

MULTIFAMILY

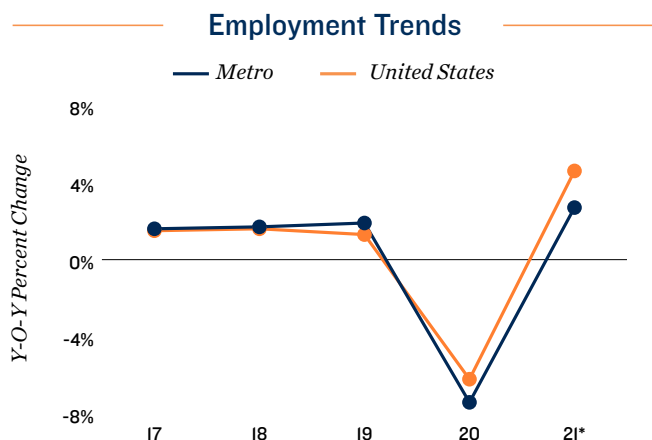
Fort Lauderdale Metro Area

3Q/21

Demand for Broward County Apartments Outpaces Rebound in Economy; Buyers Active in Lower Tiers

Apartment performance ahead of growth. Broward County, like all of South Florida, was slower to reopen relative to the rest of the state, which hamstrung many traditional measures of economic performance. Although employment growth is trending behind national gains this year, multifamily fundamentals are stronger due to demographic tailwinds. Florida, including Broward County, was a popular destination for those who wished to vacate densely populated Northeast cities during shutdowns. While it appeared that many dispersed workers would potentially be recalled to out-of-market offices in the coming months, the emergence of the delta variant will likely delay those plans. As a result, remote workers will continue to prop up apartment operations through the end of the year and possibly into 2022.

Elevated construction poses little threat. Supply additions could impact operators' decision making in some localized areas, but most submarkets face limited new competition. An exception is the Fort Lauderdale submarket, where 40 percent of the units slated for this year will open. New properties arriving and entering lease-up could encourage apartment managers to take a proactive stance. The submarket already has the highest vacancy rate in the market, and the density of the area will make attracting tenants challenging while the delta variant is prevalent. The only other submarkets with considerable construction pipelines are Pembroke Pines/Miramar and Plantation/Davie/Weston.



* Forecast
Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2021 Outlook



22,000 JOBS
will be created

EMPLOYMENT:

Broward County employers will expand headcounts by 2.7 percent this year, bringing payrolls to within 43,800 positions of the pre-pandemic level. The market shed 139,300 jobs during the first two months of shutdowns before resuming growth.



6,000 UNITS
will be completed

CONSTRUCTION:

Developers will increase inventory by 3.1 percent during 2021. The 6,000 market rate units anticipated to be delivered in the county this year are nearly double the five-year average of 3,230 doors.



100 BASIS POINT
decrease in vacancy

VACANCY:

Availability falls to 3.2 percent by year-end as population growth remains strong in the area. As many as five of the county's submarkets could end the year with vacancy below 3 percent as demand improves.

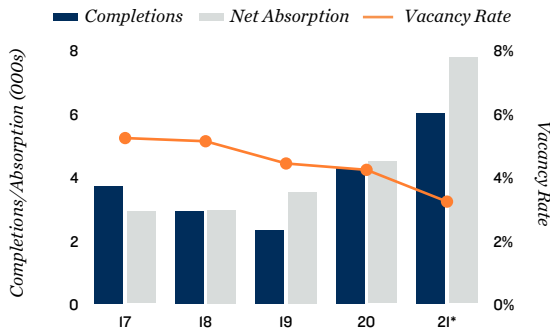


9.2% INCREASE
in effective rent

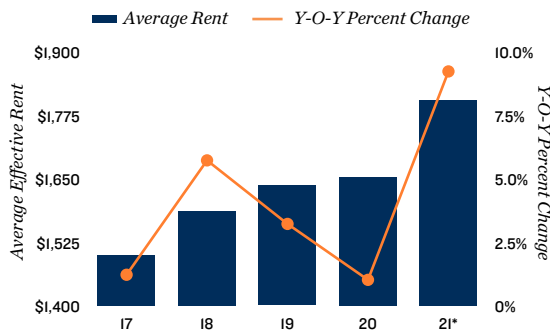
RENT:

By year-end, the average effective rent is projected to climb to \$1,804 per month. Last year, the average monthly obligation rose just 1.0 percent due to losses during the initial stages of the pandemic. The gain since the recessionary trough is 10.7 percent.

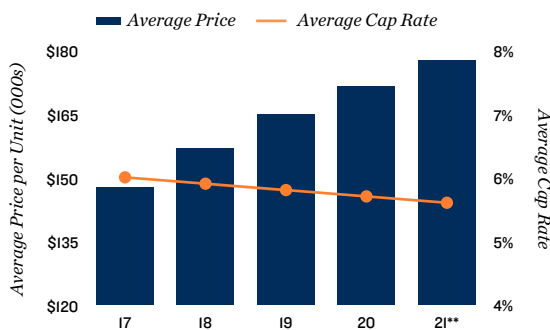
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

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2Q21 – 12-Month Period

CONSTRUCTION

5,343 units completed

- The pace of construction more than doubled in the yearlong period ending in June relative to the prior four quarters. Inventory climbed by an annual rate of 2.8 percent.
- At more than 2,500 units underway, the Fort Lauderdale submarket has the largest development pipeline in the metro area.

VACANCY

120 basis point decrease in vacancy Y-O-Y

- New leases outpaced elevated supply growth, resulting in a decrease in the vacancy rate to 3.4 percent at midyear. In the second quarter alone, availability declined 100 basis points.
- Much of the improvement in vacancy that came during the spring period occurred in Class A buildings, where the rate fell 180 basis points.

RENT

10.2% increase in the average effective rent Y-O-Y

- In the second quarter the average effective rent reached \$1,796 per month, the highest level on record. Suburban rent advanced 9.0 percent annually to \$1,724 per month.
- Top-tier effective rent jumped 10.2 percent in the yearlong period ending in the second quarter, while the Class B rate rose 9.9 percent.

Investment Highlights

- Broward County investors participated in 18 percent more transactions year over year. Buyers acted in a bifurcated manner as the Class C sector climbed approximately 30 percent and Class A deals increased as institutional capital moved into the market. Investors were less interested in mid-tier assets last year.
- The average price continued to grow during the 12-month period ending in June as strong demand persisted. At \$177,600 per unit, the mean price is the highest on record and up 6 percent year over year. Valuations climbed significantly in core Fort Lauderdale as the number of top-tier property trades increased.
- Year over year through June, the average cap rate declined 20 basis points to 5.6 percent, the lowest rate in the past two decades. Thus far in 2021, first-year returns have compressed a further 10 basis points. A sharp decline in the mean age of both Class A and Class B properties that changed hands contributed to cap rate compression, while the Class C average age held steady.