

### Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate for Palm Beach County continues to improve as it reached 3.9% in May 2017. That's ahead of the State of Florida and National unemployment rates which were both reported at 4.3%. Palm Beach County job creation totaled 14,700 over the past year with the biggest gains occurring in Leisure and Hospitality (4,300); Professional and Business Services (3,800); and Construction (2,800).

### Market Overview

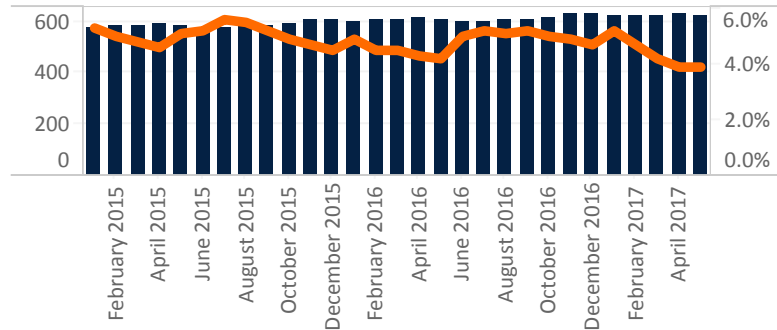
The Palm Beach office market recorded 351,885 square feet (sf) of positive absorption during 2Q 2017. The positive gain helped recoup the negative 152,553 sf in 1Q 2017, which brings the year-to-date absorption to a positive 169,342 sf. The total vacancy rate over all submarkets dropped 1.0 percentage points from 10.3 % in 1Q 2017 to 9.3% in 2Q 2017. The Wellington submarket posted the lowest vacancy rate at 2.2%, followed by Delray and Jupiter submarkets with 5.4% at the close of 2Q 2017. Weighted average asking rents for Class A and C properties remained relatively unchanged, while Class B fell \$7.24 per square foot (psf) from \$29.38 psf in 1Q 2017 to \$22.14 psf in 2Q 2017. With no new deliveries and only 110,000 sf under construction, vacancy and asking rents should continue to improve.

### Market Highlights

Vacancy rates vary greatly in the Palm Beach County Office market from a low of 2.2% in Wellington / Royal Palm Beach to a high of 14% on Palm Beach Island. As a breakdown by property classification, Class C was the lowest at 3.6% overall, while Class A overall came in at 12.4%. Major occupiers of space included Orange Theory (31,927 sf), Trilogy Home Health Care (17,485 sf); Tech Service Today (15,716 sf), Clean Mark (14,070 sf), Trilogy Education Services (11,112 sf); Triple O Medical Services (9,255 sf); Pallo, Marks, Hernandez, Gechijian & Demay. (7,554 sf); and HCL Technologies (6,921 sf). At the close of 2Q 2017, only four Class A buildings can accommodate large users requiring 25,000 sf or more in the Palm Beach office market.

### Palm Beach Employment

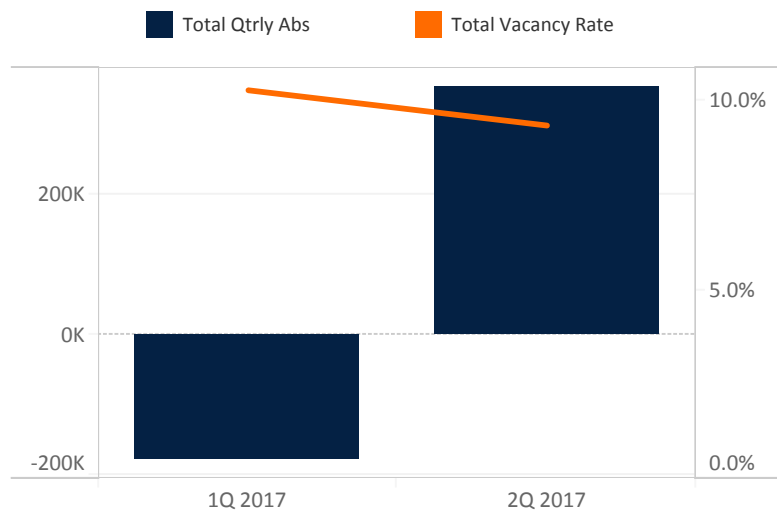
Source: BLS



### Market Recap

Inventory (sf)	40,834,808
# of Bldgs	1,295
Qrtly Abs (sf)	351,885
Total Avail Rate	13.7%
Total Vacancy Rate	9.3%
U/C Inventory (sf)	110,000
Delivered (sf)	0
Weighted Average Asking Rate (FSG)	\$23.15

### Absorption and Vacancy Rate



## Overview by Class (Total)

Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
A	15,320,819	2,575,895	1,932,895	12.6%	99,752	72,364
B	23,415,066	2,891,928	1,809,401	7.7%	144,676	6,799
C	2,098,923	110,710	75,384	3.6%	107,457	90,179
<b>Overall</b>	<b>40,834,808</b>	<b>5,578,533</b>	<b>3,817,680</b>	<b>9.3%</b>	<b>351,885</b>	<b>169,342</b>

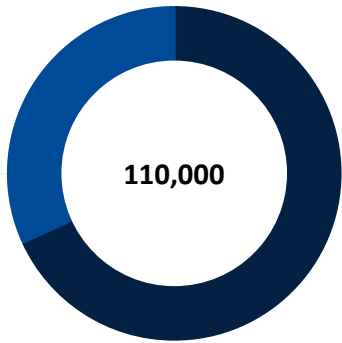
## Overview by Market (Total)

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Boca Raton	A	2,884,039	519,045	440,997	15.3%	19,940	-15,980
	B	1,263,022	173,236	155,613	12.3%	6,186	14,117
	C	7,920	0	0	0.0%	0	0
	<b>Subtotal</b>	<b>4,154,981</b>	<b>692,281</b>	<b>596,610</b>	<b>14.4%</b>	<b>26,126</b>	<b>-1,863</b>
Boynton Beach	A	390,532	12,810	12,810	3.3%	14,113	24,537
	B	855,114	153,702	115,131	13.5%	17,836	21,105
	C	131,833	0	0	0.0%	0	0
	<b>Subtotal</b>	<b>1,377,479</b>	<b>166,512</b>	<b>127,941</b>	<b>9.3%</b>	<b>31,949</b>	<b>45,642</b>
Delray Beach	A	159,033	36,821	16,241	10.2%	13,475	10,995
	B	1,622,948	93,746	75,770	4.7%	4,191	-28,146
	C	320,127	26,322	21,572	6.7%	4,857	-3,791
	<b>Subtotal</b>	<b>2,102,108</b>	<b>156,889</b>	<b>113,583</b>	<b>5.4%</b>	<b>22,523</b>	<b>-20,942</b>
East Boca	A	2,091,886	247,894	187,075	8.9%	83,986	36,756
	B	2,130,922	178,696	103,534	4.9%	64,130	9,217
	C	110,041	0	0	0.0%	0	0
	<b>Subtotal</b>	<b>4,332,849</b>	<b>426,590</b>	<b>290,609</b>	<b>6.7%</b>	<b>148,116</b>	<b>45,973</b>
Jupiter	A	866,859	88,966	78,413	9.0%	16,548	12,673
	B	1,285,371	74,306	45,276	3.5%	5,438	2,000
	C	257,426	12,761	5,774	2.2%	11,733	-5,049
	<b>Subtotal</b>	<b>2,409,656</b>	<b>176,033</b>	<b>129,463</b>	<b>5.4%</b>	<b>33,719</b>	<b>9,624</b>
Lake Okeechobee	B	131,274	0	0	0.0%	0	0
	<b>Subtotal</b>	<b>131,274</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>
Lake Worth	A	77,396	30,208	30,208	39.0%	1,625	1,625
	B	879,180	125,556	94,221	10.7%	-9,517	-20,190
	C	168,636	0	0	0.0%	0	0
	<b>Subtotal</b>	<b>1,125,212</b>	<b>155,764</b>	<b>124,429</b>	<b>11.1%</b>	<b>-7,892</b>	<b>-18,565</b>
North Boca	A	2,138,833	521,075	339,570	15.9%	-23,428	35,067
	B	4,945,026	1,006,874	324,954	6.6%	60,539	-25,592
	<b>Subtotal</b>	<b>7,083,859</b>	<b>1,527,949</b>	<b>664,524</b>	<b>9.4%</b>	<b>37,111</b>	<b>9,475</b>
North Palm Beach	A	1,472,526	181,378	134,836	9.2%	-8,511	-980
	B	3,012,815	311,933	277,713	9.2%	-18,292	-53,897
	C	356,379	23,299	15,377	4.3%	10,192	-48
	<b>Subtotal</b>	<b>4,841,720</b>	<b>516,610</b>	<b>427,926</b>	<b>8.8%</b>	<b>-16,611</b>	<b>-54,925</b>
Outlying Palm Beach County	B	189,553	0	0	0.0%	0	0
	<b>Subtotal</b>	<b>189,553</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>
<b>Overall</b>		<b>40,834,808</b>	<b>5,578,533</b>	<b>3,817,680</b>	<b>9.3%</b>	<b>351,885</b>	<b>169,342</b>

## Overview by Market (Total) Cont'd

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Palm Beach Island	A	179,543	65,819	43,147	24.0%	-3,880	-20,807
	B	561,795	62,206	61,489	10.9%	-17,247	-21,332
	<i>Subtotal</i>	741,338	128,025	104,636	14.1%	-21,127	-42,139
Wellington Royal Palm	A	54,972	4,778	4,778	8.7%	1,346	-198
	B	855,060	14,910	14,406	1.7%	32,944	35,347
	C	93,437	2,697	2,697	2.9%	-974	-974
	<i>Subtotal</i>	1,003,469	22,385	21,881	2.2%	33,316	34,175
West Palm Beach	A	3,279,401	599,330	426,662	13.0%	23,504	14,924
	B	4,421,227	579,094	440,504	10.0%	603	78,228
	C	621,324	45,631	29,964	4.8%	81,649	100,041
	<i>Subtotal</i>	8,321,952	1,224,055	897,130	10.8%	105,756	193,193
West Palm Beach CBD	A	1,725,799	267,771	218,158	12.6%	-38,966	-26,248
	B	1,261,759	117,669	100,790	8.0%	-2,135	-4,058
	C	31,800	0	0	0.0%	0	0
	<i>Subtotal</i>	3,019,358	385,440	318,948	10.6%	-41,101	-30,306
Overall		40,834,808	5,578,533	3,817,680	9.3%	351,885	169,342

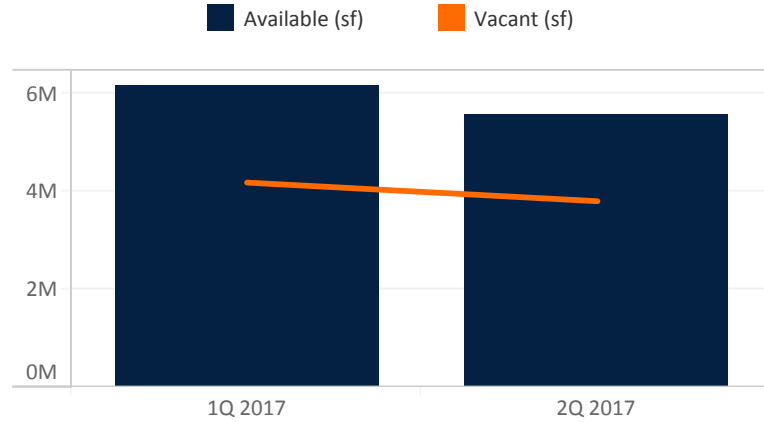
### Construction by Market



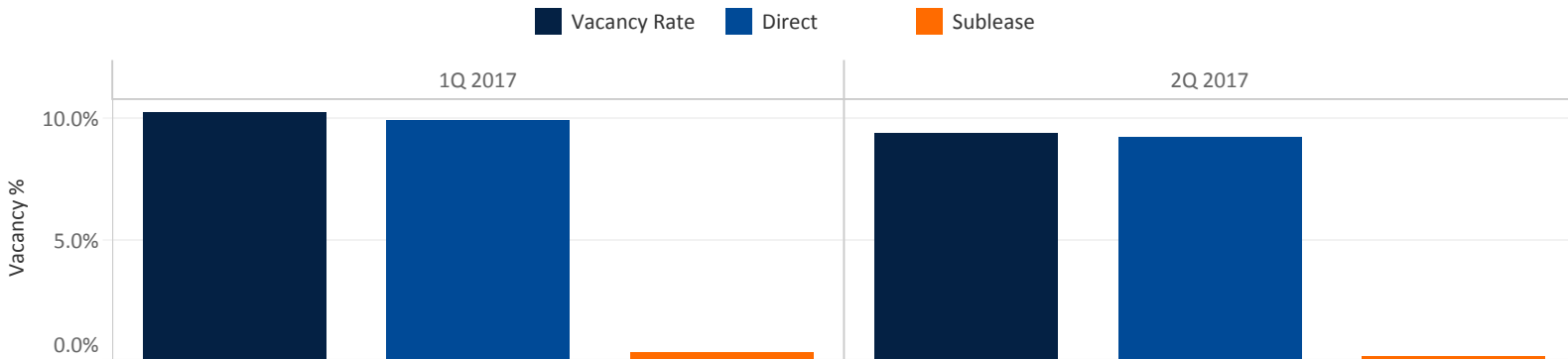
Rank

- North Palm Beach
- Wellington Royal Palm

### Total Available and Vacant



### Vacancy Rate



### Overview by Class (Direct)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	15,320,819	2,479,788	1,901,407	12.4%	91,374	66,918
B	23,415,066	2,766,151	1,778,100	7.6%	86,370	-3,350
C	2,098,923	110,710	75,384	3.6%	107,457	90,179
Overall	40,834,808	5,356,649	3,754,891	9.2%	285,201	153,747

### Overview by Class (Sublease)

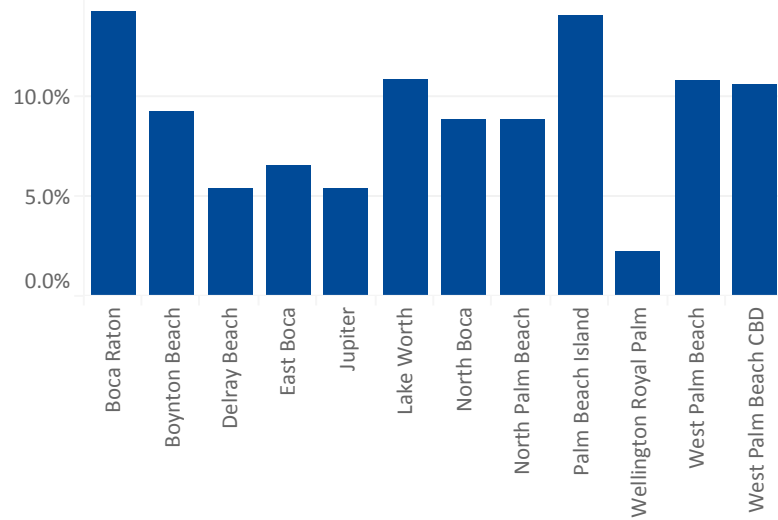
Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	15,320,819	96,107	31,488	0.2%	8,378	5,446
B	23,415,066	125,777	31,301	0.1%	58,306	10,149
C	2,098,923	0	0	0.0%	0	0
Overall	40,834,808	221,884	62,789	0.2%	66,684	15,595

### Direct Vacancy Rates

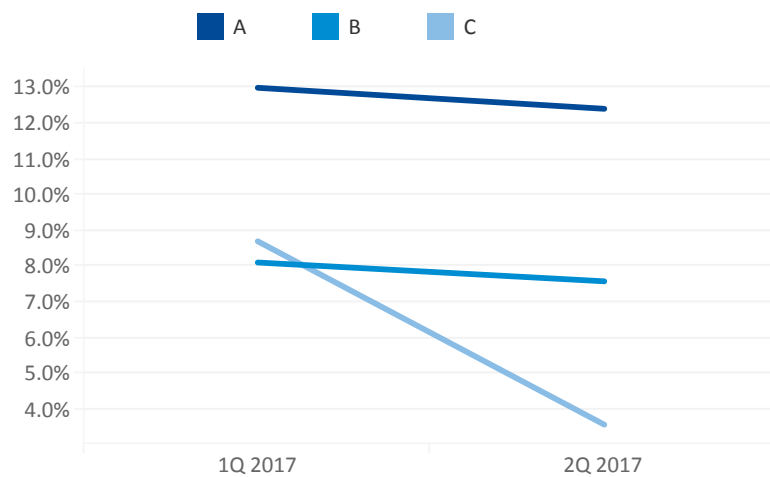
#### By Market and Class

Market Name	Class	Quarter Year	
		1Q 2017	2Q 2017
Boca Raton	A	15.8%	15.0%
	B	12.8%	12.3%
	C	0.0%	0.0%
Boynton Beach	A	6.9%	3.3%
	B	15.4%	13.3%
	C	0.0%	0.0%
Delray Beach	A	16.2%	10.2%
	B	5.9%	4.7%
	C	8.3%	6.7%
East Boca	A	12.7%	8.6%
	B	7.9%	4.9%
	C	0.0%	0.0%
Jupiter	A	11.0%	9.0%
	B	3.9%	3.5%
	C	6.8%	2.2%
Lake Okeechobee	B	0.0%	0.0%
Lake Worth	A	41.1%	39.0%
	B	9.4%	10.5%
	C	0.0%	0.0%
North Boca	A	13.9%	15.2%
	B	6.0%	6.0%
North Palm Beach	A	8.5%	9.0%
	B	8.6%	9.2%
	C	7.2%	4.3%
Outlying Palm Beach County	B	0.0%	0.0%
Palm Beach Island	A	21.9%	24.0%
	B	7.9%	10.8%
Wellington Royal Palm	A	11.1%	8.7%
	B	5.5%	1.7%
	C	1.8%	2.9%
West Palm Beach	A	13.8%	13.0%
	B	10.5%	10.0%
	C	18.0%	4.8%
West Palm Beach CBD	A	10.1%	12.6%
	B	7.8%	8.0%
	C	0.0%	0.0%
Overall		10.0%	9.2%

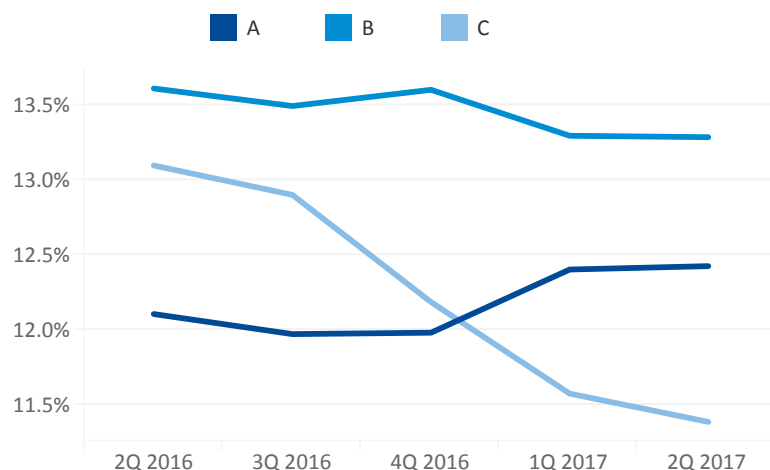
#### By Market



#### Palm Beach by Class



#### National by Class

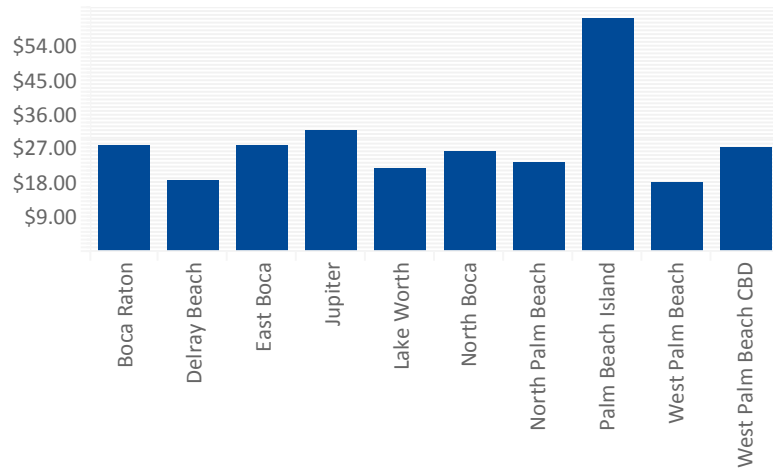


### Direct Weighted Average Asking Rates (FSG)

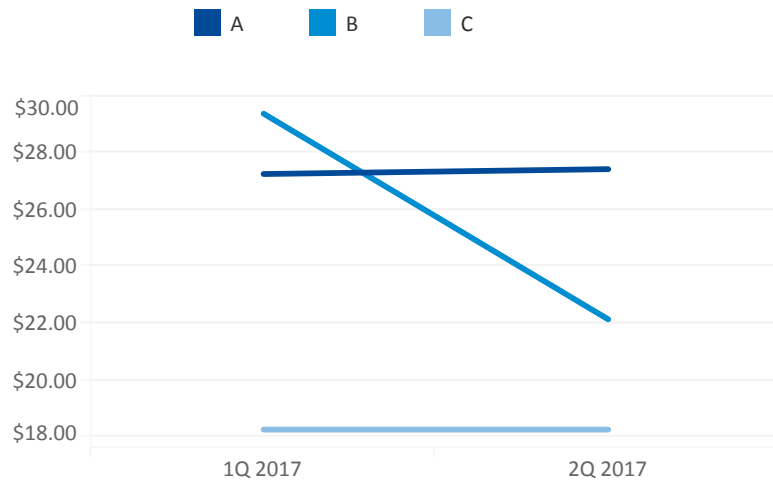
#### By Market and Class

Market Name	Class	Quarter Year	
		1Q 2017	2Q 2017
Boca Raton	A	-	-
	B	\$25.96	\$27.80
	C	-	-
Boynton Beach	A	-	-
	B	-	-
	C	-	-
Delray Beach	A	\$15.00	\$15.00
	B	\$24.00	\$24.00
	C	\$21.00	\$21.00
East Boca	A	\$29.68	\$27.32
	B	\$25.87	\$27.99
	C	-	-
Jupiter	A	\$31.50	\$31.50
	B	\$32.18	\$32.24
	C	-	-
Lake Okeechobee	B	-	-
Lake Worth	A	-	-
	B	\$21.86	\$21.62
	C	-	-
North Boca	A	\$27.38	\$26.77
	B	\$26.51	\$25.02
North Palm Beach	A	\$25.69	\$29.03
	B	\$53.55	\$22.51
	C	-	-
Outlying Palm Beach County	B	-	-
Palm Beach Island	A	-	-
	B	\$60.00	\$61.00
Wellington Royal Palm	A	-	-
	B	-	-
	C	-	-
West Palm Beach	A	\$26.70	\$26.00
	B	\$17.75	\$17.29
	C	\$15.00	\$15.00
West Palm Beach CBD	A	-	-
	B	\$26.88	\$27.36
	C	-	-
Overall		\$28.80	\$23.15

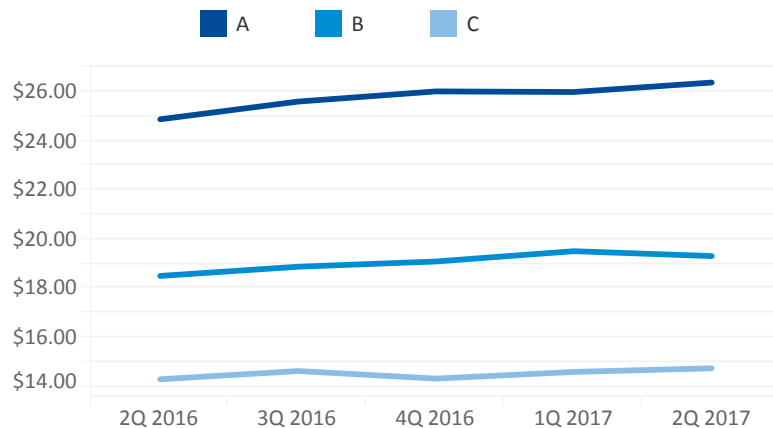
#### By Market



#### Palm Beach by Class

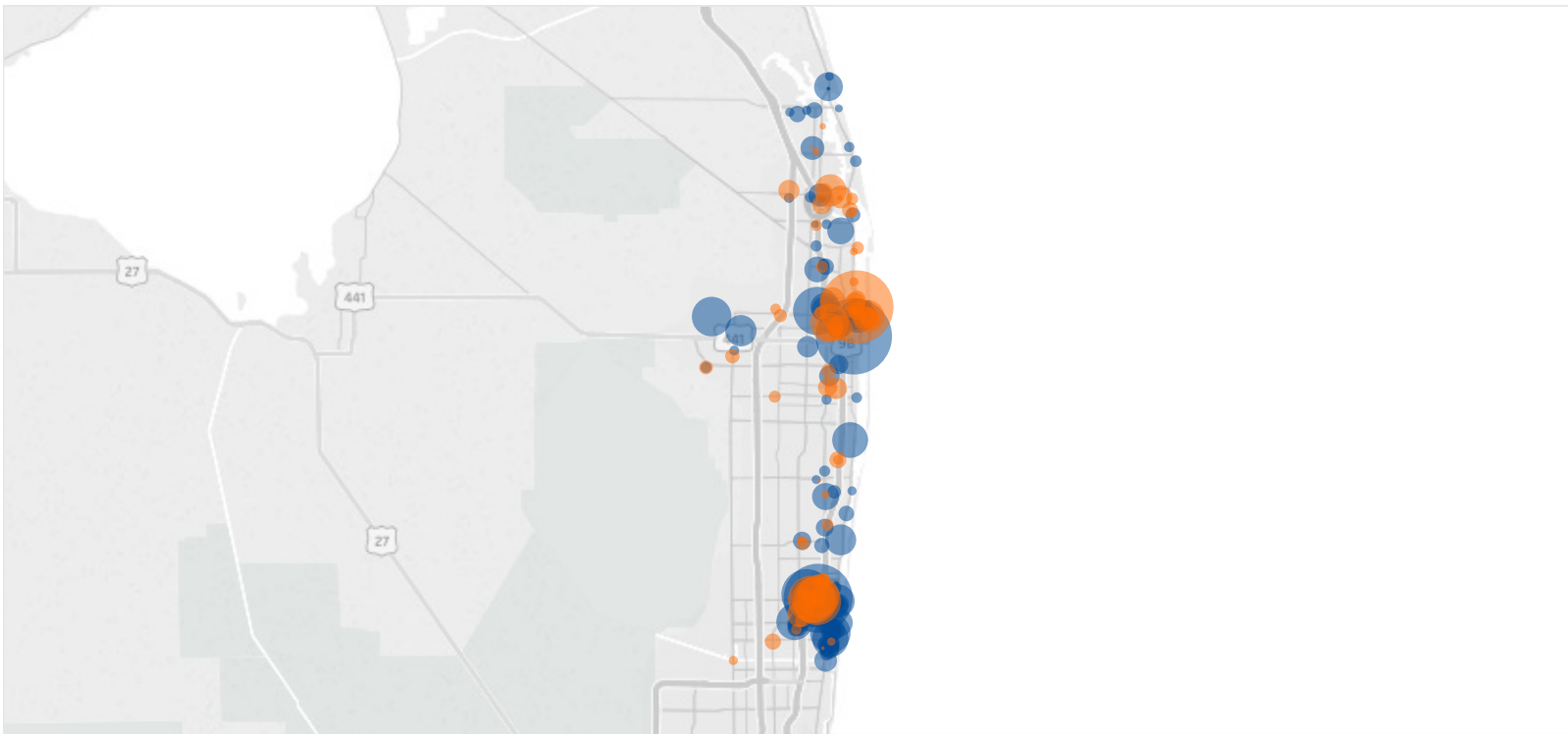


#### National by Class





## Absorption Map



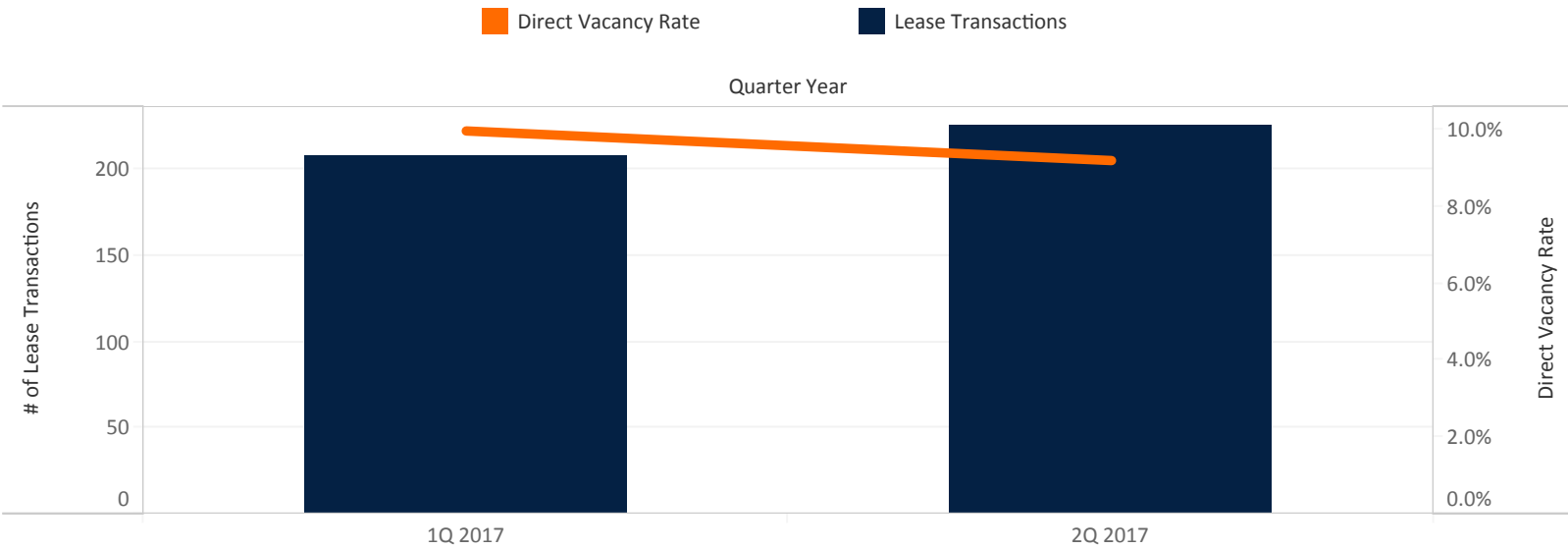
## Largest Positive (Total)

Property Name	Significant Transactions	Market Name	Class	
6000 Broken Sound Pkwy	Orange Theory 31,927 sf; Taylor & Francis 4,456 sf	North Boca	A	36,383
Boca Village Corporate Center	Tech Service Today 15,716 sf; Clean Mark 14,070 sf	North Boca	A	33,227
The Avalon	Doctor's Weight Control 6,200 sf	Boca Raton	B	18,700
Flagler Center II Tower	GSA 3,059 sf	West Palm Beach CBD	A	16,644
1 Main St	Toppers Gym 4,725 sf; Undisclosed Tenant 5,008 sf	Jupiter	C	11,683
Peninsula Plaza	Real Estate co. 3,925 sf; Healthcare co. 2563 sf	East Boca	A	10,925
Woolbright Corporate Center II	Foundcare, Inc. 4,750 sf; Trustbridge, Inc. 7,247 sf	Boynton Beach	A	10,336

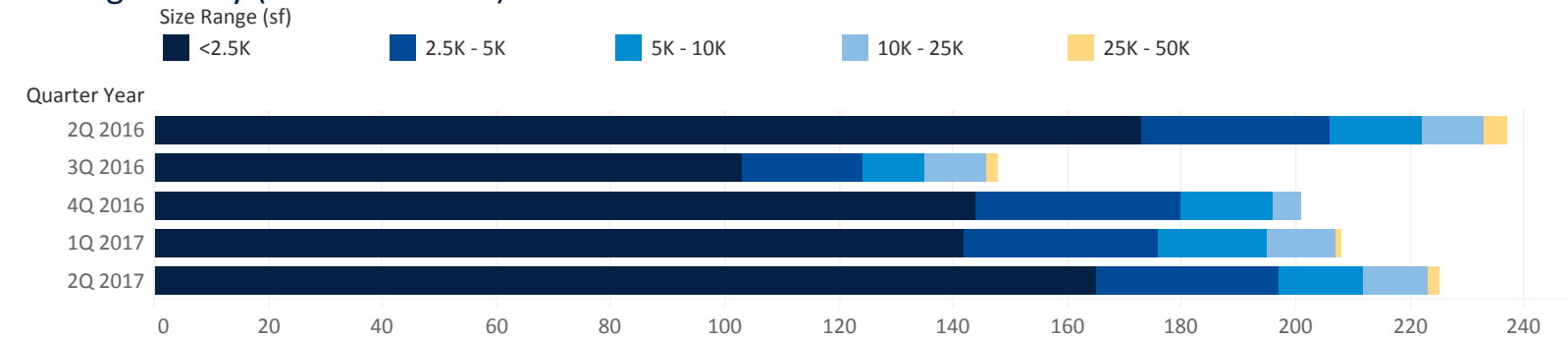
## Largest Negative (Total)

Property Name	Significant Transactions	Market Name	Class	
Boca Colonnade	CircleBack Lending -28,087 sf; Hairmax -4,122 sf	North Boca	A	-32,209
951 Yamato	CareerSource -10,061 sf	North Boca	A	-31,313
North 40	MedCare -15,172; APP 6,992 sf	North Boca	B	-29,802
Seacoast Banking Centre	CH2M -28,650 sf; Nason Yeager Law 18,000 sf	North Palm Beach	A	-14,572
1400 Centrepark Blvd	Oxford International -11,790 sf; CH2M 2,733 sf	West Palm Beach	A	-9,057
Sabadell United National Bank	Undisclosed Tenant -8,840 sf	West Palm Beach	A	-8,840

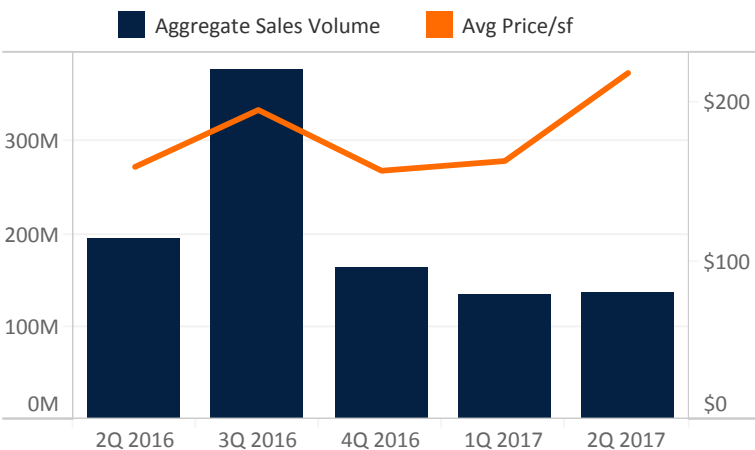
### Leasing Activity Trends



### Leasing Activity (# of New Deals)



### Sales Volume vs. Price/SF



### Top Sales

Property	Sale Date	Buyer	Sale Price
Peninsula Executive Center I	06/15/2017	C Talanian Realty Company	\$59,750,000
City Centre Bldg D	05/10/2017	AW Property Co	\$26,550,000
Professional Centre at the Gardens	05/16/2017	The WC and AN Miller Development Company	\$18,600,000
Concourse Tower East	05/31/2017	Cgm Management Inc	\$13,807,500
380 S County Rd	05/01/2017	Susan D Hudson	\$7,350,000



## Terminology

Term	Definition
Class A	Properties that attract premium office users and command leasing rates in the top 1/3 of the market due to the combination of their prestigious locations and their ability to deliver a higher than average set of amenities.
Class B	Buildings competing for average to premium office users but command less rents than Class A because of a limitation of their location or an average collection of amenities they deliver.
Class C	Buildings competing for office users requiring functional office space at rents below the market average for the area.
Direct Vacant (sf)	The total of the vacant square footage in a building being marketed as available by a landlord or an agent representing the landlord.
Net Absorption	The net change in occupied square feet from quarter to quarter, expressed in square feet.
Sublease (sf)	Space within a property that is offered for lease by a current tenant or their agent. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant if the landlord or their agent is marketing space that will be coming available at a future date because a tenant is considering a relocation.
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Tracked Inventory	The total square feet (sf) of all existing single and multi tenant office buildings greater than 5,000 SF, excluding government buildings, owner occupied buildings, medical buildings, and office condo buildings. Only includes 100% office properties.

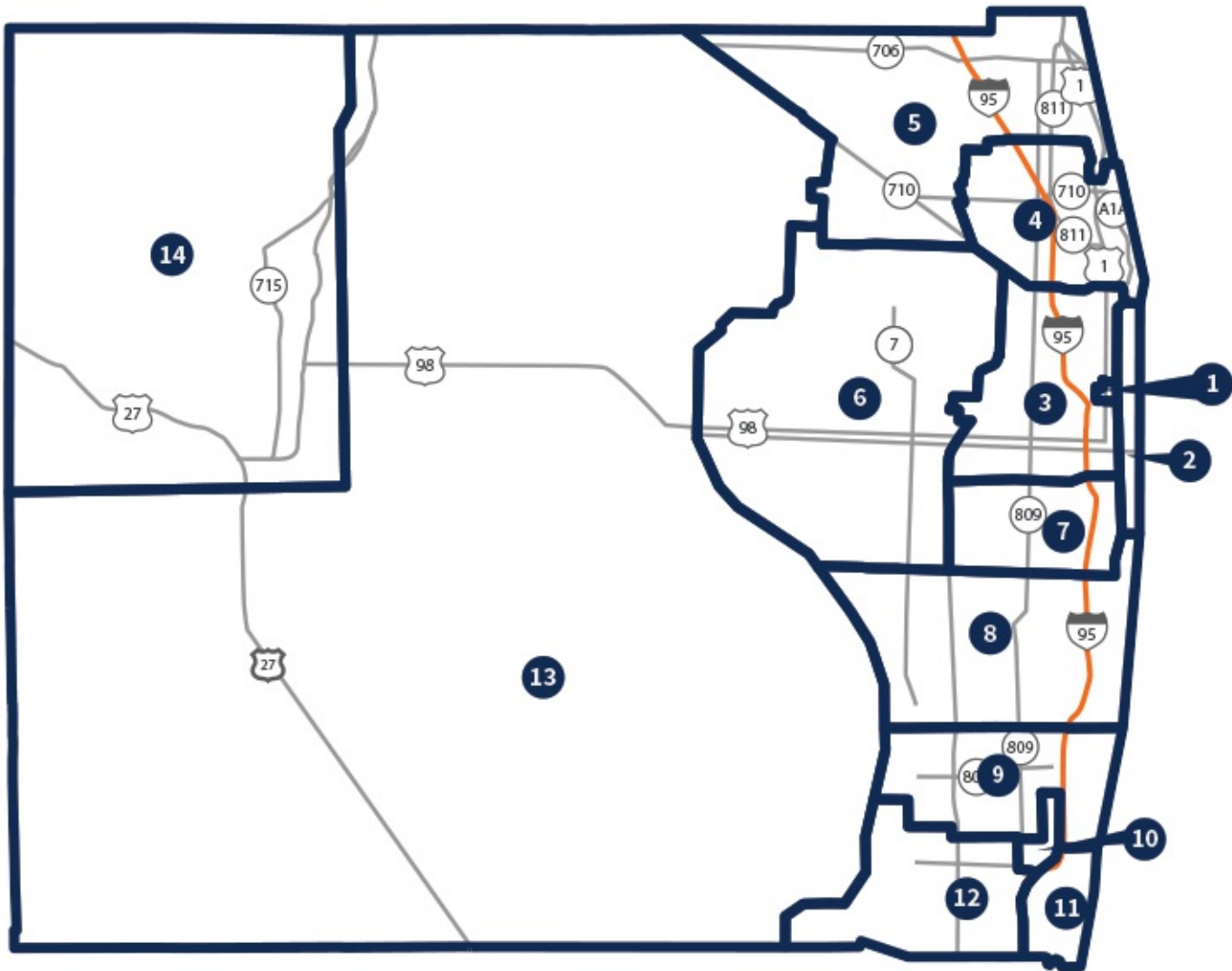
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**1** West Palm Beach CBD

**2** Palm Beach Island

**3** West Palm Beach

**4** Northern Palm Beach

**5** Jupiter

**6** Wellington / Royal Palm

**7** Lake Worth

**8** Boynton Beach

**9** Delray Beach

**10** North Boca

**11** East Boca

**12** Boca Raton

**13** Outlying Palm Beach County

**14** Lake Okeechobee