

Palm Beach County

Palm Beach County's Industrial Market Experiences Gains In Net Absorption As New Developments Take Shape

After a lackluster start to 2019, Palm Beach County's industrial market made considerable gains in the latter half of 2019. For two straight quarters, year-to-date net absorption for Palm Beach County has remained in negative territory, but strong employment growth and healthy leasing activity helped bolster demand as net absorption grew to positive 131,366 sf by the end of the third quarter. One of the main drivers behind the positive impact on net absorption was a 175,000-sf lease that was signed by a confidential e-commerce tenant at 700 Banyan Trail, a building formerly occupied by TravelPro that has sat mostly vacant for some time. Orangetheory Fitness also purchased a 40,828-sf industrial building in Boca Raton and plans to take occupancy early in the fourth quarter of 2019. Economic fundamentals remained positive as Palm Beach County's unemployment rate reached 3.7% as of August 2019, a slight 10-basis point decrease over August 2018. The largest employment gain of the third quarter was in the trade, transportation, and utilities job sector, which grew by 10.1% over the trailing 12 months ending August 2019. The manufacturing sector also followed close behind, growing by 5.5% over the same time period.

The overall vacancy rate declined over the quarter to 3.07%, a 41-basis point drop from the second quarter of 2019 and now the lowest vacancy across the tri-county area. Although speculative development is up almost double the amount over the trailing 12 months ending September 2019, it has been kept relatively in-check when compared to development in previous years.



825,143 SF
of industrial space is either under construction or proposed in the West Palm Beach submarket.

Industrial Market Snapshot

- The final two buildings at Duke Realty's Turnpike Crossing Industrial Park are currently underway in West Palm Beach. The buildings total 96,759 sf and 161,725 sf and are reportedly fully leased to an e-commerce company and SIW Solutions. At full build-out, Turnpike Crossing Industrial Park will total over 800,000 sf of class A logistics space across six buildings. Duke Realty will have completed the build-out of the industrial park in just three years, testament to the demand for quality large blocks of industrial space in West Palm Beach.
- McCraney Property Co. is gearing up to break ground on its 39.6-acre industrial project Airport Logistics Park immediately west of the Palm Beach International Airport. The industrial park will total 566,659 sf across four buildings and is estimated to cost about \$32 million to develop. Occupancy is expected in the third quarter of 2020.
- Although investment sale volume cooled during the third quarter as the market faced headwinds from a global economic slowdown and escalating international trade tensions, the total investment volume for the trailing 12-months ending September 2019 is up significantly totaling \$376.3 million, more than triple the investment sale volume recorded during the same time period the previous year. Of the total investment sales for the year-to-date, 81.3% was accounted for by private buyers.
- While industrial assets continue to attract significant investment interest from institutional investors, nontraditional industrial buyers are now starting to take an interest in the industrial market. A prime example was the recent announcement from Thor Equities, a real estate development, leasing, and management firm that primarily specializes in office, retail, hotel and residential assets, that it would be launching a new division called ThorLogis that will focus exclusively on logistics assets.
- During the third quarter, the Palm Beach County Commission unanimously approved the relocation of a light industrial park in West Delray Beach near a residential community. Although receiving criticism from local residents, the project would move the West Delray Collision Center across the street from its current location on Atlantic Ave to a 164,000-sf project that would include a three-story self-storage facility, a car wash, and an office/warehouse building.

39.0 MSF

Total industrial inventory in the Palm Beach County market

131,366 SF

Direct Y-T-D net absorption as of 3Q-2019

3.07%

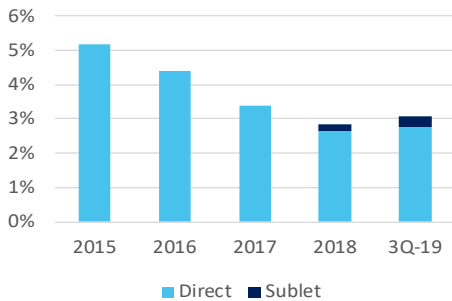
Overall Vacancy

\$9.81/SF/NNN

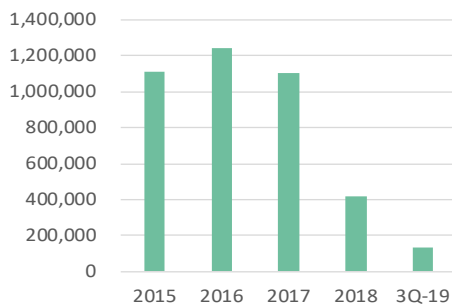
Average rental rate for industrial space (includes flex)

Statistical Snapshot

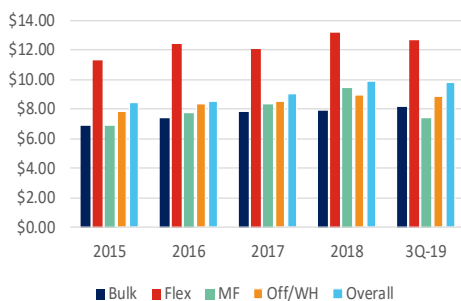
Vacancy Rate



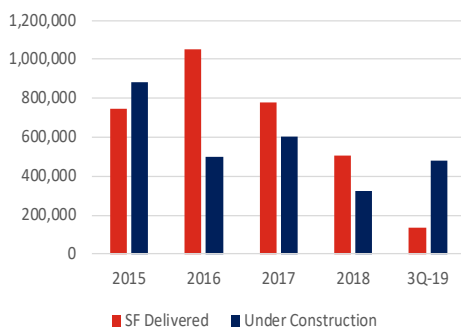
YTD Net Absorption (SF)



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



Construction Pipeline



Palm Beach County Industrial Market At A Glance

Demographics & Economy



22 Million

State demographers are projecting that Florida's population will surpass 22 million by 2022.

13,200

increase in total non-farm employment since 3Q-2018



10.1%

12-month employment increase in the Trade, Transportation, and Utilities job sector

3.8%
AUG-2018



3.7%
AUG-2019

change in Palm Beach County's unemployment rate

Development



TURNPIKE CROSSING REACHING COMPLETION

The final two buildings of the park totaling 96,759 sf and 161,725 are underway in West Palm Beach

Both buildings were fully leased prior to completion.

AIRPORT LOGISTICS PARK

McCraney Property Co. breaking ground soon on 566,659 sf in West Palm Beach. Completion is expected for 3Q-2020



478 K

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

164,000 SF

Approved to relocate a light industrial park in West Delray



Market Influencers



\$376.3 million

in total industrial sales volume during the T-12 months ending 3Q19



4.4%

increase in the average asking rate over the trailing 12-months ending 3Q19



81.3%

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



Amazon's recent dedication to a one-day delivery service for Prime members is fueling demand for last-mile logistics space.

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	76,105	0	\$8.15	98.25%	1.75%	0.00%	1.75%	381,725	82,661
Flex	10,835,404	304,890	16,426	\$12.67	97.19%	2.81%	0.15%	2.97%	0	103,687
Manufacturing	6,154,726	64,542	43,213	\$7.42	98.95%	1.05%	0.70%	1.75%	0	49,386
Warehouse / Distribution	17,715,991	628,156	65,184	\$8.87	96.45%	3.55%	0.37%	3.91%	96,759	(104,368)
Total	39,043,724	1,073,693	124,823	\$9.81	97.25%	2.75%	0.32%	3.07%	478,484	131,366

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	103,528	8,520	\$14.05	96.77%	3.23%	0.27%	3.49%	0	113,120
Manufacturing	705,788	9,000	0	\$10.00	98.72%	1.28%	0.00%	1.28%	0	44,550
Warehouse / Distribution	2,588,816	57,937	0	\$11.71	97.76%	2.24%	0.00%	2.24%	0	(18,611)
Total	6,500,896	170,465	8,520	\$13.04	97.38%	2.62%	0.13%	2.75%	0	139,059

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	13,758	0	\$14.25	98.38%	1.62%	0.00%	1.62%	0	(2,126)
Manufacturing	224,841	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,093,480	20,239	0	\$12.72	98.15%	1.85%	0.00%	1.85%	0	(9,123)
Total	2,170,031	33,997	0	\$13.34	98.43%	1.57%	0.00%	1.57%	0	(11,249)

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	25,805	4,938	\$14.68	97.33%	2.67%	0.51%	3.18%	0	6,446
Manufacturing	489,908	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,944,645	191,993	0	\$7.70	90.13%	9.87%	0.00%	9.87%	0	1,465
Total	3,850,015	217,798	4,938	\$8.53	94.34%	5.66%	0.13%	5.79%	0	7,911

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	28,373	0	\$7.45	95.42%	4.58%	0.00%	4.58%	0	27,994
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
Total	2,389,915	72,948	0	\$7.69	96.95%	3.05%	0.00%	3.05%	0	59,359

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	27,121	1,468	\$12.96	97.76%	2.24%	0.12%	2.36%	0	(7,112)
Manufacturing	231,501	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,171,666	57,641	51,840	\$8.54	95.08%	4.92%	4.42%	9.34%	0	(49,911)
Total	3,488,997	84,762	53,308	\$9.96	97.57%	2.43%	1.53%	3.96%	0	(57,023)

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%	161,725	51,296
Flex	3,022,297	65,163	1,500	\$11.27	97.84%	2.16%	0.05%	2.21%	0	(4,153)
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	218,566	13,344	\$8.57	97.60%	2.40%	0.15%	2.54%	96,759	(53,660)
Total	17,369,114	376,001	58,057	\$8.77	97.84%	2.16%	0.33%	2.50%	258,484	(1,681)

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	41,142	0	\$13.02	95.71%	4.29%	0.00%	4.29%	0	(30,482)
Manufacturing	807,906	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	837,159	76,580	0	\$9.93	90.85%	9.15%	0.00%	9.15%	0	25,472
Total	3,274,756	117,722	0	\$11.01	96.41%	3.59%	0.00%	3.59%	220,000	(5,010)

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 currently holds the lowest industrial vacancy rate across the tri-county area of 3.07% due to consistent demand and restrained new construction in recent years.

Leading Indicators (Y-O-Y 3Q-2018 to 3Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	Total Employment
3.07%	131,366 SF	\$9.81	478,484 SF	711 K

Significant Third Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Confidential E-commerce Tenant	700 Banyan Trl	New	175,000	Boca Raton
SIW Solutions	Turnpike Crossing - Building 4	New	161,725	West Palm Beach
World Electric Supply	6780 White Dr	Renewal	25,000	West Palm Beach
Dean Mitchell Group	3220 45th St	New	12,842	West Palm Beach
Keratin Complex	6400 N Congress Ave	Renewal	12,647	Boca Raton
Homerite Impact Windows	1500 N Florida Mango Rd	New	8,160	West Palm Beach

Significant Third Quarter 2019 Sales Transactions - Sorted by Sale Price

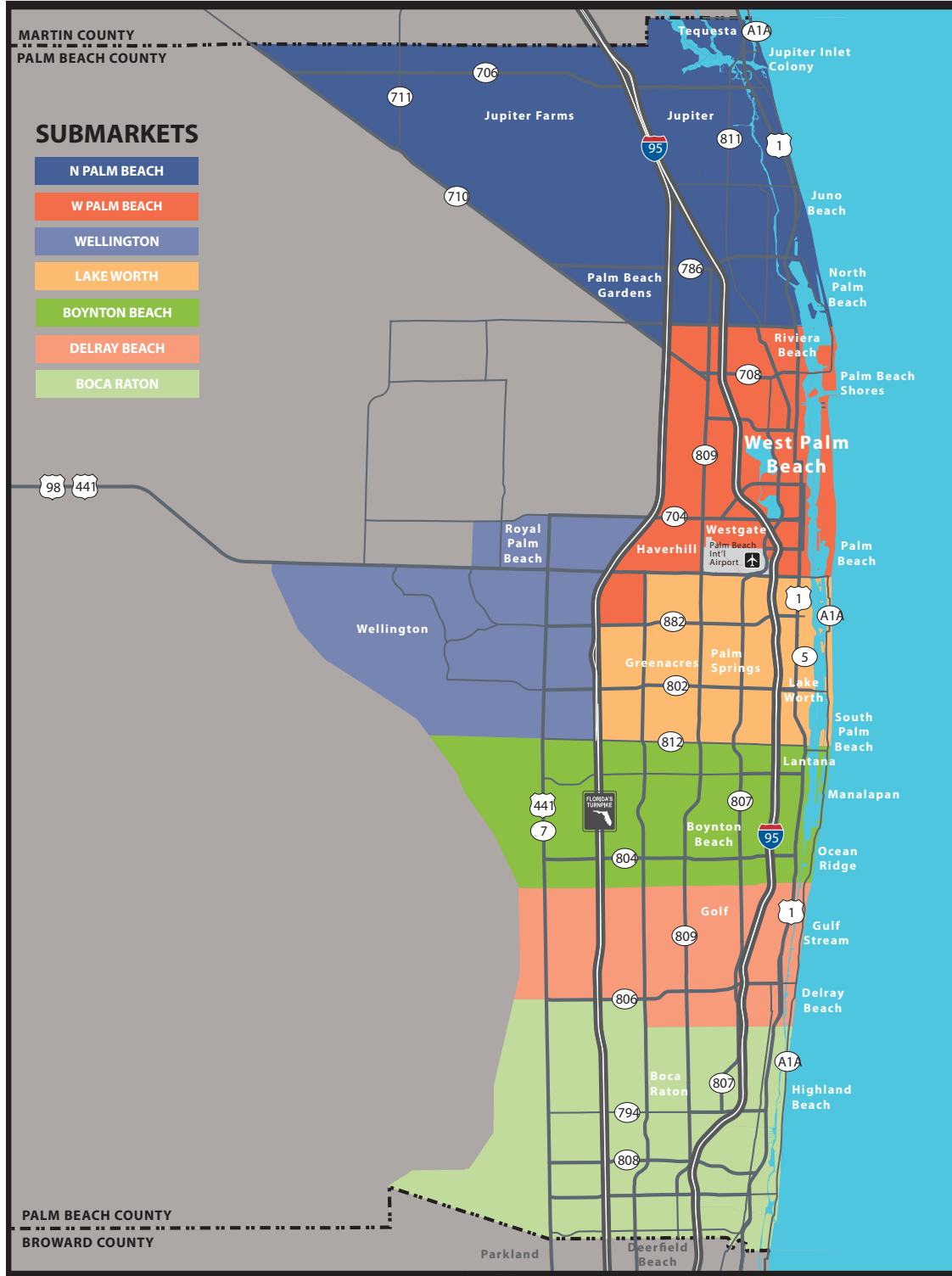
Property	SF	Sale Price	Price/SF	Buyer	Submarket
6403 W Rogers Cir	40,828	\$5,700,000	\$139	Orangetheory Fitness	Boca Raton
1199 President Barack Obama Hwy	26,659	\$3,900,000	\$146	Company Roof Maintenance LLC	West Palm Beach
Congress Plaza	24,200	\$3,825,000	\$158	Mindful Capital Group	Delray Beach
3825 Investment Lane	32,100	\$3,570,000	\$111	Anibal Gomez	West Palm Beach



700 Banyan Trail

Former TravelPro Building Leases 175K SF Adding a Boost to Net Absorption

During the third quarter of 2019, a confidential e-commerce tenant signed a 175,000-sf lease to occupy the former TravelPro building in Boca Raton. Being one of the only large blocks of contiguous space left in Palm Beach County, the leasing of the building, which has sat mostly vacant since mid-way through 2018, had a significant positive impact on net absorption for the year-to-date. The tenant will reportedly take occupancy of the space in December of this year.



Contact Information

Tom Viscount
Principal
954.903.1810
tom.viscount@avisonyoung.com

Wayne Schuchts
Principal
305.607.3845
wayne.schuchts@avisonyoung.com

Bobby Benton
Brokerage Services
954.903.1811
bobby.benton@avisonyoung.com

Evie Linger
Research Analyst
954.903.3714
evie.linger@avisonyoung.com



avisonyoung.com

