

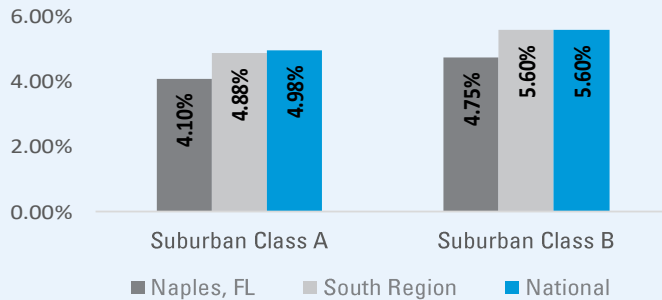
2023 NAPLES, FL MULTIFAMILY ANNUAL REPORT

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Cap Rate Indicator (Y/Y)

	Class A	Class B
Going In Cap Rate (%)	◀▶	◀▶

Going In Cap Rate Comparisons (%)



Change In Value Next 12 Months

▲3%-3.9%
Suburban Class A

▲3%-3.9%
Suburban Class B

Forecasts

Naples, FL 12-Month Multifamily Forecasts

Categories	Suburban Class A	Suburban Class B
Going-In Cap Rates	▲50-74 bps	▲50-74 bps
Discount Rate	▲50-74 bps	▲50-74 bps
Reversion Rate	▲50-74 bps	▲50-74 bps
Market Rent Change	+5.00%	+5.00%
Expense Rate Change	+7.00%	+7.00%
Years to Balance	1	

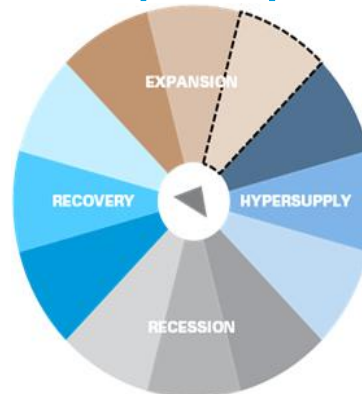
Naples, FL 36-Month Multifamily Forecasts

Categories	Suburban Class A	Suburban Class B
Change in Value	▲3%-3.9%	▲3%-3.9%

Naples, FL Multifamily Market Overview

On September 28, 2022, Hurricane Ian made landfall in the Southwest Florida region. The Category 4 storm impacted all of Southwest Florida from Marco Island north through Charlotte County and southern Sarasota County causing widespread damage particularly in the coastal areas. It is yet to be seen how the storm will impact the rental market. To date in 2022 the Naples Multifamily residential market has seen significant growth, with rental rates increasing over 23% from 2021. This has led to issues with tenants being priced out. As of now, the number one issue in the market is affordability. Since 2018, Naples has been inundated by an overwhelming amount of new construction. Multifamily stock has increased from 10,517 units to 12,684 units, a 20% increase. The past 12 months have seen over wight hundred units delivered. However, absorption has slowed with only 298 units absorbed. This has led to an uptick in vacancy to 8.7% as the new construction completes lease up. At present there are around over 1,600 units under construction and set to be delivered in 2023 and beyond. Historical absorption rates of between 500 to 1,000 units per year. Therefore, the new construction should be readily absorbed, and vacancies should not be significantly impacted. The slowing absorption has tempered rental growth rates which have shown signs of stabilizing. Growth was only 8% in 2022 after 2021 saw rents rise nearly 40% Since 2015 average sales prices have increased at a rate of roughly 15% per year. In 2020 price growth slowed to was 5.3%. before rebounding in 2021 to over 30% and another 9.75% in 2022. Cap rates have also compressed significantly at rates below 4.1%. Investment in the market has been above average over the past year totaling over \$447 million. The largest deal of 2022 was The Aster at Lely, a 308-unit, garden-style community in Naples Manor, which traded at an allocated price of almost \$155 million (\$500,000/unit).

Market Cycle: Expansion Stage 3



- Moderate/High New Construction
- Moderate/High Employment Growth
- Med/High Rental Rate Growth
- Decreasing Vacancy Rates
- High Absorption

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