

PALM BEACH
3Q17 INDUSTRIAL MARKET

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The Palm Beach industrial market showed its durability during third-quarter 2017, as the overall vacancy rate dropped 30 basis points from the 4.2% recorded in the previous quarter, making it the lowest industrial vacancy in all of Florida's major markets. Industrial occupancy reached its highest level since fourth-quarter 2006, at the peak of the previous economic cycle. Although the market is seeing healthier midsize lease transactions, the majority of third-quarter transactions involved less than 5,000 square feet, as smaller local businesses remained Palm Beach industrial market's wheelhouse. The average asking rate in Palm Beach increased \$0.23/SF to \$9.34/SF during the third quarter, retaking the lead from Broward County as the highest rate for industrial space in Florida. General industrial space increased \$0.16/SF from the \$7.83/SF rate, while the warehouse/distribution segment saw a \$0.26/SF increase from \$8.61/SF one year ago.

Disciplined development aided the market's recovery and appeared to continue, as limited development held with five buildings totaling 382,000 square feet have been built since the start of the year. Only one building broke ground, totaling 166,000 square feet under construction in the North County submarket. No other major buildings are expected to break ground for the remainder of the year.

Leasing & Demand Activity

Leasing activity ticked up slightly in the third quarter, as 103 transactions totaling 420,000 square feet were recorded, bringing year-to-date activity to more than 2.7 million square feet. General industrial space took the lead with 1.4 million square feet, followed by warehouse/distribution with 1.2 million square feet. The R&D/flex segment continued its lackluster performance, with 19 deals totaling 74,900 square feet. The majority of activity came from local companies, as lateral relocations and small expansions still dominated deals. Retail and wholesale companies signed most of the larger lease deals in Palm Beach, totaling 268,000 square feet, while the manufacturing sector was a distant second with 97,200 square feet. The home/building supplies sector was a close third with 79,100 square feet transacted. The logistics and distribution sector struggled, achieving 30,000 square feet in total deal activity.

Investment Activity

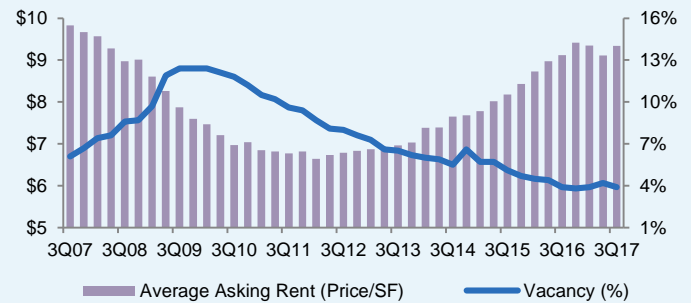
There have been fewer investment sale transactions in Palm Beach County, as owners held onto their investments. Seven sale transactions occurred during the third quarter, totaling 516,845 square feet for a combined \$50.9 million. There have been 26 investment sales year-to-date, totaling over 1.0 million square feet for \$112.8 million. This is up somewhat from the 19 sales that had taken place by this time last year, totaling 576,000 square feet for \$56.4 million. The notable difference was an increase in sales price, from \$74/SF one year ago to \$112/SF at the close of third-quarter 2017.

Current Conditions

- New projects have not yet begun to break ground, as disciplined development held.
- Palm Beach County boasted the lowest vacancy rate throughout the state for a second consecutive quarter.
- Palm Beach has the highest average asking rent for industrial space in Florida.
- Investment sale prices per square foot jumped by more than 500 basis points from one year ago.

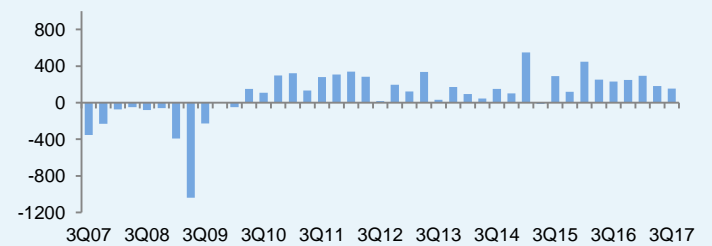
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousand



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	48.0 MSF	48.0 MSF	47.2 MSF	↔
Vacancy Rate	3.9%	4.2%	3.9%	↔
Quarterly Net Absorption	154,981	182,727	232,354	↔
Average Asking Rent	\$9.34	\$9.11	\$9.12	↑
Under Construction	166,392	166,392	864,606	↓
Deliveries	40,775	0	0	↔

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3Q16 INDUSTRIAL MARKET**

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Palm Beach Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Boca Raton	8,641,081	0	2.5 %	58,691	205,435	\$9.42	\$12.34	\$11.21
North Central	25,040,917	0	4.6 %	15,541	254,902	\$7.76	\$13.43	\$8.79
North County	3,555,121	166,392	2.1 %	-3,485	5,558	\$10.81	\$12.32	\$10.27
South Central	10,805,386	0	4.1 %	84,234	143,861	\$7.79	\$11.20	\$8.97
Totals	48,042,505	166,392	3.9 %	154,981	609,756	\$7.99	\$12.65	\$9.34

Palm Beach Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
ABC Supply	Turnpike Crossing 6-1 Jog Rd	North County	Direct	34,069
Serta	Terminal 1-2001 Australian Ave	North Central	Renewal	30,000
Coastal Building Products	Britannia Bus Ctr-7835 Central Ind Dr	North Central	Direct	25,114
Florida Public Utilities	1635 Meathe Dr	North County	Direct	24,000
Concrete Products	Hill Ave Warehouse-1205 Hill Ave	North Central	Direct	14,000

Palm Beach Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
*Interstate Bus Ctr A&B-701 Boutwell	South Central	\$30,735,312	\$122	252,000
700 Banyan Trl	Boca Raton	\$12,000,000	\$68	175,625
4547 Dyer Rd	North Central	\$2,667,781	\$79	33,600
Westroads Ind Pk-6677 N 42 nd Ter	North Central	\$2,740,827	\$83	32,877

* Denotes Portfolio Sale