

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

West Palm Beach Metro Area

2025

Affluent Transplants Boost Household Growth, Enabling Strong Property Performance and Attracting Investors

Record in-migration propels rent growth. West Palm Beach gained over 40,000 new residents last year – the highest total on record. This growth is expected to continue, aided by a larger financial services sector that attracts young professionals. Likewise, the city’s favorable climate and lower cost of living compared with Miami appeal to wealthier retirees and remote workers. This influx of affluent residents is projected to drive the fastest household income growth in the nation, bolstering demand for higher-end apartments. New supply in the city center should be well received after elevated leasing led to strong rent growth last year. Completions in the dense suburbs of Lake Worth Beach should also be quickly absorbed. Vacancy here remained the lowest among metro submarkets in 2024, driven by demand for modern units that are more affordable than those in the urban core. Moreover, completions are forecast to slow east of Interstate 95 and near Boca Raton, reinforcing property fundamentals in those areas while also spurring expectations for metrowide rent growth to rank among the fastest in the country.

Buyer competition intensifies as conditions tighten. Improved fundamentals and a surging population are expected to draw investors back to the metro. Institutions will likely stay active in the suburbs, where limited new supply supports rent growth. Planned major projects, such as the \$100 million upgrade at Boca Raton’s Innovation Campus and efforts to turn the Wellington Equestrian Preserve into a vibrant mixed-use community, are also poised to attract investors. Private buyers are likely to focus on closer-in submarkets like Lake Worth and Boynton Beach, where a younger, high-density population has kept vacancy low. Last year, apartment buildings under 20 units often traded for less than \$200,000 per unit, while larger properties with value-add potential sold for around \$225,000 per door, and newer developments commanded over \$400,000 per unit.

2025 MARKET FORECAST

+1.6%



EMPLOYMENT: West Palm Beach is expected to add 11,000 jobs in 2025. Although this total falls slightly short of last year’s tally, it remains roughly in line with the metro’s long-term average job gain.

2,500 units



CONSTRUCTION: The metro’s stock will expand by 1.9 percent this year, delivering the fewest units among major Florida markets and ranking second only behind Tampa for slowest inventory growth.

-20 bps



VACANCY: Fewer deliveries help vacancy fall to 5.3 percent by year-end, keeping below the metro’s long-term average of 5.8 percent. Only Miami records a lower rate among major Florida markets.

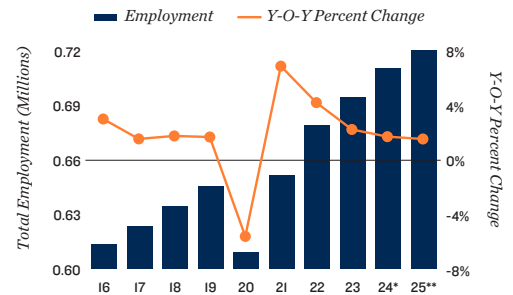
+4.4%



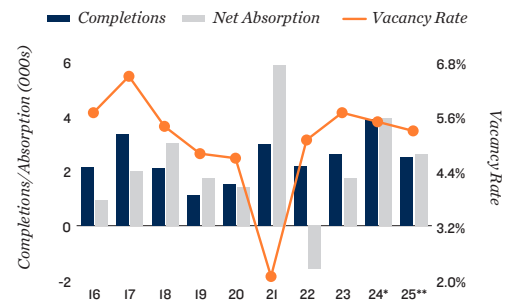
RENT: The metro’s average effective rent rises to \$2,578 per month by the end of 2025, climbing at the fastest pace in three years and ranking as the eleventh highest among major U.S. markets.

INVESTMENT: *The One West Palm and One Flagler office buildings are set to open in 2025 and are expected to become major employment hubs, potentially boosting apartment demand and attracting investors to the city center.*

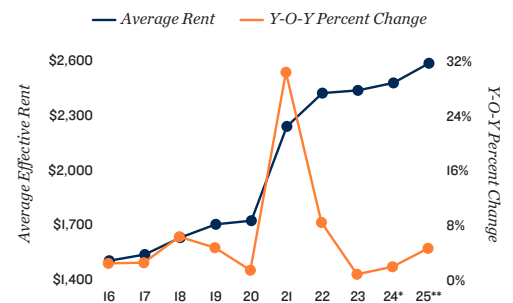
Employment Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

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

Fort Lauderdale Office:

Harrison E. Rein

Senior Vice President, 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 2024. 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 guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.