

MARKETVIEW

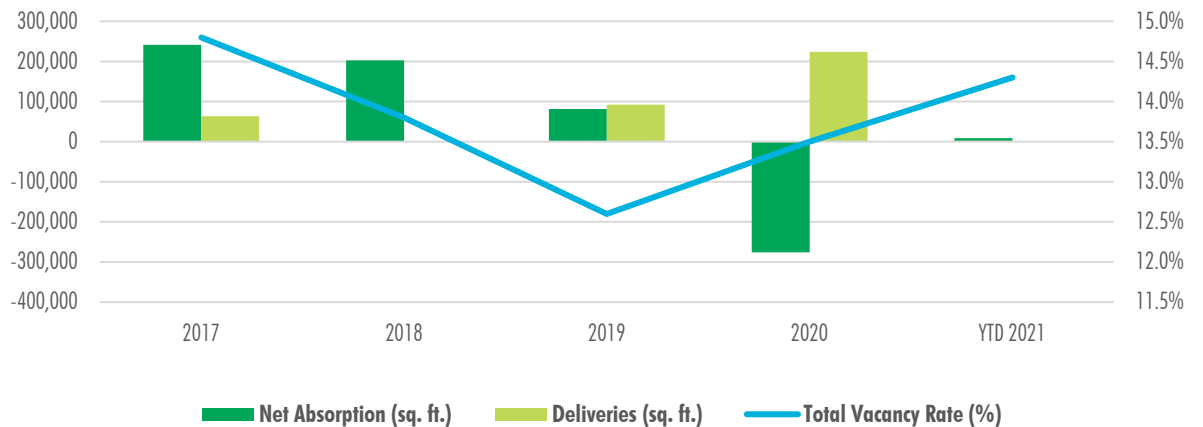
Q1 2021

Palm Beach Office

Activity focused in the northern half of the County

▶ Inventory 19.9M SF
▶ New Deliveries 0 SF
▶ Under Const. 481,500
▶ Total Vacancy 14.3%
▲ Net Absorption 9,000
▲ Lease Rate \$26.51/SF

Historical Absorption, Deliveries and Vacancy



- New-to-market tenants remain top of mind in West Palm Beach as there are 125,000 sq. ft. of active office requirements. The largest new-to-market deal signed was by NewDay USA which leased 52,300 sq. ft. at 360 Rosemary which is set to deliver in the second half of 2021.
- Investment in the market continues to peak as Phillips Point traded in the first quarter and development pipeline in the downtown continues to grow with new proposed office projects.
- While the northern half of the county has seen activity increase compared with pre-pandemic levels, the southern half of the county has been slower to recover.

OVERVIEW

Media outlets around the county are talking about Palm Beach County. There has been an influx of individuals and companies, many are financial services related tenants, relocating from the northeast. Florida and Palm Beach County have fundamental advantages driving this trend including the business-friendly environment, quality of life and year-round warm weather.

While many tenants have already signed leases, and more are touring the market (125,000 sq. ft. of new-to-market tenants touring Palm Beach County), we have yet to see this growth manifest in terms of vacancy decline. Vacancy is a lagging indicator as most tenants don't occupy space immediately. Additionally, the bifurcated nature of the current market makes countywide statistics misleading.

Currently, activity from both new-to-market tenants and existing tenants is focused in West Palm Beach and the surrounding submarkets. Comparably, activity in the Boca Raton market has been soft since the start of the pandemic.

INVESTMENT

As a result of the uptick in activity in the northern half of the county, investment in the West Palm Beach CBD picked up in the first quarter as Phillips Point was purchased by The Related Companies (\$624 per sq. ft.). The sale price is more than double the price it sold for in 2003 (\$305 psf), although it is traded several times since.

The Related Companies now controls three of the five trophy towers in the market as they are set to deliver 360 Rosemary in the second half of 2021. In addition, Related is in the initial stages of development on another new office tower, One Flagler.

However, development and investment in the market is not limited to Related. Cohen Brothers Realty proposed a 400,000 sq. ft. tower and Jeff Green has a project, One West Palm, currently under-construction. It is worth noting that, as it relates to One West Palm, there is considerable uncertainty surrounding when and what will be delivered when the project is completed. There has been talk about pivoting away from office if the developer is able to get the necessary approvals.

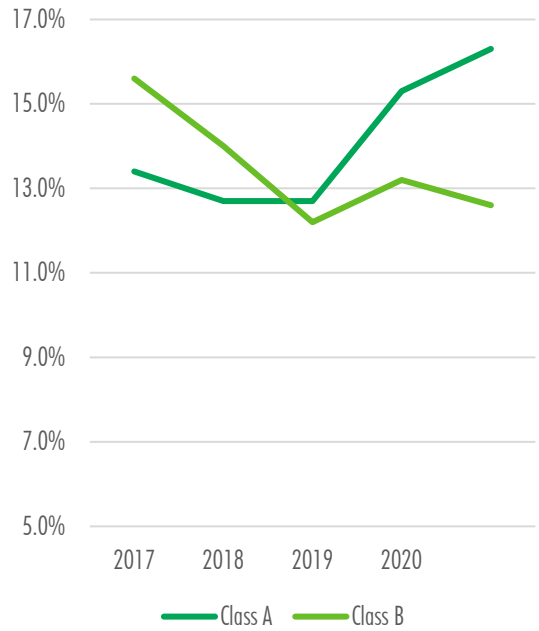
DEMAND

360 Rosemary completed five transactions totaling approximately 67,000 sq. ft. in the first quarter. This level of activity is expected to continue in the second quarter with numerous tenants currently in lease negotiation with the landlord. Most notably, NewDay USA leased 52,300 sq. ft. which will serve as second headquarter in addition to their offices in Fulton, Maryland.

As mentioned above, Boca Raton is not seeing the same level activity as West Palm Beach. Since the pandemic, the market has experienced a shift more in line with Broward County; limited leasing activity, an increase in sublease space, and an oversized share of tenants downsizing/vacating space upon their lease expiration.

As businesses continue to reopen it is expected that the Boca Raton market will start to see a positive uptick in activity. However, it is likely that growth will be slower and buoyed by existing tenants rather than new-to-market tenants as is the experience in the northern half of the county.

Vacancy Rate



Asking Rates (\$/sq. ft. NNN)



OUTLOOK

The outlook for the United States economy is becoming very positive as COVID-19 vaccines are deployed at a rapid pace. At the close of the first quarter over a quarter of Americans have received at least one dose of the vaccine. The rate of daily vaccinations has accelerated to 2.5 million, making societal and economic normalization possible by mid-year.

A reopening of the economy would support near 7% GDP growth this year—the strongest pace seen since the early 1980s. This expansion is poised to be broad-based, with personal consumption being a critical factor.

As social distancing measures subside much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 30% below pre-COVID levels, compared to 5% for total employment (excluding leisure and hospitality). Overall, the U.S. economy is estimated to create upward of 7 million total new jobs in 2021. This burst of activity will push inflation above the Federal Reserve's traditional 2% target but this is likely to be transitory as 18 million workers remain on the sidelines and the wall of fiscal stimulus represents a one-time jolt rather than a constant flow of dollars.

Q1 2021 Statistical Snapshot

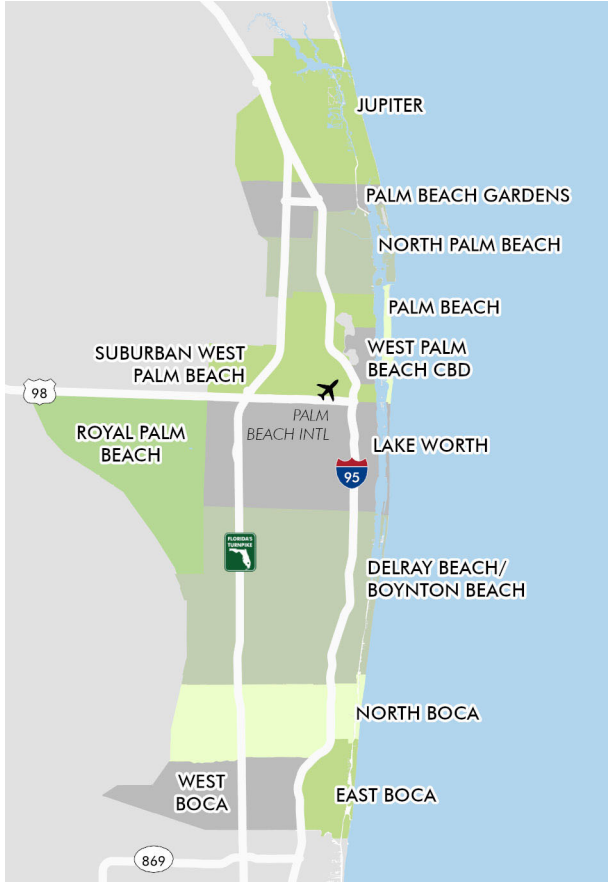
Submarket	Total Inventory (SF)	Direct Vacancy (%)	Total Availability (%)	Q1 2021 Net Absorption (SF)	2021 YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/Boynton Beach	660,200	25.2%	26.3%	19,900	19,900	44,400	\$24.90
East Boca	2,318,110	11.7%	20.6%	16,800	16,800	0	\$22.64
North Boca	5,600,400	13.3%	18.7%	42,700	42,700	0	\$22.19
West Boca	3,137,100	12.6%	18.3%	(12,900)	(12,900)	0	\$29.66
Jupiter	450,200	14.5%	17.8%	14,300	14,300	0	\$23.00
North Palm Beach	436,100	14.9%	18.5%	4,600	4,600	0	\$21.21
Palm Beach	541,300	11.5%	15.8%	(8,900)	(8,900)	0	\$40.75
Palm Beach Gardens	2,383,200	15.3%	21.3%	(35,600)	(35,600)	0	\$29.45
Suburban West Palm Beach	2,098,400	15.6%	22.7%	(24,300)	(24,300)	140,000	\$19.54
West Palm Beach CBD	2,914,600	15.5%	24.4%	(7,600)	(7,600)	297,100	\$34.77
Total	19,943,700	13.5%	20.6%	9,000	9,000	481,500	\$26.51

Q1 2021 – West Palm Beach CBD – Class A

Submarket	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q1 2021 Net Absorption	YTD 2021 Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/NNN)
Trophy	907,900	16.5%	21.7%	10,500	10,500	297,300	\$49.91
Class A	983,900	14.9%	29.2%	(13,700)	(13,700)	0	\$33.64
Total	1,891,900	15.7%	25.6%	(3,200)	(3,200)	297,300	\$40.14

Q1 2021 Notable Leases

Tenant	Submarket	Property Name	Class	Lease Type	Size (sq. ft.)
NewDay USA	West Palm Beach CBD	360 Rosemary	Trophy	New-to-market	52,300
Jushi Holdings	East Boca	301 Yamto Plaza	A	New Lease	16,800
Virtu Financial	Palm Beach Gardens	Gardens Corporate Center - North	A	New-to-market	10,000



Market Coverage: Includes all competitive office buildings 30,000 sq. ft. and greater in size in Palm Beach County.
Excludes: single occupancy, government and medical buildings.

Note: Tracked inventory was audited to reflect prevailing perception of the market. Class C product was removed from the tracked set, and Class changes were implemented where necessary to better capture current status. All changes are reflected historically in the data and analysis but cannot be compared to previously released Research reports

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