

Palm Beach County



Market Facts

27.6 MSF

Total inventory in the Palm Beach County office market

793,146 SF

Direct net absorption for 2017

11.42%

Overall Vacancy

\$43.36 PSF

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

Palm Beach County Ends the Year Strong

Regional Economic Activity

Palm Beach County's location and quality of life are supporting positive employment growth across the market. According to the Bureau of Labor Statistics, Palm Beach County's unemployment rate stood at 3.8% as of November 2017, 90 bps below November's rate in 2016. While total non-farm employment continues to grow in most industries, construction jobs lead the county (up 3,500 in total from November of 2016) and are primarily attributed to multi-family and retail development.

Although new office development remains sparse, 2017 has brought significant leasing and investment activity as demonstrated by the 800,000 sf of total net absorption and 32 investment sale transactions in excess of \$5 million. Primarily sourced from the class B office market, leasing remains steadfast in the midst of the area's economic prosperity. Furthermore, projects such as All Aboard

Florida's Brightline high-speed rail system will likely attract attention to the Downtown West Palm Beach submarket.

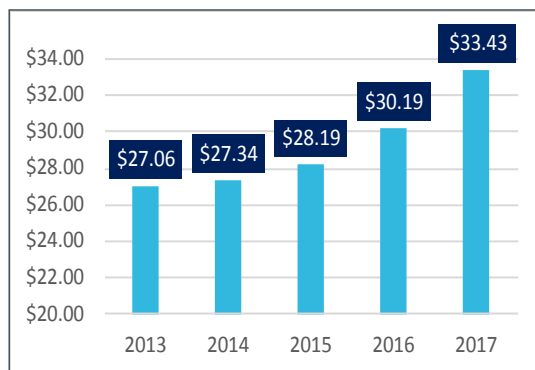
Significant Leasing in Boca Raton

Palm Beach County ended the year strong with class A lease rates exceeding \$43.00 per sf. This figure demonstrates tenants' continued demand for office space throughout the market with most of the leasing activity sourced from the Boca Raton submarket. Ending the year with over 350,000 sf of total net absorption, Boca Raton led the market in terms of total lease deals attracting tenants such as Modernizing Medicine, Shoes for Crews, The Geo Group and Biotest Pharmaceutical Corporation.

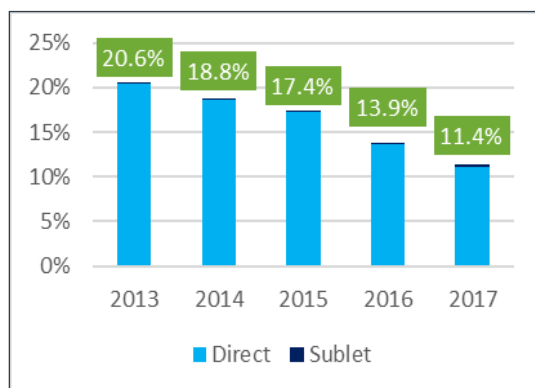
This does not come as a surprise considering Boca Raton accounts for nearly half of the Palm Beach County office market and two-thirds of all class A space. The area's central location offers a geographic advantage to companies that

Boca Raton offers a variety of amenities such as retail and restaurants at a significant discount to lease rates offered in Downtown West Palm Beach.

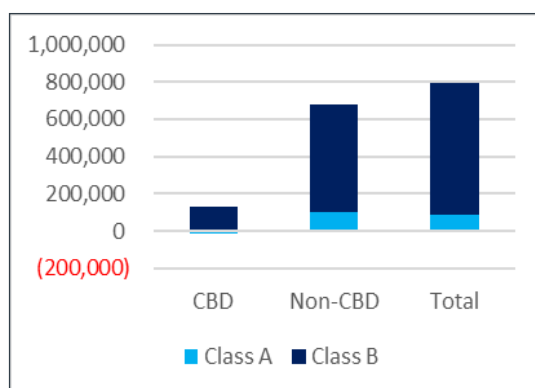
Average Asking Rent Rate (\$/SF/FS)



Vacancy Rate



Net Absorption (SF)



source employees from northern areas of Broward County and central areas of Palm Beach County. Furthermore, Boca Raton offers a variety of amenities such as retail and restaurants at a significant discount to lease rates offered in Downtown West Palm Beach.

New Development on the Horizon

Palm Beach County's office market experienced relatively little development activity in 2017 compared to early years in the current real estate cycle. However, there are a handful of major projects in the pipeline that are projected to make an impact on market fundamentals in the near future. As mentioned in Avison Young's Year-End 2016 Palm Beach County Office Market Report, One West Palm is a \$250 million office, condo and hotel project planned for Downtown West Palm Beach. The 30-story two-tower project will consist of 209,000 sf of office, 328 luxury apartments, hotel and retail space.

The project was approved by the city in late 2016 and recently won approval by the Federal Aviation Administration, which concluded the buildings would not interfere with Palm Beach International Airport. A projected delivery date has not been set but the developer expects to begin groundwork in the first half of 2018.

Favorable Economic Conditions Fuel Investment Activity

Palm Beach County and South Florida as a whole have seen tremendous population growth and increasing space requirements from businesses as the economy continues to flourish. A favorable

tax environment, combined with strong macroeconomic growth has garnered renewed investor interest in local markets. Given the lack of new construction across the area since the economic downturn of 2008, increased demand across the region has driven strong valuation increases across centrally-located assets.

As covered in Avison Young's Third Quarter Office Market Report, the largest sale of 2017 was Office Depot's \$132 million purchase of its corporate headquarters in Boca Raton, which came as a surprise considering the company has been cutting expenses and closing dozens of stores as it transitions away from a brick-and-mortar presence. Regardless, Office Depot's investment in Boca Raton substantiates the local economy's ability to provide high-paying jobs which is 30% higher than the county's \$53,000 median household income according to the U.S. Census Bureau.

Looking Ahead

Palm Beach County's office market experienced another strong year of investment and leasing activity. The area's growing employment base continues to drive demand for quality office space. Consequently, this has produced upward pressure on the overall lease rate and increased investment interest market-wide. Desirable submarkets such as Boca Raton are becoming increasingly competitive and future development in Downtown West Palm Beach will likely attract more companies. Avison Young anticipates the continued rise of lease rates in response to increasingly compressed vacancy rates across the market.

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	779,769	19,873	\$43.36	89.71%	10.29%	0.26%	10.55%	0	86,279
Class B	20,010,239	2,295,747	54,442	\$30.05	88.53%	11.47%	0.27%	11.74%	0	706,867
Total	27,588,610	3,075,516	74,315	\$33.43	88.85%	11.15%	0.27%	11.42%	0	793,146

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	155,774	0	\$57.11	90.51%	9.49%	0.00%	9.49%	0	(13,240)
Class B	1,746,912	211,561	0	\$38.67	87.89%	12.11%	0.00%	12.11%	0	126,359
Total	3,387,879	367,335	0	\$46.49	89.16%	10.84%	0.00%	10.84%	0	113,119

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	623,995	19,873	\$39.93	89.49%	10.51%	0.33%	10.84%	0	99,519
Class B	18,263,327	2,084,186	54,442	\$29.18	88.59%	11.41%	0.30%	11.71%	0	580,508
Total	24,200,731	2,708,181	74,315	\$31.66	88.81%	11.19%	0.31%	11.50%	0	680,027

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	538,857	16,947	\$40.43	89.33%	10.67%	0.34%	11.00%	0	82,618
Class B	7,433,326	982,241	8,788	\$27.97	86.79%	13.21%	0.12%	13.33%	0	276,152
Total	12,483,962	1,521,098	25,735	\$32.39	87.82%	12.18%	0.21%	12.39%	0	358,770

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	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	38,597
Class B	599,355	156,437	0	\$21.59	73.90%	26.10%	0.00%	26.10%	0	8,812
Total	849,845	156,437	0	\$21.59	81.59%	18.41%	0.00%	18.41%	0	47,409

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	124,964	0	\$29.05	87.69%	12.31%	0.00%	12.31%	0	(23,985)
Total	1,014,847	124,964	0	\$29.05	87.69%	12.31%	0.00%	12.31%	0	(23,985)

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	155,774	0	\$57.11	90.51%	9.49%	0.00%	9.49%	0	(13,240)
Class B	1,746,912	211,561	0	\$38.67	87.89%	12.11%	0.00%	12.11%	0	126,359
Total	3,387,879	367,335	0	\$46.49	89.16%	10.84%	0.00%	10.84%	0	113,119

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	62,711	2,960	\$29.26	95.50%	4.50%	0.21%	4.71%	0	38,050
Total	1,393,001	62,711	2,960	\$29.26	95.50%	4.50%	0.21%	4.71%	0	38,050

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	85,138	2,926	\$36.76	86.62%	13.38%	0.46%	13.84%	0	(21,696)
Class B	3,185,140	219,891	29,140	\$28.54	93.10%	6.90%	0.91%	7.82%	0	101,722
Total	3,821,418	305,029	32,066	\$30.84	92.02%	7.98%	0.84%	8.82%	0	80,026

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	115,639	1,732	\$63.73	80.29%	19.71%	0.30%	20.01%	0	(22,978)
Total	586,568	115,639	1,732	\$63.73	80.29%	19.71%	0.30%	20.01%	0	(22,978)

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	46,786	5,100	\$22.80	89.00%	11.00%	1.20%	12.20%	0	(454)
Total	425,220	46,786	5,100	\$22.80	89.00%	11.00%	1.20%	12.20%	0	(454)

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	12,874	0	\$25.84	97.89%	2.11%	0.00%	2.11%	0	51,034
Total	722,975	12,874	0	\$25.84	97.89%	2.11%	0.00%	2.11%	0	51,034

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	362,643	6,722	\$26.05	87.51%	12.49%	0.23%	12.72%	0	152,155
Total	2,902,895	362,643	6,722	\$26.05	87.51%	12.49%	0.23%	12.72%	0	152,155

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.

A favorable tax environment has garnered renewed investment interest in the local market.

Leading Indicators (Y-O-Y 4Q-2016 to 4Q-2017)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	South Florida Labor Force
↓	→	↗	→	↗
11.42%	793,146 SF	\$33.43 / SF	0 SF	3.14 MM

Significant 2017 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Qtr Leased	Submarket
Times Microwave Systems	Centrepark West	Renewal	68,091	4Q17	WPB
Confidential *	North 40	New Lease	43,427	4Q17	Boca Raton
Modernizing Medicine	Boca Raton Innovation Campus	New Lease	40,286	1Q17	Boca Raton
Shoes for Crews	Boca Raton Innovation Campus	New Lease	34,800	2Q17	Boca Raton
Client First Settlement Funding Corp.	301 Yamato	Renewal	25,275	2Q17	Boca Raton
The GEO Group, Inc.	Boca Village Corporate Center	New Lease	24,914	3Q17	Boca Raton
Integrated Dermatology Group	Boca Raton Innovation Campus	Sublease	23,630	3Q17	Boca Raton
Biotest Pharmaceutical Corp. *	North 40	New Lease	21,620	4Q17	Boca Raton

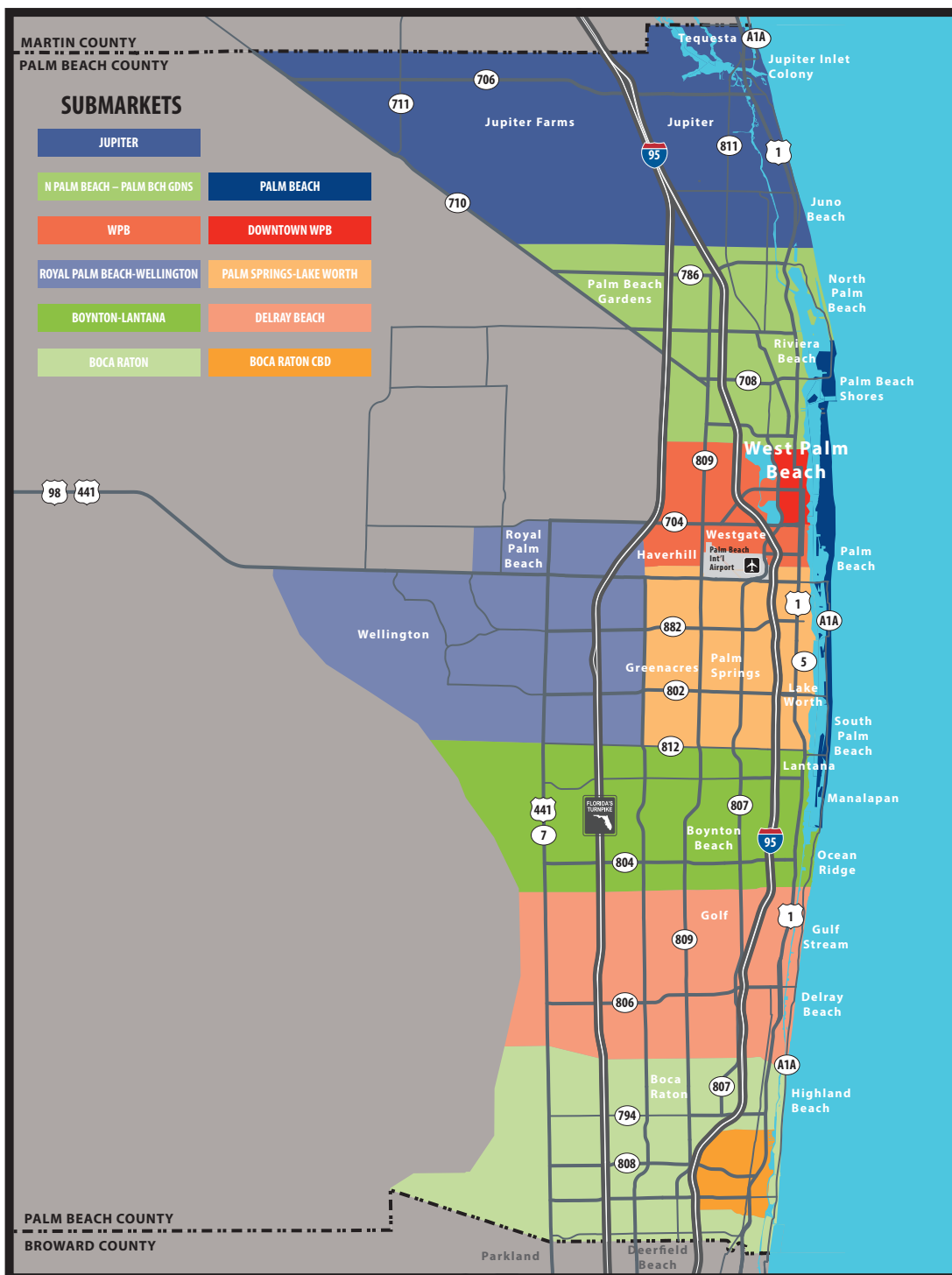
* Indicates Avison Young handled this transaction.

Significant 2017 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Qtr Sold	Submarket
Office Depot HQ	630,000	\$132,050,000	\$210	Office Depot, Inc.	3Q17	Boca Raton
Golden Bear Plaza	245,673	\$62,300,000	\$254	Alliance Partnership	3Q17	NPB / PBG
Peninsula Executive Center	187,784	\$59,750,000	\$318	C. Talanian Realty Co.	2Q17	Boca Raton
Fountain Square	241,000	\$54,500,000	\$226	Bridge Investment Group	4Q17	Boca Raton
One Clearlake Centre	215,104	\$42,300,000	\$197	Velocris / CREC	3Q17	Downtown WPB



Office Submarket Map



Contact Information

Jonathan R. Satter, RPA, SIOR
Principal and Managing Director
312 Clematis St, Suite 500
West Palm Beach, FL 33401
561.721.7031
jonathan.satter@avisonyoung.com

Keith O'Donnell
Principal
1875 NW Corporate Blvd, Suite 280
Boca Raton, FL 33431
561.893.7011
keith.odonnell@avisonyoung.com

Greg Martin
Principal
500 W Cypress Creek Rd, Suite 350
Fort Lauderdale, FL 33309
954.903.1815
greg.martin@avisonyoung.com

Ryan Sharpe
Research Analyst
500 W Cypress Creek Rd, Suite 350
Fort Lauderdale, FL 33309
954.903.3705
ryan.sharpe@avisonyoung.com

Palm Beach Office Team

Gary A. Gottlieb, RPA, SIOR
Principal
561.721.7025

Mark M. Rubin
Vice President
561.229.0859

Justin Cope
Vice President
954.903.3701

Lisa Hernandez
Associate
954.903.3703

