

# Metro Housing Outlook:

## Palm Beach - Q2 2024

### Overview:

- The job market recovery in the Palm Beach metro is now expanding at a much slower pace than its accelerated rate of recovery in late 2021 and 2022. For the period ending Q2 2024, the local job market grew by 1.6%, which was level with the national rate. Furthermore, the slowdown can be attributed to underwhelming employment growth in the leisure and hospitality, professional and business services, and financial activities employment sectors, which all performed below the national rate during the period ending Q2 2024.
- The local apartment market is also feeling the ripple effects of the current economic environment. For the period ending Q2 2024, vacancies softened to 7%, up 50 basis points from the previous period, while rent growth was flat at 0%, falling by 25 basis points from the previous quarter.

### 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 and are affected by their performance, however, the markets are anticipated to perform well in the near future.

### Market Weaknesses:

- Even though 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 its neighboring areas in the Miami metro. For the period ending Q2 2024, growth in the Leisure and Hospitality employment sector was approximately 1.8% compared to 2.2% nationally.
- 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 20% higher and business costs are 5% higher than the national average, which are both much higher than other Florida metro areas.
- Even though 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 strong. According to CoStar, over the last five years, domestic migration to the metro has slowed, whereas international migration has been a catalyst for the growing population. Due to a myriad of reasons that are not exclusive to the pandemic, international relocation to the metro has slowed by more than 43% since 2017, per Moody's Analytics.

### Outlook:

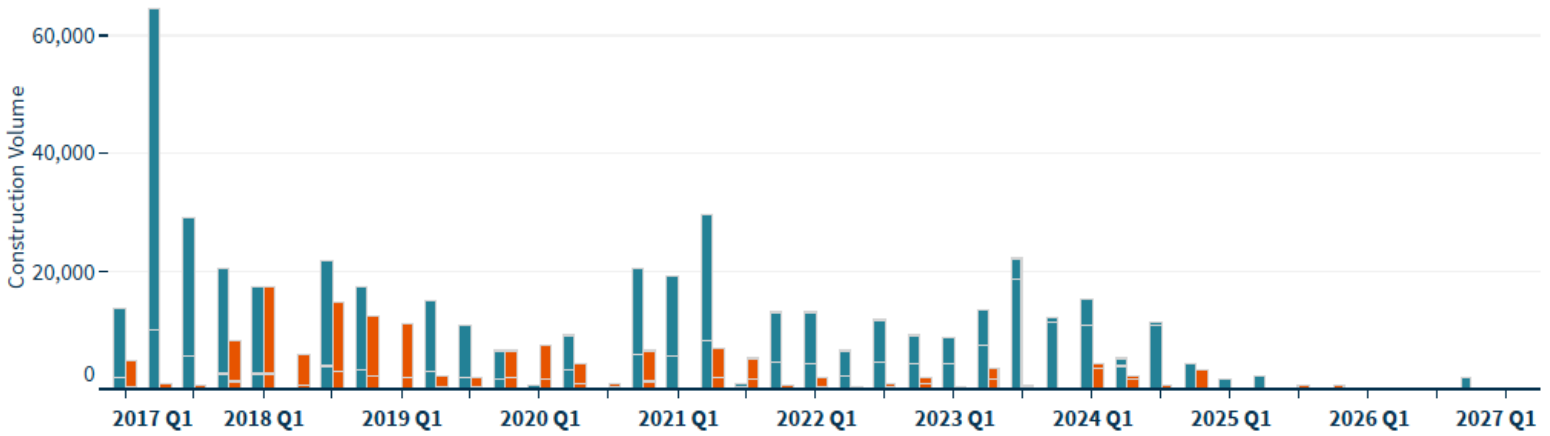
- Limited new supply should keep demand steady as more residents, specifically retirees, migrate to the area. Apartment fundamentals are showing the effects of the current economic environment even as vacancies soften and rent growth continues to remain flat.
- The Palm Beach metro's recovery has cooled 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. In 2022, the leisure and hospitality sector's record performance aided the metro's expansion after lagging 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, and single-family demand will be 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

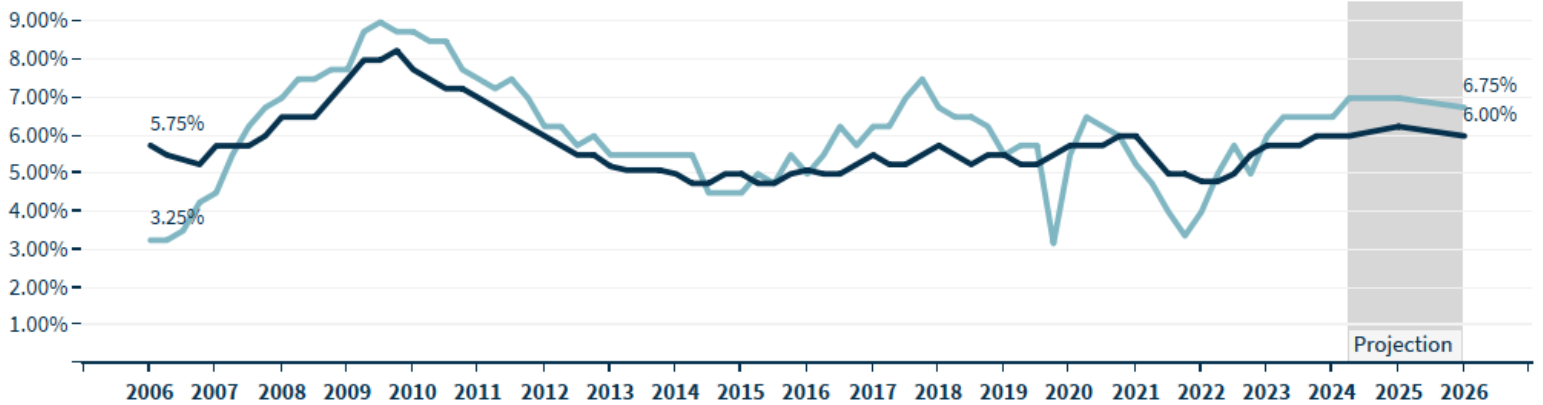
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Palm Beach | National

Q2 2024 Vacancy Rate:

7.00%



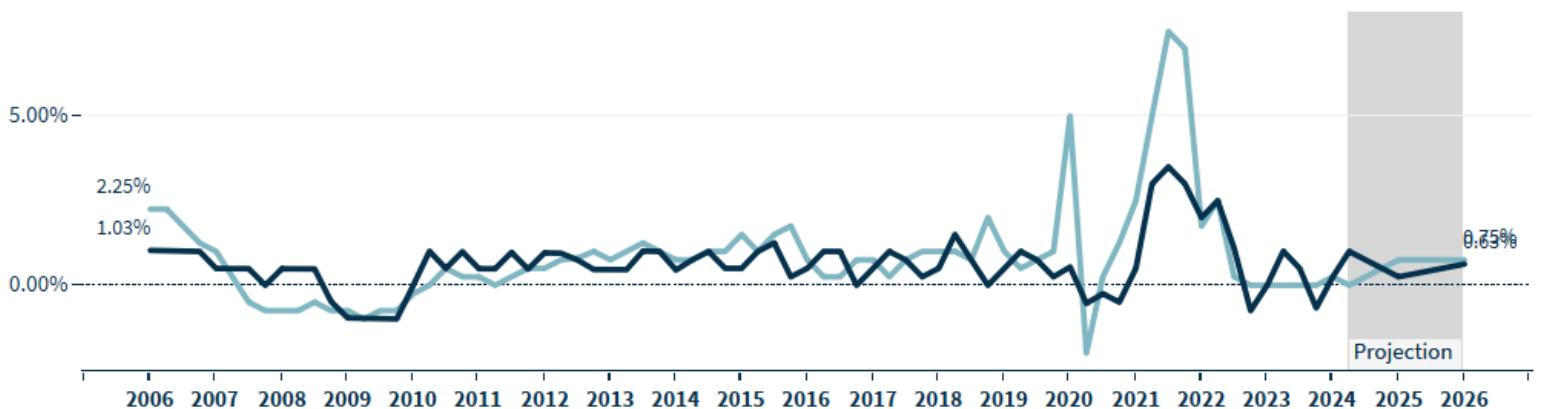
Projection

### Asking Rent Growth

Palm Beach | National

Q2 2024 Asking Rent:

\$2,330

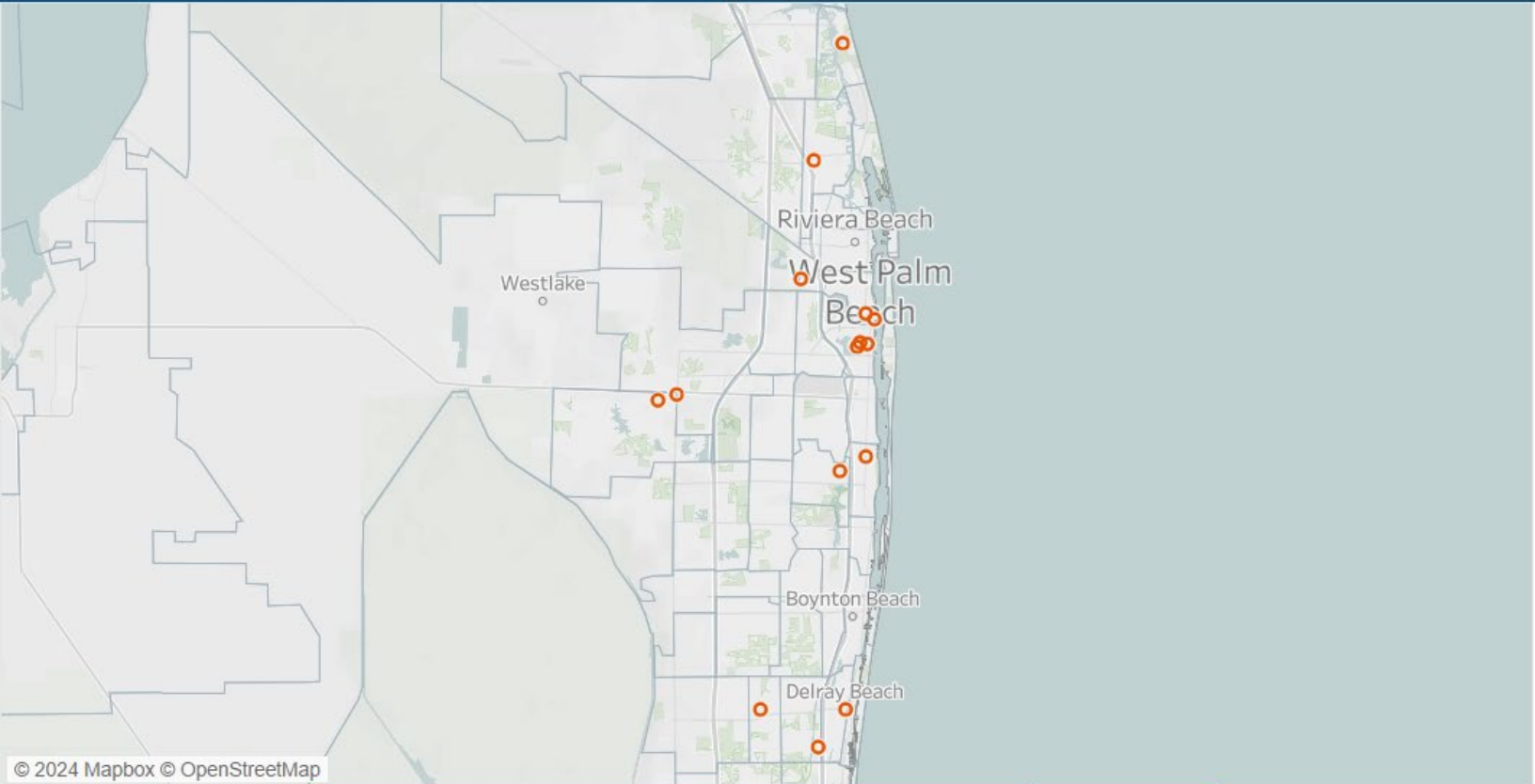


Projection

Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



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<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Boynton Beach/Delray Beach	3	520
Lake Worth/Greenacres/Wellington	4	1,046
North Palm Beach County	2	411
West Palm Beach	6	1,428
<b>Grand Total</b>	<b>15</b>	<b>3,405</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

# Multifamily Metro Outlook: Palm Beach Q2 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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