

Multifamily Metro Outlook

Palm Beach - Fall 2019

Overview:

- Palm Beach continues to be a steady economic performer. As of June 2019, the job market expanded by +2.0 percent year over year, above the national rate of +1.5 percent.
- The apartment market has maintained positive growth. Vacancies continue to move in the right direction; as of Q2 2019, vacancies were at 5.75 percent, with rent growth at +0.5 percent.

Market strengths:

- According to Moody’s Analytics, Palm Beach County will see a healthy +2.2 percent population growth over the next five years, which is more than triple the national average of +0.6 percent. Through 2023, the prime renter cohort, ages 21 – 34, is forecast to average +1.3 percent annual growth — significantly more than the national average due to positive in-migration and high-paying jobs in the professional/business services sector.
- Due to both the high concentration of jobs in the high-paying professional/business services sector and the high concentration of wealthy retirees, household income growth is above average. As of Q2 2019, the median household income growth in the metro was +4.5 percent compared to +2.9 percent nationally.
- The construction sector has been active over the last few quarters, and it looks as if the trend will continue. According to Moody’s Analytics, the Palm Beach metro is slated to add more routes to its existing high-speed rail line. The rail currently offers services to both Fort Lauderdale and Miami, and there are plans to extend the rail to Orlando by 2022.

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, domestic migration to the metro has slowed over the last five years. Although international migration has historically been a catalyst to the growing population, the current immigration policies in the United States are a real threat to international immigration and could hinder growth in certain cities.
- The high concentration of retirees in the metro could potentially raise problems for the local economy. Retirees currently make up 12 percent of the Palm Beach population, and by 2030, that number is expected to rise to 19 percent. According to CoStar, a higher concentration of retirees will make it difficult for employers to fill (high-paying) jobs, which also negatively impacts wage growth.

Development:

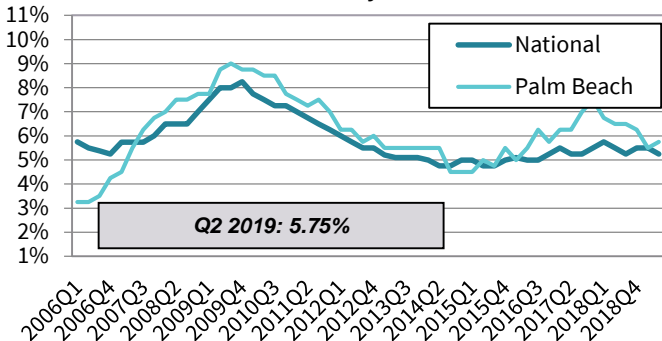
- Recent development in Palm Beach County has been heavily weighted toward the condo market. Since 2006, nearly 19,000 condo units were completed. Fortunately, condo construction seems like it is finally tapering off, with approximately 900 condo units in the pipeline scheduled for delivery through 2020.
- Since 2014, 12,000 multifamily units — a modest number — have been completed; 3,000 units are currently underway; and nearly 17,000 units are in the planning stages.

Outlook:

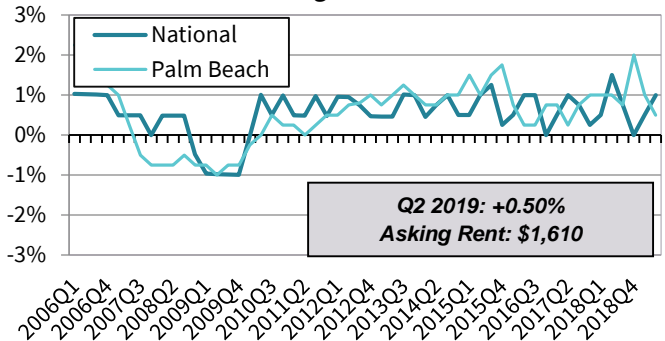
- Multifamily outlook: Improving. Palm Beach is one of the better performing metros in the state of Florida. Positive job growth and strong in-migration have helped apartment market fundamentals stay healthy. Limited new housing supply should keep demand steady as more residents — specifically retirees — migrate to the area. Although the foreclosure rate is down in the metro, the high number of condo completions since 2006 still present some supply issues.
- Economic outlook: Less stable. The metro is expected to continue seeing one of the strongest in-migration trends in the region, luring wealthy retirees and a young demographic drawn to job opportunities in the high-paying professional/business services. Single-family affordability, the high concentration of the elderly population, and the lower quality (back office) jobs being added to the economy prevent this metro from earning a higher rating.

Vacancy and Rent Composite Estimates

Vacancy Rate

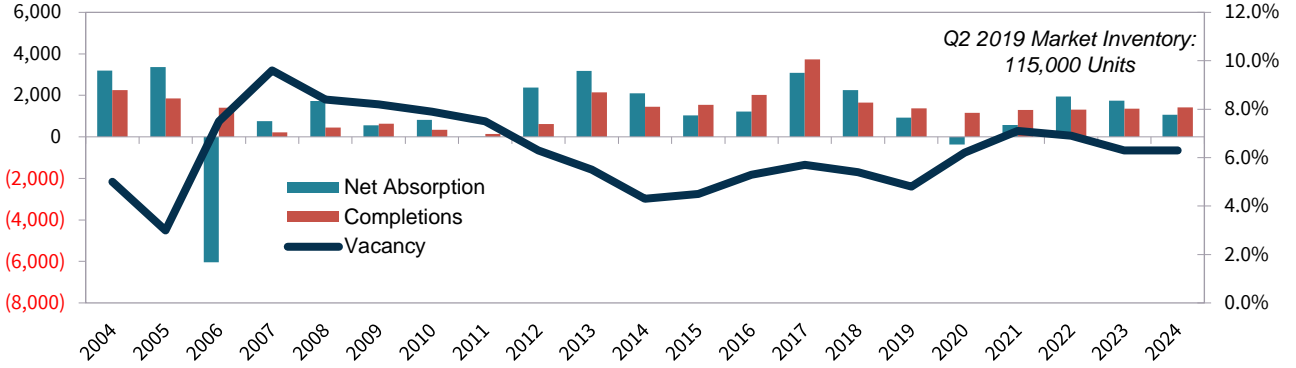


Asking Rent Growth

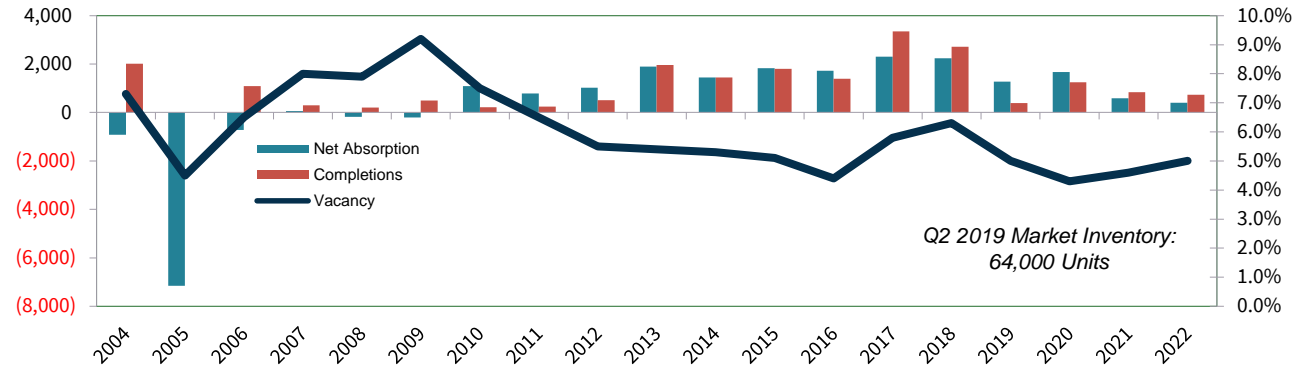


Source: Fannie Mae Multifamily and Economics Research

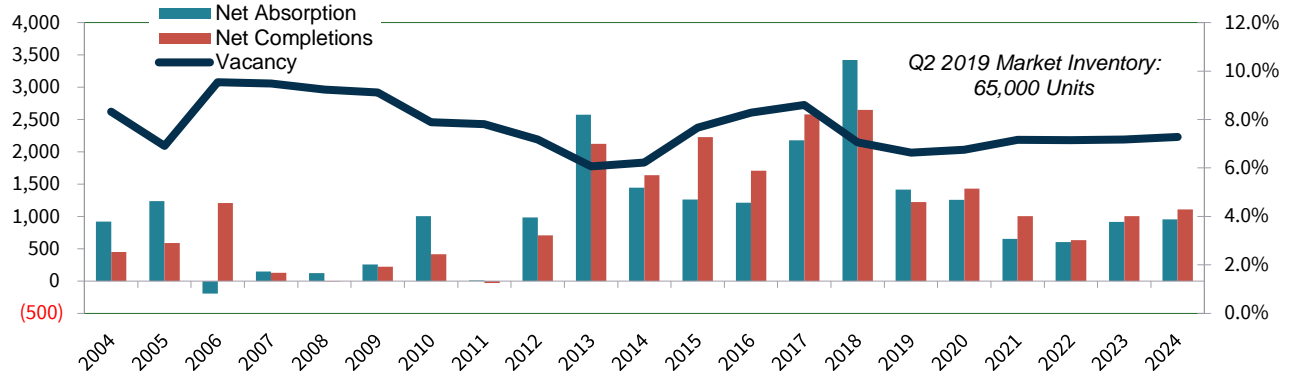
CBRE-EA



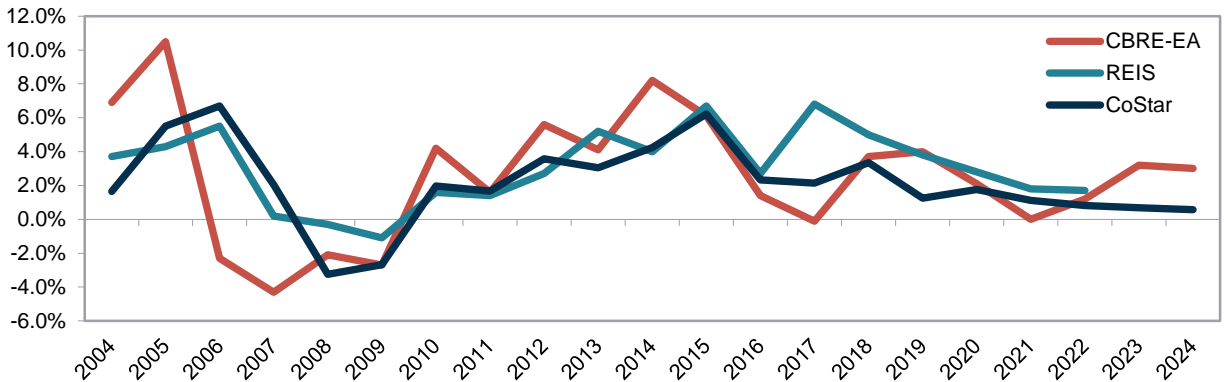
REIS



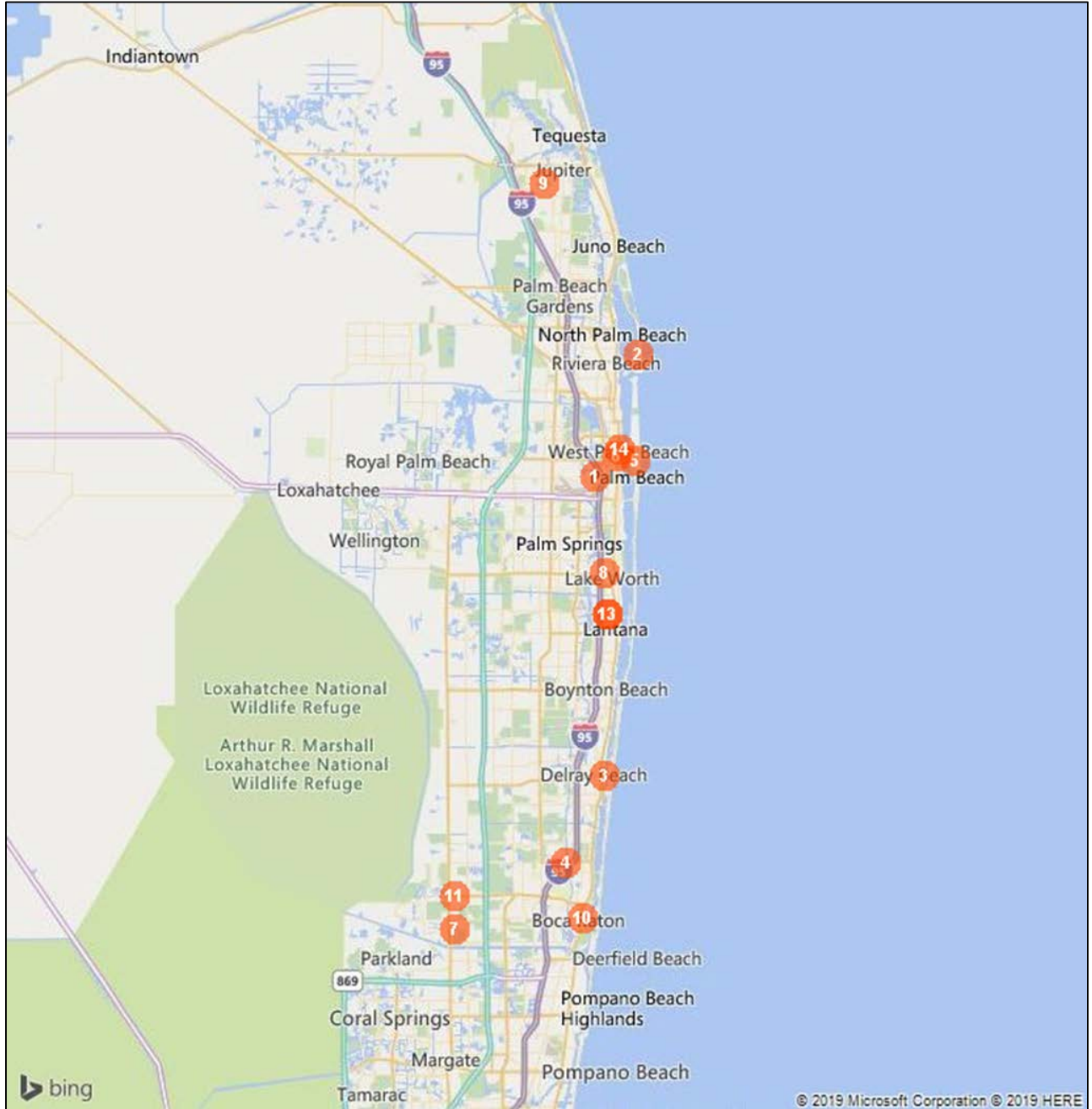
CoStar



Annual Rent Growth



Construction Bidding/Underway (14 projects/3,700 Units/5.0 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Boca Raton East	2	630	456
Boca Raton West	2	1009	810
Boynton Beach/Delray Beach	1	531	343
Green Acres City/Palm Spgs/Lake	3	731	714
North Palm Beach	2	854	364
West Palm Beach/Palm Beach	4	1199	1040

Source: Dodge Data & Analytics SupplyTrack

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Fannie Mae Multifamily Economics and Research
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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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