

MULTIFAMILY

Fort Lauderdale Metro Area

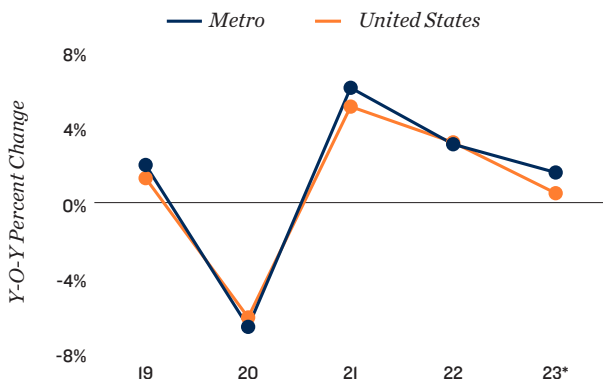
2Q/23

Development Activity Soars to a Record High in Anticipation of Future Population Growth

Renter demand re-establishes momentum. Following the near record-low sub-2 percent vacancy rate that was achieved in early 2022, market conditions softened considerably in Fort Lauderdale as headwinds, like widespread inflation and economic uncertainty, moderated household formation. Vacancy rose by 300 basis points through the end of last year. However, the rate remained relatively steady during the opening quarter of 2023, suggesting apartment demand may be improving in Broward County. Net absorption returned to positive territory during that three-month span, and the annual total for 2023 is expected to reach the second-highest level on record. Still, availability will continue to inch up in the near-term as supply additions during 2023 are projected to outpace the previous all-time annual record by nearly 3,000 units.

Economic growth spurs optimism in the apartment sector. Broward County's economy has experienced significant growth since mid-2020, with total employment roughly 27,500 positions above the pre-pandemic peak as of this March. Local officials expect this momentum to continue, as the Fort Lauderdale Downtown Development Authority 2030 outlook projects an addition of 600,000 square feet of retail space, 1.1 million square feet of office space and 1,000 hotel rooms within the next five to 10 years. These infrastructural improvements will provide the metro with sufficient inventory to continue driving local economic growth, which, in turn, should generate a boost to local renter demand over the medium- to long-term.

Employment Trends



* Forecast

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

Multifamily 2023 Outlook



14,000

JOBS

will be created

EMPLOYMENT:

Job growth amounts to roughly half of last year's gain, as firms increase headcounts by 1.6 percent in 2023. More than 40 percent of all roles added this year are expected to be in traditionally office-using positions.



7,000

UNITS

will be completed

CONSTRUCTION:

Supply additions will reach a 20-year high in 2023 as developers expand local apartment stock by 3.5 percent. Deliveries this year are concentrated in the city of Fort Lauderdale, Hollywood and Plantation.



40

BASIS POINT

increase in vacancy

VACANCY:

A historic development pace will place upward pressure on availability. However, the rate of increase will be much less severe than the 300-basis-point jump recorded in 2022. By year-end, vacancy will reach 5.3 percent.



5.8%

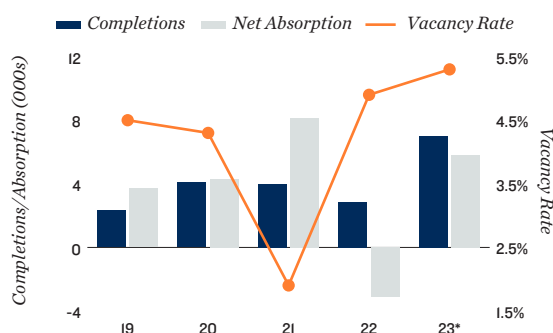
INCREASE

in effective rent

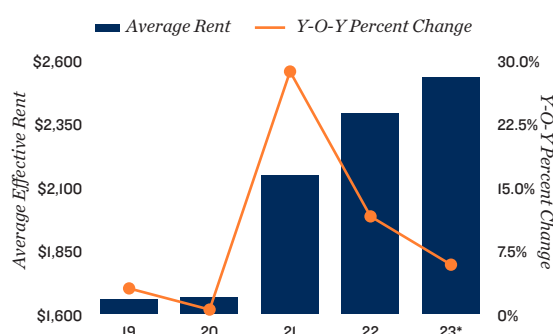
RENT:

Despite elevated competition from new supply and rising vacancy, Fort Lauderdale records the second-highest rent growth rate among major U.S. markets in 2023. The average effective rate will climb to \$2,529 per month by the end of this year.

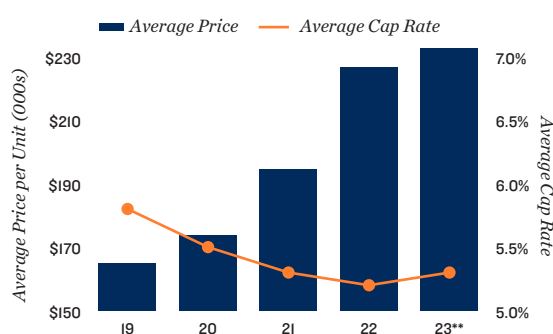
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

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

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1Q 2023 - 12-Month Period



CONSTRUCTION

2,747 units completed

- Developers increased local apartment stock by 1.4 percent over the trailing 12-month period ending in March, with completions concentrated in the city of Fort Lauderdale and Hollywood submarkets.
- As of April, there were over 15,000 multifamily units under construction with delivery dates extending into 2025.



VACANCY

300 basis point increase in vacancy Y-O-Y

- A net relinquishment of more than 3,000 units during the previous 12 months ending in March resulted in metrowide vacancy rising to 4.9 percent, the highest measure since early 2019.
- Availability was tightest in Pompano Beach-Deerfield Beach entering the second quarter, with a local rate of 3.2 percent..



RENT

7.0% increase in the average effective rent Y-O-Y

- The average asking rate rose over the past four quarters to \$2,411 per month ending in March; however, this rate of increase was much slower than the 31.4 percent gain registered during the previous yearlong span.
- Hollywood and Sunrise-Lauderhill led all locations in rent growth during this span, recording gains of 10.9 percent and 9.8 percent, respectively.

Investment Highlights

- Investor interest in Fort Lauderdale ascended, following the onset of the pandemic, as the metro has been among the national leaders in rent growth since 2020. Deal flow reached the third-highest annual total on record in 2022 amid an increasingly challenged lending environment, indicating investors are bullish on the market's growth prospects moving forward. While elevated interest rates may slow trading activity in the near-term, buyers seeking to enter the Southeast Florida apartment market may be steered toward Broward County, as local entry costs are nearly \$10,000 per unit below West Palm Beach and Miami-Dade on average.
- The presence of high-density neighborhoods and strong rent growth continues to drive investment activity in Central Fort Lauderdale and Hollywood. Assets in the 5- to 25-unit range are frequently targeted here, with first-year returns that average in the low- to mid-5 percent band.
- Assets in relatively lower-cost areas like Sunrise-Lauderhill and Pompano Beach-Deerfield Beach have also experienced robust rent growth, which elevated local investor interest. Buyers may place an emphasis on properties in these locales as they face minimal competition from new supply, and recorded vacancy rates below the metro average entering April.