

PALM BEACH INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Palm Beach Employment	698k	704k	▲
Palm Beach Unemployment	3.9%	3.3%	▼
U.S. Unemployment	4.3%	3.8%	▼

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

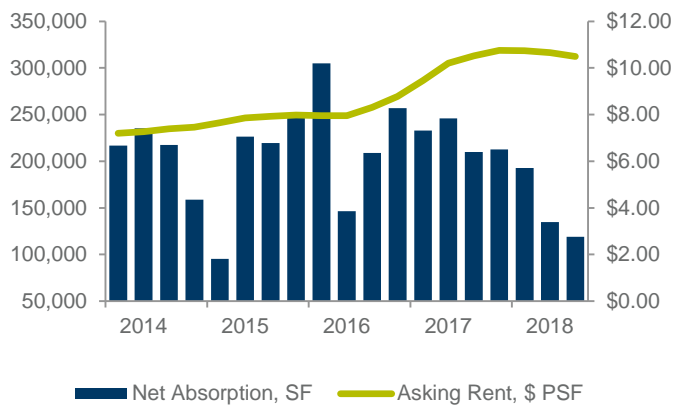
Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	3.6%	3.1%	■
YTD Net Absorption (sf)	306k	11k	▲
Under Construction (sf)	296k	202k	▲
Average Asking Rent*	\$10.62	\$10.01	▲

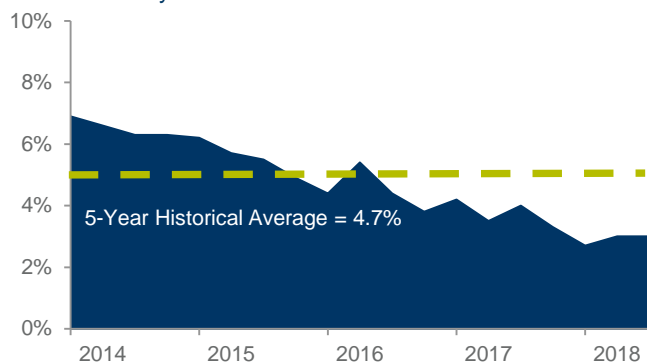
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Palm Beach County's strong economic growth pushed the unemployment rate to 3.3%, a decline of -60 basis points (bps) year-over-year, adding +4,700 new jobs over the last year. Population increases and a rise in tourism, along with new-to-market businesses drove employment expansion. Jobs in the construction sector showed the highest percent growth, up +8.4% year-over-year, buoyed by rising home values and new construction. Gains in the manufacturing industry were up +4.5% or +900 jobs as the aerospace sector heated up.

Market Overview

Palm Beach County's industrial market continued to perform solidly during the first half of the year with vacancy levels at cycle lows and asking rents at or near cycle highs. Overall vacancy dipped -50 bps to 3.1% over the past year as the overall market continued to tighten due to strong absorption and lack of new construction. Vacancy in warehouse/distribution space declined to 3.0%, a fall of -10 bps year-over-year. New tenants taking occupancy accounted for over 110,703 square feet (sf) of positive absorption during the first half of the year. As market fundamentals strengthened landlords began to increase overall asking rental rates to \$10.01 per square foot (psf), a 40% increase over a 5-year period.

Demand drivers for warehouse/distribution product included the robust housing market coupled and the county's superior connections to major north/south highways, including I-95 and the Florida Turnpike. The submarket adjacent to the Palm Beach International Airport also benefits from cargo and airport operations. The lack of new inventory in the market caused a slight pause in rental rate growth. Even though it is a tight market, there were only a few projects under construction. Developers have announced several new projects which are expected to begin construction later in 2018.

Sales activity remained positive year-over-year as supply imbalance led to many industrial products changing hands as investors sought quality products. Investment sales accounted for over 878,000 sf of activity during the first half of the year. With a lack of institutional product and owners not willing to part with warehouse/distribution buildings due to positive market return, 70.0% of sales transactions in the market were office services/flex product.

Outlook

The dynamics in Palm Beach County's industrial market will remain healthy as the overall economy continues to grow. The County's main drivers for expansion in the industrial market are somewhat removed from the current uncertainty in international trade. Limited new construction in the near term should keep fundamentals positive, with the vacancy rate tight and rents trending up. Cushman & Wakefield forecasts solid performance throughout the remainder of 2018 and into the first half of 2019.

MARKETBEAT

Palm Beach County

Industrial Q2 2018



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*
Boca Raton	166	7,066,760	463,968	3.3%	-92,904	0	0	\$10.13	\$14.41	\$12.69
Jupiter	46	2,859,373	0	4.9%	-52,477	0	0	\$0.00	\$11.69	\$12.17
Delray Beach	73	2,274,605	0	1.2%	11,652	0	0	\$0.00	\$0.00	\$12.15
Boynton Beach	86	3,895,571	0	2.3%	-21,720	56,160	0	\$0.00	\$14.00	\$7.99
Lake Worth	67	2,080,703	0	9.9%	-37,166	0	0	\$0.00	\$0.00	\$7.88
Riviera Beach	215	9,115,882	109,700	1.0%	61,601	0	0	\$8.00	\$0.00	\$7.74
West Palm Beach	342	14,361,687	152,390	3.5%	142,141	146,253	166,392	\$9.00	\$11.43	\$8.75
PALM BEACH TOTALS	995	41,654,581	726,058	3.1%	11,127	202,413	166,392	\$8.90	\$12.99	\$8.69

*Rental rates reflect asking \$psf/year

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

	TOTAL BLDGS	INVENTORY (SF)	INVESTORS SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	600	26,858,056	73,400	3.0%	244,470	202,413	227,715	166,392	\$8.69	\$9.25
Manufacturing	180	7,584,009	56,300	1.2%	-83,853	0	79,752	0	\$8.90	\$8.90
Office Service/Flex	215	7,212,516	596,358	5.4%	-149,490	0	1,200	0	\$12.99	\$12.99

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

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1 Jog Road	28,121	Serafino	Direct	Boynton Beach
4935 Park Ridge Boulevard	22,735	Sun Sentinel Company	Direct	West Palm Beach
78440-7880 Central Industrial Drive	15,000	Daley & Wanzer	Direct	Riviera Beach

Key Sales Transactions Q2 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

Cushman & Wakefield, LLC
303 Banyan Boulevard
Suite 301
West Palm Beach, FL 33401
cushmanwakefield.com

For more information, contact:
Valerie Tatum
Senior Analyst
Tel: +1 954 377 0492
valerie.tatum@cushwake.com

Chris Owen,
Director, Florida Research
Tel: +1 407 541 4417
chris.owen@cushwake.com

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