

Palm Beach County



Market Facts

27.6 MSF

Total inventory in the Palm Beach County office market

560,864 SF

Direct net absorption for YTD 2017

12.17%

Overall Vacancy

\$40.10 PSF

Average asking lease rate for class A space in Palm Beach County on a full-service basis

Healthy Economic Fundamentals Drive Investment

Regional Economic Activity

Palm Beach County's local economy continues to thrive amid steady employment growth and rising household income. In the past five years alone, total non-farm employment rose 21% and the non-seasonally adjusted unemployment rate dropped 490 bps to 4.4% as of August 2017. These economic fundamentals have served as the foundation for a strong office market which continues to grow in similar strength to neighboring Broward and Miami-Dade County.

This has translated into sustained leasing activity in Palm Beach County's most attractive submarkets. Boca Raton continues to lead the market in net absorption driven by the above average leasing activity that has taken place so far this year. Investment activity also remains strong, demonstrated by recent

significant acquisitions that took place in Boca Raton and Downtown West Palm Beach.

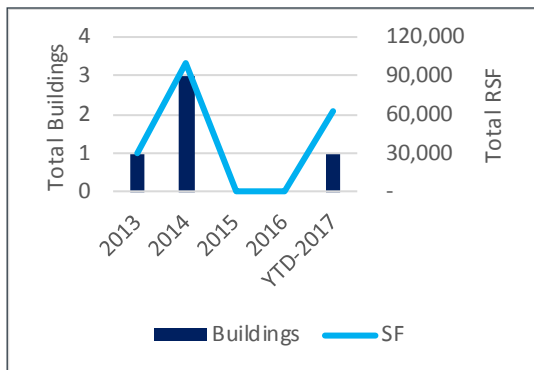
Compressed Vacancy Bolsters the County's Growth

The recent shortage of office development has compressed vacancy levels and produced upward pressure on lease rates. As of the third quarter of 2017, Palm Beach County's overall vacancy rate stood at 12.17%, a 170-bps drop over the past three quarters. Overall absorption has been positive, standing at 560,000 year-to-date. While leasing activity has taken place across the county, there is increased demand for office space in Boca Raton in particular.

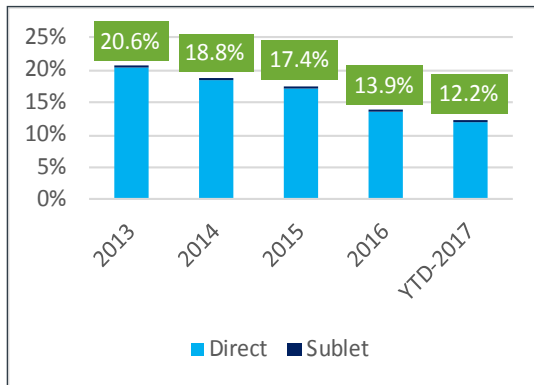
Boca Raton has absorbed 200,000 sf of space year-to-date, or 35% of the Palm Beach County's total net absorption during that same period. Geographical advantages and solid

The recent shortage of office development has compressed vacancy and created upward pressure on lease rates.

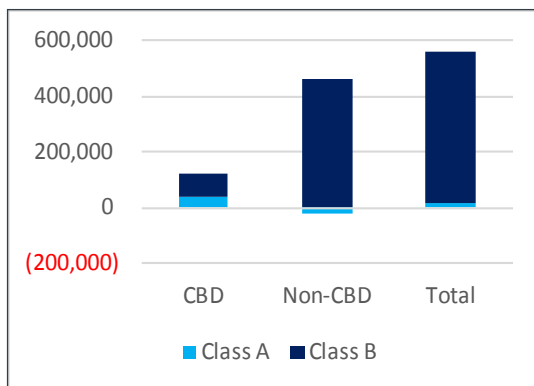
Total Deliveries



Vacancy Rate



YTD Net Absorption (SF)



fundamentals continue to drive growth in the county's strongest performing submarket. Additionally, recent acquisitions and capital improvement plans will continue to strengthen the area's already attractive investment environment.

Amazon HQ2

Amazon, the e-commerce giant and cloud-computing company, has announced their search for a location for their second headquarters, officially known as Amazon HQ2. Announced in early September, Amazon has proposed the development of an 8 million sf campus that will serve as "full-equal" to its current campus in Seattle according to their website. In response, Kelly Smallridge, president and CEO of the Business Development Board of Palm Beach County will submit a "bold and aggressive" proposal.

While neighboring Miami-Dade County maintains a higher profile, Palm Beach County has experience housing major job-creating companies. In addition to IBM's long-time presence in Boca Raton and the rapidly growing Modernizing Medicine, the county is also the home to major organizations such as Scripps Research Institute and Cancer Treatment Centers of America. Furthermore, the county is home to four airports, the impending Brightline rail system and over 1,400 IT and support companies. If Palm Beach County is chosen, Amazon's presence will bring 50,000 high-paying jobs to Florida's third most populated county.

Office Depot's Big Purchase

Investment activity continues to remain strong as exemplified

by the \$300 million of volume transacted during the third quarter. The largest sale of the quarter was Office Depot's acquisition of its headquarters in Boca Raton. This comes as a surprise as the company has been cutting expenses and closing dozens of stores across the nation as it transitions away from a brick-and-mortar presence. The building traded in August of this quarter for \$132 million, or \$212 psf, a 23% discount from Equity Commonwealth's \$171 million acquisition in 2011.

Other notable sales in Palm Beach County include Alliance Partnership's acquisition of Golden Bear Plaza for \$62.3 million, Velocis and CREC's purchase of One Clearlake Centre in West Palm Beach for \$42.3 million and the sale of Stonegate Bank Plaza to Morning Calm Management for \$39.2 million. These sales highlight the strength of the local investment market and bolster confidence in the demand for high-quality suburban office space.

Looking Ahead

Palm Beach County is consistently recognized as an attractive home for tenants of all industries. The area's wide array of public and private educational institutions continue to develop a talented employment base which will inevitably translate to future economic prosperity for the county. Avison Young anticipates that this will lead to continued office absorption and investment interest in strong performing areas such as Boca Raton and Downtown West Palm Beach.

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	7,578,371	846,716	12,881	\$40.10	88.83%	11.17%	0.17%	11.34%	0	19,332
Class B	20,010,239	2,461,082	36,763	\$30.38	87.70%	12.30%	0.18%	12.48%	0	541,532
Total	27,588,610	3,307,798	49,644	\$32.87	88.01%	11.99%	0.18%	12.17%	0	560,864

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	1,640,967	100,044	0	\$55.84	93.90%	6.10%	0.00%	6.10%	0	42,490
Class B	1,746,912	259,440	10,520	\$37.38	85.15%	14.85%	0.60%	15.45%	0	78,480
Total	3,387,879	359,484	10,520	\$42.51	89.39%	10.61%	0.31%	10.92%	0	120,970

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	5,937,404	746,672	12,881	\$37.99	87.42%	12.58%	0.22%	12.79%	0	(23,158)
Class B	18,263,327	2,201,642	26,243	\$29.56	87.95%	12.05%	0.14%	12.20%	0	463,052
Total	24,200,731	2,948,314	39,124	\$31.69	87.82%	12.18%	0.16%	12.34%	0	439,894

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	5,050,636	667,243	9,955	\$38.45	86.79%	13.21%	0.20%	13.41%	0	(45,768)
Class B	7,433,326	1,011,755	15,009	\$28.44	86.39%	13.61%	0.20%	13.81%	0	246,638
Total	12,483,962	1,678,998	24,964	\$32.42	86.55%	13.45%	0.20%	13.65%	0	200,870

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	250,490	22,494	0	\$23.18	91.02%	8.98%	0.00%	8.98%	0	16,103
Class B	599,355	153,705	0	\$20.14	74.35%	25.65%	0.00%	25.65%	0	11,544
Total	849,845	176,199	0	\$20.53	79.27%	20.73%	0.00%	20.73%	0	27,647

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	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	1,014,847	93,341	0	\$28.01	90.80%	9.20%	0.00%	9.20%	0	7,638
Total	1,014,847	93,341	0	\$28.01	90.80%	9.20%	0.00%	9.20%	0	7,638

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	1,640,967	100,044	0	\$55.84	93.90%	6.10%	0.00%	6.10%	0	42,490
Class B	1,746,912	259,440	10,520	\$37.38	85.15%	14.85%	0.60%	15.45%	0	78,480
Total	3,387,879	359,484	10,520	\$42.51	89.39%	10.61%	0.31%	10.92%	0	120,970

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	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	1,393,001	66,077	2,960	\$28.92	95.26%	4.74%	0.21%	4.96%	0	34,684
Total	1,393,001	66,077	2,960	\$28.92	95.26%	4.74%	0.21%	4.96%	0	34,684

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	636,278	56,935	2,926	\$38.41	91.05%	8.95%	0.46%	9.41%	0	6,507
Class B	3,185,140	256,348	0	\$27.97	91.95%	8.05%	0.00%	8.05%	0	65,265
Total	3,821,418	313,283	2,926	\$29.86	91.80%	8.20%	0.08%	8.27%	0	71,772

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	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	586,568	127,917	1,732	\$64.61	78.19%	21.81%	0.30%	22.10%	0	(35,256)
Total	586,568	127,917	1,732	\$64.61	78.19%	21.81%	0.30%	22.10%	0	(35,256)

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	425,220	34,311	5,100	\$21.27	91.93%	8.07%	1.20%	9.27%	0	12,021
Total	425,220	34,311	5,100	\$21.27	91.93%	8.07%	1.20%	9.27%	0	12,021

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%	0	0
Class B	722,975	9,643	0	\$24.56	98.34%	1.66%	0.00%	1.66%	0	54,265
Total	722,975	9,643	0	\$24.56	98.34%	1.66%	0.00%	1.66%	0	54,265

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	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	2,902,895	448,545	1,442	\$27.39	84.55%	15.45%	0.05%	15.50%	0	66,253
Total	2,902,895	448,545	1,442	\$27.39	84.55%	15.45%	0.05%	15.50%	0	66,253

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. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Economic stability is the cornerstone for Palm Beach County's employment growth which supports an active leasing environment.

Leading Indicators (Y-O-Y 3Q-2016 to 3Q-2017)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	South Florida Labor Force
↓	↑	↑	↓	↑
11.99%	560,864 SF	\$32.87/SF	0 SF	3.14 MM

Significant Third Quarter 2017 Lease Transactions - Sorted by SF

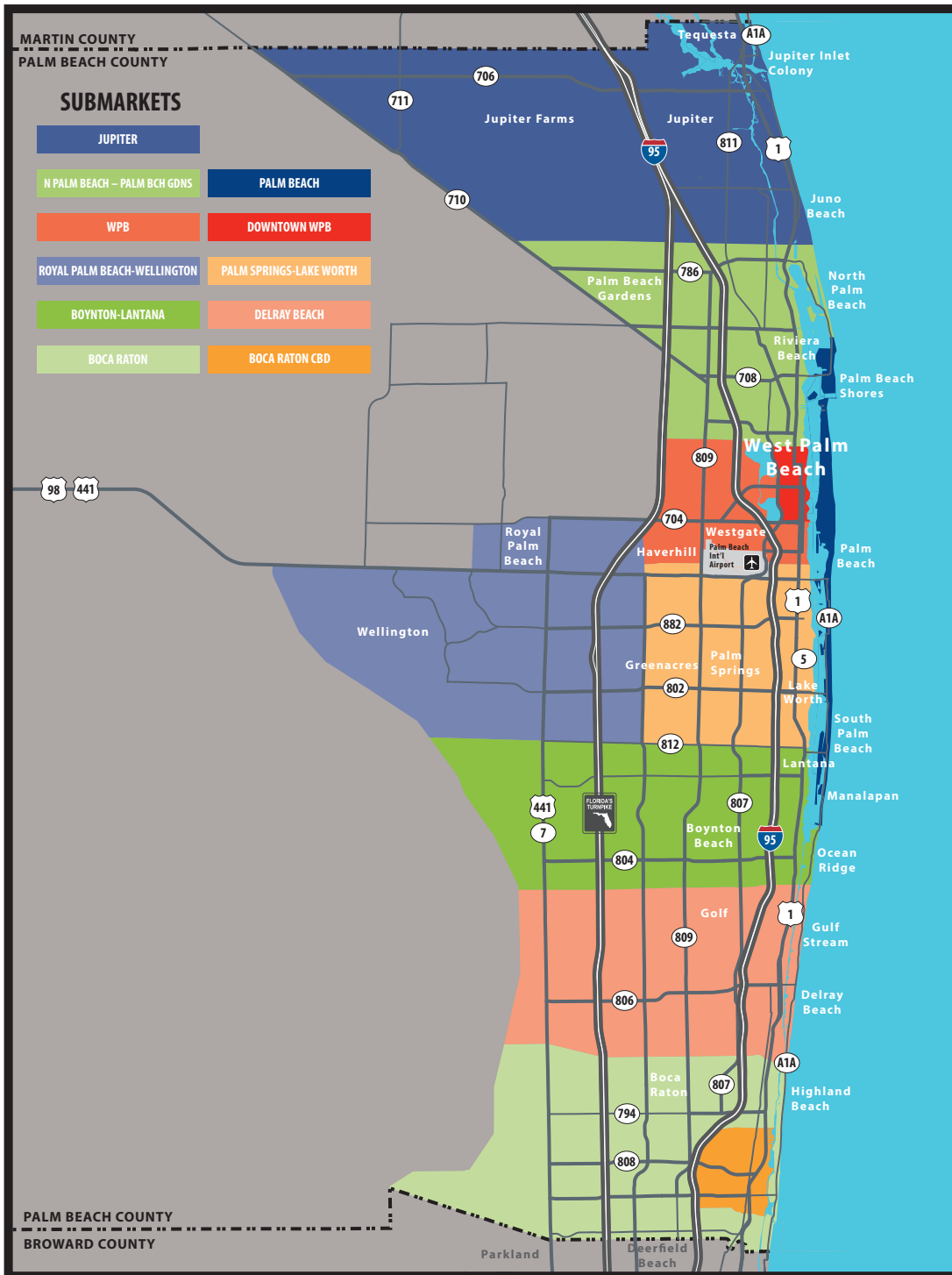
Tenant	Property	Type	SF	Submarket
Confidential	Boca Raton Innovation Campus	New Lease	24,914	Boca Raton
Confidential	Boca Raton Innovation Campus	Sublease	23,630	Boca Raton
Southeastern College	ITT Technical Institute	New Lease	20,760	West Palm Beach
Northwestern Mutual	South City Plaza	New Lease	14,068	Boca Raton
Brown & Brown	Colonnade Centrepark West	New Lease	11,970	West Palm Beach
Entercom Communication	The Citadel	Expansion	10,000	Boca Raton

Significant Third Quarter 2017 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Office Depot HQ	630,000	\$132,050,000	\$210	Office Depot Inc.	Boca Raton
Golden Bear Plaza	245,673	\$62,300,000	\$254	Alliance Partnership	NPB / PBG
One Clearlake Centre	215,104	\$42,300,000	\$197	Velocris / CREC	Downtown WPB
Stonegate Bank Plaza	206,447	\$38,915,400	\$189	Morning Calm Management	Boca Raton
Tower at 1601 Belvedere	100,083	\$7,500,000	\$75	NAI/Merin Hunter Codman	West Palm Beach



Office Submarket Map



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