

1Q25

Palm Beach Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market’s unemployment rate increased by 29 basis points year over year to 3.5% but remained well below the five-year average of 4.4%.
- Job growth pace has slowed compared to the national average, with the market reporting growth of 0.4% compared to 1.2% nationally in February 2025.
- Six out of ten employment sectors experienced growth, while the other services, business and professional, leisure/hospitality, and information sectors reported a contraction. Notably, the education sector led job gains, with a 4.7% increase over the past 12 months.
- All industrial-using employment sectors grew with trade/transportation/utilities, mining and construction, and manufacturing sectors expanding by 0.8%, 1.5%, and 1.7% year over year, respectively.

Major Transactions

- Ideal Nutrition signed the largest deal of the first quarter of 2025, taking 43,200 SF in Prologis Airport Center I, preparing to move in by September 2025.
- Four of the top five notable leases took place in the North Central submarket of Palm Beach, with one in South Central.
- All five of the most notable deals in the Palm Beach area were new leases showcasing the demand for space in the area.
- Leasing activity slightly increased by 0.7% quarter over quarter to 549,793 SF.

Leasing Market Fundamentals

- In the first quarter of 2025, the market experienced a reversal from the positive demand trend observed since 2019. The area reported 65,384 SF of negative absorption, largely attributable to tenants delaying occupancy to build out their spaces, positioning the market for stronger absorption in future quarters.
- Overall rental rates increased by 5.4% year over year to \$13.65/SF.
- There were no new construction deliveries in the first quarter of 2025, but projects under construction increased to 918,900 SF.
- Negative demand coupled with no new supply pushed vacancy up by 10 basis points quarter over quarter to 7.8%. Vacancy increased by 210 basis points year over year, indicating that the rising vacancy is primarily attributed to the 1.9 MSF of new deliveries that took place in 2024.

Outlook

- The Palm Beach industrial market will see a decline in new supply delivering to the market in the medium term, due to only 1.9% of the current market’s inventory under construction.
- Vacancy rates are expected to remain elevated over the next few quarters as new supply from a robust construction pipeline is worked through.
- Asking rents will likely remain elevated, but the pace of increases will flatten over the near term due to the sudden increase of availability and competition amongst landlords to add tenants. The projects currently under construction are fully speculative with 11.3% preleased.

1. Economy
2. Leasing Market Fundamentals

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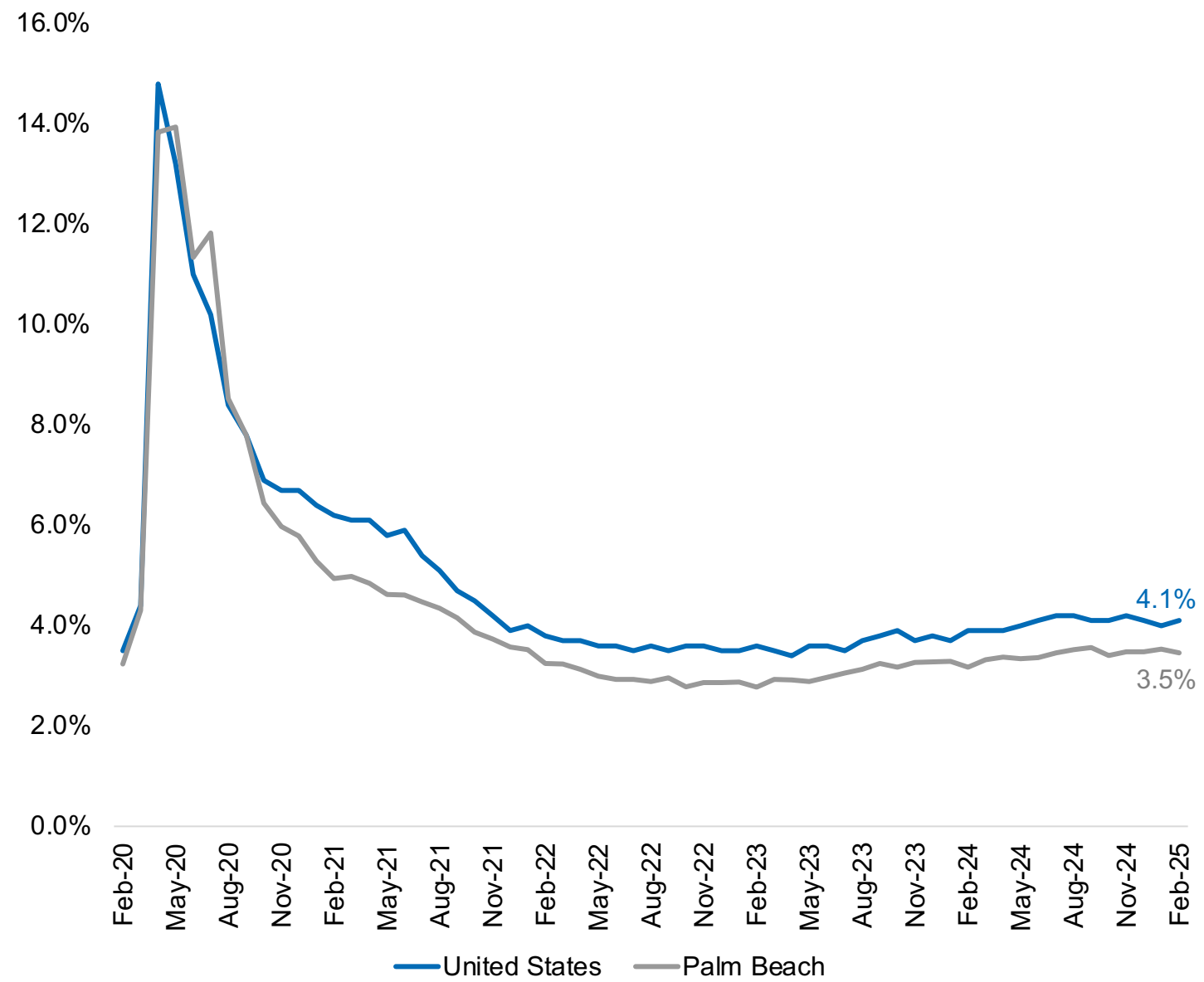
Economy



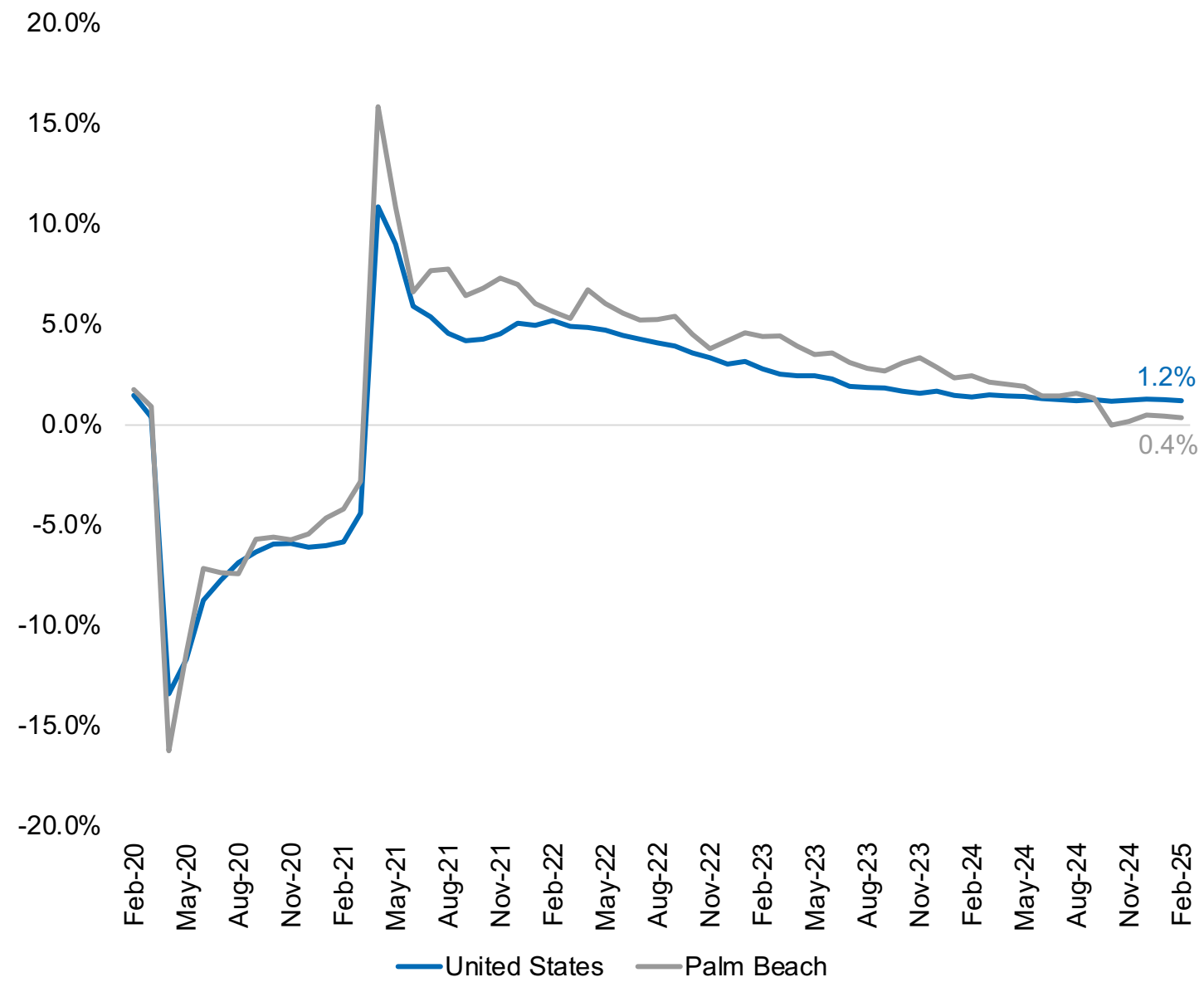
Unemployment Flattens; Employment Growth Remains Slower Than National Average

Palm Beach has generally reported lower unemployment rates compared with the national average but has recently fallen under the national average in employment growth. The region’s unemployment rate increased by 29 basis points year over year to 3.5% in February of 2025, marking the 12th consecutive month above 3.2%. Employment growth is 85 basis points below the national average as of February 2025. Overall, the market’s employment growth decreased by 211 basis points year over year to 0.4% due to national economic headwinds.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



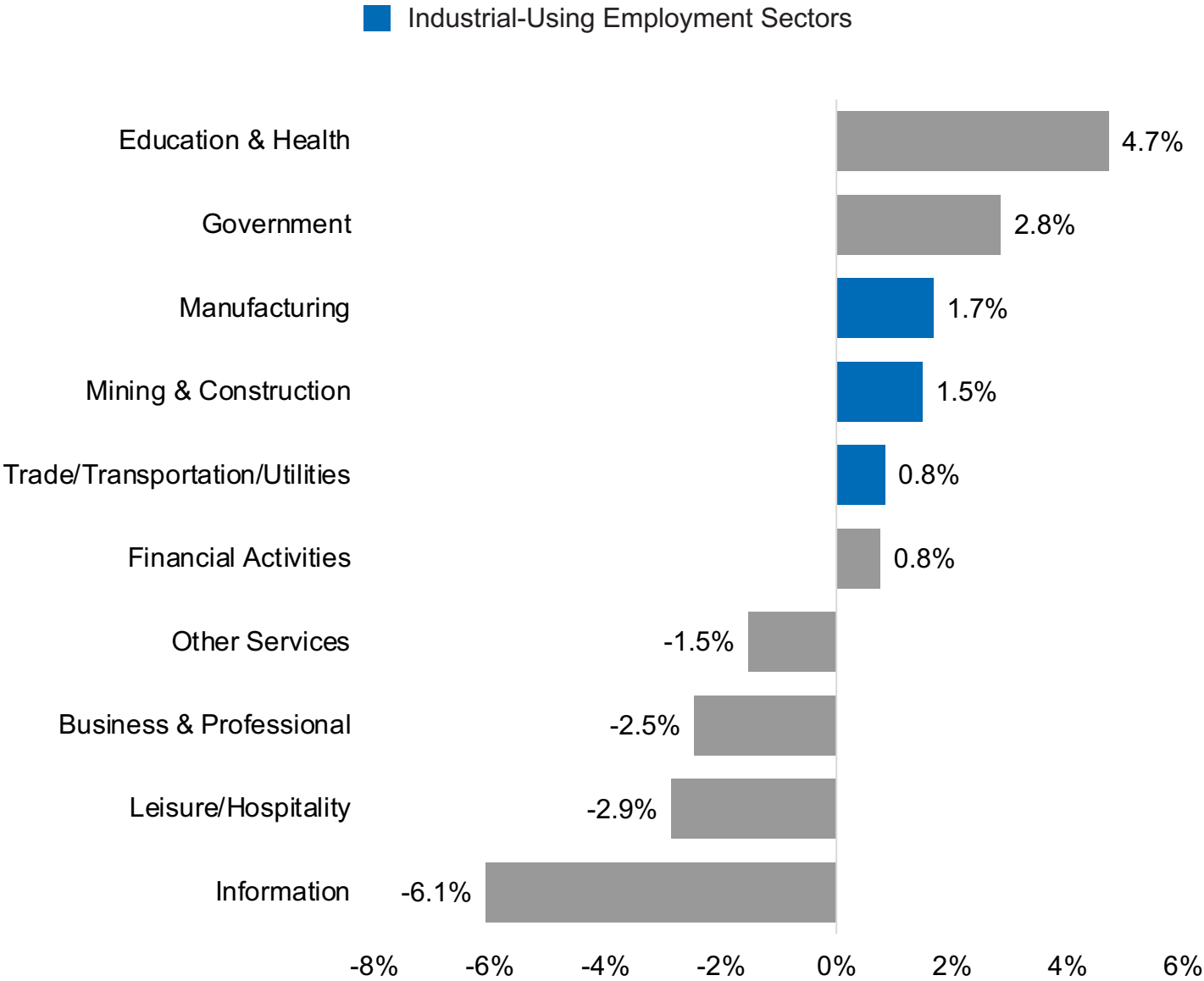
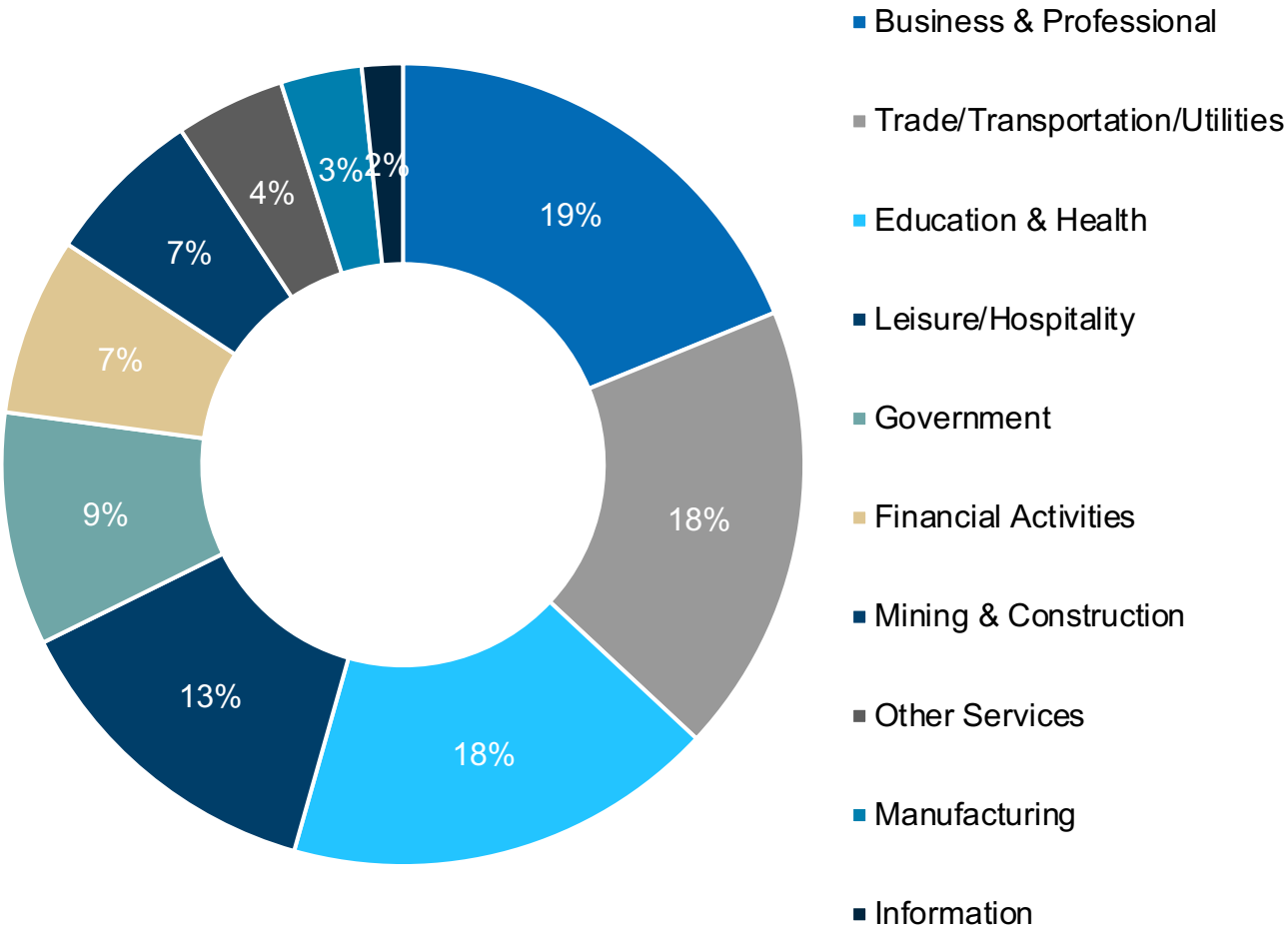
Source: U.S. Bureau of Labor Statistics, Palm Beach County

All Industrial-Using Employment Sectors Reported Growth

Palm Beach’s top two employment industries account for 37.0% of market share. The industrial-using employment’s trade/transportation/utilities sector is the second-largest industry sector in the metroplex at 18.1%. All industrial-using employment sectors grew with trade/transportation/utilities, mining and construction, and manufacturing sectors expanding by 0.8%, 1.5%, and 1.7% year over year, respectively.

Employment by Industry, February 2025

Employment Growth by Industry, 12-Month % Change, February 2025

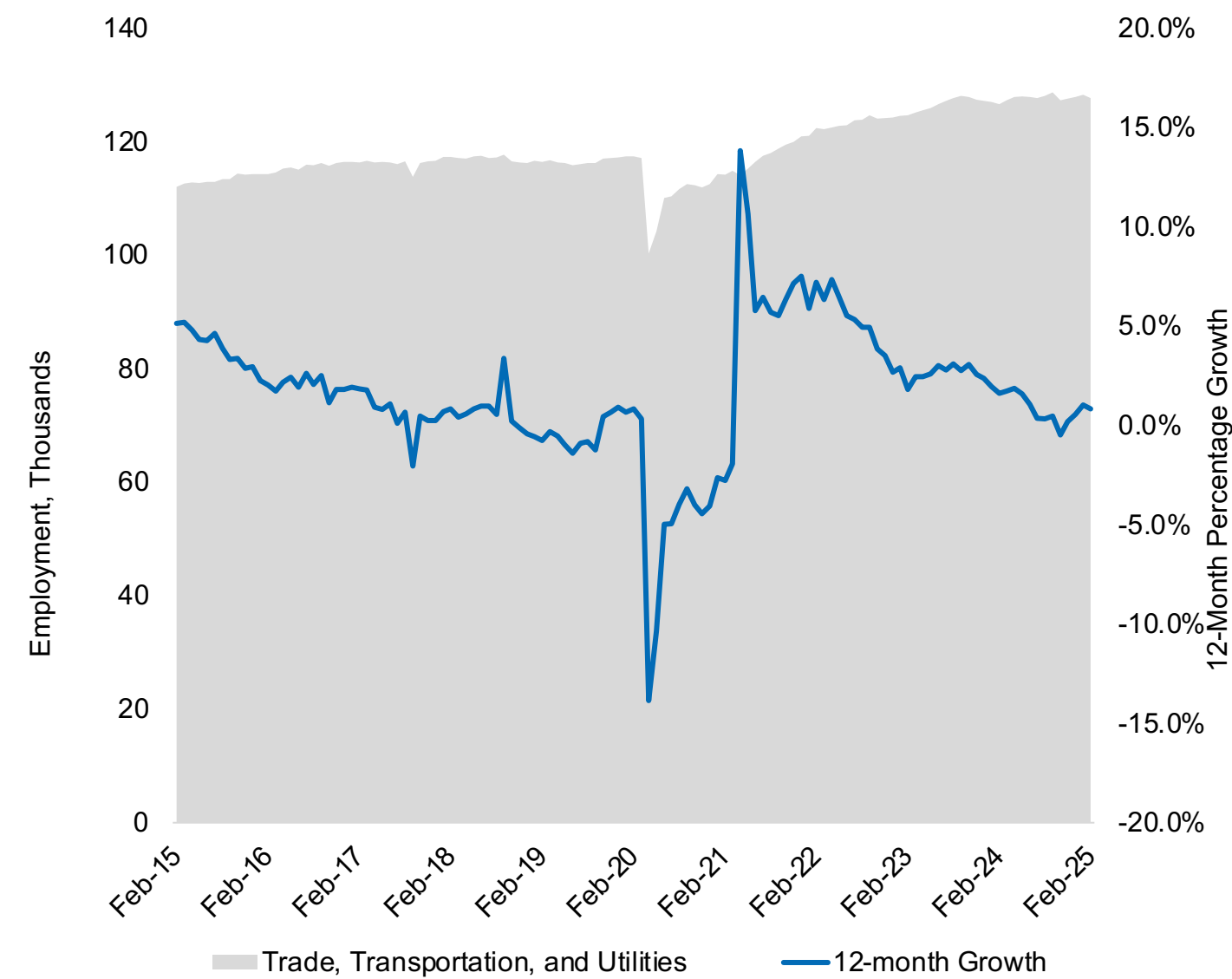


Source: U.S. Bureau of Labor Statistics, Palm Beach County

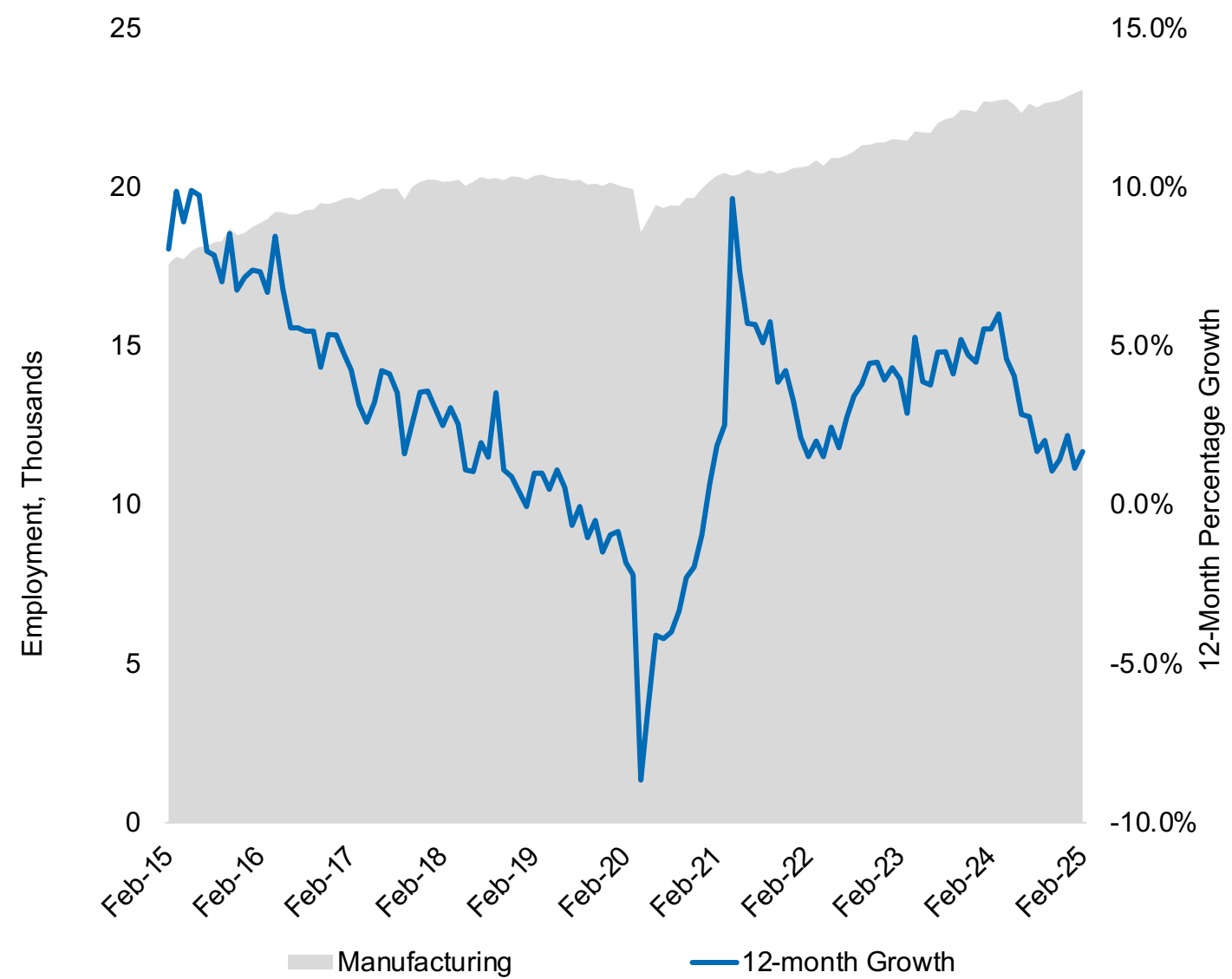
Manufacturing Employment Reaches All-Time High

Trade/transportation/utilities employment has trended slightly down by 0.8% from the all-time high in September 2024 to 127,690 employees in February 2025. Despite the recent decrease, employment level has remained stable since 2023. Manufacturing employment increased 1.7% since last year to 23,060 jobs, reaching a new all-time high. Overall employment remains near all-time high for both sectors.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Palm Beach

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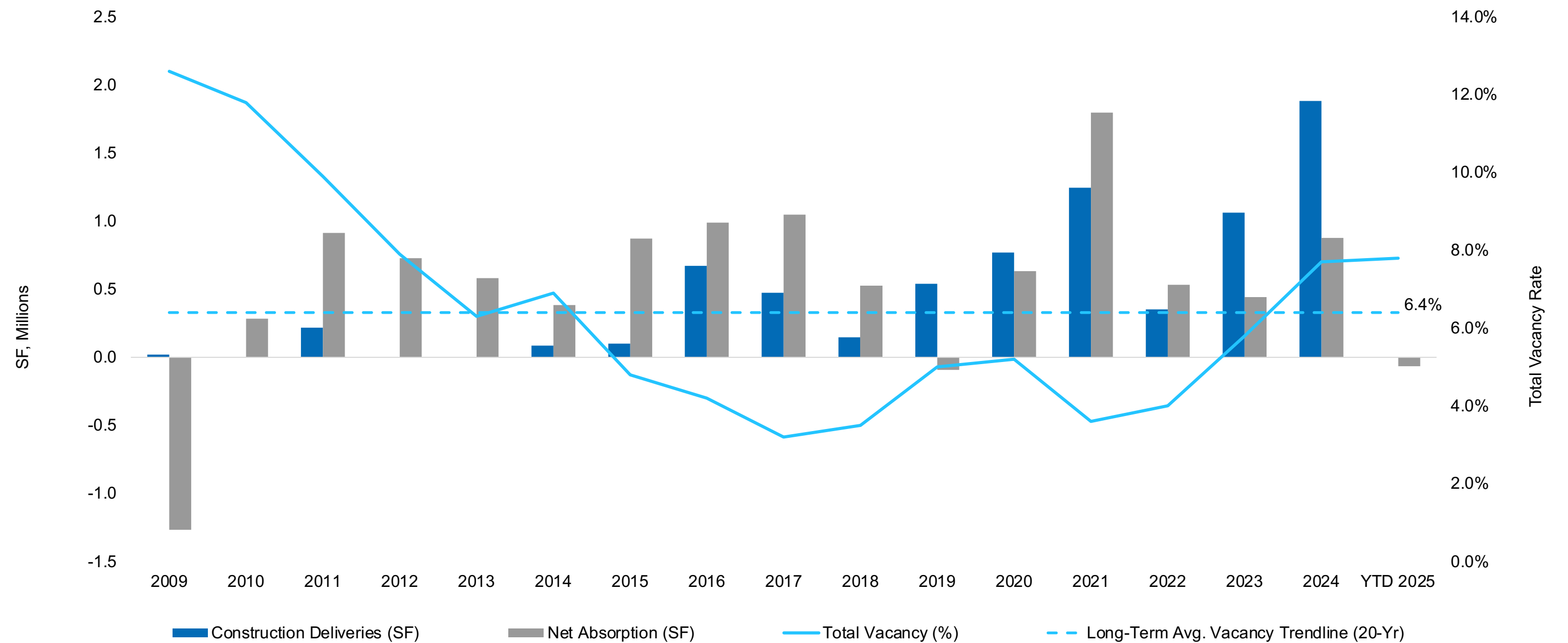
Leasing Market Fundamentals



Vacancy Increases As Demand Decreases

Palm Beach’s industrial vacancy rate increased by 210 basis points year over year to 7.8% in the first quarter of 2025, staying above the 20-year average of 6.4%. Net absorption of negative 65,384 SF coupled with no new deliveries in the first quarter of 2025 resulted in the slight uptick in vacancy from quarter to quarter. An influx of new deliveries outpacing absorption in 2023 and 2024 have resulted in elevated levels of vacancy. In the near term, Palm Beach industrial vacancy rates are projected to remain elevated but then slowly decline as the new inventory is absorbed.

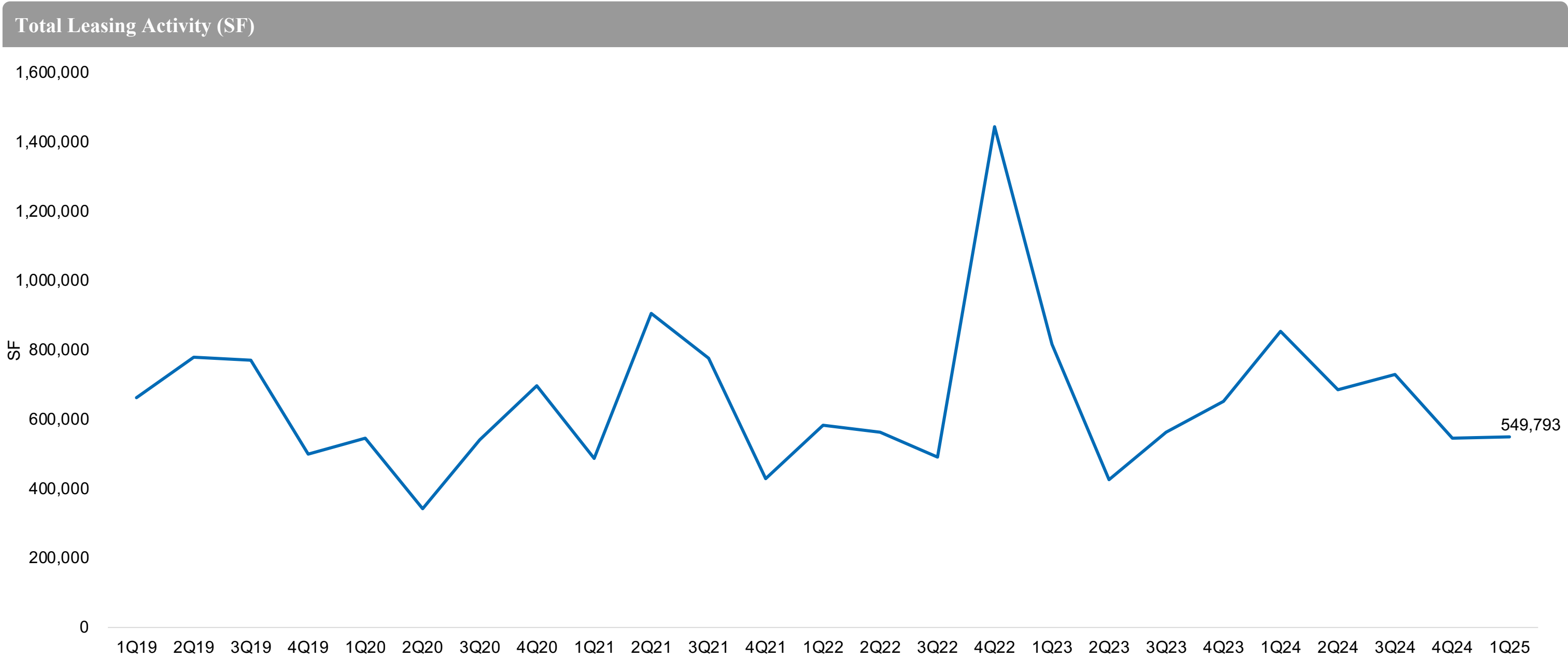
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity Remains Flat

Year-over-year leasing activity declined by 35.6% in the first quarter of 2025, ending the quarter at 549,793 SF. However, leasing activity was slightly higher than the previous quarter by 0.7%. Leasing activity is likely stagnant due to economic uncertainty; however, leasing activity is expected to increase with the influx of available class A industrial space.

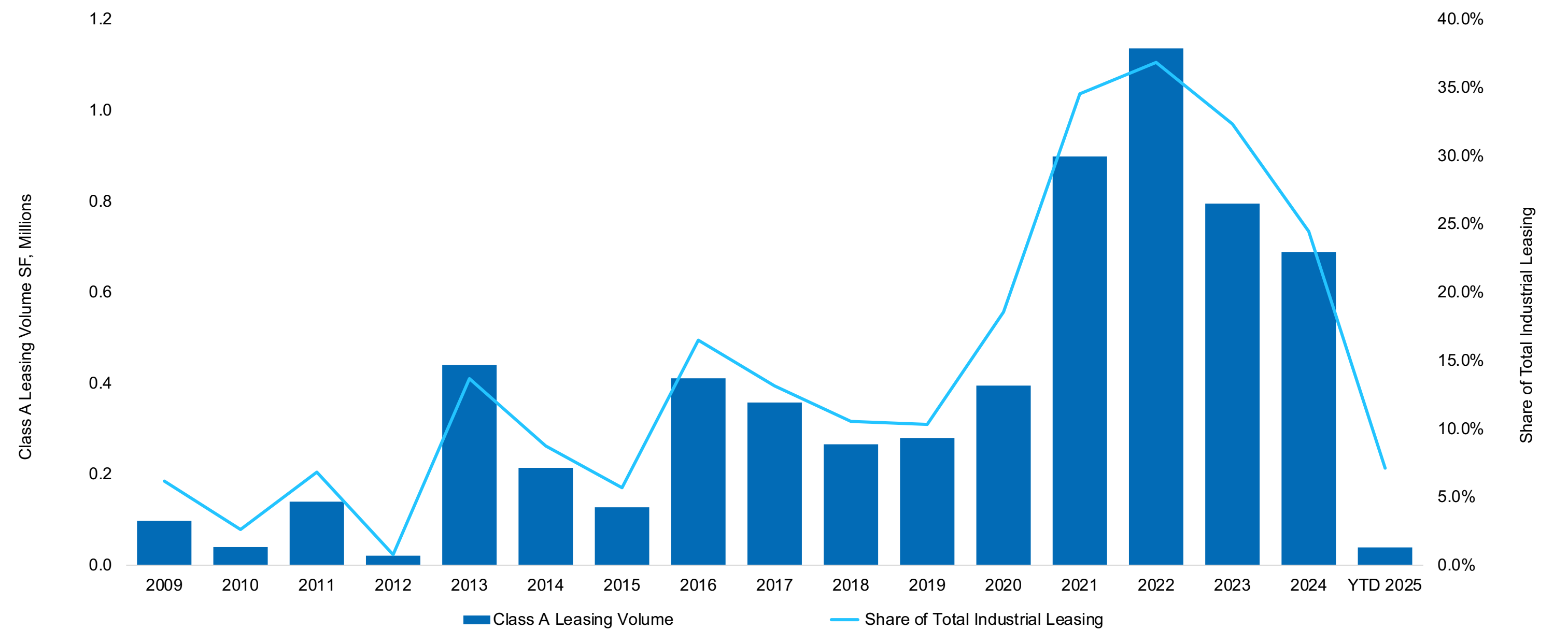


Source: Newmark Research, CoStar

Class A Warehouse Leasing Share Continues to Decline

Class A leasing volume decreased by 69.2% quarter over quarter to 39,073 SF. Higher quality leasing activity accounted for 7.1% of all leasing by square footage in the first quarter of 2025, slightly under the pre-pandemic average of 10.3% in 2019. With an increasing share of Class A warehouse availability due to record high new deliveries in 2024, Class A leasing is anticipated to pick back up in the second half of 2025.

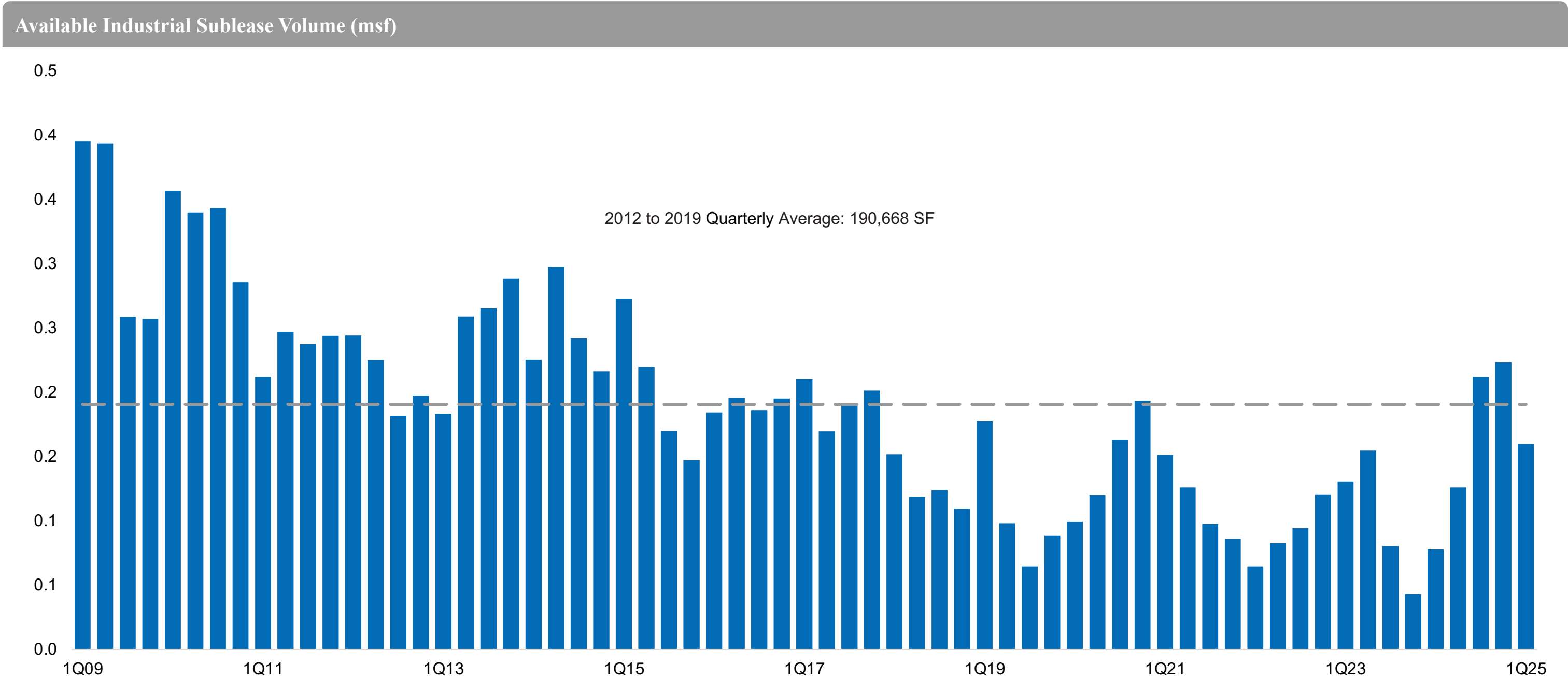
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

Industrial Sublease Availability Decreases

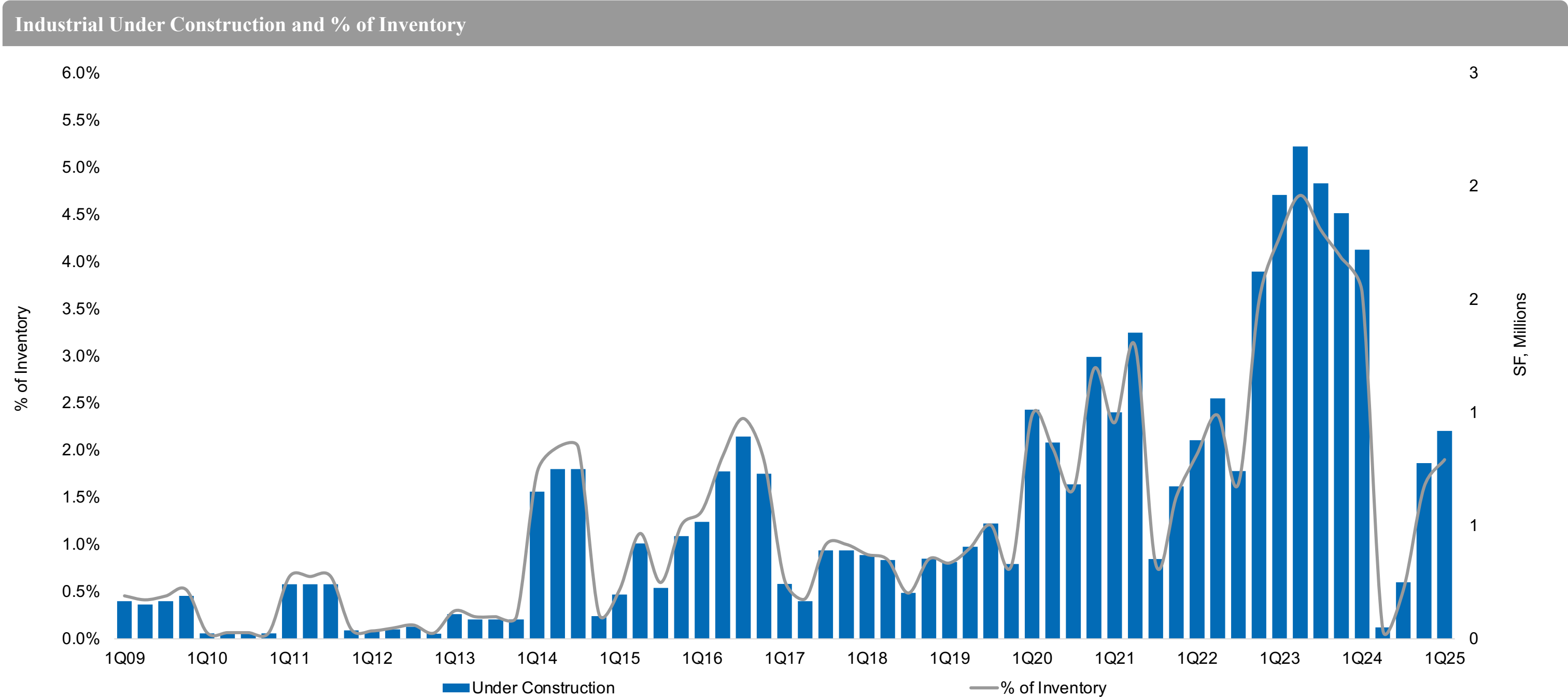
Since hitting a record low of 43,084 SF in the fourth quarter of 2023, sublease availability has increased to 159,793 SF as of the first quarter of 2025. Sublease availability surged by 105.3% year over year, though it decreased 28.4% from the previous quarter and under the 2012 to 2019 average. Elevated interest rates, an inflationary environment, and concerns regarding tariffs will drive some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.



Source: Newmark Research, CoStar

Industrial Supply Pipeline Continues to Accelerate

Following the all-time historical high of 2.2 MSF under construction reported in the second quarter of 2023 the pipeline fell to nearly zero in the second quarter of 2024. Since then, construction has risen to 918,900 SF under construction as of the end of the first quarter of 2025, representing an 18.3% increase since last quarter. Industrial developers are once again starting on new development projects amid increasing industrial demand within Palm Beach county.

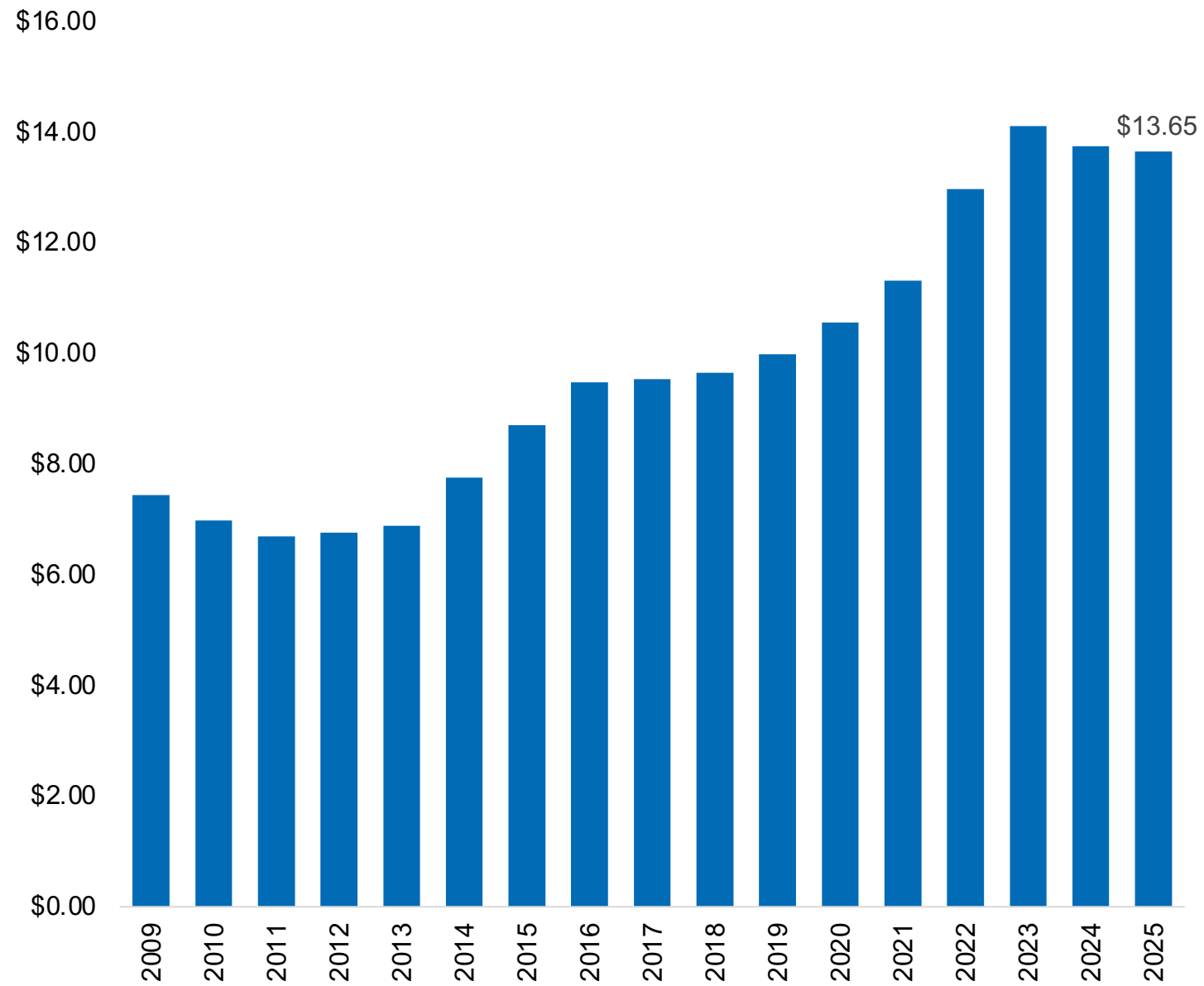


Source: Newmark Research, CoStar

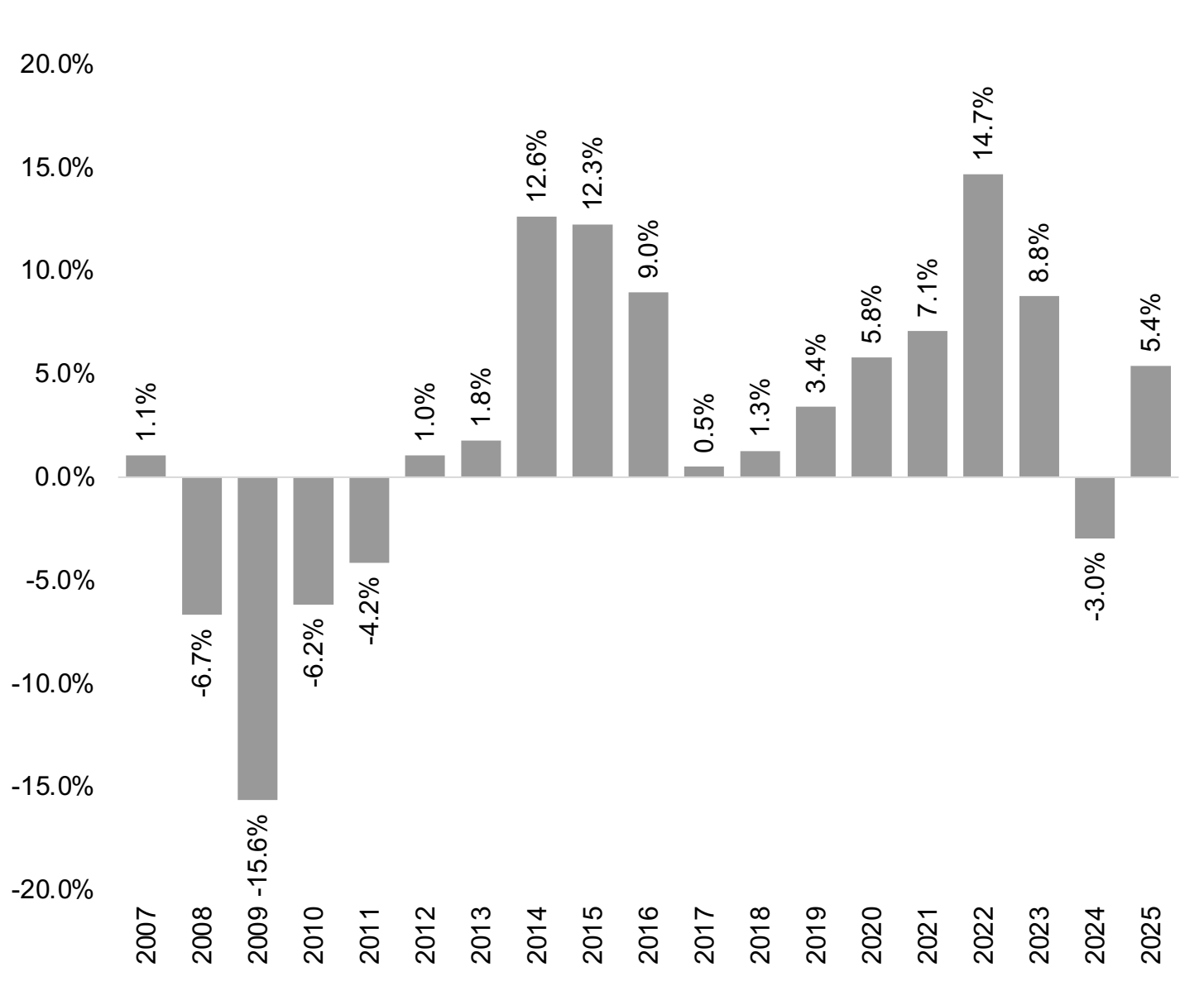
Asking Rents Continue to Decrease from All-Time High Set in 2023

As of the end of the first quarter of 2025, asking rents fell from the all-time of \$14.11/SF high by 3.3% to \$13.65/SF. Rent growth increased 5.4% year over year in the same period and near-term rent growth is expected to remain elevated, but grow at a slower pace, as demand continues catching up with the temporary oversupply by the influx of new deliveries.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 1Q25 Lease Transactions

In the first quarter of 2025, overall leasing activity decreased by 35.6% year over year. Despite this decrease, leasing activity remained relatively flat quarter over quarter, increasing by 0.7% to 549,793 SF. During the same time period, Class A leases made up 7.1% of all leasing activity. Projects under construction are currently 11.3% preleased as economic headwinds and uncertainty regarding tariffs are likely keeping preleasing activity muted.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Ideal Nutrition	Prologis Airport Center I 6017 Southern Blvd	North Central	Direct New	43,200
The largest deal signed in the first quarter of 2025 was by Ideal Nutrition, a health-focused meal delivery service slated to occupy the space in September 2025.				
Rolo Transport	Landmark Commerce Center II 1500 North Florida Mango Rd	North Central	Direct New	16,302
Rolo Transport is a logistics firm established in Los Angeles and headquartered in Oakland Park, FL.				
Above the Mark International LLC	Blue Heron Distribution Center II A 7880 Central Industrial Drive	North Central	Direct New	15,000
Above the Mark, an event production company based in West Palm Beach, signed a 15,000 SF lease at Blue Heron Distribution Center II Building A.				
The Platinum Collection, LLC	Delray Commercial Centre 975 S Congress Ave	South Central	Direct New	11,200
The Platinum Collection is a car dealer in Palm Beach. They operate mainly out of this address but have another location at 3050 SW 14 th place.				
Outside the Box	Lakeside Distribution Center 1100 25 th Street	North Central	Direct New	9,000
Outside the Box is a family-owned and operated furniture store slated to move into the new space in the second quarter of 2025 from 1610 South Federal Highway.				



Please reach out to your
Newmark business contact for this information

For more information:

Alain Perez
Senior Research Analyst
Alain.Perez@nmrk.com

John Tagg
Senior Research Analyst
John.Tagg@nmrk.com

Ching-Ting Wang
Head of Southeast Research
ChingTing.Wang@nmrk.com

Miami
1111 Brickell Ave
Suite 2000
Miami, FL 33131
t 305-350-0915

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

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