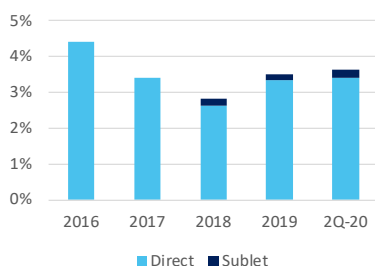


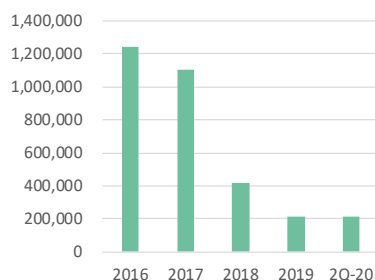
## Palm Beach County

After several years of record-setting economic growth, Florida's real estate markets abruptly paused in mid-March due to the spread of the novel coronavirus (COVID-19). While the full impact is yet to be felt, second quarter statistics provide an indication of the Palm Beach market's health. Third quarter activity is expected to provide greater clarity.

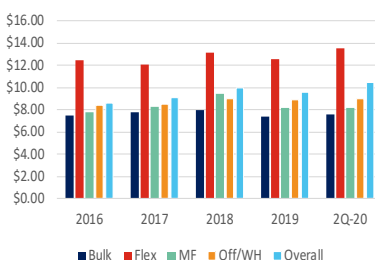
### Vacancy Rate



### YTD Net Absorption (SF)



### Average Asking Rent Rate (\$/SF/NNN)



## Palm Beach County's Industrial Market Remains Tight with Record Deliveries Expected Later in the Year

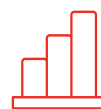
- The industrial market continues to position itself as the commercial real estate sector most insulated from the current pandemic. As a result, Palm Beach County's industrial market remained tight and market fundamentals held steady during the second quarter of 2020 with net absorption trending positive at the close of the quarter.
- Leasing velocity slowed significantly during the second quarter. There were only a handful of significant deals, including Millwork Sales renewing 152,390 sf in Wellington. Lockheed Martin also signed a renewal in West Palm Beach for 28,834 sf, however, they downsized to about half their space.
- While vacancy has hovered around 3% for the last few years, it rose slightly by 30 basis points (bps) quarter-over-quarter. With several large deliveries planned by the end of the year and a weaker demand outlook as a result of the pandemic, vacancies are expected to rise by year-end.
- During the second quarter, Duke Realty delivered 161,725 sf in West Palm Beach with the completion of Building 4 at Turnpike Crossing Industrial Park. The building was entirely pre-leased to SIW Solutions, which took occupancy of the space during May. The 800,203-sf logistics park, which has been built over the last four years, is 100% leased upon its completion, speaking to the strength of demand for premium logistics space.
- The overall asking average rate continues to climb, reaching \$10.47 psf by the end of the quarter, a 5.3% increase year-over-year. Landlords have been holding rates firm across South Florida, opting to wait out the pandemic for 60 to 90 days rather than offer significant concessions.

### Trends to Watch



#### E-commerce Expansion

Accelerated e-commerce expansion is expected to fuel demand for warehouse space since it requires three times the logistics space as traditional distribution.



#### Vacancy on the Rise

Vacancies have held near 3% for the last few years due to limited construction. With record deliveries expected in 2020, vacancy will rise.



#### 1 Million SF to Deliver

Nearly 1 million sf of industrial space remains under construction, almost all of which will deliver by the end of 2020, marking the strongest year for deliveries since 2016.

**39.3 MSF**

Total industrial inventory in the Palm Beach County market

**216,044 SF**

Direct Y-T-D net absorption as of 2Q-2020

**3.63%**

Overall Vacancy

**\$8.65/SF/NNN**

Average rental rate for industrial space (excluding flex)

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	4,719,328	109,889	0	\$7.57	97.67%	2.33%	0.00%	2.33%	429,302	311,211
Flex	11,062,533	495,512	15,620	\$13.56	95.52%	4.48%	0.14%	4.62%	0	(93,475)
Manufacturing	6,271,878	147,300	43,213	\$8.21	97.65%	2.35%	0.69%	3.04%	0	(26,376)
Warehouse / Distribution	17,276,231	581,783	34,844	\$8.96	96.63%	3.37%	0.20%	3.57%	557,781	24,684
<b>Total</b>	<b>39,329,970</b>	<b>1,334,484</b>	<b>93,677</b>	<b>\$10.47</b>	<b>96.61%</b>	<b>3.39%</b>	<b>0.24%</b>	<b>3.63%</b>	<b>987,083</b>	<b>216,044</b>

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	151,491	8,520	\$14.82	95.26%	4.74%	0.27%	5.01%	0	14,746
Manufacturing	795,545	9,000	0	\$10.00	98.87%	1.13%	0.00%	1.13%	0	0
Warehouse / Distribution	2,329,216	44,571	15,000	\$12.20	98.09%	1.91%	0.64%	2.56%	0	(33,557)
<b>Total</b>	<b>6,318,001</b>	<b>205,062</b>	<b>23,520</b>	<b>\$14.04</b>	<b>96.75%</b>	<b>3.25%</b>	<b>0.37%</b>	<b>3.62%</b>	<b>0</b>	<b>(18,811)</b>

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	60,628	0	\$14.44	93.73%	6.27%	0.00%	6.27%	0	(4,872)
Manufacturing	224,841	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	979,711	2,775	0	\$12.56	99.72%	0.28%	0.00%	0.28%	0	0
<b>Total</b>	<b>2,170,903</b>	<b>63,403</b>	<b>0</b>	<b>\$14.36</b>	<b>97.08%</b>	<b>2.92%</b>	<b>0.00%</b>	<b>2.92%</b>	<b>0</b>	<b>(4,872)</b>

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	44,143	0	\$13.39	95.01%	4.99%	0.00%	4.99%	0	(6,438)
Manufacturing	513,908	56,382	0	\$8.75	89.03%	10.97%	0.00%	10.97%	0	0
Warehouse / Distribution	2,016,339	172,879	0	\$8.66	91.43%	8.57%	0.00%	8.57%	0	(13,955)
<b>Total</b>	<b>3,864,012</b>	<b>273,404</b>	<b>0</b>	<b>\$9.44</b>	<b>92.92%</b>	<b>7.08%</b>	<b>0.00%</b>	<b>7.08%</b>	<b>0</b>	<b>(20,393)</b>

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	39,375	0	\$8.15	84.38%	15.63%	0.00%	15.63%	0	0
Flex	669,870	61,071	0	\$11.03	90.88%	9.12%	0.00%	9.12%	0	(33,022)
Manufacturing	562,038	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	956,557	6,200	0	\$6.27	99.35%	0.65%	0.00%	0.65%	0	365
<b>Total</b>	<b>2,440,465</b>	<b>106,646</b>	<b>0</b>	<b>\$9.69</b>	<b>95.63%</b>	<b>4.37%</b>	<b>0.00%</b>	<b>4.37%</b>	<b>0</b>	<b>(32,657)</b>

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	10,169	0	\$14.93	98.30%	1.70%	0.00%	1.70%	0	1,920
Manufacturing	231,501	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	878,451	10,102	0	\$11.42	98.85%	1.15%	0.00%	1.15%	317,499	10,448
<b>Total</b>	<b>2,583,932</b>	<b>20,271</b>	<b>0</b>	<b>\$13.18</b>	<b>99.22%</b>	<b>0.78%</b>	<b>0.00%</b>	<b>0.78%</b>	<b>317,499</b>	<b>12,368</b>

West Palm Beach

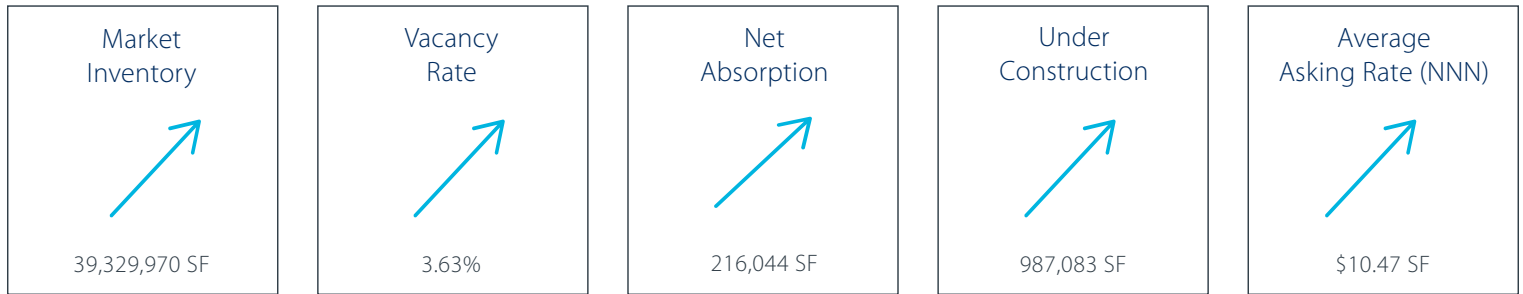
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	2,252,130	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	429,302	161,725
Flex	3,694,097	75,367	0	\$11.11	97.96%	2.04%	0.00%	2.04%	0	(655)
Manufacturing	3,132,744	81,918	43,213	\$7.65	97.39%	2.61%	1.38%	3.99%	0	(26,376)
Warehouse / Distribution	9,393,508	306,886	19,844	\$8.55	96.73%	3.27%	0.21%	3.48%	240,282	16,088
<b>Total</b>	<b>18,472,479</b>	<b>464,171</b>	<b>63,057</b>	<b>\$8.80</b>	<b>97.49%</b>	<b>2.51%</b>	<b>0.34%</b>	<b>2.85%</b>	<b>669,584</b>	<b>150,782</b>

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	92,643	7,100	\$14.50	91.23%	8.77%	0.67%	9.44%	0	(65,154)
Manufacturing	811,301	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	722,449	38,370	0	\$9.33	94.69%	5.31%	0.00%	5.31%	0	45,295
<b>Total</b>	<b>3,480,178</b>	<b>201,527</b>	<b>7,100</b>	<b>\$10.98</b>	<b>94.21%</b>	<b>5.79%</b>	<b>0.20%</b>	<b>5.99%</b>	<b>0</b>	<b>129,627</b>

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 2Q-2019 to 2Q-2020)**

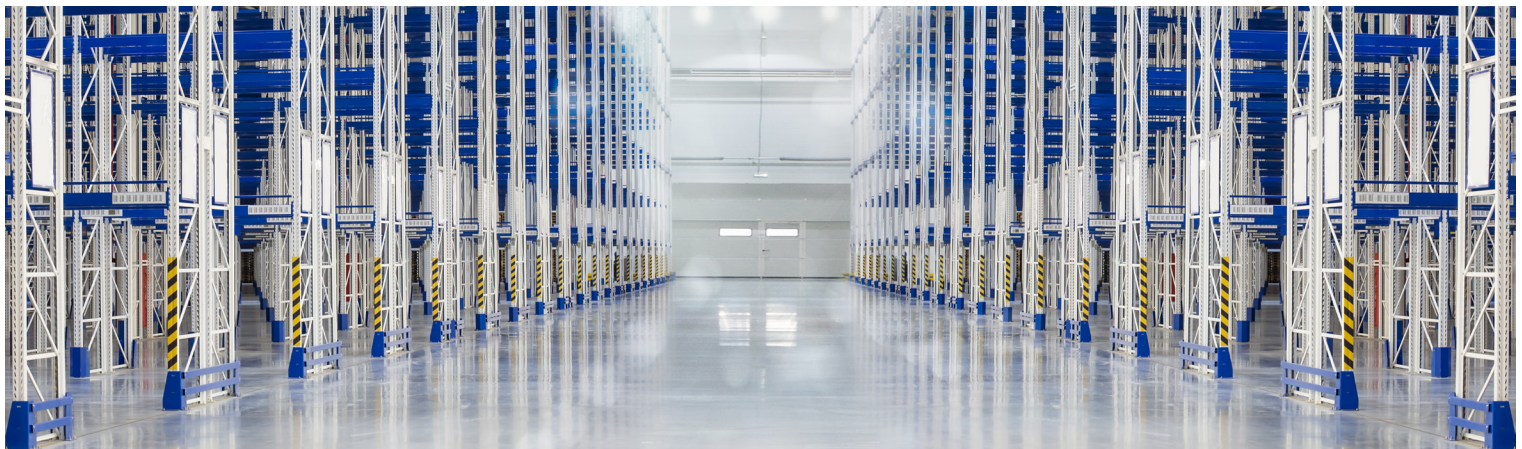


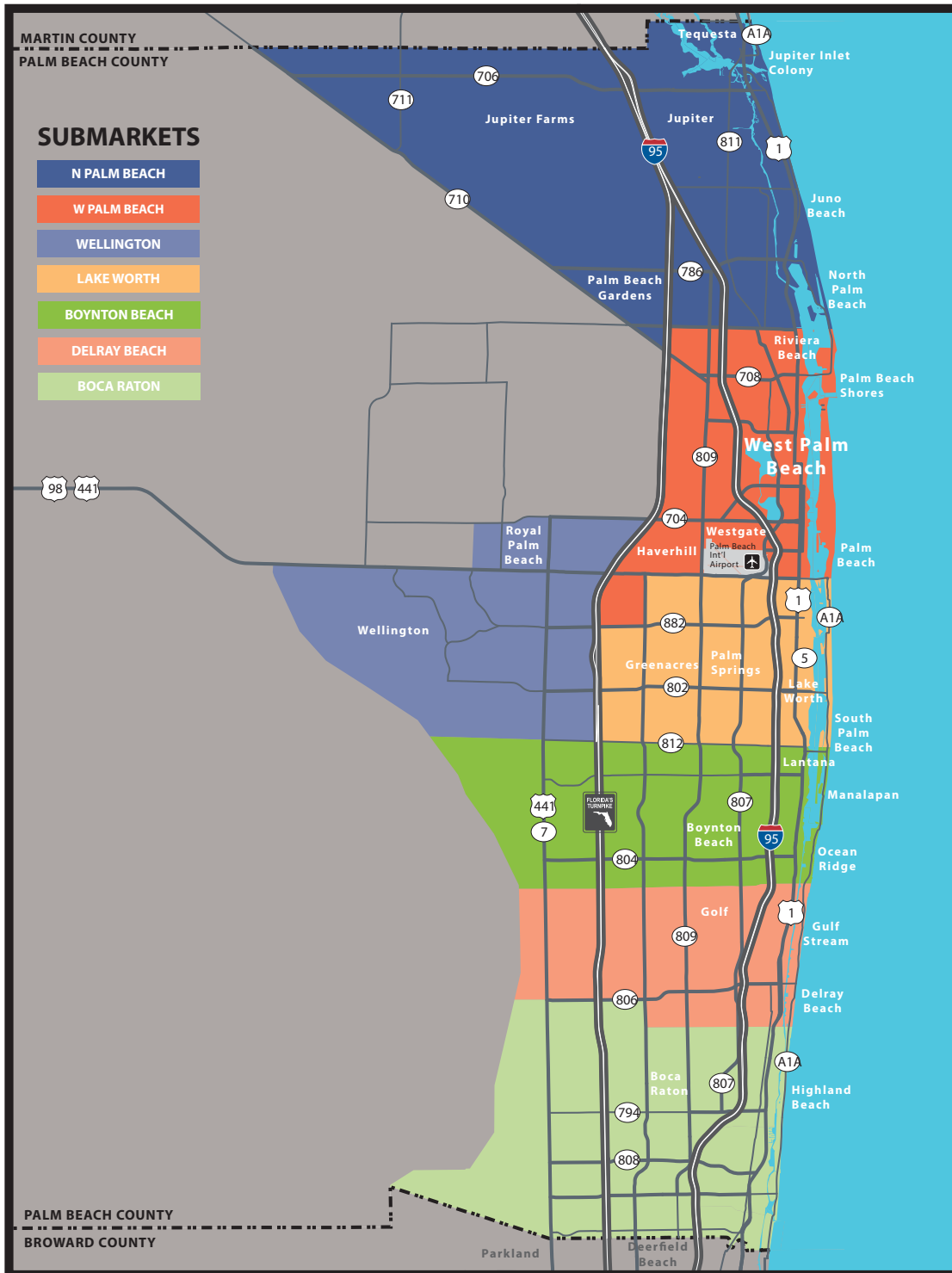
**Significant Second Quarter 2020 Lease Transactions - Sorted by SF**

Tenant	Property	Type	SF	Submarket
Millwork Sales	Southern Mills Business Park	Renewal	152,390	Wellington
Cavastone	1377 Clint Moore Rd	New	54,000	Boca Raton
Lockheed Martin	1400 Northpoint Pky	Renewal/Downsize	28,834	West Palm Beach
Safebound Logistics	1700-2060 Avenue L	New	13,500	West Palm Beach
Natural Way	15188 Park of Commerce Blvd	New	7,495	North Palm Beach

**Significant Second Quarter 2020 Sales Transactions - Sorted by Sale Price**

Property	SF	Sale Price	Price/SF	Buyer	Submarket
6600 Congress Ave	222,380	\$51,011,000	\$229	Oak Street Real Estate Capital	Boca Raton
1177 W Blue Heron Blvd	151,008	\$18,350,000	\$122	Dalfen Industrial	West Palm Beach
Gulfstream Goodwill	43,674	\$5,720,000	\$131	Redfearn Capital	West Palm Beach





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