

## MULTIFAMILY

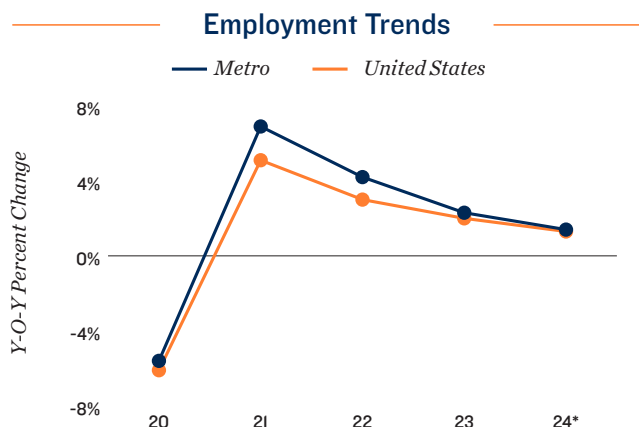
West Palm Beach Metro Area

# 2Q/24

### Strong Demand Helps West Palm Beach Limit Concessions, Contrasting Comparable Markets

Region's least vacant Class A segment supports new supply. All three Southeast Florida markets had similar inventory growth rates between 2.4 and 2.6 percent year-over-year in March 2024. West Palm Beach's demand for new high-end supply stood out, however. Miami and Fort Lauderdale logged corresponding 50- to 70-basis-point annual Class A vacancy hikes, while the metro's rate adjusted upward by only 10 basis points. As a result, West Palm Beach's 4.8 percent Class A vacancy in the first quarter was not only the lowest in Southeast Florida, but for the entire Sun Belt region as well. This is helping limit the need for concessions, a metric that has surged in many parallel locations contending with historic development. In the first quarter, roughly 7.3 percent of local apartments were offering concessions, the lowest share in Florida and a rate that was half as large as at least 10 other major Sun Belt metros.

Lower trade-up costs may shift demand. During the two-year span ended in March 2024, the average effective Class C rent grew by over 24 percent, nearly four times the Class B gain. As a result, the gap between lower- and mid-tier rents narrowed to \$390 per month in the first quarter, compared to \$640 just two years ago. That trend could motivate some Class C tenants at the higher end of the income spectrum within that segment to consider Class B options. In West Palm Beach proper that dynamic may be materializing. Local mid-tier vacancy fell over the past year, while the area's lower-tier rate rose.



\* Forecast  
Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

### Multifamily 2024 Outlook



10,000

JOB

will be created

#### EMPLOYMENT:

West Palm Beach's 1.4 percent job growth trails its Southeast Florida neighbors, but surpasses or ties all other major markets in the state. Traditional office-using segments lost roles during the first quarter, however.



4,200

UNITS

will be completed

#### CONSTRUCTION:

Apartment completions exceed 4,000 units for the first time on record, expanding metro stock by 3.3 percent. Projects average roughly 275 doors, with four different submarkets slated for at least one 350-plus unit addition.



20

BASIS POINT

increase in vacancy

#### VACANCY:

Market vacancy will increase by the same margin as both Miami and Fort Lauderdale this year, reaching 5.8 percent. While that rate is a seven-year high, it still ranks as the second lowest among Florida's six major metros.



2.5%

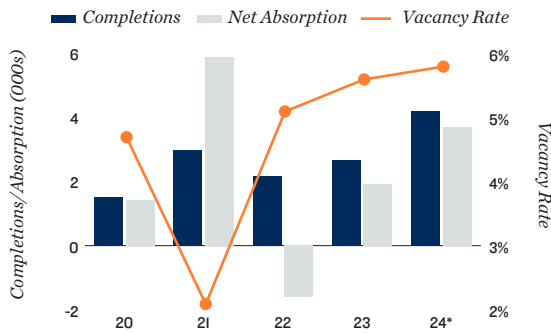
INCREASE

in effective rent

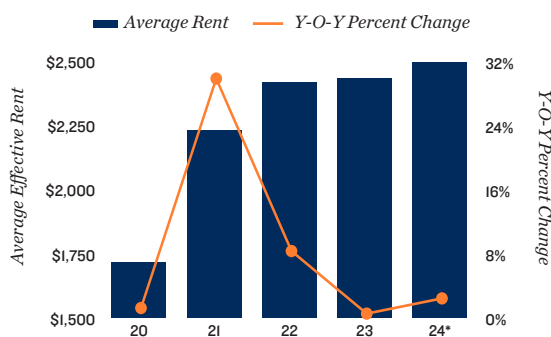
#### RENT:

Lower concession use compared to other Sun Belt metros allows West Palm Beach to log the second-fastest pace of rent growth in the region. The local average effective rate climbs to \$2,494 per month this year.

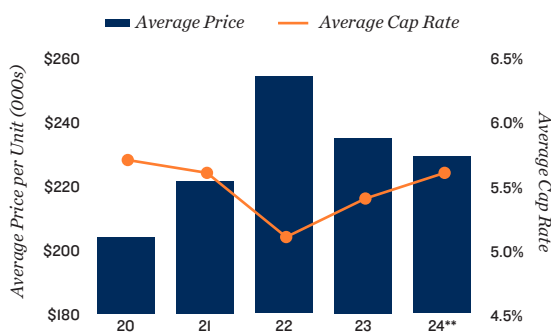
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

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

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## IQ 2024 - 12-Month Period

### CONSTRUCTION

3,148 units completed

- The largest share of development over the past year ended in March was within West Palm Beach proper, accounting for about 1,500 units delivered. Boynton Beach-Delray Beach was second, adding nearly 900 rentals.
- North Palm Beach County has been absent of construction since 2021. Extending out to 2026, only one project was in the pipeline here as of April.

### VACANCY

20 basis point decrease in vacancy Y-O-Y

- Net absorption of nearly 1,700 units from January through March 2024 was the strongest quarterly tally since 2021. This lowered vacancy to 5.0 percent, one of just five major U.S. markets to log a year-over-year drop.
- West Palm Beach's Class B and C vacancy rates each fell by 30 basis points annually to 5.3 and 4.8 percent, respectively, in March 2024.

### RENT

0.9% increase in the average effective rent Y-O-Y

- Rent growth trends were uneven over the past year. Lake Worth-Greenacres-Wellington and West Palm Beach proper had gains of at least 2.0 percent, while local rates fell in Boynton Beach-Delray Beach and Boca Raton.
- Variance across submarkets resulted in a relatively modest metro increase, with the overall average effective rent inching up to \$2,455 per month.

## Investment Highlights

- Multifamily transaction velocity during the opening three months of 2024 was roughly on par with a subdued pace recorded over the prior two quarters, as elevated interest rates remain a persistent hurdle. The average cap rate on trades completed during the yearlong span ended in March 2024 ticked up to 5.6 percent, however, which may help ease financing challenges going forward. Rising insurance costs have dampened the local investment market as well, although per-unit expenses are lower in West Palm Beach than in the other two Southeast Florida metros.
- West Palm Beach proper and Boynton Beach combined for 60 percent of metrowide deal flow during the six months preceding April 2024, compared to 75 percent across the prior two quarters. Private investors have been expanding their scope to areas like Lake Worth and Jupiter, primarily targeting sub-30-unit Class C assets built prior to the 1980s.
- Buyers focusing on mid-tier properties have not been tied to a specific submarket of late, although North Palm Beach County may warrant greater attention. Here, Class B vacancy fell by more than 100 basis points year-over-year to 4.5 percent in March 2024, the tightest rate in the metro.