

## MULTIFAMILY

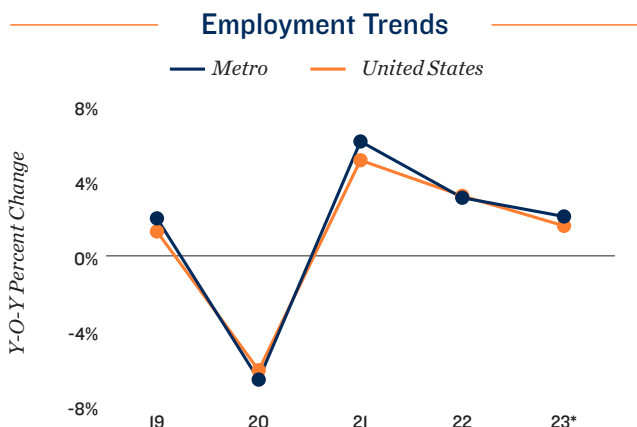
Fort Lauderdale Metro Area

# 3Q/23

### Historically Low Unemployment Helps Sustain Renter Demand in Broward County

**Net absorption returns to positive territory.** Boasting an unemployment rate of 2.5 percent in July, which was within 20 basis points of the metro's all-time low, Broward County's tight labor market has helped spur a rebound in renter demand. Net absorption eclipsed 2,000 units during the first half, an encouraging sign as this figure fell into the red last year for the first time since 2011. Proximity to beach front access, as well as premier dining and retail establishments, are spurring leasing activity in submarkets like Central Fort Lauderdale and Hollywood. Meanwhile, areas like Pompano Beach-Deerfield Beach are coveted by residents due to relatively lower rental rates. Despite this recent momentum, vacancy has continued to increase, reaching 5.1 percent in June. The rate is expected to remain elevated in the near-term, as the metro is currently undergoing a historic supply wave.

**Demographic trends support build levels.** The metro's sizable work force, relatively lower business costs, and international presence will continue to act as attractants for corporate relocations and in-migration. The local population is expected to rise by nearly 90,000 residents over the next five years. Anticipating a future rise in rental demand, developers have ramped up apartment construction. As of August, there were nearly 15,000 units under-way, accounting for 7.4 percent of existing inventory. Central Fort Lauderdale is slated to receive the bulk of near-term completions.



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

### Multifamily 2023 Outlook



18,500

JOB

will be created

#### EMPLOYMENT:

Although employment growth will moderate from last year's pace, the figure still closely aligns with historical norms. Local firms are expected to expand staff counts by roughly 2.1 percent during 2023.



5,800

UNITS

will be completed

#### CONSTRUCTION:

Deliveries outpace the previous record high by roughly 1,700 units, as local stock expands by 2.9 percent this year. Upward supply pressure will carry into 2024, with completions expected to accelerate even further.



40

BASIS POINT

increase in vacancy

#### VACANCY:

Record levels of apartment development result in rising vacancy, even with annual net absorption eclipsing 4,600 units. The vacancy rate will reach 5.4 percent by year-end, the highest level recorded since 2017.



3.6%

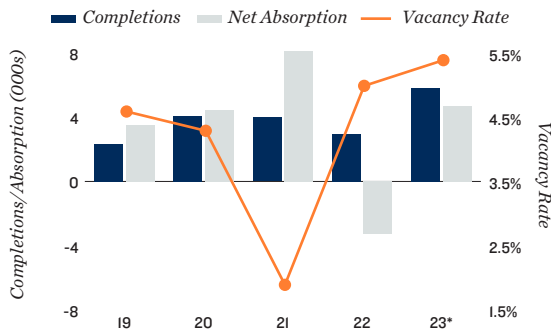
INCREASE

in effective rent

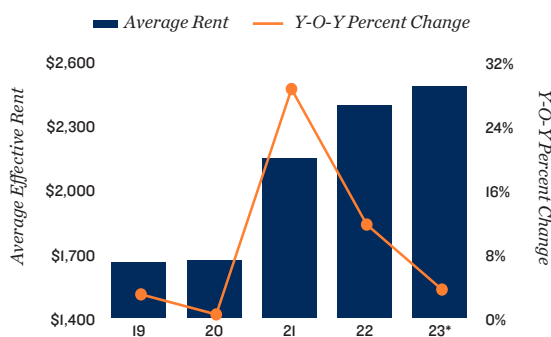
#### RENT:

Rent growth slows considerably in 2023, following two straight years of double-digit gains, as the figure falls 130 basis points below the long-term mean. Still, the average rent will reach \$2,480 per month by year-end.

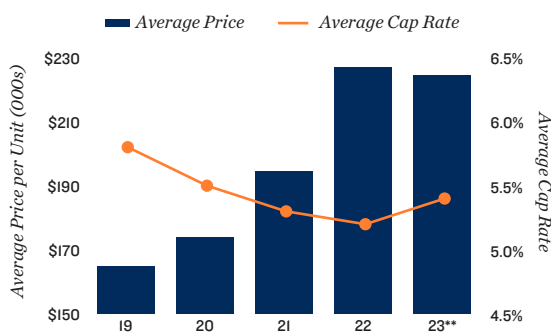
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

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

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## 2Q 2023 - 12-Month Period



### CONSTRUCTION

**3,225** units completed

- The metro's apartment inventory increased by 1.6 percent during the past four quarters ending in June, driven by deliveries in submarkets like Hollywood, Central Fort Lauderdale and Plantation-Davie-Weston.
- In contrast, deliveries were sparse in areas like Margate-Coconut Creek-North Lauderdale and Pompano Beach-Deerfield Beach.



### VACANCY

**200** basis point increase in vacancy Y-O-Y

- Vacancy in submarkets like Central Fort Lauderdale and Hollywood each rose by at least 270 basis points during the past year ending in June, lifting the metrowide rate to 5.1 percent.
- Pompano Beach-Deerfield Beach has maintained the market's lowest vacancy rate at 3.6 percent, due to the area's relative affordability.



### RENT

**3.8%** increase in the average effective rent Y-O-Y

- Annual rent growth during the trailing 12-month period ending in June fell to the lowest level since early 2021. Still, the metro's average effective rent ended the second quarter at \$2,450 per month.
- Class C apartments led all property tiers in rent gains during this span, posting an annual growth rate of 10.8 percent.

## Investment Highlights

- Although the pace of transactions has moderated from the historic levels observed in both 2021 and 2022, deal flow through the first half of this year still outpaced historical norms. While external factors like elevated interest rates, rising insurance costs and economic uncertainty pose a threat to trading activity in the near-term, the metro's robust future growth prospects will likely continue to drive investor interest to the area.
- During the past year ending in June, the mean sale price for local apartments increased by 6.6 percent to \$224,400 per unit, outpacing all other major Southeast Florida metros. Buyers looking to establish a presence in the region may consider Broward County as a viable option, as the metro offers relatively lower entry costs and cap rates that are 20 basis points higher than Miami-Dade and West Palm Beach on average.
- Investor interest in Central Fort Lauderdale remains strong, as proximity to Las Olas Boulevard, one of the region's premier shopping destinations, stokes renter demand. Assets in suburban areas like Sunrise-Lauderhill are also coveted, as the area has posted the strongest local rent gains over the past year, with yields averaging in the mid-5 percent range.