

MULTIFAMILY

West Palm Beach Metro Area

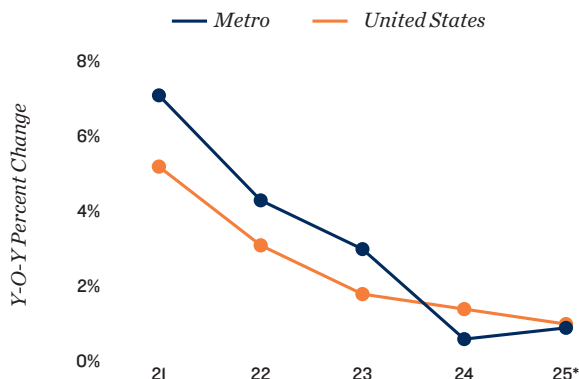
2Q/25

Supply-Demand Dynamics Improve as Deliveries Decline Across Core Areas

Affluent households underpin leasing strength. Steady job growth in early 2025 supported multifamily demand across West Palm Beach, pushing metrowide vacancy to its lowest level since 2022. Central submarkets like Lake Worth Beach and the downtown district sustained elevated leasing for new supply. Stable hiring in blue-collar sectors and relatively higher-income renters at the lower end — reflected in the highest Class C rents among major Florida metros — may also be reinforcing demand for lower-tier properties. In contrast, suburbs such as North Palm Beach and Delray Beach have experienced more tempered demand for higher-end rentals. Should broader labor market conditions soften, this bifurcation could widen, potentially leading the urban core to outperform.

Reduced development reinforces Downtown assets. The first quarter of 2025 recorded the smallest three-month delivery total in over two years — a trend set to continue as this year's pipeline sharply trails 2024's record volume. Over 80 percent of new supply will concentrate in Lake Worth Beach and downtown West Palm Beach. The former will lead in deliveries despite a modest decline, while the latter is set to receive nearly 1,000 fewer units than last year. This positions the urban core for a strong rebound, particularly in upper-tier units where rent growth reemerged early in 2025. Declining Class A concessions further support the outlook for continued rent gains, as major employers attract high-income renters to the area.

Employment Trends



* Forecast

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

Multifamily 2025 Outlook



5,500

JOBS

will be created

EMPLOYMENT:

Hiring is set to improve after a subdued 2024, though the projected 0.8 percent job growth rate is about half the metro's 10-year average. The government, education and health sectors have led job gains to start the year.



1,800

UNITS

will be completed

CONSTRUCTION:

Inventory growth falls to 1.3 percent this year — the slowest pace since 2020 — aligning with the metro's long-term average. Lake Worth Beach will receive about 1,000 units, while the CBD welcomes roughly 500 units.



40

BASIS POINT

decrease in vacancy

VACANCY:

Stable employment growth and falling deliveries will drive vacancy lower for a second consecutive year. The rate will drop to 5.1 percent by year-end, aligning with both the metro's 10-year average and the national mean.



2.9%

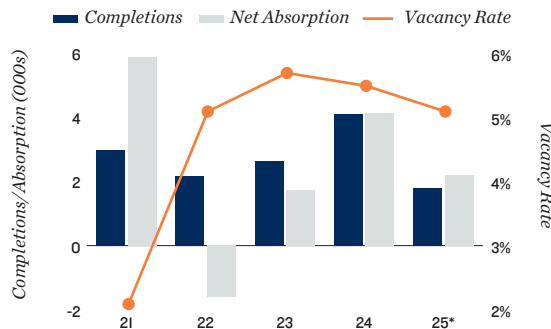
INCREASE

in effective rent

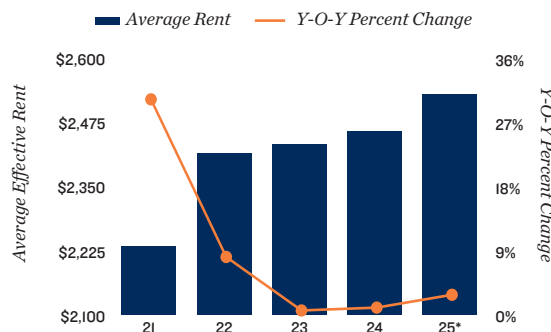
RENT:

Following two years of minimal growth, rents are set to rise at the fastest pace since 2022. Declining completions ease pressure on upper-tier assets. The metro's mean effective rent will reach \$2,530 per month.

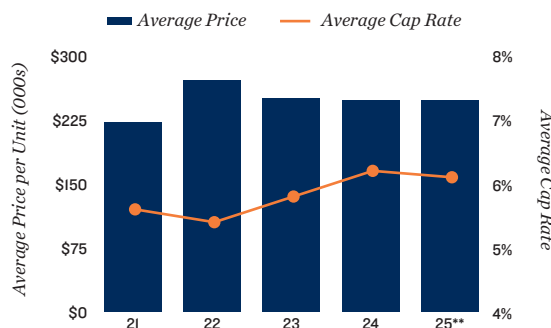
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

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

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IQ 2025 — 12-Month Period



CONSTRUCTION

3,610 units completed

- Completions during the past 12 months ended March exceeded the prior year by more than 500 units, bringing inventory growth to 2.8 percent.
- Lake Worth Beach and Downtown West Palm Beach each welcomed over 1,100 units during this span, pushing local inventory growth rates above 3 percent. All other submarkets received roughly 500 or fewer new units.



VACANCY

20 basis point decrease in vacancy Y-O-Y

- Vacancy declined by 60 basis points over the first three months of 2025, bringing the metro's rate to 4.9 percent in March.
- Nearly every submarket saw strong vacancy compression year over year in the first quarter. Vacancy in the CBD and Boynton Beach held flat or edged up, however, remaining the only areas with rates at or above 5 percent.



RENT

0.6% increase in the average effective rent Y-O-Y

- The metro's average effective rent reached \$2,468 per month in March. Class A and C rents rose, while Class B rates slipped slightly.
- An influx of premium supply pushed CBD rents up by more than 5 percent over the past year, while averages in all other submarkets grew by less than 1 percent or declined, including a 4 percent drop in Lake Worth Beach.

Investment Highlights

- Trading remained subdued in early 2025 after a modest rebound late last year. Private buyers are expected to drive the bulk of activity, though many institutions are likely to stay engaged despite ongoing interest rate volatility. Limited development and proximity to Downtown should continue to attract large investors to Wellington and Greenacres, where vacancy fell by over 50 basis points to 4.5 percent during the year ended in March.
- Deal flow in Lake Worth Beach held firm over the past year, though sales increasingly concentrated east of Interstate 95. The March 2024 launch of the Circuit electric shuttle likely contributed to this inward shift, as it attracted renters seeking better access to Tri-Rail, downtown and the beach. Strong Class C fundamentals should sustain investor interest in the area. Segment vacancy is down 80 basis points year over year to 4.1 percent.
- Sales activity in North Palm Beach County slowed notably last year amid elevated vacancy, though preliminary second quarter data shows a modest pickup in transactions. Local Class C vacancy fell below 5 percent as of March, and the submarket now commands the second-highest Class C rents in the metro. Both of which may help draw renewed buyer interest.