

Palm Beach

Leasing activity remains steady as Amazon breaks ground on a 1-million-sf distribution facility

Palm Beach County's industrial market performed well at the close of the year and market fundamentals remain sound. Solid demand fueled steady leasing activity and net absorption ended the year slightly higher than year-end 2019 at 281,005 sf, an increase of 33%.

After three years of maintaining consistently low vacancy near 3.0%, Palm Beach County's overall vacancy rose significantly by 205 basis points (bps) to 5.5% due to a substantial number of new construction deliveries during 2020. Just over 1 million sf of industrial space delivered throughout the year, the most new space added to the market since 2016. While it appears that there is a significant number of developments in the pipeline with over 1 million sf still underway, the large increase in development activity is due to Amazon beginning construction on its massive 1-million-sf distribution center in Jupiter.

Leasing activity concentrated in West Palm Beach and North Palm Beach

Leasing activity gained momentum during the fourth quarter, however leasing activity for the year was down from the year prior by 25% with volume totaling 1.8 million sf. A majority of the largest new deals during the fourth quarter took space at newly delivered class A product including TireHub (40,500 sf) at Building 200 at the Airport Logistics Park; Jamlyn Supply (38,880 sf) at Building 4 at the Prologis Airport Center; and the State Health Department (20,000 sf) at Building 100 at

the Airport Logistics Park. The strongest leasing performances of the year occurred in the West Palm Beach and North Palm Beach submarkets where a majority of the market's class A logistics and distribution space is concentrated.

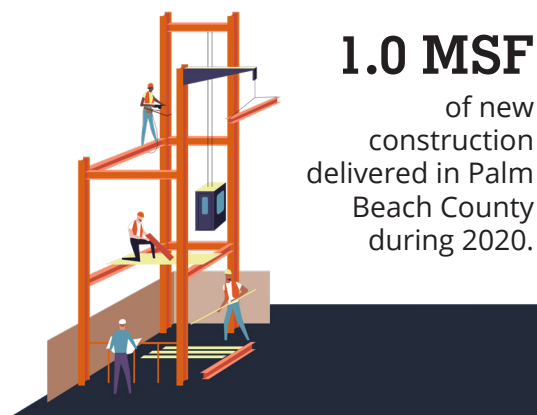
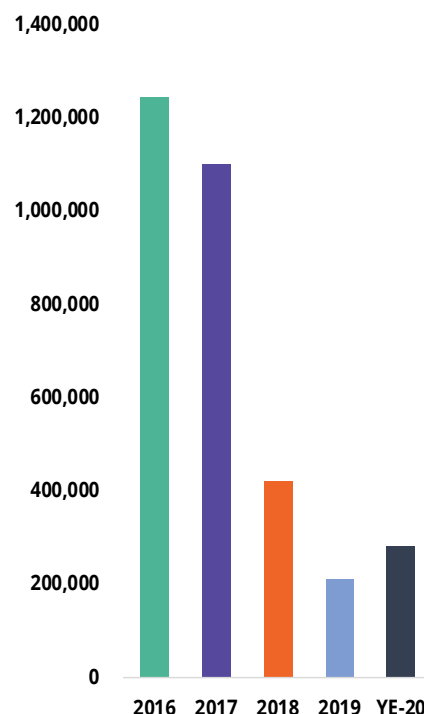
Investment activity heats up near the end of the year

Investment activity ended the year on a strong note in Palm Beach County and total investment sales volume for the year was actually higher than sales volume during 2019 despite the ongoing pandemic. Investment sales volume during 2020 totaled \$403.8 million, up 18.6% from sales volume in 2019. The largest sale of the fourth quarter was STAG Industrial's purchase of a four-building industrial portfolio in West Palm Beach and Lake Worth for \$31.7 million. The Boston-based company purchased the buildings from an affiliate of Eastern Metal Supply. Some investors have remained bullish on the future growth of Palm Beach County's industrial market with investors like Elion Partners, Dalfen Industrial, and Cabot Properties all scooping up properties during 2020.

Looking ahead toward 2021

Palm Beach County's industrial market is well positioned for strong growth leading into 2021 as the onset of the pandemic further accelerated many of the trends that had already been present. The strong shift during 2020 that occurred in online ordering, including grocery delivery, is likely here to stay and will fuel demand for logistics space and cold storage over the next few years.

Historical 5-Year Net Absorption Trend



40.1 MSF

Total inventory in the Palm Beach Industrial market

281,005 SF

Direct Y-T-D net absorption as of 4Q-2020

5.57%

Overall vacancy

\$8.87/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	5,148,630	412,279	28,250	\$8.37	91.99%	8.01%	0.55%	8.56%	1,001,226	438,123
Flex	11,062,533	447,644	10,300	\$12.89	95.95%	4.05%	0.09%	4.14%	0	(45,607)
Manufacturing	6,271,878	144,900	43,213	\$8.30	97.69%	2.31%	0.69%	3.00%	0	(23,976)
Warehouse / Distributi	17,713,900	1,131,671	19,844	\$9.13	93.61%	6.39%	0.11%	6.50%	0	(87,535)
Total	40,196,941	2,136,494	101,607	\$9.72	94.68%	5.32%	0.25%	5.57%	1,001,226	281,005

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	165,533	3,200	\$14.54	94.82%	5.18%	0.10%	5.28%	0	704
Manufacturing	795,545	9,000	0	\$10.00	98.87%	1.13%	0.00%	1.13%	0	0
Warehouse / Distributi	2,329,216	113,228	0	\$12.03	95.14%	4.86%	0.00%	4.86%	0	(102,214)
Total	6,318,001	287,761	3,200	\$13.41	95.45%	4.55%	0.05%	4.61%	0	(101,510)

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	37,357	0	\$14.00	96.13%	3.87%	0.00%	3.87%	0	18,399
Manufacturing	224,841	4,000	0	\$11.50	98.22%	1.78%	0.00%	1.78%	0	(4,000)
Warehouse / Distributi	979,711	1,400	0	\$11.40	99.86%	0.14%	0.00%	0.14%	0	1,375
Total	2,170,903	42,757	0	\$13.68	98.03%	1.97%	0.00%	1.97%	0	15,774

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	28,297	0	\$12.32	96.80%	3.20%	0.00%	3.20%	0	9,408
Manufacturing	513,908	56,382	0	\$8.75	89.03%	10.97%	0.00%	10.97%	0	0
Warehouse / Distributi	2,016,339	150,540	0	\$8.64	92.53%	7.47%	0.00%	7.47%	0	8,384
Total	3,864,012	235,219	0	\$9.11	93.91%	6.09%	0.00%	6.09%	0	17,792

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	71,013	0	\$11.18	89.40%	10.60%	0.00%	10.60%	0	(42,964)
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	121,429	0	\$9.80	95.02%	4.98%	0.00%	4.98%	0	(47,440)

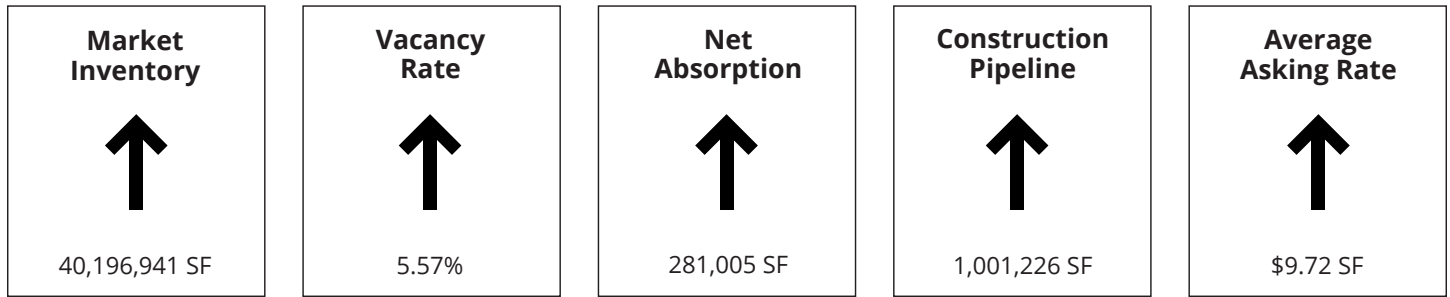
Wellington										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	875,198	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Flex	598,782	4,212	0	\$13.62	99.30%	0.70%	0.00%	0.70%	0	7,877
Manufacturing	231,501	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distributi	1,195,838	332,909	0	\$9.12	72.16%	27.84%	0.00%	27.84%	0	5,028
Total	2,901,319	337,121	0	\$9.18	88.38%	11.62%	0.00%	11.62%	0	12,905

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	2,681,432	330,365	28,250	\$8.61	87.68%	12.32%	1.05%	13.37%	0	260,662
Flex	3,694,097	99,872	0	\$10.53	97.30%	2.70%	0.00%	2.70%	0	(25,160)
Manufacturing	3,132,744	75,518	43,213	\$7.60	97.59%	2.41%	1.38%	3.79%	0	(19,976)
Warehouse / Distributi	9,513,790	444,503	19,844	\$8.40	95.33%	4.67%	0.21%	4.88%	0	(1,247)
Total	19,022,063	950,258	91,307	\$8.63	95.00%	5.00%	0.48%	5.48%	0	214,279

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%	1,001,226	149,486
Flex	1,056,428	41,360	7,100	\$14.23	96.08%	3.92%	0.67%	4.59%	0	(13,871)
Manufacturing	811,301	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distributi	722,449	50,075	0	\$11.67	93.07%	6.93%	0.00%	6.93%	0	33,590
Total	3,480,178	161,949	7,100	\$10.40	95.35%	4.65%	0.20%	4.86%	1,001,226	169,205

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 Q4-2019 to Q4-2020)



Significant Fourth Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
TireHub	Airport Logistics Park - Building 200	New	40,500	West Palm Beach
Jamlyn Supply	Prologis Airport Center - Building 4	New	38,880	West Palm Beach
Florida Microelectronics	1601 Hill Ave	New	37,777	West Palm Beach
Chromalloy Gas Turbine*	3999 RCA Blvd	Renewal	30,000	North Palm Beach
U & Me Transfer	Lakeside Distribution Center	Renewal	27,000	West Palm Beach
Lasership	Turnpike Crossing - Building 1	Sublease	25,000	West Palm Beach
State Health Department	Airport Logistics Park - Building 100	New	20,000	West Palm Beach

*Avison Young handled this transaction

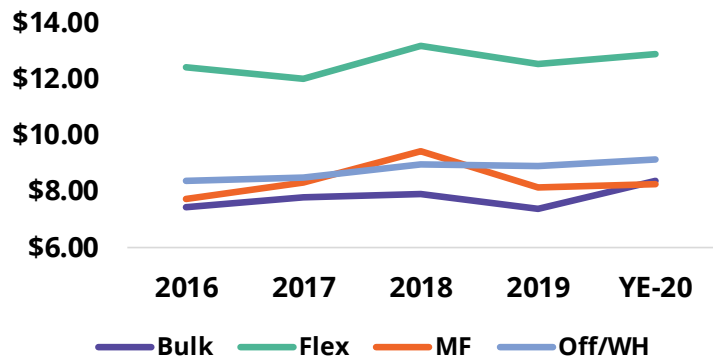
Significant Fourth Quarter 2020 Sales Transactions - Sorted by Price

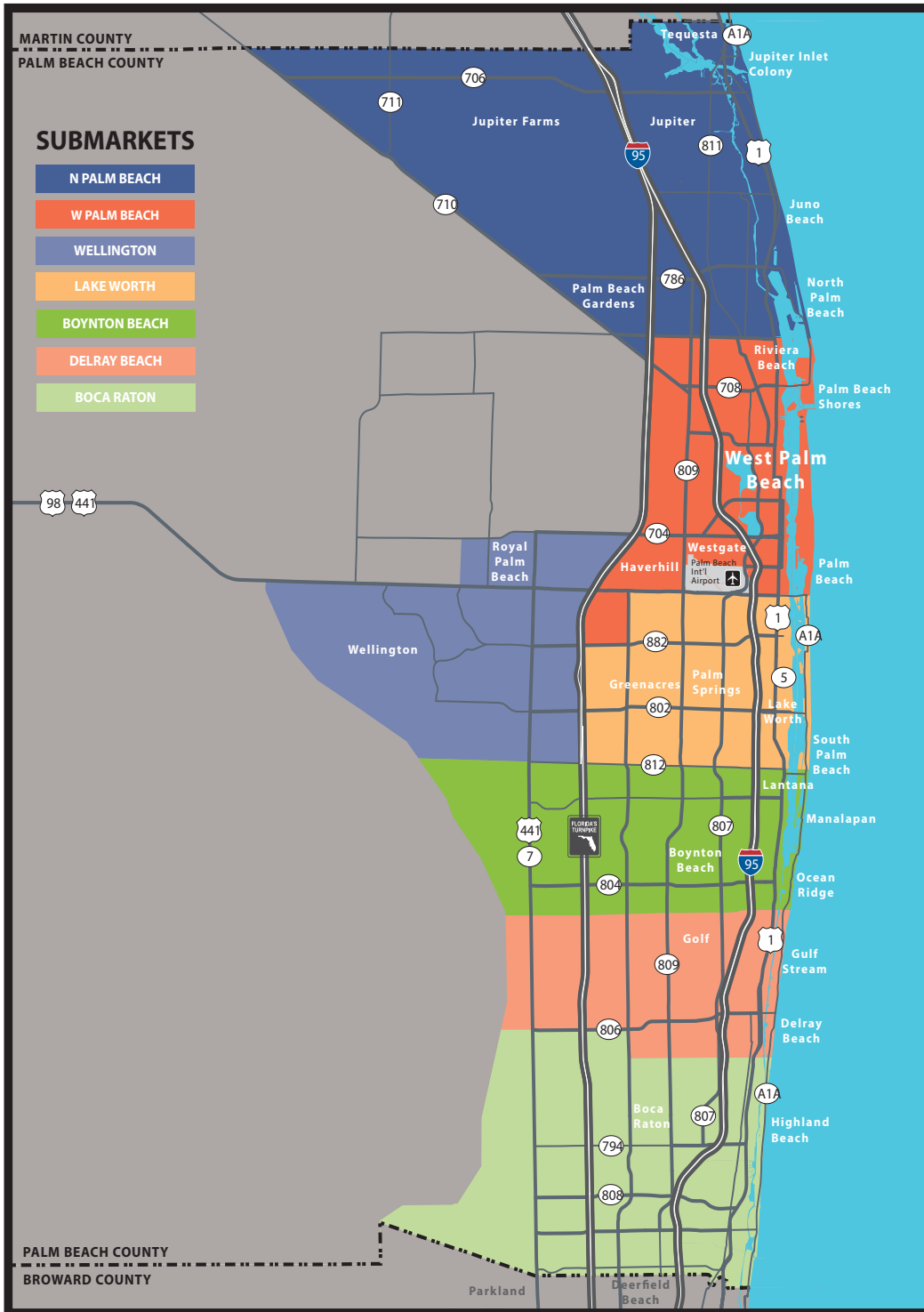
Property	SF	Sale Price	Price/SF	Buyer	Submarket
Eastern Metal Supply Portfolio	149,479	\$31,750,000	\$212	STAG Industrial	West Palm Beach / Lake Worth
3600 23rd Ave S	67,506	\$15,250,000	\$226	STAG Industrial	Lake Worth
4268 Westroads Dr	40,373	\$11,750,000	\$291	STAG Industrial	West Palm Beach
2230-2269 4th Ave N	41,600	\$4,750,000	\$114	STAG Industrial	Lake Worth
Palm Beach Park of Commerce - Building 25*	220,000	\$27,162,240	\$123	MDH Partners	North Palm Beach

*Part of a five building portfolio transaction totaling \$112 million

Asking rents rise as new construction delivers an influx of class A space.

The overall asking rate (excluding flex space) saw a solid increase to \$8.87 per sf (+\$0.45) year-over-year due to an influx of new class A product from several construction deliveries during 2020. Rates will likely hold steady leading into 2021 as new supply takes time to be absorbed in the market.





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