

INVESTMENT FORECAST

Marcus & Millichap

OFFICE

West Palm Beach Metro Area

2025

Tight Office Market Conditions Strengthened by Education and Health Care Investments

Downtown developments bolster long-term outlook. The Palm Beach office market enters 2025 with strong momentum, driven by its expanding role as a fintech and health care hub. This position will be reinforced by investments announced in late 2024, including Vanderbilt University's \$520 million graduate campus and Cleveland Clinic's 150-bed hospital. Recent office deliveries highlight growing corporate appeal, with 70 percent of the 500,000 square feet completed in 2024 occupied by year-end. Meanwhile, the 210,000-square-foot One West Palm, slated for early 2025, is already 90 percent pre-leased. Downtown Palm Beach's urban amenities and expanding business network are also expected to sustain demand across quality tiers, following last year's strongest net absorption of Class A and Class B/C space since 2021. While tenants in Boca Raton and North Palm Beach shed nearly 400,000 square feet of lower-tier office space in 2024, Class A demand held steady as firms consolidated into higher-quality floor plans. Competitive rents and planned move-ins, such as Venture X's 20,000 square-foot lease in Boca Raton, are set to support stable property performance across these areas in 2025.

Rising tenant demand and low vacancy draw investors. Trading in Downtown Palm Beach is likely to improve after leading the metro in vacancy compression in 2024, with Class A and Class B/C vacancy falling below pre-pandemic levels. Institutional buyers are expected to target Boca Raton, the metro's largest office submarket, particularly after Class A vacancy declined nearly 50 basis points last year. The area also faces minimal new supply risk and benefits from its central positioning within Southeast Florida. Elsewhere, PGA Boulevard's near-metro-low vacancy may entice buyers, as growing tenant interest reflects demand for modern, lower-cost office space near upscale amenities.

2025 MARKET FORECAST

+1.7%



EMPLOYMENT: West Palm Beach's employment count will expand by 12,000 roles this year. The metro's traditionally office-using sector is set to add 2,000 jobs, aligning with the norm from 2017 to 2019.

320,000
sq. ft.



CONSTRUCTION: A 210,000-square-foot office opens in West Palm Beach, but overall inventory growth remains under 1 percent, as smaller medical offices account for the rest of this year's deliveries.

-20 bps



VACANCY: Vacancy will decline slightly as net absorption improves amid a well-accounted for new supply pipeline. The metro's rate reaches 12.4 percent by year-end, settling below its 2019 level.

+1.3%

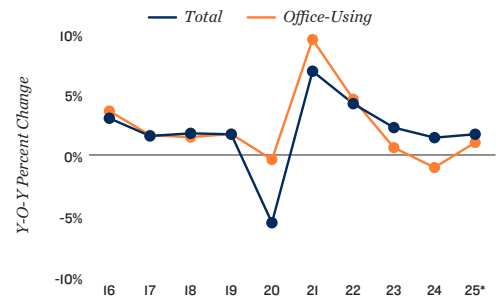


RENT: Declining sublease availability will encourage modest rent gains as vacancy stays below its long-term average. The metro's mean marketed rate reaches \$32.19 per square foot by year-end.

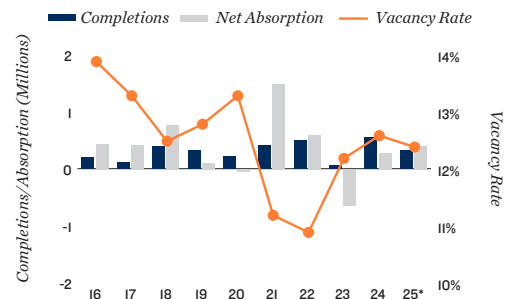
INVESTMENT:

As companies seek to attract local talent, major mixed-use developments — Sundry Village on Atlantic Ave and Northwood Village near Downtown — may drive office demand, likely drawing investor interest.

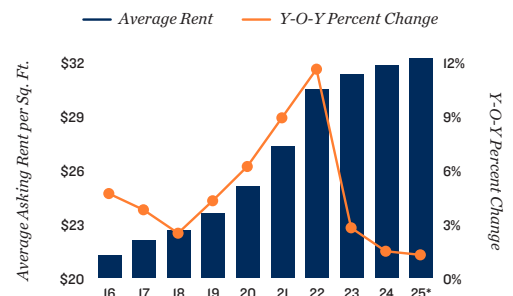
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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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.