

# MARKET REPORT

Multifamily

West Palm Beach Metro Area

IPA INSTITUTIONAL  
PROPERTY  
ADVISORS

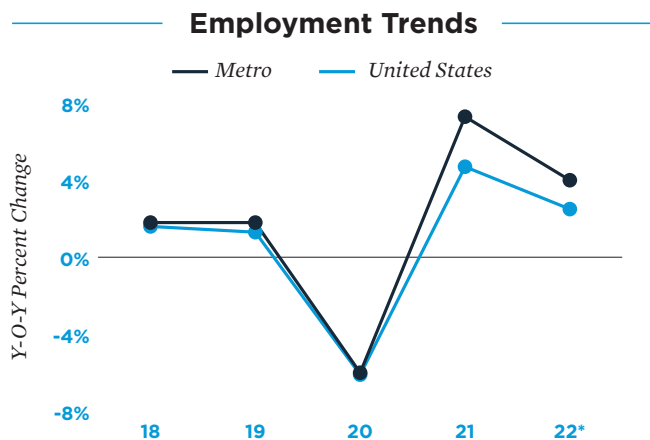
2Q/22

## Continuing In-Migration, Job Gains Lead to Second Year of Robust Rent Growth

**Diverse job creation drives demand across rental tiers.** The metro's traditional office-using employers marked a full job recovery before the end of 2021's first quarter. Job gains are continuing at a rapid pace, driven by a mix of the market's existing companies and big-name firms like Goldman Sachs transferring staff to recently-opened local offices. As the metro's home price to income ratio approaches pre-financial crisis peaks, many of these high-salary employees will be drawn to Class A rentals. Additionally, service job growth should contribute to performance in the market's Class C inventory, where rent gains have lagged Class A & B counterparts. Some labor market slack should bolster recruitment in the hospitality industry, signaling fewer headwinds for hiring here than in other tourism-heavy metros.

### Development activity remains under household formation.

While multifamily developers have responded to recent growth with a substantial increase in new projects, stock growth is expected to be outpaced by the region's growing population. Palm Beach County's annual in-migration totals are projected to exceed 20,000 for the foreseeable future, potentially spurring another wave of project proposals; however, as supply chain hurdles continue, builders may struggle to catch up to demand. The gap between development and incoming residents could foreshadow an extended period of tight vacancy ahead.



\* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

## Multifamily 2022 Outlook



**26,000  
JOBS**

*will be created*

### EMPLOYMENT:

Multiple high-profile corporate relocations and pronounced regional in-migration facilitate a 4 percent employment expansion. An unemployment rate above 2019's cyclical low indicates the job market has additional growth potential.



**3,250  
UNITS**

*will be completed*

### CONSTRUCTION:

Developers breach the 3,000-unit benchmark for the first time since 2017, posting the market's second-highest annual completion total since at least 2000. Increasing land costs are pushing new projects farther west of the Interstate 95 corridor.



**10  
BASIS POINT**

*decrease in vacancy*

### VACANCY:

Vacancy falls to an all-time low of 1.9 percent in 2022. Strong in-migration relative to the county's existing population is projected to drive household growth and demand for rental units.



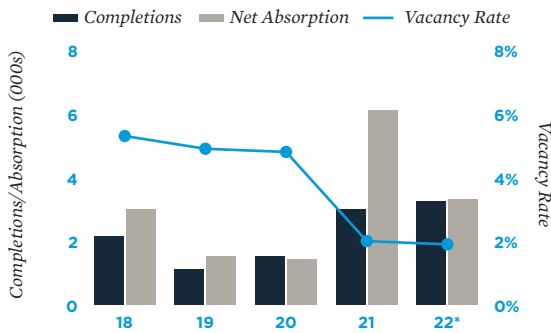
**12.3%  
INCREASE**

*in effective rent*

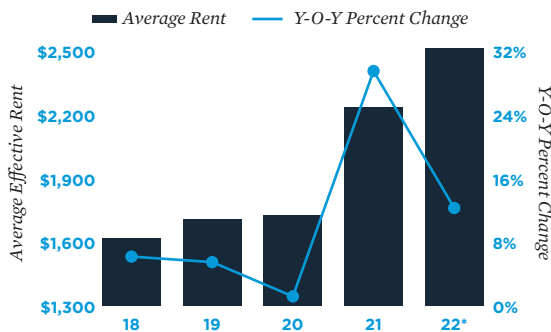
### RENT:

Following a near 30 percent jump in effective rents in 2021, extremely tight vacancy will keep annual gains in the double-digit percent range. Low availability in Lake Worth-Greenacres-Wellington could support additional momentum on rents here.

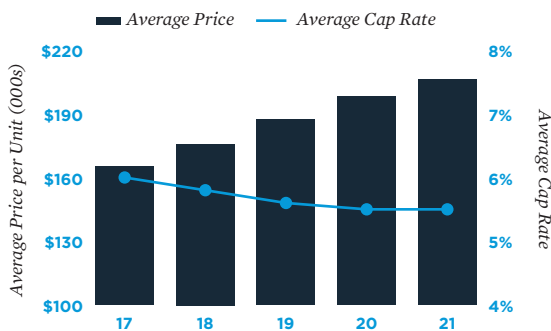
## Supply and Demand



## Rent Trends



## Sales Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

## 1Q 2022 - 12-Month Period



### CONSTRUCTION

**2,619 units completed**

- Despite headwinds created by material and labor shortages, deliveries during the 12-month period ending in March surpassed the previous year-long span by over 500 units.
- Nearly all projects finalized this span exceeded 100+ units as developers shifted their focus to larger complexes.



### VACANCY

**210 basis point decrease in vacancy Y-O-Y**

- Substantial migration from northeastern markets kept the first quarter vacancy rate at 2 percent, holding it at a record low.
- The city of Boca Raton registered a 330-basis-point drop in the trailing year ending in March, but the lowest availability rate is in Lake Worth-Greenacres-Wellington, at 1.5 percent.



### RENT

**30.2% increase in the average effective rent Y-O-Y**

- Extremely low availability generated one of the nation's highest 12-month gains, putting monthly rent at \$2,321 on average.
- The West Palm Beach submarket was the single area to post a rent increase under 30 percent, as renters were drawn to suburban locales; however, suburban growth may lag gains here moving forward.

## Investment Highlights

- Deal flow reached new heights in 2021 as investors took note of the market's impressive population growth and rapidly expanding employment base. Transaction activity outpaced the previous record set in 2017 by over 80 percent, driven by notable upticks in out-of-state capital, predominantly from the northeast, where many markets have lagged the national average.
- Due to a comparatively open state economy, Palm Beach County observed a nominal slowdown in deals transacted during the pandemic; however, a sharp rise in the average sale price in 2021, in tandem with a noticeable lack of 2020 portfolio trades, indicates larger investors waited out pandemic-induced frictions until conditions ameliorated last year.
- Despite elevated bidding activity, the average cap rate remained unchanged at 5.3 percent, due to a substantial rise in Class C transactions. With a gain of 4.1 percent, pricing saw the lowest increase since 2013, as per-unit prices rose to \$206,000 on average. Buyer interest in lower-tier properties should remain strong as the metro's service-oriented labor count expands.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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