

# Palm Beach County Office Market Overview



# Market Observations

## Economy

- The market's unemployment rate increased by 29 basis points year over year to 3.5% but remained well below the five-year average of 4.4%.
- Job growth pace has slowed compared to the national average, with the market reporting growth of 0.4% compared to 1.2% nationally in February 2025.
- The only office-using sector that reported growth was the financial activities industry reporting a 0.8% increase year over year.
- Office-using jobs in the market declined by 1.9% from the peak in February 2024 to 194,496 employees in February 2025 while still reflecting a 15.1% growth since February 2019.

## Major Transactions

- Industrious signed the largest new deal of the quarter with a prelease of 20,000 SF in the proposed property, The Aletto. The coworking company, will establish a presence in Boca Raton with this lease.
- The Boca Raton and North Palm Beach/Palm Beach Gardens submarkets were notable locational picks, with nine of the ten largest deals signed located in the two submarkets.
- Of the top five largest deals signed this quarter, three were located in Boca Raton.



## Leasing Market Fundamentals

- Annual full-service asking rental rates reached an all-time high in the first quarter of 2025 closing at \$50.66/SF, reflecting a 0.6% increase quarter over quarter.
- Occupancy remained positive in the first quarter; however, the delivery of Banyan & Olive, One Flagler, and Sundy Village last year has kept the vacancy rate elevated at 15.2%, reflecting a 190 basis points increase year over year.
- The under-construction pipeline increased with the 210,000-SF project, One West Palm, scheduled for delivery late in the first half of 2025. One West Palm is currently 90.1% preleased. Sister projects, 10 City Place and 15 City Place are also under construction, collectively totaling over 1.0 MSF of office space.
- Total leasing activity closed the quarter at 519,750 SF, averaging 2,463 SF per deal and reflecting a 706-SF decrease in average deal size year over year. Meanwhile, the number of leases signed fell by 17.3% year over year.

## Outlook

- The Palm Beach office market will likely see flat growth in the second quarter of 2025, impacted by national economic headwinds that are lending to the gradual loss of office-using employment. Office investment activity will remain low in the near term due to elevated inflation and a steeper cost of debt.
- Long-term rents are expected to continue increasing, driven by upcoming deliveries and declining availability of high-quality space, though the pace of increases may slower due to softer than average demand.
- The delivery of Banyan & Olive in the third quarter of 2024, which was 46.0% preleased prior to delivery, and the fourth quarter delivery of One Flagler, which was 82.1% preleased, will continue to provide a future boost to absorption and to asking rents. The influx of the additional supply that is not preleased will add to a near-term vacancy increase that will coincide with positive absorption impacts.

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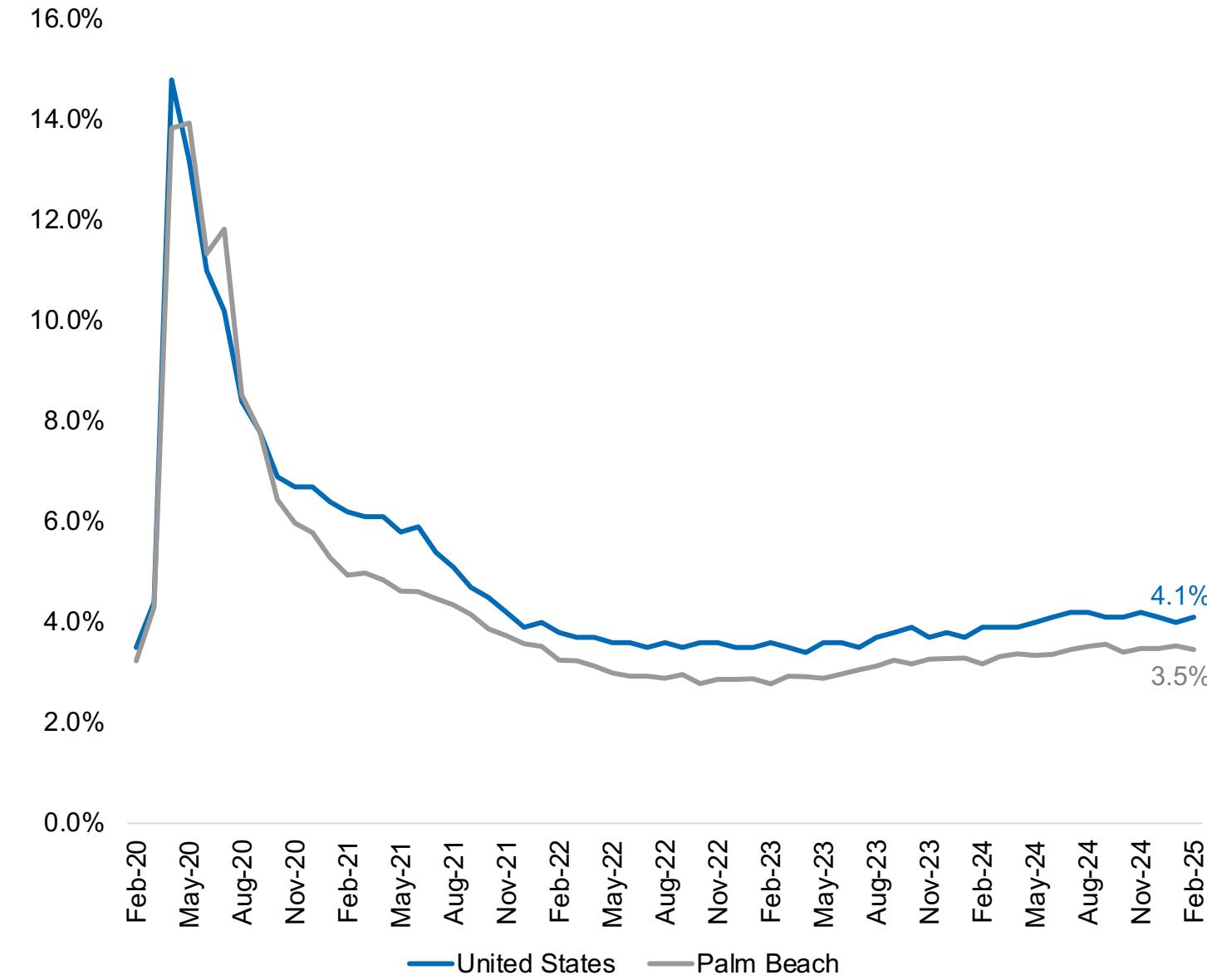
# Economy



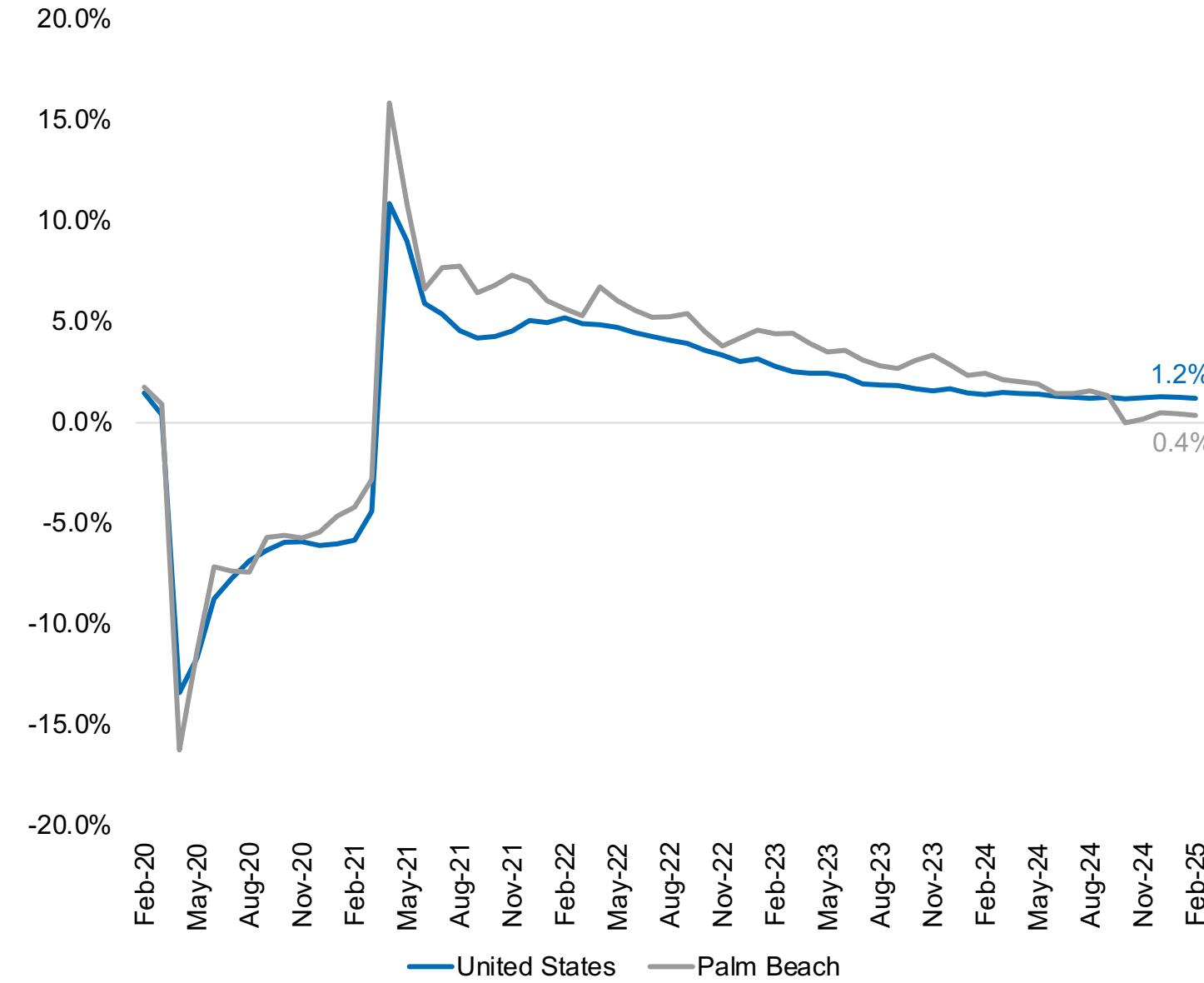
# Unemployment Flattens; Employment Growth Remains Slower Than National Average

Palm Beach has generally reported lower unemployment rates compared with the national average but has recently fallen under the national average in employment growth. The region's unemployment rate increased by 29 basis points year over year to 3.5%, in February of 2025, marking the 12<sup>th</sup> consecutive month above 3.2%. In the same time period, employment growth has lagged the national average by 85 basis points. Overall, the market's employment growth decreased by 211 basis points year over year to 0.4% due to national economic headwinds.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

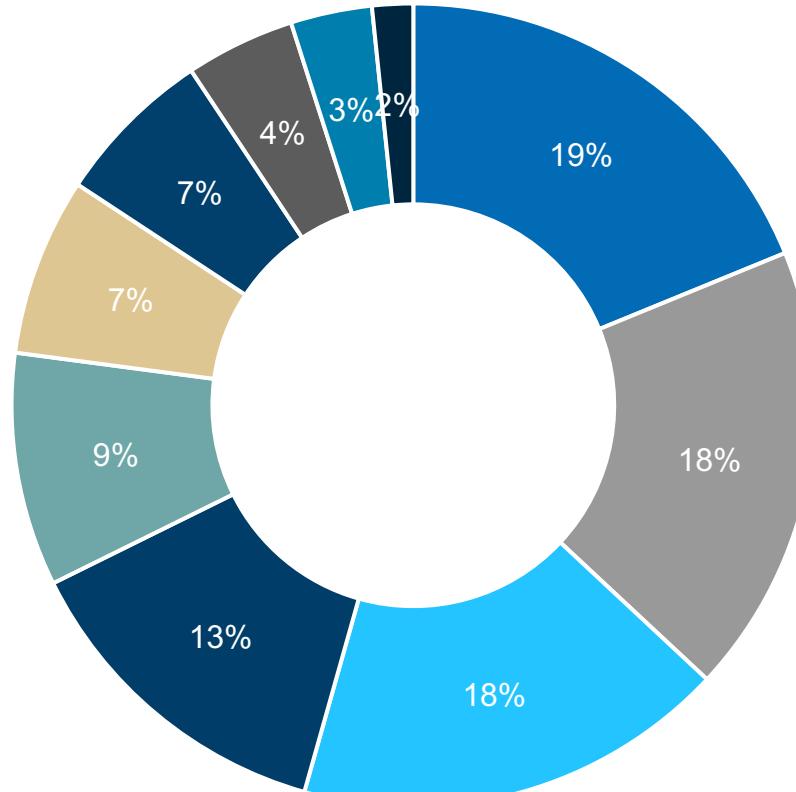


Source: U.S. Bureau of Labor Statistics, Palm Beach County

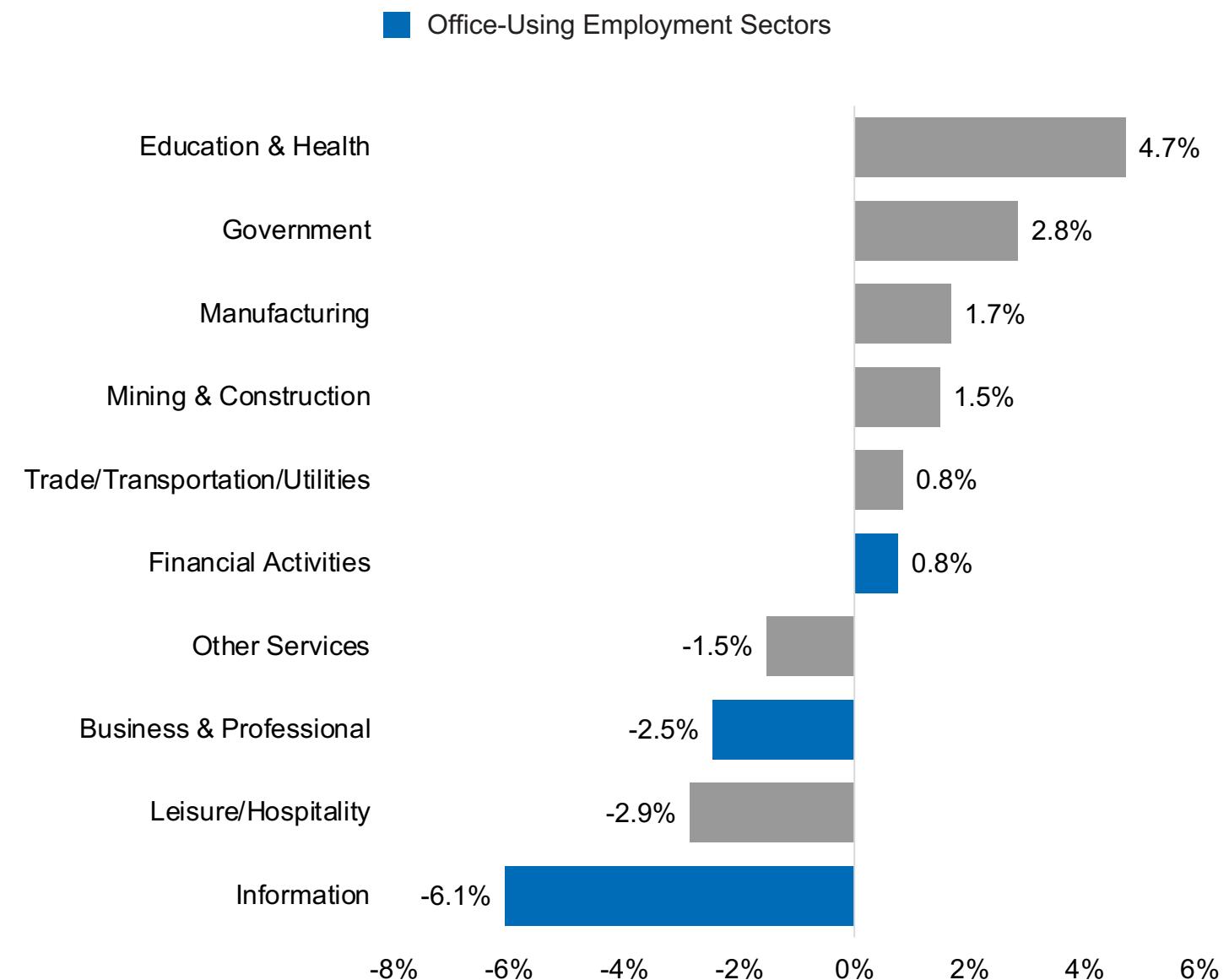
# Most Office-Using Sector Growth Declines

Palm Beach's top two employment industries account for 37.0% of market share. The office-using employment's business and professional sector is the largest industry sector in the metroplex at 18.8%. Office-using employment's financial activities sector expanded by 0.8% over the past year with business and professional and information sector contracting by 2.5% and 6.1% year over year, respectively.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

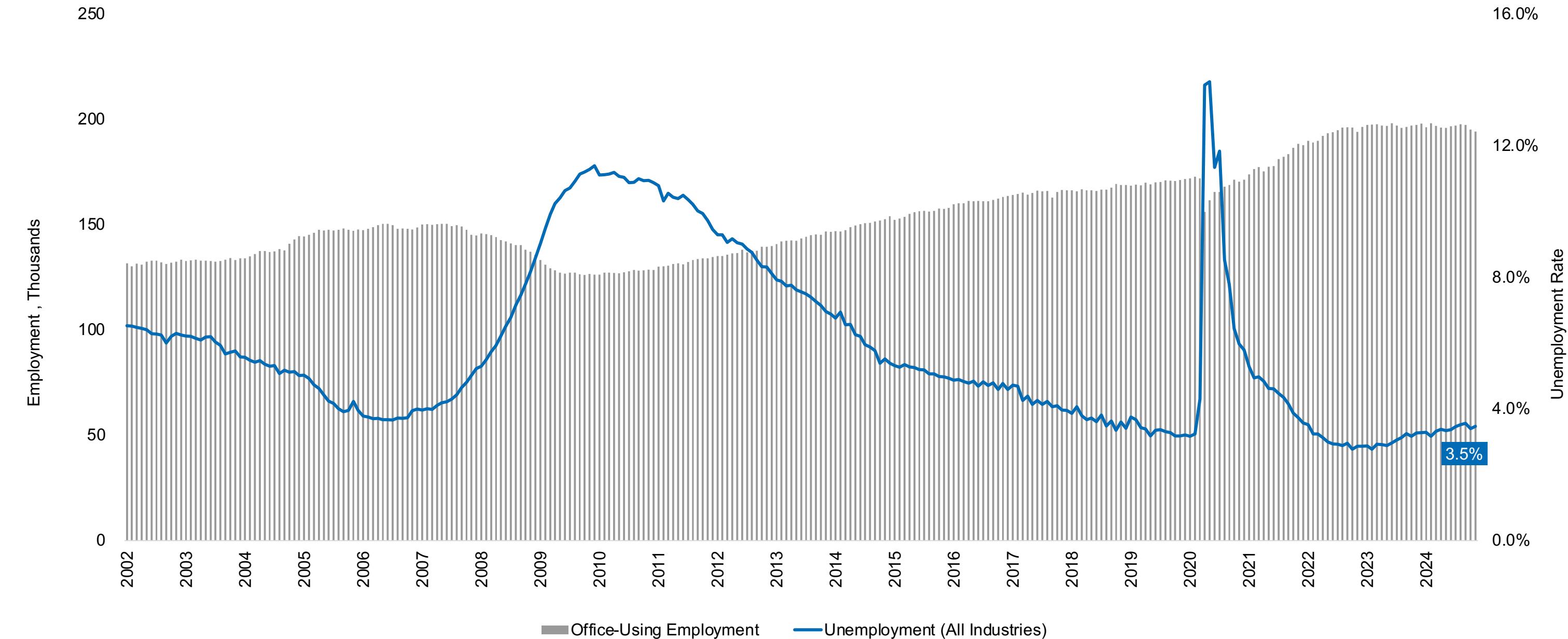


Source: U.S. Bureau of Labor Statistics, Palm Beach County

# Overall Office-Using Employment Continues to Decline

Office-using employment in Palm Beach decreased by 1.9% from the all-time historical high in February 2024 to 194,496 employees as of the end of February 2025. The seasonally-adjusted unemployment rate is 3.5%, slightly above the 3.4% average levels reports in 2019. National economic headwinds are having a negative impact on the office-using employment sector, which is directly correlated to the rising unemployment rate in Palm Beach.

## Office-Using Employment\* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Palm Beach County

\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

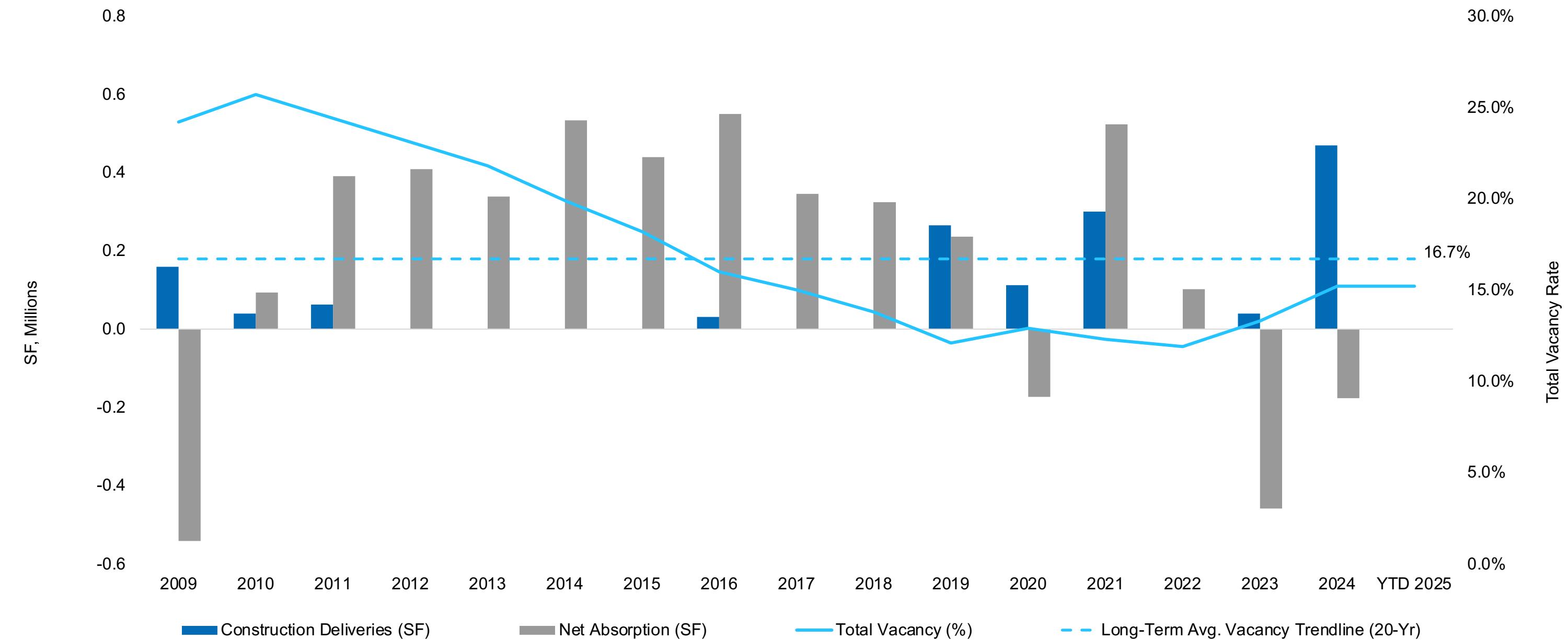
# Leasing Market Fundamentals



# Office Demand Ends Slightly Positive for the First Quarter of 2025

Palm Beach's office vacancy rate remained flat quarter over quarter and rose by 190 basis points year over year to 15.2% in the first quarter of 2025. Office vacancy continued to remain below the long-term average of 16.7%. Vacancy remained flat due to minimal absorption of 690 SF for the quarter and no new deliveries. Looking further into 2025, absorption is expected to remain positive and increase as tenants continue to move-in into Banyan & Olive, Sundy Village and One Flagler.

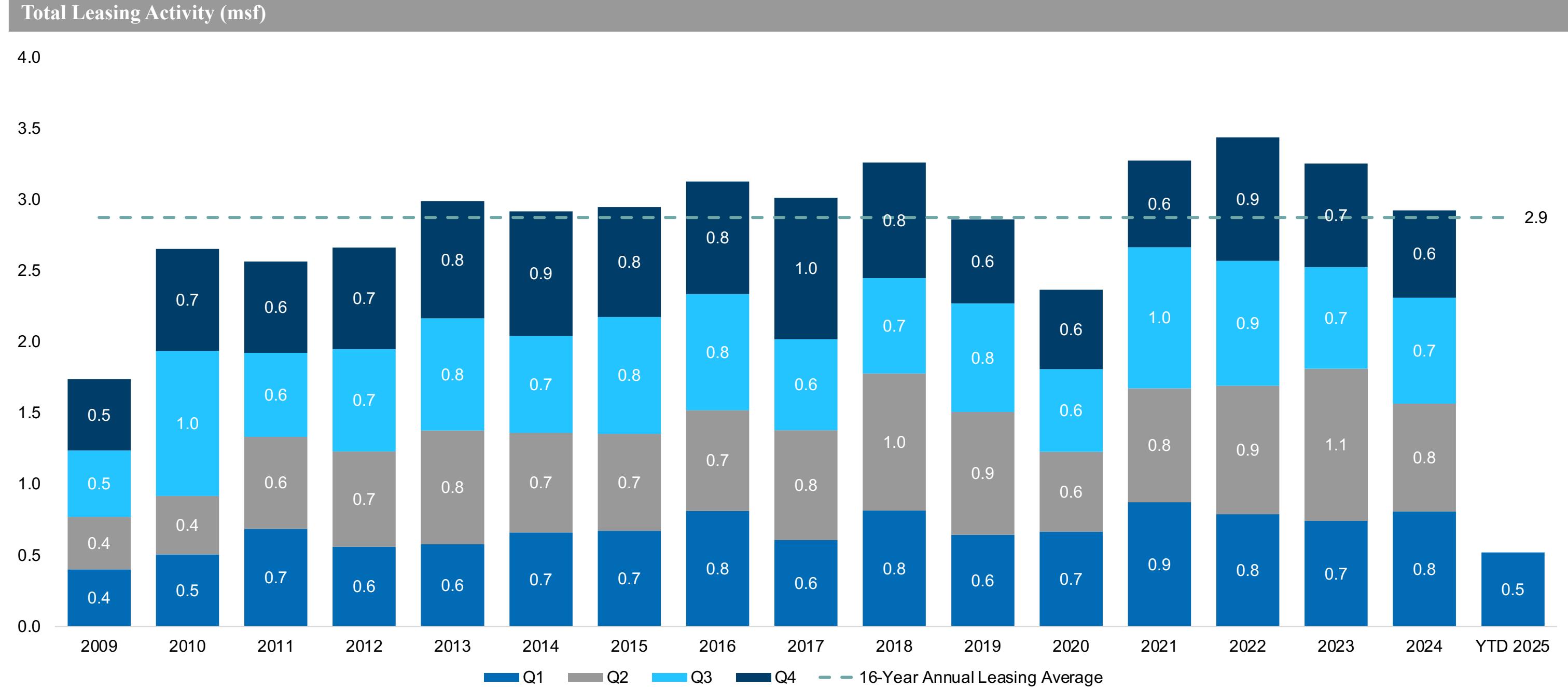
## Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

# Leasing Activity Slightly Below Historical Average

Leasing activity was weaker in the first quarter 2025, ending at 519,750 SF and falling below the 16-year first quarter average of 678,843 SF. Deal size averaged 2,463 SF in the first quarter of 2025, an average of 706 SF less than a year ago. The decrease in leasing activity, which is down 17.3% year over year by deal count, is due to both a reduction in the number of deals being done and a decrease in average deal size.

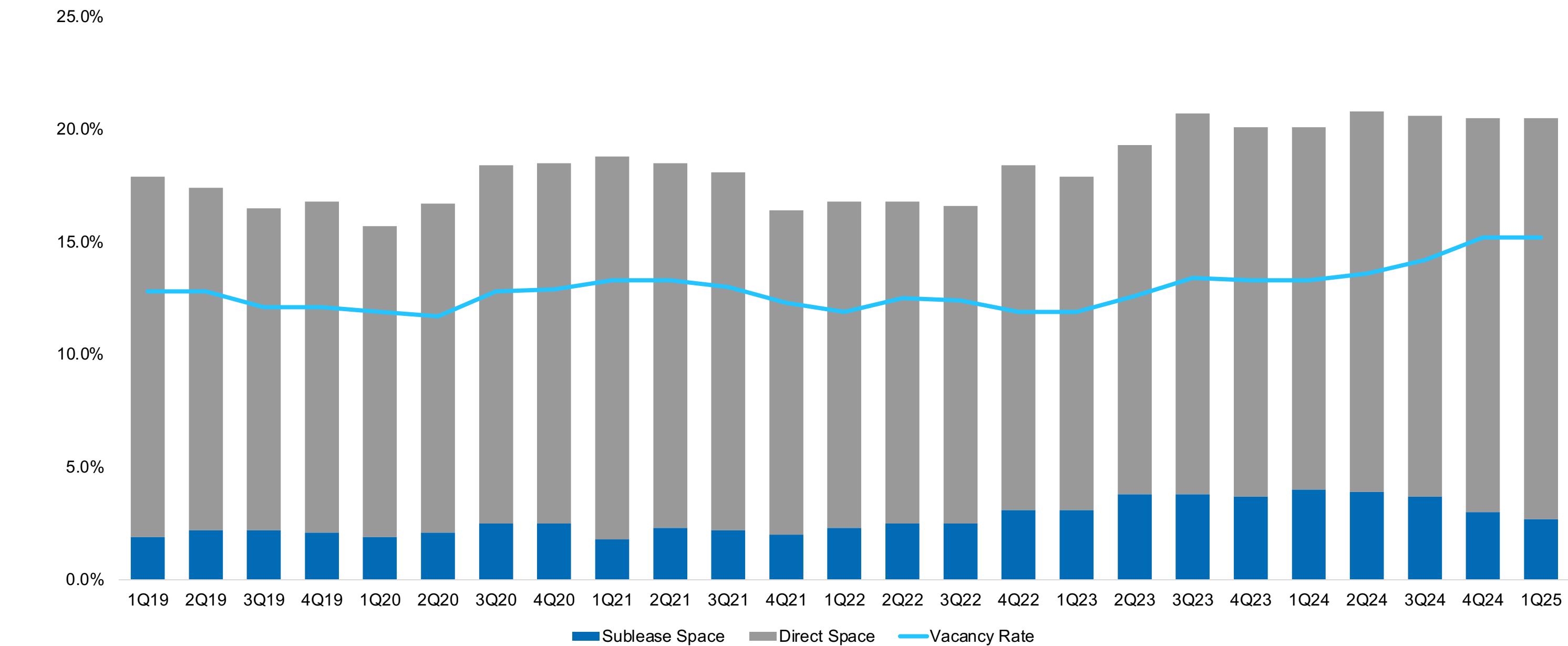


Source: Newmark Research, CoStar

# Sublet Availability Continues Decline From All-Time High

As of the end of the first quarter of 2025 sublease availability in Palm Beach County was at 2.7%, continuing a steady decline from the record high of 4.0% set in the first quarter of 2024. Direct availability saw an increase of 30 basis points quarter over quarter, closing the quarter at 17.8%. Vacancy remained flat quarter over quarter and increased by 190 basis points year over year, closing the quarter at 15.2%. The vacancy rate's continued stability since last quarter can be partially attributed to Banyan & Olive and Sundy Village being a combined 81.9% pre-leased. Vacancy is expected to gradually decrease as tenants continue to occupy these new buildings.

## Available Space as Percent of Overall Market

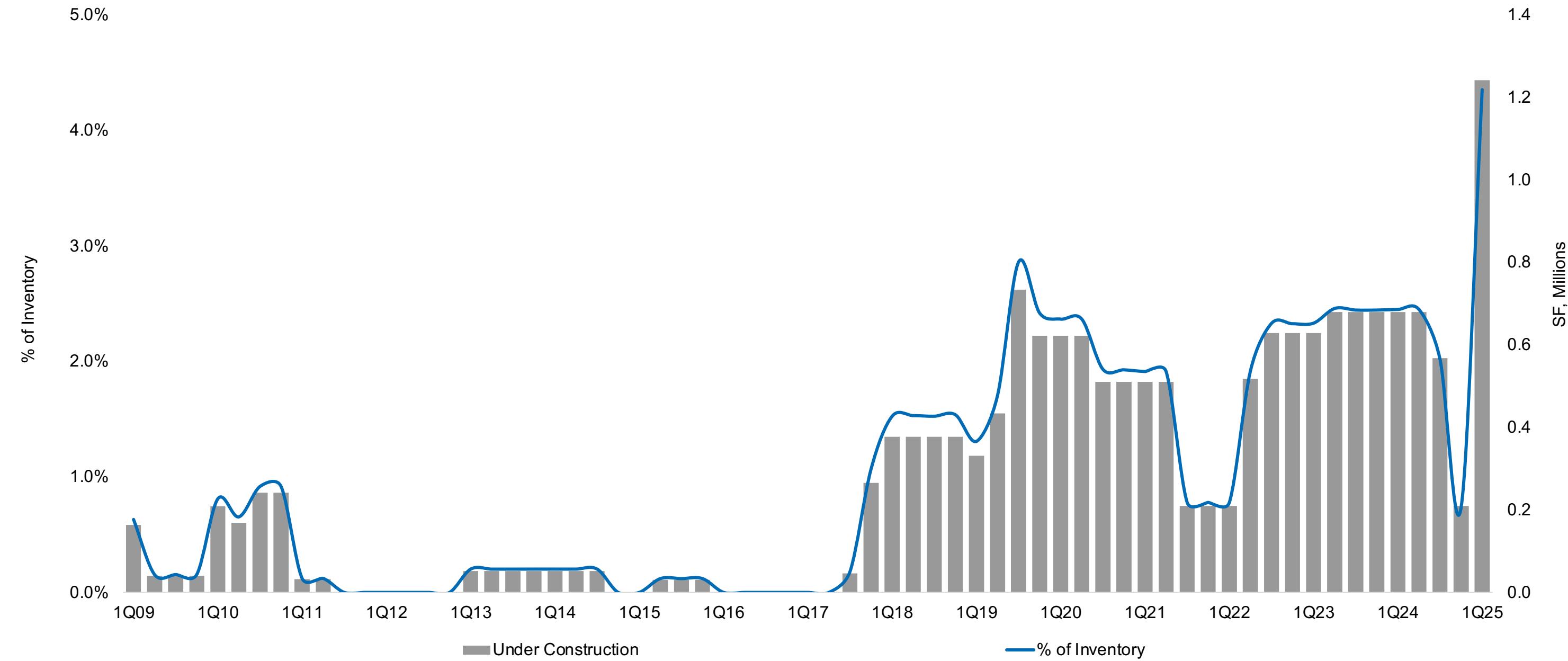


Source: Newmark Research, CoStar

# Construction Activity Increases To Record High

The pandemic led to an influx of companies and people into Palm Beach County, resulting in increased demand for new projects that provide high-quality space. This demand also necessitates addressing nearly a decade's worth of non-existent new development in the market. After a slowdown at the end of 2021, construction activity moderately increased in 2022 through 2024. Two new construction projects, 10 and 15 City Place, have commenced, raising the under-construction activity to 1.2 MSF.

## Office Under Construction and % of Inventory

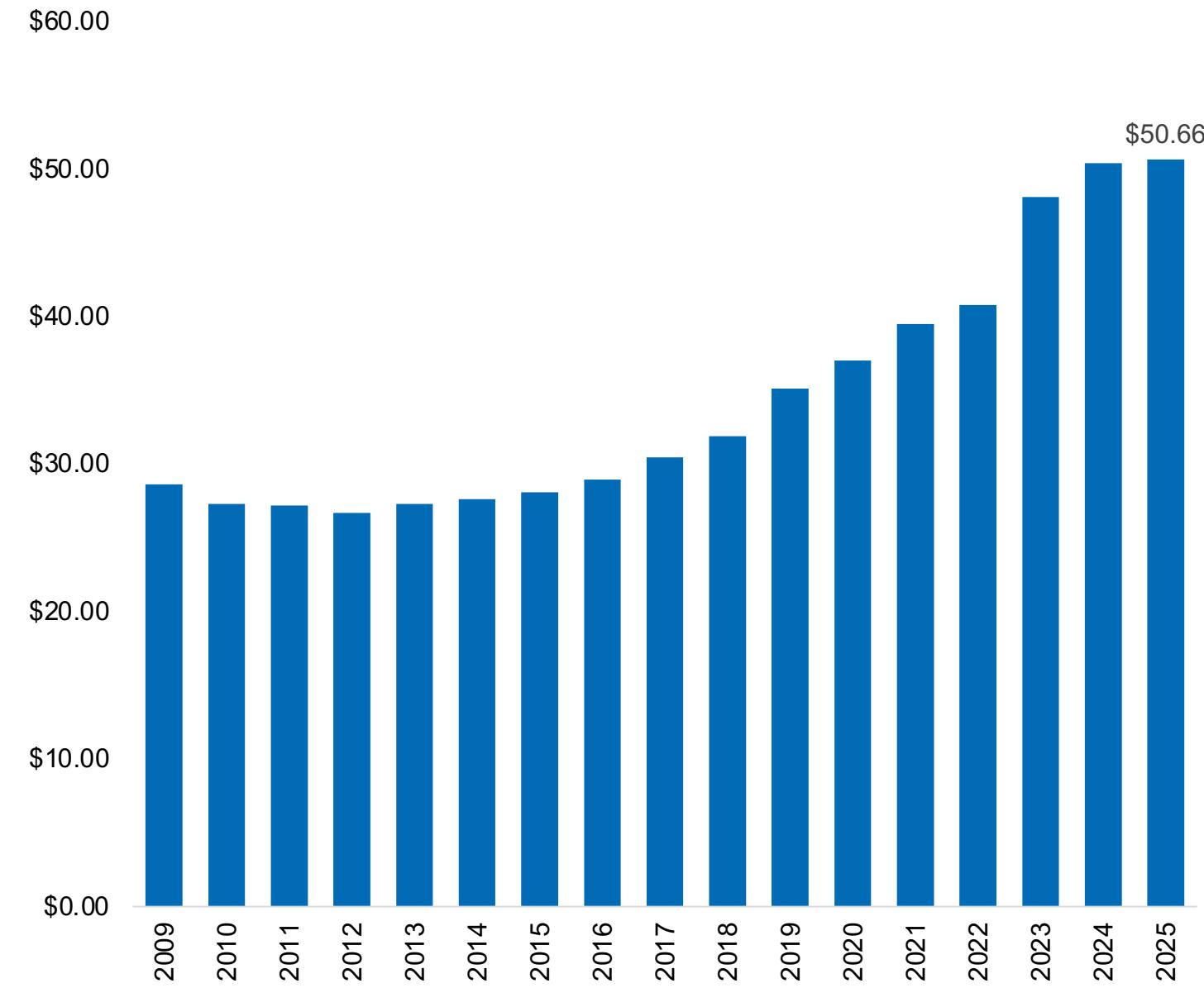


Source: Newmark Research, CoStar

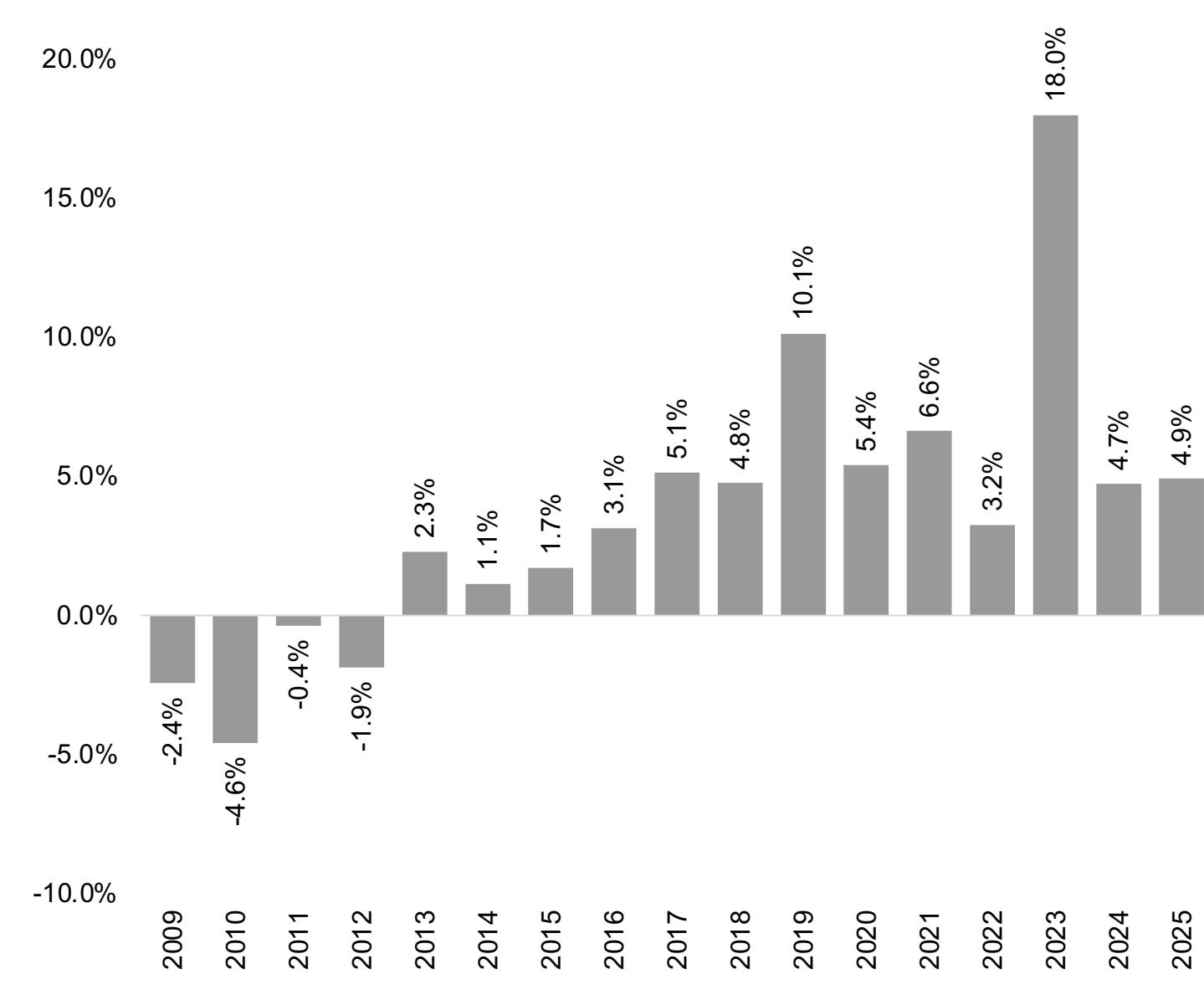
# Rents Reach All-Time High

Rental rates in the first quarter of 2025 were \$50.66/SF, up by 0.6% from the previous all-time high of \$50.38/SF in the previous quarter. Recent growth in the market is generally attributed to new high-quality deliveries such as One Flagler, Banyan & Olive, and Sundy Village as well as increased competition for high-quality space. Asking rents are likely to continue growing in the medium term, especially with the expected delivery of One West Palm in the first half of 2025.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

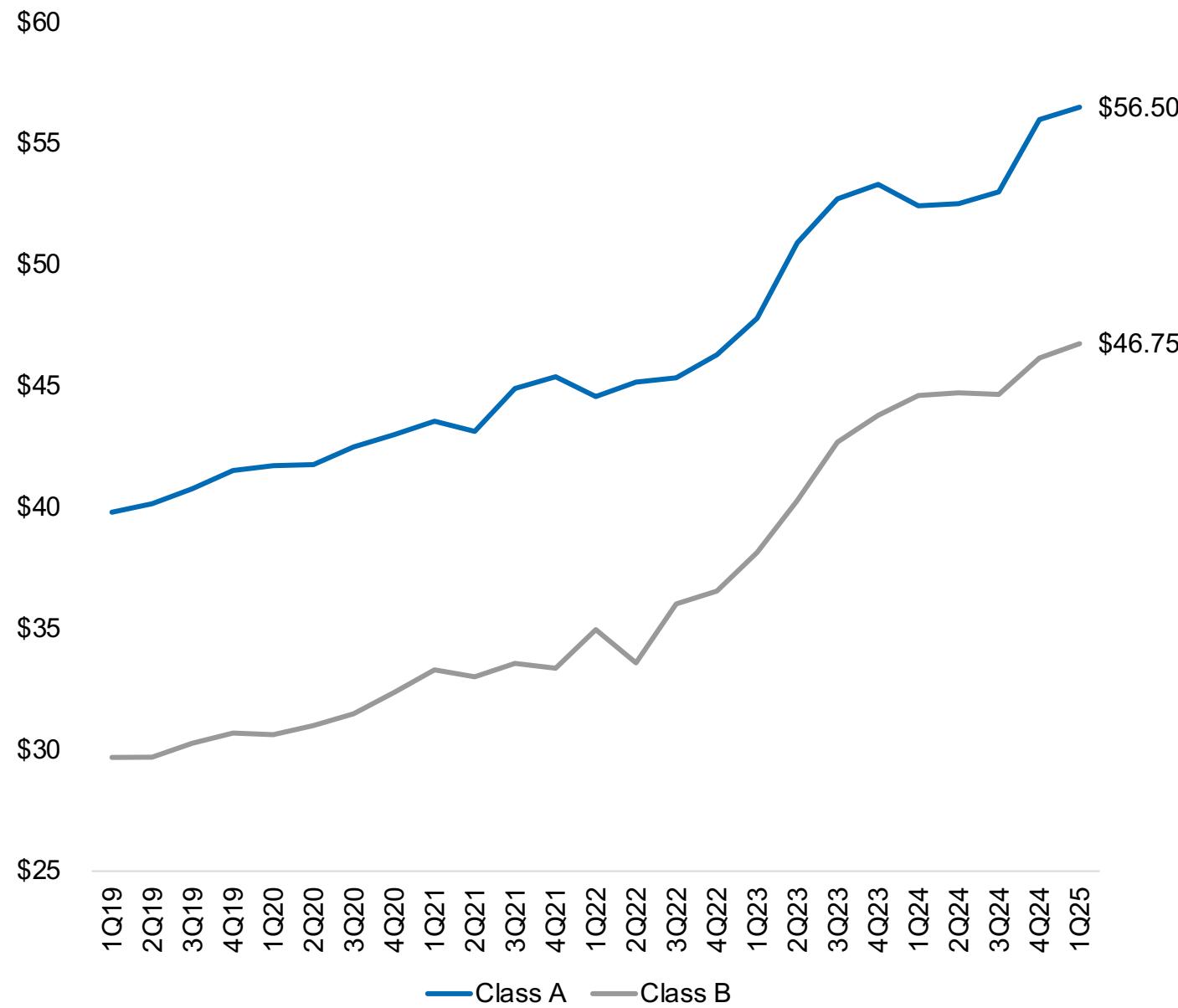


Source: Newmark Research, CoStar

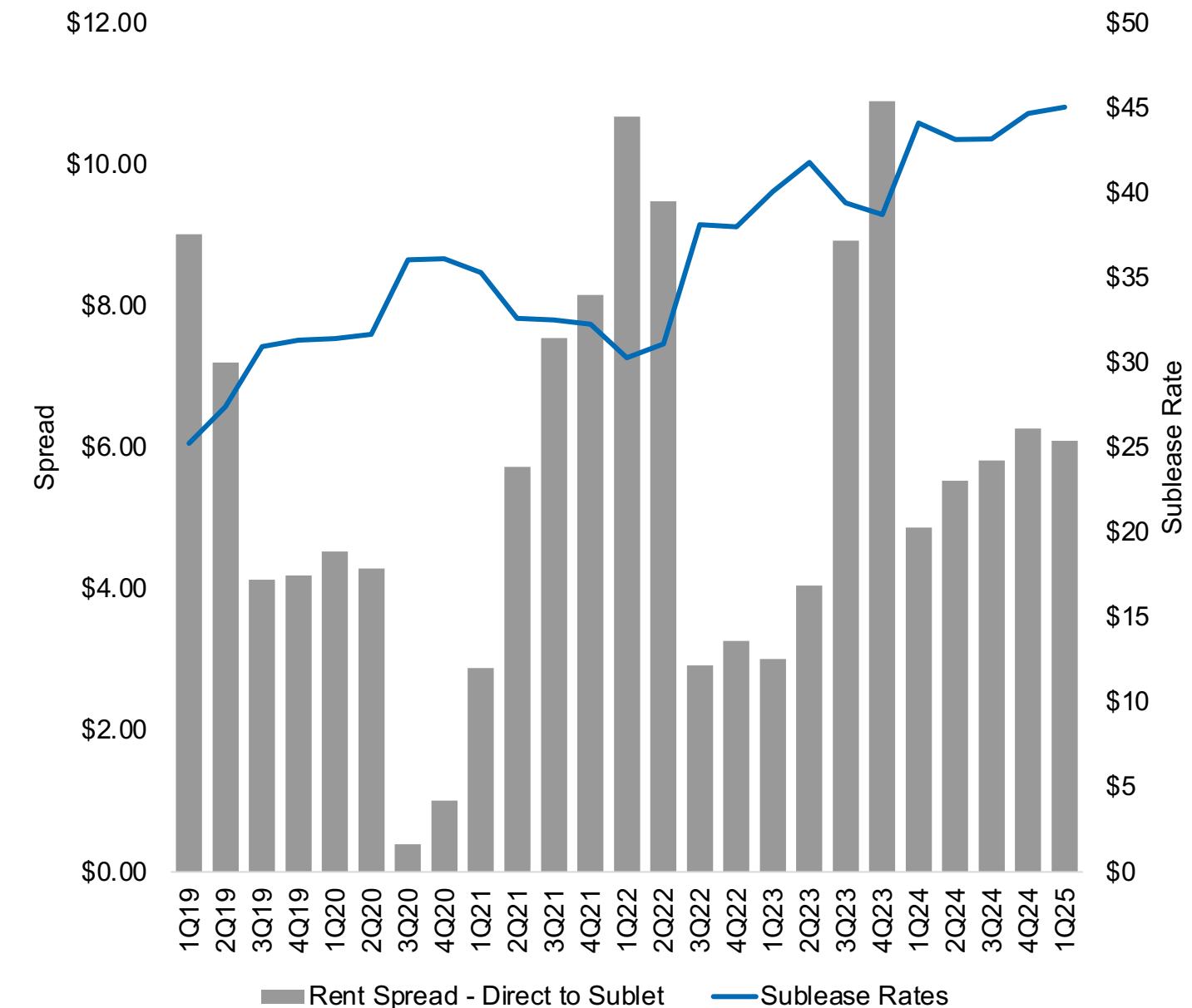
# Asking Rents Narrow Slightly, Sublease Rates Reach New High

As of the end of the first quarter of 2025, Class A rents ended at \$56.50/SF, while Class B reported \$46.75/SF. The current spread between Class A and Class B is at \$9.75/SF, whereas it was at \$9.84/SF in the fourth quarter of 2024. Class A rents increased by 0.9% from last quarter, while class B rents increased 1.3% quarter to quarter. Sublease rents increased to a new all time high of \$45.06/SF, surpassing the previous peak in the fourth quarter of 2024 by 0.8%.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

# Office Space In Demand In Boca Raton

In the first quarter of 2025, three of the top five lease deals were new leases. Of the five top deals, three were in Boca Raton, and two of these were coworking spaces. Class A deals accounted for 51.1% of the market's leasing activity by SF, with average deal size of 4,027 SF, which is 162 SF smaller than the previous quarter. Despite this, Class A deals continue to remain larger than the average market deal size of 2,463 SF, indicating a preference for larger quality spaces.

## Notable 1Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Industrious	The Aletto	Boca Raton	Direct New	20,000
<i>The coworking firm has preleased space in this proposed building, establishing a presence in Boca Raton.</i>				
Vaughan McLean & Partners	Professional Centre at the Gardens	N Palm Beach/ Palm Beach Gardens	Direct New	13,262
<i>The law firm focuses on a variety of practices areas and currently has a space in 3701 Catalfumo Way South.</i>				
Garden of Life	Corporate Center at the Gardens	N Palm Beach/ Palm Beach Gardens	Renewal/Downsize	12,293
<i>Garden of Life is a Nestle Science brand that specializes in organic nutrition. It is based in Palm Beach, FL. They have given back roughly 15,500 SF with their renewal decision.</i>				
Zen Offices	Bank of America Tower	Boca Raton	Renewal	12,171
<i>The coworking firm has decided to renew its lease in the penthouse of the prestigious tower.</i>				
Freedom Mortgage Corporation	Patriot Corporate Center	Boca Raton	New/Expansion	10,661
<i>Freedom Mortgage Corporation has signed a lease for additional space on the first floor.</i>				

Source: Newmark Research, CoStar

## Palm Beach Office Submarket Overview (Page 1 of 2)



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## Palm Beach Office Submarket Map



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For more information:

**Alain Perez**  
*Senior Research Analyst*  
[Alain.Perez@nmrk.com](mailto:Alain.Perez@nmrk.com)

**John Tagg**  
*Senior Research Analyst*  
[John.Tagg@nmrk.com](mailto:John.Tagg@nmrk.com)

**Ching-Ting Wang**  
*Head of Southeast Research*  
[ChingTing.Wang@nmrk.com](mailto:ChingTing.Wang@nmrk.com)

**Miami**  
1111 Brickell Avenue, Suite 2000  
Miami, FL 33131  
t 305-350-0915

**New York Headquarters**  
125 Park Ave.  
New York, NY 10017  
t 212-372-2000

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