

Q3 2017

Industrial Insight

The Palm Beach industrial market continues performing at the highest levels

- Supply remains a consistent issue as demand continues to outpace deliveries.
- Smaller than average deals dominated leasing activity in the third quarter.
- High rent deals are now commonplace, rents now stand at \$8.96 per square foot.

Palm Beach's growth has spurred almost 2.4 million square feet of industrial development in the past four years. During this time period, the market has absorbed more than double that amount – primarily from the West Palm Beach and Boynton Beach submarkets. Strong leasing fundamentals have also driven vacancies for each submarket lower than at any point in the last cycle, as some are below 2.0 percent. Correspondingly, in order to avoid the risk of losing their existing space, many tenants are choosing to sign early renewals with the understating there is a dearth of space availability and that landlords have several options for tenant replacements.

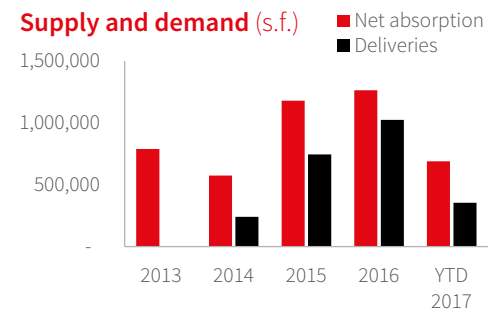
In addition, the third quarter lacked of some of the larger transactions – 90,000 square feet and greater – compared to the previous quarters, due partially to the decline in large available warehouse space options. Meanwhile, demand in the 10,000 to 25,000 square feet range fueled leasing, accounting for more than half of the volume recorded this quarter. At the same time, with market fundamentals on their side, landlords were able to push asking rental rates through 2017. The average rent in the county stood at \$8.96 per square foot in the third quarter, increasing 5.5 percent year-over-year.

Outlook

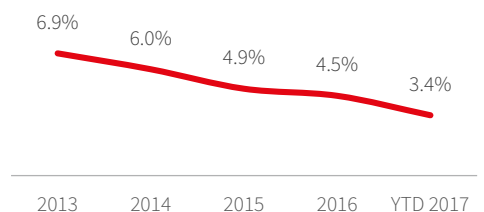
The Palm Beach market will remain quite active going into the end of the year. There is a low supply of single-story well located facilities with acceptable ceiling heights (30' and above). Demand for these types of facilities seems to be increasing and will continue to into the fourth quarter of 2017. In addition, the high cost of construction in the Palm Beach market is rising and will most likely impact asking rental rates which seem to be peaking. Overall, the outlook remains optimistic with the hope that more quality, well-located properties will continue to become available for sale or lease.

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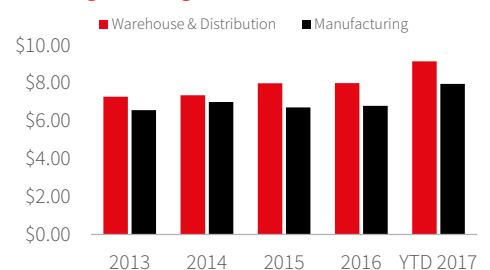
Fundamentals	Forecast
YTD net absorption	688,800 s.f. ▲
QTD net absorption	251,717 s.f. ▲
Under construction	166,392 s.f. ▲
Total vacancy	3.4% ▼
Average asking rent (NNN)	\$8.96 p.s.f. ►
Tenant improvements	Stable ►



Total vacancy



Average asking rents (\$/s.f.)





Palm Beach

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Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly completions (s.f.)	YTD completions (s.f.)	Under construction (s.f.)
Palm Beach Totals										
Warehouse & Distribution	35,662,850	287,955	701,580	2.0%	3.1%	7.5%	\$9.16	0	353,697	166,392
Manufacturing	6,669,944	-36,238	-12,780	-0.2%	5.0%	7.6%	\$7.97	0	0	0
Totals	42,332,794	251,717	688,800	1.6%	3.4%	7.6%	\$8.96	0	353,697	166,392
Submarkets										
Boca Raton										
Warehouse & Distribution	4,652,884	28,810	51,543	1.1%	1.9%	8.1%	\$12.09	0	0	0
Manufacturing	521,898	0	-4,000	-0.8%	2.5%	3.6%	\$8.95	0	0	0
Totals	5,174,782	28,810	47,543	0.9%	1.9%	7.7%	\$11.94	0	0	0
Boynton Beach										
Warehouse & Distribution	5,229,332	58,049	110,768	2.1%	2.4%	9.2%	\$9.67	0	0	0
Manufacturing	512,540	0	1,225	0.2%	0.2%	0.2%	\$8.05	0	0	0
Totals	5,741,872	58,049	111,993	2.0%	2.2%	8.4%	\$9.67	0	0	0
North Palm Beach										
Warehouse & Distribution	13,692,770	28,184	21,283	0.2%	1.6%	5.6%	\$8.38	0	0	0
Manufacturing	3,486,125	-25,638	19,595	0.6%	1.5%	7.5%	\$7.95	0	0	0
Totals	17,178,895	2,546	40,878	0.2%	1.6%	6.0%	\$8.27	0	0	0
West Palm Beach										
Warehouse & Distribution	12,087,864	172,912	517,986	4.3%	5.6%	8.8%	\$8.50	0	353,697	166,392
Manufacturing	2,149,381	-10,600	-29,600	-1.4%	12.3%	10.7%	\$7.90	0	0	0
Totals	14,237,245	162,312	488,386	3.4%	6.6%	9.1%	\$8.40	0	353,697	166,392

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