



PALM BEACH
4Q16 INDUSTRIAL MARKET

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The Palm Beach industrial market slowed during fourth-quarter 2016, as modest positive net absorption, coupled with two building completions, pushed overall vacancy up 30 basis points from the 4.2% recorded in the previous quarter. Palm Beach County still held the second-lowest vacancy in Florida, as industrial occupancy rose 40 basis points to 95.5% from the 974,574 square feet of year-to-date absorbed space. Warehouse/distribution led the market, bringing 424,751 square feet of positive net absorption. The R&D/flex market followed suit with 296,961 square feet, while the general industrial segment trailed closely with 214,462 square feet of positive net absorption during 2016.

The average asking rate in Palm Beach remained the highest in Florida, increasing \$1.04/SF to \$9.47/SF at the close of the fourth quarter. This was the highest rate seen since the end of 2007. General industrial space saw the strongest year-over-year rise with a \$1.29/SF increase from \$7.78/SF, while warehouse/distribution followed with a bump of \$0.42/SF from \$7.75/SF one year ago. The majority of higher-tier warehouse space has been leased and occupied during this upswing, leaving lower-end space to impact the average rate by hindering significant increases from quarter to quarter. However, the average rate for distribution space is pushing closer to the \$8.64/SF record seen in 2007.

Leasing & Demand Activity

Leasing activity remained level in the last quarter of 2016, as 74 transactions totaling 319,046 square feet were recorded, bringing year-to-date activity to more than 2.0 million square feet. Warehouse/distribution space held the lead with 103 leases for a combined 837,000 square feet, followed closely by general industrial with 201 deals totaling 777,600 square feet. The R&D/flex segment continued to trail with 143 deals totaling 385,400 square feet. Home and building supplies led midsize to large lease transactions with 280,000 square feet, barely beating out the logistics and distribution segment with 209,000 square feet. The equipment and machinery industry rounded out the top three with 40,000 square feet of lease deals during 2016. The majority of these deals took place in the North Central submarket with 306,000 square feet, followed by South Central with 115,000 square feet.

Development Activity & Forecast

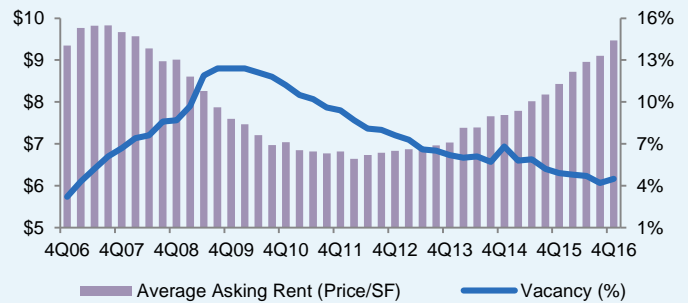
Investors have pulled the trigger on development, with almost 1 million square feet of projects seen during 2016. Two buildings totaling 218,160 square feet completed, while nine buildings totaling 700,000 square feet remained under construction at the close of the year. Over 65.0% of this new inventory remained available and will likely push vacancy upward, as industrial buildings are completed over the next six to 12 months. Demand could slow depending on which way the economy turns but shouldn't have severe correction impacts on the industrial sector.

Current Conditions

- New construction pushed vacancy up despite positive growth in demand and will likely continue to do so in upcoming months.
- Palm Beach boasted the highest average asking rents in Florida.
- Slowing economic growth, coupled with tepid GDP, could translate into decreased demand for industrial space needs over the next 12 months.
- New projects are less likely to break ground without pre-leasing

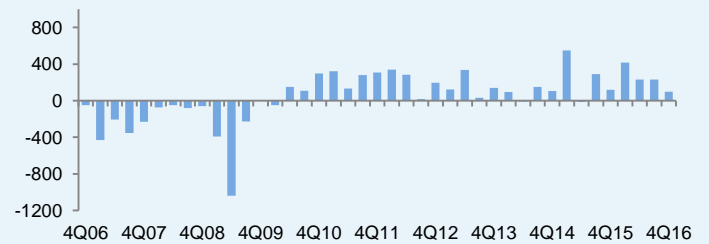
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousand



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	47.4 MSF	47.2 MSF	46.6 MSF	↑
Vacancy Rate	4.5%	4.2%	4.9%	↔
Quarterly Net Absorption	96,519	230,081	120,526	↑
Average Asking Rent	\$9.47	\$9.10	\$8.43	↑
Under Construction	699,946	864,606	454,271	↓
Deliveries	218,160	0	0	↑



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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	5.5 %	3,437	181,393	\$8.93	\$13.26	\$10.85
North Central	24,641,165	394,446	4.3 %	60,748	551,064	\$7.88	\$11.06	\$8.47
North County	3,542,407	0	3.2 %	8,156	29,529	\$10.13	\$11.21	\$10.58
South Central	10,553,386	305,500	4.5 %	24,178	212,588	\$7.69	\$11.59	\$9.68
Totals	47,378,039	699,946	4.5 %	96,519	974,574	\$8.17	\$11.94	\$9.47

Palm Beach Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
You & Me Moving & Storage	Technology Plaze-3300 Electronics	North Central	Direct	50,000
Greek Moving	Turnpike Crossing 2-1333 Jog Rd	North Central	Direct	25,567
Tyco Simplex Grinnell	Jupiter Com Pk-1830 Park Lane S	North County	Direct	20,000
Johnson Controls	Airport Ind Pk-1701 Okeechobee Rd	North Central	Direct	13,127

Palm Beach Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Belvedere Bus Pk-8020 Belvedere Rd	North Central	\$12,000,000	\$110	109,360
Lewis Terminals-1500 Ave R	North Central	\$3,200,000	\$60	52,961
Lantana Ind Pk-635 Gator Dr	South Central	\$3,200,000	\$78	41,000
1101 Northpoint Pkwy	North Central	\$3,600,000	\$97	36,968