

Palm Beach County Office MarketView

Q3 2013

CBRE Global Research and Consulting

▼ VACANCY
23.8%

▼ ASKING RATE
\$17.09

▼ ABSORPTION
67K

◀ CONSTRUCTION
0

▶ COMPLETIONS
0

▼ UNEMPLOYMENT
7.5%

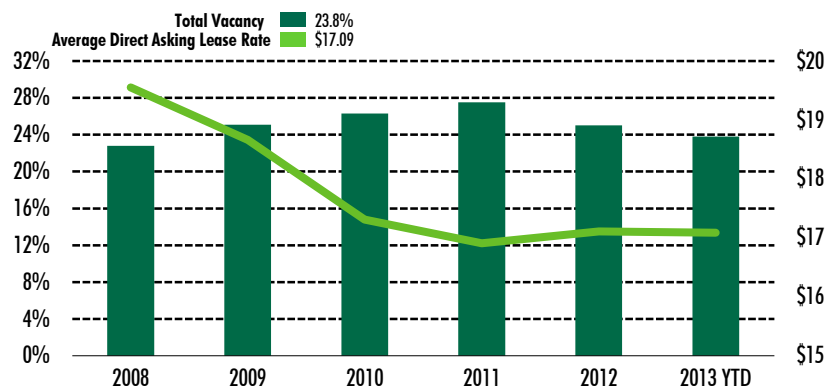
*Arrows indicate change from previous year.

THE OFFICE MARKET CONTINUES TO IMPROVE WHILE TOTAL VACANCY DECREASED 220 BASIS POINTS YEAR-OVER-YEAR

Hot Topics

- Palm Beach County jobs grew 36% between May 1995 and May 2013 and the average income grew 70% between 1995 and 2011.
- The Business Development Board of Palm Beach County and Workforce Alliance partnered to assist in the relocation of Etech Global Services, a contact center and technology solution provider based in Texas. Etech will occupy 10,000 sq. ft. at the Intracoastal Professional Plaza in Riviera Beach. The company will hire 200 employees over the next three years. The economic impact of this project is expected to exceed \$20 million.
- Boca Raton Regional Hospital received the 2013 Maternity Care Excellence Award and the 2013 Women's Health Excellence Award from Healthgrades. These designations place Boca Raton Regional in the top 5% of hospitals nationwide for women's health and top 10% in maternity care.
- The Business Development Board (BDB) assisted Accountable Healthcare Staffing (AHS), a national healthcare staffing company headquartered in Boca Raton, in expanding its corporate operations to accommodate the company's continued growth.

Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q3 2013.

Leasing Activity

The Palm Beach County office market witnessed a decrease in total vacancy by 220 basis points between Q3 2012 and Q3 2013, for a current vacancy rate of 23.8%. Class A properties experienced the largest decline, dropping 300 basis points from the 23% rate quoted Q3 2012 to the current rate of 20%, while Class B properties witnessed a decrease of 170 basis points compared to this time last year, for a current rate of 28.2%. Class C space witnessed a decrease of 60 basis points compared to this time last year, arriving at the current vacancy rate of 17.6%.

The West Palm Beach and Boca Raton submarkets were the most active this quarter, posting 81,235 sq. ft. and 75,289 sq. ft. of positive year-to-date absorption respectively. These two submarkets accounted for the majority of the positive activity in the market. Tenants seeking 5,000 sq. ft.

or less are dominating current activity. Some landlords continue to offer discounted rents and/or aggressive lease concessions for long term leases which may include one free month of rent for each year of the term.

Several tenants took possession this quarter in the West Palm Beach submarket. Lasik Vision Institute moved into 10,278 sq. ft. at Concourse Towers; Law firm Kubiki Draper moved into 9,297 sq. ft. at the Northbridge Center; the State of Florida moved into 7,975 sq. ft. at One Clearlake Centre; and law firm Cozen O'Connor moved into 7,155 sq. ft. at Waterfront Clematis. Additional tenants that took occupancy this quarter in the Boca Raton submarket include, Therapeutics MD, a specialty pharmaceutical company, which leased 17,686 sq. ft. at Broken Sound Corporate Center; Polen Capital Management, a South Florida based investment management firm, which

Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Total Vacancy (%)	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Boca Raton	11,334,882	22.6	22.9	75,289	0	\$17.33
Delray Beach	1,496,872	51.4	51.4	27,403	0	\$12.62
Boynton Beach	448,063	29.1	29.1	(362)	0	\$13.09
Lake Worth	396,353	18.6	18.6	6,921	0	\$12.75
West Palm Beach	5,572,311	21.3	21.7	81,235	0	\$17.60
Royal Palm Beach	296,578	8.8	8.8	14,851	0	\$17.52
Palm Beach	541,306	15.9	17.3	(24,755)	0	\$39.11
North Palm Beach	2,688,428	20.5	20.5	27,291	0	\$18.80
Jupiter	471,338	17.8	17.8	3,773	0	\$14.69
Total Palm Beach County	23,246,131	23.5	23.8	211,646	0	\$17.09
Class A	10,250,388	19.8	20.0	203,292	0	\$20.33
Class B	11,285,428	27.8	28.5	20,574	0	\$14.59
Class C	1,710,315	17.6	18.0	(12,220)	0	\$12.20

Source: CBRE Research, Q3 2013.

signed a new long-term lease for 12,904 sq. ft. at Lynn Financial Center; Accountable Healthcare Staffing Inc., which moved into 10,366 sq. ft. at Yamato Office Center; and law firm Tobin & Reyes, which moved into 7,527 sq. ft. at Mizner Park Office Tower.

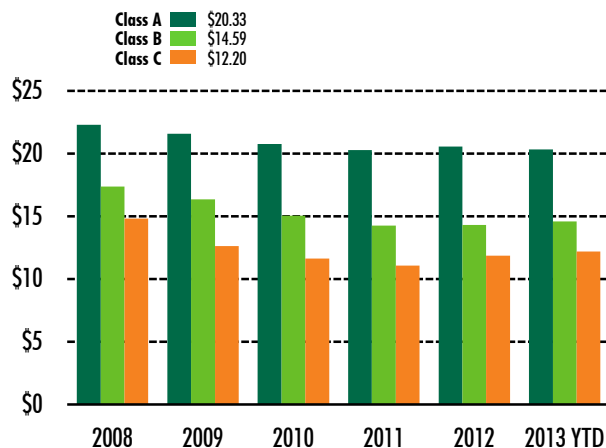
Newsmax Media signed the largest lease in Palm Beach County during Q3 2013. The company is expanding its South Florida operations and leased 50,107 sq. ft. at 750 Park of Commerce Boulevard in Boca Raton. The company will use the new space for an expansion of its online television channel and administrative offices. New Cingular Wireless PCS, LLC, a company providing mobile voice and data communications services, signed a new lease for 25,328 sq. ft. at North 40, Boca Raton. Vitas Healthcare leased 6,441 sq. ft. at Corporate Center at the Gardens in the North Palm Beach submarket. American Megatrends Inc., a Georgia based company, leased 9,000 sq. ft. at Flagler Center in the West Palm Beach submarket. The company creates and manufactures hardware and software solutions for the computer marketplace. Also in the West Palm Beach submarket, Scott's Miracle-Gro Company, a marketer of branded consumer lawn and garden products, leased 6,900 sq. ft. at CityPlace Tower.

Year-over-year, the average direct asking lease rates remained stable. The overall current average asking direct lease rate is \$17.09 per sq. ft. Average asking lease rates for available Class A properties experienced a decrease of 1.0% from the \$20.50 per sq. ft. rate quoted in Q3 2012 to a current rate of \$20.33 per sq. ft., while Class B properties increased 2.5% from Q3 2012 with a current asking rate of \$14.59 per sq. ft. Class C space witnessed the largest increase, rising 3.8% over last year's rate to a current rate of \$12.20 per sq. ft. Until leasing activity shows sustained growth and vacancies see a significant decline, effective lease rates are anticipated to remain soft throughout 2013.

Economic Influence

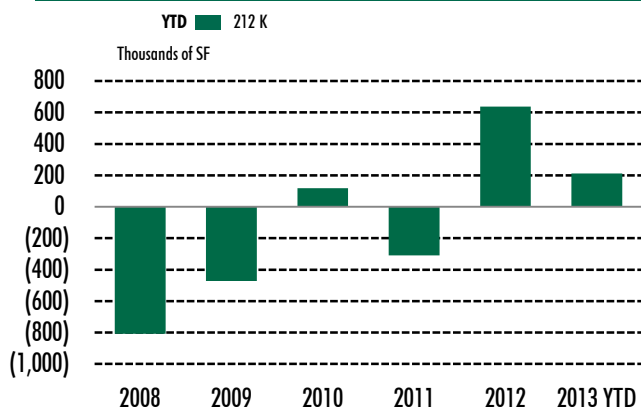
According to the U.S. Department of Labor, Bureau of Labor Statistics, Palm Beach County gained 9,500 jobs over the year. Industries that gained the most jobs included retail trade, which added 4,300 jobs; professional/business services, which added 3,400 jobs; ambulatory health care services, which added 2,700 jobs, and leisure/hospitality, which added 1,400 jobs.

Average Dir Asking Lease Rates (NNN)



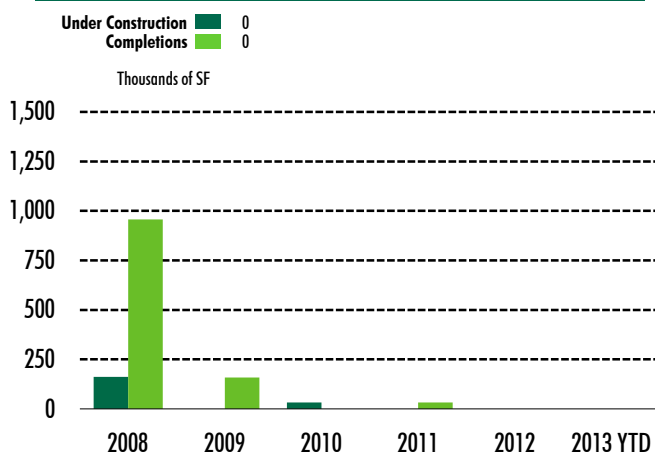
Source: CBRE Research, Q3 2013.

Net Absorption



Source: CBRE Research, Q3 2013.

Under Construction and Completions



Source: CBRE Research, Q3 2013.

The national non-seasonally adjusted unemployment rate decreased 0.9 percentage points from the 8.2% recorded last year at this time to the current rate of 7.3%. Florida's statewide August 2013 unemployment rate decreased 1.9 percentage points August 2012, to the current rate of 7.1%. Palm Beach County's jobless rate compared to this time last year decreased 1.9 percentage points to the current rate of 7.5%.

Development

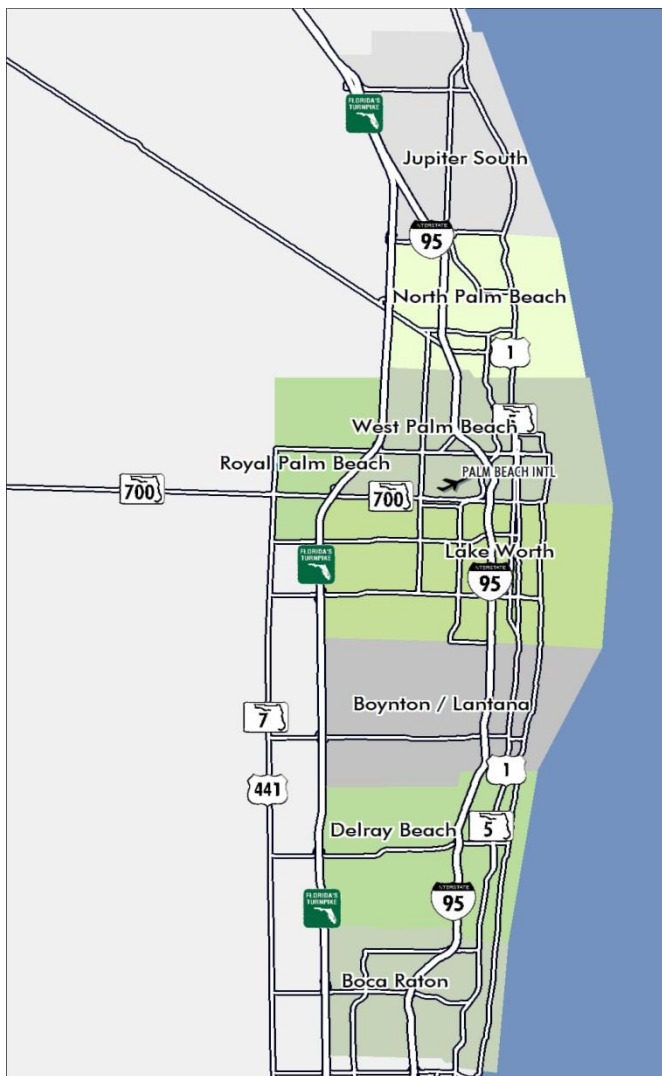
Currently, there are no new office projects underway in the Palm Beach County market. Notable planned projects include Puder Development's plans to develop three Class A, low-rise professional office buildings totaling 115,000 sq. ft. in the Boynton Beach submarket. The Related project, Gateway Tower at CityPlace, has plans to develop a Class A office building totaling over 200,000 sq. ft. with approximately 12,000 sq. ft. of street retail. The project will be located in the downtown corridor of the West Palm Beach submarket.

Investment Sales Activity

Six investment sale transactions closed year-to-date, accounting for a total of 456,959 sq. ft. with a dollar volume of \$42.7 million. The average price per sq. ft. came in at \$93.55. Three properties closed during Q3 2013, totaling 176,664 sq. ft. CDS International Realty LLC acquired 100 Linton Towers in Delray Beach from Linton Towers LLC for \$6.8 million, or \$141 per sq. ft. Admiralty Acquisition Co LLC acquired 4400 PGA Boulevard, Palm Beach Gardens in an REO sale for \$5.95 million, or \$74 per sq. ft. The 80,323 sq. ft. building was 75% occupied at the time of the sale. Pavillion Law Center, LLC acquired Pavillion Office Center in North Palm Beach from Pavillion Office Center Ltd. for \$3 million, or \$62 per sq. ft.

Outlook

Many indicators are trending in a positive direction, leading to growth in 2013. Growth witnessed in housing, employment and the economy are trending positively for the remainder of 2013. Housing values continue to improve in the area with annual building permits on the rise for the first time in five years. Continued unemployment declines are allowing vacancy to dip below 25% since Q1 2009. Job growth is expected to continue for the remainder of the year, with seasonal hiring expected to pick up for the holiday season. Landlord's and investors are optimistic as the office market continues to improve at a slow but steady pace. Opportunities remain as investors continue to seek quality core assets in Palm Beach County.



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