

# Palm Beach County Industrial MarketView

Q3 2013

CBRE Global Research and Consulting

▼ VACANCY  
7.5%

▼ ASKING RATE  
\$6.11

▼ ABSORPTION  
134 K

▲ CONSTRUCTION  
775 K

▲ COMPLETIONS  
21 K

▼ UNEMPLOYMENT  
7.5%

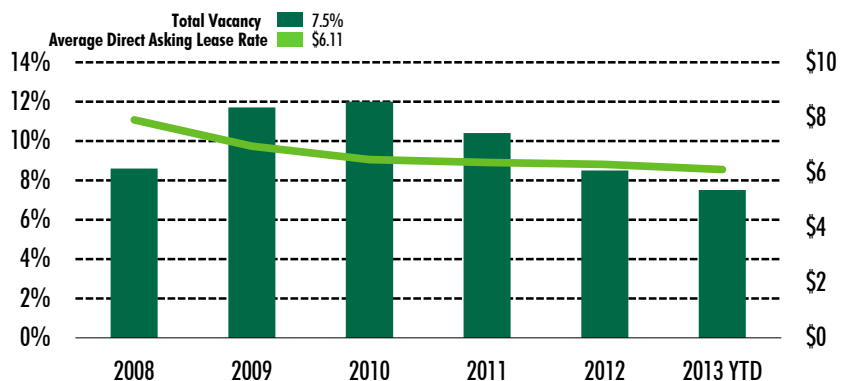
\*Arrows indicate change from previous year.

## BUILD-TO-SUIT INDUSTRIAL PROJECTS SPURRED BY STRONG DEMAND FOR STATE-OF-THE-ART BUILDINGS

### Hot Topics

- According to The Business Development Board, Palm Beach County has more than 630 aviation/aerospace/engineering companies with a workforce of approximately 20,000.
- Palm Beach International Airport and American Airlines announced new direct daily service to Los Angeles and New York.
- According to the Realtors Association of the Palm Beaches, the inventory of single family homes for sale from August 2012 to August 2013, decreased 41%.
- The City of Palm Beach Gardens and the City of Delray Beach passed an Ad Valorem Tax Exemption for qualified economic development projects that create jobs.
- The Business Development Board of Palm Beach County assisted Navinta LLC, a technology driven pharmaceutical company based in New Jersey, where it will occupy 20,000 sq. ft. of manufacturing and R&D space in Boca Raton where it will hire 25 new employees.

### Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q3 2013.

### Development

Tenants looking for property specifications that are not readily available in the Palm Beach County industrial market are driving new build-to-suit projects. Currently, there are two build-to-suits under construction in Royal Palm Beach totaling 775,000 sq. ft. Discount grocer Aldi Foods broke ground this quarter on a 650,000 sq. ft. distribution center and regional headquarters on State Road 7 and Okeechobee Road. The facility will serve over 50 stores in the South Florida region and create 150 new jobs. The distribution center is the largest construction project in Palm Beach County since 2008. American Tire Distributors (ATD) build-to-suit distribution facility will total 125,000 sq. ft., and create 30 new jobs in Royal Palm Beach. ATD is a provider of tires, custom wheels, service equipment and shop supplies throughout the U.S. and Canada.

Commercial Energy Specialists completed construction on its new flex facility in Jupiter this quarter and totaling 20,900 sq. ft.

### Leasing Activity

Activity in Palm Beach County's industrial market in Q3 2013 continues to perform well. The total vacancy rate experienced a decrease of 140 basis points from Q3 2012 to a current 7.5%. The demand for industrial space resulted in 134,280 sq. ft. of net absorption in Q3 2013, bringing year-to-date positive absorption up to 438,296 sq. ft. The majority of absorbed space was in the Riviera Beach submarket, which posted 223,333 sq. ft. of positive absorption year-to-date. Move-in's contributing to the positive absorption this year included, Real-Time Laboratory, LLC which occupied 23,570 sq. ft. at 990 South Rogers Circle located in Boca Raton. Tru-Bamboo, LLC,

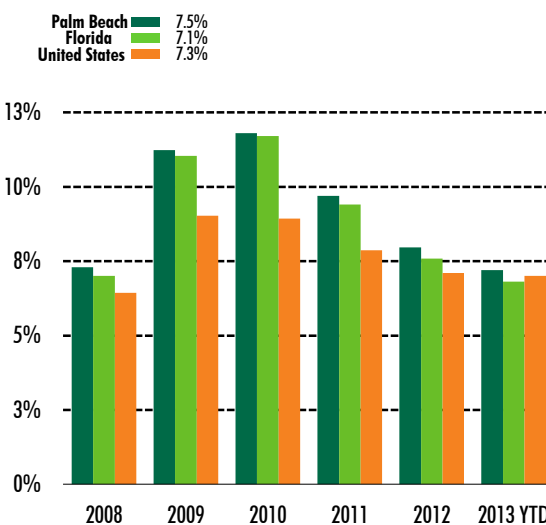
Submarket	Building SF	Total Vacancy (%)	Total Availability (%)	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Boca Raton	7,356,252	8.0	11.8	58,908	0	\$9.14
Delray Beach	2,743,288	13.9	15.7	46,909	0	\$6.83
Boynton Beach	4,143,478	8.2	12.7	3,003	0	\$6.76
Lake Worth/Wellington	3,145,242	7.1	9.5	4,150	0	\$3.59
West Palm Beach	13,709,090	6.7	10.8	14,688	775,000	\$7.29
Riviera Beach	9,530,017	7.2	13.3	223,333	0	\$6.00
Jupiter	4,184,895	5.5	5.9	87,305	0	\$6.87
<b>Total</b>	<b>44,812,262</b>	<b>7.5</b>	<b>11.4</b>	<b>438,296</b>	<b>775,000</b>	<b>\$6.11</b>
Manufacturing	5,005,341	3.6	9.1	72,747	0	\$5.05
Warehouse/Distribution	29,904,462	7.5	11.1	293,168	775,000	\$6.29
R&D/Flex	9,902,462	9.6	13.6	72,381	0	\$10.18

Source: CBRE Research, Q3 2013.

moved into 21,507 sq. ft. and Fitnesssmith, Inc., moved into 17,820 sq. ft. at Duke Realty Gateway Center in Boynton Beach. The largest tenant move-in year-to-date is Solartech Universal Corporation, which occupied 75,000 sq. ft. at 1800 Old Dixie Highway in Riviera Beach. The largest lease transaction that occurred in Q3 2013 was by an undisclosed pharmaceutical company, which leased 38,000 sq. ft. at 701 Park of Commerce Boulevard in Boca Raton. Additionally, in West Palm Beach, Advanced Disposal leased 32,875 sq. ft. at 5489 Leeper Drive; Garden of Life, LLC leased 27,290 sq. ft. at 1335 W 53<sup>rd</sup> Street, Mangonia Park; and Spazio Marble & Granite, Inc., leased 12,500 sq. ft. at 7435 Central Industrial Drive in Riviera Beach.

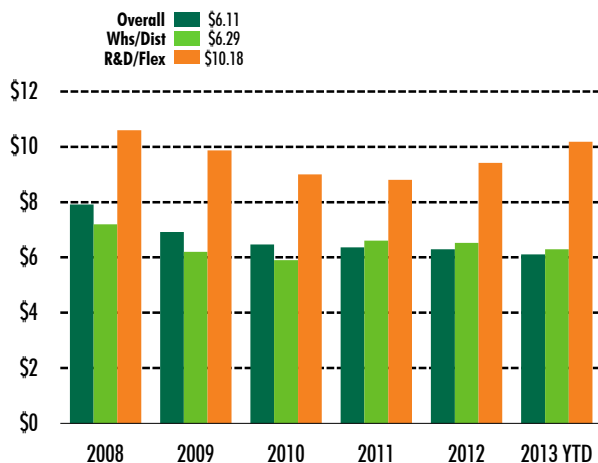
Average asking lease rates have decreased 3.8% from Q3 2012 to the current lease rate of \$6.11 per sq. ft. Broken down by product type, average asking lease rates for manufacturing properties increased 2.9% year-over-year to a current \$5.05 per sq. ft. Flex properties experienced the largest increase, rising 15.3%, from \$8.83 per sq. ft. rate quoted during Q3 2012 to the current rate of \$10.18 per sq. ft. Warehouse/distribution space decreased 4.6% from the \$6.59 per sq. ft. rate

### Unemployment Rate



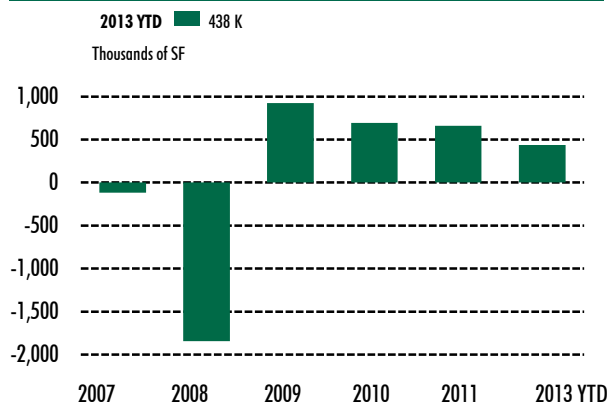
Source: Bureau of Labor Statistics (not-seasonally adjusted), August 2013.

## Average Dir Asking Lease Rates (NNN)



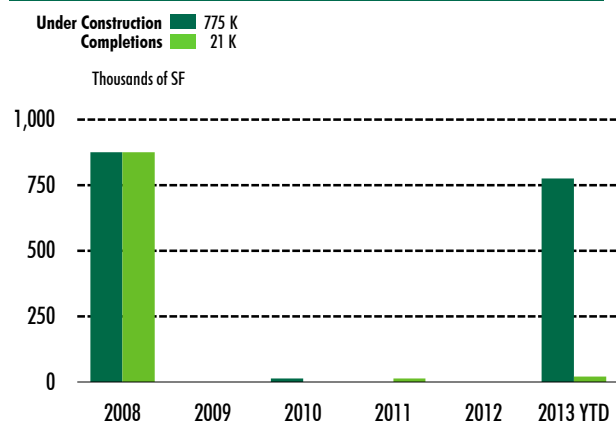
Source: CBRE Research, Q3 2013.

## Net Absorption



Source: CBRE Research, Q3 2013.

## Under Construction and Completions



Source: CBRE Research, Q3 2013.

quoted during Q3 2012 to a current rate of \$6.29 per sq. ft. The Boca Raton submarket had the highest average asking lease rate for warehouse/distribution space at \$8.34 per sq. ft., followed by the West Palm Beach submarket at \$6.81 per sq. ft.

## Sales Activity

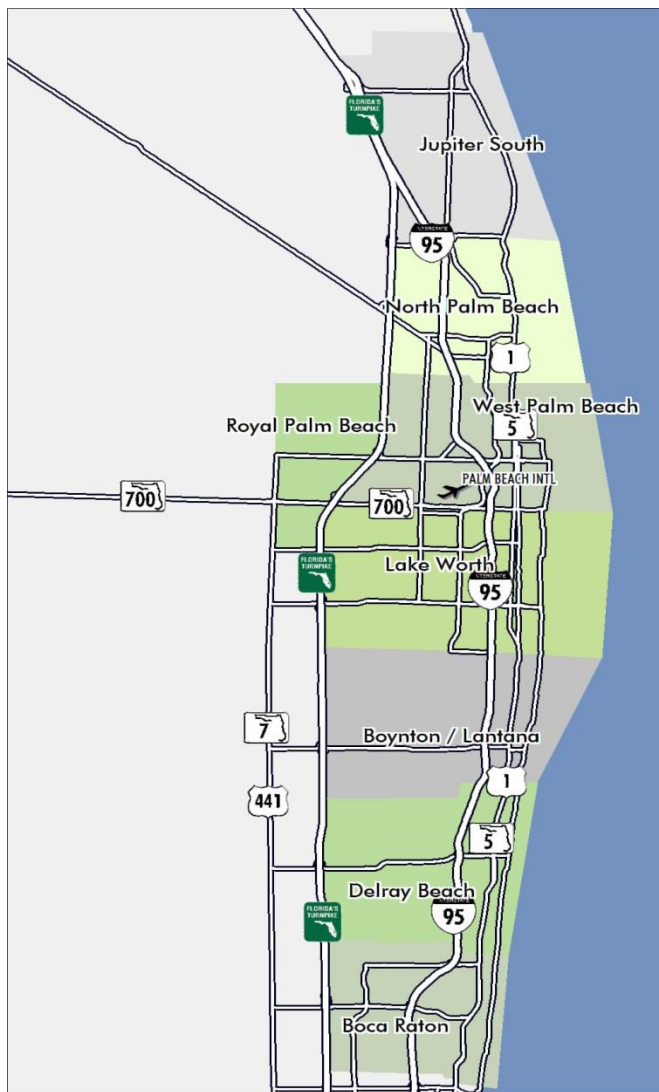
Sales activity in Q3 2013 continued to be active with a reported 12 properties totaling 598,039 sq. ft. changing hands totaling \$36.3 million. The average price per sq. ft. came in at \$60.76. Tigertail Lake Warehouses LTD purchased Southern Park of Commerce in the West Palm Beach submarket, for \$8 million or \$108.75 per sq. ft. The property is a Class A small bay warehouse building totaling 73,563 sq. ft. The property was 90% occupied at the time of sale. The sale is an indication that there is strong demand for investors to capitalize on well-located "best in class" small bay assets. The price per sq. ft. reflects market-leading rents commanded by the quality and location as well as scarcity of competitive product in Palm Beach County. Kelsey Industrial, LLC purchased Northlake Business Park, a 192,872 sq. ft. 12 building asset in the Riviera Beach submarket, from Lake Park Portfolio, LLC for \$5.9 million or \$30.59 per sq. ft. The portfolio was 70% occupied at the time of sale. The Minav Corporation purchased the former home of the Milhous Museum located at 791 Park of Commerce Drive in the Boca Raton submarket for \$3.1 million or \$83 per sq. ft. The property is a unique office/showroom building totaling 37,500 sq. ft.

## Economic Influence

The national non-seasonal adjusted unemployment rate decreased 0.9 percentage points from the 8.2% recorded last year at this time to the current rate of 7.3%. Florida's statewide August 2013 unemployment rate decreased 1.9 percentage points August 2012, to the current rate of 7.1%. Palm Beach County's jobless rate compared to this time last year decreased 1.9 percentage points to the current rate of 7.5%.

According to the U.S. Department of Labor, Bureau of Labor Statistics, Palm Beach County gained 9,500 jobs over the year. Industries that gained the most jobs included trade/transportation/utilities, which added 4,900 jobs; professional/business services, which added 3,400 jobs; ambulatory health care services, which added 2,700 jobs, and leisure/hospitality, which added 1,400 jobs.

The economic driver for Palm Beach County's industrial market is the health of the residential real estate market and notably, residential sales transactions have increased 12.5% year-over-year. The initial rise in interest rates provided a strong incentive for closing deals. However, further rate increases may reduce the momentum of eligible buyers.



**Market Coverage:** Includes all competitive industrial buildings 10,000 square feet and greater in size in Palm Beach County.

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