

Multifamily Metro Outlook:

Palm Beach - Q1 2022

Overview:

- The economic recovery in the Palm Beach metro has officially reached expansion phase, however for the period ending in Q1 2022, the metro's local job market expanded by 3.9% compared to 4.3% nationally. Furthermore, much of the recovery in the metro has relied on the success of the Professional Business services and Financial Services sector jobs performing better than the national average according to Moody's Analytics.
- The local apartment market has been relatively unscathed by the virus and continues to perform well. During Q1 2022 the vacancy rate continued its decline to 4% and rent growth also continues to be a stellar performer and has expanded to 1.75% during the same time.

Market Strengths:

- According to Moody's Analytics, Palm Beach County will see healthy population growth over the five-year forecast of 1.5%, which is nearly triple the national average of 0.5%. Through 2026, the prime renter cohort, ages 20-34, is forecast to average 0.5% annual growth, significantly more than the national average due to positive in-migration and high-paying jobs in the Professional/Business Services sector.
- Even though the Leisure and Hospitality employment sector is still struggling to return to pre-pandemic levels of employment, the local Tourism industry has been the beneficiary of pent-up demand for vacations and uncertainty surrounding international travel. According to Moody's Analytics, the local tourism industry has been a boon for the metro as the metro has also been receiving local tourism development taxes (resort fees) as people visit the beaches, hotels and short-term rentals in the Palm Beach metro area.

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% since 2017 per Moody's Analytics.
- 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 14% higher than the national average and much higher than other Northern Florida based metro areas.
- 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.
- While the metro has mostly recaptured the most of jobs lost as a result of the virus, the Leisure and Hospitality jobs are still lagging the national rate of recovery. According to CoStar, total employment levels in the Palm Beach Leisure and Hospitality sector is still -3% below pre-pandemic peaks.

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 has cooled off but is still lingering, as there is a healthy amount scheduled to be delivered through 2024.
- A modest 12,300 multifamily units have completed since 2017, 5,300 units are currently underway, and nearly 1,000 units are in the planning stages.

Outlook:

- 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.
- The Palm Beach metro has officially entered the expansion phase of its recovery. Even though job growth for the quarter was slightly below the national rate, the metro is still performing well as a result of the above-average performance in both the Financial Services and Professional Business Services sectors. Furthermore, the local economy is also getting a nice boost from the pent-up demand regarding vacations and uneasiness regarding international travel. However, the elevated costs of living and the higher concentrations of residents older than 65 prevent the metro from receiving a higher rating especially as interest rates and inflation continue to rise.

Five Year Metro Area Growth Forecast

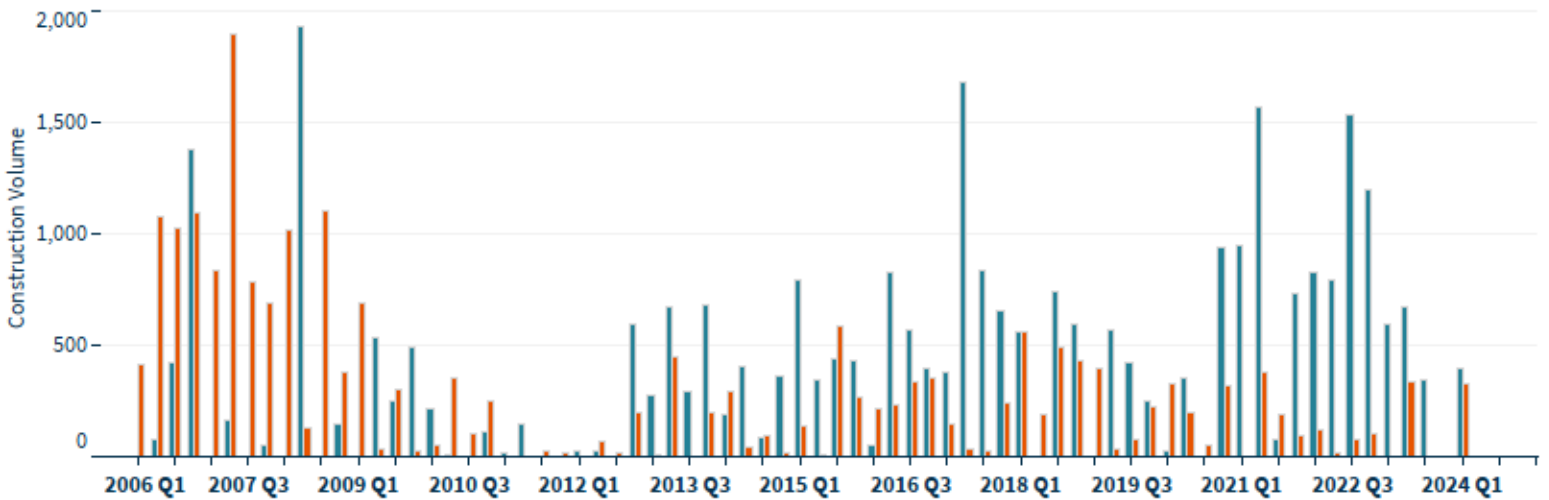
	Q4 2021	Q4 2026	Palm Beach (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	1,537	1,655	1.49%	0.47%
Households (000s)	633	712	2.39%	0.90%
Renting Cohort (Ages 20-34) (000s)	259	265	0.47%	-0.30%
Total Employment (000s)	637	708	2.16%	1.08%
Median Household Income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

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



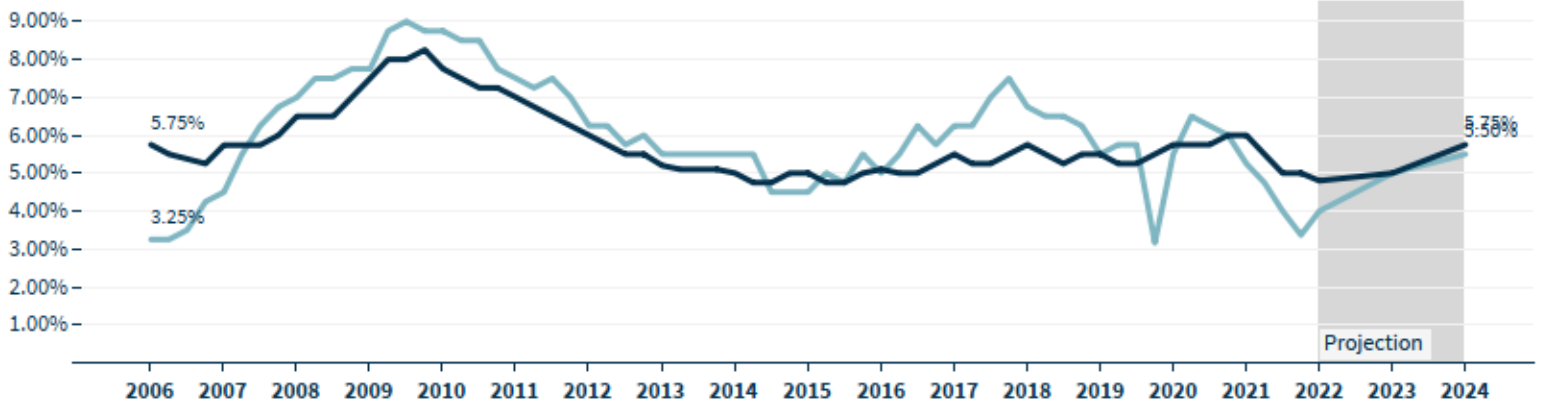
Vacancy & Rent Composite Estimates

Vacancy Rates

Palm Beach | National

Q1 2022 Vacancy Rate:

4.00%

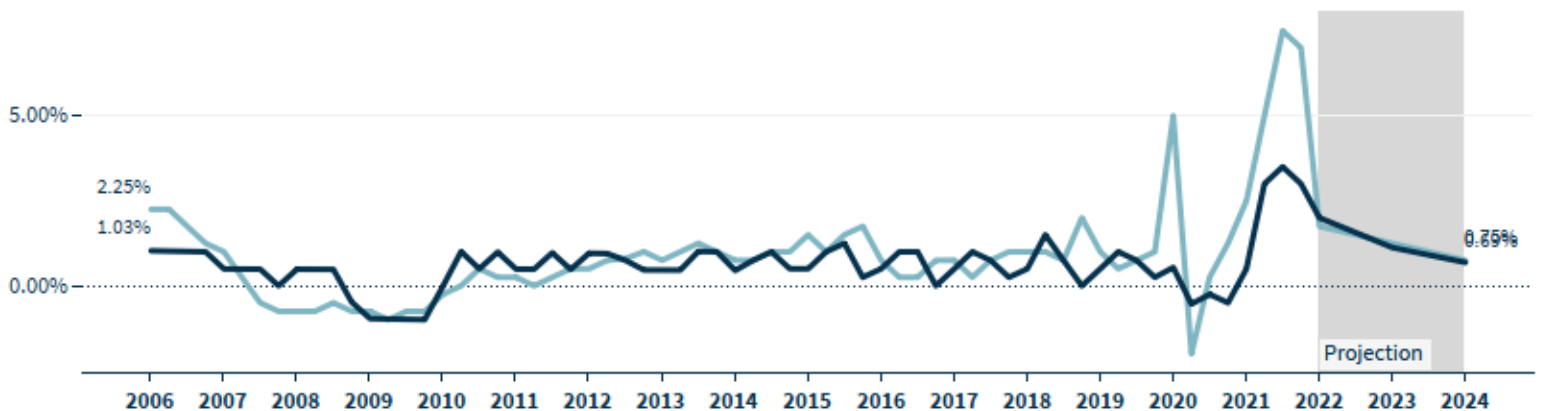


Asking Rent Growth

Palm Beach | National

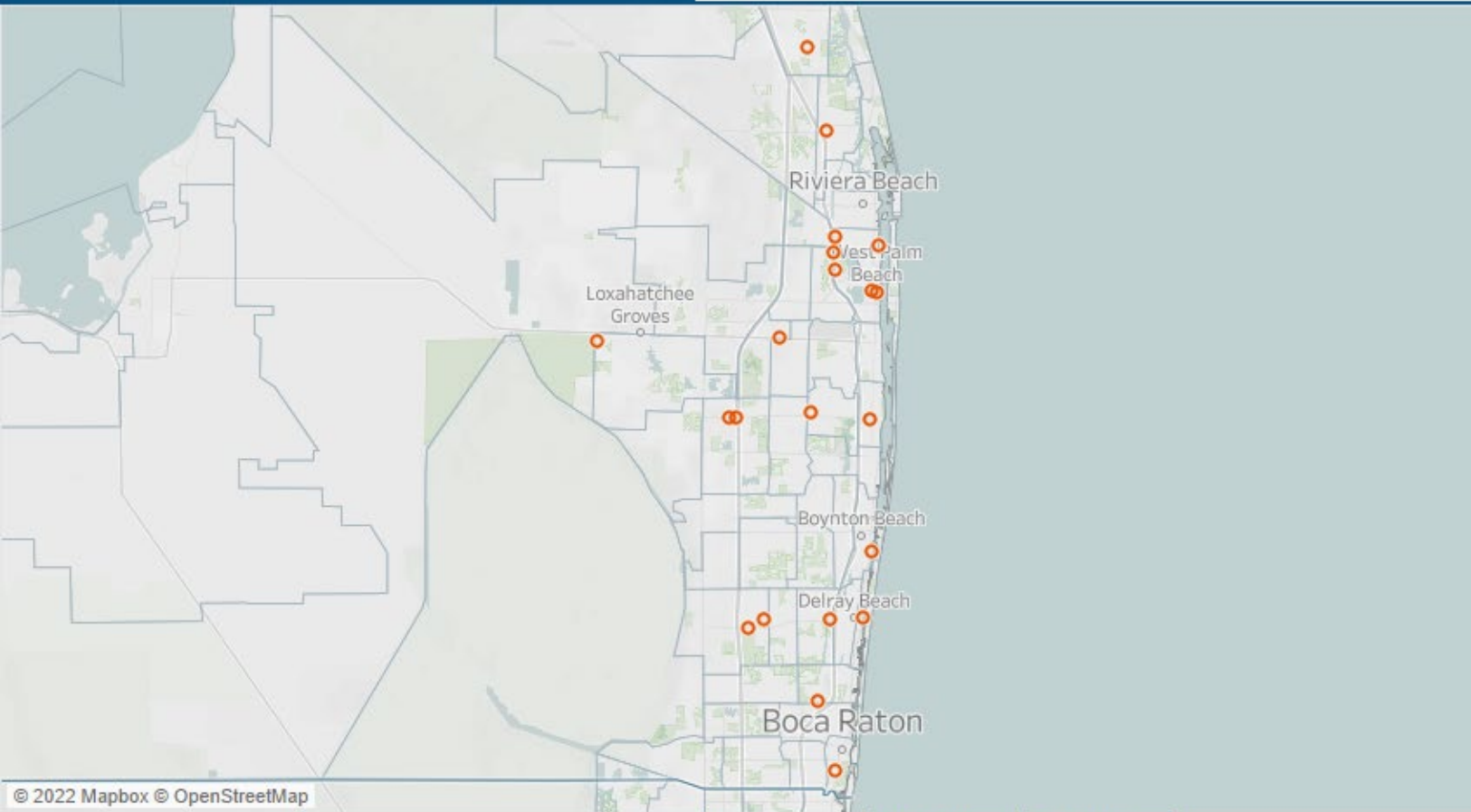
Q1 2022 Asking Rent:

\$2,210



Source: Multifamily Economics and Research

Construction: Bidding & Underway



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<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Boca Raton	2	630	0.84M
Boynton Beach/Delray Beach	5	1,185	1.58M
Lake Worth/Greenacres/Wellington	6	1,306	1.45M
North Palm Beach County	2	416	0.77M
West Palm Beach	6	1,784	1.87M
Grand Total	21	5,321	6.52M

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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