



# South Florida Office Market Report

## Leasing and Sale Volumes Cool as Recessionary Fears Permeate the Market

The Tri-County area saw a moderate increase in tenant demand growth with over 101,175 square feet of positive net absorption at the close of the third quarter of 2022, resulting in a region-wide vacancy rate of 14.0%. Of the three South Florida markets, only Broward County landed in positive absorption territory, with 197,000 square feet. Miami and Palm Beach experienced contractions in absorption but were buoyed by several large lease transactions. Citadel put boots on the ground in Miami with a 97,000-square-foot lease for a five-year term until its permanent headquarters is completed. Chicago-based law firm Sidley Austin will be joining Citadel in the same building with a 57,000 square foot satellite office, marking Sidley's first foray into the local market. Vacancies in the Palm Beach office market remain well below the 14.0% regional average, at 11.8%, followed by Broward and Miami at 14.0% and 15.0%, respectively. A breakdown by office segmentation reflects South Florida's Class A properties lead, with 126,000 square feet of net positive absorption and a corresponding decrease in vacancy to 18.4% from 18.7% in the prior quarter. Class A average asking rents climbed to \$47.31/SF, up from \$45.54/SF in the second quarter of 2022 and \$43.82/SF one year ago. South Florida's Class B properties experienced a modest contraction in absorption of 8,800 square feet, yet vacancy held steady at 11.8%. Despite two straight quarters of negative absorption, Class B asking rents increased to \$34.63/SF, up from \$33.81/SF in the second quarter of 2022, and \$32.58/SF one year ago.

New office development saw 48,000 square feet brought to market in the third quarter of 2022. Office developments in progress or currently under construction increased to 3.3 million square feet, up from 3.1 million square feet in the second quarter of 2022 and 1.7 million square feet one year ago.

### Leasing and Demand

South Florida leasing activity reported roughly 3.3 million square feet in the third quarter of 2022 across 1,063 leases, down from 3.6 million square feet and 1,092 leases the prior quarter. In Miami, 830 Brickell Plaza welcomed Citadel and Sidley Austin. Workspace provider Knotel, acquired by Newmark in March of 2021, executed the third-largest lease in Miami for 38,000 square feet at the Wyncatcher Office Building at 2143 NW First Ave. Subleasing activity is led by Enhance Health, a digital health insurance brokerage, as a single tenant occupancy of 62,000 square feet at the Sawgrass Corporate Park at 1550 Sawgrass Pkwy. in Sunrise.

### Investment Activity

Investment activity in the third quarter of 2022 moderated in the South Florida office market, registering 2.9 million square feet of sales for a total of \$711.0 million. This is down from a far more robust second quarter of 2022 that tallied 6.0 million square feet of sales transactions, for a total of \$1.4 billion. Average pricing for the region ended the quarter at \$278/SF. Topping the largest asset sales of the quarter is Related's acquisition of 2999 NE 191<sup>st</sup> St. in Aventura for \$51.0 million, or \$475/SF. Related intends on replacing adjacent surface parking with a mixed-used project. In a separate transaction, Australian-based Macquarie Group acquired 501 E. Las Olas Blvd. in Fort Lauderdale from CP Group for \$45.0 million.

### Current Conditions

Growth in the region's office sector remains cool during the third quarter of 2022, with net positive absorption increasing slightly region-wide to 101,175 square feet.

Landlords refused to budge in asking rents, with average lease rates reaching a new peak at \$41.58/SF.

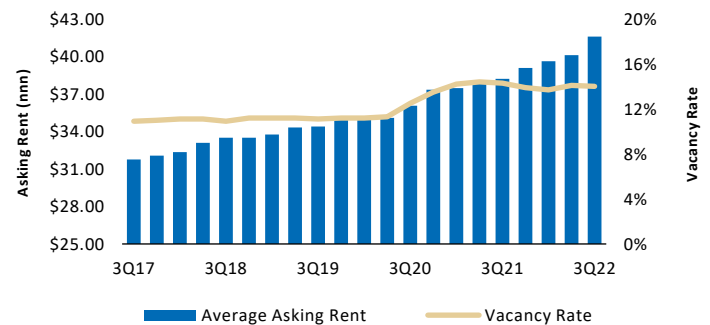
Leasing activity throughout the South Florida region decreased during the third quarter of 2022, yet remains in line with year-over-year tallies.

While sublet availability continued to remain limited in comparison to other major markets throughout the country, availabilities have slowly increased in recent quarters.

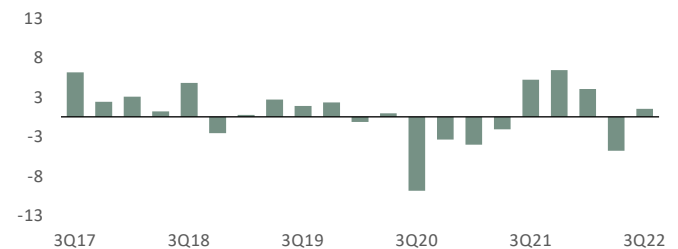
Investment sales slowed considerably from the second quarter of 2022, portending potentially ominous macroeconomic conditions.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (100,000 SF)



### Market Summary

|                               | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF)          | 109.4M          | 109.10M       | 108.9M          | ↑                 |
| Vacancy Rate                  | 14.0%           | 14.1%         | 14.3%           | ↓                 |
| Quarterly Net Absorption (SF) | 101,175         | (-426,852)    | 468,945         | ↓                 |
| Average Asking Rent/SF        | \$41.58         | \$40.11       | \$38.20         | ↑                 |
| Under Construction (SF)       | 3.3M            | 3.1M          | 1.7M            | ↑                 |
| Deliveries                    | 48,258          | 0             | 0               | ↑                 |

## Economic Conditions

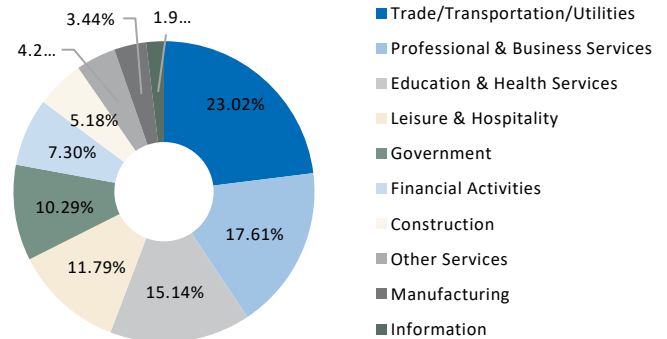
Economic growth moderated in South Florida in the third quarter of 2022, although Miami remains an expansion hub for companies relocating from elsewhere in the country. On September 27, 2022, FTX CEO Sam Bankman-Fried announced by tweet that his cryptocurrency exchange will relocate its headquarters to Miami. FTX had only a few months ago executed a 9,000-square-foot lease in Chicago to house its U.S. base.

South Florida's employment base remains stable from the second quarter of 2022 at 2.8 million, while region-wide unemployment ticked up minimally to 2.6% from 2.4% the prior quarter. Year-over-year, the trade, transportation and utility industry garnered the most job gains, with 38,000; followed by leisure and hospitality, with 35,000; professional and business services, with 23,000; and education and health services, with 23,000. Government jobs held level from one year ago.

The South Florida market shows continued resilience in the third quarter of 2022, particularly as the Federal Reserve reigns in inflation and higher borrowing costs ripple through the national economy.

## Employment By Industry

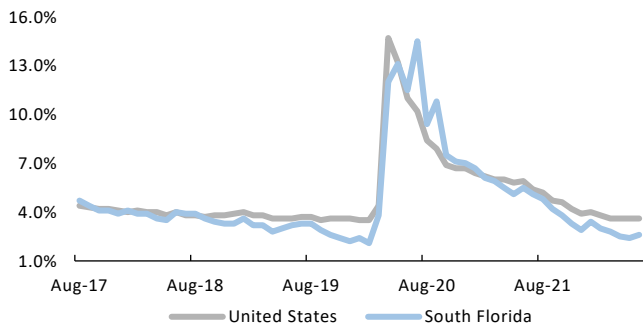
South Florida MSA, Aug. 2022 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

## Unemployment Rate

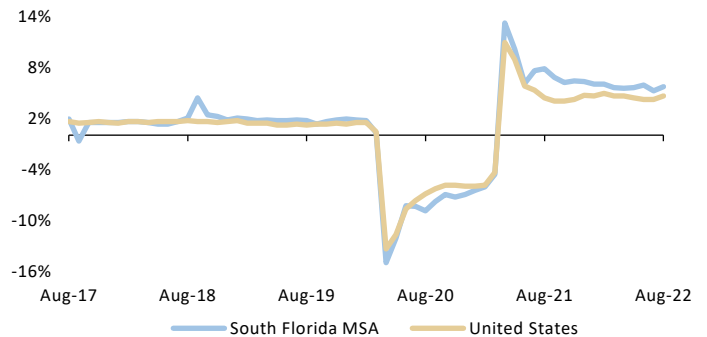
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

## Payroll Employment

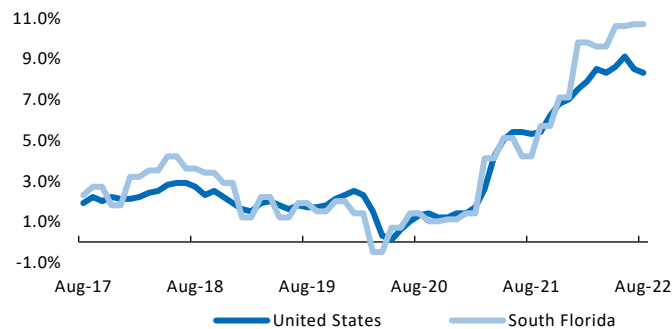
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

## Consumer Price Index (CPI)

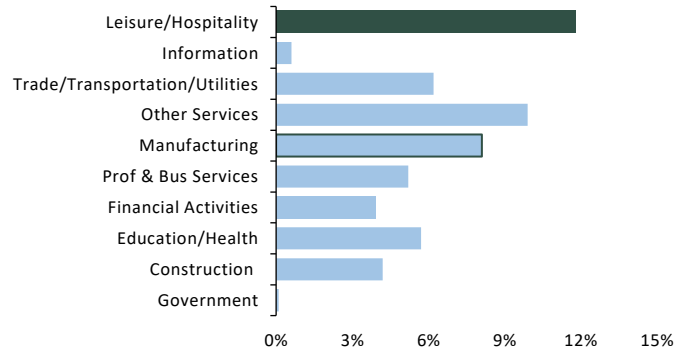
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

## Employment Growth By Industry

South Florida, Aug. 2022, MSA, 12-Month % Change



Source: U.S. Bureau of Labor Statistics | Not Seasonally Adjusted



## Miami Office Market

Occupancy losses in the Miami office market were generally mild, with negative absorption totaling roughly 84,000 square feet. Vacancy remains stable at 15.0%, compared to the first two quarters of 2022 registering 14.8% and 14.9%. Miami's vacancy rate, year-over-year, remains below 15.4%, tallied in the third quarter of 2021. Only Miami's Class A office segment reported positive net absorption during the third quarter of 2022, coming in at 126,000 square feet. The Class B office segment posted a loss of 9,000 square feet, and Class C posted a loss of 16,000 square feet. Vacancy among Class A office assets hovers at 18.4%, followed by Class B at 11.8% and Class C at 7.1%.

The Miami office market saw in the third quarter of 2022 only 48,000 square feet of new product delivered to the market, while another 2.2 million square feet remains under construction. New supply comes almost exclusively within the Class A office segment, ostensibly to meet steady demand for credited tenants expanding within Miami or relocating from out of state.

The overall average asking rate in Miami ticked upward yet again to \$47.10/SF in the third quarter of 2022, demonstrating an increase from \$41.38/SF year-over-year and \$39.47/SF two years ago. The overall average in the third quarter of 2022 increased a little over 12% from one year ago and 16% from two years ago. Office landlords have tallied two consecutive quarters of demand contraction, yet rent increases are being closely watched in the face of adverse national macroeconomic forecasts.

Rent growth similarly ticked upward on segment-by-segment basis. Class A office product led the way at \$47.31/SF, followed by Class B at \$34.36/SF and Class C at \$28.46/SF. All three office segments witnessed increased rental rates from the second quarter of 2022 and year over year. Asking rents for the Class A segment increased by 7.0% year-over-year, Class B increased by roughly 6.0% and Class C by 9.0%.

### Leasing and Demand

Leasing activity within Miami's office markets reported a modest uptick from the prior quarter, with 196 transactions totaling nearly 1.8 million square feet. Comparatively, approximately 1.5 million square feet of office space was leased during the prior quarter. Leasing within the Class A segment led, with more than 800,000 square feet over 129 transactions. Leasing within the Class B segment followed, with 963,125 square feet over 67 transactions.

Financial firms continue to drive leasing in South Florida, specifically in the Miami market. Citadel's 95,000 square foot temporary home leads all leasing transactions. Sidley Austin entered a crowded legal market with its 57,000-square-foot lease, followed by space provider and Newmark-owned Knotel, with 38,000 square feet in Wynwood.

### Investment Activity

Investors were significantly less active in the Miami office market during the third quarter of 2022. A decrease from the prior quarter suggests the impact of higher costs of capital and diminished underwriting upside. Roughly 1.5 million square feet traded, compared to 4.0 million square feet in the prior quarter. Sale volume similarly decreased to \$340.0 million, down from a total of \$850.0 million the prior quarter. CoFe Properties sold a 107,000-square-foot office building to Related Group in July for \$51.0 million, marking the largest office sales transaction of the quarter. The sale of the WeWork building in Miami Beach followed at \$37.0 million, and the Senator Building, constructed in 1958 in North Miami Beach, changed hands at \$16.0 million.

### Current Conditions

The Miami office market experienced modest occupancy gains during the third quarter of 2022.

Miami's office sector continued to hold the highest vacancy throughout the State of Florida.

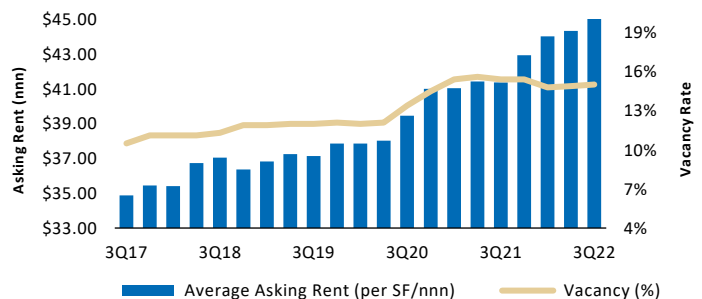
Landlords continue to increase asking rents in the Miami office market, with lease rates reaching yet another record level during the third quarter of 2022.

Financial and business services firms dominated recent leasing activity in Miami as relocations into the region continue to drive demand, although headwinds are showing.

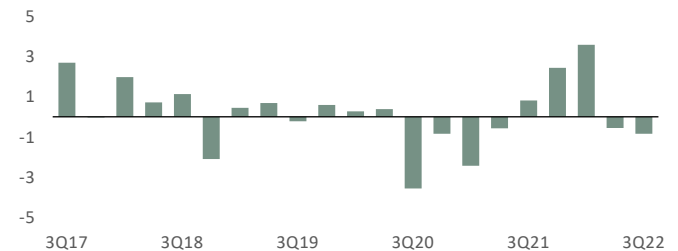
Investors were far less active in the Miami office market during the third quarter of 2022 than in the prior quarter, with approximately \$341 million in assets exchanged.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (100,000 SF)



### Market Summary

|                               | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF)          | 49.5M           | 49.3M         | 49.0M           | ↑                 |
| Vacancy Rate                  | 15.0%           | 14.9%         | 15.4%           | ↑                 |
| Quarterly Net Absorption (SF) | (-83,807)       | (-54,222)     | 81,749          | ↓                 |
| Average Asking Rent/SF        | \$47.10         | \$44.34       | \$41.38         | ↑                 |
| Under Construction (SF)       | 2.2M            | 2.0M          | 1.2M            | ↑                 |
| Deliveries                    | 48,258          | 0             | 0               | ↑                 |

| Miami 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) | Overall Average Asking Rent (Price/SF) |
| Brickell Avenue            | 6,678,223            | 664,300                 | 11.1 %             | 81,337              | 172,646             | \$72.93                        | \$52.46                        | \$67.03                                |
| Downtown Miami             | 7,502,289            | 727,025                 | 19.2 %             | 52,832              | 54,861              | \$63.53                        | \$47.69                        | \$53.36                                |
| <b>CBD Total</b>           | <b>14,180,512</b>    | <b>1,391,325</b>        | <b>15.4 %</b>      | <b>134,169</b>      | <b>227,507</b>      | <b>\$67.13</b>                 | <b>\$49.45</b>                 | <b>\$57.91</b>                         |
| Airport West               | 11,950,929           | 344,452                 | 18.9 %             | -60,984             | -45,409             | \$36.66                        | \$35.09                        | \$35.31                                |
| Biscayne Corridor          | 2,295,528            | 78,000                  | 32.2 %             | 62,991              | 119,962             | \$71.23                        | \$44.29                        | \$60.51                                |
| Coconut Grove              | 863,536              | 0                       | 7.9 %              | 29,730              | 55,656              | 0                              | \$54.20                        | \$49.09                                |
| Coral Gables               | 6,376,805            | 163,741                 | 14.1 %             | 16,357              | 45,671              | \$48.59                        | \$41.13                        | \$45.36                                |
| Coral Way                  | 822,959              | 0                       | 4.1 %              | -12,177             | -10,364             | 0                              | \$37.37                        | \$34.31                                |
| East Airport/Hialeah       | 930,744              | 0                       | 8.0 %              | -2,402              | 73,954              | \$54.75                        | 0                              | \$45.43                                |
| Kendall/South Dade         | 4,144,098            | 0                       | 12.6 %             | -216,370            | -191,692            | \$45.12                        | \$35.26                        | \$37.33                                |
| Miami Beach                | 2,099,056            | 38,660                  | 10.0 %             | -21,244             | -97,422             | \$75.99                        | \$59.06                        | \$57.89                                |
| Miami Lakes                | 1,806,918            | 152,090                 | 14.8 %             | -27,786             | -12,013             | \$31.82                        | \$29.57                        | \$30.25                                |
| Northeast Dade             | 3,432,448            | 0                       | 4.8 %              | 17,309              | 46,524              | \$57.86                        | \$32.59                        | \$38.31                                |
| South Miami                | 561,200              | 40,000                  | 3.0 %              | -3,400              | 6,894               | 0                              | \$38.21                        | \$33.87                                |
| <b>Suburban Total</b>      | <b>35,284,221</b>    | <b>816,943</b>          | <b>14.9 %</b>      | <b>-217,976</b>     | <b>-8,239</b>       | <b>\$45.72</b>                 | <b>\$38.56</b>                 | <b>\$41.50</b>                         |
| <b>Totals</b>              | <b>49,464,733</b>    | <b>2,208,268</b>        | <b>15.0 %</b>      | <b>-83,807</b>      | <b>219,268</b>      | <b>\$53.63</b>                 | <b>\$41.56</b>                 | <b>\$47.10</b>                         |

| Miami Lease / User Transactions |                    |           |               |             |
|---------------------------------|--------------------|-----------|---------------|-------------|
| Tenant                          | Building           | Submarket | Type          | Square Feet |
| Citadel                         | 830 Brickell Plaza | Brickell  | 5 Star Office | 93,000      |
| Sidley Austin                   | 830 Brickell Plaza | Brickell  | 5 Star Office | 57,000      |
| Knotel                          | 2143 NW First Ave. | Wynwood   | 4 Star Office | 38,428      |

| Miami Select Sale Transactions |                |              |          |             |
|--------------------------------|----------------|--------------|----------|-------------|
| Building                       | Submarket      | Sale Price   | Price/SF | Square Feet |
| 2999 NE 19 <sup>th</sup> St    | Aventura       | \$51,000,000 | \$475.29 | 107,304     |
| 429-455 Lenox Ave.             | Miami Beach    | \$37,000,000 | \$850.57 | 43,500      |
| 13899 Biscayne Blvd.           | N. Miami Beach | \$16,000,000 | \$437.03 | 36,611      |



## Broward Office Market

The Broward County office market bounced back with its first quarter of positive growth following two consecutive quarters of contracting tenant demand. Tenant activity increased by 198,000 square feet in the third quarter of 2022, preceded by negative absorptions in the first and second quarters of 2022 at 51,000 square feet and 315,000 square feet, respectively. Broward County's Class A, Class B and Class C office segments each posted positive tenant demand. The Class B segment led the way, with 84,000 square feet; followed by Class A, at 72,000 square feet; and Class C at 41,000 square feet. Broward vacancy rates held steady for Class A at 18.9%, Class B at 9.8% and Class C at 9.0%.

Recent softness in fundamentals hasn't deterred landlords from raising asking rents, as quoted lease rates register just shy of \$35.00/SF, up from \$33.23/SF one year ago, representing a 5.0% annual increase. Broward Class A rents year-over-year remain largely unchanged, at \$38.97/SF from \$38.49/SF one year ago, although key suburban submarkets have impacted the weighted average. Broward's Class A average asking rents remain the lowest relative to Miami and Palm Beach Class A office product coming in at \$53.63/SF and \$46.13/SF, respectively. Broward Class B rents ticked up to \$34.63/SF from \$32.58/SF one year ago, representing a 6.0% annual increase. Broward's Class B average asking rents similarly remain the lowest, comparable to Miami and Palm Beach Class B segments posting average rents at \$41.56/SF and \$32.71/SF, respectively.

Office development remains muted in Broward. No new product hit the market in the third quarter of 2022. Approximately 494,000 square feet is currently under construction, unchanged from the prior quarter, yet upward from 286,577 square feet one year ago. A majority of office product currently under construction falls within the Class A segment at 464,000 square feet.

### Leasing and Demand

Leasing activity in Broward County's office market increased during the third quarter of 2022 to 910,000 square feet from 878,000 square feet in the prior quarter, while corresponding lease transactions increased to 336 from 235. Broward's Class A segment accounted for more than half of tenant activity across 486,000 square feet and 91 transactions. Class B tenant activity spanned 327,000 square feet across 172 transactions. The two largest lease transactions occurred outside Fort Lauderdale's Central Business District in Sunrise and Plantation. Enhance Health's 61,700-square-foot sublease, in partnership with healthcare technology firm Connexion Point, notched the largest lease at the Sawgrass Centre in Sunrise. Cell tower REIT Crown Castle found a home, with 32,000 square feet of space at 1601 SW 80<sup>th</sup> Terrace in Plantation.

### Investment Sales

Office building sales volume increased in the third quarter of 2022 in Broward County to \$286.0 million in assets from \$219.0 million in the prior quarter. The third quarter of 2022 saw 85 sales transactions, comprising a total of 1.1 million square feet. Also in the third quarter of 2022, pricing jumped to \$231/SF, up from \$226/SF in the prior quarter. The largest single asset transaction was CP Group's sale of Las Olas Square to Macquarie for \$45.0 million. Keenan Group's sale to its existing tenant, Everglades University, was comprised of two office buildings, for a total of \$57.6 million. The Fort Lauderdale market has seen its market cap rate drop since last year, now sitting at 6.9%. This is the lowest cap rate during the past five years and is close to U.S. average.

### Current Conditions

The Broward County office market posted positive net absorption after two consecutive quarters of contraction in tenant demand.

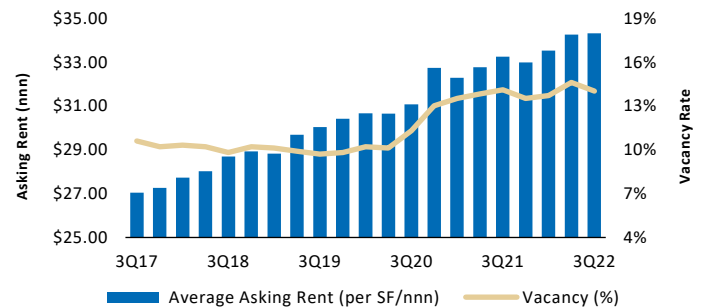
Vacancy among Broward's Class A assets tallied at 18.90% in the third quarter of 2022, while Class B and Class C rates remained flat at 9.80% and 9.0%, respectively.

Leasing volume ticked up in the third quarter of 2022 to 910,000 square feet over 336 total deals, up from 878,000 square feet over 235 deals in the prior quarter.

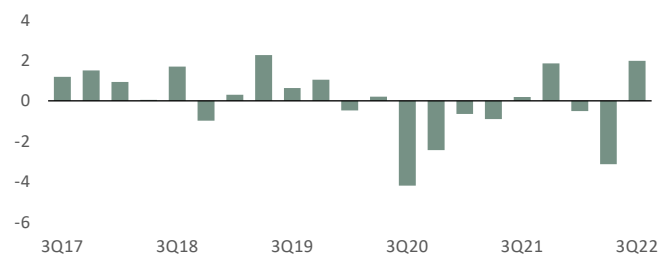
Sales volumes increased in the third quarter of 2022, with Everglades University engaging in a combined acquisition of two office buildings where it was leasing space.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (100,000 SF)



### Market Summary

|                               | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF)          | 34.3M           | 34.20M        | 34.3M           | ↔                 |
| Vacancy Rate                  | 14.0%           | 14.6%         | 14.1%           | ↑                 |
| Quarterly Net Absorption (SF) | 197,552         | (-314,974)    | 18,157          | ↑                 |
| Average Asking Rent/SF        | \$34.30         | \$34.24       | \$33.23         | ↑                 |
| Under Construction (SF)       | 493,983         | 493,983       | 286,577         | ↑                 |
| Deliveries                    | 0               | 0             | 0               | ↔                 |

## Fort Lauderdale / Broward 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) | Overall Average Asking Rent (Price/SF) |
|--------------------------------|----------------------|-------------------------|--------------------|---------------------|---------------------|--------------------------------|--------------------------------|--|
| <b>Ft. Lauderdale CBD</b>      | <b>5,767,474</b>     | <b>30,000</b>           | <b>17.7 %</b>      | <b>110,804</b>      | <b>140,534</b>      | <b>\$47.92</b>                 | <b>\$35.98</b>                 | <b>\$47.09</b>                         |
| Commercial Blvd                | 1,833,050            | 0                       | 10.1 %             | 8,868               | -30,524             | \$28.55                        | \$26.83                        | \$26.65                                |
| Cypress Creek                  | 4,657,695            | 0                       | 12.1 %             | 51,355              | -109,838            | \$34.45                        | \$25.14                        | \$29.58                                |
| <b>Ft. Lauderdale Suburban</b> | <b>3,148,217</b>     | <b>0</b>                | <b>10.8 %</b>      | <b>28,068</b>       | <b>87,903</b>       | <b>\$33.59</b>                 | <b>\$30.68</b>                 | <b>\$31.50</b>                         |
| Hallandale                     | 500,866              | 334,227                 | 6.9 %              | -2,853              | -11,052             | \$37.25                        | \$35.55                        | \$34.51                                |
| Hollywood                      | 2,504,544            | 129,756                 | 7.3 %              | 15,972              | 31,741              | \$37.32                        | \$28.40                        | \$31.59                                |
| NW Broward/Coral Springs       | 1,721,839            | 0                       | 20.3 %             | 8,790               | -47,943             | \$29.63                        | \$27.99                        | \$28.54                                |
| Plantation                     | 4,674,014            | 0                       | 12.3 %             | 76,147              | -85,075             | \$38.99                        | \$27.26                        | \$31.15                                |
| Pompano Beach                  | 2,532,299            | 0                       | 13.3 %             | -60,145             | -37,759             | \$32.96                        | \$22.86                        | \$26.72                                |
| Sawgrass Park                  | 3,071,971            | 0                       | 24.1 %             | -27,913             | -40,393             | \$34.24                        | \$24.55                        | \$31.39                                |
| SW Broward                     | 3,876,438            | 0                       | 12.2 %             | -11,541             | -66,265             | \$35.45                        | \$25.96                        | \$33.75                                |
| <b>Suburban Total</b>          | <b>28,520,933</b>    | <b>463,983</b>          | <b>13.3 %</b>      | <b>86,748</b>       | <b>-309,205</b>     | <b>\$34.40</b>                 | <b>\$26.50</b>                 | <b>\$30.48</b>                         |
| <b>Totals</b>                  | <b>34,288,407</b>    | <b>493,983</b>          | <b>14.0 %</b>      | <b>197,552</b>      | <b>-168,671</b>     | <b>\$38.97</b>                 | <b>\$26.96</b>                 | <b>\$34.30</b>                         |

## Fort Lauderdale Lease / User Transactions

| Tenant          | Building                     | Submarket           | Type          | Square Feet |
|-----------------|------------------------------|---------------------|---------------|-------------|
| Enhance Health  | 1550 Sawgrass Corp. Pkwy.    | Sunrise             | 4 Star Office | 61,717      |
| Crown Castle    | 1601 SW 80 <sup>th</sup> Ter | Plantation          | 4 Star Office | 32,132      |
| NationsBenefits | 100 SE 3rd Ave.              | Fort Lauderdale CBD | 4 Star Office | 26,444      |

## Fort Lauderdale Select Sale Transactions

| Building                 | Submarket       | Sale Price   | Price/SF | Square Feet |
|--------------------------|-----------------|--------------|----------|-------------|
| 501 E. Las Olas Blvd     | Fort Lauderdale | \$45,000,000 | \$750.00 | 60,000      |
| 1900 W. Commercial Blvd. | Ft. Lauderdale  | \$30,400,000 | \$289.52 | 105,000     |
| 1500 NW 49th St.         | Ft. Lauderdale  | \$27,200,000 | \$277.96 | 97,856      |



## Palm Beach Office Market

The Palm Beach office market endured its second straight quarter of negative absorption in the third quarter of 2022, reflecting tenant demand contraction of 12,570 square feet. Overall office vacancies across Palm Beach County posted 11.8%, roughly consistent with the first and second quarters of 2022. Palm Beach County has the lowest vacancy rate relative to Miami-Dade County at 18.9% and Broward County at 15.0%. Fundamentals in Palm Beach County's Class A market improved during the third quarter of 2022 to 126,300 square feet of positive absorption, besting 31,700 square feet in the prior quarter. The Class A vacancy rate dipped to 18.4% in the third quarter of 2022 from 18.7% the prior quarter. Vacancy rates for Class B and Class C assets remained the same from the second quarter of 2022. Class B office properties experienced its second consecutive quarter of contracting tenant demand, dipping 9,000 square feet on top of 347,400 square feet the prior quarter. Demand for lower-tier Class C office product similarly ended the third quarter of 2022 with a loss of 16,400 square feet, ending a string of positive absorptions over the first and second quarters of 2022.

New development is dominated by The Related Companies' One Flagler mixed-use development, which is set to deliver 277,000 square feet of office space in February 2024. The new office tower is currently more than 50% pre-leased. In addition, Florida Sunshine Investments' One West Palm is set to deliver 210,000 square feet of new office space in January 2023, along with 14,000 square feet of retail space.

Despite slipping tenant demand overall, average asking rents in the Palm Beach County office market increased slightly during the third quarter of 2022 to \$39.72/SF from \$39.08/SF in the prior quarter and \$38.99/SF one year ago. Rent increases indicate landlords will likely charge premiums for renovated office space, as older buildings set to compete for tenants against newly constructed office product. Pricing for Class A office space in Palm Beach County increased modestly to \$46.13/SF from \$45.31/SF the prior quarter and \$45.48/SF one year ago. Pricing for Class B office space currently comes in at \$32.71/SF and has not exceeded that amount for five consecutive quarters.

### Leasing and Demand

Leasing activity in Palm Beach County's office market ticked up to 985,000 square feet in the third quarter of 2022 from 781,000 square feet the prior quarter. This jump is a result of, at least in part, successful pre-leasing at Related's One Flagler development. Tenant activity spanned a total of 314 lease transactions. Approximately 88 transactions occurred within Class A buildings with a volume of 474,000 square feet, an increase from 468,000 square feet in the prior quarter. First Republic's 50,000-square-foot office lease represents the largest transaction of the third quarter of 2022, within CP Group's prestigious One Boca Place office building on the Glades Road Corridor in Boca Raton.

### Investment Sales

Investment sale volumes decreased considerably during the third quarter of 2022, likely in response to increasing cost of debt and diminished underwriting upside. Across Palm Beach County, 561,000 square feet of office space changed hands in the third quarter of 2022. This is down significantly from the 1.6 million square feet of investment sales in the prior quarter. Office building total transaction volume posted \$163.0 million in the third quarter, down from \$346.0 million in the prior quarter. For context, sale volume for office buildings over the last few quarters averaged between \$500 and \$600 million. The average price per square foot also declined during the third quarter of 2022 to \$301/SF. Top transactions include the sale of the four-story Abacoa Town Center in Jupiter in July 2022 for \$19.0 million, followed by the sale of Meridian Office Center in Boca Raton for \$16.0 million.

### Current Conditions

Slightly negative net absorption during the third quarter of 2022 pushed Palm Beach County office vacancies up minimally to 11.8%, consistent with previous quarters.

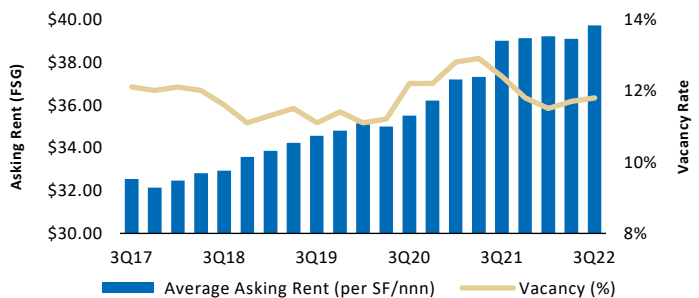
Overall asking rents for office space in Palm Beach County increased slightly over the quarter, although tenant demand appears muted, considering adverse economic signals.

Palm Beach County's office sector posted the lowest overall vacancy rate in South Florida, at 11.8%, compared to Miami-Dade and Broward Counties.

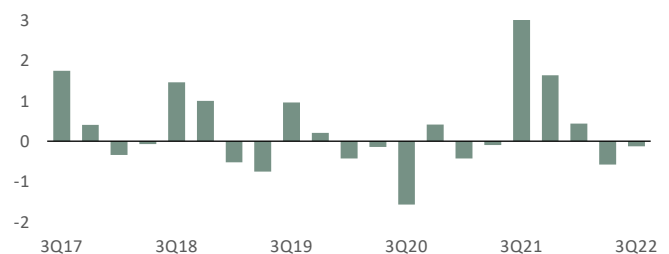
While leasing activity ticked up in the third quarter of 2022, likely reflecting pre-leasing at One Flagler, wavering financial markets adversely impacted sales over the past three months.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (100,000 SF)



### Market Summary

|                               | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF)          | 25.6M           | 25.6M         | 25.6M           | ↔                 |
| Vacancy Rate                  | 11.8%           | 11.7%         | 12.4%           | ↓                 |
| Quarterly Net Absorption (SF) | (-12,570)       | (-57,656)     | 368,994         | ↓                 |
| Average Asking Rent/SF        | \$39.72         | \$39.08       | \$38.99         | ↑                 |
| Under Construction (SF)       | 617,903         | 527,000       | 210,000         | ↑                 |
| Deliveries                    | 0               | 0             | 0               | ↔                 |

## Palm Beach 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) | Overall Average Asking Rent (Price/SF) |
|-----------------------------|----------------------|-------------------------|--------------------|---------------------|---------------------|--------------------------------|--------------------------------|--|
| <b>W Palm Beach CBD</b>     | 2,724,847            | 487,000                 | 8.3 %              | 19,683              | 120,974             | \$79.80                        | \$56.06                        | \$69.21                                |
| Boca Raton                  | 11,624,421           | 0                       | 12.1 %             | -14,097             | -38,890             | \$43.75                        | \$31.35                        | \$39.22                                |
| Boynton/Lantana             | 712,398              | 0                       | 5.7 %              | 496                 | 1,458               | 0                              | \$0.00                         | \$19.43                                |
| Delray Beach                | 1,158,308            | 90,903                  | 7.6 %              | 25,681              | 25,196              | 0                              | \$27.59                        | \$27.76                                |
| Jupiter                     | 596,332              | 40,000                  | 15.7 %             | -4,472              | -64,889             | \$27.00                        | \$27.50                        | \$27.15                                |
| N Palm Bch/Palm Bch Gardens | 3,740,937            | 0                       | 13.6 %             | -69,410             | -111,208            | \$43.01                        | \$30.02                        | \$34.55                                |
| Palm Beach                  | 822,706              | 0                       | 5.2 %              | 18,959              | 36,248              | 0                              | \$79.45                        | \$80.81                                |
| Palm Springs/Lake Worth     | 238,131              | 0                       | 3.2 %              | 4,297               | -537                | 0                              | \$28.89                        | \$28.89                                |
| Royal Palm Bch/Wellington   | 304,640              | 0                       | 1.9 %              | 2,281               | 4,888               | 0                              | \$27.87                        | \$27.87                                |
| W. Palm Beach Suburban      | 3,679,553            | 0                       | 16.4 %             | 4,012               | 861                 | \$42.03                        | \$27.26                        | \$33.89                                |
| <b>Suburban Total</b>       | <b>22,877,426</b>    | <b>130,903</b>          | <b>12.2 %</b>      | <b>-32,253</b>      | <b>-146,873</b>     | <b>\$42.72</b>                 | <b>\$30.60</b>                 | <b>\$36.92</b>                         |
| <b>Totals</b>               | <b>25,602,273</b>    | <b>617,903</b>          | <b>11.8 %</b>      | <b>-12,570</b>      | <b>-25,899</b>      | <b>\$46.13</b>                 | <b>\$32.71</b>                 | <b>\$39.72</b>                         |

## Palm Beach Lease / User Transactions

| Tenant              | Building              | Submarket     | Type          | Square Feet |
|---------------------|-----------------------|---------------|---------------|-------------|
| First Republic Bank | 2255 Glades Rd.       | Boca Raton    | 4 Star Office | 50,000      |
| Undisclosed         | 2255 Glades Rd.       | Boca Raton    | 4 Star Office | 35,788      |
| Comcast Corp.       | 1100 Northpoint Pkwy. | W. Palm Beach | 2 Star Office | 26,780      |

## Palm Beach Select Sale Transactions

| Building                    | Submarket    | Sale Price   | Price/SF | Square Feet |
|-----------------------------|--------------|--------------|----------|-------------|
| 1395 University Blvd.       | Jupiter      | \$19,000,000 | \$309.19 | 61,451      |
| 6551 Park of Commerce Blvd. | Boca Raton   | \$16,060,710 | \$228.12 | 70,406      |
| 220 NE 1 <sup>st</sup> St.  | Delray Beach | \$12,168,162 | \$813.38 | 14,960      |



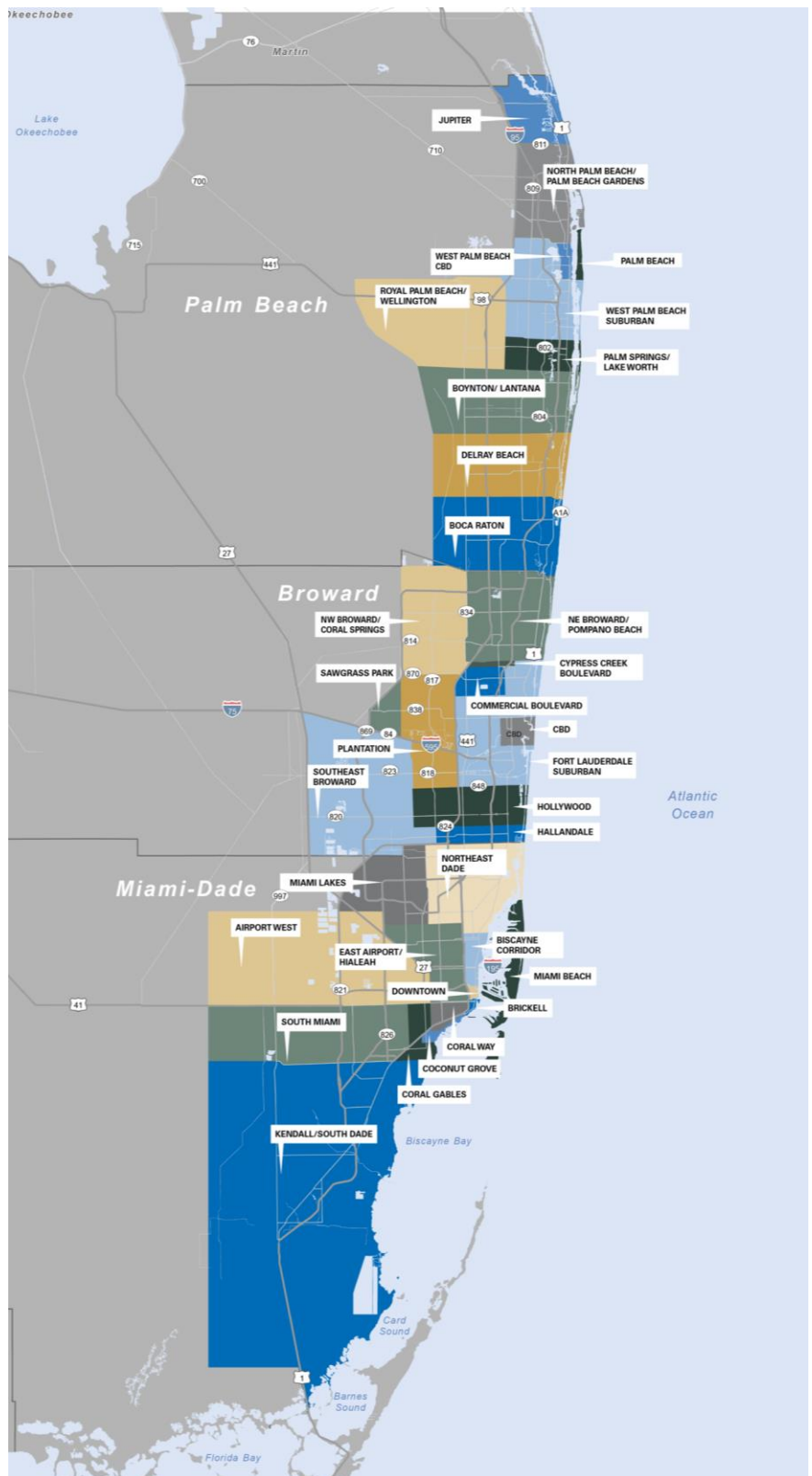
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|---|---|--|
| <b>ALABAMA</b><br>Birmingham  | <b>FLORIDA</b><br>Boca Raton<br>Jupiter   | <b>NEVADA</b><br>Las Vegas<br>Reno                             |
| <b>ARIZONA</b><br>Phoenix   | Miami<br>Palm Beach<br>Tampa              | <b>OHIO</b><br>Cincinnati<br>Cleveland<br>Columbus             |
| <b>ARKANSAS</b><br>Fayetteville<br>Little Rock  | <b>GEORGIA</b><br>Atlanta                 | <b>OKLAHOMA</b><br>Oklahoma City                               |
| <b>CALIFORNIA</b><br>El Segundo<br>Irvine<br>Los Angeles<br>Newport Beach<br>Pasadena<br>Sacramento<br>San Francisco<br>San Jose<br>San Mateo<br>Santa Rosa | <b>ILLINOIS</b><br>Chicago                | <b>OREGON</b><br>Portland/Lake<br>Oswego                       |
| <b>COLORADO</b><br>Denver   | <b>INDIANA</b><br>Indianapolis            | <b>PENNSYLVANIA</b><br>Allentown<br>Philadelphia<br>Pittsburgh |
| <b>CONNECTICUT</b><br>Stamford  | <b>KENTUCKY</b><br>Louisville             | <b>TEXAS</b><br>Austin<br>Dallas<br>Houston                    |
| <b>DELAWARE</b><br>Wilmington   | <b>LOUISIANA</b><br>New Orleans           | <b>UTAH</b><br>Salt Lake City                                  |
| <b>DISTRICT OF COLUMBIA</b>   | <b>MARYLAND</b><br>Baltimore<br>Salisbury | <b>VIRGINIA</b><br>Tysons Corner                               |
|   | <b>MASSACHUSETTS</b><br>Boston            | <b>WASHINGTON</b><br>Seattle                                   |
|   | <b>MICHIGAN</b><br>Detroit                | <b>WISCONSIN</b><br>Milwaukee                                  |
|   | <b>MINNESOTA</b><br>Minneapolis           |  |
|   | <b>MISSOURI</b><br>St. Louis              |  |



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