

Palm Beach Industrial Market

Industrial demand remained consistent with typical quarterly performances, with another 133,000 square feet of positive net absorption posted during the fourth quarter of 2021. However, the occupancy of Amazon's 1.0-million-square-foot mega distribution center during the previous quarter brought overall absorbed space to approximately 1.7 million square feet for 2021. This is the most seen since 2005's record-setting 1.8 million square feet.

Warehouse/distribution accounted for 1.4 million square feet of absorbed space, while the R&D/flex segment held the number-two spot, with over 228,000 square feet of positive net absorption. General industrial space saw a more balanced approach between supply and demand, with 23,500 square feet of net absorption during the year. The overall vacancy rate decreased 70 basis points from one year ago to 4.1%, making it the lowest vacancy rate in South Florida. The county continued to hold the highest asking average asking rate in the state, increasing 10.5% from one year ago to \$10.88/SF.

No buildings were completed during the fourth quarter of 2021 due to a lack of developable industrial land. Only two speculative buildings, totaling 245,000 square feet, were completed during the year. These, coupled with Amazon's facility, brought total construction to over 1.3 million square feet. Notably, construction activity appeared to be picking up, with three buildings totaling over 521,000 square feet underway at the close of the quarter. Investors and developers are beginning to recognize the need for more distribution space in Palm Beach as proposed projects expected to break ground total over 1 million square feet. Some developers are even beginning to look north to Martin and St. Lucie Counties as a new industrial hotspot, with its strategic location between Central and South Florida.

Leasing and Demand

Leasing activity appeared to be slowing from recent quarters, as 80 transactions totaling 386,000 square feet were recorded, bringing year-to-date deals to more than 2.3 million square feet. This was a noticeable improvement from the 2.0 million square feet recorded one year ago. Warehouse/distribution space still led the market, with 1.7 million square feet, followed by the R&D/flex segment, with 313,000 square feet. The general industrial sector experienced a dip in deal activity, totaling over 296,000 square feet. Most activity came from local companies, as renewals and lateral relocations still dominated deals. In stark contrast to Miami-Dade and Broward County, only 554,000 square feet of deal activity came from midsize and large lease deals. The retail/wholesale segment signed over 171,000 square feet, while logistics and distribution companies signed for 117,000 square feet. The food and beverage and building supply sectors followed, with just over 75,000 square feet each.

Investment Sales

Smaller building sales continued to dominate investment activity, with four sales totaling only 335,000 square feet, bringing year-to-date sales to over 1.2 million square feet, for a combined value of \$188.4 million during 2021. This is consistent with the 1.1 million square feet sold one year ago as industrial owners hold onto reliable investments. The average sales price increased to \$175/SF from the \$136/SF recorded one year ago.

Current Conditions

Palm Beach's industrial market held consistent from previous annual performances as it remained a less active industrial market than Miami-Dade and Broward Counties.

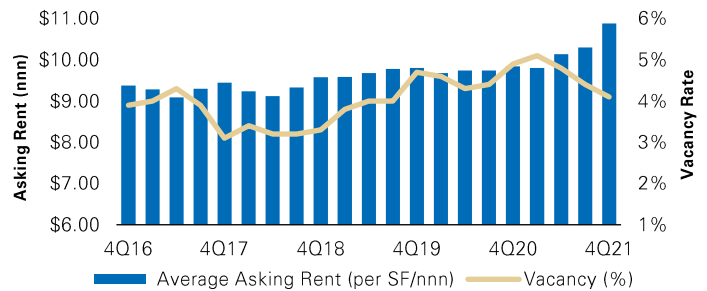
Disciplined development continued to aid market fundamentals as vacancy fell to its lowest level seen in two years.

Amazon's 1.0-million-square-foot distribution facility in Palm Beach Park of Commerce was completed during the third quarter of 2021 and accounted for the majority of the market's positive net absorption.

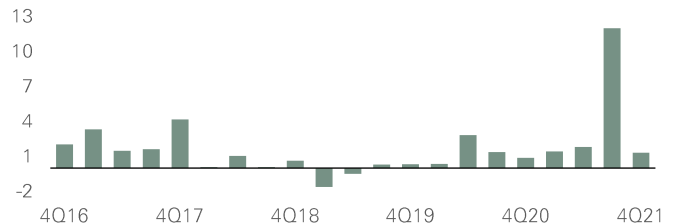
Average asking rates continued to increase; some developers began paying closer attention to Martin and St. Lucie Counties as a strategic location between Central and South Florida.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (100,000 SF)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	50.7M	50.7M	49.4M	↑
Vacancy Rate	4.1%	4.4%	4.9%	↔
Quarterly Net Absorption (SF)	132,862	1.2M	87,478	↔
Average Asking Rent/SF	\$10.88	\$10.30	\$9.84	↔
Under Construction (SF)	521,872	1.0M	369,240	↑
Deliveries	0	1.0M	1.3M	↔

Palm Beach Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Availability 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	8,491,074	0	3.8 %	10,025	46,254	\$13.35	\$16.54	\$15.36
North Central	25,850,547	321,872	4.9 %	61,775	448,947	\$8.33	\$11.98	\$8.82
North County	5,375,132	200,000	3.5 %	46,376	1,114,317	\$8.22	\$13.09	\$9.01
South Central	10,943,725	0	3.0 %	14,686	44,204	\$10.10	\$13.24	\$10.92
Totals	50,660,478	521,872	4.1 %	132,862	1,653,722	\$9.28	\$14.98	\$10.88

Palm Beach Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
The Balanced Company	Prologis Airport Ctr 4-6051 Southern Blvd	North Central	Direct	29,238
Premium Absorbant	Gateway Ctr-3402 Quantum Blvd	South Central	Direct	29,000
Sunshine Plumbing	Lewis Terminals-1301 W 13 th St	North Central	Direct	23,471
Builder Services	Vista Bus Pk 1-2211 Vista Pkwy N	North County	Direct	19,640
The English Flower Shop	6615 Norton Ave	North County	Direct	18,096

Palm Beach Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Lewis Terminals Portfolio-1701 Australian Ave	North Central	\$127,500,000	\$401	318,072