

MARKET REPORT

RETAIL 3Q/26

West Palm Beach Metro Area

Marcus & Millichap

Vacancy Tightening Across Most Submarkets Pushes Tenants Toward Legacy Retail Centers

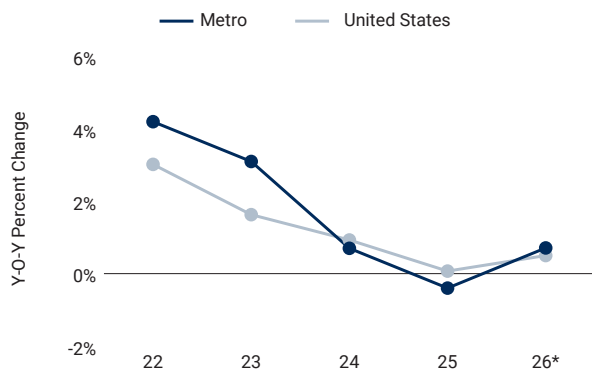
Space scarcity supports older properties. Palm Beach County tied for the second-sharpest vacancy decline among major markets over the year ended in June, with the rate falling 70 basis points to 3.9 percent. Vacancy tightened across both pre- and post-1990 built properties as demand extended even to older footprints. Notably, neighborhood center vacancy dropped 100 basis points as necessity-oriented tenants sought space, even as large move-outs lifted power-center vacancy nearly 200 basis points. Yet recent leases from off-price, recreational, and experiential tenants should aid backfilling, while Bass Pro Shops' planned county debut shows major brands are still looking to expand.

Select turnover drives submarket divergence. A handful of move-outs left Wellington, Delray Beach, and Jupiter with the county's highest vacancy rates in June, ranging from 5.0 percent to 6.7 percent. Every other submarket recorded flat or declining vacancy over the past year, indicating that softness remains localized. West Palm Beach proper led the tightening, as expanding office employment and residential density helped lower retail vacancy 190 basis points to 3.7 percent. Vacancy in Boca Raton, Boynton Beach, and Lake Worth was also below 3 percent, supported by established household demand and limited construction.

Employment

Business-friendly policies and a growing talent pipeline, exemplified by Vanderbilt University's planned campus, are attracting new firms, including tech companies AMPERA and D-Wave, which are planning local headquarters. Broader employer growth should expand the county's year-round resident base, driving steadier retail spending beyond seasonal tourism. Near-term hiring may remain modest, though recent gains in leisure and hospitality, health care, and retail are still expected to sustain daily-needs and convenience demand.

EMPLOYMENT TRENDS



* Forecast

Sources: BLS; CoStar Group, Inc.

2026 FORECAST



EMPLOYMENT

5,000

0.7%

Jobs will be created Increase Y-O-Y



CONSTRUCTION

350,000

0.5%

Sq. ft. will be added Inventory increase Y-O-Y



VACANCY

3.9%

20

Vacancy rate BPS decrease Y-O-Y



RENT

\$32.22

2.1%

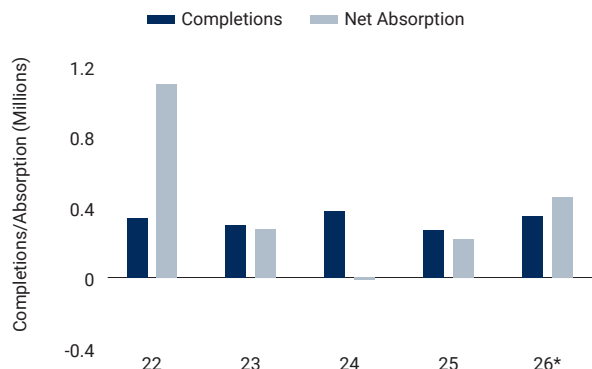
Average asking rent by year-end Increase Y-O-Y



Construction

Deliveries in 2026 are forecast to edge above last year's total but remain near the metro's prior-decade average. The modest pipeline is dominated by standalone single-tenant buildings and small shopping centers under 20,000 square feet, with most construction near central and western suburbs such as Lake Worth Beach and Wellington. The largest concentration of new supply will open farther north near Avenir, where adjacent grocery-anchored centers will add nearly 200,000 square feet of retail space.

CONSTRUCTION TRENDS

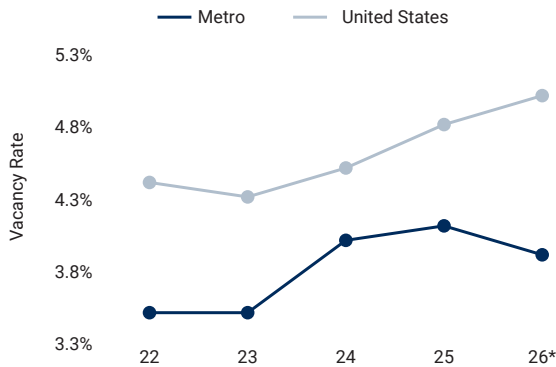




Vacancy

After increasing over the past two years, the metro's vacancy rate is expected to ease in 2026 and finish about 40 basis points below its past 10-year average. Palm Beach County should end the year with the 12th-lowest vacancy among major U.S. markets and the second lowest in Florida after Miami. No other major Florida metro will record declining vacancy. Moreover, single- and multi-tenant vacancy are likely to maintain a fairly narrow spread, with rates at 3.8 percent and 4.3 percent, respectively, in June.

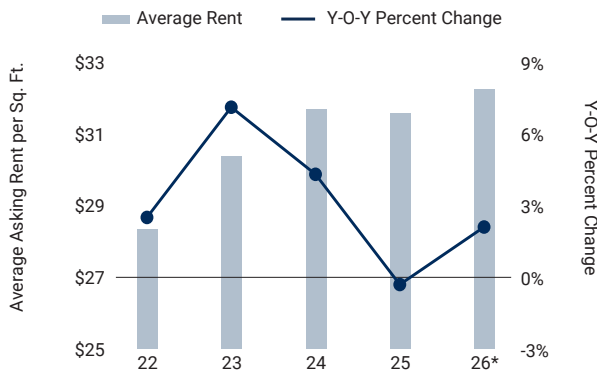
VACANCY TRENDS



Rent

Rent growth is forecast to firm by year-end, leaving asking rents 35 percent above 2019 levels, the ninth-highest increase among major markets. Single-tenant properties may outperform, with rents 52 percent above 2019 levels in June, the strongest gain nationally. This momentum favors renewal pricing at purpose-built properties where relocation costs are high. Boca Raton, downtown West Palm Beach, and North Palm Beach continue to set the upper range, with higher-quality spaces commanding more than \$50 per square foot.

RENT TRENDS



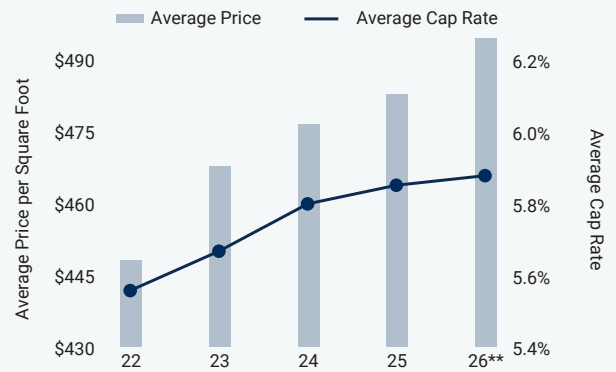
* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

INVESTMENT HIGHLIGHTS

- Investment activity maintained strong momentum in the second quarter, reaching its highest quarterly total since 2022. Investors increasingly targeted multi-tenant assets with greater mark-to-market potential, as sales rose 34 percent year-over-year and approached record levels. Strip centers may remain popular with private buyers across dense central suburbs near West Palm Beach proper, where multi-tenant vacancy fell 330 basis points annually to a metro-low 2.2 percent in June.
- Confidence in Palm Beach County's long-term growth has drawn more institutional capital, with deals above \$20 million up 50 percent from the prior 12-month period. Capital is increasingly concentrating in defensive grocery-anchored centers and trophy retail in affluent areas such as North Palm Beach, downtown West Palm Beach, and Boca Raton. Several luxury shopping centers have traded above \$1,500 per square foot, signaling a willingness to pay premium prices for scarce, well-located properties with durable tenant demand.
- Private buyers seeking stable net-leased assets may prioritize Boca Raton. Single-tenant vacancy there stood at a metro-low 1.4 percent in June, ranking sixth-lowest among U.S. submarkets with at least 5 million square feet of stock. At the same time, nearby Delray Beach may attract value-add investors, as higher vacancy creates opportunities to renovate or reposition assets. Despite weaker occupancy, local asking rents rose more than 60 percent since 2019, the strongest gain among metro submarkets, supporting buyers' ability to upgrade properties and pursue higher rents.

SALES TRENDS



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