



# 2Q13 PALM BEACH OFFICE MARKET

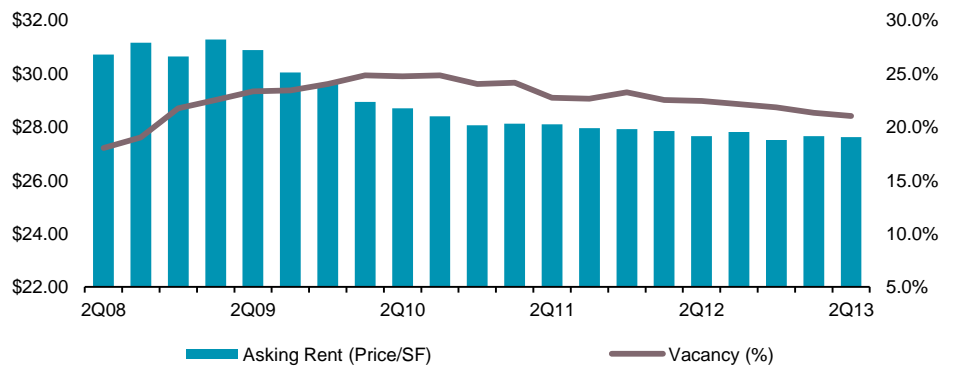
**Newmark Grubb Knight Frank**

## A MIXED BAG

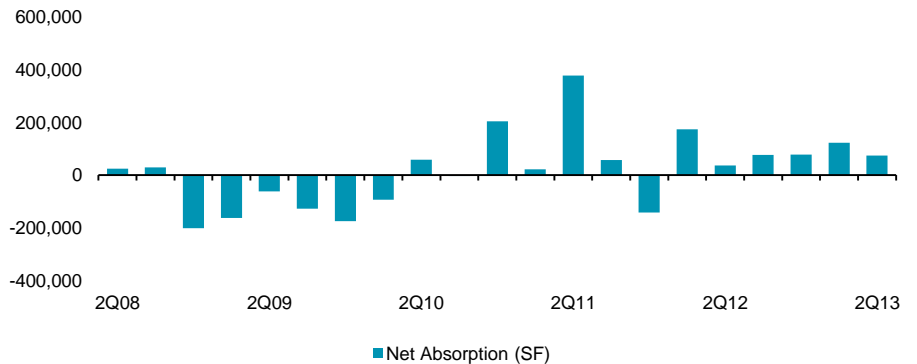
The Palm Beach office leasing market saw minor improvements during the second quarter with vacancy decreasing 30 basis points from the previous quarter and 140 basis points from the 22.4% recorded a year ago. Demand tempo remained stable as net absorption just registered on the positive side for the sixth consecutive quarter. The majority of activity stemmed from relocations and renewals of existing tenants along with numerous small businesses occupying spaces less than 5,000 square feet.

The flight-to-quality trend persisted in the second quarter as companies moved from lower-tier Class B buildings into Class A properties. The same tenant shift was seen from Class C into Class B buildings. Tenants continued to take advantage of ample available space to upgrade office locations without shouldering a large increase in rent. Lynn Financial Center continued to see leasing activity as two companies relocating from Fountain Square in Boca Raton occupied space: Polen Capital Management took 12,904 square feet and MDVIP, a health care referral company, took 12,000 square feet. Equity management firm JVB Financial Group also moved into the Center, occupying 9,752 square feet when it relocated its headquarters from the Northeast. In another significant transaction, EPS Global, a healthcare payment processing firm, moved into 12,600 square feet at FAU's Research Park when it relocated from Coral Springs in Broward County.

**Asking Rent and Vacancy**



**Absorption**



**Key Indicators**

Total Inventory (SF)	25,928,540		
	<b>2Q13</b>	<b>1Q13</b>	<b>2Q12</b>
Asking Rent (Price/SF)	\$27.61	\$27.65	\$27.65
Vacancy Rate (%)	21.0%	21.3%	22.4%
Under Construction (SF)	0	0	0
	<b>2Q13</b>	<b>1Q13</b>	<b>YTD</b>
Net Absorption (SF)	73,943	121,742	195,685
Deliveries (SF)	0	0	0

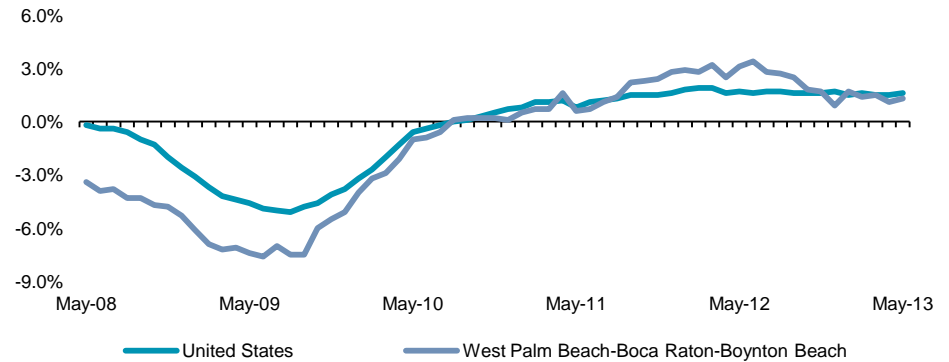


The quoted asking rent experienced a decrease of \$0.04 from the \$27.65/sf, gross, rate recorded both during the previous quarter and a year ago. Asking rates have held steady; slight shifts in average rents can be attributed to the varying leasing activity between lower-tier and higher-end office space. When Class A space is removed from availability, the lower-tier Class B and Class C availabilities have more of an impact on the overall asking rate. Landlords instead have been using concessions to entice prospective and existing renters, albeit at decreasing levels.

Economic growth has fueled the uptick in demand for office space. Still, companies remain cautious on expansion efforts and demand is projected to remain tepid through the first half of 2014. Owners should expect tenant favorable conditions to remain into 2015 as large blocks of space will be abundant and availability remains over 22%. Until further improvement is seen in local employment figures, the office sector should see only slight improvements over the next few quarters.

## 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
MDVIP	1875 NW Corporate Blvd	Boca Raton	19,516
Therapeutics MD	6800 NW Broken Sound Pkwy	Boca Raton	17,686
2Knome	Sabre Centre II	Boca Raton	17,000
Stifel, Nicolaus & Company	2650 N Military Trl	Boca Raton	14,819
Kanye Real Estate Advisors	1 Town Center Rd	Boca Raton	12,637
Accountable Healthcare Staffing	999 Yamato Rd	Boca Raton	10,366

## Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
6853-6909 SW 18th St	Boca Raton	107,000	\$12,950,000	\$121
604 Banyan Trl	Boca Raton	66,000	\$6,500,000	\$98
8401-8461 Lakeworth Rd	Royal Palm Beach/Wellington	88,734	\$5,829,823	\$66
12700 S Military Trl	Boynton/Lantana	34,000	\$4,000,000	\$118



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>22.6%</b>	<b>3,412</b>	<b>-6,754</b>	<b>\$39.54</b>	<b>\$23.78</b>	<b>\$33.44</b>
<b>Suburban</b>	<b>23,504,359</b>	<b>0</b>	<b>20.8%</b>	<b>70,531</b>	<b>202,439</b>	<b>\$32.27</b>	<b>\$24.75</b>	<b>\$27.00</b>
Boca Raton	11,649,223	0	20.3%	31,529	97,810	\$33.37	\$26.03	\$29.49
Boynton/Lantana	712,398	0	16.8%	1,712	1,632	NA	\$21.32	\$20.24
Delray Beach	1,750,549	0	43.1%	10,877	1,982	NA	\$22.27	\$22.27
Jupiter	596,224	0	13.3%	-3,384	11,739	NA	\$22.19	\$22.19
N Palm Bch/Palm Bch Gardens	3,594,654	0	19.3%	17,233	64,059	\$29.03	\$20.89	\$24.68
Palm Beach	822,706	0	13.8%	-10,903	-19,798	NA	\$54.70	\$53.14
Palm Springs/Lake Worth	238,131	0	17.9%	4,204	5,049	NA	\$19.57	\$19.57
Royal Palm Bch/Wellington	304,640	0	10.9%	-283	-2,267	NA	\$21.02	\$18.35
W Palm Beach Suburban	3,835,834	0	18.1%	19,546	42,233	\$31.78	\$22.80	\$24.01
<b>W Palm Beach</b>	<b>25,928,540</b>	<b>0</b>	<b>21.0%</b>	<b>73,943</b>	<b>195,685</b>	<b>\$33.46</b>	<b>\$24.70</b>	<b>\$27.61</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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