

## Market Fundamentals Improve Amid Strong Leasing Activity and New Construction

Healthy economic fundamentals as well as strong population growth and steady leasing activity continued to fuel Palm Beach County's industrial market during the second quarter of 2019. Positive job growth remains a powerful economic driver in Palm Beach County with the overall unemployment rate reaching 3.1% as of May 2019, adding 14,800 non-farm employment jobs to the market. The largest year-over-year employment gain was within the manufacturing sector, which grew by 5.0% and should encourage demand for industrial space over the coming quarters. The overall vacancy rate has been on an upward trajectory for the last 12 months (up 78 basis points) due in part to high-quality industrial space delivering in neighboring markets. Still, the overall vacancy rate remains low at 3.48%, one of the tightest vacancies of any metro in Florida. Although overall net absorption remains in negative territory at the end of the second quarter, market fundamentals have improved over the quarter as significant leasing activity took place in key submarkets including West Palm Beach, Boynton Beach, and Boca Raton.

Palm Beach County's tight industrial market and limited supply of high-quality distribution space has sparked several new developments, with a total of 316,719 sf under construction. Notable development projects in the pipeline include Duke Realty's Turnpike Crossings Industrial Park in West Palm Beach, McCraney Property Co.'s approved 560,000-sf Airport Logistics Park project near the Palm Beach International Airport, and Liberty Property Trust's Liberty Airport Center. Rent growth remains healthy, with the overall average asking rate increasing by 6.5% year-over-year. Demand is projected to remain strong as population growth and flourishing e-commerce sales fuel the need for logistics space.



**Total investment sales volume over the trailing 12-month period ending 2Q-2019 has more than doubled.**

## Industrial Market Snapshot

- During the second quarter of 2019, Liberty Property Trust delivered building three of Liberty Airport Center, a speculative 77,870-sf industrial development project located in West Palm Beach. Building three delivered with no pre-leasing activity, contributing to further upward pressure on Palm Beach County's overall vacancy rate. At full build-out, the industrial park will total 660,740 sf of new industrial space. The next building in the pipeline to break ground is building four, which upon delivery will total 184,680 sf.
- Industrial investment sales activity picked up significantly in Palm Beach County, with total sales volume of \$336.5 million for the trailing 12-month period ending June 2019. This increase in sales activity more than doubled the total sales volume recorded over the same period at the midway point of 2018. Despite headwinds regarding ongoing trade tensions and a global economic slowdown, investors remain confident in the industrial sector, citing both the safety of industrial product and growing e-commerce sales as primary factors contributing to the strength of industrial assets. Of all industrial investment sales transactions for the year-to-date, 79.3% were to private investors.
- Johnson Development Associates recently announced plans to build a 120,282-sf distribution warehouse near the Port of Palm Beach. The project, located at 1301 President Barack Obama Highway, will be the first new development of quality distribution space in Riviera Beach in over a decade. The developer has been issued a \$10.66 million construction loan and will begin development in the near future.
- In June, the Federal Reserve announced that interest rates remain unchanged at the benchmark target range of 2.25% and 2.5%, but at the same time expressed concerns over economic uncertainty and slowing global growth, suggesting that an interest rate cut may be in the works by the end of the summer. It would be the first time the Federal Reserve cut the benchmark short-term rate since 2008.

**39.0 MSF**

Total industrial inventory in the Palm Beach County market

**(24,041) SF**

Direct Y-T-D net absorption as of 2Q-2019

**3.48%**

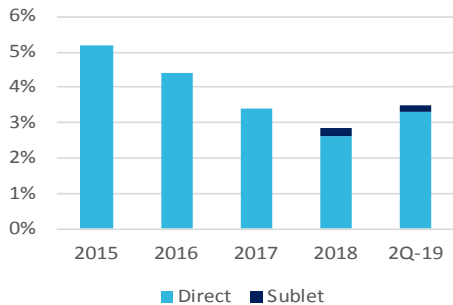
Overall Vacancy

**\$9.94 SF/NNN**

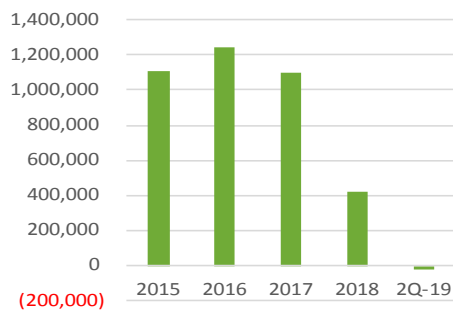
Average asking rental rate

## Statistical Snapshot

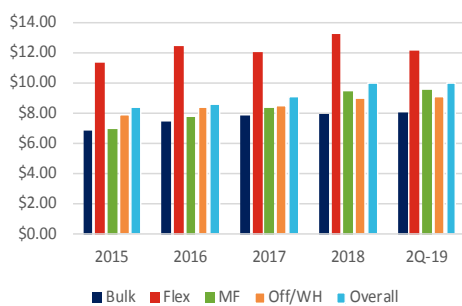
### Vacancy Rate



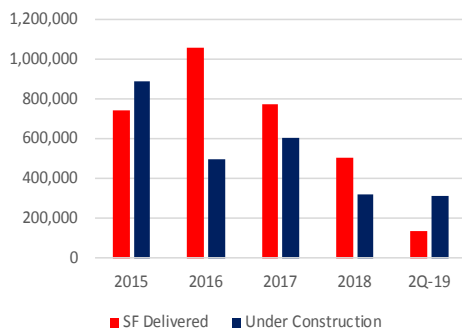
### YTD Net Absorption (SF)



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



### Construction Pipeline



## Palm Beach County Industrial Market At A Glance

### Demographics & Economy



**5.0%**  
year-over-year increase in  
manufacturing employment



The U.S. GDP grew  
by 3.1% during  
1Q-2019

**3.3%**  
MAY-2018



**3.1%**  
MAY-2019

change in the Palm Beach County  
unemployment rate

**14,800**

increase in total non-farm  
employment since 2Q-2018

### Development

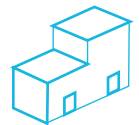


**Building 4 of Turnpike Crossing**  
broke ground during the 2Q-2019. The 96,759-sf  
building is expected to deliver by the end of the year.



**316 K**  
square feet under construction  
in Palm Beach County

**Liberty Airport Center**  
delivered building three totaling  
77,780 sf of speculative space in West  
Palm Beach during 2Q-2019.



**120,282 SF**  
of high-quality distribution space  
planned in Riviera Beach

### Market Influencers



**\$336.5**  
MILLION

in total industrial sales volume  
during the T-12 months ending 2Q-19



**6.5%**

increase in the average  
asking rate over the trailing  
12-months ending 2Q-19



**79.3%**  
of total investment sales  
for the year-to-date were to  
private investors



E-commerce is fueling demand for  
logistics space as Palm Beach serves  
as a vital last-mile delivery market.

### 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	4,337,603	138,997	0	\$8.00	96.80%	3.20%	0.00%	3.20%	220,000	82,661
Flex	10,835,404	411,125	4,938	\$12.09	96.21%	3.79%	0.05%	3.84%	0	(2,548)
Manufacturing	6,154,726	109,092	43,213	\$9.49	98.23%	1.77%	0.70%	2.47%	0	4,836
Warehouse / Distribution	17,715,991	632,778	17,344	\$9.04	96.43%	3.57%	0.10%	3.67%	96,759	(108,990)
<b>Total</b>	<b>39,043,724</b>	<b>1,291,992</b>	<b>65,495</b>	<b>\$9.94</b>	<b>96.69%</b>	<b>3.31%</b>	<b>0.17%</b>	<b>3.48%</b>	<b>316,759</b>	<b>(24,041)</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	3,206,292	168,939	0	\$12.59	94.73%	5.27%	0.00%	5.27%	0	47,709
Manufacturing	705,788	53,550	0	\$12.08	92.41%	7.59%	0.00%	7.59%	0	0
Warehouse / Distribution	2,588,816	64,219	0	\$11.84	97.52%	2.48%	0.00%	2.48%	0	(24,893)
<b>Total</b>	<b>6,500,896</b>	<b>286,708</b>	<b>0</b>	<b>\$12.33</b>	<b>95.59%</b>	<b>4.41%</b>	<b>0.00%</b>	<b>4.41%</b>	<b>0</b>	<b>22,816</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	851,710	18,363	0	\$14.11	97.84%	2.16%	0.00%	2.16%	0	(6,731)
Manufacturing	224,841	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,093,480	24,682	0	\$11.47	97.74%	2.26%	0.00%	2.26%	0	(13,566)
<b>Total</b>	<b>2,170,031</b>	<b>43,045</b>	<b>0</b>	<b>\$12.59</b>	<b>98.02%</b>	<b>1.98%</b>	<b>0.00%</b>	<b>1.98%</b>	<b>0</b>	<b>(20,297)</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	965,462	26,786	4,938	\$13.98	97.23%	2.77%	0.51%	3.29%	0	5,465
Manufacturing	489,908	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,944,645	198,433	4,000	\$7.78	89.80%	10.20%	0.21%	10.41%	0	(4,975)
<b>Total</b>	<b>3,850,015</b>	<b>225,219</b>	<b>8,938</b>	<b>\$8.51</b>	<b>94.15%</b>	<b>5.85%</b>	<b>0.23%</b>	<b>6.08%</b>	<b>0</b>	<b>490</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	102,267	0	\$7.95	59.42%	40.58%	0.00%	40.58%	0	31,365
Flex	619,320	45,296	0	\$7.47	92.69%	7.31%	0.00%	7.31%	0	11,071
Manufacturing	562,038	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	956,557	5,200	0	\$5.50	99.46%	0.54%	0.00%	0.54%	0	0
<b>Total</b>	<b>2,389,915</b>	<b>152,763</b>	<b>0</b>	<b>\$7.72</b>	<b>93.61%</b>	<b>6.39%</b>	<b>0.00%</b>	<b>6.39%</b>	<b>0</b>	<b>42,436</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	1,210,632	42,382	0	\$13.11	96.50%	3.50%	0.00%	3.50%	0	(22,373)
Manufacturing	231,501	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,171,666	51,975	0	\$8.45	95.56%	4.44%	0.00%	4.44%	0	(44,245)
<b>Total</b>	<b>3,488,997</b>	<b>94,357</b>	<b>0</b>	<b>\$10.54</b>	<b>97.30%</b>	<b>2.70%</b>	<b>0.00%</b>	<b>2.70%</b>	<b>0</b>	<b>(66,618)</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	2,090,405	36,730	0	\$8.15	98.24%	1.76%	0.00%	1.76%	0	51,296
Flex	3,022,297	59,155	0	\$10.75	98.04%	1.96%	0.00%	1.96%	0	1,855
Manufacturing	3,132,744	55,542	43,213	\$7.00	98.23%	1.77%	1.38%	3.15%	0	4,836
Warehouse / Distribution	9,123,668	186,217	13,344	\$8.76	97.96%	2.04%	0.15%	2.19%	96,759	(21,311)
<b>Total</b>	<b>17,369,114</b>	<b>337,644</b>	<b>56,557</b>	<b>\$8.76</b>	<b>98.06%</b>	<b>1.94%</b>	<b>0.33%</b>	<b>2.27%</b>	<b>96,759</b>	<b>36,676</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	670,000	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	220,000	0
Flex	959,691	50,204	0	\$13.55	94.77%	5.23%	0.00%	5.23%	0	(39,544)
Manufacturing	807,906	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	837,159	102,052	0	\$10.14	87.81%	12.19%	0.00%	12.19%	0	0
<b>Total</b>	<b>3,274,756</b>	<b>152,256</b>	<b>0</b>	<b>\$11.26</b>	<b>95.35%</b>	<b>4.65%</b>	<b>0.00%</b>	<b>4.65%</b>	<b>220,000</b>	<b>(39,544)</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.

Palm Beach County's employment outlook continues to improve, with the unemployment rate falling below 3.0% to 2.9% for the first time ever in April.

### Leading Indicators (Y-0-Y 2Q-2018 to 2Q-2019)



### Significant Second Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Caraustar Industries	1800 Avenue P	New	76,578	West Palm Beach
Mountain Group	7700 High Ridge Road	New	40,000	Boynton Beach
Wing Inflatables	1803 Madrid Avenue	Renewal	38,000	Lake Worth
Ferguson	3602-3630 Quantum Blvd	Sublease	27,967	Boynton Beach
Max Motiv	1800 NW 1st Ct	New	25,000	Boca Raton
Florotech	1301 W 13th Street	New	23,471	West Palm Beach
IDEC Elevator Products	1900 Australian Avenue	New	22,960	West Palm Beach
VPX	Blue Heron Distribution Center	New	20,000	West Palm Beach

### Significant Second Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
15132 Park of Commerce Blvd	105,000	\$13,500,000	\$129	Kenneth Gaul	North Palm Beach
851 Jupiter Park Lane	72,052	\$9,200,000	\$127	David Saunders	North Palm Beach
1601 Hill Avenue	220,625	\$8,700,000	\$39	Alliance Partners HSP LLC	West Palm Beach
2900 High Ridge Road	71,815	\$7,600,000	\$106	Redfern Capital	Boynton Beach

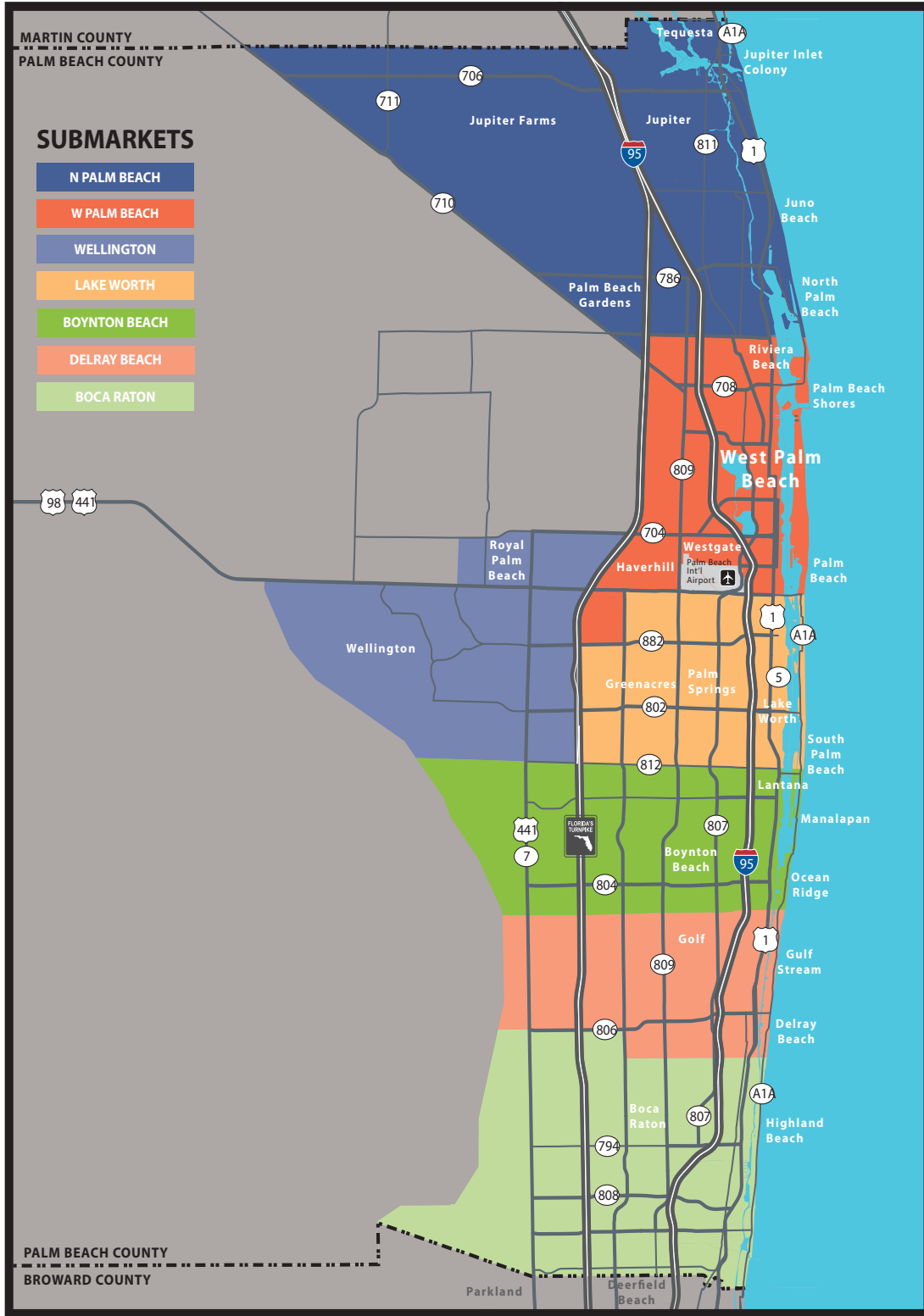


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# Palm Beach County Industrial Market Report

## Second Quarter 2019



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