

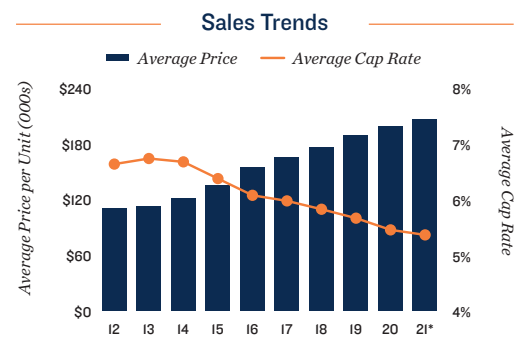
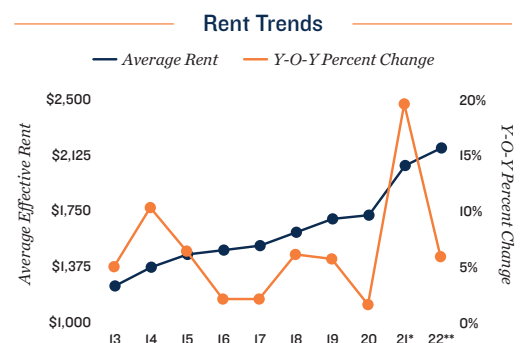
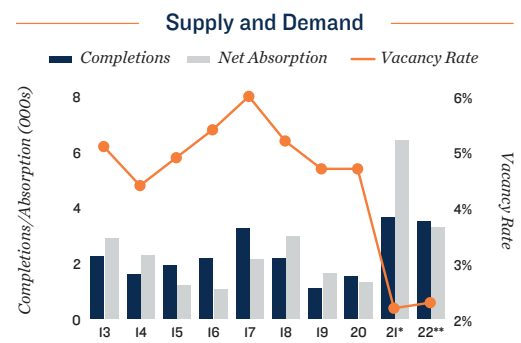
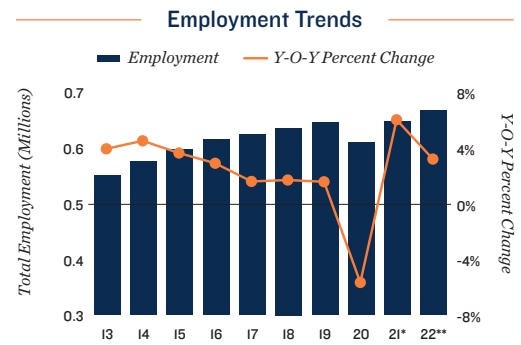
Metro Leads Southeastern Florida in Population Growth Investors Capitalize on Sunbelt Migration

Relocating young adults help keep demand near pace with supply. Employment and population gains bode well for local multifamily fundamentals this year. Due in part to lenient statewide COVID-19 policies, West Palm Beach entered 2022 reporting a higher employment count than prior to the health crisis. Beyond a recovering hospitality sector, the metro has also become a target destination of financial firms like Goldman Sachs and Colony Capital for new offices, bringing highly-skilled employees and demand for luxury rentals. The market is also projected to lead the region in population growth this year, driven predominantly by gains in the 20- to 34-year-old cohort, eclipsing the national pace in this segment eightfold. While long-term demand benefits from the expansion of this key renter demographic, high short-term supply growth ends the downward trend in vacancy rates. Builders this year are expected to complete the second highest amount of units after 2021's record delivery pipeline. While this rapid stock expansion is met with an eager market, a slight uptick in vacancy is expected as last year's release of pent-up leasing activity dissipates and rental demand growth normalizes.

Solid fundamentals support a thriving investment market. Sales activity recovered last year in the wake of the health crisis. The metro reported record trade velocity as investor sentiment reacted to above-average in-migration, which is expected to continue through 2022. While the city of West Palm Beach is typically highest in Class C trades, buyers looking to capitalize on renter demand from incoming office professionals are also targeting higher-tier offerings in the submarket. Investors seeking higher yields will look to Lake Worth, which is often the second most popular market for Class C transactions. Increasing market competition in the face of robust multifamily fundamentals is causing buyers to accept lower returns than in previous periods, putting downward pressure on cap rates marketwide.

2022 Market Forecast

- NMI Rank** 4 Very strong household creation buoyed by in-migration gives West Palm Beach a premium spot in this year's Index.
- Employment** ↗ Employment growth exceeds the national average of 2.5 percent as metro employers expand staff counts by 21,000. up 3.2%
- Construction** ↘ The construction pipeline is projected to deliver just 150 units under 2021's record delivery pace, making 2022 the second highest year observed for completed apartments. 3,500 units
- Vacancy** ↗ Despite net absorption of over 3,200 units, the dissipation of last year's pent-up demand in the face of high stock expansion causes a marginal increase in vacancy to 2.3 percent. up 10 bps
- Rent** ↗ After surging nearly 20 percent in 2021, the pace of rent growth declines to a more sustainable level. Effective rent will rise to \$2,161 per month on average. up 5.8%
- Investment** ● The metro presents investors with a large selection of properties with capital improvement potential, with Lake Worth and West Palm Beach proper acting as epicenters for Class C deals.



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