



## Palm Beach Office Market

The fourth quarter of 2021 saw demand growth slowed slightly after the previous strong quarterly performance but still was healthy, with over 154,000 square feet of positive net absorption. Palm Beach's office sector saw the least impact from the pandemic, leading South Florida in demand outpacing supply, with approximately 329,000 square feet of absorbed space in 2021. Overall vacancy dipped 60 basis points from the previous quarter, and Palm Beach County saw the least year-over-year increase in vacancy with a slight rise from 12.2% this time last year to 12.4% at the close of 2021. This remained the lowest vacancy in the region after the county had the highest amount during the previous decade. The Class B segment held the number-one spot in demand, with over 161,000 square feet of positive net absorption. Trailing close behind, the Class A sector recorded over 151,000 square feet of absorbed space as it saw the most improvement from one year ago after experiencing the strongest corrections from the pandemic. Lower-tier Class C space dropped back down to the third spot after leading in demand during 2020, with a more balanced approach of 15,000 square feet of net absorption.

Landlords continued to increase asking rents, with Palm Beach recording the strongest year-over-year increase with the overall average rising by 6.4% from the \$36.18/SF average recorded one year ago. The Class A average rate rose by \$1.95/SF from one year ago, while the Class B segment increased by \$0.96/SF from this time last year to \$32.03/SF. Notably, the Class C segment saw the most dramatic increase in the overall average as landlords appeared to push up asking rents as a market correction from the higher demand seen during 2020. No buildings were delivered during the fourth quarter of 2021 with 360 Rosemary, a 310,000-square-foot Class A building in Palm Beach's CBD, being the only construction completion in 2021. Only one building remained under construction, totaling 210,000 square feet. The disciplined approach to development, coupled with the healthy pre-leasing of newer office buildings up, will only boost the office market's performance over the next few quarters as tenants occupy space in the newer buildings.

### Leasing Activity

Leasing activity noticeably slowed during the fourth quarter of 2021, with 505,000 square feet, bringing totals to approximately 2.7 million square feet year-to-date. This was an improvement of 1.1 million square feet leased at the close of 2020. Class A office space regained the lead for most activity, with over 1.4 million square feet, while the Class B segment followed closely with 1.3 million square feet of lease deals. The financial services sector soared above in midsize to large lease deals, with 270,000 square feet signed for. Professional service companies moved into the number-two spot, with 117,000 square feet, overtaking the medical industry with 97,000 square feet of deals.

### Investment Sales

Sales held level, with 11 sales, totaling 1.1 million square feet during the fourth quarter of 2021, bringing the combined total to 3.7 million square feet. Just under 1 million square feet sold this time last year for \$246.8 million. Approximately 2.5 million square feet of investment activity were from the sale of 19 Class A office buildings. As a result, the average price per square foot jumped to \$334/SF from the \$254/SF seen this time last year.

### Current Conditions

Palm Beach continued to experience the fewest impacts from the global pandemic as vacancy dropped from the previous quarter and was almost unchanged from one year ago at the height of the downturn.

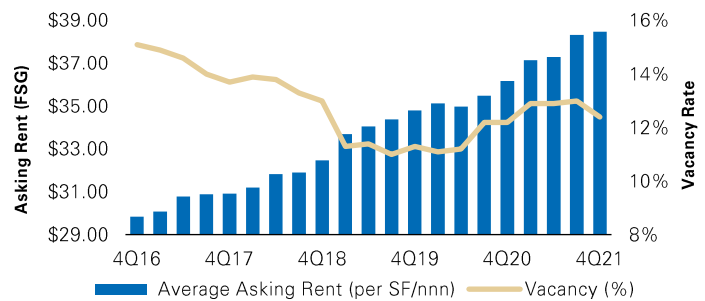
Landlords continue to push asking rents higher as the average rate pushed past previous record levels and Class A space in key submarkets soar to new highs.

The office sector has held the lowest vacancy in South Florida for the past 12 months, a sharp contrast to when the market was the most impacted from the Great Recession.

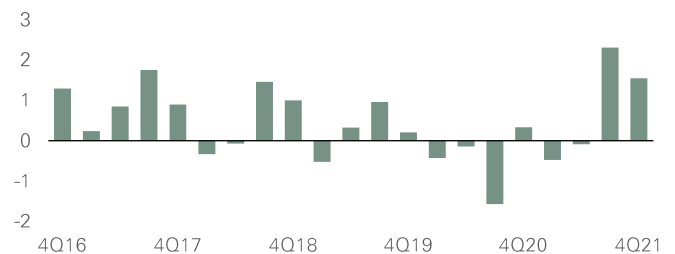
The county continued to have the lowest sublet available space in Florida, and the 379,000 square feet of listed space was equal to the available space recorded at the height of the market during the second quarter of 2019.

### 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)	25.6M	25.2M	25.2M	↑
Vacancy Rate	12.4%	13.0%	12.2%	↓
Quarterly Net Absorption (SF)	154,566	230,657	33,421	↑
Average Asking Rent/SF	\$38.48	\$38.34	\$36.18	↑
Under Construction (SF)	210,000	210,000	510,000	↑
Deliveries	0	300,000	0	↓

## Palm Beach Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy 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)
<b>W Palm Beach CBD</b>	<b>2,724,847</b>	<b>210,000</b>	<b>18.4 %</b>	<b>42,500</b>	<b>107,772</b>	<b>\$63.89</b>	<b>\$51.28</b>	<b>\$60.69</b>
Boca Raton	11,655,106	0	11.9 %	55,726	99,372	\$41.68	\$31.19	\$37.30
Boynton/Lantana	712,398	0	5.9 %	6,388	26,126	N/A	\$20.11	\$20.37
Delray Beach	1,158,308	0	9.8 %	-24,699	14,981	N/A	\$27.75	\$27.02
Jupiter	596,224	0	4.8 %	6,432	15,288	N/A	\$26.65	\$26.65
N Palm Bch/Palm Bch Gardens	3,740,937	0	10.8 %	59,579	62,359	\$42.87	\$26.06	\$35.12
Palm Beach	822,706	0	9.6 %	10,696	10,143	N/A	\$63.90	\$62.60
Palm Springs/Lake Worth	238,131	0	3.0 %	-1,443	7,259	N/A	\$25.89	\$25.89
Royal Palm Bch/Wellington	304,640	0	3.5 %	2,656	10,222	N/A	\$33.61	\$24.00
W Palm Beach Suburban	3,679,553	0	16.5 %	-3,269	-24,773	\$45.05	\$30.70	\$35.55
<b>Suburban Total</b>	<b>22,908,003</b>	<b>0</b>	<b>11.7 %</b>	<b>112,066</b>	<b>220,977</b>	<b>\$42.37</b>	<b>\$31.21</b>	<b>\$36.48</b>
<b>Totals</b>	<b>25,632,850</b>	<b>210,000</b>	<b>12.4 %</b>	<b>154,566</b>	<b>328,749</b>	<b>\$45.05</b>	<b>\$32.03</b>	<b>\$38.48</b>

## Palm Beach Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
Robbins Geller Rudman and Dowd LLP	Mizner Park-225 NE Mizner Blvd	Boca Raton	New	26,429
MoreDirect Inc	Yamato Office Ctr I-1001 W Yamato Rd	Boca Raton	Renewal	23,145
The Law Offices of Craig Goldenfarb	EcoPlex-1641 Worthington Rd	W Palm Beach Suburban	New	20,694
DSM Capital Partners LLC	Fairway Office Ctr 2-7111 Fairway Dr	N Palm Bch/Palm Bch Gardens	Renewal	17,462
Torticity	Glades Twin Plaza E-2300 W Glades Rd	Boca Raton	New	13,455

## Palm Beach Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Boca Raton Innovation Campus-4700 Exchange Ct	Boca Raton	\$320,200,000	\$193	1,658,049
Sabre Ctr I-5901 Broken Sound Pkwy NW	Boca Raton	\$29,100,000	\$285	101,940
The Milan @ Town Ctr-1675 N Military Trl	Boca Raton	\$20,000,000	\$301	66,354
Village Executive Offices-560 Village Blvd	W Palm Beach Suburban	\$14,500,000	\$221	62,875