

INVESTMENT FORECAST

Multifamily
Southeast Florida

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

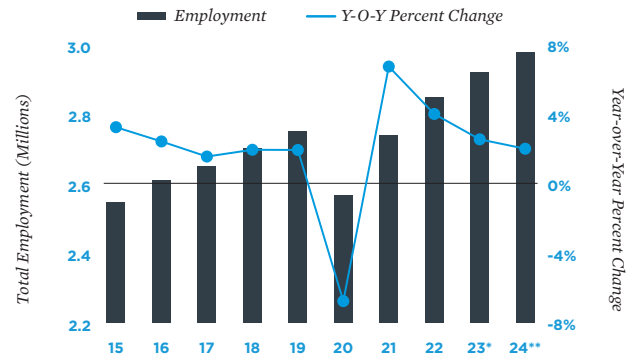
Homeownership Hurdles Stand Out Nationally, Driving Apartment Demand

Normalizing growth trends accompany record supply influx. West Palm Beach, Miami and Fort Lauderdale ranked first, second and fourth, respectively, among major U.S. markets in home price appreciation between 2019 and 2023. Combined with elevated mortgage rates, more new residents are funneling into the regional renter pool, while potential first-time homebuyers continue to lease apartments. Corporate relocations, amid Florida's favorable tax climate, are benefiting demand for Class A units, given a local household income growth rate that ranks among the largest in the country in 2024. As a result of these dynamics, net absorption in Southeast Florida is set to more than double 2023's total this year. Tempered overall migration trends due to the region's elevated affordability hurdles will, however, challenge this improved apartment demand in the near-term. Notable supply pressure is also a headwind as the region welcomes 5,400 more units this year than the previous all-time high. Completions in Miami will account for nearly half of this new stock, though Fort Lauderdale's inventory expands at a faster pace of 3.2 percent. In turn, the region's vacancy rate will remain above its 4.7 percent historical average.

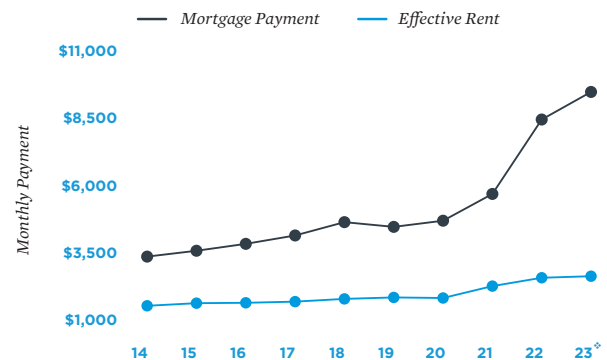
Insurance costs create opportunity for regional buyers.

The percentage of institutional-level trades in Southeast Florida accounted for by out-of-state buyers remained above pre-pandemic norms last year, despite elevated lending rates. This trend, however, may adjust in 2024 as commercial insurance in the region recently climbed at an unprecedented pace after the monetary impacts of notable natural disasters became more pronounced. Should this deter non-Florida based firms from pursuing properties this year, it could lead to more opportunities for in-state institutional investors to acquire listings initiated by distress, due to the rising operating costs. The region's substantial number of deliveries this year may also present opportunities for buyers looking to avoid construction risk. Developers evaluating their near-term holds given elevated insurance costs may begin to form exit strategies. In West Palm Beach, an ebbed average price per unit last year aided a more tame pullback in velocity among \$10 million-plus trades. This dynamic may emerge in the Miami and Fort Lauderdale areas moving forward, re-engaging more investors formerly on the sidelines.

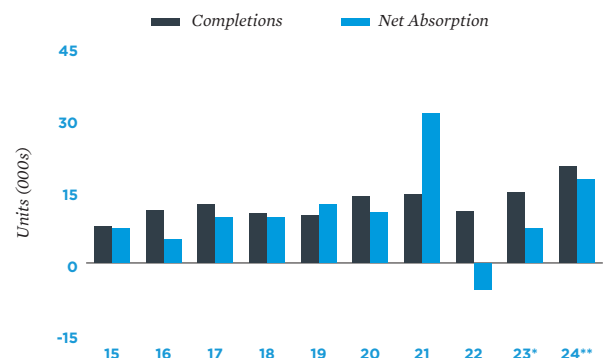
Employment Trends



Housing Affordability Gap



Supply and Demand



18.5%

2023 share of local population between 20 and 34 years old



30.0%

of local population hold bachelor's degree or higher*



\$1,214,500

2023 median home price*

* Estimate ** Forecast * Through 3Q

**2023: 25+ years old

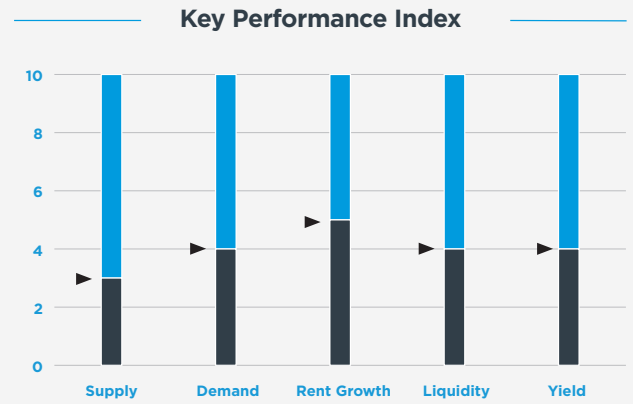
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

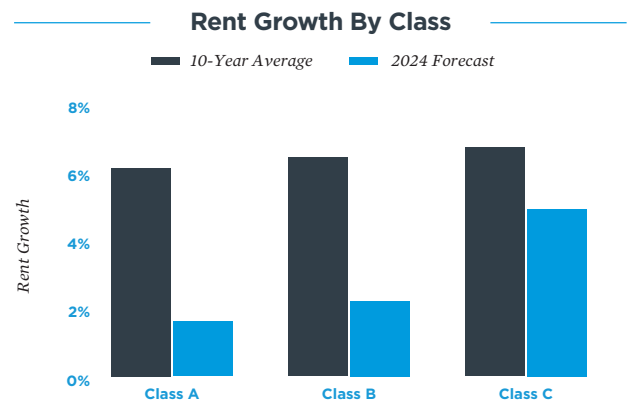
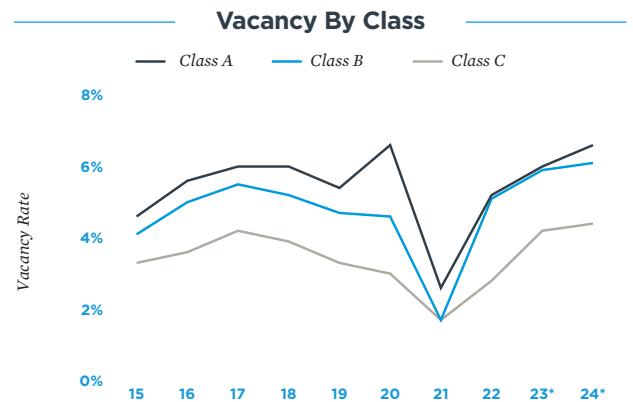
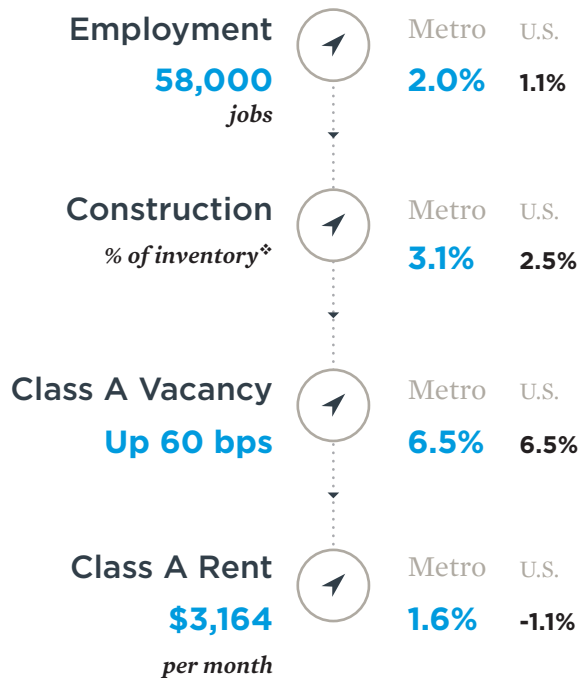
Among the three major metros that make up Southeast Florida, Miami's aggregate supply, demand and rent growth score of 13 is the highest of the bunch. Fort Lauderdale and West Palm Beach, meanwhile, total 11 spanning those three variables. The former has greater rent growth, and the latter has a stronger supply ranking.

Southeast Florida remains a compelling metro for institutions, although recent insurance cost hikes in light of natural disasters are impacting strategies. Yields are relatively uniform across the region, while Fort Lauderdale has slightly stronger liquidity this year.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST



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* Estimate ** Forecast
* Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics