

NEWMARK



Market Overview

Palm Beach County Office

1Q26

Market Observations



Economy

- The unemployment rate increased 91 basis points year over year to 4.4%, marking the sixth consecutive month without declining and signaling a modest softening in labor market conditions.
- Job growth slowed to 0.9% year over year, outperforming the national rate, as two of three office-using employment sectors posted modest job gains.
- Six of the ten major employment sectors posted job gains over the past year, led by the education and health industry, which recorded a 6.1% increase.
- As of December 2025, office-using employment declined 0.7% year over year to 194,100 jobs, though employment remains 13.1% above pre-pandemic levels.



Leasing Market Fundamentals

- Annual full-service asking rents eased to \$48.64/SF at the end of the first quarter of 2026, reflecting a 1.0% quarter over quarter decrease.
- Vacancy declined 88 basis points quarter over quarter to 14.3%, as the market recorded 71,164 SF of occupancy gains—its strongest quarterly absorption performance since 2022—while deliveries remained absent for a fifth consecutive quarter.
- The development pipeline increased by 6.9% quarter over quarter to a record 1.9 MSF in the first quarter of 2026, with projects under construction accounting for 7.0% of inventory, the highest level ever recorded in the market.
- Leasing activity totaled 716,128 SF in the first quarter of 2026, while outperforming the 16-year first quarter average by 4.3%. Flight-to-quality demand persists, with Class A properties leading leasing activity and securing larger deals averaging 5,417 SF.



Major Transactions

- The quarter's largest transaction was Wells Fargo's execution of a 50,000 SF lease at One Flagler, where the firm is establishing a headquarters for its wealth management division in the West Palm Beach suburban submarket.
- The two largest transactions were both in Class A space, averaging 35,579 SF and underscoring strong tenant demand for high-quality office product.
- Top deals in the first quarter of 2026 were concentrated in two submarkets, with Boca Raton leading the way, accounting for three of the largest transactions and an average deal size of 22,771 SF, while the West Palm Beach suburban submarket accounted for the other two deals during the quarter.
- In the first quarter of 2026, Class A properties accounted for 52.9% of total leasing activity by square feet, reflecting continued tenant preference for top-tier space.



Outlook

- As the macro environment becomes more predictable and interest rates decline, tenants with deferred requirements will likely re-enter the Palm Beach market.
- Rents are expected to continue to remain elevated, driven by upcoming deliveries and greater competition for available high-quality space.
- Tenants are anticipated to continue relinquishing underused space in older assets while expanding or renewing footprints in premier properties.
- The influx of the additional supply will add to a near-term vacancy increase.

Table of Contents

Economy	04
Leasing Market Fundamentals	08
Market Statistics & Map	17
Supplemental Analysis	22

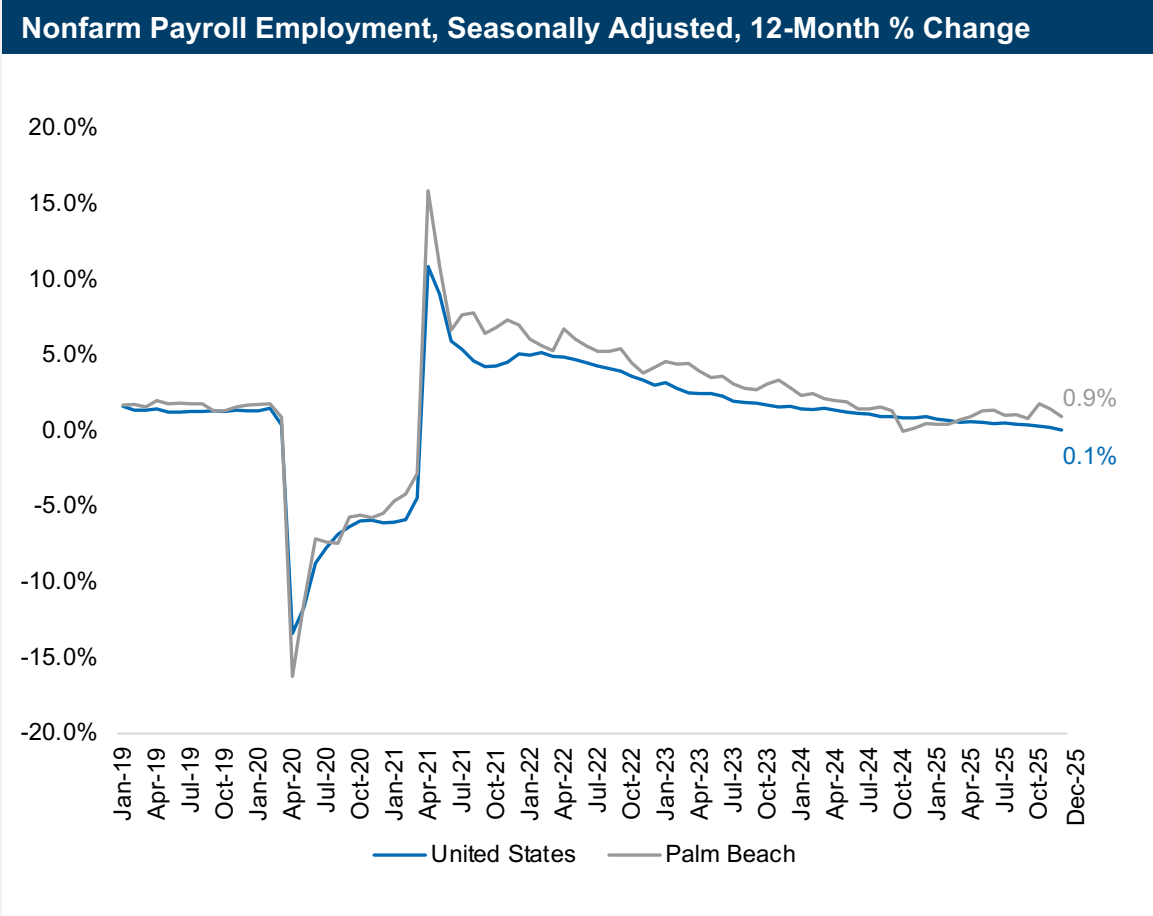
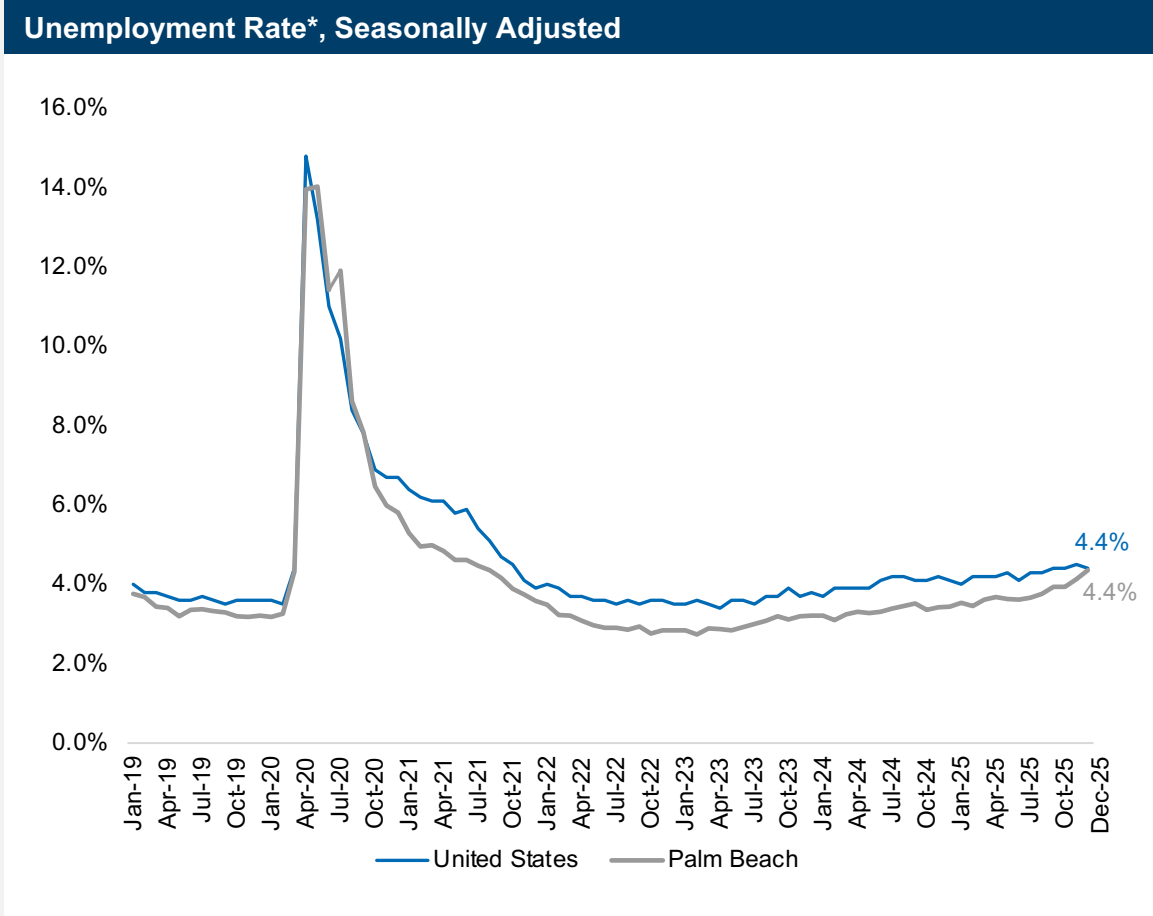
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Economy



Palm Beach Labor Market Outperforms National Average Despite Slowdown

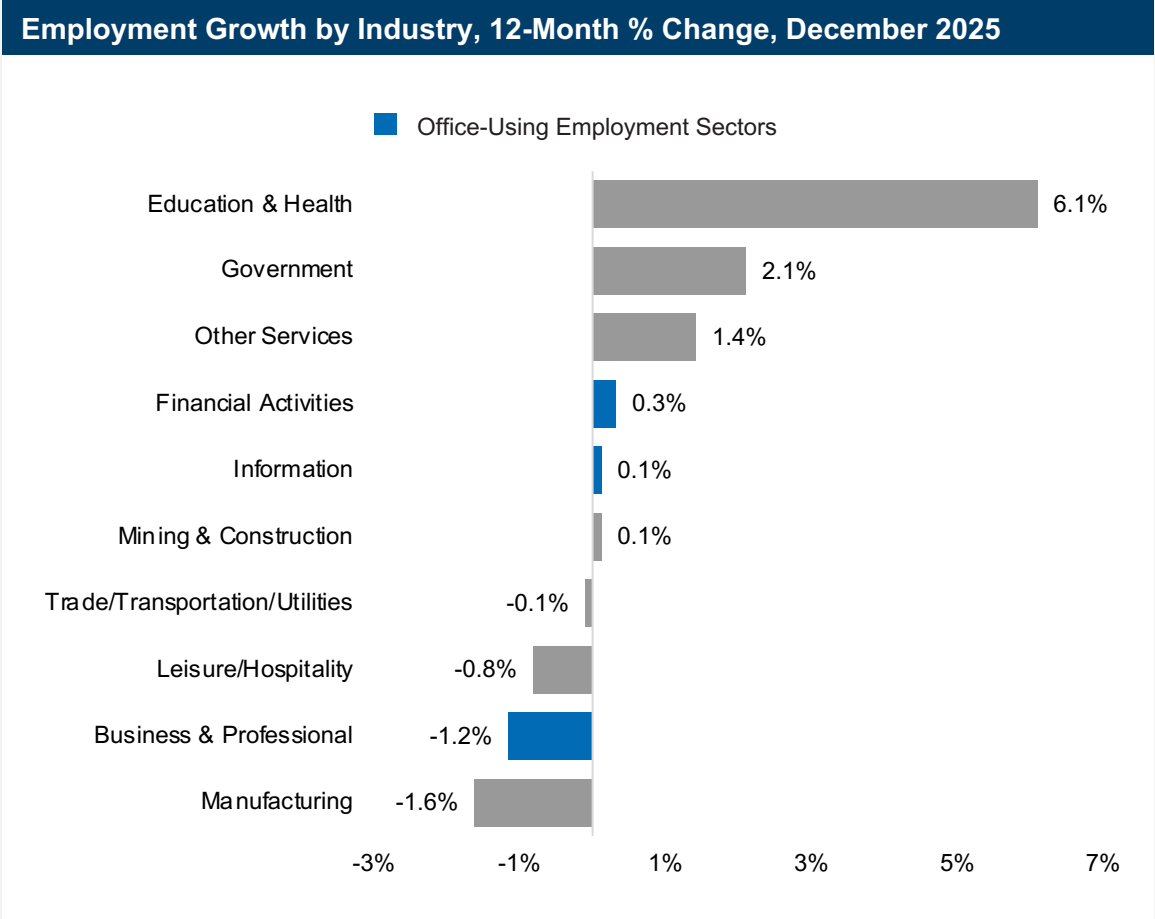
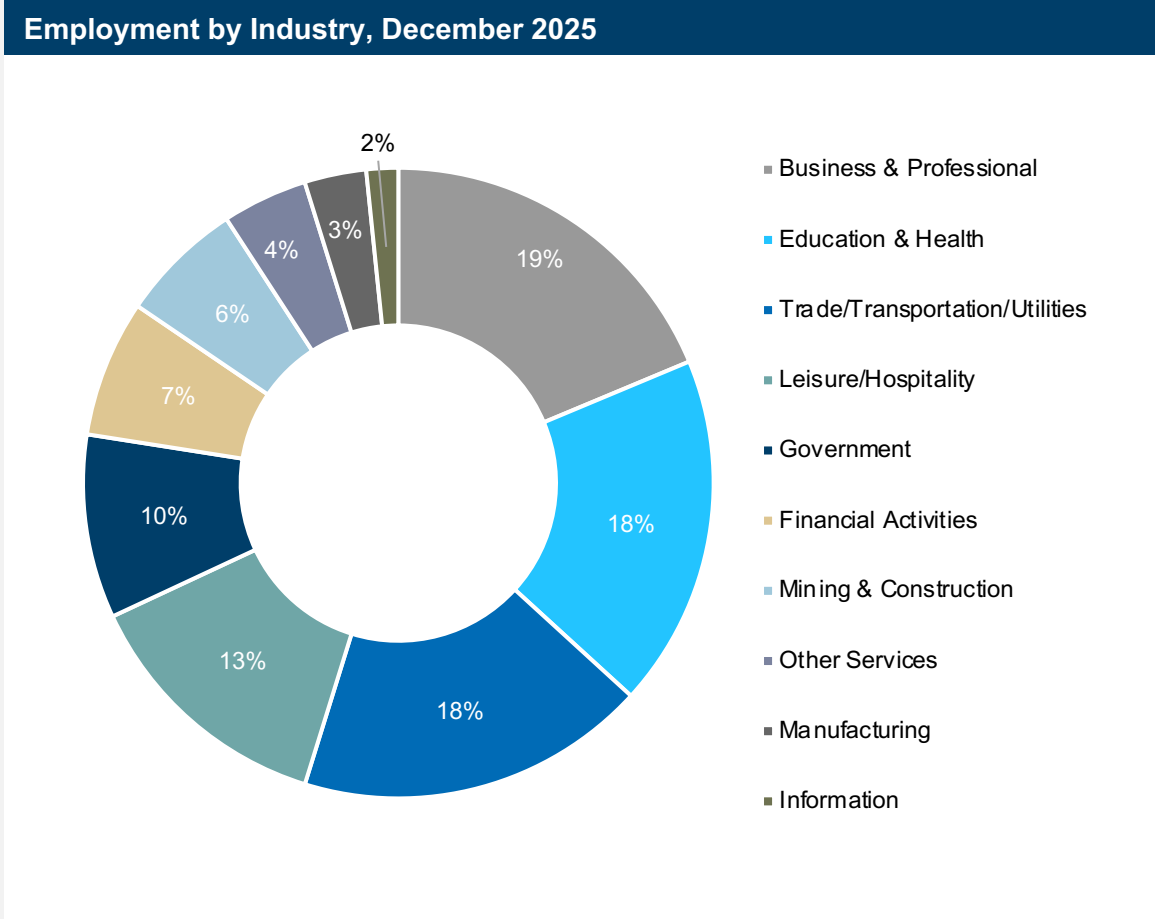
In December 2025, Palm Beach County’s unemployment rate rose 91 basis points year over year to 4.4%, marking the largest annual increase since early 2021 and the sixth consecutive month without a decline. The market is now in line with the national average, with the U.S. unemployment rate up 30 basis points year over year, reflecting a similar upward trend. Despite rising unemployment, annual job growth in Palm Beach County continues to outperform the national average, increasing 0.9% compared to a modest 0.1% nationwide. While employment growth has begun to slow amid broader national headwinds, it has not slowed to the same degree as the U.S. overall, highlighting the market’s relative resilience.



Source: U.S. Bureau of Labor Statistics, Palm Beach County
 *October 2025 government shutdown missing data addressed with duplicating September 2025's data

Office-Using Sectors Post Marginal Gains; Business and Professional Services Contract

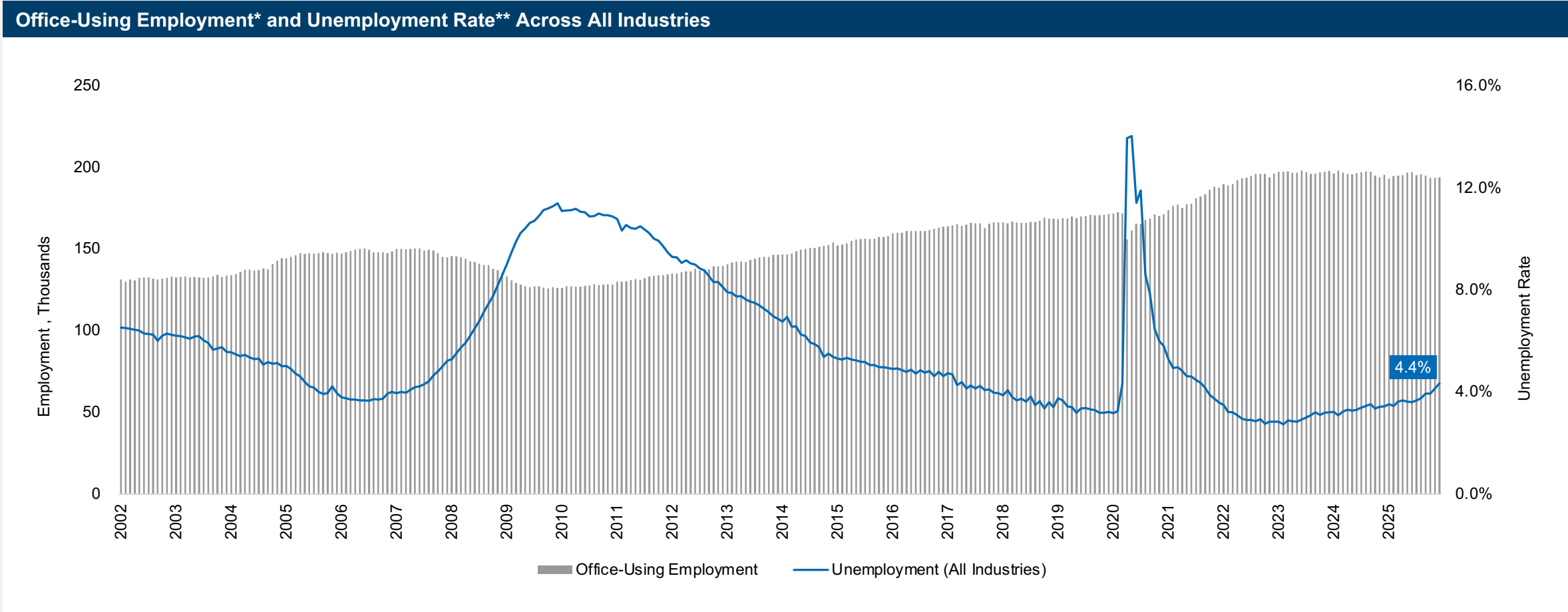
Palm Beach County maintains a well-diversified employment base, with no single industry accounting for more than 20% of total employment. As of December 2025, three sectors each comprise at least 18% of the workforce, collectively representing 54.8% of total employment and led by the primary office-using sector - business and professional services - at 18.7%. Of the ten major employment sectors, six recorded job growth over the past 12 months, led by education and health services at 6.1%. Two of the three office-using sectors posted modest gains, with information and financial activities increasing by 0.1% and 0.3%, respectively. In contrast, business and professional services declined by 1.2%.



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

Office Employment Contracts Again as Unemployment Rises

Office-using employment declined for the second consecutive year, though at a slower pace in December 2025 as employment fell 0.7% to 194,100 jobs, an improvement from the 1.3% contraction recorded in 2024. This continued softening has coincided with a rise in the market’s unemployment rate, which increased 91 basis points year over year to 4.4% in December 2025. While office-using employment has cooled in recent years, it remains 13.1% above pre-pandemic levels, when employment totaled 171,680 jobs in 2019.



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
 **October 2025 government shutdown missing data addressed with duplicating September 2025's data

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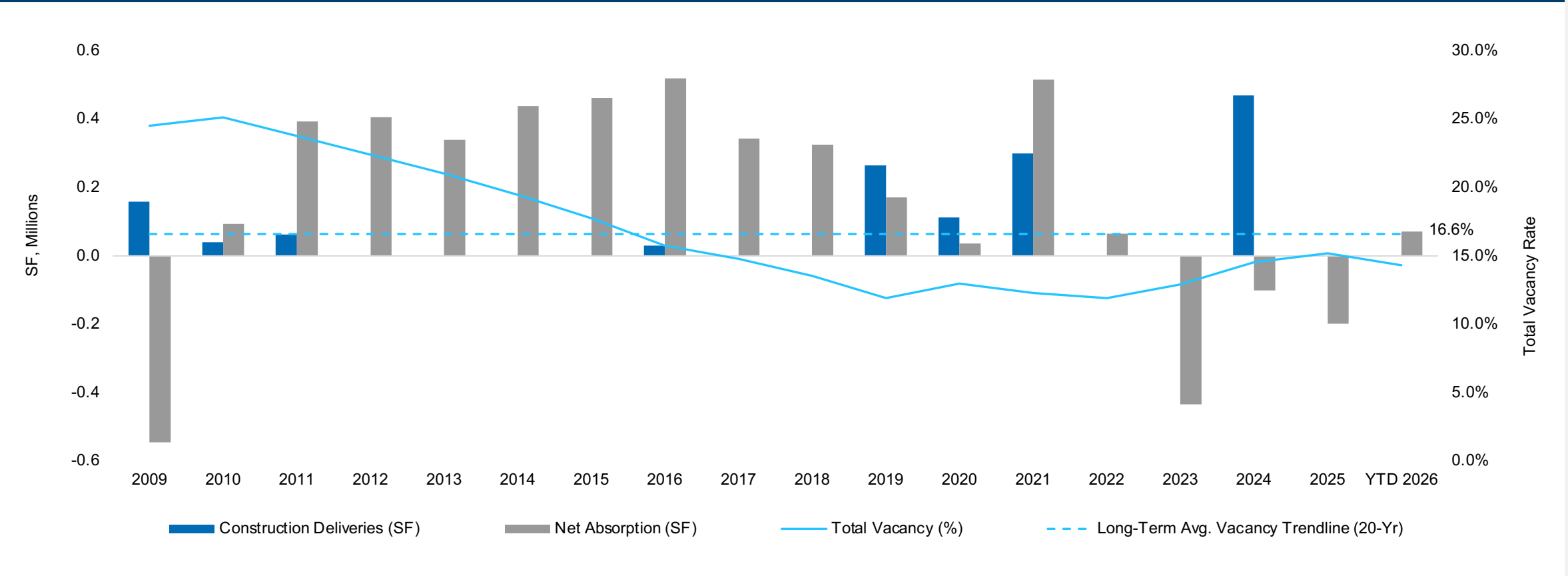
Leasing Market Fundamentals



Strongest Absorption Since 2022 Signals Market Shift as Vacancy Declines

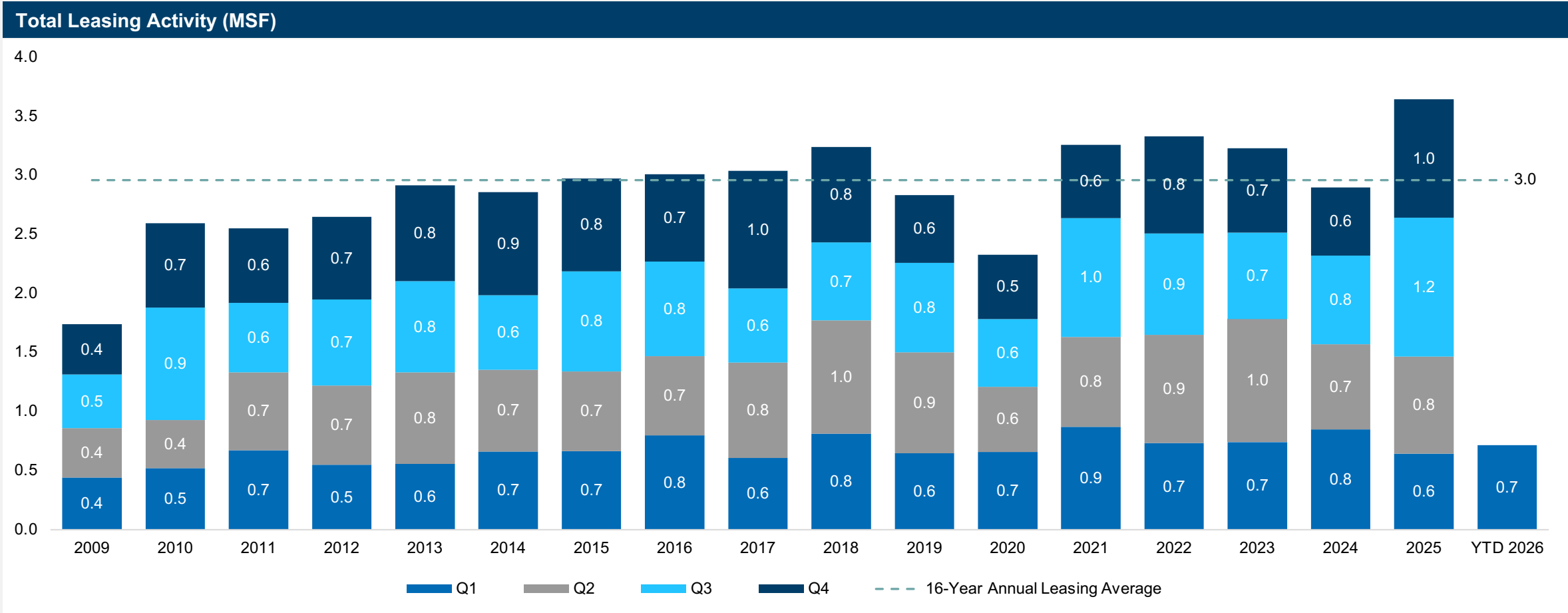
Palm Beach County recorded 71,164 SF of occupancy gains in the first quarter of 2026, the strongest since 2022 and just the third quarter of positive absorption since early 2024, signaling a modest demand shift. In the near term, limited supply forced tenants to absorb existing inventory, driving positive absorption and vacancy lower. As a result, vacancy declined 88 basis points quarter over quarter to 14.3%, marking the first decrease since 2023 and remaining well below the 20-year average of 16.6%. However, this balance is expected to shift as a historically elevated construction pipeline begins to deliver, led by the fully preleased 210,000-SF One West Palm. With the pipeline 34.5% preleased, vacancy is expected to rise as supply returns after five quarters of zero deliveries.

Historical Construction Deliveries, Net Absorption, and Vacancy



Tenants Expand Footprints as Leasing Activity Rises Above Historical Averages

Palm Beach County leasing activity totaled 716,128 SF in the first quarter of 2026, an 11.3% increase year over year. This total also surpassed the 16-year first-quarter average of 686,910 SF by 4.3%. At the same time, average deal size rose to 3,074 SF, up 590 SF from 2,483 SF in the first quarter of 2025. As demand has strengthened, tenant preferences have shifted toward larger spaces, reflected in the year-over-year increase in deal size, possibly signaling a reversal in prior downsizing trends.

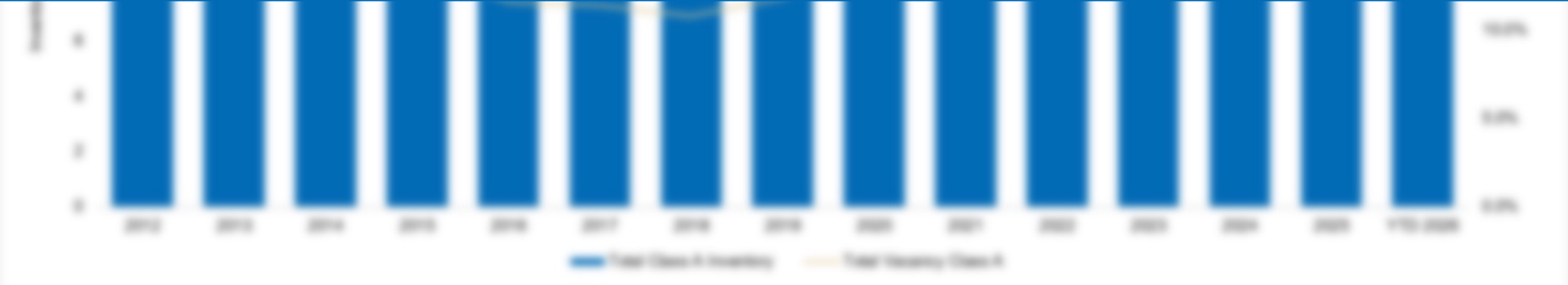


Flight to Quality Persists: Class A Vacancy Declines Amid Supply Constraints

Class A vacancy declined sharply in the first quarter of 2024, falling 122 basis points quarter over quarter and 194 basis points year over year to 11.1%. This improvement has been driven largely by a lack of new supply, with no deliveries recorded since 2024, pushing tenants seeking high-quality space toward existing inventory. Looking ahead, the forecast is expected to shift as approximately 1.8 MM² of Class A product is set to deliver in the coming quarters, increasing available inventory. This new supply will enter a market that has recently shown a clear preference for premium space, with Class A leasing activity accounting for 72.9% of overall volume and underwriting continued demand for top-tier assets.

Class A Office Inventory vs. Class A Office Vacancy Rate

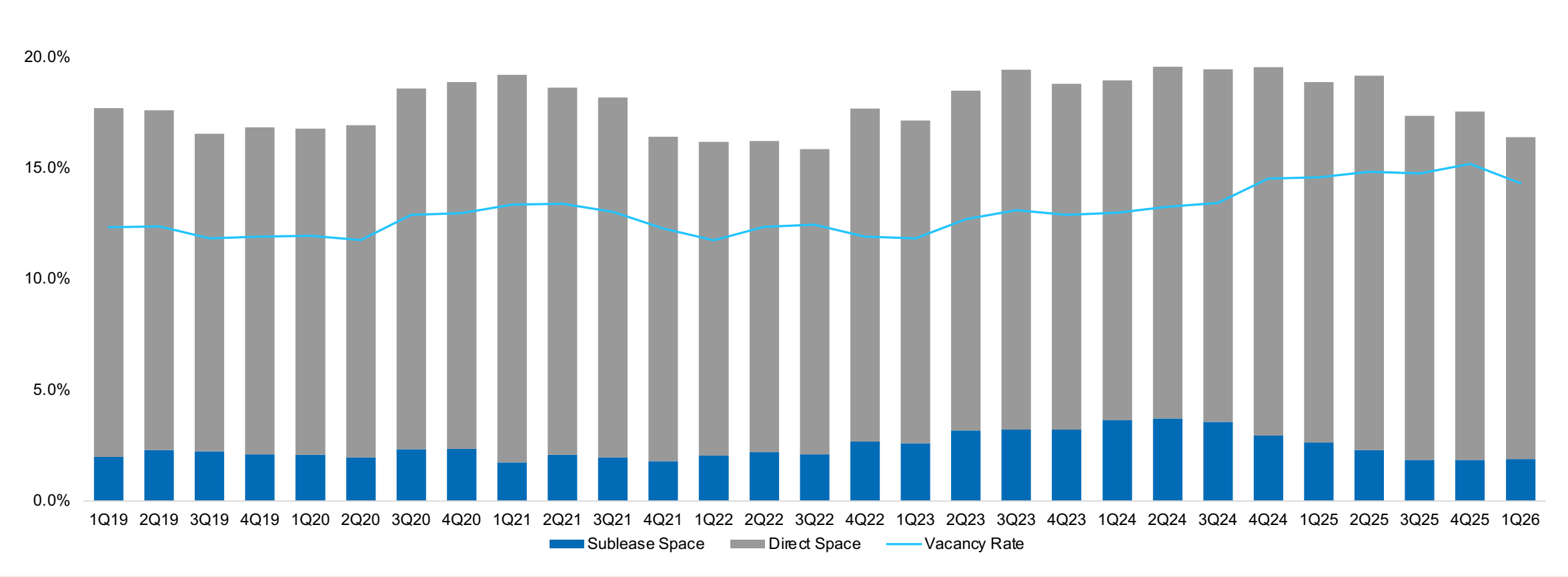
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Demand Absorbs Direct Space While Sublease Holds Steady

Direct availability contracted in the first quarter of 2026, dropping 119 basis points quarter over quarter and 174 basis points year over year to 14.5%, its lowest mark since 2023, just before the last wave of new deliveries in 2024. At the same time, overall vacancy fell 88 basis points from the prior quarter to 14.3%, the lowest level since 2024, underscoring a broader improvement in market conditions. Sublease availability, however, held steady at 1.9% for the third straight quarter, indicating that demand is being met mainly through landlord-controlled space. With new construction muted, tenants are increasingly relying on existing direct options, enabling landlords to capture more leasing and push vacancy lower.

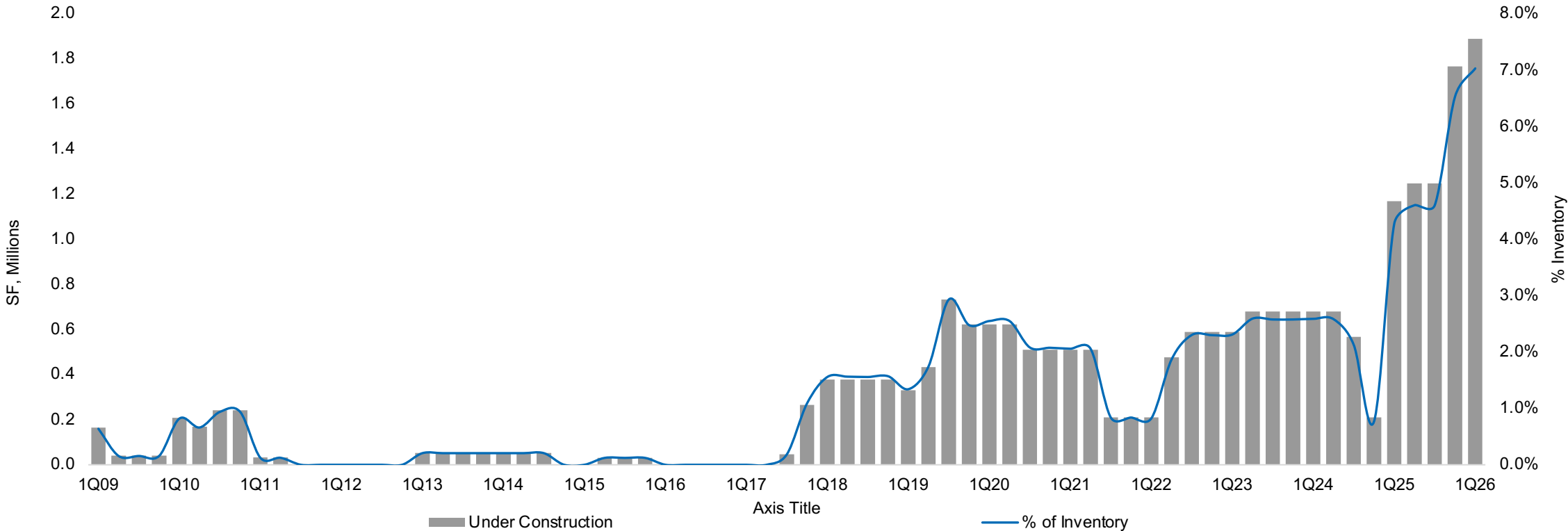
Available Space as Percent of Overall Market



Under-Construction Pipeline Hits Historic Peak

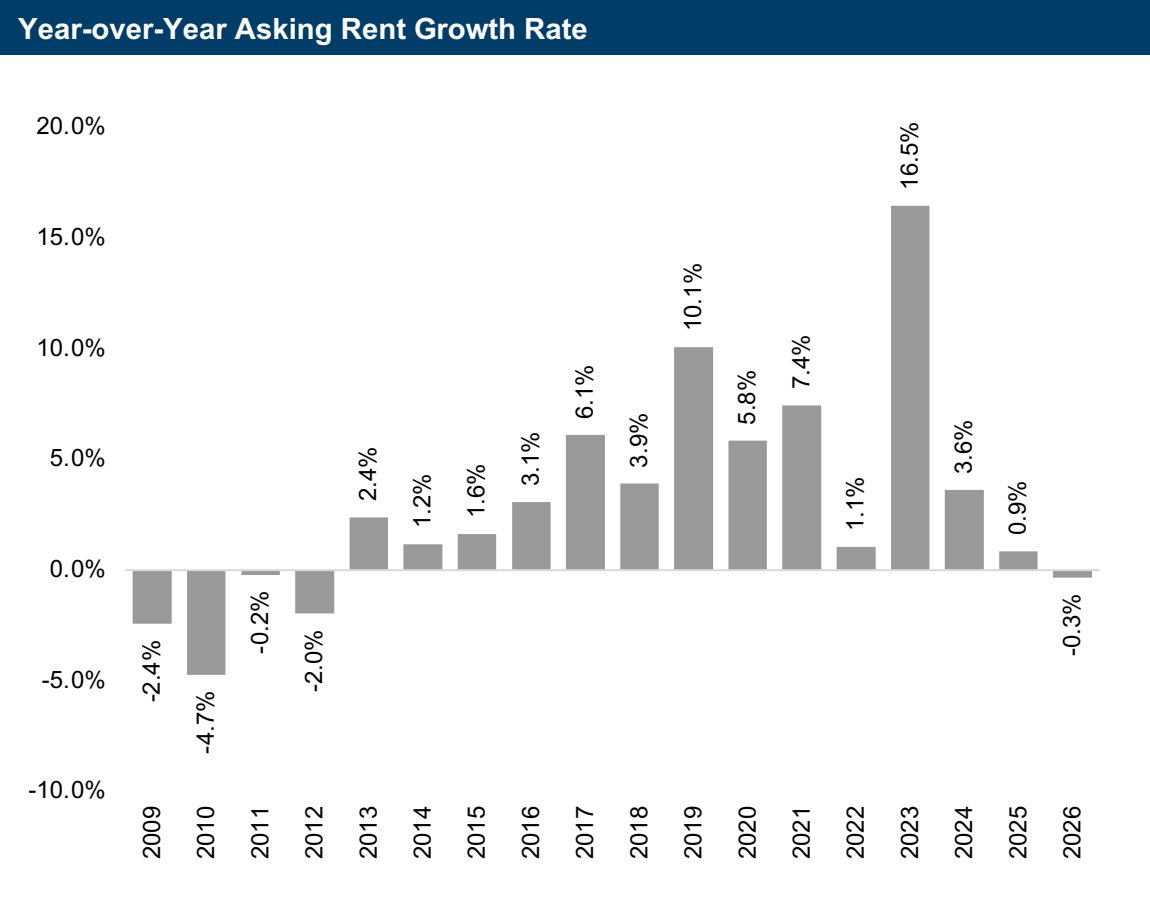
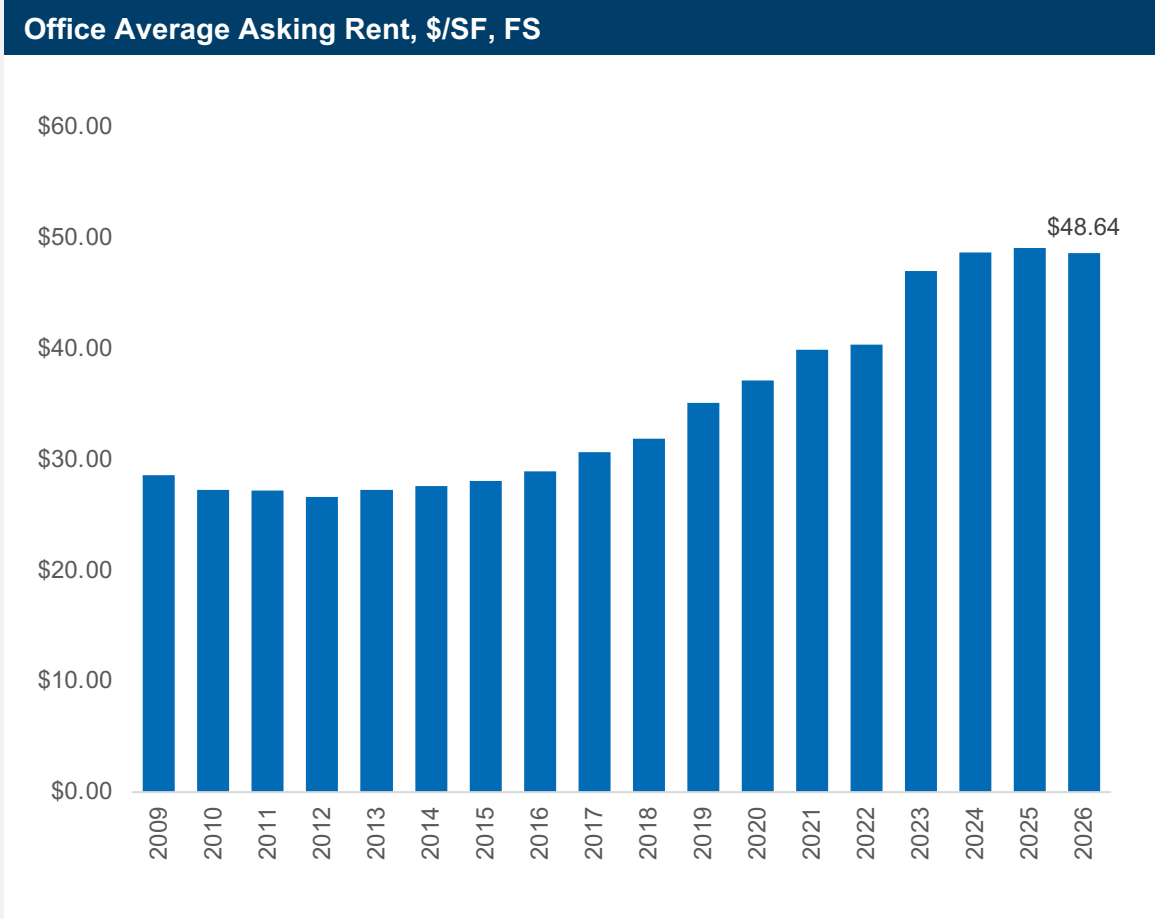
Palm Beach County’s under construction pipeline grew for the second straight quarter, reaching a record 1.9 MSF in the first quarter of 2026. This now represents 7.0% of total inventory, up 50 basis points quarter over quarter and marking a new high for the market. Much of the momentum stems from the next phase of the Class A project, The Aletto Offices at Sanborn Square, where an additional building broke ground this quarter, adding 122,477 SF to the pipeline in the Boca Raton submarket. In total, seven projects are currently underway, the highest count since 2008—signaling renewed developer confidence. With the pipeline expanding and heavily weighted toward high-end product, the market is responding to demand for top-tier space.

Office Under Construction and % of Inventory



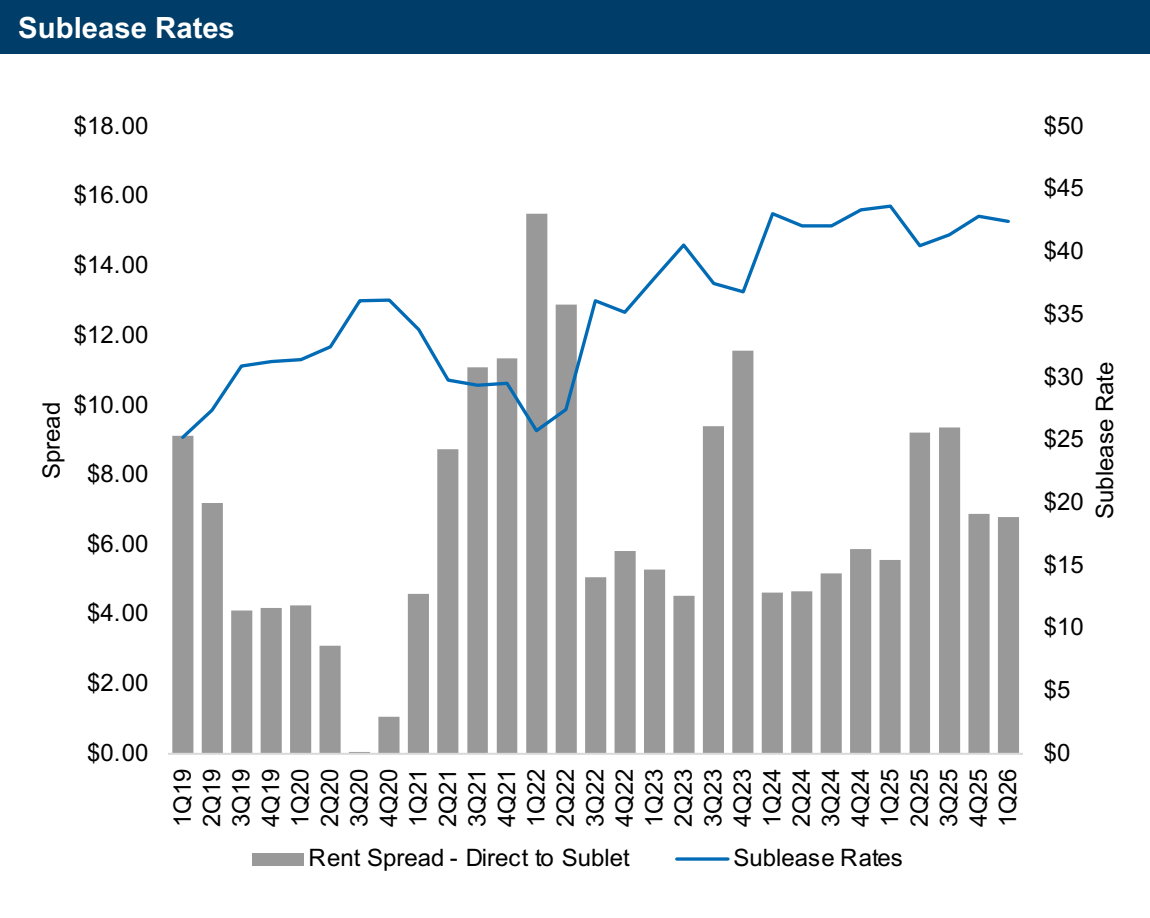
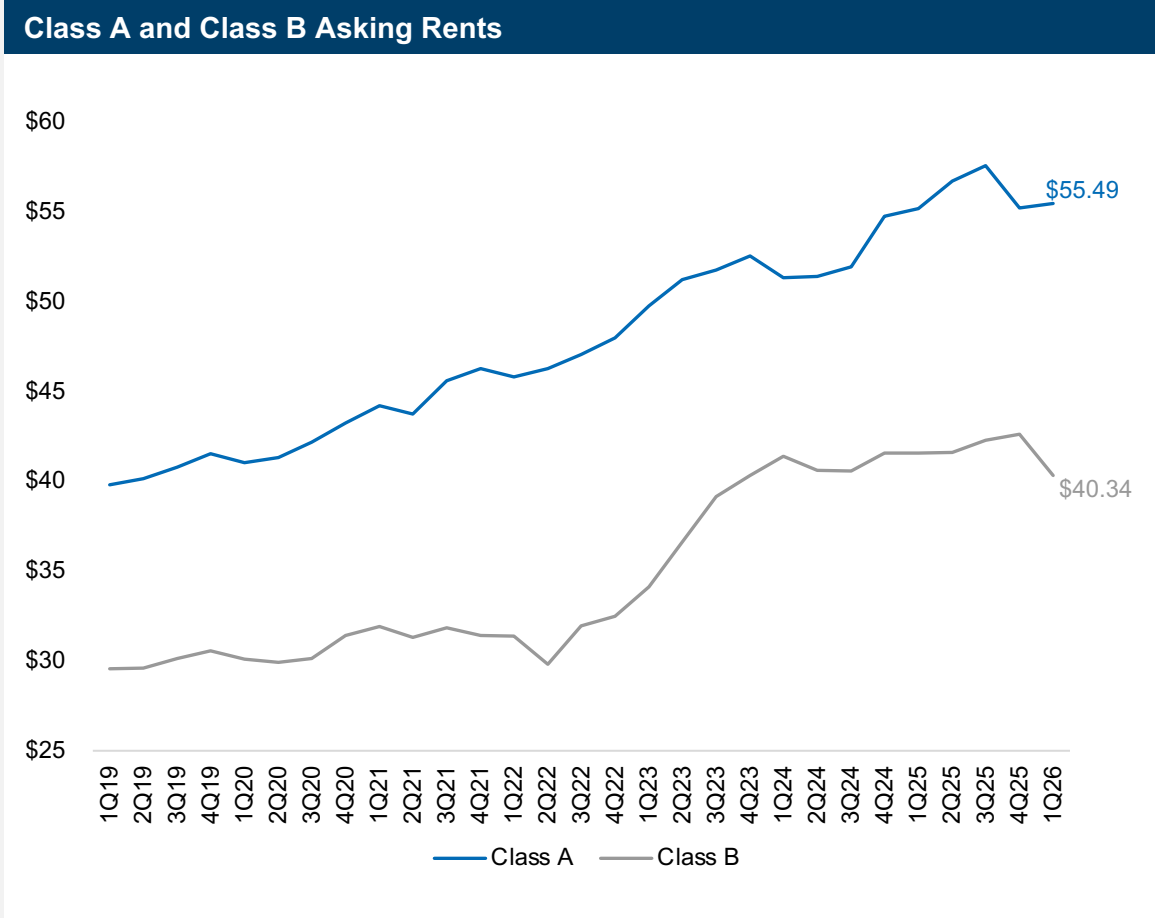
Market Recalibrates Following Run-Up in Rents

Palm Beach County asking rents declined modestly for the second consecutive quarter following a period of record highs, as the market begins to recalibrate pricing. Rents fell 1.0% quarter over quarter and 0.3% year over year to \$48.64/SF, marking the first annual decline in asking rents since 2015. While rent growth has remained positive on an annual basis in recent years, the pace of growth has slowed notably from the 16.5% peak recorded in 2023. The moderation may well be reflecting evolving demand conditions, such as the impending spike in high-quality supply.



Rent Bifurcation Widens Across Asset Classes

In the first quarter of 2026, Class A asking rents increased 0.4% quarter over quarter and 0.5% year over year to \$55.49/SF. In contrast, Class B rents pulled back from the historic high reached last quarter, declining 5.4% quarter over quarter and 3.0% year over year to \$40.34/SF. As a result, the pricing gap between Class A and Class B widened by 20.1% quarter of quarter to \$15.15/SF. Sublease rents also declined, falling 0.9% quarter over quarter and 2.7% year over year to \$42.50/SF. While both direct and sublease rents softened, the spread between them narrowed 1.4% quarter over quarter, indicating more balanced market conditions as pricing converges and supply-demand dynamics normalize. However, on an annual basis, the spread remains elevated, up 20.3% year over year, as sublease pricing has adjusted downward in response to demand dynamics.



Class A Deals Outpace Market Averages As Flight-to-Quality Continues

Leasing activity in the first quarter of 2026 was concentrated in Class A assets, which accounted for most of the activity with 379,187 SF. This trend was further underscored by two of the five largest transactions occurring in Class A properties. Overall, Class A accounted for 52.9% of total market leasing activity during the quarter. Additionally, the average Class A deal size reached 5,417 SF, exceeding the overall market average by 2,343 SF. This trend further underscores strong tenant preference for high-quality space.

Notable 1Q26 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Wells Fargo	One Flagler	W Palm Beach Suburban	Direct New	50,000
<p><i>Wells Fargo, one of the largest financial institutions in the United States, executed the largest lease of the quarter, consolidating its wealth management leadership from key markets, including New York and San Francisco, into a newly established headquarters in the West Palm Beach suburban submarket. The company is expected to take occupancy in June 2026 and will house approximately 100 senior wealth executives.</i></p>				
Celsius Holdings, Inc	Peninsula Executive Center I	Boca Raton	Sublease/Expansion	25,157
<p><i>The consumer-packaged goods company Celsius Holdings, which focuses on energy beverages, recently expanded its footprint at the Class A Peninsula Executive Center I. The company initially executed a sublease in the third quarter of 2024 to add an additional floor and has since completed another expansion, bringing its total occupancy to three floors totaling approximately 75,000 square feet within the 100,000-square-foot property in the Boca Raton submarket. The two subleases are scheduled to run through June and November 2029, respectively.</i></p>				
Palm Beach County Sherrif Office	Forum B	W Palm Beach Suburban	Renewal/Contraction	25,000
<p><i>Palm Beach County Sheriff's Office, recently renewed its lease at the 92,473-SF Forum B building in the West Palm Beach suburban submarket, reducing its overall footprint.</i></p>				
Coastal Waste & Recycling	Boca Raton Innovation Campus	Boca Raton	Renewal/Expansion	23,156
<p><i>Coastal Waste & Recycling, a waste management and environmental services company, expanded its footprint at 4910 Communication Ave, where it has maintained a presence since 2022.</i></p>				
D-Wave	Boca Raton Innovation Campus	Boca Raton	Direct New	20,000
<p><i>D-Wave Quantum Inc. executed a 20,000-SF lease at the Boca Raton Innovation Campus, relocating its global headquarters from Palo Alto by the end of 2026. The new headquarters will serve as a U.S. research and development hub, advancing quantum computing initiatives while leveraging South Florida's growing technology workforce and emerging position as a center for innovation.</i></p>				

03

Market Statistics & Map



Palm Beach Office Submarket Map



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Palm Beach Office Submarket Overview—All Classes

Submarket	Total Inventory (sq. ft.)	2022 Inventory (sq. ft.)	Inventory %	2022 Vacancy (sq. ft.)	2022 Vacancy %	2022 Avg. Rent (\$/sq. ft.)	2022 Avg. Rent (\$/sq. ft.)	2022 Avg. Rent (\$/sq. ft.)
All Palm Beach Office	1,200,000	1,200,000	100%	-	-	100.00	100.00	100.00

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Palm Beach	100,000	0	0%	-	-	100.00	100.00	100.00
Palm Springs/Deer Beach	200,000	0	0%	-	-	-	100.00	100.00
West Palm Beach/Boca Raton	300,000	0	0%	-	-	-	100.00	100.00
All Palm Beach Submarkets	1,200,000	0	0%	-	-	100.00	100.00	100.00
Submarket Total	10,000,000	10,000,000	100%	10,000	10,000	100.00	100.00	100.00
Market	10,000,000	10,000,000	100%	10,000	10,000	100.00	100.00	100.00

Palm Beach Office Submarket Overview—Class A & Class B

Submarket	Total Inventory (SQ FT)	Class A Inventory (SQ FT)	Total Inventory (M)	Class A Inventory (M)	Class B Inventory (M)	Class A % of Total
Palm Beach Class A	1,200,000	1,200,000	100%	100%	0%	100%
Palm Beach Class B	1,200,000	0	100%	0%	1,200,000	0%
Total	2,400,000	1,200,000	100%	100%	1,200,000	100%

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Submarket	Total Inventory (SQ FT)	Class A Inventory (SQ FT)	Total Inventory (M)	Class A Inventory (M)	Class B Inventory (M)	Class A % of Total
Palm Beach Class A	1,200,000	1,200,000	100%	100%	0%	100%
Palm Beach Class B	1,200,000	0	100%	0%	1,200,000	0%
Total	2,400,000	1,200,000	100%	100%	1,200,000	100%

1Q26 South Florida Office Market Overview



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Quarter Absorption	150,000	150,000	150,000
YTD Absorption	150,000	150,000	150,000
Quarter Deliveries	0	75,000	0
YTD Deliveries	0	75,000	0
Open Inventory (Q1 2025)	200,000	200,000	200,000
Open Inventory (Q1 2026)	200,000	200,000	200,000
Total Inventory (Open + Delivered)	200,000	200,000	200,000

04

Supplemental Analysis



Palm Beach Office Market

Strengths

- Palm Beach is a global gateway, attracting international businesses and investors.
- The region has a diverse economy, with strong sectors in business, tourism, and healthcare.

Weaknesses

- High vacancy rates, particularly in older buildings.
- Recent cost increases can be a deterrent for some businesses as rental rates continue to rise.

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Opportunities

- Continued expansion of the health and healthcare sectors offers significant opportunities for office space demand.
- Investment in renovating older office buildings can attract new tenants.
- Increasing demand for flexible and co-working spaces presents new business opportunities.
- Landlords are offering generous lease incentives to attract tenants.

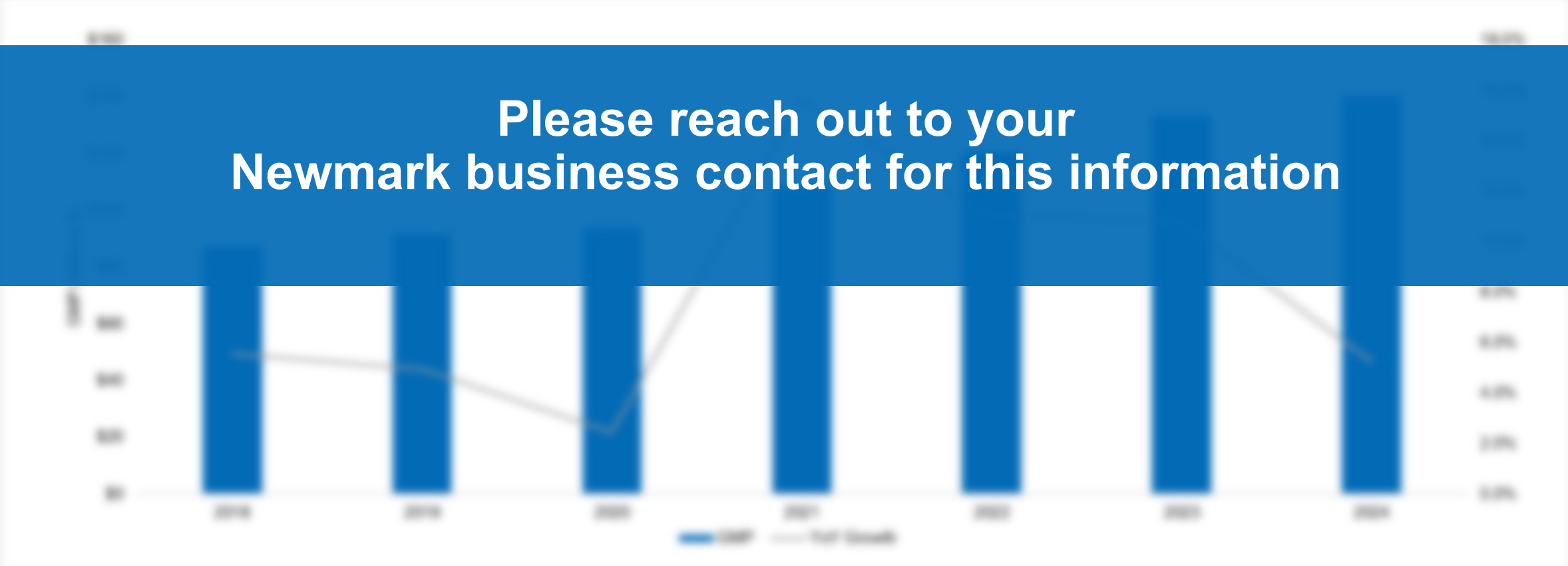
Threats

- Fluctuating economic conditions could reduce office space demand with the loss of remote work leading to a decrease in long-term demand for traditional office spaces.
- Competitive markets like Miami may attract businesses away from Palm Beach.
- Rising construction costs and tighter financial conditions create headwinds for landlords.
- Many of the properties in current retirement age and can lead to further declines in office using employment growth.

Palm Beach Gross Metropolitan Product

The gross metropolitan product continues to increase despite economic headwinds, albeit at a slower rate. Most recently, the gross metropolitan product rose 1.2% year over year to reach a new all-time high of \$146.7 billion.

Economic Overview: GDP, Millions & % Total Pct Change



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Loan Maturities Scheduled to Peak This Year

CMBB assessed the leading sources of debt financing in early 2020, accounting for 47.9% of total volume. CMBB maturities are heavily leveraged, with \$17.4 billion scheduled to come due over the next five years, or 39.2% of all CMBB debt maturing through 2021. Across all debt sources, maturities are expected to peak in 2020 at \$17.7 billion, underscoring the need to closely monitor upcoming maturities as an indicator of future market stability. The concentration of near-term maturities, particularly at CMBB, elevates refinancing risk in a higher rate environment and reinforces the importance of credit quality and proactive capital planning over the next cycle.

Financing Source by volume

Debt Maturity Schedule by year type

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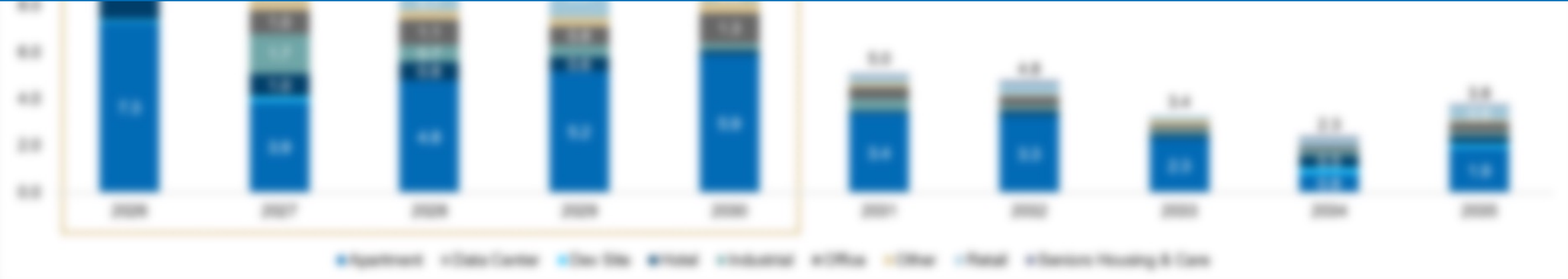


Multifamily Maturities Particularly Elevated Through 2030, Office Not So Much

As of the first quarter of 2020, office loans represent only 11.4% of the \$12.4 billion in loans scheduled to mature over the next five years, which lends direct exposure to the office sector's challenges. In contrast, multifamily loans account for 71.2% of maturities through 2020, and the sector's solid performance and lenders' strong appetite for multifamily assets suggest that maturity issues comparable with the level of multifamily risk, highlighting capital markets' emphasis on high-quality assets.

Commercial Mortgage Maturities

Please reach out to your Newmark business contact for this information



Christopher Bryant*Senior Research Analyst*

Christopher.Bryant@nmrk.com

Joycelyn Jezreel*Senior Research Analyst*

Jezreel.Joycelyn@nmrk.com

Neil Matthee*Research Manager, Southeast Research*

Neil.Matthee@nmrk.com

Alain Perez*Senior Research Analyst*

Alain.Perez@nmrk.com

Ching-Ting Wang*Head of Southeast Research*

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

nmrk.com

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