

DOWNTOWN FORT LAUDERDALE'S MULTIFAMILY EVOLUTION

CapasGroup Realty Advisors | May 2016

Recent and ongoing rental apartment development activity is changing the living experience in downtown Fort Lauderdale and the surrounding neighborhoods. An estimated 2,723 luxury rental units in 10 projects have been delivered here since 2004. As of May 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. Additional projects have been announced but have unknown development timetables.

Upscale Rental Lifestyle

The unit and community amenities offered at these developments approach luxury condo quality, setting a new standard for rental apartment living. Today, unit features such as granite countertops, stainless steel appliances and wood floors are commonplace in these "Next Generation" apartments.



Manor Flagler Village Apartments

new urban projects, typically comprising less than 5% of the total unit mix.

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.

Ft. Lauderdale's Urban Apartment Dwellers

So who's living in these high-end apartments? Similar to trends we have observed in other urban markets, luxury rentals in Fort Lauderdale appeal to an interesting array of residents. Several common renter categories include:

Former Homeowners: The last real estate downturn was plagued by rampant foreclosures prompting a cultural shift away from home ownership and towards renting. Although some renters who experienced financial difficulties during the downturn still cannot qualify for a home loan, many of today's renters are affluent renters by choice who now prefer the flexibility, amenities, ease of maintenance and lifestyle benefits of renting.

Millennials: Up until the mid-2000's many young renters aspired to purchase a home, fueling high apartment turnover. Today, a significant percentage of these renters view home ownership as unessential, at least in the near term. Unlike their parents' generation, today's young adult renters are content to defer the purchase of their first home.

FT. LAUDERDALE LUXURY APARTMENTS

<u>Existing</u>	<u>Units</u>
Satori	279
Elan 16Forty	261
AMLI at Flagler Village	218
The Edge at Flagler Village	331
The Manor at Flagler Village	383
Solmar on Sixth	286
Camden Las Olas	420
The Exchange Lofts	87
Vu New River	209
New River Yacht Club	<u>249</u>
<i>Subtotal</i>	2,723
<u>Under Construction</u>	
Amaray Las Olas	262
The Queue	192
Broadstone Harbor Beach	<u>394</u>
<i>Subtotal</i>	848
<u>Planned</u>	
488 South at Riverwalk	390
Fairfield Flagler Village	292
Morgan on 3 rd Ave.	357
One20Fourth	386
Quantum at Flagler Village	328
Second St. Residences	398
Flagler Village (Name TBD)	<u>384</u>
<i>Subtotal</i>	2,535
<u>Prospective Rental Communities</u>	
Galleria at Ft. Lauderdale	1,250
All-Aboard FL	250
Marina Lofts (3 Phases)	950
New River Yacht Club Phase II	349
4 West Las Olas	<u>260</u>
<i>Subtotal</i>	3,059

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Suburban Re-locators: As the Fort Lauderdale CBD evolves into a 24-hour city, many suburban dwellers are moving into the urban core to be closer to work, nightlife, cultural venues and, in the case of Fort Lauderdale, the beach. This category of renters spans all ages.

Multifamily Investment Trends

Institutional investor demand for newly developed South Florida apartment communities remains very strong, particularly in urban markets. After a nearly ten-year dearth of apartment deliveries, today's active development pipeline and new apartment offerings are welcome news to the investment community. Sale prices per unit for newly-constructed South Florida apartments sold during 2015 consistently ranged in the mid-to-high \$200,000's and as high as \$392,000, generating historically low capitalization rates in the mid-4% range. Forces driving investors' appetites and aggressive pricing include: Pressure to deploy capital in favored markets such as South Florida, the long-term desirability and security of apartment investments and, in certain instances, the potential upside to be realized through an eventual condo conversion exist.

Outlook

Some argue that the existing apartment construction pipeline may lead to an oversupply situation in and around downtown Fort Lauderdale. While we acknowledge the softness that could result from simultaneous delivery of too many units, we expect the impact to be short-lived. The increasing popularity of rental versus for-sale housing will drive higher demand, resulting in lower turnover. Furthermore, continued evolution of the Fort Lauderdale CBD into a 24-hour, live-work-play environment will sustain the market's desirability among future renters.

CapasGroup Realty Advisors is a Fort Lauderdale-based investment sales organization specializing in the marketing and disposition of investment real estate, including: rental apartments, commercial properties and large land tracts throughout Florida. For additional information regarding CapasGroup and its property listings, contact:

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