

# Housing Market Profile



Southeast/Caribbean • HUD Region IV

## West Palm Beach-Boca Raton-Boynton Beach, Florida

Located on the southeast coast of Florida, approximately 60 miles north of Miami, the West Palm Beach-Boca Raton-Boynton Beach metropolitan division consists of Palm Beach County. Tourism has a significant effect on the local economy. According to the Palm Beach County Convention and Visitors Bureau, in 2009, an estimated 4 million people visited Palm Beach County, generating an estimated economic impact of \$2.8 billion. As of January 1, 2011, the estimated population of the county was 1.3 million, an increase of about 13,300, or 1.3 percent, in the past 12 months. Population growth has dramatically declined during the past 5 years because of the recent declines in employment. The population has increased at an average annual rate of about 5,800, or 0.5 percent, since the beginning of 2006 compared with nearly 25,500, or 2.2 percent, annually between 2000 and 2005. Leading employers in the area include Tenet Healthcare Corporation, Hospital Corporation of America, and Florida Power & Light Company, with 5,100, 4,150, and 3,650 employees, respectively.

Employment in the metropolitan division has continued a decline that began in September 2007, but at a slower pace. During the 12 months ending November 2010, nonfarm payrolls declined by 9,000 jobs, or 1.8 percent, to an average of 498,700 compared with the decline of 37,800 jobs, or 6.9 percent, during the previous 12 months. During the past 12 months, job losses occurred in every sector except the education and health services and the government sectors, which added 1,900 and 700 jobs, at gains of 2.4 and 1.0 percent, respectively. During the 12 months ending November 2010, primarily because of a decrease in building activity and tourism, the most significant losses occurred in the construction, financial activities, and leisure and hospitality sectors, which lost 5,400, 2,100, and 2,000 jobs, respectively, or 19.1, 5.8, and 2.9 percent. Residential construction, which comprises 65 percent of all construction, is down 30 percent compared with 11 percent for commercial construction. These job losses contributed to the increase in the 12-month average unemployment rate, which rose from 10.4 to 12.0 percent, the highest level in more than 20 years.

The Palm Beach County home sales market is currently soft. Based on data from Reinhold P. Wolff Economic Research, Inc. (Wolff), for the 12 months ending September 2010, sales of existing single-family homes in the area totaled approximately 20,700, an increase of 48 percent compared with the 13,900 homes sold during the same period a year earlier. The increase in sales was partly a result of declining home prices. In the third quarter of 2010, the median sales price of existing homes decreased by 20 percent to \$156,400, down from \$197,200 during the same quarter of the previous year, which was a decrease of 27 percent from the third quarter of 2008. For the 12 months ending September 2010, sales of new single-family homes totaled 790, a decrease of 11 percent from the number sold during the same period in the previous year. Sales of new single-family homes have been declining since 2003, when they peaked at more than 12,200 homes. In the past 12 months, nearly 40 percent of new home sales activity has been in the Boynton Beach submarket, which is located on the eastern coast, 15 miles south of West Palm Beach, where the median home price is slightly higher than the median price in the county. Wolff data indicate that the median sales price for new homes in the county during the third quarter of 2010 was \$383,100, 7 percent higher than the price recorded a year earlier but down significantly from the third quarter of 2005, when the median sales price was \$506,800. According to Lender Processing Services Mortgage Performance Data, as of November 2010, 19.5 percent of total loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), relatively unchanged from 19.2 percent a year earlier, but up substantially from 4.8 percent 2 years earlier and much higher than the November 2010 national rate of 8.3 percent, but similar to the state rate of 18.6 percent during the same period.

Builders have curtailed production as new home sales have declined and existing home sales have increased. Building permits, based on preliminary data, were issued for 1,250 single-family homes in Palm Beach County during the 12-month period ending November 2010. From 2007 through 2009, an average of 1,425 single-family homes was permitted annually, down significantly from 9,825 homes that were permitted annually from 2002 to 2006.

Since 2006, in Palm Beach County, sales of existing condominiums have increased significantly but sales of new condominiums have declined sharply, according to Wolff data. During the 12 months ending September 2010, about 12,250 existing condominiums were sold,



an increase of about 60 percent compared with the number sold during the same period a year earlier, because the median sales price decreased by nearly 20 percent to \$73,100. During the 12 months ending September 2010, the number of new condominiums sold decreased 58 percent to 430 units as the median sales price increased 15 percent to \$225,000. Since the third quarter of 2005, the median sales price of new condominiums has increased less than 1 percent but the median sales price of existing condominiums has declined 61 percent from \$186,800. The large price differential between new and existing condominiums, which has occurred since 2005, has reduced demand for new condominiums and led to lower construction levels. Based on the 2009 American Community Survey, although nearly one-half of multifamily units in the county are owner occupied, only 10 percent of the 220 multifamily units permitted during the 12 months ending November 2010 are estimated to be owner-occupied units. The number of multifamily units permitted is down from

an average of 750 units permitted annually from 2007 through 2009 and, more significantly, from 3,900 units permitted annually between 2000 and 2007. These decreases parallel the decline in new condominium sales, which averaged 3,350 a year between 2000 and 2007.

The rental market is currently improving but remains somewhat soft because of increased job losses. According to ALN Systems, Inc., the apartment vacancy rate, as of December 2010, was 7.6 percent, down from 8.7 percent a year earlier. In December 2010, the average effective rent was \$1,025, up nearly 2 percent from the previous year. During the 12 months ending November 2010, 820 apartment units were completed, down from approximately 3,000 units completed during the previous 12 months. Between 2003 and 2006, nearly 15,000 apartments were converted to condominiums. Many of these units are now available as investor-owned rental units. Such reversions are anticipated to continue to occur and keep the rental supply high.