Multifamily Metro Outlook: Palm Beach Fall 2017

Overview

Palm Beach continues to be a steady performer and has finally entered job market expansion. As of Q2 2017, the job market expanded by 3.0 percent year over year, doubling the national rate of 1.5 percent. Since January 2016, the metro area has been able to add over 16,700 jobs to the local economy.

The apartment market continues to see positive growth. Vacancies ended Q2 2017 at 6.25 percent and rent growth was 0.25 percent, continuing to stay positive. Concessions are also not an issue at -0.7 percent, slightly below the national rate of -0.8 percent.

According to CoStar, Palm Beach County is expected to see healthy population growth over the forecast of 2.7 percent, more than triple the national average of 0.7 percent. Through 2022, the prime renter cohort, ages 21-34, is forecast to average 1.25 percent annual growth, significantly more than the national average due to positive in-migration and high-paying jobs in the Professional/Business Services sector.

One of the area’s top employers, Florida Atlantic University, is emerging as an economic pillar for the local metro area. Recently, the university has seen the construction of two projects that will help stimulate the metro. Furthermore, Florida Atlantic has a well-established tech incubator that has raised over $19 million and has created hundreds of jobs since its inception.

The high concentration of retirees in the metro could potentially raise problems for the local economy. Currently, retirees make up 12 percent of the Palm Beach population and by 2030 that number is expected to rise to 19 percent. According to CoStar, a higher concentration of retirees will make it difficult for employers to fill high-paying jobs, which also negatively impacts wage growth.

Development

Recent development in Palm Beach County has been weighted heavily toward the condo market. More than 16,600 condo units were completed since 2006. Fortunately, construction has slowed, with a small number of new apartment and condo units coming online through 2018.

A modest 10,600 multifamily units have completed since 2012, 3,300 units are currently underway, and nearly 10,400 units are in the planning stages.

Outlook

Palm Beach is one of the better performing metros in the state of Florida. Positive job growth and strong in-migration have helped apartment market fundamentals stay healthy. Limited new supply should keep demand steady as more residents, specifically retirees, migrate to the area.

The metro is expected to continue seeing one of the strongest in-migration trends in the region, luring wealthy retirees and a young demographic drawn to job opportunities in the high-paying Professional/Business Services. Affordability of single-family homes and a metro still working through an oversupply of condos prevent this metro from a higher rating.

Vacancy and Rent Composite Estimates

Source: Fannie Mae Multifamily and Economics Research
**Multifamily Metro Outlook: Palm Beach Fall 2017**

**Construction Bidding/Underway**
*(16 projects/3,800 Units/5.4 M Sq. Feet)*

<table>
<thead>
<tr>
<th>CBRE-EA Submarket</th>
<th>Number of Projects</th>
<th>Total Sq Ft (000's)</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boca Raton East</td>
<td>5</td>
<td>1274</td>
<td>951</td>
</tr>
<tr>
<td>Boynton Beach/Delray Beach</td>
<td>2</td>
<td>1045</td>
<td>630</td>
</tr>
<tr>
<td>Century Village</td>
<td>1</td>
<td>158</td>
<td>117</td>
</tr>
<tr>
<td>Green Acres City/Palm Spgs/Lake</td>
<td>2</td>
<td>814</td>
<td>638</td>
</tr>
<tr>
<td>North Palm Beach</td>
<td>3</td>
<td>1298</td>
<td>813</td>
</tr>
<tr>
<td>Palm Beach County/Other</td>
<td>1</td>
<td>274</td>
<td>245</td>
</tr>
<tr>
<td>West Palm Beach/Palm Beach</td>
<td>2</td>
<td>521</td>
<td>441</td>
</tr>
</tbody>
</table>

*Source: Dodge Data & Analytics*
Multifamily Metro Outlook: Palm Beach Fall 2017

Fannie Mae Multifamily Economics and Market Research

Francisco Nicco-Annan, Economist

Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody’s Analytics
- Real Capital Analytics
- Reis, Inc.

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae’s Multifamily Economics and Market Research (EMR) group included in this commentary 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 EMR 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 EMR 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.