

MARKETBEAT

Palm Beach County

Industrial Q4 2018



PALM BEACH INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Palm Beach Employment	695k	715k	▲
Palm Beach Unemployment	3.8%	3.0%	▼
U.S. Unemployment	4.1%	3.7%	▼

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

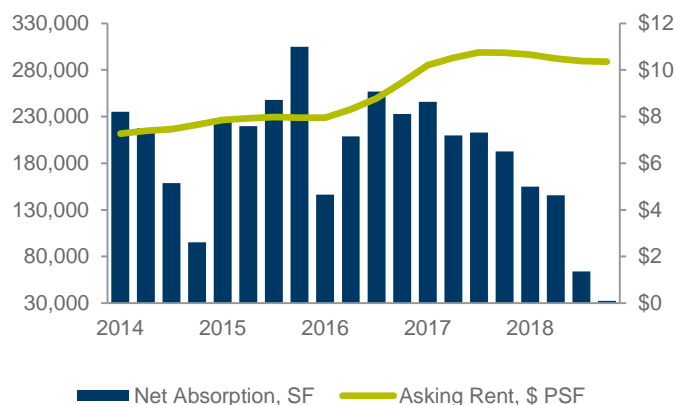
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	2.7%	3.3%	■
YTD Net Absorption (sf)	770k	130k	■
Under Construction (sf)	166k	467k	▲
Average Asking Rent*	\$10.69	\$10.57	▲

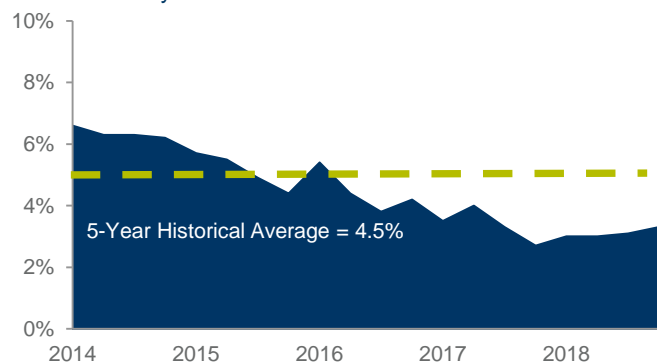
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Palm Beach County added +19,655 jobs over 2018 as strong net migration and organic growth pushed the unemployment rate down to 3.0%, a decline of 80-basis-points (bps) year-over-year (YOY). Steady employment growth was especially evident in Palm Beach County, which posted the second fastest annual job growth rate in the state in the Manufacturing and the Leisure & Hospitality sectors, which grew by 8.5% and 7.9% respectively since year-end 2017.

Market Overview

The overall vacancy rate for industrial space in Palm Beach County remained near a historic low at 3.3%, which was 120 bps below the 5-year historical average of 4.5% and 570 bps lower than the high point of 9.0% recorded in 2008. The strongest YOY gains in occupancy were witnessed in Riviera Beach, 22.0% of the total industrial market's inventory, with overall vacancy dropping 90 bps to 0.9%. Vacancy for West Palm Beach, the largest submarket in the County, saw a nominal increase of 30 bps to 3.1% in response to the delivery of 166,392 square feet (sf) of new warehouse/distribution space.

Overall asking rates increased by almost +24.0% since 2014 to \$10.57 per square foot (psf) triple net, as landlords bolstered rents in an effort to offset rising build-out costs and keep up with demand. Warehouse/distribution assets across Palm Beach County saw a strong yearly increase in overall average rates, up over 9.0% to \$9.34 psf triple net, while overall office services/flex rates posted notable gains in West Palm Beach, rising by 3.6% YOY to \$10.86 psf triple net.

Absorption exceeded 130,000 sf year-to-date (YTD), driven down slightly by tenant move-outs in the office services/flex sector. There were also several large renewals throughout the market, although these were not included in the absorption calculations. Since the end of the Recession in 2009, annual overall absorption for Palm Beach County averaged 633,861 sf and totaled over 5.7 million square feet (msf) during that period. Leasing activity across all asset classes totaled over 1.2 msf YTD, up 49.0% since the end of 2016.

Investment sales volume in Palm Beach County, across all industrial asset classes, totaled 1.6 msf in 2018, with over 588,000 sf trading across warehouse/distribution assets alone. Activity was especially high in Boca Raton and West Palm Beach, which accounted for 71.6% of the total sales volume, or just over 1.2 msf. Strong investor sentiment was evident during 2018, as foreign and domestic investors alike contended for well-positioned assets.

Warehouse/distribution assets across Palm Beach County saw a robust increase in overall average asking rates, up over 9.0% YOY to \$9.34 psf.

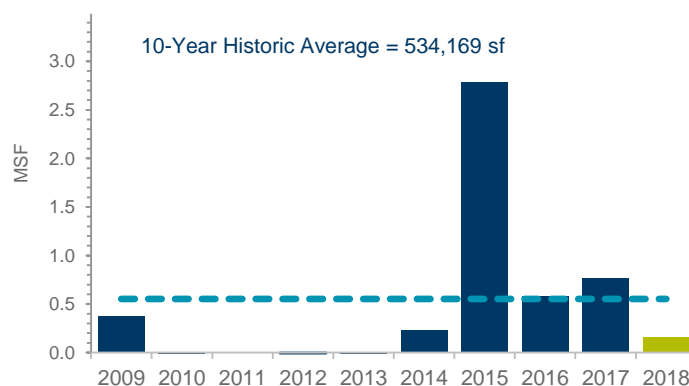
Palm Beach County has 35 census tracts designated as opportunity zones, 8 of which are located within the core of the industrial submarkets of Riviera Beach and West Palm Beach. Opportunity Zones are a new community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities. The program provides a tax incentive for investors to re-invest their unrealized capital gains back into areas that have not traditionally been the target of new investment, which can stimulate the local economy and open previously overlooked corridors to redevelopment.

Palm Beach County remains attractive to mid and large size aerospace and manufacturing firms due in part to a wealth of undeveloped industrial-zoned land suitable for build-to-suit, a strong talent pool, and more liberal zoning codes that permits a wide variety of industrial uses. Developers have responded to strong demand with new construction across the northern submarkets of Palm Beach County. The amount of industrial square feet under construction has more than doubled since year-end 2013, up 81.0% to 467,413 sf YTD.

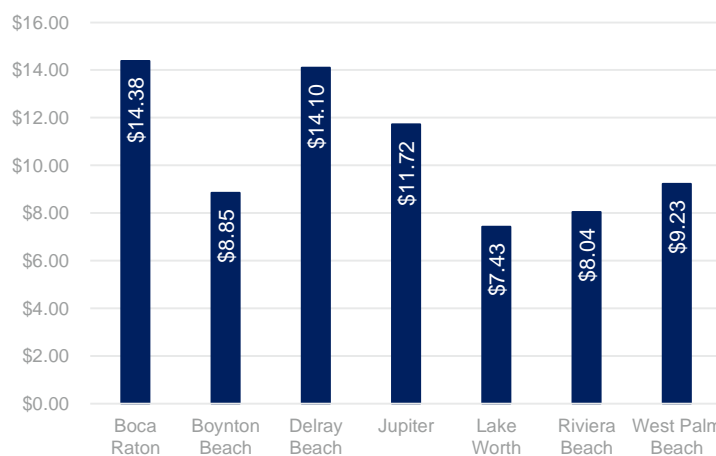
Market Highlights

- Key market fundamentals will strengthen into 2019, in-line with the growth trajectory witnessed over the past 5 years.
- With large tracts of developable land, Palm Beach County remains a viable destination for new ground-up industrial development, especially for users seeking outdoor storage and trailer parking.
- 467,413 sf of warehouse/distribution space is currently under construction across the County and is set to deliver during the first half of 2019.

New Supply (msf)

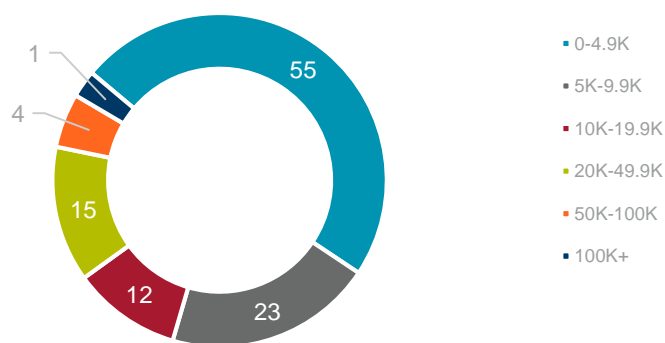


Warehouse/Distribution Asking Rents by Submarket (NNN)



Availability by Size Segment

OVERALL VACANCIES IN ONE SUITE



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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	7,061,241	506,102	4.7%	-133,807	0	0	\$10.75	\$15.22	\$12.94
Jupiter	46	2,829,347	198,038	6.0%	-33,720	220,000	0	\$0.00	\$11.58	\$12.38
Delray Beach	73	2,244,927	30,481	1.2%	-16,861	0	0	\$0.00	\$18.00	\$12.23
Boynton Beach	86	3,802,691	71,679	4.2%	17,169	56,160	0	\$0.00	\$13.48	\$7.93
Lake Worth	67	2,111,683	0	6.7%	20,056	0	0	\$0.00	\$0.00	\$7.95
Riviera Beach	214	9,055,873	177,813	0.9%	76,730	45,000	0	\$9.75	\$0.00	\$8.63
West Palm Beach	341	14,301,969	699,269	3.1%	200,695	146,253	166,392	\$7.75	\$10.86	\$9.00
PALM BEACH TOTALS	993	41,407,731	1,683,382	3.3%	130,262	467,413	166,392	\$7.82	\$12.95	\$9.34

*Rental rates reflect asking \$/sf/year

**Leasing Activity does not include Renewals

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

	TOTAL BLDGS	INVENTORY (SF)	INVESTOR 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	598	26,660,105	588,099	2.9%	218,753	467,413	942,395	166,392	\$9.34	\$9.45
Manufacturing	180	7,605,047	302,189	1.2%	20,140	0	66,065	0	\$7.82	\$7.82
Office Service/Flex	215	7,142,579	793,094	7.1%	-108,631	0	270,283	0	\$12.95	\$12.97

Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
645 Park of Commerce Way	113,191	VAS Aero Services	Renewal*	Boca Raton
15270 Endeavor Drive	115,000	United Technologies Corporation	Renewal*	Jupiter
6035 Southern Boulevard	51,840	Crown Castle USA	New Lease	West Palm Beach
401 N Cleary Road	23,292	Lasership	New Lease	West Palm Beach

*Renewal – Not included in Leasing Activity Statistics.

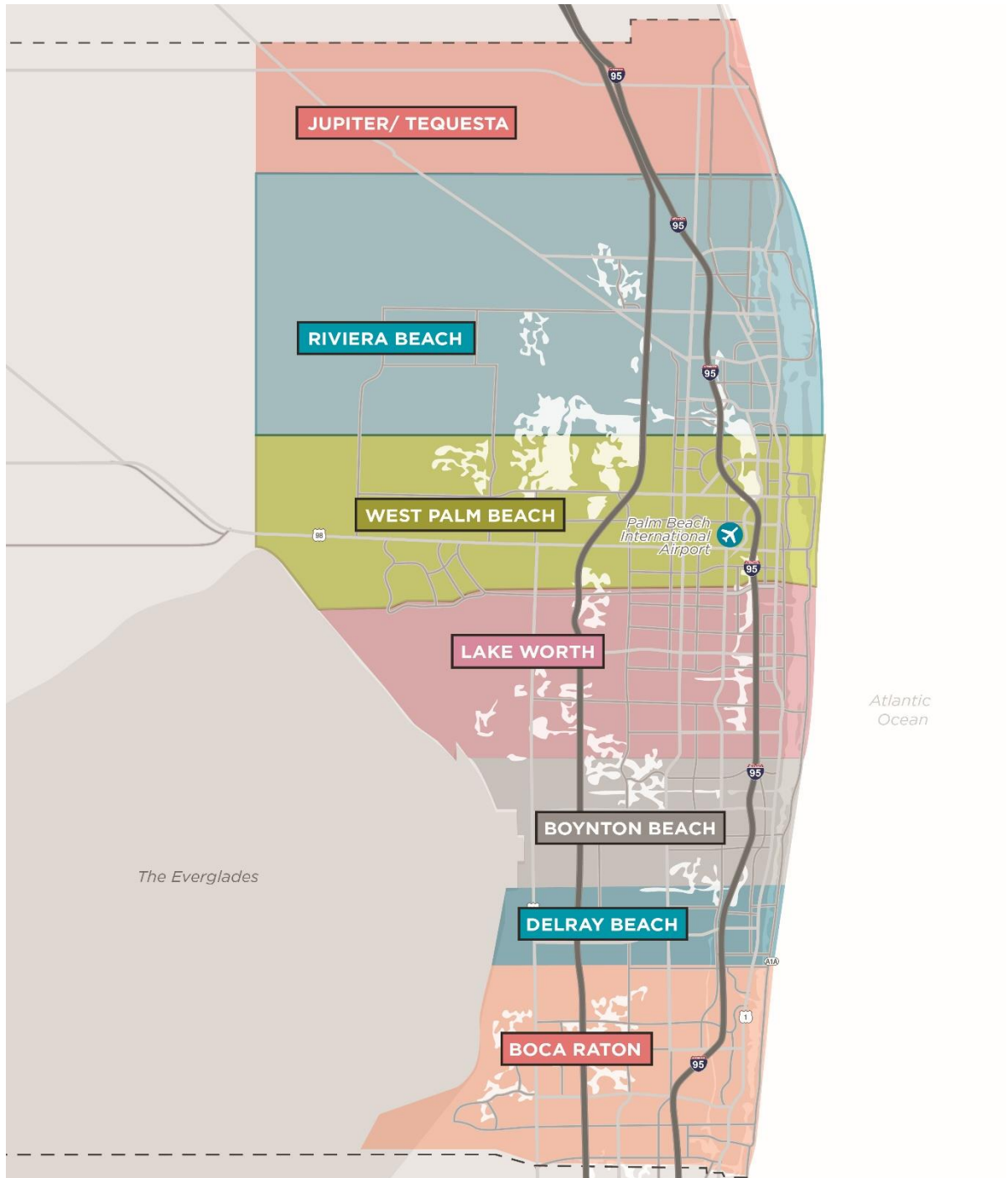
Key Sales Transactions 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Vista Business Park	173,812	McCraney Property Co/Cabot Properties	\$25,838,800/\$149	West Palm Beach
Windsor Commerce Center	158,460	FLF/Harbor Group	\$40,800,000/\$257	Jupiter
1220 Elizabeth Avenue	88,000	Johnstone Capital Partners/Asana Partners	\$18,500,000/\$210	West Palm Beach
Flamingo Commerce Center	69,521	Denholtz Associates/Silverman Group	\$6,900,000/\$99	Riviera Beach

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