Intelligent Investment

2026 U.S. Real Estate Market Outlook Midyear Review

REPORT

SOUTH FLORIDA

CBRE RESEARCH
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Office Market Outlook

01

Flight to quality will continue to drive demand.

Leasing activity in South Florida has remained steady thus far in 2026. Occupiers signed leases totaling approximately 3.7 million sq. ft. in H1, slightly below 2024 and 2025 levels. Existing tenants are driving leasing activity, with renewals accounting for nearly half of total leasing volume at midyear. Tenants continue to favor high-quality space in newer Class A buildings with plentiful amenities. As an alternative to limited prime space, occupiers seeking larger blocks of space are increasingly evaluating Class A and B buildings that offer more favorable lease terms. Although new-to-market activity has slowed compared with recent years, several large tenants have active requirements in the market. If those tenants lease space, net absorption could rise in H2 and into 2027.

02

Prime submarkets will continue to outperform.

Prime submarkets like Brickell, West Palm Beach, Coral Gables and Coconut Grove continue to tighten as strong demand limits availability for newer Class A space. Their combined vacancy rate of 6% falls to just over 3% when accounting for preleased space; their overall vacancy rate for Class A space stands at 11.4% (10.7% accounting for preleased space). These submarkets account for the majority of new construction, with 2.9 million sq. ft. of office space completed in the past decade. Most projects are substantially preleased upon completion, limiting speculative development risk. In West Palm Beach, two office towers scheduled for delivery in early 2027 are more than 50% preleased.

Meanwhile, older properties and submarkets that have seen large tenant move-outs continue to struggle. Vacancy exceeds 20% in several locations, while South Florida's overall vacancy rate for Class A and B space remains at 14.5%. The performance gap between newer and second-generation product is expected to widen through year-end, benefiting owners who invest in upgrades and amenities.

Key Takeaways

For Tenants

— Limited space in prime buildings is seeing increased competition. Tenants with upcoming lease expirations should act now to secure space in the best locations. Tenants seeking large blocks of space will find better availability and deal terms in well-located Class A and B buildings with owners that have more flexibility. Speculative suites offer speed-to-occupancy in competitive submarkets but are leasing quickly.

For Owners & Investors

— Measured rent growth will continue through year-end, with premium buildings outperforming due to limited supply and strong financial services demand. Owners of older product should invest in meaningful upgrades to compete with newer buildings. Capital markets momentum is building, and owners of well-leased, well-located assets are expected to see strong demand from private and institutional investors.

Office Market Outlook (cont.)

03

Prime buildings will drive record rents.

Best-in-class assets in Miami and West Palm Beach recently captured rents above $150 per sq. ft., more than double the previous cycle high of approximately $70 per sq. ft. The market's prime rent growth has no equal nationally. Speculative suites are expected to drive demand through year-end, supporting absorption and rent growth in competitive Class A properties as tenants prioritize speed-to-occupancy and space quality. Expected rent growth of 4% for existing assets through year-end is in line with 2025 performance. Meanwhile, new construction and top-tier buildings continue to set record rent growth as tenants compete for limited best-in-class supply. The gap in performance between premium and commodity space is widening, as owners of older assets must invest in improvements to maintain occupancy.

04

Private capital will lead capital markets recovery.

South Florida office investment activity is recovering. Transaction velocity increased in H1 and is expected to strengthen further in H2, as more sellers test pricing and private capital remains active. Several prominent business leaders acting as owner-operators have made sizable investments in high-profile prime assets. Buyers are favoring well-located, well-leased properties over commodity buildings that require significant upgrades. Additionally, institutional investors are coming off the sidelines. A growing pool of equity funds is selectively pursuing office investments, while life insurance companies, pension funds and REITs are increasingly evaluating best-in-class assets.

South Florida's recovery in H2 is expected to mirror the broader national trend of rising office investment activity, driven by private capital and institutional investors re-engaging with prime well-leased assets.

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Industrial Market Outlook

01

Operationally driven activity will lead a new phase of demand.

South Florida's industrial market has stabilized with demand driven by operational need rather than speculative expansion. Requirements through year-end will be led by aviation, third-party logistics providers, manufacturers, distributors, construction trades and service-oriented firms. These occupiers prioritize functionality and access rather than lease terms alone. Modern, well-located assets are expected to continue outperforming older product, as tenants shift to prioritizing efficiency and operational fit. Higher-quality space accounted for all positive absorption in H1, a trend expected to continue with a few large leases set to commence in H2. Net absorption in South Florida has already surpassed the 2025 total.

Miami-Dade is expected to capture the most logistics-driven requirements, while Broward's small-bay inventory will support steady leasing activity. Palm Beach is expected to see increased leasing activity as newer industrial parks attract users seeking modern layouts and reduced congestion.

02

Supply will begin to rightsize and rebalance.

With new development slowing in line with national trends, vacancies in newer facilities are expected to decline as the flight to quality continues. Overall availability in South Florida reached a near-record high of 10% in H1 but is expected to decline due to a limited construction pipeline and most supply scheduled to complete in 2027. Miami-Dade continues to absorb recently complete Class A properties, and fewer new construction starts are improving the balance between supply and demand. Broward's limited available land and modest construction pipeline will support functional mid- and shallow-bay facilities.

Meanwhile, Palm Beach may see short-term fluctuations in vacancy as larger projects are completed, but these facilities are well-matched to user requirements. Across South Florida, the supply story is one of rightsizing and rebalancing rather than oversupply. Consistent with national trends, the market’s industrial construction pipeline is near a historical low, which is expected to stabilize vacancy rates through year-end.

Key Takeaways

For Tenants

— Stabilizing rents and concessions favor tenants pursuing strategic relocations and consolidations. Subleases offer near-term affordability but continue to lease quickly in competitive submarkets, so tenants with active requirements should act decisively. Tenants seeking to upgrade their space should evaluate more recent completions in Miami-Dade and Palm Beach, where newer facilities meet modern functional requirements.

For Owners & Investors

— In a year of absorption and balance, owners should prioritize tenant retention over aggressive rent growth. Replacement costs and return requirements support higher rents in the long-term, but near-term renewals will require competitive concession packages. Owners of well-located, modern assets are best positioned, while those with older facilities should either invest in upgrades to remain competitive or consider selling while occupancy remains healthy.

Industrial Market Outlook (cont.)

03

Rents will remain elevated while tenant occupancy costs rise.

Asking rents for modern, well-located assets are forecast to remain at high levels, while older facilities will face continued competitive pressure. Owners are expected to rely on above-average concession packages, flexibility and favorable deal terms to attract and retain tenants in H2. However, total occupancy costs for tenants are still rising, driven by increased property taxes and insurance costs due to increased property valuations. Sublease availability remains elevated but continues to lease quickly, as affordability and immediate occupancy relieve market pressure rather than weigh on fundamentals. In H2, tenants are expected to focus on efficiency, execution speed and operational fit as they pursue relocations and functional upgrades.

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Retail Market Outlook

01

National retailers and luxury operators will lead demand.

National retailers continue to actively expand, driven by strong sales. Meanwhile, luxury retail and food & beverage operators are leading new-to-market activity and competing aggressively for prime space. Local tenants face headwinds, as access to capital for build-outs remains a constraint. This also limits their ability to compete for quality space and is pushing some to consider older spaces. Neighborhood, community and strip retail is the most active segment for new supply, driven by suburban demand in affluent western submarkets that have benefited from post-pandemic wealth migration. South Florida retail sales have grown by 50% to over $220 billion with grocery-anchored centers performing the strongest, according to Census data. The Miami urban core is expected to continue performing well economically, supported by residential towers and hotels that provide a 24/7 consumer base for higher-end retail and food & beverage concepts.

02

Supply will remain limited.

The South Florida retail availability rate ranged from 3.5% to 3.7% through year-end, well below the national average of 4.7%. Only 1.9 million sq. ft. of retail space is currently under construction. Given land constraints and elevated site costs, no large-scale development is expected in the pipeline for the foreseeable future, sustaining low availability and supporting pricing power for well-positioned properties. Owners of well-located centers maintain negotiating leverage as competition increases for the limited amount of quality space available. Meanwhile, owners of older or second-generation product will be creative with concessions to attract and retain local tenants with financing constraints for build-outs.

Key Takeaways

For Tenants

— Competition from national and luxury retailers has made expansion more difficult for local tenants, pushing some to consider older space. Tenants requiring build-outs should negotiate creative concessions with owners, as financing constraints will remain a headwind. Experiential operators that work with owners and local officials to expedite permitting will play an increasingly important role in activating spaces and driving traffic. Tenants should move quickly on prime locations, as strong demand has driven overall availability below 4%.

For Owners & Investors

— High occupancy, rising retail sales and a shrinking construction pipeline will give pricing power to owners of well-located space in H2. Mixed-use owners should activate ground-floor areas and maximize amenity value. With investment at near-record levels, owners of well-positioned assets should expect continued investor interest. Repositioning opportunities and strong-performing retail centers are attracting active buyers.

Retail Market Outlook (cont.)

03

Rents will hold firm in high-occupancy submarkets.

High occupancy and limited supply are sustaining rent growth, especially for well-positioned suburban centers and prime urban retail in Miami. National tenants continue to drive expansion demand supported by the region's strong retail sales, reinforcing pricing power for owners of space in top locations. However, build-out financing constraints among local tenants mean owners must offer more creative concessions to close deals, even as headline rents hold. Looking ahead, rents are expected to increase by nearly 4% year-over-year in H2 before declining slightly in 2027. Affluent western suburban corridors and the Miami urban core are expected to perform the strongest.

04

Investment will reach record levels.

South Florida retail investment volume approached $1.5 billion in H1, nearing the record level set in 2025 over the same period, according to RCA. Annual investment volume surged by 25% year-over-year to over $4 billion in 2025, while also marking the lowest number of transactions since 2020. This means the record was driven by pricing rather than volume, reflecting strong retail sales and investor confidence. Owners of well-positioned properties should expect strong returns in H2, as investors target performing retail centers and redevelopment and repositioning opportunities. Investor interest in South Florida's retail markets is expected to remain steady through year-end, with a focus on well-positioned properties in urban submarkets.

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Contacts

Explore additional insights at
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Research

Marc Miller

Research Director
marc.miller1@cbre.com

Ilyssa Ettelman

Research Manager
Ilyssa.ettelman@cbre.com

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