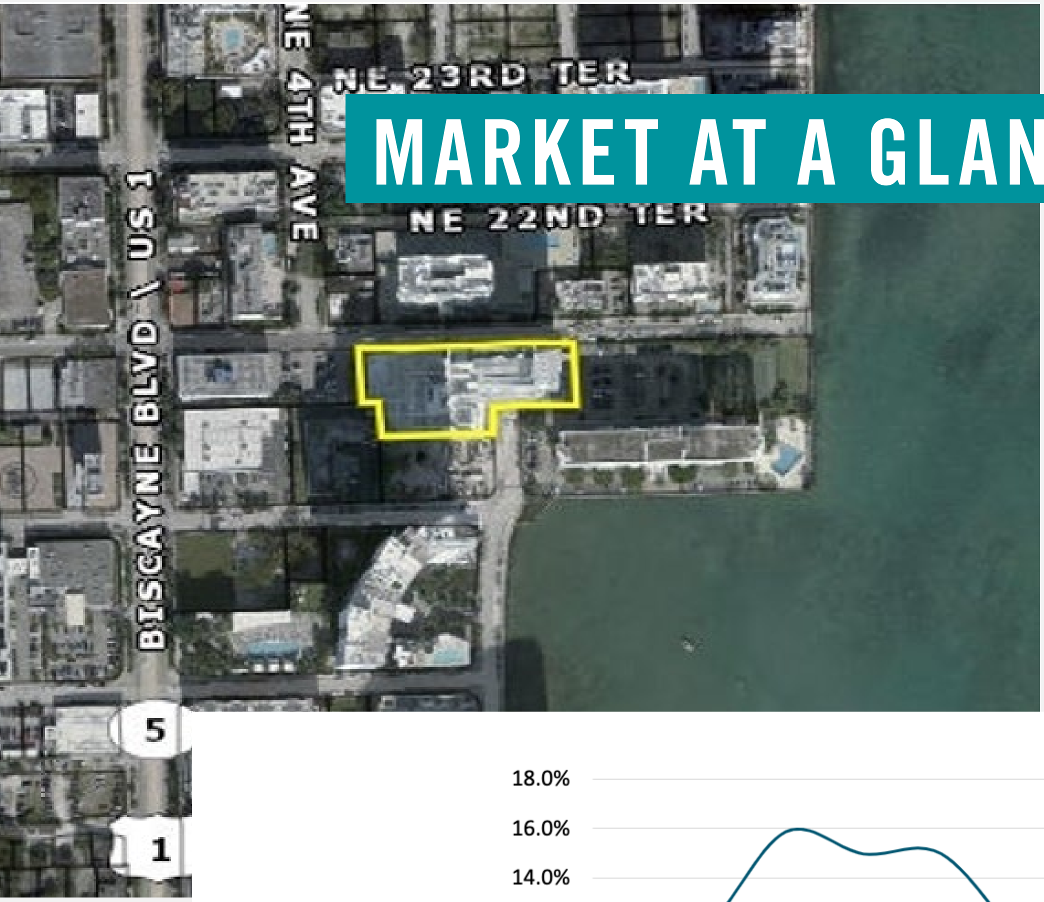
SOUTH FLORIDA — Q3 2022

MULTIFAMILY REPORT

FranklinStreet



MARKET AT A GLANCE

CLASS A VACANCY

8.8%

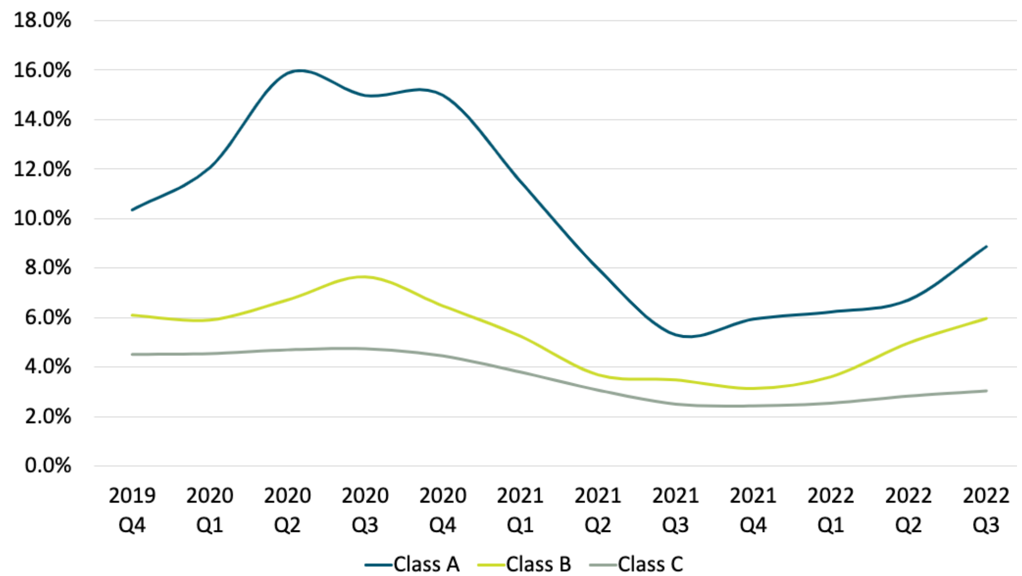
CLASS B VACANCY

5.9%

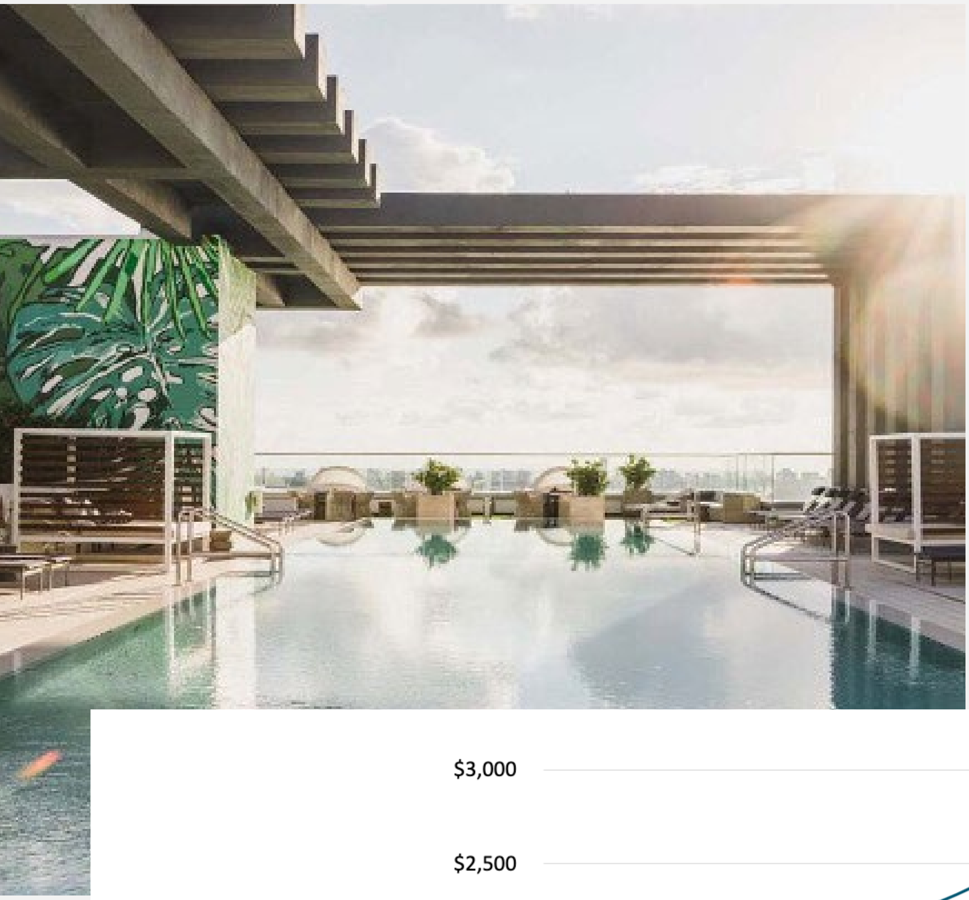
CLASS C VACANCY

3.0%

VACANCY RATES



The South Florida multi-family market has recovered well since the Covid-19 pandemic. The current vacancy rate is 5.9%, which is down from 9.07% in Q2 of 2020. Miami's year-over-year growth of 16.0% is outpacing the national average and allowing for growth with multifamily properties. Even though the vacancy rate has been rising over the last few quarters, we can attribute the increase to the high number of units that have been delivered to the area.



CLASS A RENT

$2,822

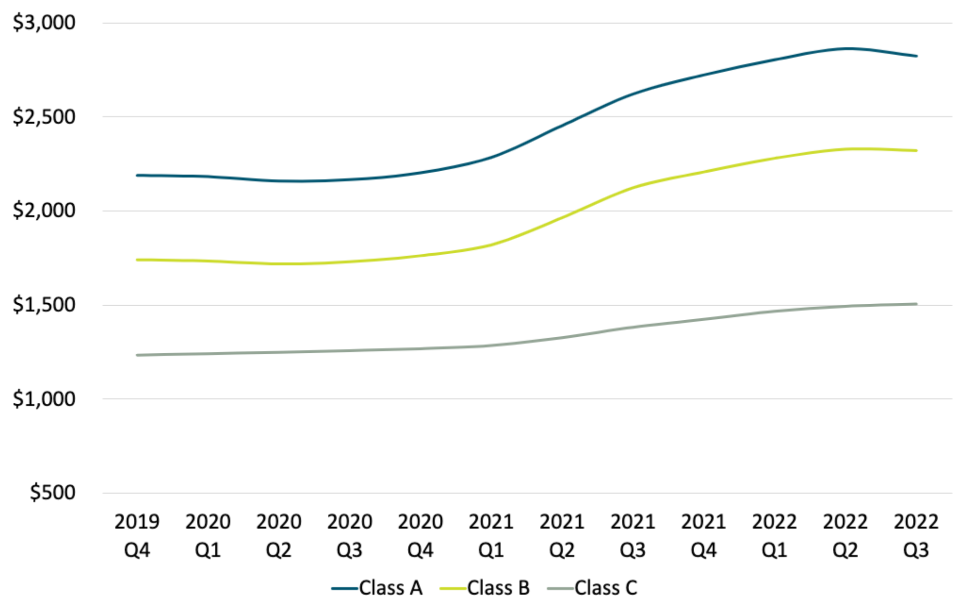
CLASS B RENT

$2,320

CLASS C RENT

$1,503

RENT PER UNIT



The rent per unit rates in South Florida have seen healthy and consistent growth since Q4 2019. With the average price per unit being $2,215 and Class A units going for over $2,800, these properties are continuing to provide good investments for capital groups and investors. We expect growth in the South Florida region to continue, but we do expect growth to slow down due to inflation and supply chain issues.

RECENT TRANSACTIONS

ALVISTA LAUDERDALE
$106,000,000

BUILT IN 1988

BROWARD MAY 22

519,092 SF

7900 HAMPTON BLVD

408 UNITS

3 FLOORS

17.00 ACRES

OWNER **CAROLL ORGANIZATION**

SELLER **PHOENIX REALTY GROUP**

WATERMARC
$210,367,000

BUILT IN 2021

MIAMI-DADE JUNE 22

519,092 SF

2150 N BAYSHORE DR

296 UNITS

28 FLOORS

2.00 ACRES

OWNER **AIR**

SELLER **ROCKWOOD CAPITAL**

MILL CREEK RESIDENTIAL

BROWARD JUNE 22

483,072

3700 PACIFIC POINT PL

420 UNITS

3 FLOORS

24.20 ACRES

OWNER **JBS CAPITAL GROUP**

SELLER **FRANKFORTER GROUP**

MIAMI-DADE JUNE 22

167,000 SF

736 SW 1ST ST

194 UNITS

8 FLOORS

0.83 ACRES

OWNER **LLOYD JONES CAPITAL**

SELLER **PREMIUM DEVELOPMENT**

— DAN DRATCH

Senior Director, Investment Sales

"The multifamily assets that are performing the best typically have a value-add story with upside potential and the ability to improve as fast as possible. One of the biggest opportunities for investors in the South Florida multifamily market today is finding undervalued properties with month-to-month leases, where rents can quickly be increased. In addition to value-add assets, new construction assets in core markets will also continue to perform well, especially for investors seeking a long-term hold. For example, Franklin Street recently sold, financed and insured a newly built 34-unit mixed-use property in Miami. Since properties like this do not come often, our client knew they had to jump on it quickly to capitalize on its growth potential."

Geography Name	Inventory Units	Market Asking Rent/Unit	Vacancy Rate
Aventura	2,150	$2,687	3.4%
Belle Glade	1,383	$983	5.6%
Boca Raton	14,560	$2,782	6.6%
Boynton Beach	14,075	$2,220	5.9%
Central Fort Lauderdale	22,737	$2,833	6.7%
Coconut Grove	1,932	$2,012	3.1%
Coral Gables	10,088	$3,072	7.5%
Coral Springs	20,321	$2,261	4.1%
Delray Beach	5,936	$2,716	6.9%
Downtown Miami	27,904	$2,983	6.5%
Green acres	5,467	$1,656	2.3%
Kendall	15,655	$2,200	3.8%
Little Havana	15,666	$1,666	2.2%
South Beach	7,083	$2,548	2.3%
West Palm Beach	19,026	$2,198	6.3%

Q3 DELIVERED UNITS

4,848

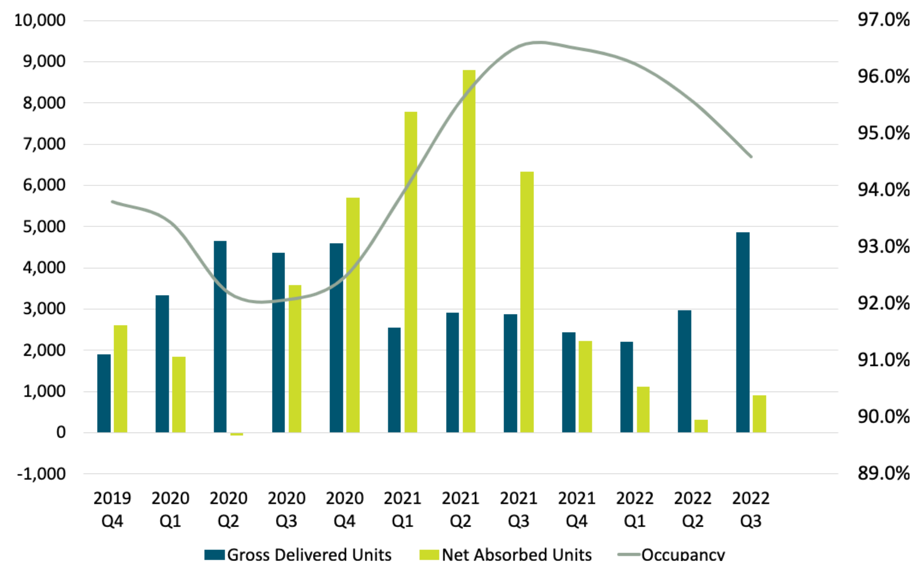
ABSORBED UNITS

898

OCCUPANCY

94.6%

SUPPLY & DEMAND



As mentioned above, there has been a significant amount of units delivered over the last few quarters, which has contributed to an increase in vacancies. Yet, we see positive absorption and deliveries which shows the market is maintaining strong growth. This quarter had a total of 898 absorbed units and 4,848 delivered while keeping a 94.6% occupancy rate. We expect vacancy rates to experience upward pressure until some of the recently delivered inventory is absorbed.

— RYAN WOLD

Senior Associate, Investment Sales

"The biggest challenge in today's market is the uncertainty in the debt markets. The recent increase in interest rates has already influenced pricing as well as demand. However, with population growth continuing to drive up rental rates, property pricing hasn't reversed. We should have a better idea of where pricing will stabilize by the end of 2022. In the meantime, changes in the debt market are creating opportunities involving smaller properties that do no need financing, as well as opportunities to assume a loan on a property."

CONCLUSION

The South Florida market will continue to attract investors with its lack of state income tax, strong migration and landlord-friendly environment and record rent growth, which has surpassed most if not all major cities in the United States. Additionally, the number of properties in South Florida makes it so there is a size and asset type for all types of investors.

Our belief is that the multifamily market in South Florida will continue to be strong even through some uncertainty. Investors and sellers will have to pay close attention to the drivers that affect our market such as rental rates, interest rates, and operating costs to make sure their expectations are in line with the current state of the market.

With our comprehensive full-service platform and expertise in providing solutions through every stage of the market cycle, Franklin Street is uniquely positioned to advise clients in today's adjusting and opportunistic market.

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