

Palm Beach County Office Market Overview



Market Observations

Economy

- The unemployment rate rose by 35 basis points year over year to 3.6%, yet remains below the five-year average of 4.2%, signaling continued labor market resilience.
- Job growth moderated to 1.2% year over year and after dipping below the national average in October 2024, regional employment has since realigned with U.S. trends.
- Seven of the ten major employment sectors posted job gains over the past year, led by the education and health industry, which recorded a robust 5.3% increase.
- Office-using employment in Palm Beach County increased by 0.6% year over year to 195,410 employees as of May 2025, just 0.6% below the metro's all-time high recorded in February 2024 and 14.8% above the year-end 2019 total.

Major Transactions

- The quarter's largest transaction was Everglades University renewing their lease for 52,582 SF at The Boca Raton Innovation Campus in the Boca Raton submarket.
- Three of the five largest lease transactions in the second quarter of 2025 occurred in the Boca Raton submarket, underscoring the submarket's growing appeal to office users.
- New deals and expansions comprised three of the top five lease transactions in the second quarter of 2025.
- Through the first half of 2025, Class A properties accounted for 50.4% of total leasing volume, with average deal sizes of 3,752 SF—well above the 2,820 SF market-wide average.

Leasing Market Fundamentals

- Annual full-service asking rental rates reached \$49.09/SF, reflecting a 6.1% increase year over year at the end of the second quarter of 2025.
- The vacancy rate stands at 15.3%, unchanged quarter over quarter driven by move-ins in the West Palm Beach CBD submarket.
- The development pipeline increased for the second consecutive quarter to 1.6 MSF currently under construction—representing 5.7% of total market inventory.
- Leasing activity totaled 1.2 MSF in the first half of 2025, marking the weakest first half performance since 2020. Despite this, Class A properties continues to drive leasing activity, accounting for 50.4% of total leasing volume in the first half of the year.

Outlook

- As the macro environment becomes more predictable in the second half of 2025, tenants with deferred requirements will likely re-enter the market.
- Rents are expected to continue increasing, 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 and softening demand will add to a near-term vacancy increase.

1. Economy
2. Leasing Market Fundamentals

2Q25

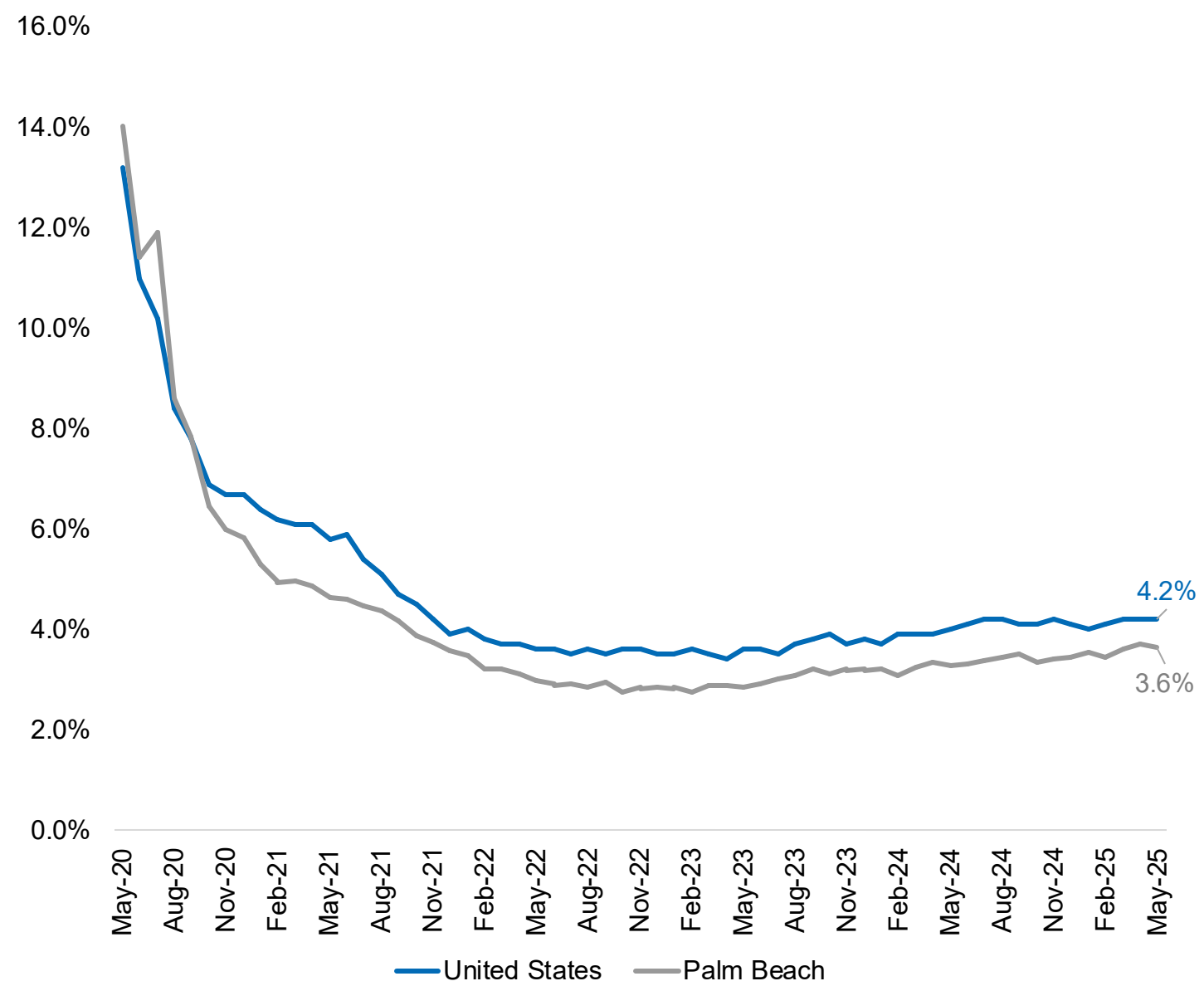
Economy



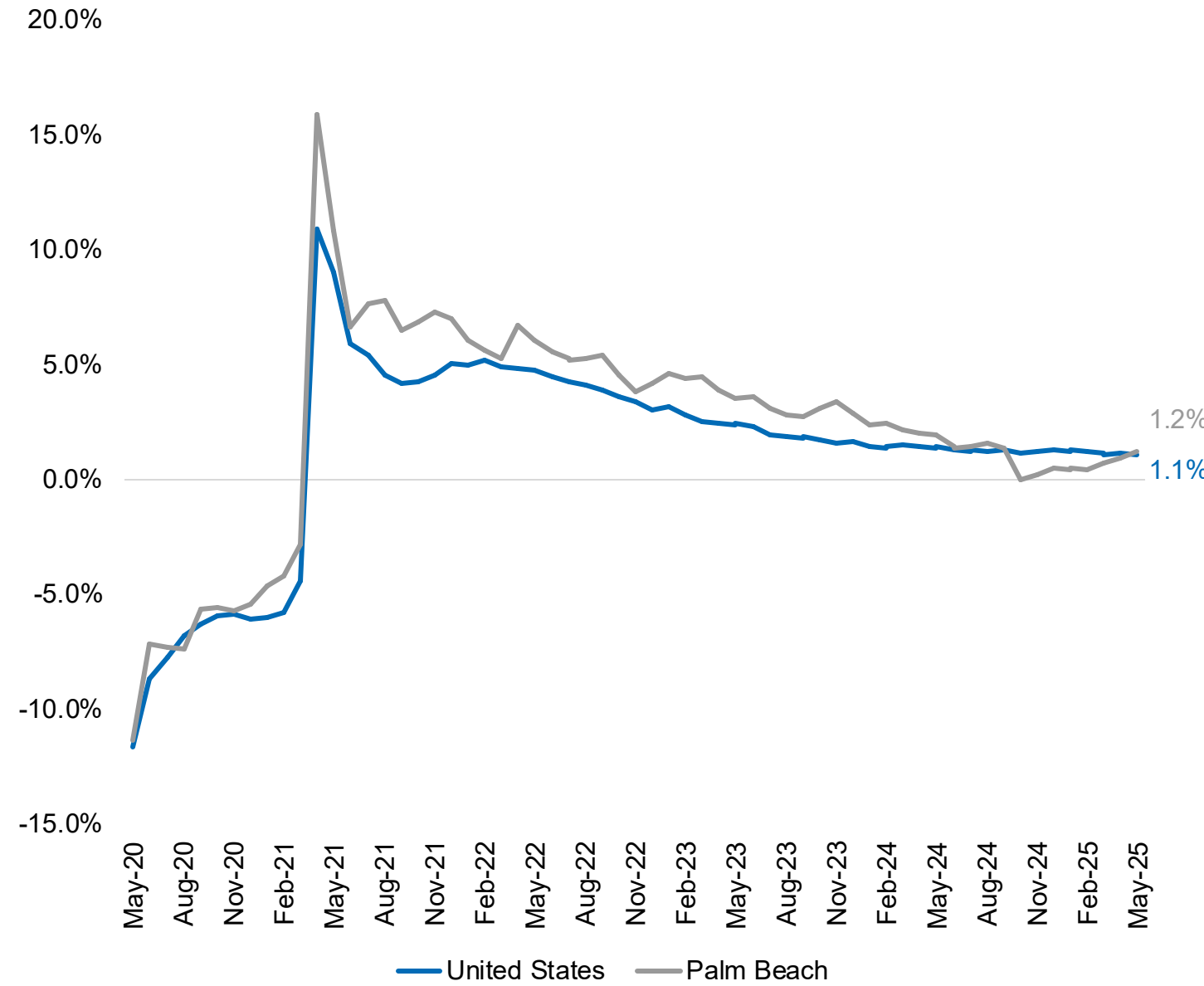
Unemployment Flattens; Employment Growth Rebounds Aligning with National Average

Palm Beach County has historically maintained an unemployment rate below the national average, while consistently outperforming in year-over-year employment growth. However, ongoing economic headwinds have begun to affect the local labor market. Over the past year, Palm Beach County’s unemployment rate has risen by 35 basis points, while employment growth has decelerated by 68 basis points. After falling below the national average in October 2024, regional employment growth gradually recovered and, by the end of May 2025, once again outpaced the national rate, driven by gains in the education and health, government, and manufacturing sectors.

Unemployment Rate, Seasonally Adjusted



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



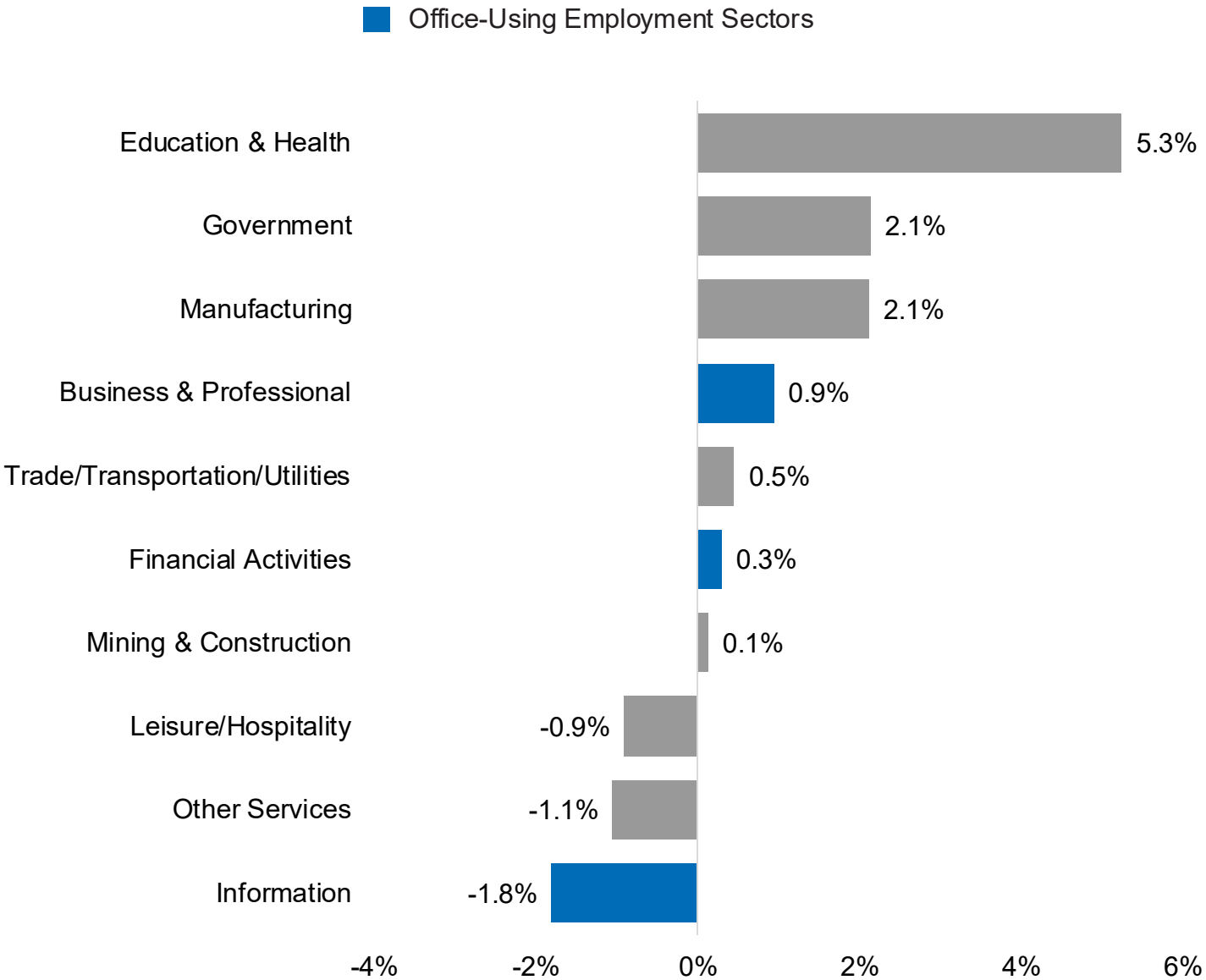
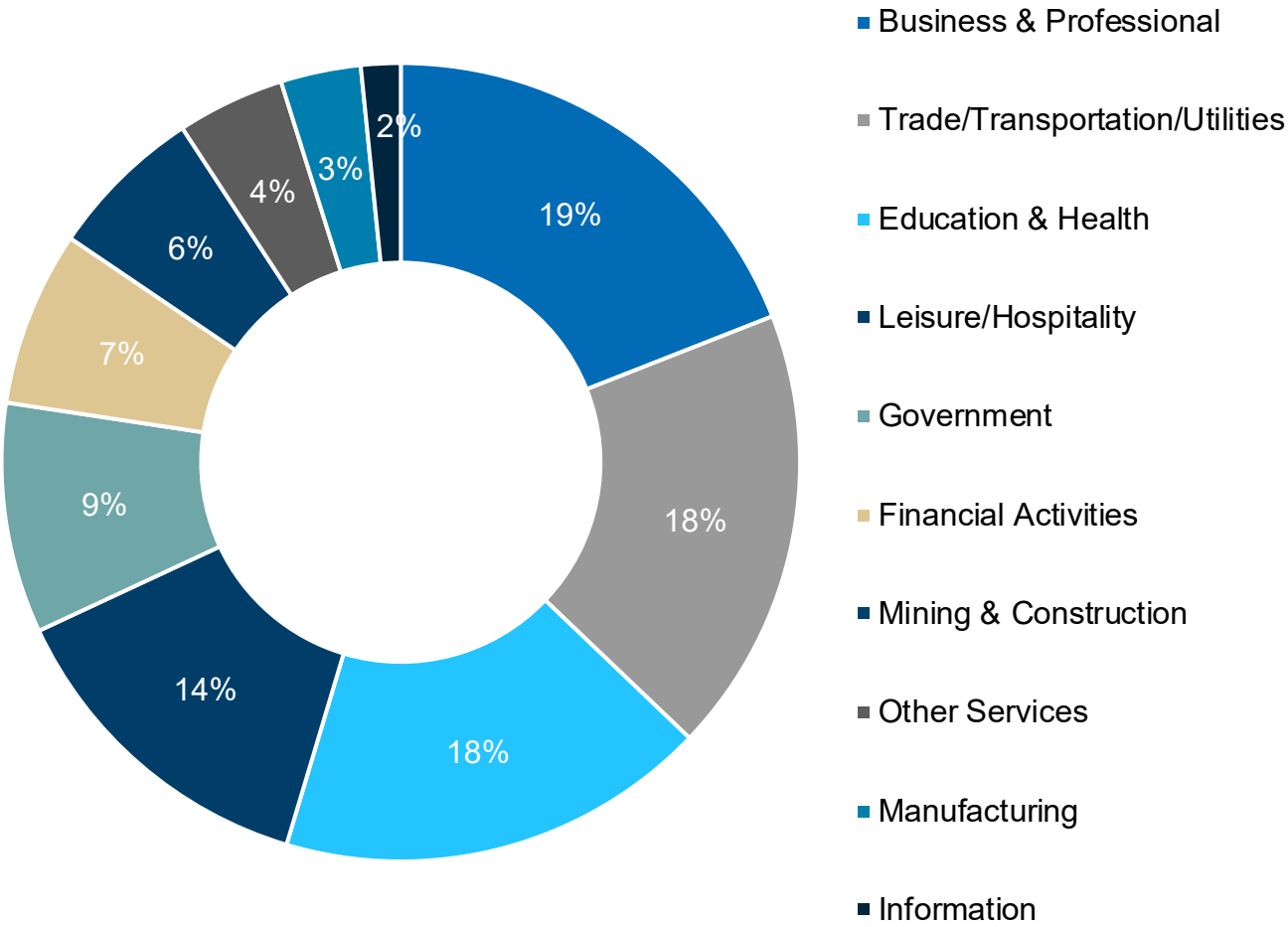
Source: U.S. Bureau of Labor Statistics, Palm Beach County

Most Office-Using Sectors Report Employment Growth

Palm Beach’s two largest employment industries account for 37.1% of the metro’s job base, with business and professional services, the primary office-using sector, accounting for the largest share at 19.0%. Over the past year, key office-using industries, such as professional services and financial activities, both posted modest employment gains, while the information sector posted employment losses due to pullbacks in local media and IT operation cuts.

Employment by Industry, May 2025

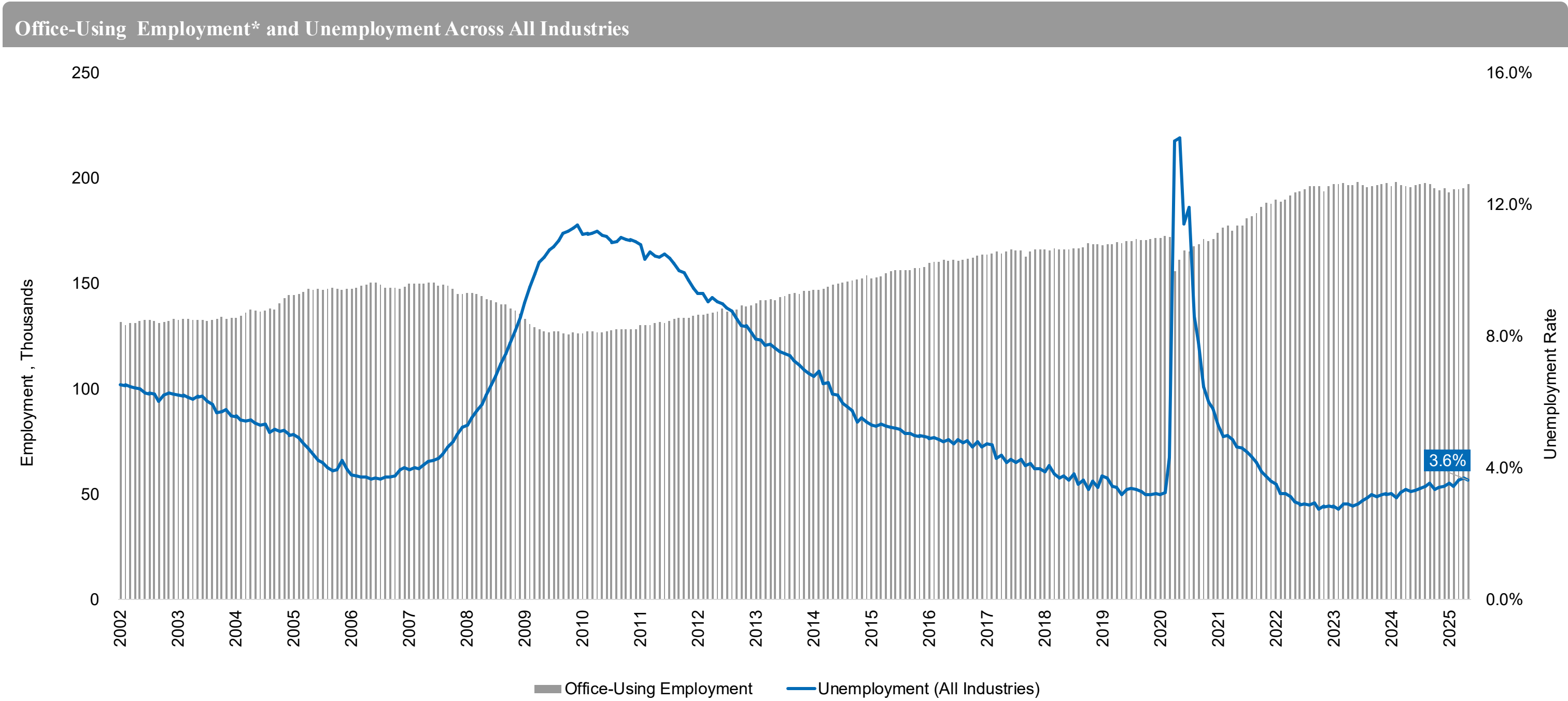
Employment Growth by Industry, 12-Month % Change, May 2025



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

Overall Office-Using Employment on the Rise Again

Office-using employment in Palm Beach County increased by 0.6% year over year to 195,410 employees as of May 2025, just 0.6% below the metro’s all-time high recorded in February 2024 and 14.8% above the year-end 2019 total. The unemployment rate currently stands at 3.6%, modestly above the 2019 pre-pandemic average of 3.4%. Despite recent softening, the relative strength of Palm Beach County’s office-using sectors has helped keep unemployment levels near historical norms.



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.

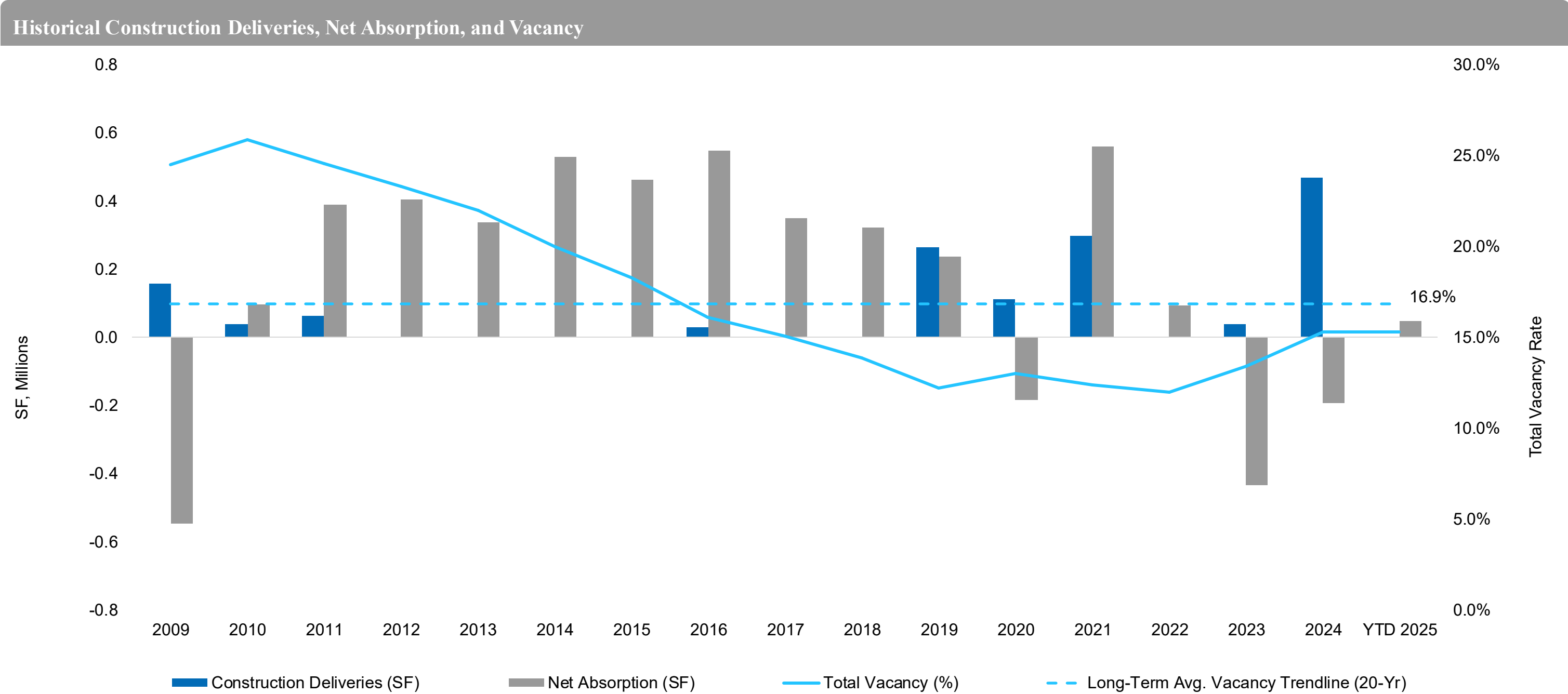
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Leasing Market Fundamentals



Slightly Occupancy Gain and No New Deliveries Leaves Vacancy Flat

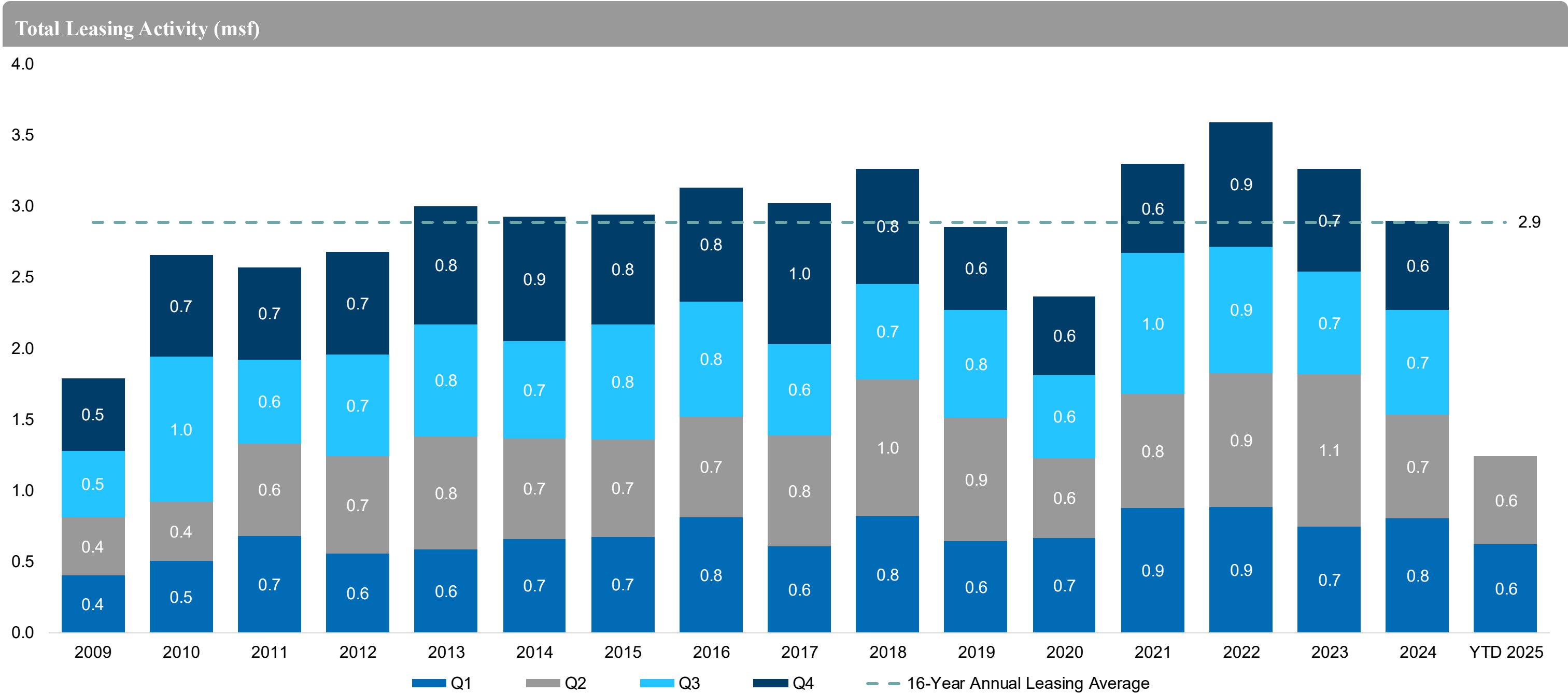
Palm Beach’s office vacancy rate held at 15.3% in the second quarter of 2025—unchanged from the previous quarter and up 160 basis points year over year. However, the vacancy rate is still below the 20-year average of 16.9%. With no new deliveries, second-quarter net absorption totaled 44,388 SF—bringing year-to-date absorption to 46,963 SF. This momentum was driven by professional services and financial firms extending or modestly expanding their footprints, underscoring sustained tenant confidence. With no new inventory on the horizon, vacancy is expected to remain stable and, barring any unexpected departures, may edge modestly lower through year-end.



Source: Newmark Research, CoStar

Leasing Activity Slightly Below Historical Average

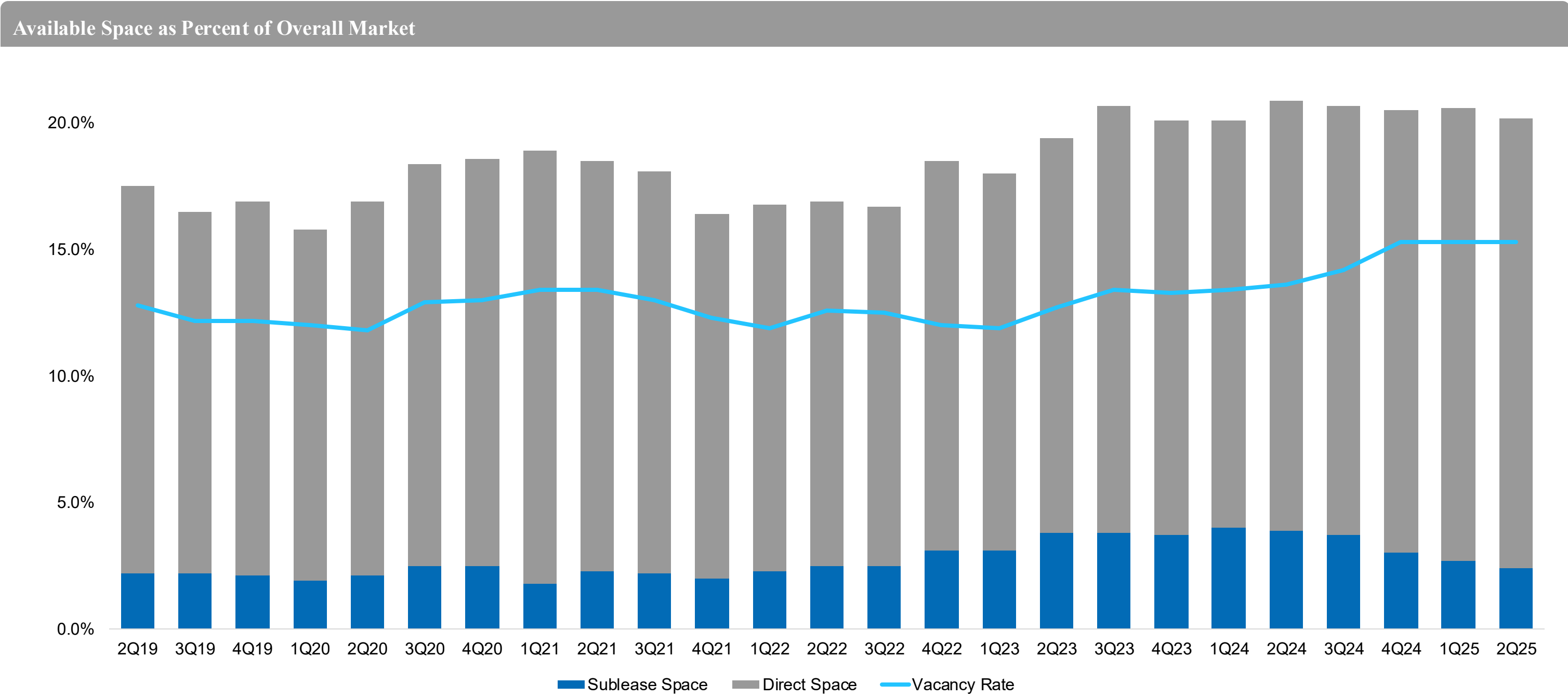
Leasing activity in the second quarter of 2025 totaled 617,667 SF, falling below the 16-year second-quarter average of 734,561 SF. This brought year-to-date volume to 1.2 MSF, reflecting a 19.0% decline from the same period in 2024 and increasing the probability of not achieving a fifth consecutive year of 3.0 MSF in yearly leasing activity. The slowdown reflects sustained downsizing among tenants, as cost-sensitive occupiers prioritize efficiency and pursue smaller, more flexible footprints. Average deal size declined by 250 SF year over year to 2,820 SF in the second quarter of 2025. This trend underscores persistent demand for smaller suites among professional services and technology firms seeking flexibility and efficiency.



Source: Newmark Research, CoStar

Sublet Availability Continues Decline From All-Time High

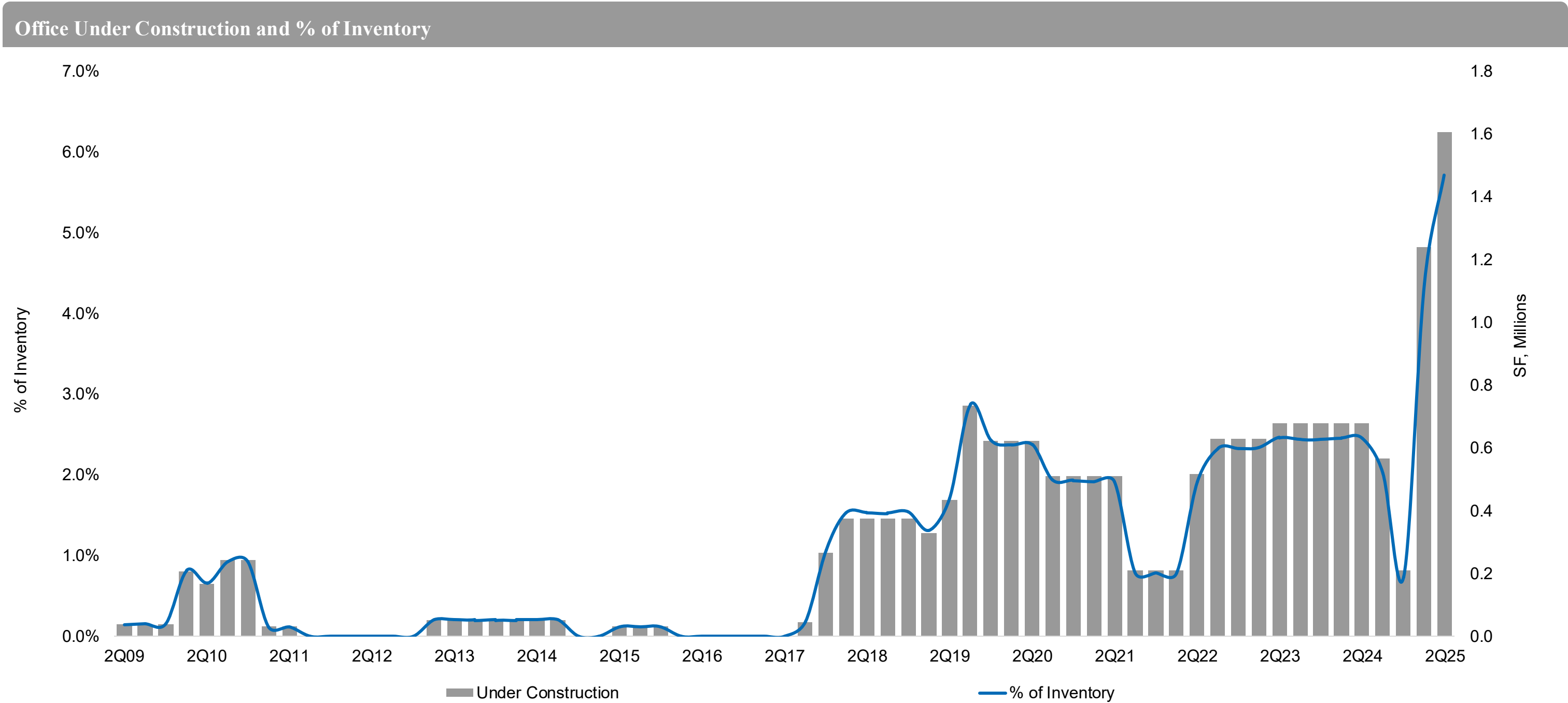
In the second quarter of 2025, sublease availability declined by 40 basis points quarter over quarter to 2.4%, which is down sharply from the record 4.0% reported in the first quarter of 2024. Meanwhile, direct availability decreased by 10 basis points to 17.8% during the same period. Overall vacancy held steady at 15.3% in the second quarter of 2025, unchanged from the prior quarter. However, the decline in overall availability suggests that leasing activity continues to absorb meaningful space, a welcome reversal from the loosening fundamentals observed one year ago.



Source: Newmark Research, CoStar

Construction Activity Increases To Record High

Palm Beach County’s post-pandemic influx of companies and residents fueled demand for modern, amenity-rich office space, highlighting the need to reverse nearly a decade of minimal new development. After a slowdown in the second half of 2021, construction activity moderately increased in 2022 through 2024 before surging to a 16-year high of 1.6 MSF at the end of the second quarter of 2025. A major contributor to the recent surge is Cohen, a private real estate developer that recently broke ground on West Palm Point, a 438,000-SF Class A office project in the West Palm Beach CBD submarket.

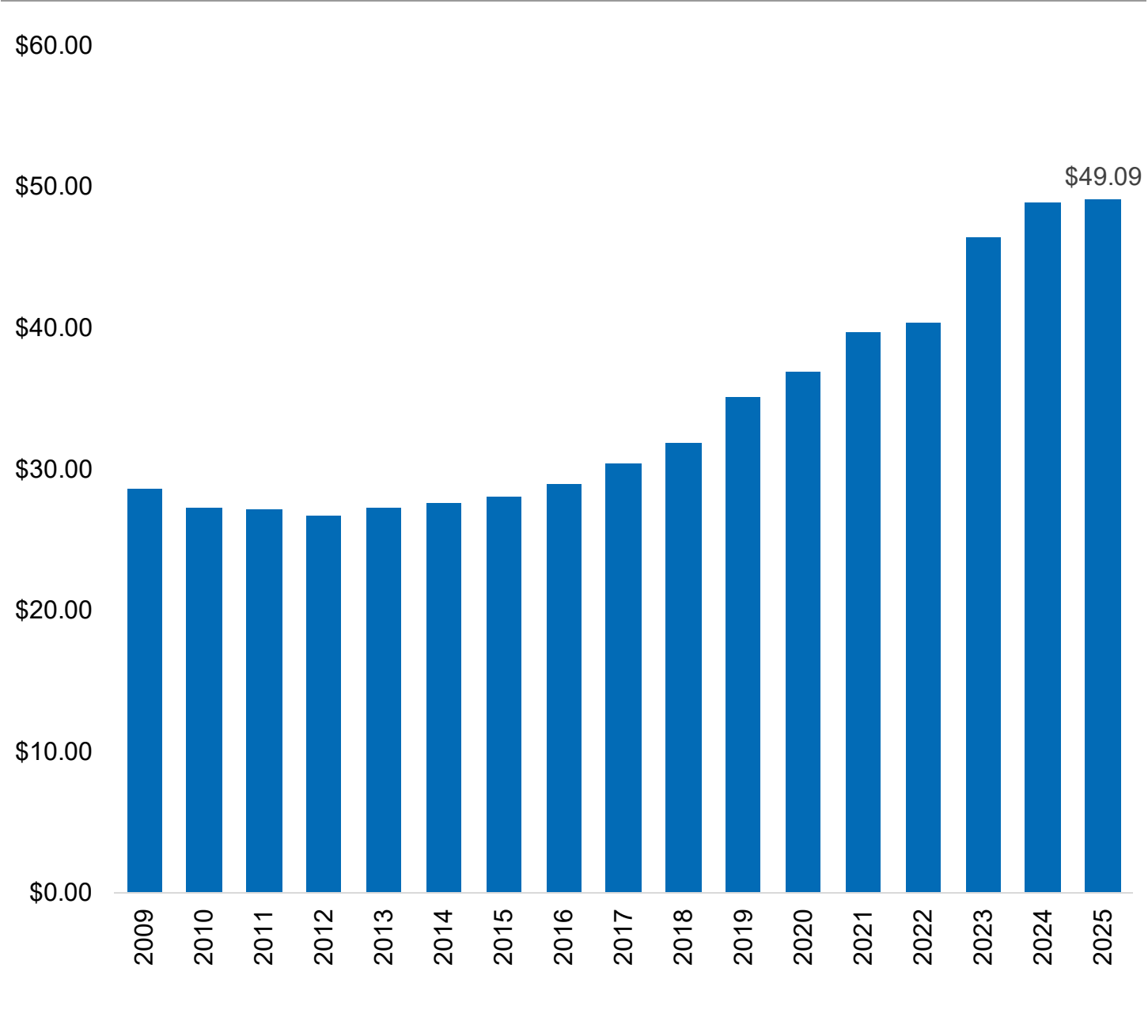


Source: Newmark Research, CoStar

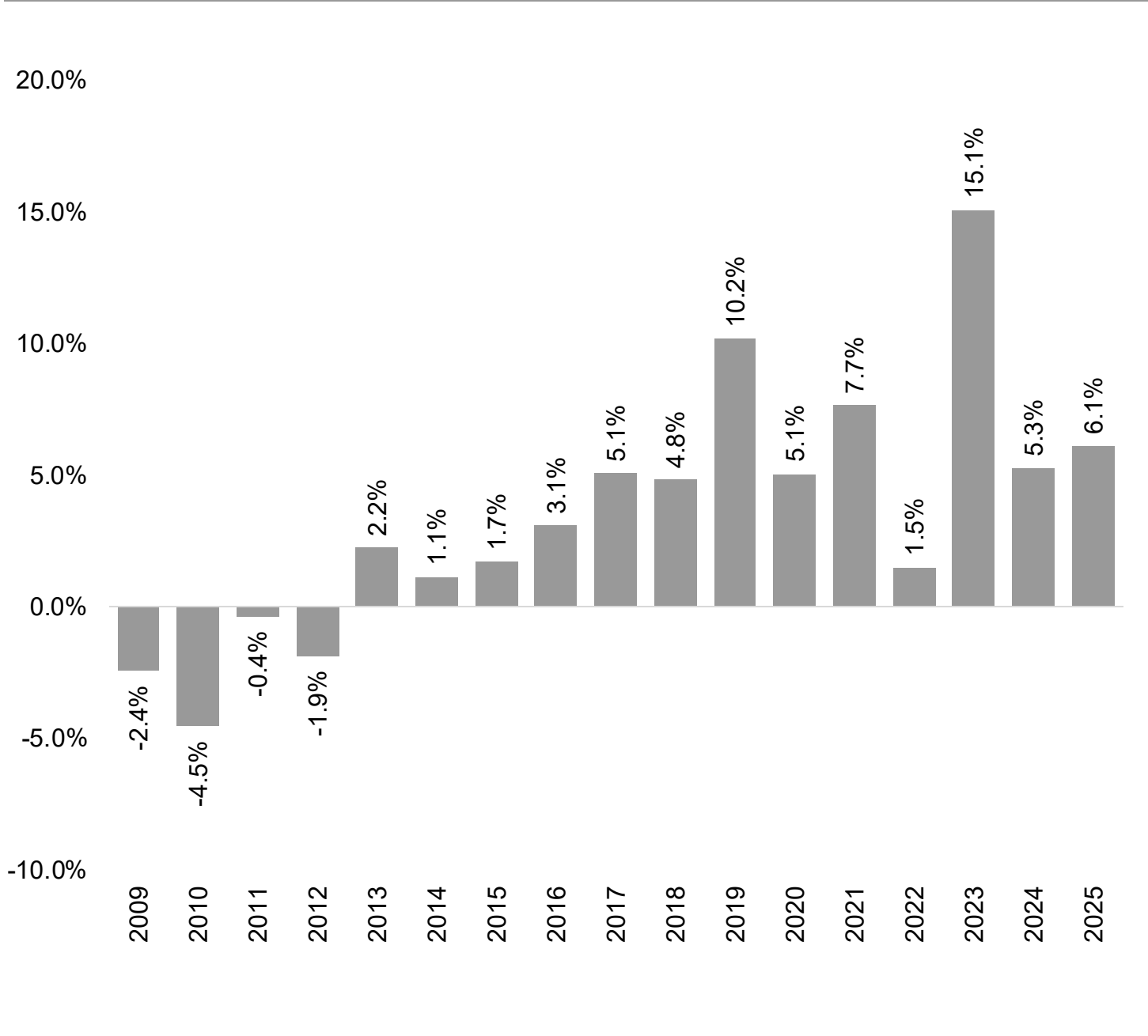
Rents Continue to Climb as Rent Growth Holds Steady

In the second quarter of 2025, Palm Beach’s combined asking rent averaged \$49.09/SF, up 6.1% year over year and well above the 16-year historical average of 3.4%. Rent growth has been largely supported by new construction and trophy assets in the CBD, where limited supply and premium amenities command higher rates. By contrast, suburban submarkets—with greater product availability—have experienced more modest increases, resulting in a bifurcated rent environment.

Office Combined Average Asking Rent, \$/SF, FS



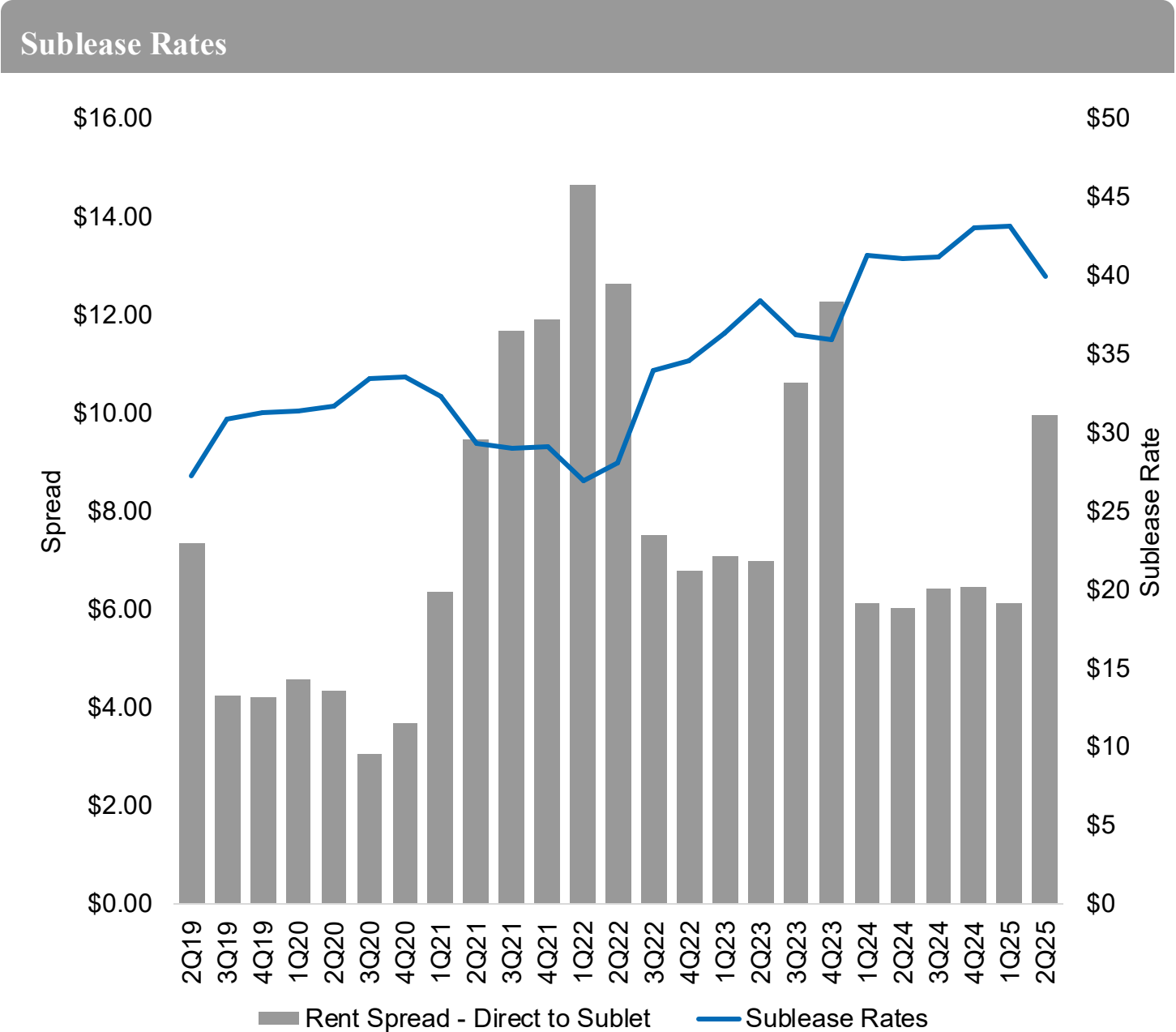
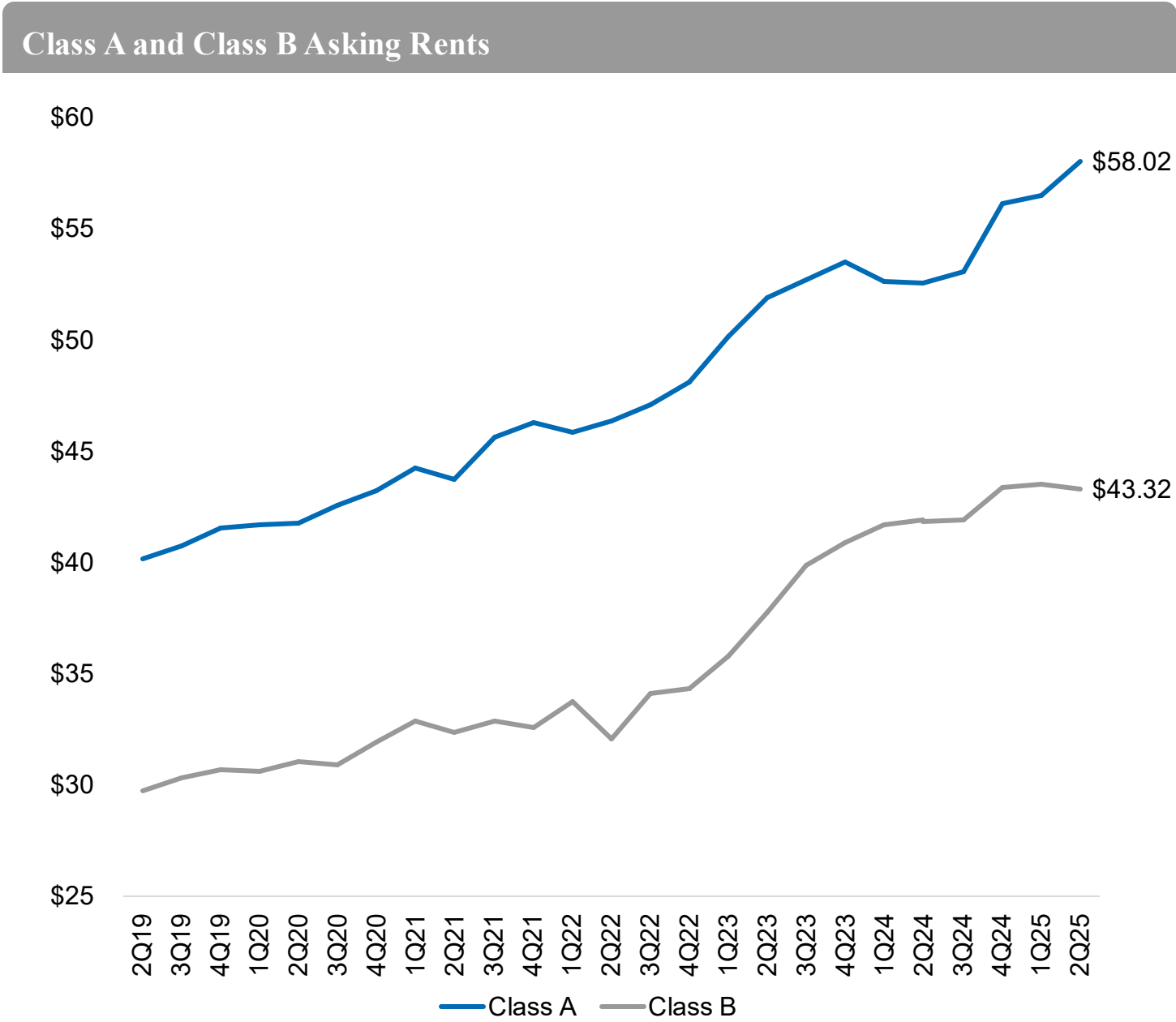
Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar

Rent Spread Increases, Highlighting Preference for Higher-Quality Space

Class A asking rents reached a record high of \$58.02/SF at the end of the second quarter of 2025, up 2.6% quarter over quarter. Meanwhile, Class B reported \$43.32/SF in asking rents over the same period, reflecting a 0.4% quarter-over-quarter dip. The \$14.70/SF spread between the two classes has expanded by 36.0% since 2019 and 38.2% year over year, underscoring the bifurcation between asset classes. The sustained premium on Class A space reflects tenant preferences for modern amenities and operational efficiency, prompting tenants to upgrade from older Class B assets. Meanwhile, sublease rents averaged \$39.91/SF, which is down 7.5% quarter over quarter and 2.9% year over year.



Source: Newmark Research, CoStar

Office Space In Demand In Boca Raton Submarket

Tenant preference for premium space remains clear as four of the five largest leases in the second quarter of 2025 occurred in Class A buildings. Through the first half of 2025, Class A properties accounted for 50.4% of total leasing volume, with average deal sizes of 3,752 SF—well above the 2,820 SF market wide average—underscoring that tenants pursuing high-quality assets also seek slightly larger footprints

Notable 2Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Everglades University	Boca Raton Innovation Campus	Boca Raton	Renewal	52,582
Everglades University, a private nonprofit institution, renewed its lease at 5002 T Rex Ave maintaining its occupancy on the first and second floor. The firm has been a long-term tenant at the property since July 2016.				
Sadow Media	Innovation Centre 4	Boca Raton	Direct New/Expansion	28,315
Sadow Media, an advertising agency, signed a new lease at 3651 FAU Blvd expanding their existing footprint at the property. The company now occupies 62.8% of the building and has been located at the property since April 2020.				
Industrious	Sundy Village	Delray Beach	Direct New	25,190
Industrious, a premier provider of flexible workspaces and coworking solutions, executed two 12,595 SF leases at 22 W Atlantic Ave, effectively doubling its footprint.				
TitanEdge	Boca Raton Innovation Campus	Boca Raton	Direct New	22,200
TitanEdge, a maker of premium titanium-based kitchenware and culinary accessories, signed a new lease at 4660 Communication Ave representing 12.5% of the building.				
Equity Land Title	City Place Office Tower	West Palm Beach CBD	Sublease	21,160
Equity Land Title, a full-service title insurance and settlement service provider, signed a short-term sublease at 525 Okeechobee Blvd through October 2026.				

Source: Newmark Research, CoStar

Palm Beach Office Submarket Overview

Submarket Statistics - All Classes								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Q3 Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
St. Pete Beach CBD	3,000,160	1,807,378	12.5 %	216,240	286,716	\$104.64	\$67.45	\$86.77
CBD Total	3,000,160	1,807,378	12.5 %	216,240	286,716	\$104.64	\$67.45	\$86.77
St. Pete Beach Suburban	1,000,000	-	7.7 %	-2,000	-2,704	-	\$30.78	\$30.78
Royal Palm Beach/Heddington	415,040	-	3.0 %	-760	-4,286	-	\$43.89	\$43.89
St. Pete Beach Suburban	3,492,300	-	17.4 %	-20,396	-41,762	\$67.25	\$36.01	\$43.33
Suburban Total	28,116,840	-	15.4 %	-171,800	-286,716	\$62.23	\$42.86	\$46.34
Market	28,116,840	1,807,378	15.3 %	44,380	44,960	\$59.53	\$44.25	\$49.87

Source: Newmark Research

Palm Beach Office Submarket Map

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