

MARKETBEAT

Palm Beach County

Industrial Q1 2018



PALM BEACH INDUSTRIAL

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Palm Beach Employment	632k	626k	▲
Palm Beach Unemployment	4.3%	3.7%	▼
U.S. Unemployment	4.7%	4.1%	▼

* Numbers above are monthly figures, Feb 2018, FL Dept. Economic OPP.

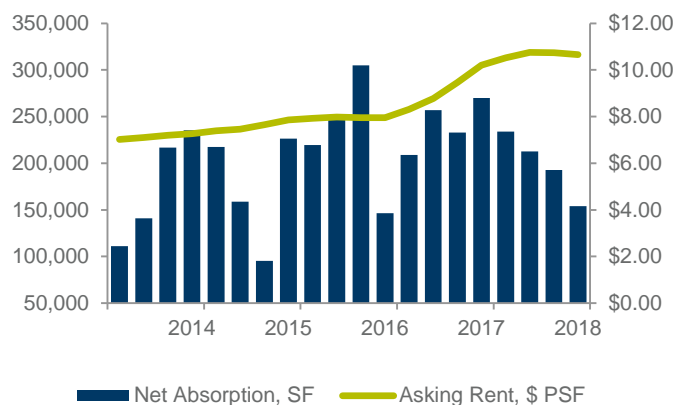
Market Indicators (Overall, All Property Types)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	3.5%	3.0%	■
YTD Net Absorption (sf)	132k	74k	▲
Under Construction (sf)	485k	146k	▲
Average Asking Rent*	\$11.12	\$10.74	▲

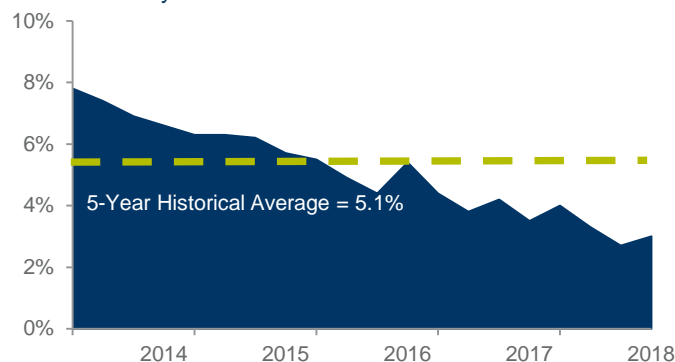
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Record breaking tourism and a robust housing market over a 12-month span directly contributed to the overall economic growth in Palm Beach County. More than 7.9 million tourist visited the region in 2017. Reconstruction from the hurricane season and an uptick in homes sales towards the end of the year drove job gains in the construction industry in Palm Beach County to an +8.5% increase over the year, or the addition of +3,000 jobs. The unemployment rate of 3.7% fell -60 basis points (bps) and was slightly lower than the State of Florida's rate of 3.8%. The improving economy, together with modest and steady job growth, allowed the industrial market's key fundamentals to improve during the first quarter of the year.

Market Overview

Six out of seven industrial submarkets in Palm Beach County maintained vacancy rates under 5.0%. Riviera Beach, the second-largest submarket, had the lowest vacancy rate at just under 1.0%. Vacancy in warehouse/distribution space declined to 2.9%, a fall of -50 bps year-over-year. As the overall market tightened, tenant demand bifurcated between submarkets, with some areas more accommodating for large-scale users with big boxes and others more ideal for small bay tenants.

Overall rental rates increased a healthy +3.5% year-over-year to \$10.74 per square foot (psf) in the first quarter 2018. Rents were up an outstanding +56.6% over a five-year period. Leasing activity was focused on where availabilities were located with the West Palm Beach and Riviera Beach submarkets accounting for 269,000 square feet (sf) of transactions during the quarter. Besides available space, tenants were attracted to these submarkets due the proximity to the Palm Beach International Airport and the County's major highways, including I-95 and the Florida Turnpike.

Warehouse/distribution assets drove occupancy gains in the first quarter 2018 where tenants took control of over 271,000 sf of space. Construction has lagged at the beginning of the year with limited new projects breaking ground. Developers have announced several new shovel-ready projects which are expected to begin construction later in 2018. These new projects should add to the market's inventory including the 146,000 sf of space currently under construction in the West Palm Beach submarket. Investment sales accounted for over 203,000 sf of activity during the quarter in a total of five transactions. The overriding lure for investors in the Palm Beach market remained the potential for future growth throughout the County as well as the South Florida region. The area's solid population and labor gains were forecasted to support strong industrial market fundamentals.

Outlook

As positive economic conditions persist, overall market conditions will continue to improve further throughout the metro area. Construction momentum will spread to commercial sites as tenant demand for quality space fuels new development. Cushman & Wakefield sees strong gains in the industrial market's fundamentals for the remainder of the year, particularly in the core submarkets.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTRUCTION COMPLETIONS (SF)	YTD WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Boca Raton	166	7,064,521	0	2.8%	-76,087	0	166,392	\$10.00	\$14.28	\$12.68
Jupiter	46	2,859,373	0	5.0%	-42,157	0	0	\$0.00	\$11.69	\$13.16
Delray Beach	73	2,274,605	0	1.6%	-3,324	0	0	\$0.00	\$12.00	\$12.55
Boynton Beach	86	3,895,100	48,944	3.4%	31,717	0	0	\$0.00	\$13.17	\$9.65
Lake Worth	67	2,080,703	0	10.9%	25,134	0	0	\$0.00	\$0.00	\$9.16
Riviera Beach	215	9,113,915	82,826	0.8%	81,813	0	0	\$7.50	\$8.00	\$8.14
West Palm Beach	341	14,213,715	71,600	3.2%	56,441	146,253	0	\$10.00	\$11.02	\$10.16
PALM BEACH TOTALS	994	41,501,932	203,370	3.0%	73,537	146,253	166,392	\$9.77	\$12.73	\$9.83

*Rental rates reflect asking \$psf/year

FLEX = Flex Space HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)	CONSTRUCTION COMPLETIONS (SF)	YTD OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	599	26,705,062	81,228	2.9%	271,405	146,253	327,974	166,392	\$9.83	\$9.78
Manufacturing	180	7,584,009	102,142	1.0%	-67,378	0	29,961	0	\$9.77	\$9.77
Office Service/Flex	215	7,212,861	20,000	5.5%	-130,490	0	96,363	0	\$12.73	\$12.73

**Leasing activity includes only new and expansion leases and does not include Renewals

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1 Jog Road	60,640	Dal-Tile	Direct	West Palm Beach
1230 SW 35 th Avenue	45,000	Somfy Systems	Direct	Boynton Beach
350 Hiatt Drive	22,500	RSVP Global	Direct	West Palm Beach

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
9040 Belvedere Road	51,600	Davidoff Proerties, LLC/Shellco Construction	\$2,575,000 / \$50	West Palm Beach
2051 West Blue Heron Boulevard	50,542	RW Ramsey Real Estate Corporation/Hinterland Group	\$5,150,000 / \$102	Riviera Beach
3756 East Industrial Way	30,780	The Geneva Group/Mindful Capital Group	\$2,525,000 / \$82	Riviera Beach

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