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Real estate outlook 2024: Mixed bag for housing, office market, but retail space in demand

High interest rates have hurt housing prices in some major cities, but the migration of people to South Florida during and after the pandemic continues to fuel demand for homes, shops and offices.



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Major high rise construction and real estate development in downtown West Palm Beach

New office towers in downtown West Palm Beach, or already completed ones, such as 360 Rosemary, have lured about 100 firms since 2019 to Palm Beach County. *Greg Lovett, Palm Beach Post*

Will sunny Palm Beach County remain a bright spot for real estate in 2024?

The county's red-hot real estate market is expected to remain steady next year, but one sector already is showing signs of cooling off, at least looking ahead for the next few months.

While high interest rates have hurt housing prices in some major cities, the migration of people to southeast Florida during and after the pandemic continues to fuel demand for homes, shops and offices. However, the frenzy for office space has waned during the past year, prompting business leaders to predict that demand for space will continue in 2024 but at a slower pace.

On the housing front, Palm Beach County continues to see strong demand, albeit with thin supply.

Median prices for existing single-family houses in Palm Beach County even inched up a bit in September to hit \$600,000. Interest rates and skyrocketing insurance premiums are keeping price increases at bay, experts said, but a change in either one could trigger greater buyer interest, pushing home prices even higher.

Palm Beach County real estate: Some bearish, others bullish. What experts have to say

Although most business leaders remain optimistic about the coming year, one major real estate investor is a short-term bear.

Palm Beach billionaire Jeff Greene, who owns numerous properties throughout the county, said the county's growth was artificially boosted during the past three years thanks to the rush of people moving to Florida during the pandemic.

This sudden demand for homes and offices "created this huge imbalance, a big boom," Greene said. "We borrowed so much demand from the people who were going to move here in the future."

As a result, Greene predicts "a rough couple of years" as demand and supply even out.



Others see it differently.

"I don't think Florida is going to stop. The fact that it's not (the same as) the crazy pandemic is absolutely true, and thank God for it," said Alicia Cervera Lamadrid of Cervera Real Estate in West Palm Beach.

Cervera Lamadrid, who helped launch several condominiums in West Palm Beach nearly 20 years ago, said the mass migration to South Florida during the last few years has elevated the region's quality of life by creating greater amenities for residents.

"We've grown up," she said. "It's not just beaches and alligators."

With the market slowing a bit, "it's going to be more paced and that's good for our community," Cervera Lamadrid said. "It allows everyone to assimilate to the change."

What do other business leaders think the real estate market will look like in 2024? Here's a closer look.

New office space still is being built. Will anyone occupy it?

Office buildings from the nation's West Coast to the East Coast are racking up vacancies, and Palm Beach County is starting to see selected empty offices as well.

The issue isn't yet showing up in market reports. Palm Beach County's overall office vacancy rate was 12% at the end of the third quarter of 2023, the lowest in the state, according to JLL commercial brokerage.

Real estate developers in 2024 will add even more office space to the market as office towers in the works the past couple of years are completed. Will these buildings fill with new tenants?

"It's hard to know for sure, but we're in a unique submarket right now," said Brian Seymour, a West Palm Beach attorney and chairman of the Business Development Board, the county's business recruitment arm.



Nora district taking shape on first phase of construction near downtown West Palm Beach

Construction and renovations are underway at Nora, the \$1 billion dining, business and residential district north of downtown of West Palm Beach

"People still want to be here, and they still want their businesses here," Seymour said. "As long as the community continues on the path we've been on, I think we will continue to see positive growth in our county."

As such, Seymour doesn't predict any slowdown in projects, even with developments announced but not yet started. In fact, he added, "I think we are going to see new projects, as well as the completion of projects in the works."

Several developers are banking on the fact that the office market slowdown will ebb by the time their projects are finished in a couple of years.

Plans still are afoot to start construction in 2024 on a 24-story tower for the "tent site" in downtown West Palm Beach, said Seymour, who represents New York developer Charles Cohen on the project. There have been numerous proposals through the years for the tent site, considered the door to downtown West Palm Beach along Okeechobee Boulevard.



The 2.4-acre parcel at Okeechobee Boulevard and South Dixie Highway long known as the tent site is slated to become home to a 23-story glitzy office building and adjacent 10-story parking garage. *Rendering Provided By City Of West Palm Beach*

Meanwhile, two other West Palm Beach office buildings are expected to be finished within months.

One Flagler by Related Cos. of New York, reported to be 75% pre-leased, will open in 2024.

And Greene's One West Palm, a 30-story, twin-tower complex featuring offices, apartments and a hotel, also is expected to be done next year.

Farther south, leasing already has started in the Aletto Offices at Sanborn Square, a mixed-use project coming to downtown Boca Raton. The twin-tower complex will feature 128,000 square feet of office space, plus three restaurants.

Scott Brenner, executive vice president of Colliers International Group brokerage, said the building already is attracting interest from companies, including financial institutions.

Prospective tenants want to be downtown Boca, in new space, near the Brightline passenger train station, Brenner said. Along with the Boca station, Brightline has daily trains to Fort Lauderdale, Miami,

Aventura, West Palm and now Orlando. And while there may be a nationwide office leasing slowdown, Brenner noted that Aletto is the only new office building coming to downtown Boca Raton.

These new office buildings will be competing for tenants at a time when a few large office users are suddenly subleasing all or most of their space, said Peter Reed, managing principal of Commercial Florida Realty Services in Jupiter.

These office blocks are in Class A properties such as CityPlace Tower and Phillips Point, according to Reed.



A former law office building is being demolished to make room for the Olara, a 26-story tower featuring 275 condominiums as part of a mixed-use project at 1919 N. Flagler Drive in West Palm Beach, Florida on September 7, 2023. Greg Lovett, GREG LOVETT/THE PALM BEACH POST

Reed chalks up the spike in subleased space to companies looking at ways to cut costs for their upcoming 2024 budgets. While companies may be reluctant to trim staff, they are more likely to cut other overhead expenses such as office space, especially with workers continuing to work part of the time from home, he said.

The trend will continue into 2024, Reed said.

"It's a sign of the times," Reed said. "The market is softening. This has been happening in other major markets for the last couple of years. Now we're even taking a breather in West Palm Beach.

"When you start to see one or two of these subleases a week, it's a trend," he said.

Why housing market in Palm Beach County is going to be a "grind"

Buyers wanting a single-family home will continue to have a difficult time finding one in Palm Beach County in 2024, real estate experts said.

"It's going to be a grind," said Jeff Lichtenstein, president of Palm Beach Gardens-based Echo Fine Properties. "There's a stalemate because of the low inventory situation, even with high interest rates."

And for those holding out for lower prices, keep waiting. Prices are being held artificially low because interest rates are high, Lichtenstein said.

Anna Bella, a real estate agent with the Keyes Company in Jupiter/Tequesta, agreed.

"I really believe that if you're waiting for the market to drop, you need to go to another state," Bella said. "None of us have a crystal ball, but I've been doing this a long time. And there are so many people moving here. We're becoming a financial hub."

Bella added that she recently worked to help three or four home buyers relocating to Palm Beach County because their company moved here.

Even a slight dip in interest rates will fuel increased demand from buyers, pushing up prices even higher, experts said.

"There's a ton of pent-up demand going on right now, especially from first-time homebuyers," Lichtenstein said. "People who graduated college and are saving money are stuck right now because they're waiting for rates to go down."

Even if rates do dip, buyers still have to contend with skyrocketing insurance premiums that also are hurting the market. Pricey insurance premiums "have definitely kept people from buying," said Burt Minkoff, a real estate agent with Douglas Elliman in Palm Beach.

Then there are the higher taxes on properties that have increased in value in just the past five years, he added. Between high taxes, insurance premiums and mortgage rates, the cost of living is increasing in Florida and offsetting savings from living in a state that doesn't have an income tax, Minkoff said.

Of course, the very rich don't care too much about carrying costs on a home, Minkoff said.

That's the attitude that developers of luxury condominiums being built along the coast hope will continue into 2024.

Dan Catalfumo, who is building the Ritz-Carlton Residences along the Intracoastal Waterway in Palm Beach Gardens, said he expects a "killer season."

Thus far, Catalfumo said the project has sold more than \$125 million worth of condos and he expects another \$200 million this coming winter season. At this rate, the \$600 million project is expected to be sold out by 2026, when construction will be completed, he said.

He said interest rates aren't a concern for most buyers in this multi-million dollar project.



Rendering of the pool and exterior of the South Flagler House condominium in West Palm Beach. *Related Companies*

The smaller units starting at \$4.5 million may have a mortgage, but the higher-priced ones generally sell for cash to very wealthy, often older buyers, who conclude: "How much time do I have left on this Earth? And can I have it now?" Catalfumo said.

So far, two buyers have bought units without even stopping by the Ritz-Carlton sales office, said Catalfumo. And one unnamed buyer is putting two units together to create a single unit that will cost in excess of \$10 million, he added.

Meanwhile, along West Palm Beach's waterfront, at least three newly planned condos — South Flagler House, Olara and Alba — are vying for pre-construction buyers this coming year.

And likely coming up for pre-sale in early 2024: The Ritz-Carlton Residences in West Palm Beach.



Rendering of Sundry Village, an office, retail and restaurant complex planned for the gateway to downtown Delray Beach. *Pebb Capital*

Demand for retail property remains robust

Palm Beach County's population boom has set off a scramble for restaurant and retail space.

Many companies, including national businesses, want a toehold in a market where people with plenty of disposable income want to shop, sip or sup.

In West Palm Beach, developers of the new Nora district are fielding more inquiries than they have space for, said developer Ned Grace. The \$1 billion dining, business and residential district is the largest planned redevelopment in the city's history since CityPlace, now known as The Square. Nora is short for North Railroad Avenue, the district's western boundary.

Economic jitters aren't causing any pause in leasing, Grace said: "The momentum on the retail and restaurant side has had zero slowdown."

Restaurant tenants for Nora so far include Loco Taqueria & Oyster Bar from Boston, plus two New York brands: H&H Bagels, an artisan bagel shop, and Van Leeuwen Ice Cream. Two premier fitness studios, Rumble and Solidcore, also are coming to Nora.

Developers of the Sundy Village project in Delray Beach are equally busy fielding prospects.

The new office, dining and entertainment center under construction at the entrance to the downtown will feature Barcelona Wine Bar and a still-unnamed establishment by the Schulson Collective, a group of restaurants based out of Philadelphia but with locations throughout the Northeast.

<https://www.palmbeachpost.com/story/news/2023/11/21/what-is-the-2024-real-estate-outlook-for-palm-beach-county/71298675007/>