

FIGURES | WEST PALM BEACH OFFICE | Q1 2025

# Moderating Rent Growth in Palm Beach Amidst Healthy Absorption Trends

▼ 15.3%

Total Vacancy Rate

▲ 36,600

SF Quarterly Net Absorption

► 813,100

SF Construction

▼ \$36.56

NNN / Lease Rate

Note: Arrows indicate change from previous year.

## OVERVIEW

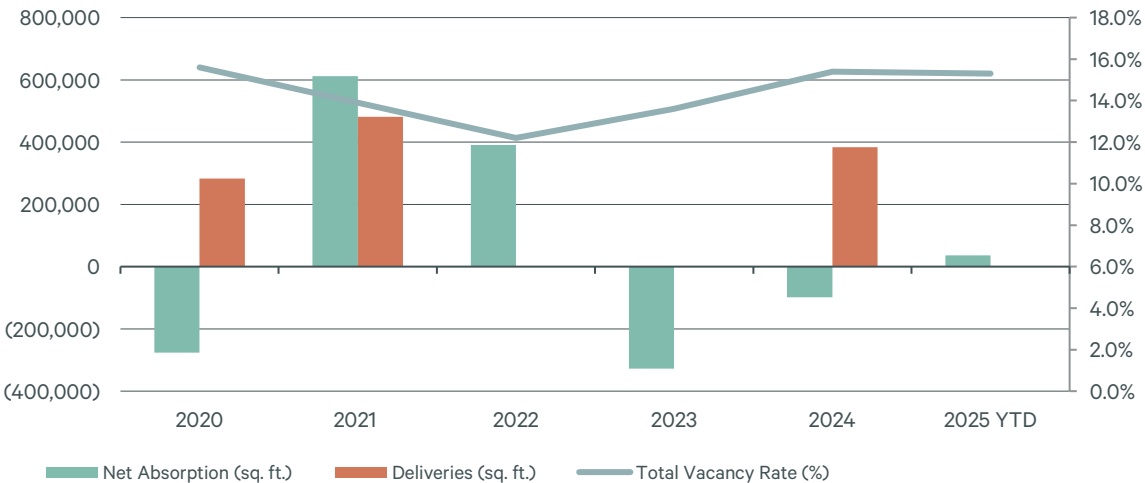
- Across Palm Beach County, a total of 813,100 square feet is currently under construction.
- Rent growth has moderated after several years of significant increases, with most of the recent growth driven by newly delivered office buildings commanding premium rents.

Absorption in the Palm Beach Office market saw a positive shift in Q1 2025, with absorption turning positive after three consecutive quarters of negative absorption in 2024. North County Class A buildings drove this positive absorption, largely due to tenant move-ins at newly delivered buildings One Flagler and 300 Banyan.

Sublease availability has continued to decrease, Q1 2025 marks the fifth consecutive quarter of decreases. In Q1 2025, the Palm Beach market currently stands at 3.2%, down from 4.0% in Q1 2024. South County's sublease supply notably decreased 31.0% over the past year to 448,700 square feet. However, some of that space has switched direct upon lease expiration, rather than being absorbed/reoccupied. Meanwhile, North County saw an increase of 25.3% to 265,500 square feet, driven by several large spaces listed in Suburban West Palm.

Direct vacancy for overall Class A in the CBD stands at 17.4% this quarter, this is a result of the two new buildings in West Palm CBD and not expected to have a long-term impact, as both newly delivered buildings are pre-leased with limited space still available. When removing these two buildings, vacancy rates for overall Class A in the CBD would be lower at 7.9% and the Trophy buildings (a subset of the Class A set) would be 2.8%.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

The demand trends for office space in Palm Beach County remain divided between the North and South County submarkets. In Q1 2025, North County Class A drove absorption, primarily due to several large tenants occupying space in the new buildings One Flagler and 300 Banyan in West Palm CBD. On the other hand, South County has experienced mixed results over the past several years, ending Q1 with 7,500 square feet of negative absorption.

Demand for trophy space in West Palm CBD remains exceptionally high. Excluding the two new buildings in the area, direct vacancy rates for trophy buildings stand at just 2.8%, indicating a significant scarcity of high-end space in the CBD.

SUBLEASE

Sublease availability in Palm Beach County stands at 3.2% in Q1 2025, which represents 715,200 square feet of space on the market. This marks a decrease from Q1 2024, when sublease availability was at 4.0%, representing 862,400 square feet.

In South County, which has been a significant contributor to sublease availability in recent years, the supply has notably decreased compared to Q1 2024. Currently, South County has 448,700 square feet of sublease space available, down from 650,500 square feet the same time last year. North County, which was not as impacted by subleasing during Covid, has seen its total sublease availability increase to 2.7%, representing 266,500 square feet. This is largely driven by a few larger spaces being listed for sublease in Suburban West Palm, which is not indicative of a broader trend.

PRICING

Rent growth in Palm Beach County has moderated in both downtown and suburban submarkets.. This follows years of high growth where average asking rents rose 42.5% from \$25.65 per square foot in Q1 2020 to \$36.56 per square foot today.

In Downtown West Palm Beach, the new Class A buildings, One Flagler and 300 Banyan, have driven average asking rates to \$64.73 per square foot in Q1 2025, marking a 23.8% year-over-year increase. Both buildings, completed in 2024, command premium rents exceeding \$100 per square foot. Excluding these two new buildings, rent growth in downtown over the past year was just 1.6%.

Similarly, in the suburbs, rent growth has slowed to 1.0% in the last year, compared to 8.1% from Q1 2023 to Q1 2024. Suburban rents currently stand at \$32.07 per square foot, an increase of \$0.31 per square foot from the same time last year.

FIGURE 2: Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2025 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/ Boynton Beach	1,005,700	10.2%	13.8%	500	500	149,100	\$ 23.98
East Boca	2,613,000	13.4%	14.7%	(27,800)	(27,800)	-	\$ 32.50
North Boca	5,704,500	19.4%	20.9%	17,300	17,300	-	\$ 30.58
West Boca	3,315,700	11.5%	13.5%	2,500	2,500	-	\$ 39.90
South County Total	12,639,000	15.4%	17.1%	(7,500)	(7,500)	149,100	\$ 32.41
Jupiter	539,900	2.4%	2.4%	11,500	11,500	-	\$ 20.83
Palm Beach	969,600	3.2%	3.2%	1,800	1,800	-	\$ 92.57
Palm Beach Gardens	2,200,300	4.0%	4.6%	(3,700)	(3,700)	-	\$ 36.50
Suburban West Palm Beach	2,336,900	16.1%	18.2%	(20,700)	(20,700)	-	\$ 24.49
West Palm Beach CBD	3,788,900	16.9%	18.7%	55,400	55,400	664,000	\$ 64.73
North County Total	9,835,500	11.7%	13.0%	44,200	44,200	664,000	\$ 45.41
Total	22,474,500	13.8%	15.3%	36,600	36,600	813,100	\$ 36.56

FIGURE 3: Class A West Palm Beach CBD Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2025 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Trophy*	1,677,800	19.1%	20.7%	68,000	68,000	664,000	\$ 104.89
Class A	1,003,800	14.5%	16.4%	(7,600)	(7,600)	-	\$ 53.64
Total	2,681,500	17.4%	19.1%	60,400	60,400	664,000	\$ 80.82

**Note:** All spaces at 360 Rosemary have been marked as fully occupied as of Q4 2022.

FIGURE 4: Class A

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2025 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/ Boynton Beach	137,700	4.0%	6.0%	1,700	1,700	149,100	\$ 60.00
East Boca	1,833,800	16.4%	18.2%	(30,100)	(30,100)	-	\$ 35.65
North Boca	3,152,100	26.9%	27.4%	20,700	20,700	-	\$ 31.95
West Boca	2,210,300	13.9%	16.9%	4,900	4,900	-	\$ 42.58
South County Total	7,334,000	19.9%	21.5%	(2,900)	(2,900)	149,100	\$ 35.30
Jupiter	149,900	0.0%	0.0%	3,000	3,000	-	-
Palm Beach	169,700	3.1%	3.1%	-	-	-	\$ 103.12
Palm Beach Gardens	1,494,000	3.6%	4.5%	7,100	7,100	-	\$ 41.51
Suburban West Palm Beach	345,400	14.9%	19.0%	1,100	1,100	-	\$ 25.90
West Palm Beach CBD	2,681,500	17.4%	19.1%	60,400	60,400	664,000	\$ 80.82
North County Total	4,840,600	11.9%	13.4%	71,600	71,600	664,000	\$ 66.52
Total	12,174,500	16.7%	18.3%	68,700	68,700	813,100	\$ 42.96

FIGURE 5: Class B

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2025 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/ Boynton Beach	868,100	11.2%	15.1%	(1,200)	(1,200)	-	\$ 22.16
East Boca	779,300	6.4%	6.4%	2,300	2,300	-	\$ 24.48
North Boca	2,552,300	10.2%	12.9%	(3,400)	(3,400)	-	\$ 28.49
West Boca	1,105,400	6.8%	6.8%	(2,400)	(2,400)	-	\$ 31.11
South County Total	5,305,000	9.1%	11.0%	(4,600)	(4,600)	-	\$ 27.48
Jupiter	390,000	3.3%	3.3%	8,400	8,400	-	\$ 20.83
Palm Beach	799,900	3.3%	3.3%	1,800	1,800	-	\$ 79.20
Palm Beach Gardens	706,300	4.9%	4.9%	(10,800)	(10,800)	-	\$ 25.28
Suburban West Palm Beach	1,991,500	16.3%	18.1%	(21,800)	(21,800)	-	\$ 24.31
West Palm Beach CBD	1,107,300	15.9%	17.7%	(5,000)	(5,000)	-	\$ 37.03
North County Total	4,995,000	11.5%	12.6%	(27,400)	(27,400)	-	\$ 29.01
Total	10,300,000	10.3%	11.8%	(32,000)	(32,000)	-	\$ 28.12

Market Area Overview



ECONOMIC OUTLOOK

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

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**Survey Criteria:** Includes all competitive Class A and Class B office buildings 30,000 sq. ft. and greater in size in Palm Beach County. Beginning Q1 2022, single tenant non-owner-occupied buildings have been added to the set and their inclusion is reflected historically in the data. Excludes: government and medical buildings..