

# The Palm Beach Post

## NEWS

### West Palm Beach rebuffs concerns that downtown office market could be headed for tough times

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The city of West Palm Beach is not worried about the future of office space in the city's downtown. This is despite a glut of new space about to hit the market, an unsightly half-finished office complex and a lingering pandemic that has kept most workers at home for months.

In West Palm Beach, only about 20% of workers are coming in to the office, brokers said. Other workers are coming in on staggered days so as not to crowd interior spaces and risk spreading the airborne COVID-19 virus.

As a result, a number of companies are paying for leased space that is mostly empty, prompting questions about the future of office space. Some national companies, such as Twitter, have told employees they can work from home forever.

**More:** Six months on, Palm Beach County's office market faces hurdles as pandemic keeps workers home

But West Palm Beach officials remain upbeat that people will return to the office, and the market will return.

"Though there is current uncertainty due to the upcoming presidential election and COVID-19, all indications suggest the office market will rebound," said Kathleen Walter, a city spokeswoman.

The city wasn't swayed by a warning from one developer, Jeff Greene, about the fate of his 30-story, twin-tower project at 550 Quadrille Blvd.

Earlier this year, Greene shut down construction on One West Palm. Greene was supposed to build office space in the mixed-use complex, in addition to a hotel and apartments.

**More:** What is future of office space?

In April, a month into the pandemic, Greene said office space was a no-go because the pandemic had killed demand for space. Instead, Greene wanted the city to let him turn the office space into apartments.

The city rejected the idea immediately.

Last week, Greene said he will not go along with a recent city proposal that would grant him his desired zoning change in exchange for a cash payment to the city for workforce housing.

"My feeling is there isn't enough profit to pay anyone anything," Greene said. "Just agree to let me build it if you want to have it on your tax rolls."

If the city doesn't agree, Greene said he'll just let the unbuilt towers remain in their current condition: two unsightly, skeletal shells.

The city's position? Go right ahead. "If Mr. Greene chooses to let the building sit vacant, that is his choice," Walter said.

The city said it will lose \$23 million in tax revenue over 50 years if it lets Greene change the zoning to apartments from office space. As a result, any "zoning change would have to take into account negative impacts through incentives," Walter said.

Walter said the city is confident that other "experienced developers" will build office complexes that will dot the landscape with cranes.

However, it's not clear whether new office space is even needed in the downtown West Palm Beach market.

Last December, prior to the pandemic, commercial real estate brokers warned there was a sizable shadow market of empty space downtown.

Neil Merin, chairman of NAI/Merin Hunter Codman, said that with two new office towers under construction, the amount of vacant space would rise to 35% from about 17%. Other brokers said leasing activity was very slow, and no large tenants were even making inquiries about office space.

This year, a report by PFM Financial Advisors confirmed that the city's office market is in trouble.

The report, prepared for Greene's One West Palm complex, found there was no net new office space absorption downtown during the past three years. According to CoStar, the office vacancy rate today exceeds 20%, the report said.

But the city was dismissive of the report, which it said is not in line with "many experts' projections," Walter said.

Walter also voiced optimism that Florida, in general, and West Palm Beach in particular, will benefit from the exodus of individuals and businesses from the Northeast.

One other office tower is under construction in downtown West Palm Beach. 360 Rosemary, a 300,000-square-foot tower by the Related Cos., is set to be completed in early 2021. But the tower remains only 40% leased, a figure that hasn't budged in months.

In addition, Related Cos. has approval to build One Flagler, a 276,000-square-foot tower on Flagler Drive and Lakeview Avenue.

One additional complex is in the works: A tall office tower on the city-owned "tent site" at Okeechobee Boulevard and South Dixie Highway. The tower would be built by New York real estate developer Charles Cohen.