

Multifamily Metro Outlook:

Palm Beach - Q1 2021

Overview:

- The economic recovery from the virus has officially begun in the Palm Beach metro, however it may take awhile to get back to its pre-pandemic highs. Just like its Southern Florida neighbors, the metro relies on Leisure and Hospitality as one of its economic crutches. According to CoStar, year-over-year the Palm Beach metro has recaptured only 68 percent of the total jobs lost during the pandemic as of Q1 2021.
- The local apartment market has been relatively unscathed by the virus. During Q1 2021 the vacancy rate continued its decline to 5.25 percent and rent growth also continues to be a stellar performer and has expanded to 2.5 percent during the same time. The recovery is trending in the right direction, and it appears as if apartment fundamentals will recovery much quicker than originally anticipated.

Market Strengths:

- According to Moody's Analytics, Palm Beach County will see healthy population growth over the five-year forecast of 1.5 percent, which is nearly triple the national average of 0.5 percent. Through 2025, the prime renter cohort, ages 20-34, is forecast to average 0.50 percent annual growth, significantly more than the national average due to positive in-migration and high-paying jobs in the Professional/Business Services sector.
- The Florida Department of Transportation has begun a 10-year, \$2billion project that will construct express lanes along the 43-mile section of I-95. The express lanes will help alleviate the added congestion that is expected from the growing population and will also create some much-needed construction, transportation and warehousing jobs in the metro.

Market Weaknesses:

- 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 percent since 2017 per Moody's Analytics.
- The high concentration of retirees in the metro was a potential public health issue prior to COVID-19 and has now been exacerbated by the arrival of the virus. Currently retirees make up 12 percent of the Palm Beach population and by 2030 that number is expected to rise to 19 percent. Research has revealed that more senior aged citizens are more vulnerable to contracting COVID-19. However, the arrival and administration of vaccines with elderly population being prioritized, will help to mitigate the spread of the virus amongst the more vulnerable population in the metro.
- Due to the high presence of relocating retirees and high-paying financial services jobs in the metro and the high presence of Retail/Leisure hospitality jobs, there is a widening gap of income inequality present within the metro. According to the Gini index Palm Beach has the fourth-highest level of income inequality amongst major metros and the eradication of low-wage paying jobs in the Retail and Leisure/Hospitality sectors will only exacerbate the income inequality gap going forward.

Development:

- Recent development in Palm Beach County has been heavily weighted toward the condo market. Since 2006, nearly 19,000 condo units were completed. Fortunately, condo construction seems like it is finally tapering off, with approximately 1,300 condo units in the pipeline scheduled for delivery through the second half of 2022.
- A modest 10,500 multifamily units have completed since 2016, 5,800 units are currently underway, and nearly 15,000 units are in the planning stages.

Outlook:

- Multifamily Outlook: Steady: Limited new supply should keep demand steady as more residents, specifically retirees migrate to the area. Apartment fundamentals continue to improve each quarter and were minimally impacted by the virus.
- Economic Outlook: Less Stable: Prior to the virus, Palm Beach was one of the best performing metros throughout Florida. However, the virus has really shown how vulnerable the Palm Beach economy really was. Recovery in the metro will be a long arduous battle due to a high concentration of residents older than 65 years of age (25 percent vs 16.7 percent nationally) and a high dependency on Leisure/Hospitality and Retail Trade sectors. Recovery has gotten off to a torrid start, but nearly a 1/3 of the jobs lost have still not been recovered and may not be recovered until much later in the year.

Five Year Metro Area Growth Forecast

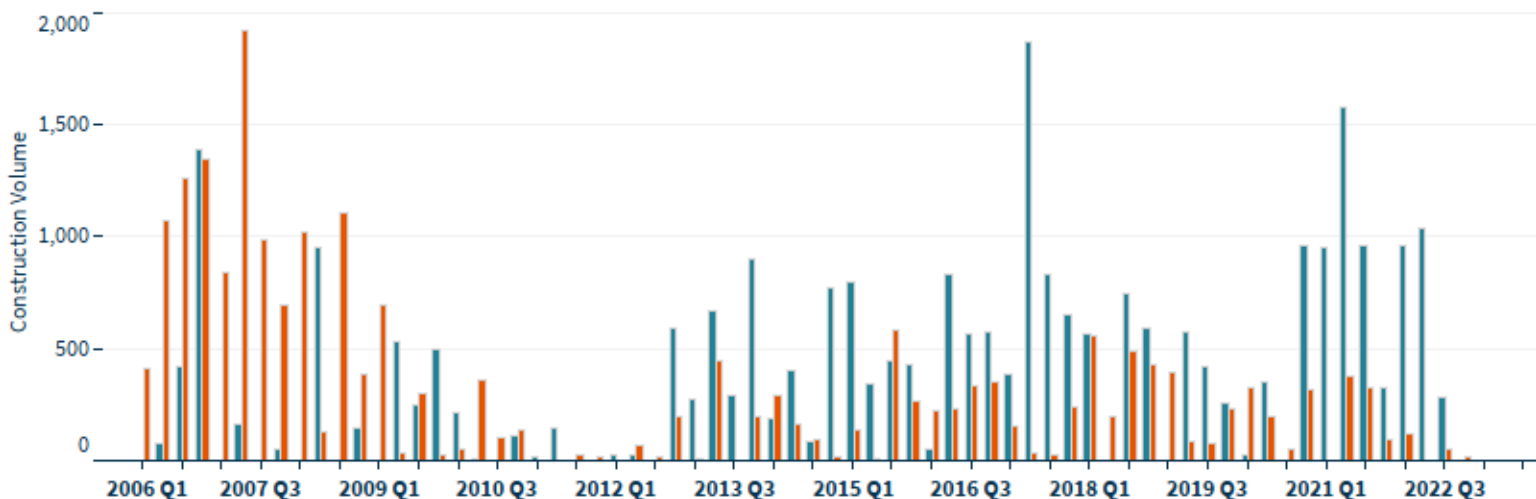
	Q4 2020	Q4 2025	Palm Beach (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	1,526	1,643	1.49%	0.52%
Households (000s)	615	708	2.85%	1.41%
Renting Cohort (Ages 20-34) (000s)	259	266	0.51%	-0.26%
Total Employment (000s)	598	687	2.82%	1.71%
Median Household Income	\$68,265	\$78,713	2.89%	2.83%
Median SF Home Price	\$408,965	\$427,412	0.89%	4.30%
Net Migration	18,781	28,045		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



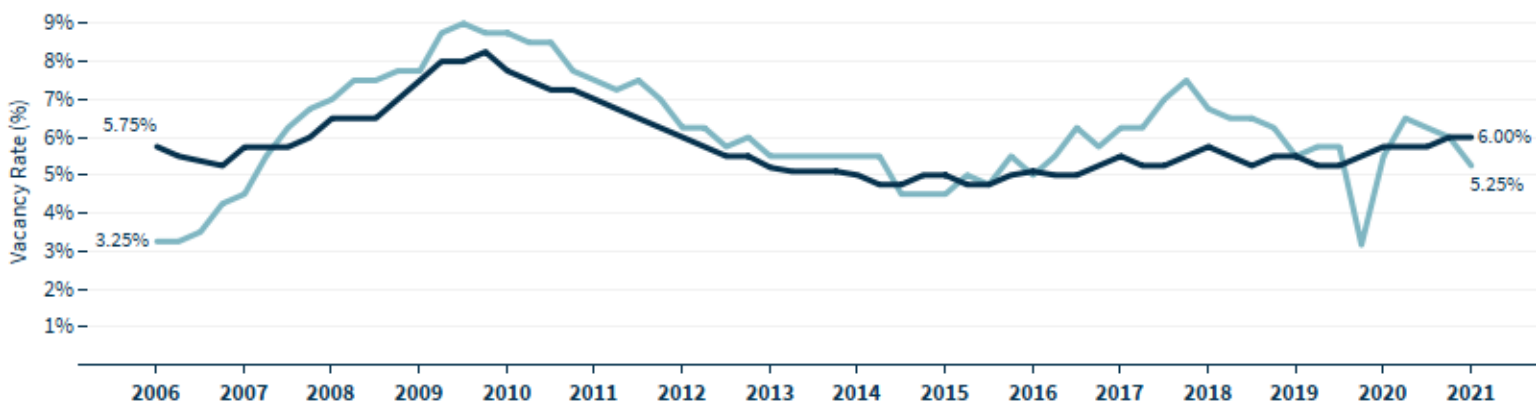
Vacancy & Rent Composite Estimates

Vacancy Rates

Palm Beach | National

Q1 2021 Vacancy Rate:

5.25%

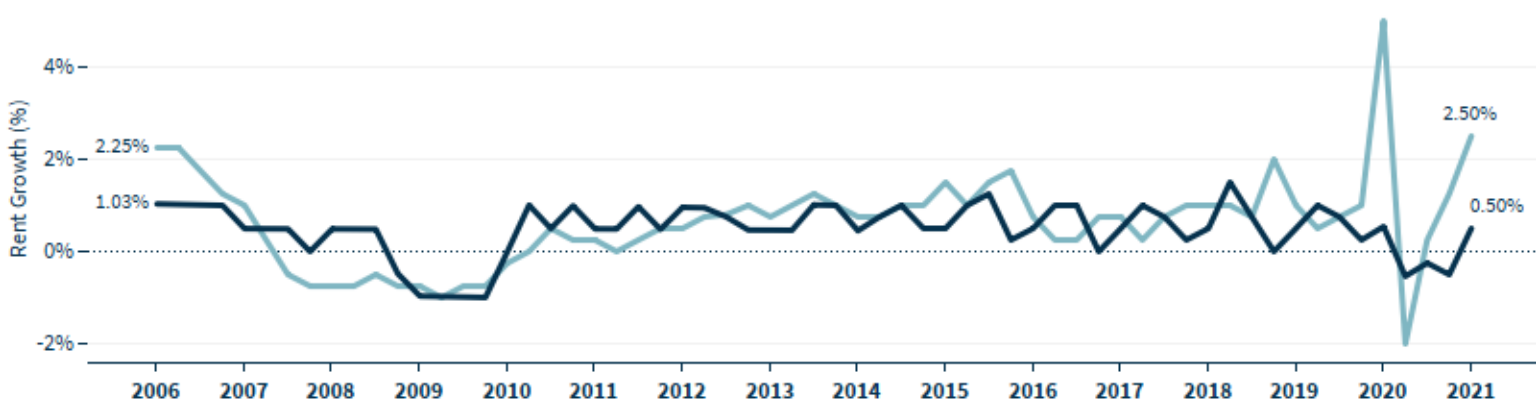


Asking Rent Growth

Palm Beach | National

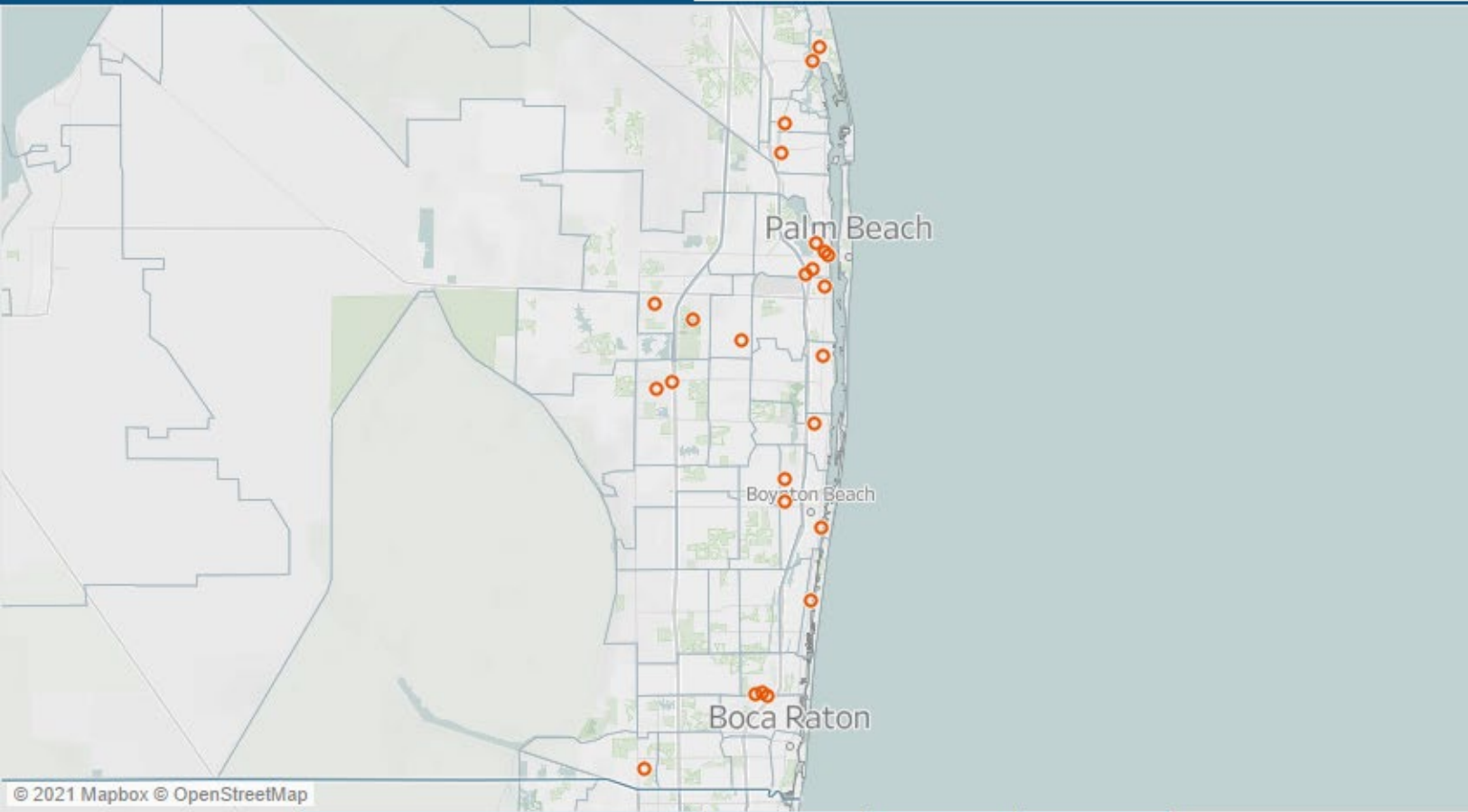
Q1 2021 Asking Rent:

\$1,710



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Boca Raton	4	1,257	1.43M
Boynton Beach/Delray Beach	4	1,206	1.69M
Lake Worth/Greenacres/Wellington	6	1,244	1.32M
North Palm Beach County	4	539	0.70M
West Palm Beach	7	1,571	2.06M
Grand Total	25	5,817	7.20M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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