



1Q14

## PALM BEACH COUNTY OFFICE MARKET

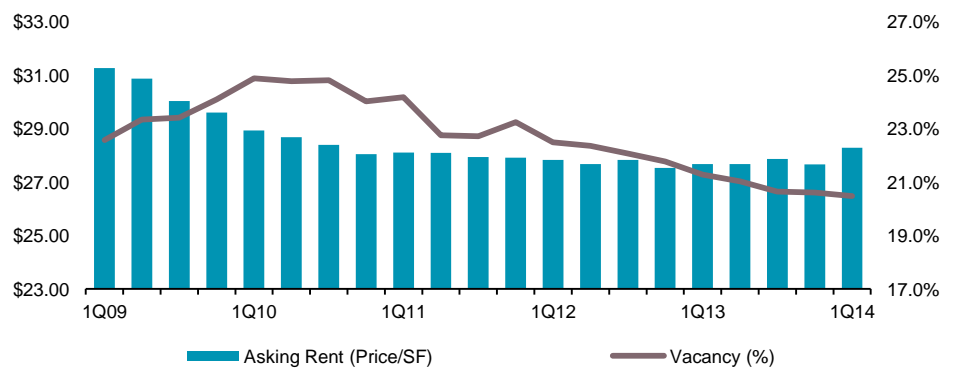
Newmark Grubb Knight Frank

SLOW MARKET  
CONDITIONS  
PUSH INTO 2014

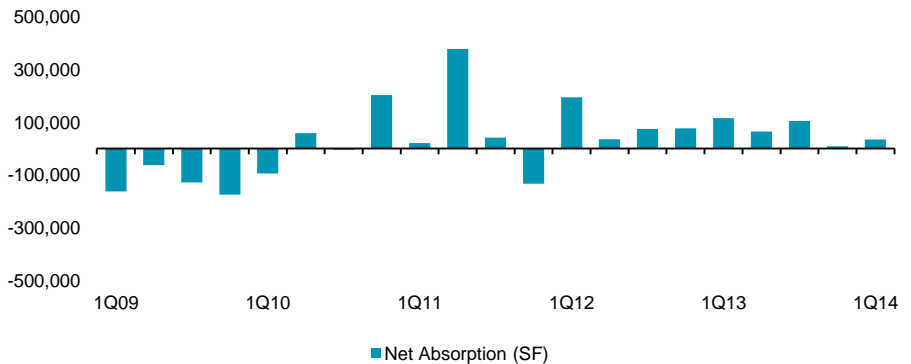
Palm Beach County's office sector continued to perform modestly through the first quarter of 2014. Sluggish growth barely chipped away at vacancy, which dropped only 10 basis points from the 20.6% rate recorded at year-end 2013. Moreover, vacancy had dropped by 80 basis points from the first quarter one year ago, making for the weakest year-over-year gain for South Florida. Unlike the counties to the south, Palm Beach County saw equilibrium between Class A space supply and demand while Class B space experienced over 74,000 square feet of positive absorption. The 38,000 square feet of negative absorption in Class C space showed little growth in smaller businesses powered by local residents.

Talk within the industry is that activity is picking up, as companies are out looking at space opportunities. Unfortunately, this did not translate into a strong first quarter in transactions, with little more than 359,000 square feet of leasing activity. This was the slowest quarter since the second quarter of 2010, with Class A space out in front with 175,000 square feet followed by Class B space with 153,000 square feet of deal activity. This is in stark contrast to the Class C space, which only saw 31,000 square feet of lease deals for the year. Whereas most activity came from tenants already in the market, the need from outside the market for significant amounts of space was limited, hindering the office sector from seeing significant improvements.

Asking Rent and Vacancy



Absorption



## Key Indicators

Total Inventory (SF)	25,875,649		
	1Q14	4Q13	1Q13
Asking Rent (Price/SF)	\$27.90	\$27.81	\$27.68
Vacancy Rate (%)	20.5%	20.6%	21.3%
Under Construction (SF)	0	0	0
	1Q14	4Q13	YTD
Net Absorption (SF)	34,611	8,385	34,611
Deliveries (SF)	0	0	0

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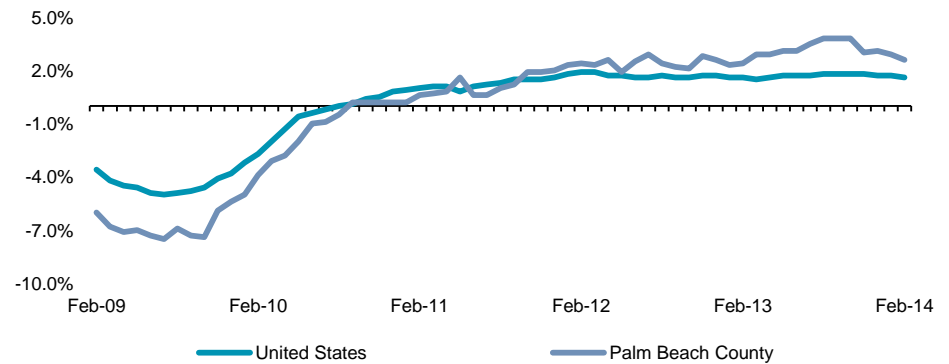


One large vacancy which impacted the market this quarter was Peachtree Financial's move out of 50,000 square feet at 3301 Quantum Boulevard in Boynton Beach. The most notable relocation was TYCO's occupation of 72,000 square feet at Boca Raton Corporate Center and Campus; the home-security firm vacated 31,000 square feet when it split with ADT. The remainder of occupancies remained below the 5,000-square-foot threshold as limited vacancies also came online during the quarter.

Asking rents held steady with a slight uptick of \$0.22 from the \$27.68/SF gross rate recorded in the first quarter of 2013. Class A space saw an increase of \$0.19 from the \$33.51/SF gross rate quoted this time last year. The removal of lower-tier Class B inventory allowed higher-end Class B asking rents to push the weighted average upward of \$0.51/SF from the \$24.76 gross rate recorded a year ago. Small quarterly gains should push vacancy below the 20% market but not to levels where the pendulum swings in the landlord's favor. Tenants will continue to have the upper hand until vacancy gets below the 15.0% market.

## Payroll Employment

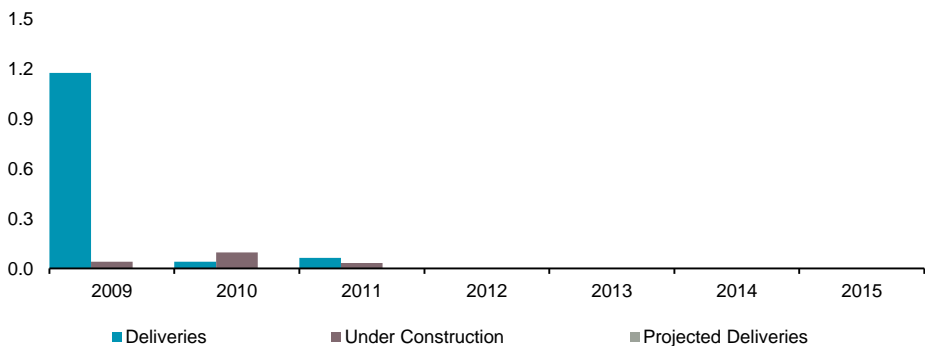
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## Construction and Deliveries

Square Feet, millions



## Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Garden of Life	Corp. Ctr. @ the Gardens-4200 Northpoint Pky	N Plm Bch/Plm Bch Gardens	23,355
Be Quick Software	Corp. Ctr. @ the Gardens-4200 Northpoint Pky	N Plm Bch/Plm Bch Gardens	12,500
Kaufman Rossin & Company PA	One Town Center-1 Town Center Rd	Boca Raton	12,227
GMS Group	Fountain Square-2600 N Military Trl	Boca Raton	12,021
Consumer Education Group	Gallery Center-604-622 Banyan Trl	Boca Raton	10,395

## Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
Northpoint Bus Plz.-901 Northpoint.Pky	N Plm Bch/Plm Bch Gardens	80,338	\$4,800,000	\$60
Beacon Square - 8051 Congress Ave.	West Palm Beach Suburban	40,000	\$8,500,000	\$213



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)	Total Asking Rent (Price/SF)
<b>W Palm Beach CBD</b>	<b>2,424,181</b>	<b>-</b>	<b>19.1%</b>	<b>15,217</b>	<b>15,217</b>	<b>\$39.38</b>	<b>\$25.18</b>	<b>\$34.64</b>
Boca Raton	11,596,332	-	21.0%	12,047	12,047	\$32.97	\$26.30	\$29.49
Boynton/Lantana	712,398	-	23.1%	-47,948	-47,948	-	\$22.58	\$19.84
Delray Beach	1,750,549	-	39.1%	19,032	19,032	-	\$22.42	\$22.38
Jupiter	596,224	-	12.3%	4,664	4,664	-	\$22.34	\$22.34
N Palm Bch/Palm Bch Gardens	3,594,654	-	18.4%	-2,782	-2,782	\$30.60	\$21.83	\$25.45
Palm Beach	822,706	-	14.9%	7,515	7,515	-	\$58.07	\$58.02
Palm Springs/Lake Worth	238,131	-	10.6%	11,269	11,269	-	\$19.98	\$19.98
Royal Palm Bch/Wellington	304,640	-	8.4%	11,822	11,822	-	\$26.94	\$24.08
W Palm Beach Suburban	3,835,834	-	16.8%	3,775	3,775	\$32.61	\$23.08	\$24.13
<b>Suburban Total</b>	<b>23,451,468</b>	<b>-</b>	<b>20.6%</b>	<b>19,394</b>	<b>19,394</b>	<b>\$32.48</b>	<b>\$25.27</b>	<b>\$27.27</b>
<b>Totals</b>	<b>25,875,649</b>	<b>-</b>	<b>20.5%</b>	<b>34,611</b>	<b>34,611</b>	<b>\$33.60</b>	<b>\$25.27</b>	<b>\$27.90</b>

# RESEARCH



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## Glossary of Terms

### Absorption

A measure of the change in occupied space

### Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

### Deliveries

The total RBA of properties added to the inventory once construction has been completed

### Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

### Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

### Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

### Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

### Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

### Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

### Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

### Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

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