakefield report said. A 5 percent gain is expected this year in both Palm Beach and Broward counties.