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MULTIFAMILY SNAPSHOT: FORT LAUDERDALE ◀

MULTIFAMILY PLAYS A KEY ROLE IN DOWNTOWN FORT LAUDERDALE'S URBANIZATION



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The influx of new, high-end apartments is elevating both the lifestyle experience and investment profile of the downtown Fort Lauderdale market. Ongoing and planned multifamily development in and around downtown Fort Lauderdale fueled by demand will help the city achieve the critical mass of full-time residents necessary to establish it as a world-class urban center.

Urban Apartment Living

Construction quality and amenities at rental communities now rival luxury condos. Today, unit features such as granite countertops, stainless steel appliances and wood floors are commonplace in these "Next Gen" apartments. Community amenities now include demonstration kitchens, coffee bars and expansive fitness facilities. Nine-foot ceilings, impact glass and LEED certification have become standard multifamily construction features.

Apartment Dwellers

Fort Lauderdale's "Next-Gen" apartment culture reflects an interesting fusion of urbanites.

Millennial renters typically do not feel the same pressure to buy a home as their parents did at their age. They are content to rent — welcome news to multifamily landlords. Millenni-

als are drawn to urban locations such as downtown Fort Lauderdale to be close to work, nightlife and other cultural benefits of urban life.

However, Next-Gen apartments are expensive — arguably too expensive — for many Millennials who are still in the early stages of their careers. Developers report that the average rent necessary to support the feasibility of developing a new midrise apartment community in Fort Lauderdale is approximately \$2.25 per square foot. Assuming an average unit size of 900 square feet, this is over \$2,000 per month. High-rise construction is more costly driving the threshold rent over \$2,500 per month.

A significant, albeit less publicized, demand driver for Fort Lauderdale's new luxury apartments is represented by non-Millennial renters. Generally older and more affluent than Millennials, these residents tend to be renters-by-choice, opting for the flexibility and conveniences offered by rental living.

Performance, Other Trends

Existing communities in downtown Fort Lauderdale report average rental rates revolving around \$2.25 per square foot and rent growth in the 6 percent to 8 percent range. Occupancy for stabilized properties averages approximately 95 percent.

Apartment sizes average 1,000 to 1,100 square feet but are trending smaller due to rising construction costs. Interestingly, rental managers cite the increasing popularity of studio apartments in the 500 to 700 square foot range. These small units carry a lower monthly rent which is appealing to many urban residents who do not require much living space.

Institutions Dominate

The downtown market is dominated by national players such as pension fund advisors and REITs that can outbid most private investors due to their superior liquidity and relatively low cost of capital. Examples of national multifamily investors with a presence in downtown Fort Lauderdale include: TIAA-CREF, AMLI, Blackstone, Camden, Rockefeller Group and Greystar.

The institutional appetite for new, urban apartments is insatiable. However, buying opportunities in downtown Fort Lauderdale have been scarce. In fact, there were only four luxury apartment sales in the downtown market since January 2015.

The current development pipeline is piquing the interest of institutional investors who are expected to bid aggressively for newly stabilized properties when marketed over the next several years.

Pipeline Raising Eyebrows

An estimated 2,723 luxury rental units in 10 projects have been delivered in and around downtown Fort Lauderdale since 2004. As of June 2016, we are aware of over 3,000 luxury rental apartments that are either actively being developed or are in the near- to mid-term construction queue.

Simultaneous delivery of too many units could potentially lead to an oversupply of rentals in downtown Fort Lauderdale. However, any related softness should be short-lived due to the increasing popularity of rental housing, resulting in lower turnover and bolstering occupancy. Furthermore, continued evolution of the Fort Lauderdale CBD into a 24-hour, live-work-play environment will sustain the market's desirability among renters.

Achieving Critical Mass

Already a dynamic business and entertainment hub, downtown Fort Lauderdale is now evolving into a fully self-contained urban center and preferred investment market. This is largely attributable to the new apartment pipeline which is enhancing the downtown living experience and attracting the resident base necessary to sustain Fort Lauderdale's live-work-play environment.

Luxury Apartment Sales in Downtown Fort Lauderdale (2015-present)

Project Name	Price Per Unit	Buyer	Seller
Edge Flagler Village	\$345,604	TIAA-CREF	Morgan Group
Manor at Flagler Village	\$388,736	TIAA-CREF	Related Group
Vu New River	\$251,369	MetLife RE Investment	American Land Ventures
Exchange Lofts	\$259,333	Blackstone Group	Greystar