

NAR Commercial Real Estate Metro Market Report | 2021.Q4

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* 72.0

Overall economic conditions are not as strong than nationally.
 The apartment property market is stronger than nationally.
 The office property market is stronger than nationally.
 The industrial property market is stronger than nationally.
 The retail property market is stronger than nationally.
 The hotel/lodging property market is not as strong than nationally.

I. Economic and Demographic

Economic	W Palm Bch-Boca Raton-Delray Bch, FL			U.S.			
	2021 Q4 (Nov)	2021 Q3 (Sept)	2020 Q4 (Dec)	2021 Q4 (Nov)	2021 Q3 (Sept)	2020 Q4 (Dec)	
Total non-farm employment ('000)	642	621	619	150,098	147,650	143,602	
Y/Y chg.in nonfarm payroll employment ('000)	31	26	(38)	5,977	5,704	(9,244)	
Y/Y % chg. in nonfarm payroll employment	5.1%	4.3%	-5.8%	4.1%	4.0%	-6.0%	<i>Job creation is stronger than nationally</i>
Unemployment rate (%)	4.0%	4.2%	4.2%	4.2%	4.7%	6.7%	<i>Unemployment rate is lower than nationally</i>
Average weekly wages	\$970	\$966	\$952	\$1,080	\$1,073	\$1,038	
Wage growth, year-over-year <i>(data are as of last month of the quarter)</i>	1.8%	1.7%	2.0%	4.8%	4.5%	6.7%	<i>Wages are rising at a slower pace than nationally</i>

	2020	2019	2018	2020	2019	2018
GDP growth (%)	-4.6%	1.9%	3.6%	-3.4%	2.3%	2.9%

	2019	2018	2017	2019	2018	2017
Median household income	\$60,141	\$56,245	\$52,318	\$87,470	\$84,423	\$81,284

Demographic	2020	2019	2018	2020	2019	2018	
Net domestic migration ('000)	(46.0)	(49.1)	(58.2)	0	0	0	<i>Area is experiencing net domestic out-migration</i>
Population ('000)	6,173	6,165	6,141	331,501	328,330	326,838	
Population growth (%)	0.13%	0.40%	0.41%	0.97%	0.46%	0.53%	<i>Population growth is slower than nationally</i>

II. Multifamily

Demand indicators	2021 Q4	2021 Q3	2020 Q4	2021 Q4	2021 Q3	2020 Q4	
Vacancy rate	4.1%	3.6%	7.6%	4.6%	4.6%	6.6%	<i>The area has a lower vacancy rate than nationally</i>
Absorption of units over the quarter	467	1,153	1,057	78,063	189,629	94,740	
Absorption of units in past 12 months	4,718	5,308	1,511	714,672	731,349	376,273	
Absorption in past 12 months as % of inventory	6.7%	7.6%	2.3%	4.2%	4.3%	2.3%	<i>The area has stronger absorption than nationally</i>
Market asking rent per unit	\$2,283	\$2,197	\$1,748	\$1,543	\$1,532	\$1,387	
Market asking rent per unit, y/y % chg	30.6%	28.5%	2.2%	11.3%	10.6%	0.5%	
Effective rent per unit	\$2,273	\$2,192	\$1,724	\$1,534	\$1,523	\$1,367	
Effective rent per unit, y/y % chg	31.9%	30.5%	1.3%	12.2%	11.6%	-0.1%	<i>Rents are rising faster than nationally</i>
Rent as a percent of 2-person annual wage income	27.0%	26.1%	20.8%	16.3%	16.3%	15.2%	<i>Renting is less affordable than nationally</i>

Supply indicators	2021 Q4	2021 Q3	2020 Q4	2021 Q4	2021 Q3	2020 Q4	
Inventory	70,248	69,782	65,533	17,112,020	17,034,566	16,401,950	
Net delivered units in past 12 months	2,312	2,774	2,270	369,993	387,542	434,591	
Net delivered units, as % of inventory	3.3%	4.0%	3.5%	2.2%	2.3%	2.6%	
Units under construction	6,451	6,128	4,252	681,402	692,701	687,551	
Units under construction, as % of inventory	9.2%	8.8%	6.5%	4.0%	4.1%	4.2%	<i>Construction is stronger than nationally</i>
Ratio of jobs created to net delivered units <i>(as of latest available month of the quarter)</i>	13.4	9.3	(16.7)	16.2	14.7	(21.3)	<i>Fewer jobs per delivered units than nationally</i>

Sales transactions	2021 Q4	2021 Q3	2020 Q4	2021 Q4	2021 Q3	2020 Q4	
Total investment acquisitions (in million \$)	\$1,153	\$967	\$345	\$86,764	\$63,211	\$47,522	<i>Sales transactions are rising faster than nationally</i>
Transaction sales price per unit	\$311,919	\$316,492	\$277,067	\$235,199	\$231,697	\$212,033	<i>Prices are rising faster nationally</i>
Market cap rate	4.3%	4.4%	4.7%	5.2%	5.2%	5.3%	<i>Cap rates are lower than nationally</i>

III. Office

Demand indicators	2021 Q4	2021 Q3	2020 Q4	2021 Q4	2021 Q3	2020 Q4	
Vacancy rate	9.0%	9.5%	10.6%	12.2%	9.5%	10.6%	<i>The area has a lower vacancy rate than nationally</i>
Absorption in sq.ft. over the quarter	323,646	778,113	(54,607)	14,567,728	5,676,582	(34,912,824)	
Absorption in sq.ft. over 12 months	1,559,891	1,181,638	(370,262)	(39,446,204)	(88,926,760)	(74,605,520)	
Absorption in past 12 months as % of inventory	2.9%	2.2%	-0.7%	-0.5%	-1.2%	-1.0%	<i>The area has stronger absorption than nationally</i>
Market rent per sq.ft.	\$37.5	\$37.1	\$35.6	\$34.4	\$34.3	\$34.3	
Market rent growth, y/y % chg.	5.4%	5.2%	3.4%	0.1%	-0.3%	-1.5%	<i>Rents are rising faster than nationally</i>
Y/Y chg.in professional/business services jobs ('000) <i>(as of latest available month of the quarter)</i>	3.9	4.9	0.8	1,134	1,092	(870)	<i>Stronger office job creation than nationally</i>

Supply indicators	2021 Q4	2021 Q3	2020 Q4	2021 Q4	2021 Q3	2020 Q4	
Inventory in sq. ft.	53,633,676	53,310,032	52,080,292	7,237,517,312	7,222,925,312	7,276,806,144	
Net delivered over 12 months, in sq.ft.	674,994	686,394	27,430	59,502,409	57,367,205	45,533,641	
Net delivered units, as % of inventory	1.3%	1.3%	0.1%	0.8%	0.8%	0.6%	<i>More delivered space relative to inventory than nationally</i>
Under construction in sq.ft.	415,617	354,576	951,900	142,297,840	141,203,264	155,258,080	
Under construction, as % of inventory	0.8%	0.7%	1.8%	2.0%	2.0%	2.1%	<i>Construction activity is slower than nationally</i>

Sales transactions	2021 Q4	2021 Q3	2020 Q4	2021 Q4	2021 Q3	2020 Q4	
Total investment acquisitions (in million \$)	\$642	\$603	\$98	\$28,031	\$29,974	\$21,646	<i>Sales transactions are rising faster than nationally</i>
Transaction sale price per sq.ft.	\$221	\$313	\$201	\$305	\$306	\$301	<i>Prices are rising faster nationally</i>
Market cap rate	6.4%	6.4%	6.7%	7.0%	7.0%	7.0%	<i>Cap rates are lower than nationally</i>

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IV. Industrial

	W Palm Bch-Boca Raton-Delray Bch, FL			U.S.			
	2021 Q4	2021 Q3	2020 Q4	2021 Q4	2021 Q3	2020 Q4	
Demand indicators							
Vacancy rate	2.7%	3.2%	3.6%	4.2%	4.6%	5.5%	<i>The area has lower vacancy rate than nationally</i>
Absorption in sq.ft. over the quarter	326,719	50,983	132,290	134,147,704	163,473,664	85,677,192	
Absorption in sq.ft. over 12 months	2,304,027	2,109,598	389,180	502,819,872	454,349,376	223,162,272	<i>The area has stronger absorption than nationally</i>
Absorption in past 12 months as % of inventory	3.6%	3.3%	0.6%	3.0%	2.7%	1.4%	<i>The area has stronger absorption than nationally</i>
Market rent per sq.ft.	\$13.6	\$13.2	\$12.4	\$9.8	\$9.5	\$9.0	
Market rent growth, y/y % chg.	9.6%	7.6%	5.0%	8.6%	7.2%	4.6%	<i>Rents are rising faster than nationally</i>
Supply indicators							
Inventory in sq. ft.	64,102,632	63,775,912	61,798,608	16,815,425,536	16,680,851,456	16,312,040,448	
Net delivered over 12 months, in sq.ft.	1,776,692	1,776,692	593,022	283,714,234	297,459,785	307,128,078	<i>More deliveries relative to inventory than nationally</i>
Net delivered units, as % of inventory	2.8%	2.8%	1.0%	1.7%	1.8%	1.9%	<i>More deliveries relative to inventory than nationally</i>
Under construction in sq.ft.	908,364	908,364	1,782,792	508,025,152	466,780,896	340,499,936	<i>Less delivered space relative to inventory than nationally</i>
Under construction, as % of inventory	1.4%	1.4%	2.9%	3.0%	2.8%	2.1%	<i>Less delivered space relative to inventory than nationally</i>
Sales transactions							
Total investment acquisitions (in million \$)	\$214	\$161	\$175	\$34,773	\$30,151	\$29,578	<i>Sales transactions are rising faster than nationally</i>
Transaction sale price per sq.ft.	\$268	\$158	\$110	\$144	\$127	\$110	<i>Prices are rising faster nationally</i>
Market cap rate	5.8%	5.8%	5.9%	6.3%	6.3%	6.4%	<i>Cap rates are lower than nationally</i>

V. Retail

	W Palm Bch-Boca Raton-Delray Bch, FL			U.S.			
	2021 Q4	2021 Q3	2020 Q4	2021 Q4	2021 Q3	2020 Q4	
Demand indicators							
Vacancy rate	4.4%	4.5%	5.0%	4.6%	4.8%	5.1%	<i>The area has a lower vacancy rate than nationally</i>
Absorption in sq.ft. over the quarter	183,577	378,265	63,561	28,236,304	29,377,518	689,343	
Absorption in sq.ft. over 12 months	942,252	822,236	(132,998)	76,321,048	48,774,088	(28,079,124)	<i>The area has stronger absorption than nationally</i>
Absorption in past 12 months as % of inventory	1.2%	1.1%	-0.2%	0.7%	0.4%	-0.3%	<i>The area has stronger absorption than nationally</i>
Market rent per sq.ft.	\$30.3	\$29.9	\$28.7	\$22.5	\$22.3	\$21.9	
Market rent growth, y/y % chg.	5.5%	5.4%	4.1%	2.8%	2.1%	0.8%	<i>Rents are rising faster than nationally</i>
Y/Y chg.in retail trade payroll employment ('000) <i>(as of latest available month of the quarter)</i>	1.40	0.60	(5.00)	372.10	387.70	(473.90)	<i>The area has stronger retail trade job creation than nationally</i>
Supply indicators							
Inventory in sq. ft.	75,890,736	75,707,160	74,948,488	11,209,097,216	11,180,823,552	11,132,858,368	<i>Relatively more units delivered than nationally</i>
Net delivered over 12 months, in sq.ft.	492,023	426,823	418,660	21,047,385	28,105,270	41,736,234	<i>More delivered space relative to inventory than nationally</i>
Net delivered units, as % of inventory	0.6%	0.6%	0.6%	0.2%	0.3%	0.4%	
Under construction in sq.ft.	415,047	479,216	701,599	50,577,712	53,660,692	52,556,572	<i>Construction activity is more robust than nationally</i>
Under construction, as % of inventory	0.5%	0.6%	0.9%	0.5%	0.5%	0.5%	
Sales transactions							
Total investment acquisitions (in million \$)	\$398	\$150	\$253	\$24,585	\$21,801	\$18,723	<i>Sales transactions are rising faster than nationally</i>
Transaction sale price per sq.ft.	\$346	\$323	\$339	\$237	\$204	\$192	<i>Prices are not rising as fast than nationally</i>
Market cap rate	6.0%	6.0%	6.1%	7.0%	7.0%	7.0%	<i>Cap rates are lower than nationally</i>

VI. Hotel/Lodging

	W Palm Bch-Boca Raton-Delray Bch, FL			U.S.			
	2021 Q4 (Nov)	2021 Q3 (Sept)	2020 Q4 (Dec)	2021 Q4 (Nov)	2021 Q3 (Sept)	2020 Q4 (Dec)	
Leisure and hospitality payroll workers ('000)	87.1	80.6	79.6	15,362	15,397	12,896	
Y/Y change ('000)	10.6	12.4	(14.8)	2,533.0	1,841.0	(3,541.0)	<i>Job creation in the leisure industry is weaker than nationally</i>
% share to nonfarm payroll employment	13.6%	13.0%	12.9%	10.2%	10.4%	9.0%	<i>Higher fraction of workers in leisure industry than nationally</i>

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

*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 25 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.

Market cap rate is based on CoStar proprietary model that is based on both sales transaction cap rates and modeled cap rates based on characteristics of comparable properties in the geographic area.

Data may not be available for some markets or property types.

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

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