

PALM BEACH COUNTY

The Palm Beach industrial market showed further signs of slowing, as demand just outpaced supply, while vacancy held level from the 3.4% recorded in the previous quarter but dropped 60 basis points from 4.1% one year ago. Palm Beach County, which had overtaken Miami's lead in occupancy at the end of 2016, held on to the lowest vacancy in Florida. Although the market has seen demand drop considerably since the year began, landlords have yet to pull back on increasing rents. The average rental rate increased by \$0.39/SF to \$9.84/SF, surpassing the previous record of \$9.83/SF reached during third-quarter 2017. Warehouse/distribution rents saw a slight decline of \$0.11/SF from the \$7.99/SF rate, as a result of higher-end space being taken off the market, allowing secondary industrial availabilities to have a greater impact on average rents. The general industrial segment followed with a significant increase of \$0.83/SF from \$8.87/SF one year ago, while R&D/flex space held level at \$12.03/SF. Disciplined development prior to the economic downturn aided the market's quick recovery and continued to do so, as no buildings have been completed yet in 2018. One project totaling 146,000 square feet was under construction at the close of the third quarter. Duke Realty's Turnpike Crossing #5 signed a lease prior to completion of the third quarter, which will bring the building to over 75.0% occupied when completed in the fourth quarter.

LEASING AND DEMAND

Leasing activity remained level in third-quarter 2018, as 104 transactions totaling 477,500 square feet were recorded, bringing year-to-date activity to almost 1.4 million square feet. This was down significantly from the 2.7 million square feet leased at this time last year. Warehouse/distribution space overshadowed the other segments with 205 deals totaling 884,000 square feet, followed by general industrial with 56 transaction leases combined for 311,000 square feet. The R&D/flex segment saw leasing fall by 20.0% from one year ago, totaling 168,000 square feet. The majority of activity came from local companies, as smaller renewals and relocations dominated deals, with only one large deal totaling 109,000 square feet recorded during third-quarter 2018. This pushed the manufacturing sector into the top spot for midsize to large deals, with the 109,000-square-foot deal to Eastern Metal Supplies. Home and building supply companies signed two deals to take second place, taking up 44,000 square feet. In the final deal, a logistics and distribution tenant signed for 22,500 square feet.

INVESTMENT SALES

Sale activity remained tepid after no sales occurred in the first quarter of 2018. Three sales totaling only 89,935 square feet during the third quarter brought year-to-date transactions to 371,377 square feet that sold for \$39.6 million. The lack of owners willing to unload their industrial properties caused a decrease from the 517,000 square feet sold for \$50.9 million at this time last year. This is the second consecutive year that investment sales have fallen, but one key difference from last year is that the demand for any industrial investments pushed the average sales price from \$98/SF to \$104/SF. This is the first time industrial investment sales have broken the \$100/SF average price barrier in Palm Beach County, and lower-tier properties were the driving factor.

CURRENT CONDITIONS

Palm Beach saw another quarter of balance between demand and supply as vacancy remained unchanged from the previous quarter.

The \$9.84/SF average asking rate is the highest in Florida's major markets.

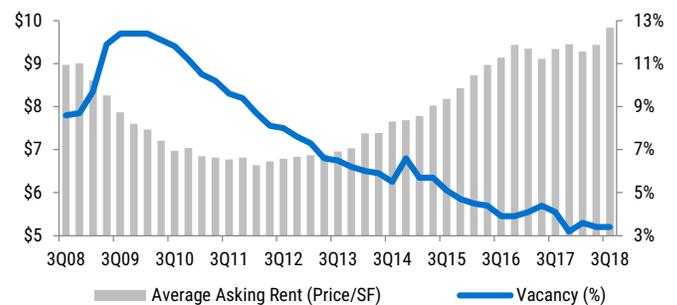
One building totaling 146,000 square feet broke remained under construction with the majority of space already leased.

Palm Beach County holds the lowest vacancy rate of the major markets throughout Florida.

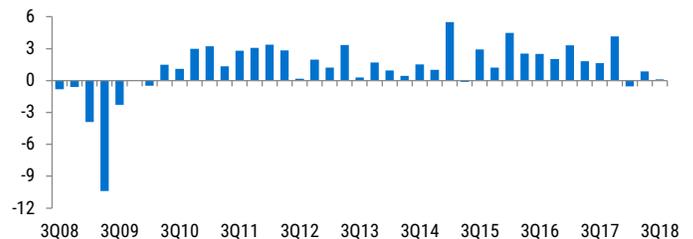
Investors held onto their industrial properties with very little sales taking place during third-quarter and throughout the year so far.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, 100,000)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	48.3 MSF	48.3 MSF	48.3 MSF	↔
Vacancy Rate	3.4%	3.4%	4.1%	↔
Quarterly Net Absorption	11,314	85,985	162,481	↔
Average Asking Rent	\$9.84	\$9.44	\$9.34	↑
Under Construction	146,253	146,253	0	↔
Deliveries	0	0	0	↔

PALM BEACH MARKET 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	8,608,138	0	3.4 %	-38,000	-58,550	\$11.61	\$14.40	\$13.34
North Central	25,040,309	0	3.0 %	9,439	81,451	\$7.00	\$9.77	\$8.04
North County	3,721,513	146,253	3.5 %	34,062	89,182	\$12.58	\$12.08	\$10.80
South Central	10,896,865	0	4.2 %	5,813	-70,148	\$7.79	\$12.59	\$9.10
Totals	48,266,825	146,253	3.4 %	11,314	41,935	\$7.88	\$12.03	\$9.84

PALM BEACH LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Eastern Metal Supplies	Turnpike Crossing #5-6757 Belvedere	North County	Direct	108,000
Walmart	2201 4 th Ave N	South Central	Direct	72,000
Crown Castle	Liberty Airport Ctr 2-	North Central	Direct	51,840
Travel Pro USA	Pk @ Broken Sound-6500 Pk of Com Blvd	Boca Raton	Direct	30,232
Roman	Duke Realty Gateway 2-3602 Quantum	South Central	Sublet	27,300

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Baron Sign-900 W 13 th St	North Central	\$3,600,000	\$100	35,829
1050 W 15 th St	North Central	\$2,250,000	\$78	28,936
5000 Lake Worth Rd	South Central	\$2,450,000	\$97	25,170