

Palm Beach County Industrial, Q3 2019

Vacancy rate remains stable

Total Vacancy
2.2%

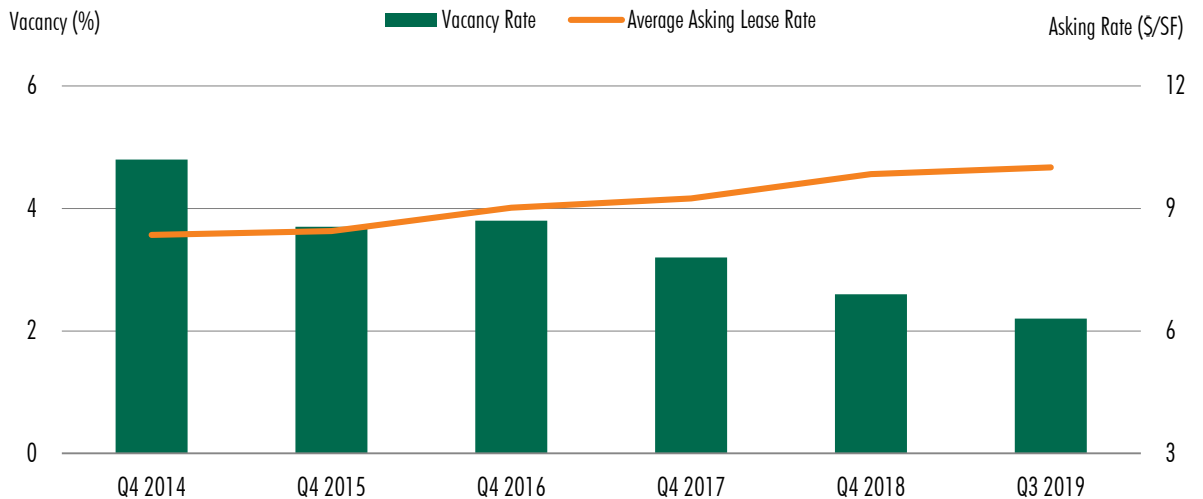
Lease Rate
\$10.01 PSF

Net Absorption
11,000 SF

Under Construction
538,000 SF

*Arrows indicate change from previous year.

Figure 1: Total Vacancy –vs– Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q3 2019.

- Total vacancy for the Palm Beach industrial market was 2.2% and has remained below 4% for 16 consecutive quarters.
- Private buyers represent 82.7% of total buyer composition as of Q3 2019.
- Palm Beach County’s unemployment rate decreased 10 bps year-over-year to 3.7% since August 2018.
- The Palm Beach industrial market currently has three buildings under construction and an industrial park composed of nine single user buildings. The total inventory under construction is 537,604 sq. ft.

LEASING ACTIVITY

Industrial vacancy for the Palm Beach market finished at 2.2% in Q3 2019, posting the 16th consecutive quarter that vacancy has remained below 4%. The overall vacancy rate quarter-over-quarter and year-over-year has achieved stability and looks to continue this trend as tenant demand for available space outweighs current supply. The lowest recorded vacancy rates were in Riviera Beach (1.0%), Jupiter (1.4%), and Delray Beach (1.6%). The average asking rate in Q3 2019 was \$10.01 per sq. ft., representing a \$0.30 increase year-over-year.

Figure 2: Market Statistics

Submarket	Total Inventory (SF)	Total Availability (%)	Total Vacancy (%)	Q3 2019 Net Absorption (SF)	2019 YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/NNN)
Boca Raton	7,365,479	7.6	2.8	(21,514)	(45,388)	0	11.98
Boynton Beach	4,233,635	9.9	4.2	(1,325)	2,696	0	7.96
Delray Beach	2,774,748	2.4	1.6	0	(9,949)	0	12.00
Jupiter	4,092,795	5.8	1.4	1,400	7,297	220,000	10.15
Lake Worth	3,309,107	5.0	2.7	6,230	(173)	0	8.75
Riviera Beach	9,461,230	5.0	1.0	30,585	(8,350)	0	9.56
West Palm Beach	15,725,084	3.2	2.3	(4,477)	91,091	317,604	9.72
Total	46,962,078	5.1	2.2	10,899	37,224	537,604	10.01
Manufacturing	4,956,545	1.7	0.5	0	0	0	9.50
R&D/Flex	9,711,652	7.8	2.6	7,317	(39,736)	0	11.63
Whse/Distribution	32,293,881	4.8	2.3	3,582	76,960	537,604	9.04

Source: CBRE Research, Q3 2019.

Figure 3: Significant Q3 2019 Lease Transactions

Submarket	Property	Tenant	Transaction (SF)
Riviera Beach	Blue Heron Distribution	LVI Intermediate Holdings Inc	15,000
West Palm Beach	3220 45th St	Dean Mitchell Group	12,842
Riviera Beach	Northpoint Tech Center	S&C Electric Company	12,016
West Palm Beach	Landmark II	Wright Impact Window & Door	8,160
Boca Raton	AMTEC 10	Egla Communications	6,638

Source: CBRE Research, Q3 2019.

* Denotes Renewal.

Figure 4: Projects Under Construction as of Q3 2019

Submarket	Property	Address	Building (SF)
Jupiter	Building 25	15335 Park of Commerce Blvd, Jupiter	220,000
West Palm Beach	Turnpike Crossing Building 4	6717 Belvedere Rd, West Palm Beach	146,253
West Palm Beach	Turnpike Crossing Building 3	6717 NW Jog Rd, West Palm Beach	144,000
West Palm Beach	Palms West Commerce Park	8470 Belvedere Rd, West Palm Beach	27,351

Source: CBRE Research, Q3 2019.

Figure 5: Significant Q3 2019 Sale Transactions

Submarket	Address	Buyer	Sale Price (\$)	Building (SF)	Price Per SF (\$)
Boca Raton	6403 W Rogers Cir	Orange Theory Fitness	5,700,000	44,550	128
West Palm Beach	5770 N Military Trl	Agree Realty Corporation	5,376,000	14,820	363
West Palm Beach	3300 Electronics Way	U & Me Transfer, Inc	3,200,000	50,000	64
Riviera Beach	3716 N Interstate Park	Anibal J Gomez	3,100,000	30,000	103
Riviera Beach	6780 White Dr	Samuel R Hunt	2,800,000	25,000	112

Source: CBRE Research, Q3 2019.

Net absorption, with an extremely tight market, remained positive at 10,899 sq. ft. this quarter bringing year-to-date absorption to 37,224 sq. ft. The activity was scattered and primarily occurred in Rivera Beach with 30,585 sq. ft. and Lake Worth with 6,230 sq. ft. Leasing demand is primarily from tenants requiring less than 15,000 sq. ft.

DEVELOPMENT

The expansion of the Palm Beach County industrial market slowed down with no new deliveries in Q3 2019, however, three stand-alone buildings and a nine-building industrial park remain under construction totaling 537,604 sq. ft. With the current developments and 1.4 million sq. ft. of planned projects in the pipeline, Palm Beach county can expect to keep hitting tenant demand while remaining a landlord market due to scarcity of product.

SALES ACTIVITY

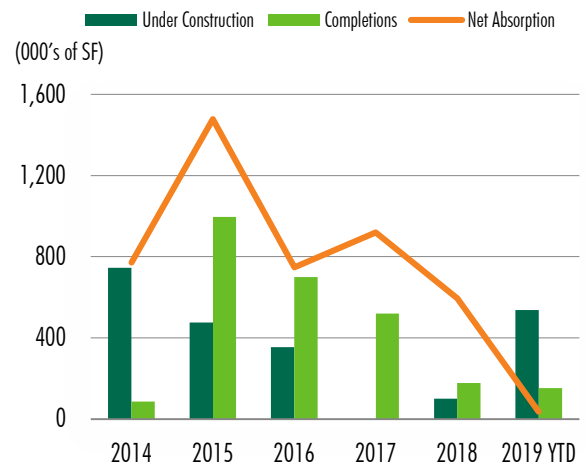
The volume of sales transactions slowed during the quarter, but capital markets are expected to remain active in 2019, as interest rates remain favorable. During Q3 2019, 5 transactions closed totaling 161,140 sq. ft., with a total sales volume of \$16.5 million., or \$102 per sq. ft. This brings year-to-date sales volume to \$251 million in 37 transactions. Buyer composition this year includes: Cross-Border (1.8%), Institutional (14.3%), Private (82.7%), and User/Other (1.2%). Major buyers year-to-date include Cabot Properties with the purchase of Turnpike Business Park (352,586 sq. ft.) for \$39.1 million and Pebb Enterprises acquiring 6405 Boynton Beach Boulevard (14,000 sq. ft.) for \$12.0 million.

OUTLOOK

Palm Beach County has seen new residential development activity, employment growth, and heightened new-to-market business formation as an indicator of economic expansion in the Palm Beach market.

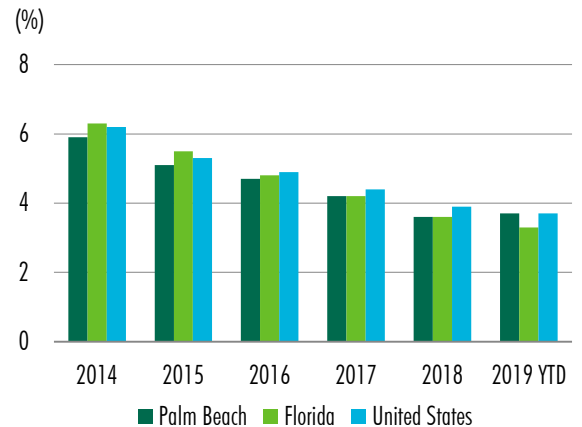
According to the Bureau of Labor Statistics, the unemployment rate in Palm Beach County for August 2019 was 3.7%, a 10 bps decrease year-over-year. Palm Beach County also saw the creation of 13,200 non-farm jobs over the past year, a 2.1% increase, with industrial-using sectors adding 1,500 jobs over the same period. Demand for industrial properties remains active and the scarcity of land should drive lease rates higher and vacancy rates lower on existing inventory.

Figure 6: Under Construction and Completions –vs– Net Absorption

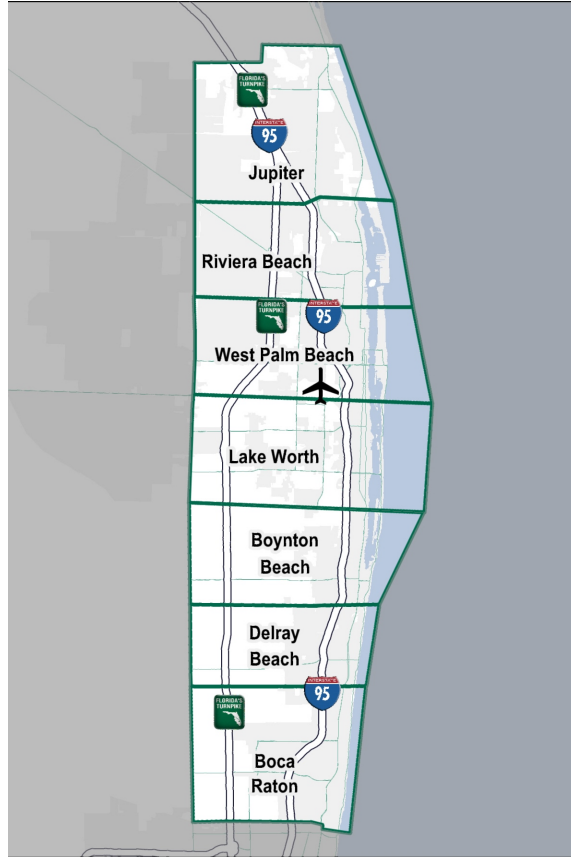


Source: CBRE Research, Q3 2019.

Figure 7: Unemployment



Source: U.S. Department of Labor, Bureau of Labor Statistics, September 2019.



Market Coverage: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Palm Beach County.

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