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Need a Big Block of Office Space? Don't Look in Florida's Palm Beach County

TherapeuticsMD Searched for a New Home for Two Years



951 Yamato in Boca Raton, Florida.

Florida's Palm Beach County gained a national reputation as a playground to rich business owners or inherited-wealth descendants who built winter mansions along the white sand beaches. Today, that legacy doesn't extend to big corporate spaces, as executives wait as long as two years to try to get large offices amid the palms.

When a pharmaceutical firm agreed last month to take 56,212 square feet in Boca Raton, Florida, it was the second-largest lease this year in Palm Beach County -- a sign of the challenges facing tenants looking for large blocks of space in the area north of Fort Lauderdale and Miami.

TherapeuticsMD is moving to [951 Yamato](#), a 145,972-square-foot building inside The Park at Broken Sound. The firm expects to complete the move by the middle of 2019. In announcing the deal, TherapeuticsMD said it spent two years searching for new digs.

"If you're looking for 50,000 to 100,000 square feet, there's not a lot to choose from," said Butters Realty & Management's Molly McDonough, who represented the tenant.

NAI/Merin Hunter Codman's Jay Grossman, who represented the landlord, said there are few buildings in Boca Raton with comparable space available, partly because of a lack of construction.

"For the moment, the supply is capped," Grossman said.

Palm Beach County spreads from the Atlantic Ocean to the rural area in the middle of the state and includes the northern part of the Everglades national park. It's been known nationally for its beaches since it was home to mansions at the start of the 20th century. Now that affinity, closer to a natural park than an office park, is slow to change.

Cross County Home Service signed the county's largest lease in 2018 when it agreed to sublease 72,047 square feet at 4700 Exchange Court inside the 1.8 million-square-foot Boca Raton Innovation Campus, according to CoStar data.

Only four leases greater than 50,000 square feet have been signed in Palm Beach County this year, and all are in Boca Raton, according to CoStar. The other two also are at Boca Raton Innovation Campus: Modernizing Medicine's 55,000 square feet and MobileHelp's 54,000 square feet.

Development Elsewhere

[New office projects](#) are in the pipeline in the larger counties of Broward and Miami-Dade, but multi-tenant office construction has been limited in Palm Beach County in recent years.

North of Boca Raton in Palm Beach Gardens, Florida, DiVosta Investments is building a 111,972-square-foot property at 3825 PGA Blvd. A smaller office building nearby opened last year at 354 Hiatt Drive.

The Related Cos. and billionaire Jeff Greene have talked about building office towers in downtown West Palm Beach, Florida, but so far construction has not started.

Rebel Cook, a longtime Palm Beach County broker, cited multiple factors for the dearth of new office space.

She explained that developers are struggling to understand office needs of a new breed of tenant. Labor and land shortages also are to blame, she noted.

Without new office construction, the county's business climate can't grow, according to Cook, who heads the area's Economic Forum, a business leadership group.

While Broward and Miami-Dade have larger office markets, Palm Beach County has had a sizable corporate presence through the years and remains home to Office Depot and NextEra Energy, parent of Florida Power & Light Co., the nation's third-largest electric utility.

"Besides hedge funds, are there new companies coming here?" Cook said. "I don't see a whole bunch."

Construction Concern

Still, some market observers are skeptical that the county can support new construction.

At the end of the third quarter, Palm Beach County's office vacancy rate rose to 10.1 percent from 9.8 percent a year earlier, according to CoStar Market Analytics. Over the same time, Boca Raton's office vacancy declined but stood at nearly 12 percent.

While few large spaces are available, there's still plenty of opportunity for tenants seeking 5,000 to 15,000 square feet, Butters' McDonough said.

Steve Paige, a broker for Reichel Realty & Investments, added that lenders for a new office tower would want a preleasing commitment of at least 65 percent.

From what he's seen he doesn't think investors would conclude demand is big enough yet in Palm Beach County to reach that threshold.

The TherapeuticsMD lease, which includes building signs, brings 951 Yamato to 89 percent occupancy, Merin Hunter Codman said. Other tenants include manufacturing firms Phillips Electronic and Sportscard Guaranty, according to CoStar.

ThearapeuticsMD currently is based in 32,000 square feet at 6800 Broken Sound Parkway in Boca Raton.
