

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

West Palm Beach Metro Area




2019

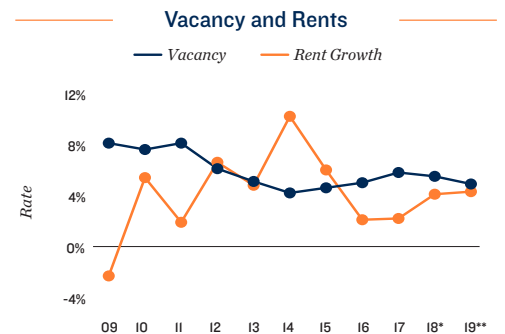
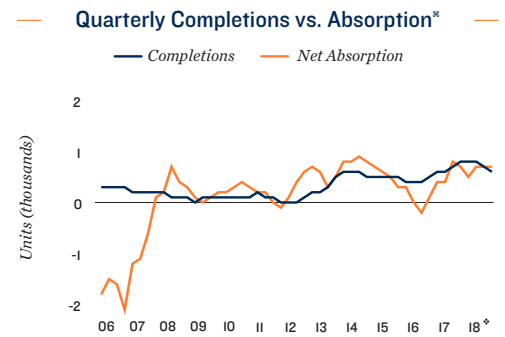
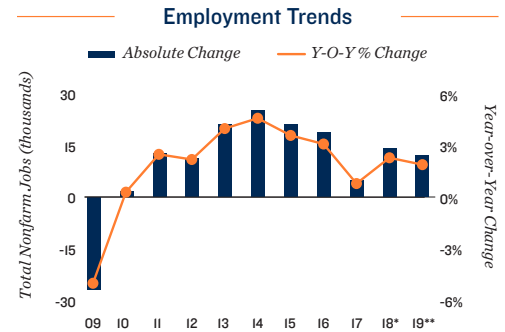
West Palm Beach Emerging as Hub for Tech Innovation, Bringing More Young Workers to the County

West Palm Beach beginning to shed its retirement community image. Home to some of the nation's fastest-growing businesses, West Palm Beach is transforming into a hub for technology companies, attracting more young professionals to the area. Palm Beach County leads South Florida in domestic migration, not only due to the growing retiree population but from the expanding younger cohort as well, changing the perception of the area and breathing new life into local communities. Drawn to amenity-rich complexes in proximity to local employers, restaurants and nightlife, millennial renters have been flocking to Boca Raton, Delray Beach and Boynton Beach, supporting a declining vacancy rate for two straight years in 2019. Older adults are also fueling apartment demand, choosing to downsize and move to an urban setting that offers more experiences and walkability. With interest rates rising and tax incentives no longer in place, homebuyer enthusiasm has been tamped down, ensuring a broad renter pool this year, particularly as many are drawn to the mobility and lifestyle that renting provides.

Investor appetite for apartments remains elevated, keeping market competitive. Robust growth in professional jobs outside of the service industry and elevated single-family home prices have led to healthy investor perceptions in Palm Beach County. Yield-driven buyers will remain active in the search for remaining upside, finding cap rates that average in the upper-5 percent to mid-7 percent band. Class A properties in some of the best areas of the county can often achieve an initial yield in the low-4 percent to low-5 percent range. Minimal deliveries this year will give a boost to property metrics across the county, pushing the vacancy rate back below 5 percent and supporting stronger rent growth. After several years of robust pricing growth, more owners may be motivated to test the market this year as buyer demand holds strong, particularly in Boynton Beach and West Palm Beach, which are rapidly changing areas of the county.

2019 Market Forecast

- Employment** up 1.9%  A tighter labor market slows employment growth to 12,000 jobs this year from the 2.3 percent increase posted in 2018.
- Construction** 510 units  Completions slow considerably in 2019, down from the 2,400 units delivered last year to the lowest level recorded since 2011.
- Vacancy** down 60 bps  Rental demand remains in place, bringing the market vacancy rate down to 4.9 percent at year end, adding to the 30-basis-point decline registered last year.
- Rent** up 4.3%  Building on the 4.1 percent increase posted in 2018, the average effective rent climbs to \$1,610 per month this year.
- Investment**  Properties in proximity to the Virgin Trains station in West Palm Beach will be highly coveted as ridership grows. With service to Fort Lauderdale and Miami, more workers in these cities may choose to commute from West Palm Beach by train.



* Estimate; ** Forecast; † Through 3Q; * Trailing 12-month average
Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of November 2018. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. 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.