

Palm Beach

Palm Beach County's office market remains strong as new-to-market tenants fuel demand

Palm Beach County's office market showed a greater level of resiliency during 2020 than its neighboring South Florida markets. The unemployment rate declined to 6.1% as of November 2020 marking a strong recovery from the peak of 14.2% recorded in April of this year. The construction sector was the only job sector to show positive year-over-year growth, rising 0.5%. The professional and business services job sector has also recovered well, adding back 12,200 jobs since April and recording only a 3.8% decrease in employment from the same time last year.

Palm Beach County holds strong amid South Florida region

Although net absorption ended the year in negative territory, it remained less severe than that of Fort Lauderdale or Miami. A stronger decline in net absorption occurred in the CBD during the fourth quarter due in large part to the completion of significant building renovations at 205 Datura, now rebranded as Echo, in December. The completion brought over 50,000 sf of newly renovated class A space back on the market. Overall vacancy rose slightly by 30 basis points (bps) over the quarter to 14.2%. As of the close of 2020, Palm Beach County boasts the lowest vacancy in the South Florida region and also remains the least impacted by the increase of sublease space with only 1.2% of sublease vacancy (+40 bps y-o-y).

Leasing activity remains steady

Leasing activity continued on a steady

momentum throughout the fourth quarter. The largest deal of the quarter was Baptist Health South Florida's new lease for 37,982 sf at the Boca Raton Innovation Campus. Also notable, although not an actual lease, was Colony Capital's announcement that it would be moving its LA headquarters operation to an existing 38,000-sf office space that it had been using for its digital infrastructure business at the 750@Park building in Boca Raton.

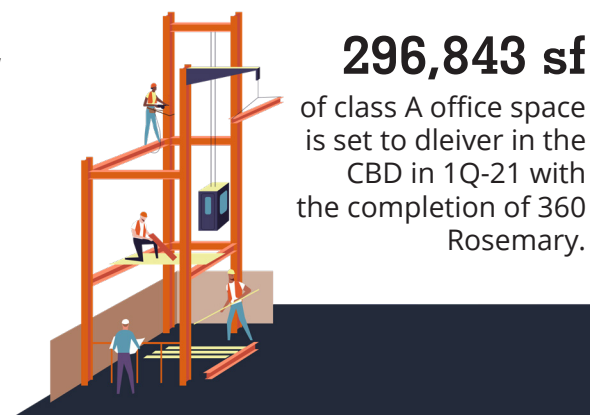
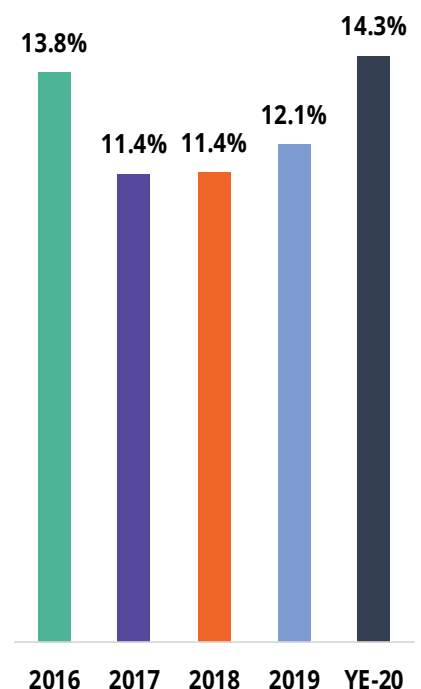
Strong interest from the Northeast in downtown

Downtown West Palm Beach has been gaining significant traction from financial services and tech firms from the Northeast seeking to relocate. With two class A office towers currently under construction in downtown, West Palm Beach has a significant amount of large block availability to satisfy some of the space requirements that these companies are seeking. 360 Rosemary, which will deliver 296,843 sf in early 2021, has had strong activity from new-to-market tenants. Maryland-based New Day USA is reportedly in the final stages to take 50,000 sf, and New York-based Elliot Management is in negotiations to take 40,000 sf at the building.

Looking ahead toward 2021

Although headwinds persist leading into 2021, the rollout of the vaccine has created more optimism in the market. Once a critical mass of vaccinations is reached, a swift recovery is likely to follow.

Historical 5-Year Vacancy Trend



27.0 MSF

Total office inventory in the Palm Beach office market

(193,319) SF

Direct Y-T-D net absorption as of 4Q-2020

14.26%

Overall vacancy

\$47.41/SF/FS

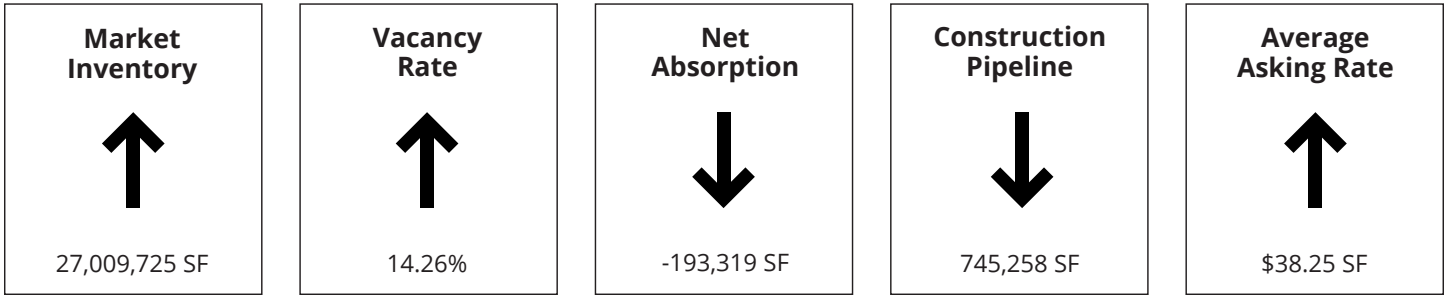
Average rental rate for class A space

Market by the numbers

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	8,518,014	1,261,101	122,760	\$47.41	85.19%	14.81%	1.44%	16.25%	745,258	(52,326)
Class B	18,491,711	2,251,444	216,589	\$33.13	87.82%	12.18%	1.17%	13.35%	0	(140,993)
Total	27,009,725	3,512,545	339,349	\$38.25	87.00%	13.00%	1.26%	14.26%	745,258	(193,319)
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	1,733,212	286,334	49,385	\$64.83	83.48%	16.52%	2.85%	19.37%	503,950	(67,814)
Class B	1,543,336	293,262	2,300	\$37.88	81.00%	19.00%	0.15%	19.15%	0	(70,295)
Total	3,276,548	579,596	51,685	\$51.19	82.31%	17.69%	1.58%	19.27%	503,950	(138,109)
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	6,784,802	974,767	73,375	\$42.29	85.63%	14.37%	1.08%	15.45%	241,308	15,488
Class B	16,948,375	1,958,182	214,289	\$32.42	88.45%	11.55%	1.26%	12.82%	0	(70,698)
Total	23,733,177	2,932,949	287,664	\$35.70	87.64%	12.36%	1.21%	13.57%	241,308	(55,210)
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	562,359	55,196	\$42.32	83.48%	12.64%	1.24%	13.88%	0	4,247
Class B	7,284,971	892,025	129,784	\$33.80	87.76%	12.24%	1.78%	14.03%	0	(119,927)
Total	11,735,685	1,454,384	184,980	\$37.10	87.61%	12.39%	1.58%	13.97%	0	(115,680)
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	512	\$29.61	97.16%	2.84%	0.18%	3.02%	0	0
Class B	604,841	63,896	0	\$24.78	89.44%	10.56%	0.00%	10.56%	0	8,892
Total	885,434	71,868	512	\$25.31	91.88%	8.12%	0.06%	8.17%	0	8,892
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	15,540	0	\$59.85	83.52%	16.48%	0.00%	16.48%	65,308	32,174
Class B	941,093	91,048	0	\$27.55	90.33%	9.67%	0.00%	9.67%	0	(3,117)
Total	1,029,373	106,588	0	\$32.26	89.74%	10.26%	0.00%	10.26%	65,308	29,057
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	1,733,212	286,334	49,385	\$64.83	83.48%	16.52%	2.85%	19.37%	503,950	(67,814)
Class B	1,543,336	293,262	2,300	\$37.88	81.00%	19.00%	0.15%	19.15%	0	(70,295)
Total	3,276,548	579,596	51,685	\$51.19	82.31%	17.69%	1.58%	19.27%	503,950	(138,109)
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	70,581	1,000	\$27.82	94.59%	5.41%	0.08%	5.48%	0	4,709
Total	1,454,665	70,581	1,000	\$27.82	95.09%	4.91%	0.07%	4.98%	0	10,627
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	761,291	190,074	9,092	\$47.20	75.03%	24.97%	1.19%	26.16%	0	13,114
Class B	3,493,672	440,034	45,997	\$29.52	87.40%	12.60%	1.32%	13.91%	0	20,775
Total	4,254,963	630,108	55,089	\$34.85	85.19%	14.81%	1.29%	16.10%	0	33,889
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	19,236	0	\$63.24	86.84%	13.16%	0.00%	13.16%	0	18,859
Class B	411,182	71,894	1,607	\$68.08	82.52%	17.48%	0.39%	17.88%	0	(8,273)
Total	557,315	91,130	1,607	\$67.06	83.65%	16.35%	0.29%	16.64%	0	10,586
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	50,544	3,000	\$24.25	87.79%	12.21%	0.72%	12.93%	0	13,287
Total	414,045	50,544	3,000	\$24.25	87.79%	12.21%	0.72%	12.93%	0	13,287
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	35,038	23,292	0	\$38.75	33.52%	66.48%	0.00%	66.48%	0	11,746
Class B	688,060	53,137	14,524	\$31.80	92.28%	7.72%	2.11%	9.83%	0	(30,545)
Total	723,098	76,429	14,524	\$33.92	89.43%	10.57%	2.01%	12.58%	0	(18,799)
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	156,294	8,575	\$33.03	82.39%	17.61%	0.97%	18.57%	176,000	(70,570)
Class B	1,790,879	225,023	18,377	\$28.76	87.44%	12.56%	1.03%	13.59%	0	43,501
Total	2,678,599	381,317	26,952	\$30.51	85.76%	14.24%	1.01%	15.24%	176,000	(27,069)

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 Q4-2019 to Q4-2020)



Significant Fourth Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Baptist Health South Florida	Boca Raton Innovation Campus	New	37,982	Boca Raton
Meisner Electric*	North 40	New	15,172	Boca Raton
Unify	Fountain Square - 2650 Building	Renewal	13,221	Boca Raton
Visonamics	1200 N Federal Highway	Renewal	11,990	Boca Raton
AllianceBernstein	Phillips Point West	Renewal	9,133	Downtown West Palm Beach
Blue Sea Capital	Esperante Corporate Center	Renewal	8,920	Downtown West Palm Beach
Gutter Chavez Josepher Rubin Forman Fleisher Miller	Boca Corporate Center	Renewal	7,695	Boca Raton

*Avison Young handled this transaction

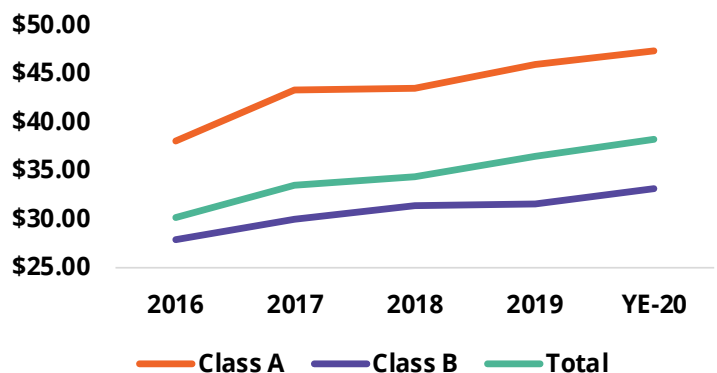
Significant Fourth Quarter 2020 Sales Transactions - Sorted by Price

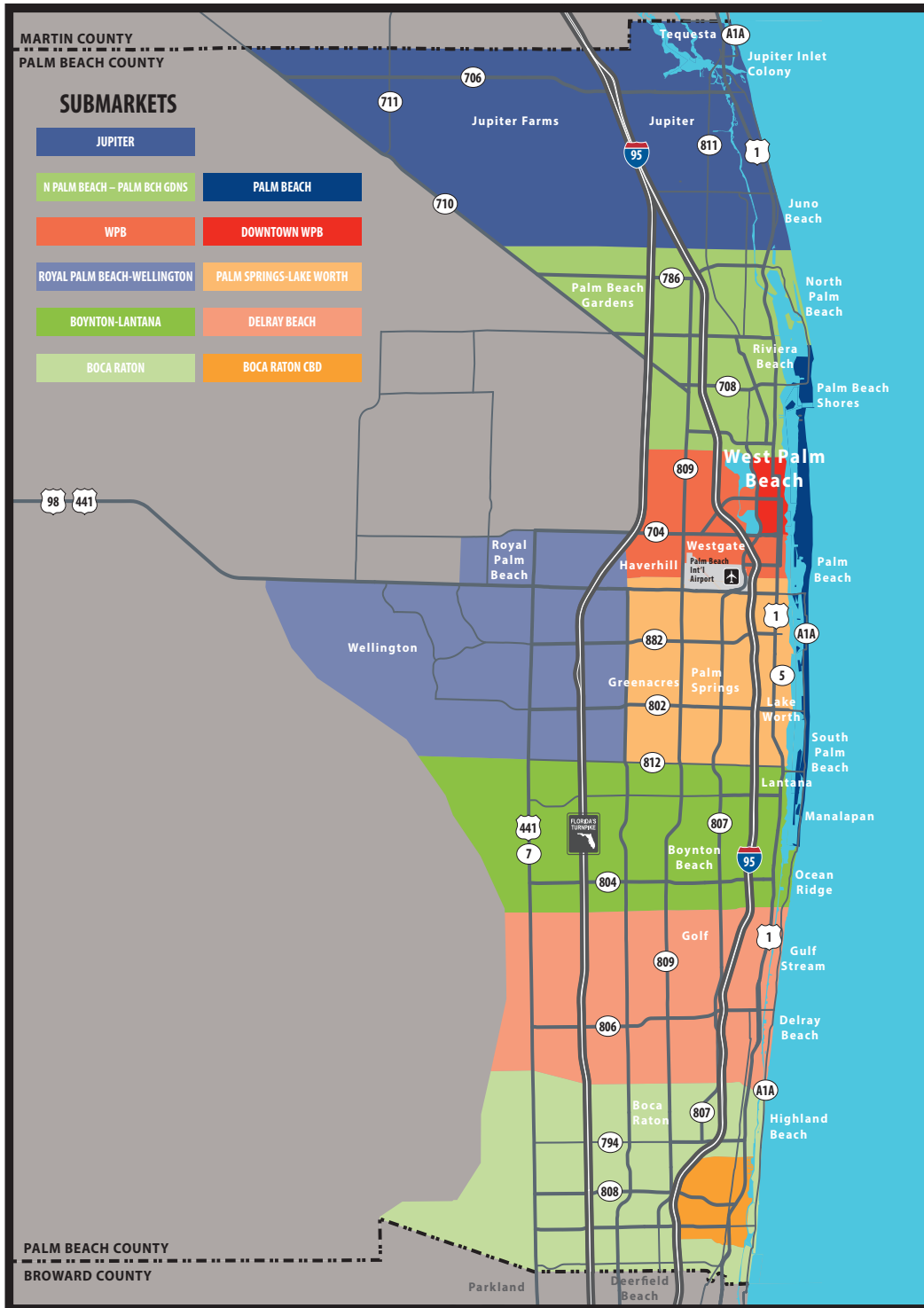
Property	SF	Sale Price	Price/SF	Buyer	Submarket
180 Royal Palm Way*	26,464	\$26,000,000	\$982	Frisbie Group	Palm Beach

*Avison Young handled this transaction

Asking rents increase significantly in 2020 as new office space is delivered

Overall asking rents increased significantly year-over-year to \$38.25 per sf (psf) (+\$1.80 psf) due in large part to the recent deliveries of the DiVosta Towers earlier in the year. Class A rents grew year-over-year to \$47.41 psf (+\$1.46 psf) and class B rents grew to \$33.13 psf (+\$1.52 psf).





Palm Beach Market Contacts

Greg Martin
Principal and Managing Director
954.903.1815
greg.martin@avisonyoung.com

Keith O'Donnell
Principal
561.893.7011
keith.odonnell@avisonyoung.com

Gary A. Gottlieb, SIOR, RPA
Principal
561.721.7025
gary.gottlieb@avisonyoung.com

Justin Cope
Principal
954.903.3701
justin.cope@avisonyoung.com

Paul Marko
Principal
954.375.2068
paul.marko@avisonyoung.com

Lisa Blumer
Senior Associate
954.903.3703
lisa.blumer@avisonyoung.com

**Get more
market
information**

Evie Linger
Research Analyst
+1 954 903 3714
evie.linger@avisonyoung.com

Avison Young - Fort Lauderdale
500 W Cypress Creek
Suite 350
Fort Lauderdale, FL 33309

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