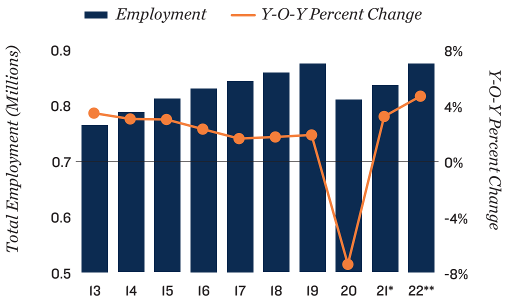
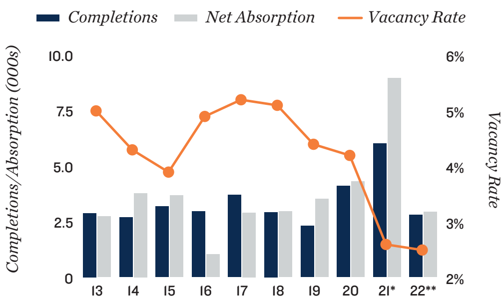
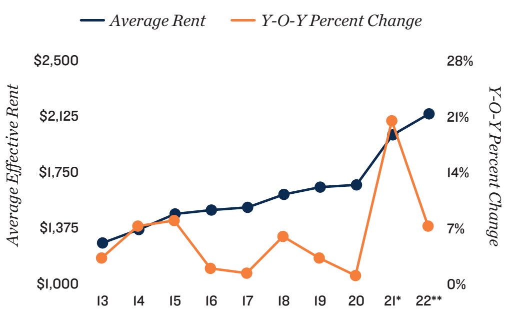
Employment Trends



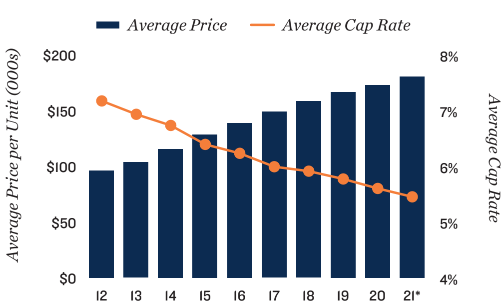
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Pandemic-Induced Relocation Sparks Leasing Boom; International and Institutional Investors Take Notice

Climate and COVID-19 considerations fuel in-migration. Fort Lauderdale has been a beneficiary of remote work policies adopted in other markets, leading rental demand to escalate during the pandemic period. In addition to retirees, the metro has attracted younger workers looking for a warmer climate and relaxed COVID-19 policies. Surging home prices are prompting more of these individuals to consider the advantages of multifamily living, bolstering rental needs and fostering an absorption surge last year. A similar rate of household formation is expected in 2022 that will coincide with a moderation in construction activity. Developers are following renter demand as the majority of units added will open in Fort Lauderdale proper and Hollywood, the two submarkets with the strongest absorption tallies entering this year. Minimal construction is slated to open in Pembroke Pines-Miramar in 2022 despite sub-2 percent vacancy and relatively high net absorption, pushing rents higher.

Rent growth increases investor appetite for luxury units. After a brief slowdown in investment activity at the onset of the health crisis, transaction activity has ramped back up. Class A properties were trading more frequently in the metro during the months leading into this year as more than three times the number of Class A assets changed hands last year than in either 2019 or 2020. Out-of-state and international investors spurred the recent increase, targeting Central Fort Lauderdale most often, with entry costs on these exchanges roughly $100,000 per unit higher than the average sales price. Investors seeking lower entry costs in the market have targeted Class B/C buildings with sub-3 percent vacancy most often. The Hollywood-Dania Beach submarket is the most targeted locale for such exchanges, especially the Parkside neighborhood, with cap rates ranging from 50 to 100 basis points above the metro average. Oakland Park is another target for these investors; however, first-year yields are about 100 basis points lower here.

2022 Market Forecast

NMI Rank 3 — A strong rent growth trajectory amid fast in-migration and low availability boost Fort Lauderdale in the NMI.

Employment up 4.7% — Employment gains put the labor market almost even with the pre-pandemic peak, as 39,000 roles are added this year.

Construction 2,800 units — Construction tempers following the two largest development years in metro history. Building activity here is slowing down more than in West Palm Beach or Miami.

Vacancy down 10 bps — Net absorption will surpass completions for the fifth straight year. This will lead to yet another decline in the metrowide vacancy rate to 2.5 percent.

Rent up 7.1% — The average effective rent reaches $2,129 per month, building on last year's 20 percent spike. This is the largest percent increase amongst South Florida's three major markets.

Investment — Notably, entry costs remain lower here than in Miami despite monthly rents that are growing more rapidly through 2022. Both measures are higher in West Palm Beach.