

MARKETBEAT

Palm Beach County

Industrial Q3 2019



PALM BEACH INDUSTRIAL

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Palm Beach Employment	625k	638k	▲
Palm Beach Unemployment	3.8%	3.7%	▼
U.S. Unemployment	3.8%	3.7%	▲

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

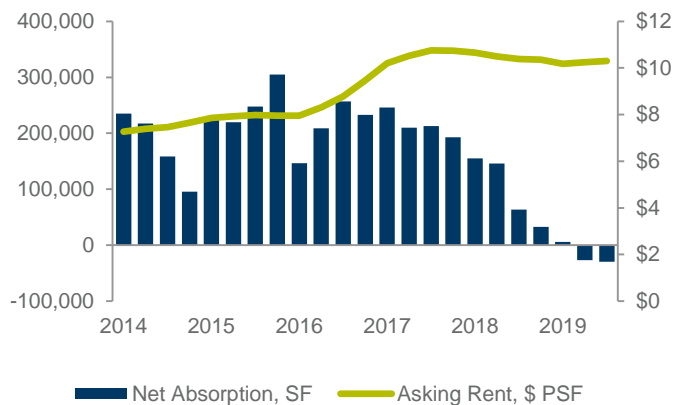
Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	2.8%	3.7%	▼
YTD Net Absorption (sf)	154k	-95k	▲
Under Construction (sf)	247k	526k	▲
Average Asking Rent*	\$10.12	\$10.38	▼

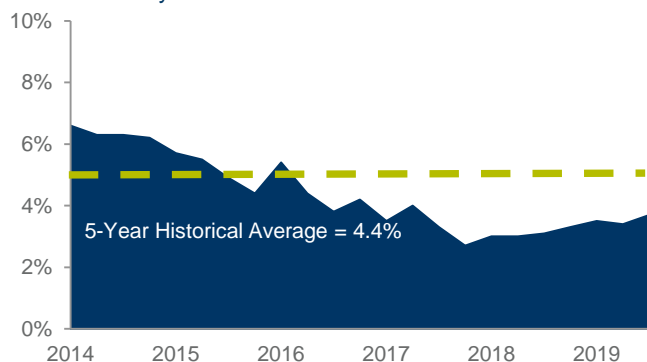
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Palm Beach County added 13,200 jobs year-over-year (YOY), for an annual growth rate of 2.1%. As of August 2019, the unemployment rate was 3.7%, a 10 basis-point (bps) decrease in twelve months. The County tied for the third highest in the state in manufacturing with 1,100 jobs added. Another industrial-related sector that showed job growth over the year was construction with a total of 1,800 jobs added.

Market Supply

The third quarter ended with three major buildings under construction with significant preleasing in place. Turnpike Crossing Industrial Park, located in the West Palm Beach submarket and developed by Duke Realty Corporation, will deliver two buildings by mid-year 2020. The two buildings combined will add over 250,000 square feet (sf) of warehouse/distribution space that were preleased to SWI Solutions and an eCommerce company. Palm Beach Park of Commerce, a 220,000-sf warehouse/distribution center in the Jupiter submarket, was under construction and set to deliver by the year end. The County's robust construction pipeline contained nearly 1.3 million square feet (msf) of industrial space with deliveries spanning over the next three years.

Market Pricing

Overall asking rents remained stable at the close of the third quarter at \$10.38 per square foot (psf) triple net. The Lake Worth submarket led the county in rental gains increasing 18.9% YOY to \$9.45 psf. Warehouse/Distribution space drove gains in the Lake Worth submarket increasing by 18.9% YOY. Delray Beach recorded rental increases of 10.1% over four quarters in warehouse/distribution while flex space decreased by 6.4% YOY to \$16.75 psf. West Palm Beach, the largest industrial submarket, experienced a 14.6% YOY increase to \$9.62 psf. West Palm Beach rental increases were driven by heightened landlord confidence to raise rates in warehouse/distribution assets, recording a 23.2% YOY increase in the property type.

Market Demand

In the first nine months of the year, leasing activity strengthened to approximately 1.5 msf year-to-date (YTD) compared to same time frame last year with 1.2 msf leased, a 25.2% increase YOY. The Riviera Beach submarket led the county in leasing activity with over 485,000 sf leased, a 119.3% YOY increase. West Palm Beach recorded lighter leasing activity figures in the third quarter with 300,000 sf leased, a 22.9% decrease from this time last year. Overall vacancy trended upward with a 90 basis point (bps) increase YOY.

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The Riviera Beach submarket saw a 120 bps decrease in vacancy in twelve months, moving the rate to 2.4% with strong indications of growth due to leasing activity in the third quarter. The Boca Raton submarket showed the largest rise in vacancy with a 320-bps increase YOY.

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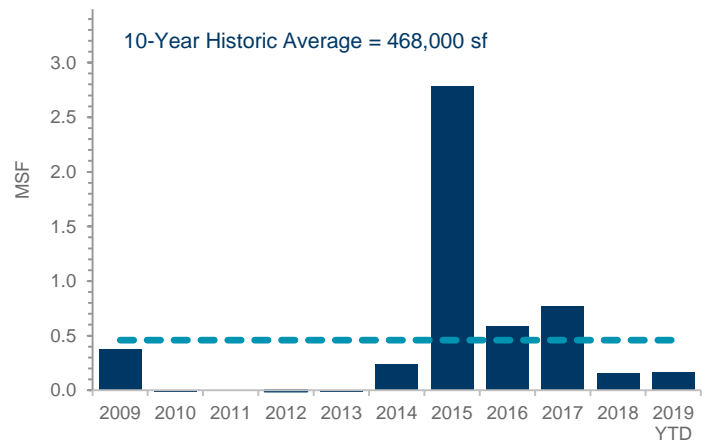
Overall net absorption trended upward in the third quarter with a gain of 23,000 sf but remained negative 95,000 sf on the year. The Lake Worth submarket moved positive to 30,000 sf absorbed YTD due to the 35,000 sf of absorption in the third quarter. While leasing activity in West Palm Beach slowed down, absorption remained positive for warehouse/distribution assets in the submarket with 21,000 sf absorbed YTD. Flex space continued to trend positive with 44,000 sf absorbed in the first nine months of the year.

Investment sales for the third quarter were light with only 182,000 sf in transactions. Due to the strong first half of the year, 2019 had 1.8 msf of industrial product sold YTD in Palm Beach County. In 2018, the same amount of product was sold by year end which indicates that 2019 will have the opportunity to surpass the previous year's numbers. Boynton Beach saw the lion's share of sales volume in the third quarter with 72,000 sf sold and bringing the YTD to over 134,000 sf.

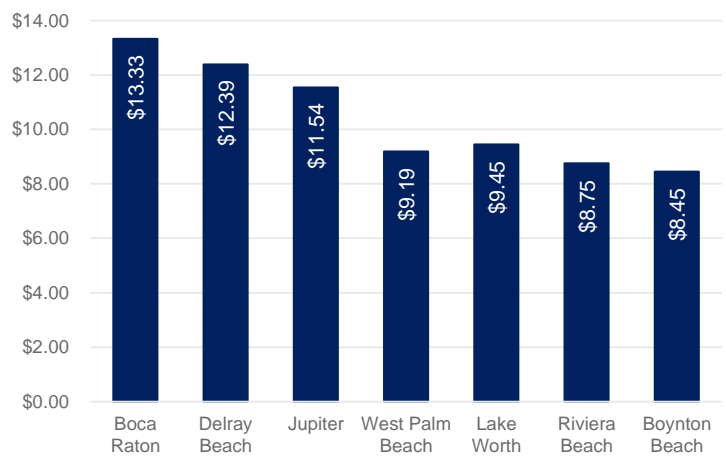
Market Highlights

- Palm Beach County's pipeline contained nearly 1.3 million square feet (msf) of industrial space with deliveries over the next three years.
- In the first nine months of the quarter, leasing activity strengthened by 25.2% YOY.
- West Palm Beach's warehouse/distribution assets recorded 23.2% YOY rental increases driven by heightened landlord confidence

New Supply (msf)

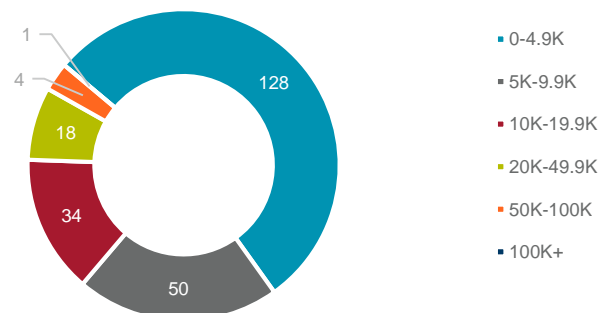


Warehouse/Distribution Asking Rents by Submarket (NNN)



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 WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*
Boca Raton	144	6,875,362	0	6.7%	-1,304	0	0	\$13.08	\$14.57	\$13.33
Jupiter	43	2,941,975	0	3.2%	-2,073	220,000	0	N/A	\$11.54	\$11.54
Delray Beach	65	2,059,338	0	1.0%	-9,138	0	0	N/A	\$16.75	\$12.39
Boynton Beach	77	3,602,683	72,000	5.7%	7,607	0	56,160	N/A	\$13.81	\$8.45
Lake Worth	52	1,967,562	0	2.6%	30,215	0	0	N/A	N/A	\$9.45
Riviera Beach	201	9,065,201	0	2.4%	-104,269	305,725	77,870	\$7.48	\$9.25	\$8.75
West Palm Beach	275	15,721,159	15,000	3.3%	-15,556	0	41,400	N/A	\$13.32	\$9.19
PALM BEACH TOTALS	857	42,233,280	87,000	3.7%	-94,518	525,725	175,430	\$9.32	\$13.36	\$9.44

*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)	YTD LEASING ACTIVITY (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	569	28,323,979	72,000	3.6%	-85,362	525,725	927,531	175,430	\$9.44	\$9.54
Manufacturing	128	7,382,385	15,000	1.5%	-53,115	0	125,658	0	\$9.32	\$9.32
Office Service/Flex	160	6,526,916	0	6.8%	43,959	0	402,342	0	\$13.36	\$13.36

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

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
700 Banyan Trail	161,750	eCommerce Company	New	Boca Raton
6717 Belvedere Road	161,725	SWI Solutions	New	West Palm Beach
6711 Belvedere Road	96,759	eCommerce Company	New	West Palm Beach

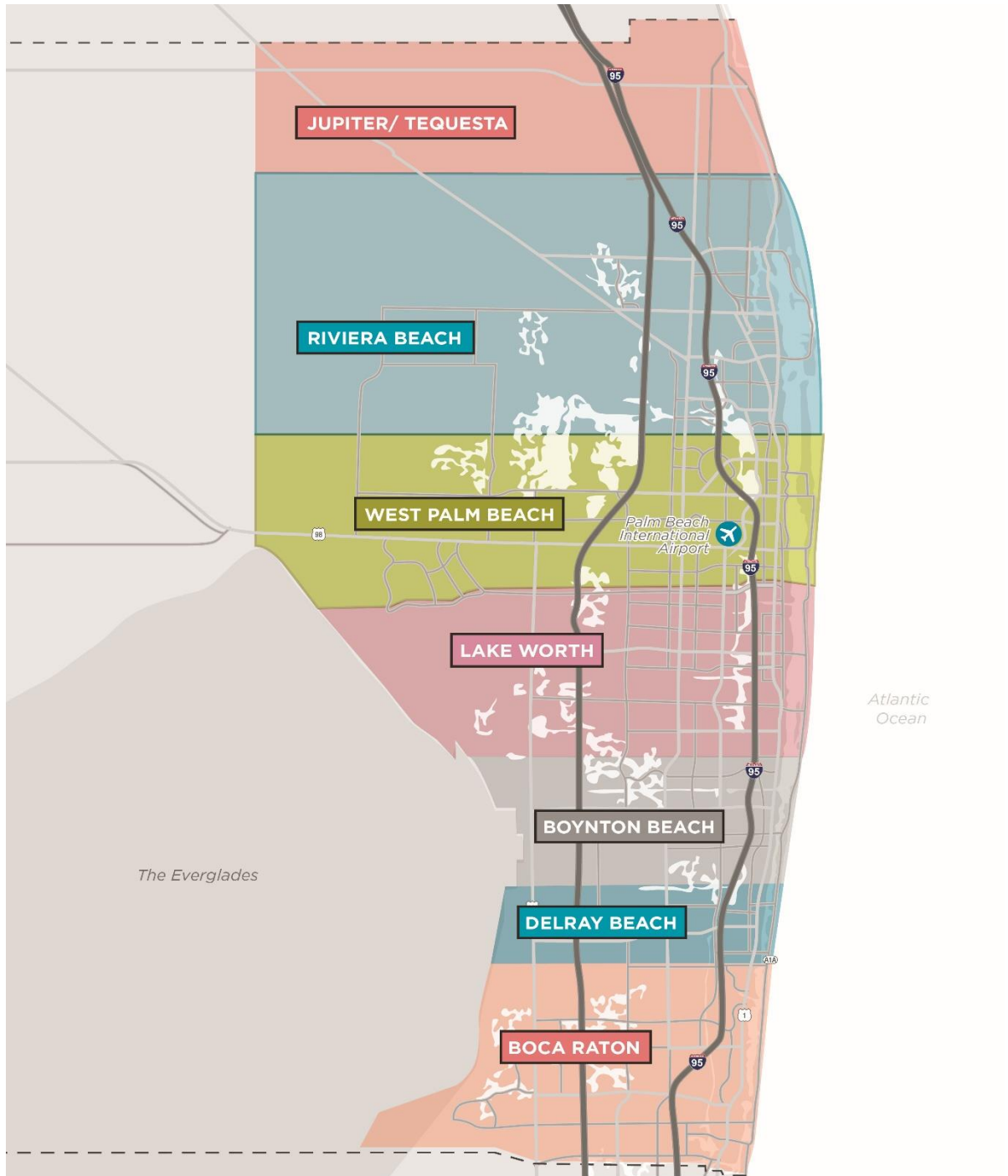
Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
2900 High Ridge Road	72,000	JS Ende Family LP/Redfearn Capital	\$7,600,000/\$106	Boynton Beach
6403 W Rogers Circle	44,550	Xena Realty LLC/LKL Acquisitions LLC	\$5,700,000/\$128	Boca Raton

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