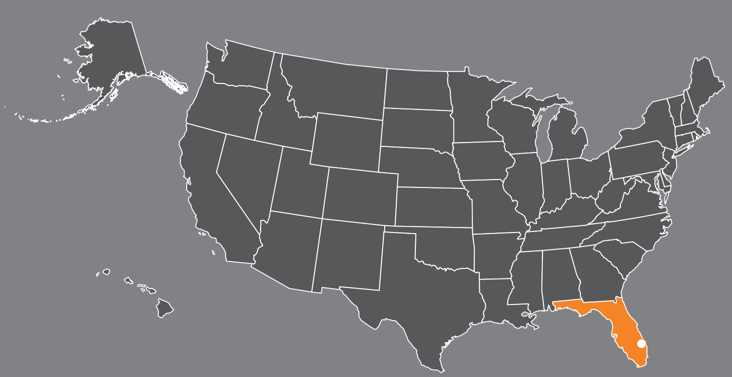
HUD PD&R Housing Market Profiles

West Palm Beach-Boca Raton-Delray Beach, Florida

Quick Facts About West Palm Beach

- **Current sales market conditions: slightly tight**
- **Current apartment market conditions: balanced**
- **The Port of Palm Beach is the fourth busiest container port in the state of Florida. The port supplies 60 percent of all goods in the Bahamas and is essential to the rest of the Caribbean. All the exported raw sugar produced in the Everglades area, almost 900,000 tons, is shipped through the Port of Palm Beach (Port of Palm Beach).**



By Maciej Misztal | As of May 1, 2021

Overview

The West Palm Beach-Boca Raton-Delray Beach (hereafter, West Palm Beach) metropolitan division is conterminous with Palm Beach County and is located along the southeast coast of Florida. The West Palm Beach metropolitan division is the northern part of the Miami-Fort Lauderdale-West Palm Beach Metropolitan Statistical Area (hereafter, Miami MSA), which also includes Broward and Miami-Dade Counties to the south. Palm Beach County is the second largest county in Florida by land, but most of the metropolitan division population and jobs are concentrated in a 13-mile band along the Atlantic coast. A large portion of the remaining metropolitan division is used for agriculture (sugarcane and vegetables) and equestrian facilities.

- The population is currently estimated at 1.52 million, increasing an average of 17,750 people a year, or 1.3 percent, since 2010, with net in-migration accounting for 99 percent of the growth. After the other two counties in the MSA, the largest share of in-migration is residents who relocated from the New York-Newark-Jersey City MSA (2015–2019 American Community Survey [ACS] 5-year estimates).
- From 2017 to 2021, population growth averaged 12,050 people, or 0.8 percent, annually. Net migration averaged

continued on page 2

continued from page 1

12,800 people, or all of the net growth, whereas net natural decline (resident deaths minus resident births) averaged approximately 720 people a year (Census Bureau population estimates as of July 1 and analyst estimates).

- The population of the metropolitan division is older than the national average. The median age in the West Palm Beach metropolitan division was 45.2 in 2019, compared with 42.4 in the state of Florida and 38.5 nationally (2019 ACS 1-year estimates). Retirees are attracted to the area because of the lack of a state income tax, a pleasant tropical climate, plentiful golf courses, and miles of sandy beaches. Many of those factors are also the foundation for tourism in the area.

Economic Conditions

Nonfarm payrolls in the West Palm Beach metropolitan division increased every year from 2011 through 2019, surpassing the pre-Great Recession peak in 2015. The local economy contracted in the months after the World Health Organization declared COVID-19 a pandemic on March 11, 2020. The state of Florida issued a stay-at-home order beginning on April 3, 2020. Although the state relaxed the order in late April 2020, many businesses observed significantly lower sales because of the unwillingness of consumers to return to pre-pandemic behaviors. During March and April 2020, nonfarm payrolls declined by a total of 109,400 jobs, or 16.7 percent, in the metropolitan division. Through April 2021, 74,400 jobs have been regained, representing 68 percent of jobs lost. Currently, nonfarm payrolls are still 5.4 percent below the February 2020 level (not seasonally adjusted).

Nonfarm payrolls increased to an average of 618,200 jobs during the 3 months ending April 2021, an increase of 2,400 jobs, or 0.4 percent, from a year ago. By comparison, nonfarm payrolls for the nation decreased 0.3 percent during the 3 months ending April 2021.

During the 3 months ending April 2021—

- The professional and business services sector increased by 4,500 jobs, or 4.0 percent—more than five times the growth of 800 jobs in the leisure and hospitality sector, the second highest during the period. The relatively low need for face-to-face interactions and the widespread adoption of teleworking made the professional and business services sector less susceptible to impediments due to COVID-19 countermeasures.
- The government sector had the largest reduction in jobs, down by 4,900, or 7.4 percent, from a year ago. Measures to limit the spread of COVID-19 reduced consumer

continued on page 3

The West Palm Beach metropolitan division gained jobs in 8 of 11 sectors during the 3 months ending April 2021 relative to a year ago.

	3 Months Ending		Year-Over-Year Change	
	April 2020 (Thousands)	April 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	615.8	618.2	2.4	0.4
Goods-Producing Sectors	56.7	57.6	0.9	1.6
Manufacturing	19.6	20.0	0.4	2.0
Service-Providing Sectors	559.1	560.7	1.6	0.3
Wholesale & Retail Trade	98.1	98.3	0.2	0.2
Transportation & Utilities	13.6	14.3	0.7	5.1
Information	10.3	9.5	-0.8	-7.8
Financial Activities	43.4	43.8	0.4	0.9
Professional & Business Services	113.3	117.8	4.5	4.0
Education & Health Services	103.8	104.5	0.7	0.7
Leisure & Hospitality	79.9	80.7	0.8	1.0
Other Services	30.7	30.7	0.0	0.0
Government	66.0	61.1	-4.9	-7.4
Unemployment Rate	7.5%	4.6%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

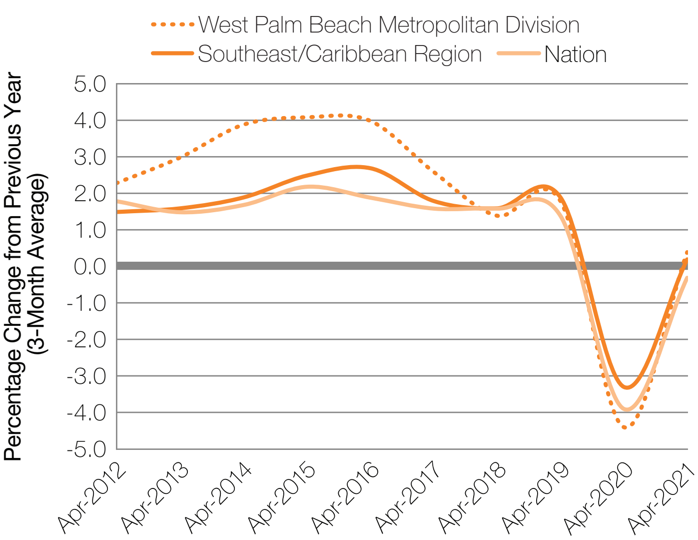
continued from page 2

spending, leading to lower sales tax collected and resulting in state and local government payroll reductions.

- The information sector lost 800 jobs, or 7.8 percent—the only other sector to lose jobs. The sector also lost 400 jobs, or 3.3 percent, in the 3 months ending April 2020.
- The unemployment rate declined to 4.6 percent from 7.5 percent during the same period a year earlier. The monthly rate peaked at 14.7 percent during April 2020, surpassing the Great Recession peak of 11.2 percent in mid-2010.

Job losses during the 12 months ending April 2021 were greatest in the leisure and hospitality sector, which fell by 13,800 jobs, or 15.8 percent, compared with a loss of 1,900 jobs, or 2.1 percent, during the previous 12 months. During February and March 2020, employment in the sector declined 48 percent, or by 46,100 jobs. As of April 2021, 30,300 jobs, or 66 percent of jobs lost in the sector, had been recovered. Tourism has remained an increasingly important economic component of the HMA during the past two decades. The leisure and hospitality sector expanded 56 percent from 2000 through 2019, before the pandemic, and accounted for more than 14 percent of all jobs in the division in 2019, up from less than 12 percent in 2000. The COVID-19 outbreak has had a significant effect on tourism in the HMA, as measures to limit the virus significantly reduced travel and events where social distancing was not possible. Cancellations have resulted in a severe decline in the hospitality industry, which attracted more than 8 million visitors and had a $7.4 billion economic impact in the metropolitan division in 2018 (Discover Palm Beaches). Hotels, restaurants, movie theaters, and sporting venues were forced to lay off employees as travel slowed and people stayed home amid efforts to limit the spread of COVID-19. Losses in the sector include The Breakers and the Boca Raton Resort & Club, two resorts that closed in 2020 and 2021, respectively; each accounted for more than 650 lost jobs. The Port of Palm Beach lost $2 million in cruise business revenue due to decreased tourism.

Job growth in the West Palm Beach metropolitan division was slowing before the pandemic.



Note: Nonfarm payroll job growth.
Source: U.S. Bureau of Labor Statistics

Largest Employers in the West Palm Beach Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Tenet Healthcare Corporation	Education & Health Services	6,505
NextEra Energy, Inc./ Florida Power & Light Company	Transportation & Utilities	4,807
Florida Atlantic University	Government	2,898

Note: Excludes local school districts.
Source: Moody's Analytics

Sales Market Conditions

Sales housing market conditions in the West Palm Beach metropolitan division are currently slightly tight despite a decline in the inventory of single-family homes for sale during the pandemic. The current estimated sales vacancy rate is 1.2 percent—down from 3.4 percent in April 2010. As of April 2021, approximately 1.8 months of for-sale inventory were available in the metropolitan division—down from 3.7 months a year earlier (CoreLogic, Inc.). This decline in inventory was due, in part, to restrictions on how homes could be staged for the public during the pandemic and a decrease in the number of people willing to sell their homes during a period of economic uncertainty. The current economic downturn has led to an uptick in mortgage delinquencies. The percentage of home loans in the metropolitan division that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 4.9 percent in March 2021—up from 1.3 percent a year earlier. The increase was entirely composed of those 90 or more days delinquent. The share of seriously delinquent home loans and REO properties in the metropolitan division was higher than the Florida share of 4.7 percent and the national share of

continued on page 4

continued from page 3

3.7 percent. The mortgage forbearance included in the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, has allowed homeowners with federally backed mortgages who are facing financial hardship because of the COVID-19 pandemic to postpone their payments.

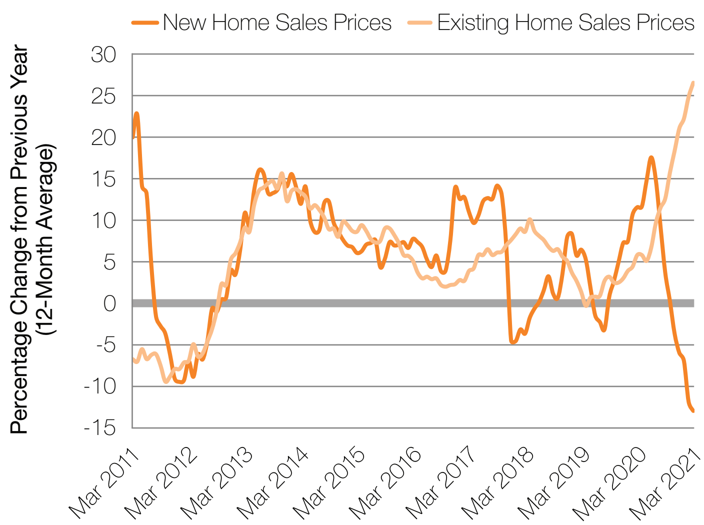
During the 12 months ending March 2021—

- Existing home sales—consisting of single-family homes, townhomes, and condominiums—totaled 34,650, down 10 percent from the 38,450 homes sold during the previous 12 months (Zonda).
- The average sales price of existing homes was $485,900—an increase of nearly 27 percent from $384,100 during the previous year. This record growth rate in existing home sales prices during the past 12 months is, in part, due to decreased availability. By comparison, from 2013 through 2019, the average existing home sales price increased 7 percent annually.
- The number of new homes sold—including single-family homes, townhomes, and condominiums—totaled 2,400 homes, down 8 percent from the approximately 2,600 homes sold during the previous 12 months.
- The average sales price for a new home was $688,000—a nearly 13-percent decrease from $791,100 a year earlier. By comparison, the price of a new home during 2019 grew 7 percent compared with 2018.

Single-family homebuilding, as measured by the number of homes permitted, increased each year from 2017 through 2020 and is on track to increase in 2021. From 2017 through 2020, 3,275 homes were built each year, on average.

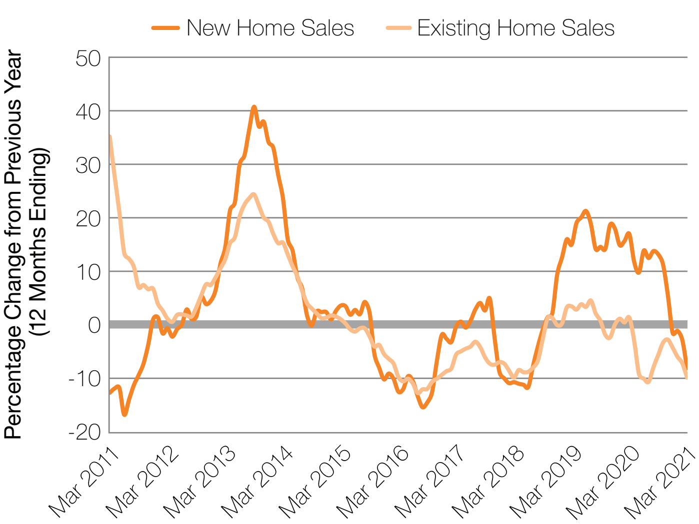
continued on page 5

Existing home sales prices in the West Palm Beach metropolitan division have been rising for most of the past 2 years; new home sales prices have started to decrease.



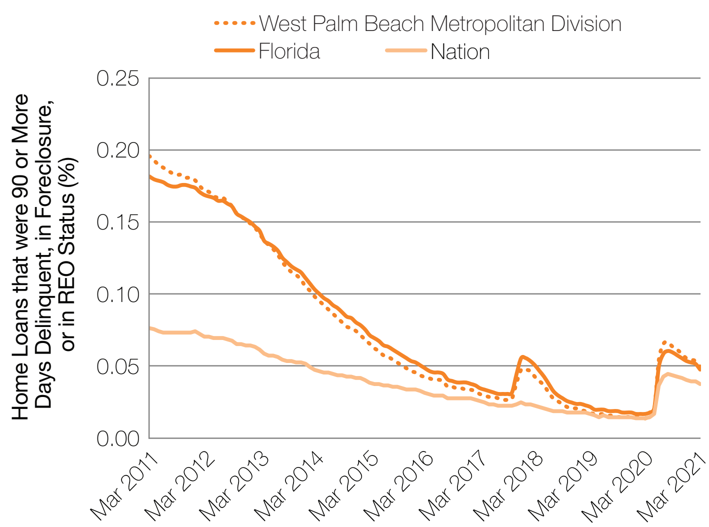
Note: Includes single-family homes, townhomes, and condominiums.
Source: Zonda

Sales of existing homes decreased during most of the past year in the West Palm Beach metropolitan division; new home sales have started to decrease more recently.



Note: Includes single-family homes, townhomes, and condominium units.
Source: Zonda

The West Palm Beach metropolitan division has had a higher percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status than the nation for the past decade.

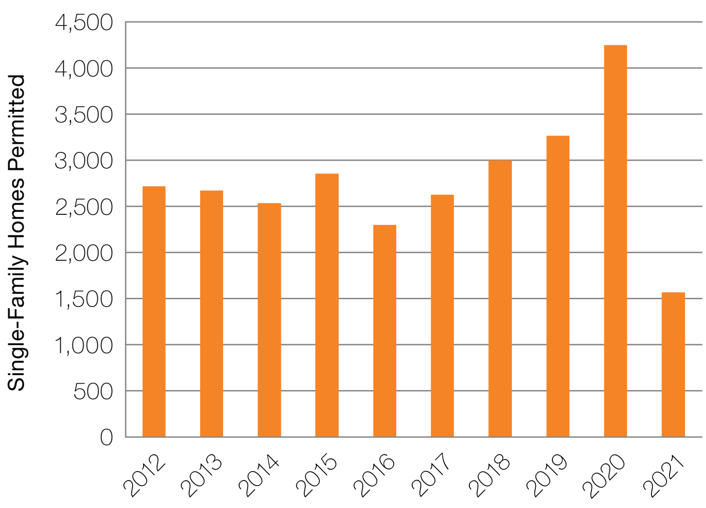


REO = real estate owned.
Source: CoreLogic, Inc.

continued from page 4

- During the 12 months ending April 2021, the number of homes permitted increased 33 percent, to 4,525 homes, from 3,400 homes permitted a year earlier (preliminary data).
- From 2017 through 2020, home construction increased by an average of 490 homes, or 17 percent, a year, compared with the fluctuating number of homes built from 2012 through 2016, which averaged 2,625 annually.
- Construction began on the 84-unit La Clara condominium building in the city of West Palm Beach in March 2019. Prices for one-, two-, and three-bedroom units range from $1.25 million to $8 million. The building is expected to be complete in mid-2021.
- The recently completed, 70-unit 111 First Delray Beach development in the city of Delray Beach has one-, two-, and three-bedroom units starting at $500,000.
- The Fields at Gulfstream Polo, under construction in Lake Worth, consists of more than 500 single-family homes with three, four, and five bedrooms and starting prices ranging from the low $400,000s to the high $600,000s; 110 lots remain vacant.

Single-family construction in the West Palm Beach metropolitan division continued to increase during the beginning of the pandemic.



Note: Includes preliminary data from January 2021 through April 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

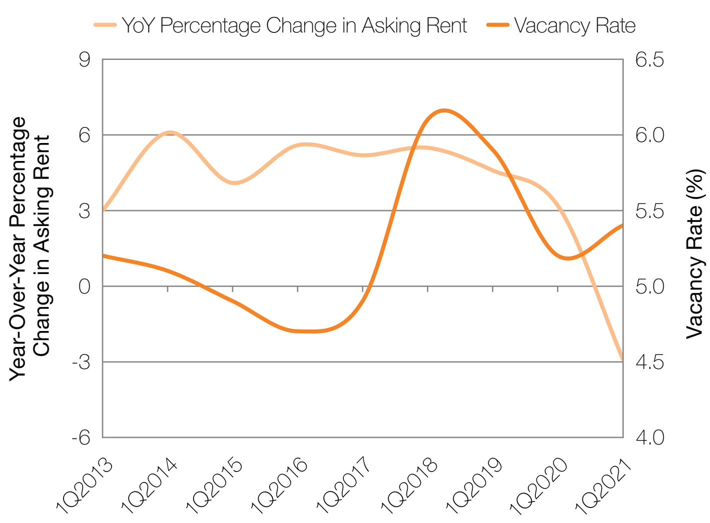
Apartment Market Conditions

The West Palm Beach metropolitan division apartment market is currently balanced. Apartment construction has met the demands for the growing population, and the apartment market has been balanced since 2012. The apartment vacancy rate during the first quarter of 2021 was 5.4 percent, up from 5.2 percent a year earlier (Moody's Analytics REIS), partly a result of COVID-19 impacts, and the average rent dropped 3 percent, to $1,587. By comparison, the average rent increased 3 percent in the first quarter of 2020 compared with the first quarter of 2019. Average rent began falling in 2020 due to decreased in-migration and weaker economic conditions associated with the pandemic.

- Of the seven Moody's Analytics REIS-defined market areas in the metropolitan division, the Boca Raton East market area had the highest rents and vacancy rate. The average rent decreased 4 percent from a year earlier, to $2,040, and the vacancy rate was 8.7 percent, up from 6.4 percent a year earlier. The area has desirable beachfront property, has some of the highest rents in the Miami MSA, and makes up 10 percent of the total inventory for the division.
- The Boca Raton West market area had the lowest vacancy rates in the metropolitan area. The average rent decreased 8 percent, to $1,512, and the vacancy rate declined to 2.8 percent, down from 2.9 percent a year earlier. The area contains 11 percent of the total division inventory and no coastline.

continued on page 6

The apartment asking rent has decreased in the West Palm Beach metropolitan division during the past year as a result of the pandemic.



1Q = first quarter. YoY = year-over-year.
Source: Moody's Analytics REIS

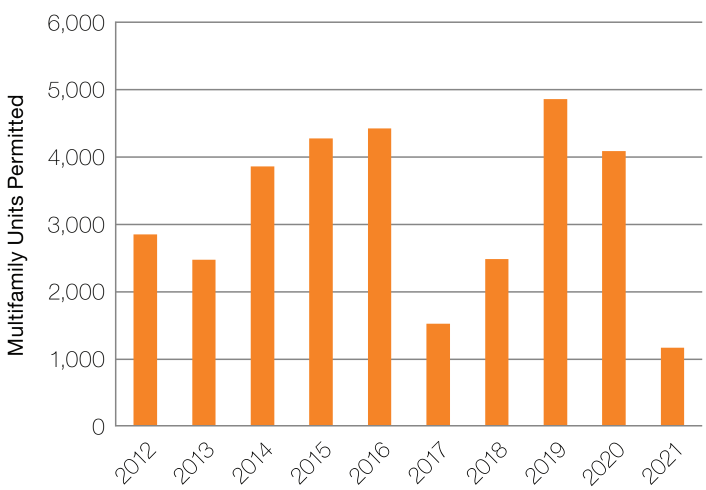
continued from page 5

- The lowest rents were in the Green Acres City/Palm Springs/Lake Worth market area, with the average rent decreasing 1 percent, to $1,312, and a 4.5-percent vacancy rate, up from 3.8 percent a year earlier. The area has the most recently completed units and constitutes 18 percent of total inventory for the division.
- The West Palm Beach/Palm Beach market area had the only rise in average rent, which increased 6 percent, to $1,687, and the vacancy rate decreased from 7.9 percent a year earlier to 7.5 percent. The area has the most units under construction and includes 13 percent of the division inventory. Some of the rent increase can be attributed to newly built luxury units.

Multifamily construction activity in the West Palm Beach metropolitan division, as measured by the number of units permitted, decreased during the past 12 months as job and population growth slowed due to the pandemic. During the 12 months ending April 2021, approximately 2,475 multifamily units were permitted, down 36 percent from the previous 12-month period (preliminary data).

- The number of multifamily units permitted increased significantly from a decade low of 1,525 in 2017 to a decade high of 4,850 in 2019. From 2014 through 2016, multifamily construction increased each year and averaged 4,175 units permitted.
- Condominium construction has declined in the West Palm Beach metropolitan division. From 2017 through 2020, 9 percent, or 1,100 units, of multifamily construction was condominiums—down from an average of 13 percent, or 1,725 units, from 2013 through 2016 (CBRE SupplyTrack database, with adjustments by the analyst). By comparison, from 2000 through 2009, an average of 32 percent, or 9,925 units, of multifamily construction was condominiums.
- In 2019, 31 percent of renters in the metropolitan division lived in single-family homes, down slightly from 2010 (2010 and 2019 ACS 1-year estimates).
- The cities with the largest share of multifamily units currently under construction are Boca Raton and West Palm Beach, with 17 and 22 percent of the metropolitan division multifamily construction, respectively.
- The 220-unit Oversea apartment development in the city of West Palm Beach is currently preleasing, and construction is scheduled for completion in mid-2022. Rents for the studio, one-bedroom, and two-bedroom units start at $1,600, $2,550, and $3,950, respectively. Recent multifamily construction includes many developments focused on senior living. An example of the many senior independent-living facilities opening in mid-2021 is the 220-unit Arcadia Gardens in Palm Beach Gardens. Rents for the one-bedroom units start at $2,575.

The number of multifamily units permitted in the West Palm Beach metropolitan division peaked in 2019.



Note: Includes preliminary data from January 2021 through April 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst