



Palm Beach Office Market

Following three quarters of positive demand growth, the Palm Beach County office market reported slightly negative net absorption during the second quarter of 2022. Overall vacancies across the county ticked up by 20 basis points over the quarter and reached 11.7%. That said, vacancies are still well below year-ago levels and only slightly above cyclical lows experienced in 2019. The area still has the lowest vacancy rate in all of South Florida. Fundamentals in Palm Beach County's Class A market improved during the second quarter of 2022, with 31,700 square feet of positive absorption and a vacancy decline of 20 basis points. Class A vacancy rates are more than 100 basis points below year-ago levels as well. Class B assets in the area reported above-average occupancy losses, which resulted in a 70-basis-point increase the vacancy rate during the second quarter of 2022. Fundamentals in the lower-tier Class C space remained stable, with limited vacancy reported during the second quarter of 2022. New development is dominated by The Related Companies' One Flagler project, which is set to deliver in early 2024. The new office tower is currently more than 50% pre-leased. Florida Sunshine Investments' One West Palm is slated to deliver by the end of 2022 as well.

Overall asking rents in the Palm Beach County office market declined slightly during the second quarter of 2022. At \$38.90/SF, quoted asking rents are still 4.3% above year-ago levels. Pricing for Class A office space within Palm Beach County was essentially flat in the second quarter of 2022, with asking rents settling just below \$45.00/SF. Tenants will pay a premium for newly construction office space within Palm Beach. The area's lower-tier office sectors experienced modest rent losses compared to the first quarter of 2022. In the Class B segment, asking rents decreased by 1.1% over the quarter, but remain elevated above recent historical trends. Class C assets in Palm Beach County reported losses of 0.9% over the quarter.

Leasing Activity

Leasing activity in Palm Beach County's office market has been improving steadily over the last few quarters. Most recently, close to 781,000 square feet of lease transactions were executed across the metro area. Leasing volumes are also in line with activity levels from this time last year. Tenant activity was concentrated in the area's Class A segment, with more than 468,000 square feet of leases executed during the second quarter of 2022. Kaufman Lynn Construction leased 22,000 square feet in Delray Beach while Abitos CPA inked a deal for 21,758 square feet in Boca Raton. Otis Elevator, Revener and ADT also leased office space during the second quarter of 2022.

Investment Sales

Investment sale volumes decreased during the second quarter of 2022. Across Palm Beach County, 1.6 million square feet of office properties traded for a total of \$346 million. Sale volume over the last few quarters averaged \$500-\$600 million. The average price-per-square foot also declined during the second quarter of 2022. In April, Navarro Lowrey Properties sold the 100,525-square-foot EcoPlex at Centrepark West in West Palm Beach for \$32.5 million or \$323/SF. The property was 87% leased at the time of sale. Adler Real Estate Partners also sold a two-property Yamato Office Center in Boca Raton for \$45.9 million or \$268/SF. Finally, CS Ventures acquired two assets on Royal Palm Way in Palm Beach for \$35.0 million or \$738/SF.

Current Conditions

Slightly negative net absorption during the second quarter of 2022 pushed Palm Beach County office vacancies up by 20 basis points.

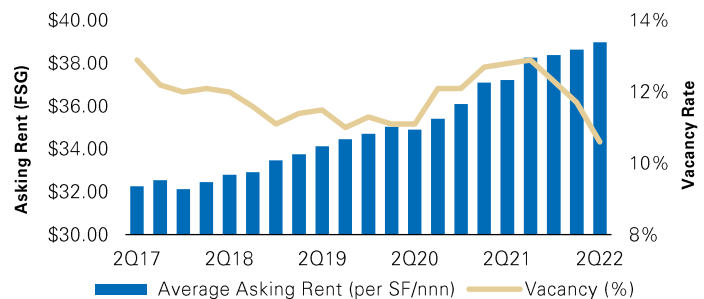
Overall asking rents for office space in Palm Beach County declined slightly over the quarter, but quoted rates remain well above year-ago levels.

Palm Beach County's office sector has held the lowest vacancy rate in South Florida, at 11.7%.

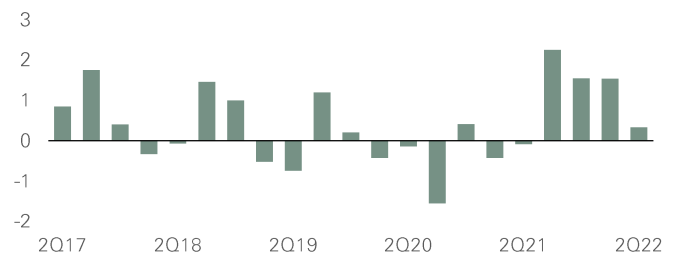
While leasing activity has been steadily improving over the last several quarters, tumult in the financial markets weighed on investment sales in recent months.

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)	21.0M	21.0M	20.3M	↑
Vacancy Rate	10.6%	10.7%	12.3%	↓
Quarterly Net Absorption (SF)	33,265	71,855	29,776	↓
Average Asking Rent/SF	\$38.99	\$39.51	\$37.60	↑
Under Construction (SF)	527,000	210,000	510,000	↑
Deliveries	0	0	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)
W Palm Beach CBD	2,177,725	487,000	7.6 %	96,322	102,198	\$77.44	\$50.62	\$64.09
Boca Raton	9,435,066	0	11.8 %	35,364	37,498	\$43.24	\$29.45	\$38.58
Boynton/Lantana	610,398	0	6.7 %	3,149	962	N/A	\$27.43	\$26.02
Delray Beach	934,301	0	9.4 %	-27,331	-25,592	N/A	\$28.92	\$28.37
Jupiter	414,658	40,000	5.9 %	1,952	1,717	N/A	\$25.94	\$25.94
N Palm Bch/Palm Bch Gardens	3,020,880	0	10.0 %	-41,566	-29,924	\$42.94	\$22.78	\$35.40
Palm Beach	672,706	0	6.5 %	8,923	17,289	N/A	\$54.87	\$53.75
Palm Springs/Lake Worth	91,354	0	5.9 %	-2,486	-3,167	N/A	N/A	N/A
Royal Palm Bch/Wellington	254,640	0	1.0 %	835	5,691	N/A	\$30.00	\$30.00
Suburban Total	18,364,368	40,000	10.9 %	-63,057	2,922	\$43.17	\$29.12	\$36.94
Totals	20,542,093	527,000	10.6 %	33,265	105,120	\$45.50	\$31.00	\$38.99

Palm Beach Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
Primary Residential Mortgage	120 S Olive Ave	West Palm	3 Star Office Condo	650,000
GlobalTel	7999 N Federal Hwy	Boca Raton East	2 Star Office Condo	28,460
IJMWA Architects Inc	927-949 Clint Moore Rd	Boca Raton North	2 Star Office Condo	43,584

Palm Beach Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
55 NE 5th Ave	Boca Raton East	\$899,000	\$438.97	140,480
639 E Ocean Ave	Boynton/Lantana	\$210,000	\$245.83	40,800
601 N Dixie Hwy	West Palm Beach CBD	\$3,400,000	\$700.60	4,853