

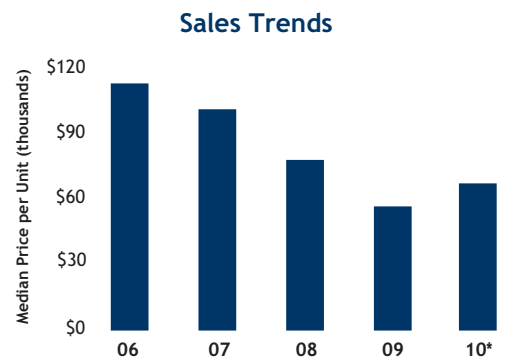
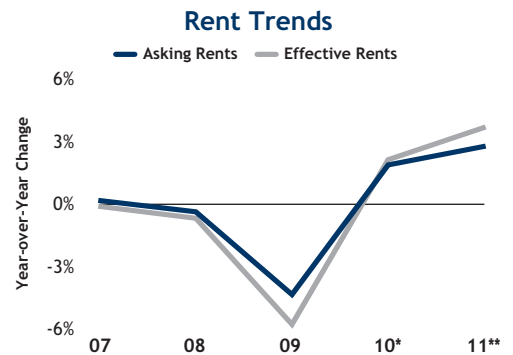
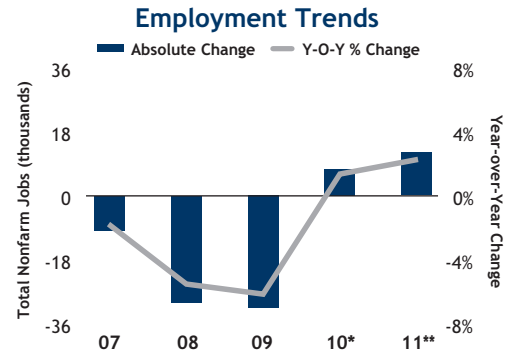
## Property Owners Set to Withdraw Concessions in Palm Beach County

Apartment operations in the Palm Beach County market will further stabilize this year as strengthening demand and limited construction push vacancy below the 10-year average of 7.6 percent. In 2010, a recovery in demand in the southern half of the county fueled the marketwide reduction in vacancy. More than 70 percent of the units absorbed in the county were in Boynton Beach, Delray Beach and Boca Raton. Demand for rental housing in these areas will remain strong due to the presence of major employers and desirable neighborhoods, enabling owners to withdraw leasing incentives. An accelerated pace of hiring, plus the gradual resumption of in-migration from other areas of the country, will also help to reduce vacancy in the northern half of the county, which has lagged in the recovery thus far.

Conditions in the investment market continue to improve, as velocity picked up at the end of last year. The ability of buyers to put a considerable amount of cash into deals will ensure quick execution in the early part of 2011, although financing capacity has expanded, especially for qualified operators. Investors will remain focused on either quality, turnkey assets or properly priced turnaround opportunities. In fact, the projected improvement in demand and concession burn stemming from an expanded tenant base will enhance the probability of value-add strategies succeeding. While many investors will evaluate opportunities on a price-per-unit basis, others seeking properties with stable cash flows will respond to listings offered at cap rates from 8.0 percent to 8.5 percent.

### 2011 Market Outlook

- ◆ **2011 NAI Rank: 38, Up 3 Places.** A healthy rate of payroll expansion pulled West Palm Beach three places higher in the NAI.
- ◆ **Employment Forecast:** Total employment will expand 2.4 percent in 2011 through the creation of 12,000 jobs, after 7,400 positions were added last year. The education and health services and leisure and hospitality sectors will post the largest gains, hiring a combined 5,000 workers.
- ◆ **Construction Forecast:** Supply pressures will remain limited for the next two years. Only 300 units will come online in 2011, following the completion of 220 rentals in 2010.
- ◆ **Vacancy Forecast:** After declining 140 basis points last year, marketwide vacancy will decrease 90 basis points in 2011 to 6.9 percent, the lowest rate in four years. Renter demand in the northern half of the county will strengthen as job growth accelerates.
- ◆ **Rent Forecast:** This year, asking rents will increase 2.8 percent to \$1,111 per month, accompanied by a 3.7 percent jump in effective rents to \$1,039 per month. Average concessions will fall to 6.5 percent of asking rents as a result.
- ◆ **Investment Forecast:** Properties in primary areas such as Boca Raton, Delray Beach, Boynton Beach and Lake Worth will continue to attract interest when listed at realistic prices and cap rates in the 7 percent to 8 percent range.



\* Estimate \*\* Forecast  
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., RCA

Market Forecast    Employment: 2.4% ▲    Construction: 80 ▲    Vacancy: 90 bps ▼    Effective Rents: 3.7% ▲