



NEWMARK

Market Overview

Palm Beach County Office

4Q25

Market Observations



Economy

- The unemployment rate increased 43 basis points year over year to 4.0%, marking the third consecutive monthly increase and signaling a modest softening in labor market conditions.
- Job growth slowed to 0.8% year over year, matching the national rate, as all three office-using employment sectors posted job losses.
- Only four of the 10 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 September 2025, office-using employment declined 1.2% year over year to 195,923 jobs yet increased 0.9% year to date and remains 13.6% above pre-pandemic levels.



Leasing Market Fundamentals

- Annual full-service asking rents eased slightly from record highs to \$49.01/SF at the end of the fourth quarter of 2025, reflecting a 0.5% year-over-year increase.
- Vacancy increased 6 basis points quarter over quarter to 15.4%, despite a fourth straight quarter with no deliveries, as subdued demand produced a fifth consecutive quarter of negative net absorption.
- The development pipeline increased to 1.2 MSF in the fourth quarter of 2025, a more than eight-fold increase year over year, with projects under construction accounting for 6.5% of inventory, the highest level since the third quarter of 2007.
- Leasing activity totaled 965,770 SF in the fourth quarter of 2025, while reaching a new record high of 3.6 MSF for the year. Flight-to-quality demand persists, with Class A properties leading leasing activity and securing larger deals averaging 10,931 SF.



Major Transactions

- The quarter's largest transaction was Modernizing Medicine's 127,821-SF lease renewal at the Boca Raton Innovation Campus in the Boca Raton submarket. The company relocated its headquarters to the campus in 2019 and will continue its long-standing occupancy under the renewal. The Boca Raton submarket accounted for three of the five top deals this quarter.
- Three of the five highlighted transactions were for Class A space, with an average deal size of 35,208 SF, underscoring strong tenant appetite for high-quality office space.
- Top deals in the fourth quarter of 2025 spanned three distinct submarkets and a similarly diverse mix of deal types—from renewals and expansions to new direct leases—underscoring the market's geographic breadth and the role of high-quality space in meeting varied tenant needs.
- In the fourth quarter of 2025, Class A properties accounted for 52.1% of the market's leasing activity by square footage, but only 25.3% of the market's deal volume.



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 and softening demand will add to a near-term vacancy increase.

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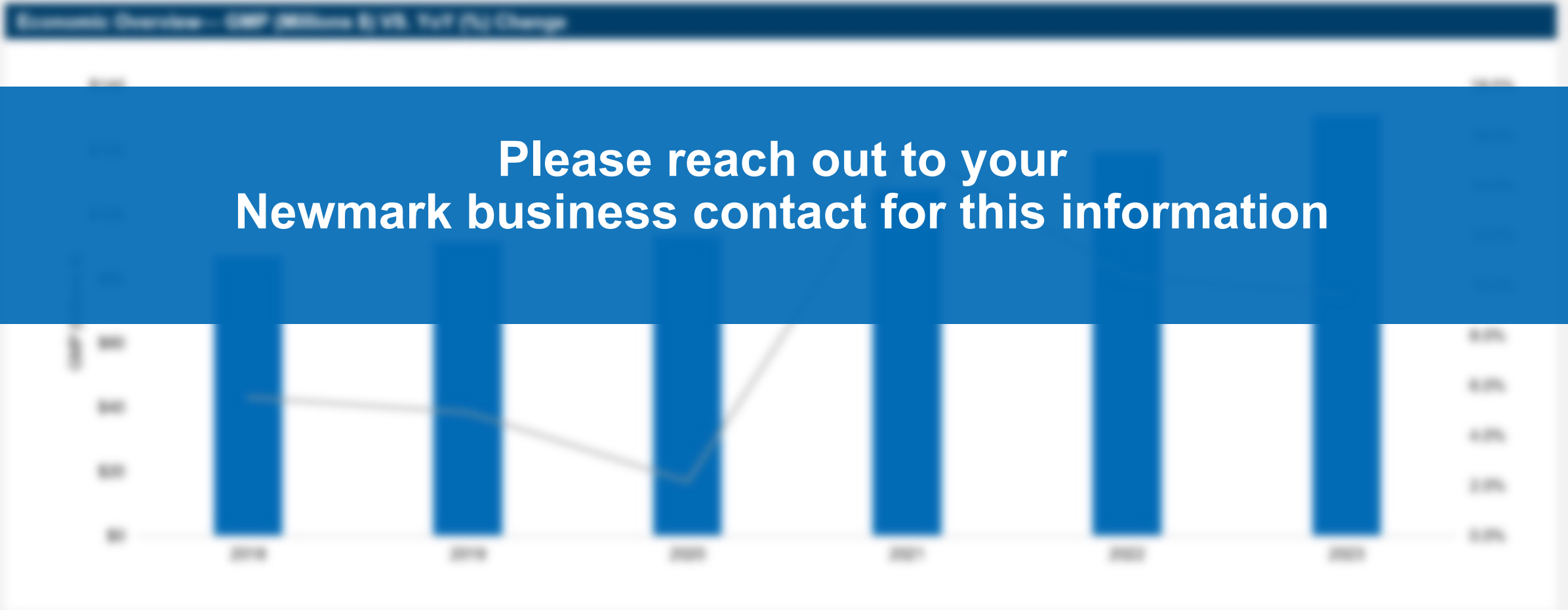
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Economy



Palm Beach Gross Metropolitan Product

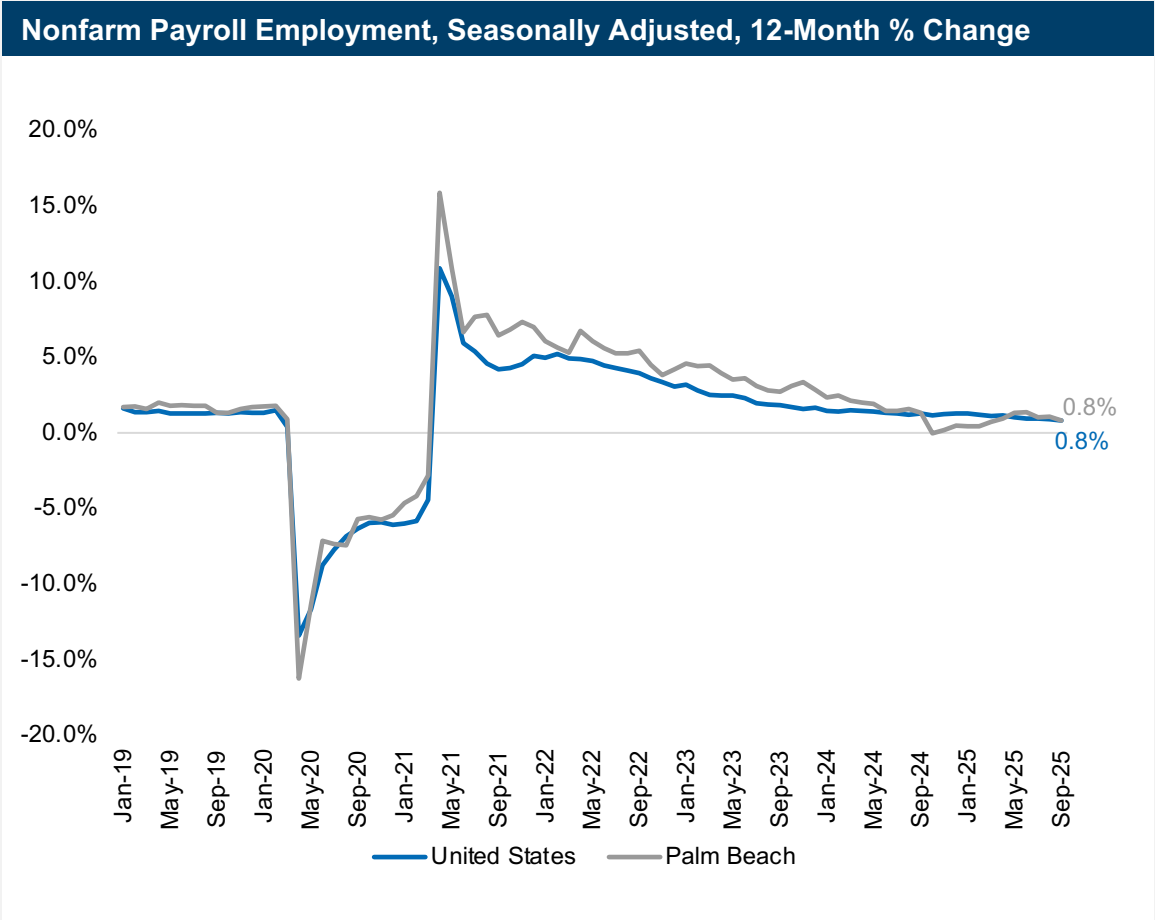
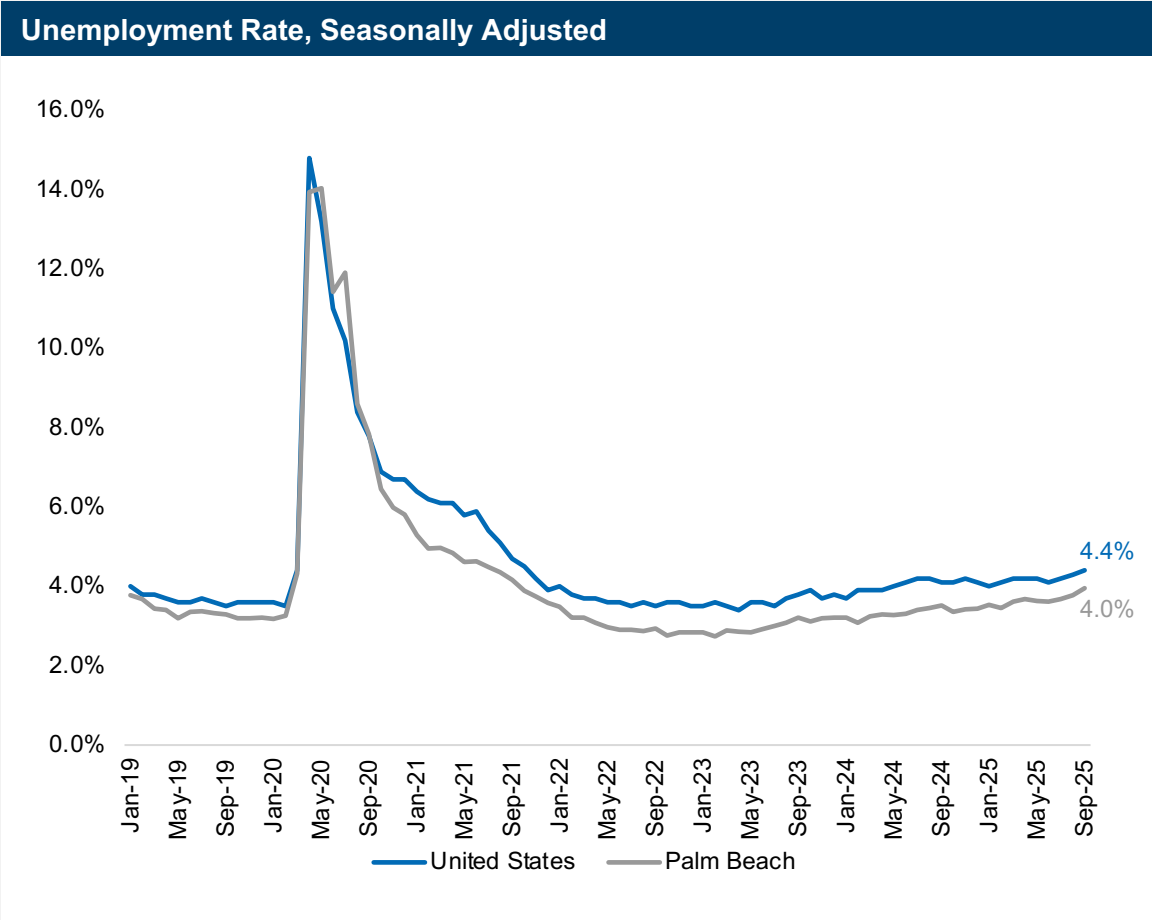
The gross metropolitan product continues to increase despite economic headwinds, albeit at a slower rate. Most recently, the gross metropolitan product rose 6.7% year over year to reach a new all-time high of roughly \$131.1 billion.



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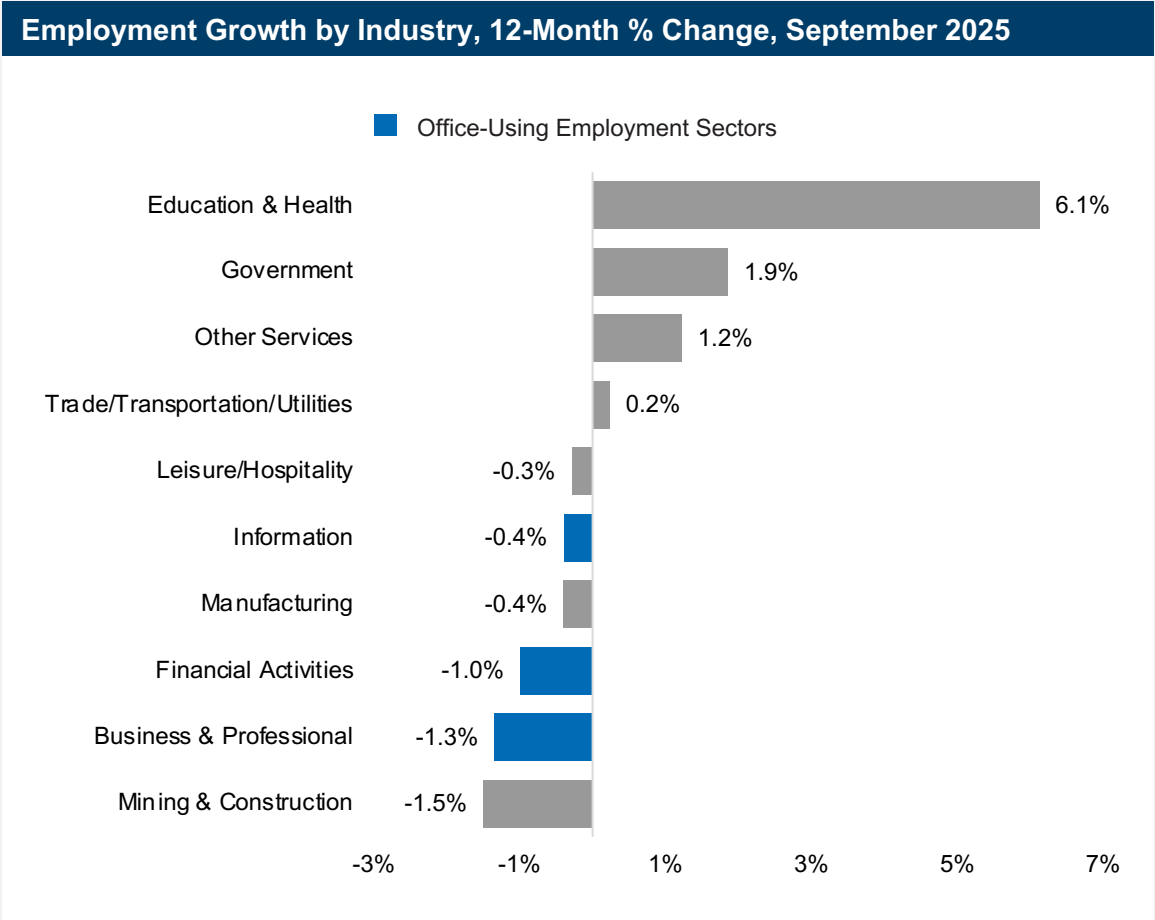
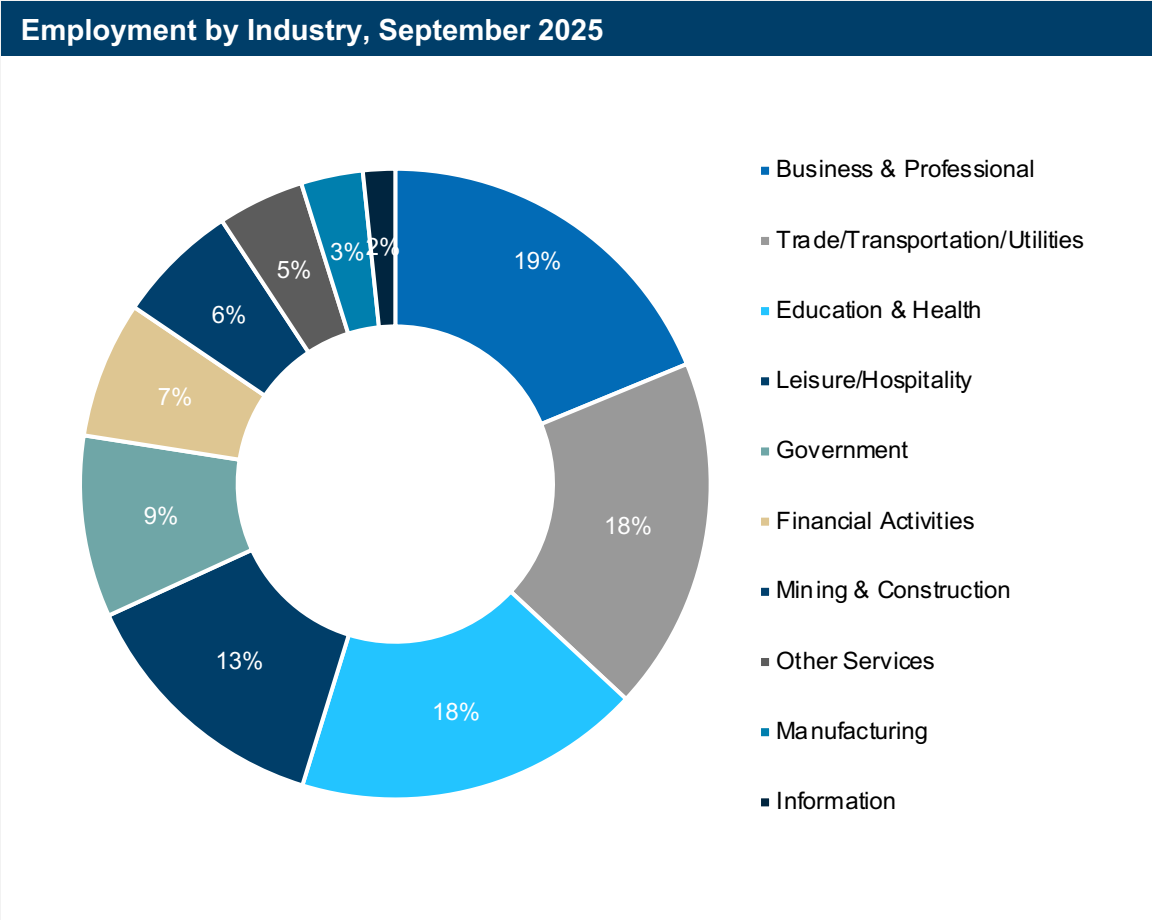
Palm Beach Labor Market Eases as Growth Decelerates Alongside National Trends

Palm Beach County’s unemployment rate rose 43 basis points year over year to 4.0% in September 2025, broadly mirroring national trends as the U.S. rate climbed 30 basis points to 4.4% during the same period. This marks the third straight month the market rate increased. Despite the uptick, the market’s jobless rate continues to sit below the national average, a pattern in place since the fourth quarter of 2020. Annual job growth in Palm Beach is now aligned with the national pace at 0.8% over the past 12 months. Nationally, year-over-year job gains have decelerated for five consecutive months amid broader headwinds, and Palm Beach has followed suit with three straight months of slowing annual growth signaling the local economy is feeling the effects of national pressures.



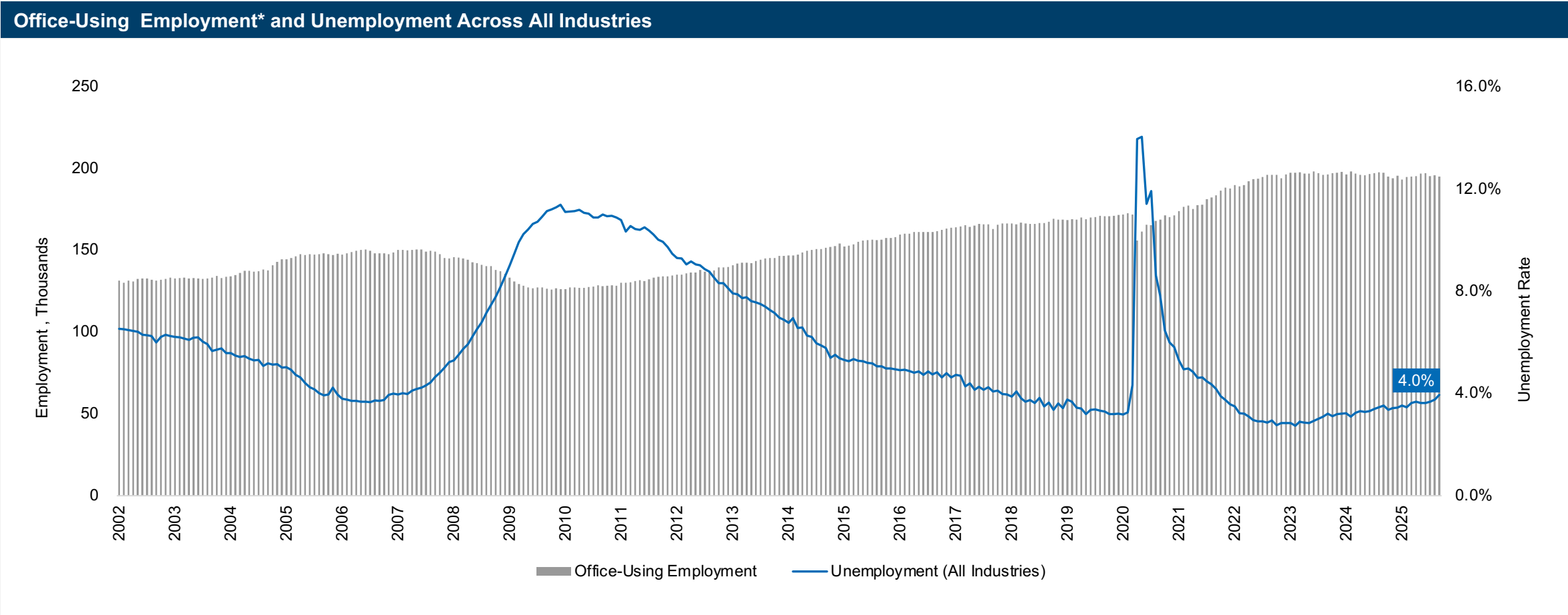
Office-Using Headwinds: Information, Financial, and Professional Services Contract

Palm Beach’s two largest employment industries represent 36.9% of the metro’s total job base, led by business and professional services, the primary office-using sector, which accounts for 18.8%. Over the past 12 months, only four of the region’s 10 employment sectors recorded job growth, and none were office-using sectors. Office-using employment declined 1.2% year over year, with information contracting modestly by 0.4%, while financial activities and business and professional services posted larger declines of 1.0% and 1.3%, respectively.



Cooling Momentum in Office-Using Hiring Amid Elevated Unemployment

As of September 2025, office-using employment declined 1.2% year over year to 195,923, remaining 1.6% below the market’s February 2024 peak. Losses across all three office-using sectors have contributed to the region’s higher unemployment rate, now at 4.0%. Despite the recent softening, office-using payrolls remain 13.6% above the 2019 pre-pandemic level of 171,680.



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.

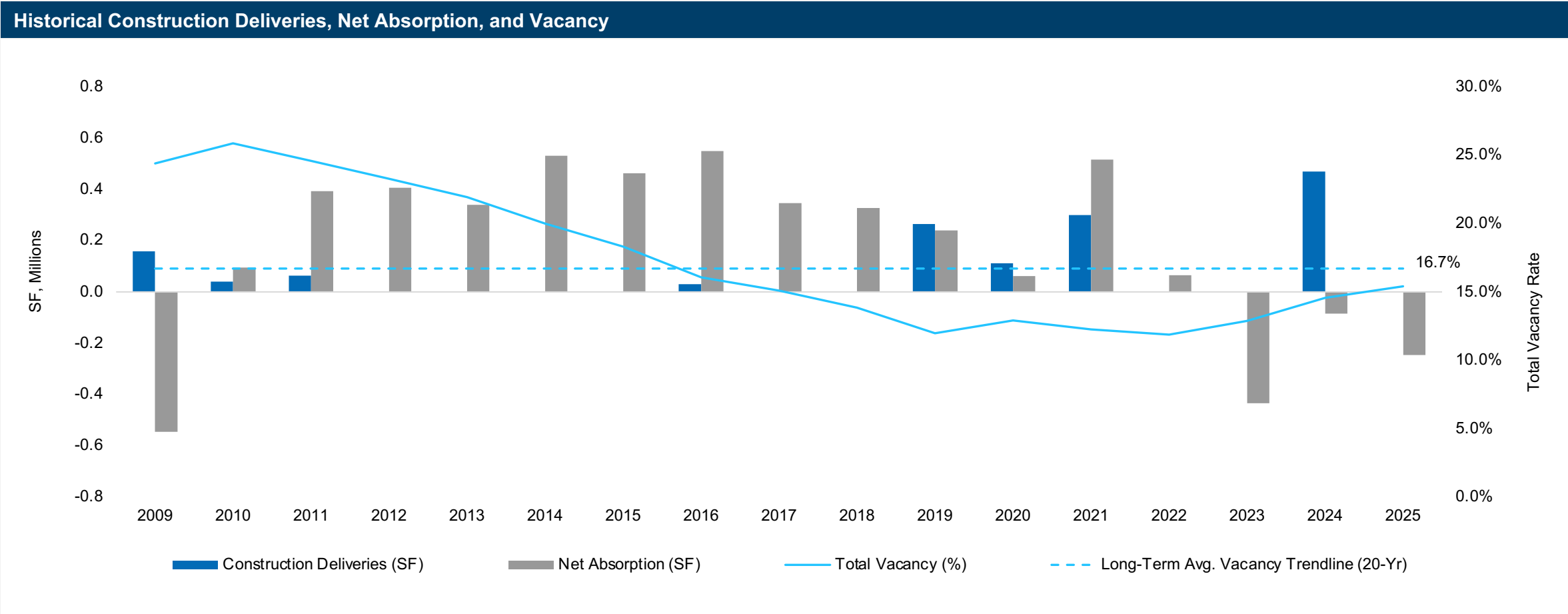
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Leasing Market Fundamentals



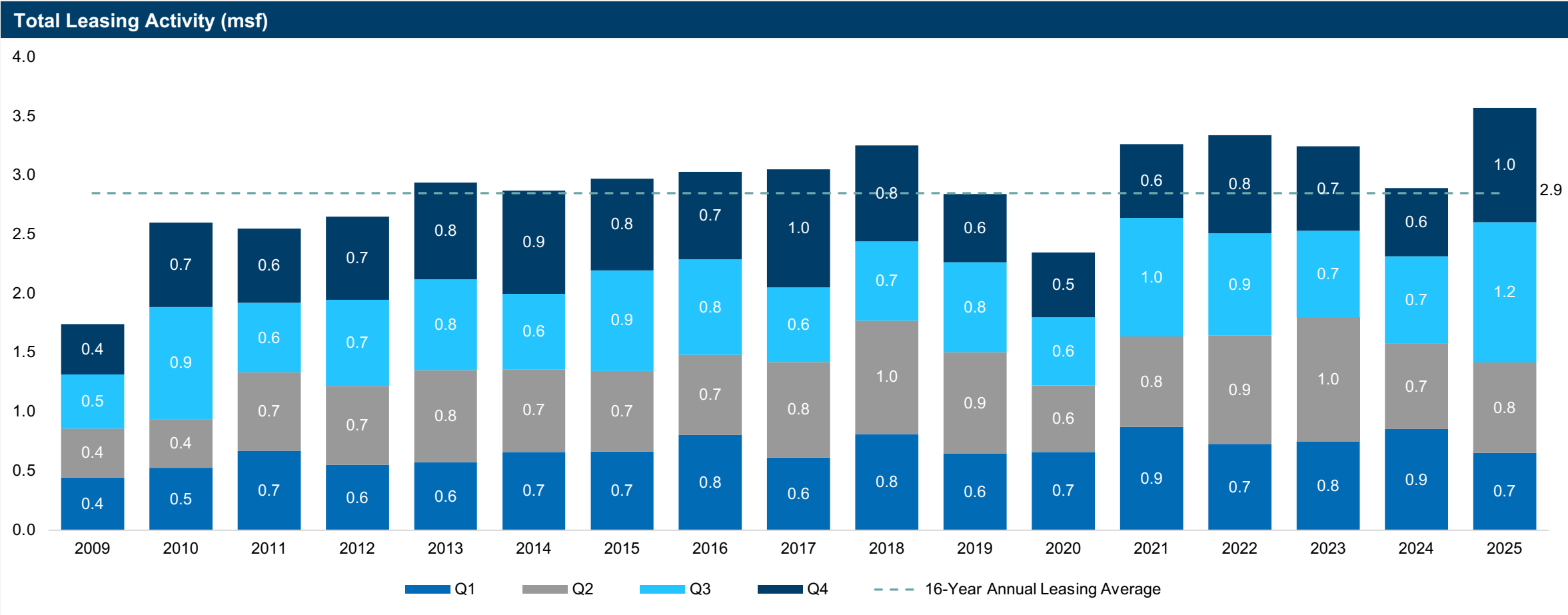
Another Quarter of Losses Caps a Year of Contraction in Palm Beach Offices

Palm Beach recorded its fifth straight quarter of occupancy losses in the fourth quarter of 2025, with negative 55,230 SF of absorption. For the full year, absorption totaled a negative 245,930 SF, marking a third consecutive year of occupancy losses. Vacancy in the market moved in step with weakening occupancy, rising to 15.4% for the fourth quarter of 2025, the highest level since the first quarter of 2017. Since the fourth quarter of 2023, the last quarter to record a decline in the vacancy rate, vacancy has increased 252 basis points. No new office deliveries occurred in 2025. Looking ahead, vacancy is likely to remain elevated as office-using employment softens, and a record development pipeline brings additional supply to market in the coming quarters.



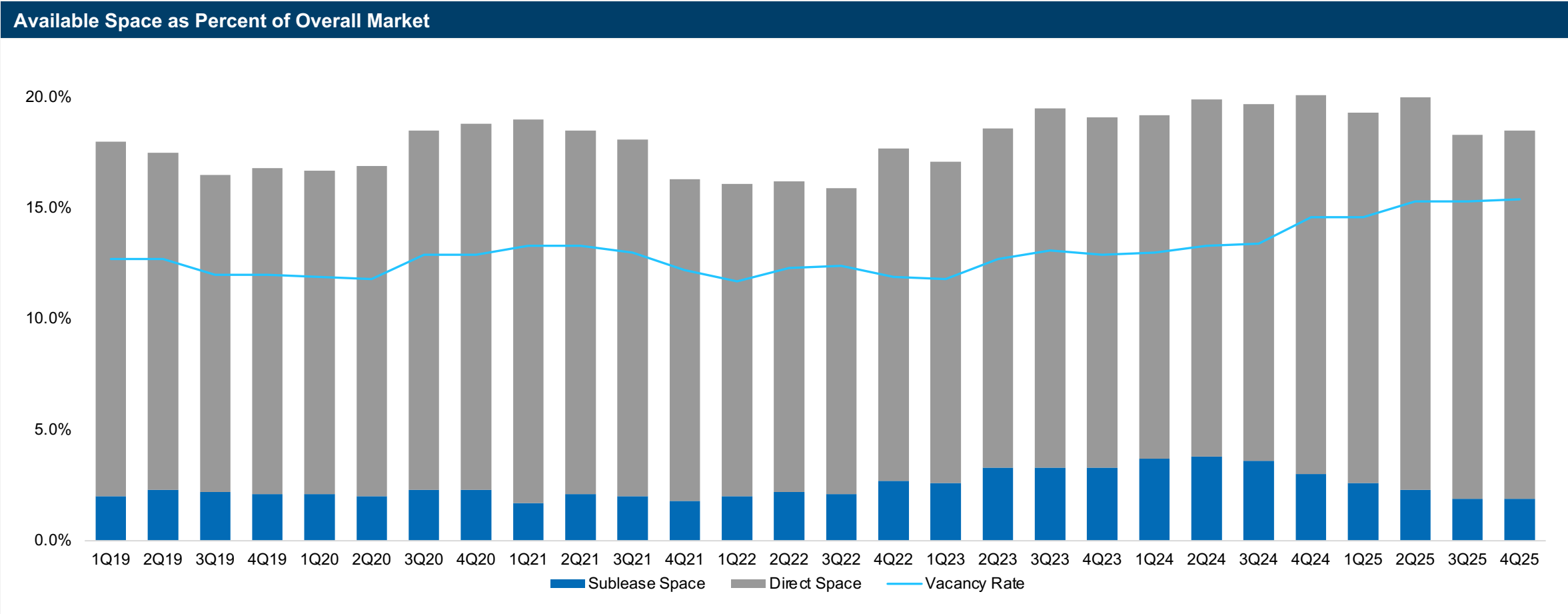
Larger Deal Sizes Drive Record Leasing Volume

Leasing activity in Palm Beach increased 68.2% year over year to 965,770 SF in the fourth quarter of 2025. This capped a historic year for the market, with total leasing volume reaching a record 3.6 MSF, exceeding the 16-year annual average of 2.9 MSF and finishing 23.5% higher than 2024 volume. The average deal size in the fourth quarter of 2025 rose to 5,306 SF, nearly double the 2,658 SF recorded during the same period in 2024. While the number of deals declined 28.4% year over year, the increase in average deal size highlights tenants’ preference for larger spaces and underscores sustained demand for larger footprints across the market.



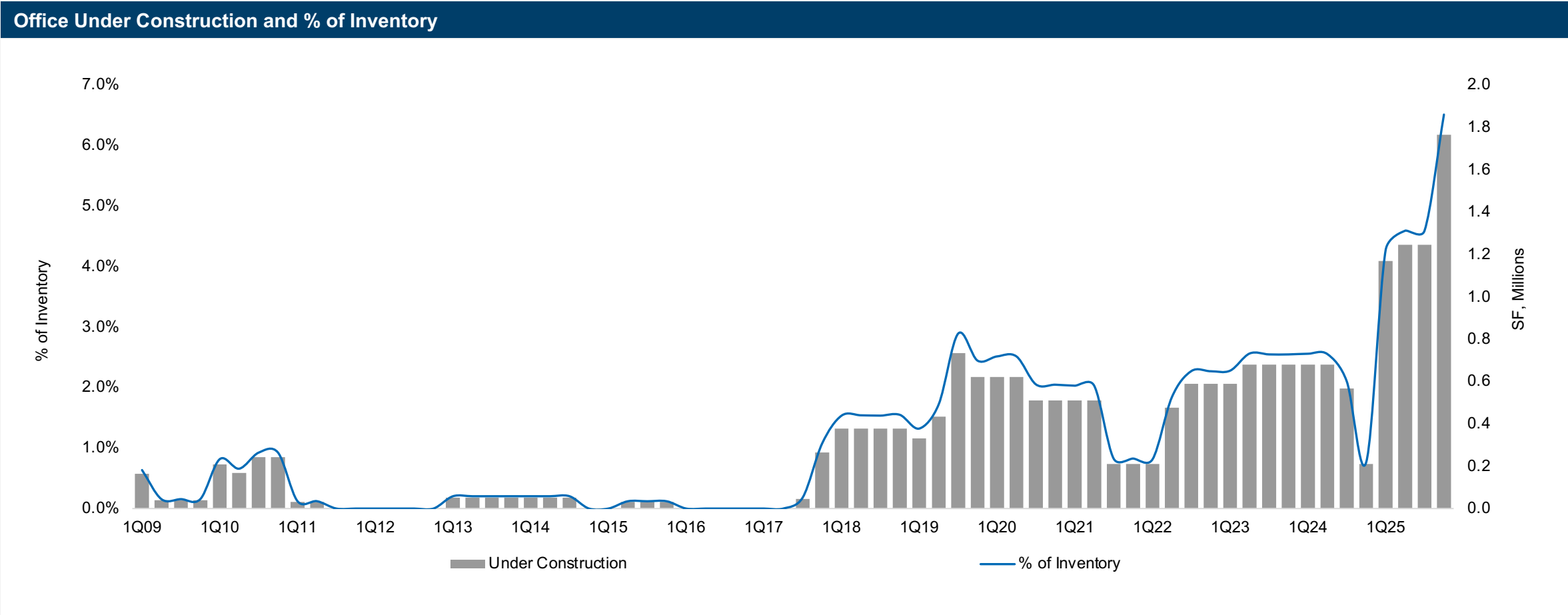
Direct Availability Rises as Move-Outs Lift Vacancy; Sublease Stable, Fundamentals Intact

Direct availability increased 20 basis points to 16.6% in the fourth quarter of 2025, indicating tenant move-outs are driving the rise in vacancy, as evidenced by negative net absorption during the quarter. Vacancy rose 6 basis points quarter over quarter and 85 basis points year over year to 15.4%, the highest level since the second quarter of 2017. Sublease availability held steady at 1.9% for a second consecutive quarter, signaling stability and limited tenant distress. Despite recent occupancy losses, the market appears fundamentally healthy, with vacancy growth driven more by normal leasing churn and current office-using employment levels, than systemic weakness.



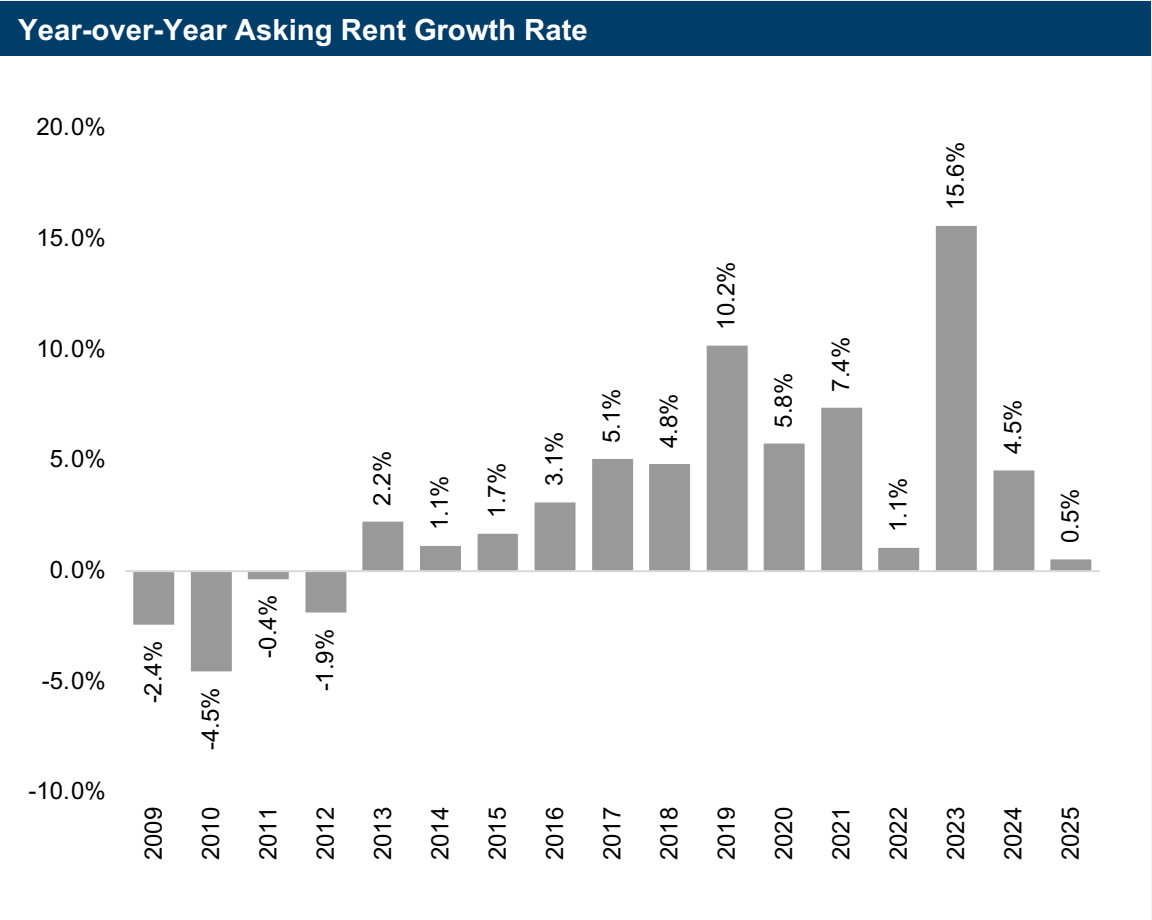
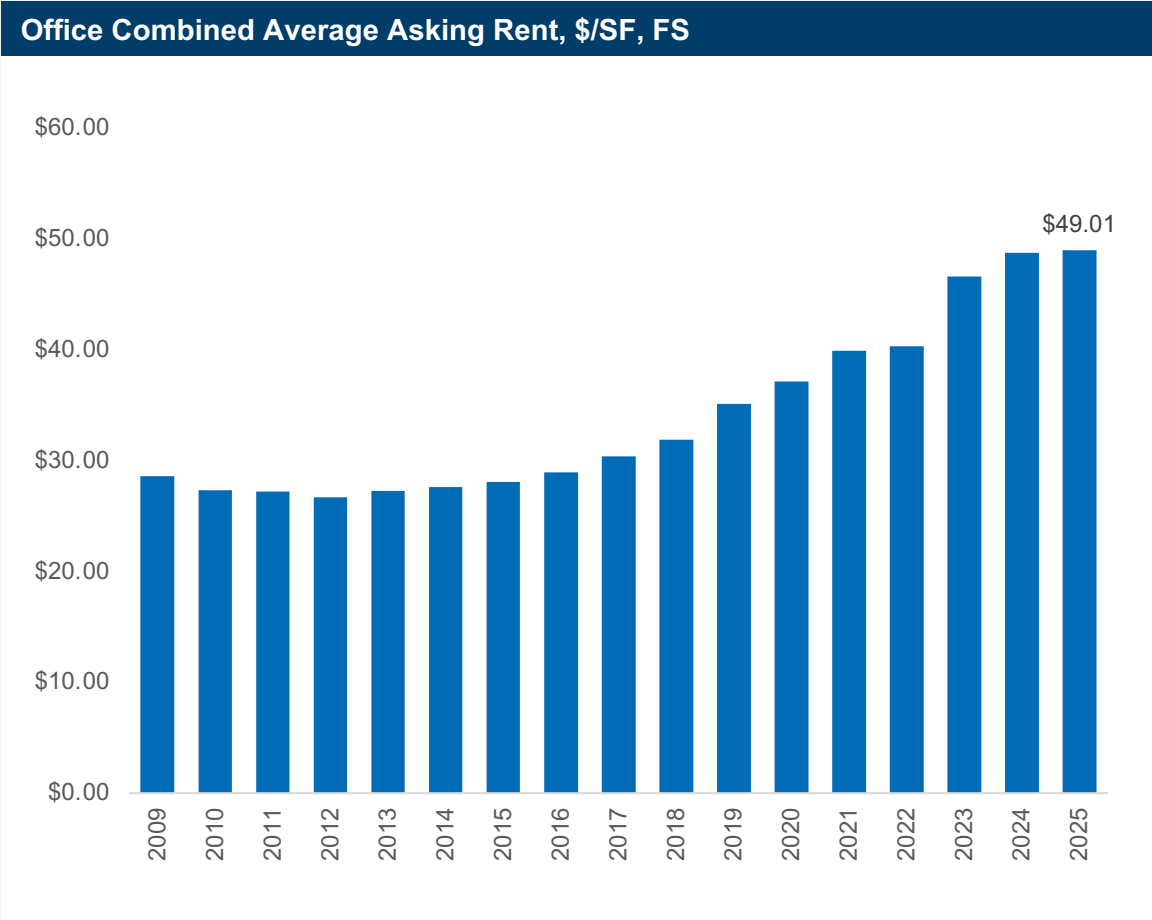
Under-Construction Pipeline Hits Highest Level Since 2007

Palm Beach’s under-construction pipeline expanded sharply in the fourth quarter of 2025, reaching its highest level since early 2007. Total construction volume reported a more than eight-fold increase year over year and 41.7% quarter over quarter to 1.8 MSF, reflecting sustained developer confidence. Two Class A projects—Aletto (81,000 SF) and West Palm Point (440,000 SF)—entered the pipeline during the quarter, underscoring continued demand for best-in-class office space and bringing the total number of active projects to six, the highest quarterly count since the second quarter of 2008.



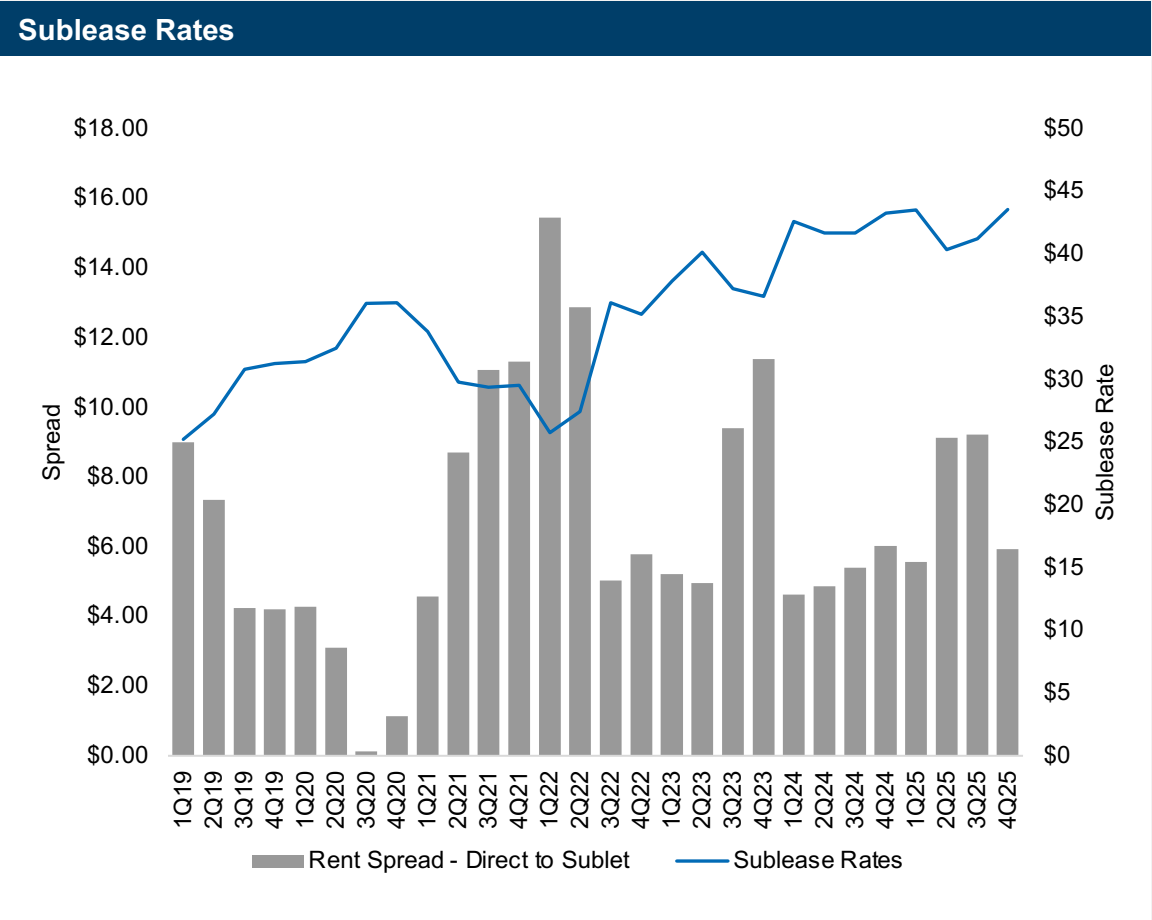
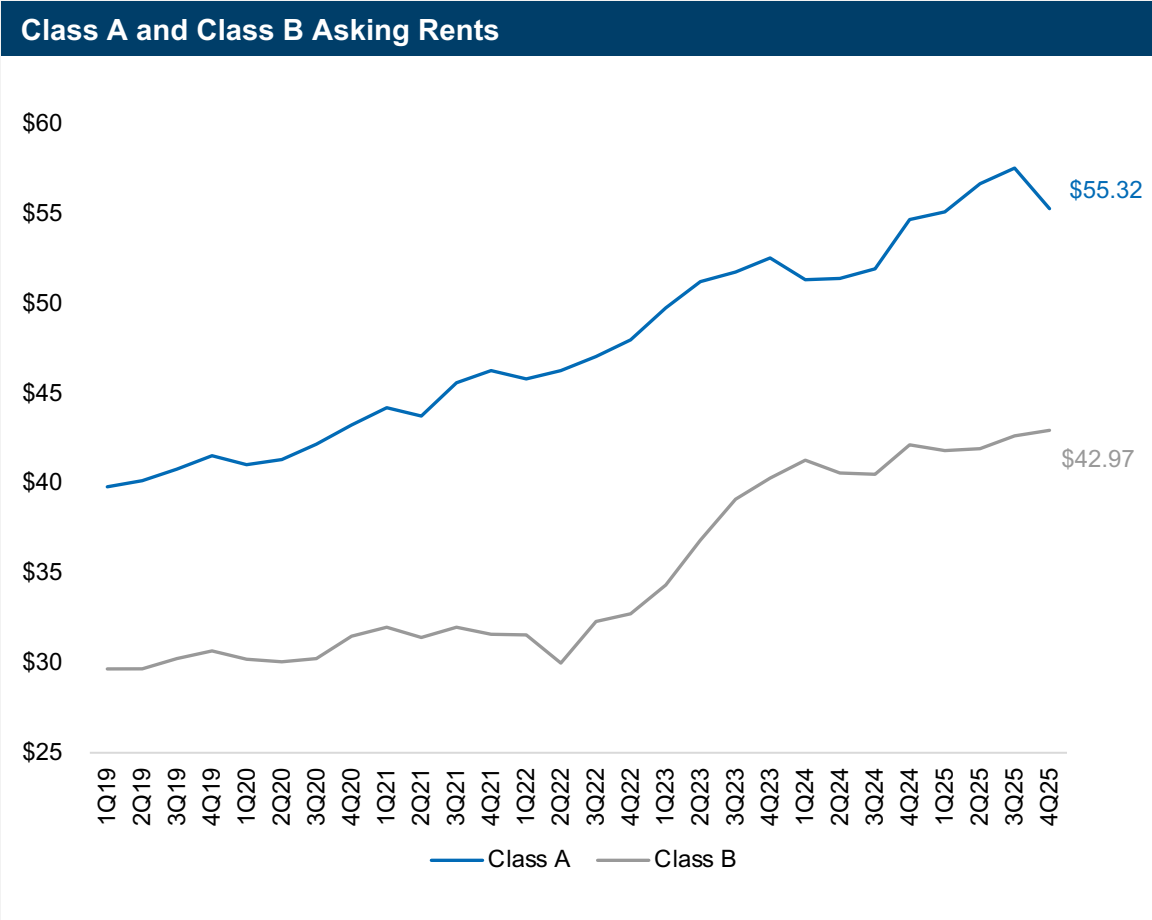
Temporary Pullback Sets the Stage for Renewed Rent Gains

Palm Beach asking rents eased in the fourth quarter of 2025, slipping 1.4% quarter over quarter to \$49.01/SF after setting a record last quarter. Despite the pullback, year-over-year growth edged up to 0.5%, the smallest annual increase since the third quarter of 2012 and well below the 16-year historical average of 3.3%. Looking ahead, rent growth could reaccelerate as pipeline projects deliver, with new high-quality Class A assets likely to lift overall pricing in the coming quarters.



Rent Spread Narrows While Segmentation Between Classes Persists

Class A asking rents pulled back from recent highs in the fourth quarter of 2025, falling 3.9% quarter over quarter to \$55.32/SF, but remained 1.1% above prior year levels. By contrast, Class B rents set a record high for the second consecutive quarter at \$42.97/SF, up 0.7% quarter over quarter and 1.9% year over year. The Class A and Class B asking rent spread is \$12.35/SF, down 17.3% quarter over quarter and 1.6% year over year. Despite this pullback, the gap remains 13.7% wider than in 2019, underscoring a persistent bifurcation between asset classes. Sublease rents remain at historic levels at \$43.59/SF, a 0.7% year-over-year increase. The gap between direct and sublease asking rents was little changed, easing 1.5% year over year to \$5.94/SF, underscoring the competitiveness of sublease pricing as sublease leasing activity rose 15.8% year over year.



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

Top deals in the fourth quarter of 2025 were concentrated in Class A assets, with three of the five highlighted transactions involving Class A space. One in four deals during the quarter were Class A transactions, and their average deal size of 10,931 SF was more than double the overall market average of 5,306 SF. This trend underscores strong tenant demand for high-quality assets and larger footprints.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Modernizing Medicine	Boca Raton Innovation Campus	Boca Raton	Renewal	127,821
Modernizing Medicine (ModMed), a provider of cloud-based, specialty-specific software for medical practices, renewed its 127,821 SF lease at the Boca Raton Innovation Campus. The renewal extends a relationship that began in 2019, when the company relocated its headquarters from the campus of Florida Atlantic University's Research Park.				
Allstar Recruiting Locums	Boca Raton Innovation Campus	Boca Raton	Direct New	42,697
The healthcare staffing firm Allstar Recruiting Locums relocated from Deerfield Beach to 5050 Conference Way in the fourth quarter of 2025. The 42,697 SF lease more than doubles the firm's previous footprint.				
Undisclosed Tenant	Offices at 6600	Boca Raton	Direct New	40,000
An undisclosed tenant signed a lease in December 2025 for 40,000 SF on the third floor of the south building at 6600 N Military Trail, with occupancy expected in the second quarter of 2026.				
Paychex	Emerald View	W Palm Beach Suburban	Renewal	36,000
Paychex, a human capital management and payroll services company, renewed its lease at the Class A, 70,262-SF Emerald View and will continue occupying two floors, where it has maintained a presence since 2007.				
Dycom Industries	Banyan & Olive	W Palm Beach CBD	Direct New/Expansion	29,624
Dycom Industries, a leading provider of specialty contracting services for the telecommunications infrastructure and utility industries, has expanded its presence at 300 Banyan by an additional 29,624 SF. This expansion builds on the 40,000 SF the company originally leased in 2024, which it occupied earlier this year following its relocation from Golden Bear Plaza in Palm Beach Gardens. With the expansion, Dycom will add two additional floors on the 7th and 8th levels in the first quarter of 2026, increasing its total footprint at the property to nearly 70,000 SF.				

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Market Statistics & Map



Palm Beach Office Submarket Map



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Palm Beach Office Submarket Overview—All Classes

Submarket Statistics — All Classes								
	Total Inventory (sq ft)	2020 Construction (sq ft)	Total Vacancy Rate	50-59 Occupancy (%)	175 Occupancy (%)	Class A Office Leasing Rate (\$/sq ft)	Class B Office Leasing Rate (\$/sq ft)	Office Average Leasing Rate (\$/sq ft)
All Palm Beach (202)	2,000,000	1,000,000	10.0%	20.0%	20.0%	\$100.00	\$80.00	\$90.00
2020 Total	2,000,000	1,000,000	10.0%	20.0%	20.0%	\$100.00	\$80.00	\$90.00

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Submarket								
Palm Beach	500,000	-	10.0%	20.0%	20.0%	\$100.00	\$80.00	\$90.00
Palm Springs/Lake Worth	200,000	-	10.0%	20.0%	20.0%	-	\$80.00	\$80.00
Royal Palm Beach/Hedding	100,000	-	10.0%	20.0%	20.0%	-	\$80.00	\$80.00
All Palm Beach Submarket	2,000,000	-	10.0%	20.0%	20.0%	\$90.00	\$80.00	\$90.00
Submarket Total	2,000,000	1,000,000	10.0%	20.0%	20.0%	\$90.00	\$80.00	\$90.00
Market	27,100,000	1,700,000	10.0%	20.0%	20.0%	\$90.00	\$80.00	\$90.00

Palm Beach Office Submarket Overview—Class A & Class B

Submarket Statistics - Class A						
	Total Inventory (SQFT)	Under Construction (SQFT)	Total Vacancy Rate	Class A Absorption (SQFT)	Class B Absorption (SQFT)	Office Space & Building Rent (Price/SQFT)
All Palm Beach (2020)	2,888,712	1,887,278	18.8%	388	281,792	\$102.88
West Palm	1,288,128	88,278	18.2%	188	28,288	\$102.48
Delray Beach	887,487	78,178	2.7%	-	88,888	\$102.78
Jupiter	713,107	-	18.8%	-	-	\$102.87

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All Palm Beach (2020)	888,887	-	18.7%	28,288	78,888	\$102.78
West Palm	1,288,128	-	18.2%	188	28,288	\$102.48
Boca Raton	887,487	-	2.8%	2,878	88	\$102.88
Delray Beach	888,887	-	18.8%	88	28,288	\$102.88
Jupiter	888,127	-	7.8%	2,877	2,888	\$102.88
All Palm Beach/All Submarkets	1,887,278	-	18.8%	2,888	28,288	\$102.78
West Palm	888,888	-	2.8%	2,277	2,778	\$102.47
Palm Springs/Lake Worth	888,888	-	18.8%	77,288	28,288	\$102.88
West Palm/All Submarkets	278,888	-	2.7%	2,888	7,287	\$102.88
All Palm Beach Submarket	2,288,888	-	18.8%	28,288	28,288	\$102.88
Delray Beach	78,888,278	-	18.8%	27,288	888,288	\$102.88
Market Total	18,887,278	-	18.7%	88,288	288,278	\$102.87

4Q25 South Florida Office Market Overview



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Quarter Absorption	25,150	25,150	25,150
YTD Absorption	100	100,150	100,150
Quarter Deliveries	0	75,000	0
YTD Deliveries	0	100,000	0
Direct Leasing Rate (FPM/SPF)	\$25.00	\$25.00	\$25.00
Sublet Leasing Rate (FPM/SPF)	\$25.00	\$25.00	\$25.00
Total Leasing Direct Rate (FPM/SPF)	\$25.00	\$25.00	\$25.00

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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, logistics, and healthcare.



- High vacancy rates, particularly in older buildings.
- Recent market events can be a deterrent for some businesses as market rates continue to remain elevated.

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- Continued expansion of the financial 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.

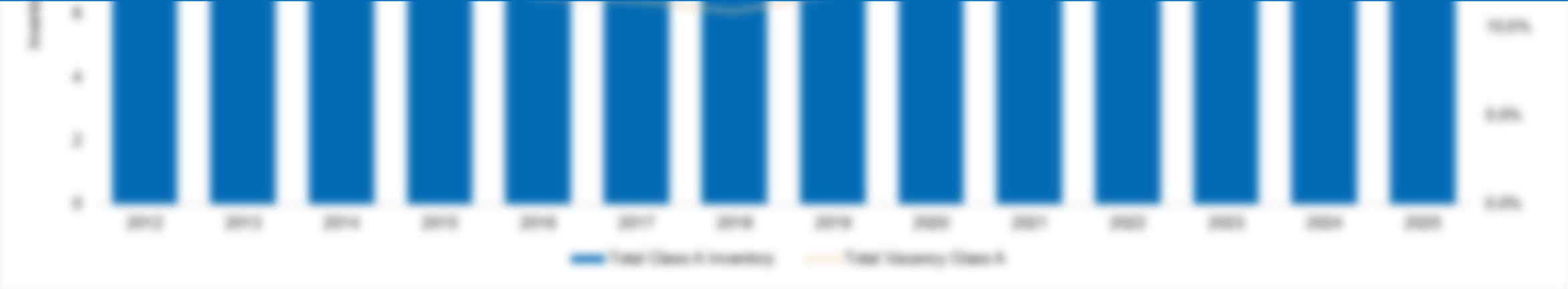
- Potential economic downturns could reduce office space demand with the rise of remote work leading to a decrease in long-term demand for traditional office spaces.
- Competitive markets like Miami may attract businesses away from Palm Beach.
- Rising construction costs and tighter financial conditions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

Class A Strength Persists with Ongoing Declines in Vacancy

As of the fourth quarter of 2021, Class A vacancy fell 22 basis points quarter over quarter and 187 basis points year over year to 16.0%, the lowest level since the third quarter of 2014 and the fourth consecutive quarterly decline. Class A vacancy continues to compress as the market absorbs the wave of 2020 deliveries and tenants favor higher quality space. Supporting this trend, 25.7% of fourth quarter leasing deals were for Class A space, reflecting continued appetite for premium product.

Class A Office Inventory vs. Class A Office Vacancy Rate

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Highest Loan Volume Due in 2026

In the fourth quarter of 2025, CMBB remained the leading source of debt financing, accounting for 44.4% of total volume. CMBB maturities are heavily front-loaded, with \$17.2 billion dollars, or 55.4% of CMBB debt maturing through 2026, scheduled to come due over the next five years. Across all debt sources, maturities peak in 2026 at \$17.2 billion dollars, underscoring the need to closely monitor upcoming maturities as an indicator of future market volatility. The concentration of near-term maturities, particularly in 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 loan type)

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Multifamily Maturities Particularly Elevated Through 2029, Office Not So Much

As of the fourth quarter of 2021, office loans comprise 11.4% of the upcoming \$49.7 billion of loans maturing within the next five years, accounting for the exposure to the office sector's challenges. The multifamily sector constitutes 48.3% of maturities through 2029, demonstrating its robust performance. Lenders' continued appetite for multifamily assets under refinancing relatively manageable, reinforcing the capital markets' focus on asset quality.

Commercial Mortgage Maturities

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