

MULTIFAMILY

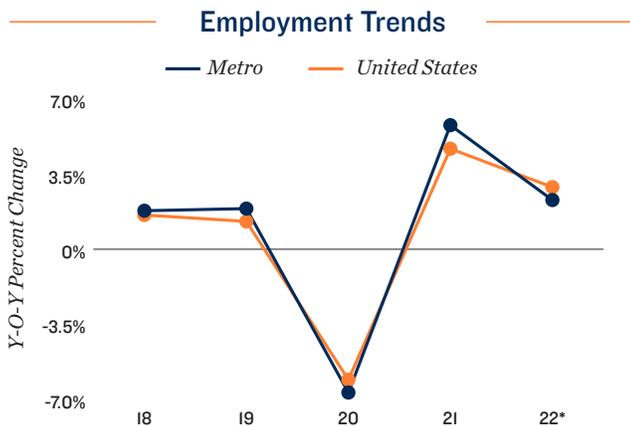
Fort Lauderdale Metro Area

3Q/22

Broward County Leads the Nation in Rent Growth; Apartment Demand Bolstered by Migration Trends

Availability ticks up from 16-year low. More than 24,000 new households have been formed in Fort Lauderdale since the onset of the health crisis. These strong demographic tailwinds helped lift net absorption in the rental sector to unprecedented levels in 2020 and 2021, resulting in vacancy falling under 2 percent at the start of this year. Extremely tight conditions prompted the fastest pace of rent growth nationwide, with the average effective rate rising nearly 30 percent in the trailing 12-month period ending in June. However, this gain and a period of widespread inflation has slowed renter demand in recent months, resulting in a 120-basis-point increase in unit availability during the second quarter. Despite the recent up-tick, vacancy in Broward County still remains 140 basis points below the pre-pandemic level. Additionally, slowing supply additions over the second half will help limit additional upward movement for the remainder of the year.

Fort Lauderdale's apartment sector well positioned. Broward County's location in the heart of South Florida will continue to attract relocating and expanding firms for the foreseeable future. As the metro's economy continues to grow, robust household formation will likely persist, benefiting demand for apartments in the long term. Additionally, land constraints limit single-family development levels in the region, which creates a high barrier to entry for home buyers. This is reflected in the metro's homeownership rate, which is nearly 10 percent below the national average.



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

Multifamily 2022 Outlook



19,500

JOBS

will be created

EMPLOYMENT:

Total headcounts surpassed the pre-pandemic peak during the first half of 2022, and will increase by 2.3 percent by year-end. The unemployment rate in Fort Lauderdale was at 2.7 percent in July, the lowest rate among major Florida markets.



3,500

UNITS

will be completed

CONSTRUCTION:

At least 3,000 units are finalized for a third consecutive year in Broward County, as developers expand rental inventory by 1.8 percent. The bulk of second half deliveries are concentrated in the cities of Fort Lauderdale and Hollywood.



160

BASIS POINT

increase in vacancy

VACANCY:

Availability will elevate for the first time in five years, as inflationary pressures slow household creation. Even with this increase, the rate will remain more than 100 basis points below the metro's long-term average.



19.9%

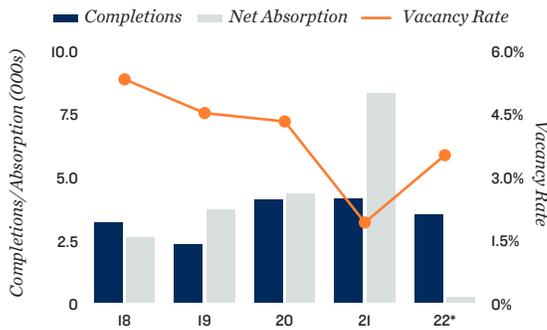
INCREASE

in effective rent

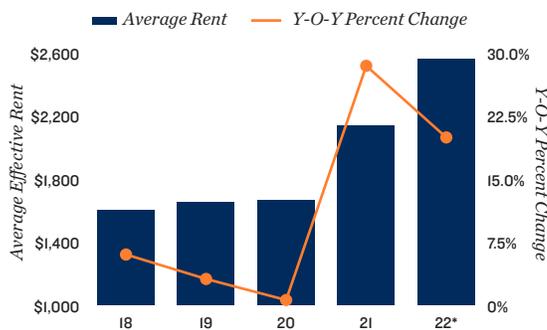
RENT:

Following last year's 28.4 percent surge, rents continue to climb at an unprecedented pace. Broward County's average effective rent will rise to \$2,560 per month this year, with a growth rate that outpaces all other major U.S. markets.

Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

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The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

2Q 2022 - 12-Month Period

CONSTRUCTION

3,922 units completed

- Builders completed roughly 1,200 fewer units over the past four quarters ending in June relative to the previous yearlong period, increasing apartment inventory by 1.8 percent.
- The bulk of deliveries during this span were located in the Fort Lauderdale, Pembroke Pines-Miramar and Plantation-Davie-Weston submarkets.

VACANCY

40 basis point decrease in vacancy Y-O-Y

- Renters absorbed more than 4,200 units on a net basis during the trailing 12-month period ending in June, lowering availability to 3.1 percent.
- Local vacancy rates were the tightest in Hollywood, Sunrise-Lauderhill and Pompano Beach-Deerfield Beach — the submarkets with the lowest effective rents on average in the metro.

RENT

29.4% increase in the average effective rent Y-O-Y

- All eight of Fort Lauderdale's submarkets recorded rent gains exceeding 25 percent over the past year ending in June, lifting the metro's average effective rate to \$2,345 per month.
- Rent growth in Class A and B properties eclipsed the 30 percent threshold. Meanwhile, Class C apartments registered a growth rate of 19.5 percent.

Investment Highlights

- Fort Lauderdale has been a hotbed for multifamily investment, driven by rent growth that leads all major markets in the nation. Transaction velocity improved by nearly 60 percent over the past year ending in June, reaching a new record high. Increased competition for available listings lifted the average sale price 19 percent to \$219,000 per unit during this span. Even with this sharp increase, entry costs here are still 6 percent lower than any other South Florida market on average.
- Investors looking to maximize their upside potential are finding opportunities in Hollywood, Dania Beach, Miramar and Weston-Davie. Smaller assets under 50 units in the \$1 million to \$10 million price tranche frequently change hands here, with first-year returns that average in the high-5 percent range.
- Robust development in Central Fort Lauderdale and Pembroke Pines-West Miramar has given investors access to a wider range of institutional-grade product. Pricing for luxury assets in these locales are above \$460,000 per unit on average, with yields that often fall into the low-3 percent range. Investors may be able to find more of these opportunities in Hollywood in the coming quarters, as the local construction pace rises.