

MARKET REPORT

Multifamily
Fort Lauderdale Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

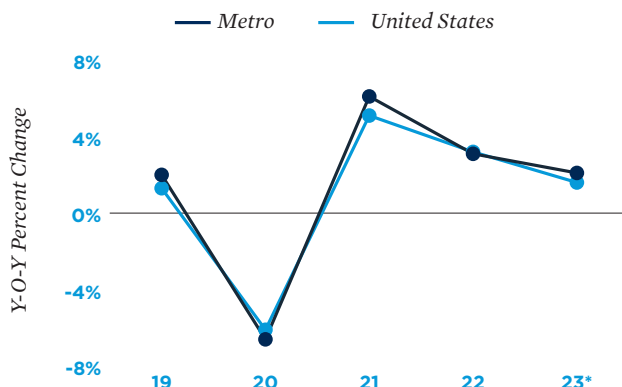
3Q/23

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 stimulate 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 including Pompano Beach-Deerfield Beach are coveted by residents due to relatively lower rental costs. Despite this recent momentum, vacancy has increased amid robust construction activity, reaching 5.1 percent in June. The rate is expected to remain elevated in the near-term, as the metro continues to undergo a historic supply wave.

Demographic trends support build levels. The metro's sizable workforce, relatively lower business costs, international presence and high quality of life will continue to attract corporate relocations and in-migration. Fort Lauderdale's population is expected to strengthen 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 underway, accounting for 7.4 percent of existing inventory. Central Fort Lauderdale is slated to receive the bulk of near-term completions.

Employment Trends



* Forecast

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

Multifamily 2023 Outlook



**18,500
JOBS**

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 in 2023. 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 both rising vacancy and annual net absorption eclipsing 4,600 units. The rate will reach 5.4 percent by year-end, marking the highest level recorded since 2017.



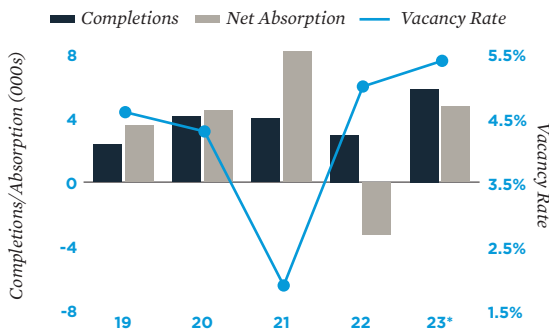
**3.6%
INCREASE**

in effective rent

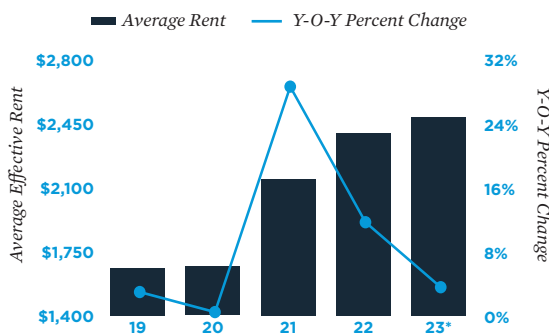
RENT:

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.

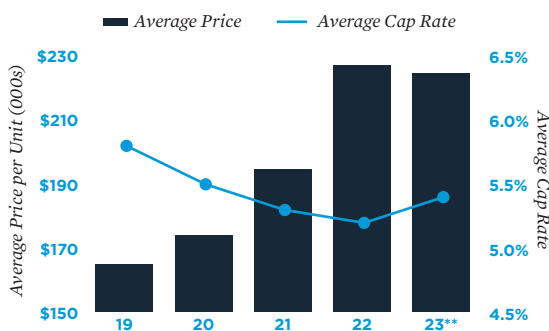
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

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Price: \$250

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 maintained the market's lowest vacancy rate at 3.6 percent in June, 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.
- Rent gains in Class A apartments were the lowest among property tiers during this span, posting an annual growth rate of 2.1 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 7 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.