

Panama City IQ 2024 Market Report

MARKET SNAPSHOT



AVERAGE RENT
\$1,527 IQ 2024



1Q 2024 RENT CHANGE
-0.7%



OCCUPANCY RATE
92.6% IQ 2024



ANNUAL OCCUPANCY CHANGE
-100 BASIS POINTS



TOTAL OPERATING EXPENSE ANNUAL CHANGE
14.5% (FEB 2024)



NET OPERATING INCOME ANNUAL CHANGE
-3.6% (FEB 2024)

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

KEY TAKEAWAYS

- Balancing Market Dynamics:** Over the last 12 months, the net absorption rate in Panama City has closely matched the influx of new units, with approximately 790 apartments absorbed, nearly equaling the 830 new units delivered.
- Moderating Construction Activity:** As of the first quarter of 2024, there are 1,000 new units expected to enter the market, indicating a slowdown in active construction alongside a 19% drop in new apartment starts.
- Healthy Investment Activity:** The total volume of multifamily properties traded in 2023 ranks as the third highest in the past decade. Over the trailing 12 months, the total sales volume reached \$109 million, showcasing continued investor confidence in the market.

Supply & Demand

1Q 2024

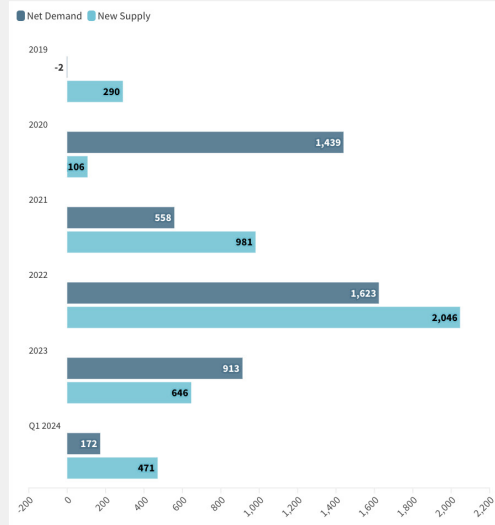


172 Units
QUARTERLY DEMAND



471 Units
QUARTERLY COMPLETIONS

Annual Demand Vs Completions



Flourish chart

Demand Trends

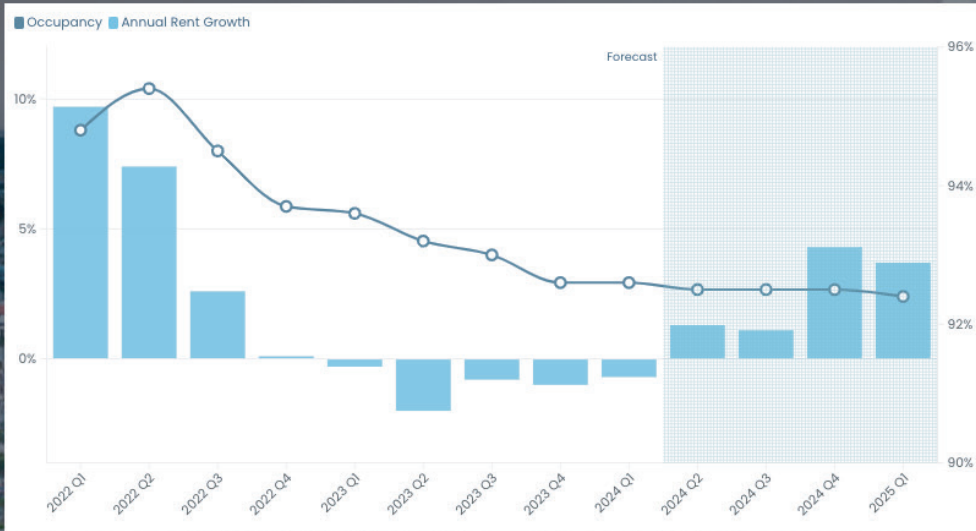
In a period where many multifamily markets in Florida are seeing reduced renter demand and declining occupancy rates, Panama City is showing comparatively strong performance. Despite a wider marginal gap in the first quarter of 2024, the net absorption rate over the last 12 months has kept pace with the influx of new units. Specifically, approximately 790 apartments were absorbed in the past year, close to the 830 new units that were delivered.

While the stabilized occupancy rate, which we track, saw a slight decrease of 100 basis points from the year prior, the overall vacancy rate, which includes newly completed properties in their lease-up phase, experienced a 40-basis point annual increase. This indicates healthy demand for new, higher-quality units in Panama City, suggesting resilience in its rental market amid broader statewide challenges.

Construction Trends

The construction pipeline in Panama City has been slowing down over the last few quarters following the completion of several projects. As of the first quarter of 2024, there are still 1,000 new units expected to enter the market. This slowdown in active construction, coupled with a 19% drop in new apartment starts, suggests that occupancy rates are likely to stabilize after experiencing significant fluctuations over the past two years. This trend indicates a shift towards equilibrium between supply and demand in the local housing market.

Occupancy & Rent Trends



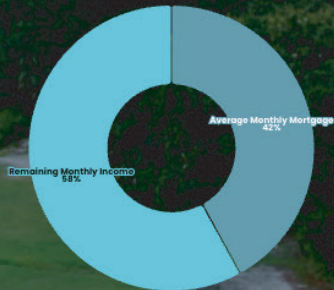
OCCUPANCY TRENDS

Over the past few years, Panama City's occupancy rates have experienced significant fluctuations, from a low of 76% in the second quarter of 2019—a consequence of Hurricane Michael and the introduction of nearly 600 new units—to a high of 95.7% in the second quarter of 2021, when robust leasing activity coincided with a nearly depleted construction pipeline. Looking ahead, the projections for occupancy are more stable. It is expected to remain in the lower 90% range through the end of 2024, as the market absorbs the output from a slowing development pipeline. This stabilization suggests a return to a more predictable pattern of occupancy that avoids the extreme highs and lows seen in recent years.

RENT TRENDS

The pace of effective annual rent growth in Panama City has been declining since peaking at 10.9% in Q3 of 2021, now marking the fifth consecutive quarter of negative growth. However, forecasts suggest that the worst may be behind the market, with Q1 2024 expected to be the lowest point for rent growth. This period is expected to be followed by a few quarters of flat activity before a gradual resurgence in rent growth commences in Q1 of 2025. By then, annualized rent growth exceeding 2% is anticipated, with the pace likely accelerating to around 3% by the spring leasing season of 2025. This return to growth will more closely align with the long-term historical trends of the market.

MONTHLY MORTGAGE AS A SHARE OF INCOME



\$2,208

Average Monthly Mortgage Payment

MONTHLY RENT AS A SHARE OF INCOME



\$1,527

Average Monthly Rent

Submarket Rent & Occupancy

Submarket	Q1 2024 Occupancy	Annual Occupancy Change	Q1 2024 Effective Annual Rent Growth	Q1 2024 Effective Rent/Unit
Panama City	92.6%	-1%	-0.7%	\$1,527
Fort Walton Beach	89.9%	-2.3%	-2.5%	\$1,721
Pensacola	90.6%	-1.4%	-0.7%	\$1,499
Tallahassee	91.2%	-1.3%	0.9%	\$1,327

A Flourish table

Submarket Construction Pipeline

Units UC Delivering In the Next 4 Quarter



A Flourish hierarchy chart

Submarket	Units UC Delivering In the Next 4 Quarters	Under Construction Units	% of Total Market Wide UC
Panama City	800	1,014	7.7%
Fort Walton Beach	1,221	1,842	15.7%
Pensacola	751	1,122	5.5%
Tallahassee	501	738	3.2%

A Flourish table

Sales Activity

Investment sales activity in Panama City slowed in 2023 after reaching a record high of \$430 million in total sales volume the previous year. However, this slowdown should not be interpreted as a sign of weakening investment fundamentals. In fact, the total volume of multifamily properties traded in 2023 ranks as the third best year in the last decade for investment activity. Over the trailing 12 months, the total sales volume amounted to \$109 million, with all multifamily investment sales during this period being acquired by either private investors or institutional buyers, indicating continued strong interest in the market.

TRANSACTION VOLUME

\$109 M

T12 Transaction Volume

-72%

Y-O-Y Change

5 YTD

T12 Transaction Count

\$214.1k*

Price Per Unit

-9%

Annual PPU Price Change

* Trailing 4Q average PPU

* Preliminary Data from RCA - Individual transaction \$2.5M +

Income & Expense Analysis

Please note that the income and expense data presented in this section is sourced from third-party providers. Our firm does not provide any warranty or guarantee as to the accuracy or reliability of this information. We recommend that users exercise their own discretion and professional judgment when interpreting and utilizing this data.

Income & Expenses

— Operating Income Metrics

Income Assumptions	Value / Unit	Year Change (%)
Rental Income / Occupied Unit	\$18,626.76	3.1%
Recoverable Expenses / Occupied Unit	\$821.48	8.6%
Other Income / Occupied Unit	\$1,109.16	1.8%
Total Income / Occupied Unit	\$20,557.40	3.3%
Operating Income		
Rental Income	\$16,859.15	3.4%
Recoverable Expenses	\$743.52	8.9%
Other Income	\$1,003.94	2.1%
Total Income	\$18,606.61	3.6%

— Operating Expense Metrics

Operating Expenses	Value / Unit	Year Change (%)
Payroll	\$1,566.20	4.3%
Repairs & Maintenance	\$446.03	7.1%
Leasing	\$617.84	7.9%
General	\$502.33	-2.9%
Marketing & Advertising	\$291.46	10.9%
Repairs & Maintenance	\$1,220.54	12.0%
Cleaning	\$234.11	8.6%
Roads & Grounds	\$293.41	2.3%
General	\$693.02	17.4%
Administrative	\$515.94	16.7%
Security	\$52.34	18.4%
General	\$463.60	16.5%
Management Fees	\$551.81	3.8%
Utilities	\$922.84	-0.9%
Electric	\$197.00	-8.2%
Gas	\$9.08	-11.0%
Water/Sewer	\$716.75	1.2%
Real Estate & Other Taxes	\$1,746.36	16.3%
Insurance	\$1,291.03	58.0%
Other Operating Expensees	\$19.45	
Total Operating Expense	\$8,125.63	14.5%

— Net Operating Income

	Value / Unit	Year Change (%)
Net Operating Income	\$10,480.98	-3.6%

Market Outlook

As Panama City moves through 2024, the local apartment market shows signs of stabilization and potential growth following a period of volatility. With the construction pipeline slowing, occupancy rates are expected to stabilize in the lower 90% range, fostering a healthy rental market environment. Investment sales activity, although slower than the record highs of the previous years, remains robust, ranking as one of the best in the past decade, with both private and institutional investors actively participating. Looking ahead, Panama City is positioned for a gradual uptick in rent growth, particularly as the market adjusts to a more balanced supply and demand dynamic by late 2024 into 2025. This promising outlook is underpinned by a resilient local economy and a real estate market that continues to attract significant investor interest.

Sources: U.S. Census; MSCI; Yardi Matrix.

TO GAIN FURTHER INSIGHTS INTO THE PANAMA CITY MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



Matt Ledom

Senior Managing Director

matt.ledom@mmgrea.com



Tony Sanicola

Senior Director

tony.sanicola@mmgrea.com



Jhamil Moore

Senior Advisor

jhamil.moore@mmgrea.com



Dennis Nevolo

Senior Advisor

dennis.nevolo@mmgrea.com

