CB RICHARD ELLIS

MarketView

Palm Beach County Office

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Fourth Quarter 2008

Quick Stats

	Current	Change from last Yr.	Qtr.
Vacancy	22.8%	↑	↑
Lease Rates (NNN)	$19.55	↓	↓
Net Absorption	(807) K	↑	↑
Construction	161 K	↓	↓

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- According the Census Bureau, Florida grew by 128,814 people this year, a rate of .7 percent and is still the fourth largest state in the country.
- Florida is also one of the largest and growing markets for clean energy products, technologies and services.
- According to the U.S. Department of Commerce, export sales of Florida products have increased by 25.3 percent through October of 2008, far exceeding the nation's growth of 16.2 percent. At least 1.1 million jobs in Florida depend on international business, with more than 850,000 linked to global trade.

The Palm Beach County office market is a relatively small market, causing the impact of the current real estate cycle to be even more challenging. This market experienced a 3.2 percent increase in vacancy from third quarter 2008 which previously reported 19.6 percent vacancy. In comparison, the fourth quarter 2007 vacancy was 15.3 percent. This is due in part to large blocks of space being delivered to the market in fourth quarter 2008 such as 102,987 square feet (sq. ft.) in West Palm Beach by CityPlace Tower and 83,750 sq. ft. in Lake Worth by the former Wachovia Building. In Boca Raton, a total of 303,770 sq. ft. became vacant at various locations, in addition to what was already on the market. In Palm Beach Gardens, 105,148 sq. ft. became vacant as well. On the plus side, several new leases totaling approximately 58,593 sq. ft. were signed in the Boca Raton submarket. Also, a recent signing took place by Stanley Consultants at the new EcoPlex project in West Palm Beach for 13,000 sq. ft.

Total available sublease space for fourth quarter 2008 increased to 699,829 sq. ft., while vacant sublease space totaled 529,106 sq. ft.

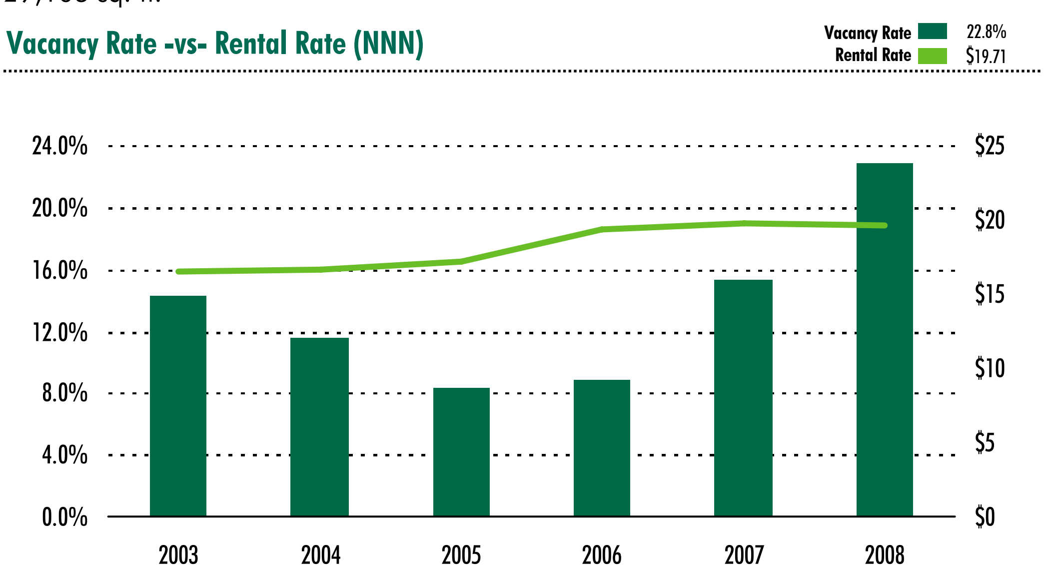
Lease rates are declining and incentive offerings are appearing. From fourth quarter 2007 to fourth quarter 2008, the average asking rental rate decreased from $19.75 to $19.55 price per sq. ft. (PSF) triple net (NNN). Rental rates are expected to decline further in 2009 as landlords attempt to fill large blocks of empty space.

Year-to-date sales activity totaled over 774,620 sq. ft. with an average cap rate of 7.0 percent. Two sales transactions of note took place in fourth quarter 2008: the purchase of the all cash Haas Building sale, a 64,000 sq. ft. building located in Jupiter for $12.7 million, and the purchase of One Royal Palm Place, a 42,768 sq. ft., in Boca Raton for $9.1 million.

The market as a whole is said to be experiencing changes that are typical and to be expected. New construction of office product has slowed and many of the planned projects which were anticipated to start in 2008 and 2009 have been placed on hold.

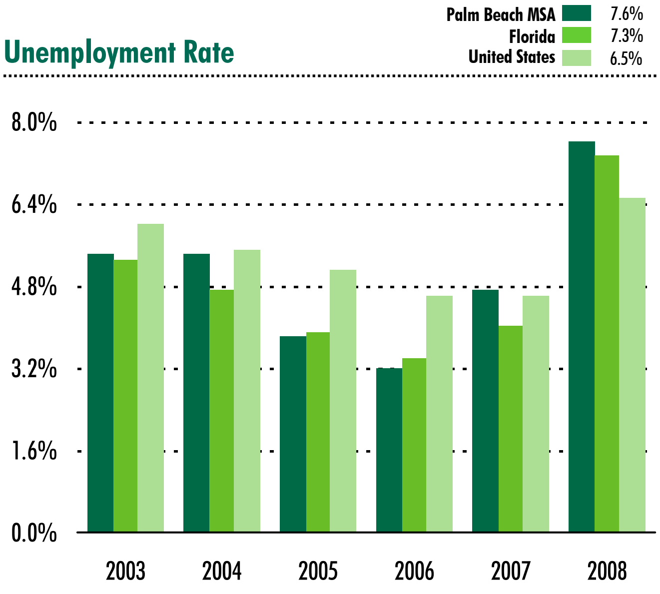
However, the county's long-term prospects remain strong due to favorable demographics and diversification from cyclical industries, such as healthcare, biotechnology and education.

Vacancy Rate -vs- Rental Rate (NNN)



Market	# Bldgs	Rentable Area	Vacancy %	QTD Total Absorption	YTD Total Absorption	Under Construction	Average Asking Lease Rate (NNN)
Boynton Beach	8	348,063	19.3%	(3,294)	(2,758)	N/A	$16.15
Boca Raton	108	11,226,938	26.0%	(427,970)	(469,288)	123,882	$18.90
Delray Beach	19	900,339	24.7%	(64,156)	(43,173)	N/A	$14.97
Jupiter	10	435,996	25.0%	(13,624)	(30,469)	N/A	$17.26
Lake Worth	9	480,120	37.0%	(9,767)	(51,705)	N/A	$13.31
North Palm Beach	43	2,805,174	15.9%	(76,990)	(122,036)	37,499	$19.71
Palm Beach	10	541,306	8.0%	(1,562)	(35,797)	N/A	$43.80
Royal Palm Beach	4	296,578	7.7%	0	(12,885)	N/A	$23.51
West Palm Beach	64	5,667,962	22.0%	(92,062)	(39,180)	N/A	$21.84
Total Palm Beach	**275**	**22,702,476**	**22.8%**	**(689,425)**	**(807,291)**	**161,281**	**$19.55**

Unemployment Rate



Unemployment rates are up across the board. Job loss is ongoing and is not confined to any one area; both goods-producing and service-producing industries have been affected. Education, health services and leisure and hospitality industries are leading the county in employment growth.

Florida jumped in the rate of foreclosures to second in the nation in November, according to a report by housing research firm RealtyTrac. At mid-year, Florida was third in the nation. The report showed that one in every 198 residential properties received either a notice of mortgage default, auction sales or bank repossession. For the Palm Beach metropolitan areas, 2,152 foreclosure filings were reported, a slight increase from the 1,976 filings reported at mid-year. This translates to one in every 293 households that have received a filing.

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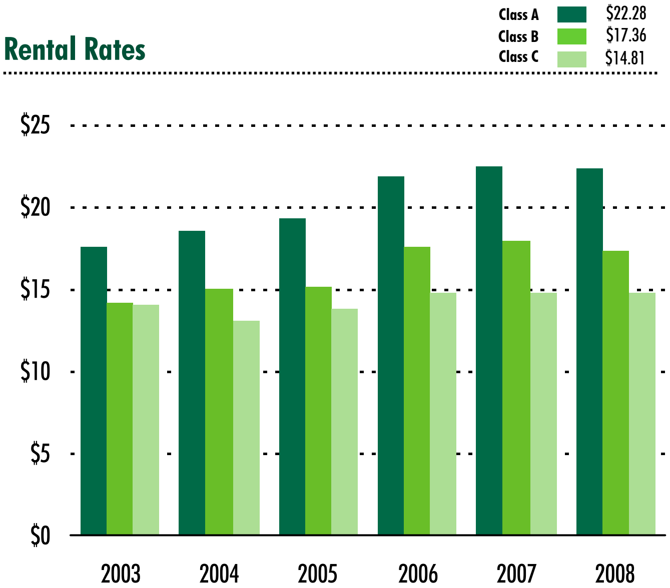
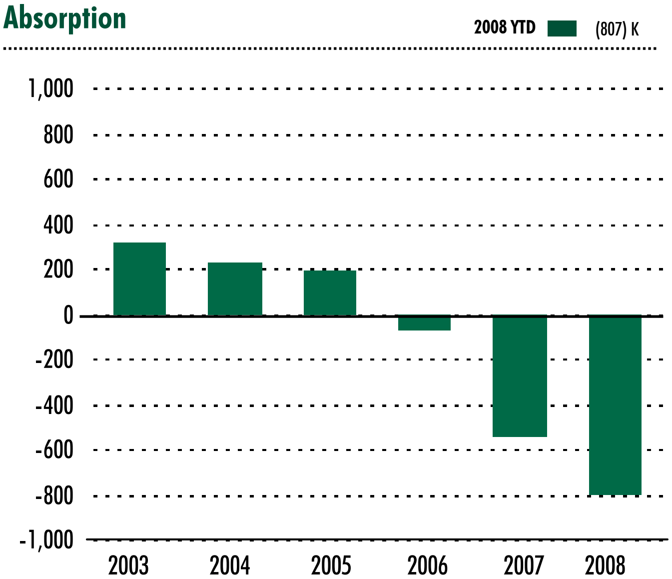
Rental Rates



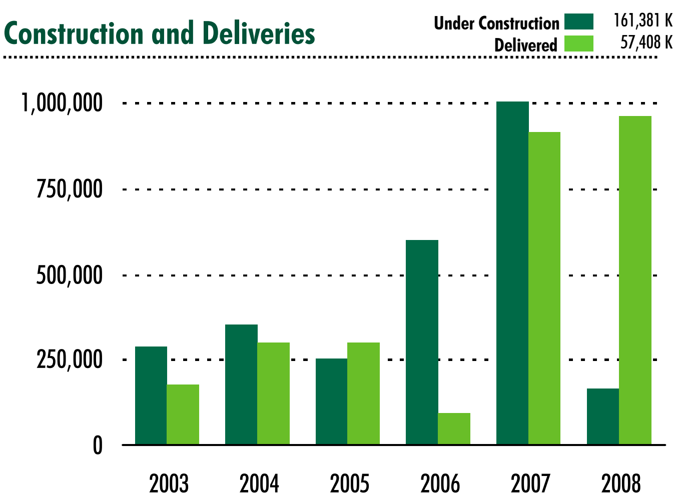
Rental rates and incentive offerings are expected to shift along with market conditions. From fourth quarter 2007 to fourth quarter 2008, the average asking rental rates decreased from $19.90 price per sq. ft NNN to $19.55 price per sq. ft. NNN. Average asking rates for all class A properties experienced a decrease from the $22.44 price per sq. ft. NNN rate quoted fourth quarter 2007, while class B properties witnessed a decrease from fourth quarter 2007's rate of $17.91 per sq. ft. NNN. For class C space in fourth quarter 2007, there was a slight increase in overall average asking rental rates from the $14.80 price per sq. ft. NNN.

Absorption



The Palm Beach office market witnessed an occupancy rate of 77.7 percent in third quarter 2008. The overall vacancy rate increased from second quarter 2008 by 3.2 percentage points. Contributing factors which led to the increase in vacancy and negative absorption included the delivery of large blocks on space to the market such as 83,730 sq. ft. in Lake Worth at the former Wachovia Building and 102,987 sq. ft. in West Palm Beach at CityPlace Towers. In addition, 303,770 sq. ft. in Boca Raton was added to the amount of square feet already on the market. There was also one construction completion in the Boca Raton submarket for 57,408 sq. ft., which was The Sienna at Broken Sound and one building in the West Palm Beach submarket for 36,153 sq. ft., which became a multi-tenant building, Atrium Camp Northpoint.

Construction and Deliveries



There are three buildings under construction in the Palm Beach County Market totaling less than 250,000 sq. ft. The projects include:

Lynn Financial Center - A	Boca Raton	61,941 SF
Lynn Financial Center - B	Boca Raton	61,941 SF
Gardens Point	Palm Bch Gardens	37,499 SF

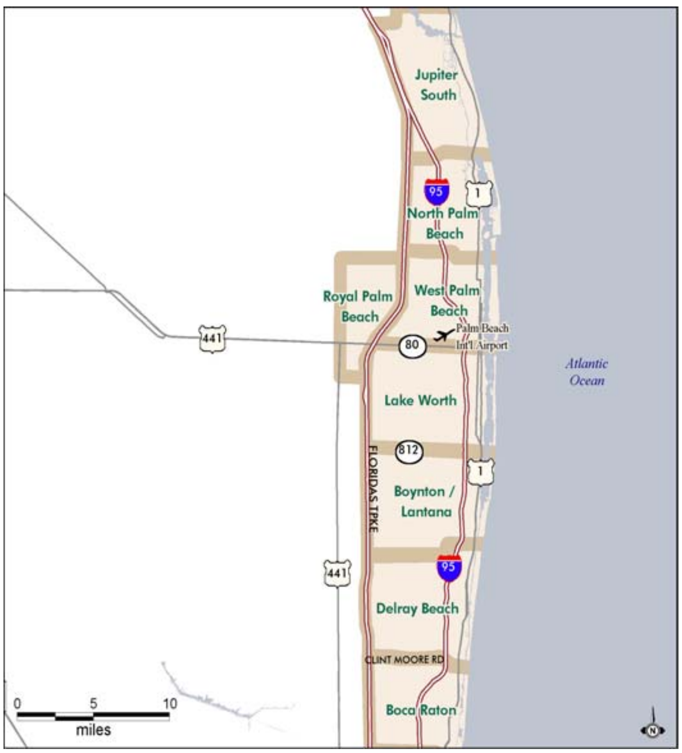
Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address
13,000	Stanley Consultants	1621-1641 Worthington Rd., West Palm Beach
11,029	The Striano Financial Group	1200 N. Federal Hwy., Boca Raton
8,997	The Invidia Group	7900 W. Glades Rd., Boca Raton

Top Sale Transactions

Size (Sq. Ft.)	Buyer/Seller	Address
64,000	Martha Singh & Associates/Lionstone Group	1001 N. US Hwy 1, Jupiter
42,768	One Royal Palm Partners/Stuart Gilbert (NY)	1877 S. Federal Hwy, Boca Raton

Palm Beach Submarket Map



Average Asking Lease Rate
Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage
Includes all competitive office buildings 30,000 square feet and greater in size.

Net Absorption
The change in occupied square feet from one period to the next.

Net Rentable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Square Feet
Building area not considered vacant.

Under Construction
Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Square Feet
Available Building Area which is either physically vacant or occupied.

Availability Rate
Available Square Feet divided by the Net Rentable Area.

Vacant Square Feet
Existing Building Area which is physically vacant or immediately available.

Vacancy Rate
Vacant Building Feet divided by the Net Rentable Area.

Normalization
Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

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Tel 561.227.1800

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Ft. Lauderdale, FL 33301
954.462.5655

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