

February 5, 2026



COMMERCIAL REAL ESTATE RETAIL RUSH HITS DOWNTOWNS

Growing population fuels the marketplace boom

Illustration: ©SFCI photo: iStockphoto

Ground-floor retail was once an afterthought in multifamily towers. Now developers see it as essential to attracting residents and commanding higher rents.

SFBJ PHOTO ILLUSTRATION

South Florida downtowns have become much more than areas where people just live or work. They're fast becoming places to linger, as a multifamily development boom sparks a wave of new restaurants, boutiques and fitness centers transforming urban cores.

Downtown districts in Miami, Fort Lauderdale and West Palm Beach rank among the nation's strongest urban cores for both residential and office demand. Their rise has been fueled by relocation trends that began during the Covid-19 pandemic and continue today, as residents and companies from cities like New York and Chicago seek vibrant urban living – minus the winter chill.

This has created numerous opportunities for restaurant, retail and lifestyle services companies to expand their customer base by opening downtown locations. These new businesses only make the areas more attractive for relocating businesses and residents. Meanwhile, swelling rents have made downtown retail and office footprints more valuable, encouraging landlords to expand nonresidential features in their developments.

The challenge for tenants is that new retail spaces in downtown districts have been largely limited to the ground floors of residential buildings, which has led to intense competition for the best locations.

Downtown West Palm Beach

West Palm Beach used to be a seasonal retail market, but all the new office and residential development has transformed it into a year-round market, said Ned Grace, a principal of NDT Development, co-developer of the Nora District, which opened its first stores in December.



Image: South Florida Business Journal

Ned Grace of NDT Development at the recently opened Nora District in West Palm Beach.

Jock Fistick / South Florida Business Journal

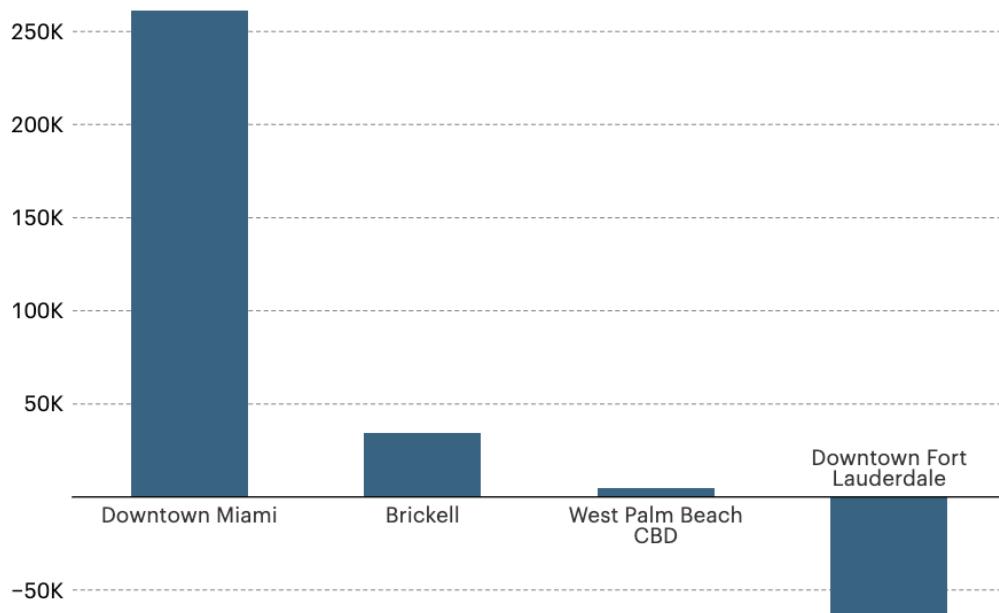
“The great migration happened relatively quickly,” Grace said. “These people are coming from places like New York City that have fully functional and cohesive retail offerings. We are trying to provide an environment that looks and feels and acts like what people are used to in the markets they come from, and that also appeals to people who have been here.”

The Nora District, just north of downtown, has 150,000 square feet of retail and boutique office space in its first phase, with the majority of that space leased – mostly with upscale restaurant, fitness and clothing tenants, and not national chains, Grace said. Many tenants are still in the process of opening.

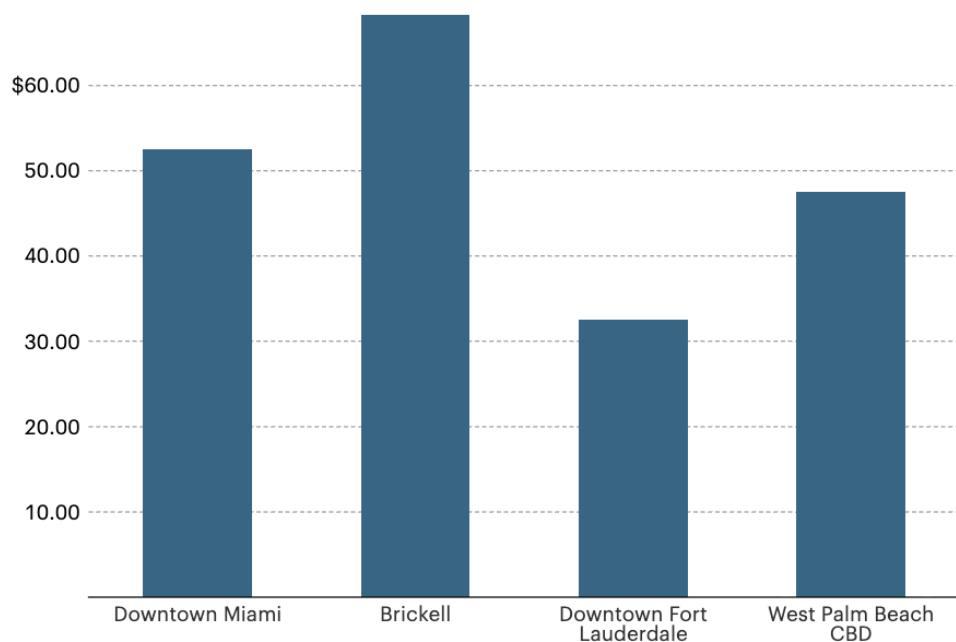
The next phase of the Nora District will include a hotel, now under construction, and multifamily. Grace said there will be more retail to complement those uses.

“We will need grocery and service-oriented retail that will pop up in our tenant mix,” Grace said. “We are trying to make sure that if you live in our neighborhood you have access to everyday necessities.”

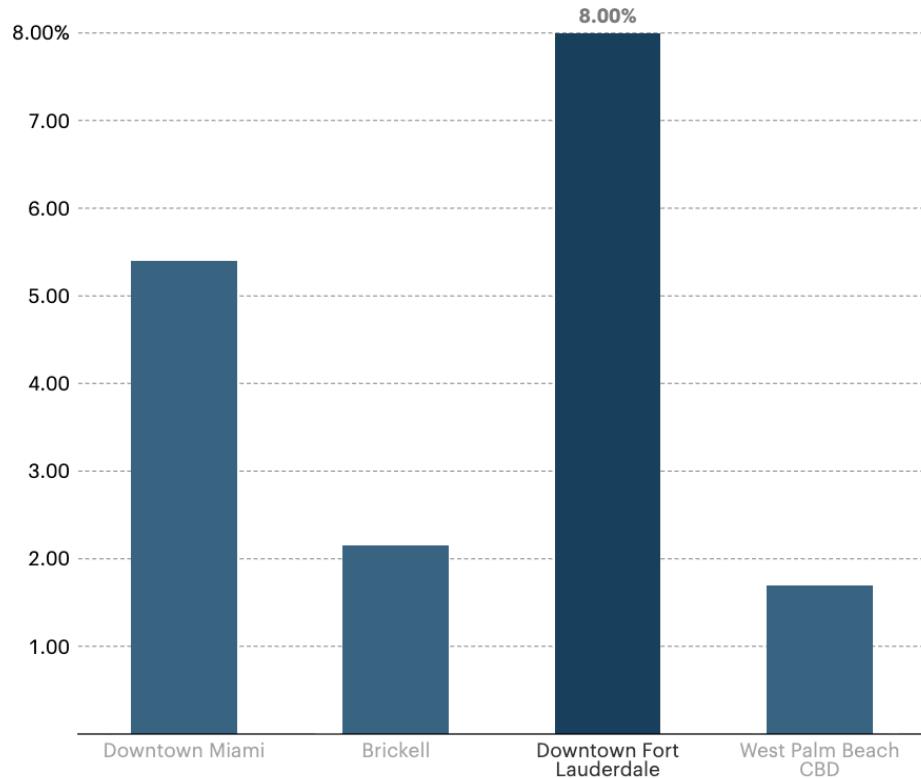
ANNUAL NET ABSORPTION



AVERAGE ASKING RENT PER SQUARE FOOT



VACANCY RATE



68%

Population increase – to about 101,000 residents – in greater downtown Miami since 2012, according to the Miami Downtown Development Authority

35%

Population increase – to more than 26,000 residents – in downtown Fort Lauderdale over the past four years, according to the Fort Lauderdale Downtown Development Authority

23.2%

Population increase in downtown West Palm Beach since 2020, according to U.S. Census data

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