

MARKET REPORT

Retail

West Palm Beach Metro Area

IPA INSTITUTIONAL
PROPERTY
ADVISORS

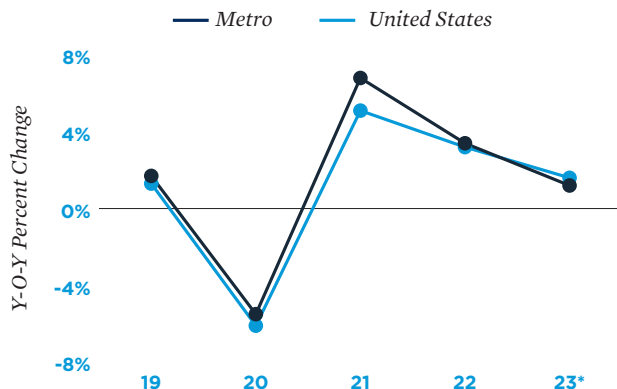
4Q/23

Regional Living Cost Advantages Help Drive an Expansionary Consumer Base, Enticing Retailers

Single-tenant demand is universally strong. An average effective apartment rent and typical monthly mortgage payment that trail Miami equivalents by \$140 and \$590 per month, respectively as of September, continue to stoke population gains. West Palm Beach's resident base expanded by more than 63,000 over the two-year stretch ended in the third quarter of 2023, and an additional 40,000-plus new inhabitants are expected across the next 24 months. The broadening consumer base is attractive to retailers looking to enter the region or diversify their existing footprint. Net-lease tenants, in particular, are present in the market. Eight of nine submarkets had a single-tenant vacancy rate of 4.5 percent or lower entering July, and the only spot absent from that list, Royal Palm Beach-Wellington, has future drivers in place. Segment vacancy exceeds 8.5 percent in the submarket, but these outlying suburbs are among the fastest growing for apartment supply, which should pique retailer interest.

Shopping centers continue to grow tenant rosters. The multi-tenant vacancy landscape is more varied than single-tenant; however, the overall rate was comparatively 80 basis points lower in June. This is largely a result of West Palm Beach (City) and North Palm Beach — two of the three largest areas by inventory — boasting segment vacancy of 2.6 percent or tighter. Leasing at multi-tenant properties in these areas, particularly strip centers, has included a mix of traditional vendors and emerging health and wellness shops.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



**8,000
JOBS**

will be created

EMPLOYMENT:

Leisure and hospitality employers added over 3,300 staff year-to-date through August. Gains in accommodation and food services implies retail spending, and helps the total job tally rise by 1.2 percent in 2023.



**420,000
SQ. FT.**

will be completed

CONSTRUCTION:

Falling to a three-year low, West Palm Beach's annual completion figure ranks as the second smallest among Florida's major markets in 2023. This year's pipeline has zero projects larger than 70,000 square feet in scope.



**10
BASIS POINT**

decrease in vacancy

VACANCY:

Multi-tenant vacancy dropped during the first half of 2023, while the single-tenant rate rose. This mixture sets the stage for a marginal overall retail vacancy contraction, on pace to end 2023 at a historically tight 3.5 percent.



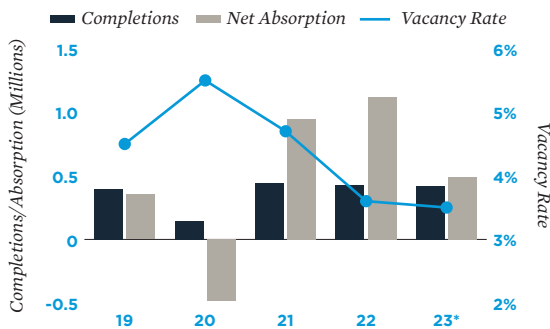
**5.2%
INCREASE**

in asking rent

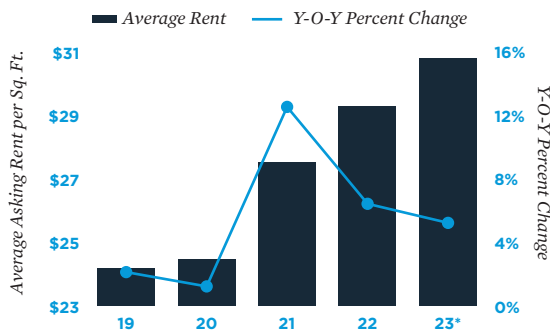
RENT:

The average asking rent in West Palm Beach is expected to grow by more than 5 percent for a third straight year. Closing out 2023 at \$30.80 per square foot, the market holds a spot in the top 10 highest costs nationally.

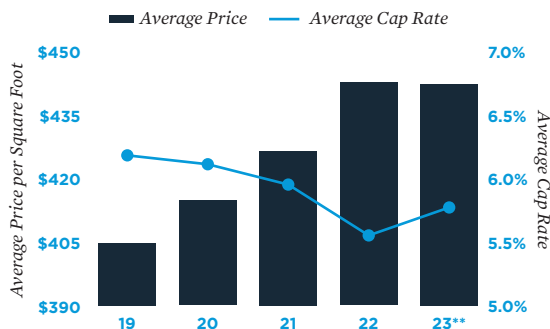
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2023 - 12-Month Period



CONSTRUCTION

378,000 sq. ft. completed

- Through June 2023, trailing-year completions were the heaviest in North Palm Beach and West Palm Beach (City) at 117,000 and 77,000 square feet, respectively. Metrowide, inventory grew by 0.6 percent.
- Ranking third among submarkets' supply volumes, Jupiter's 62,000 square feet of deliveries expanded local stock by 1.5 percent.



VACANCY

20 basis point decrease in vacancy Y-O-Y

- Boca Raton's 90-basis-point vacancy decrease year-over-year in the second quarter led all metro areas. Conversely, Royal Palm Beach-Wellington's local rate increased by that same margin, the largest hike in the market.
- Seven of nine areas entered July with sub-4 percent vacancy, with Jupiter, Palm Springs-Lake Worth and West Palm Beach (City) all below 3 percent.



RENT

5.6% increase in the average asking rent Y-O-Y

- The average single-tenant asking rent surged by an additional 6.5 percent over the past year, coming off 17.2 percent growth in the prior 12 months. This placed the metrowide figure at \$31.31 per square foot in June 2023.
- Marketed multi-tenant rents rose by a more modest 3.3 percent to \$27.28 per square foot. Still, the mean is nearing 20 percent growth since 2019.

Investment Highlights

- Retail deal flow has been mild for several quarters amid higher interest rates. The contraction was more pronounced in the multi-tenant sector, with annual trading velocity during the 12-month span ending in June falling 65 percent relative to the prior year. Positive leasing trends at shopping centers of late, exemplified by multi-tenant vacancy plunging by 190 basis points since the December 2020 peak, could stir greater investor interest in the coming quarters as debt costs are expected to be more stable.
- Comparatively, the single-tenant reduction in deal flow was close to 25 percent. Single-tenant trades from April through June 2023 also measured at a four-quarter high, with preliminary July through September data indicating that the revival continued. West Palm Beach's average single-tenant asking rent has grown nearly 25 percent across the past two years, ranking second among major U.S. markets behind only Salt Lake City. This factor, and tight vacancy in nearly every submarket, should keep buyers engaged.
- For trades completed during the past year ending in June, the average single-tenant cap rate was unchanged relative to 2022 at 5.5 percent. Conversely, the multi-tenant metric jumped 50 basis points to 6.1 percent.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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