

Palm Beach County Industrial, Q1 2020

# Market remains tight as demand outpaces supply

▼ Total Vacancy  
2.6%

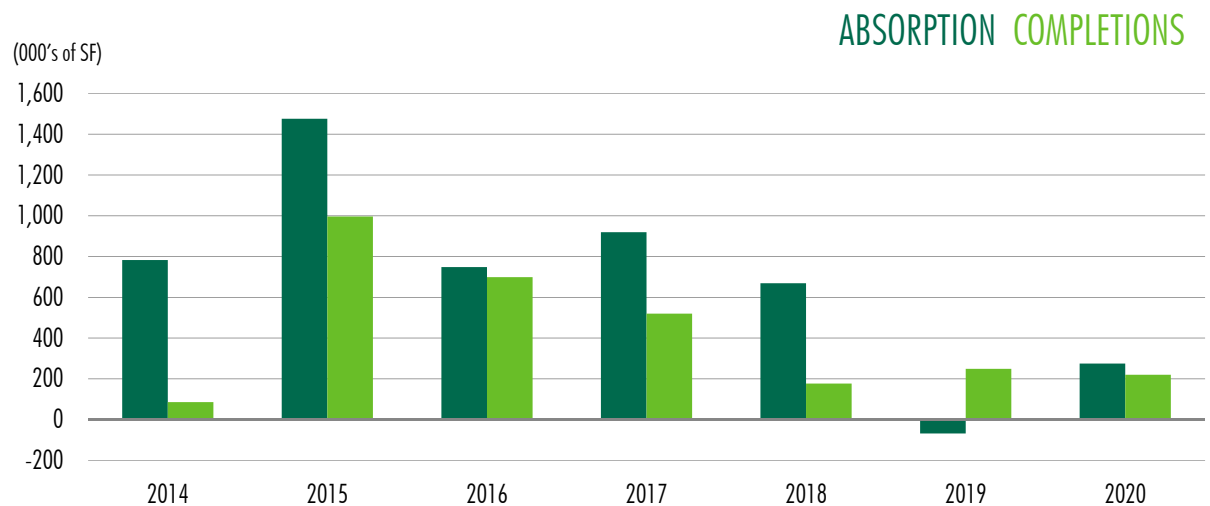
▲ Lease Rate  
\$10.75 PSF

▲ Net Absorption  
275,607 SF

▼ Under Construction  
491,103 SF

\*Arrows indicate change from previous year.

Figure 1: Under Construction and Completions



Source: CBRE Research, Q1 2020.

- The vacancy rate closed out the first quarter at 2.6%, a slight increase compared to Q1 2019. This marks the 9<sup>th</sup> consecutive quarter with vacancy below 3.0%.
- Prologis acquired from Liberty Property Trust, the Liberty Airport Center as part of the \$12.6 billion all-stock deal.
- Asking rents remain elevated, hovering around record high levels. While growth has slowed in recent quarters, this was the 10<sup>th</sup> consecutive quarter with rates above the \$10.00 per sq. ft. mark at \$10.75 per sq. ft.

**DEVELOPMENT**

Development remained in check as we entered 2020, as the only building to deliver this quarter was the 220,000 sq. ft. warehouse at 15335 Park of Commerce Boulevard that Niagara Bottling expanded into. The prudent development pipeline has kept the market tight, with absorption slightly outpacing new construction. Since 2017, almost 1.2 million sq. ft. of inventory has been added to the market, but tenants have taken occupancy of nearly 1.8 million sq. ft. With less than 500,000 sq. ft. currently under construction, this trend will likely continue in 2020 and result in limited options for tenants. The vacancy rate is currently 2.6% - the 9<sup>th</sup> consecutive quarter that number is below 3.0%.

**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 was finalized in Q1 2020, affecting five assets in the market totaling 515,100 sq. ft., most notably the Liberty Airport Center (now Prologis Airport Center). This center represents much of the newer product (post-2016) in the West Palm Beach submarket.

This sale helped push total volume to nearly \$42 million this quarter, the highest quarterly total since the second quarter of 2019. Another portfolio sale that helped drive volume was the purchase of 1200, 1210, and 1220 SW 35<sup>th</sup> Ave in Boynton Beach. Ellion Partners purchased the three building, 202,400 sq. ft. portfolio from Exeter for \$28.85 million, which averages to \$127 per sq. ft. Given the tight market and elevated asking rates, investors should continue to view Palm Beach County as a destination for capital.

**FUNDAMENTALS**

As previously mentioned, the market remains extremely tight, with a vacancy rate of 2.6%, down 10 basis points from the previous quarter. At 2.6%, the Palm Beach County industrial market is the tightest in South Florida and four of the seven tracked submarkets have a vacancy rate below 2.0%.

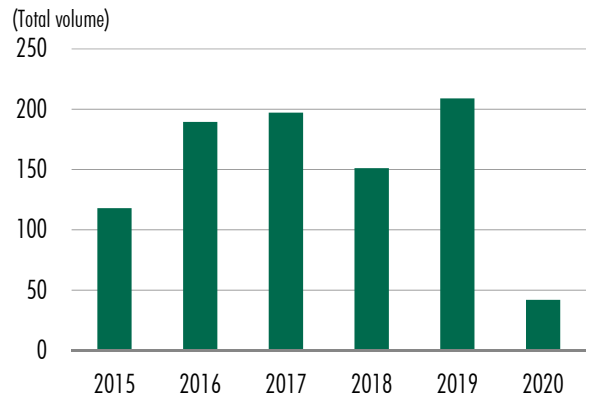
Most of those are smaller in nature, but Riviera Beach, which is home to 20% of the market's inventory has the lowest vacancy rate in the County at 1.3%.

This has helped asking rates to hover around historical highs. Asking rents closed the quarter at \$10.75 per sq. ft. since Q1 2019. While rents have been virtually flat year-over-year, they have been above \$10.00 per sq. ft. for 11 straight quarters.

**OUTLOOK**

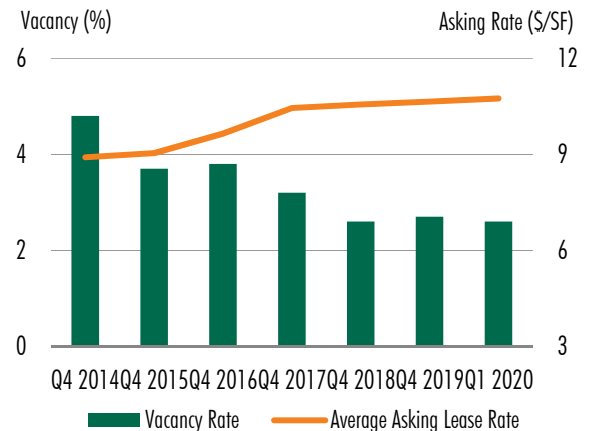
The COVID-19 pandemic has forced some state governments to impose strict stay-at-home orders that are adversely affecting many industries. This is leading the U.S. economy into a recession that will result in very sharp declines in GDP for H1 2020 and in job losses, particularly in the retail, food & beverage and transportation sectors. Office-using employment may be less negatively affected than in recent recessions. But the unique nature of this downturn should result in an unusually swift recovery that could begin as early as Q3 2020. Assuming the coronavirus peaks this summer in the U.S.—mirroring China's experience—the U.S. government's fiscal and monetary stimulus will begin to bear fruit. This will be paired with pent-up private demand that could help the U.S. economy return to growth by year-end and drive stronger than previously expected growth in 2021.

Figure 6: Total Sales Volume



Source: CBRE Research, Q1 2020

Figure 7: Vacancy and Asking Rates



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

**Figure 2: Market Statistics**

Submarket	Total Inventory (SF)	Total Availability (%)	Total Vacancy (%)	Q1 2020 Net Absorption (SF)	2010 Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/NNN)
Boca Raton	7,365,479	7.1	3.0	(3,255)	(56,046)	0	12.74
Boynton Beach	4,233,635	10.0	4.6	893	(13,801)	0	8.81
Delray Beach	2,774,748	2.4	1.6	(11,048)	(21,597)	0	15.70
Jupiter	4,312,795	4.1	1.5	217,646	1,158	0	10.54
Lake Worth	3,309,107	4.3	1.8	21,322	(3,539)	0	9.65
Riviera Beach	9,461,230	3.6	1.3	6,000	(43,084)	0	10.09
West Palm Beach	15,821,843	6.3	3.2	12,052	68,210	491,103	9.44
<b>Total</b>	<b>47,058,837</b>	<b>5.6</b>	<b>2.6</b>	<b>275,607</b>	<b>(68,699)</b>	<b>491,103</b>	<b>9.94</b>
Manufacturing	4,956,545	2.0	0.7	0	(10,360)	0	14.41
R&D/Flex	9,711,652	6.7	2.8	657	(60,853)	0	12.64
Whse/Distribution	32,610,640	5.9	2.8	274,950	2,514	7491,103	9.87

Source: CBRE Research, Q1 2020

**Figure 3: Significant Q1 2020 Lease Transactions**

Submarket	Property	Tenant	Transaction (SF)
Jupiter	15335 Park of Commerce Blvd	Niagara Bottling	114,500
West Palm Beach	1601 Hill Ave	Florida Microelectronics	38,900
Jupiter	15335 Park of Commerce Blvd	Spartan Motors	35,000
West Palm Beach	2211 Vista Pkwy	Parts Authority Georgia	31,800

Source: CBRE Research, Q1 2020

\* Denotes Renewal.

**Figure 4: Projects Under Construction as of Q1 2020**

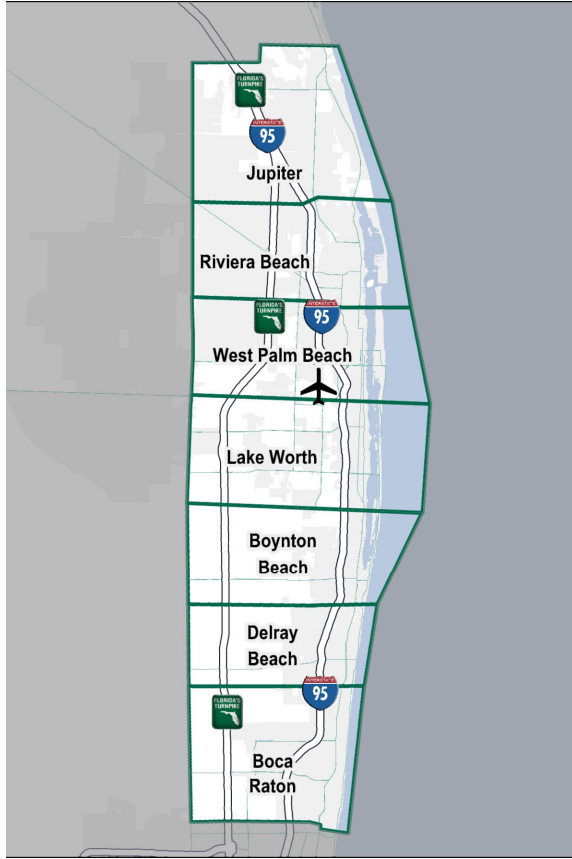
Submarket	Property	Address	Building (SF)
West Palm Beach	Greene Space Industrial Park – Bldg 2	Hoffman Rd, West Palm Beach	193,020
West Palm Beach	Turnpike Crossing Building 4	6717 Belvedere Rd, West Palm Beach	146,253
West Palm Beach	Bgreene Space Industrial Park – Bldg 1	1501 Meathe Drive, West Palm Beach	124,479
West Palm Beach	Palms West Commerce Park	8470 Belvedere Rd, West Palm Beach	27,351

Source: CBRE Research, Q1 2020

**Figure 5: Significant Q1 2020 Sale Transactions**

Submarket	Address	Buyer	Sale Price (\$)	Building (SF)	Price Per SF (\$)
Boynton Beach	1200, 1210, 1220 NW 35 <sup>th</sup> Ave	Elion Partners	25,849,700	202,400	128
Boca Raton	951 Clint Moore Road	Prologis	8,477,300	77,700	120
Riviera Beach	867 W 13 <sup>th</sup> Ct	RGF Environmental Group	3,300,000	22,500	147

Source: CBRE Research, Q1 2020



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

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