

## PALM BEACH

Industrial space saw a more balanced approach between supply and demand in the Palm Beach market, with just 63 square feet of absorption recorded during first-quarter 2020. This was an improvement from the negative net absorption recorded one year ago and for all of 2019. Warehouse/distribution space saw 7,000 square feet absorbed, while general industrial and R&D/flex space saw minimal supply returned to the market. Overall vacancy held level from the previous quarter at 4.9%. No construction completions took place during the first quarter, but projects picked up with eight buildings totaling over 1.1 million square feet underway. This was up from the 330,000 square feet under construction in the previous quarter and from one year ago. Green Space Industrial Park broke ground with two buildings totaling over 317,000 square feet of new distribution space. Riviera Beach Port Commerce Center, a 120,000-square-foot warehouse building, was also underway as all three buildings are slated for completion in the North Central submarket during the second half of this year. No pre-leasing was recorded in any of the new projects underway and could have a significant impact to vacancy as demand remained tepid.

The market saw its first decline in the overall average asking rate, which dipped to \$10.25/SF from \$10.36/SF in the previous quarter. The warehouse/ distribution average rent saw the largest decrease, from \$9.97/SF to \$9.19/SF, while general industrial rents decreased by \$0.09/SF to \$8.68/SF. R&D/flex average rents saw the only increase from \$13.51/SF to \$13.39/SF.

## LEASING AND DEMAND

Leasing activity picked up slightly from previous first-quarter performances, as 92 transactions totaling over 665,000 square feet were recorded. This was up from the 430,000 square feet leased one year ago as warehouse/distribution space overshadowed the other segments with 73 leases for 578,000 square feet, followed by general industrial with 17 deals totaling 72,000 square feet. The R&D/flex segment continued its lackluster performance with six deals totaling 15,000 square feet. The majority of activity came from local companies, as renewals and lateral relocations under 10,000 square feet dominated lease transactions. The retail/wholesale industry signed the only large lease deal in Palm Beach, as Niagra Corporation took 114,000 square feet in Palm Beach Park of Commerce 25 in the North County submarket.

## INVESTMENT SALES

In a rare occurrence, sale activity in Palm Beach County topped the region with four sales totaling 378,000 square feet. This was enough to edge out Miami-Dade and an improvement from one year ago when no sale activity took place. The lack of owners willing to part with industrial properties continued as the price per square foot averaged out to \$151/SF. The sale of 175,621-square-foot flex building at \$179/SF was the contributing factor as the average for warehouse/distribution space came to \$128/SF.

## CURRENT CONDITIONS

Palm Beach's industrial market rebounded after experiencing four consecutive quarters of negative absorption in 2019.

Overall vacancy held level from the previous quarter as the market saw a more of a balance between supply and demand.

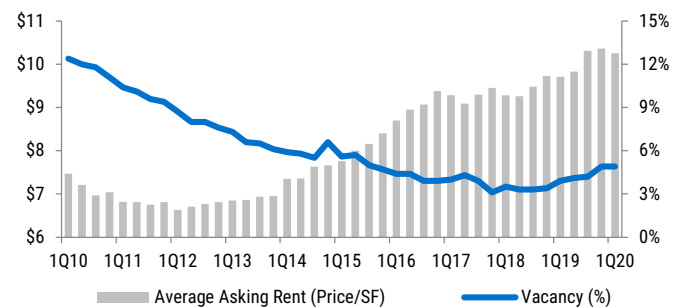
Construction activity picked up during first-quarter 2020 as developers broke ground on more than 700,000 square feet of new industrial product.

Average asking rates ticked downward after 31 consecutive quarters of growth but remained above the \$10.00/SF mark, the highest in Florida.

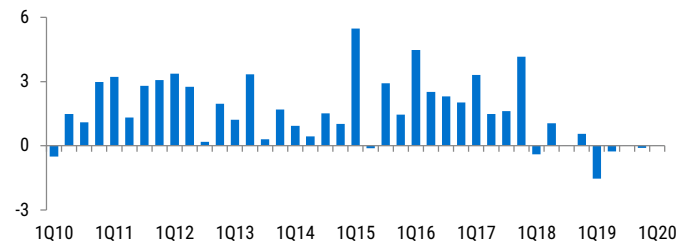
Leasing and sales activity improved from the previous quarter and one year ago.

## 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	48.8 MSF	48.9 MSF	48.4 MSF	↑
Vacancy Rate	4.9%	4.9%	3.9%	↑
Quarterly Net Absorption	63	(10,925)	(154,612)	↔
Average Asking Rent	\$10.25	\$10.36	\$9.71	↔
Under Construction	1.1 MSF	330,933	339,270	↓
Deliveries	0	364,000	56,160	↑

## 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	8,541,199	0	4.6 %	56,735	56,735	\$12.57	\$17.50	\$15.37
North Central	25,081,656	866,971	3.9 %	-75,877	-75,877	\$8.49	\$9.91	\$8.88
North County	4,237,276	146,253	11.7 %	276	276	\$7.85	\$12.56	\$8.93
South Central	10,943,725	125,500	4.8 %	18,929	18,929	\$7.42	\$12.33	\$9.00
<b>Totals</b>	<b>48,803,856</b>	<b>1,138,724</b>	<b>4.9 %</b>	<b>63</b>	<b>63</b>	<b>\$8.68</b>	<b>\$13.51</b>	<b>\$10.25</b>

## PALM BEACH LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Niagra Corporation	Palm Beach Pk of Commerce #25	North County	Direct	114,000
Home Depot	Prologis Airport Ctr 3 – 6043 Southern Blvd	North Central	Direct	77,760
Walmart	International Corporate Center III-14294 Corporate Rd S	North County	Renewal	36,000
Spartan Motors	Palm Beach Pk of Commerce #25	North County	Direct	34,950
Lockheed Martin	Northpoint Corp Pk-1400 Northpoint Pkwy	North Central	Direct	28,834

## SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
1200-1220 SW 35 <sup>th</sup> Ave-3 Bld Portfolio Sale	South Central	\$25,850,000	\$128	202,397
700 Banyan Trail-Flex Property	Boca Raton	\$31,400,000	\$179	175,625