Multifamily Metro Outlook:

Palm Beach – Q4 2021

Overview:
• The Palm Beach multifamily market continues to remain firm. Although demand slowed for 4Q 2021, it still exceeds current supply. As a result, apartment completions in 2021 remained moderate, with 2,709 units delivered vs. the 5,695 units demanded.
• Strong leasing activity pushed occupancy rates to record highs. Across all class properties, occupancy rates were over 97% for 4Q. Of the properties to see a significant bump in occupancy was Class A.
• Annual rent growth for the metro was in the double digits, "the highest amount among major U.S markets and a new record for the metro," according to RealPage. Thus, rent is currently registering in the $2,000s range.
• Although the local economy depends on tourism, the regained of jobs in hard-hit industries and increased professional/business services have helped the metro record a net gain of 31k jobs.

Market Strengths:
• Palm Beach continues to see an increase in in-migration, many of those in skilled professions. Population and Household growth for 2021 was 1.3% and 2.3% compared to the national average of 0.5% and 1.2%, respectively. These favorable migration patterns will help increase median household income and support other customer-service industries in the coming years.
• Lack of single-family homes and affordability will continue to push potential homebuyers into apartments. According to RealPage, during 2021, "median home prices increased an average of 13.3%," with homes prices averaging around $440,000’s.
• An interest in affordable housing and government investment should bring in new reasonably priced units in a market oversaturated with luxury apartments.

Market Weaknesses:
• Elevated supply of high-end units will likely increase competition with the current luxury apartments in the market. While demand for apartments is solid, increased levels of new construction for the coming year will probably limit multifamily performance as levels are unsustainable.
• The local economy is largely dependent on the 55+ population, as they make up a more significant percentage of the population than the other age groups.

Development:
• Developer interest has pushed construction activity to 5,200 units underway, 50% more than what was underway before the pandemic.

Outlook:
• Although slower than earlier in 2021, demand for multifamily continues with an average of 2,544 units annually. For 2021, there was a recorded demand of 5,695 units which exceeded current supply volumes. However, with an increasing construction pipeline and concentrated interest in luxury apartments, new projects may increase future vacancy rates and bring rent growth back to historical norms.
• Palm Beach’s economy continues to recover with significant improvements in its employment base. As of November 2021, the unemployment rate declined 0.9 points year over year to 3.5%, below the national average of 3.9%. In addition, the limited pandemic restriction has given the metro an advantage in improving employment growth in its hospitality industry which has helped attract wealthy retirees. However, with the current geopolitical tension and high gas prices, there's a possibility consumer spending will decrease as retirement portfolios take a hit.

Five Year Metro Area Growth Forecast

<table>
<thead>
<tr>
<th></th>
<th>Q4 2021</th>
<th>Q4 2026</th>
<th>Palm Beach (5-Year Annual Average Change)</th>
<th>National (5-Year Annual Average Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (000s)</td>
<td>1,537</td>
<td>1,655</td>
<td>1.49%</td>
<td>0.47%</td>
</tr>
<tr>
<td>Households (000s)</td>
<td>633</td>
<td>712</td>
<td>2.39%</td>
<td>0.90%</td>
</tr>
<tr>
<td>Renting Cohort (Ages 20-34) (000s)</td>
<td>259</td>
<td>265</td>
<td>0.47%</td>
<td>-0.30%</td>
</tr>
<tr>
<td>Total Employment (000s)</td>
<td>637</td>
<td>708</td>
<td>2.16%</td>
<td>1.08%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$66,989</td>
<td>$79,185</td>
<td>3.40%</td>
<td>3.30%</td>
</tr>
<tr>
<td>Median SF Home Price</td>
<td>$479,754</td>
<td>$459,671</td>
<td>-0.85%</td>
<td>1.93%</td>
</tr>
<tr>
<td>Net Migration</td>
<td>23,824</td>
<td>27,415</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Moody’s
SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Vacancy Rates
Palm Beach | National

Q4 2021 Vacancy Rate:
3.37%

Asking Rent Growth
Palm Beach | National

Q4 2021 Asking Rent:
$2,070

Source: Multifamily Economics and Research
### Construction: Bidding & Underway

<table>
<thead>
<tr>
<th>TWR Submarket Name</th>
<th>Projects</th>
<th>Building Units</th>
<th>Building Area SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boca Raton</td>
<td>2</td>
<td>581</td>
<td>0.76M</td>
</tr>
<tr>
<td>Boynton Beach/Delray Beach</td>
<td>4</td>
<td>1,173</td>
<td>1.56M</td>
</tr>
<tr>
<td>Lake Worth/Greenacres/Wellington</td>
<td>6</td>
<td>1,050</td>
<td>1.21M</td>
</tr>
<tr>
<td>North Palm Beach County</td>
<td>1</td>
<td>27</td>
<td>0.04M</td>
</tr>
<tr>
<td>West Palm Beach</td>
<td>10</td>
<td>2,396</td>
<td>2.91M</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>23</strong></td>
<td><strong>5,227</strong></td>
<td><strong>6.49M</strong></td>
</tr>
</tbody>
</table>
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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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