

# Multifamily Metro Outlook:

## Palm Beach - Q3 2024

### Overview:

- The job market recovery in the Palm Beach metro continues to expand at a much slower pace than its accelerated rate of recovery in late 2021 and 2022. For the period ending Q3 2024, the local job market grew by 1.5%, which was slightly above the national rate of 1.4%. Furthermore, the slowdown can be attributed to underwhelming employment growth in both the professional business services and financial activities employment sectors, which performed below the national rate during the period ending Q3 2024.
- The local apartment market continues to be impacted by negative fundamentals. For the period ending Q3 2024, vacancies continued to soften and increased to 7.75%, up 75 basis points from the previous period, while rent growth also has moved in the wrong direction, as it has contracted 0.25% during the same period.

### 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.
- Within the last few years, there has been an influx of new wealthy relocations to the metro. According to CoStar, from 2020-2022, there was approximately \$16.3 billion of new net worth that had relocated to the metro. Most of the high-income residents were relocating from both the Northeast and Western regions of the country. This influx of new money to Palm Beach has aided in the above-average demographic profile in the metro, as general population growth year-over-year (1.6% has nearly tripled the national average (0.6%))

### 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.
- 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, and are 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.

### New Development:

- A modest 22,000 multifamily units have completed since 2017 and nearly 3,100 more units are currently underway.

### Outlook:

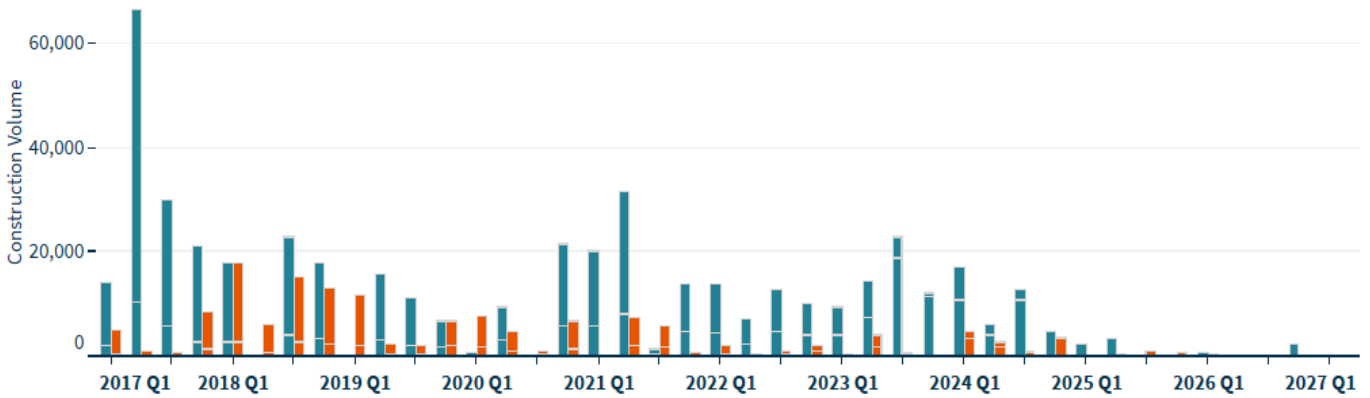
- Limited new supply should keep demand steady as more residents, specifically retirees, migrate to the area. Apartment fundamentals are showing the effects of the current economic environment as vacancies soften and rent growth has begun to contract.
- The Palm Beach metro's recovery has cooled off 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

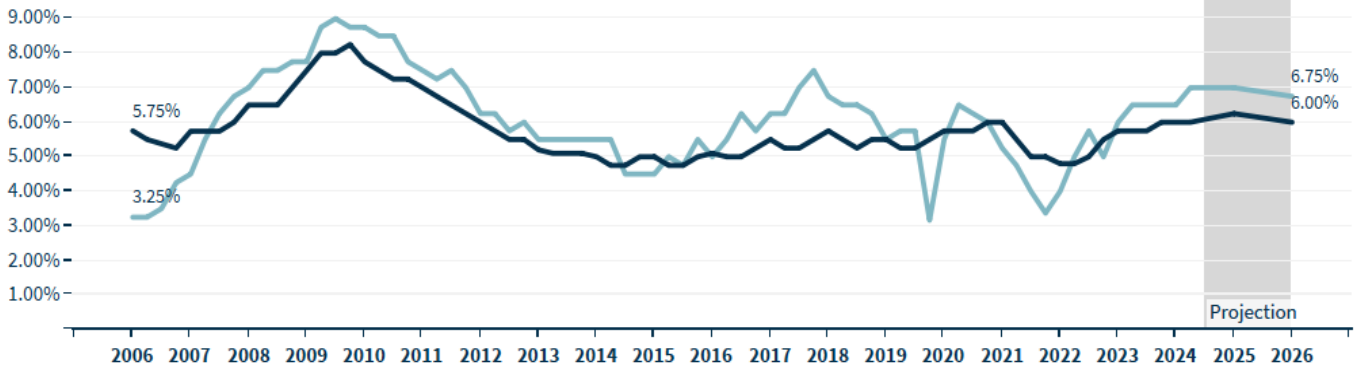
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Palm Beach | National

Q3 2024 Vacancy Rate:

7.75%

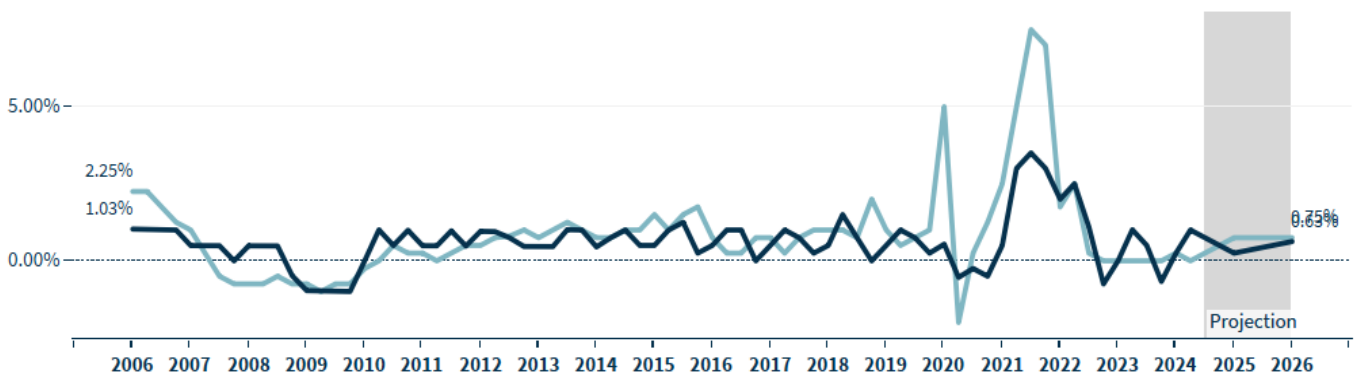


### Asking Rent Growth

Palm Beach | National

Q3 2024 Asking Rent:

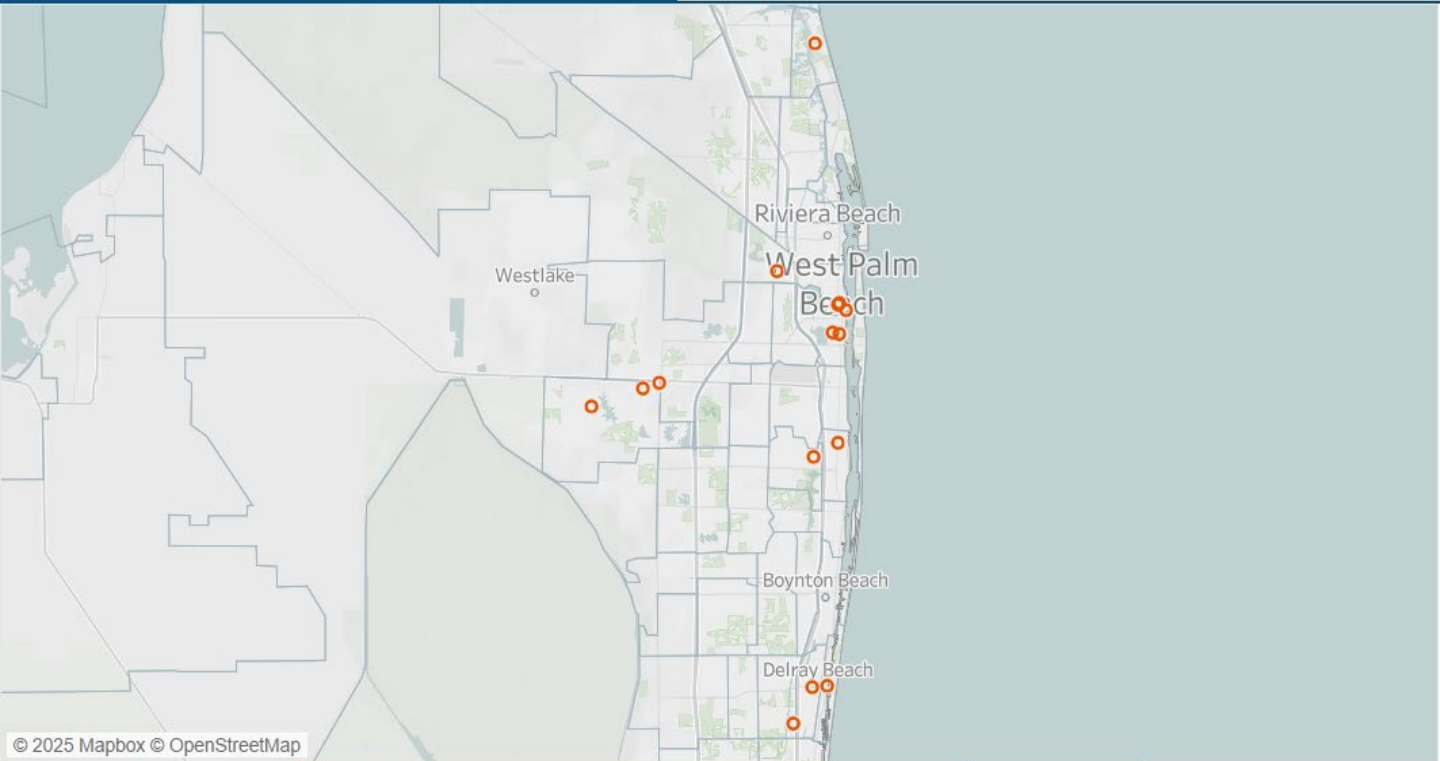
\$2,350



Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Boynton Beach/Delray Beach	3	444
Lake Worth/Greenacres/Wellington	5	1,418
North Palm Beach County	1	15
West Palm Beach	6	1,239
<b>Grand Total</b>	<b>15</b>	<b>3,116</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

# Multifamily Metro Outlook: Palm Beach Q3 2024

## Multifamily Economics and Market Research Team

Francisco Nicco-Annan, Economic and Strategic Research

### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

*Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.*