MARKET REPORT

Multifamily

Fort Lauderdale Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

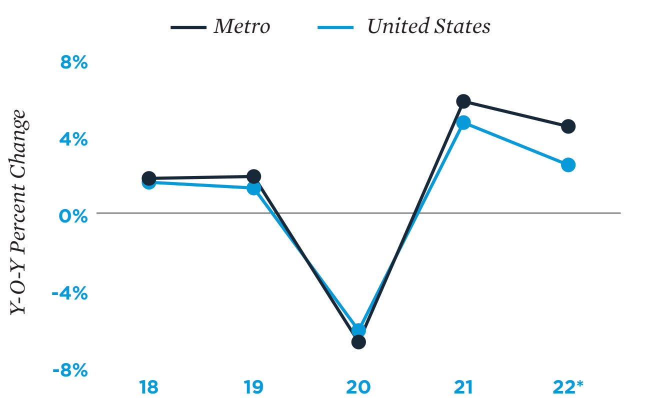
2Q/22

Low Availability and Robust Rent Growth Continue as More Residents Flock In

Steady demographic, employment gains keep vacancy tight. Swift employment resurgences in office-using sectors positioned the metro's Class A segment for substantial vacancy compression over the past 12 months, pushing rent growth in amenity-rich buildings ahead of Class B and Class C properties. Moving forward, extant gaps between current employment levels and pre-pandemic figures in the metro's service sectors indicate lower-tier assets are poised for some additional momentum, as businesses in these segments accelerate hiring in response to an increase in tourism. With just 1.6 percent of the metro's Class C stock available as of the end of last year, continued hospitality recovery could push vacancy in this tier to record tightness.

Migration-fueled demand climbs above supply additions. A slower development schedule is in store this year, and net in-migration is projected to reach over 15,000 residents in 2022, the largest annual total in six years. The majority of inventory marked for near-term delivery is in coastal submarkets, where last year's most acute availability contractions were observed. An inflow of new residents here will support availability well below norms established in previous cycles. Additionally, annual in-migration is projected to remain in the mid-10,000 range for the coming half decade, an expectation that may translate to a near-term increase in project proposals.

Employment Trends



* Forecast

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

Multifamily 2022 Outlook

39,000 JOBS *will be created*

EMPLOYMENT:

Fort Lauderdale is on track for a full job recovery in 2022 as Broward County's employment base surpasses 900,000 active positions. Expanding at a 4.5 percent clip, the metro ranks among the nation's fastest-growing labor markets.

3,000 UNITS *will be completed*

CONSTRUCTION:

Development lags the trailing five-year average by more than 600 units, despite robust population gains. Nearly two-thirds of the inventory set to come online this year will be located in or adjacent to the cities of Hollywood and Fort Lauderdale.

10 BASIS POINT *decrease in vacancy*

VACANCY:

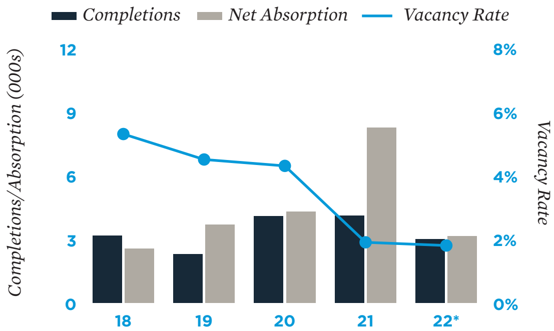
Following a 240-basis-point drop in 2021, vacancy tightens further, ending 2022 at 1.8 percent. This year's household formation stems from in-migration, supporting tight vacancy as new residents search for available units.

11.8% INCREASE *in effective rent*

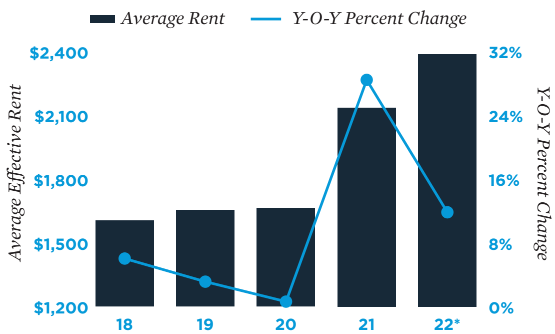
RENT:

As vacancy remains below 2 percent, the Fort Lauderdale metro will mark a second straight year of double-digit rent growth. The most substantial increases may be seen in urbanized zones targeted by the 20-to 34-year-old demographic.

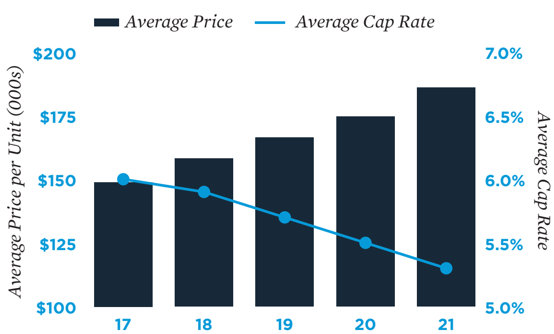
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

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

1Q 2022 - 12-Month Period

CONSTRUCTION

3,850 units completed

- Construction activity during the past 12 months ending in March trailed the total from the previous yearlong span by nearly 1,300 units, as some projects faced development headwinds.
- The epicenter of development shifted west as Pembroke Pines-Miramar and Plantation-Davie-Weston received a combined 1,800 doors.

VACANCY

250 basis point decrease in vacancy Y-O-Y

- Migration from Northeastern markets drove vacancy to post-2008 lows last year, with available units composing 1.7 percent of total stock.
- Fort Lauderdale proper and Hollywood each posted compressions above 350 basis points. Proximity to the coast and Miami-Dade County make these locales attractive to new residents.

RENT

30.8% increase in the average effective rent Y-O-Y

- Vacancy near previous lows pushed rents over the $2,000 benchmark, as the average effective rate hit $2,241 per month in March.
- Renters' preferences for urban units exacerbated the gap between rents here and in suburban zones. The average rent was nearly $500 greater in the CBD than in less dense areas at the end of March.

Investment Highlights

- One of the few metros to see sales velocity increase during the depths of the health crisis, buyers reacted to strong renter demand and constant upward rent trajectory with a surge of bidding activity in 2021. Deal flow during this span was up nearly 87 percent, compared to the previous calendar year, supported by notable increases in both luxury and Class B/C closings.
- Competitive bidding drove up average per-unit pricing to $186,000 last year, a 7 percent annual gain. This increase represents the largest price movement since 2017, and the most substantial among South Florida markets last year. Buyer enthusiasm has driven the average cap rate down to 5.3 percent, putting yields on par with neighboring Miami-Dade County.
- The metro has seen a noteworthy increase in the share of deals involving foreign capital during the pandemic. Moving forward, Broward County's lower per-unit prices should draw a greater amount of foreign investment from buyers priced out of the Miami market. These investors may target properties close to the Miami-Dade border or the Fort Lauderdale CBD.

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Price: $250