

Palm Beach County Office, Q4 2019

Years of undersupply has developers jumping at opportunity

 Total Vacancy
12.1 %

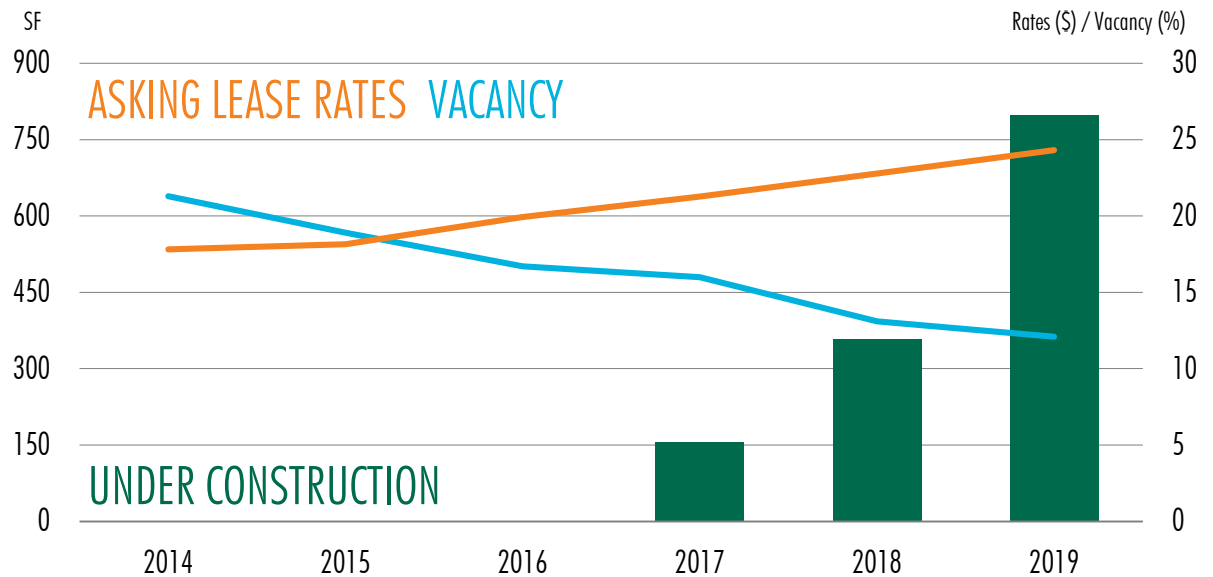
 Lease Rate
\$24.30 PSF

 Net Absorption
26,174 SF

 Under Construction
797,537 SF

*Arrows indicate change from previous year.

Figure 1: Under Construction –vs– Asking Lease Rates and Vacancy



Source: CBRE Research, Q4 2019.

DEVELOPMENT

- Construction began on One West, a mixed-use project located in West Palm Beach which includes 210,000 sq. ft. of class A office, a 326-unit apartment building, a 200-room hotel, and 14,000 sq. ft. of retail space.
- Palm Beach ended 2019 on a positive note, posting 26,174 sq. ft. of net absorption in Q4 2019, and 114,957 sq. ft. of net absorption for the year.
- Vacancy continues to drop, settling at the Q4 2019 rate of 12.1%

The expansion of the Palm Beach County office market continues, as strong metrics have incentivized developers to action. Six multi-tenant office buildings are under construction in Palm Beach County, which will add nearly 800,000 sq. ft. of new class A office product, more development than the area has seen in 12 years. This activity will increase the total market RBA by almost 3.5%, providing much-needed space to expanding industries such as the financial, business, and scientific-technical sectors. Expect even more rent growth in 2020, as this new product will be premier-priced and will provide upward pressure on asking rates.

Figure 2: Market Statistics

Submarket	Total Inventory (SF)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2019 Net Absorption (SF)	2019 YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/NNN)
Boca Raton	11,397,368	11.0	11.2	619	4,390	0	23.77
Boynton Beach	418,063	22.6	24.5	967	12,866	0	15.46
Delray Beach	885,415	12.0	13.2	(9,251)	59,144	41,500	24.37
Jupiter	491,140	14.6	15.0	3,534	(7,861)	0	21.81
Lake Worth	384,961	19.6	19.6	(5,108)	(23,607)	0	15.02
North Palm Beach	2,797,928	7.8	8.2	48,938	52,871	223,942	23.42
Palm Beach	541,306	13.2	13.2	3,232	2,408	0	38.01
Royal Palm Beach	248,578	5.1	5.1	(1,952)	(7,397)	35,000	24.07
West Palm Beach	5,625,097	13.9	14.3	(14,805)	22,143	497,095	26.33
Total Palm Beach County	22,789,856	11.8	12.1	26,174	114,957	797,537	24.30
Class A	10,330,455	11.1	11.4	21,662	82,683	797,537	28.47
Class B	10,916,846	12.7	13.0	(1,036)	44,008	0	19.95
Class C	1,542,555	10.1	10.1	5,548	(11,734)	0	20.45
Downtown West Palm Beach	2,591,740	13.5	15.4	9,545	12,911	0	34.79

Source: CBRE Research, Q4 2019.

Figure 3: Significant Q4 2019 Lease Transactions

Submarket	Property	Tenant	Transaction (SF)
Boca Raton	Boca Village Corporate Center	Mill Creek Residential Trust	27,079
Downtown West Palm	Phillips Point East	Holland & Knight LLP	17,467
Downtown West Palm	Northbridge Centre	Fisher Potter & Hodas PLLC	13,135

Source: CBRE Research, Q4 2019.

Figure 4: Significant Q4 2019 Occupancies

Submarket	Property	Tenant	Transaction (SF)
Boca Raton	951 Yamato	Therapeutics MD	67,000
Boynton Beach	Quantum Park	NYU	27,108
Delray Beach	Delray Central	Specialized Healthcare Partners LLC	26,482
Downtown West Palm	One Clearlake Centre	Intech Investment Management	25,678
Boca Raton	Innovation Centre 3	MPLT	21,973

Source: CBRE Research, Q4 2019.

Figure 5: Significant Q4 2019 Sale Transactions

Submarket	Property	Buyer	Sale Price (\$)	Building (SF)	Price Per Sq. Ft. (\$)
West Palm Beach	Centurion Tower	Suffolk Advisors LLC	32,500,000	143,966	226
North Palm Beach	Beach House Medical	The Sanders Trust	21,500,000	63,108	341

Source: CBRE Research, Q4 2019.

LEASING ACTIVITY

The total vacancy rate for office space remained steady quarter-over-quarter and declined 94 basis points (bps) year-over-year to the Q4 2019 rate of 12.1%. The submarkets that recorded the lowest vacancies were Royal Palm Beach (5.1%) and North Palm Beach (8.2%).

Office demand resulted in 26,174 sq. ft. of net absorption in Q4 2019. Several large users occupied space during Q4 2019, turning absorption back to the positive side. Therapeutics MD occupied 67,000 sq. ft. at 951 Yamato in the Boca Raton submarket, and NYU occupied 27,108 sq. ft. at Quantum Park in the Boynton/Lantana submarket. The largest lease of Q4 2019 was signed by Mill Creek Residential Trust which took space at Boica Village Corporate Center located in the Boca Raton submarket, totaling 27,079 sq. ft.

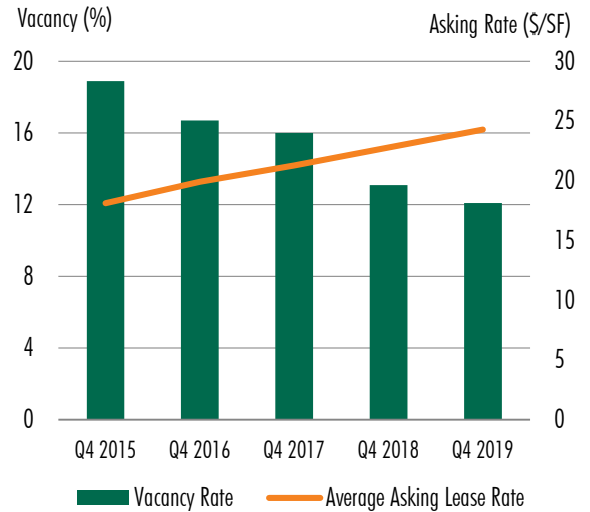
INVESTMENT SALES ACTIVITY

Capital markets investors continue to expand their portfolios in the Palm Beach County office market. Six sales transactions closed during Q4 2019, with a total sales volume of \$104 million. The price per sq. ft. for buildings sold during the quarter was \$272. The largest sale of Q4 2019 was the Centurion Tower in West Palm Beach. The asset totals 143,966 sq. ft., and was sold by C-III Capital Partners to Suffolk Advisors for \$32.5 Million, or \$226 per sq. ft.

OUTLOOK

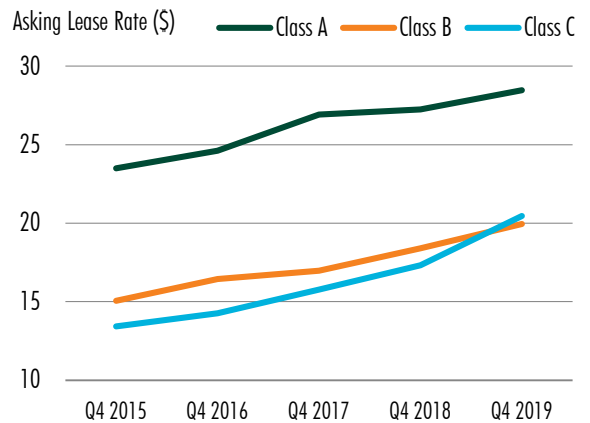
Business development activity and employment growth are anticipated to continue driving the Palm Beach office market. Employment in the office-using Financial Activities sector has been increasing, as wealthy households offer opportunity for wealth advisement firms to flourish. In addition, multifamily developers are active, bringing new product and new population to market, creating live-work-play dynamics which has encouraged development and will continue to do so in 2020.

Figure 6: Total Vacancy –vs– Average Direct Asking Lease Rate (NNN)



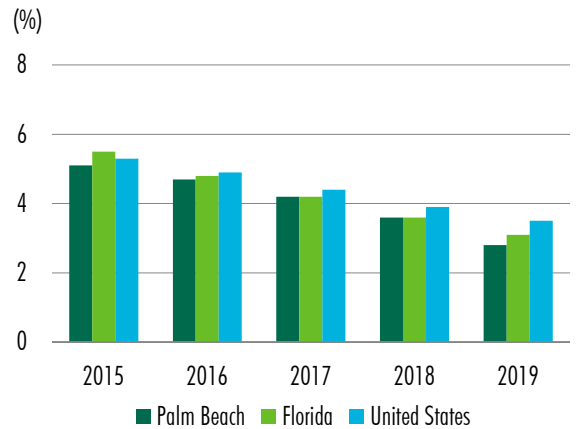
Source: CBRE Research, Q4 2019.

Figure 7: Average Direct Asking Lease Rate (NNN)

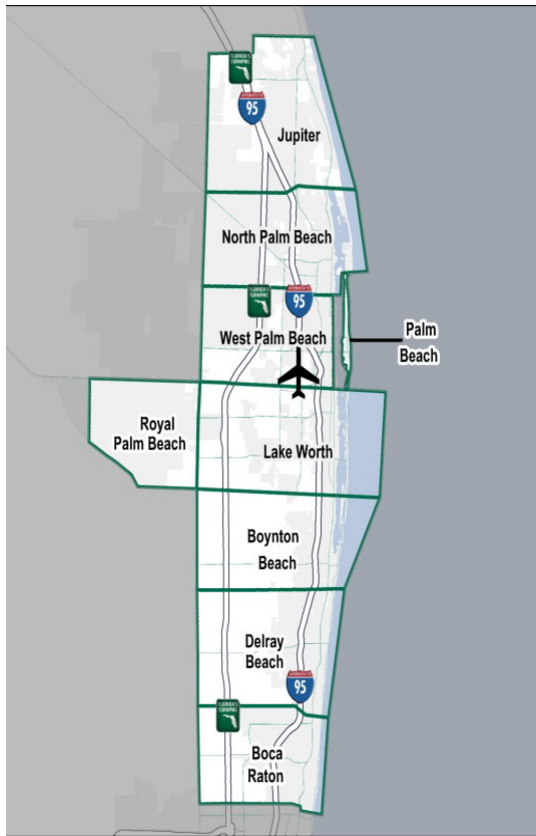


Source: CBRE Research, Q4 2019.

Figure 8: Unemployment



Source: U.S. Department of Labor, Bureau of Labor Statistics, November 2019.



Market Coverage: Includes all multi-tenant office buildings 30,000 sq. ft. and greater in size in Palm Beach County. Excludes: office condo, medical and government buildings.

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