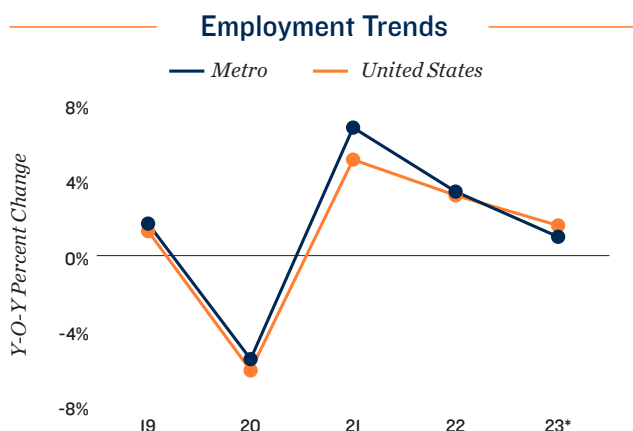


## West Palm Beach Maintains the Lowest Vacancy Rate Among Major Florida Markets

**Consumer base is growing.** Corporate relocations and expansions are creating new jobs and spurring net in-migration to the metro, evidenced by a 2.2 percent annual increase in total population as of the first quarter. Tourism levels also reached a new all-time high, as roughly 9.1 million visitors came to Palm Beach County throughout 2022. The influx of leisure travelers and new residents continues to underpin discretionary spending, prompting many retailers to expand operations in West Palm Beach. Over the past year ending in March, tenants took more than 900,000 square feet of space off the market on net, slicing vacancy to 3.3 percent, the lowest rate among all major Florida markets. Leasing activity has been strong in Jupiter, North Palm Beach, Royal Palm Beach-Wellington and West Palm Beach proper, with each area recording more than 100,000 square feet of positive net absorption during this span.

**Reduced supply pressure benefits retail fundamentals.** Despite vacancy falling to a more than 15-year low during the first quarter, the development pipeline remains manageable. Retail construction in 2023 is projected to slow from last year's pace and remain below the long-term average of 535,000 square feet per annum. Also, roughly 75 percent of space in the pipeline has already been pre-leased as of March. Limited competition from new supply will steer many expanding retailers into existing floor plans, which should help keep vacancy at or near record lows in the near-term.



\* Forecast  
Sources: BLS; CoStar Group, Inc.; Palm Beach County Tourist Development Council

## Retail 2023 Outlook



7,000

JOB

will be created

### EMPLOYMENT:

As of April, unemployment was at 2.5 percent, the lowest rate on record. Firms will expand headcounts by 1 percent in 2023, placing total employment more than 33,000 positions above the pre-pandemic peak.



375,000

SQ. FT.

will be completed

### CONSTRUCTION:

Supply additions remain moderate, as developers increase local stock by 0.6 percent. The Boynton-Lantana, Palm Beach and Palm Springs-Lake Worth submarkets are slated to receive the bulk of near-term completions.



20

BASIS POINT

decrease in vacancy

### VACANCY:

Vacancy falls for the third straight year, as robust tourism and in-migration continue to stoke tenant demand. The rate will end the year at 3.3 percent, which is 20 basis points lower than any other major Florida metro.



5.8%

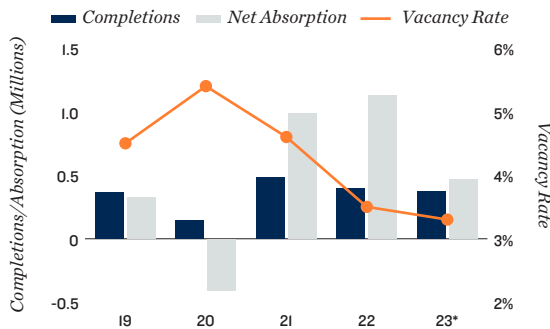
INCREASE

in asking rent

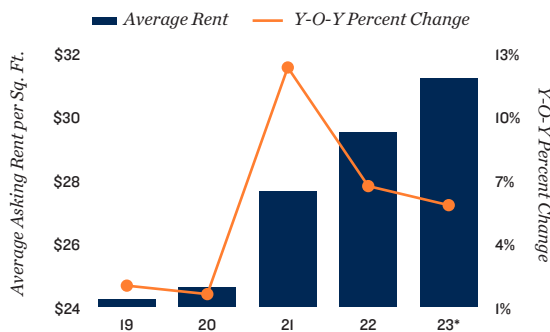
### RENT:

West Palm Beach is one of 10 major U.S. markets to record rent growth above 5 percent in 2023. The average asking rate will reach \$31.20 per square foot, nearly 30 percent higher than the year-end 2019 rate.

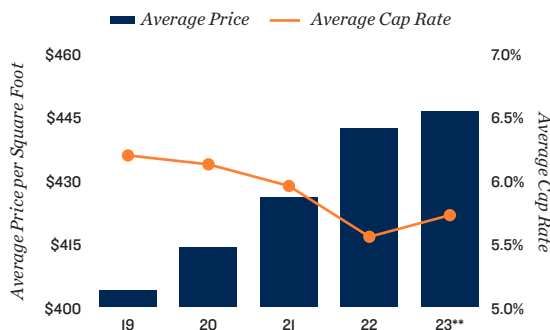
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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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

## IQ 2023 - 12-Month Period

### CONSTRUCTION

396,000 sq. ft. completed

- Local retail stock increased by 0.6 percent during the past four quarters ending in March. North Palm Beach was the only submarket to receive more than 100,000 square feet of new supply.
- During this time frame, the multi-tenant and single-tenant segments added 208,000 and 188,000 square feet of space, respectively.

### VACANCY

80 basis point decrease in vacancy Y-O-Y

- Jupiter, Palm Beach and Royal Palm Beach-Wellington each recorded vacancy declines of at least 120 basis points during the trailing 12-month period ending in March, helping slice the metrowide rate to 3.3 percent.
- Local vacancies were below 3 percent in Boca Raton, Jupiter, Palm Springs-Lake Worth and West Palm Beach proper entering April.

### RENT

9.2% increase in the average asking rent Y-O-Y

- Boynton-Lantana, Delray Beach, North Palm Beach and West Palm Beach proper each recorded double-digit rent gains over the past year ending in March, lifting the metro's average asking rent to \$30.41 per square foot.
- The average asking rent for single-tenant and multi-tenant properties improved by 9.1 and 9.5 percent, respectively, during this span.

### Investment Highlights

- Although challenges in the lending market remain evident, deal flow during the first three months of 2023 still outpaced the historical quarterly average, indicating buyers are confident in the long-term demand drivers present in the market. Record-low vacancy and standout rent gains, coupled with the metro's growing consumer base, will likely continue to drive investor demand for retail assets located in Palm Beach County.
- Trades for single-tenant, net-leased assets have been most pronounced in West Palm Beach proper in recent quarters. Restaurants, drug stores and fast-food establishments are often targeted, with cap rates that closely align with the metro average of 5.5 percent. Double-digit rent growth and a 2.6 percent vacancy rate in the segment entering the second quarter helped elevate buyer interest in the submarket.
- Investors seeking multi-tenant assets have been active in popular tourist areas, such as North Palm Beach and Delray Beach. Neighborhood and strip centers ranging from 2,000 to 40,000 square feet have been changing hands as of late. Here, properties of this subtype frequently garner entry costs above the metro average of \$371 per square foot.