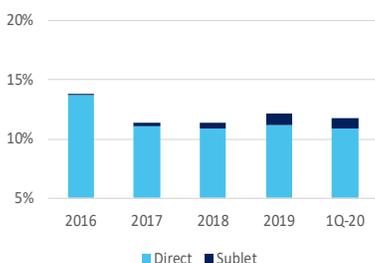


Palm Beach County

First quarter statistics serve as an indicator of the Palm Beach County office market's position prior to the COVID-19 crisis, which began to unfold locally with widespread social distancing measures in March. The leasing and sales environment has changed dramatically since that time, and those impacts will begin to materialize in the data in the second quarter.

Vacancy Rate



YTD Net Absorption (SF)



Average Asking Rent Rate (\$/SF/FS)



Palm Beach's Office Vacancy Ticks Downward While Rent Growth Surges at the Start of the Year

- Palm Beach County's office market experienced a strong start to 2020 prior to the outbreak of COVID-19, with net absorption ending the quarter in positive territory at 175,590 sf. One of the largest leases of the quarter was Spaces' deal for 25,790 sf at 360 Rosemary.
- Average asking rental rates in Palm Beach County continued to grow at the fastest pace across the tri-county region at 5.9% year-over-year, up significantly from Miami's 2.1% and Broward's 3.7%. Overall vacancy also saw a decline of 22 basis points (bps).
- Class B assets outperformed during the first quarter of 2020, with particularly strong positive absorption recorded in the suburban West Palm Beach, North Palm Beach/Palm Beach Gardens, and Boca Raton submarkets.
- Vacancy in Downtown West Palm Beach was up 220 bps year-over-year, most notably in class A buildings which now stand at 14.1% vacancy. With the construction of two major class A office towers - One West Palm (207,107 sf) and 360 Rosemary (296,843 sf) - in Downtown West Palm Beach and limited pre-leasing, market fundamentals may loosen upon their delivery in 2021.
- The extent of COVID-19's long-term impacts are yet to be seen. One clear negative impact has been on South Florida's hospitality and tourism sector, which drives much of the local economy. At year-end 2019, the hospitality sector made up 14% of Palm Beach County's total non-farm employment.

Trends to Watch



Divosta Towers

Following the South Tower delivery at the close of 2019, the Divosta Towers North Tower is set to deliver 111,971 sf in Palm Beach Gardens during the second quarter.



Building Designs

Due to COVID-19, some new construction projects may enhance their design. 360 Rosemary is installing features like touchless doors, faucets, and toilets.



500K SF

Over 500,000 sf of class A office space is under construction in Downtown West Palm Beach. With limited pre-leasing, vacancy may rise in the CBD.

26.8 MSF

Total office inventory in the Palm Beach County market

175,590 SF

Direct Y-T-D net absorption as of 1Q-2020

11.79%

Overall Vacancy

\$47.24/SF/FS

Average rental rate for class A space

Palm Beach County										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	8,294,654	979,584	89,151	\$47.24	88.19%	11.81%	1.07%	12.88%	892,267	65,708
Class B	18,507,062	1,939,569	150,809	\$32.17	89.52%	10.48%	0.81%	11.30%	60,000	109,882
Total	26,801,716	2,919,153	239,960	\$37.22	89.11%	10.89%	0.90%	11.79%	952,267	175,590

CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,656,861	211,672	21,927	\$64.59	87.22%	12.78%	1.32%	14.10%	503,950	6,848
Class B	1,619,687	223,911	2,075	\$36.72	86.18%	13.82%	0.13%	13.95%	0	(944)
Total	3,276,548	435,583	24,002	\$50.27	86.71%	13.29%	0.73%	14.03%	503,950	5,904

Non-CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	6,637,793	767,912	67,224	\$42.46	88.43%	11.57%	1.01%	12.58%	388,317	58,860
Class B	16,887,375	1,715,658	148,734	\$31.57	89.84%	10.16%	0.88%	11.04%	60,000	110,826
Total	23,525,168	2,483,570	215,958	\$34.94	89.44%	10.56%	0.92%	11.48%	448,317	169,686

Boca Raton										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	4,450,714	519,117	62,224	\$40.92	88.34%	11.66%	1.40%	13.06%	0	47,489
Class B	7,284,971	740,424	73,644	\$33.01	89.84%	10.16%	1.01%	11.17%	0	31,674
Total	11,735,685	1,259,541	135,868	\$36.27	89.27%	10.73%	1.16%	11.89%	0	79,163

Boynton / Lantana										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	280,593	7,972	5,000	\$29.61	97.16%	2.84%	1.78%	4.62%	0	0
Class B	604,841	58,792	0	\$24.72	90.28%	9.72%	0.00%	9.72%	0	13,996
Total	885,434	66,764	5,000	\$25.30	92.46%	7.54%	0.56%	8.10%	0	13,996

Delray Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	88,280	31,240	0	\$59.16	94.33%	5.67%	0.00%	5.67%	65,308	0
Class B	941,093	82,102	6,301	\$27.24	91.28%	8.72%	0.67%	9.39%	0	5,829
Total	1,029,373	113,342	6,301	\$36.03	91.54%	8.46%	0.61%	9.07%	65,308	5,829

Downtown West Palm Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,656,861	211,672	21,927	\$64.59	87.22%	12.78%	1.32%	14.10%	503,950	6,848
Class B	1,619,687	223,911	2,075	\$36.72	86.18%	13.82%	0.13%	13.95%	0	(944)
Total	3,276,548	435,583	24,002	\$50.27	86.71%	13.29%	0.73%	14.03%	503,950	5,904

Jupiter										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	135,033	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	5,918
Class B	1,319,632	81,100	1,246	\$29.43	94.60%	5.40%	0.09%	5.50%	0	(5,810)
Total	1,454,665	81,100	1,246	\$29.43	95.10%	4.90%	0.09%	4.99%	0	108

North Palm Beach / Palm Beach Gardens										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	649,320	79,370	0	\$45.07	87.78%	12.22%	0.00%	12.22%	111,971	11,847
Class B	3,432,672	374,763	45,870	\$29.00	89.08%	10.92%	1.34%	12.25%	60,000	25,046
Total	4,081,992	454,133	45,870	\$31.81	88.87%	11.13%	1.12%	12.25%	171,971	36,893

Palm Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	146,133	39,095	0	\$67.86	73.25%	26.75%	0.00%	26.75%	0	(1,000)
Class B	411,182	61,188	1,607	\$67.11	85.12%	14.88%	0.39%	15.27%	0	2,433
Total	557,315	100,283	1,607	\$67.40	82.01%	17.99%	0.29%	18.28%	0	1,433

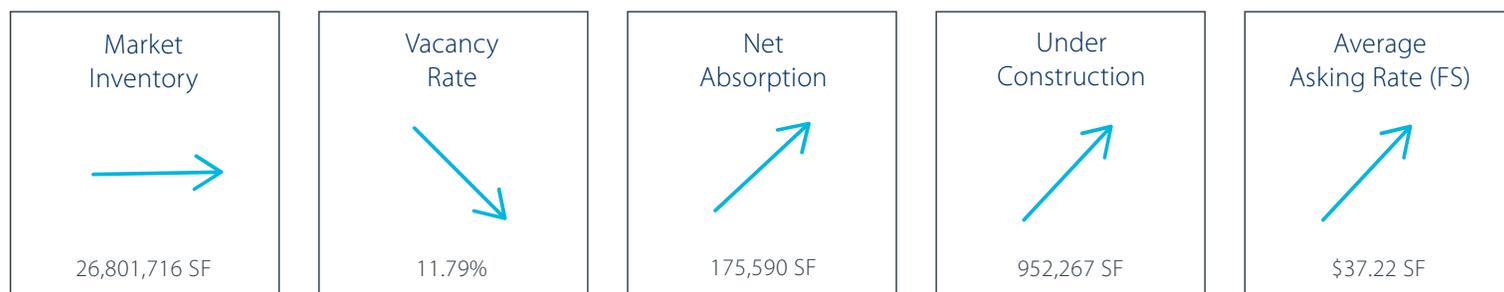
Palm Springs / Lake Worth										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	414,045	53,647	5,635	\$24.74	87.04%	12.96%	1.36%	14.32%	0	10,184
Total	414,045	53,647	5,635	\$24.74	87.04%	12.96%	1.36%	14.32%	0	10,184

Royal Palm Beach / Wellington										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	35,038	0
Class B	688,060	32,107	0	\$33.88	95.33%	4.67%	0.00%	4.67%	0	(9,515)
Total	688,060	32,107	0	\$33.88	95.33%	4.67%	0.00%	4.67%	35,038	(9,515)

West Palm Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	887,720	91,118	0	\$33.40	89.74%	10.26%	0.00%	10.26%	176,000	(5,394)
Class B	1,790,879	231,535	14,431	\$27.02	87.07%	12.93%	0.81%	13.73%	0	36,989
Total	2,678,599	322,653	14,431	\$28.82	87.95%	12.05%	0.54%	12.58%	176,000	31,595

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in Palm Beach County that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Leading Indicators (Y-O-Y 1Q-2019 to 1Q-2020)



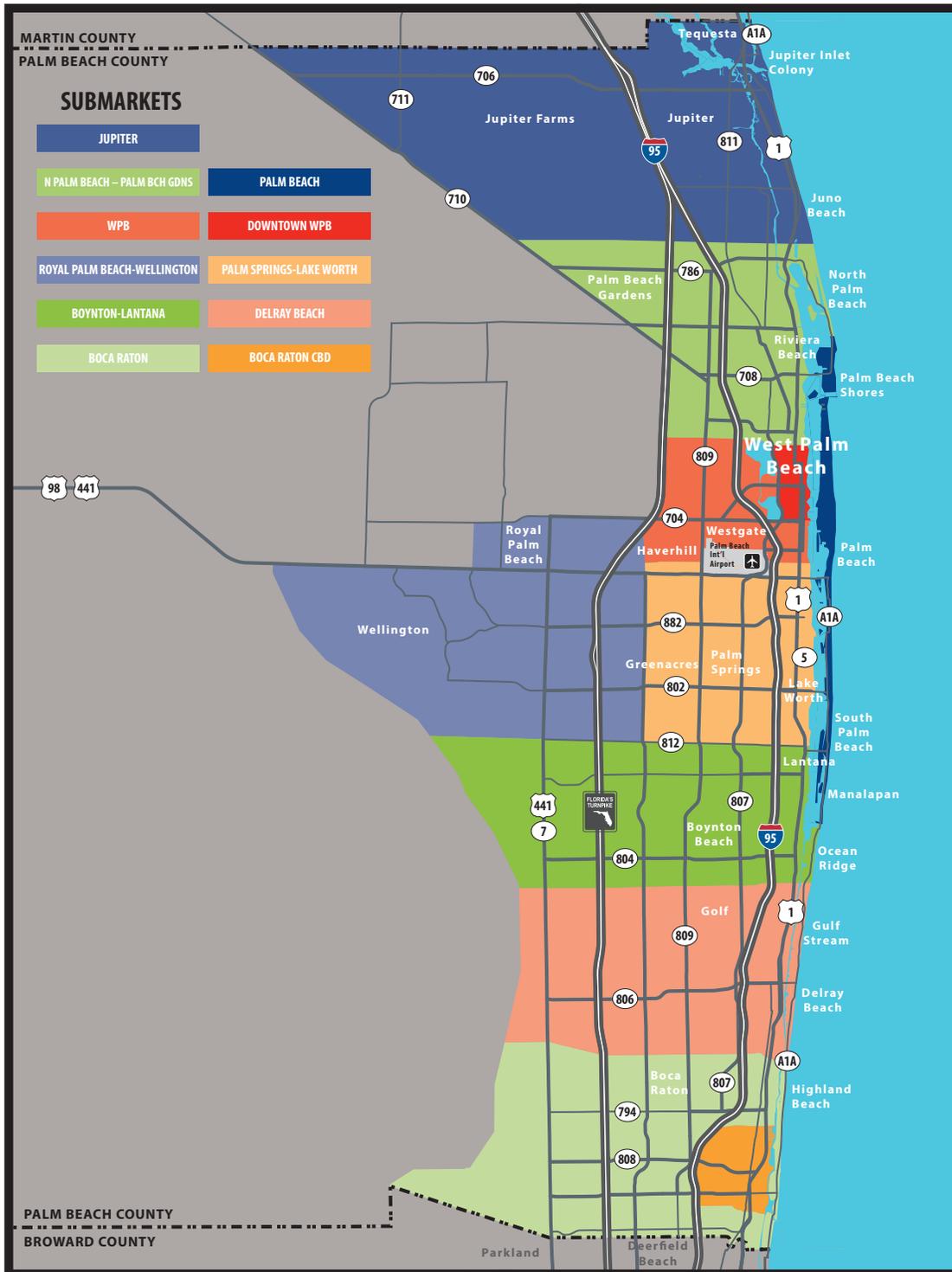
Significant First Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
US Internal Revenue Service	1700 Palm Beach Lakes Blvd	New	32,503	West Palm Beach
Spaces	360 Rosemary	New	25,790	Downtown West Palm Beach
Craven Thompson & Associates	Delray Office Plaza	Renewal	23,710	Delray Beach
NYU	Quantum Park at Boynton	Expansion	23,181	Boynton-Lantana
Misfits Gaming	5300 Broken Sound Blvd NW	New	18,200	Boca Raton
AMSI	Flagler Center	New	16,740	Downtown West Palm Beach
Pulte Home Company	Centrepark East	New	16,548	West Palm Beach
Waste Management	1800 N Military Trl	New	14,913	Boca Raton
Sandow Media*	FAU Innovation Centre 4	Expansion	12,537	Boca Raton
Compass	101 N Federal Hwy	Renewal	8,489	Boca Raton

*Avison Young handled this transaction

Significant First Quarter 2020 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Palm Beach Park Center	76,101	\$38,500,000	\$506	Armata Holdings	Palm Beach
Peninsula Corporate Center	47,190	\$13,000,000	\$275	Butters Realty & Management	Boca Raton
400 N Congress Ave	73,137	\$9,100,000	\$124	Boyd Watterson Asset Management	West Palm Beach
Gardens Professional Arts Building	43,321	\$8,100,000	\$187	David Felton	North Palm Beach / Palm Beach Gardens



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