

Multifamily Metro Outlook:

Fort Lauderdale - Q1 2021

Overview:

- Fort Lauderdale – Florida’s second largest apartment market – did not make the list of destination cities in South Florida during the pandemic, leading to the vacancy rate increasing more than 150 bps through 2020 as nearby metros cannibalized population growth and tourist dollars. However, the first quarter of 2021 marked an abrupt turnaround that resulted in the vacancy rate declining a full percentage point to land at 6.0% - on par with the rest of the nation.
- The strength of demand in the market also meant that landlords were less reliant on incentives to fill units, in turn the average concession fell to 4.6% from 6.4% last quarter and the average asking rent jumped 1.25% to about \$1,680 – which is roughly 1% higher than the levels seen during the first quarter of last year. This also allowed for a year-over-year increase in Class A property asking rents for the first time since Q2 2020 by roughly the same margin.
- These are not the only signals that seem to point to Fort Lauderdale’s recovery turning a corner. At 4.4%, the unemployment rate has been cut in half compared to 2020 and has finally dipped below the state-wide and national mark for the first-time since 2019; although it should be mentioned that low-wage hospitality jobs account for 70% of the jobs created since the end of Q3 2020.

Market Strengths:

- Fort Lauderdale has emerged as a hub for low-wage jobs in office support; nearly 11% of the area’s workforce is employed in administrative and maintenance services. Among metro areas or divisions with more than 1 million residents, only Memphis has a higher concentration of these jobs. Although wages in these industries lag the average by around 23.0%, it has also helped to create one of the highest workforce participation rates in the state.

Market Weaknesses:

- Since South Florida implemented some of the longest lockdowns due to the heightened spread of the virus, the economic recovery here is likely to be slow. Broward County does benefit, however, from a diverse workforce where no one industry accounts for more than 20% of jobs. This should help to insulate Fort Lauderdale from higher losses as a proportion of the workforce during downturns.
- The virus continues to impact tourism, an industry essential to Fort Lauderdale’s economy. Leisure and hospitality comprised 11.0% of the metro’s workforce pre-pandemic, but only about three-of-every-four jobs in the sector have been recovered as of Q1 2021.

Development:

- The addition of 900 apartment units to the construction pipeline over the last quarter was not enough to lift Fort Lauderdale from the lower-middle tier of the nation’s multifamily development ranks. There are currently 5,900 units underway – the lion’s share of which is concentrated in the central areas - trailing the national average of 6,600 after removing the six major metros.

Outlook:

- Multifamily Outlook: Improving. If the first quarter 2020’s asking rents can be used as the barometer for the pre-pandemic standard, then normalcy has already returned to the metro. Population growth, following four consecutive years of slowdown, is expected to proliferate well into 2022 which should provide a steady influx of new residents to fuel a steady growth in demand. Further, middling construction activity combined with an expensive single-family housing market should mitigate any future concerns about easing.
- Economic Environment: Stable. Fort Lauderdale’s recovery is moving somewhat tepidly along, but the expected influx of office workers, tourists, and foreign migrants alike should spur some acceleration in job growth, which was hovering near historical lows prior to the pandemic. In the interim, the outsized senior population should continue to insulate the metro against a recession, while its proximity to other prominent South Florida metros should provide the catalyst to fuel growth in the long-term.

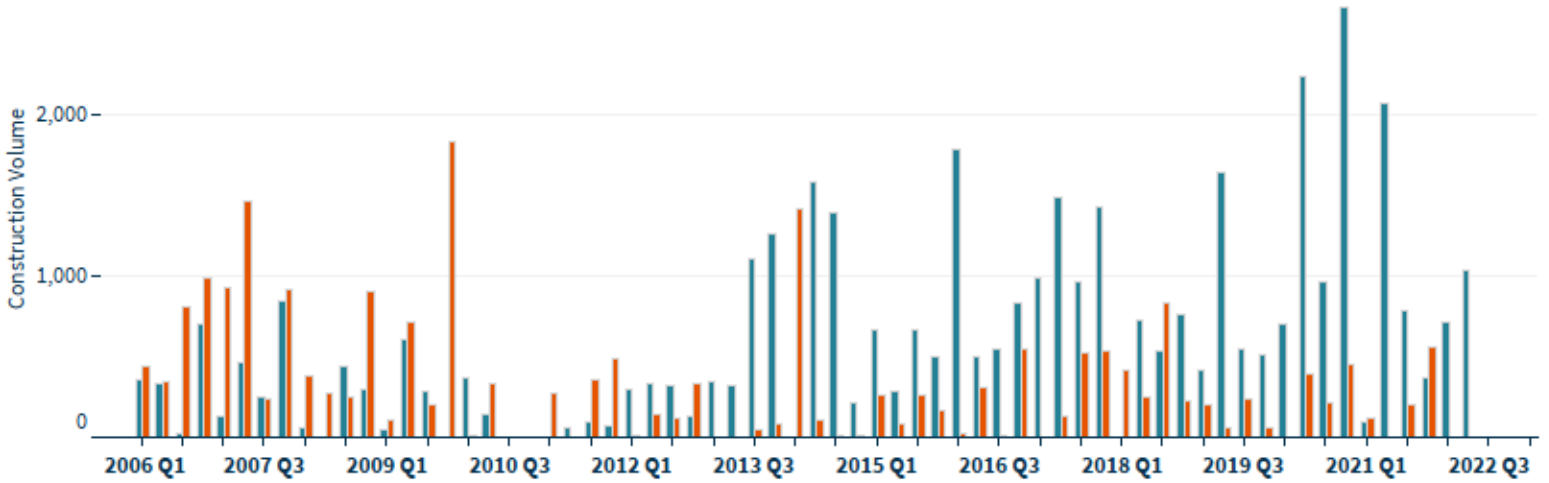
Five Year Metro Area Growth Forecast

Source: Moody’s Analytics	2020	2025	Fort Lauderdale (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	1,978	2,076	0.97%	0.52%
Households (000s)	757	846	2.25%	1.41%
Renting Cohort (Ages 20-34) (000s)	377	382	0.27%	-0.26%
Total Employment (000s)	806	916	2.60%	1.71%
Median Household Income	\$60,116	\$68,329	2.59%	2.83%
Median SF Home Price	\$386,655	\$375,343	-0.59%	4.30%
Net Migration	9,758	17,221		

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



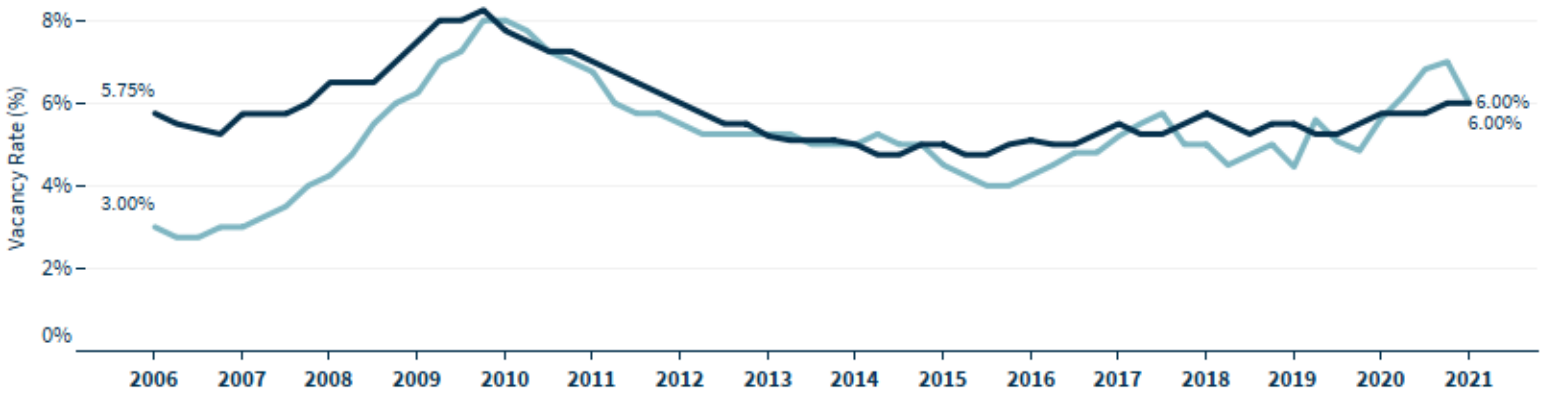
Vacancy & Rent Composite Estimates

Vacancy Rates

Fort Lauderdale | National

Q1 2021 Vacancy Rate:

6.00%

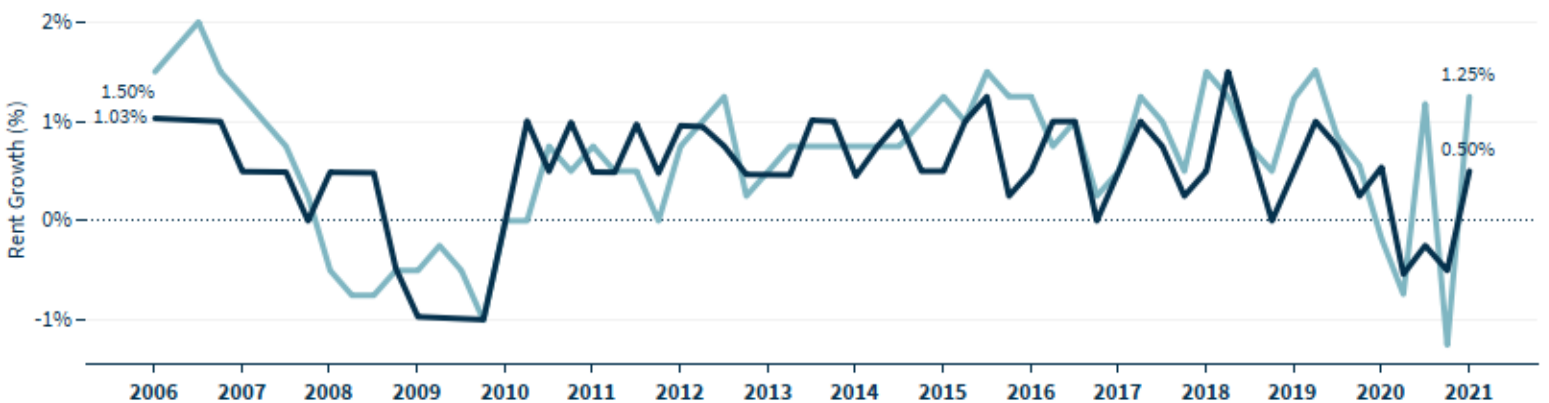


Asking Rent Growth

Fort Lauderdale | National

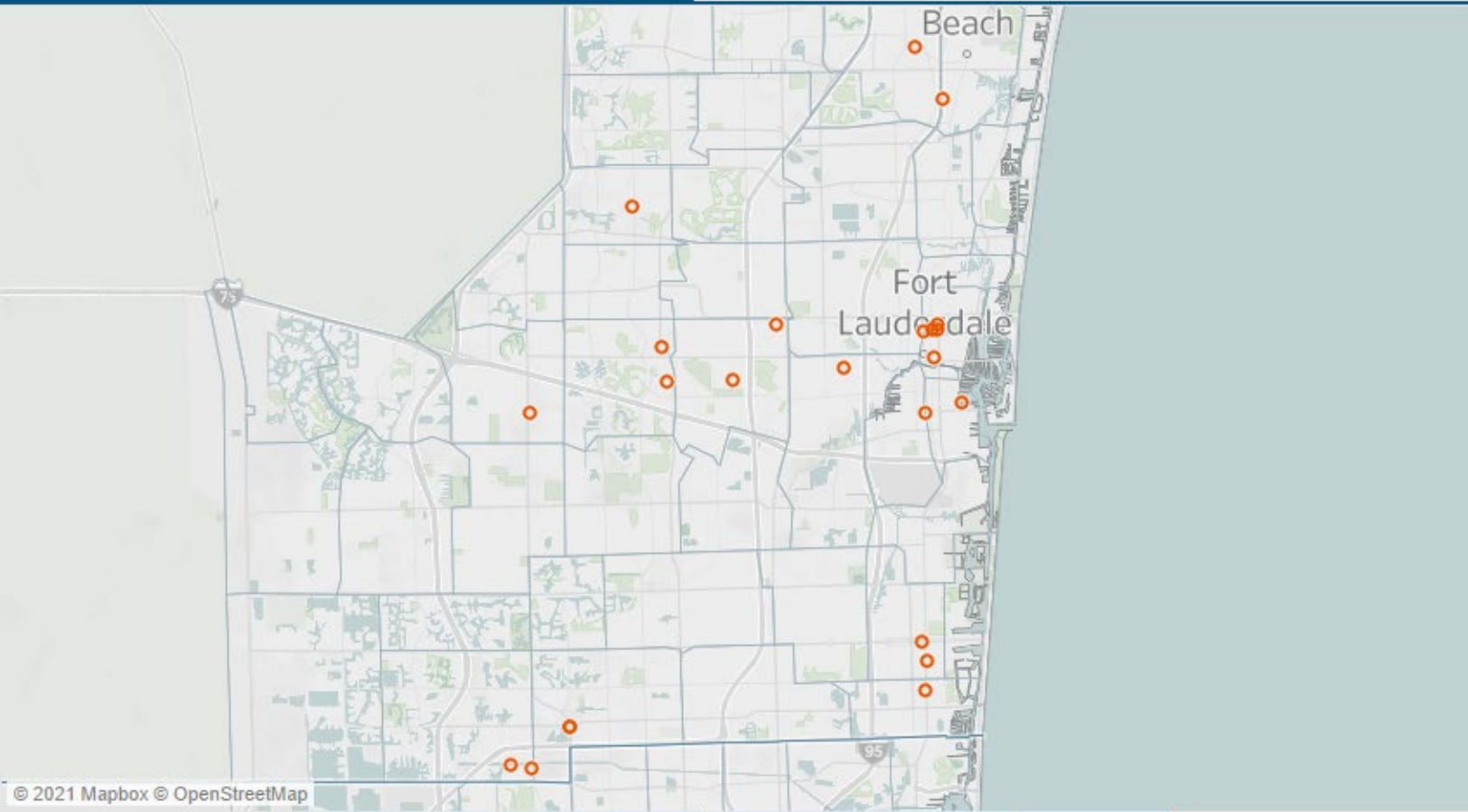
Q1 2021 Asking Rent:

\$1,680



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Fort Lauderdale	8	1,968	2.76M
Hollywood	3	445	0.62M
Pembroke Pines/Miramar	4	730	0.74M
Plantation/Davie/Weston	5	1,552	2.33M
Pompano Beach/Deerfield Beach	2	104	0.13M
Sunrise/Lauderhill	1	288	0.30M
Grand Total	23	5,087	6.88M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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