



# West Palm Beach office market report

Q4 2022

**AVISON  
YOUNG**

# West Palm Beach office market trends

## +0.7 msf

**annual absorption amid a wave of in-migration**

The 318,749 square feet (sf) of positive absorption in West Palm Beach for the fourth quarter was nearly on par with the total absorption in the preceding three quarters, pushing annual absorption to 742,827 sf. The accelerated pace of move-ins is largely due to an explosion of in-migration as the region embraces its reputation as an alternative to Miami for affluent out-of-staters. High-profile bets on the area from Citadel and Blackrock, who both announced offices in Palm Beach in 2022, and Related Companies, who said it plans to build at least three more office towers in the area, indicate that growth will continue through 2023.

## -1.6%

**drop in overall vacancy as leasing market tightens**

West Palm Beach's overall vacancy rate of 10.6% represents some of the lowest availability since 2006 for the market and reflects the region's robust recovery from the pandemic. West Palm Beach has become a natural destination for finance, law and investment firms relocating or expanding into South Florida, and this increased demand has also helped push direct availability down to nearly pre-pandemic levels even as sublease availability ticked slightly up. Facing a limited short-term development pipeline, West Palm Beach's available inventory will likely continue to tighten in 2023 as firms finalize and execute their post-pandemic business plans.

## \$1.02 B

**annual investment sales accelerate region's reinvention**

Over 3.4 million square feet (msf) of office space was sold in West Palm Beach in 2022 for over \$1 billion, around 63% of 2021's record-breaking \$1.59 billion and the second-highest year on record. The sales reflect an increased interest in West Palm Beach that has helped to propel plans for new office developments. With nearly 800,000 sf of office space currently under construction and at least another 3.7 msf proposed to be built, investors and developers have signaled that the recent explosion of interest in the region will remain strong for the foreseeable future.

# West Palm Beach office market indicators

**765,010 sf**

**office space under construction**, with another 3.7 msf proposed

**+318,479 sf**

**fourth quarter absorption**, nearly as much as the preceding three quarters combined

**\$42.81 psf**

average **asking rent** (FS), up 1.6% from year-end 2021

**5.2 msf**

**total availability**, with around 15% of the available space listed for sublease

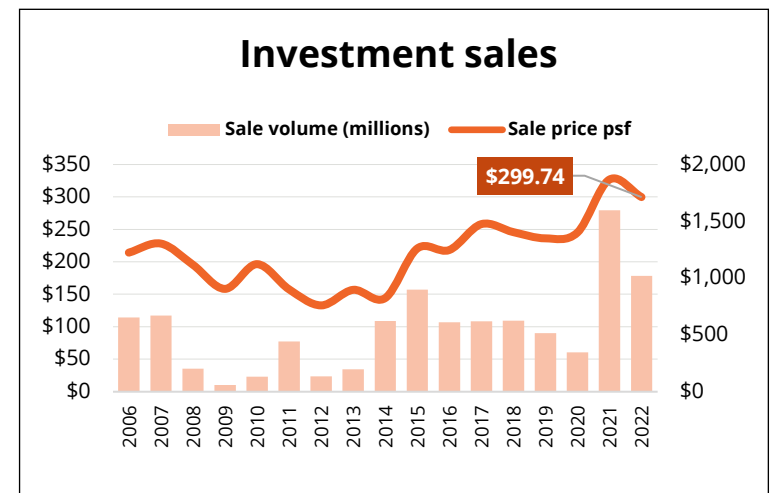
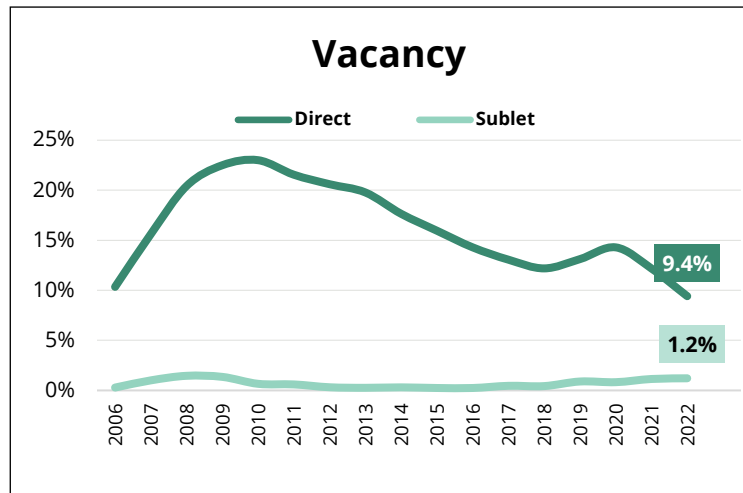
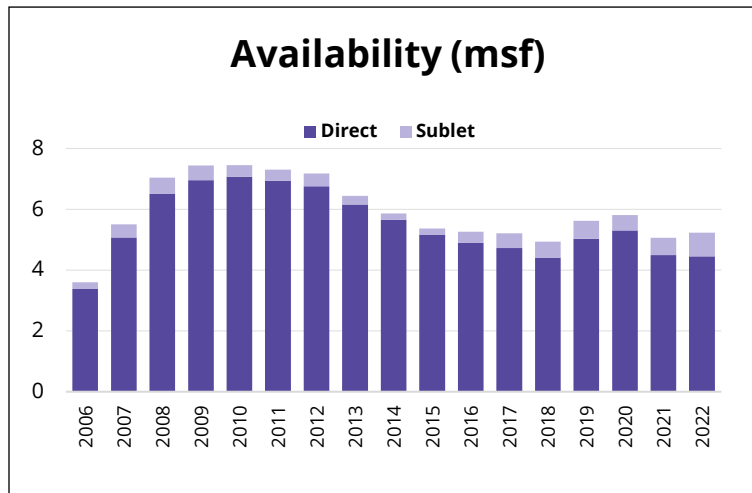
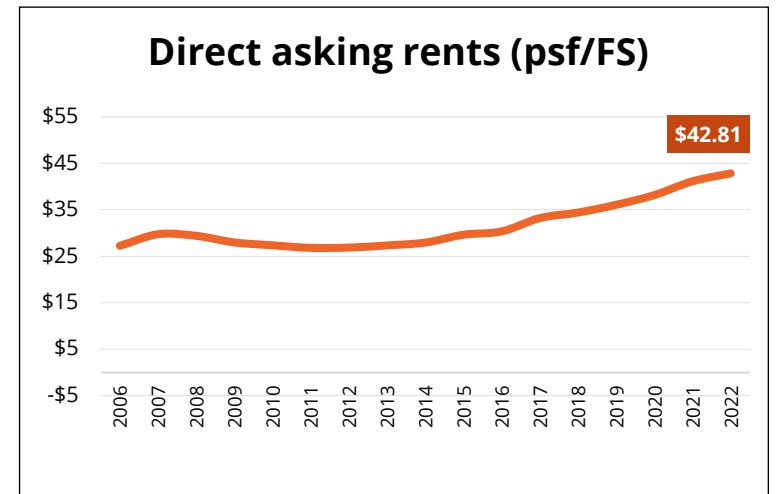
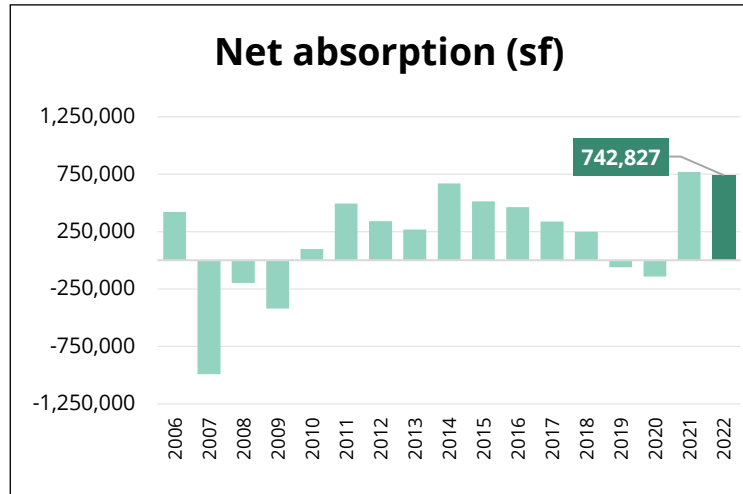
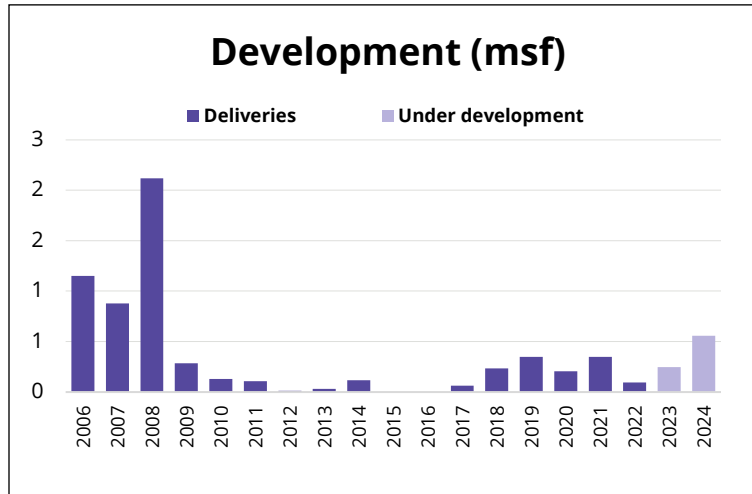
**10.6%**

**overall vacancy**, with 12.% of downtown office space unoccupied

**\$299.74**

average **investment sale price**, down less than 1% year-over-year

# West Palm Beach office market indicators



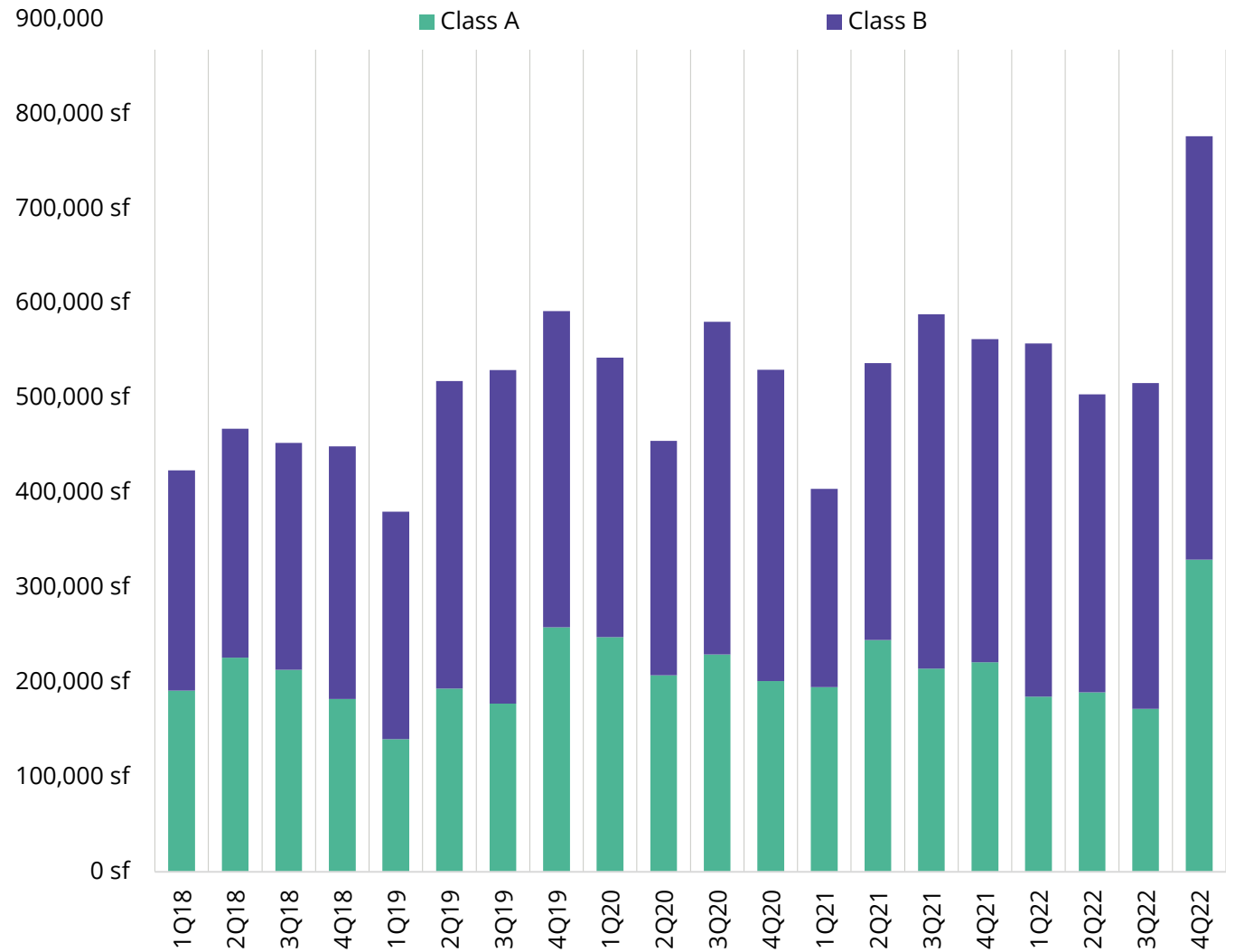
# Available sublease space by class

# 57.6%

of current available sublease space is within class B buildings.

As West Palm Beach is gearing up for a wave of new office construction over the next few years, sublease space has increased by 50.5% quarter-over-quarter, with a 30% rise in class B space and class A space nearly doubling.

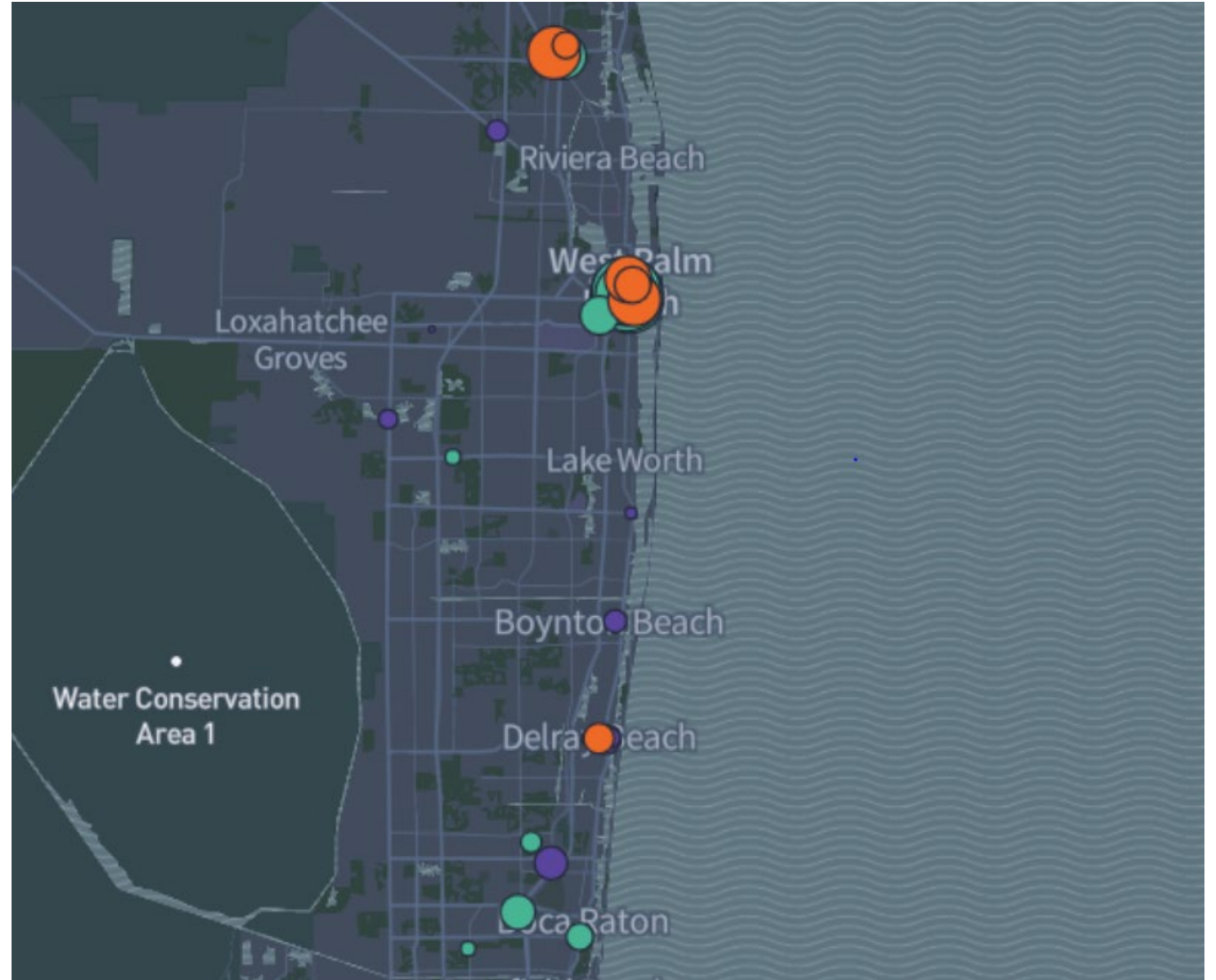
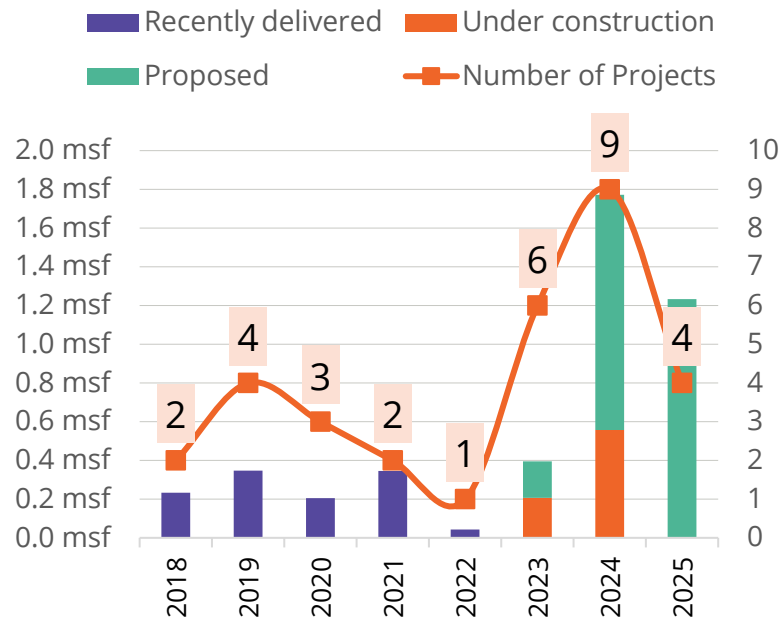
Currently, class B space is accounting for a majority of the sublease space on the market as tenants are opting for higher-quality space to attract workers back to the office.



Source: BLS

# Development pipeline in Palm Beach County

Just over 2.4 msf of office space is expected to deliver over the next three years in Downtown West Palm Beach and suburban West Palm Beach, the largest amount of new supply since 2008.

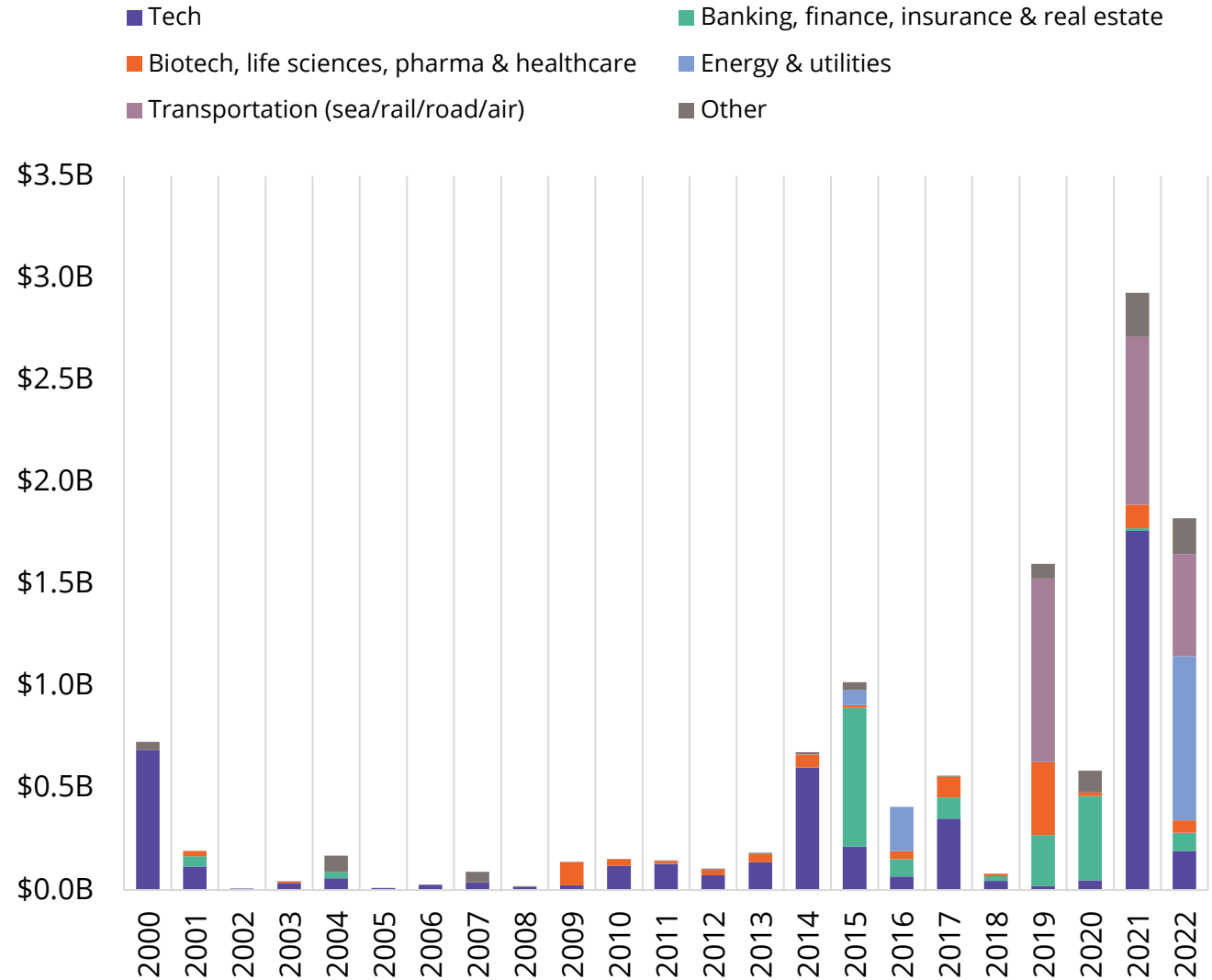


# Venture capital funding

# -37.8%

## year-over-year change in VC fundraising in Palm Beach County

After hitting a record \$2.9B in VC funding raised during 2021, deal-making began to slow during 2022 with \$1.8B in total funding in Palm Beach County. The tech sector saw the largest decline during 2022, dropping by 89.1% as investors began to pull back. Unsurprisingly, as energy costs continue to rise, the energy and utilities sector and the transportation sector received the most VC funding in 2022 with \$805M and \$500M respectively.



# West Palm Beach office market activity

## Recent leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
First Republic	One Boca Place 2255 Glades Rd.	Nov. 2022	50,293	Direct	New Lease	West Boca Raton
Material Technologies*	Research Park at FAU, IC4 3651 FAU Blvd.	Nov. 2022	27,919	Direct	Renewal	East Boca Raton
Sun Capital Partners	Boca Center, Tower 1 5200 Town Center Cir.	Oct. 2022	23,528	Direct	Renewal	West Boca Raton
Pike Electric	Golden Bear North 11780 US Highway 1	Oct. 2022	13,319	Direct	New Lease	North Palm Beach / Palm Beach Gardens
Advantage Behavioral Health Services*	North 40 5201 Congress Ave.	Oct. 2022	11,235	Direct	New	North Boca Raton

\*Transaction brokered by Avison Young

## Recent sales activity

Buyer	Address	Sale date	Building Size (sf)	Sale price	Sale price psf	Seller
Renaissance Properties	South City Plaza 1515 S Federal Hwy.	Oct. 2022	177,911	\$51,000,000	\$287.00	Penn-Florida Realty, Cypress Creek Capital
SSC Ventures	Clearlake Plaza 500 S Australian Ave.	Dec. 2022	102,087	\$35,900,000	\$352.00	Karl Corporation
ABS Partners	Corporate Center at The Gardens 4200 Northcorp Parkway	Dec. 2022	95,065	\$31,809,712	\$335.00	Breakers Capital Partners

## Top projects under development

Property	Address	Delivery Date	Building Size (sf)	% Preleased	Developer	Submarket
1 Flagler	154 Lakeview Ave.	Feb. 2024	227,000	50.3%	Related Co.	West Palm Beach
One West Palm	550 N Quadrille Blvd.	Aug. 2023	207,107	0%	Florida Sunshine Investments	Downtown West Palm Beach
Banyan & Olive	300 Banyan Blvd.	Dec. 2024	127,000	9.3%	Brand Atlantic	Downtown West Palm Beach



# West Palm Beach office market stats

By Submarket	Inventory (sf)	Total %	Vacancy		Net Absorption		SF Under	Average Asking Rent		
			Class A	Class B	4Q22	YTD	Construction	Total	Class A	Class B
Downtown West Palm Beach	3,300,067	12.5%	12.3%	12.6%	47,065	236,071	334,107	\$64.86	\$ 72.59	\$ 49.00
<b>Urban Subtotal</b>	<b>3,300,067</b>	<b>12.5%</b>	<b>12.3%</b>	<b>12.6%</b>	<b>47,065</b>	<b>236,071</b>	<b>334,107</b>	<b>\$64.86</b>	<b>\$ 72.59</b>	<b>\$49.00</b>

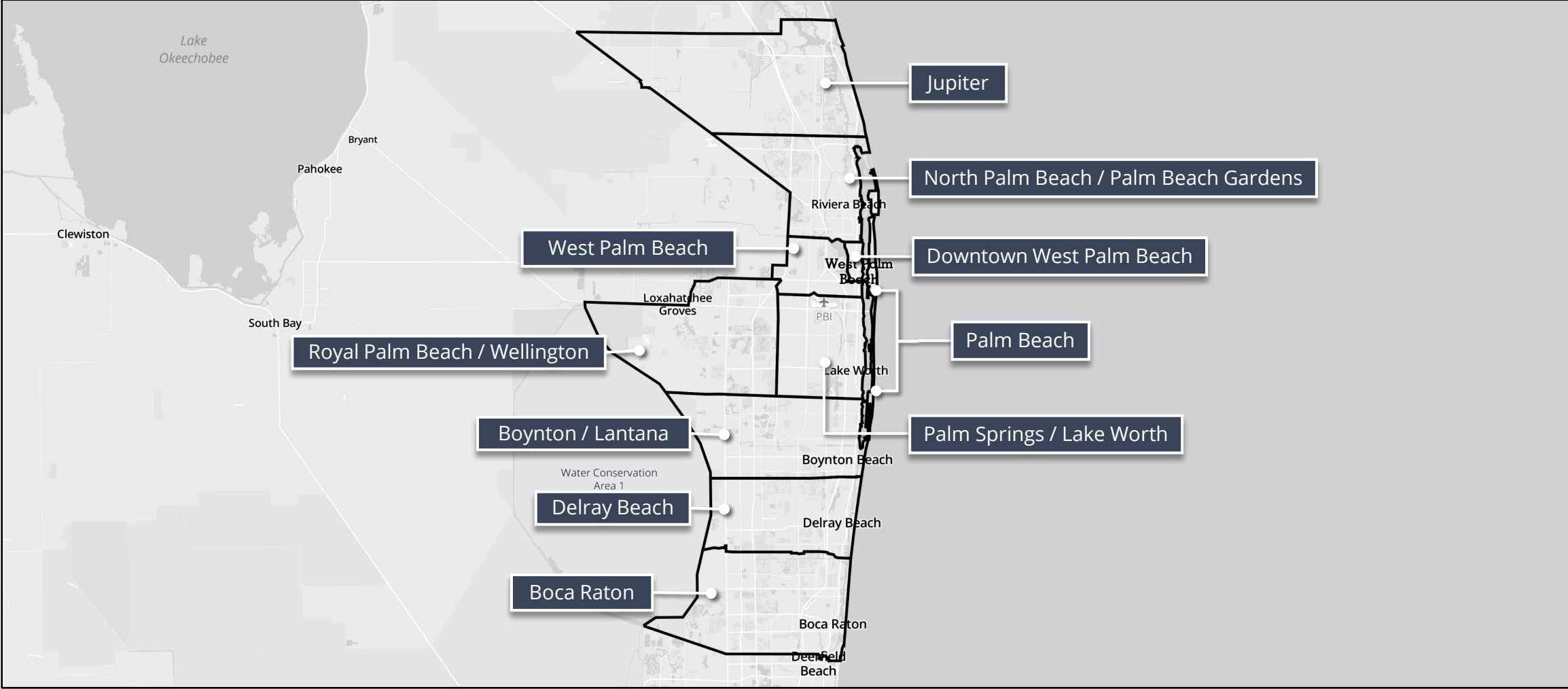
By Submarket	Inventory (sf)	Total %	Class A	Class B	4Q22	YTD	Construction	Total	Class A	Class B
Boca Raton	12,541,745	11.8%	12.3%	11.5%	71,606	101,315		\$ 43.18	\$ 47.79	\$ 39.13
Boynton/Lantana	785,887	4.3%	1.5%	5.0%	2,336	13,155		\$ 25.98	—	\$ 25.98
Delray Beach	1,443,794	6.4%	13.2%	5.4%	3,530	91,308	90,903	\$ 52.10	\$ 77.31	\$ 31.83
Jupiter	1,127,946	4.0%	4.8%	3.7%	9,985	-1,496		\$ 39.75	\$ 41.31	\$ 39.65
North Palm Beach/ Palm Beach Gardens	4,316,393	10.0%	8.7%	10.9%	132,753	151,793	70,000	\$ 35.39	\$ 53.80	\$ 29.85
Palm Beach	609,483	8.4%	4.1%	9.8%	-23,904	42,055		\$ 79.04	\$ 98.62	\$ 75.72
Palm Springs/ Lake Worth	602,528	24.4%	57.5%	7.6%	30,945	43,402		\$ 34.65	\$ 37.85	\$ 29.75
Royal Palm Beach/ Wellington	793,905	4.0%	0.0%	4.2%	8,211	-1,646		\$ 35.29	—	\$ 35.29
West Palm Beach	3,182,839	10.5%	13.8%	8.6%	35,952	66,870	270,000	\$ 37.03	\$ 42.06	\$ 33.51
<b>Suburban Subtotal</b>	<b>25,404,520</b>	<b>10.4%</b>	<b>12.3%</b>	<b>9.5%</b>	<b>271,414</b>	<b>506,756</b>	<b>430,903</b>	<b>\$41.32</b>	<b>\$47.89</b>	<b>\$36.43</b>
<b>Market Total</b>	<b>28,704,587</b>	<b>10.7%</b>	<b>12.3%</b>	<b>9.7%</b>	<b>318,479</b>	<b>742,827</b>	<b>765,010</b>	<b>\$42.81</b>	<b>\$52.57</b>	<b>\$37.34</b>

# West Palm Beach office market stats by class

By Class	Inventory (sf)	Vacancy	4Q Absorption	YTD Absorption	SF Under Construction	Available Sublease (sf)
Class A	10,404,649	12.3%	199,950	448,417	765,010	329,304
Class B	18,299,938	9.7%	118,529	294,410	0	446,860
<b>Market Total</b>	<b>28,704,587</b>	<b>10.7%</b>	<b>318,479</b>	<b>742,827</b>	<b>765,010</b>	<b>776,164</b>



# West Palm Beach submarket map



# Office insights glossary of terms

## Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

## Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

## Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

## Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

## Vitality Index

- **Visitor volumes:** based on extrapolated, anonymized cell phone pings provided by Orbital Insight at custom, geofenced locations, the Vitality Index tracks visitor volumes at representative areas of interest across markets and property types

For more market insights and information visit **avisonyoung.com**

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