

THE CASE FOR DEVELOPING NEW DOWNTOWN WEST PALM BEACH OFFICE SPACE

By: Brad Capas | CapasGroup Realty Advisors | October 2014

The time has come for commercial developers and investors to recognize the need for additional Class A office space in Downtown West Palm Beach. Supporting rationale for this increasingly popular view is presented below.



Favorable Demand Trends – Downtown West Palm Beach is a favored market for new companies seeking to relocate to South Florida, many of whom have relatively large office space requirements. Because of its immediate proximity to the wealthy island of Palm Beach, a growing number of out-of-state financial services firms are seeking to establish Florida offices in Downtown West Palm Beach. In addition, an increasing number of local companies relocating from nearby suburbs are targeting the urban core.

Limited Available Class A Space - Existing Class A space within downtown West Palm Beach office buildings is about 95% occupied with extremely limited contiguous space available to accommodate large users. These users prefer downtown West Palm Beach office buildings but cannot secure large enough blocks of true Class A space in the market to accommodate their needs.

Migration Out of Aging Class A Buildings - About 65% of the Class A office space in downtown West Palm Beach is positioned in buildings that are more than 25 years old. As a result, they present functional and space planning constraints that would not exist in a new building. Tenants naturally migrate out of older buildings when a new, well-located alternative is developed. Improved functional utility, superior LEED status, signage and branding opportunities and a more pedestrian friendly location would make a new building a compelling alternative for tenants with expiring leases at other buildings (refer to exhibit below).

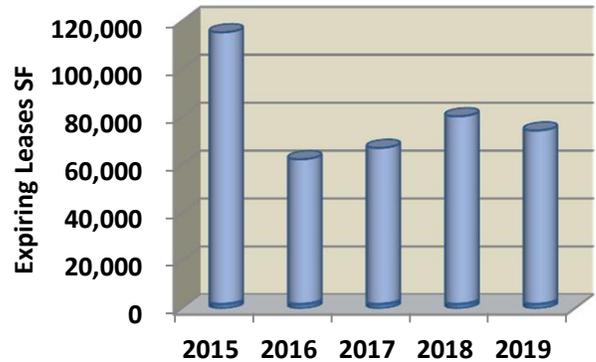
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Significant Expiring Leases to Seed a New Office Building – Over 400,000 square feet of leases in existing Class A/B office buildings in downtown West Palm Beach are scheduled to expire between 2015 and 2019. These tenants are prime candidates to fuel the absorption of space in a new, Class A office building.

Positive Value Trends Support Feasibility – CityPlace Tower, recently traded for more than \$500 per square foot, ranking among the highest priced office building sales in Florida. Built in 2008, CityPlace Tower is the newest of the Class A office buildings in the downtown market. This transaction is sure to pique the interest of office developers and place downtown West Palm Beach on their list of target markets.

**Notable Class A/B Office Expirations
Downtown West Palm Beach**



Pure speculative office development is not yet commonplace in South Florida. However, between new market entrants and tenants relocating from nearby aging buildings, sufficient demand exists to make a compelling argument for new office development in downtown West Palm Beach. We believe the confluence of one or two large space users and a well-capitalized developer with vision could stimulate additions to the Class A office supply during the current market cycle.

CapasGroup Realty Advisors is a Fort Lauderdale-based investment sales organization specializing in the marketing and disposition of investment real estate, including large land tracts, throughout Florida. For additional information contact:

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