MARKET REPORT

MULTIFAMILY 2Q/26

West Palm Beach Metro Area

Marcus & Millichap

2026 FORECAST

EMPLOYMENT

4,000 Jobs will be created

0.6% Increase Y-O-Y

CONSTRUCTION

2,400 Units will be added

1.8% Inventory increase Y-O-Y

VACANCY

5.1% Vacancy rate

30 BPS increase Y-O-Y

RENT

$2,580 Average effective rent by year-end

2.2% Increase Y-O-Y

Luxury Leasing Buffers Upcoming Deliveries While Stress on Lower-Income Renters Builds

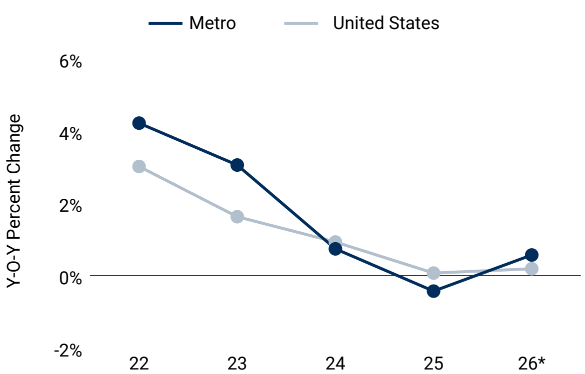
Tightening vacancy cushions supply risk. A 2025 delivery pullback helped Palm Beach County post one of the nation's sharpest vacancy declines. Tightening has continued as of mid-2026, though second-half completions will lift annual deliveries more than 80 percent above last year's total. Over 60 percent of units will open in Downtown West Palm Beach. Here, vacancy fell by a metro-leading 100 basis points over the year ended March to 4.8 percent, leaving the area better positioned to absorb new supply. Metro-low Class A and B vacancy in Delray-Boynton Beach should also aid future absorption, while ongoing development in Lake Worth Beach may keep local vacancy slightly elevated.

High-end demand widens class divide. A clear divergence is emerging as Class A vacancy fell more than 200 basis points over the past year, while the Class C rate rose more than 100 basis points. Class A vacancy became the lowest among major U.S. markets at 3.3 percent in March, supported by affluent renters who will help drive the nation's strongest income growth in 2026. Yet, the Class C rate hit 5.1 percent, the top among major Southeast Florida metros. Concessions confirm the split, with incentives offered at just 4 percent of Class A units, but at more than 30 percent of Class C units, signaling lower-tier pressure.

Employment

Improved hiring in early 2026 should help the metro record stronger job growth than in 2025. Every major sector has posted positive momentum, with gains through April led by health care, retail trade, and leisure and hospitality. The traditionally office-using sector remains mixed, as losses in administrative and support roles contrast with one of the nation's fastest-growing professional and technical services sectors. Growth in these higher-wage roles should continue to support upper-tier rental demand.

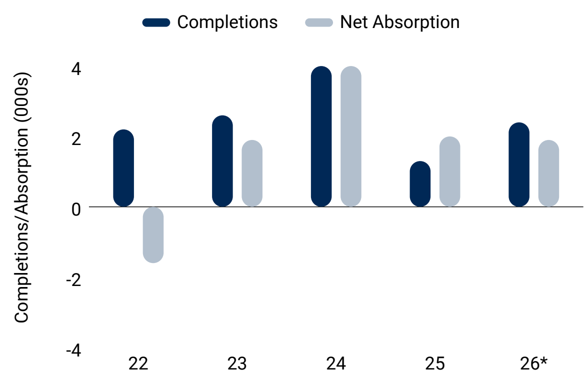
EMPLOYMENT TRENDS



Construction

Completions will rise from last year's subdued level, though total openings will remain roughly in line with the metro's past decade average. A record of nearly 1,500 units is set to be delivered in Downtown West Palm Beach, followed by about 500 units in both Delray-Boynton Beach and Lake Worth Beach. Downtown West Palm Beach and Delray-Boynton Beach will each record a sharp jump in openings from last year, while Lake Worth Beach will post a nearly 50 percent decline, helping limit local supply pressure.

CONSTRUCTION TRENDS



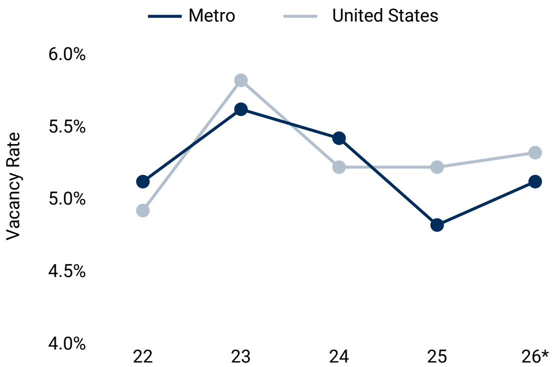
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Vacancy

After falling a combined 80 basis points over the past two years, vacancy is expected to edge up slightly in 2026 as late-year deliveries weigh on performance. Even so, the metro's rate will stand just 10 basis points above its past decade average and remain slightly below the national rate. Submarket variation should remain limited, as Boca Raton's metro-low vacancy rate of 4.3 percent in March was just 60 basis points below the metro-high rate of 4.9 percent in Lake Worth Beach.

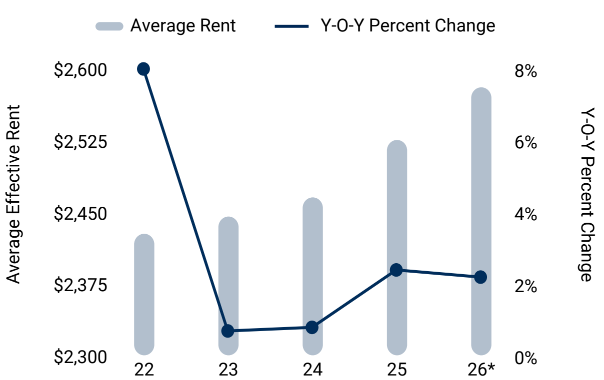
VACANCY TRENDS



Rent

Greater supply pressure is expected to keep rent growth modest for a fourth consecutive year as the demand outlook remains uncertain. Lower-income renters facing tighter household budgets may weigh most heavily on demand for Class B and C, which recorded flat-to-declining rents over the year ended in March. Meanwhile, Palm Beach County posted the second-strongest Class A rent growth among major markets over the past year, though new luxury supply delivering downtown could temper this momentum.

RENT TRENDS



* Forecast ** Through 1Q

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

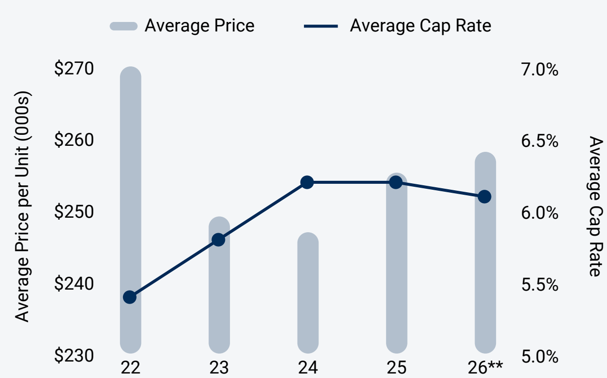
INVESTMENT HIGHLIGHTS

- Palm Beach County posted the largest increase in sales among major markets over the year ended in March, rising nearly 60 percent. Both private and institutional buyers were more active, though trading stayed roughly 30 percent below the 2021-2022 peak. The county also surpassed Broward and Miami-Dade counties in total dollar volume over the past year, and while trading slowed at the start of 2026, strong income growth and relatively tight vacancy should keep investors engaged.

- Downtown West Palm Beach may remain a core target for private investors, as Class C vacancy was at a metro-low 3.5 percent in March despite recent softness. Live Local Act updates could also draw more redevelopment capital to historically restrictive areas like Delray-Boynton Beach by easing approval risk for qualifying workforce housing projects. The metro's Class A-to-C rent spread, the fourth largest among major markets at more than $1,600, underscores Palm Beach County's widening affordability gap and continued need for lower-cost rentals.

- Institutions may continue to favor high-barrier-to-entry submarkets with limited construction activity and strong demand from affluent renters. In residential-oriented suburbs, elevated homeownership costs should keep more households renting. Boca Raton and Delray-Boynton Beach have been key targets, supported by the metro's tightest Class A vacancy rates at 3.3 percent and 2.6 percent, respectively. Palm Beach Gardens may also appeal to buyers seeking slightly older assets at a lower basis with some value-add potential.

SALES TRENDS



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Price: $250