

Palm Beach Industrial Market

Industrial demand saw another solid performance with a slight rise from typical quarterly performances, recording 183,000 square feet of positive net absorption posted during the first quarter of 2022. This was up slightly from the previous quarter, along with the amount of demand growth during the same period one year ago. Warehouse/distribution accounted for more than 86,000 square feet of absorbed space, while the general industrial segment took over the number-two spot with over 80,000 square feet of positive net absorption. After a strong 2021, R&D/flex space saw a drop in demand with a modest 16,000 square feet of net absorption to start off the year. Palm Beach County was the only market in the region to see a dip in overall vacancy, decreasing 20 basis points from the previous quarter, tying Miami-Dade for the lowest vacancy rate in South Florida. The county continued to hold the highest asking average asking rate in the state, increasing 12.1% from one year ago and coming in just shy of the \$11.00/SF mark.

One building was completed during the first quarter of 2022: Palm Beach Park of Commerce's Building 26, totaling over 212,000 square feet, was delivered 100% leased and will continue to aid tight market conditions when companies move in later this year. Developers have begun to increase construction activity with seven new speculative buildings, totaling more than 733,000 square feet under construction. No pre-leasing had taken place at the close of the first quarter of 2022, but despite this, the delivery of new inventory will not significantly overall vacancy or deter landlords from increasing asking rents. Investors and developers are beginning to recognize the need for more distribution space in Palm Beach as proposed projects expected to break ground, totaling over 1 million square feet. Developers are even beginning to look north to Martin and St. Lucie Counties as alternative locations with more developable industrial land.

Leasing and Demand

Leasing activity improved from the previous quarter, as 46 transactions totaling 496,000 square feet were recorded. This was also slightly up from the 427,000 square feet leased during the same period in 2021. Warehouse/distribution space still led the market with 1.7 million square feet, followed by the R&D/flex segment with 433,000 square feet. The general industrial sector experienced a lull in deal activity, with no square feet leased during the first quarter of 2022. R&D/flex deals saw the remainder of leasing activity with over 63,000 square feet signed for. Most activity came from local companies, as renewals and lateral relocations still dominated deals. In stark contrast to Miami-Dade and Broward Counties, only 171,000 square feet of deal activity came from midsize and large lease deals. The retail/wholesale segment signed over 70,000 square feet, while logistics and distribution companies signed for 52,000 square feet. The building supply sector followed, with just over 49,000 square feet.

Investment Sales

Industrial building sales doubled from the previous quarter, with nine sales totaling only 759,000 square feet for a combined value of \$100.3 million during the first quarter of 2022. This was an increase from the 267,000 square feet sold one year ago as industrial owners hold onto reliable investments. The lack of high-end industrial asset sales contributed to the decrease in the average price to \$132/SF from the \$175/SF recorded one year ago.

Current Conditions

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

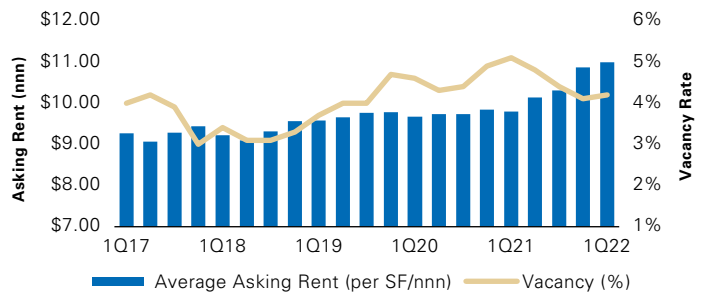
Disciplined development continued to aid market fundamentals, but the completion of one building pushed vacancy rates slightly upward as companies have not yet occupied the pre-leased space within the newly built building.

Leasing and sales activity both saw improvements from recent quarterly performances as construction activity increased slightly, as well.

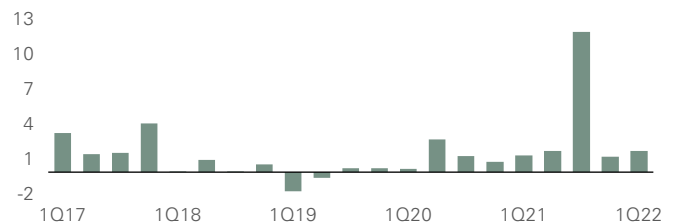
Investment sale prices saw a slight hiccup due to the limited amount of high-end industrial sales. Demand for industrial properties remained high from investors, but lower-tier investment sales had an impact on average sale prices.

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)	50.9M	50.7M	49.6M	↑
Vacancy Rate	4.2%	4.1%	5.1%	↔
Quarterly Net Absorption (SF)	182,827	132,862	141,998	↔
Average Asking Rent/SF	\$10.99	\$10.87	\$9.80	↔
Under Construction (SF)	733,944	534,060	1.0M	↔
Deliveries	212,188	0	244,642	↔

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	3.3 %	43,749	43,749	\$13.24	\$16.67	\$15.44
North Central	25,837,386	594,245	4.5 %	104,078	104,078	\$8.94	\$12.83	\$9.08
North County	5,587,320	95,199	7.1 %	2,643	2,643	\$8.04	\$12.55	\$8.60
South Central	10,943,725	44,500	2.7 %	32,357	32,357	\$9.82	\$13.95	\$11.09
Totals	50,859,505	733,944	4.2 %	182,827	182,827	\$9.21	\$15.64	\$10.99

Palm Beach Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
Ocwen Financial Corporation	Duke Realty Pk of Commerce 3-5720 Premier Pk Dr	North Central	New	51,931
Home Depot	160 E Yamato Rd	Boca Raton	New	49,837
Coastal Construction Products	7835 Central Industrial Dr	North Central	Renewal	25,114
The Ware Group INC	1819 Old Okeechobee Rd	North Central	Expansion	24,049
QEP Company INC	1001 Broken Sound Pkwy	Boca Raton	Renewal	20,500

Palm Beach Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Mangonia Industrial Pk-1601 Hill Ave	North Central	\$22,000,000	\$97	227,599
Palm Beach Pk of Commerce 26-15501 Pk of Commerce Blvd	North County	\$21,084,114	\$102	206,707
Three-Property Portfolio-Equus/Prologis Deal – Northpoint Corp Pk	North Central	\$37,165,945	\$252	147,667
9040 Belvedere Rd	North Central	\$8,200,000	\$149	55,200