

## MULTIFAMILY

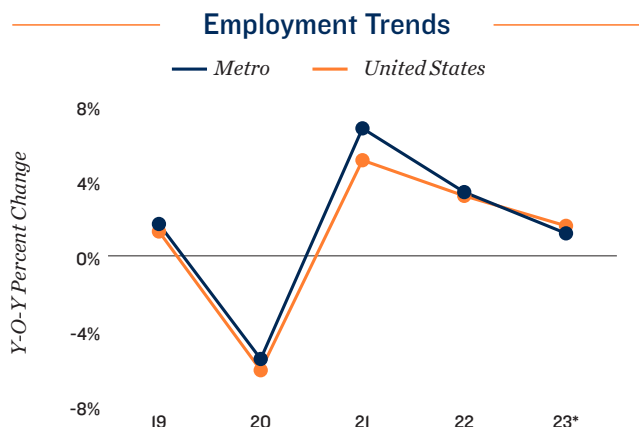
West Palm Beach Metro Area

3Q/23

### New Supply is Warranted in West Palm Beach, Southeast Florida's Fastest-Growing Market

**Renter demand improves.** Multifamily fundamentals are showing signs of stabilization in West Palm Beach. After falling into the red in 2022, positive net absorption returned during the first half of this year, suggesting renter demand is starting to pick back up. However, more than 1,000 units delivered during the second quarter, marking the largest three-month completion total in more than two decades. This influx of new supply placed upward pressure on vacancy, lifting the rate by 50 basis points during this span. Still, at 5.7 percent, the metro's rate closely aligns with its long-term average, indicating market conditions are still in-line with historical standards. While construction is expected to remain elevated in the near- to mid-term, completions should be well received. West Palm Beach is expected to outpace both Miami-Dade and Fort Lauderdale in population growth over the next five years, given a median household income at least 6 percent higher than these markets.

**Deliveries condensed in certain pockets.** As of August, nearly 8,000 units were underway across the metro. Upcoming additions are concentrated in West Palm Beach proper, Lake Worth-Greenacres-Wellington and Boynton Beach-Delray Beach, and may place upward pressure on local vacancy. In contrast, Boca Raton and North Palm Beach County, home to the highest vacancy rates among submarkets, face notably less new supply pressure. This should steer more renters to existing properties, aiding local market conditions.



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

### Multifamily 2023 Outlook



8,000

JOB

will be created

#### EMPLOYMENT:

Roughly 7,500 jobs were added through July, with gains stemming from the leisure and hospitality, as well as the education and health services, sectors. Total employment will expand by 1.2 percent during 2023.



3,800

UNITS

will be completed

#### CONSTRUCTION:

Annual supply additions will surpass 3,000 units for just the second time in the past two decades, as local inventory rises by 3.1 percent. However, this delivery total is the lowest among major Florida metros.



80

BASIS POINT

increase in vacancy

#### VACANCY:

A robust construction pipeline places upward pressure on apartment vacancy; yet, the pace of increase is much less severe than the 300-basis-point rise recorded in 2022. The rate will reach 5.9 percent by year-end.



1.8%

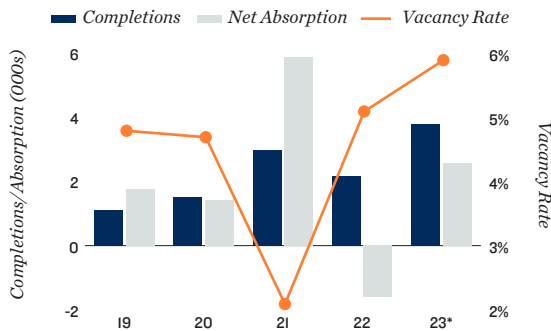
INCREASE

in effective rent

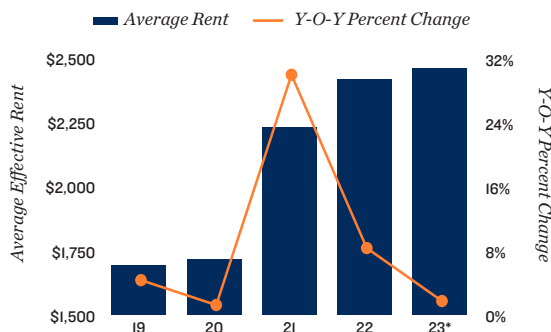
#### RENT:

Rising vacancy and a sizable pipeline likely result in an uptick in concession usage, which will moderate rent growth relative to prior years. Still, the average effective rate will reach \$2,460 per month in 2023.

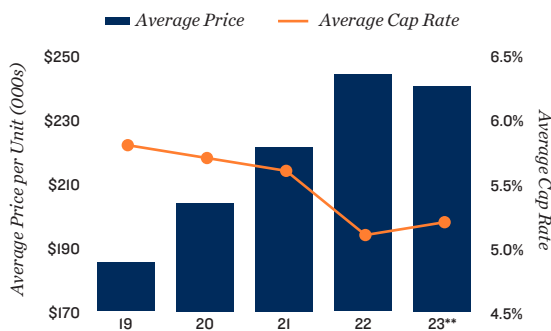
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

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

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## 2Q 2023 - 12-Month Period

### CONSTRUCTION

2,570 units completed

- Developers increased local apartment inventory by 2.1 percent during the past year ending in June, with more than half of the new supply delivering in West Palm Beach proper and Lake Worth-Greenacres-Wellington.
- Meanwhile, completions were relatively sparse in North Palm Beach County during this span.

### VACANCY

170 basis point increase in vacancy Y-O-Y

- Vacancy in Boca Raton climbed by 240 basis points over the previous 12 months ending in June. This contributed to the metrowide rate rising to 5.7 percent, which was 10 basis points above the long-term mean.
- Class C vacancy was the lowest among property tiers at 5.5 percent in June. The Class A and Class B rates each registered at 5.7 percent.

### RENT

3.4% increase in the average effective rent Y-O-Y

- Lake Worth-Greenacres-Wellington led all submarkets in rent growth over the past four quarters ending in June, as the local average effective rate jumped 8.4 percent to \$2,266 per month.
- Although gains slowed considerably from the previous yearlong span, the metro's average rent still rose to an all-time high of \$2,445 per month.

### Investment Highlights

- Since the second half of last year, local trading activity has moderated from the record levels observed during the prior 18 months. External factors like rising interest rates, elevated insurance costs and a slowing economy have contributed to some pricing uncertainty, which has complicated deal-making in recent quarters. Still, robust rent growth since the start of 2021 continues to attract investor interest to the area, and transaction velocity should ramp up once more stability emerges in capital markets.
- Apartment assets in West Palm Beach proper remain coveted, as the area's proximity to retail and entertainment centers in Worth Avenue and The Square are major draws for renters. Properties in Boynton Beach are also frequently targeted due to relatively cheaper rents and proximity to several beaches. Over the past 12 months ending in June, entry costs in these submarkets trended around the market average of \$240,200 per unit.
- Communities in Boca Raton and North Palm Beach County, the two highest cost rental areas, have been garnering sale prices well above the market average. Local investor interest may improve here as these submarkets face minimal competition from new supply in the near- to mid-term.