

## MARKETBEAT

# Palm Beach County

Industrial Q1 2019



### PALM BEACH INDUSTRIAL

#### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Palm Beach Employment	704k	713k	▲
Palm Beach Unemployment	3.7%	3.4%	▼
U.S. Unemployment	4.1%	3.8%	▼

\* Numbers above are monthly figures, Feb 2019, FL Dept. Economic OPP.

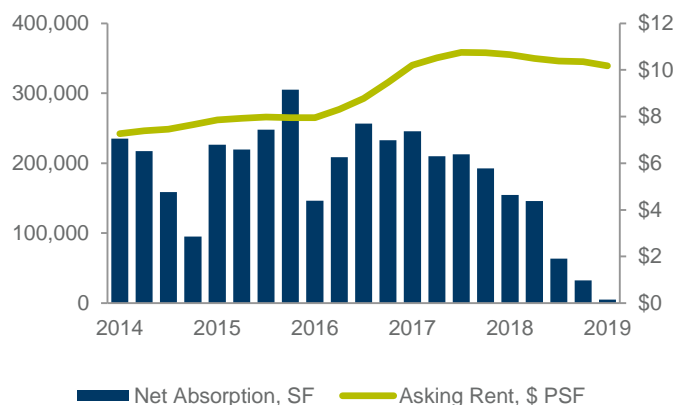
#### Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	3.0%	3.5%	▲
YTD Net Absorption (sf)	-19k	-130k	▲
Under Construction (sf)	146k	489k	▲
Average Asking Rent*	\$10.74	\$10.01	▲

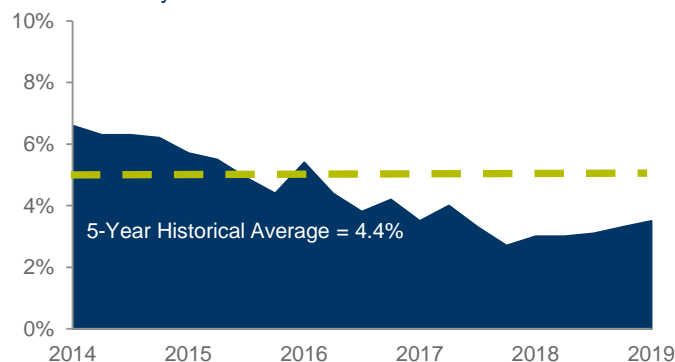
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



## Economy

Palm Beach County added 11,300 jobs over the past 12-months, pushing the unemployment rate down 30-basis-points (bps) to 3.4%. Steady employment growth was especially evident in the manufacturing sector, which grew by 4.6% year-over-year (YOY), adding 2,600 jobs. Continued demand for last-mile distribution bolstered the Transportation, Warehousing, and Utilities sector, which grew by 3.8% YOY.

## Market Overview

The overall vacancy rate for industrial space in Palm Beach County remained near historic lows at 3.5%, which was 90 bps below the five-year historical average of 4.4%. Delray Beach posted the strongest YOY gains in occupancy, with overall vacancy dropping 70 bps to 0.9%. Overall vacancy for West Palm Beach, the largest submarket in the County, saw vacancy drop 10 bps YOY to 3.1%. The overall vacancy rate for warehouse/distribution space rose 50 bps YOY to 3.4%, although vacancy has been stable since the second half of 2018.

Overall asking rates increased by nearly 21.0% since 2015 to \$10.01 per square foot (psf) triple net (NNN). Asking rents for office service/flex space rose 5.5% YOY to \$13.43 psf NNN, driven by limited supply of quality space. Riviera Beach, which accounted for 38.0% of the total warehouse/distribution inventory in the first quarter, saw rates increase 2.0% YOY to \$8.27 psf NNN.

Absorption trended negative during the first three months of 2019, driven in part by the return of smaller second-generation spaces under 8,000 sf to the market. Over 130,000 sf in negative absorption was recorded across the County, although 249,000 sf of new leases were signed during the same period. Office service/flex properties led the overall market in leasing activity, with 138,000 sf of leases signed. Most of that activity occurred in Boca Raton, the largest office service/flex submarket by inventory in the County.

Investment sales volume in Palm Beach County, across all industrial property types classes, totaled just under 1.0 msf in Q1 2019, with over 900,000 sf trading across warehouse/distribution assets alone. Activity was especially high in West Palm Beach, which accounted for 66.0% of the total sales volume, or just over 659,000 sf. Strong investor sentiment was evident during the first quarter of 2019, as users and investors alike contended for well-positioned assets.

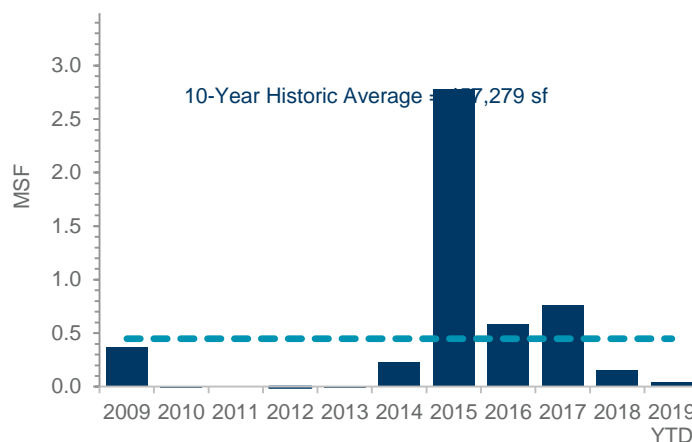
**The overall vacancy rate for industrial space in Palm Beach County remained near historic lows at 3.4%, which was 100 bps below the 5-year historical average of 4.4%.**

There was 489,000 sf of speculative, institutionally-owned warehouse/distribution product under construction across Palm Beach County. The largest assets under construction were part of larger projects with multiple buildings and phases. Some notable developments underway included First Industrial's Palm Beach Park of Commerce in Jupiter along with Liberty Airport Center and Duke Turnpike Crossings in West Palm Beach. Tenant confidence in market fundamentals influenced developers to move forward with several proposed projects in the pipeline, and an uptick in absorption and leasing activity will be expected once these projects deliver.

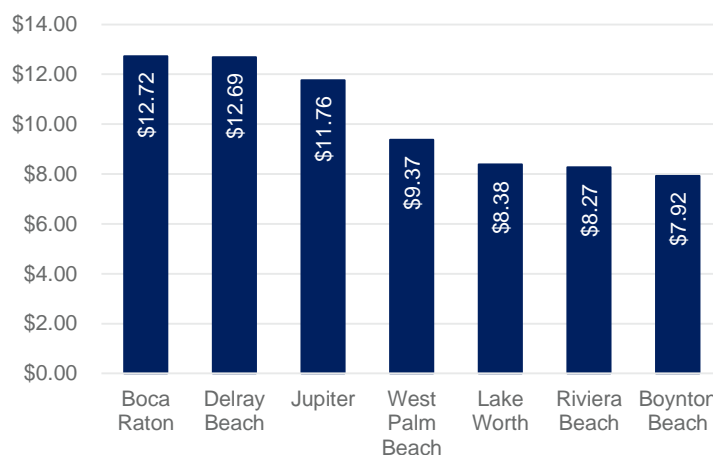
## Outlook

- Absorption was expected to increase substantially into 2019, as new buildings with pre-leasing are delivered.
- With large tracts of developable land, Palm Beach County remained a viable destination for new ground-up industrial development, especially for users seeking outdoor storage and trailer parking.
- Almost 490,000 sf of warehouse/distribution space is currently under construction in Palm Beach County, and is set to deliver throughout the remainder of 2019

New Supply (msf)

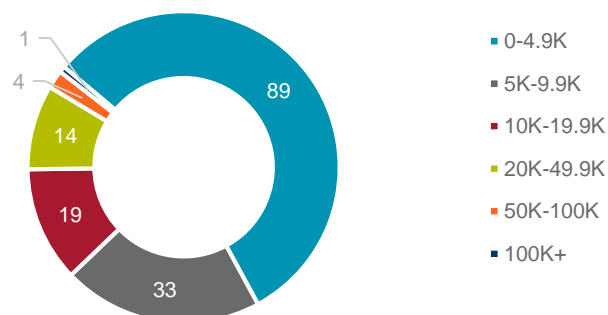


Warehouse/Distribution Asking Rents by Submarket (NNN)



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)	CONSTRUCTION COMPLETIONS (SF)	YTD OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*
Boca Raton	145	6,876,690	0	4.5%	512	0	0	\$10.12	\$14.90	\$12.72
Jupiter	43	2,941,975	30,367	3.5%	-2,860	220,000	0	N/A	\$11.09	\$11.76
Delray Beach	65	2,059,338	66,110	0.9%	-8,238	0	0	N/A	\$12.00	\$12.69
Boynton Beach	78	3,645,883	47,626	6.4%	-600	0	56,160	N/A	\$12.52	\$7.92
Lake Worth	52	1,967,562	0	7.6%	-4,500	0	0	N/A	\$11.52	\$8.38
Riviera Beach	200	8,883,222	190,315	1.9%	-27,140	45,000	0	\$9.35	\$7.50	\$8.27
West Palm Beach	274	15,512,672	659,370	3.1%	-87,178	224,123	0	\$7.35	\$12.03	\$9.37
<b>PALM BEACH TOTALS</b>	<b>857</b>	<b>41,887,343</b>	<b>993,788</b>	<b>3.5%</b>	<b>-130,004</b>	<b>489,123</b>	<b>56,160</b>	<b>\$7.93</b>	<b>\$13.43</b>	<b>\$9.14</b>

\*Rental rates reflect asking \$psf/year

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)	LEASING ACTIVITY (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	568	27,952,334	901,316	3.4%	-100,669	489,123	93,272	56,160	\$9.14	\$9.22
Manufacturing	128	7,337,368	44,846	2.1%	-13,500	0	17,200	0	\$7.93	\$7.93
Office Service/Flex	161	6,597,640	47,626	5.2%	-15,835	0	138,262	0	\$13.43	\$13.03

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

## Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1900 Corporate Drive	52,505	Quantachrome	Renewal*	Boynton Beach
401 N Cleary Road	51,296	PILOT Freight Services	New Lease	West Palm Beach
1916 Corporate Drive	15,000	Paradise Exteriors	Renewal	Boynton Beach

\*Renewals are not included in Leasing Activity statistics.

## Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Delray Corporate Center	542,000	Transamerica/13 <sup>th</sup> Floor Investments et al.	\$33,000,000/\$61	Delray Beach
Turnpike Business Center	352,586	McCraney Property Company/Cabot Properties	\$39,000,000/\$110	West Palm Beach
Interstate Industrial Park (2 Building Portfolio Sale)	160,302	Silverman Group/Interstate Ind. Park Holdings, LLC	\$12,000,000/\$73	Riviera Beach

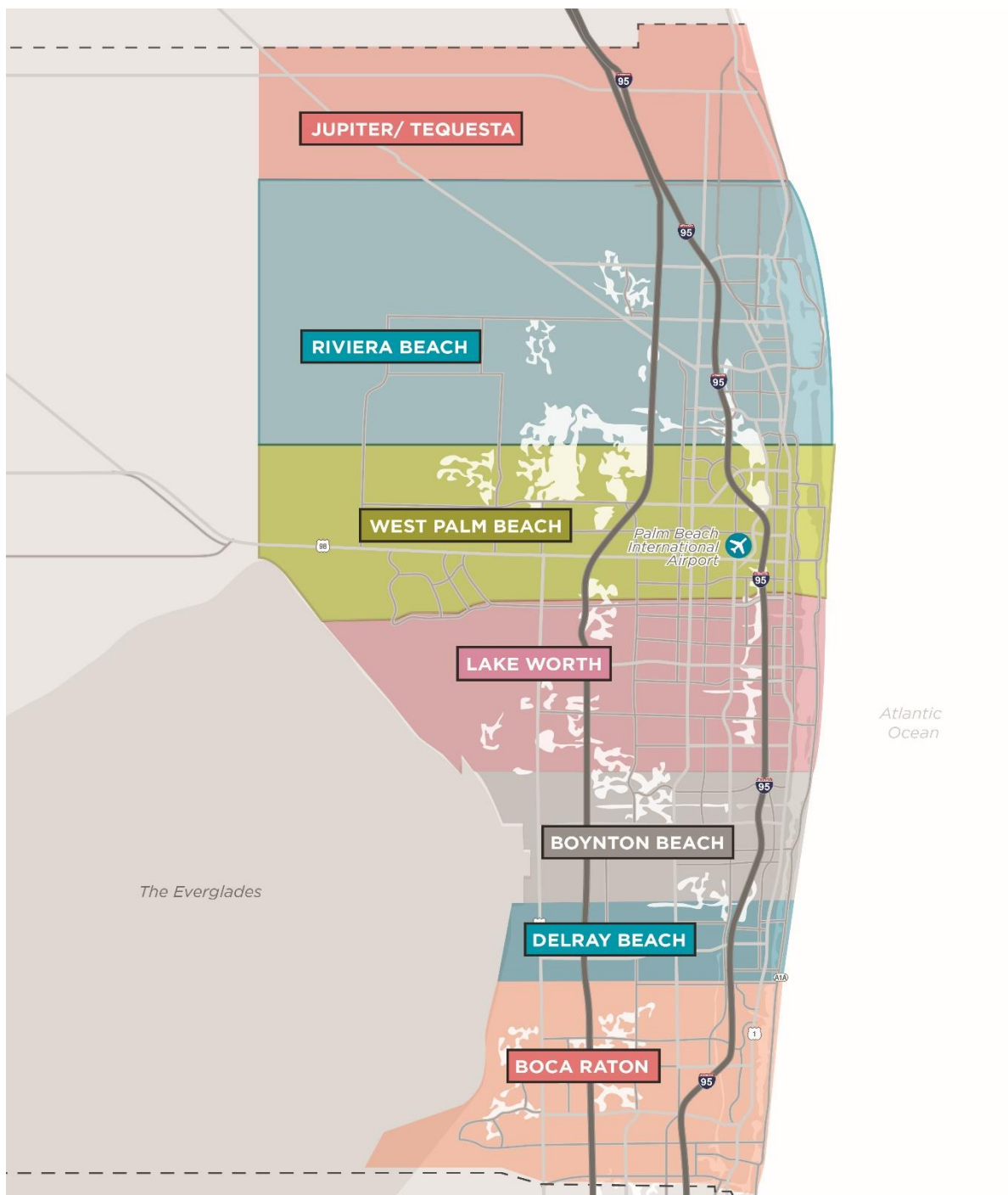
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