

2024
Q2

Palm Beach Office

MARKET REPORT

ABSORPTION & VACANCY

Palm Beach County's office market saw slightly negative absorption this quarter, at -89,762 s.f. Despite robust activity, 608,139 square feet of direct space leased during the quarter, most activity was in the newer, higher-rated properties, with lower rated and older properties weakening. Vacancy rates have risen as a result, to 8.2%. This is still well below the 10-year average of 9.5%.

New supply and new demand has concentrated in the Class A/A+ office market, and mostly in Boca Raton, West Palm Beach, and North Palm Beach. Developers have added over 1.9 million square feet of 4 and 5-star space since 2010, with 80% delivered since 2015. This new inventory is over 95% occupied. Currently, 740,000 square feet of similar space is under construction, primarily in the CBD, exceeding recent delivery volumes. This demand concentration on the highest end of the market is hurting the Class C properties, and some Class B. Hence, the overall negative absorption for the year.

Softening job growth, right-sizing to lower square footage, and rising interest rates have tempered demand somewhat, but the positives of the Palm Beach County office market - desirable climate, and diversifying employee base, relatively lower cost-of-business - will sustain the office market for the foreseeable future, particularly in newer, highly-amenitized buildings.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	16,707,817	12.6%	\$56.81	16.6%	(24,997)	0	737,842
3 Star	30,537,012	6.9%	\$45.04	10.5%	(26,359)	0	84,978
1 & 2 Star	13,156,380	5.4%	\$34.84	7.0%	(38,406)	0	0
Market	60,401,209	8.2%	\$46.20	11.5%	(89,762)	0	822,820

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.2%	10.6%	9.6%	16.4%	2010 Q3	6.2%	2000 Q2
Net Absorption SF	(218K)	552,382	(150,479)	2,098,327	2004 Q4	(1,202,315)	2008 Q1
Deliveries SF	62.2K	751,285	222,197	3,587,272	2008 Q4	63,902	2024 Q2
Market Asking Rent Growth	3.1%	3.0%	1.1%	9.7%	2022 Q2	-7.3%	2009 Q4
Sales Volume	\$349M	\$697.3M	N/A	\$2.2B	2022 Q1	\$99.9M	2009 Q4

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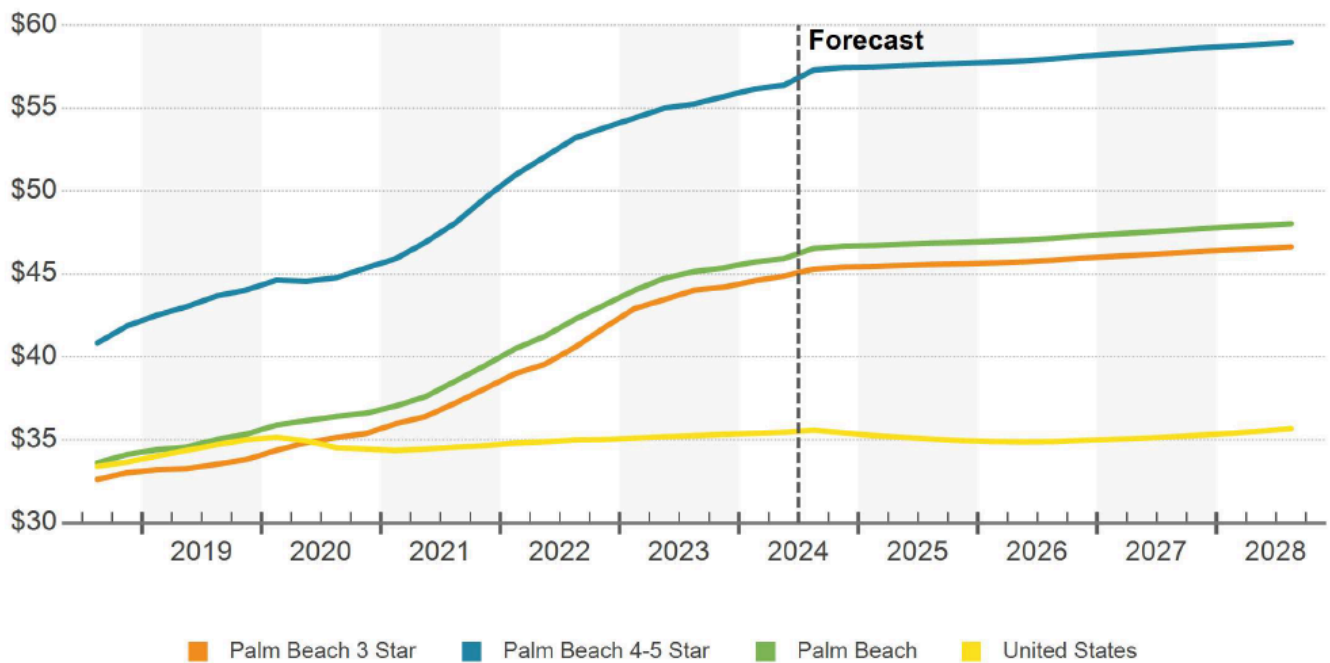
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ASKING RENT PER SF

Palm Beach County's office market rental rates have increased only \$0.03 per square foot since Q1 due to a combination of factors. Negative net absorption, and an increase in the inventory of available sublease space are putting downward pressure on rents. The rental rate growth rate, 3.1% as of the third quarter, still outpaces the U.S. average of 1.1%, and is expected to continue beating the U.S. average given the limited existing supply of Class A properties. Additionally, the influx of businesses relocating to the area and the overall economic growth of Palm Beach County are expected to increase demand for quality office space, further driving up rents.

MARKET ASKING RENT PER SQUARE FEET



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TOP SALES

MARKET REPORT

The Greenhouse Offices



Address: 5301 N Federal Hwy., Boca Raton
Sale Price: \$11,425,000
Price/SF: \$164.60
Building Size: 73,802 SF

First Republic Bank Building



Address: 300 S. US Highway 1, Jupiter
Sale Price: \$6,100,000
Price/SF: \$627.25
Building Size: 9,725 SF

Northpoint



Address: 800 Northpoint Pky., West Palm Beach
Sale Price: \$6,000,000
Price/SF: \$252.32
Building Size: 23,779 SF

Good Samaritan Medical Center



Address: 3711-3713 S Congress Ave., Lake Worth
Sale Price: \$4,575,000
Price/SF: \$313.68
Building Size: 14,585 SF

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TOP LEASES

MARKET REPORT



Venture X

- 1489 W Palmetto Park Rd., Boca Raton
- 28,545 SF
- New Lease



Oxford Global Resources

- 4200 Northcorp Pky., Palm Beach Gardens
- 18,500 SF
- Renewal



AmeriHealth

- 11631 Kew Gardens Ave., North Palm Beach
- 15,386 SF
- New Lease



“Palm Beach County office demand has slowed slightly, but is still outperforming most of the nation. With over 822,00 s.f. of new office under construction, already over 70% pre-leased, we expect this market to continue to outperform for several more years.”

-Michael Feuerman, Esq., SIOR, CCIM,
Managing Director, Palm Beach County