

## PALM BEACH COUNTY

The Palm Beach industrial saw modest demand growth during the fourth quarter of 2018, as 75,594 square feet of positive net absorption occurred. This was just over half of the entire 148,954 square feet absorbed for the year. This cooling off in demand plus one building completion pushed overall vacancy up 30 basis points from the 3.1% rate recorded one year ago. Palm Beach County now holds the lowest industrial vacancy in Florida. Warehouse/distribution led the market, bringing 295,889 square feet of positive net absorption. The R&D/flex market saw supply outpace demand with 68,556 square feet of negative absorption, while the R&D/flex segment trailed even further with more than 78,000 square feet of negative net absorption during 2018. The average asking rate in Palm Beach remained the highest in Florida, increasing by \$0.55/SF to \$10.00/SF at the close of the fourth quarter. This is the highest rate ever recorded, breaking the \$9.83/SF record set back in 2007. General industrial space saw the strongest year-over-year increase with \$0.99/SF from \$8.91/SF, while warehouse/distribution followed with a bump of \$0.21/SF from \$8.09/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 during the last economic upswing.

## LEASING AND DEMAND

Leasing activity fell in the fourth quarter of 2018, as 85 transactions totaling 282,500 square feet were recorded, an increase of more than 40.8% from the previous quarter. In all, 418 transactions were completed, bringing year-to-date activity to just under 2.0 million square feet. This was far less than the 2.9 million square feet leased one year ago. Warehouse/distribution space overshadowed the other segments, with 329 leases for 1.4 million square feet, followed by general industrial, with deals totaling 524,240 square feet. The R&D/flex segment saw a dip in deals, with 32 deals totaling 100,000 square feet for the year. The majority of activity came from local companies, as renewals and relocations dominated deals. Manufacturing companies signed most of the larger lease deals in Palm Beach, totaling 100,000 square feet, while the home and building supplies sector was second with 44,000 square feet. The logistics and distribution sector came in third with a tepid 22,000 square feet transacted. All other sectors struggled, not seeing any midsize deals greater than 20,000 square feet for all of 2018.

## INVESTMENT SALES

Sale activity remained tepid during the fourth quarter of 2018. Nine sales totaling 457,000 square feet during the quarter brought year-to-date transactions to 828,704 square feet that sold for \$116.2 million. The lack of owners willing to part with industrial properties caused a decrease from one year ago. 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 \$96/SF to \$140/SF. This is the second consecutive quarter in which industrial investment sales have broken the \$100/SF average price barrier in Palm Beach County.

## CURRENT CONDITIONS

Palm Beach saw another quarter of moderate demand growth and supply as vacancy ticked upward due to one construction completion.

The \$10.00/SF average asking rental rate is the first time a market in Florida has reached the double digit average.

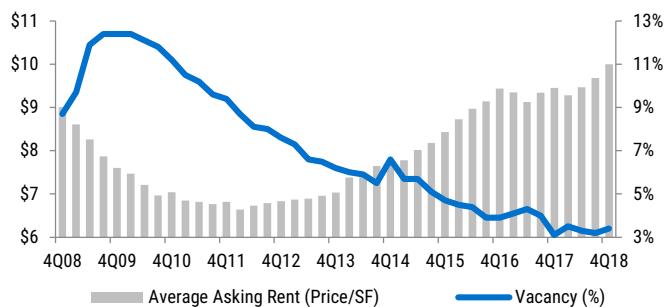
One building totaling 146,000 square feet was completed as Duke's Turnpike Crossing #5 was delivered fully available.

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

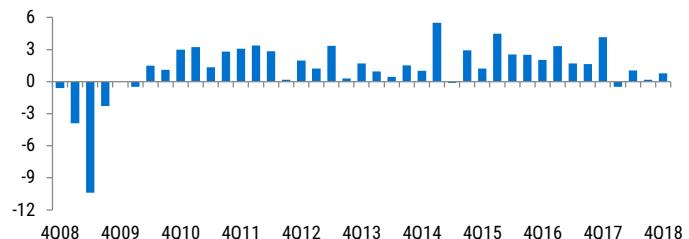
Investors held onto their industrial properties with very little sales taking place during fourth-quarter and throughout the year as Palm Beach recorded the least sales volume throughout Florida.

## 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	48.2 MSF	48.0 MSF	↑
Vacancy Rate	3.4%	3.2%	3.1%	↑
Quarterly Net Absorption	75,594	18,551	416,328	↔
Average Asking Rent	\$10.00	\$9.68	\$9.45	↑
Under Construction	220,000	220,000	0	↔
Deliveries	146,253	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 %	-2,503	-61,053	\$12.71	\$12.98	\$12.90
North Central	24,962,458	0	2.5 %	50,882	163,758	\$7.17	\$11.17	\$8.47
North County	3,867,766	220,000	7.3 %	-3,221	85,961	\$8.29	\$12.16	\$9.65
South Central	10,896,865	0	4.0 %	30,436	-39,712	\$8.07	\$11.67	\$9.30
<b>Totals</b>	<b>48,335,227</b>	<b>220,000</b>	<b>3.4 %</b>	<b>75,594</b>	<b>148,954</b>	<b>\$8.30</b>	<b>\$12.09</b>	<b>\$10.00</b>

### PALM BEACH LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Furniture Adventure	Fairfax Ctr-201 Fairfax Ctr	North Central	Direct	11,510
Swing Away Academy	8420 Resource Dr	North Central	Direct	7,987
J Crompton Electric	Landmark Com Ctr II-1500 N Florida Mango Rd	North Central	Direct	5,760

### SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
*Vista Bus Pk-6965 Vista Pkwy N	North Central	\$25,800,000	\$149	172,811
Pennock Ind Pk-1440 W Indiantown Rd	North County	\$40,800,000	\$253	161,340
*Fairfax Ind Pk-1700-2060 Avenue L	North Central	\$11,994,000	\$80	149,315
*Com Pk @ Wellington-3125 Fortune Wy	North Central	\$10,500,000	\$132	79,845
1860 Dr. Andres Way	South Central	\$4,300,000	\$139	31,008

\*Denotes portfolio sale