

MULTIFAMILY

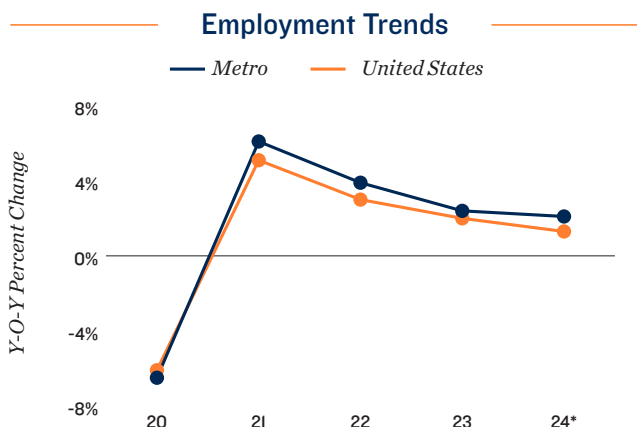
Fort Lauderdale Metro Area

2Q/24

Record Construction Schedule Disguises Robust Gain in Renter Demand to Begin the Year

Early signs point to rising rental activity. The local multifamily sector has gotten off to a strong start this year with more units absorbed on net in the first quarter than were delivered, the first time this has occurred since the end of 2021. Net absorption is on track to set a multi-decade record for a non-pandemic year. New renter demand is being aided by an above-national rate of job creation, bolstered by recent business expansions and relocations from firms like Global Wealth Management and Ryan Transportation. New professional opportunities in turn support net in-migration, which is projected to surpass the 2015-2019 period over the next half-decade. This may bring more 20- to 34-year-old residents to the market, a dynamic that is not shared across all of Southeast Florida. Favorable demand drivers will still be overshadowed in the short-run, however, by the largest construction slate in more than two decades.

Development largely aligned with demand. Completions are ramping up the most within the city of Fort Lauderdale and Hollywood, representing roughly half of this year's arrivals. Of the two locations, the city of Fort Lauderdale is in a stronger position to absorb the new stock more quickly, as the area was one of two submarkets to record annual rent growth in March. Rents also improved on average across Pompano Beach and Deerfield Beach, where supply growth is also picking up. Development, meanwhile, is slowing in Coral Springs, likely extending a recent vacancy drop here.



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

Multifamily 2024 Outlook



19,000

JOB
will be created

EMPLOYMENT:

While job growth slows to 2.1 percent, its lowest level since the 2020 shock, the number of positions created this year will just exceed the 2014-2019 average. During that span, a mean of 18,700 roles were added per year.



5,700

UNITS
will be completed

CONSTRUCTION:

Development activity will expand for the second straight year, as the metro's overall inventory grows by 2.8 percent in 2024. Before 2020, the most units completed in a year was just over 3,800 in 2017.



20

BASIS POINT
increase in vacancy

VACANCY:

Rising renter demand will nevertheless be outpaced by new supply again, raising vacancy to 6.1 percent by year-end. This shift nevertheless represents the smallest increase for a calendar year where vacancy is rising since 2017.



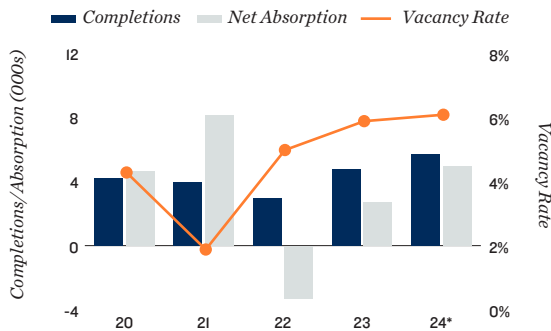
2.0%

INCREASE
in effective rent

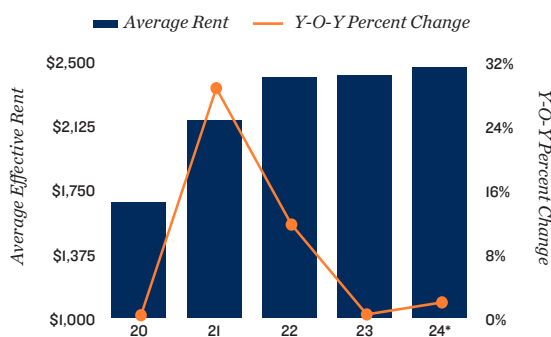
RENT:

One of the top 15 metros for job growth this year, new employment opportunities will support housing demand and help modestly improve rent growth. The market's mean rate will lift to \$2,464 per month in 2024.

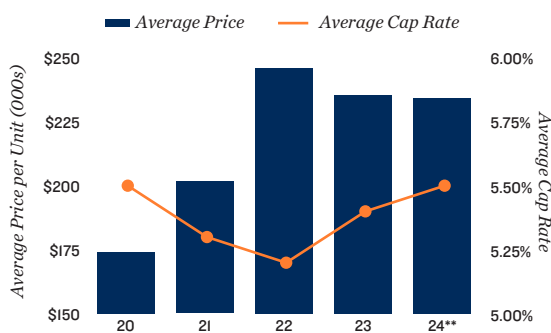
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

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

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IQ 2024 - 12-Month Period

CONSTRUCTION

5,209 units completed

- The metro's total apartment inventory grew by 2.6 percent year-over-year in March 2024, the fastest expansion since the same period in 2021.
- Sunrise-Lauderhill led submarkets in openings with over 1,200 units, representing 5.6 percent of local stock. More than 700 rentals arrived in the city of Fort Lauderdale, Hollywood and Plantation-Davie-Weston.

VACANCY

60 basis point increase in vacancy Y-O-Y

- Metrowide vacancy contracted quarter-over-quarter in March for the first time since December 2021, to a rate of 5.6 percent.
- Vacancy fell year-over-year within the city of Fort Lauderdale, as well as in the smaller submarkets of Plantation-Davie-Weston and Coral Springs. The rate is lowest in the latter area, at 4.5 percent.

RENT

0.5% increase in the average effective rent Y-O-Y

- The average effective rent inched forward over the past year, to \$2,437 per month in March. Above-average growth in the Class C tier is helping compensate for a lack of momentum among Class B rentals.
- Tightening vacancy within the city of Fort Lauderdale correlated with a 1.8 percent increase in the local mean rent over the past 12 months.

Investment Highlights

- While elevated interest rates and insurance costs are making it more challenging for trades to close, several areas of the market continue to see strong interest from buyers. These include Middle River Terrace and Lake Ridge, which have seen a step up in sales activity since the pandemic. Sub-15-unit buildings in higher-income residential settings relatively close to downtown have changed hands for under \$3 million per property.
- Multiple factors are steering investors toward lower price points, as the share of trades priced under \$5 million has climbed over the past three years. Investors with cash on hand, including from a 1031 exchange, can avoid some of the windstorm insurance requirements imposed by certain lenders. Even when working with a lender, elevated interest rates make obtaining a loan-to-value ratio above 65 percent challenging, favoring smaller-sized deals.
- Investors from out of state continue to explore opportunities in the market, especially those from the Northeast. While insurance costs have climbed rapidly here in recent years, Fort Lauderdale also offers stronger population growth and a lack of rent controls than in those other metros.