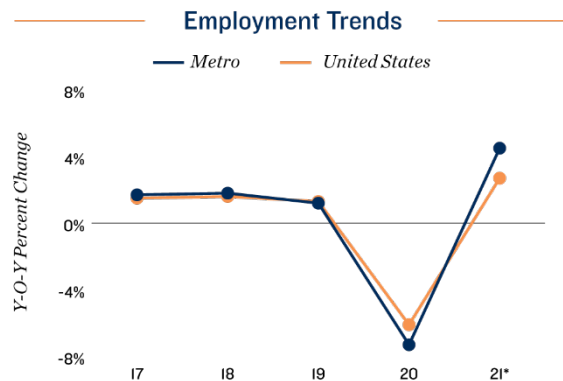


FORT LAUDERDALE METRO AREA

Robust Demand to be Tested by New Rentals As Homeownership Trends Counteract Momentum

Pandemic impact to jobs dragging on. The number of employed personnel in Fort Lauderdale shrank by 8.9 percent over the first half of 2020, slightly better than the 9.3 percent national decrease. However, the recovery has been comparatively sluggish in the metro. During the second half of 2020, the U.S. worker headcount expanded by 3.4 percent, yet the market advanced at roughly half that pace. The professional and business services sector was particularly slow to add jobs back. Florida's reopening alongside the vaccine rollout should help bolster momentum as shops replenish staff once more tourists and local consumers are out of their homes and spending. Nevertheless, a recalibrating economy presents challenges in 2021 with a historically large pipeline set to deliver.

Barrier to homeownership not as steep. Time spent in quarantine and the adoption of remote activities led some to reevaluate their living conditions. Many prioritized space, leading to a wave of homebuying. This could continue to siphon demand in Fort Lauderdale for a variety of reasons. Despite the almost 13 percent jump last year, the median home price in the metro held well below other Southeast Florida markets at \$388,400. Demographics could also play a factor, as much of the recent population growth has been from a more aged subset that is likely to have the savings to purchase a home. Over the past three years, the 20- to 34-year-old population cohort expanded by only 0.3 percent, compared with a 7.3 percent increase in age 55-plus residents.



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

Multifamily 2021 Outlook

36,000
JOBS
will be created



Employment:

The metro employment base is expected to grow by a robust 4.5 percent in 2021; however, it will likely take beyond this year to recuperate all of the payrolls lost. The market logged a net reduction of 63,000 positions in 2020.

5,600
UNITS
will be completed



Construction:

Apartments continue to finalize at a swift pace this year as tight vacancy has encouraged greater development. The 2021 pipeline will expand market inventory by nearly 2.9 percent, the heaviest annual stock increase in over two decades.

70
BASIS POINT
increase in vacancy



Vacancy:

Demand will struggle to keep pace with additions, despite solid in-migration and economic recovery tailwinds. Supply-side pressure will push up the vacancy rate near 4.9 percent, which is closer to the level of availability that was recorded in 2018.

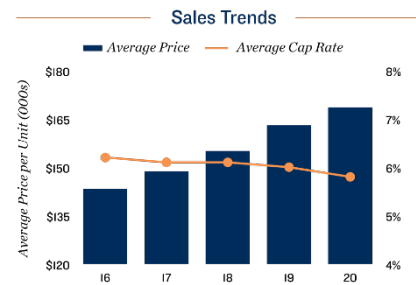
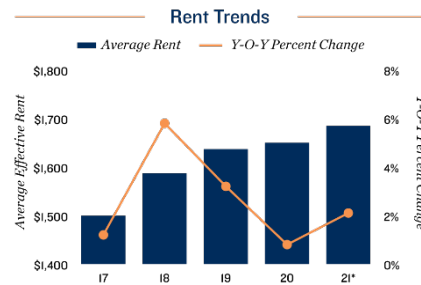
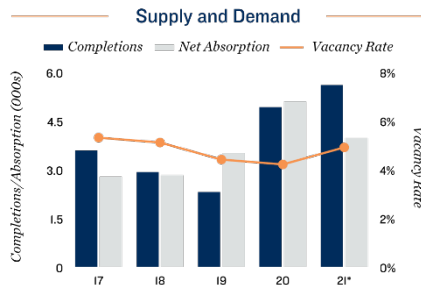
2.1%
INCREASE
in effective rent



Rents:

The combination of newly built complexes entering lease-up and sturdy demand for higher-tier rentals will drive marketwide rent growth. In 2021, the average effective rent will jump to \$1,685 per month, potentially exceeding nearby Miami-Dade.

FORT LAUDERDALE METRO AREA



* Forecast

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

2020

Construction



4,919 units completed

- Delivery volume in 2020 more than doubled the previous yearlong period, expanding the metro stock by 2.6 percent.
- The city of Fort Lauderdale added roughly 3,110 units last year, which was the largest annual addition to the municipality in at least 20 years. No other submarket gained more than 700 rentals.

Vacancy



20 basis point decrease in vacancy Y-O-Y

- Net absorption exceeded 5,000 units, cutting the vacancy rate to 4.2 percent. This was the third consecutive annual rate decrease.
- The Class B tier posted the most notable contraction of 60 basis points last year. The Class A rate slid down 10 basis points; however, Class C vacancy rose by 40 basis points amid economic turbulence.

Rents



0.8% increase in the average effective rent Y-O-Y

- In 2020, the average effective rent reached \$1,650 per month. This was the eleventh straight year of positive growth, albeit last year's gain was the slowest over that stretch.
- Most submarkets recorded marginal rate movements, but the Pompano Beach-Deerfield area logged a solid 4.5 percent annual increase.

Investment Highlights

- The Fort Lauderdale investment landscape was a rarity in 2020, with total transactions rising year over year. Class B and C assets, particularly those priced in the \$1 million to \$10 million range, traded frequently both during the height of the lockdown and during the second half. Activity should remain healthy in 2021 as last year's strong performance garners the attention of more out-of-state buyers.
- Properties changed hands for \$168,500 per unit on average, representing a 3 percent annual jump. Compared with the other Southeast Florida metros, appreciation was relatively in line with West Palm Beach and stronger than in Miami-Dade. The average first-year return in Fort Lauderdale contracted by 20 basis points to 5.8 percent.
- East Coast and California buyers seeking higher initial returns than can be found in their home markets scoured Central Fort Lauderdale, specifically the Victoria Park and Coral Ridge locales. Regional investors favored the suburbs, where bidding competition may be less intense. Hollywood neighborhoods like Parkside and Royal Poinciana as well as north suburbs such as Oakland Park were popular targets.