

# INVESTMENT FORECAST

Multifamily  
West Palm Beach


IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS


2020

## Wave of New Residents Relocate to Palm Beach County, Lifting Rental Demand

**Revitalized corridors and steady hiring support rental demand.** Florida's favorable tax structure and a warm climate make Palm Beach County a haven for retirees, leading to some of the strongest in-migration trends in the nation this year as slightly over 30,000 will move to the county. On top of robust growth of the 65 and older cohort, the market has become increasingly attractive to young professionals as West Palm Beach continues to draw more major companies and tech firms. The 20- to 34-year-old cohort, a substantial driver to the apartment sector, is anticipated to grow at a greater rate here than the rest of South Florida as revitalized areas of the market, modern rentals and job opportunities beckon new residents. In response to healthy demographics and stable rental demand, developers remain active in the market as they were underway on nearly 4,000 units at the onset of 2020. Boynton Beach and Delray Beach are prime targets of new development for their rapidly transforming downtown districts along with recording balanced supply gains this cycle.

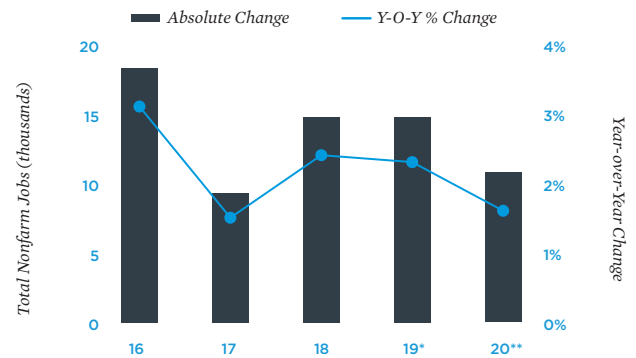
**Solid fundamentals driving increased investors interest.** Institutional capital purchases in West Palm Beach appear poised to remain a driving force for the coming year as solid rent and demand growth drive robust underwriting forecasts. The previous two years witnessed a notable rise in institutional purchases with both newly developed and well-located garden properties heavily targeted in southern submarkets such as Boca Raton and Boynton Beach. With easy access to employment centers, these sites offer long-term capital sources the potential for growing value. In addition, approximately half of the current development pipeline will deliver in the southern submarkets, offering quality assets in higher-density locations. This could offer further acquisition opportunities for the institutional core buyer profile. Private buyers focused on value-add property are finding fewer and fewer possibilities in the southern section of the market and may want to shift attention to northern submarkets, which have largely been ignored in this cycle. However, no matter the product pursued, competitive pricing will persist given the higher focus for institutional investors the market has recently attracted.

**17.1%**  2019 share of local population between 20 and 34 years old

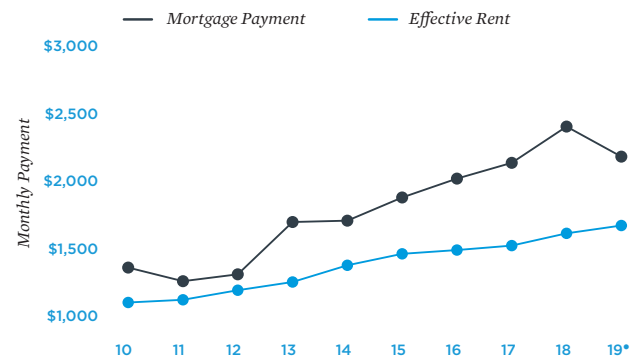
**34.4%**  of local population hold bachelor's degree or higher\*

**\$349,516**  2019 median home price

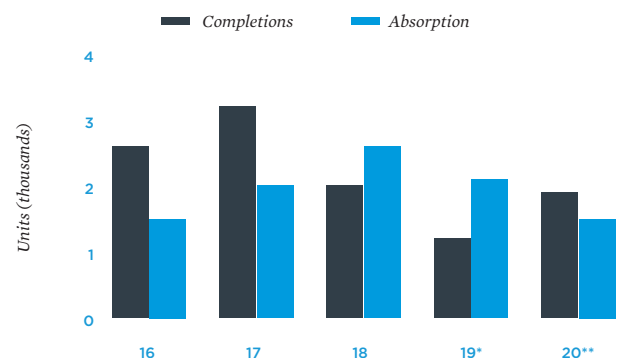
### Employment Trends



### Housing Affordability Gap



### Supply and Demand



\* Estimate \*\* Forecast \* Through 3Q  
\* 2019: 25+ years old

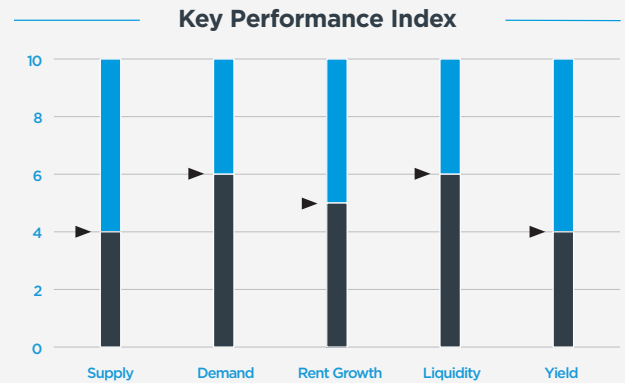
Sources: Marcus & Millichap Research Services; RealPage, Inc.

## 2020 Investment Outlook

Declines in the supply and demand indexes over the past six months took some of the strength out of West Palm Beach's fundamentals as rent growth got dragged down. Supply saw the larger drop, going from 6 to 4, while demand and rent growth both moved down one point.

Investor attention, however, remains strongly focused on the higher yield index seen in the northern most South Florida metro. Even with a one-point decline since mid-year 2019, the current 4 rating remains higher than the market's southern neighbors, keeping liquidity stable.

*Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.*



## 2020 Market Forecast

**Employment**  
10,783 jobs



Metro **1.6%**  
U.S. **1.0%**

**Construction**  
as % of inventory\*



Metro **1.6%**  
U.S. **1.7%**

**Class A Vacancy**  
Up 30 bps



Metro **6.0%**  
U.S. **5.3%**

**Class A Rent**  
\$2,177 per month

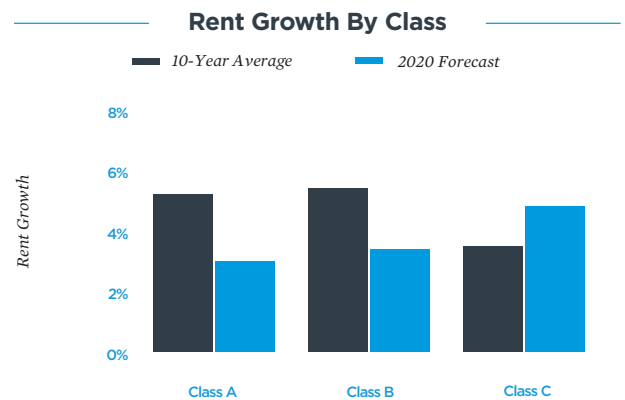
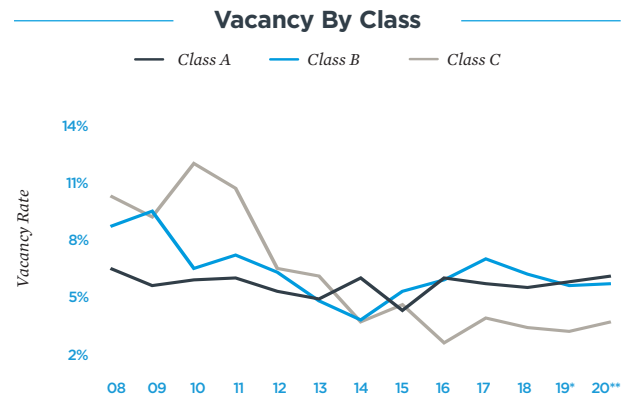


Metro **3.0%**  
U.S. **3.3%**

**Investment**  
3-yr. avg. activity  
\$20+ million



Deals: **18**  
Volume: **\$1.1 billion**



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\* Estimate \*\* Forecast  
\* Arrow reflects completions trend compared with 2019  
Sources: Marcus & Millichap Research Services;  
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics