

# INVESTMENT FORECAST

Marcus & Millichap

## MULTIFAMILY

West Palm Beach Metro Area

2024

### Young Adult Population Growth Generates Renter Demand as Operators Incur Increasing Expenses

**Younger populace underpins apartment use in West Palm Beach.** Since the onset of the pandemic, the metro has outpaced the rest of Southeast Florida in population growth. This feat is partially the result of positive momentum within the 20- to 34-year-old demographic, a dynamic contrary to Fort Lauderdale and Miami. This is aided by new job opportunities, as the local pace of hiring exceeds the national average in 2024. Meanwhile, a high cost of homeownership is encouraging apartment usage for many new residents. Entering 2024, West Palm Beach noted the nation's largest increase to its median home price relative to 2019, exceeding 65 percent. This helps reduce the impact of an anticipated record supply influx, as vacancy lifts at a substantially slower pace than the prior two periods, while rent growth accelerates. The Boca Raton area is further protected from this supply-side pressure as less than 10 percent of metro deliveries are anticipated to complete here in 2024. While stock expands at a similar rate as in 2023 around the Delray Beach area this year, local vacancy stood closer in line to its 4.6 percent pre-pandemic measure than any other metro submarket.

**Insurance costs continue to complicate deal-making.** In addition to elevated lending rates, commercial insurance climbed at an unprecedented pace leading into 2024 as monetary impacts of natural disasters became more pronounced. Higher expenses are likely to continue challenging deal-making as underwriters account for potential adjustments over their anticipated holding periods. As a result, fewer deals are being completed by out-of-state buyers amid long-term uncertainty. This dynamic, however, may lead to opportunities for local buyers accustomed to weathering risks and deals initiated by distress due to the increased cost burden. Population and economic growth momentum are also intriguing investors as homeownership hurdles remain.

### 2024 MARKET FORECAST

+1.2%



**EMPLOYMENT:** Local employers add 8,000 new jobs on net in 2024. This will be a deceleration from last year's count, and marks the slowest annual pace of job creation in over a decade, aside from 2020.

3,600  
units



**CONSTRUCTION:** Developers will add a record number of units, increasing stock by 2.8 percent in 2024. Yet, this matches Tampa as the slowest pace of inventory growth among major Florida metros.

+20 bps



**VACANCY:** Population dynamics help tame the expansion of local vacancy as 2024's lift will be 80 basis points short of last year's surge. The measure will end December at 6.3 percent.

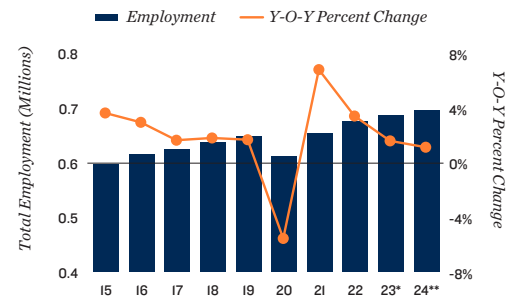
+2.2%



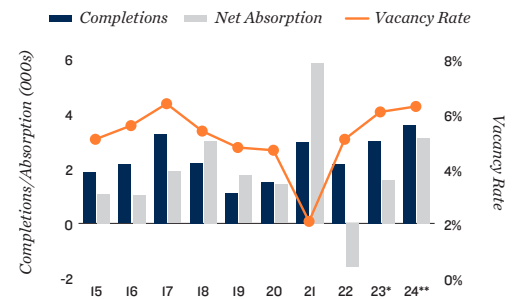
**RENT:** Amid improving absorption, rent growth accelerates from 2023's marginal lift. This brings West Palm Beach's average effective rate to \$2,500 per month by year-end.

**INVESTMENT:** *Although typically the most active area in the metro, velocity in West Palm Beach proper may slow in the near-term amid notable local supply pressure, weighing on the submarket's vacancy rate.*

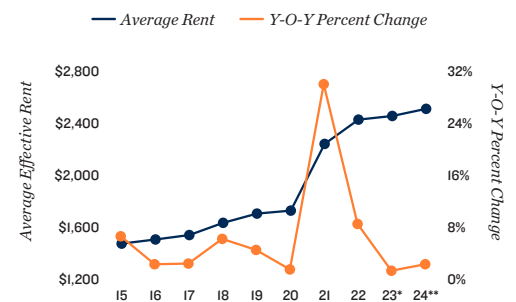
### Employment Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

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

### Fort Lauderdale Office:

**Harrison E. Rein** Regional Manager

5900 North Andrews Avenue, Suite 100

Fort Lauderdale, FL 33309

Tel: (954) 245-3400 | harrison.rein@marcusmillichap.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. 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.