

2024
Q1

Palm Beach Office

MARKET REPORT

ABSORPTION & VACANCY

In the first quarter of 2024, net absorption significantly declined, closing at -175,109 square feet, a stark contrast to the +171,753 square feet recorded in the preceding quarter. This trend has been influenced by tenants opting for smaller spaces to reduce expenses and a focused demand on high-end, downtown properties. Since 2015, tenants have shown a preference for 4 and 5 Star properties, which have accounted for 60% of new absorption, while 3 Star properties have comprised the remaining 40%. Properties rated 1 and 2 Stars have experienced negative absorption. This shift towards premium assets reflects a broader national trend where leasing activity is increasingly concentrated in newer, high-quality properties.

Vacancy rates marginally increased in the first quarter, rising to 8.3%. Looking ahead, the constrained supply of existing properties is anticipated to tighten the vacancy rates for 4 & 5 Star office spaces in Palm Beach relative to the national average, potentially supporting higher rental rates in this segment. Projections over the next three years suggest that rent growth for 4 & 5 Star properties in Palm Beach will surpass national trends, with an expected increase of approximately 0.2%, compared to a decline of 1.2% across the U.S. However, despite these positive forecasts, the pace of record rent increases is likely to decelerate amid ongoing economic challenges.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	109,768,986	4.2%	\$20.41	6.0%	435,974	0	171,983
Specialized Industrial	14,634,612	3.4%	\$20.24	5.4%	27,349	0	0
Flex	19,126,792	3.3%	\$22.20	5.3%	(58,926)	0	0
Market	143,530,390	4.0%	\$20.63	5.8%	404,397	0	171,983

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.5%	6.0%	3.7%	9.8%	2009 Q4	3.1%	2017 Q4
Net Absorption SF	708K	1,620,679	938,227	4,870,863	2005 Q3	(3,090,737)	2009 Q3
Deliveries SF	1.4M	1,807,367	982,963	5,519,888	2001 Q4	43,197	2012 Q4
Market Asking Rent Growth	8.3%	4.9%	6.2%	17.4%	2022 Q3	-5.7%	2009 Q4
Sales Volume	\$976M	\$577.2M	N/A	\$2.1B	2022 Q4	\$84.8M	2010 Q1

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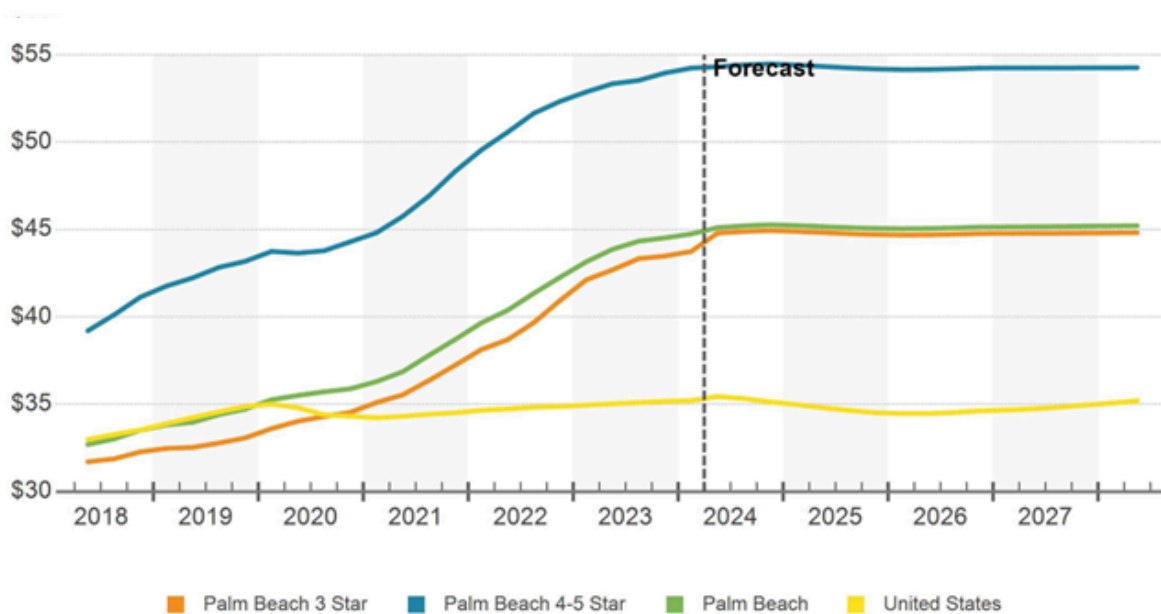
MARKET REPORT

ASKING RENT PER SF

Despite challenges including negative absorption and rising vacancy rates in the first quarter, the direct rental rate in Palm Beach County has increased by \$0.05 per square foot, rising to \$39.97. Palm Beach County consistently achieves some of the highest asking rents across all office star ratings, Notably, properties in proximity to the prestigious Worth Avenue strip often demand the highest rents in the region, although new 5-star office towers in the CBD are exceeding \$100 per SF NNN.

The market is also seeing an increase in sublet availability, which now totals 1.1 million SF—significantly above the 10-year average of 550,000 SF. Notably, 40% of this sublet space is found in 4 & 5 Star properties, contributing to the surplus inventory in this high-end market segment at reduced rental rates, which is expected to continue suppressing rent growth in the near term. For instance, over 17,000 SF of sublet space at the 4 Star Northbridge Centre in the West Palm Beach CBD Submarket is currently being offered at \$39/SF NNN. This compares to a recently signed lease for a smaller direct space of approximately 3,700 SF in the same building, which commenced at over \$43/SF NNN.

MARKET ASKING RENT PER SQUARE FEET



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TOP SALES

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The Atrium



Address: 324 Datura St., West Palm Beach
Sale Price: \$33,000,000
Price/SF: \$479.57
Building Size: 68,811 SF

Northpoint Corporate Park



Address: 101 Northpoint Pky.,
Sale Price: \$5,000,000
Price/SF: \$332.60
Building Size: 15,033 SF

Lantana



Address: 301 Lantana Rd., Lantana
Sale Price: \$3,730,000
Price/SF: \$281.94
Building Size: 13,230 SF

Woolbright



Address: 2609 Woolbright Rd., Boynton Beach
Sale Price: \$3,701,223
Price/SF: \$300.42
Building Size: 12,320 SF

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TOP LEASES

MARKET REPORT



Dycom Industries

- 300 Banyan Blvd., West Palm Beach
- 43,673 SF
- New Lease



MN8 Energy

- 6600 N. Military Trl., Boca Raton
- 20,000 SF
- New Lease



University of Miami

- 1489 W. Palmetto Park Rd., Boca Raton
- 417,676 SF
- New Lease



“Tenants are downsizing due to the increase in remote work, and are choosing high-quality buildings and amenities when signing new leases. This is generally pushing vacancy higher in all but the top-tier, newer buildings.”

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