

Multifamily Metro Outlook:

Fort Lauderdale - Q4 2022

Overview:

- Fort Lauderdale's economy is outperforming much of the nation. Though job growth has slipped in the final months of fourth quarter ending 2022, the metro has historically boasted a low unemployment rate; thus, it should hardly come as surprise that the unemployment rate came in at 2.5%. However, many residents are on fixed incomes and many of the jobs are concentrated in low-wage industries, as such wage growth trailed the national average.
- Development in the metro remains elevated after close to 1,000 additional units were completed in fourth quarter ending 2022. Throughout the course of the year, just under 3,300 units were added to the inventory, however, this lags the annual average from 2017 – present by about 500 units.
- Considering the size of the multifamily market, which is comprised of no more than 200,000 units, the amount of new supply delivered appears to be accelerating fundamental easing in the metro. Vacancies continued to increase, rising another 25 bps over the past quarter to 5.25%. Although this is still below the national average of 5.5%, it's worth mentioning that this time a year ago, the vacancy rate spread between Fort Lauderdale and the rest of the nation was 175 bps.
- Rent growth, in turn, was insignificant – rising just .1% over the past quarter to an average asking price of \$2,220. While this too, is more favorable than levels seen across the rest of the nation, rent growth in Fort Lauderdale has fallen for the third consecutive quarter, and the amount of new supply that continues to stream into the market leaves little room for future rent growth.

Market Strengths:

- Retirees will support demand for consumer-facing industries such as healthcare, retail and leisure/hospitality; however, the metro is already dealing with labor constraints in these industries.
- Fort Lauderdale's rapidly developing financial and professional services industries will supplant low-wage jobs in office support with higher wage professions that should serve to ease some of the metro's overwhelming income inequalities.

Market Weaknesses:

- Fort Lauderdale's high living costs will put residents in a weaker financial position than elsewhere in the country. The metro's average hourly earnings remain below the national average despite house prices and apartment rents soaring well above the national average, making it one of the most bifurcated metros in the country.

Development:

- While the inventory in Fort Lauderdale may be small by many standards, it is the second-largest apartment market in Florida. And although only 700 units were added to the development pipeline this quarter, there are currently close to 11,250 units underway – the highest level seen since at least 2016, and between 5 – 10% of the total market inventory.

Outlook:

- After showing a considerable level of resilience during the pandemic, the effects of inflation have proven too much for the fundamentals in Fort Lauderdale, which are now fully easing. Performance has yet to fully deteriorate, as rents continues to grow – albeit modestly; however, given the mix of industry in the metro it's highly unlikely that the market will be able to sustain subsequent rent hikes. Further, while unit prices have slipped from the high seen in the second quarter ending 2022, properties in Fort Lauderdale are still trading at a 30% premium compared to the rest of the nation, yet cap rates lag the national average by just 10 bps. As it stands, Fort Lauderdale offers neither considerable yield nor stability, making it an unattractive play for investors in the near-term. Thus, further easing is expected in the metro throughout 2023.
- Considering Fort Lauderdale's economy is bolstered by low-wage service jobs, it is expected the pace of growth will continue to decelerate, as inflation continues to exacerbate cost-cutting measure from tech and financial services firms and erode the affordability that the metro once offered. However, the metro is far from being in jeopardy of a downturn long-term.

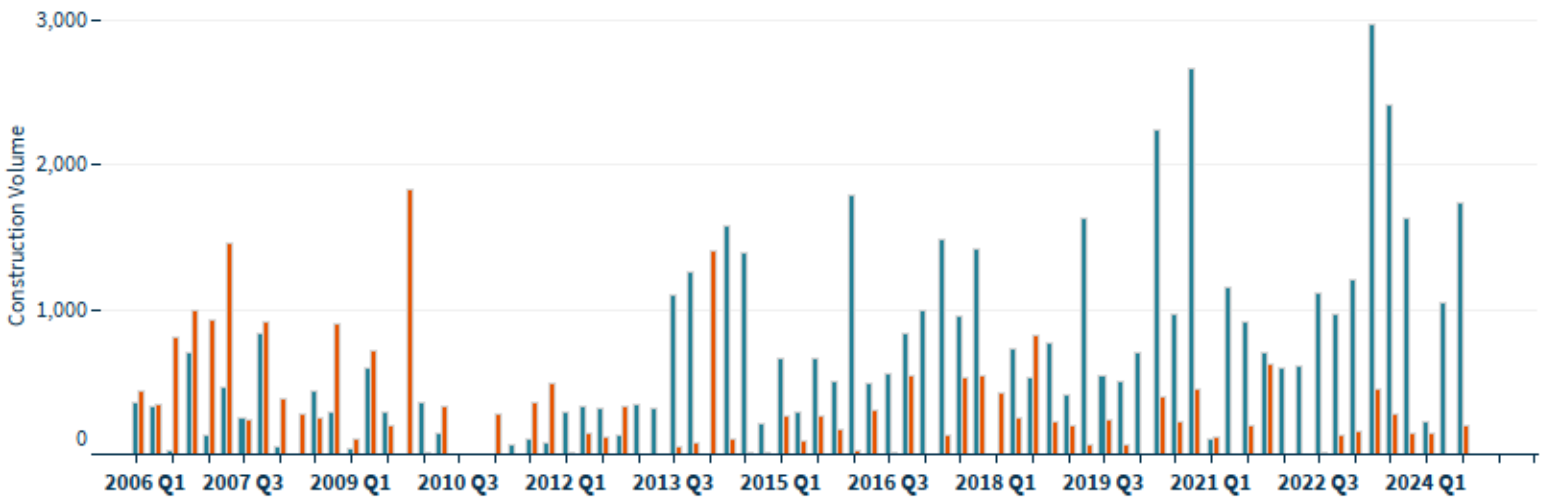
Five Year Metro Area Growth Forecast

Source: Moody's Analytics	Q4 2022	Q4 2027	Fort Lauderdale (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,014	2,105	0.89%	0.41%
Households (000s)	789	852	1.55%	0.75%
Renting Cohort (Ages 20-34) (000s)	379	382	0.14%	-0.40%
Total Employment (000s)	896	950	1.18%	0.52%
Median Household Income	\$68,072	\$80,091	3.31%	3.45%
Median SF Home Price	\$521,591	\$503,210	-0.71%	-0.04%
Net Migration	16,218	16,439		

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



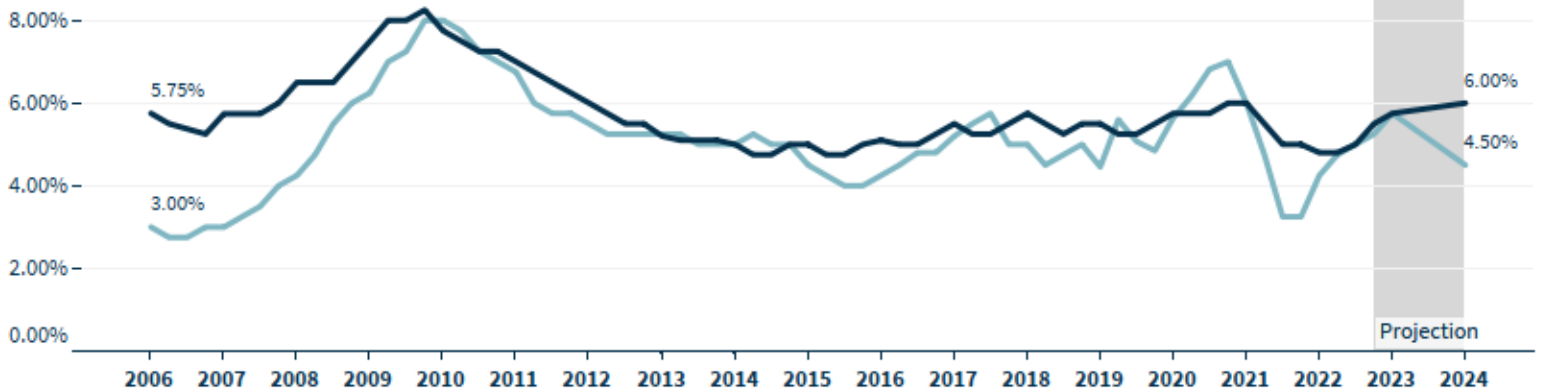
Vacancy & Rent Composite Estimates

Vacancy Rates

Fort Lauderdale | National

Q4 2022 Vacancy Rate:

5.25%

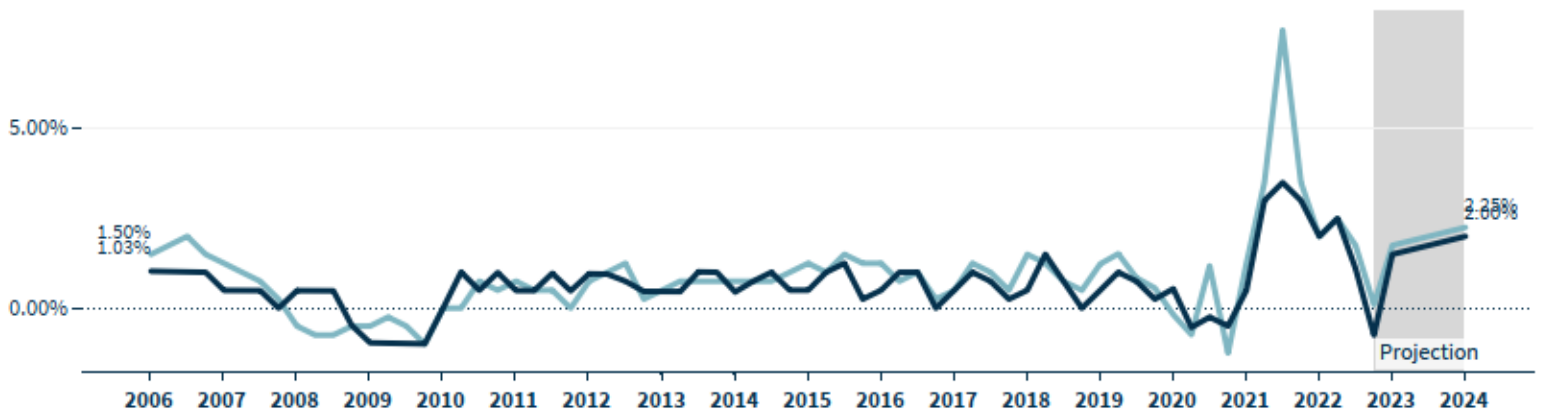


Asking Rent Growth

Fort Lauderdale | National

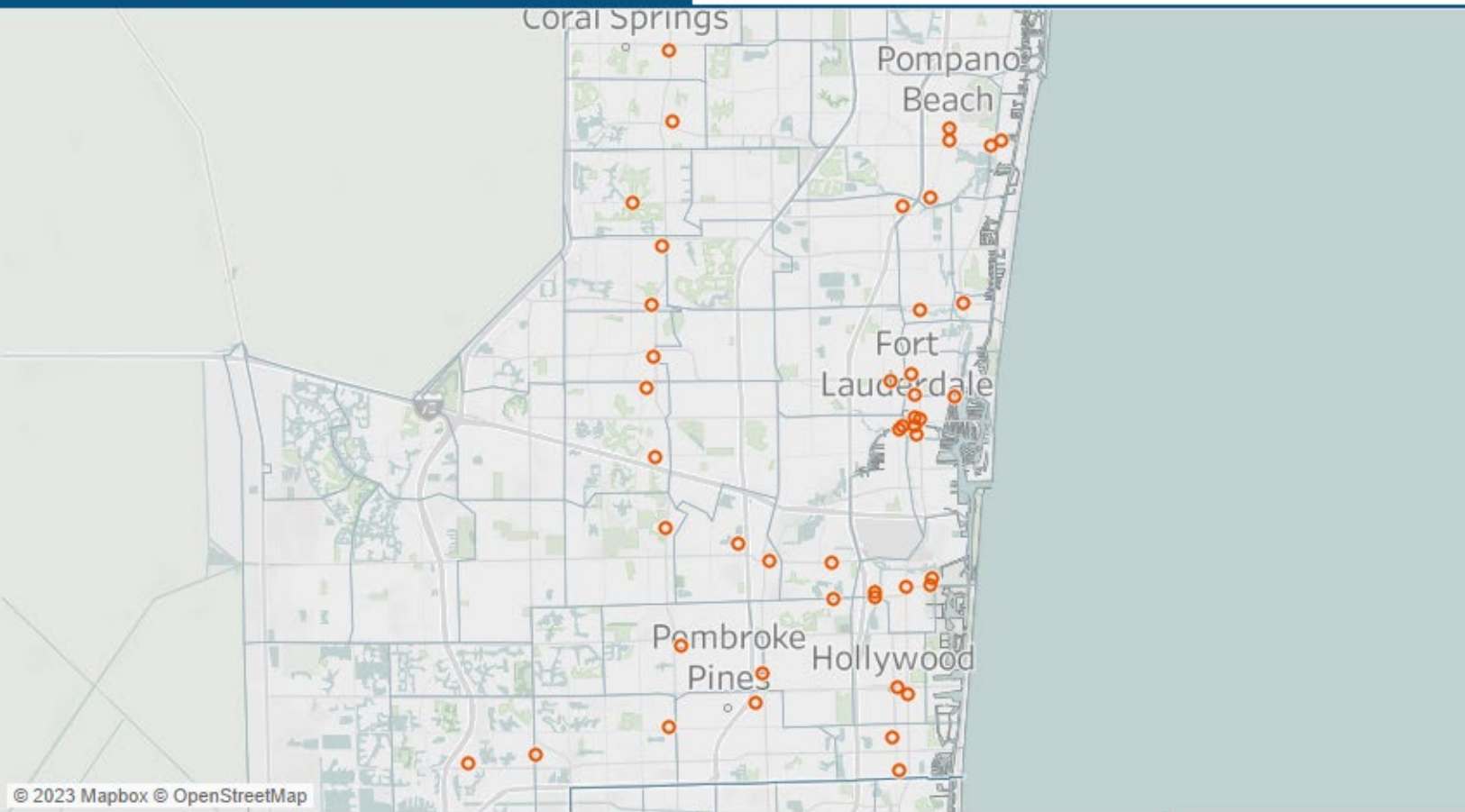
Q4 2022 Asking Rent:

\$2,220



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>
Coral Springs	3	768
Fort Lauderdale	15	3,252
Hollywood	9	2,296
Pembroke Pines/Miramar	6	1,512
Plantation/Davie/Weston	5	1,302
Pompano Beach/Deerfield Beach	5	1,053
Sunrise/Lauderhill	3	1,042
Grand Total	46	11,225

Multifamily Metro Outlook: Fort Lauderdale Q4 2022

Multifamily Economics and Market Research Team

Stephen Gardner, Economic and Strategic Research - Economics – Lead Associate

Sources Used

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

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.