

Multifamily Metro Outlook:

Palm Beach - Q4 2023

Overview:

- The job market recovery in the Palm Beach metro is now expanding at a much slower pace than its torrid rate of recovery in late 2021 and 2022. In 2023, the local job market expanded by 1% compared to 1.4% nationally. Furthermore, the slowdown in the rate of job growth can be attributed to lagging growth in both the Leisure and Hospitality employment sector and the Construction sector as both employment sectors are being hampered by the current economic conditions.
- The local apartment market is also feeling the ripple effects of the current economic environment. For the period ending Q4 2023, vacancies remained constant at 6.5% while rent growth remains flat during the same period.

Market Strengths:

- According to Moody's Analytics, Palm Beach County will see healthy population growth over the five-year forecast of 1.4%, which is nearly triple the national average of 0.4%. Through 2027, the prime renter cohort, ages 20-34, is forecast to average 0.4% annual growth, significantly more than the national average due to positive in-migration and high-paying jobs in the Professional/Business Services sector.
- The Palm Beach metro has emerged as a financial hub for the state of Florida with the presence of many high-profile financial employers such as Wells Fargo and Bank of America. The presence of these larger employers will continue to help lure residents in search of high-wage white-collar jobs to the metro.

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 15% higher and business costs are 5% higher than the national average and much higher than other Floridian based metro areas.
- Despite the record year of performance for the Leisure and Hospitality sector in 2022, there is some significant slowdown expected in the near-term. Much of the growth was attributed to a pent-up demand for travel and vacation as a result of the pandemic, however within recent months the elevated inflation rate coupled with the increasing interest rate environment are both expected to take a toll on people's discretionary incomes used for vacations.

Development:

- A modest 18,000 multifamily units have completed since 2017 and nearly 6,000 more units are currently underway.

Outlook:

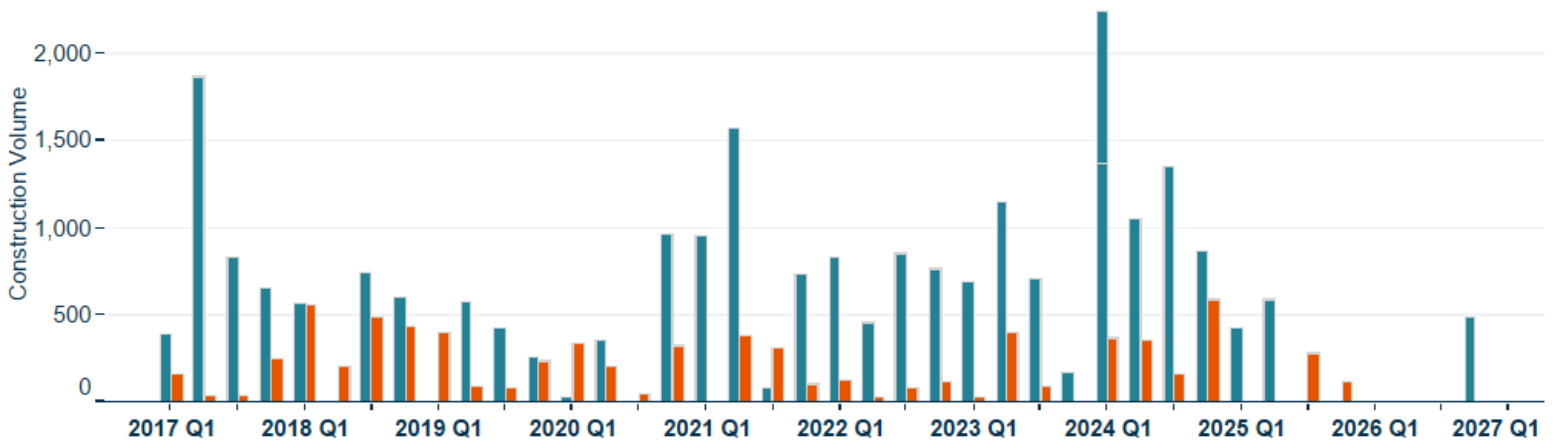
- Limited new supply should keep demand steady as more residents, specifically retirees migrate to the area. Apartment fundamentals are showing the effects of the current economic environment even as vacancies have seemingly plateaued and rent growth continues to remain flat.
- The Palm Beach metro's 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, however in 2022 the Leisure and Hospitality sector's record performance has aided in the metro's expansion after being a laggard 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 for many coupled with single-family demand being 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

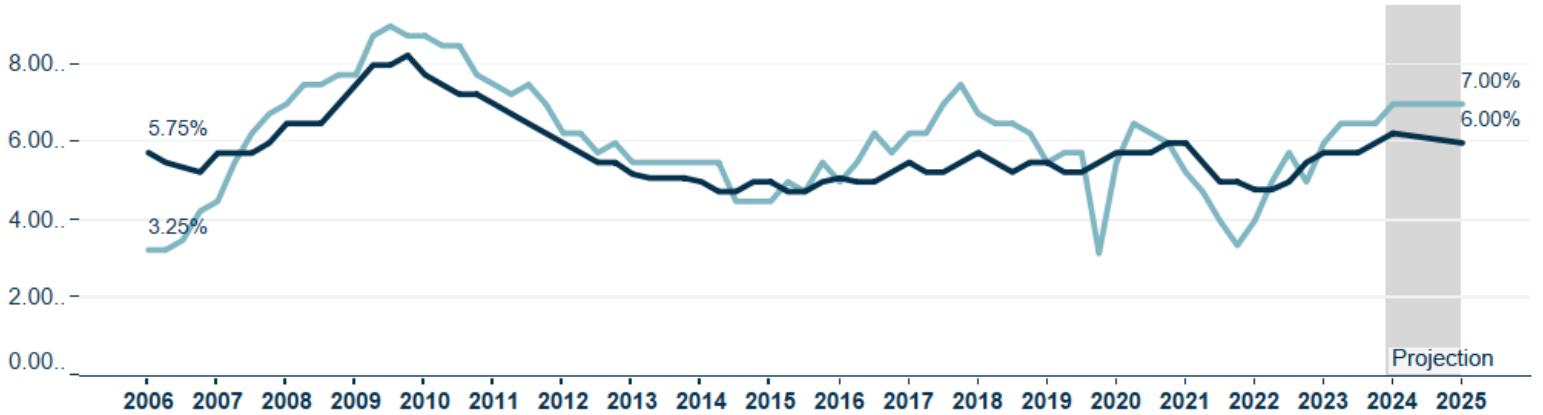
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Palm Beach | National

Q4 2023 Vacancy Rate:

6.50%

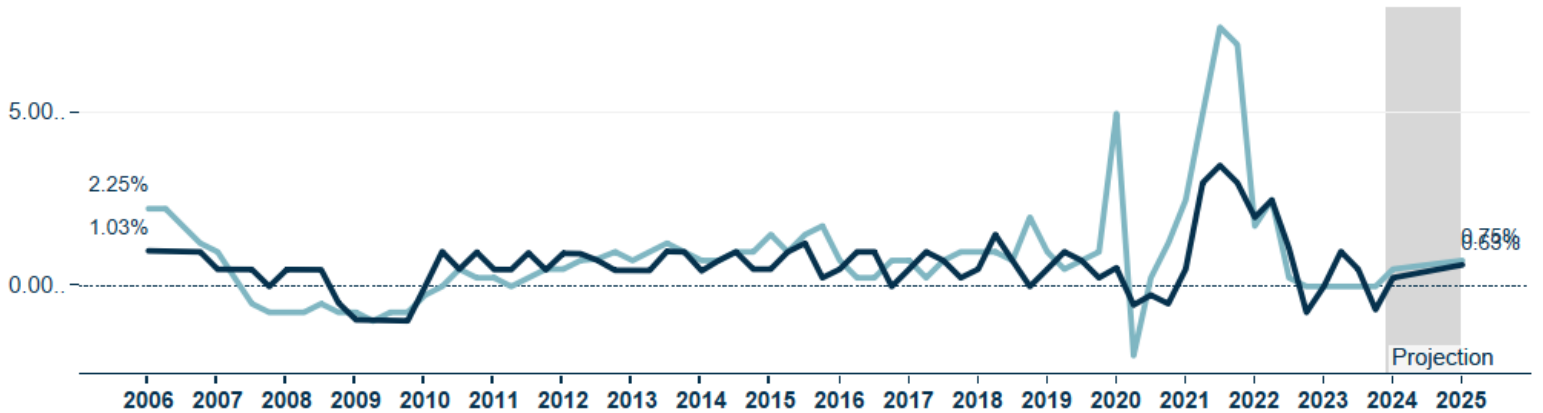


Asking Rent Growth

Palm Beach | National

Q4 2023 Asking Rent:

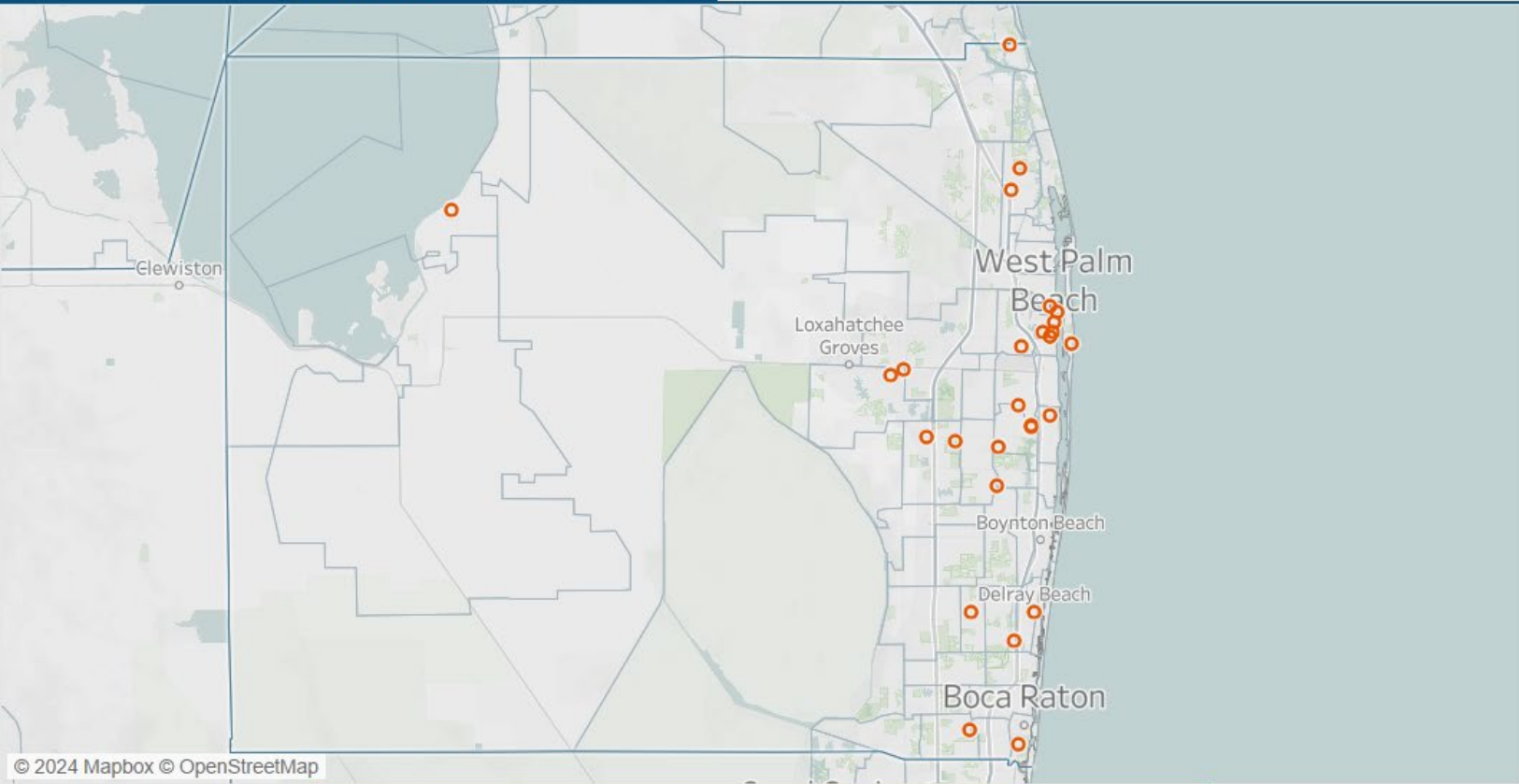
\$2,310



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Boca Raton	2	355
Boynton Beach/Delray Beach	3	520
Lake Worth/Greenacres/Wellington	11	2,664
North Palm Beach County	3	427
West Palm Beach	8	2,152
Grand Total	27	6,118

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: Palm Beach Q4 2023

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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