



MULTI HOUSING REPORT Q4 2018

BROWARD COUNTY MARKET



MARKET TRENDS Q4 2018



CONSTRUCTION

ABSORPTION



VACANCY

RENT GROWTH

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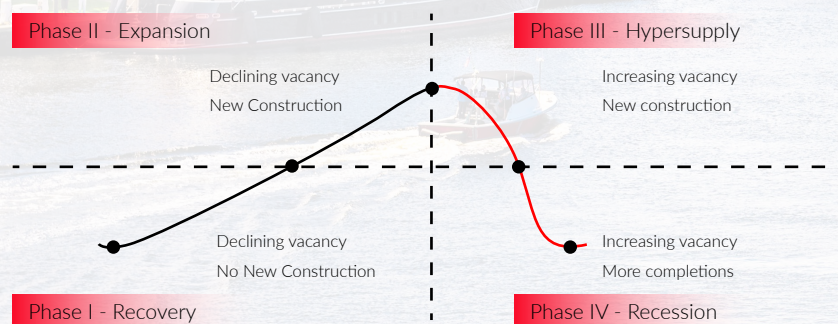
MARKET ANALYSIS

The Broward County apartment market has remained in the Hypersupply phase of this real estate cycle in Q4 2018 (See Market Cycle Figure Below). This phase of the real estate cycle is characterized by an excessive development of market rate apartments, a slowdown in rental growth, and a decrease in absorption levels. The county's multifamily market has entered this phase of the Hypersupply cycle through a combination of factors not limited to increasing cost of capital, equity volatility, and the housing affordability crisis.

The Broward County market is expected to deliver over 4500 market rate apartments in 2019, this coincides with housing inventory reaching their highest peaks since 2011. Additionally, portions of the ever increasing condominium deliveries will enter into the shadow rental market to compete with traditional market rate apartments. The excessive delivery of rental units will increase competition for tenants which will result in a softening in rent growth and value for multi-family properties.

The county's strong population growth, low homeownership rate, and unaffordability crisis have kept vacancy rates in older B and C apartments relatively low. Nonetheless affordable market rate apartments with aggressively priced rental rates will be the most affected in this Hypersupply phase with tenants moving to newer or more amenitized properties as competition to fill in vacancies increases. Owners should be cautiously evaluating their investment goals as we near the end of the longest real estate cycle.

MARKET CYCLE QUADRANTS



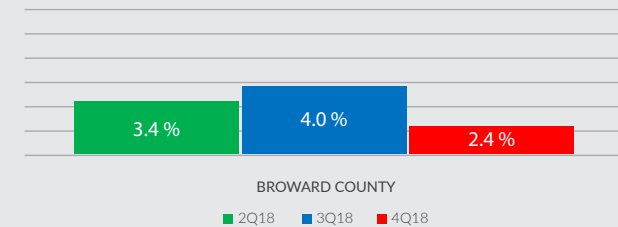
Source: Mueller, Real Estate Finance, 1995

Broward Employment Numbers

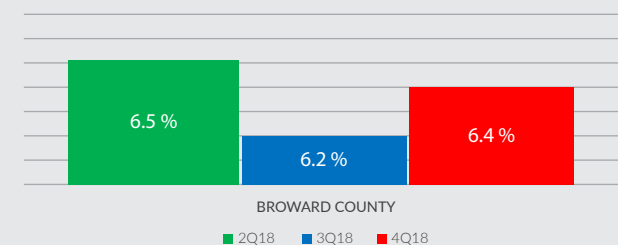
October 2017-2018

Sector	Gain / Loss	Rate
Professional and Business Services	2900	1.9%
Transportation, Trade, and Utility Services	3200	1.7%
Education & Health Services	1600	1.4%
Leisure and Hospitality Services	200	0.2%
Construction Services	4100	8.6%
Government Services	500	0.5%

Rent Growth Comparaision



Vacancy Rate Comparaision



DEVELOPMENT ANALYSIS

High development costs have pushed developers to almost exclusively build luxury units this real estate cycle. The increased cost of construction combined with lacking government incentives has created an environment where only luxury apartment projects can produce the required returns. Thus, an over-development of luxury units has accentuated the pent-up demand for the limited supply of affordable market rate apartments. The lack of incentives for the capital markets to meet such pent-up demand will lead to the continued overdevelopment of luxury units and put further strain on the older more affordable apartments.

Some have argued that the robust development in Broward County is making up for the lack of construction in the recent recessionary years, but current market statistics signal otherwise. The lower than expected absorption levels and rent growth may be a sign of softening as more than 8500 market rate apartment units are currently in the pipeline to be delivered in Broward county. These newly built apartments along with the growing non-traditional housing inventory entering the shadow rental market could meaningfully affect liquidity, yields, and values across all apartment classes. Landlords should be carefully monitoring the number of new projects coming into their submarket, and how such supply could affect the demand for their properties.



Construction & Absorption Analysis

Markets	2Q18 Units Built	Absorbtion	3Q18 Units Built	Absorbtion	4Q18 Units Built	Absorbtion
Broward County	802	898	451	736	821	569

Broward County Construction Details

Name & Address	Unit Type	# of Unit	# of Floors	Status	Completion
Riverparc Square 501 S Andrew Ave, Fort Lauderdale	Market Rate	879	43	Construction	Mar-20
X Las Olas 300 SW 1st Ave, Fort Lauderdale	Market Rate	639	46	Construction	Jul-22
Las Olas Walk 116-200 S Federal Hwy, Fort Lauderdale	Market Rate	456	8	Construction	Jan-20
Pines Garden at City Center 10200-12020 Pines Blvd, Pembroke Pines	Market Rate	397	2	Construction	Jul-19
Metropolitan at Flagler Village 540 N Andrews Ave, Fort Lauderdale	Market Rate	385	6	Construction	May-19
Residences of Las Olas 323-479 SE 3rd Ave, Fort Lauderdale	Market Rate	380	42	Construction	May-20
Next Las Olas 419 SE 2nd St, Fort Lauderdale	Market Rate	374	32	Construction	Jan-21
RD Las Olas East 227 SE 6th Ave, Fort Lauderdale	Market Rate	352		Construction	Jul-19
Pearl Flagler Village 400 NE 3rd Ave, Fort Lauderdale	Market Rate	350	7	Construction	Feb-19
The Rise 417 NE 2nd St, Fort Lauderdale	Market Rate	348	31	Construction	Jun-19
Florida Park 500 E Dania Beach Blvd, Dania Beach	Market Rate	345	14	Construction	Aug-20
The Main Las Olas 201 E Las Olas Blvd, Fort Lauderdale	Market Rate	341	27	Construction	Nov-20
The Place at Weston 4400 West City Dr, Weston	Market Rate	336		Construction	Apr-19
Modera Cornerstone 1240 S Pine Island Rd, Plantation	Market Rate	330	6	Construction	May-20
790 East Broward 790 East Broward Blvd, Fort Lauderdale	Market Rate	329	25	Construction	Mar-19
Dania Pointe 181 S Bryan Rd, Dania Beach	Market Rate	264		Construction	Oct-19
AMLI Midtown Plantation 8021 Peters Rd, Plantation	Market Rate	256	6	Construction	Jul-19
H3 Hollywood 2165 Van Buren St, Hollywood	Market Rate	247	15	Construction	Feb-20
501 Seventeen 501 17th St, Fort Lauderdale	Market Rate	244	8	Construction	Oct-19
Indigo Station 1250 W Hillsboro Blvd, Deerfield Beach	Market Rate	226	5	Construction	Jun-19
Envy Apartments East Atlantic Blvd & SE F, Pompano Beach	Market Rate	213	11	Construction	Jun-19
Broadstone Oceanside 1333 S Ocean Blvd, Pompan Beach	Market Rate	211		Construction	Feb-19
Alta Flagler Village 611 NE 5th Ave, Fort Lauderdale	Market Rate	208		Construction	Feb-19
Artsquare Hallandale- Phase II 301 N Federal Hwy, Hallandale Beach	Market Rate	158	7	Construction	Jan-19
Avery Pompano Beach 275 N Federal Hwy, Pompano Beach	Market Rate	145	8	Construction	Mar-19
Auberge Beach-South 2200 N Atlantic Blvd, Fort Lauderdale	Market Rate	100	22	Construction	May-19
Sol Van Buren 2000 Van Buren St, Hollywood	Market Rate	62	6	Construction	Mar-20
Total Under construction		8575			

VALUATION ANALYSIS

In the long term, population growth, demographic, and psychographic trends in South Florida are expected to favor apartment market fundamentals. Whereas in the near term, current market statistics are pointing to a major market correction as Class A developments are excessively outpacing the effective demand for those luxury units.

A pronounced concern from the investor community is volatility in the cost of capital and in the equity markets. As a result of unstable interest rates, sophisticated investors will be searching for opportunities with higher risk-adjusted returns with the upcoming recessionary phase of this real estate cycle.

Although there is still an abundance of capital chasing real estate assets, the South Florida real estate market has been heavily fueled by cross-border capital. This adds an additional layer of illiquidity risk in the event of an economic shock. The dependency of South Florida real estate on cross boarder capital has been detrimental in past downturns; as we are near the recessionary phase of this real estate cycle, professional investors are constantly being reminded of the inherent liquidity risk of South Florida real estate. Other external factors including the recent government actions, oil market volatility, and equity market volatility could have a major effect on the economy as the real estate market will inevitably be entering the recessionary phase of this real estate cycle.

Currently, the prominent term to describe the real estate market in South Florida is "cooling". Low capitalization rates, rising or unstable interest rates, and the mature stage of the current economic expansion have spurred a pricing expectation gap between buyers and sellers. Owners that are looking to capitalize on this market's historic eight years of appreciation and positive rent growth should consider their options while investor appetite is still strong. The South Florida apartment market remains attractive to a broader base of investors as long-term property fundamentals are solid.

As insurance, interest, and capitalization rates are on the rise, owners should re-asses their property's fundamentals and submarket's condition in order to monetize their gains and maximize the value of their investments.



SALES ANALYSIS

Broward County Sales Comparables

Name & Address	Sale Date	Sale Price	Price / SF	Price / Units	Cap Rate	# of Units	Total SF	Year Built
The Waldorf at Coral Ridge	12/21/18	\$2,830,000	\$255.48	\$157,222	4.00%	18	12,551	1965
4901 NE 26th Ave, Fort Lauderdale								
Van Buren Street Apartments	12/21/18	\$4,014,339	\$154.14	\$97,911	7.65%	41	26,043	1988
2401 Van Buren St, Hollywood								
Solaris Apartments	12/18/18	\$12,080,000	\$129.61	\$167,777	5.46%	72	93,204	1976
8445 Springtree Dr, Sunrise								
Riviera Hills Apartments	12/14/18	\$7,200,000	\$116.13	\$84,705	8.10%	85	62,000	1973
5220-5419 NW 18th Pl, Lauderhill								
Foundations Resedential Housing	12/13/18	\$4,533,344	\$188.95	\$141,667	6.70%	32	23,992	1974
999 W Prospect Rd, Oakland Park								
Bala Gardens	10/31/18	\$20,000,000	\$149.60	\$109,289	5.25%	178	133,692	1972
4151 SW 67th Ave, Davie								
City View Apartments	10/24/18	\$10,550,000	\$108.45	\$162,307	6.00%	65	97,280	1971
1422 NE 2nd St, Fort Lauderdale								
Newcastle Apartments	10/19/18	\$6,150,000	\$163.25	\$128,125	6.50%	48	37,672	1972
3380-3400 NW 30th St, Fort Lauderdale								
Victoria Breezes	10/10/18	\$2,250,000	\$203.58	\$140,625	4.66%	18	11,052	1959
701 NE 16th Ave, Fort Lauderdale								
Summer Lake Homes	9/24/18	\$13,000,000	\$109.72	\$173,333	5.75%	75	118,486	2008
5104 NW 30th Ln, Oakland Park								
Jackson Street Apartments	9/23/18	\$3,300,000	\$184.24	\$137,500	5.55%	24	17,911	1969
2019 Jackson St, Hollywood								
Davie Triangle	7/3/18	\$9,630,000	\$114.16	\$133,750	7.01%	72	84,000	2014
3800 Davie Road Ext, Davie								
35th Street Apartments	6/1/18	\$2,250,000	\$122.32	\$93,750	7.60%	24	18,395	1950
410-530 NW 35th St, Pompano Beach								
Adam Street Apartments	5/10/18	\$2,598,500	\$165.02	\$99,942	7.99%	26	15,747	1963
2324-2331 Adams St, Hollywood								
Coral Ridge Isale Apartments	4/30/18	\$5,575,000	\$177.82	\$168,939	4.40%	33	31,352	1975
1400 NE 53rd Ct, Fort Lauderdale								
Country Club Apartments	4/20/18	\$3,500,000	\$162.33	\$140,000	5.70%	25	21,561	1965
1515 S 14th Ave, Hollywood								
North East 20th Street Apartments	4/6/18	\$2,470,000	\$155.03	\$137,222	5.75%	18	15,932	1969
530 NE 20th St, Wilton Manors								
Highgate Townhomes	3/30/18	\$3,350,000	\$137.07	\$167,500	5.81%	20	24,440	1986
4301-4339 NW 115th Ave, Coral Springs								
Van Buren Apartments	3/9/18	\$2,500,000	\$183.61	\$92,592	6.00%	27	13,616	1951
2222 Van Buren St, Hollywood								
			\$152.58	\$131,952.88	6.10%			