

# Multifamily Metro Outlook:

## Palm Beach - Q1 2024

### Overview:

- The job market recovery in the Palm Beach metro is now expanding at a much slower pace than its torrid rate of recovery in late 2021 and 2022. For the period ending Q1 2024, the local job market expanded by 1.9% compared to 1.7% nationally. Furthermore, despite growing faster than the national rate, the slowdown from the once torrid pace can be attributed to underwhelming employment growth in both the Leisure and Hospitality and Financial Activities employment sectors.
- The local apartment market is also feeling the ripple effects of the current economic environment. For the period ending Q1 2024, vacancies remained constant at 6.5% while rent growth ticked up for the first time in over a year at 0.25% during the same period.

### Market Strengths:

- According to Moody's Analytics, there has been an increase in the percentage of Americans planning vacations in the next six months. This trend is expected to benefit not only Palm Beach but Florida as a whole. The ongoing rise in visitor numbers across the state, coupled with spending by retirees will likely drive growth in the metro's leisure and hospitality sector.
- Significant income growth among Palm Beach households is expected to enhance consumer spending over the long term. The area's per capita incomes are more than 50% above the national average. Additionally, Palm Beach has one of the highest concentrations of retirees in the country. Both retirees and affluent households have greater exposure to financial markets, which are anticipated to perform well in the near future.

### Market Weaknesses:

- Despite the recent news that more Americans are planning vacations (in Florida), the metro's employment growth in the leisure and hospitality sector has been sluggish, leveling off after an initial post-pandemic surge. Recently, Palm Beach has lagged behind its neighboring areas in the Miami metro. This is largely due to Palm Beach missing the hiring boom that occurred in the rest of South Florida toward the end of 2023.
- Due to the above-average presence of wealthy retirees who continue to migrate to the metro, the costs of living in the metro are approximately 15% higher and business costs are 5% higher than the national average which are both much higher than other Floridian based metro areas.
- Even though the population growth in the metro is exceptional, there is a looming fear that over the next few years the growth rate won't be so fruitful. According to CoStar, over the last five years domestic migration to the metro has slowed, whereas international migration has been a catalyst to the growing population. Due to a myriad of reasons, that are not exclusive to the pandemic, international relocation into the metro has slowed by more than 43% since 2017 per Moody's Analytics.

### New Development:

- A modest 19,000 multifamily units have completed since 2017 and nearly 5,000 more units are currently underway.

### Multifamily Outlook:

- Limited new supply should keep demand steady as more residents, specifically retirees migrate to the area. Apartment fundamentals are showing the effects of the current economic environment even as vacancies have seemingly plateaued and rent growth continues to remain flat.

### Economic Outlook

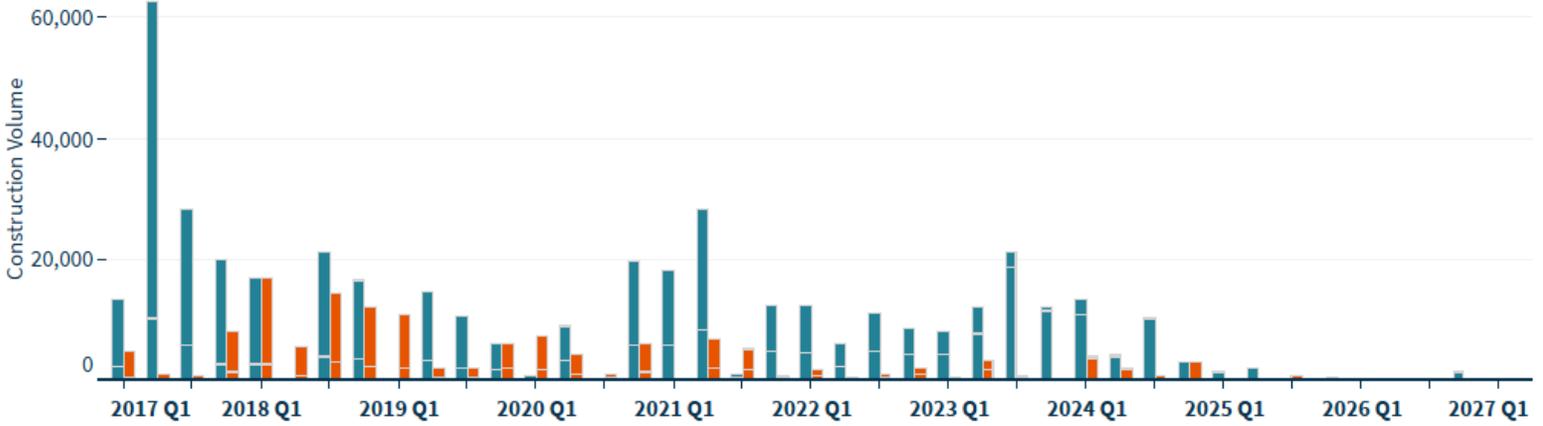
- The Palm Beach metro's recovery has cooled off and is now on par with the national rate of recovery. Initial recovery in the metro was being led by both the Financial Services and Professional Business Services sectors, however in 2022 the Leisure and Hospitality sector's record performance has aided in the metro's expansion after being a laggard in 2020 and 2021. However, the current economic environment is expected to see both the Construction and Leisure and Hospitality sectors lose some of the gains made within the last two years as the number of visitors is expected to decrease by a large amount as discretionary income decreases for many coupled with single-family demand being impacted by rising interest rates and costlier financing.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

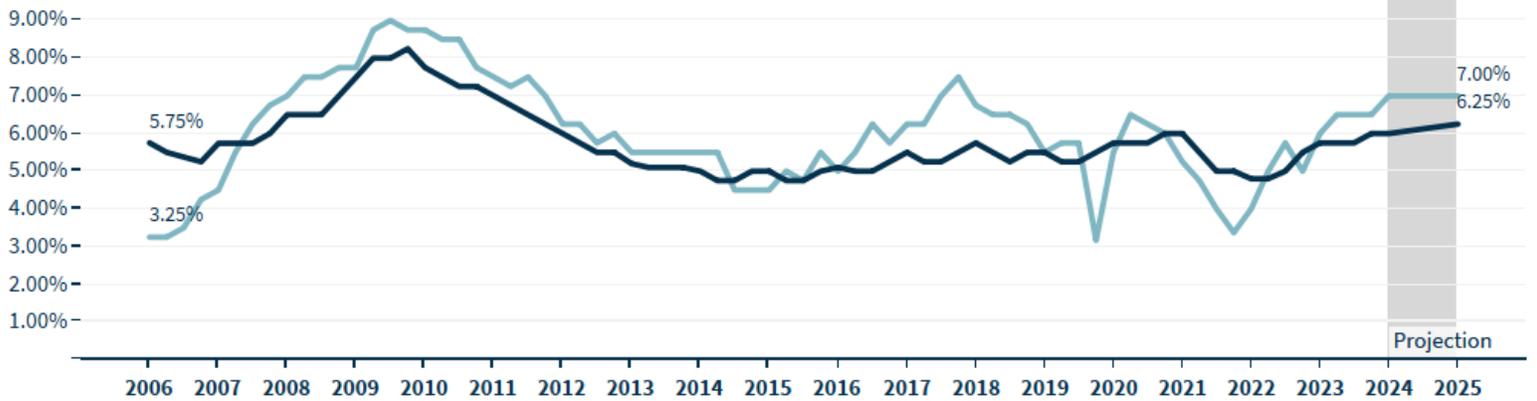
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Palm Beach | National

Q1 2024 Vacancy Rate:

7.00%

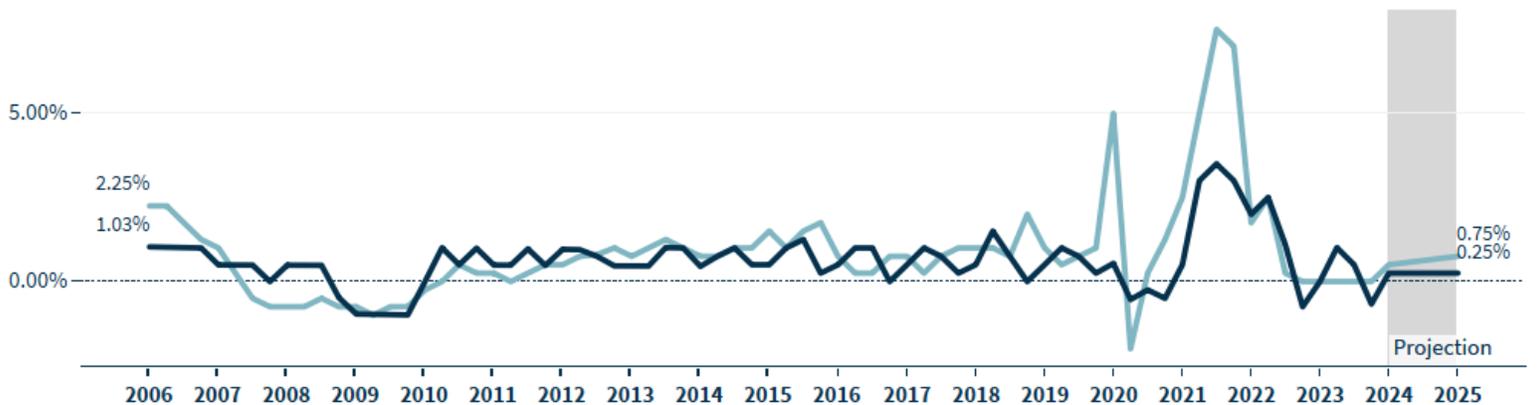


### Asking Rent Growth

Palm Beach | National

Q1 2024 Asking Rent:

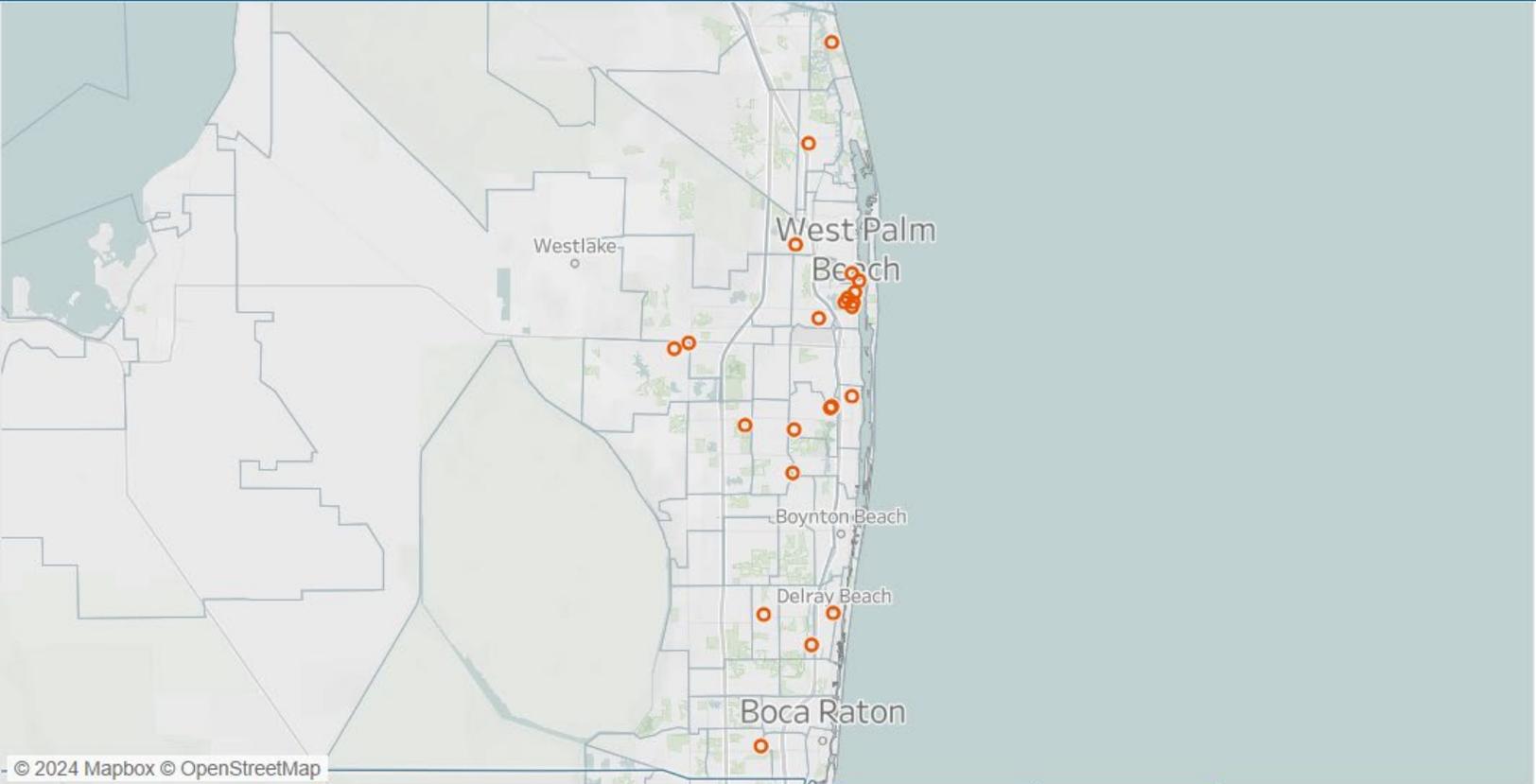
\$2,390



Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



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MultiHousingSubmarketName	Apartments	Units
Boca Raton	1	9
Boynton Beach/Delray Beach	3	520
Lake Worth/Greenacres/Wellington	8	1,992
North Palm Beach County	2	411
West Palm Beach	9	2,162
<b>Grand Total</b>	<b>23</b>	<b>5,094</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

# Multifamily Metro Outlook: Palm Beach Q1 2024

## Multifamily Economics and Market Research Team

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### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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