



4Q12 PALM BEACH OFFICE MARKET

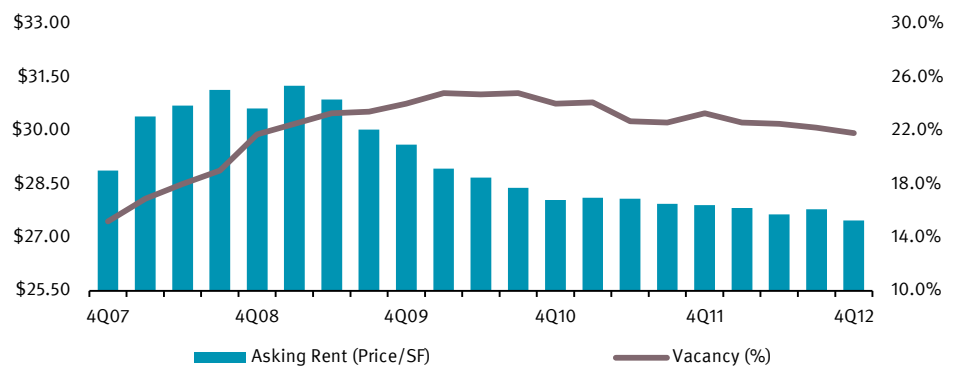
Newmark Grubb Knight Frank

YEAR-OVER-YEAR IMPROVEMENT CONTINUED IN 2012

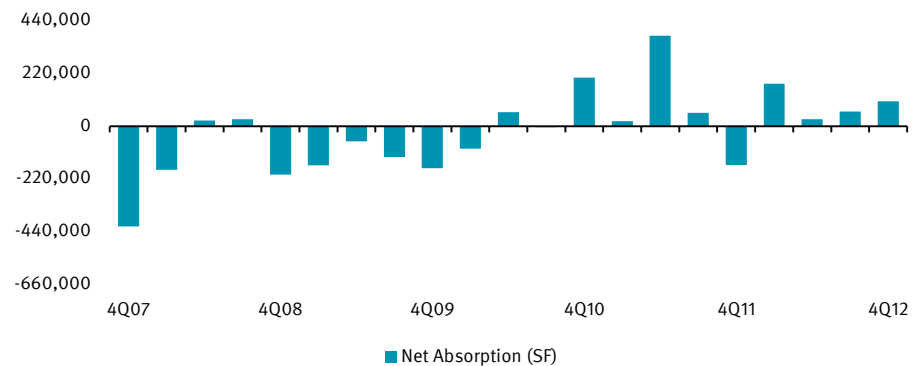
The Palm Beach office market enjoyed its healthiest performance during 2012 despite slowing economic conditions in the second half of the year. Although gains were modest, demand outpaced supply by the largest margin since the onset of the recession. Positive year-to-date absorption contributed to the decrease in overall vacancy by 150 basis points from 23.3% posted at the end of 2011. Class B space led demand growth, adding 169,000 square feet of occupancy, while Class A space trailed closely behind, accounting for 158,000 square feet of positive absorption. The direct weighted average asking rate of \$27.48/sf full service gross was a \$0.43/sf loss since the end of 2011.

The Drug Enforcement Agency occupied 31,487 square feet in West Palm Beach's CBD during the fourth quarter, representing the largest contribution to positive absorption. Executive suite operators continued to expand their footprint as Regus leased 14,000 square feet in the Arbors Office Park while another backfilled 14,000 square feet during fourth quarter vacated by Hancock at Royal Palm Way in Boca Raton. The remainder of transaction activity occurred below the 5,000-square-foot range as smaller tenants led deal activity. Newmark Grubb Knight Frank reported 1.4 million square feet leased in 2012 as the majority of activity continued to come from companies already in the county.

Asking Rent and Vacancy



Absorption



Key Indicators

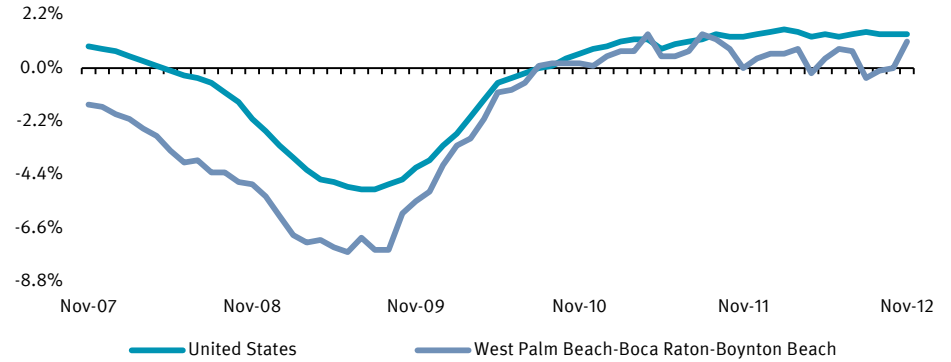
Total Inventory (SF)	25,928,540		
	4Q12	3Q12	4Q11
Asking Rent (Price/SF)	\$27.48	\$27.79	\$27.91
Vacancy Rate (%)	21.8%	22.2%	23.3%
Under Construction (SF)	0	0	0
	4Q12	3Q12	2012 Total
Net Absorption (SF)	104,181	60,930	372,603
Deliveries (SF)	0	0	0



Although no major downsizing or closures are projected in the near term, the office sector should see vacancy dip below the 20% mark for the first time since the end of 2008. Leasing activity should see modest growth as economic signals point to a recovering residential sector and could translate into increased space needs. In spite of an uptick in demand, expect flat rent performance as the vacancy rate remains relatively high. Tenants will retain leverage at the negotiation table as landlords continue to use concessions to win deals, albeit at lower levels than in recent years. Overall, a recovery in earnest should stronger momentum by early 2014.

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
Florida Foreclosure Attorneys	4855 Technology Way	Boca Raton	15,716
Executive Suites Operator	7000 West Palmetto Park Rd.	Boca Raton	14,853
Regus Executive Suites	1615 Congress Ave.	Delray Beach	14,000
BB&T Bank	2001 North Broadway	North Palm Beach	7,253
Frank, Weinberg and Black	1875 NW Corporate Blvd.	Boca Raton	6,953

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
1645 Palm Beach Lakes Blvd	West Palm Beach Suburban	113,526	\$15,423,000	\$136
One South Ocean Plz	Boca Raton	46,000	\$6,195,340	\$135
701 US Highway 1	N Palm Bch/Palm Bch Gardens	46,000	\$5,200,000	\$113
1818 South Australian	West Palm Beach Suburban	57,708	\$3,400,000	\$59
314 Clematis	West Palm Beach CBD	28,923	\$3,200,000	\$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	22.4%	38,756	53,684	\$39.88	\$23.65	\$34.21
Suburban	23,504,359	0	21.8%	65,425	318,919	\$32.26	\$24.38	\$26.80
Boca Raton	11,649,223	0	21.0%	27,608	231,211	\$33.41	\$25.75	\$29.32
Boynton/Lantana	712,398	0	17.0%	-2,334	-4,368	NA	\$22.42	\$21.03
Delray Beach	1,750,549	0	43.2%	25,029	46,088	NA	\$22.20	\$22.19
Jupiter	596,224	0	15.3%	11,538	51,637	NA	\$21.80	\$21.80
N Palm Bch/Palm Bch Gardens	3,594,654	0	21.9%	26,061	-38,962	\$29.15	\$20.77	\$24.66
Palm Beach	822,706	0	11.4%	-4,900	5,383	NA	\$52.53	\$51.08
Palm Springs/Lake Worth	238,131	0	20.0%	2,127	2,177	NA	\$19.56	\$19.56
Royal Palm Bch/Wellington	304,640	0	10.2%	6,539	15,268	NA	\$21.20	\$18.75
W Palm Beach Suburban	3,835,834	0	19.3%	-26,243	10,485	\$31.68	\$22.56	\$24.02
Palm Beach	25,928,540	0	21.8%	104,181	372,603	\$33.52	\$24.34	\$27.48



Palm Beach County

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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 the 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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