

## MARKETBEAT

# Palm Beach County

Office Q1 2019



### PALM BEACH COUNTY OFFICE

#### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Palm Beach County Employment	704k	713k	▲
Palm Beach County Unemployment	3.7%	3.4%	▼
U.S. Unemployment	4.1%	3.8%	▼

\*Numbers above are monthly figures, Feb. 2019, FL Dept. Economic OPP

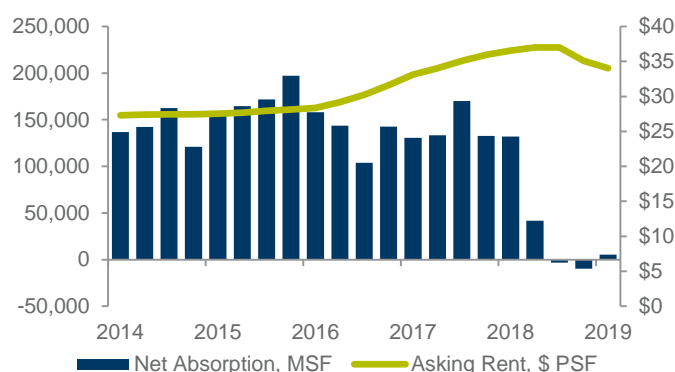
#### Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	14.5%	13.3%	▼
YTD Net Absorption (sf)	18k	78k	▲
Under Construction (sf)	132k	507k	▲
Average Asking Rent*	\$36.87	\$37.51	▲

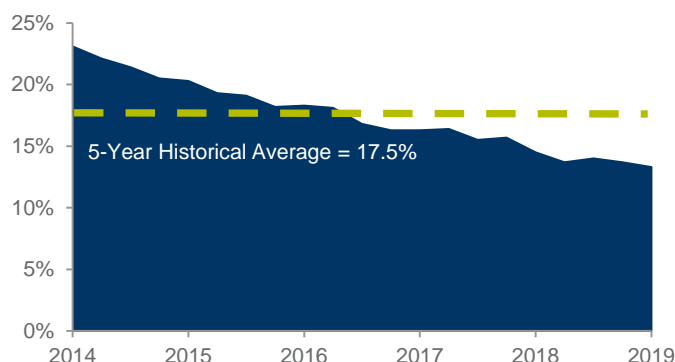
\*Rental rates reflect gross asking \$psf/year.

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



## Economy

Palm Beach County added 11,300 jobs over the past 12 months, pushing the unemployment rate down -30-basis-points (bps) to 3.4%. Office landlords benefited from steady employment gains which had a positive impact on office space demand, especially in the Professional, Scientific, and Technical Services sector, which grew by 7.6%, adding 3,700 jobs year-over-year (YOY). A renewed focus on scientific research and bioscience, from West Palm Beach to Jupiter, contributed to growth in those office-using sectors throughout the first three months of the year.

## Market Overview

The overall vacancy rate for office space in Palm Beach County remained near historic lows at 13.3%, down -81 bps YOY. Demand for lower priced Class B suburban space and non-traditional "brick and beam" space caused a gradual drop in vacancy across the County. The strongest YOY occupancy gains were witnessed in Boca Raton and North Palm Beach, where overall vacancy dropped -160 bps to 13.0% and -130 bps to 9.9%, respectively. Vacancy in Palm Beach Gardens was expected to rise in the second half of 2019, with the delivery of the two-building 224,000 square foot (sf) Divosta Towers. Construction without substantial pre-leasing has historically been rare in this market. A speculative project of this magnitude, which lacks notable pre-leasing, will likely deliver with substantial vacancy.

Full service overall asking rents in the CBD increased by 3.9% YOY to \$48.88 per square foot (psf), as landlords rose rates to offset rising build-out costs and to keep up with demand. Class A assets across Palm Beach County saw a robust yearly increase in direct average rates, up 7.6% to \$46.87 psf, while overall Class A CBD rates also posted notable gains in West Palm Beach, rising by more than 5.0% YOY to \$59.66 psf. Select Class A buildings in the CBD, including Phillips Point, drove full service asking rates to historic highs of over \$70.00 psf. Class B assets, which comprise over half the market inventory, remained steady over the year, with rates decreasing less than -1.0% to \$31.81 psf. Class B rent growth was strongest in the CBD, where direct rates rose 5.2% YOY to \$40.55 psf full service.

Overall absorption exceeded 78,000 sf in Q1 2019, the highest Q1 absorption recorded in nearly 5 years. The bulk of absorption occurred in suburban Class B assets, which were responsible for over two-thirds of the total absorption recorded in the market. Quality suburban assets in the County saw renewed interest as tenants chose economical pricing over prime CBD location. Leasing activity totaled over 316,000 sf in Q1 across the County. Boca Raton, which comprises nearly half of the office inventory for the entire county, led the county in leasing activity, as 140,000 sf in deals were signed.

First quarter investment sales volume in Palm Beach County totaled 1.1 million square feet (msf), with nearly 900,000 sf trading across Class B assets. Overall, this marked a 77.0% increase in sales volume over the same period in 2018 and the highest first quarter investment sales volume posted since 2016. Strong investor sentiment for well-positioned, value-add suburban Class B assets was evident as pricier Class A properties across the county reach the top-end of their rent growth cycle. With no new Class B product in the construction pipeline, investment sales of these assets were expected to comprise a majority of sales activity throughout 2019.

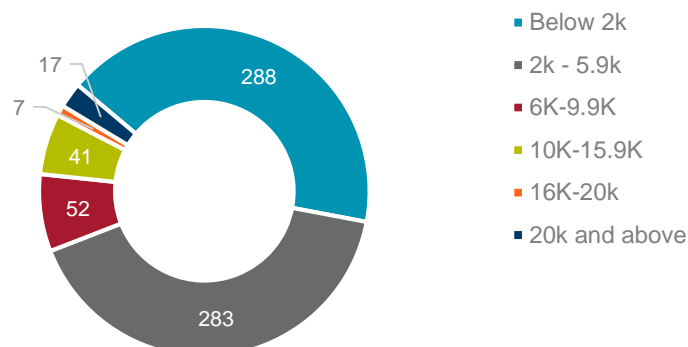
### The overall vacancy rate for office space in Palm Beach County remained near historic lows at 13.3%, down -81 bps YOY

Palm Beach County remained a top destination for financial and legal services firms, due in part to a business-friendly regulatory environment, a strong talent pool, and an abundance of executive housing. With vacancy near historic lows, developers responded to strong demand with over 500,000 sf of new product set to deliver within the next 24 months. For the first time in over a decade, and in-line with Broward County to the South, Palm Beach County saw a resurgence in Class A CBD construction. Jeff Greene's 30-story mixed-use One West Palm will feature 200,000 sf of Class A office space and will be the tallest building in Palm Beach County when it delivers in 2021.

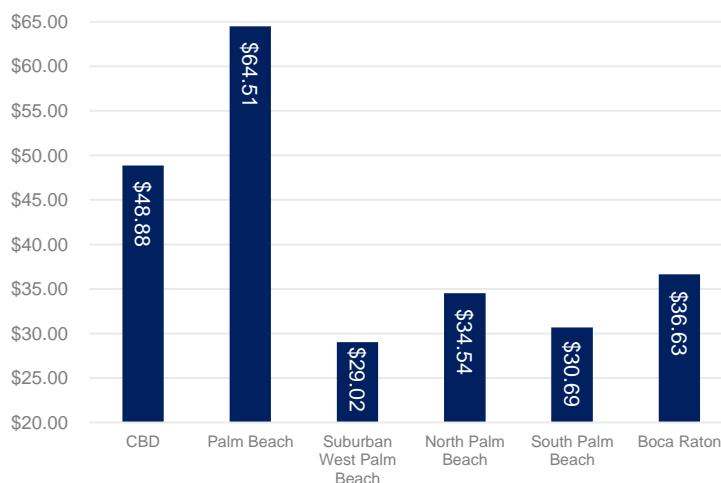
### Market Highlights

- As demand for creative "brick and beam" space remains high, some office tenants focused on the adaptive reuse of functionally obsolete industrial and retail buildings in the periphery of the CBD.
- Tenant interest from an expanding finance sector should remain high, as West Palm Beach attracts businesses and executives from SALT markets.
- Cushman & Wakefield anticipates strong rent growth across suburban and CBD markets throughout 2019; stimulating key developers to move forward with proposed projects.

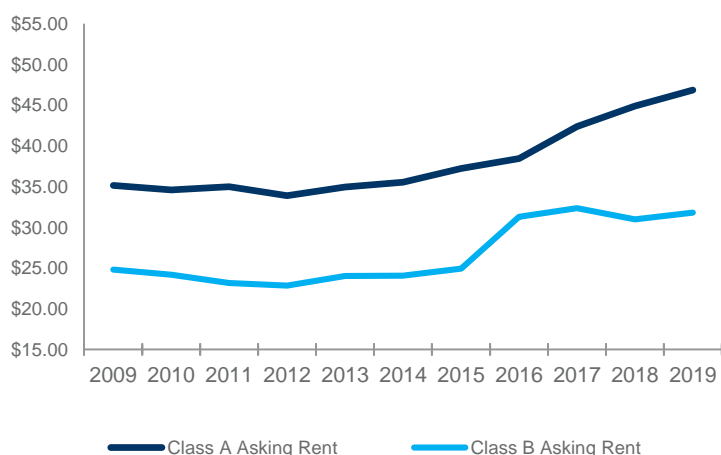
### Direct Availability by Size Segment



### Full Service Asking Rents by Submarket



### CLASS A & B Asking Rent Trend



## MARKETBEAT

## Palm Beach County

Office Q1 2019



CUSHMAN &amp; WAKEFIELD

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)***	UNDER CNSTR (SF)**	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
West Palm Beach CBD	3,161,737	28,105	434,855	14.6%	1,927	1,927	10,945	200,000	\$48.88	\$59.66
Suburban Palm Beach County	20,387,966	121,690	2,545,170	13.1%	76,207	76,207	305,766	306,943	\$35.36	\$43.92
<b>SUBURBAN WPB</b>	<b>3,552,148</b>	<b>1,242</b>	<b>561,399</b>	<b>15.8%</b>	<b>-4,101</b>	<b>-4,101</b>	<b>51,106</b>	<b>0</b>	<b>\$35.63</b>	<b>\$46.20</b>
West Palm Beach	3,043,377	1,242	456,666	15.0%	-6,649	-6,649	41,686	0	\$29.02	\$31.42
Palm Beach	508,771	0	104,733	20.6%	2,548	2,548	9,420	0	\$64.51	\$66.56
<b>NORTH PALM BEACH</b>	<b>3,392,868</b>	<b>20,728</b>	<b>313,580</b>	<b>9.9%</b>	<b>11,903</b>	<b>11,903</b>	<b>49,699</b>	<b>223,943</b>	<b>\$34.55</b>	<b>\$39.89</b>
Palm Beach Gardens/N. Palm Beach	2,630,225	20,728	270,372	11.1%	9,422	9,422	47,218	223,943	\$35.02	\$39.64
Jupiter/Tequesta/Juno	762,643	0	43,208	5.7%	2,481	2,481	2,481	0	\$31.34	\$44.75
<b>SOUTH PALM BEACH</b>	<b>1,847,688</b>	<b>14,438</b>	<b>269,903</b>	<b>15.4%</b>	<b>30,083</b>	<b>30,083</b>	<b>64,651</b>	<b>83,000</b>	<b>\$30.69</b>	<b>\$47.00</b>
Lake Worth	503,017	0	49,564	9.9%	10,149	10,149	24,167	0	\$27.00	N/A
Boynton Beach	462,712	0	99,009	21.4%	-2,495	-2,495	24,258	0	\$27.85	\$37.50
Delray Beach	881,959	14,438	121,330	15.4%	22,429	22,429	16,226	83,000	\$34.10	\$49.14
<b>BOCA RATON</b>	<b>11,595,262</b>	<b>110,916</b>	<b>1,399,688</b>	<b>12.8%</b>	<b>38,322</b>	<b>38,322</b>	<b>140,310</b>	<b>0</b>	<b>\$36.61</b>	<b>\$44.02</b>
Glades Road	2,940,002	51,419	366,418	14.2%	10,912	10,912	37,952	0	\$46.10	\$48.54
Federal Highway Corridor	1,640,447	10,434	224,734	14.3%	12,229	12,229	37,288	0	\$37.94	\$41.53
Northwest Boca Raton	5,755,883	23,429	709,218	12.7%	18,011	18,011	57,062	0	\$30.89	\$34.54
Southwest Boca Raton	532,226	0	26,958	5.1%	-6,593	-6,593	0	0	\$30.41	\$33.33
Downtown Boca Raton	726,704	0	72,360	10.0%	3,763	3,763	8,008	0	\$37.67	\$38.81
<b>PALM BEACH TOTALS</b>	<b>23,549,703</b>	<b>149,795</b>	<b>2,980,025</b>	<b>13.3%</b>	<b>78,134</b>	<b>78,134</b>	<b>316,711</b>	<b>506,943</b>	<b>\$37.51</b>	<b>\$46.87</b>

\*Rental rates reflect gross asking \$psf/year \*\* Under construction not reflective of U.S. MarketBeat table \*\*\*Does not include Renewals

ASSET CLASS***	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)***	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT AVERAGE ASKING RENT*
Class A	9,455,674	75,356	1,115,673	12.6%	19,558	19,558	108,375	506,943	46,233	\$46.96
Class B	13,149,380	74,439	1,781,222	14.1%	52,919	52,919	187,354	0	0	\$32.00
Class C	944,649	0	83,130	8.8%	7,885	7,885	20,982	0	0	\$34.73

## Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
901 Yamato Road	21,622	FlexShopper	New	Northwest Boca Raton
3301 Quantum Blvd	21,258	NYU School of Medicine	New	Boynton Beach
348 Hiatt Drive	17,181	Merchant Lynx	New	Palm Beach Gardens / North Palm Beach
7777 Glades Road	12,798	Saxena White	New	Glades Road

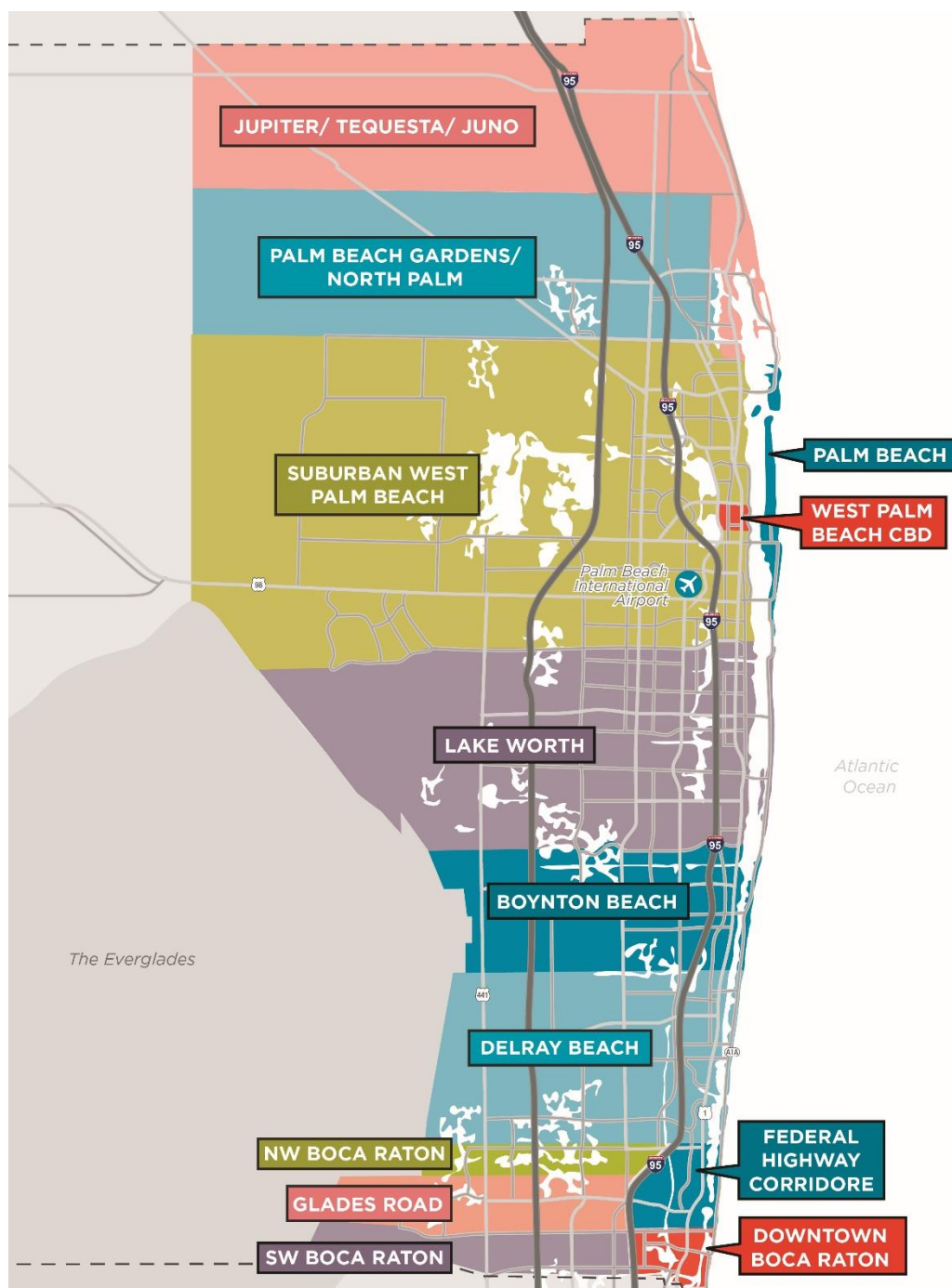
## Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Wells Fargo Plaza	102,309	IP Capital Partners/GEM Realty	\$34,600,000/\$338	Downtown Boca Raton
205 Datura Street	71,285	PNC Bank Nat'l Assoc/Morning Calm Management	\$14,215,000/\$199	Palm Beach CBD
1005 Lake Avenue	33,000	MeeCorp/Yasmin Real Estate	\$5,350,000/\$162	Lake Worth

## MARKETBEAT

# Palm Beach County

Office Q1 2019



Cushman & Wakefield, LLC  
515 East Las Olas Blvd  
Suite 900  
Fort Lauderdale, FL 33301  
[cushmanwakefield.com](http://cushmanwakefield.com)

For more information, contact:  
JD Brussels  
Senior Analyst  
Tel: +1 954 377 0492  
[jd.brussels@cushwake.com](mailto:jd.brussels@cushwake.com)

Chris Owen  
Director, Florida Research  
Tel: +1 407 541 4417  
[chris.owen@cushwake.com](mailto:chris.owen@cushwake.com)

### About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

Copyright © 2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

[cushmanwakefield.com](http://cushmanwakefield.com)