

# INVESTMENT FORECAST

Marcus & Millichap

## MULTIFAMILY

West Palm Beach Metro Area






2020

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

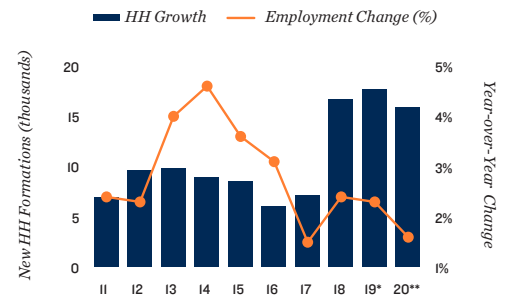
**Revitalized corridors and steady hiring support rental demand.** Florida's favorable tax structure and a warm climate make Palm Beach County a haven for retirees, leading to some of the strongest in-migration trends in the nation this year as slightly over 30,000 will move to the county. On top of 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.

**Favorable yield profile and strong demographics fuel investment activity.** Investor appetite for multifamily assets will remain vigorous this year as stable vacancy and moderate rent gains support acquisition targets. Recently recorded going-in cap rates in Palm Beach County were in the lower-6 percent territory on average, the highest in South Florida, which may encourage capital migration to the market as buyers pursue higher yields. Boynton Beach, Greenacres and the Palm Beach Gardens/Jupiter area will be a primary focus as first-year yields here are in the low-6 percent to low-7 percent range. As many assets have traded this cycle and pricing expectations are high, buyers will need to position aggressively as there is a shortage of available properties that meet investment goals. A wave of new supply should provide more opportunities as merchant builders deliver stabilized properties.

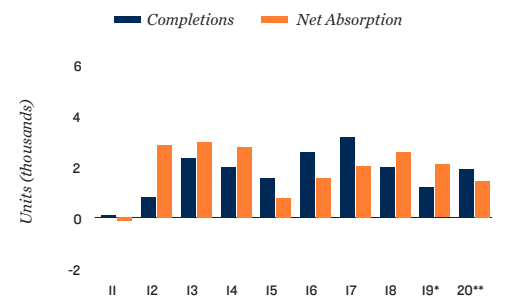
### 2020 Market Forecast

- Employment**  Nearly 11,000 jobs will be created this year, down from the 2.3 percent pace of growth as the labor market tightens.  
**up 1.6%**
- Construction**  Deliveries trend upward from the 1,200 units completed in 2019, though they lag behind the previous five year average.  
**1,900 units**
- Vacancy**  The vacancy rate climbs to 4.8 percent in 2020 with net absorption of 1,450 units trailing supply growth. An 80-basis-point decline was registered last year.  
**up 30 bps**
- Rent**  Rising vacancy slows rent growth from the 4.7 percent gain posted last year, climbing to \$1,720 per month in 2020.  
**up 3.6%**
- Investment**  Investor interest in older, well-maintained properties that cater to a growing middle-income class of renters will fuel sales activity, but competition for available assets will be substantial.

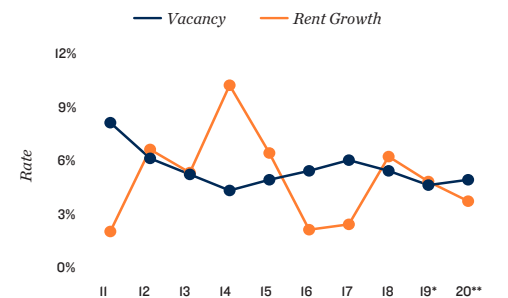
#### Economic Trends



#### Completions vs. Absorption



#### Vacancy and Rents



\* Estimate; \*\* Forecast  
 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 2019. 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.