

3Q25

Palm Beach County Office Market Overview



Market Observations

Economy

- The unemployment rate rose by 32 basis points year over year to 3.8%, matching the five-year average but exceeding the 2019 average of 3.4%, indicating softer market conditions.
- Job growth slowed to 0.6% year over year, lagging the national pace by 29 basis points, driven by job losses across all three office-using sectors in the market.
- Seven of the ten major employment sectors posted job gains over the past year, led by the education and health industry, which recorded a 2.4% increase.
- As of August 2025, office-using employment in Palm Beach County fell 1.0% year over year to 195,668 employees, but edged up 0.1% quarter over quarter and remained 14.0% above the year-end 2019 total.

Major Transactions

- The quarter’s largest transaction was ServiceNow’s 202,929-SF lease at the under-construction 10 CityPlace in the West Palm Beach CBD submarket. The company will receive at least \$17 million in total grants to establish an innovation hub in the market.
- Two of the largest lease transactions in the third quarter of 2025 occurred in under-construction properties, supporting the appeal for high-quality space.
- New deals comprised all five of the top five lease transactions in the third quarter of 2025 indicating continued demand for office space in the market.
- In the third quarter of 2025, Class A properties accounted for 65.2% of the market’s leasing activity by square footage, but only 33.3% of the market’s deal volume.

Leasing Market Fundamentals

- Annual full-service asking rental rates reached a historic high of \$49.69/SF, reflecting a 7.0% increase year over year at the end of the third quarter of 2025.
- The vacancy rate ended the third quarter at 15.3%, remaining unchanged quarter over quarter, as the market recorded the third consecutive quarter with no new deliveries.
- The development pipeline remains at a 16-year high for the second consecutive quarter at 1.2 MSF currently under construction—representing 4.5% of total market inventory.
- Leasing activity totaled 1.1 MSF in the third quarter of 2025, reaching a new record high. Meanwhile, average deal size nearly doubled in the quarter to 4,997 SF. Flight to quality space continues, with Class A properties driving leasing activity and signing larger deals averaging 9,773 SF.

Outlook

- As the macro environment becomes more predictable and interest rates decline, tenants with deferred requirements will likely re-enter the 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 and softening demand will add to a near-term vacancy increase.

1. Economy
2. Leasing Market Fundamentals
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4. Supplemental Analysis

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Economy



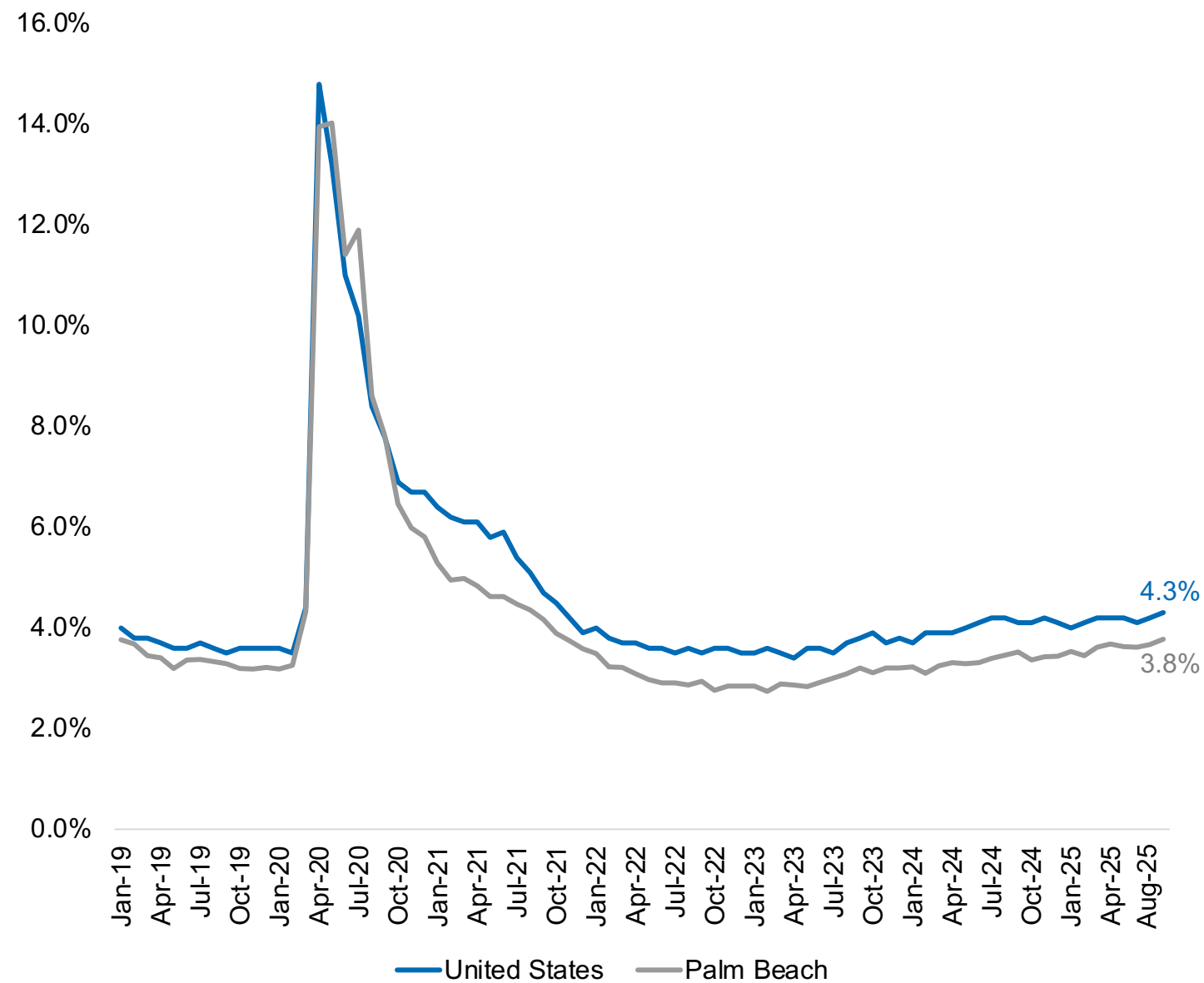
Palm Beach Gross Metropolitan Product

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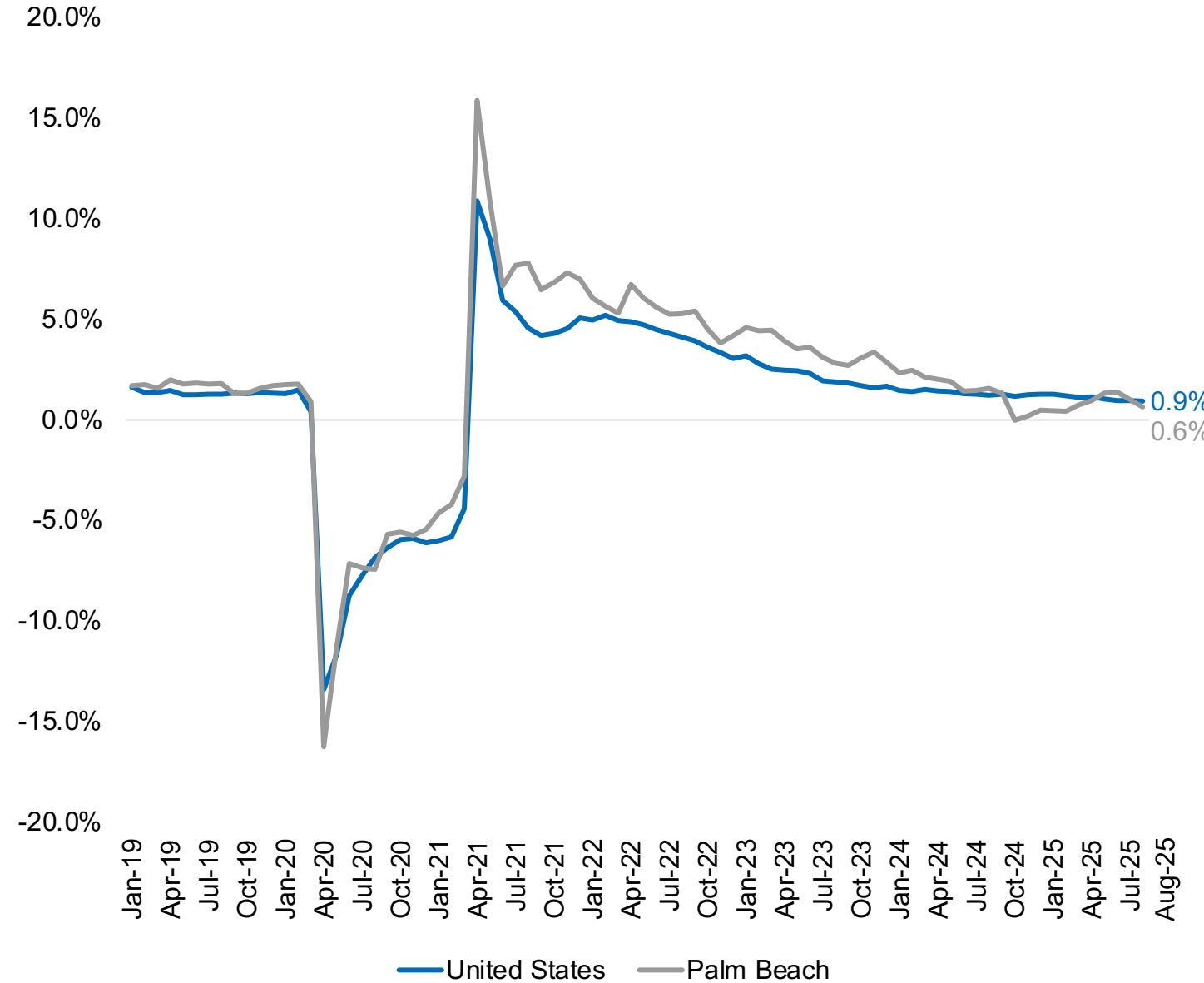
Unemployment Rate Ticks Up While Job Growth Trails the Nation

Palm Beach County has generally maintained an unemployment rate below the national average, while outperforming in year-over-year employment growth. However, ongoing economic headwinds have begun to impact the local labor market. Over the past year, Palm Beach County's unemployment rate rose by 32 basis points, while employment growth has decelerated by 93 basis points. Regional employment growth more recently began falling below the national pace beginning in October 2024. This trend has generally continued, except in the second quarter of 2025, with the third quarter of 2025 ending at 0.6%, driven by job losses in all three office-using sectors in the market.

Unemployment Rate, Seasonally Adjusted



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

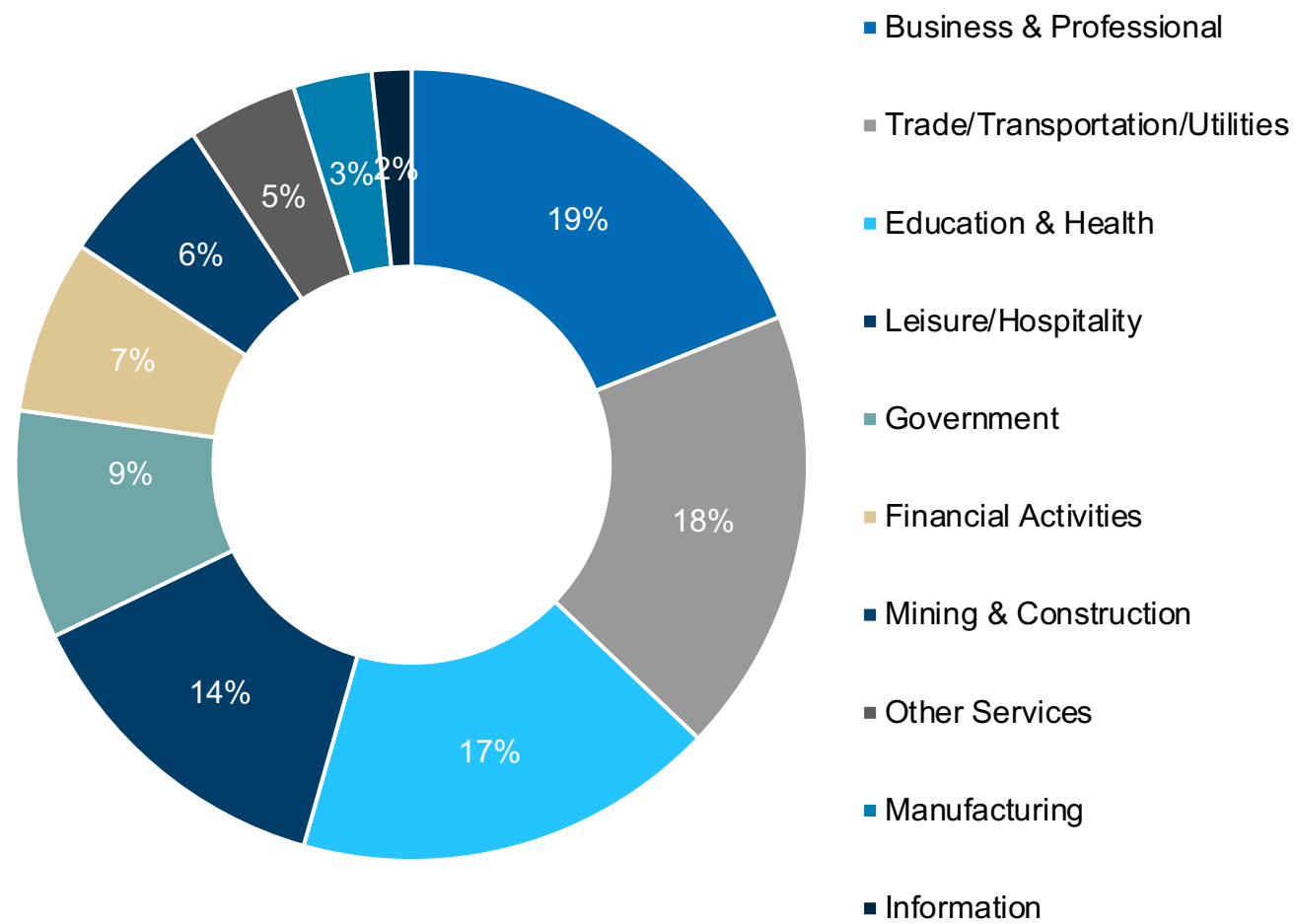


Source: U.S. Bureau of Labor Statistics, Palm Beach County

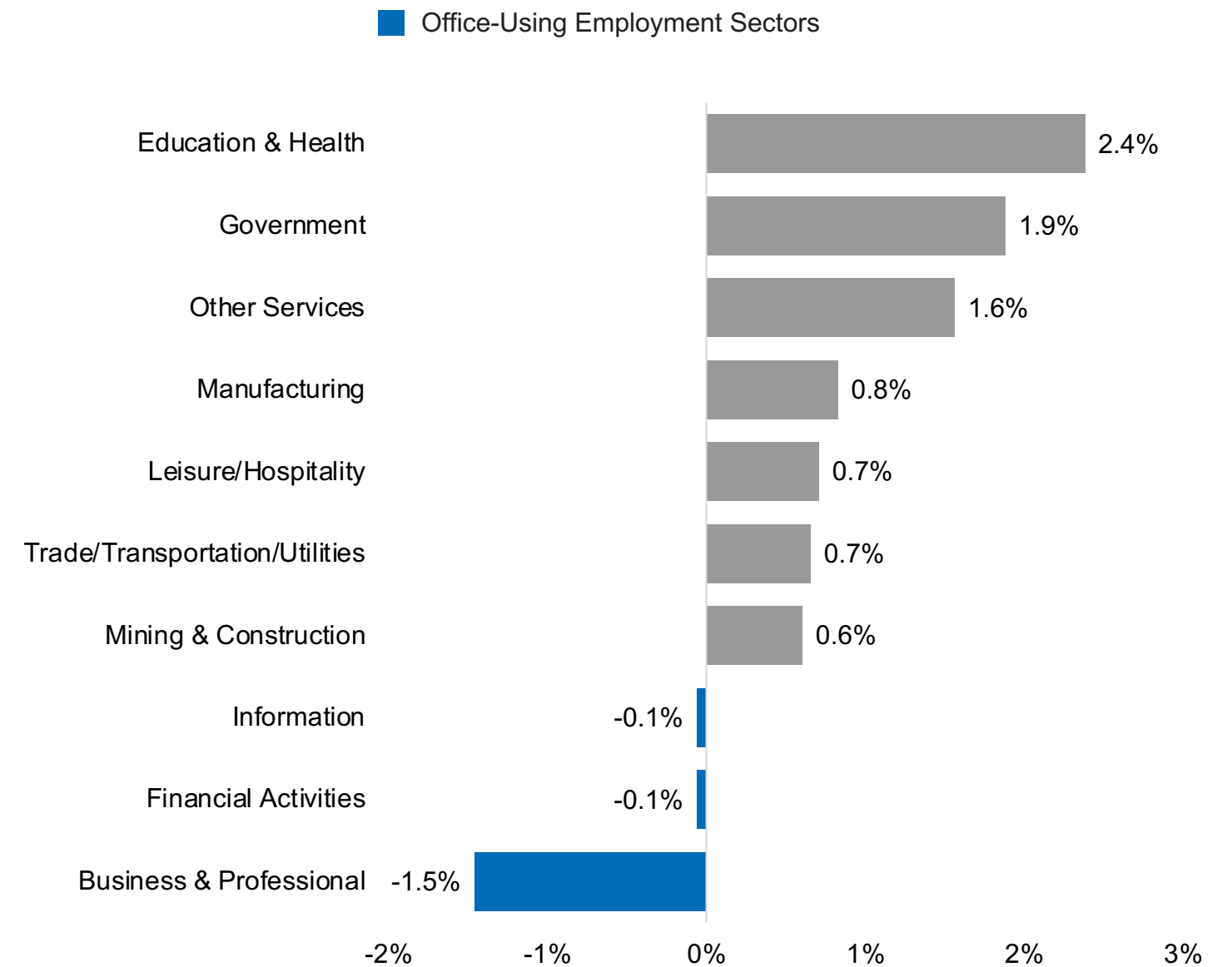
All Office-Using Sectors Report Employment Contraction

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 18.9%. Over the past year, all office-using industries reported jobs losses ranging from a decline of 0.1% year over year in information and financial activities sectors to 1.5% in the business and professional sector. Meanwhile, all other sectors reported job gains in the market ranging from 0.6% to 2.4% year over year.

Employment by Industry, August 2025



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

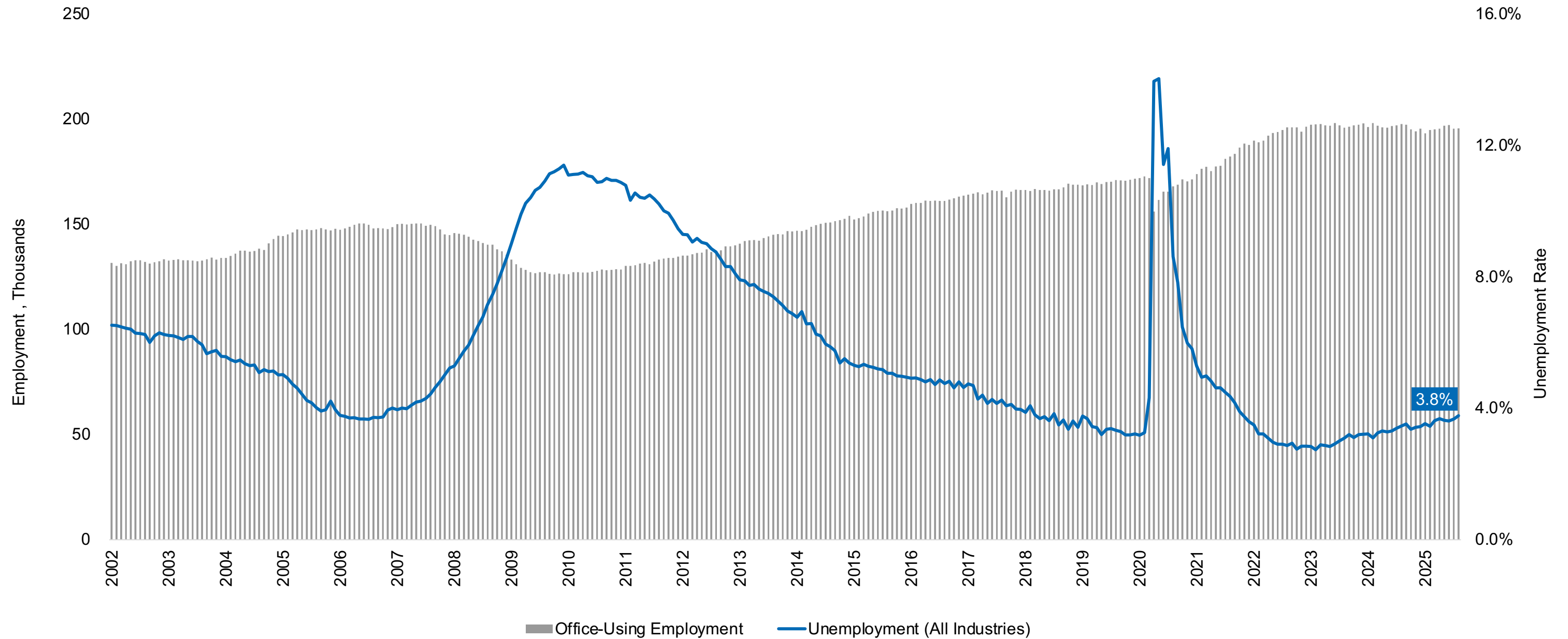


Source: U.S. Bureau of Labor Statistics, Palm Beach County

Office-Using Job Losses Drive Uptick in Unemployment Rate

Office-using employment in Palm Beach County decreased by 1.0% year over year to 195,668 employees as of August 2025, remaining 1.3% below the market's all-time high recorded in February 2024. Meanwhile, the market's unemployment rate currently sits at 3.8%, modestly above the 2019 pre-pandemic average of 3.4%. Employment losses in all office-using sectors have contributed to the recent decline in office-using employment while also pushing up unemployment rate in the market.

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.

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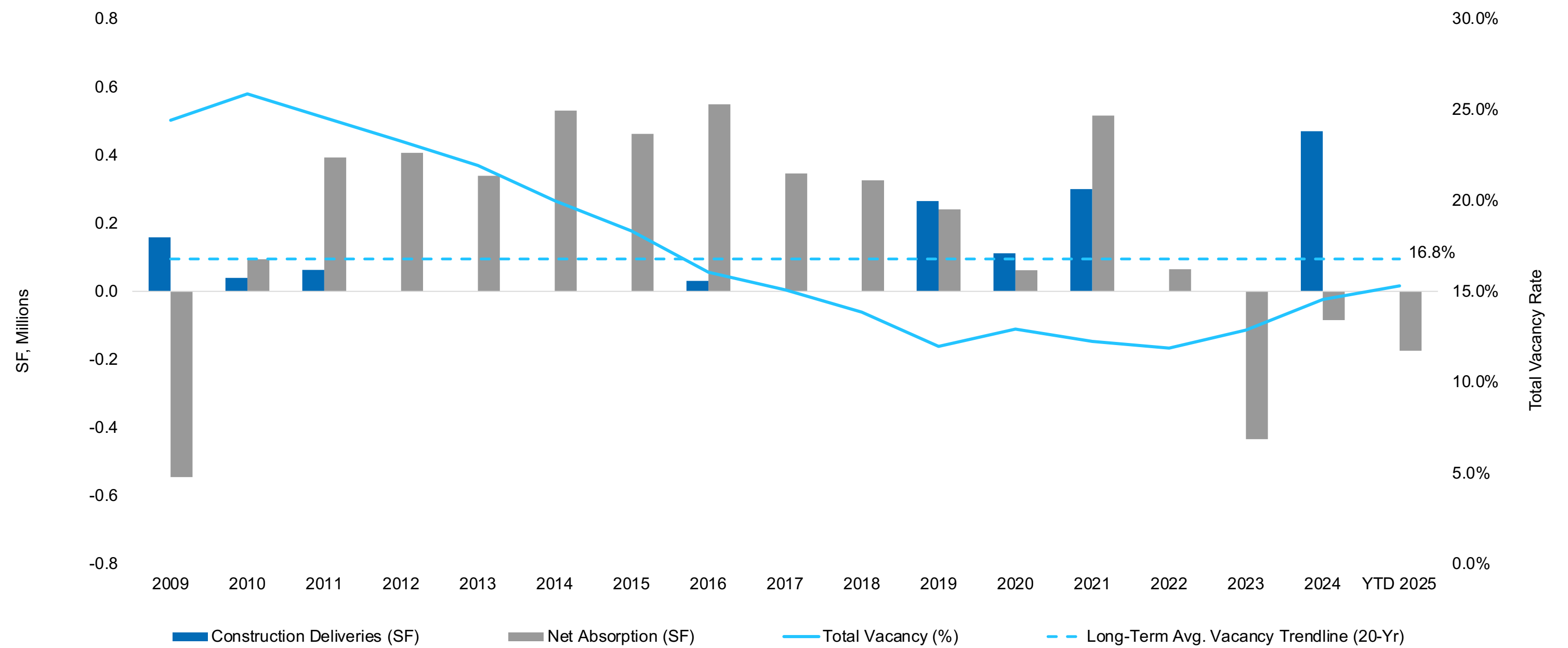
Leasing Market Fundamentals



Quarterly Demand Ends Muted as No New Deliveries Leave Vacancy Rate Flat

Palm Beach's office vacancy rate held steady at 15.3% in the third quarter of 2025 but increased by 190 basis points year over year while remaining below the 20-year average of 16.8%. Despite a third consecutive quarter with no new deliveries, third-quarter net absorption was slightly negative at 8,473 SF, keeping year-to-date net absorption negative at 173,890 SF due to recent office-using job losses. Vacancy is expected to remain elevated due to softer office demand but should stay stable in the near term until new deliveries come online.

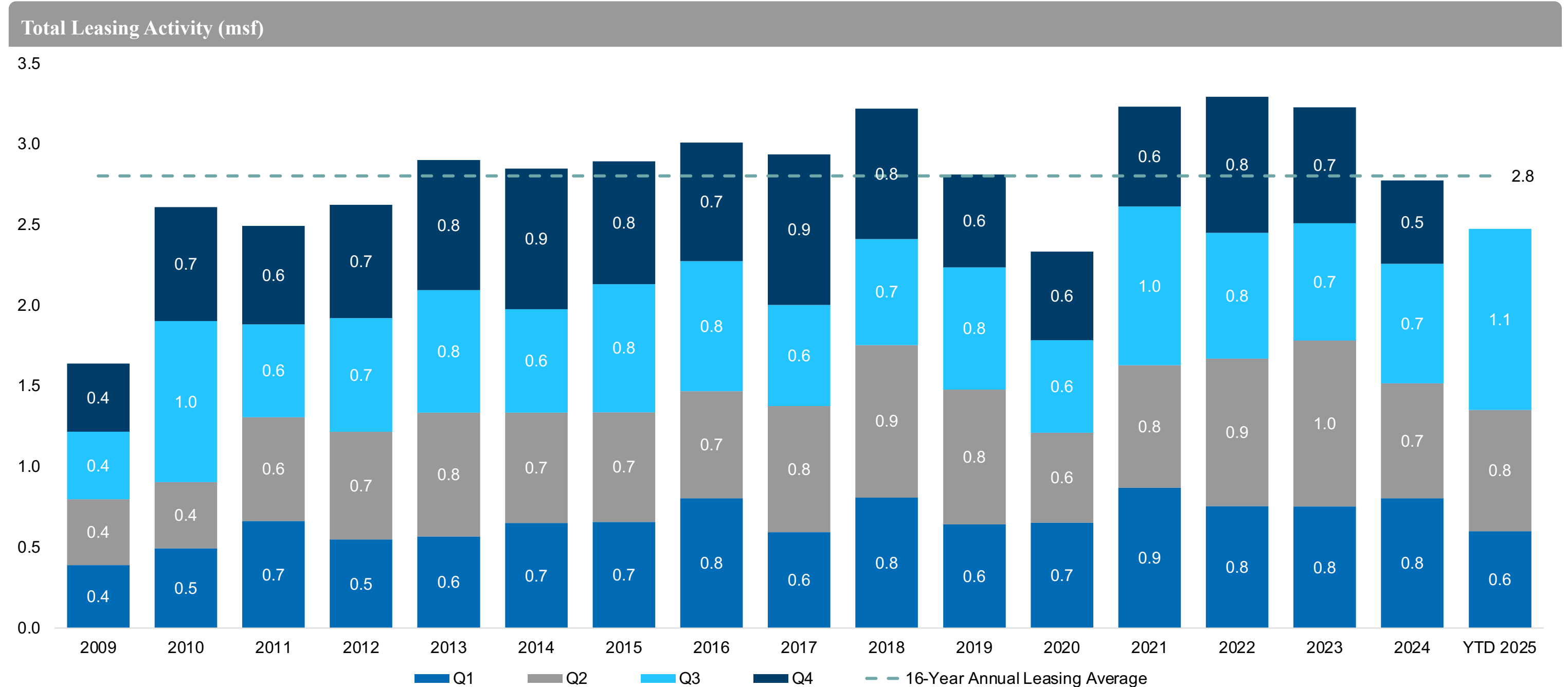
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Hits New Quarterly Record High

Leasing activity reached a historical high in the third quarter of 2025 totaling 1.1 MSF, significantly outpacing the 16-year third-quarter average of 722,094 SF. This brought year-to-date 2025 volume to 2.5 MSF, reflecting a 9.6% increase from the same three-quarter period in the previous year. Average deal size nearly doubled by 2,330 SF year over year to 4,997 SF in the third quarter of 2025, the largest size reported since the third quarter of 2006. Meanwhile, the number of deals signed in the third quarter of 2025 decreased by 19.1% year over year, indicating a shift in the market towards larger but fewer deals done. Whether this reversal constitutes a sustained trend or a short-lived deviation from recent years of downsizing and smaller deals done remains uncertain.

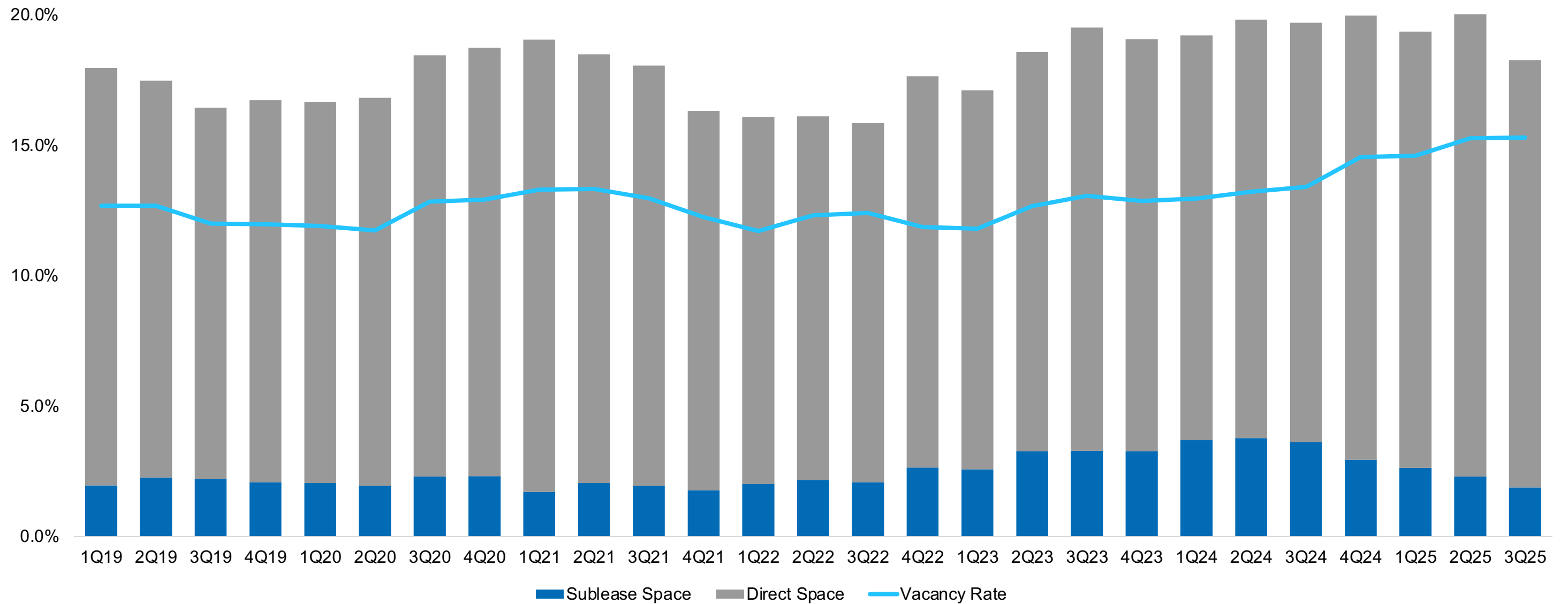


Source: Newmark Research, CoStar

Availabilities Decline While Vacancy Holds Steady

In the third quarter of 2025, sublease availability declined by 40 basis points quarter over quarter to 1.9%, significantly lower than the record high of 3.8% reported in the second quarter of 2024. Meanwhile, direct availability reported a steeper decrease by 130 basis points to 16.4% during the same period. Although availabilities decreased, overall vacancy held steady at 15.3% in the third quarter of 2025, unchanged from the prior quarter, likely due to deals for future occupancy being inked. Overall, 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.

Available Space as Percent of Overall Market

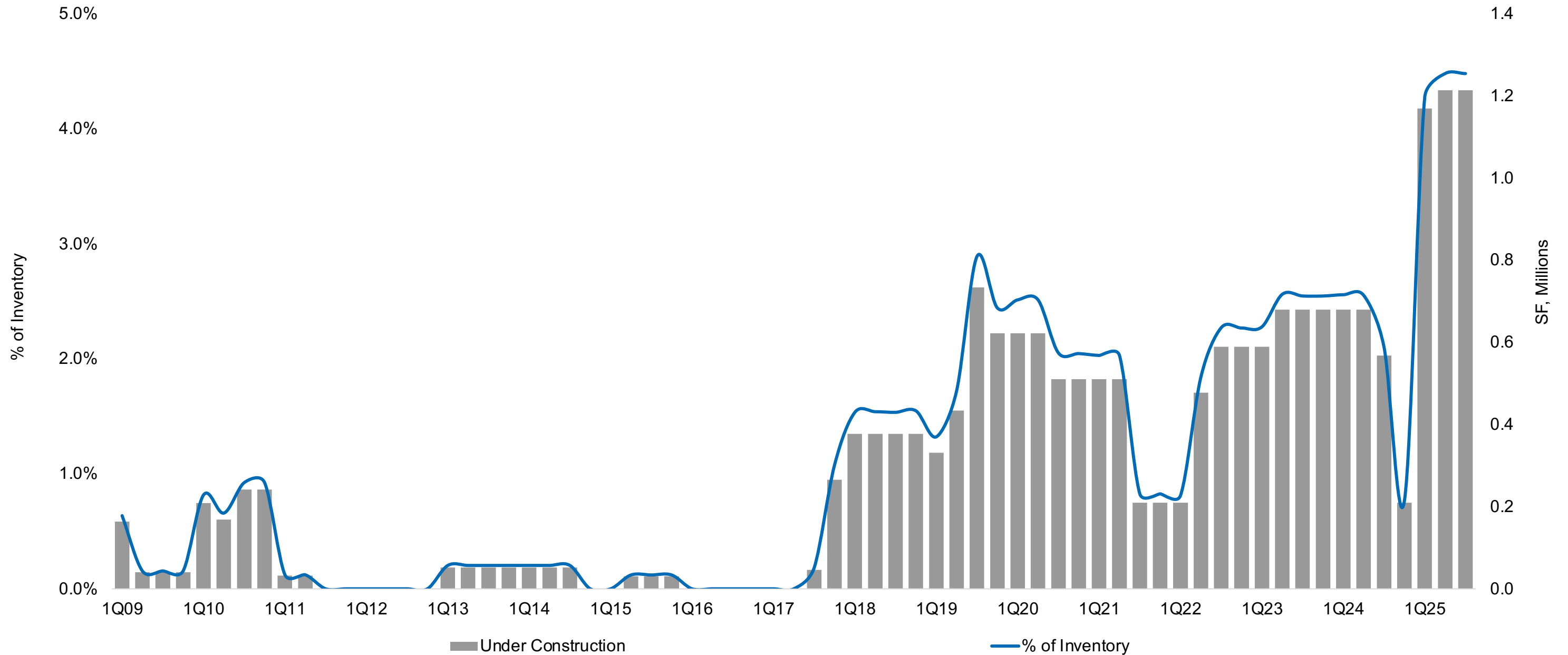


Source: Newmark Research, CoStar

Construction Activity Remains at 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 1.2 MSF at the end of the second quarter of 2025. The under-construction pipeline remains unchanged as of the end of the third quarter of 2025 with the market reporting a total of 4.5% of office inventory currently under construction.

Office Under Construction and % of Inventory

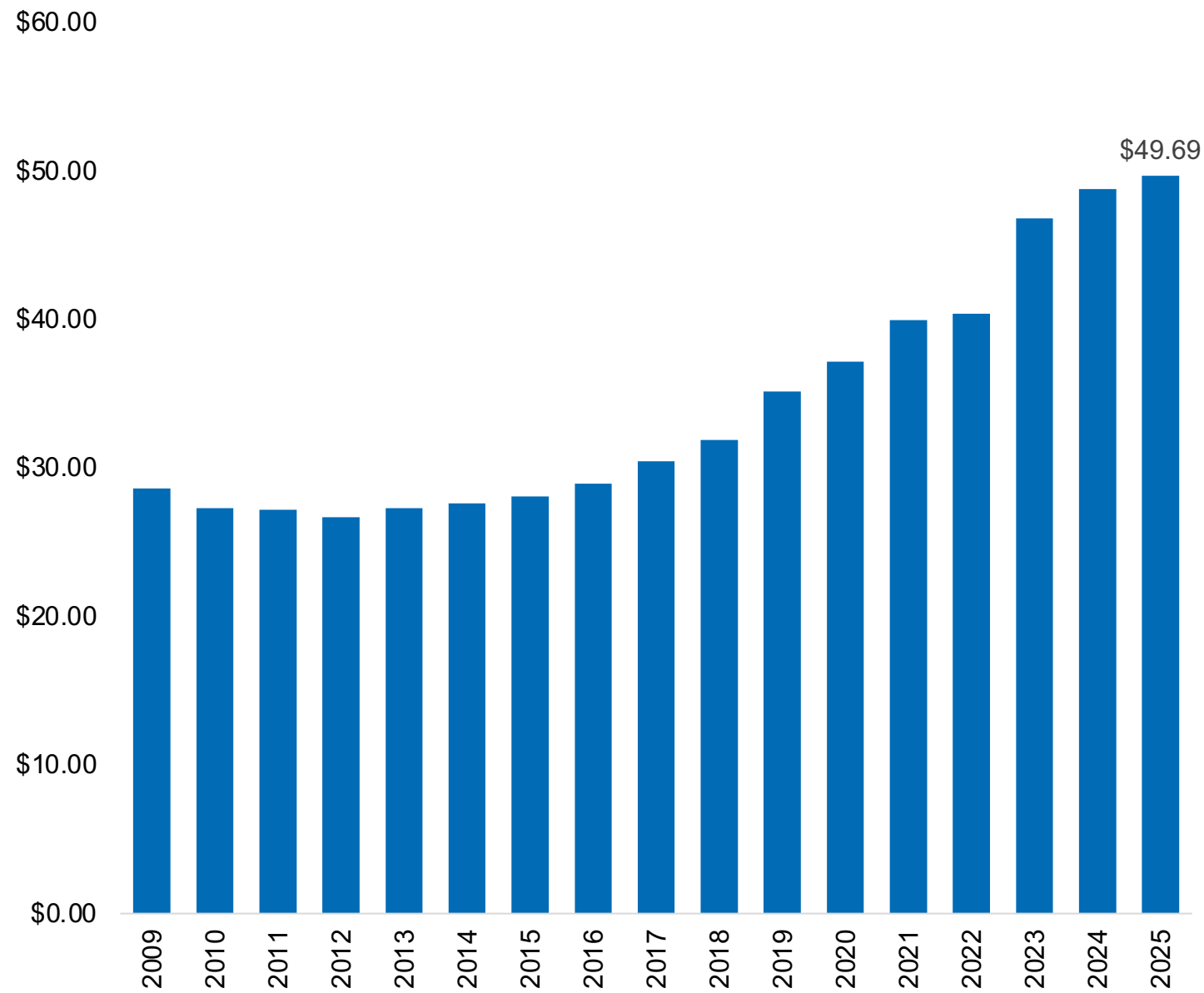


Source: Newmark Research, CoStar

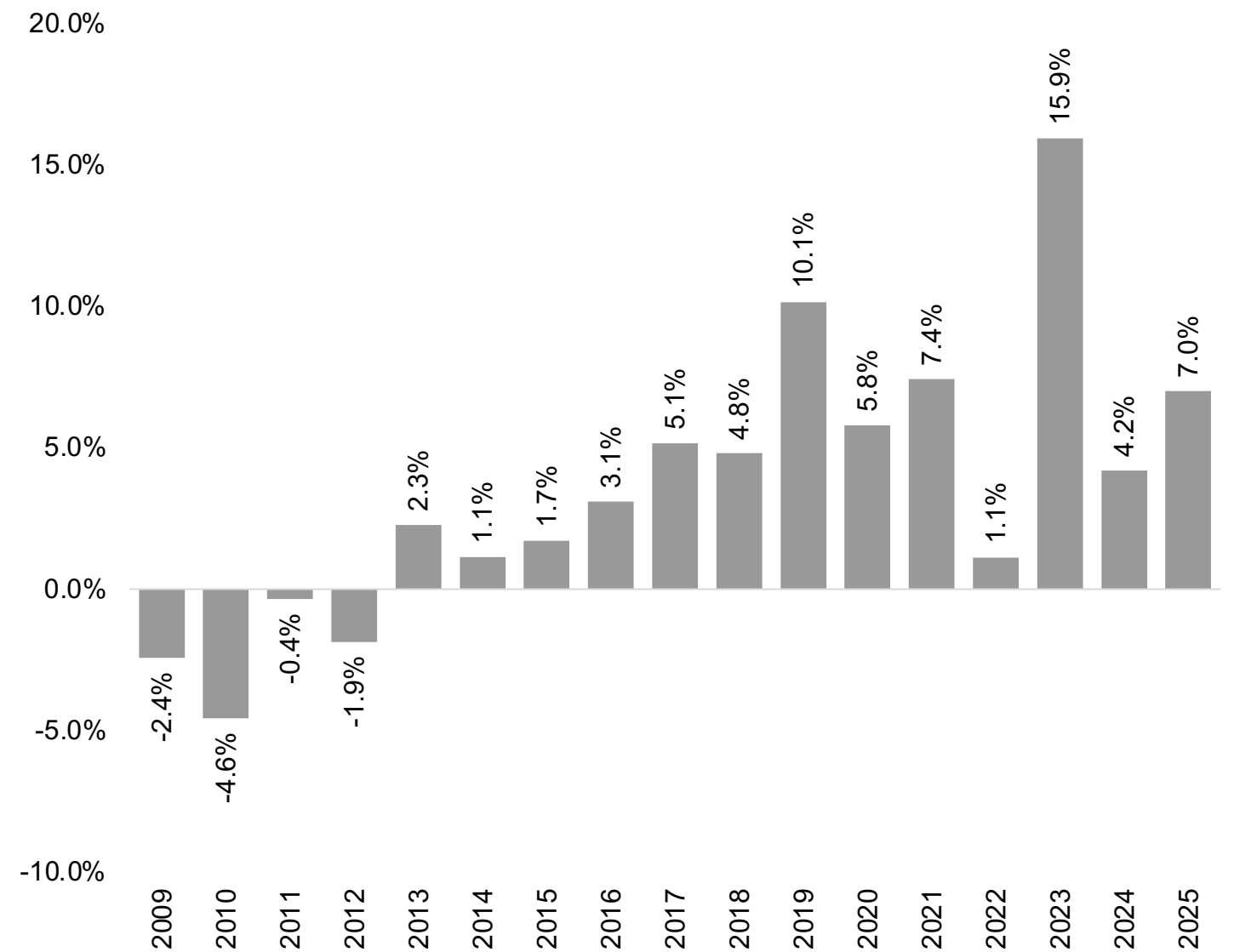
Rents Reach New High as Rent Growth Remains Steady

In the third quarter of 2025, Palm Beach’s combined asking rent reached a new historical high of \$49.69/SF, up 7.0% year over year and well above the 16-year historical yearly growth average of 3.3%. 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

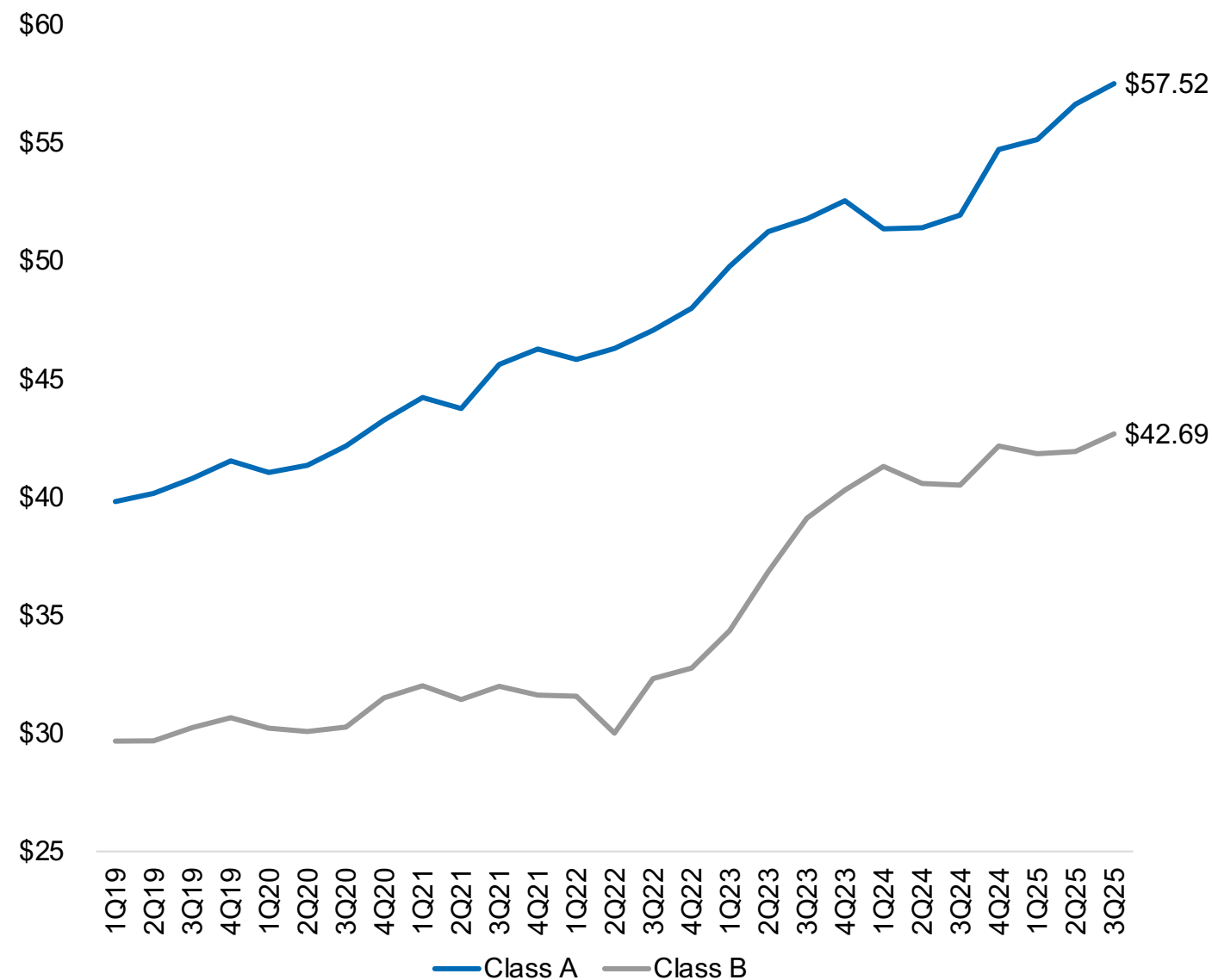


Source: Newmark Research, CoStar

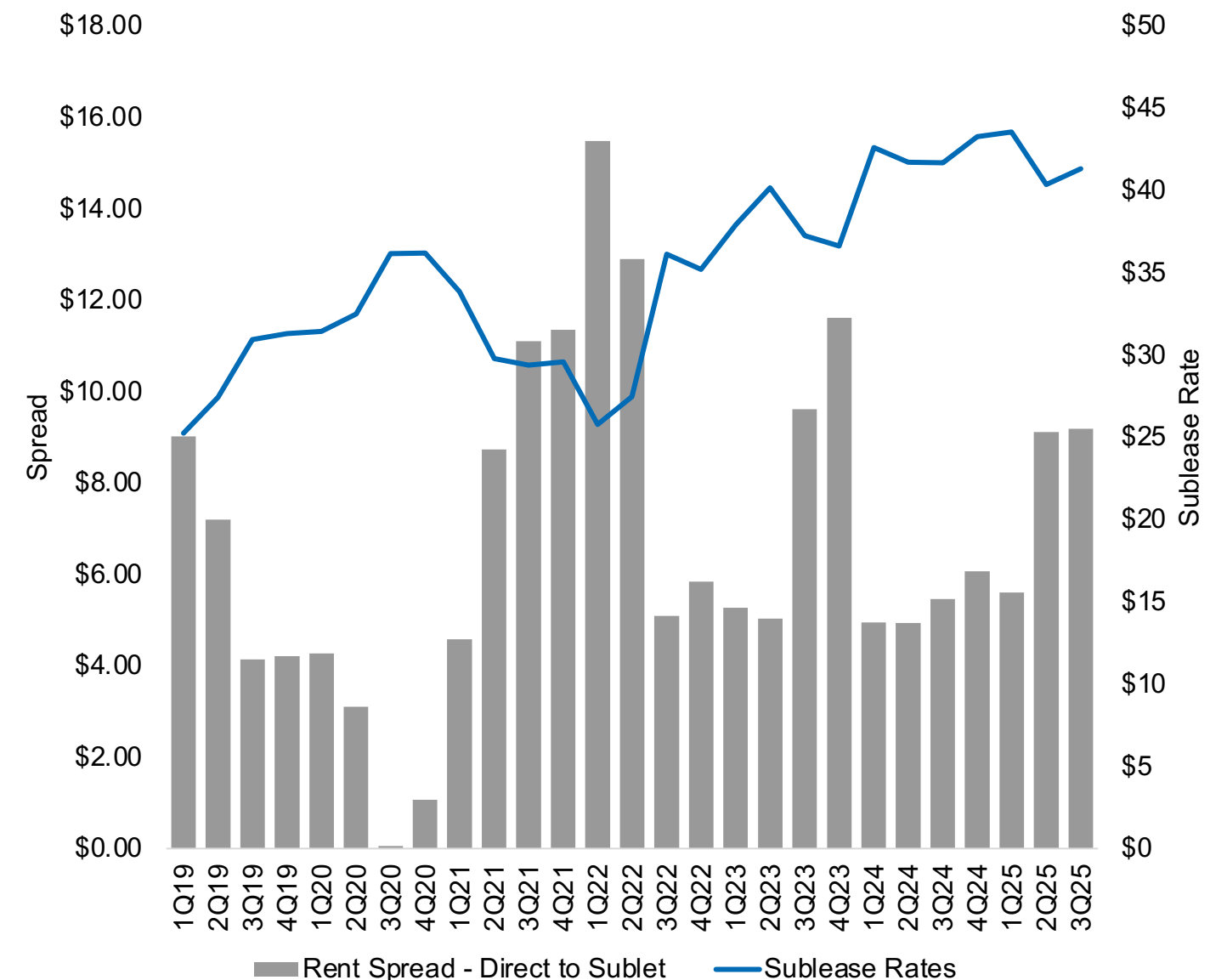
Rent Spread Increases, Highlighting Preference for Higher-Quality Space

Class A asking rents reached a record high of \$57.52/SF at the end of the third quarter of 2025, up 1.5% quarter over quarter. Meanwhile, Class B also reported a new historical high of \$42.69/SF in asking rents over the same period, reflecting a 1.8% quarter-over-quarter increase. The \$14.84/SF spread between the two classes has expanded by 36.5% since 2019 and 29.8% year over year, underscoring the bifurcation between asset classes. The sustained premium on Class A space reflects tenant preferences for modern amenities that appeal to employees and clients, prompting tenants to upgrade from older Class B assets. Meanwhile, sublease rents averaged \$41.31/SF, which is also up by 2.3% quarter over quarter while remaining relatively flat with a 0.9% decline year over year.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Flight-to-Quality Leasing Activity Continues

Tenant preference for premium space remains clear: three of the five largest leases in the third quarter of 2025 were in Class A buildings, including two in trophy assets. As of the end of the third quarter of 2025, Class A properties accounted for 65.2% of total leasing volume by square footage, with an average deal size of 9,773 SF—well above the 4,997 SF market wide average—underscoring that tenants pursuing high-quality assets also seek larger footprints.

Notable 3Q25 Lease Transactions

| Tenant | Building(s) | Submarket | Type | Square Feet |
|---|--|-----------------------------|------------|-------------|
| ServiceNow | 10 CityPlace | W Palm Beach CBD | Direct New | 202,929 |
| <p><i>Cloud computing company, ServiceNow, signed a new lease at the under-construction 10 CityPlace office tower to occupy 202,929 SF. The Fortune 500 company plans on running an innovation hub at the location and has received at least \$17 million in total grants to support its West Palm Beach expansion. The city grant of \$2 million is contingent upon the California-based company hiring 856 employees within six years with at least 400 new jobs created. The office tower is expected to deliver in late 2027 or early 2028.</i></p> | | | | |
| Kanner & Pinaluga | The Park at Broken Sound—Offices at 6600 | Boca Raton | Direct New | 77,699 |
| <p><i>The law firm inked a new lease to relocate its Boca Raton office from 925 South Federal Highway to 6600 N Military Trail at the Eclipse. The personal injury and property damage law firm will be occupying a small space on the first floor as well as the entire second and fifth floors at the campus' North Tower.</i></p> | | | | |
| Scripps Media | NorthCorp Park | N Palm Bch/Palm Bch Gardens | Direct New | 63,391 |
| <p><i>The Cincinnati-headquartered media company signed a new lease at 3910-3980 RCA Blvd to occupy 63,391 SF.</i></p> | | | | |
| Related Ross | 15 CityPlace | W Palm Beach CBD | Direct New | 53,378 |
| <p><i>The real estate development company signed a new lease at 15 CityPlace that it also owns and is developing. The lease is a brokered deal but may not be considered a typical third-party deal given the relationship between landlord and lessee. The company will be moving from 360 Rosemary upon completion of the new office building in 2027.</i></p> | | | | |
| Cinch Home Services | Boca Raton Innovation Campus | Boca Raton | Direct New | 32,888 |
| <p><i>The home-services company signed a new lease at the mixed-use Boca Raton Innovation Campus, the city's largest office campus, totaling 1.7 MSF across 123 acres. The new lease is a downsize and a relocation within the campus from a higher-quality building to a lower-tiered building.</i></p> | | | | |

Source: Newmark Research, CoStar

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Market Statistics & Map



Palm Beach Office Submarket Map

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Palm Beach Office Submarket Overview—All Classes

| | Inventory | NOI | Capex | NOI | Capex | NOI | Capex | NOI |
|--------------|-----------|-----------|-------|-----|-------|-----|-------|-----|
| Office | 1,000,000 | 1,000,000 | 10% | 100 | 100 | 10% | 100 | 100 |
| Multi-Family | 1,000,000 | 1,000,000 | 10% | 100 | 100 | 10% | 100 | 100 |
| Hotels | 1,000,000 | - | 10% | 100 | 100 | 10% | 100 | 100 |

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| | | | | | | | | |
|--------------|-----------|-----------|-----|-----|-----|-----|-----|-----|
| Industrial | 1,000,000 | - | 10% | 100 | 100 | 10% | 100 | 100 |
| Self-Storage | 1,000,000 | - | 10% | 100 | 100 | 10% | 100 | 100 |
| Healthcare | 1,000,000 | 100,000 | 10% | 100 | 100 | 10% | 100 | 100 |
| Other | 1,000,000 | 1,000,000 | 10% | 100 | 100 | 10% | 100 | 100 |
| Total | 4,000,000 | 1,100,000 | 10% | 400 | 400 | 10% | 400 | 400 |

Palm Beach Office Submarket Overview—Class A & B

The image shows a blurred table with multiple columns and rows. The columns likely represent different submarkets or metrics, and the rows represent individual data points. Some cells in the table are highlighted in red, indicating specific values or trends. The table is partially obscured by a blue banner in the foreground.

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This is another blurred table, similar to the one above, showing market data. It also features a blue banner overlay and some red highlights in the data cells.

3Q25 South Florida Office Market Overview



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Supplemental Analysis



Palm Beach Office Market



- 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



- High vacancy rates, particularly in older buildings
- Recent market trends can be a deterrent for some businesses as they seek to continue to remain operational
- Economic fluctuations can impact office demand and leasing activity

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- 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

- Use of remote work leading to a decrease in long-term demand for traditional office space
- Competition remains the threat for office businesses away from Palm Beach
- Strong construction costs and tight financial conditions create headwinds for landlords
- Majority of the population is around retirement age and can tend to prefer reduced office usage throughout growth

Class A Vacancy Declines, Bolstered by Demand for Quality Space

As of the third quarter of 2023, the Class A office market reported 11.9 million sq ft of vacancies, a 10% decline from 13.2 million sq ft of vacancies reported in the third quarter of 2022. This decline is primarily driven by a 10% decline in Class A office vacancies, which is supported by a 10% decline in new office construction. The demand for quality office space has helped drive vacancy levels down by 10.0% of the third quarter of 2022.

Class A Office Vacancies (Million sq ft)



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Highest Loan Volume Due in 2026

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Multifamily Maturities Particularly Elevated Through 2029, Office Not So Much

As of the third quarter of 2020, office space comprised 15.6% of the operating REIT's portfolio of assets, including office buildings, office parks, and office centers. The multifamily space comprised 85.1% of operating portfolios, according to office performance. Limited construction activity is also contributing to the elevated maturities of office space.



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