

Palm Beach

A surge in online ordering causes Amazon to make a large bet on Palm Beach County

Palm Beach County's industrial market remained healthy during the third quarter with net absorption ending in positive territory at the end of September and market fundamentals remained sound despite the current economic conditions presented by the ongoing pandemic.

The industrial market has been well-insulated from rising vacancies due to an uptick of online ordering during the pandemic and increased demand for warehouse space. While overall vacancy is up 153 basis points (bps) year-over-year at 4.60%, it is still considerably low. The stronger-than-normal uptick in vacancy this quarter is mostly due to the delivery of Building 4 at Prologis Airport Center in West Palm Beach, which delivered 184,860 sf with no pre-leasing activity. While overall vacancy has remained below 5.0% since 2015 in Palm Beach County, that is likely to change within the coming quarter as 682,403 sf of speculative space is scheduled to hit the market by the end of the year.

Leasing demand in North Palm Beach

Leasing demand has remained steady with notable activity occurring recently in the North Palm Beach submarket. Following two significant deals earlier this year at the newly completed Building 25 at Palm Beach Park of Commerce in Jupiter, Niagara Bottling (+114,536 sf) and Spartan Motors (+34,950 sf), Amazon just signed a massive lease for a 1,000,000-sf build-

to-suit opportunity within the same park. Amazon has been particularly active in the South Florida region during the pandemic, signing over 3.5 million sf since the beginning of the second quarter alone. According to a recent report by IBM's U.S. Retail Index, the pandemic has accelerated the shift to e-commerce by five years. Palm Beach County remains a crucial last-mile delivery corridor for retailers and e-commerce.

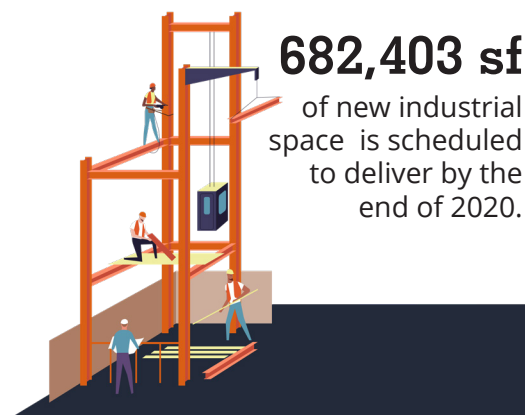
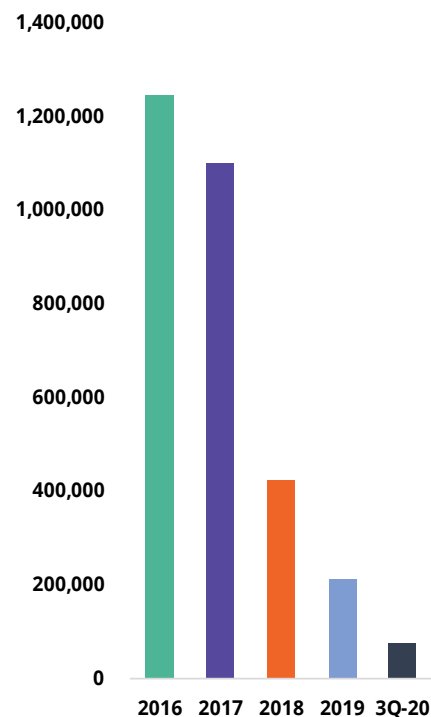
Investment activity beginning to recover

Investment sales activity has been on the road to recovery in Palm Beach County with total sales volume for the trailing 12 months ending in September at \$304.1 million, down only 27.9% from the same time period last year. The largest investment sale of the quarter was Dalfen Industrial's purchase of a 208,000-sf warehouse in West Palm Beach for \$25.2 million, or \$161 per sf.

Looking ahead toward 2021

Palm Beach County's industrial market is well-positioned to weather the storm of the pandemic as market fundamentals remain sound and demand for quality logistics space persists. Even with the increase in online ordering during the pandemic, e-commerce still only accounted for 15.1% of retail sales according to data released by the US Census Bureau, leaving plenty of room for runway in the coming years and allowing growth to continue in Palm Beach.

Historical 5-Year Net Absorption Trend



682,403 sf
of new industrial space is scheduled to deliver by the end of 2020.

39.5 MSF

Total inventory in the Palm Beach Industrial market

75,380 SF

Direct Y-T-D net absorption as of 3Q-2020

4.60%

Overall vacancy

\$8.78/SF/NNN

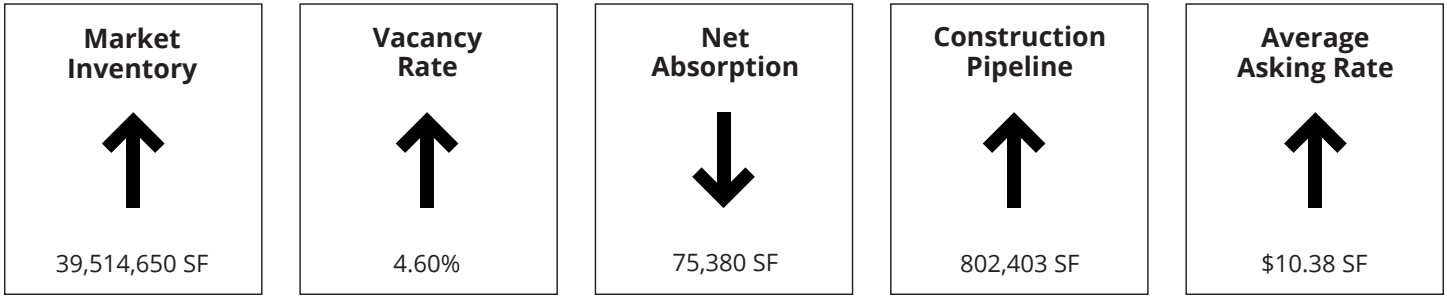
Average rental rate for industrial space (excluding flex)

Market by the numbers

Palm Beach County										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	4,904,008	266,594	53,250	\$8.34	94.56%	5.44%	1.09%	6.52%	244,622	339,186
Flex	11,062,533	589,280	15,620	\$13.30	94.67%	5.33%	0.14%	5.47%	0	(187,243)
Manufacturing	6,271,878	140,900	52,213	\$8.21	97.75%	2.25%	0.83%	3.08%	0	(19,976)
Warehouse / Distributi	17,276,231	663,054	34,844	\$9.07	96.16%	3.84%	0.20%	4.04%	557,781	(56,587)
Total	39,514,650	1,659,828	155,927	\$10.38	95.80%	4.20%	0.39%	4.60%	802,403	75,380
Boca Raton										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Flex	3,193,240	168,542	8,520	\$14.66	94.72%	5.28%	0.27%	5.54%	0	(2,305)
Manufacturing	795,545	9,000	9,000	\$10.00	98.87%	1.13%	1.13%	2.26%	0	0
Warehouse / Distributi	2,329,216	66,808	15,000	\$11.57	97.13%	2.87%	0.64%	3.51%	0	(55,794)
Total	6,318,001	244,350	32,520	\$13.65	96.13%	3.87%	0.51%	4.38%	0	(58,099)
Delray Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Flex	966,351	65,769	0	\$13.62	93.19%	6.81%	0.00%	6.81%	0	(10,013)
Manufacturing	224,841	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distributi	979,711	1,400	0	\$11.40	99.86%	0.14%	0.00%	0.14%	0	1,375
Total	2,170,903	67,169	0	\$13.57	96.91%	3.09%	0.00%	3.09%	0	(8,638)
Boynton Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	450,000	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Flex	883,765	44,080	0	\$12.58	95.01%	4.99%	0.00%	4.99%	0	(6,375)
Manufacturing	513,908	56,382	0	\$8.75	89.03%	10.97%	0.00%	10.97%	0	0
Warehouse / Distributi	2,016,339	155,257	0	\$8.72	92.30%	7.70%	0.00%	7.70%	0	3,667
Total	3,864,012	255,719	0	\$9.39	93.38%	6.62%	0.00%	6.62%	0	(2,708)
Lake Worth										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	252,000	11,400	0	\$8.50	95.48%	4.52%	0.00%	4.52%	0	27,975
Flex	669,870	90,938	0	\$12.31	86.42%	13.58%	0.00%	13.58%	0	(62,889)
Manufacturing	562,038	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distributi	956,557	39,016	0	\$7.68	95.92%	4.08%	0.00%	4.08%	0	(32,451)
Total	2,440,465	141,354	0	\$10.72	94.21%	5.79%	0.00%	5.79%	0	(67,365)
Wellington										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	875,198	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Flex	598,782	4,239	0	\$13.58	99.29%	0.71%	0.00%	0.71%	0	7,850
Manufacturing	231,501	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distributi	878,451	18,802	0	\$11.50	97.86%	2.14%	0.00%	2.14%	317,499	1,748
Total	2,583,932	23,041	0	\$11.88	99.11%	0.89%	0.00%	0.89%	317,499	9,598
West Palm Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	2,436,810	184,680	53,250	\$8.75	92.42%	7.58%	2.19%	9.76%	244,622	161,725
Flex	3,694,097	112,284	0	\$10.93	96.96%	3.04%	0.00%	3.04%	0	(37,572)
Manufacturing	3,132,744	75,518	43,213	\$7.60	97.59%	2.41%	1.38%	3.79%	0	(19,976)
Warehouse / Distributi	9,393,508	330,296	19,844	\$8.33	96.48%	3.52%	0.21%	3.73%	240,282	(7,322)
Total	18,657,159	702,778	116,307	\$8.78	96.23%	3.77%	0.62%	4.39%	484,904	96,855
North Palm Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	890,000	70,514	0	\$7.25	92.08%	7.92%	0.00%	7.92%	0	149,486
Flex	1,056,428	103,428	7,100	\$14.61	90.21%	9.79%	0.67%	10.46%	0	(75,939)
Manufacturing	811,301	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distributi	722,449	51,475	0	\$11.74	92.87%	7.13%	0.00%	7.13%	0	32,190
Total	3,480,178	225,417	7,100	\$11.65	93.52%	6.48%	0.20%	6.68%	0	105,737

Reporting Methodology: This report includes all industrial buildings and parks 20,000 SF and greater in Palm Beach County that are not government owned. All rents are reported on a triple-net basis and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Leading Indicators (Y-O-Y Q3-2019 to Q3-2020)



Significant Third Quarter 2020 Lease Transactions - Sorted by SF

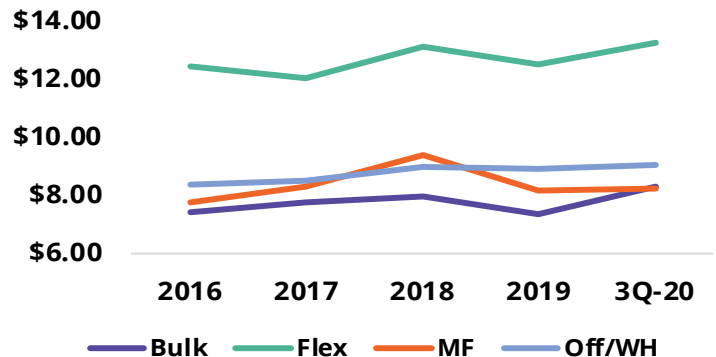
Tenant	Property	Type	SF	Submarket
Amazon	Palm Beach Park of Commerce	New	1,000,000	North Palm Beach
IM Management	15188 Park of Commerce Blvd S	New	23,613	North Palm Beach
Florida Squash Academy	Boynton Logistics Center	New	19,360	Boynton Beach
The Everglades Club	1710 Old Okeechobee Rd	New	15,000	West Palm Beach
Reso Inc.	1700-2060 Avenue L	New	12,000	West Palm Beach
U.S. Stone	Boynton Logistics Center	New	11,881	Boynton Beach
The Parts House	2000 Corporate Dr	New	11,272	Boynton Beach
Innova Home & Design	6965 Vista Pky N	New	10,580	West Palm Beach

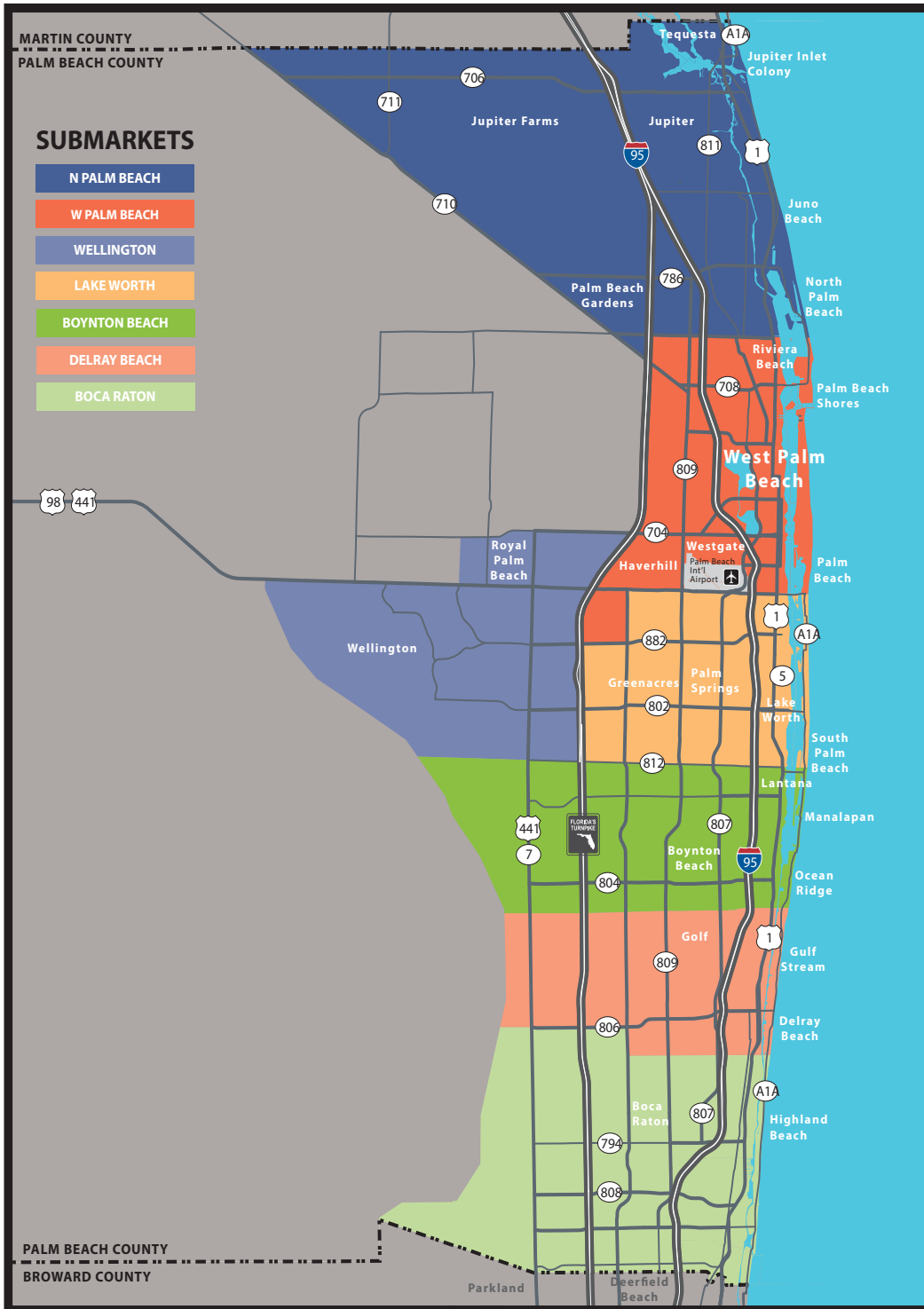
Significant Third Quarter 2020 Sales Transactions - Sorted by SF

Property	SF	Sale Price	Price/SF	Buyer	Submarket
3774 Interstate Park Rd N	208,000	\$25,294,000	\$121	Dalfen Industrial	West Palm Beach
501 103rd Ave	86,400	\$15,500,000	\$179	Cabot Properties	Wellington
First Park of South Florida	35,895	\$5,375,000	\$149	The Druker Company	North Palm Beach

Asking rents experiencing solid growth amid new speculative deliveries

The overall asking rate (excluding flex space) saw a solid increase to \$8.78 per sf (+\$0.11) year-over-year. The increase was due in part to higher quality logistics space coming online with little to no pre-leasing activity.





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