

INVESTMENT FORECAST

Office
West Palm Beach Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Housing Expansion Aids Downtown Palm Beach While Large Investors Return to Affluent Areas

Retailers follow population surge as leasing trends shift. An influx of established professionals and wealthy retirees is expected to keep the metro among the five fastest-growing major markets this year, fueling one of the nation's strongest increases in retail sales. Concentrated growth in downtown Palm Beach and Lake Worth Beach, where retail vacancy also held firm last year, should sustain tenant demand, supported by over 600,000 square feet of recently opened, well-leased office space. Tourism-heavy areas like Downtown Boca Raton may lag, though the metro's triple-digit basis-point rise in hotel occupancy last year could aid retail leasing should this trend hold. New mixed-use projects will also draw residents and businesses. In Delray Beach, the soon-to-open Sundry Village and the expanding Atlantic Crossing will enhance the area's appeal. Boca Raton is following suit, with the former Office Depot headquarters slated for redevelopment. A proposed downtown City Hall project with 2.5 million square feet of mixed-use space would also bolster future demand for retail space.

Rising rents draw investors to wealthy suburbs. Institutional activity improved in 2024 and should continue to grow as tight vacancy fuels strong rent gains. Grocery-anchored centers will likely remain key targets in high-income residential neighborhoods of Boca Raton, Delray Beach and Boynton Beach, where asking rents lead the metro. Private buyers are expected to stay active along Route 1, where net-leased restaurants, gas stations and drugstores remain popular. Lake Worth Beach may see investment rise after record multifamily absorption last year, with another 1,000 units set to deliver in 2025. Amid elevated rent growth, buyers could pursue strip centers, where shorter lease terms provide greater flexibility to bring rents to market rates.

2025 MARKET FORECAST

+1.7%



EMPLOYMENT: Employment gains will rise slightly from last year with the addition of 12,000 positions. West Palm Beach's job growth rate is expected to continue leading all major Florida markets.

180,000
sq. ft.



CONSTRUCTION: Completions align with last year's near-record-low total. Most projects slated for delivery are sub-10,000-square-foot neighborhood and strip centers that are well pre-leased.

+10 bps



VACANCY: Minimal new supply and an influx of wealthy residents attracting retailers help slow vacancy expansion. At 3.9 percent, the metro's rate will stay below its past decade average of 4.3 percent.

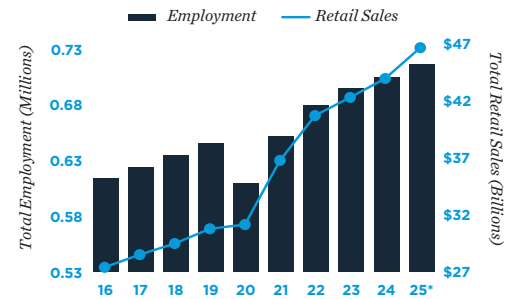
+4.4%



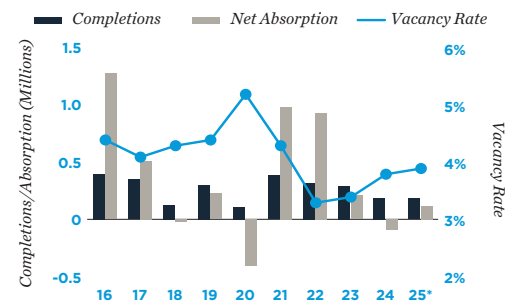
RENT: Low vacancy supports historically elevated rent growth, which will exceed 4 percent for the fifth consecutive year. The metro's average asking rent reaches \$33.50 per square foot by year-end.

INVESTMENT: As two of just 10 U.S. submarkets with over 5 million square feet of stock to see asking rents surge over 60 percent since 2020, Delray Beach and Boynton Beach are poised to draw investors.

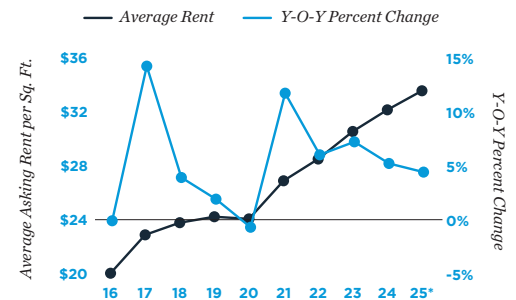
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Fort Lauderdale Office:

Harrison E. Rein

Senior Vice President, Regional Manager

5900 North Andrews Avenue, Suite 100

Fort Lauderdale, FL 33309

Tel: (954) 245-3400 | harrison.rein@marcusmillichap.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.