



Q3 2016
Palm Beach County
OFFICE AND INDUSTRIAL
MarketBeat Reports

PALM BEACH INDUSTRIAL

Economic Indicators

	Q3 2015	Q3 2016	12-Month Forecast
Palm Beach Employment	696.4k	699k	▲
Palm Beach Unemployment	4.2%	5.1%	▲
U.S. Unemployment	5.2%	4.9%	▼

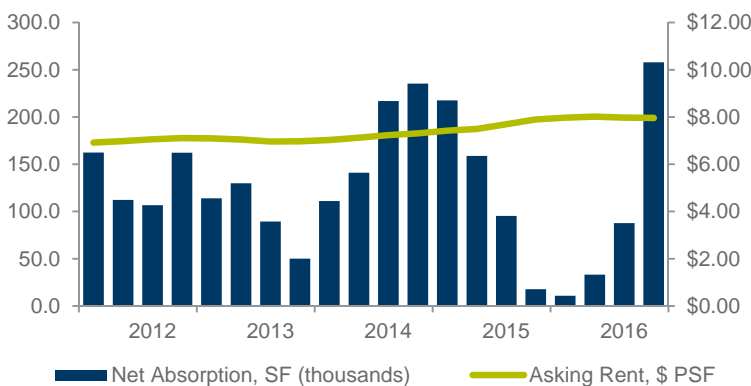
Market Indicators (Overall, All Classes)

	Q3 2015	Q3 2016	12-Month Forecast
Vacancy	4.9%	3.8%	▼
Net Absorption (sf)	159,760	321,054	▲
Under Construction (sf)	0	635,760	▲
Average Asking Rent*	\$7.79	\$9.64	▲

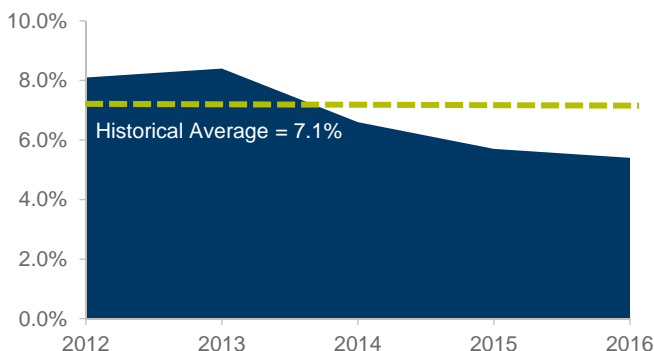
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Palm Beach County's unemployment rate dropped 40 basis points (BPS) to end the quarter at 5.1%. This decline in the unemployment rate represents nearly 13,200 new jobs created during the year. Growth in trade and transportation created 900 new job, while the manufacturing industry experienced a slight decline in employment of 100 jobs. Many new positions were a direct result of internal expansions within the market as well as several new companies relocating from outside the region. The improving economy, together with modest and steady job growth allowed the industrial market's key fundamentals to improve during the third quarter of the year.

Market Overview

The Palm Beach County industrial market remained healthy with 321,054 square feet (SF) of space absorbed during the third quarter. Overall vacancy rate declined 110 BPS to 3.8% marking vacancy lows unseen since 2008. This decrease further demonstrated improved market conditions as average asking rental rates for all property types rose to \$9.64 per square foot (PSF) triple net. Healthy tenant demand, combined with a decline in vacancy, continued to create a positive environment for new development. Over 635,000 SF of speculative space was under construction at the end of the third quarter and should be hitting the market over the next six months.

Warehouse/distribution space experienced tightening conditions as the overall vacancy rate decreased to 3.3%, a decline of 100 BPS year over year. Average asking rental rates for warehouse/distribution space increased to \$8.51 PSF gross. Rental rates pushed higher on steady demand for core product in well located submarkets.

Palm Beach County remained an attractive market for many investors due to the stable economic picture and further population gains, along with its strategic location to Central and Latin American markets. The consensus outlook for the industrial sector will stay upbeat, but the market in the short term should experience a moderate rise in investment sales activity during the third quarter. This is reflective of the fact that many core assets throughout the County already traded hands in the first half of the year.

Outlook

The industrial market in Palm Beach maintains healthy demand from tenants across an increasingly diverse mix of industries. With the market continuing to tighten, asking rental rates and sale prices are being pushed upwards even as new space is being built. Cushman & Wakefield forecasts positive improvement in market fundamentals for the industrial sector going into 2017.

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Industrial Snapshot Q3 2016

Palm Beach County



SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Boca Raton	7,217,431	6,729	333,535	5.4%	140,352	0	N/A	\$7.15	\$12.75	\$11.66
Jupiter	3,976,457	0	0	3.6%	68,386	0	N/A	N/A	\$9.89	\$8.53
Delray Beach	1,593,539	114,163	32,370	3.7%	28,287	0	N/A	N/A	\$11.41	\$9.86
Boynton Beach	2,322,914	61,544	0	5.5%	12,223	0	N/A	\$6.95	\$11.27	\$6.95
Lake Worth	1,826,442	3,280	0	6.0%	36,017	252,000	N/A	N/A	\$9.71	\$7.95
West Palm Beach	13,854,545	73,087	175,361	1.8%	260,785	383,760	N/A	\$7.25	\$11.89	\$7.92
Riviera Beach	9,194,588	178,879	0	3.9%	502,984		N/A	\$6.00	\$9.73	\$6.95
PALM BEACH TOTALS	39,985,916	437,682	541,266	3.8%	1,049,034	635,760	N/A	\$7.10	\$11.87	\$8.49

*Rental rates reflect NNN asking \$psf/year
 **Overall rental rates not reflective of US Overview.

HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

BUILDING TYPE	INVENTORY (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (SF)
Warehouse/Distribution	25,721,475	837,572	3.3%	201,506	752,019	89,010	635,760	\$8.49
Manufacturing	7,034,008	110,446	1.6%	75,394	159,903	0	0	\$7.10
Office Services/Flex	7,230,433	544,196	7.8%	44,154	137,112	5,300	0	\$11.87

*Rental rates reflect NNN asking \$psf/year

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1920-1972 High Ridge Road	32,523	UMI	Lease	Boynton Beach
1103-1147 Gateway Boulevard	12,800	Charlie Bear	Lease	Boynton Beach
400 Northpoint Parkway	5,107	Interactive Medical Technical	Lease	West Palm Beach

Key Sales Transactions Q3 2016

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
1161 Holland Drive	41,362	Prodigy Brands LLC (Owner/User)	\$3,700,000/\$89.45	Boca Raton
Pennock Business Center (3 building portfolio)	43,824	Suburban Campus Properties, Inc.	\$5,100,000/\$116.37	Jupiter

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PALM BEACH COUNTY OFFICE

Economic Indicators

	Q3 2015	Q3 2016	12-Month Forecast
Palm Beach Employment	696.4k	699k	▲
Palm Beach Unemployment	4.2%	5.1%	▲
U.S. Unemployment	5.2%	4.9%	▼

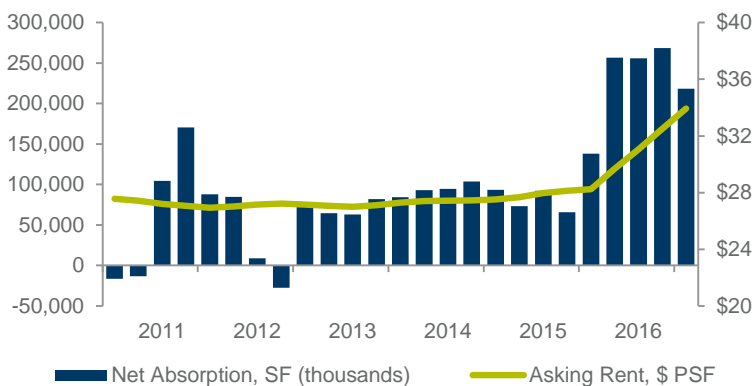
Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	17.9%	17.4%	▼
Net Absorption (sf)	56,658	58,430	▲
Under Construction (sf)	0	0	■
Average Asking Rent*	\$28.21	\$33.75	▲

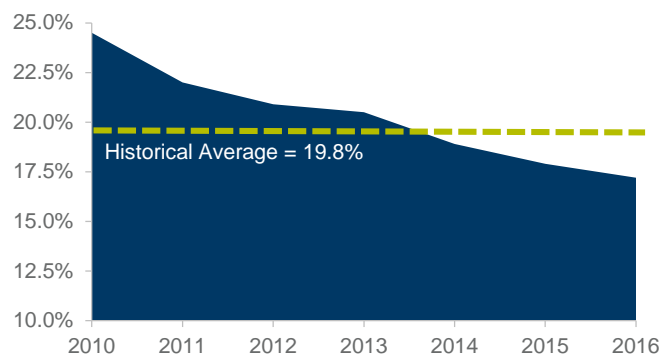
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Palm Beach County's job market continued to gain momentum through Q3 2016, as the unemployment rate dropped 40 basis points (bps) to end the quarter at 5.1%. Growth was broad based and reflected the diverse nature of the area's economy. Major industries that gained jobs during the year included professional/business services, information technology, and financial activities. The new jobs were a result of internal expansions within the market and new company relocations from outside the region.

Market Overview

The Palm Beach office market witnessed a 40 bps decrease in vacancy rate year over year to 17.4%. Contributing factors which led to the lower vacancy rate included 58,430 square feet (SF) of positive absorption, as well as moderate leasing activity. The overall market started the year robust, but slowed modestly during Q3 2016 as core submarkets continued to experience a tightening in occupancy. Overall rental rates increased to \$33.75 per square foot (PSF) full service gross as demand for premium space further drove up pricing.

Over the last few years, tenants migrated to the CBD due to the branding of the new Flagler Financial District. This slowed considerably in the third quarter as space tightened in many of the top Class A buildings where occupancy rates reached all-time high of 95%. This was the main factor the leasing velocity in the overall CBD submarket declined during Q3 2016, especially for tenants seeking large blocks of space.

Overall fundamentals strengthened in suburban submarkets as the vacancy rate decreased 70 bps to 17.3% year over year. Overall rental rates surpassed pre-recession highs to \$32.09 PSF. Vacancy continued to decline in the Class A market, down 80 bps to 13.9% and are expected to fall even further on no new supply expected to hit the market for several years.

The strong office market fundamentals kept buyer's interest in the Palm Beach County office market high. The quarter ended with total investor sales activity of 957,279 SF with average price per square foot ranges from \$144 to \$148.

Outlook

Although there has been a steady increase in rental rates, the overall market's vacancy rate is still too high to peak developer interest. The Palm Beach County office market continued to experience growth both in the suburban and CBD submarkets, although space availability was increasingly limited. With continuing demand and static supply, Cushman & Wakefield expects local economic expansion and job growth to bolster the area's office market going into 2017.

MARKETBEAT

Office Snapshot Q3 2016

Palm Beach County



SUBMARKETS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
West Palm Beach CBD	3,262,794	15,157	577,903	18.2%	1,844	(24,348)	68,682	0	\$32.24	\$44.31
Suburban West Palm Beach	4,011,621	10,087	834,424	21.1%	(15,306)	117,103	133,221	0	\$32.39	\$42.47
<i>Suburban West Palm Beach</i>	<i>3,473,502</i>	<i>6,185</i>	<i>716,320</i>	<i>20.8%</i>	<i>(13,172)</i>	<i>65,886</i>	<i>129,879</i>	<i>0</i>	<i>\$26.86</i>	<i>\$35.69</i>
<i>Palm Beach</i>	<i>538,119</i>	<i>3,272</i>	<i>118,104</i>	<i>22.6%</i>	<i>(2,134)</i>	<i>51,217</i>	<i>3,342</i>	<i>0</i>	<i>\$59.76</i>	<i>\$64.03</i>
North Palm Beach	3,706,426	9,070	421,844	11.6%	40,468	91,456	77,056	0	\$33.27	\$43.08
<i>Palm Beach Garden/N. Palm Beach</i>	<i>3,124,029</i>	<i>7,970</i>	<i>341,929</i>	<i>11.2%</i>	<i>37,564</i>	<i>52,214</i>	<i>71,504</i>	<i>0</i>	<i>\$31.78</i>	<i>\$42.88</i>
<i>Jupiter/Tequesta/Juno</i>	<i>582,397</i>	<i>1,100</i>	<i>79,915</i>	<i>13.9%</i>	<i>2,904</i>	<i>39,242</i>	<i>5,552</i>	<i>0</i>	<i>\$27.67</i>	<i>N/A</i>
South Palm Beach	2,548,804	4,462	820,179	32.4%	8,103	58,460	28,965	0	\$29.11	\$26.51
<i>Lake Worth</i>	<i>574,851</i>	<i>0</i>	<i>59,711</i>	<i>10.4%</i>	<i>3,686</i>	<i>9,773</i>	<i>0</i>	<i>0</i>	<i>\$24.40</i>	<i>\$26.00</i>
<i>Boynton Beach</i>	<i>529,267</i>	<i>0</i>	<i>109,748</i>	<i>20.7%</i>	<i>3,837</i>	<i>4,437</i>	<i>8,431</i>	<i>0</i>	<i>\$26.37</i>	<i>\$27.00</i>
<i>Delray Beach</i>	<i>1,444,686</i>	<i>4,462</i>	<i>650,720</i>	<i>45.4%</i>	<i>580</i>	<i>44,250</i>	<i>20,534</i>	<i>0</i>	<i>\$30.00</i>	<i>N/A</i>
Boca Raton	10,492,703	68,105	1,427,349	14.3%	23,321	116,854	286,998	0	\$36.74	\$42.14
<i>Glades Road</i>	<i>3,024,927</i>	<i>22,787</i>	<i>501,699</i>	<i>17.3%</i>	<i>38,550</i>	<i>76,471</i>	<i>102,670</i>	<i>0</i>	<i>\$24.40</i>	<i>\$44.46</i>
<i>Federal Highway Corridor</i>	<i>1,638,899</i>	<i>15,505</i>	<i>217,791</i>	<i>14.2%</i>	<i>339</i>	<i>(147)</i>	<i>14,047</i>	<i>0</i>	<i>\$31.63</i>	<i>\$39.82</i>
<i>Northwest Boca Raton</i>	<i>4,326,629</i>	<i>29,813</i>	<i>492,979</i>	<i>12.3%</i>	<i>(42,807)</i>	<i>(25,381)</i>	<i>130,719</i>	<i>0</i>	<i>\$31.15</i>	<i>\$37.92</i>
<i>Southwest Boca Raton</i>	<i>657,342</i>	<i>0</i>	<i>101,354</i>	<i>15.4%</i>	<i>16,609</i>	<i>47,029</i>	<i>23,847</i>	<i>0</i>	<i>\$28.02</i>	<i>\$39.00</i>
<i>Downtown Boca Raton</i>	<i>844,906</i>	<i>0</i>	<i>103,012</i>	<i>12.2%</i>	<i>10,630</i>	<i>18,882</i>	<i>20,993</i>	<i>0</i>	<i>\$35.00</i>	<i>\$40.41</i>
Suburban	20,759,554	91,724	3,503,796	17.3%	56,586	383,873	531,518	0	\$32.09	\$41.34
PALM BEACH TOTALS	24,022,348	106,881	4,081,699	17.4%	58,430	359,525	600,2001	0	\$33.75	\$37.84

*Rental rates reflect gross asking \$psf/year

**Overall rental rates not reflective of US Overview

CLASSES	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Class A	9,348,379	65,587	1,245,627	14.0%	1,638	75,354	198,726	0	\$37.84	\$46.00
Class B	13,453,605	34,545	2,683,011	20.2%	32,334	240,828	352,099	0	\$33.14	\$33.26

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
501 S. Flagler Drive	13,998	Integra Connect	Lease	CBD-Palm Beach
477 S. Rosemary Avenue	7,678	United Way	Lease	CBD-Palm Beach
3801 PGA Boulevard	6,248	Golder Associates	Lease	North Palm Beach

Key Sales Transactions Q3 2016

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
Esperante Corporate Center, 222 Lakeview Ave.	256,151	The Clark Estates, Inc./Red Sky Capital	\$125,750,000 / \$491	CBD-Palm Beach
7000 W Palmetto Park Road (office w/retail)	116,000	TJAC Development	\$32,668,231 / \$273	Southwest Boca Raton
Fairway Office Center (3 building portfolio)	222,682	C-III Capital Partners, LLC.	\$52,500,000 / \$236	North Palm Beach

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