



Multifamily Metro Outlook: Palm Beach Spring 2018

Overview

Palm Beach continues to be a steady performer and expand. As of Q4 2017, the job market expanded by 2.2 percent year over year, significantly above the national rate of 1.6 percent. Throughout 2017, the metro was able to add over 19,700 jobs to the local economy.

The apartment market continues to see positive growth. Vacancies ended Q4 2017 at 7.75 percent and rent growth was 1.0 percent, continuing to stay positive. Concessions are slightly elevated at -0.9 percent, with the slight increase attributed to year-end seasonality.

According to CoStar, Palm Beach County will see healthy population growth, with its five-year forecast at 2.5 percent, which is more than triple the national average of 0.7 percent. Through 2022, the prime renter cohort (ages 21-34) is forecasted 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.

Palm Beach has a very friendly business climate. According to Moody's Analytics, the metro also has the third highest concentration of residents with college degrees, pleasing employers in need of intellectual capital.

The Construction sector is red-hot and should continue to be an exceptional performer for the foreseeable future. During 2017 the sector expanded by 8.7 percent – nearly triple the national average of 3.3 percent. Furthermore, due to the damage caused by Hurricane Irma, the sector should benefit from high replacement demand.

Down the line, the high concentration of retirees in the metro could be problematic for the local economy. Currently, retirees make up 12 percent of the Palm Beach population. By 2030, that number is expected to rise to 19 percent. According to CoStar, a higher concentration of retirees is likely to make it difficult for employers to fill high-paying jobs, which would negatively impact wage growth.

Development

Recent development in Palm Beach County has been heavily weighted toward the condo market. Since 2006, over 17,000 condo units were completed. Unfortunately, condo construction is still slightly elevated, with approximately 2,000 condo units in the pipeline scheduled for delivery through Q2 2019.

A modest 12,600 multifamily units have been completed since 2012. Additionally, 2,100 units are currently underway, and nearly 16,000 units are in the planning stages.

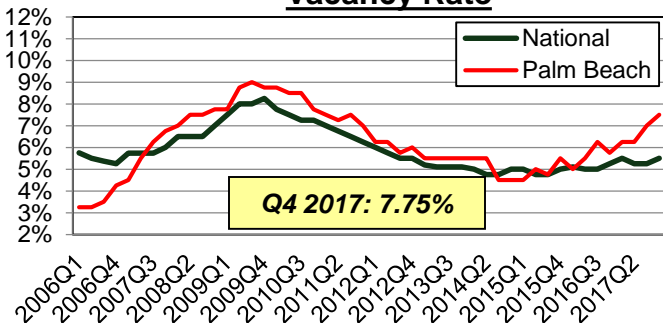
Outlook

Palm Beach is one of the better performing metros in Florida. Positive job growth and strong in-migration trends have contributed to the health of apartment market fundamentals. Limited new supply is expected to keep demand steady as more residents (specifically retirees) migrate to the area.

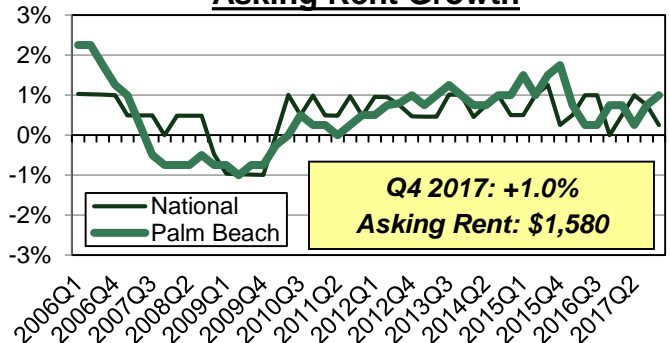
The metro is expected to continue experiencing among the strongest in-migration trends in the region, luring wealthy retirees and a young demographic drawn to job opportunities in the high-paying Professional/Business Services sector. Single-family affordability, along with an oversupply of condos, prevent this metro from receiving a higher rating.

Vacancy and Rent Composite Estimates

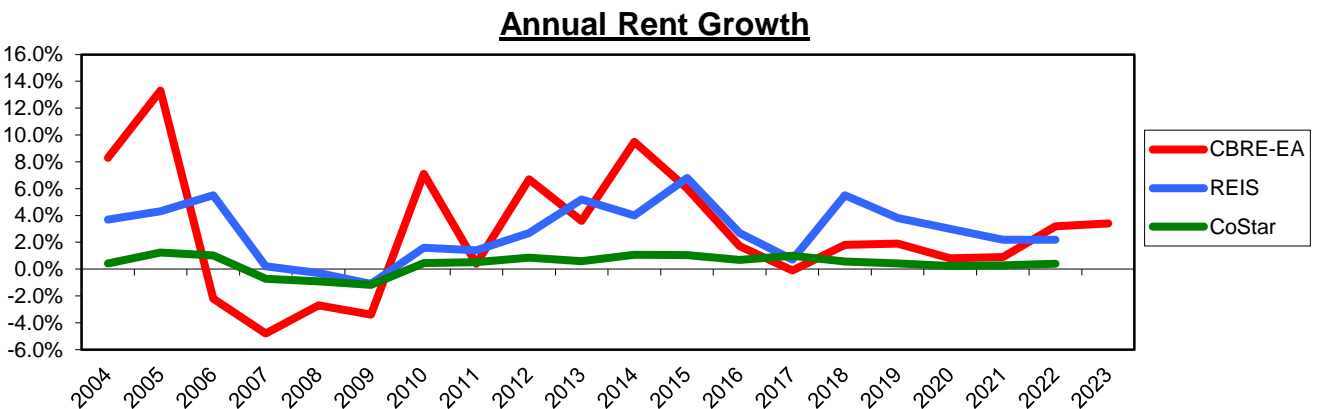
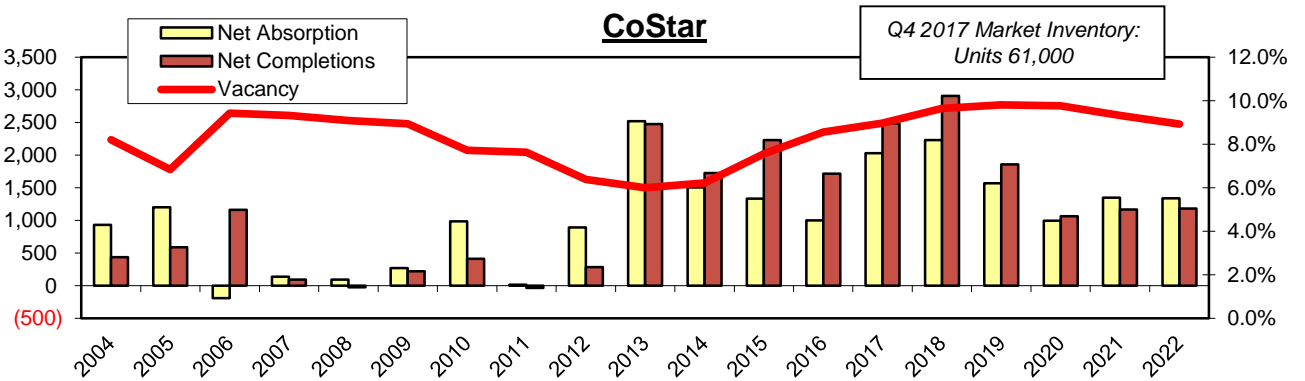
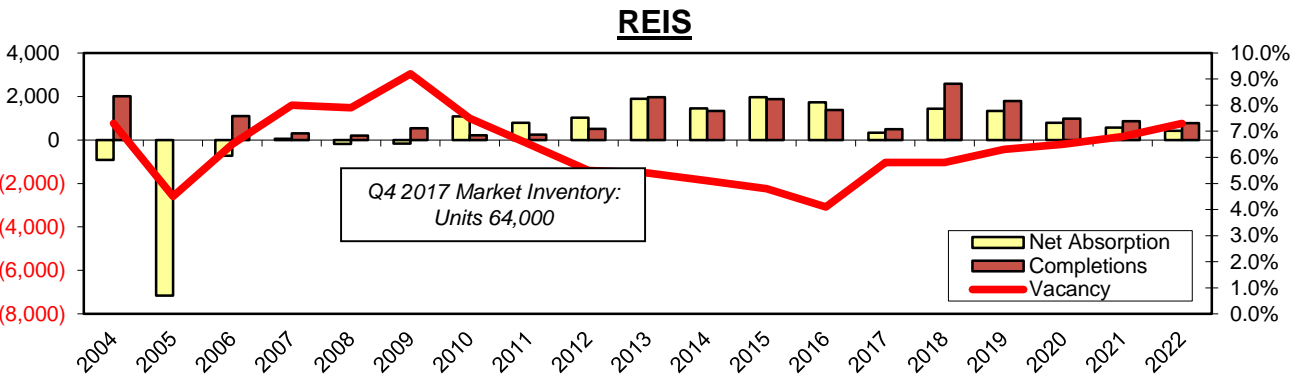
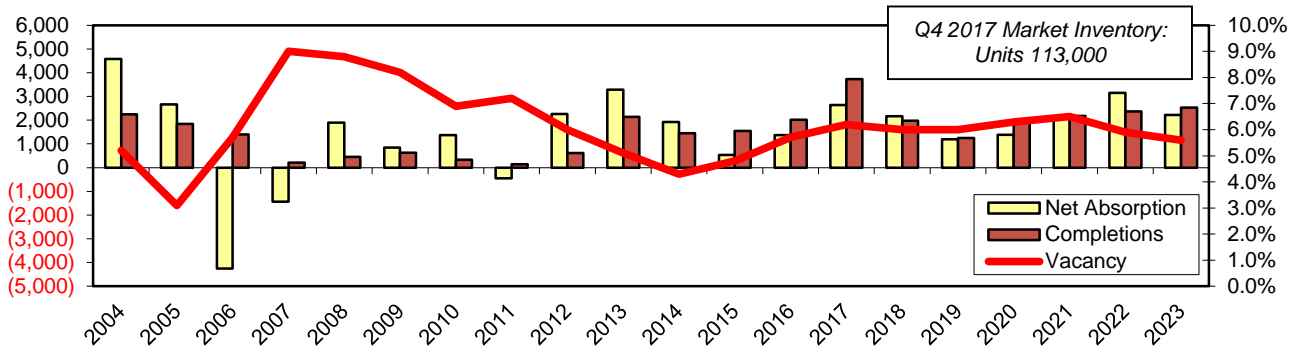
Vacancy Rate



Asking Rent Growth

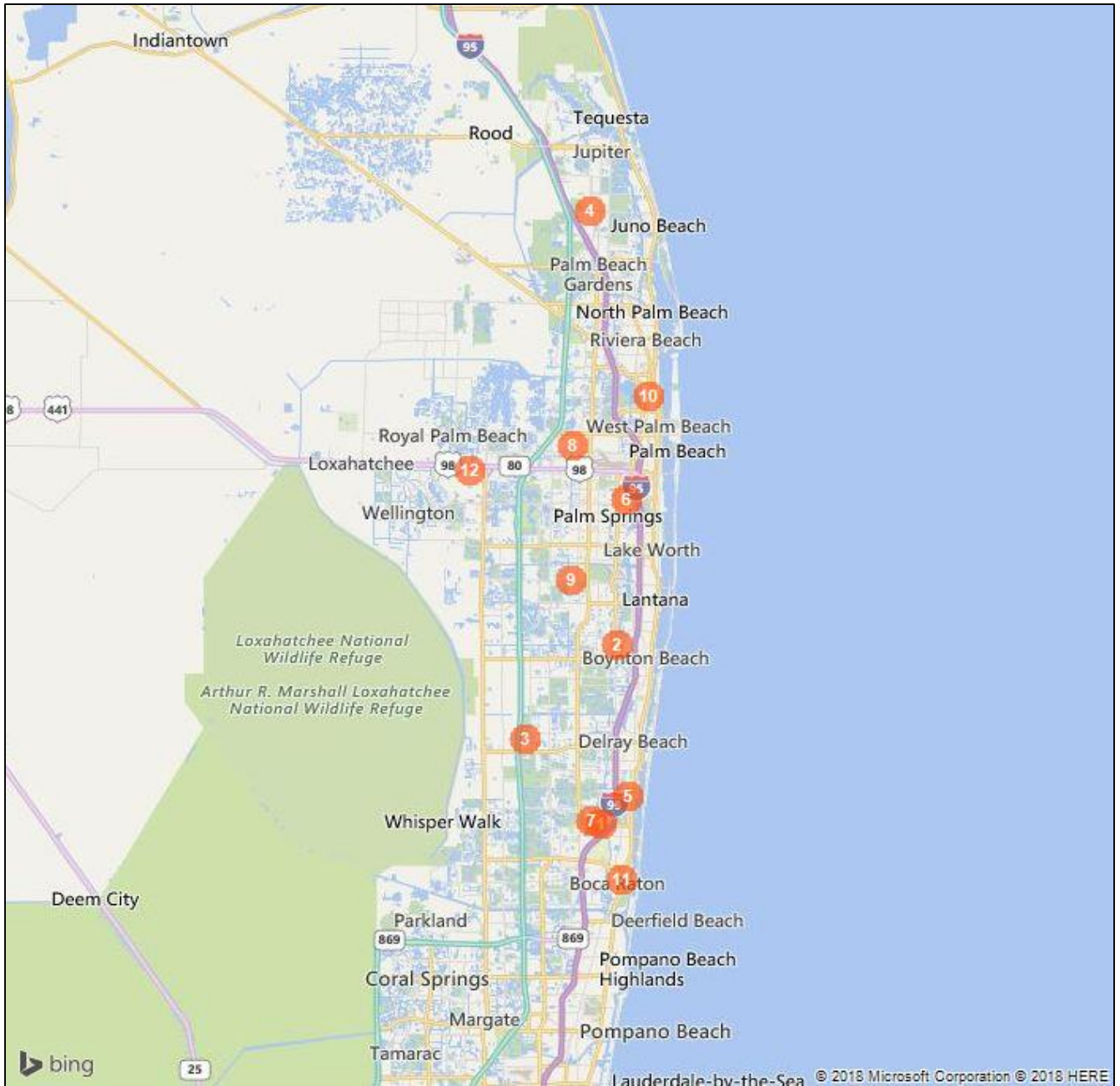


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Construction Bidding/Underway (12 projects/2,100 Units/2.7 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Boca Raton East	4	901	669
Boynton Beach/Delray Beach	2	540	401
Century Village	1	158	117
Green Acres City/Palm Spgs/Lake Worth	3	546	436
North Palm Beach	1	397	353
West Palm Beach/Palm Beach	1	125	125

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

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

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