

NAR Commercial Real Estate Metro Market Report | 2021.Q3

W Palm Bch-Boca Raton-Delray Bch, FL

Core-Based Statistical Area Code: 48424

The W Palm Bch-Boca Raton-Delray Bch, FL commercial real estate market is stronger compared to the overall U.S. market.
 NAR Commercial Real Estate Market Conditions Index* 65.2

Overall economic conditions are weaker than nationally.
 The apartment property market is stronger than nationally.
 The office property market is about the same than nationally.
 The industrial property market is stronger than nationally.
 The retail property market is stronger than nationally.
 The hotel/lodging property market is weaker than nationally.

Nationally, the multifamily and industrial property markets are experiencing phenomenal growth. Apartment absorption and rents are at a decade high, with asking rents up 10.5% in 2021 Q3 from one year ago and the vacancy rate at 4.5%. Industrial rents are up 7.2% and the vacancy rate is at 4.6%. Recovery is slowest in the office sector, with a modest positive net absorption over the past 12 months, elevated vacancy rate of 12.2%, and half a percent decline in rent growth on average. The retail property market experienced a net increase in occupancy and rent growth of 2% with low vacancy rate of 4.7%. Jobs continue to be gained in the hotel and hospitality sector although there are still fewer jobs now compared to the pre-pandemic level.

Download the monthly Commercial Market Insights Report at <https://www.nar.realtor/commercial-market-insights>

I. Economic and Demographic

	W Palm Bch-Boca Raton-Delray Bch, FL			U.S.			
	2021 Q3 (Aug)	2021 Q2	2020 Q3	2021 Q3 (Aug)	2021 Q2	2020 Q3	
Economic							
Total non-farm employment ('000)	624	621	596	146,856	145,355	141,946	
Y/Y chg. in nonfarm payroll employment ('000)	36	31	(37)	6,128	8,077	(9,565)	
Y/Y % chg. in nonfarm payroll employment	6.1%	5.3%	-5.9%	4.4%	5.8%	-6.3%	Job creation is stronger than nationally
Unemployment rate (%)	4.2%	4.9%	6.1%	5.2%	5.9%	7.8%	Unemployment rate is lower than nationally
Average weekly wages	\$985	\$958	\$949	\$1,066	\$1,056	\$1,027	
Wage growth, year-over-year <i>(data are as of last month of the quarter)</i>	2.3%	2.4%	2.5%	4.3%	4.0%	6.0%	Wages are rising at a slower pace than nationally
	2019	2018	2017	2019	2018	2017	
GDP growth (%)	1.7%	4.0%	4.1%	2.3%	2.9%	2.3%	
Median household income	\$60,141	\$56,245	\$52,318	\$87,470	\$84,423	\$81,284	
Demographic							
Net domestic migration ('000)	(46.0)	(49.1)	(58.2)	0	0	0	Area is experiencing net domestic out-migration
Population ('000)	6,173	6,165	6,141	329,484	328,330	326,838	
Population growth (%)	0.13%	0.40%	0.41%	0.35%	0.46%	0.53%	Population growth is slower than nationally

II. Multifamily

	W Palm Bch-Boca Raton-Delray Bch, FL			U.S.			
	2021 Q3	2021 Q2	2020 Q3	2021 Q3	2021 Q2	2020 Q3	
Demand indicators							
Vacancy rate	3.7%	4.6%	7.1%	4.5%	5.1%	6.7%	The area has a lower vacancy rate than nationally
Absorption of units over the quarter	872	1,567	879	187,579	260,036	126,436	
Absorption of units in past 12 months	5,047	5,054	779	723,757	662,614	317,911	The area has a faster pace of absorption than nationally
Market asking rent per unit	\$2,177	\$1,961	\$1,694	\$1,526	\$1,482	\$1,380	
Market asking rent per unit, y/y % chg	28.6%	18.1%	1.0%	10.5%	7.3%	0.2%	
Effective rent per unit	\$2,169	\$1,954	\$1,662	\$1,517	\$1,469	\$1,360	Rents are rising faster than nationally
Effective rent per unit, y/y % chg	30.5%	19.4%	0.0%	11.6%	7.7%	-0.5%	
Rent as a percent of 2-person annual wage income	25.3%	23.5%	20.1%	16.4%	16.0%	15.2%	The rent to income ratio is higher than nationally
Supply indicators							
Inventory	72,512	72,262	69,769	17,820,554	17,733,333	17,452,656	
Net delivered units in past 12 months	2,743	2,763	1,217	367,928	402,436	431,752	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	3.8%	3.8%	1.7%	2.1%	2.3%	2.5%	
Units under construction	5,615	4,783	5,351	644,690	666,596	682,247	
Units under construction, as % of inventory	7.7%	6.6%	7.7%	3.6%	3.8%	4.1%	Construction activity is more robust than nationally
12-month total: 5+ unit building permits	14,751	12,846	13,252	492,460	463,443	435,380	
12-month total: all building permits	24,193	22,079	21,141	1,674,680	1,642,586	1,394,878	Building permits are not rising as fast as nationally
Ratio of jobs created to permits <i>(as of latest available month of the quarter)</i>	1.5	1.4	(1.8)	3.7	4.9	(6.9)	
Sales transactions							
Total investment acquisitions (in million \$)	\$723.9	\$487.4	\$146.5	\$48,626.8	\$46,376.3	\$22,521.7	Sales transactions are rising faster than nationally
Transaction sales price per unit	\$324,917	\$241,168	\$205,180	\$207,897	\$171,888	\$152,993	Prices are rising faster nationally
Cap rate	5.0%	5.0%	5.7%	5.4%	5.6%	6.1%	Cap rates are lower than nationally

III. Office

	W Palm Bch-Boca Raton-Delray Bch, FL			U.S.			
	2021 Q3	2021 Q2	2020 Q3	2021 Q3	2021 Q2	2020 Q3	
Demand indicators							
Vacancy rate	9.6%	10.4%	10.6%	12.2%	10.4%	10.6%	The area has a lower vacancy rate than nationally
Absorption in sq. ft. over the quarter	768,391	259,764	(262,438)	9,330,934	(15,970,889)	(34,691,060)	
Absorption in sq. ft. over 12 months	1,182,003	151,174	(712,230)	(85,269,016)	(129,291,008)	(27,783,072)	The area has a lower pace of absorption than nationally
Asking rent per sq. ft.	\$0.0	\$36.7	\$36.2	(\$0.0)	\$34.3	\$34.3	
Asking rent growth, y/y % chg.	3.7%	2.3%	3.1%	-0.4%	-1.6%	-0.5%	Rents are rising faster than nationally
Leasing activity in sq. ft.	1,069,751	958,978	717,629	78,449,602	79,370,748	62,922,798	Leasing volume is rising faster than nationally
Y/Y chg. in professional/business services jobs ('000) <i>(as of latest available month of the quarter)</i>	5	5	(1)	1,115	1,235	(1,303)	The area has slower pace of office job creation than nationally
Supply indicators							
Inventory in sq. ft.	58,509,483	58,159,483	57,853,089	8,209,634,848	8,198,256,651	8,153,090,186	
Net delivered over 12 months, in sq. ft.	656,394	415,180	19,130	56,291,138	59,270,234	54,065,701	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	1.1%	0.7%	0.0%	0.7%	0.7%	0.7%	
Under construction in sq. ft.	554,006	868,006	1,151,380	140,291,168	143,825,968	155,355,376	
Under construction, as % of inventory	0.9%	1.5%	2.0%	1.7%	1.8%	1.9%	Construction activity is slower than nationally
Sales transactions							
Total investment acquisitions (in million \$)	\$583.0	\$467.3	\$176.7	\$26,511.3	\$21,877.1	\$11,827.5	Sales transactions are rising faster than nationally
Transaction sale price per sq. ft.	\$325	\$287	\$262	\$320	\$258	\$233	Prices are not rising as fast than nationally
Cap rate	6.0%	7.3%	7.3%	6.9%	7.2%	7.2%	Cap rates are lower than nationally

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IV. Industrial

Demand indicators

	W Palm Bch-Boca Raton-Delray Bch, FL			U.S.		
	2021 Q3	2021 Q2	2020 Q3	2021 Q3	2021 Q2	2020 Q3
Vacancy rate	3.3%	3.4%	3.8%	4.6%	5.1%	5.6%
Absorption in sq.ft. over the quarter	50,983	1,388,887	261,971	161,569,104	114,167,776	51,428,644
Absorption in sq.ft. over 12 months	2,039,850	2,250,838	297,740	453,754,304	343,613,824	178,991,328
Asking rent per sq.ft.	\$13.1	\$12.8	\$12.2	\$9.5	\$9.3	\$8.9
Asking rent growth, y/y % chg.	7.5%	5.9%	4.4%	7.2%	5.8%	4.4%
Leasing activity in sq.ft.	790,165	961,271	573,468	217,501,934	259,023,494	238,986,862

The area has lower vacancy rate than nationally

The area has faster pace of absorption than nationally

Rents are rising faster than nationally

Leasing volume is rising faster than nationally

Supply indicators

Inventory in sq. ft.	66,340,437	66,366,437	64,589,745	17,453,682,103	17,380,037,314	17,159,085,726
Net delivered over 12 months, in sq.ft.	1,750,692	2,131,097	598,745	294,232,913	296,654,379	291,164,917
Net delivered units, as % of inventory	2.6%	3.2%	0.9%	1.7%	1.7%	1.7%
Under construction in sq.ft.	908,364	586,492	781,566	452,430,816	415,174,752	353,834,720
Under construction, as % of inventory	1.4%	0.9%	1.2%	2.6%	2.4%	2.1%

Relatively more units are being delivered than nationally

Construction activity is slower than nationally

Sales transactions

Total investment acquisitions (in million \$)	\$135.7	\$147.8	\$83.3	\$20,511.3	\$23,374.1	\$13,864.3
Transaction sale price per sq.ft.	\$153	\$140	\$129	\$138	\$119	\$100
Cap rate	10.0%	6.5%	7.9%	6.4%	6.7%	7.2%

Sales transactions are rising faster than nationally

Prices are not rising as fast than nationally

Cap rates are higher than nationally

V. Retail

Demand indicators

	W Palm Bch-Boca Raton-Delray Bch, FL			U.S.		
	2021 Q3	2021 Q2	2020 Q3	2021 Q3	2021 Q2	2020 Q3
Vacancy rate	4.5%	4.8%	5.0%	4.7%	5.0%	5.0%
Absorption in sq.ft. over the quarter	384,458	281,496	10,040	32,305,646	17,911,970	(14,941,667)
Absorption in sq.ft. over 12 months	778,763	404,345	(291,525)	58,083,232	10,835,917	(16,696,389)
Asking rent per sq.ft.	\$30.0	\$29.3	\$28.2	\$22.3	\$22.1	\$21.9
Asking rent growth, y/y % chg.	6.3%	4.8%	3.6%	1.9%	1.2%	1.1%
Leasing activity in sq.ft.	627,979	453,918	403,586	46,202,635	54,518,351	48,009,773
Y/Y chg. in retail trade payroll employment ('000) (as of latest available month of the quarter)	0.40	2.40	(3.80)	320.60	835.90	(557.90)

The area has a lower vacancy rate than nationally

The area has a faster pace of absorption than nationally

Rents are rising faster than nationally

Leasing volume is rising faster than nationally

The area has stronger retail trade job creation than nationally

Supply indicators

Inventory in sq. ft.	79,528,472	79,371,411	79,123,689	11,727,418,575	11,724,142,447	11,693,236,962
Net delivered over 12 months, in sq.ft.	404,783	514,759	391,136	33,127,921	40,058,224	43,914,430
Net delivered units, as % of inventory	0.5%	0.6%	0.5%	0.3%	0.3%	0.4%
Under construction in sq.ft.	456,304	556,865	581,059	49,468,816	49,512,180	56,024,340
Under construction, as % of inventory	0.6%	0.7%	0.7%	0.4%	0.4%	0.5%

Relatively more units are being delivered than nationally

Construction activity is more robust than nationally

Sales transactions

Total investment acquisitions (in million \$)	\$124	\$279	\$137	\$16,800	\$19,168	\$11,066
Transaction sale price per sq.ft.	\$274	\$292	\$329	\$205	\$191	\$188
Cap rate	6.6%	6.0%	5.5%	6.4%	6.4%	6.4%

Sales transactions are not rising as fast than nationally

Prices are not rising as fast than nationally

Cap rates are higher than nationally

VI. Hotel/Lodging

	2021 Q3	2021 Q2	2020 Q3	2021 Q3	2021 Q2	2020 Q3
Leisure and hospitality payroll workers ('000)	80.8	79.8	68.2	15,798.0	15,397.0	13,446.0
Y/Y change ('000)	14.2	11.5	(17.3)	2,353.0	2,760.0	(3,329.0)
% share to nonfarm payroll employment	13.0%	12.9%	11.5%	10.8%	10.6%	9.5%

Job creation in the leisure industry is weaker than nationally

The area has a larger share of leisure jobs than nationally

*An index below 50 means local market conditions are weaker than nationally, above 50 means local market conditions are stronger, and 50 means local market conditions are about the same as nationally.

NAR derived the index by assigning 1 point for each indicator where local market conditions are better than the national (US) condition.

The total points for each local market are divided by the number of variables that are available at the local area, with 46 indicators if all the data are available. The fraction is multiplied by 100 to get the index.

Economic data may not be available for all markets. In some submarkets or metropolitan divisions (e.g., Long Island) reported by CoStar®, the economic data that is reported (e.g. employment) is of the metropolitan area (New York-Newark-Jersey City). The 390 markets in this report are based on the CoStar® market areas.

NAR reserves the right to add new variables or drop variables that comprise the index based on its analysis of variables that impact market trends.

Sources of data used: National Association of Realtors®, CoStar®, US Census Bureau, US Bureau of Labor Statistics, and US Bureau of Economic Analysis.

For information about this report, email data@nar.realtor.

