

# 3Q14 PALM BEACH COUNTY OFFICE MARKET

## Newmark Grubb Knight Frank

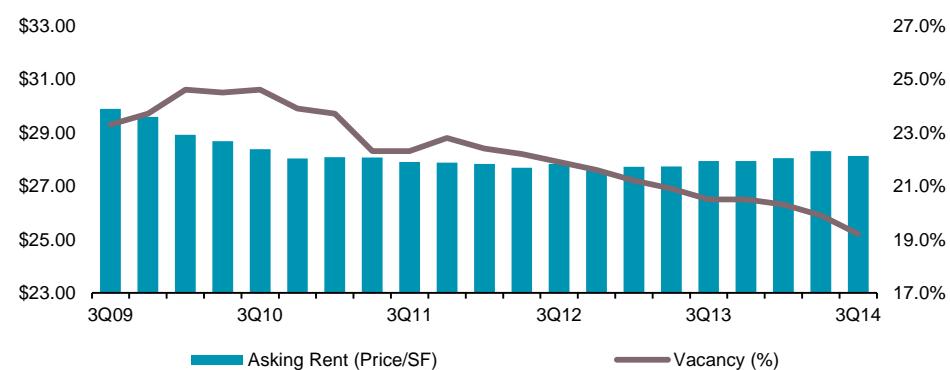
### STEADY GROWTH HELPS MARKET STRENGTHEN

The third quarter of 2014 saw the Palm Beach office market at its strongest in over two years, continuing the market trend of steady improvement. The vacancy rate dropped 70 basis points from the second quarter, the largest quarterly drop since 2010 and 130 basis points lower from a year ago. Demand appears to be picking up, as Class B space led the charge with over 89,440 square feet of total net absorption for the quarter, while Class A space followed closely with 73,954 square feet absorbed. Demand for Class C inventory continued to lag behind with 6,049 square feet of positive net absorption in the third quarter.

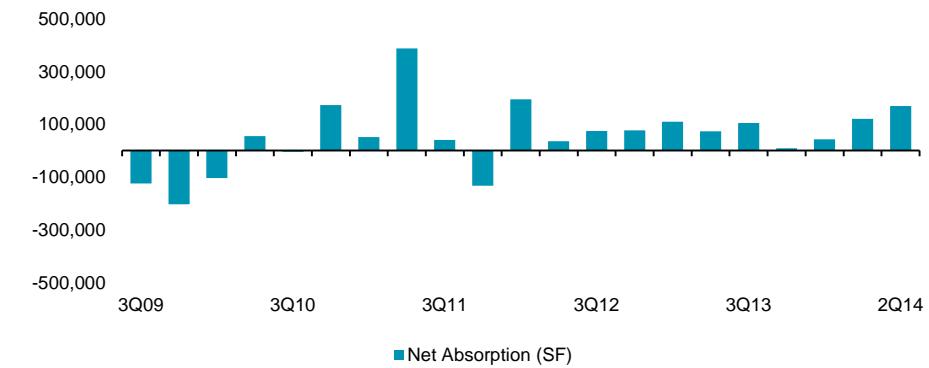
Leasing activity remained healthy for the quarter, with 131 transactions totaling 404,594 square feet. This brought year-to-date transactions to 472 deals totaling over 1.3 million square feet, less than the 1.7 million square feet reported at this time last year. However, whereas renewals and small expansions still dominated transactions last year, this past quarter recorded a greater number of both expansions and smaller businesses seeking less than 5,000 square feet of space.

Tenants are still seeking a flight-to-quality, such as Bankrate's deal to relocate to a higher-end Class A building at the Gardens Corporate Center from Golden Bear Office Place in North Palm Beach Gardens. Executive suite operators continue to lease up space, for instance, an additional 20,000 square feet at the Class B Mission Bay

#### Asking Rent and Vacancy



#### Absorption



#### Key Indicators

Total Inventory (SF)	3Q14	2Q14	1Q13
Asking Rent (Price/SF)	\$28.12	\$28.30	\$28.04
Vacancy Rate (%)	19.2%	19.9%	20.3%
Under Construction (SF)	0	0	0
Net Absorption (SF)	169,443	120,214	332,557
Deliveries (SF)	0	0	0



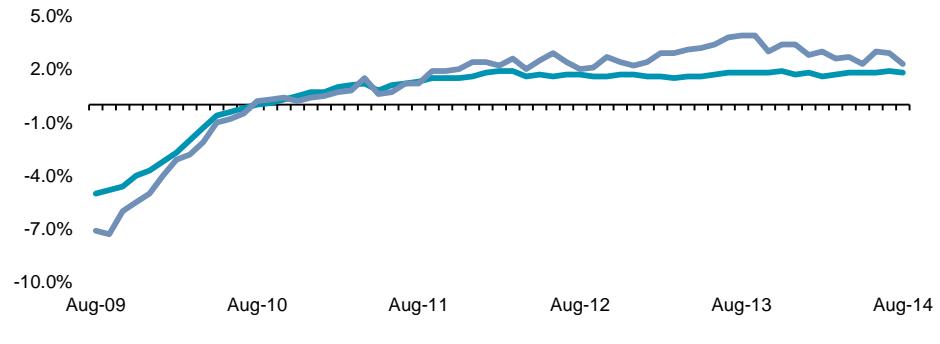
Office Plaza in Boca Raton.

The overall average asking rental rate experienced a slight uptick of \$0.19 from the \$27.93/SF full service gross rate recorded in the third quarter of 2013. Class A quoted rents have begun to rise, pushing the average up \$1.12/SF from the \$33.40 full service rate reported a year ago. The Class B average increased \$0.21 from \$25.13/SF in the second quarter, but dropped \$0.71 from the \$16.33/SF full service gross rate quoted in the third quarter of last year.

Leasing activity should remain steady, as growth in demand is projected to improve as the residential markets in Florida continue to gain strength. Tenants will continue to retain some leverage at the negotiation table, as concessions have diminished and the expected drop in vacancy over the next 12 months will likely cause landlords to push asking rates higher.

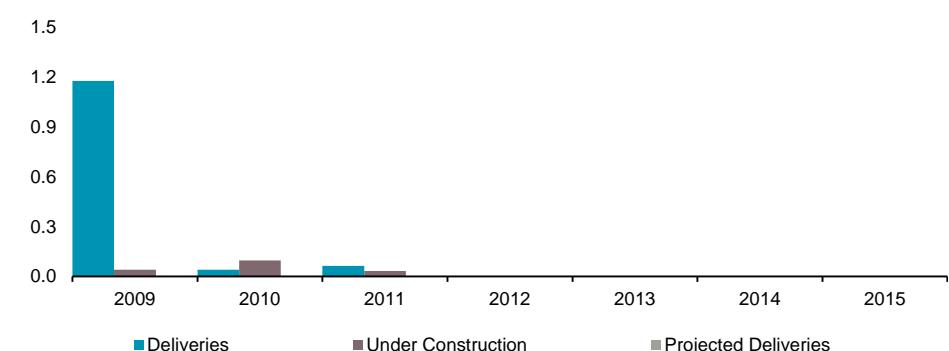
### Payroll Employment

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



### Construction and Deliveries

Square Feet, millions



### Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Belcan Corporation	Northcorp Corp Pk-4750 E Park Dr	N Palm Beach/Palm Beach Gardens	46,000
Olympusat	Offices @ Cityplace North	West Palm Beach CBD	30,721
Greenberg Traurig	Phillips Point-777 S Flagler Dr	West Palm Beach CBD	30,254
AMG Wealth Management	Phillips Point-777 S Flagler Dr	West Palm Beach CBD	23,323
Bankrate	Gardens Corporate Ctr-3801 PGA Blvd	N Palm Beach/Palm Beach Gardens	20,899

### Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
One Boca Place-2255 Glades Rd	Boca Raton	277,390	\$76,350,000	\$275
CityPlace Tower-525 Okeechobee Blvd	West Palm Beach CBD	296,000	\$150,000,000	\$507
220 Congress-220 Congress Park Dr	Delray Beach	54,806	\$8,000,000	\$146



### 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>0</b>	<b>16.1%</b>	<b>61,042</b>	<b>87,188</b>	<b>\$41.18</b>	<b>\$24.32</b>	<b>\$36.01</b>
Boca Raton	11,596,332	0	19.8%	22,782	128,819	\$33.73	\$26.54	\$30.03
Boynton/Lantana	712,398	0	22.3%	-4,552	-42,300	-	\$24.30	\$20.94
Delray Beach	1,750,549	0	38.5%	3,177	30,502	-	\$22.71	\$22.71
Jupiter	596,224	0	11.8%	15,684	7,938	-	\$22.62	\$22.62
N Palm Bch/Palm Bch Gardens	3,594,654	0	17.4%	33,637	32,860	\$32.44	\$21.59	\$25.53
Palm Beach	822,706	0	13.6%	7,046	10,531	-	\$58.55	\$58.55
Palm Springs/Lake Worth	238,131	0	9.8%	-420	13,283	-	\$19.75	\$19.75
Royal Palm Bch/Wellington	304,640	0	5.0%	3,555	22,240	-	\$25.67	\$20.63
W Palm Beach Suburban	3,835,834	0	15.8%	27,492	41,496	\$32.79	\$22.72	\$23.73
<b>Suburban Total</b>	<b>23,451,468</b>	<b>0</b>	<b>19.5%</b>	<b>108,401</b>	<b>245,369</b>	<b>\$33.44</b>	<b>\$25.37</b>	<b>\$27.55</b>
<b>Totals</b>	<b>25,875,649</b>	<b>0</b>	<b>19.2%</b>	<b>169,443</b>	<b>332,557</b>	<b>\$34.52</b>	<b>\$25.34</b>	<b>\$28.12</b>

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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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