

COMMENTARY ON THE DOWNTOWN WEST PALM BEACH OFFICE MARKET

By: Brad Capas | CapasGroup Realty Advisors | September 2015

At 3.2 million square feet, downtown West Palm Beach is the smallest of South Florida's three central business districts. Notwithstanding, this market boasts: the highest Class A office rents, strong Class A office occupancy and the highest office sale prices per square foot in the region. So what's driving these impressive performance statistics? The answer lies in this market's combination of sound market fundamentals, the unique work-live experience only West Palm Beach can offer, and exciting growth trends that are rapidly transforming the downtown area into a fully-evolved CBD.



Class A Office Demand is Trending Ahead of Supply and Driving Rent Growth

The Class A office buildings in downtown West Palm Beach are nearly full and there simply is not sufficient vacant space to accommodate demand originating from: Existing Class A tenants needing to expand, new Class A office users seeking to enter the West Palm Beach market and tenants migrating to the CBD from surrounding suburban markets. As a result, Class A office rents per square foot are the highest among the three South Florida CBD's.

Proximity to Palm Beach Wealth

Downtown West Palm Beach's immediate proximity to one of the nation's wealthiest communities is a significant demand driver for Class A office space. Common Class A tenants include financial service and law firms servicing Palm Beach clientele. In addition, many tenants select Class A buildings here because their senior executives have homes in Palm Beach. Palm Beach-oriented business will continue to provide a strong occupancy base for Class A office space in this market.

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Unique Business and Living Environment

Downtown West Palm Beach offers the optimal combination of small town charm and state-of-the-art business sophistication. Extraordinary waterfront views overlooking the island of Palm Beach are available from buildings throughout the CBD. The City is very walkable. In addition, free Trolley service and a recently implemented bike share program facilitate circulation and help to alleviate traffic congestion. Connectivity to other South Florida markets is provided by Tri-Rail today, soon to be enhanced by All Aboard Florida's conveniently positioned commuter rail station now under construction in the center of town.

Excellent Access to all Types of Housing

Office tenants want to be near both high-end housing for executives and more moderately-priced housing alternatives for staff and mid-level management. Downtown West Palm Beach offers plenty of (rental and for-sale) housing options across all price categories. Furthermore, the growing pipeline of new and proposed residential projects within the CBD will increase its permanent resident population creating the critical mass necessary to achieve 24-hour status.

Poised for New Office Development

Downtown West Palm Beach is one of the few CBD's in Florida where the conversation about new Class A office development is getting serious. The recent sales of two of the market's Class A buildings at record prices (\$507 psf for CityPlace Tower and \$533 psf for Phillips Point) have captured the attention of institutional investors and developers alike. Class A rents in the \$50 to \$60 per square foot range support the feasibility of new development. Furthermore, the City has been a strong and vocal supporter of new office development. We believe the probability is relatively good that development of at least one new Class A building will commence during the current economic 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 regarding CapasGroup and its property listings, contact:

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