

# MARKET REPORT

Multifamily

West Palm Beach Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

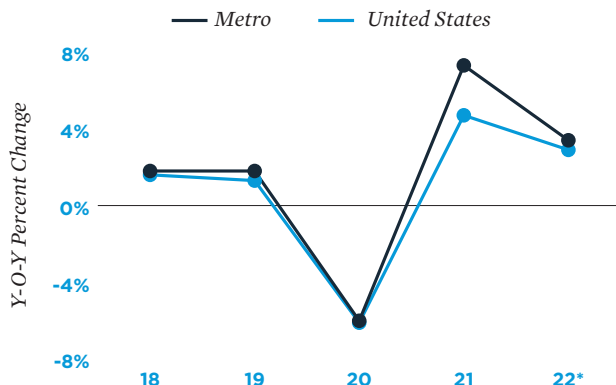
3Q/22

## Corporate Relocations Drive Net In-Migration, Spurring an Uptick in Construction

**Inflation slows record demand surge.** Tax exemptions and expedited permit reviews have helped attract notable companies to West Palm Beach, such as Goldman Sachs, Elliott Management and NewDay USA, in recent quarters. The strength of the labor market has spurred rapid population growth, with the metro adding nearly 44,000 new residents since 2020. The resulting expansion of the renter pool enabled vacancy to fall to 2 percent this year, a record low. However, fundamentals softened during the second quarter, as renters returned nearly 1,700 units back to the market from April to June. The average rent, which has risen nearly 40 percent since the end of 2019, prompted some residents to find roommates or relocate to more affordable areas amid widespread inflation. Nevertheless, renter demand is expected to improve over the second half, and vacancy will remain 190 basis points below the long-term average.

**Notable deliveries on the horizon.** Projections for a continued rise of in-migration over the next 10 years indicate the need for new supply in the metro. Entering the second half, there were nearly 8,000 units underway, equating to 6.5 percent of existing inventory. Deliveries in 2022 will slow relative to last year's pace, however, supply additions are expected to accelerate moving forward. As of July, nearly 5,000 units were slated for 2023 completion, which would rank as the largest annual total in over two decades. The bulk of active projects are concentrated in West Palm Beach proper, Lake Worth-Greenacres-Wellington and Boynton Beach-Delray Beach.

### Employment Trends



\* Forecast

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

## Multifamily 2022 Outlook



**22,000  
JOBS**

*will be created*

### EMPLOYMENT:

Employers added 13,100 new workers through the first six months, fully recovering all jobs lost in the leisure and hospitality sector during the health crisis. By year-end, total employment will surpass the pre-pandemic peak by 26,000 positions.



**2,700  
UNITS**

*will be completed*

### CONSTRUCTION:

At least 2,000 units are delivered for the fifth time in the past seven years, as developers increase the metro's rental inventory by 2.2 percent. Local supply additions reach a two-decade high in Lake Worth-Greenacres-Wellington.



**170  
BASIS POINT**

*increase in vacancy*

### VACANCY:

Metrowide vacancy increases on an annual basis for the first time since 2017, as inflationary pressure slows the rate of household formation. Still, at 3.7 percent, availability remains 120 basis points below the 2019 rate.



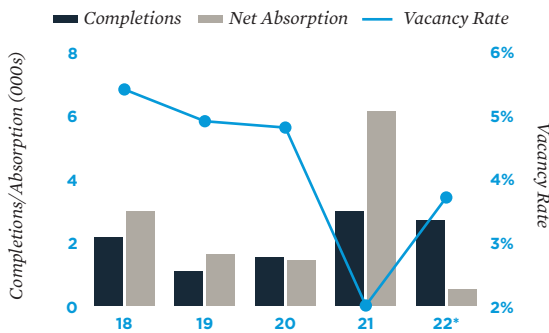
**13.4%  
INCREASE**

*in effective rent*

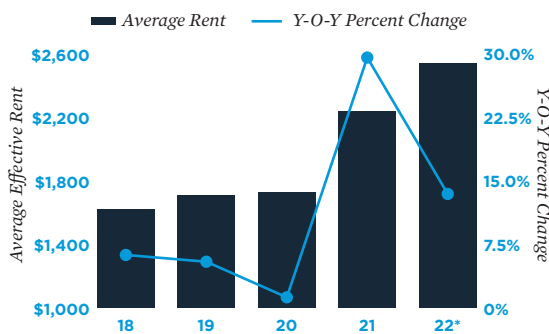
### RENT:

West Palm Beach records a double-digit annual gain for the fourth time on record. The metro's growth rate ranks eighth among major markets nationally, as the average effective rent rises to \$2,540 per month.

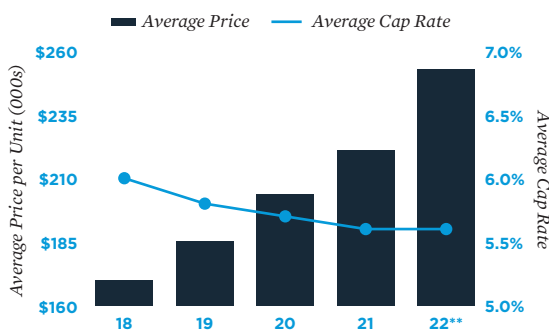
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

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

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Price: \$250

### 2Q 2022 - 12-Month Period

**CONSTRUCTION**  
**2,672 units completed**

- Rental stock in West Palm Beach increased by 2.1 percent year-over-year ending in June. Completions were widespread, with four of the metro's five submarkets adding more than 500 units.
- Existing apartments in North Palm Beach County will face minimal competition from new supply, with only 400 units underway here as of August.

**VACANCY**  
**70 basis point increase in vacancy Y-O-Y**

- Deliveries outpaced net absorption by more than 1,000 units over the past year ending in June, lifting availability to 4 percent. However, renter demand is expected to improve, lowering the rate over the second half.
- Lake Worth-Greenacres-Wellington, the submarket with the lowest effective rent on average, posted the metro's tightest vacancy rate at 3 percent.

**RENT**  
**27.1% increase in the average effective rent Y-O-Y**

- The average effective rent in West Palm Beach rose to \$2,368 per month in the trailing 12-month period ending in June. The annual growth rate during this span ranked second among all major U.S. markets.
- All five submarkets in West Palm Beach posted year-over-year rent gains exceeding 25 percent during this time frame.

### Investment Highlights

- West Palm Beach's evolving economy and growing renter base have institutions bullish on the metro's long-term apartment demand. Recent transaction velocity reflects this, as deal flow more than doubled over the past year. Heightened competition for available listings led to a 19 percent rise in the average sale price to \$253,000 per unit. Mean first-year returns here are roughly 50 basis points higher than any other major Florida market.
- A notable number of Class B transactions involving apartments with over 100 units are occurring in the cities of West Palm Beach and Boynton Beach, with cap rates that can fall to the low-2 percent range. Mid-tier availability in West Palm Beach proper fell 60 basis points across the past four quarters, boasting a Class B vacancy rate of 4.0 percent at midyear. The city also led the market in mid-tier rent growth during the past 12 months, with the average effective rate here climbing more than 30 percent annually as of June to \$2,246 per month.
- Boynton Beach-Delray Beach boasts the metro's tightest Class A availability at 3.9 percent in the second quarter, joining North Palm Beach County as the only submarkets that have lower luxury-tier vacancy than Class B. Institutions honed in on higher-quality assets may heighten activity here.