

Palm Beach County

Slower Growth Amid a Decelerating Manufacturing Sector, New Logistics Space on the Horizon

Palm Beach County's industrial market experienced slower growth in 2019 when compared to 2018 as the global economy continued to decelerate. Palm Beach County, which boasts a strong manufacturing sector, began to experience the effects of the ongoing trade war during the last half of 2019 as the growth of the sector declined, mirroring a national trend. After experiencing consistent 5% annual job growth in the manufacturing sector throughout 2019, growth declined to 1.4% in November 2019, however the decline is less severe than the 1.7% and 5.9% decline in Broward and Miami-Dade County respectively.

Net absorption remained relatively flat, but ended the year in positive territory of 211,039 sf. Vacancy rates have been at historic lows for the last few years due to a limited construction pipeline, however the vacancy rate began trending upward in 2019, rising to 3.52% in the fourth quarter with the delivery of 220,000 sf of speculative space at the Palm Beach Park of Commerce. The average asking rental rate also experienced a 4% dip year-over-year due to the large addition of bulk distribution space. High-quality logistics space remains in high demand in Palm Beach County, as demonstrated by the 89.4% total occupancy of newly completed construction within the last five years. The continued demand for well-located logistics space and larger tracts of available land in Palm Beach County has caught the attention of many developers, most notably McCraney Property Co., which has two significant speculative projects in the works in West Palm Beach and Boca Raton. Leading into 2020, headwinds are likely to persist and present challenges, however the absorption of new supply coming online in 2020 may assist in offsetting some of the negative effects.



Significant new development is underway with just over 1 million sf either under construction or soon to break ground in 2020.

Industrial Market Snapshot

- McCraney Property Co. recently broke ground on phase I of the speculative industrial development Airport Logistics Park in West Palm Beach. The first phase will include two industrial buildings totaling 117,426 sf and 127,106 sf and completion is slated for mid-2020. At full build-out, the project will total 566,660 sf of premium logistics space. Although no pre-leasing was in place prior to breaking ground, the space will likely be absorbed quickly due to the project's close proximity to the airport and major thoroughfares.
- During the fourth quarter, TPA Group's 220,000-sf Building 25 in the Palm Beach Park Commerce delivered in Jupiter. The building had no pre-leasing prior to delivery and marks the largest construction completion of 2019. The delivery is also one of many speculative projects in the pipeline as developers seek new opportunities and remain confident in Palm Beach County's market fundamentals.
- Industrial investment activity picked up significantly in 2019 with investment sales volume totaling \$283.6 million, an impressive 50.2% jump over the investment sales recorded at the end of 2018. Of the total investment sales recorded during 2019, 83% were to private investors. The increase in investment sales during 2019 demonstrates strong investor sentiment as positive economic fundamentals and population growth continue to fuel demand for well-positioned industrial assets.
- Due to significant land constraints, there has been little industrial development in Boca Raton in recent years. In November, McCraney Property Co. purchased land in Boca Raton and announced plans to build 130,200 sf of industrial space in two buildings. Construction on the project would begin during the first quarter of 2020 and be completed by the end of 2020. Although the second largest industrial market in Palm Beach County, Boca Raton still holds one of the lowest vacancy rates of 2.93% demonstrating tenant demand for premium logistics space near densely populated areas.
- After leasing the entirety of buildings 3 and 4 at Turnpike Crossing Industrial Park in the previous quarter, Amazon and SIW Solutions expanded both of their spaces, splitting the remaining 36,730 sf at Building 5 of the park. The final two leases bring the 800,203-sf industrial park to 100% occupancy just a few years after its initial ground breaking. The lease-up also comes prior to the completion of the final building in the park, Building 4, which is on track to deliver 161,725 during the first quarter of 2020.

39.4 MSF

Total industrial inventory in the Palm Beach County market

211,039 SF

Direct Y-T-D net absorption as of 4Q-2019

3.52%

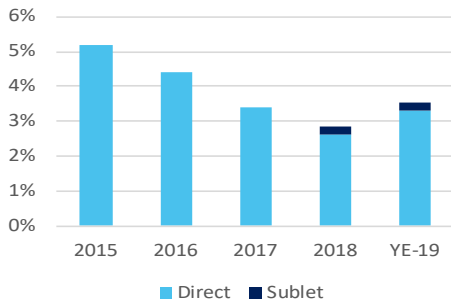
Overall Vacancy

\$8.42/SF/NNN

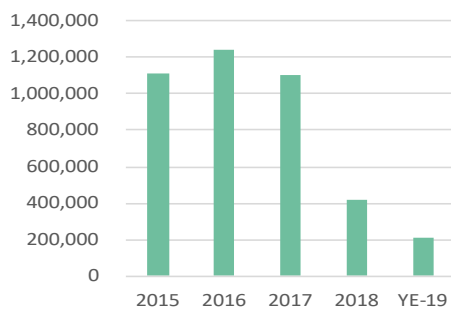
Average rental rate for industrial space (excluding flex)

Statistical Snapshot

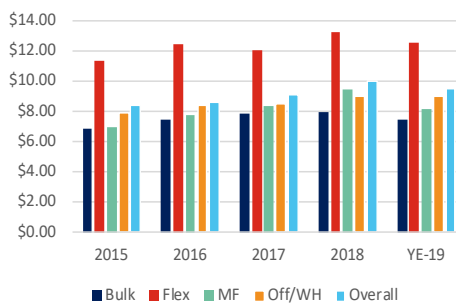
Vacancy Rate



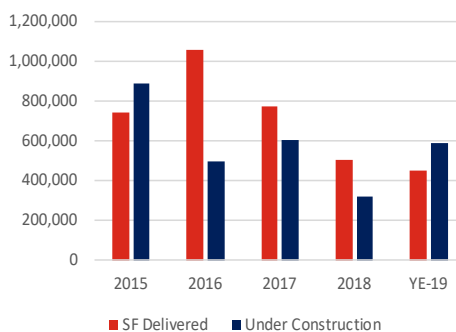
YTD Net Absorption (SF)



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



Construction Pipeline



Palm Beach County Industrial Market At A Glance

Demographics & Economy

USMCA Trade Deal
The United States-Mexico-Canda Agreement passed in the House and will now go to the Senate.

4,200
increase in total non-farm employment since 4Q-2018

4.1%
year-over-year growth in the construction job sector

3.3% **2.8%**
NOV-2018 NOV-2019
change in Palm Beach County's unemployment rate

Development

AIRPORT LOGISTICS PARK
McCraney Property Co. broke ground on Phase I of the Airport Logistics Park in West Palm Beach totaling 244,523 sf. Completion is expected in mid-2020.

120,282 SF NEAR PORT OF PALM BEACH
The Johnson Group will soon break ground on the Riviera Beach Port Commerce Center. Delivery is scheduled for 2020.

591 K
square feet of industrial space currently under construction in Palm Beach County

5.2%
inventory increase in the West Palm Beach submarket in the last three years

Market Influencers

\$283.6 million
in total industrial sales volume during the T-12 months ending 4Q19

16.9%
According to new data released by the U.S. Census Bureau, e-commerce sales increased by 16.9% over the trailing 12 months ending 3Q19.

83%
of total investment sales during 2019 were to private investors

A slowdown in the manufacturing sector could present headwinds leading into 2020.

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	4,557,603	259,375	0	\$7.39	94.31%	5.69%	0.00%	5.69%	591,027	119,391
Flex	10,835,404	354,049	17,120	\$12.53	96.73%	3.27%	0.16%	3.43%	0	54,528
Manufacturing	6,154,726	120,924	43,213	\$8.16	98.04%	1.96%	0.70%	2.67%	0	(6,996)
Warehouse / Distribution	17,812,750	576,431	13,344	\$8.93	96.76%	3.24%	0.07%	3.31%	0	44,116
Total	39,360,483	1,310,779	73,677	\$9.53	96.67%	3.33%	0.19%	3.52%	591,027	211,039

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	133,376	8,520	\$14.03	95.84%	4.16%	0.27%	4.43%	0	83,272
Manufacturing	705,788	9,000	0	\$10.00	98.72%	1.28%	0.00%	1.28%	0	44,550
Warehouse / Distribution	2,588,816	39,304	0	\$12.71	98.48%	1.52%	0.00%	1.52%	0	22
Total	6,500,896	181,680	8,520	\$13.54	97.21%	2.79%	0.13%	2.93%	0	127,844

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	22,419	5,600	\$15.17	97.37%	2.63%	0.66%	3.29%	0	(10,787)
Manufacturing	224,841	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,093,480	23,332	0	\$13.65	97.87%	2.13%	0.00%	2.13%	0	(12,216)
Total	2,170,031	45,751	5,600	\$14.39	97.89%	2.11%	0.26%	2.37%	0	(23,003)

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	45,205	0	\$11.85	95.32%	4.68%	0.00%	4.68%	0	(12,954)
Manufacturing	489,908	56,382	0	\$9.00	88.49%	11.51%	0.00%	11.51%	0	(56,382)
Warehouse / Distribution	1,944,645	160,831	0	\$7.88	91.73%	8.27%	0.00%	8.27%	0	32,627
Total	3,850,015	262,418	0	\$8.80	93.18%	6.82%	0.00%	6.82%	0	(36,709)

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	31,365
Flex	619,320	27,323	0	\$7.18	95.59%	4.41%	0.00%	4.41%	0	29,044
Manufacturing	562,038	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	956,557	6,565	0	\$6.49	99.31%	0.69%	0.00%	0.69%	0	(1,365)
Total	2,389,915	73,263	0	\$7.64	96.93%	3.07%	0.00%	3.07%	0	59,044

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	34,301	0	\$12.38	97.17%	2.83%	0.00%	2.83%	0	(14,292)
Manufacturing	231,501	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,171,666	6,750	0	\$10.37	99.42%	0.58%	0.00%	0.58%	0	980
Total	3,488,997	41,051	0	\$12.05	98.82%	1.18%	0.00%	1.18%	0	(13,312)

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	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	591,027	88,026
Flex	3,022,297	60,265	3,000	\$11.16	98.01%	1.99%	0.10%	2.09%	0	745
Manufacturing	3,132,744	55,542	43,213	\$7.00	98.23%	1.77%	1.38%	3.15%	0	4,836
Warehouse / Distribution	9,220,427	254,284	13,344	\$8.32	97.24%	2.76%	0.14%	2.90%	0	7,381
Total	17,465,873	370,091	59,557	\$8.59	97.88%	2.12%	0.34%	2.46%	591,027	100,988

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	220,000	0	\$7.25	75.28%	24.72%	0.00%	24.72%	0	0
Flex	959,691	31,160	0	\$12.75	96.75%	3.25%	0.00%	3.25%	0	(20,500)
Manufacturing	807,906	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	837,159	85,365	0	\$9.79	89.80%	10.20%	0.00%	10.20%	0	16,687
Total	3,494,756	336,525	0	\$8.40	90.37%	9.63%	0.00%	9.63%	0	(3,813)

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.

After years of limited development, demand for quality logistics space has spurred the construction of new industrial projects. Construction is up 84% from year-end 2018.

Leading Indicators (Y-O-Y 4Q-2018 to 4Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	Total Employment
3.52%	211,039 SF	\$9.53	591,027 SF	719 K

Significant Fourth Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Confidential Tenant	Southern Mills Business Park	New	51,840	Wellington
CBI	1101 Northpoint Parkway	New	36,599	West Palm Beach
Parts Authority	2211 Vista Pkwy	New	32,120	West Palm Beach
Xquisite Event Productions	1210 SW 35th Ave	New	28,080	Boynton Beach
Amazon	Turnpike Crossing Industrial Park - Bldg 5	New	18,433	West Palm Beach
SIW Solutions	Turnpike Crossing Industrial Park - Bldg 5	New	18,297	West Palm Beach
Service Partners	2213 Vista Pkwy	New	17,603	West Palm Beach
Atlas Armor	Delray Distribution Center	New	10,048	Delray Beach

Significant Fourth Quarter 2019 Sales Transactions - Sorted by Sale Price

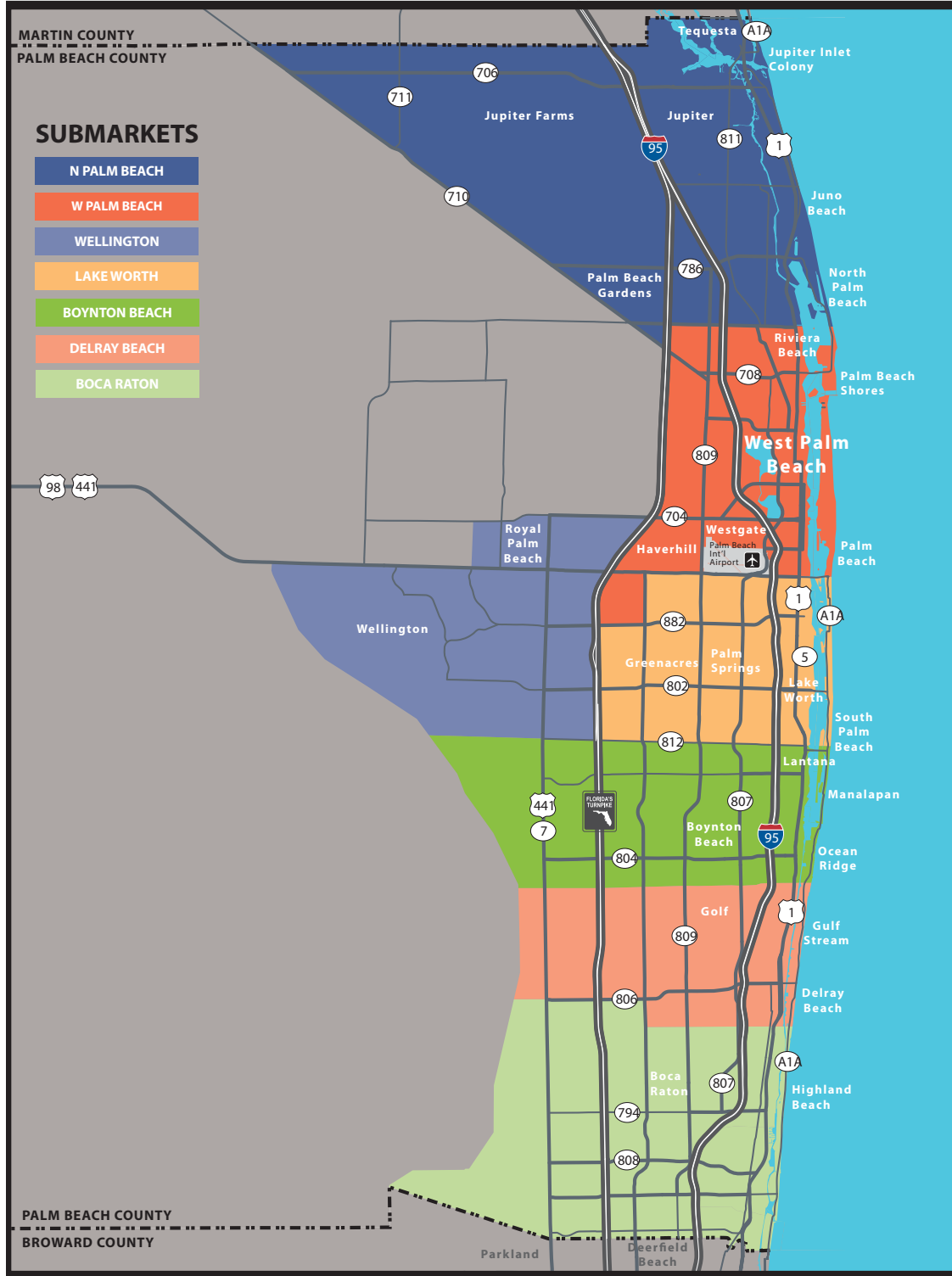
Property	SF	Sale Price	Price/SF	Buyer	Submarket
7233 North Seacrest Blvd	135,268	\$13,170,000	\$97	Robert G Fessler	Boynton Beach
7700 High Ridge Rd	38,915	\$6,500,000	\$167	High Street Equity Advisors	Boynton Beach
3280 Fairlane Farms Rd	27,000	\$3,100,000	\$115	The Window Guys of Florida	Wellington



Southern Mills Business Park

51,840 SF Quickly Backfilled at Southern Mills Business Park

In the largest lease deal of the fourth quarter, a confidential tenant signed a deal for 51,180 sf at the Southern Mills Business Park in the Wellington submarket. Carl's Patio had been subleasing the space after Rooms to Go had acquired the company and consolidated it into its Orlando warehouse. The tenant signed a direct deal for ten years quickly backfilling the space. With Wellington having one of the lowest vacancy rates in the county at 2.6%, large blocks of quality warehouse/distribution space are difficult to come by. The execution of the deal signifies the persistent demand for well-located large blocks of space.



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