



4Q13 PALM BEACH COUNTY OFFICE MARKET

Newmark Grubb Knight Frank

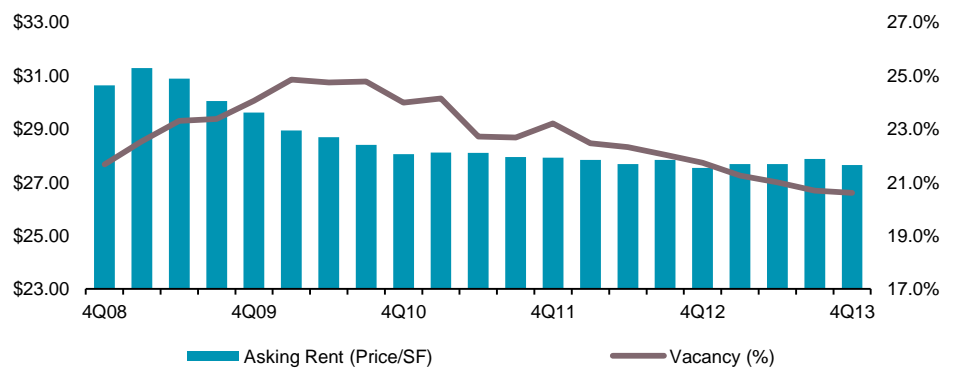
MARKET GROWTH SLOWS TO A SNAILS PACE

Demand just outpaced supply during the fourth quarter, causing vacancy to drop only 10 basis points from the previous quarter. The small gain helped overall vacancy decrease by 110 basis points from the 20.7% recorded at the close of last year. This showed a slight retraction of momentum from the 150-basis-point drop in vacancy during 2012.

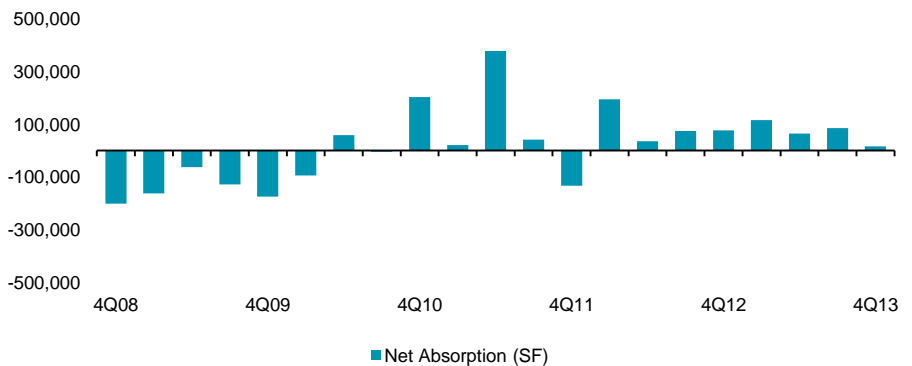
Over 1.9 million square feet of leasing activity took place in Palm Beach during 2013. Class B space led the charge with 968,000 square feet of transactions while Class A space followed closely with 885,600 square feet deal activity. This is a stark contrast in the renting of Class C space, which only saw 45,000 square feet of lease deals for the year. Companies approached space needs with continued discipline as renewals, lateral moves and small expansions led transaction activity for the year. The majority of activity came from tenants already located in the market.

The contributing factor to fourth quarter's stunted growth was UTC Fire & Safety's move out of 98,000 square feet at the Arvida Park of Commerce in Boca Raton. The most notable move-in was Kayne Anderson Real Estate Advisors' 12,637-square-foot relocation from New York to the former Tyco headquarters. The majority of occupancies remained below the 5,000-square-foot threshold. Palm Beach's office sector is strongly tied to local area businesses and lacking growth from that sector continued to hinder office needs.

Asking Rent and Vacancy



Absorption



Key Indicators

Total Inventory (SF)	25,928,540		
	4Q13	3Q13	4Q12
Asking Rent (Price/SF)	\$27.64	\$27.86	\$27.53
Vacancy Rate (%)	20.6%	20.7%	21.7%
Under Construction (SF)	0	0	0
	4Q13	3Q13	YTD
Net Absorption (SF)	16,394	85,763	282,536
Deliveries (SF)	0	0	0

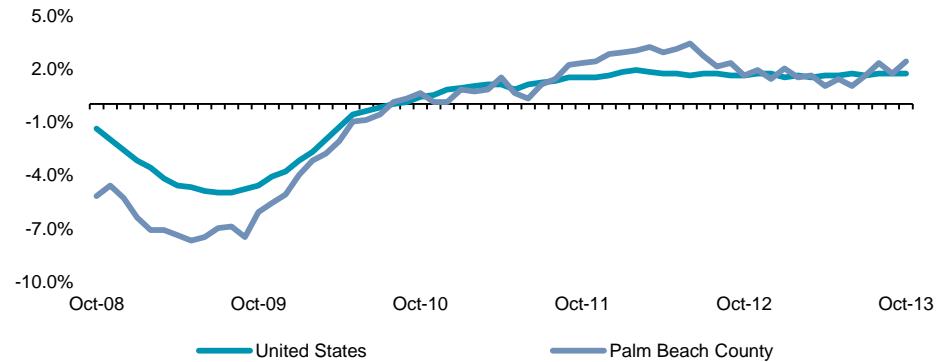


Asking rents held steady over 2013 with a slight uptick of \$0.11 from the \$27.53/SF gross rate recorded in the fourth quarter of 2013. The Class B average saw an increase of \$0.87 from the \$24.34/SF gross rate quoted during the end of last year. This can be attributed to the removal of lower-tier Class B available space, allowing the higher-end Class B asking rents to push the weighted average upward. The removal of higher-end Class A availabilities also allowed Class B rents to have more of an effect despite a drop of \$0.71 in the Class A average from the \$33.14/SF gross rate quoted last quarter.

No major shifts are projected for 2014. An election year, prolonged budgetary fights within the government and disciplined caution from businesses should keep growth levels seen over the past 24 months. Small quarterly gains should push vacancy below the 20% market but not to levels where landlords can begin raising asking rates significantly. Tenants will continue to hold the chips at the negotiating table throughout next year and most likely into 2015.

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
Verizon Wireless	Boca Colonnade - 777 Yamato Road	Boca Raton	25,262
First Class Vacations	South City Plaza - 1515 South Federal Hwy	Boca Raton	10,293
Group NV	South City Plaza - 1515 South Federal Hwy	Boca Raton	9,540
Aplicor	South City Plaza - 1515 South Federal Hwy	Boca Raton	8,203
Keller Williams Realty	Vista Ctr Corp Park - 2005 Vista Pky	West Palm Beach Suburban	7,868

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
Esperante Corp Ctr-222 Lakeview Ave.	West Palm Beach Suburban	248,000	\$71,000,000	\$286
Beacon Square - 8051 Congress Ave.	Delray Beach	160,000	\$22,650,000	\$142
Gardens Office Ctr - 7289 Garden Rd.	N Plm Bch/Plm Bch Gardens	45,700	\$2,500,000	\$55
PGA Professional & Design Ctr.	N Plm Bch/Plm Bch Gardens	42,241	\$14,000,000	\$331
Intracoastal Professional Plz.	N Plm Bch/Plm Bch Gardens	36,800	\$4,091,000	\$111



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)
W Palm Beach CBD	2,424,181	0	19.7%	5,937	15,059	\$38.31	\$26.05	\$33.71
Boca Raton	11,649,223	0	21.1%	-51,191	41,484	\$31.71	\$26.11	\$28.97
Boynton/Lantana	712,398	0	15.4%	9,663	11,623	-	\$21.12	\$19.92
Delray Beach	1,750,549	0	40.2%	6,600	52,922	-	\$22.39	\$22.35
Jupiter	596,224	0	14.3%	-1,875	5,834	-	\$21.60	\$21.60
N Palm Bch/Palm Bch Gardens	3,594,654	0	18.3%	23,936	101,642	\$30.25	\$21.92	\$25.71
Palm Beach	822,706	0	15.8%	-2,723	-36,683	-	\$59.27	\$57.43
Palm Springs/Lake Worth	238,131	0	16.1%	1,956	9,293	-	\$19.58	\$19.58
Royal Palm Bch/Wellington	304,640	0	12.3%	-9,572	-6,581	-	\$28.01	\$25.44
W Palm Beach Suburban	3,835,834	0	16.9%	33,663	87,943	\$32.22	\$22.94	\$24.06
Suburban Total	23,504,359	0	20.7%	10,457	267,477	\$31.45	\$25.17	\$27.10
Totals	25,928,540	0	20.6%	16,394	282,536	\$32.43	\$25.21	\$27.64



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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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