

Multifamily Metro Outlook:

Fort Lauderdale - Q2 2023

Overview:

- Fort Lauderdale's economy continues to slow but is still moving along at a faster pace than the rest of the nation. Employment growth has slipped in each successive quarter since 2021, advancing 2.7% from last year's levels in second quarter ending 2023 – a significant slowdown from 5.9% seen the year before. In turn, the unemployment rate increased 40 bps to 2.93%, which is still significantly below the national average of 3.5%.
- Continued momentum across nearly all industries allowed payroll wages to eke out a slight growth of 0.26% from last year's levels, though this lags the pace of wage growth seen around the rest of the country. Household incomes managed a slightly higher increase of 2.6% compared to the last year. However, given the mix of industry, which does not lend itself to high-wage employment, the median household income in the metro at \$68,700 is still well below the national average.
- With interest rates increasing at an unprecedented pace, wage appreciation in the metro was insufficient to mitigate the high cost of housing, which continues to accelerate, especially among single-family properties. In just a single year, single-family mortgage costs went from offering a 10% discount to more than a 25% premium over asking rents, making multifamily the more affordable option in the metro now.

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.

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.

New Development:

- In second quarter ending 2023, just over 2,100 units were delivered to the metro, more than triple the amount delivered in the second quarter of the prior year, and well over a third of the supply delivered in the past year. Fort Lauderdale has seen apartment deliveries exceed the historical average in each quarter of the last year. Even so, development does not seem in jeopardy of abating as the construction pipeline increased to more than 11,000 units underway, one of the highest totals seen in the metro to-date. While the shadow market can hardly be considered a threat given the level of development underway, the apartment inventory in Fort Lauderdale is still small compared to its South Florida peers.
- The number of single-family permits issued during second quarter ending 2023 totaled just below 1,100 – a decline of more than -9.0% from levels seen during the same quarter ending last year and well below the historical average – and the number of new single-family home completions totaled just under 880 units. However, with close to 36,000 active listings across the metro, a significant increase from the inventory a year ago, the market seems to be well supplied for now.

Multifamily Outlook:

- The softness seen at the end of last year is turning into full out easing in Fort Lauderdale's apartment market. The vacancy rate increased another 25 bps to 6.0% and is now above the national average. Though asking rents did advance in line with the rest of the nation – rising 1.0% over last quarter's levels to an average price of \$2,240 – this is more reflective of the concentration of Class A stock, which offers less concessions and charges higher rents than its Class B & C counterparts, that has come online than it is strength of demand. Considering the flood of supply expected to come online in combination with the metro's mix of industry it's highly unlikely that the market can sustain another rent hike without vacancies jumping.

Economy:

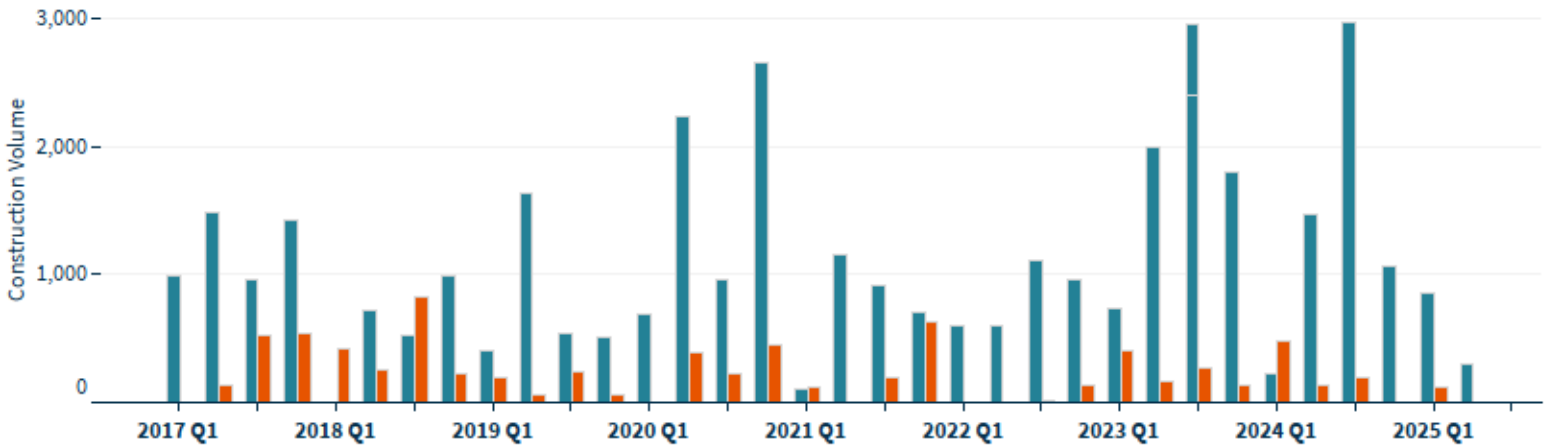
- Considering Fort Lauderdale's economy is bolstered by low-wage service jobs, it is expected the pace of growth will continue to decelerate, especially amid the contraction of professional and financial service employment that is expected to continue through the rest of the year. Longer term, gains from tourism and logistics, combined with a prime location in the heart of South Florida should keep employment growth in the metro on par with the rest of the state.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

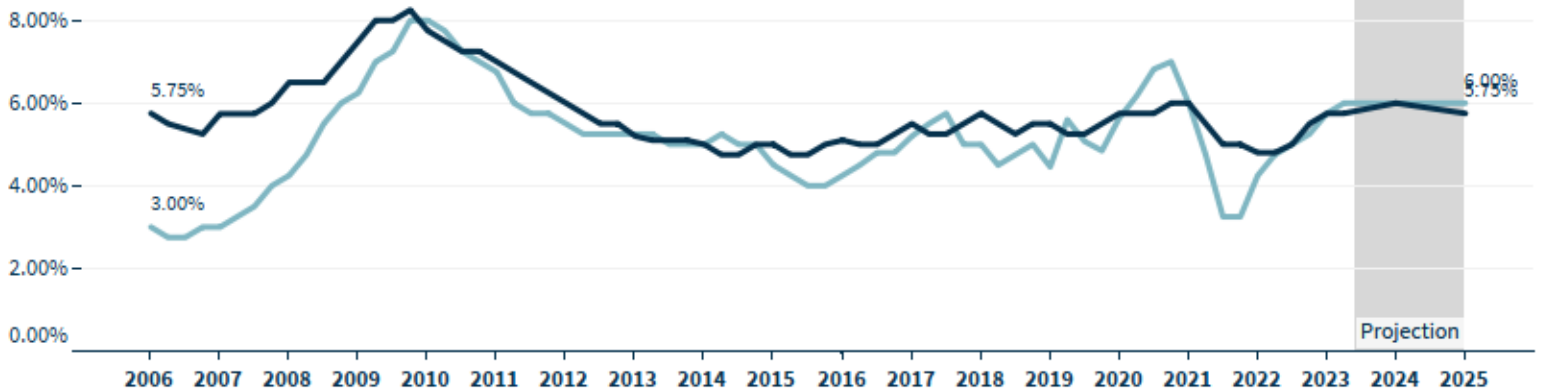
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Fort Lauderdale | National

Q2 2023 Vacancy Rate:

6.00%

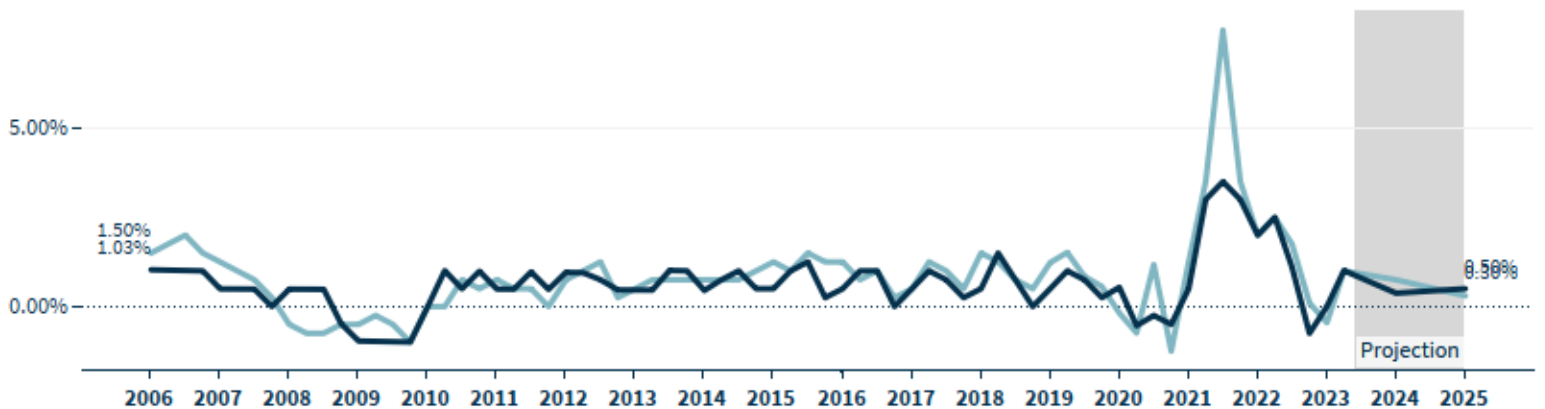


Asking Rent Growth

Fort Lauderdale | National

Q2 2023 Asking Rent:

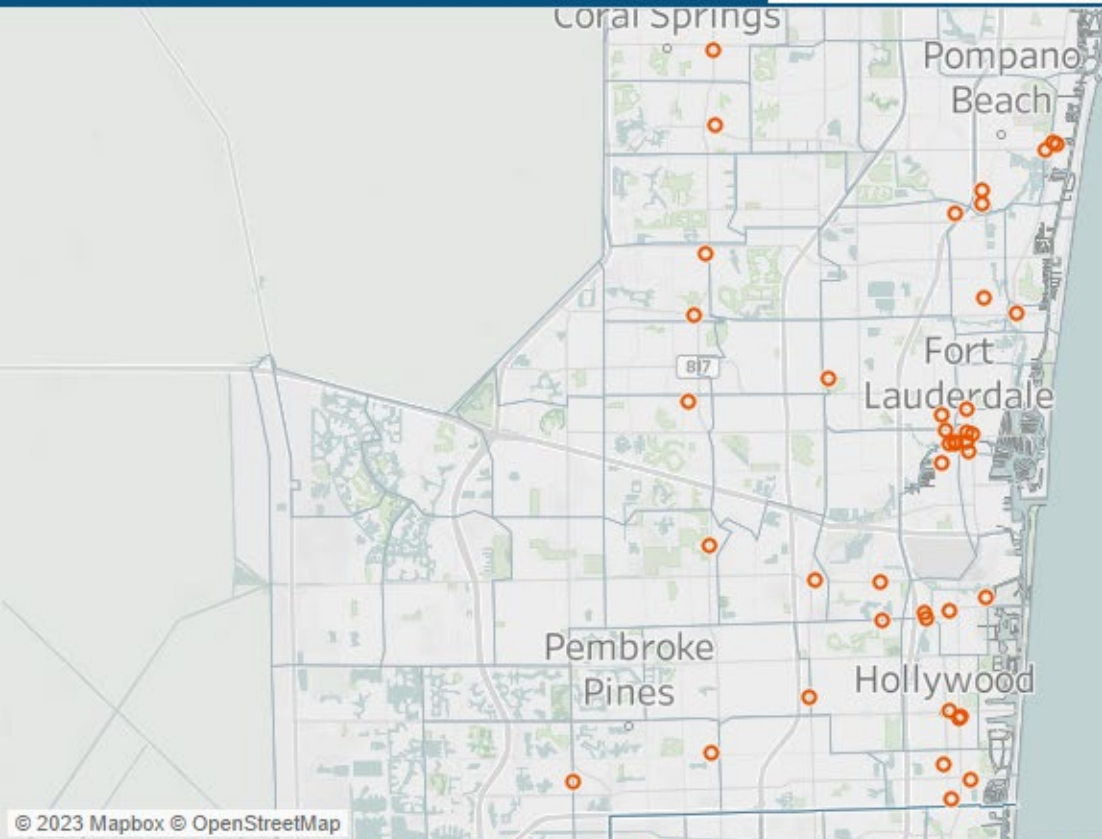
\$2,240



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



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MultiHousingSubmarketName	Apartments	Units
Coral Springs	2	556
Fort Lauderdale	16	4,116
Hollywood	10	2,536
Pembroke Pines/Miramar	3	781
Plantation/Davie/Weston	3	817
Pompano Beach/Deerfield Beach	5	1,248
Sunrise/Lauderhill	3	1,066
Grand Total	42	11,120

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Sources Used

- Axiometrics
- U.S. Bureau of Labor Statistics
- CBRE-Econometric Advisors
- CoStar
- Dodge Data and Analytics
- Fannie Mae
- Moody's Analytics
- MSCI Real Assets
- RealPage
- Redfin
- REIS
- Yardi
- Zillow

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