

**MARKETVIEW**

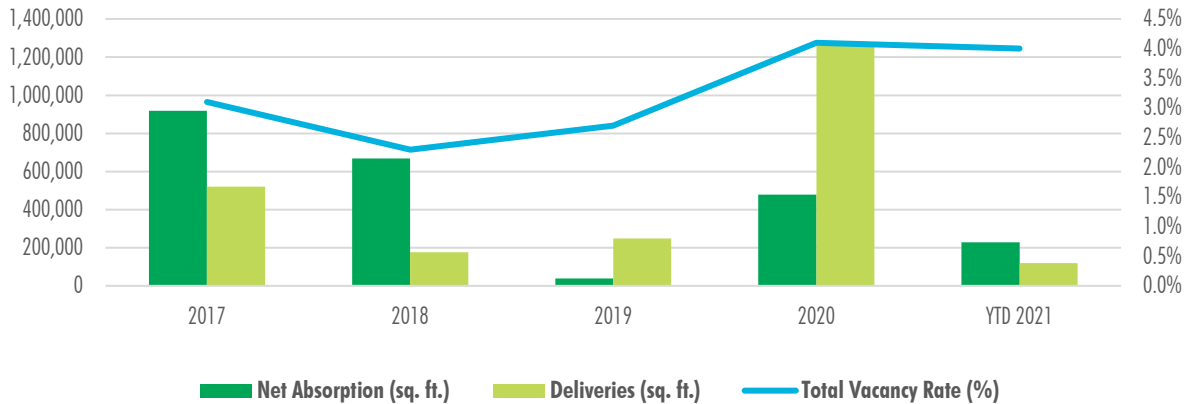
Q2 2021

# Palm Beach Industrial

## Strong consecutive quarter for investments

▲ Inventory 48,800,000 SF
▼ New Deliveries 0 SF
▲ Under Const. 1,200,000 SF
▲ Total Vacancy 4.0%
▲ Net Absorption 131,000 SF
▲ Lease Rate \$10.83/SF

Historical Absorption, Deliveries and Vacancy



- Palm Beach County has a robust construction pipeline, with 1.1 million sq. ft. of speculative development slated to begin construction over the next 12-months.
- The average new transaction in Q2 2021 was 8,600 sq. ft.; that is an increase of 62% compared with the average new transaction in Q2 2020 (5,300 sq. ft.).
- In Palm Beach, the average price paid for industrial land in Q2 2021 was \$975,000 per acre. However, with the rapidly evolving market for industrial land, this asset is quickly approaching prices of \$1.0 million per acre or more.

**OVERVIEW**

During Q2 2021, Palm Beach County experienced limited deliveries compared with recent quarters. However, with 1.2 million sq. ft. under construction, deliveries are expected to pick up in the second half of the year. Notably, Palm Beach Park of Commerce – Building 26 (200,000 sq. ft.) broke ground during the quarter, with an anticipated delivery in Q4 2021. Unlike the markets southern counterpart, Miami-Dade and Broward County, Palm Beach features a greater abundance of developable land in addition to space brought online in previous quarters that can accommodate users with a greater appetite for industrial space.

**DEMAND**

Total executed leases amounted to 642,000 sq. ft. across 71 transactions. Notably, the average transaction size for *new leases* has seen a major year-over-year improvement, with the average being 8,600 sq. ft. versus 5,300 sq. ft. this time last year. This increase in size was mainly bolstered by a single e-commerce user leasing 120,000 sq. ft. at Riviera Beach Port Commerce Center.

Net absorption for the quarter totaled 131,000 sq. ft., with the West Palm Beach submarket absorbing roughly 88,000 sq. ft. or 67% of total quarterly absorption. Additionally, this is a vast year-over-year market wide improvement from the 11,000 sq. ft. of space absorbed during Q2 2020.

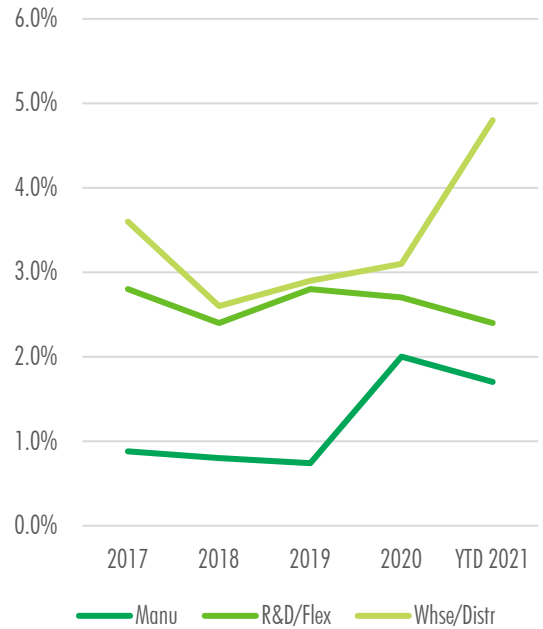
Despite strong absorption in Q2 2021, year-over-year vacancy increased by 90 basis points (bps) to 4.0%. However, this is not a true testament to declining demand. Instead, this uptick comes as a result of limited leasing in new deliveries from the second half of 2020. Additionally, the majority of first- and second-generation spaces have leases pending with the expectation that this will further compress vacancy and availability in Q3 2021.

**PRICING**

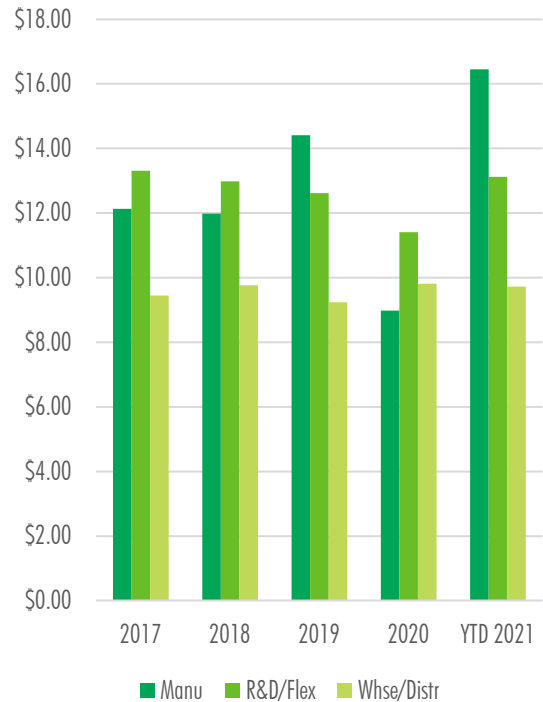
The year-over-year average asking rate increased by 1%, or \$0.10 cents, to \$10.83 (NNN) per sq. ft. This increase is mainly attributed to the year-over-year rent growth seen in Manufacturing (12.1%) and R&D/Flex (3.1%) space.

The investment climate continued to persist with total sales volume reaching \$100.3 million and an average price paid of \$139 per sq. ft. This is an impressive feat as Q1 2021 was an already strong quarter for capital markets, recording \$62.0 million in sales. The most notable trade was a three-building (80,000 sq. ft.) portfolio sale, purchased by a private investor for \$15.15 million, or \$190 per sq. ft.

Vacancy Rate



Asking Rates (\$/sq. ft./NNN)



**OUTLOOK**

2021 will exhibit the highest economic growth since the early 1980s, with GDP growth hitting 7% as the pandemic fades and society and commerce normalize. The key impediment to greater growth is a shortage of key inputs, such as labor, microchips, and raw materials. The housing market is the posterchild of this imbalance, as increased sales during 2020 caused prices to surge and inventories to shrink. But a limited supply of labor and materials is preventing homebuilders from fully responding to price signals.

Wage and price escalations have driven inflationary fears. In May, core CPI grew at its fastest annual pace since the early 1990s, at 5%. Many of the drivers behind the May figure are transitory, such as a shortage of autos (both for-sale and rentals) and base effects from the drop in prices last year. The upshot is that inflation will fall from current levels but remain above the Fed's traditional 2% target through 2022. The Fed is likely to retain its 'dovish' stance but could begin to curtail its asset purchase program earlier than expected.

**Q2 2021 Statistical Snapshot**

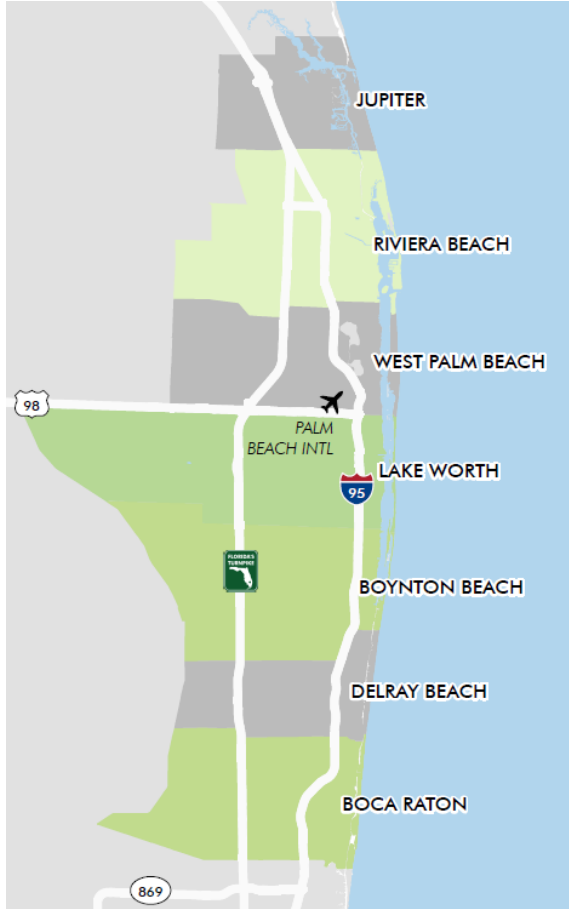
Submarket	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q2 2021 Net Absorption (SF)	YTD 2021 Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/NNN)
Boca Raton	7,442,840	2.7	5.7	18,647	1,165	0	13.75
Boynton Beach	4,434,837	6.4	10.3	(8,492)	(30,635)	0	8.54
Delray Beach	2,907,748	1.5	3.6	(16,130)	3,105	0	15.10
Jupiter	1,862,839	0.8	2.0	(3,158)	(2,134)	0	13.42
Lake Worth	4,418,449	4.3	5.9	7,324	70,502	0	9.53
Riviera Beach	11,966,147	2.9	3.5	(1,343)	28,699	0	10.82
West Palm Beach	13,334,543	6.2	8.9	87,899	121,608	0	10.58
Outlying PBC	2,482,456	2.5	1.4	45,984	37,584	1,201,226	10.37
<b>Total Palm Beach</b>	<b>48,849,859</b>	<b>4.0</b>	<b>6.0</b>	<b>130,731</b>	<b>229,894</b>	<b>1,201,226</b>	<b>10.83</b>
Manufacturing	4,956,545	1.7	2.4	(35,092)	(35,092)	0	16.45
R&D/Flex	9,742,046	2.4	4.9	17,392	5,231	0	13.12
Warehouse/Distribution	34,151,268	4.8	6.8	148,431	259,755	1,201,226	9.72

**Q2 2021 Notable Leases**

Submarket	Property	Tenant	Owner	Transaction (SF)
Riviera Beach	Riviera Beach Port Commerce Center	E-Commerce User	Johnson Development Associates	120,282
West Palm Beach	Prologis Airport Center – Building 4	Lansing Building Products	Prologis	48,616
Outlying PBC	15335 Park of Commerce Boulevard	Niagara Bottling	MDH Partners	36,050

**Q2 2021 Notable Sales**

Submarket	Property	Buyer	Transaction (SF)	Sale Price (\$)	Price/SF (\$)
Lake Worth	3125-3141 Fortune Way (Portfolio)	Private Buyer	79,632	15,150,000	190
Riviera Beach	6555 Garden Road (Portfolio)	KODA Capital	117,630	12,750,000	108



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

*Note: Some variance in reported data may have resulted from a recent realignment and redefinition of submarket boundaries.*

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