



# West Palm Beach market fundamentals

FLORIDA INDUSTRIAL MARKET REPORT  
Q3 2021

# Key industrial takeaways



## Economic conditions

- South Florida's economy continued to rebound during the third quarter with the unemployment rate declining to **5.6%** as of August 2021, an 810-basis point drop from the high of 13.7% in May 2020.
- Industrial jobs in South Florida have increased by **4.1%** year-over-year as of August 2021. The strongest growth has been within the transportation, warehousing and utilities sector, which increased by **8.1%**.
- Inflation rates have increased sharply in South Florida by **4.2%** since August 2020. The most significant increase was in energy prices, which have risen by 24.1%.



## Recovery rate

- According to recently released 2Q21 data from the Bureau of Economic Analysis, Florida's GDP grew by **6.7%** over the quarter, which is on par with the average for the U.S. The real estate and leasing sector grew by 0.95% over the quarter and the construction and wholesale industries also made some positive gains, growing by 0.41% and 0.22%, respectively.



## Industrial demand

- Leasing activity has been steady throughout 2021 and year-to-date volume is up **1.7%** compared to total leasing volume in 2020. Demand for high-quality, class A distribution space remains robust as evidenced by the complete lease-up of phase one of Airport Logistics Park, which delivered at the end of 2020.
- Net absorption is at an all-time high of **1.8 million sf** at the end of the third quarter. While demand has been steady, the gain in absorption was almost entirely due to Amazon taking occupancy of 1 million sf at its newly completed distribution facility in the Palm Beach Park of Commerce in North Palm Beach.

# Key industrial takeaways



## Industrial supply

- As of the third quarter, there were **three properties** under construction in Palm Beach County totaling **0.5 million sf**. McCraney Property Company recently broke ground on phase two of Airport Logistics Park in West Palm Beach.
- Supply of large blocks of available space remains tight in West Palm Beach and **42.9%** of the current large blocks fall within 20,000 to 50,000 sf.
- The overall vacancy rate for the West Palm Beach industrial market resumed a downward trend during the third quarter and declined to **4.3%**, a 180-basis point decrease from its peak of 6.1% at year-end 2020.



## Pricing trends

- Asking rents have increased by **14.8%** since year-end 2019 to \$10.75 per sf. Tightening leasing fundamentals as well as new speculative deliveries and rising construction costs have all contributed to a steady rise in asking rates.



## Capital markets

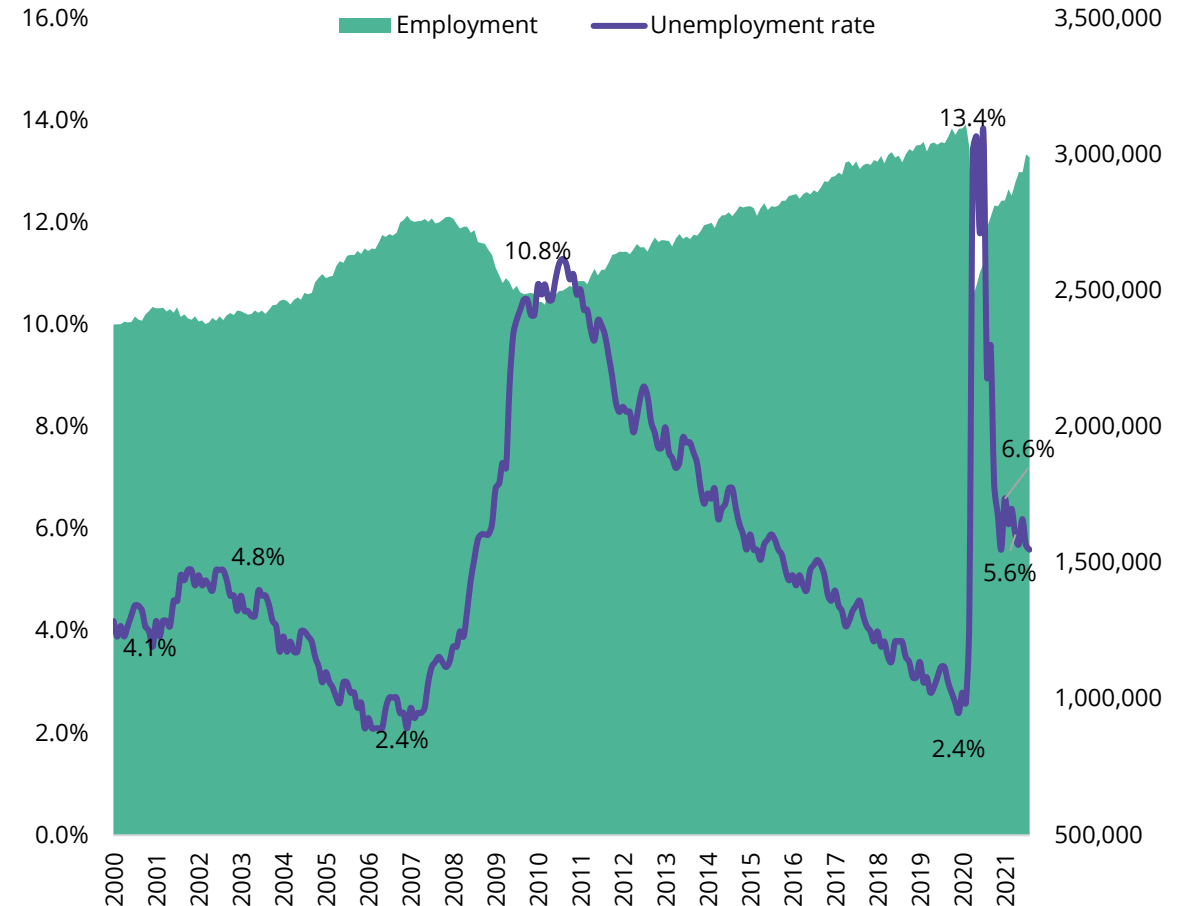
- West Palm Beach year-to-date industrial investment activity totaled **\$0.3B**, down **22.1%** from total volume recorded during 2020. Although sales volume remains down from 2020's volume, it is still outpacing the previous five-year average volume by 30.3%.
- Industrial asset pricing has begun to recover after softening mid-way through 2020. As of September, pricing is up by **2.9%** from pre-COVID levels.

# Employment and unemployment rate

# 5.6%

South Florida unemployment rate as of August 2021, a sharp decline from the height of the pandemic

Before the pandemic, unemployment was at historical lows. The economy has added back over 509,602 jobs since 2020, up 20.5%, and unemployment has declined by 780 basis points to near pre-pandemic levels.



Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Industrial job gains and losses

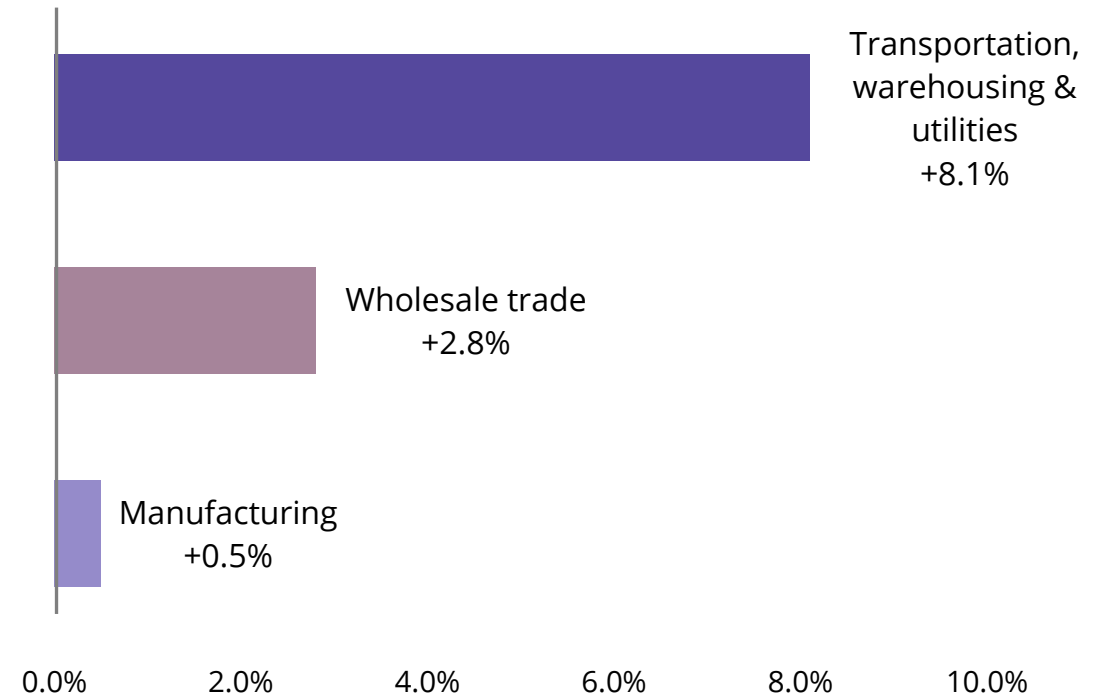
# +4.1%

## Change in industrial employment from August 2020 to August 2021

The South Florida metro area has experienced job additions totaling 4.1% over the trailing 12 months ending in August, particularly in the critical areas of transportation and logistics. These job gains have remained strong throughout the year, with the transportation, warehousing and utilities sector growing by 8.1%.

### Total change in South Florida MSA\* job gains/(losses)

August 2020 to August 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

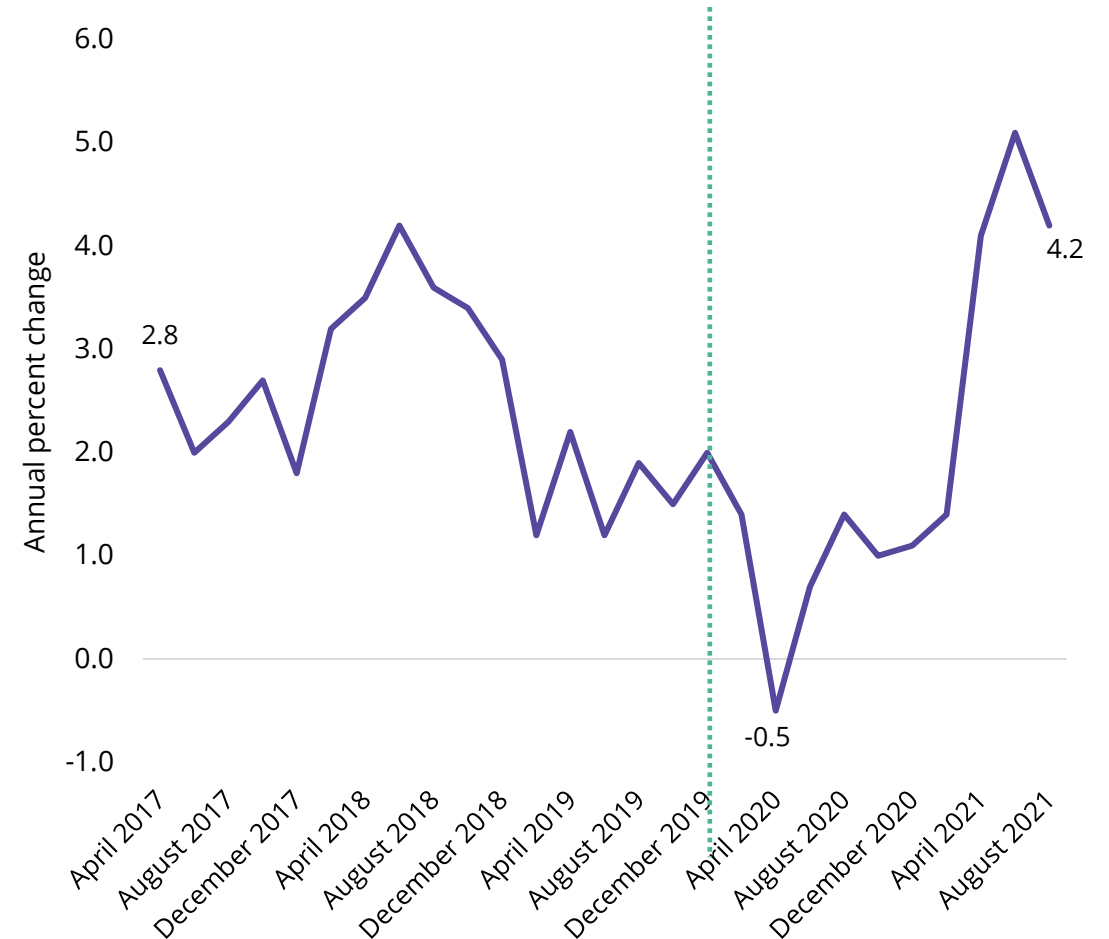


# Inflation rates

# +4.2%

## Year-over-year change in Consumer Price Index for South Florida, all items

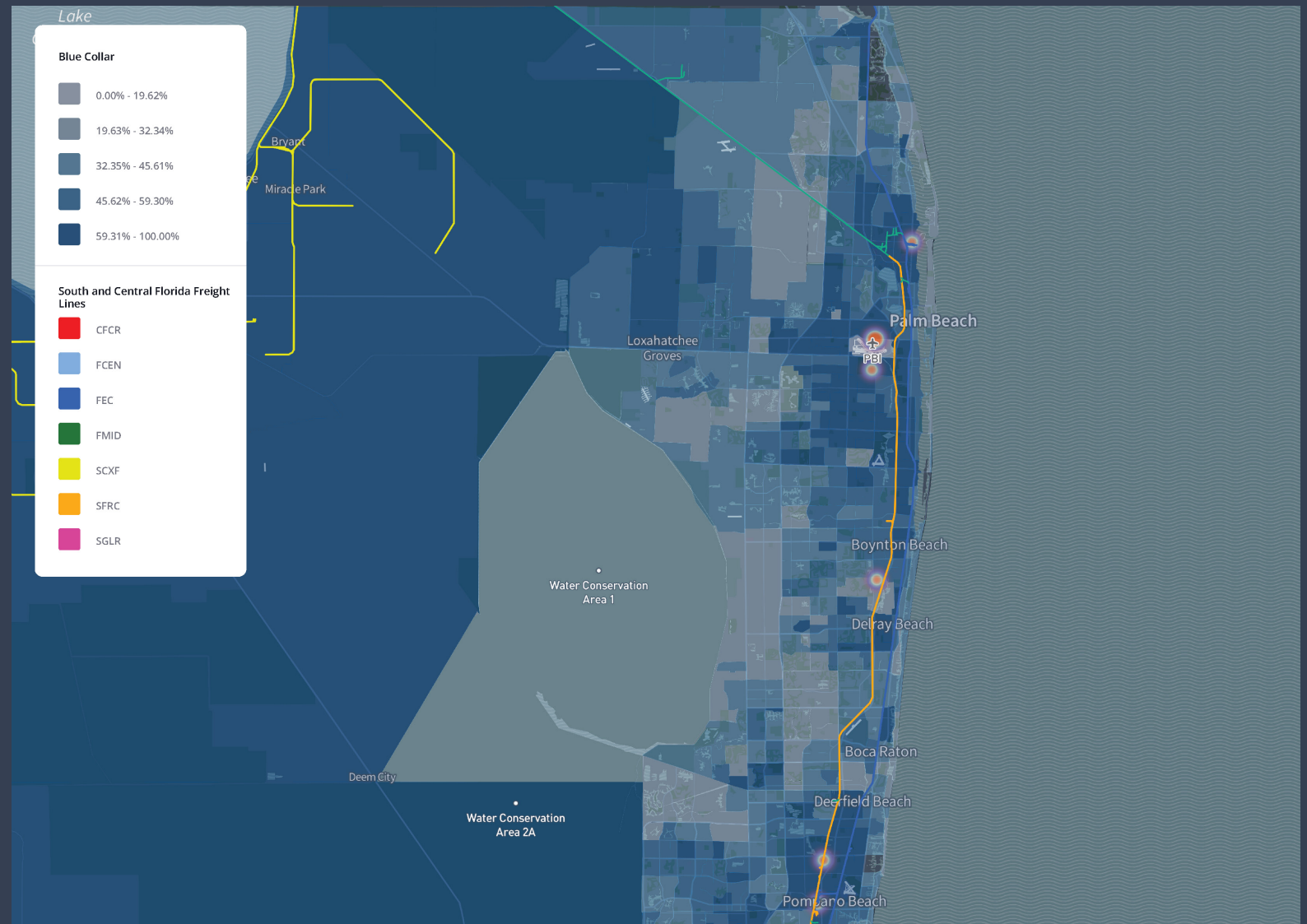
South Florida consumer prices have increased sharply since the onset of the pandemic. Despite stabilizing near the end of 2020, lingering supply chain disruptions have contributed a sustained rise in inflation levels. As of August 2021, South Florida housing prices increased by 3.5% year-over-year, but the most notable impact on inflation has been energy prices which have soared by 24.1%.



Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Freight rail & intermodal facilities

Source: AVANT by Avison Young, ESRI  
Intermodal facilities are clustered around seaport submarkets and major throughout corridors, with Class I rail lines providing connectivity throughout the country

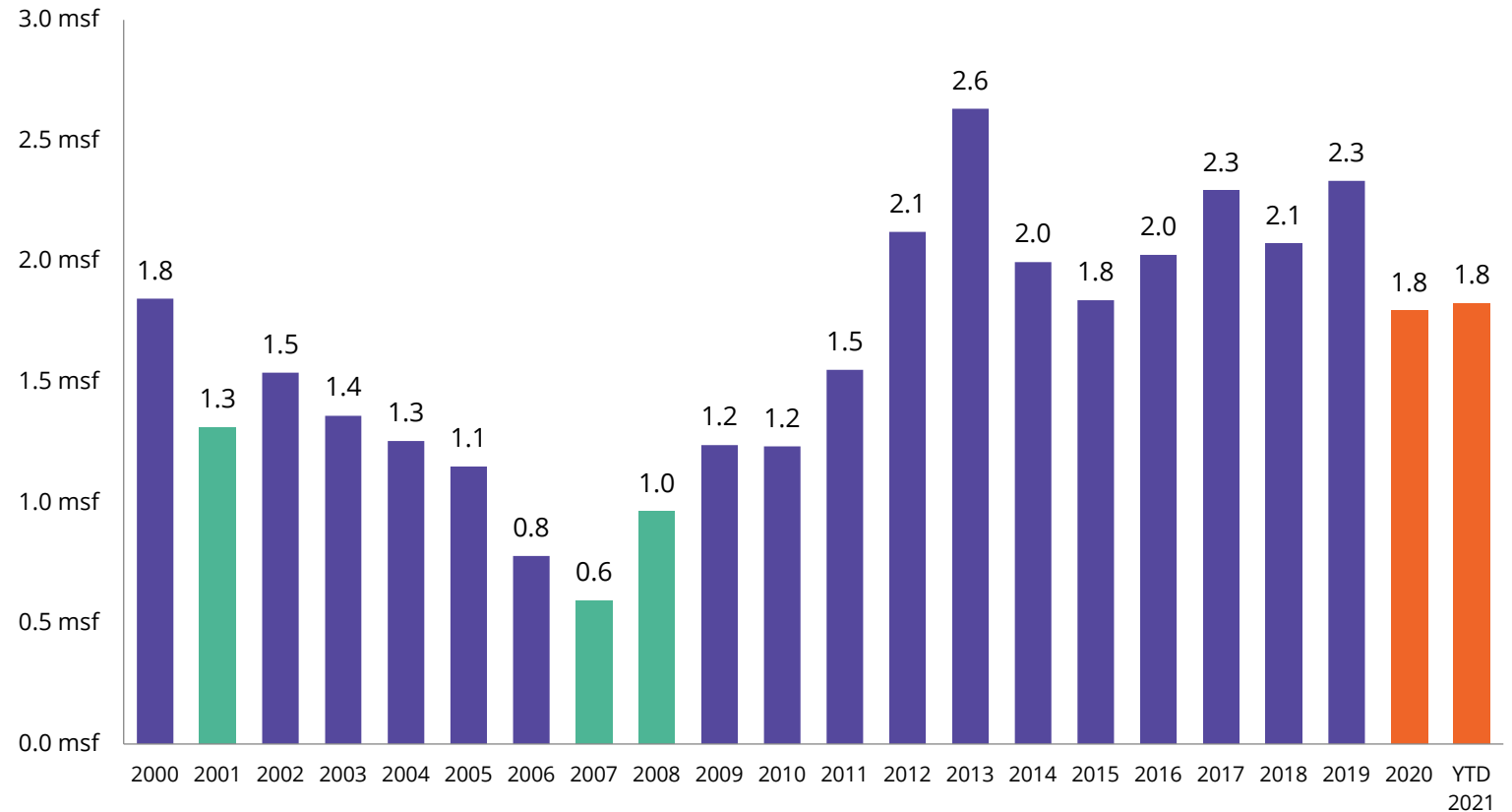


# Industrial leasing activity

**+1.7%**

**Year-to-date 2021 leasing activity is up compared to total 2020 activity**

Leasing activity has held steady during 2021 and year-to-date volume is up slightly by 1.7% when compared with total volume during 2020.



Source: CoStar

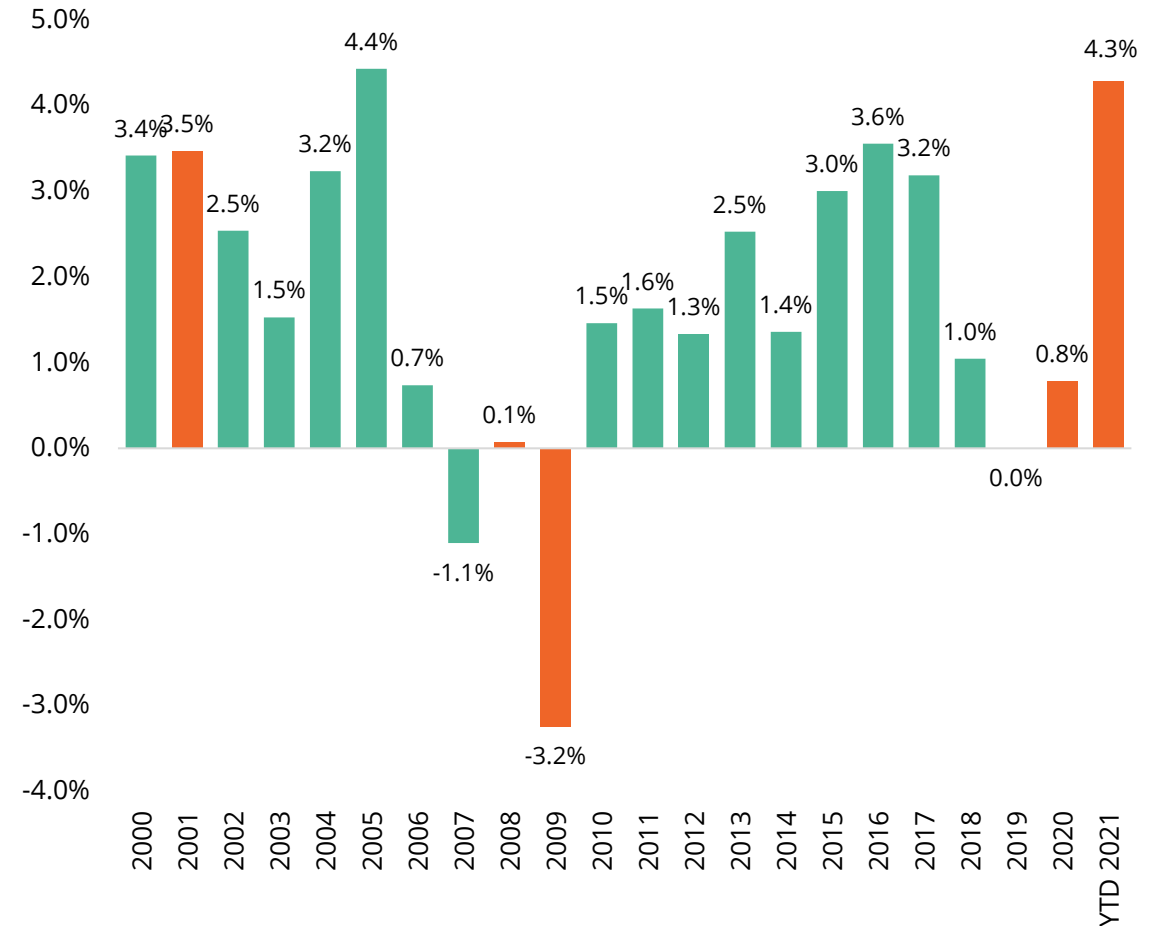


# Industrial net absorption

# 5.1%

Net absorption as a percentage of inventory, 2020 through Q3 2021

West Palm Beach's net absorption outpaced previous historical records during the third quarter. At 1.8 million sf for the year-to-date, net absorption is at an all-time high. However, the huge gain in absorption is due almost entirely to Amazon taking occupancy of 1 million sf at its newly delivered distribution facility in North Palm Beach.



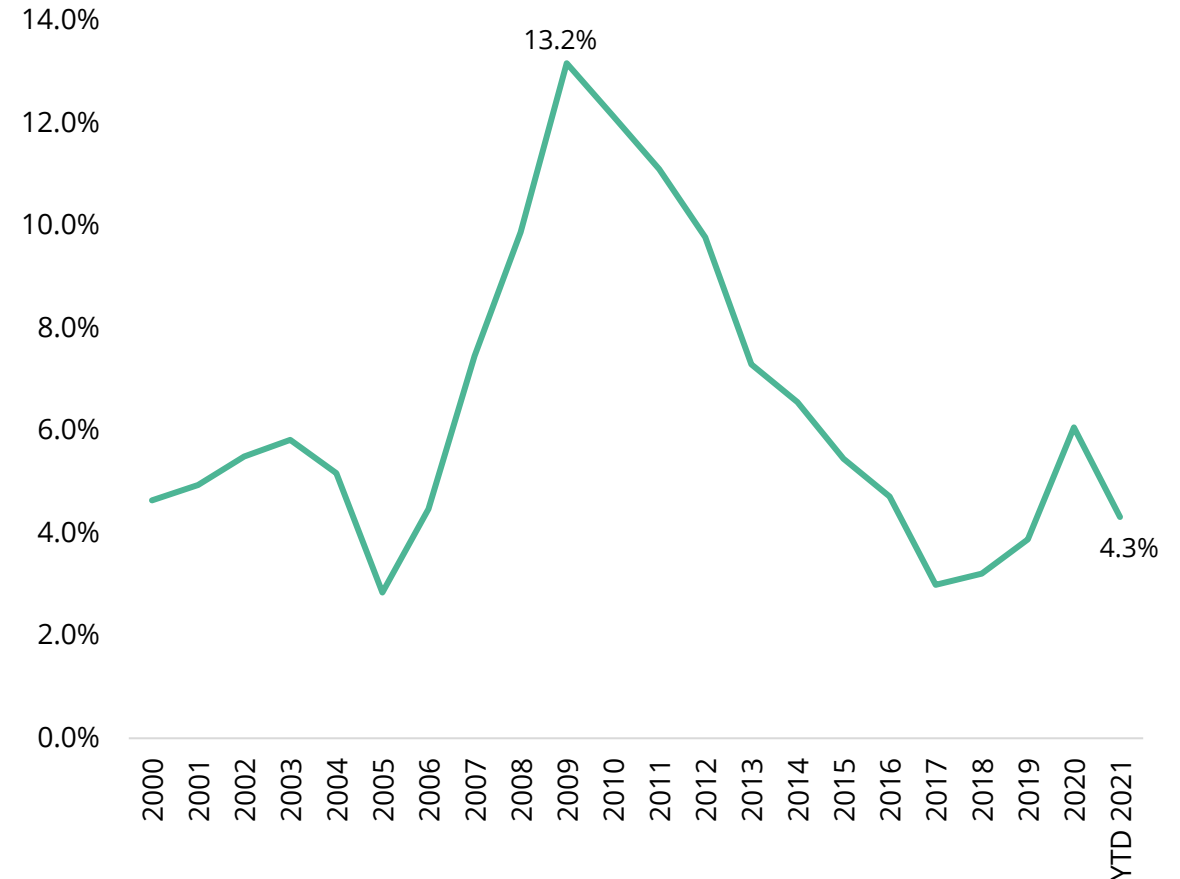
Note: Absorption is measured as the year-over-year change in occupied square feet.  
Source: CoStar

# Industrial vacancy rate

# 4.3%

**Vacancy resumes a downward trend during Q3 2021**

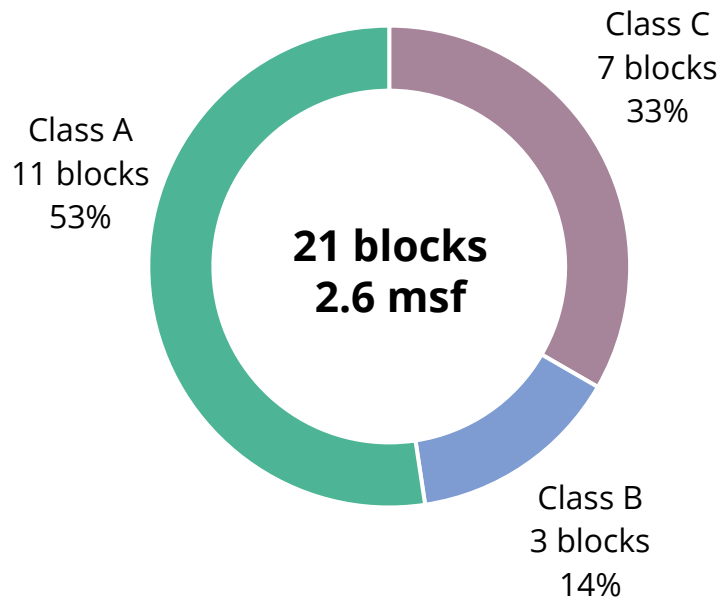
Overall vacancy declined again during the third quarter, continuing its downward trend from its peak of 6.1% at year-end 2020. Vacancy rose at the end of 2020 due to a handful of speculative deliveries, however much of the new space has now been scooped up and vacancies have tightened.



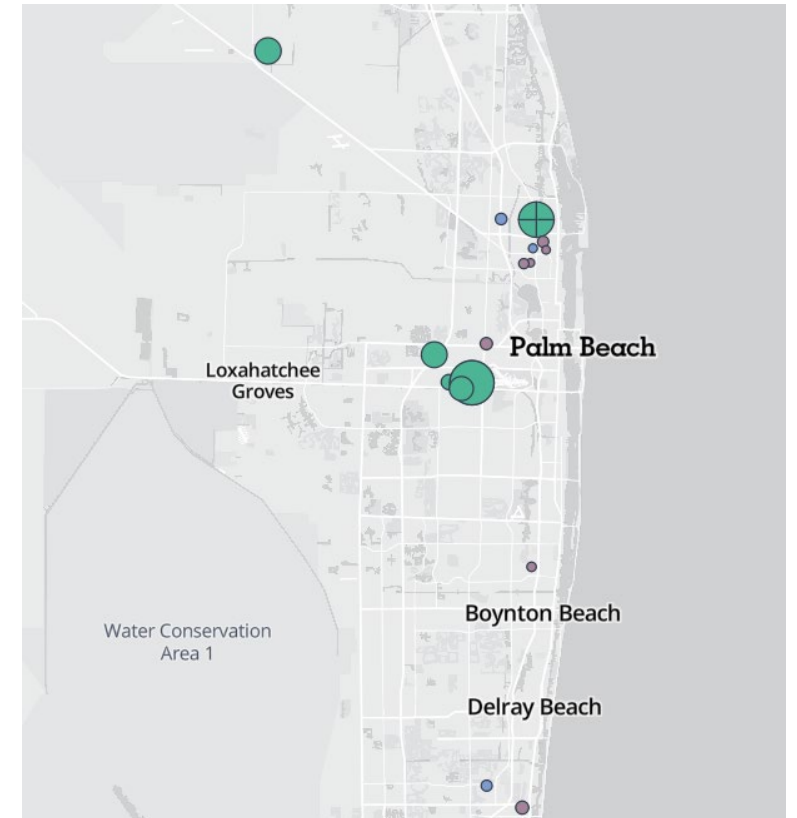
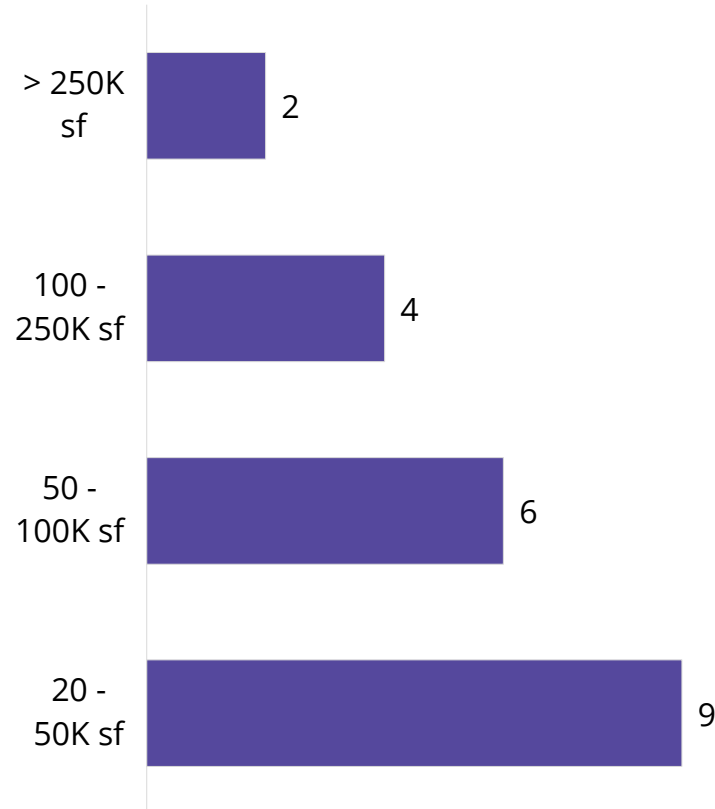
Source: CoStar

# Industrial large-block availabilities

**Building class**



**Space size ranges**



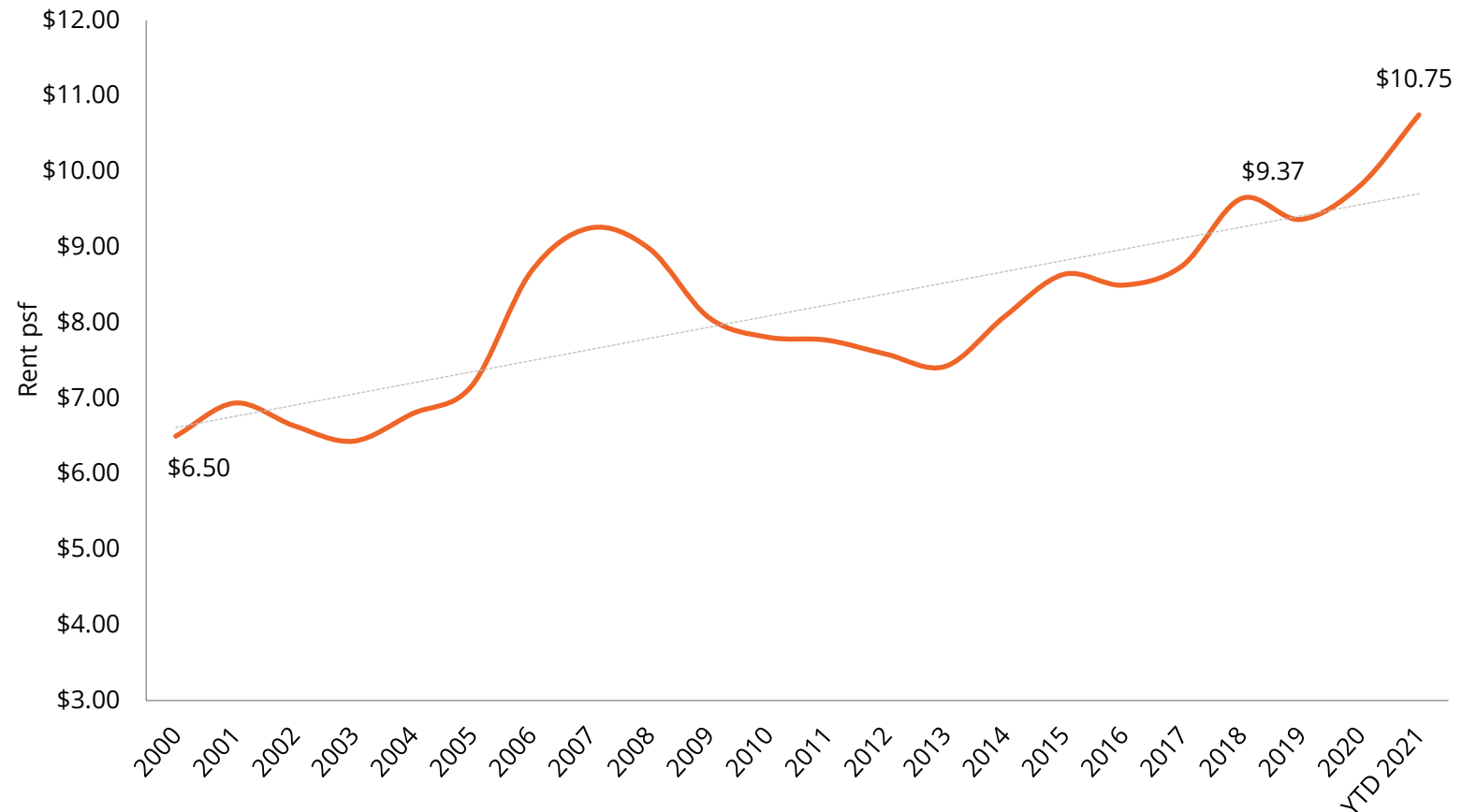
Source: AVANT by Avison Young

# Asking rents

**+14.8%**

**Asking rents since the onset of the pandemic**

Asking rents have risen steadily and are up 14.8% since year-end 2019. Overall, rent growth has been on a generally upward trend since 2013.



Source: AVANT by Avison Young

# Industrial development pipeline

**17 properties**

proposed or under construction

**2.3 msf**

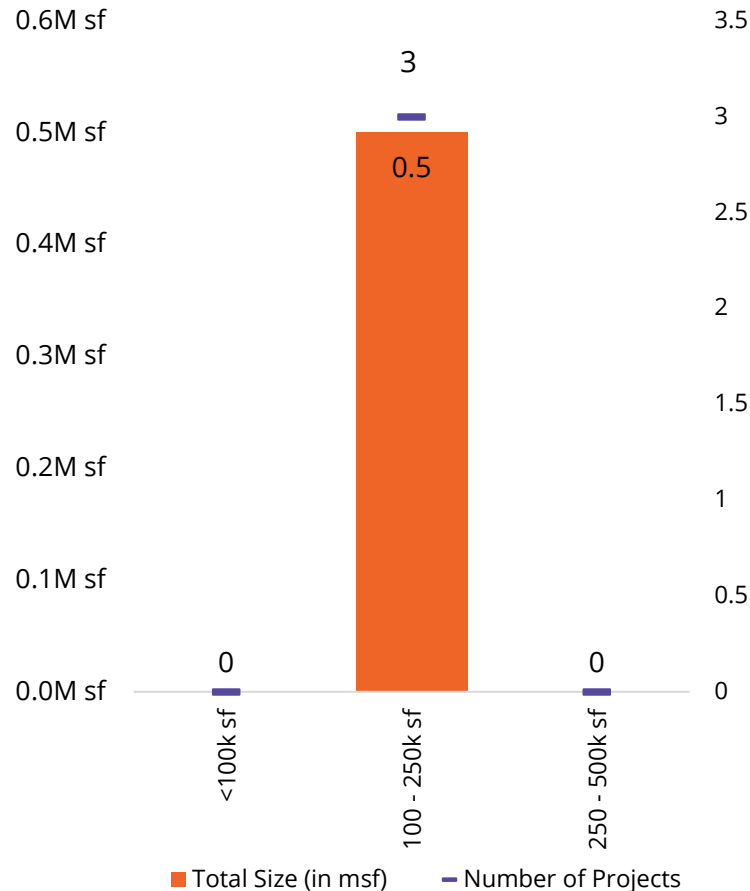
proposed or under construction

**7.4%**

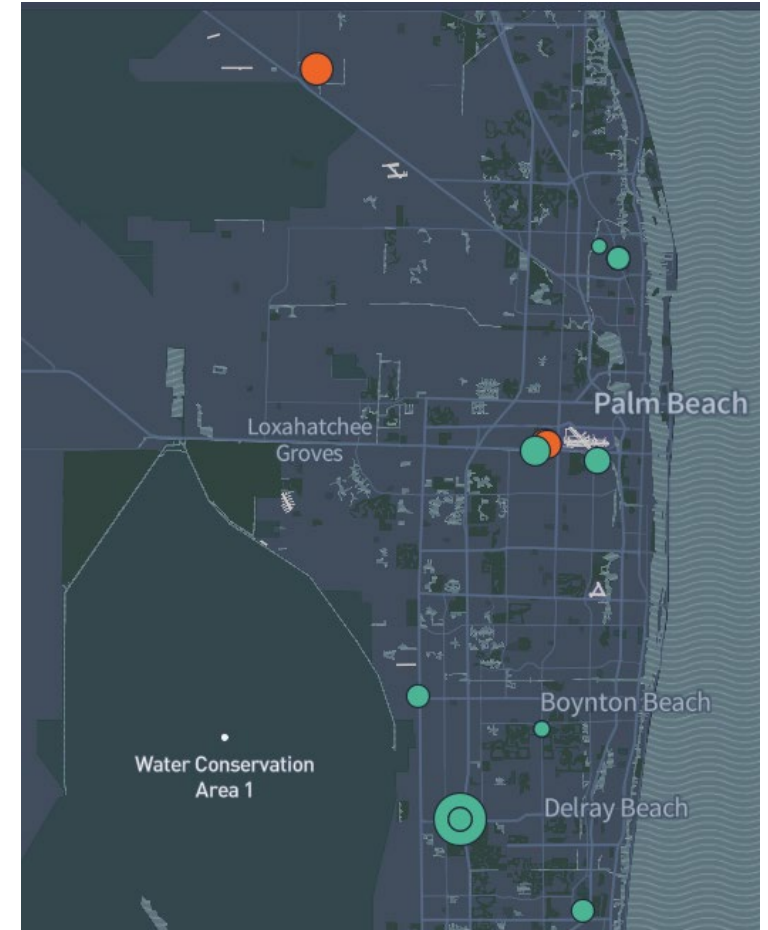
share of industrial inventory

## West Palm Beach

submarket with the most development under construction at 0.3 msf



Source: AVANT by Avison Young



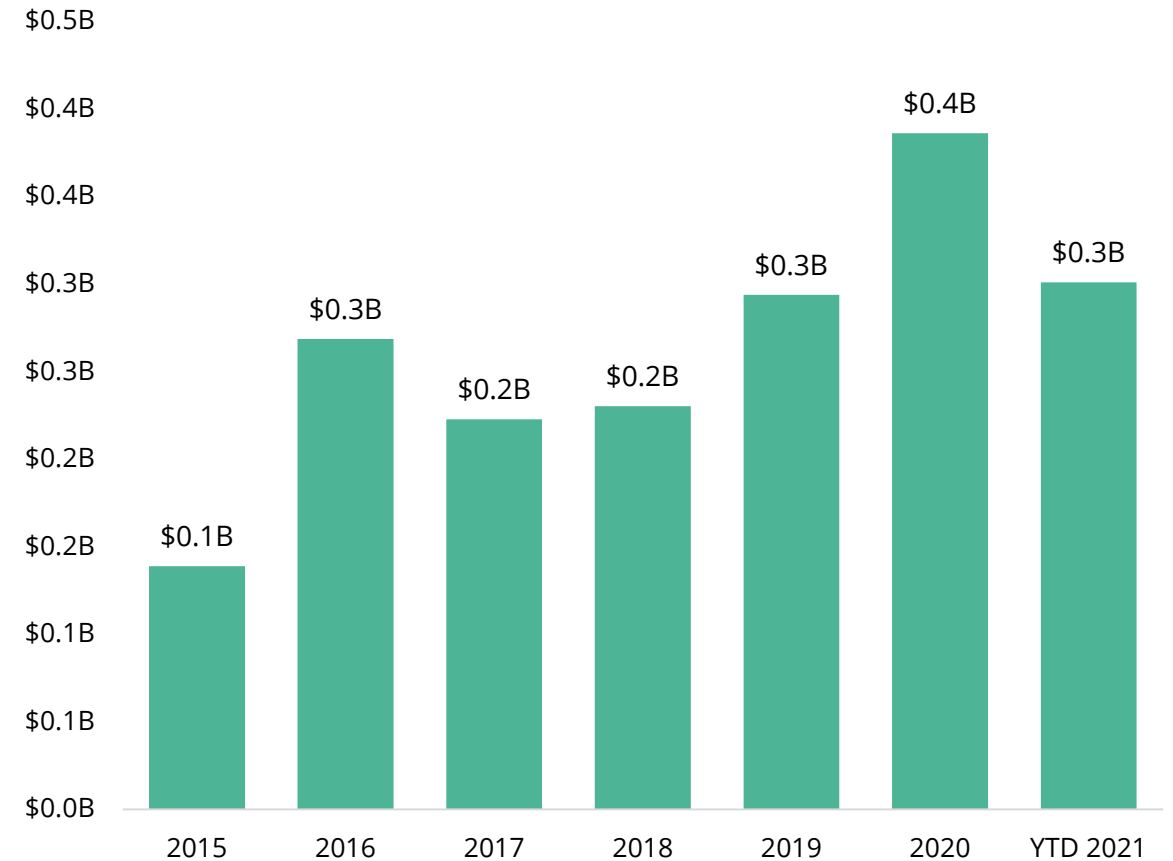


# Investment dollar volume

# \$0.3B

Industrial dollar volume,  
year-to-date 2021

Industrial investment has been active in Palm Beach County throughout the year with year-to-date volume totaling \$300.9 million. Although sales volume remains down 22.1% from total investment volume during 2020, it is still out-performing the previous five-year average by 30.3%.



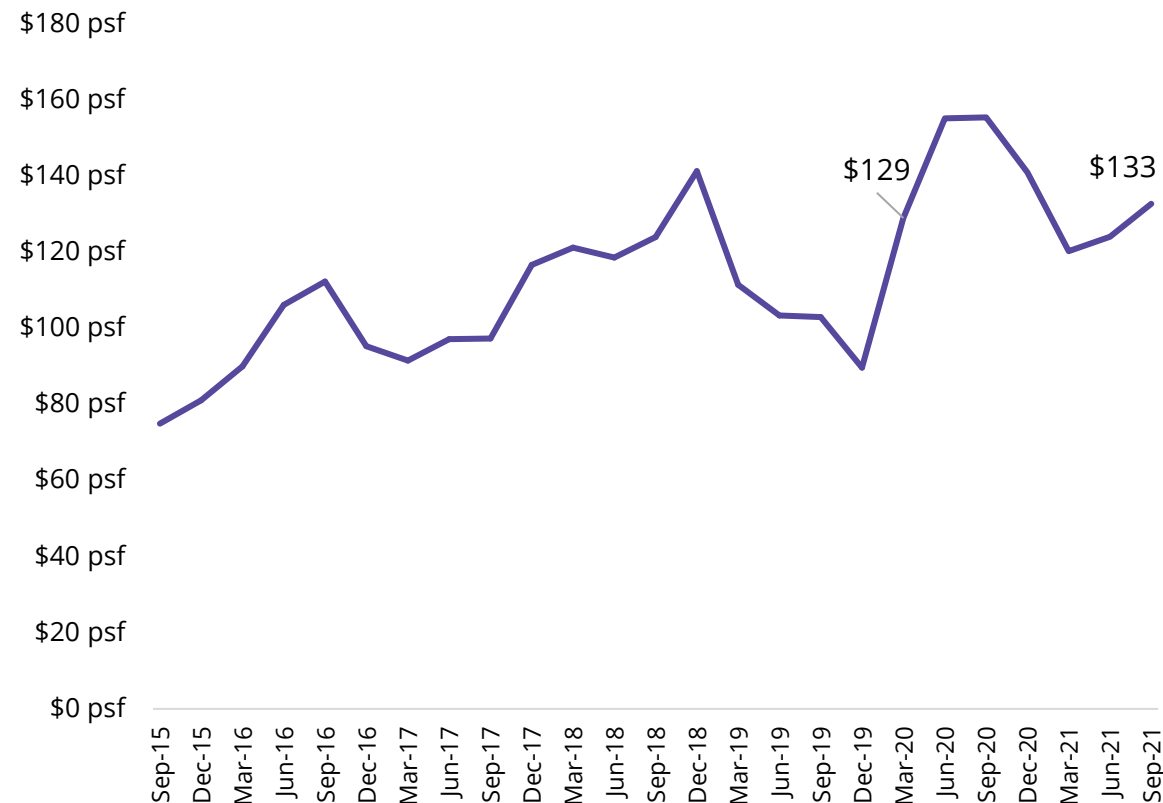
Source: AVANT by Avison Young  
RCA

# Industrial asset pricing

# +2.9%

**West Palm Beach industrial pricing,  
March 2020 to September 2021**

While industrial asset pricing began to soften mid-way through 2020 as some investors put their acquisition plans on hold, pricing has resumed its upward trajectory and is up 2.9% from pre-COVID levels.



Source: AVANT by Avison Young  
RCA

# Looking forward



## Here's what we can expect

- Tenants and investors remain attracted to Palm Beach County due to its **strong economic fundamentals and growing population base**. Palm Beach has experienced a strong uptick in migrations and corporate relocations amid the pandemic, further fueling **demand for increased logistics space** in the region.
- **Limited new supply in the short-term** following a brief pause in construction starts during 2020 will lead to **tightening vacancies** over the coming quarters and, as a result, asking rents will continue to rise.
- Leasing activity has been steady throughout the year and much of the newly delivered class A space has been scooped up. Although leasing activity was predominantly driven by e-commerce for the last several quarters, **wholesale and retail tenants have also been active** in the third quarter.
- While **supply chain disruption** has been a challenge since the onset of the pandemic, backlogs of cargo ships at the Ports of LA and Long Beach in California could prove to be beneficial for South Florida as tenants may seek to relocate to avoid bottlenecks in the future.



# Get in touch



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# Let's talk

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