

Palm Beach County Industrial, Q4 2019

# Construction activity grows in tight market

▲ Total Vacancy  
2.7%

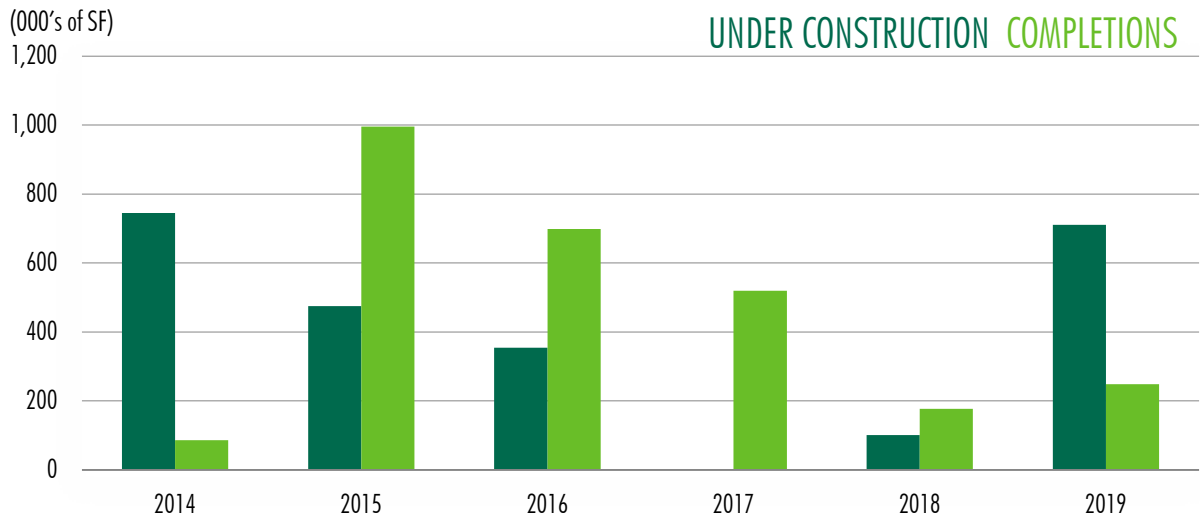
▲ Lease Rate  
\$9.94 PSF

▼ Net Absorption  
(106,000) SF

▲ Under Construction  
711,000 SF

\*Arrows indicate change from previous year.

Figure 1: Under Construction and Completions



Source: CBRE Research, Q4 2019.

- In 2019, Palm Beach County deliveries totaled 248,539 sq. ft. up 40% from 2018.
- Prologis will acquire the Liberty Airport Center as part of the \$12.6 billion all-stock deal from Liberty Property Trust.
- Total vacancy for the Palm Beach industrial market was 2.7%, staying below 4% for 17 consecutive quarters.
- Palm Beach county experienced a record low unemployment level of 2.8% (non-seasonally adjusted), representing a 50 bps decrease year-over-year.

**DEVELOPMENT**

The expansion of the Palm Beach County industrial market is gaining velocity. At the close of 2019, deliveries totaled 248,539 sq. ft., including the Q4 2019 delivery of Turnpike Crossing Building 3, of 96,759 sq. ft. This was a rise of over 40% in development activity from 2018, which totaled 177,081 sq. ft. Over 700,000 sq. ft. of new product remains under construction, and is scheduled for delivery in the coming year. With the current developments and 1.4 million sq. ft. of planned projects in the pipeline, Palm Beach County can expect to meet tenant demand while remaining a landlord market due to overall scarcity of product.

**Figure 2: Market Statistics**

Submarket	Total Inventory (SF)	Total Availability (%)	Total Vacancy (%)	Q4 2019 Net Absorption (SF)	2019 Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/NNN)
Boca Raton	7,365,479	7.2	3.0	(10,658)	(56,046)	0	12.30
Boynton Beach	4,233,635	10.5	4.6	(16,497)	(13,801)	0	8.05
Delray Beach	2,774,748	2.8	2.0	(11,648)	(21,597)	0	12.08
Jupiter	4,092,795	6.3	1.5	(6,139)	1,158	220,000	9.81
Lake Worth	3,309,107	5.2	2.8	(3,366)	(3,539)	0	8.75
Riviera Beach	9,461,230	3.8	1.4	(34,734)	(43,084)	0	9.36
West Palm Beach	15,821,843	6.6	3.2	(22,881)	68,210	491,103	9.44
<b>Total</b>	<b>47,058,837</b>	<b>6.1</b>	<b>2.7</b>	<b>(105,923)</b>	<b>(68,699)</b>	<b>711,103</b>	<b>9.94</b>
Manufacturing	4,956,545	2.0	0.7	(10,360)	(10,360)	0	8.50
R&D/Flex	9,711,652	7.8	2.8	(21,117)	(60,853)	0	11.89
Whse/Distribution	32,390,640	6.2	2.9	(74,446)	2,514	711,103	8.96

Source: CBRE Research, Q4 2019.

**Figure 3: Significant Q4 2019 Lease Transactions**

Submarket	Property	Tenant	Transaction (SF)
Riviera Beach	1101 Northpoint Pky	Confidential	36,599
Lake Worth	4445 Pine Forest Dr	US Committee for Refugees & Immigrants Inc.	32,056
Boynton Beach	1210 SW 35th Ave	Confidential	28,080
West Palm Beach	6729 Belvedere Rd	Confidential	18,433
Delray Beach	430 S Congress Ave	Atlas Armor	10,048

Source: CBRE Research, Q4 2019.

\* Denotes Renewal.

**Figure 4: Projects Under Construction as of Q4 2019**

Submarket	Property	Address	Building (SF)
Jupiter	Building 25	15335 Park of Commerce Blvd, Jupiter FL 33478	220,000
West Palm Beach	Hoffman Rd @ Belvedere Rd	Hoffman Rd, West Palm Beach	193,020
West Palm Beach	Turnpike Crossing Building 4	6717 Belvedere Rd, West Palm Beach	146,253
West Palm Beach	Bldg 8	1501 Meathe Drive, West Palm Beach	124,479
West Palm Beach	Palms West Commerce Park	8470 Belvedere Rd, West Palm Beach	27,351

Source: CBRE Research, Q4 2019.

**Figure 5: Significant Q4 2019 Sale Transactions**

Submarket	Address	Buyer	Sale Price (\$)	Building (SF)	Price Per SF (\$)
Boynton Beach	7233 North Seacrest Boulevard	Robert G Fessler	13,035,000	135,268	96
West Palm Beach	Republic Services FL Industrial Portfolio 2019	Waste Pro of Florida Inc	7,150,000	32,300	221
West Palm Beach	Document Storage Building	N Railroad Commercial LLC	1,288,000	29,058	44
West Palm Beach	7329 Seventh Place North	Waste Pro of Florida Inc	5,697,863	25,740	221
Lake Worth	3280 Fairlane Farms Road	Calixto Perez	3,100,000	13,500	230

Source: CBRE Research, Q4 2019.

SALES ACTIVITY

In October 2019, Prologis and Liberty Property Trust announced an all-stock deal where Prologis will acquire Liberty for approximately \$12.6 billion. This deal amounts to 348 properties across the United States, totaling 107 million sq. ft. of warehouse/distribution space, 5.1 million sq. ft. of developments under construction, 1,684 acres of land for future development, and 4.9 million sq. ft. of office space that is operating and in the development pipeline. The deal should be finalized in Q1 2020.

Transaction volume in Q4 2019 was muted compared to the same period in 2018. However, 2019 year-to-date volume surpassed 2018, posting \$285.8 million beating 2018 by 17%. Transaction count was also greater, with 50 properties with a total footprint of 2.9 million sq. ft. As is generally the case, buyer composition in 2019 was driven by Private capital (69.8%). Other active capital types include REITs (18%), and institutional buyers (10.1%).

LEASING ACTIVITY

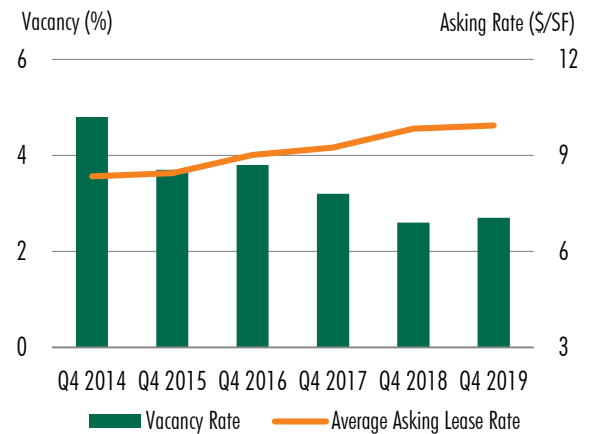
The overall vacancy for Palm Beach County reached 2.7% in Q4 2019, the 17th consecutive quarter that vacancy has remained below 4%. The lowest recorded vacancy rates were in Riviera Beach (1.4%), Jupiter (1.5%), and Delray Beach (2.0%). The average asking rate in Q4 2019 was \$9.94 per sq. ft., representing a \$0.10 increase year-over-year.

Net absorption for Q4 2019 was a negative 105,923 sq. ft. bringing year-to-date absorption to negative 68,699 sq. ft. This is largely due to the delivery of speculative buildings that were not 100% pre-leased at completion. However, the market is expected to add over 290,000 sq. ft. of new occupancies in the first half of 2020. The future occupancy activity will primarily occur in the submarkets of West Palm Beach and Riviera Beach, and will go a long way to boosting absorption across this next year.

OUTLOOK

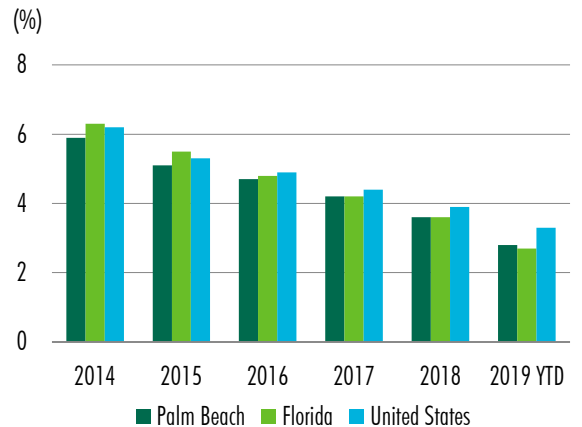
Palm Beach County's industrial market exhibits favorable metrics such as low vacancy, strong tenant demand, and robust investment activity. It is further aided by the unemployment rate in Palm Beach County. For November 2019 it was 2.8% (non-seasonally adjusted), a 50 bps decrease year-over-year. In comparison, Florida's rate was 2.7% and Nationally it was 3.3%. Palm Beach County also saw the creation of 4,200 non-farm jobs over the past year, with the industrial employment sector adding 2,900 jobs over the same period. These metrics all spell good things to come for 2020.

Figure 6: Total Vacancy –vs– Average Direct Asking Lease Rate (NNN)

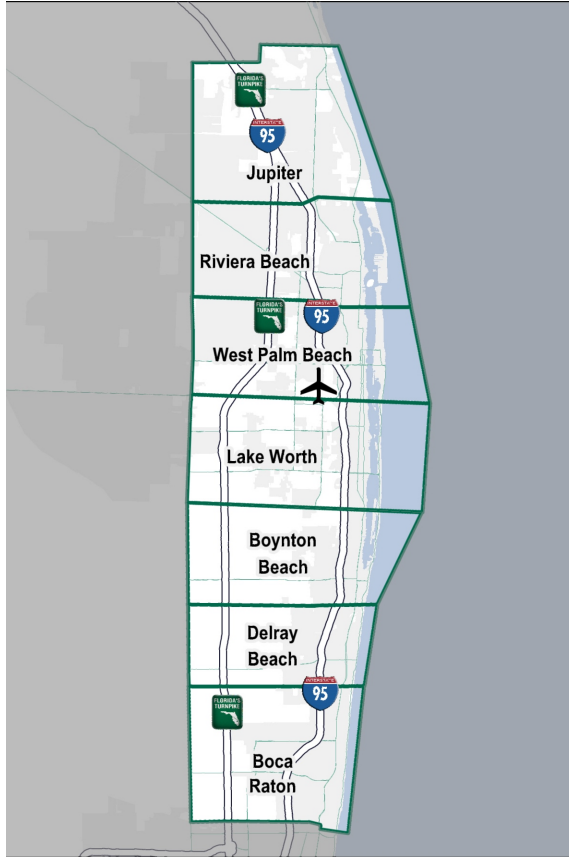


Source: CBRE Research, Q4 2019.

Figure 7: Unemployment



Source: U.S. Department of Labor, Bureau of Labor Statistics, December 2019.



Market Coverage: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Palm Beach County.

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