



Palm Beach Office Market

Palm Beach's office sector saw a more balanced approach between supply and demand, with the county recording only 15,751 square feet of negative absorption during fourth-quarter 2020. Over 283,000 square feet of supply was returned to the market in 2020, the lowest throughout the region as the overall vacancy rate increased 130 basis points from one year ago, to 12.7%. Palm Beach took over the number-one spot for lowest vacancy in the region after reporting the highest vacancy in South Florida for 15 consecutive years. Surprisingly, the Class C segment led the county, with over 19,000 square feet of positive absorption in 2020, while the Class A segment saw the largest correction, with over 127,000 square feet of year-to-date negative net absorption. The Class B sector saw over 74,000 square feet of added supply for the year. No major moveouts contributed to the market corrections, as closures from smaller tenants below 5,000 square feet and minimal downsizes accounted for the majority of supply outpacing demand.

The overall average asking rate continued to tick upward as landlords held asking rents level, coupled with the increase of high-end office availability. The Class A segment continued its record climb to \$42.25/SF, a \$0.69/SF increase from one year ago and well above the \$37.07/SF peak from the previous economic cycle. The Class B weighted average saw a similar rise, increasing to \$30.56/SF from the \$29.73/SF, while the Class C segment inched downward by \$0.22/SF from one year ago, to settle at \$18.67/SF. The trend of lower-tier office buildings appealing to tenants will likely continue as escalating rents in Class A properties push tenants to consider cost over quality. Developers remained disciplined on construction, with only one completion totaling 111,000 square feet in 2020 and three buildings totaling 650,000 square feet remained under construction, with no plans on any new buildings going up in the near future. The limited amount of new office development will likely aid a quicker rebound for the market.

Leasing and Demand

Leasing activity held level with 145 transactions totaling 387,000 square feet closed during the fourth quarter, bringing totals to more than 1.6 million square feet leased in 2020. This was also level with the deal activity seen one year ago. Class B office space held onto the lead for a third consecutive year, with 838,000 square feet, while Class A space stayed in the number-two spot, with 741,000 square feet in 2020. The professional and business services sector led in midsize to large lease deals for the second consecutive year, with 104,000 square feet, while law firms moved into second place, with 75,500 square feet and construction companies moved into the third spot, with 48,517 square feet of transaction activity.

Investment Sales

Investment sales simmered in the fourth quarter, as one portfolio transaction totaling 96,674 square feet brought year-to-date investment sales to 972,955 square feet, worth a combined \$246.8 million. This was down from the 1.2 million square feet that sold one year ago. The average sales price saw a slight decrease from \$259/SF one year ago to \$254/SF, which can be attributed to the increase in lower-tier office property sales from one year ago.

Current Conditions

Palm Beach fared the best in South Florida, with the least amount of supply returned to the market in 2020.

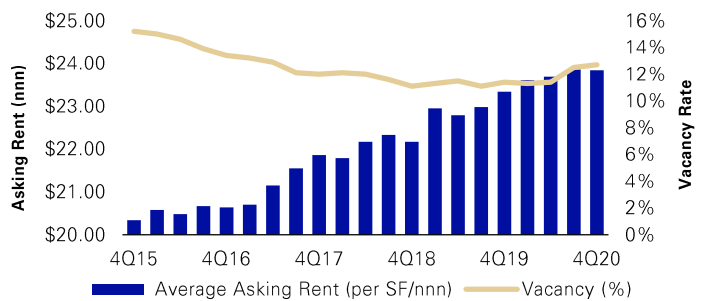
The office sector took over the bragging rights of having the lowest vacancy for the first time in almost 20 years.

Overall asking rates climbed higher as landlords have yet to lower asking rents, despite market corrections, combined with the increased availability from Class A buildings.

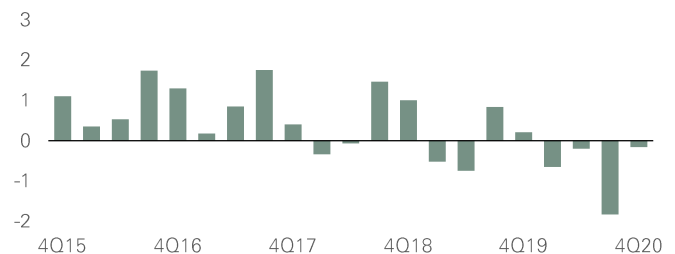
Leasing activity fell slightly from the previous quarter, but not as significant of a dip as in Miami-Dade and Broward Counties.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (100,000 SF)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	25.2M	25.1M	25.0M	↑
Vacancy Rate	12.7%	12.5%	11.4%	↑
Quarterly Net Absorption (SF)	(15,751)	(182,525)	20,937	↑
Average Asking Rent/SF	\$35.49	\$35.04	\$34.42	↓
Under Construction (SF)	650,000	650,000	621,971	↓
Deliveries	0	111,971	111,972	↑

Palm Beach Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Overall Average Asking Rent (Price/SF)
W Palm Beach CBD	2,424,181	510,000	13.9 %	-12,128	-44,123	\$59.36	\$42.77	\$53.49
Boca Raton	11,655,106	0	13.1 %	-27,656	-85,342	\$40.35	\$29.69	\$36.01
Boynton/Lantana	712,398	0	11.4 %	1,295	10,850	N / A	\$26.30	\$24.46
Delray Beach	1,158,308	0	11.7 %	11,432	-37,933	N / A	\$27.40	\$26.43
Jupiter	596,224	0	7.4 %	915	14,583	N / A	\$24.30	\$24.30
N Palm Bch/Palm Bch Gardens	3,740,937	0	12.8 %	-3,426	-61,663	\$38.80	\$24.50	\$31.23
Palm Beach	822,706	0	11.3 %	529	17,211	N / A	\$59.59	\$59.59
Palm Springs/Lake Worth	238,131	0	7.1 %	6,402	10,690	N / A	\$25.48	\$25.48
Royal Palm Bch/Wellington	304,640	0	6.9 %	-3,466	-12,120	N / A	\$26.17	\$24.78
W Palm Beach Suburban	3,539,553	140,000	13.1 %	10,352	4,789	\$36.45	\$29.10	\$30.12
Suburban Total	22,768,003	140,000	12.6 %	-3,623	-138,935	\$39.70	\$29.72	\$33.67
Totals	25,192,184	650,000	12.7 %	-15,751	-183,058	\$42.25	\$30.56	\$35.49

Palm Beach Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
Baptist Health	Boca Raton Innovation Campus- 4950 Communication Ave	Boca Raton	New	37,982
InCapital Holdings	4 th & 5 th Delray- 25 SE 4 th Ave	Delray Beach	New	18,066
Meisner Electric, Inc.	The North 40 Bld 235- 901 Yamato Rd	Boca Raton	New	15,172
Visonamics	1200 Corporate Pl- 1200 N Federal Hwy	Boca Raton	Renewal	11,990
Alliance Bernstein L.P.	Phillips Tower West- 777 S Flagler	W Palm Beach CBD	Renewal	9,133

Palm Beach Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Concept II Tower-2290/2328 10 th Ave N – Portfolio Sale	Palm Springs/Lake Worth	\$10,900,000	\$113	96,674