

Palm Beach Market Area

Marketwide, rents have experienced a positive trend and increased to \$29.88 per square foot compared to \$27.20 per square foot one year ago. The increased asking rents are a sign the market is strengthening and the economic atmosphere is improving. The Palm Beach County market has shown steady improvement coming out of the recessionary period as companies are gradually gaining confidence in the economy. The unemployment rate in Palm Beach County has decreased over the past year to 6.4 percent, which is down 1.1 percent from the same time last year.

As of the second quarter of 2014, the market has absorbed over 300,000 square feet. While strong leasing activity is expected to continue, the current pace is not expected to hold for the remainder of the year. The majority of absorbed space was in the Boca Raton submarket followed by the Delray Beach submarket. The leasing activity was mostly comprised of expansions, renewals or tenants moving laterally within the market, with very little new-to-market tenant activity. However, some of the lease renewals were significant in size, such as Carlton Fields’ renewal of 26,000 square feet at CityPlace Tower. Reports also indicate there has been an increased interest among financial services firms to return to the market after their departure during the recession.

The overall Palm Beach office market remains a tenant’s market but property owners are beginning to feel more confident as the market becomes tighter and rents continue to rise. There is also increased interest by institutional owners, which is a sign of the market’s strengthening and an opportunity for solid returns. CityPlace Tower, one of the Central Business District’s “trophy assets,” was put on the market in May 2014 and is already under contract. The lack of new construction is also working in the property owner’s favor, as there are no new 100 percent office projects currently underway in the Palm Beach market.

Figure 16 – Palm Beach Market Area Data

Market Area	Overall Vacancy Rate at Mid-Year 2014	Current Trend in Overall Vacancy	Average Asking Full Service Rental	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Palm Beach	15.3%		\$29.88		

Source: Vertical Integration’s Market Intelligence Command Center (MICC) and Costar

Southwest Florida (Fort Myers/Naples) Market Area

The Southwest Florida (Fort Myers/Naples) economy has improved considerably as seasonal residents and tourism have ramped back up. The population growth in this area is more than three times the national average, creating job growth in the leisure and hospitality sectors. Because of this, the unemployment rate in Southwest Florida has decreased over the past year to 5.9 percent.

The overall office vacancy rate for Southwest Florida has decreased over the past year to 12.7 percent at the end of the second quarter of 2014, compared to 13.7 percent one year ago. Southwest Florida’s office market has seen increased rental rates while rent concessions have trended downward. Additionally, this market maintains high real estate taxes and insurance costs that property owners will pass through to their tenants in the rental rates. The overall average asking rental rate for full service