

Net Absorption Takes a Dip in the First Quarter as Investors Continue to Move Forward with New Development Projects

After reaching record-low vacancy rates in 2018, Palm Beach County's industrial market cooled slightly during the first quarter of 2019 as the very tight market experienced a handful of large tenant move-outs upon lease expiration. Despite net absorption dipping into negative territory (-78,852 sf) for the first time in eight years, healthy leasing activity continued throughout the market and investment activity picked up significantly. Demand for class A industrial space remains strong as the flight to high-quality industrial product resulted in a few tenants relocating to newly delivered industrial buildings in neighboring markets. Among these tenants are Mygrant Glass Company, which relocated its 20,000 sf in West Palm Beach to the newly built Bridge Point I-95 industrial park in Central Broward, and Goodman Distribution, which signed a 30,000-sf lease in September of last year at building one of the recently completed Gateway Commerce Park in North Miami Beach.

After a slow construction pipeline in recent years, development in Palm Beach County is gaining momentum with a total of 342,870 sf of new development currently under construction and an additional 1.02 million sf expected to deliver through the end of 2020. During the first quarter, Exeter Property Group's 56,160-sf speculative warehouse at 1230 SW 35th Avenue delivered in Boynton Beach, which also contributed to the rise in the overall vacancy rate. Second quarter deliveries are expected for both building three of the Liberty Airport Center and building 25 of the Palm Beach Park of Commerce, which together will add a combined 297,870 sf to the overall industrial inventory.



Total investment sales volume has increased by 56% over the trailing 12 months ending 1Q-19

Industrial Market Snapshot

- The most significant investment sale of the first quarter was Cabot Properties' purchase of four of the five buildings at the Turnpike Business Park in West Palm Beach. The four buildings totaling 324,675 sf were sold by McCraney Property Co. The fifth building, which is occupied by Southern Glazer's Wine & Spirits was not part of the sale. This transaction also follows Cabot Properties' purchase of three buildings at the Vista Business Park from McCraney Property Co. during the fourth quarter of 2018.
- Industrial investment sales volume has been picking up in Palm Beach County over the last few quarters with total investment sales at \$310.2 million for the trailing 12 months ending March 2019, up 56% from the same period one year prior. Investors continue to seek industrial assets in Palm Beach County due to its lower price point compared to Miami-Dade and Broward County.
- McCraney Property Co. was awarded approval by the Palm Beach County Commission to construct its 566,656-sf warehouse and logistics park near the Palm Beach International Airport.

The project, named Airport Logistics Park, is expected to break ground on the first two buildings late in the second quarter with a delivery date of first quarter 2020.

- As the supply of land continues to diminish in South Florida, a trend of developers purchasing industrial properties and rezoning them for alternate uses including large mixed-use developments and office buildings has emerged. A prime example of this is Tricera Capital's first quarter \$24 million purchase of the Palm Beach Post distribution building, which will be redeveloped into a large mixed-use project named The Press.
- The Federal Reserve announced in late March that it would not continue to raise interest rates during 2019, and that it would instead hold interest rates steady at the target range between 2.25 and 2.5 percent, which was set in December. The decision was made on the basis that the economy's growth is slowing somewhat more than previously expected.

39.0 MSF

Total industrial inventory in the Palm Beach County market

(78,852) SF

Direct Y-T-D net absorption as of 1Q-2019

3.41%

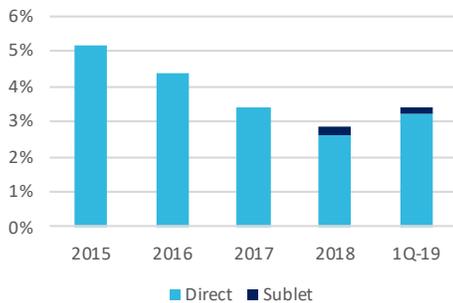
Overall Vacancy

\$10.02 SF/NNN

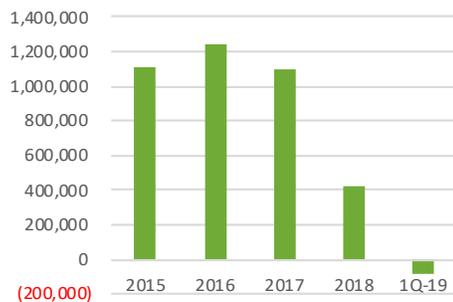
Average asking rental rate

Statistical Snapshot

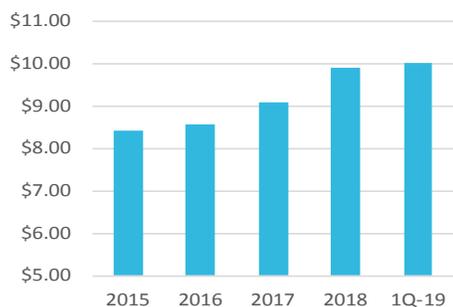
Vacancy Rate



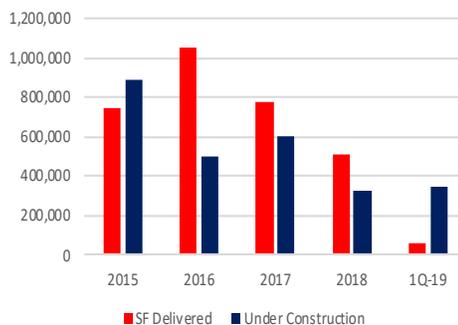
YTD Net Absorption (SF)



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



Construction Pipeline



Palm Beach County Industrial Market At A Glance

Demographics & Economy



126.1 million
visitors to Florida during 2018, up
6% from the record set in 2017

1.9%



one-year population growth in
Palm Beach County according to
the Florida Trend's 2019 Economic
Outlook

3.7%

FEB-2018



3.4%

FEB-2019

change in the Palm Beach County
unemployment rate

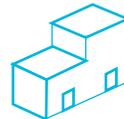
11,300

increase in total non-farm
employment since 1Q-2018

Development

500,000 SF Proposed in West Palm Beach

McCraney Property Co. received approval to build a
four-building 566,659-sf industrial park called the
Airport Logistics Park



Liberty Airport Center

will deliver building three totaling
77,780 sf in West Palm Beach during
the second quarter



343 K
square feet under construction
in Palm Beach County



Turnpike Crossing

is scheduled to break ground on
building four totaling 144,000 sf
during the second quarter

Market Influencers



**\$310.2
MILLION**

in total industrial sales volume
during the T-12 months ending 1Q-19



7.1%

increase in the average
asking rate over the trailing
12-months ending 1Q-19



71.6%
of total investment sales
during 1Q-19 were private
investors



Amid a decreasing supply of available
land, industrial buildings are being
rezoned for mixed-use projects

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	170,362	0	\$7.99	96.07%	3.93%	0.00%	3.93%	220,000	51,296
Flex	10,835,404	419,993	25,568	\$12.11	96.12%	3.88%	0.24%	4.11%	45,000	(11,416)
Manufacturing	6,154,726	113,928	43,213	\$9.23	98.15%	1.85%	0.70%	2.55%	0	0
Warehouse / Distribution	17,658,812	543,973	14,244	\$9.20	96.92%	3.08%	0.08%	3.16%	77,870	(118,732)
Total	38,986,545	1,248,256	83,025	\$10.02	96.80%	3.20%	0.21%	3.41%	342,870	(78,852)

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	214,783	20,630	\$12.69	93.30%	6.70%	0.64%	7.34%	0	1,865
Manufacturing	705,788	53,550	0	\$11.74	92.41%	7.59%	0.00%	7.59%	0	0
Warehouse / Distribution	2,588,816	54,835	0	\$12.86	97.88%	2.12%	0.00%	2.12%	0	(15,509)
Total	6,500,896	323,168	20,630	\$12.56	95.03%	4.97%	0.32%	5.29%	0	(13,644)

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	19,023	0	\$13.09	97.77%	2.23%	0.00%	2.23%	0	(7,391)
Manufacturing	224,841	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,093,480	11,775	0	\$10.90	98.92%	1.08%	0.00%	1.08%	0	(2,034)
Total	2,170,031	30,798	0	\$12.25	98.58%	1.42%	0.00%	1.42%	0	(9,425)

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	27,561	4,938	\$13.79	97.15%	2.85%	0.51%	3.37%	0	4,690
Manufacturing	489,908	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,944,645	180,566	0	\$7.95	90.71%	9.29%	0.00%	9.29%	0	(6,520)
Total	3,850,015	208,127	4,938	\$8.73	94.59%	5.41%	0.13%	5.53%	0	(1,830)

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	133,632	0	\$7.95	46.97%	53.03%	0.00%	53.03%	0	0
Flex	619,320	60,767	0	\$9.12	90.19%	9.81%	0.00%	9.81%	0	(4,400)
Manufacturing	562,038	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	956,557	12,800	0	\$8.69	98.66%	1.34%	0.00%	1.34%	0	(7,600)
Total	2,389,915	207,199	0	\$8.34	91.33%	8.67%	0.00%	8.67%	0	(12,000)

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	20,031	0	\$12.40	98.35%	1.65%	0.00%	1.65%	0	(22)
Manufacturing	231,501	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,171,666	17,611	900	\$8.95	98.50%	1.50%	0.08%	1.58%	0	(9,881)
Total	3,488,997	37,642	900	\$10.79	98.92%	1.08%	0.03%	1.10%	0	(9,903)

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	56,338	0	\$11.19	98.14%	1.86%	0.00%	1.86%	45,000	4,672
Manufacturing	3,132,744	60,378	43,213	\$7.00	98.07%	1.93%	1.38%	3.31%	0	0
Warehouse / Distribution	9,066,489	164,334	13,344	\$8.72	98.19%	1.81%	0.15%	1.96%	77,870	(77,188)
Total	17,311,935	317,780	56,557	\$8.77	98.16%	1.84%	0.33%	2.16%	122,870	(21,220)

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	21,490	0	\$13.91	97.76%	2.24%	0.00%	2.24%	0	(10,830)
Manufacturing	807,906	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	837,159	102,052	0	\$10.13	87.81%	12.19%	0.00%	12.19%	0	0
Total	3,274,756	123,542	0	\$10.79	96.23%	3.77%	0.00%	3.77%	220,000	(10,830)

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 manufacturing job sector grew by 4.9% over the trailing 12 months ending 1Q-19, the highest growth out of all of the job sectors during that period.

Leading Indicators (Y-0-Y 1Q-2018 to 1Q-2019)



Significant First Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Quantachrome Instruments	Boynton Commerce Center	Renewal	52,505	Boynton Beach
Pilot Freight Services	Turnpike Business Center	New	51,296	West Palm Beach
Wal-Mart	Airport Industrial Park	New	46,368	West Palm Beach
Ferguson	Airport Center	New	18,266	West Palm Beach
Confidential	Turnpike Business Center	New	14,951	West Palm Beach
Transportation Marketplace	101 Benoist Farms Road	New	11,700	West Palm Beach

Significant First Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Turnpike Business Park	324,675	\$39,061,200	\$120	Cabot Properties	West Palm Beach
Palm Beach Post Building	240,099	\$24,000,000	\$100	Tricera Capital	West Palm Beach
3600 S Congress Avenue	47,626	\$6,650,000	\$140	Alevizos Group	Boynton Beach
6001 Park of Commerce Blvd	30,000	\$5,750,000	\$192	Cosmetic Solutions	Boca Raton

