

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

Fort Lauderdale Metro Area

2024

Favorable Job Growth Dynamics Temper Impact on Apartments from Other Challenges

Employment momentum bolsters multifamily demand. Amid a temperate climate, business-friendly tax environment and lower average asking office rent than adjacent Southeast Florida metros, local hiring is set to accelerate in 2024. This will stand in contrast to all other major Florida markets, and follows the metro's near record-high addition of traditionally office-using jobs recorded last year. As such, the metro will boast the second-fastest rate of job growth in the state, a boon for apartment demand, which allows Fort Lauderdale to hold the second-lowest multifamily vacancy rate among the same sample size by year-end. The metro, however, faces some long-term headwinds as elevated local living costs adjust renter preferences and migration trends. Fort Lauderdale's mean marketed rent has jumped nearly 50 percent since 2019, directing more residents to lower-cost units as Class C vacancy held below its historical average. Growth within the 20- to 34-year-old cohort is also decelerating, partially associated with higher living costs. This dynamic goes up against the metro's largest delivery slate on record in 2024.

Improved capital landscape helps return institutional investment. Transaction velocity picked up in the later months of 2023 amid eased aggressiveness on rate hikes by the Federal Reserve. A clearer financing outlook has helped institutional-level capital deployment return to pre-pandemic norms. Frequently completing deals in northwestern areas of the metro near Plantation-Sunrise and Coral Springs, firms acquiring assets here benefit from vacancies that stand below the market average despite notable supply-side pressure. Buyer-seller expectations are also coming back into alignment, which should facilitate trade moving forward. While near-term pricing corrections benefit buyers, owners are still able to capitalize on the more than 30 percent appreciation to Fort Lauderdale's average price per unit noted since the onset of the pandemic.

2024 MARKET FORECAST

+2.2%



EMPLOYMENT: The addition of 20,000 roles this year will allow Fort Lauderdale's pace of job growth to trail only Miami among major Florida metros.

6,500 units



CONSTRUCTION: Supply additions in 2024 exceed the previous record high observed last year by more than 1,800 units, increasing the metro's existing stock by 3.2 percent.

+30 bps



VACANCY: Record inventory expansion and tempered population growth relative to recent norms maintain upward vacancy movement in 2024. This allows the rate to reach 6.0 percent by year-end.

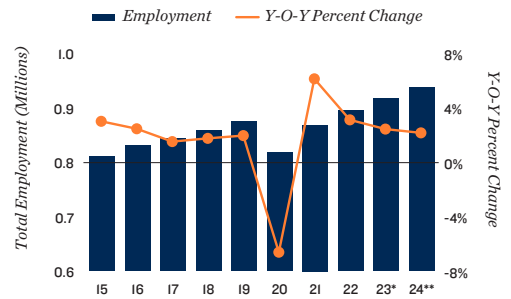
+2.0%



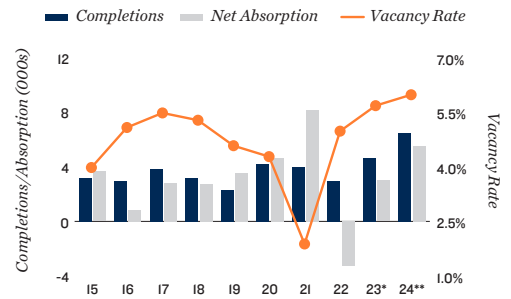
RENT: Higher availability results in this year's rent growth figure holding below the metro's long-term mean of 4.8 percent per annum. Still, Fort Lauderdale's average will inch up to \$2,515 per month.

INVESTMENT: A higher share of activity is accounted for by out-of-state buyers. Many of these properties have older vintages and above-market average vacancy rates, indicating investors are seeking value-add projects.

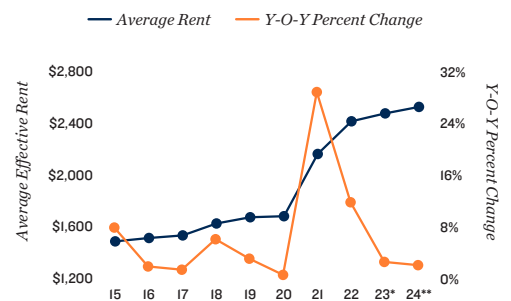
Employment Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

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

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. 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.