



3Q13 PALM BEACH COUNTY OFFICE MARKET

Newmark Grubb Knight Frank

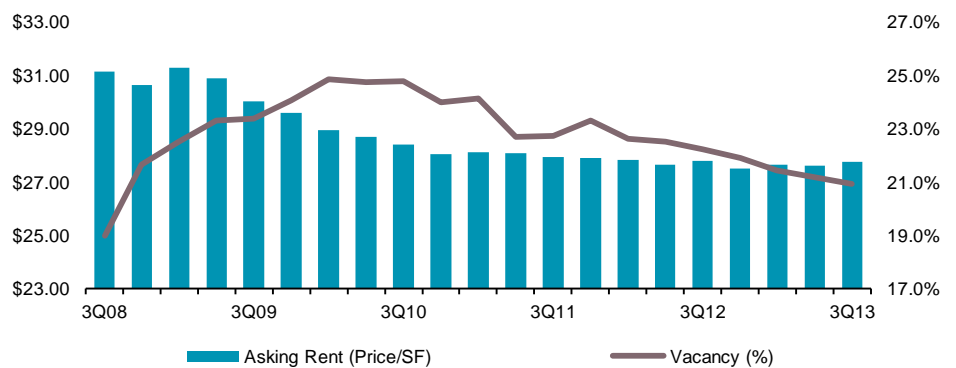
GRADUAL PROGRESSION SUSTAINED

Another quarter of moderate improvement occurred during third quarter, as limited growth appeared to be consistent in the office sector. Vacancy inched downward 30 basis points from the second quarter and 130 basis points lower from a year ago. Class A space led the charge with over 140,000 square feet of total net absorption while Class B space followed closely with 114,900 square feet absorbed. Class C inventory was the only property type that experienced market corrections with 10,300 square feet of negative net absorption.

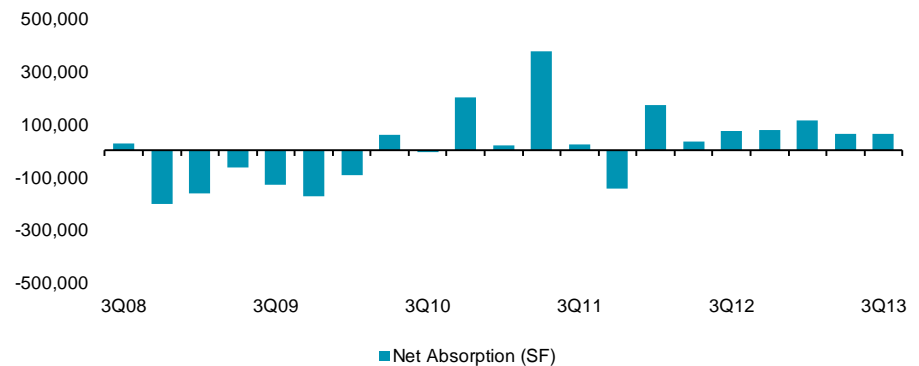
A notable new tenant who relocated from Boca Raton included the law firm Aldridge Connors, LLP, who moved into 40,000 square feet in Delray Beach. Kubicki Draper also relocated from Palm Beach Gardens when they moved into 10,000 square feet at Northbridge Centre in West Palm Beach's Central Business District.

Accountable Healthcare Staffing relocated from a small office building when they expanded into 10,600 square feet at Forum A in West Palm Beach's Suburban submarket. A new tenant to Palm Beach as well as South Florida included Kayne Anderson Real Estate Advisors and Discovery Senior Living (a senior housing developer and operator). The Firm opened up a 10,000-square-foot office in the former Tyco Headquarters in Boca Raton after purchasing a portfolio throughout South Florida. Many of the deals seen still fall under the mid-to-large size range needed to make significant improvements to the market.

Asking Rent and Vacancy



Absorption



Key Indicators

Total Inventory (SF)	25,928,540		
	3Q13	2Q13	3Q12
Asking Rent (Price/SF)	\$27.78	\$27.60	\$27.80
Vacancy Rate (%)	20.9%	21.2%	22.2%
Under Construction (SF)	0	0	0
	3Q13	2Q12	YTD
Net Absorption (SF)	64,694	64,107	244,924
Deliveries (SF)	0	0	0

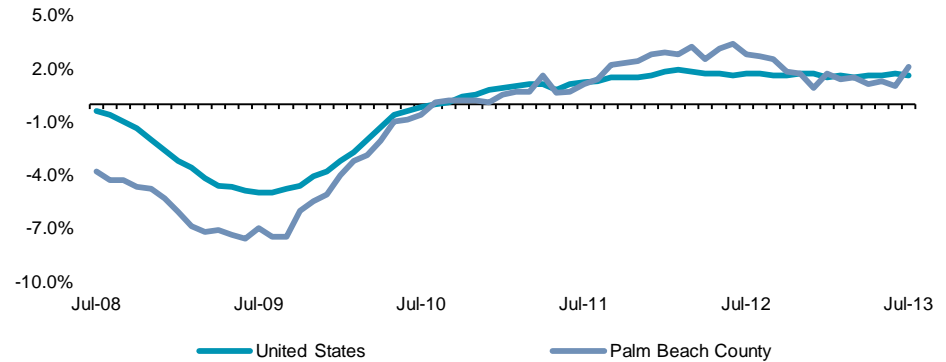


The overall average asking rental rate experienced a slight uptick of \$0.18 from the \$27.60/sf gross rate recorded in the second quarter of 2013. This can be attributed to the removal of lower-tier Class B availabilities having more of an impact on the weighted asking rates than an actual change in quoted rents. The Class B average saw an increase of \$0.42 from the \$24.69/sf gross rate quoted during the previous quarter. This aided the slight rise in averages since higher-end Class A availabilities were also removed, allowing Class B rents to have more of an effect despite a drop of \$0.38 in the Class A average from the \$33.46/sf gross rate quoted last quarter.

The office sector won't likely see vacancy dip below the 20% mark until the second half of 2014. Expect flat rent performance as the vacancy rate remains relatively high. Leasing activity should remain steady as minimal growth is projected for the remainder of this year and into the first half of 2014. 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.

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
Akerman Senterfitt LLC	Phillips Point West-777 S Flagler Dr	West Palm Beach CBD	40,000
Regus	Phillips Point West-777 S Flagler Dr	West Palm Beach CBD	16,602
Gray Robinson	Mizner Park-225 NE Mizner	Boca Raton	9,299
Premedial LLC	7000 W Palmetto Park Rd	Boca Raton	9,247
AMI	Flagler Center I-501 S Flagler Dr	West Palm Beach CBD	9,008

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
Compsion Financial-980 N Federal Hwy	Boca Raton	94,105	\$10,697,000	\$114
4400 PGA Blvd	N Plm Bch/Plm Bch Gardens	93,881	\$6,950,000	\$74
Gallery Center-604 Banyan Trl	Boca Raton	66,000	\$6,500,000	\$98
Grove Center-21301 Powerline Rd	Boca Raton	51,338	\$7,025,000	\$137
Pavillion Office Ctr-712 US Hwy I	N Plm Bch/Plm Bch Gardens	46,000	\$3,000,000	\$65



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	22.5%	9,566	-2,865	\$39.36	\$24.87	\$33.46
Boca Raton	11,649,223	0	20.7%	-9,430	82,467	\$32.79	\$26.37	\$29.56
Boynton/Lantana	712,398	0	16.7%	328	1,960	-	\$21.25	\$20.12
Delray Beach	1,750,549	0	40.6%	44,340	46,322	-	\$22.33	\$22.22
Jupiter	596,224	0	14.0%	-4,030	7,709	-	\$21.86	\$21.86
N Palm Bch/Palm Bch Gardens	3,594,654	0	19.2%	-3,474	69,162	\$29.04	\$20.50	\$24.62
Palm Beach	822,706	0	15.5%	-14,162	-33,960	-	\$59.40	\$57.58
Palm Springs/Lake Worth	238,131	0	16.9%	2,288	7,337	-	\$19.41	\$19.41
Royal Palm Bch/Wellington	304,640	0	9.2%	5,258	2,991	-	\$25.68	\$22.37
W Palm Beach Suburban	3,835,834	0	17.6%	34,010	63,801	\$31.79	\$22.90	\$23.93
Suburban Total	23,504,359	0	20.8%	55,128	247,789	\$31.92	\$25.13	\$27.18
Totals	25,928,540	0	20.9%	64,694	244,924	\$33.08	\$25.11	\$27.78



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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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