

FIGURES | WEST PALM BEACH OFFICE | Q1 2022

Palm Beach County continues to see record growth

▼ 14.6%
Total Vacancy Rate

▲ 124,000
SF Quarterly Net Absorption

▲ 487,000
SF Construction

▲ \$29.19
NNN / Lease Rate

Note: Arrows indicate change from previous year.

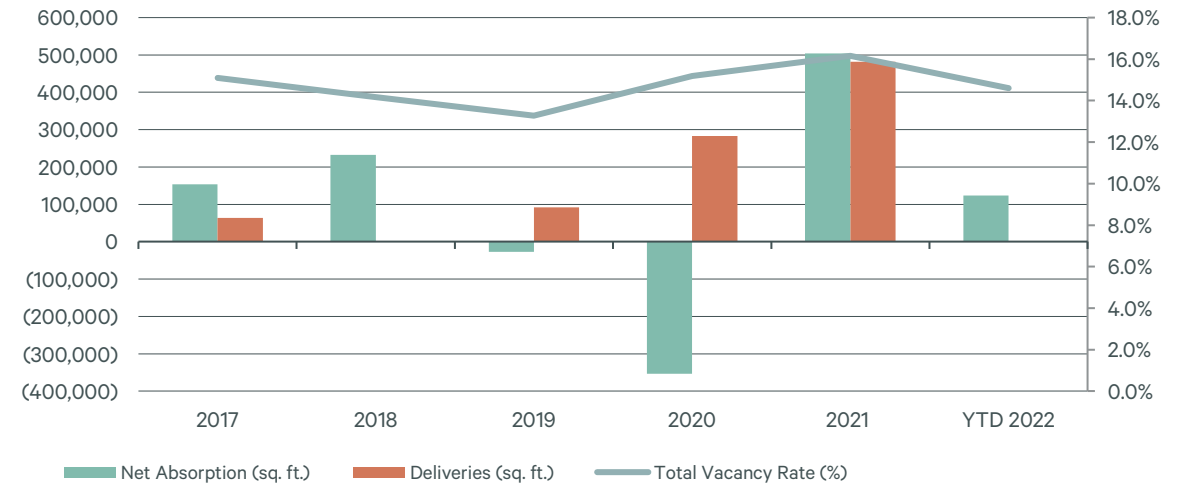
OVERVIEW

- The CBD development pipeline continues to grow with nearly 500,000 sq. ft. of projects under-construction and an additional 550,000 sq. ft. proposed.
- Asking rents continue to break record highs and are up 9.9% year-over-year to \$29.11 per sq. ft.
- Vacancy dropped to pre-covid levels and is expected to continue to fall as new-to-market companies occupy space in recently delivered buildings.

Palm Beach County continues to see strong growth of office market fundamentals with rents on the rise and vacancy falling. The market’s position, largely enhanced by the business-friendly regulations and local quality of life, has put South Florida on the map post-pandemic. Palm Beach County has become a hotspot for companies and people alike. There has been more than 400,000 square feet of notable leasing done by new-to-market companies, well above historical norms. That is equivalent to 11.2% of pre-covid availability (Q1 2020). CBRE is tracking an additional 250,000 square feet of companies currently considering leasing space in the market.

This trajectory has propelled strong investment in the market, particularly in the CBD. There are two office buildings, One Flagler and One West Palm, totaling nearly 500,000 square feet currently under-construction. There are two additional projects, West Palm Point and 301 Banyan, totaling nearly 550,000 square feet proposed.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

PRICING

The average asking rent in the county eclipsed the \$29.00 per square foot threshold for the first time as rents increased 9.9 percent compared with this time last year. Buildings continue to push rents, particularly in the CBD where West Palm Beach saw the strongest rent growth in the nation as of fourth quarter-close (see report: [Top Rent Growth CBDs](#)).

DEMAND

During the first quarter the market saw more than 120,000 square feet of positive absorption with an oversized share coming from North County. In aggregate the North County submarkets account for 44.6% of the markets inventory. However, they accounted for 60.9% of the first quarter absorption. This trend is expected to continue as new-to-market companies, which signed leases in 2021, are starting to occupy and the leases are heavily concentrated in North County.

VACANCY

Total vacancy in the county dropped to 14.6% this quarter in line with pre-covid (Q1 2020) levels. This number is expected to continue to fall as tenants in newly delivered buildings begin occupying space. When 360 Rosemary and Atlantic Crossing, two fully leased buildings that delivered in the last 12-months, are removed from the set vacancy drops to 13.7% which is 90-basis points below pre-covid levels.

INVESTMENT

Development continues to pick up as One West Palm, which was been on hold for some time, restarted construction and is expected to deliver in 2024. This property and One Flagler, which broke ground in Q4 2021, will bring nearly 500,000 square feet of new quality office space to the CBD. This comes following the success of 360 Rosemary, which is 100% leased and delivered in 2021.

FIGURE 2: Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/ Boynton Beach	674,700	16.3%	16.8%	31,700	31,700	-	\$24.78
East Boca	2,318,100	12.7%	14.0%	2,700	2,700	-	\$25.23
North Boca	5,228,200	11.3%	12.9%	19,700	19,700	-	\$24.85
West Boca	3,137,100	10.3%	10.7%	(5,600)	(5,600)	-	\$32.60
South County Total	11,400,100	11.6%	12.7%	48,500	48,500	-	\$26.97
Jupiter	510,200	12.8%	12.8%	-	-	-	\$19.93
Palm Beach	564,700	8.4%	11.1%	2,100	2,100	-	\$46.56
Palm Beach Gardens	2,488,600	13.1%	13.6%	13,100	13,100	-	\$31.06
Suburban West Palm Beach	2,320,100	18.6%	20.1%	(1,200)	(1,200)	-	\$20.51
West Palm Beach CBD	3,258,100	17.8%	18.8%	61,500	61,500	487,000	\$45.99
North County Total	9,141,700	15.9%	16.9%	75,500	75,500	487,000	\$32.54
Total	20,499,800	13.5%	14.6%	124,000	124,000	487,000	\$29.19

FIGURE 3: Class A West Palm Beach CBD Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Trophy	1,205,100	26.7%	28.7%	44,200	44,200	487,000	\$58.31
Class A	1,030,400	17.0%	17.4%	10,000	10,000	-	\$40.79
Total	2,235,500	22.3%	23.5%	54,200	54,200	487,000	\$48.55

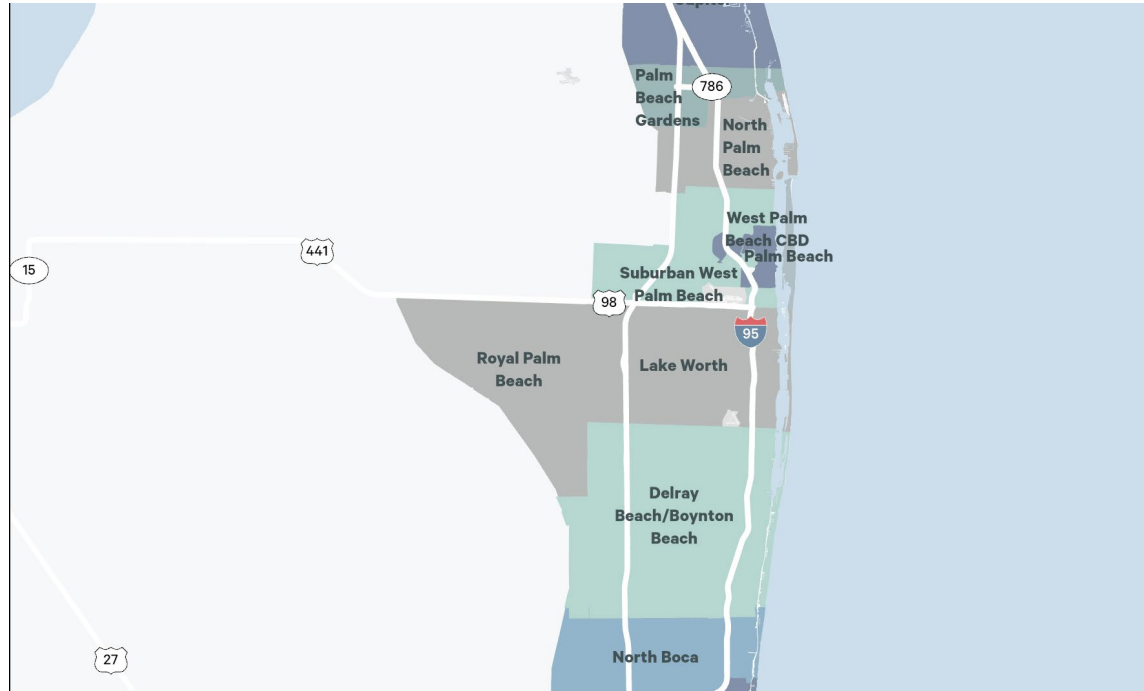
FIGURE 4: Class A

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2021 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/ Boynton Beach	90,700	37.6%	37.6%	23,700	23,700	-	\$45.00
East Boca	1,454,000	12.9%	15.0%	11,200	11,200	-	\$26.46
North Boca	2,287,800	15.4%	16.9%	9,400	9,400	-	\$25.60
West Boca	2,029,200	12.7%	13.3%	(4,300)	(4,300)	-	\$34.75
South County Total	5,861,700	14.2%	15.5%	40,100	40,100	-	\$28.88
Jupiter	95,500	12.8%	12.8%	-	-	-	\$28.00
Palm Beach	126,000	8.7%	8.7%	-	-	-	\$56.08
Palm Beach Gardens	1,481,400	12.8%	13.4%	18,600	18,600	-	\$32.98
Suburban West Palm Beach	468,800	33.4%	33.4%	-	-	-	\$23.23
West Palm Beach CBD	2,235,500	22.3%	23.5%	54,200	54,200	487,000	\$48.55
North County Total	4,407,300	19.7%	20.5%	72,800	72,800	487,000	\$40.10
Total	10,269,000	16.5%	17.7%	112,900	112,900	487,000	\$32.92

FIGURE 5: Class B

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/ Boynton Beach	584,000	13.0%	13.6%	8,000	8,000	-	\$15.18
East Boca	864,100	12.4%	12.4%	(8,600)	(8,600)	-	\$22.98
North Boca	2,940,500	8.2%	9.7%	10,200	10,200	-	\$23.09
West Boca	1,107,800	5.8%	5.9%	(1,300)	(1,300)	-	\$26.07
South County Total	5,496,400	8.9%	9.8%	8,400	8,400	--	\$22.87
Jupiter	414,600	12.8%	12.8%	-	-	-	\$17.71
Palm Beach	438,700	8.4%	11.8%	2,100	2,100	-	\$42.38
Palm Beach Gardens	1,007,200	13.4%	13.8%	(5,500)	(5,500)	-	\$24.23
Suburban West Palm Beach	1,851,300	14.9%	16.7%	(1,300)	(1,300)	-	\$19.97
West Palm Beach CBD	1,022,600	8.1%	8.7%	7,300	7,300	-	\$25.89
North County Total	4,737,400	12.3%	13.6%	2,700	2,700	-	\$22.06
Total	10,230,800	10.5%	11.5%	11,100	11,100	-	\$22.49

Market Area Overview



ECONOMIC OUTLOOK

Sentiment has taken a turn for the worse during the first quarter with Russia’s invasion of Ukraine magnifying existing economic concerns. Specifically, the exclusion of Russian oil & gas from global markets is pushing up gasoline prices for U.S. consumers already rattled by inflation. American consumers are more sensitive to energy prices shifts than those in other OECD countries. Energy prices will likely remain heightened throughout this year, which will increase our inflation forecast to over 6% for 2022.

The prospects of weaker global growth—especially in Germany and China—and rising interest rates are causing some alarm. Bond markets are pricing in rate hikes through 2023 with a terminal Fed Funds Rate of 3% to 3.5%. On the upside, consumer demand should remain heightened this year driven by excess savings, especially among more affluent households, and a very strong labor market. This should translate into another year of above-trend annual growth, at 2.4%. It is possible that these tailwinds will fade quicker than the downside risks and weaker economic growth should be expected next year. The beginnings of an inverted yield curve are hinting at a recession in 2023. This is not our base case, and there is plenty of momentum left in the U.S. economy, but medium-term risks are rising, with an increasingly hawkish Fed. being the main cause for concern.

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Survey Criteria: Includes all competitive Class A and Class B office buildings 30,000 sq. ft. and greater in size in Palm Beach County. Beginning Q1 2022, single tenant non-owner-occupied buildings have been added to the set and their inclusion is reflected historically in the data. Excludes: government and medical buildings..