

SUNRISE MARKET ANALYSIS & SITE REDEVELOPMENT CONSULTATION



Sunset Strip
Property Development
Options

ACKNOWLEDGEMENTS

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TABLE OF CONTENTS

I. Executive Summary	4
II. Demographics and Trends	9
III. Real Estate Market Overview	12
IV. Key Observations	20
V. Concept Plan Options	22
Option 1	23
Option 2	27
Option 3	31
Option 4	36
Conclusion	40

I. EXECUTIVE SUMMARY

As the City strives to create a more vibrant, healthy, and sustainable community and improve citizens' quality of life, opportunities exist for redevelopment. This report seeks to provide development scenarios and support data for consideration of redevelopment of certain properties.

The City of Sunrise authorized Redevelopment Management Associates LLC (RMA) to prepare a market analysis and supporting redevelopment concepts for a City-owned development site within City limits on Sunset Strip, directly across from City Park which is part of the Village Center. The analysis and recommendations provided are in keeping with the City's goals of increasing the tax base and improving the community, as detailed in the City's East Sunrise Improvements Master Plan ("Master Plan").

This Market Analysis and Site Redevelopment Consultation Report includes market analysis, real estate studies, community demographics, four conceptual plans, and recommendations of highest and best use, based on a mix of complementary uses that will activate the area for residents and further the goals of the Master Plan. The demographics and analysis of market trends provide the data and basis for establishing the need and marketability of a project like this.

Sunset Strip is a primary gateway of the City, offering a warm and inviting environment that embraces a diverse and culturally rich population. By encouraging mixed-use development with smart urban design and pleasing aesthetics, the City will advance the vision that was identified in the Master Plan to increase housing options in this area and make the area more vibrant.

The alternative scenarios presented for the site support overall revitalization strategies, financial feasibility, community desires, a healthy mix of housing and economic opportunities for families, businesses, and the private development community. Urban design supports a culturally diverse population with today's urban dweller seeking not only the compact, efficient physical space but also the community and social environment, which includes walkability to nearby community amenities.

The property is located in the B-3A Business Overlay District. The only option presented that complies with the B3A district is Option 4. The existing regulations will likely require code amendments to authorize residential uses within a mixed-use parcel. The residential nature of the surrounding area and the proximity to the park are compelling attributes for the incorporation of mixed-use redevelopment in this part of Sunrise.

The Master Plan recognizes that private investment is driven by risk and return, which is heavily reliant on the financial feasibility of any given project. This site lends itself to successful development due to its proximity to lifestyle amenities in the immediate area, including the renovated City Park, the Village Civic Center, and the future Art Plaza. The crisp white “island” architecture with pitched roof towers and slatted awnings in the area are unique in appearance and lend a signature to this part of East Sunrise. These area assets and physical attributes, including the neighborhoods in proximity, streetscaping, and lighting, set the tone for the design of the proposed development.

While the conceptual designs are market-tested, the final design and density can be altered or modified based on market conditions. The conceptual plans shown align with the character of the neighborhood and are compatible with the surroundings and the goals of the City.

Figure 1: East Sunrise Improvements Master Plan Limits

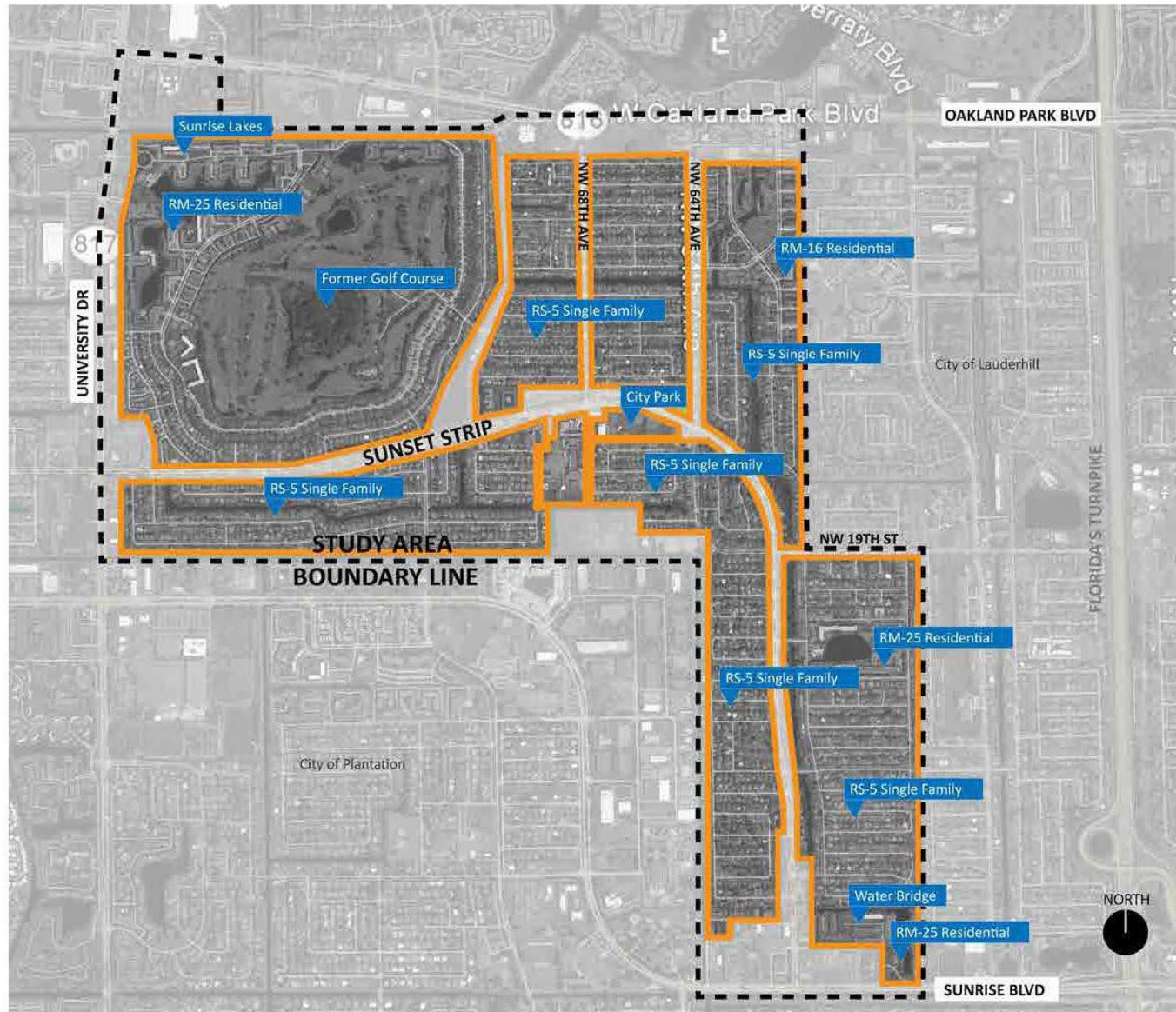


Figure 2: Village Civic Center Aerial



STUDY AREA

The study area consists of an interior 1.4-acre parcel of property on Sunset Strip, a major collector street and a focal point for business and community services. This report provides four (4) design concepts for the subject site, including conceptual site plans, massing diagrams, and illustrative depictions of similarly designed and sized properties, for each concept plan. The report contains market data that support each of the design concepts, referred to as Option 1, Option 2, Option 3, and Option 4.

Figure 3: City-owned Properties Along Sunset Strip



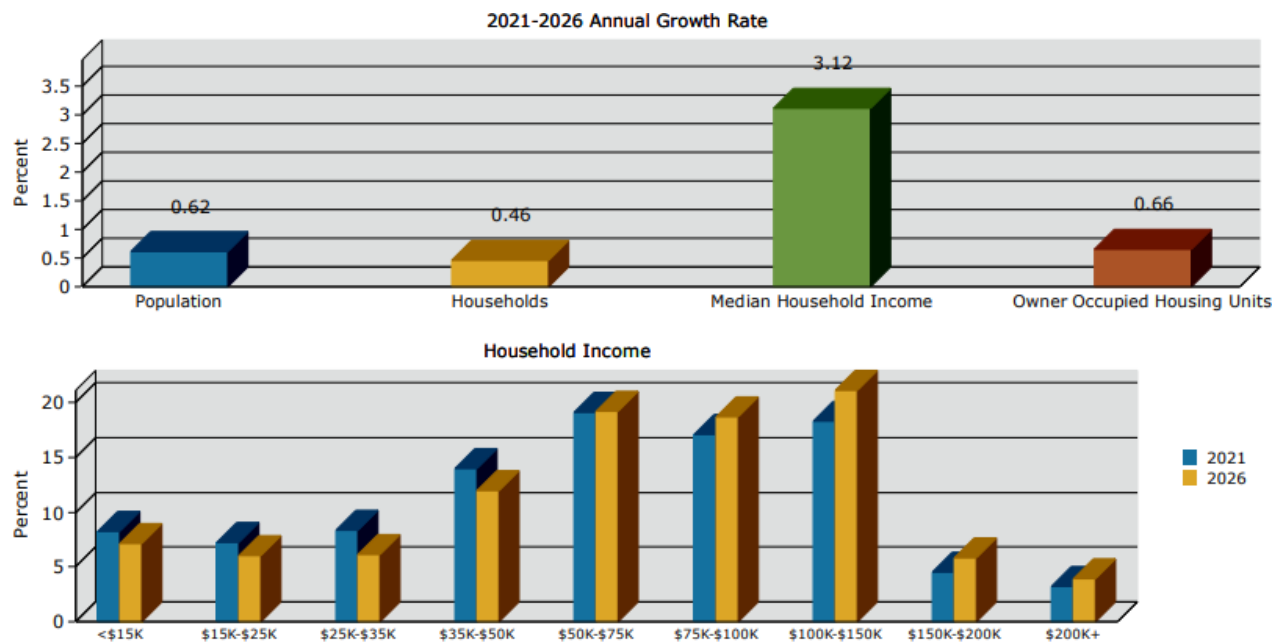
II. DEMOGRAPHICS AND TRENDS

The population of Sunrise is 97,335 people with a median age of 40.9 and median household income of \$54,701, according to the U.S. Census Bureau, Census 2020. Within three miles of the identified area, the current population is 199,030, and incomes are \$62,557, according to ESRI 2021 summary reports. There are 5,620 total businesses with 48,550 employees in the City. The Tapestry Profile indicates a high percentage of bright, young, professionals and urban-edge families.

These facts point to the perfect platform for new, market-rate priced multi-family residential properties. The relatively young age of the population and the higher incomes are positive signs for developers who look for opportunities to provide housing for the workforce of today.

The following charts show the annual growth rates projected for Sunrise, as well as the categorized projections of the household income.

Figure 4: 2021-2026 Annual Growth Rate & Household Income, 2021 vs. 2026



Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2021 and 2026.

Demographic and Income Comparison Profile

These charts are indicative of the trends that are forecast for this area within one mile, based on the local, state, and national markets. Household incomes are important, as they may indicate the type of housing that people choose. The information regarding makeup of the households, with or without families, are also used to forecast development opportunities. Rate of Growth Shown Source: U.S. Census Bureau, Summary File 1. Esri 2021 and 2026.

Figure 5: Annual Rate of Growth of Population, Households, Families, Owner Households, and Median Household Income by Area, State, and Nationwide

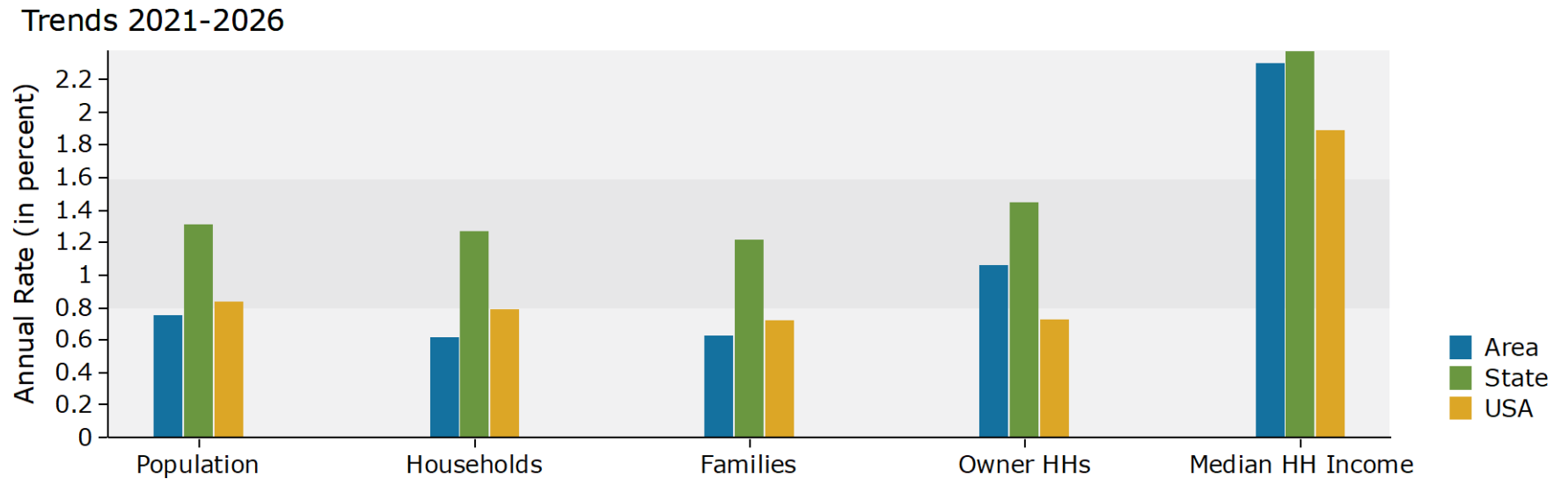
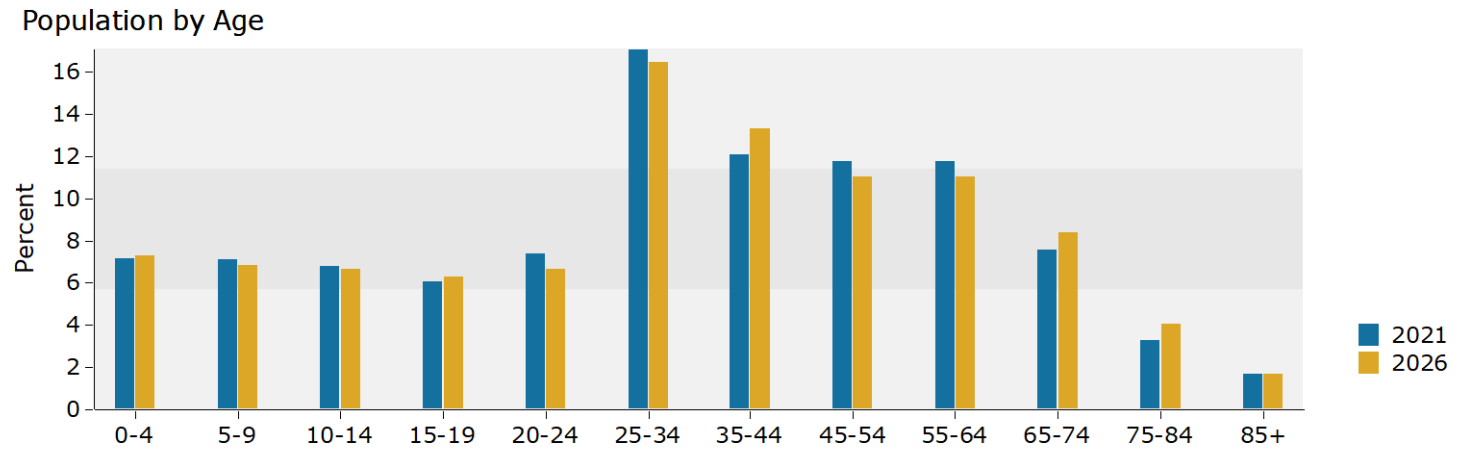


Figure 6: Percentage of Population by Age Projection, 2021 vs. 2026



III. REAL ESTATE MARKET OVERVIEW

Florida is ranked #2 in the USA for “best business climate.” The criterion included workforce quality, taxation, regulatory climate, and quality of life. It is this climate that Sunrise provides, plus an abundance of natural beauty and an active lifestyle environment.

Nationally, the real estate market is poised to enter a new phase of development as a result of the pandemic. The Sun Belt region of the country is showing the most potential for growth, with secondary markets like the Fort Lauderdale/Sunrise area leading the country in overall real estate and home building prospects. These national statistics are positive for Sunrise. Below is an overview of the existing conditions, in addition to data trends, that highlight each sector’s potential for expansion and future development. Market-growth projections for residential, retail, and office markets were analyzed to determine the likelihood of market-based development for the Sunrise Sunset Strip area. This analysis is done to provide information that will determine the viability of the proposed redevelopment options.

Methodology

Utilizing Costar Group, the real estate industry’s leading provider of information and marketing, the area’s real estate markets were examined. Each major real estate sector of office, retail, and multifamily was examined to show current activity and recent years’ activity. By comparing both existing conditions to recent years’ trends in the real estate market, observations are noted to determine if a market is strengthening or weakening, and whether there is market surplus and market demand. It is not only important to understand the local market, but to look at the entire region to see how the larger market is performing at a macro level.

All references to the Fort Lauderdale market and market data are provided by CoStar and define the area statistics. The Fort Lauderdale market is the larger market, with Sunrise captured as part of the Plantation/Sunrise submarket. The real estate market characteristic tables in this section highlight each major real estate sectors’ trend. The following definitions are helpful to know when reviewing this section.

- *Asking Rents* highlight the average price that space is leased for, per square foot (psf).
- *Vacancy Rates* determine how many square feet are available in the market.
- *Space Availability* determines the amount of space that is currently being marketed regardless of if the space is vacant or occupied. Measured in square feet (SF).
- *Absorption Rates* measure the change in commercial space, highlighting the amount of commercial space that has become vacant in a market. For instance, a “negative absorption” indicates that supply is greater than demand.
- *Capitalization Rate (“Cap Rate”)* helps determine the Rate of Return for an investor by examining the property’s value and its potential to generate income.

Sunrise/Plantation Office

The pandemic created the most lasting changes in the office sector. Remote working has become a permanent option for millions of office workers. While a broad range of industry perspectives exists about how “work from home” (WFH) will affect office demand, almost all scenarios point to smaller office footprints.

An increased focus by tenants on healthy buildings is accelerating. The market is experiencing a “flight to quality,” where tenants are looking for newer construction. Designs for the future include a “hybrid” work environment that will take different forms, depending upon the companies. Occupations and sectors that are more analytical, like tech and consulting, seem to fare well with remote working. Relationship-based businesses, like banking, will probably return to the office for at least the better part of the work week.

Sunrise’s office market is part of CoStar’s “Plantation” submarket of the greater Fort Lauderdale Metro commercial market. The entire market took a significant hit following the onset of the coronavirus pandemic. However, while the Metro’s elevated vacancy rate and uncertain long-term impacts remain, CoStar’s key indicators are trending in a positive direction.

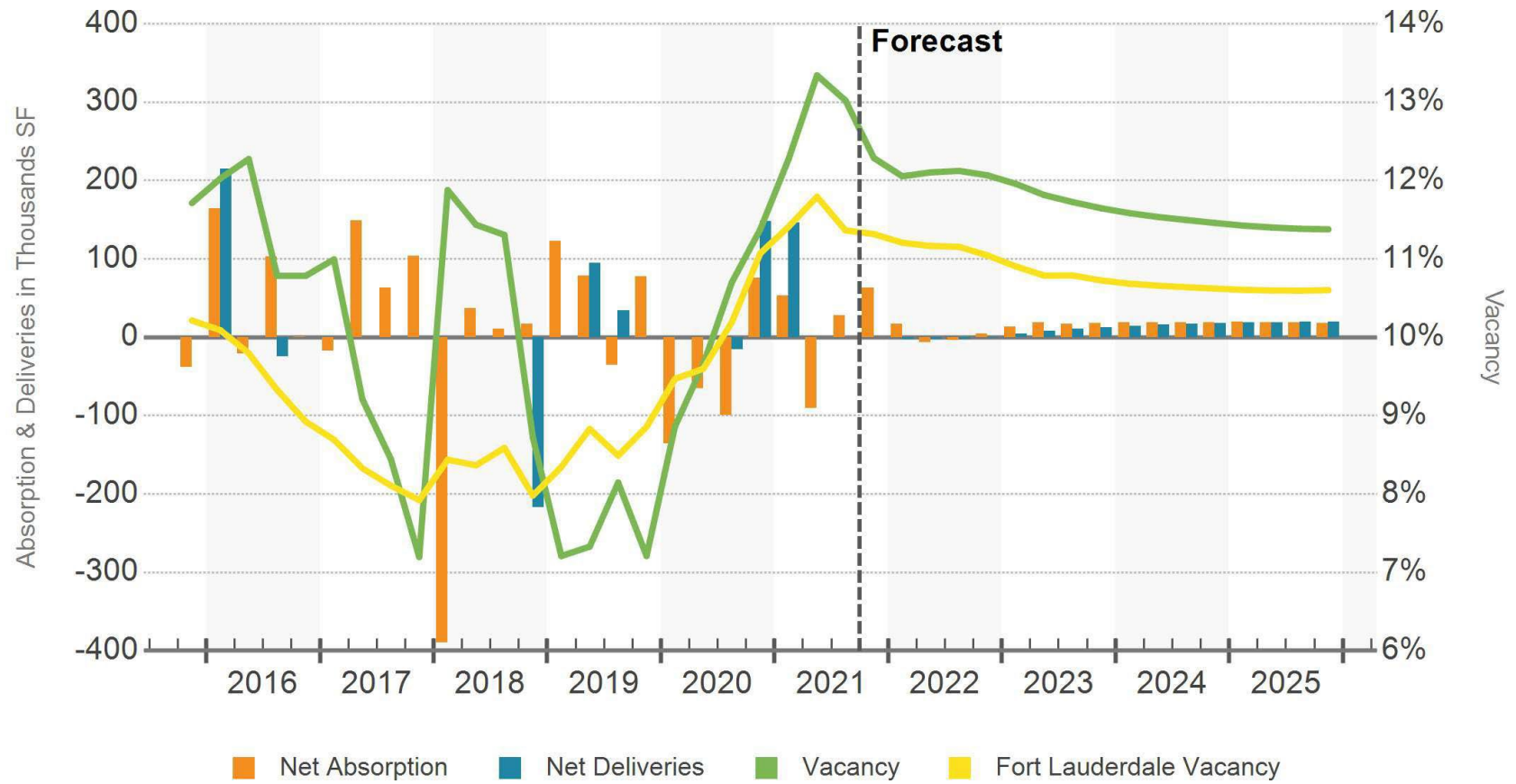
With the construction pipeline cooled, vacancies in this market may remain high in the near term, as commercial firms continue to reassess their physical footprints in a post-pandemic environment. Rent growth initially cooled right after the onset of the pandemic but has recently improved, despite the uncertain office environment. Transaction activity has rebounded in recent quarters, powered by a handful of large-scale trades. Same-store pricing has continued to rise, albeit at a moderate pace, and average cap rates have seen little movement over the past few quarters.

However, changes in this sector of real estate have been dramatic on account of the increased WFH arrangements for millions of employees and the resulting impact in desirability within the category of office real estate. These national trends are important considerations as they affect the investment climate.

Leasing Sunrise/Plantation Office

Figure 7: Net Absorption, Net Deliveries and Vacancy

This chart illustrates the Sunrise/Plantation and overall Fort Lauderdale office statistics. The forecast green line indicates a continued high office vacancy rate.



Source: CoStar RMA License 2021

Sunrise/Plantation Multi-Family

The national multi-family development sector will be slowing down as the cost of construction materials has skyrocketed and corporations reconsider corporate campuses in other areas of the country. For Florida, on the other hand, this prediction does not appear to be true. Noted by a surge in demand and rental rates 30% above pre-pandemic levels, developers have a sustained interest and motivation to look for opportunities in South Florida.

Sunrise/Plantation has been among Broward County's most popular spots for apartment development in the past decade, which has led to volatile vacancies in the submarket as new units are delivered and leased up. According to CoStar, however, the submarket's vacancy rate has trended lower over the past few quarters due to a surge in demand. The Sunrise/Plantation vacancy rate of 3.1% is near a record low, but supply-side pressure should cause the submarket's vacancy rate to rise in the near term, considering 2,000 units are under construction. Like most submarkets in South Florida, asking rents in Sunrise/Plantation fell in the early months of the pandemic, but rents have rebounded since the start of 2021. Year-over-year rent growth of 22.8% is by far a record for the submarket and is in line with the Broward County average. Sales activity slowed immediately following the onset of the pandemic, but transaction volume has picked back up over the past few quarters. Average pricing in Sunrise/Plantation is equal to the Metro average, and after same-store pricing flattened out in 2020, price appreciation has picked up since the start of 2021.

Despite an ongoing supply wave, the multi-family vacancy rate in Sunrise/Plantation has trended lower in recent quarters. Roughly 940 units have opened over the past 12 months, but net absorption has been strong enough to push vacancies lower. Sunrise/Plantation will continue to face supply-side pressure in the near term. The 2,000 units that are under construction will represent 11.1% of the submarket's existing stock. Therefore, the submarket's vacancy rate will rise in the near term, even if demand remains robust. The submarket has a median income above the Broward County average, and homeownership is prevalent here. However, the renter base is mixed, with a fair share of both renters-by-necessity and renters-by-choice. The new developments are primarily catering to the latter, as new builds typically charge rents of around \$2.50/SF or well above the submarket average. New properties have leased up at a brisk pace over the past few quarters.

Forbes Magazine recently reported that the market inflation seen in Florida is being fueled by several factors. It's not just about real estate speculation, but about how working remotely (WFH) is changing behaviors. There is a migration that's occurring out of dense metro areas.

Figure 8: Overall & Stabilized Vacancy

This chart illustrates the current and projected multi-family rental market. Stabilized vacancy uses historical data to project anticipated rise and fall of markets once a project is stabilized or operating at a pre-determined level. Overall vacancy projections are based on the market deliveries at the time of first occupancy.

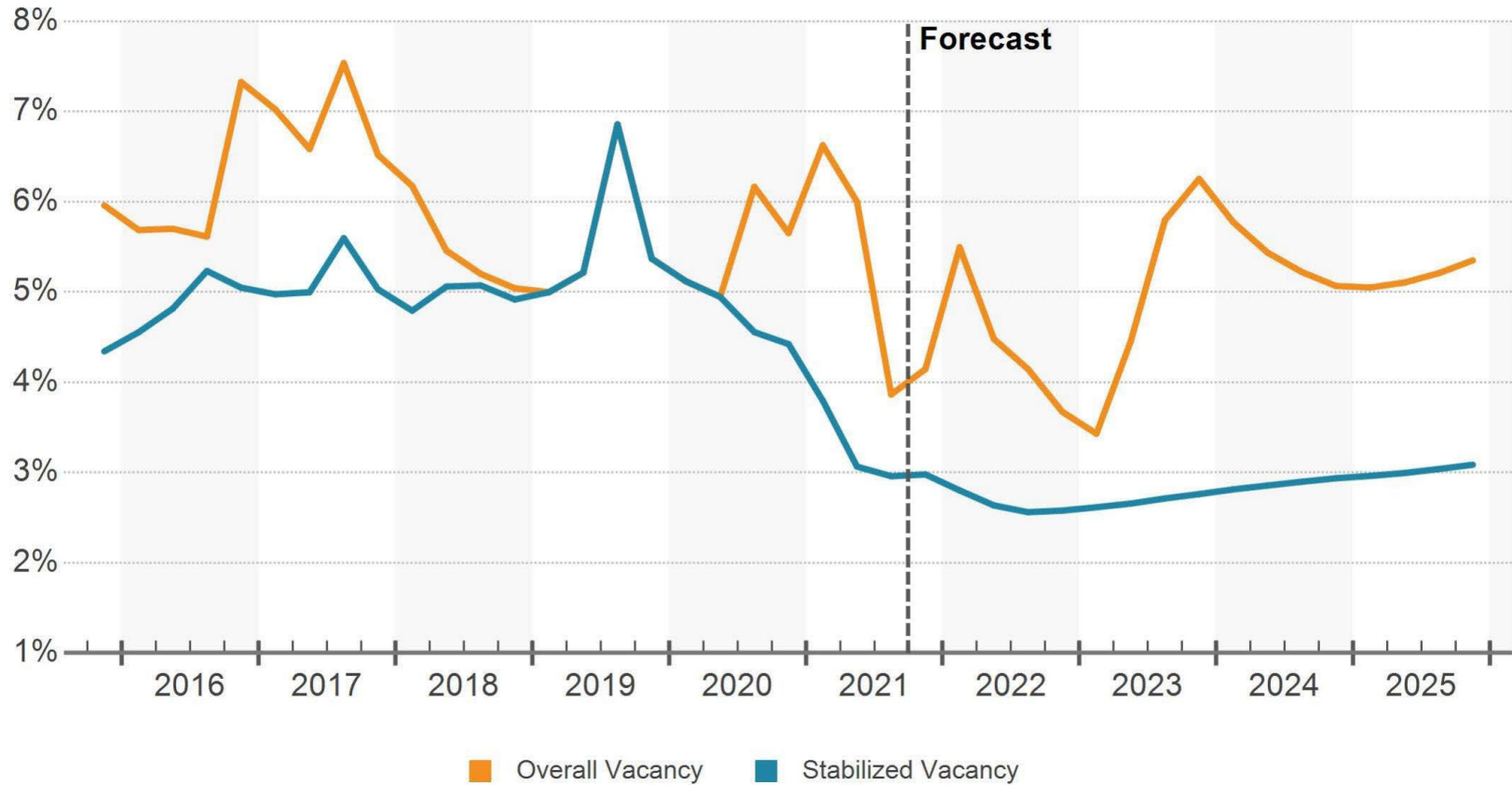
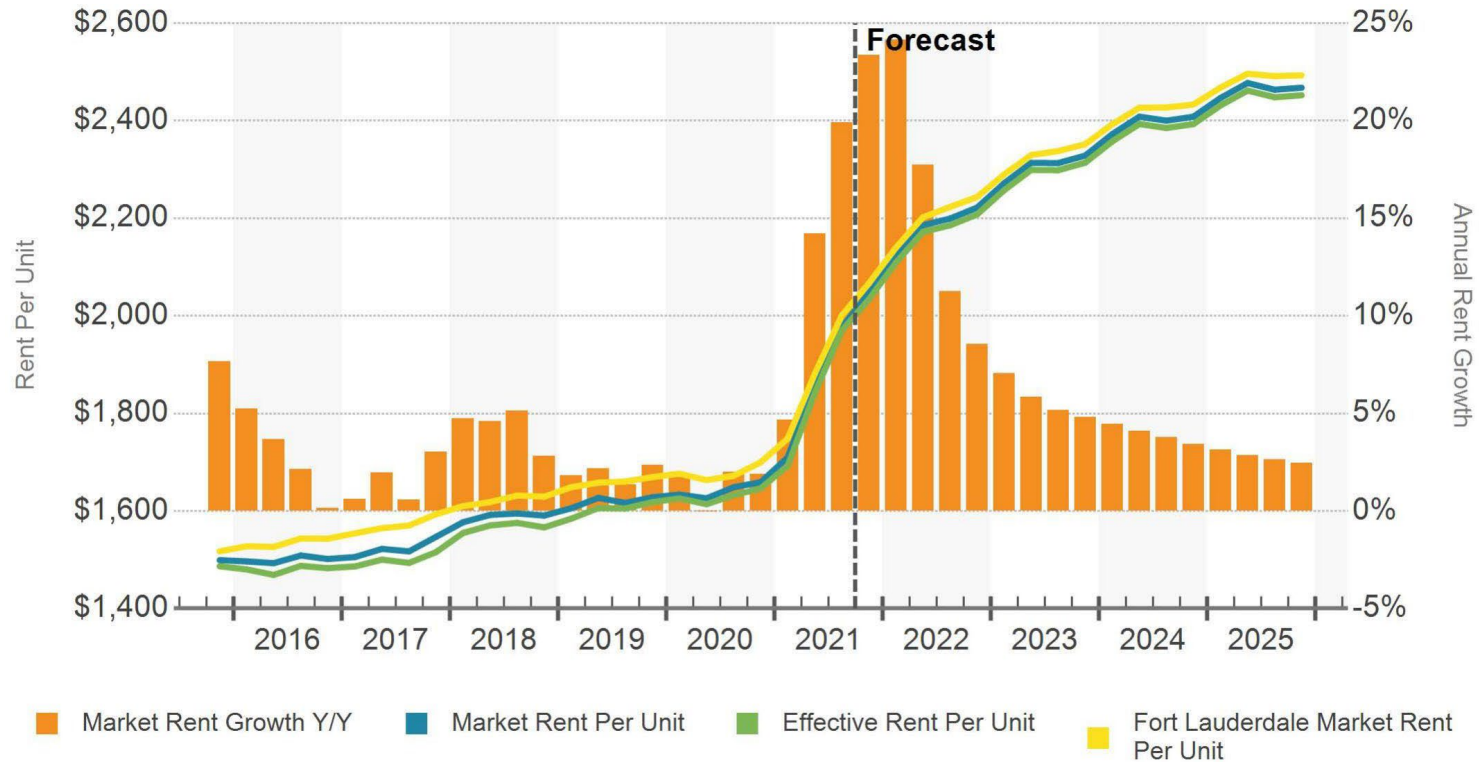


Figure 9: Market Rent Per Unit & Rent Growth Plantation/Sunrise Multi-Family

Average asking rents in this market fell in the months immediately following the onset of the pandemic but rent growth has surged over the past several quarters. At \$2,050/month in this market average asking rents are in line with the metro average, providing developers with indications that the market will support additional development.



Sunrise/Plantation Retail

The retail market sector nationally was impacted more by the pandemic than all the sectors. However, retail has always been quick to respond, with successful changes to operations and facilities being made in rapid manner. Already impacted by e-commerce, the pandemic accelerated the retailer's response to this phenomenon. Today, retailers, grocers, and restaurants have all adapted to the change in our society that puts a premium on convenience. It is important to note for this study that nationally retail development ranks last in development prospects. While some chains will be expanding in singular type developments, that expansion is part of a real estate strategy specific to each particular market.

Some interesting statistics:

- The average retail lease size today is 3,000 square feet, versus 3,500 in 2018.
- E-commerce domination has impacted traditional retailers resulting in the need for omnichannel platforms.
- Experiential tenants like gyms and restaurants, and necessity-based tenants like grocers and discount store are more resistant to e-commerce.
- Medtail is a new phrase used in real estate today, denoting the combination of office medical uses in a retail environment.

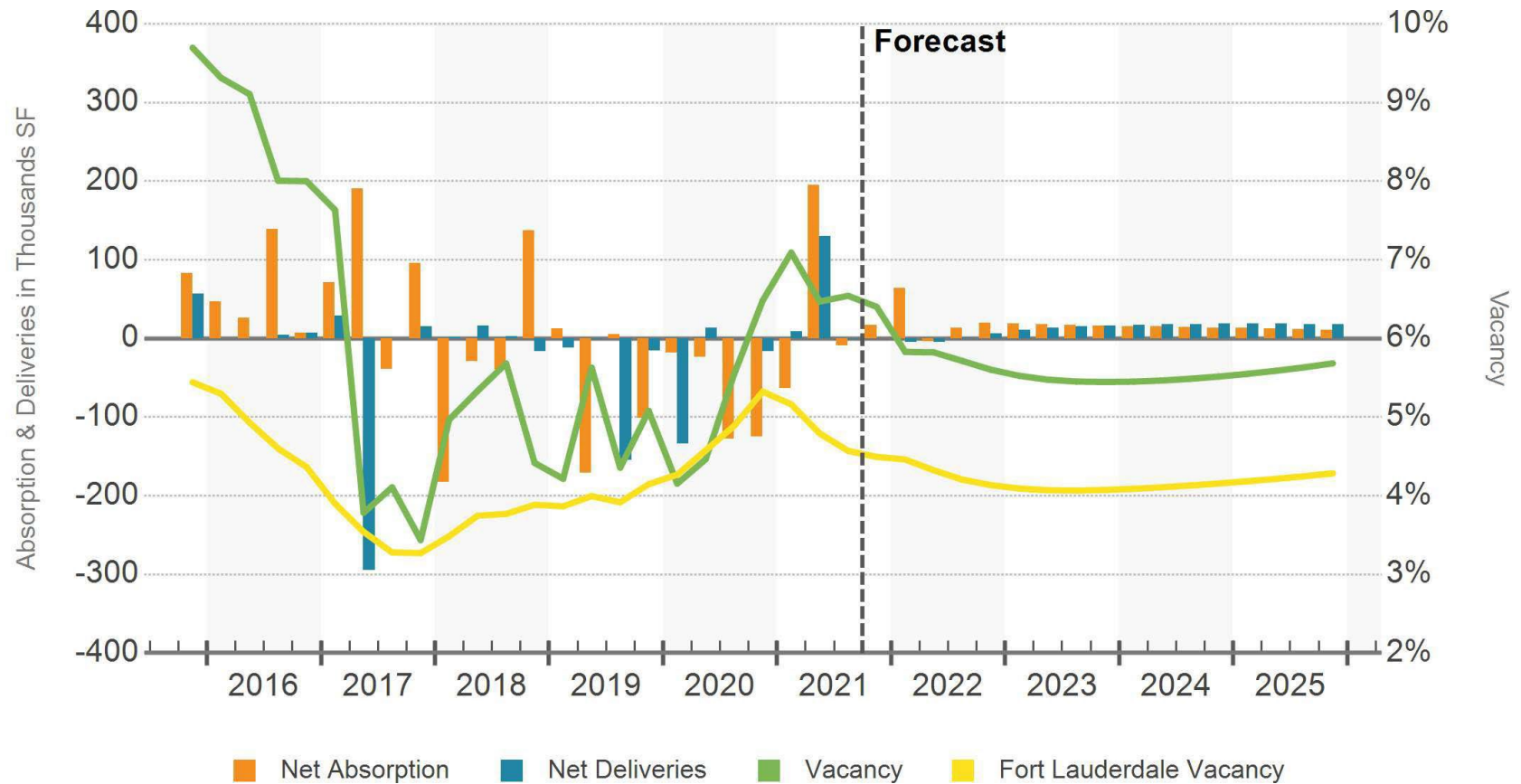
Sunrise is a submarket of the Ft. Lauderdale market as defined by CoStar and referenced as the Sunrise/Plantation market. Retail vacancies overall in this submarket were slightly elevated relative to the five-year average during the fourth quarter of 2021 (months from October to December), according to CoStar. However, they were unchanged from Quarter 4 of 2020. The retail vacancy rate also sits above the South Florida market's average.

Meanwhile, retail rents have surged in the past 12 months, growing by 6.8% year over year. That is the strongest rate of annual retail rent growth observed over the past five years. As for construction, developers have not been particularly active, therefore inventory has contracted.

Retail statistics are further broken down by types of retail storefronts, such as malls, power centers, neighborhood centers, strip centers, general retail, and other retail. Our analysis explored the Sunrise/Plantation submarket, and all indicators point to a lesser amount of new construction in this market as compared to other areas that have more land available for new product. Overall rents and vacancies are shown in the following two pages:

Figure 10: Net Absorption, Net Deliveries, & Vacancy

This chart compares the Sunrise/Plantation retail market to the overall Fort Lauderdale market. The flat forecasts reflect the industry’s reluctance to predict the future due to the pandemic and its effects. Negative absorption indicates an overabundance of supply.



IV. KEY OBSERVATIONS

New projects are key to the economy of Sunrise. The options presented are all very similar in that they illustrate the density of development that can be obtained on this subject property, while keeping within the goals and visions of the City. The plans are actionable and market strategic in today's economy. Care has been exercised to recognize the community's stated goals, to research market development trends, and to present options that are realistic and market feasible.

Catalyst sites are defined as those opportunities within the City that can impact the economy and affect the community in a positive manner. Trends affecting how these opportunities are evaluated include population growth, changing commuter patterns, demand for enhanced amenities and the existence of walkable mixed-use environments. This Village Center area is undergoing a planned renaissance, including a complete makeover of City Park. The Park connects to the future Village Art Plaza, which will feature original sculptures and host a range of events. This will become the center of civic amenities and a vibrant area that promotes urban design and mixed uses within the Village Center. *An urban design that incorporates a mix of uses is a prime recommendation for this site on Sunset Strip to continue these efforts.*

The four (4) concept plans include three (3) multi-story, mixed-use concepts with commercial space included and one concept that improves existing conditions. Each of the mixed-use concepts limit the number of units to less than 50, and only one of these plans shows four stories. Three of the four options include office space, which can be developed as an incubator, co-working space, or traditional office use. Considering the trend for shared office space and the Master Plan recommendations around fostering entrepreneurship, an incubator and/or co-working space should be considered as part of the office use.

In general, each design faces directly on Sunset Strip in order to activate the urban environment. This is accomplished by creating a commercial first floor, with outdoor dining. Simultaneously, this floor serves as a base for the building. The residential units are set back slightly from Sunset Strip to allow privacy, while considerable setbacks in the rear of the building minimize impact to the surrounding single-family neighborhood. A tree buffer on the back provides visual screening of the building as well. Courtyards are designed to afford privacy and greenspace for residents, while the commercial space provides opportunities for outdoor dining. Some of the parking is onsite, and some is "tucked under" the building footprint.

The four-story concept with an office wing envisions commercial/restaurant/dining on the first floor and a small area for incubator space and coworking spaces on the upper three stories. This coworking trend is very popular in today's market, as more companies look for flexible and hybrid work environments and as referenced in the office analysis.

The fourth option depicts the existing property improvements with a "facelift," or façade and environmental improvements. By incorporating new landscaping and streetscaping that encourage outdoor dining and shopping in the spaces surrounding the fountain plaza, a pleasant atmosphere can be created. The issue with this

scenario is that it lacks a residential component. Without additional residential and daytime population, it is difficult for this type of commercial retail/dining business to succeed, limiting this area's ability to become an activity node and urban center.

It is recommended that mixed use with residential be included in any redevelopment scenario, as supported by the market analysis.

In keeping with the East Sunrise Improvements Master Plan, the concepts provide for vehicular interconnectivity to the existing retail centers to the east and west of the site if access is granted. The architectural style is not determined nor defined at this time and was not part of this analysis. The pictures displayed are of existing products that mirror the design of each concept plan, and the vision of the Master Plan.

V. CONCEPT PLAN OPTIONS

	Option 1	Option 2	Option 3	Option 4
Description	3 floors	3 floors	4 floors	Reuse
Total Parking	92	91	93	63
Shared (Residential or Commercial) Parking	58	0	0	0
Residential Parking	34	60	60	0
Commercial Parking	0	31	33	63
Commercial Space Area	6,670	6,860	10,610	8,971
Incubator/Co-working/Office Space Area	0	3,510	5,680	5,997
Residential Units Area	36,560	28,900	28,900	0
Residential Units Number	46	34	34	0
Average Area per Unit	795	850	850	0

OPTION 1

1st Floor Layout

- Commercial Area 6,670 SF
- Residential Club Room Area 1,595 SF
- Utility Room/Elevators/Stairs 2,360 SF
- Garage Parking and Storage Area 10,970 SF
- Total Parking 92 Spaces
 - 58 Shared Parking Spaces
 - 34 Private Garage Parking Spaces



- Residential (Club Room)
- Commercial
- Utility Rooms/Elevator / Stairs
- Garage Parking and Storage

OPTION 1

2nd and 3rd Floor Layout

- Residential Area 36,560 SF
- Residential Units 46
- Average Area per Unit 795 SF
- Corridor/Catwalk 3,714 SF
- Utility Room/Elevator/Stairs 4,720 SF



- Residential Units
- Utility Rooms/Elevator/Stairs
- Corridor/Catwalk

OPTION 1

Roof Layout



OPTION 1

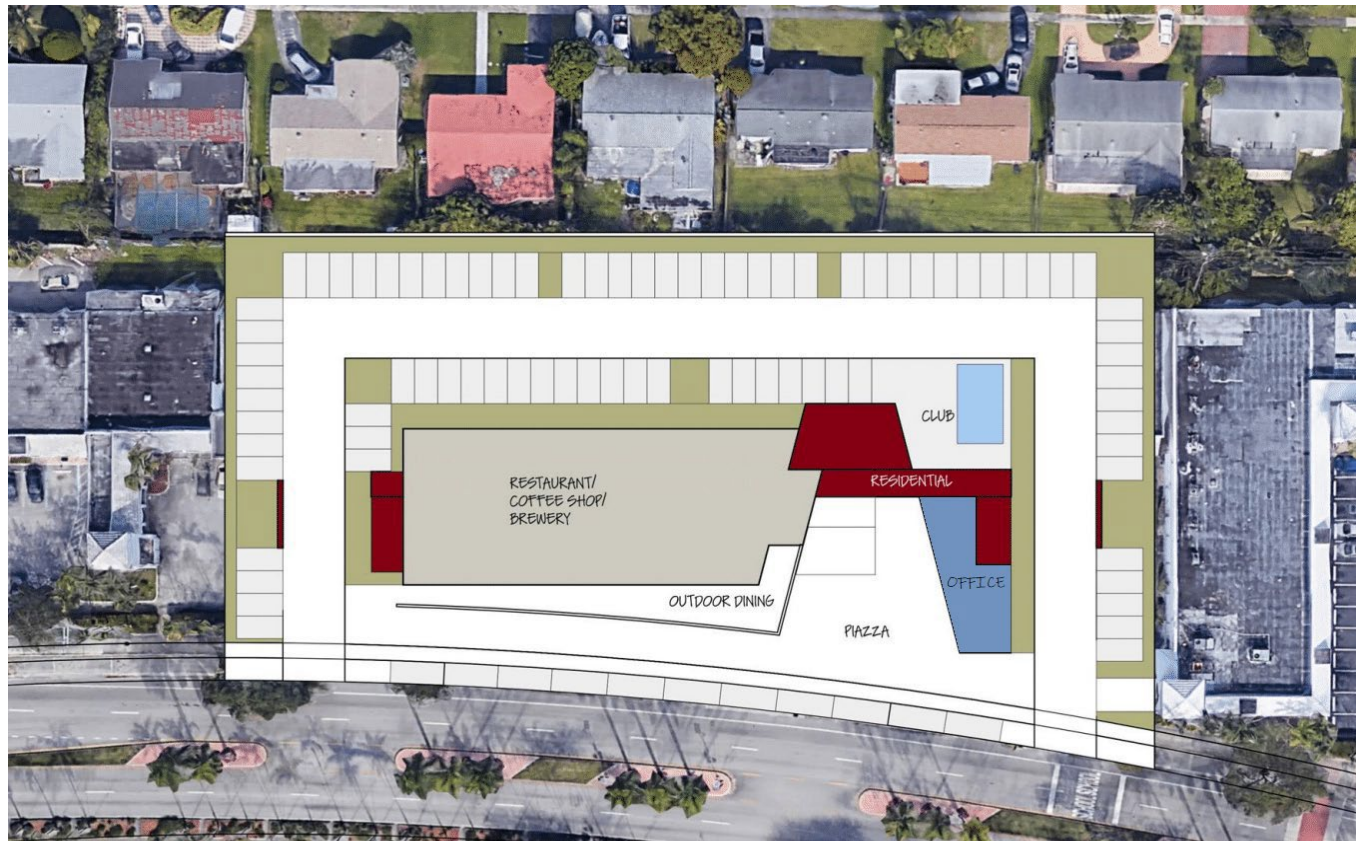
Examples



OPTION 2

1st Floor Layout

- Commercial Area 6,860 SF
- Office 3,510 SF
- Total Parking 91 Spaces
- Commercial Parking 31 Spaces
- Residential Parking 60 Spaces

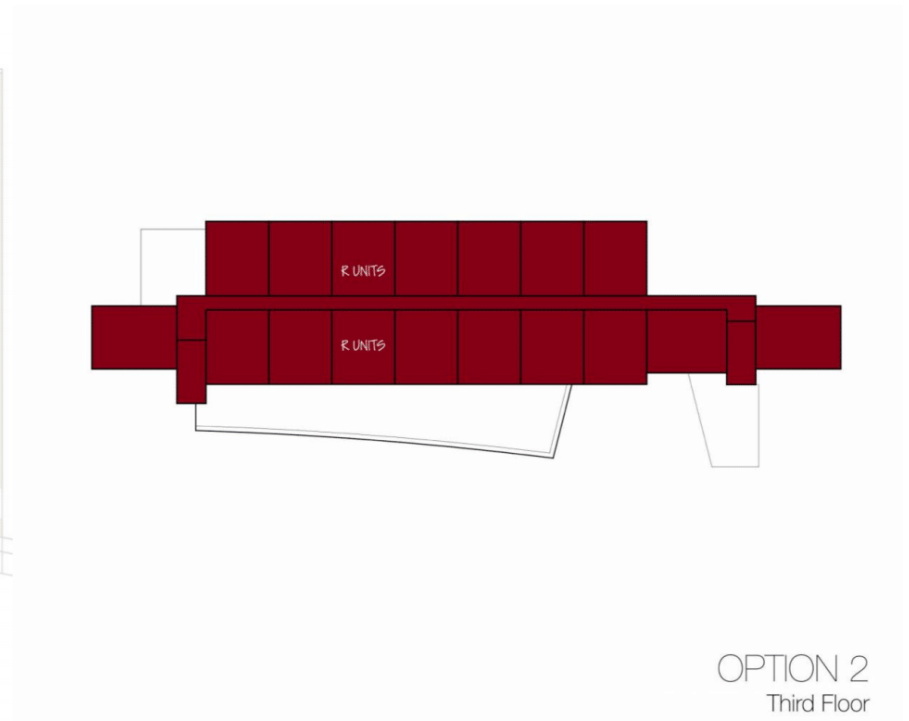
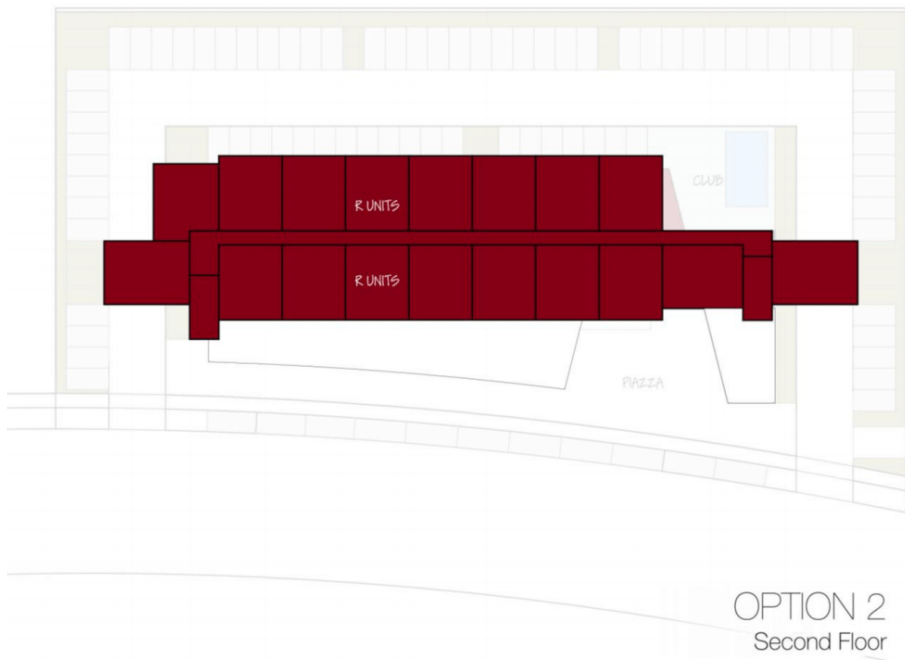


- Residential Units
- Commercial
- Office

OPTION 2

2nd and 3rd Floor Layout

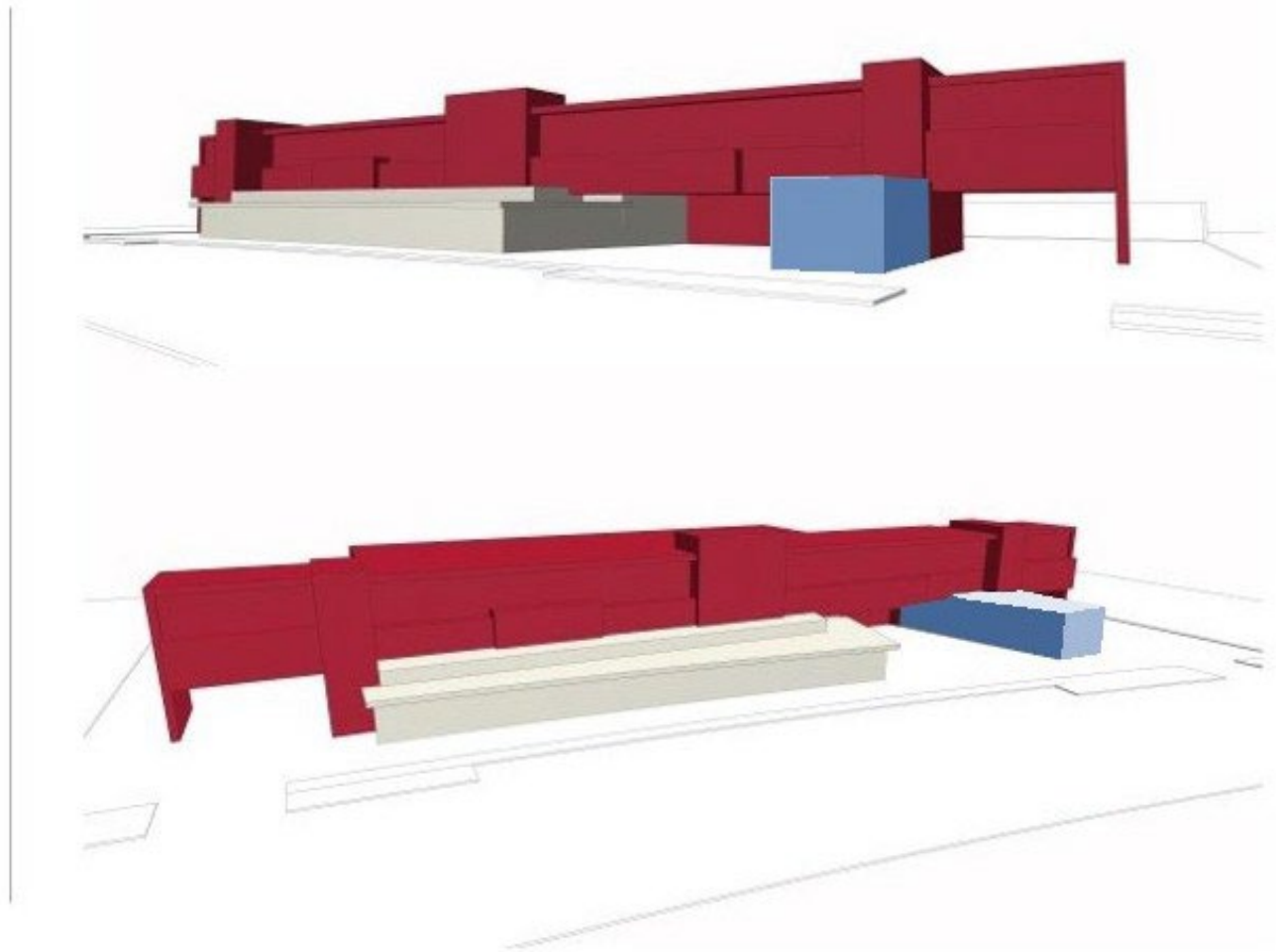
- Residential Area 28,900 SF
- Residential Units 34
- Average Area per Unit 850 SF



■ Residential Units

OPTION 2

- RESIDENTIAL
- COMMERCIAL
- OFFICE



OPTION 2

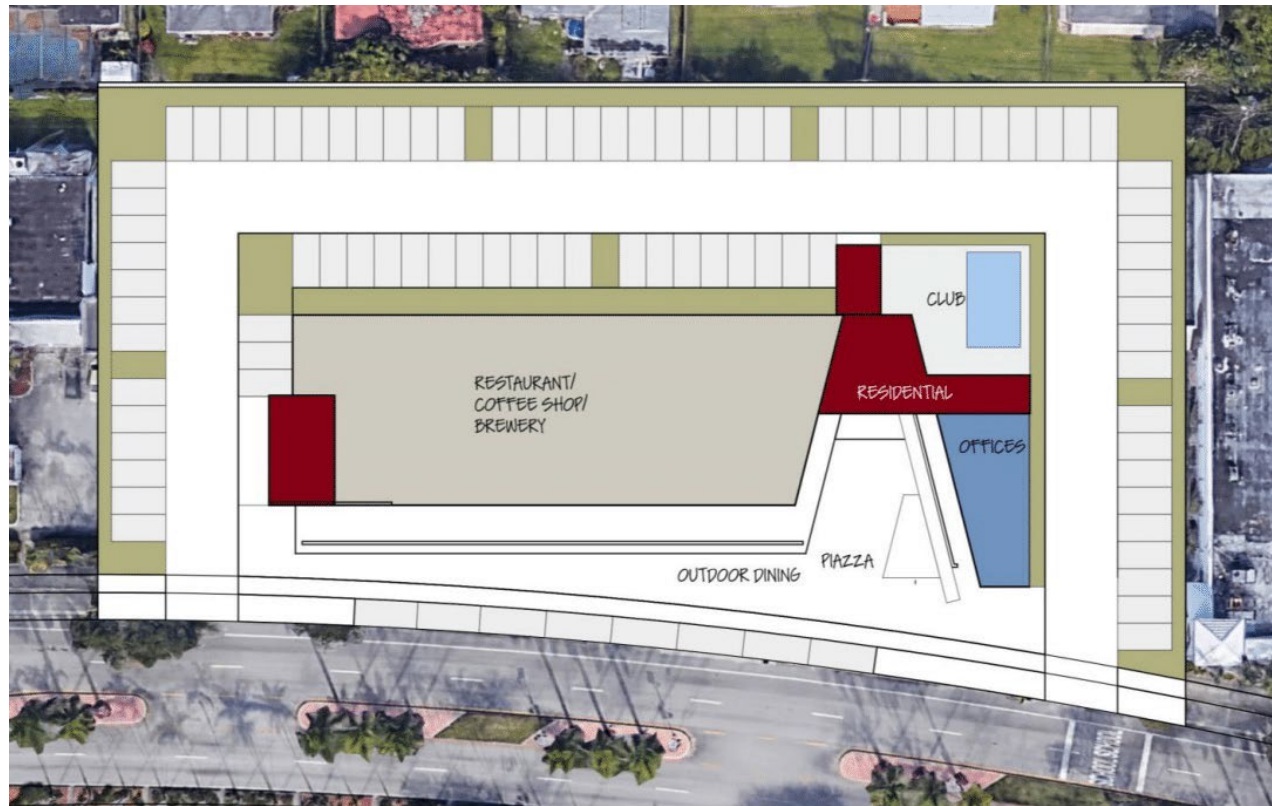
Examples



OPTION 3

1st Floor Layout

- Commercial Area 10,610 SF
- Office Area 5,680 SF
- Total Parking 93 Spaces
- Residential Parking 60 Spaces
- Commercial Parking 33 Spaces

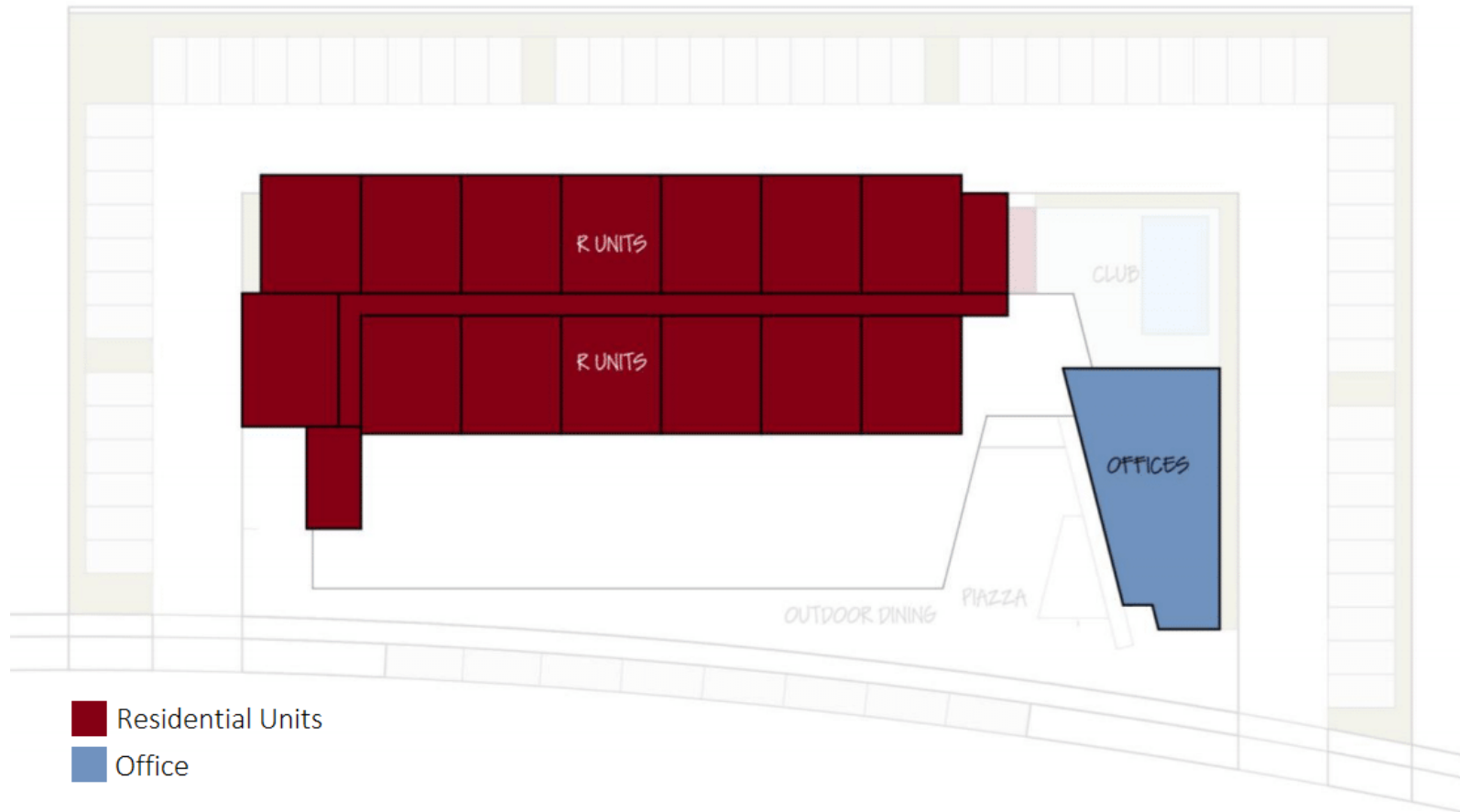


- Residential
- Commercial
- Office

OPTION 3

2nd Floor Layout

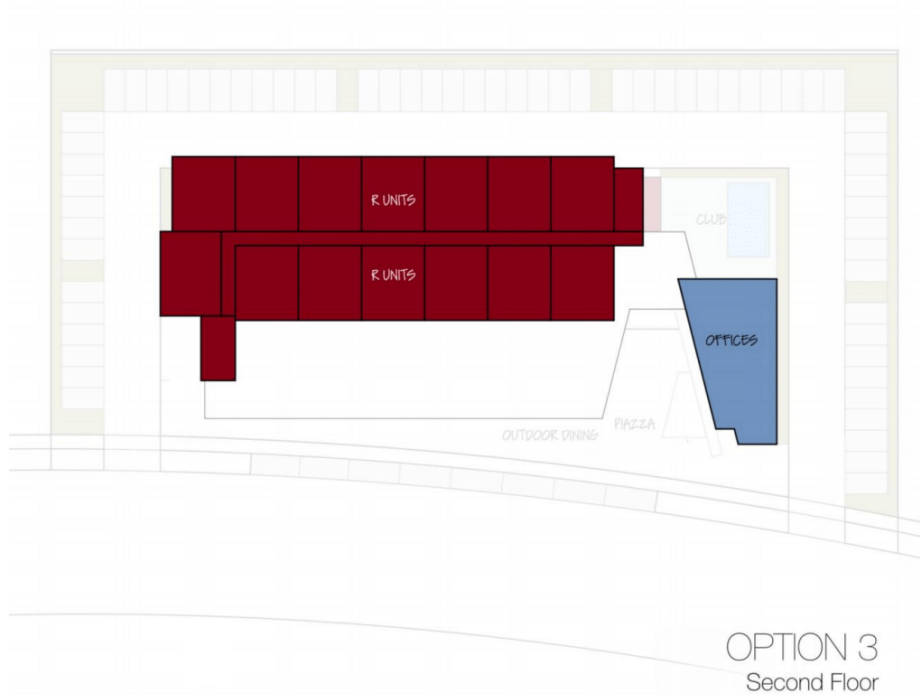
- Residential Area 28,900 SF
- Residential Units 34
- Average Area per Unit 850 SF
- Office Area 5,680 SF



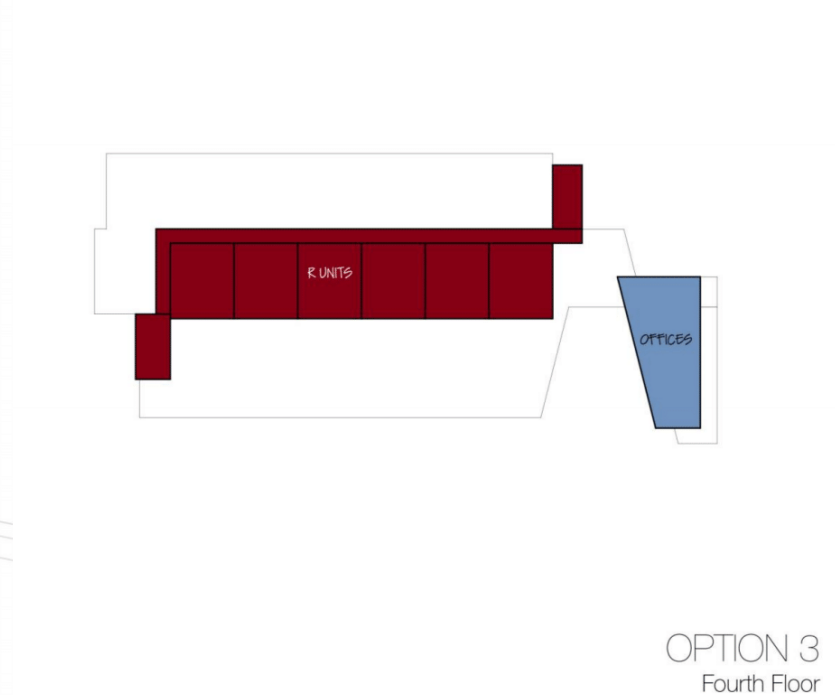
OPTION 3

3rd and 4th Floor Layout

- Residential Area 28,900 SF
- Residential Units 34
- Average Area per Unit 850 SF
- Office Area 5,680 SF

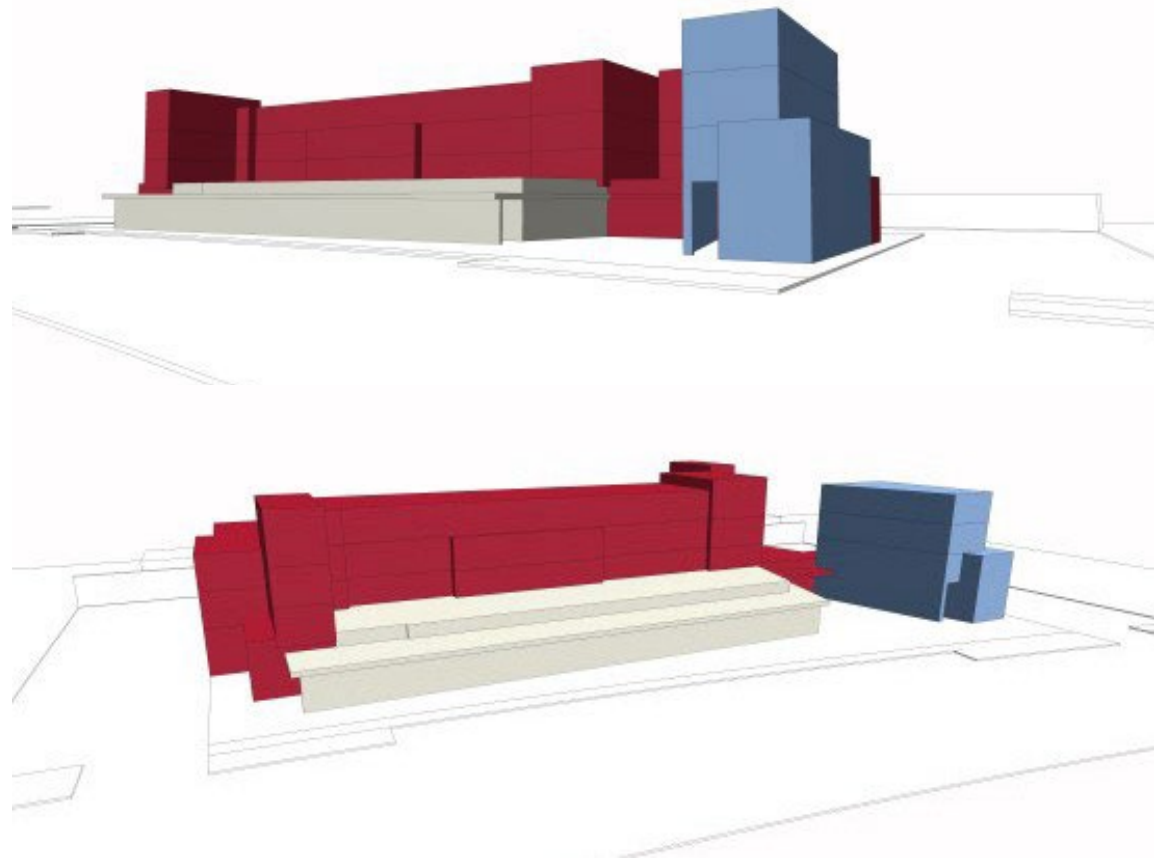


- Residential Units
- Office



OPTION 3

- RESIDENTIAL
- COMMERCIAL
- OFFICE



OPTION 3

Examples



OPTION 4

1st Floor Layout

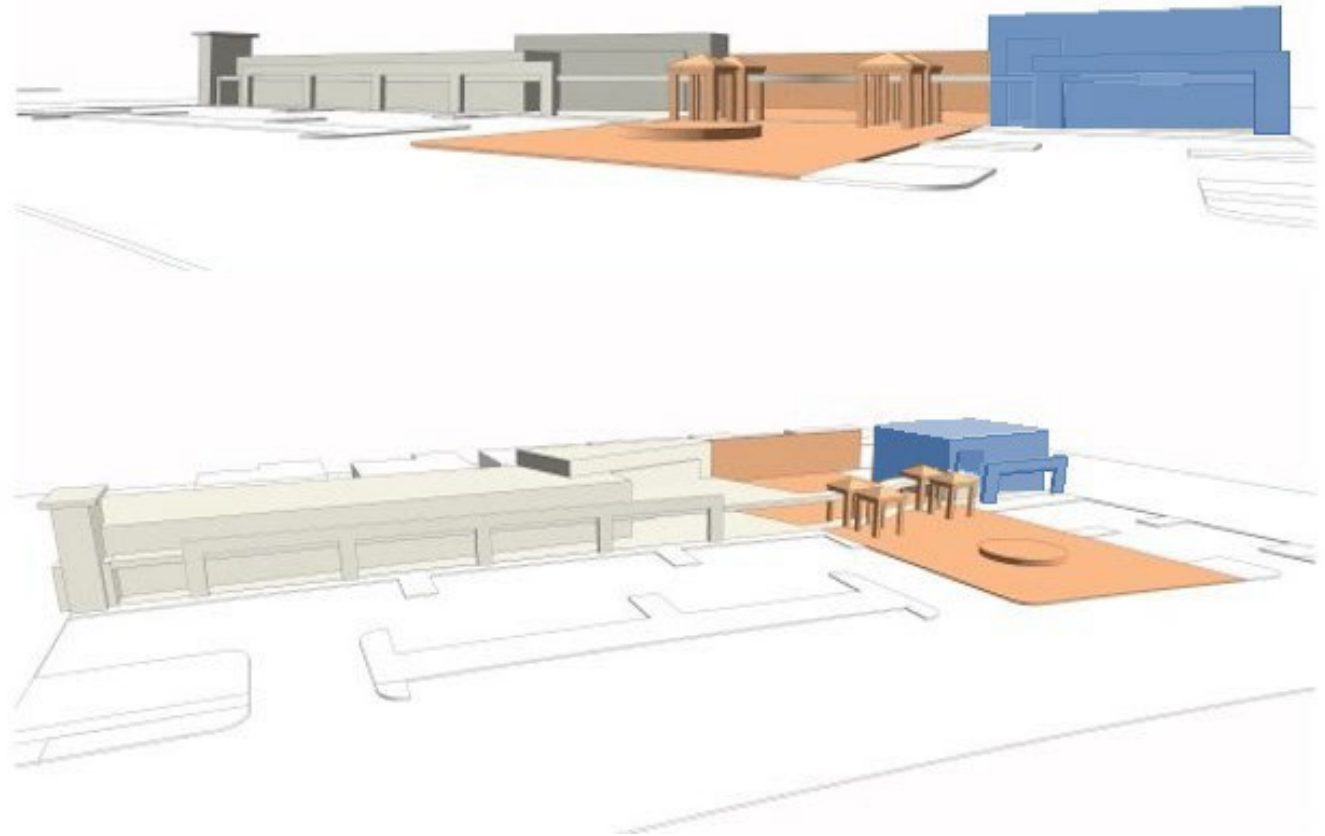
- Commercial Area 8,971 SF
- Office Coworking 5,997 SF
- Commercial Parking 63 Spaces



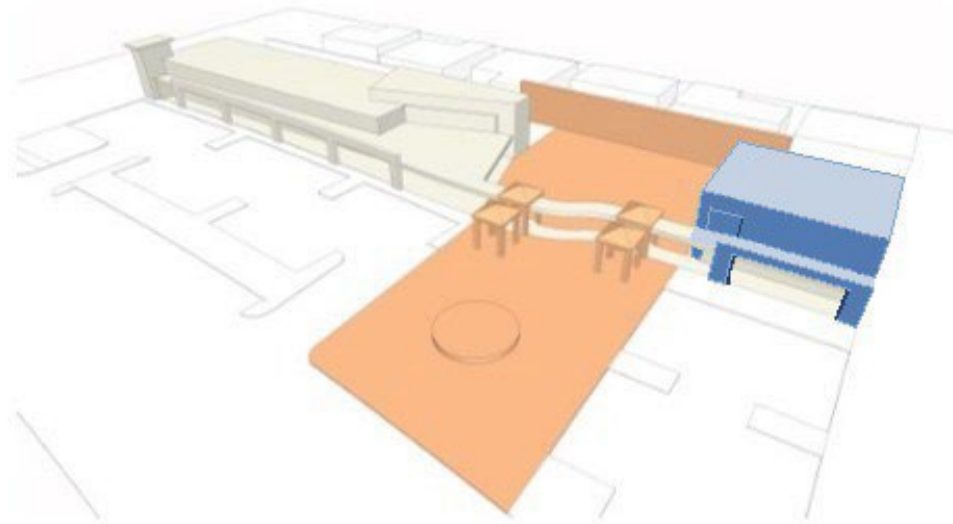
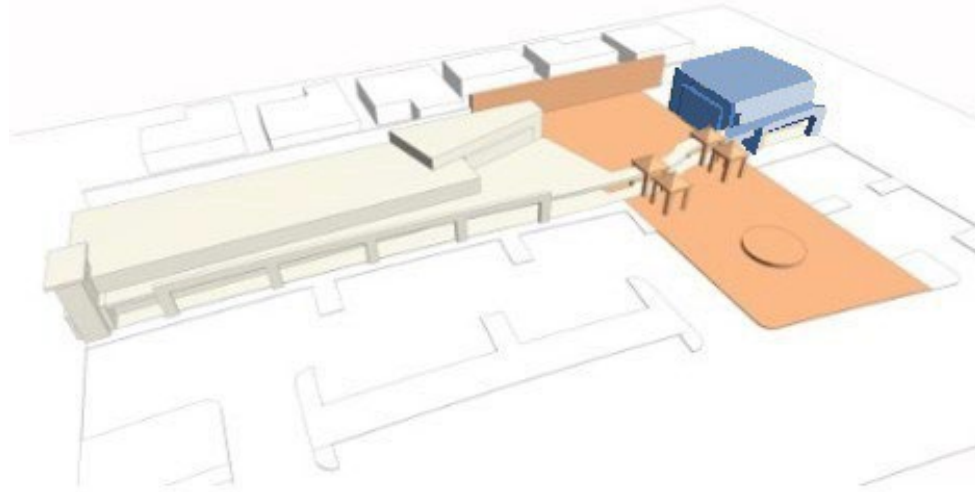
- Commercial
- Public
- Office

OPTION 4

- COMMERCIAL
- PUBLIC
- OFFICE



OPTION 4



OPTION 4

Examples



CONCLUSION

This analysis and conceptual planning were done for a particular market and current conditions. Changing market conditions, community consensus, and development patterns can change the preferred development guidance over time. Each concept has various degrees of intensity, obviously, a developer will be looking for a proven product in keeping with the trends experienced in today's market.

Specifically, the new development scenarios provide 3 or 4 stories, with between 34 and 46 total units, and from 6,670 to 10,610 square feet of commercial space as shown in detail previously in this report. The concepts were reviewed with City of Sunrise staff and others in the development community to ensure consistency of community desires and visions, current perspectives of the development community.

Importance of Cities Leading Redevelopment

Redeveloping older parcels in a redevelopment area is a challenge, mainly due to the high cost of renovation, and the limited revenue potential, i.e., lower rents from tenants. As a result, private developers look for redevelopment projects in newer, hotter real estate markets where rents are higher. This trend can negatively impact a city's tax base because as buildings deteriorate, there is limited interest in renovation or redevelopment, thus creating vacant storefronts, vacant parcels, and a downward spiral in property values.

Cities that recognize these negative real estate trends and impacts can circumvent the decline in property values by participating in the redevelopment of key parcels in targeted redevelopment areas.

When a city proactively injects financial investment in a parcel or an area, the upward trend of property values can be exponential and pay for itself over time. Rents increase, then property values increase, employment is created, and the economy of the city grows. Sections of the City of Sunrise are ripe for this type of public-sector participation and would spur the redevelopment of parcels. Incentives can range from land mark-downs on city-owned land, overlay districts with financial benefits, increases in zoning entitlements, and public financial investment in key parcels, to several other forms of public-private partnership that spurs private investment.



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