

2Q25

Palm Beach Industrial Market Overview

NEWMARK

Market Observations

Economy

- The unemployment rate rose by 35 basis points year over year to 3.6%, yet remains below the five-year average of 4.2%, signaling continued labor market resilience.
- Job growth moderated to 1.2% year over year. After dipping below the national average in October 2024, regional employment has since realigned with U.S. trends.
- Seven of the ten major employment sectors posted job gains over the past year, led by the education and health industry, which recorded a robust 5.3% increase.
- All industrial-using employment sectors grew with mining and construction, trade/transportation/utilities, and manufacturing sectors expanding by 0.1%, 0.5%, and 2.1%, respectively.

Major Transactions

- A confidential client signed the largest deal of the quarter at 15810 Walgreens Drive, securing 182,839 SF of Class A industrial space.
- Four of the top five notable leases took place in the North Central submarket of Palm Beach, with one in North County.
- All five of the most notable deals in the Palm Beach area were new or renewals, highlighting the demand for space in the area.
- Leasing activity slightly increased by 72.1% quarter over quarter to 968,314 SF, of which 46.8% was for class A spaces. Currently, projects under construction are 5.8% preleased.

Leasing Market Fundamentals

- In the second quarter of 2025, the market reported 66,287 SF of positive net absorption, bringing year-to-date demand to negative 14,107 SF.
- Overall rental rates decreased by 0.3% year over year to \$13.73/SF and are expected to remain elevated, although the pace of growth will flatten in the short term as demand catches up to supply.
- The construction pipeline increased to 2.2 MSF, up 54.0% quarter over quarter, despite the 110,022 SF completion coming out of the pipeline as Gardens Innovation Center and a built-to-suit distribution warehouse were delivered during the quarter.
- Although positive demand was observed this quarter, the addition of new supply has kept vacancy rates flat but elevated quarter over quarter at 7.9%. As demand slowly catches up to supply, vacancy is expected to remain elevated in the near term before steadily decreasing.

Outlook

- The Palm Beach industrial market will see a decline in new supply delivering to the market in the medium term, due to only 2.9% 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.
- Increase in industrial-using employment sectors will drive up the demand for industrial space and will put downward pressure on vacancy rates.
- 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.

1. Economy
2. Leasing Market Fundamentals

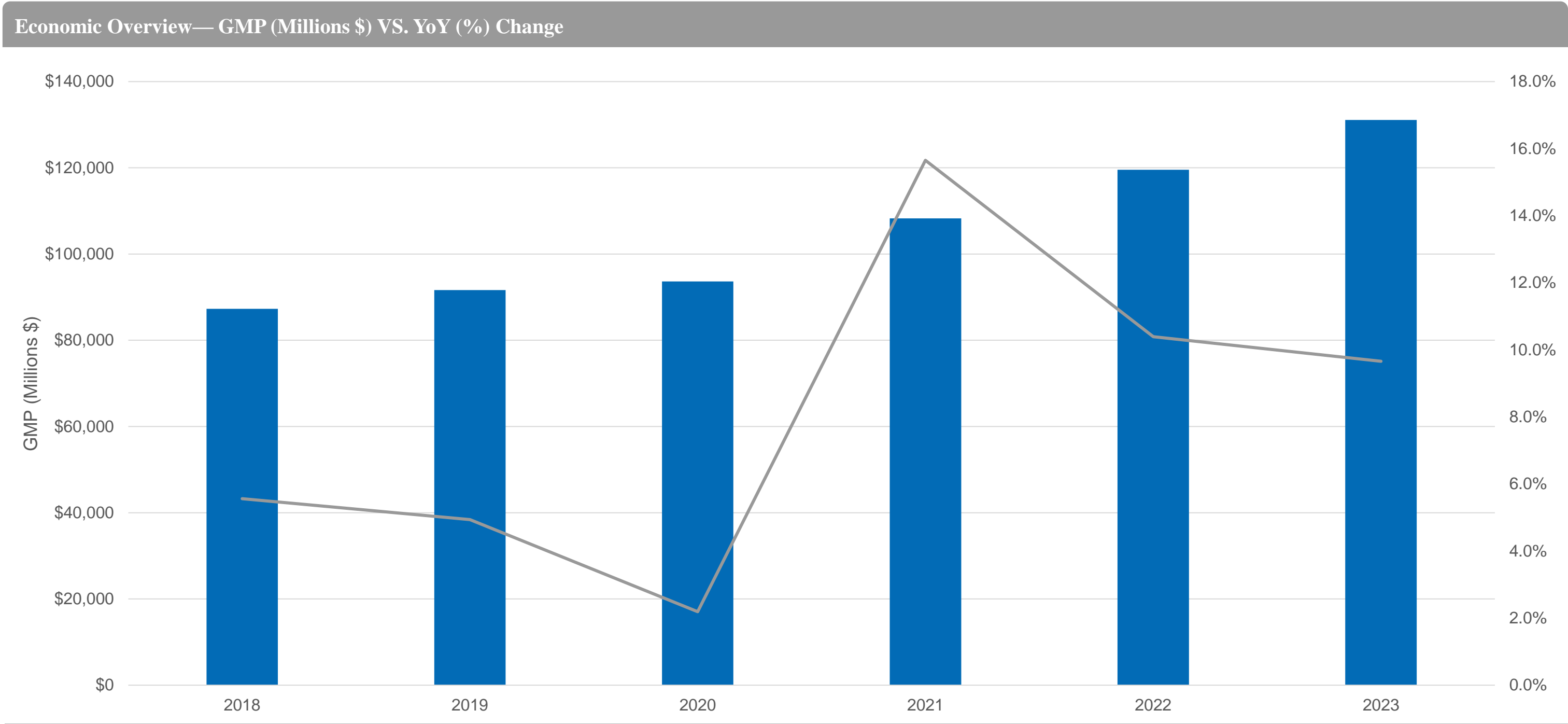
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Economy



Palm Beach Gross Metropolitan Product

The gross metropolitan product continues to increase despite economic headwinds, albeit at a slower rate. Most recently, the gross metropolitan product rose 9.7% year over year to reach a new all-time high of roughly \$131 billion.

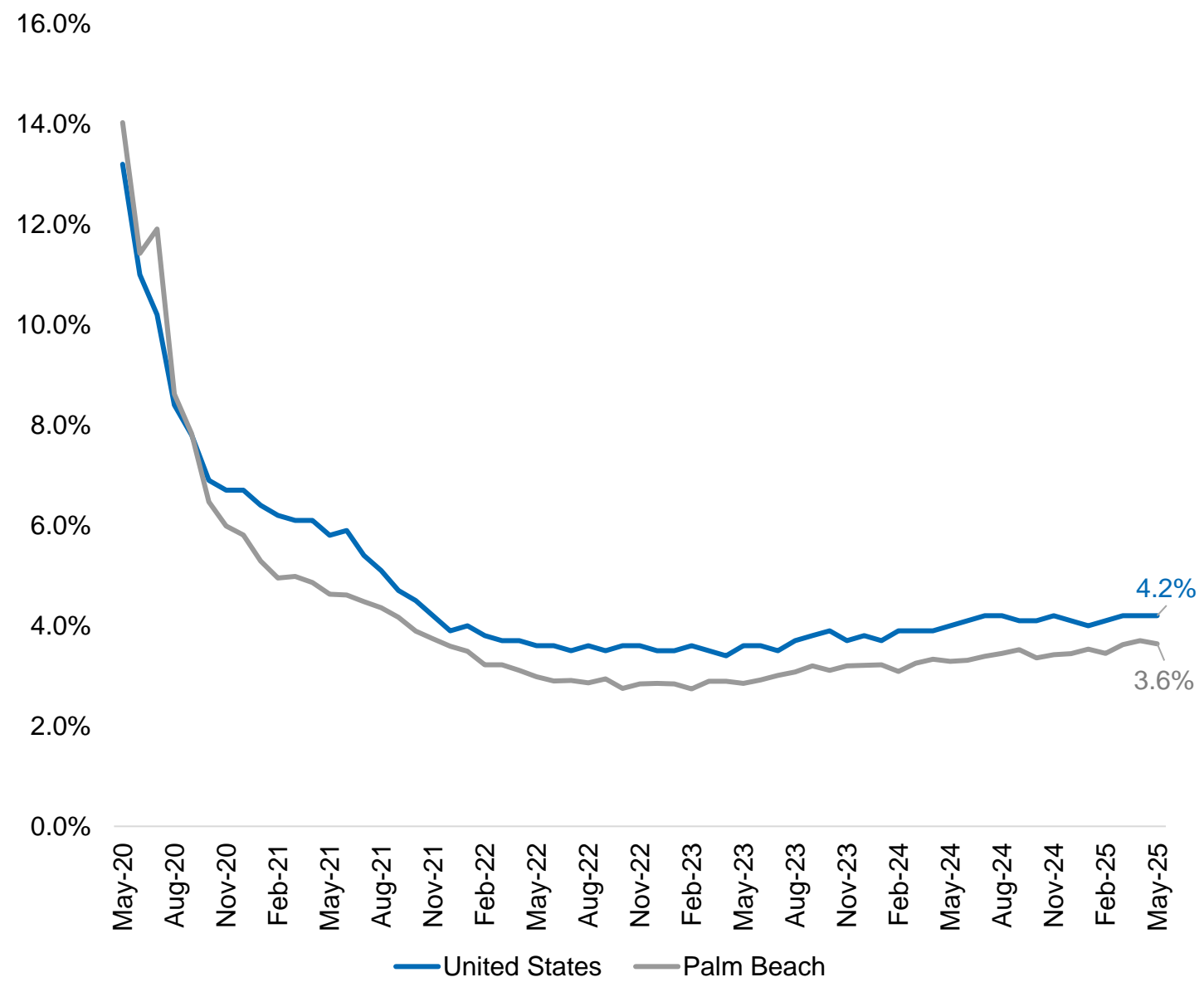


Source: Moody's

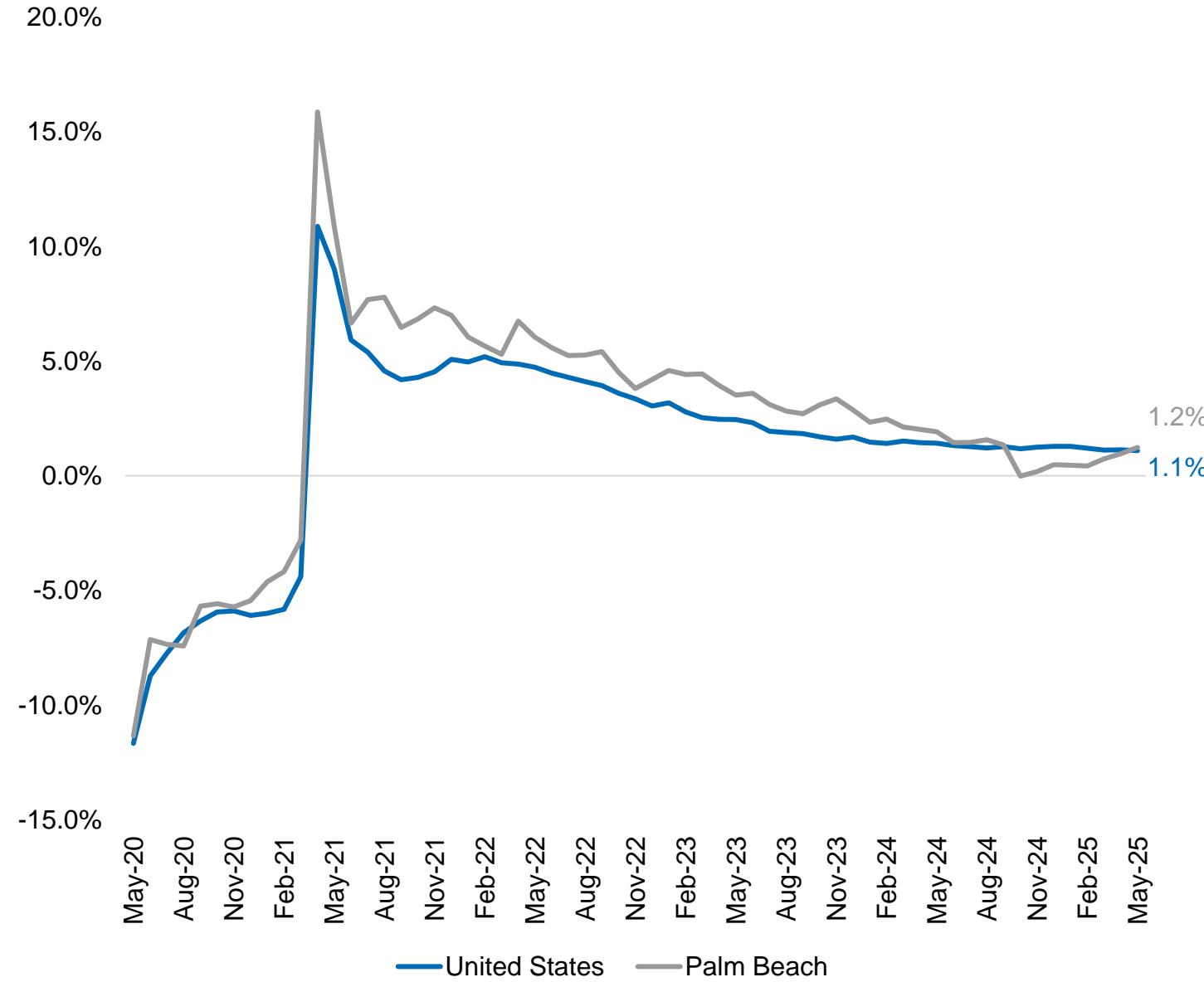
Unemployment Flattens: Employment Growth Rebounds, Aligning with National Average

Palm Beach County has historically maintained an unemployment rate below the national average, while generally outperforming in year-over-year employment growth. However, ongoing economic headwinds have begun to affect the local labor market. Over the past year, Palm Beach County’s unemployment rate has risen by 35 basis points, while employment growth has decelerated by 68 basis points. After falling below the national average in October 2024, regional employment growth gradually recovered and, by the end of May 2025, once again outpaced the national rate, driven by gains in the education and health, government, and manufacturing sectors.

Unemployment Rate, Seasonally Adjusted



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



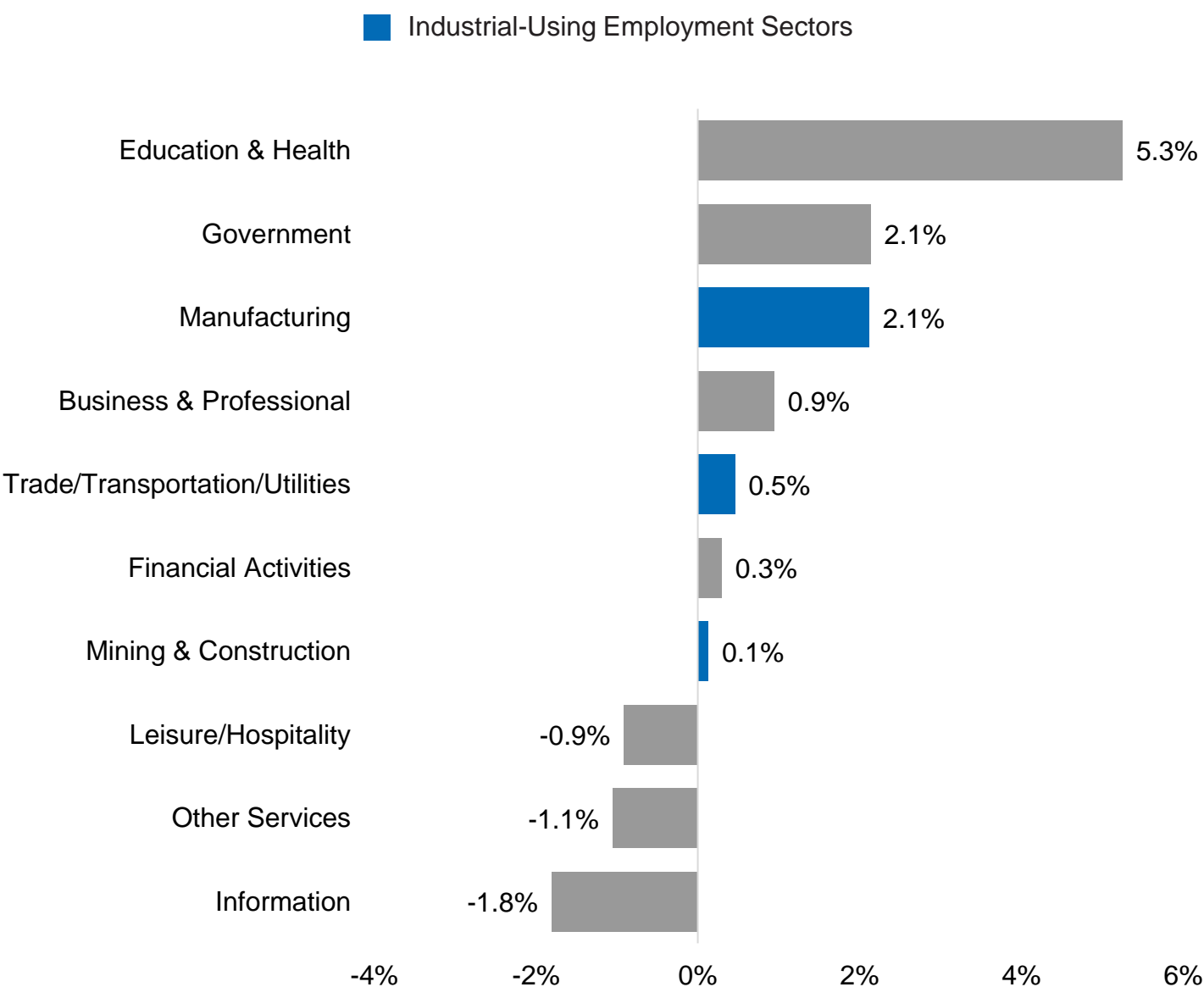
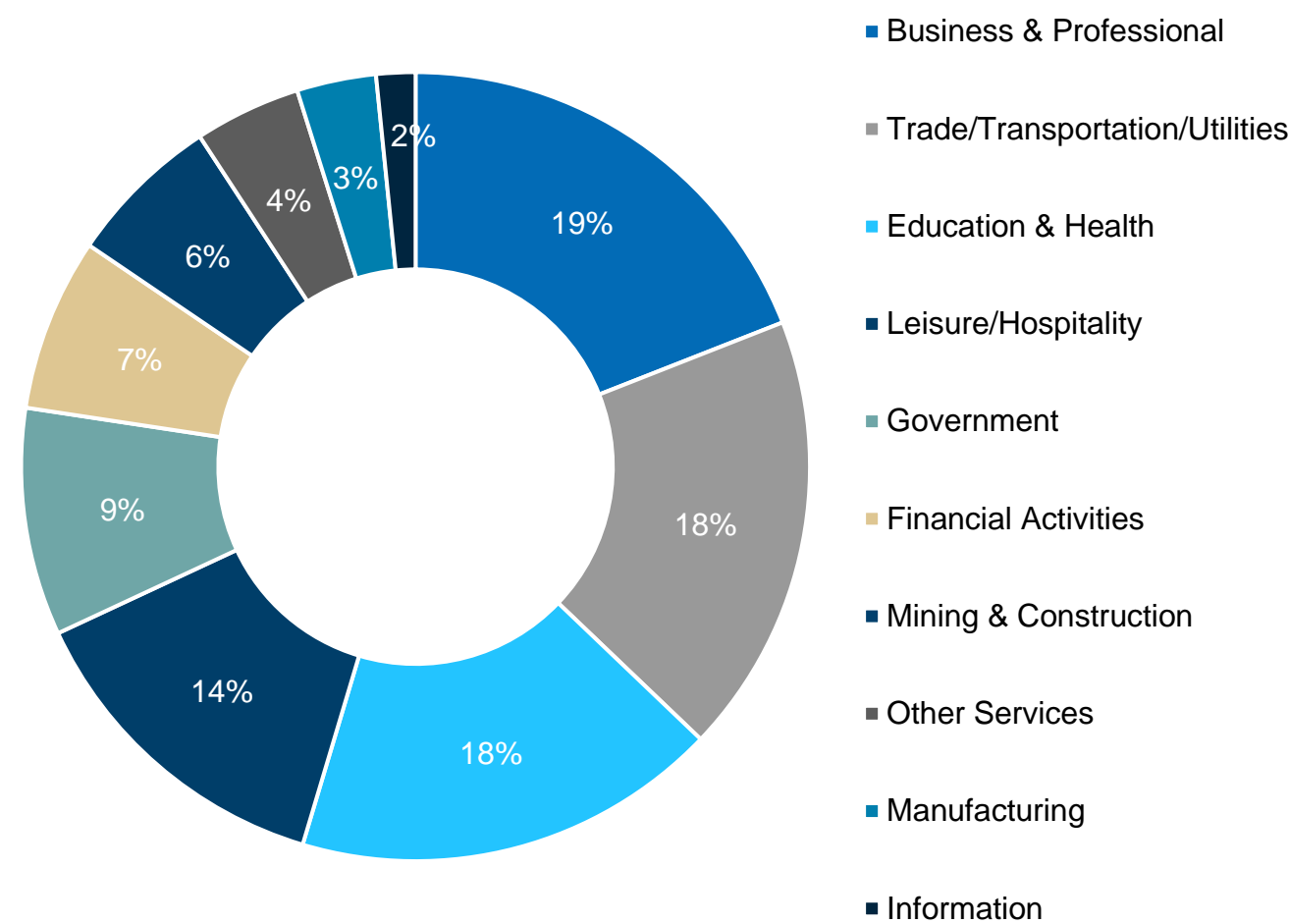
Source: U.S. Bureau of Labor Statistics, Palm Beach County

Industrial-Using Sectors Report Employment Gains

Palm Beach’s two largest employment industries account for 37.1% of the metro’s job base, with trade/transportation/utilities, accounting for the second largest share at 18.1%. Over the past year, all industrial-using industries posted employment gains, with the mining and construction, trade/transportation/utilities, and manufacturing sectors expanding by 0.1%, 0.5%, and 2.1%, respectively.

Employment by Industry, May 2025

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

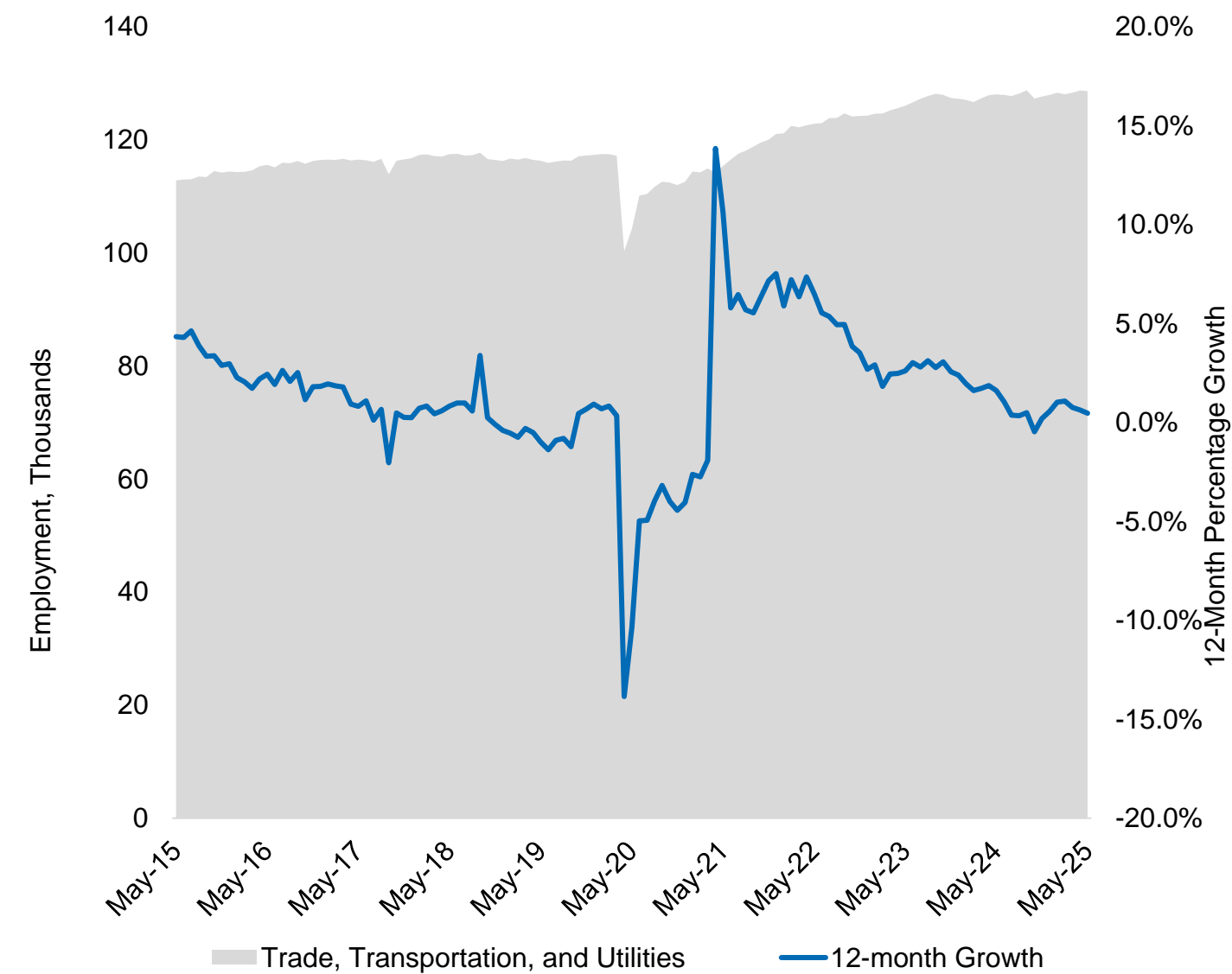


Source: U.S. Bureau of Labor Statistics, Palm Beach County

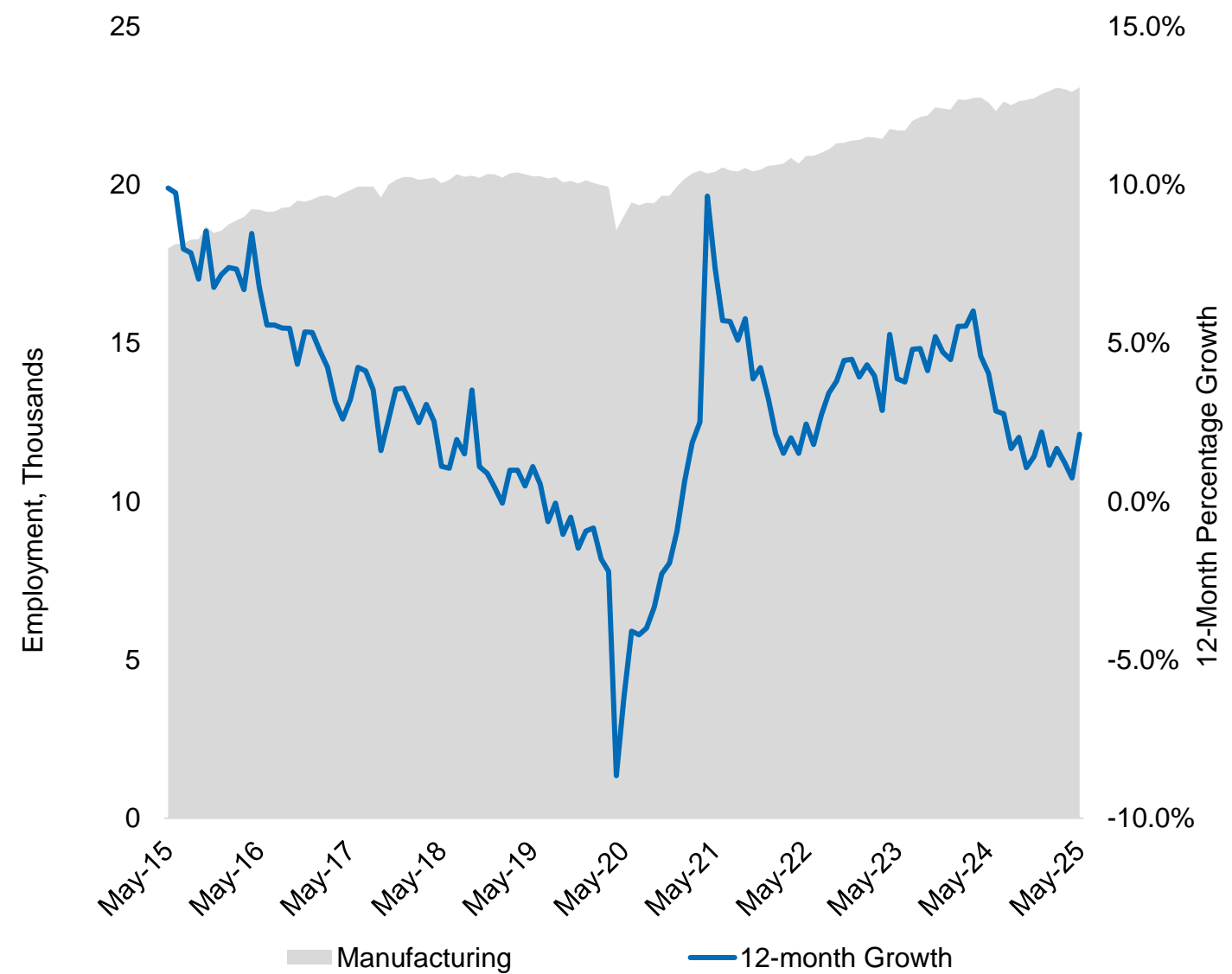
Manufacturing Employment Reaches All-Time High

Trade/transportation/utilities employment has increased by 0.5% year over year to 128,580 jobs and remains only 0.1% below the all-time high reported in September 2024. Meanwhile, the pace of growth has slowed by 114 basis points compared to last year. Manufacturing employment increased 2.1% year over year to a new all-time high of 23,080 jobs. Overall employment in both industrial sectors remains near all-time highs.

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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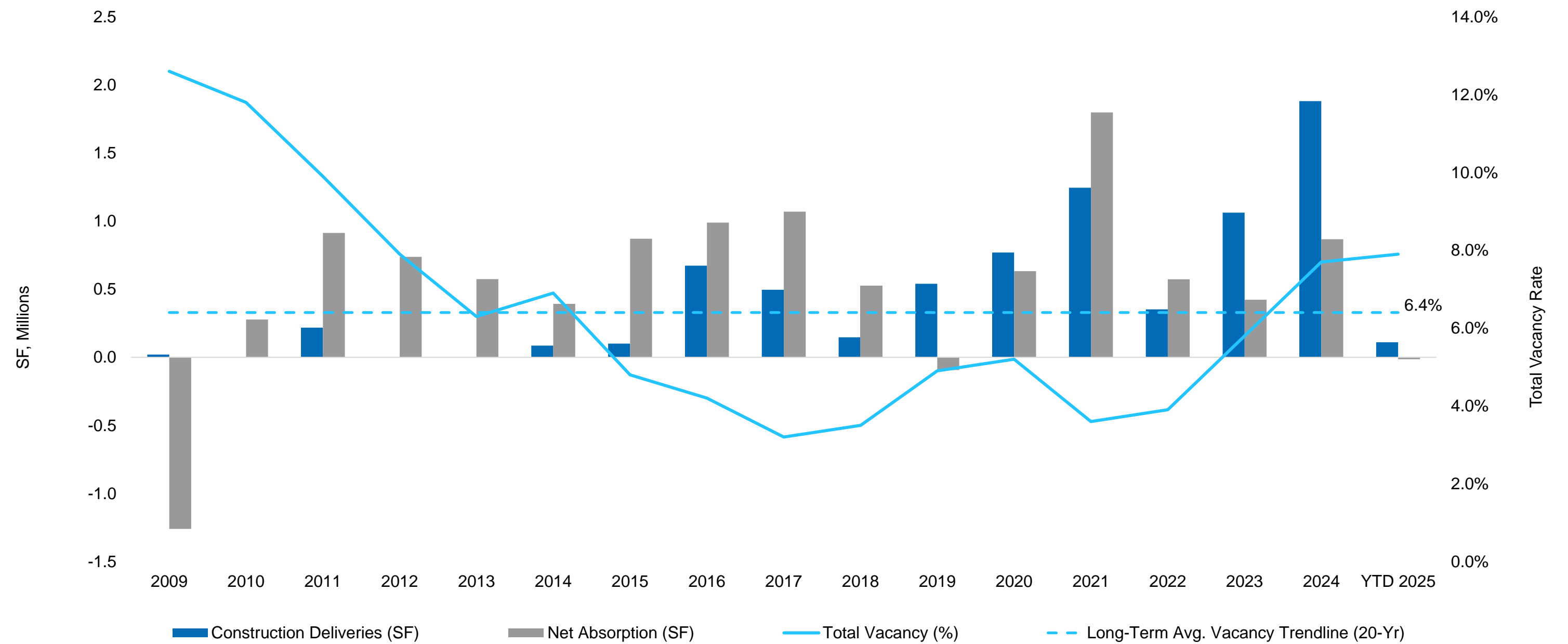
Leasing Market Fundamentals



Vacancy Remains Elevated, Despite Positive Demand

Palm Beach’s yearly supply has outpaced annual demand since 2023, with 2025 on track to continue that trend. Supply surpassed demand in the second quarter of 2025 as 110,022 SF of new inventory was added and the market reported 66,287 SF of positive absorption in the same time period. Despite supply outpacing demand, Palm Beach’s industrial vacancy rate remained flat quarter over quarter, staying above the 20-year average of 6.4%. In the near term, given the rise in leasing activity, demand is expected to overtake supply.

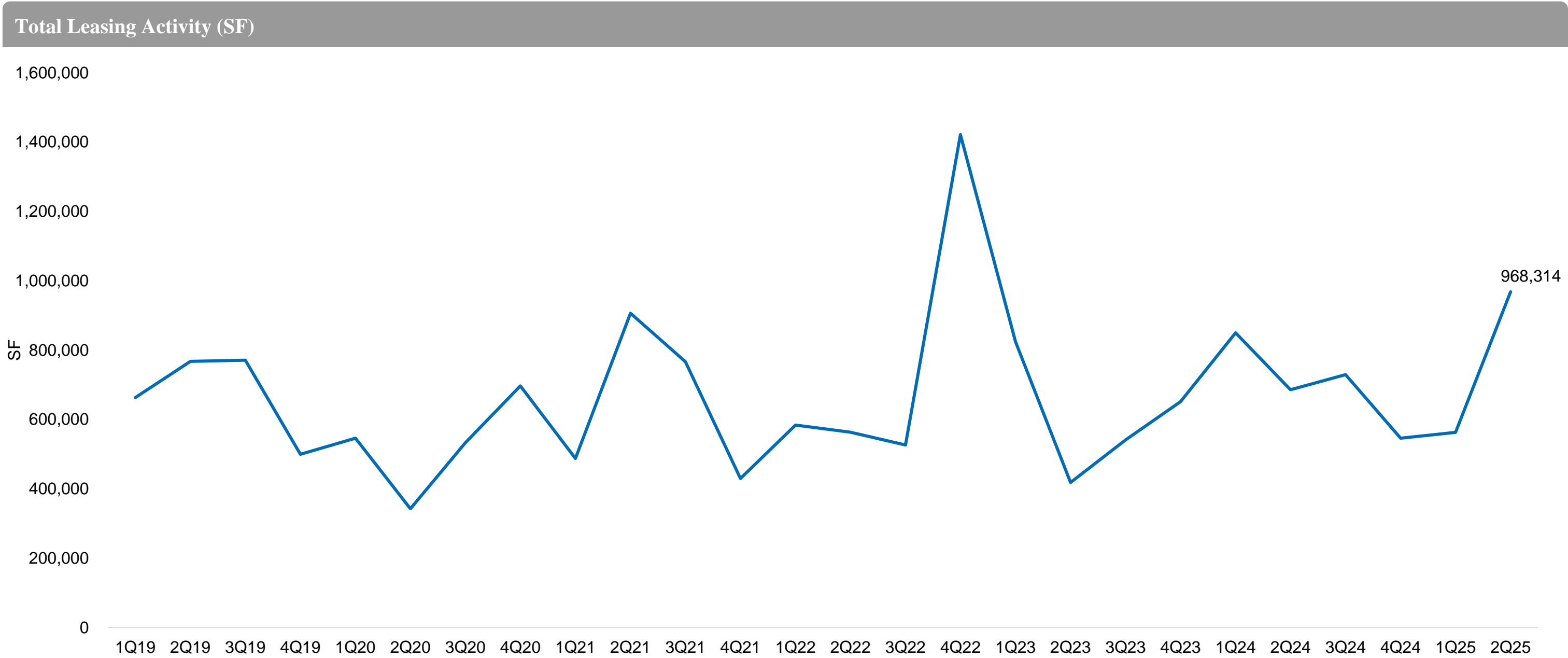
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity Increases, Slightly Ahead of 2024

Leasing at the end of the second quarter of 2025 ended at 968,314 SF, reflecting an increase of 72.1% quarter over quarter and 41.2% year over year. Total volume for the first half of 2025 represents 54.5% of total yearly activity in 2024, indicating potential for full-year 2025 leasing to outpace 2024. Following last year’s record supply expansion, tenants have gravitated toward newly delivered, higher-quality space, driving an increase in volume.



Source: Newmark Research, CoStar

Total Volume of Top Five Deals Surge

Industry leaders in the top five largest markets agreed to the largest deals globally within one year. The construction industry sector tended to appear the most frequently in top deals signed since 2015. The fourth quarter of 2015 and the first quarter of 2016 saw consecutive declines in the total size of the five largest deals, but the most recent quarter seen a reversal from that trend. In the second quarter of 2016, food and beverage companies accounted for a bulk of the top five largest deals signed by major firms.



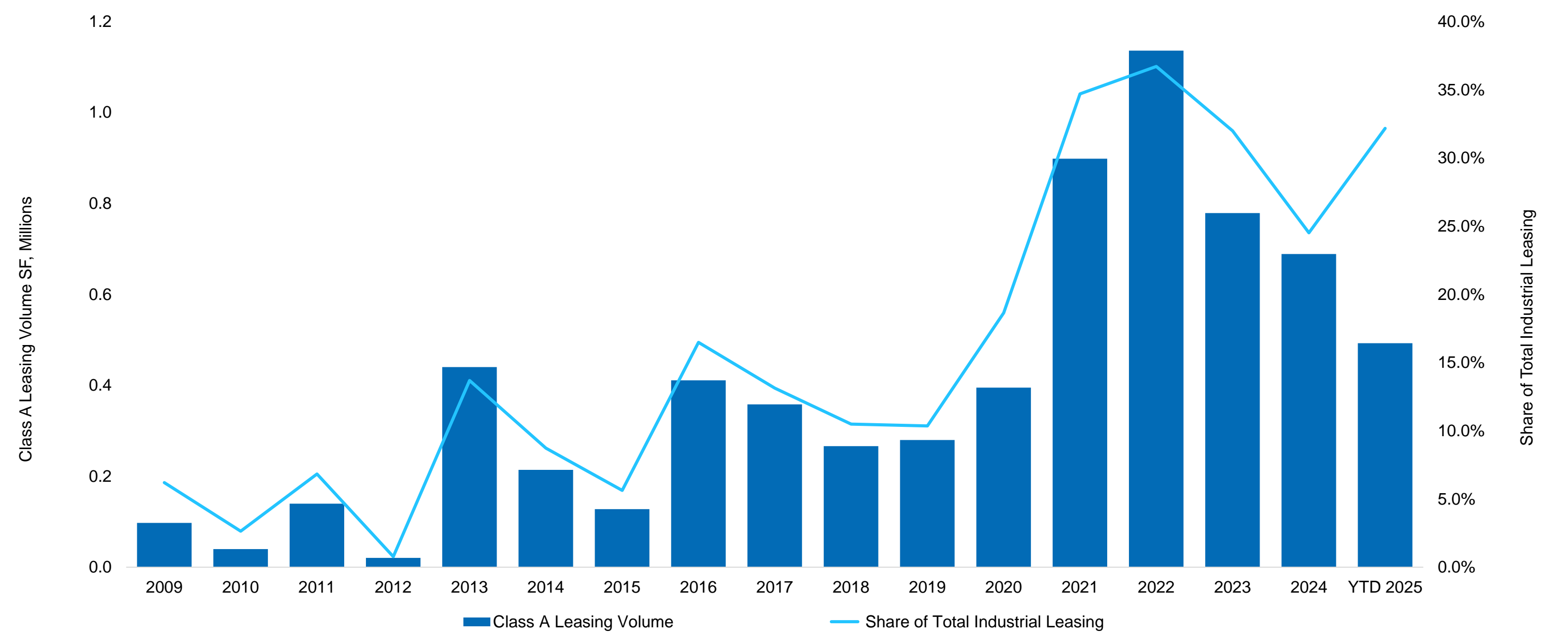
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Class A Warehouse Leasing Share Increases

Class A leasing volume for the second quarter of 2025 reached 453,423 square feet, representing a surge of more than elevenfold compared to the previous quarter. The increase is due to large deals signed such as the one at 15810 Walgreens Drive. Higher-quality leasing activity accounted for 32.2% of all leasing by square footage in the first half of 2025, well above the pre-pandemic average of 10.4% 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 continue to increase the second half of 2025.

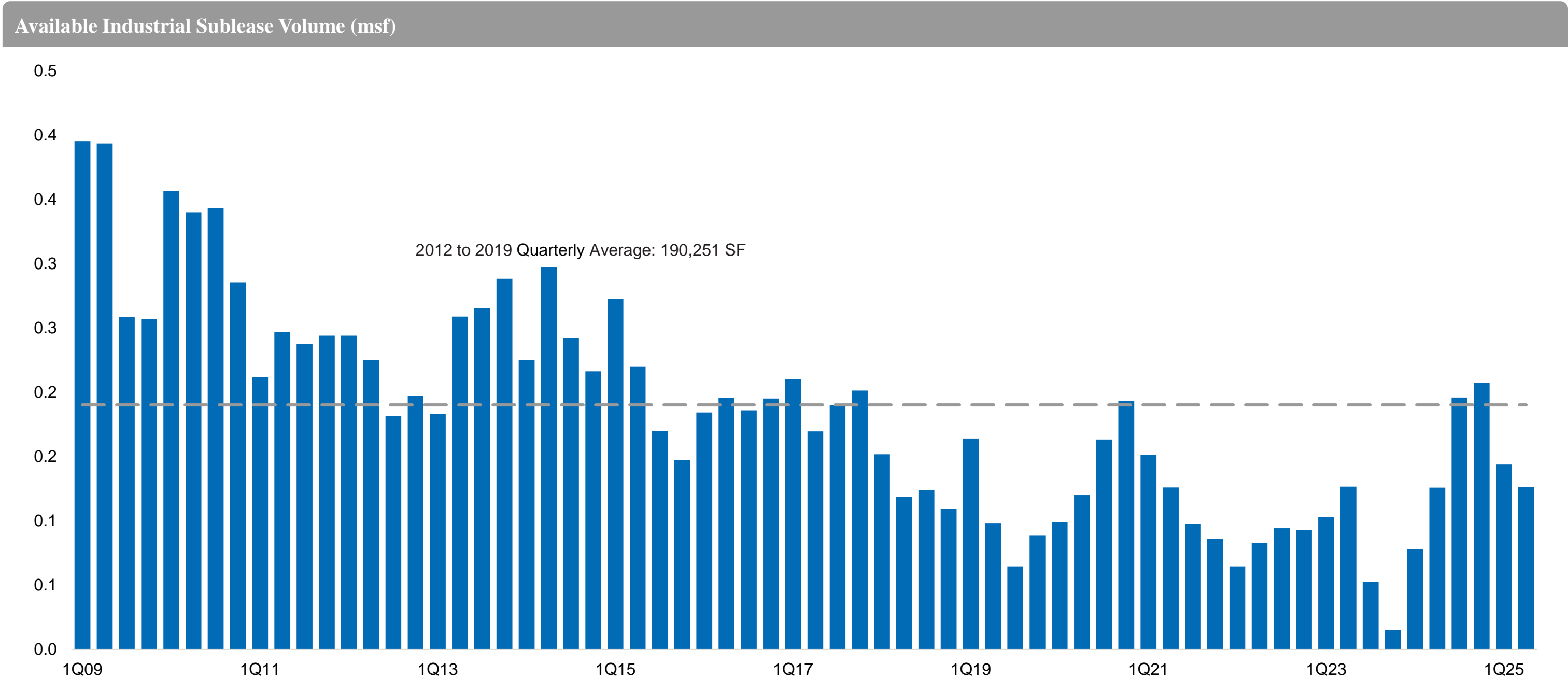
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

Industrial Sublease Availability Decreases

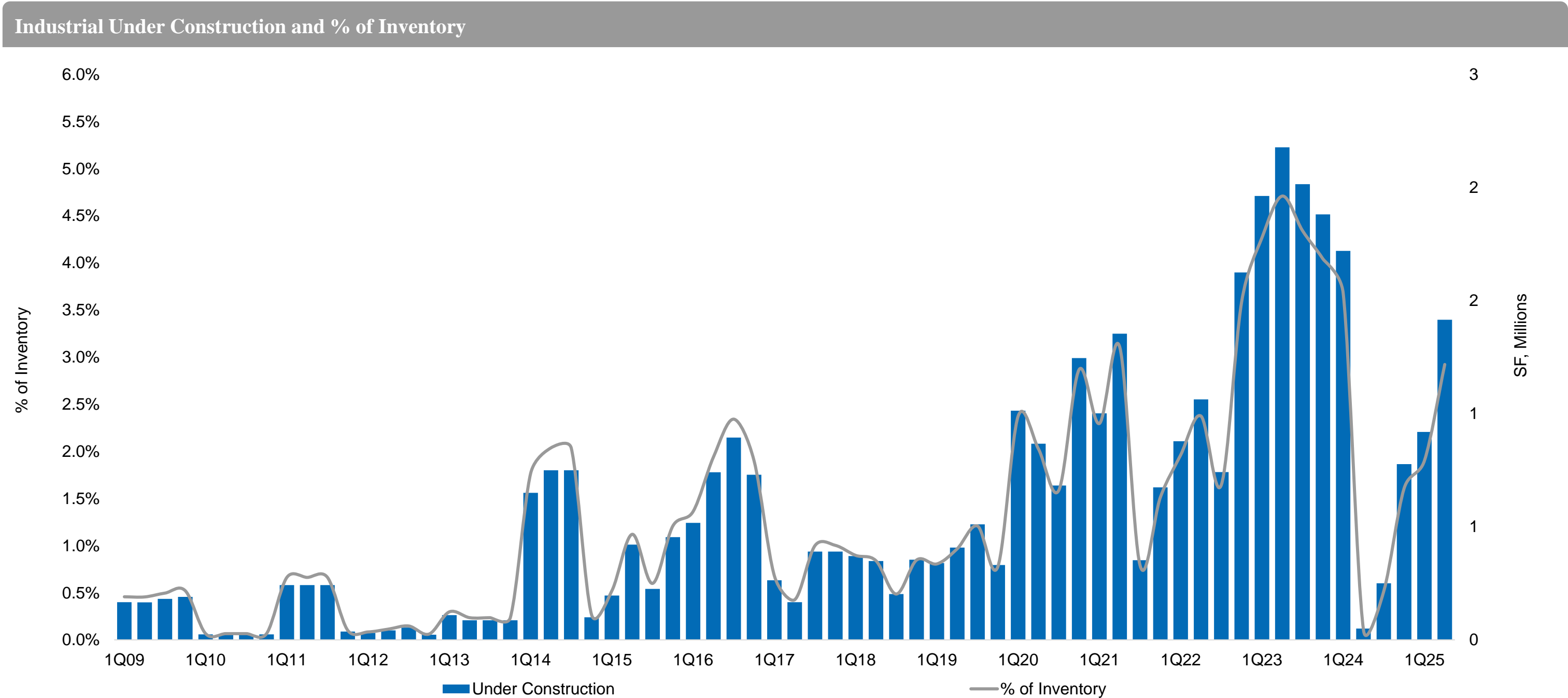
Since hitting a record low of 15,164 SF in the fourth quarter of 2023, sublease availability has increased to 126,465 SF as of the second quarter of 2025. Sublease availability ticked up by 0.4% year over year, though it fell by 12.1% from the previous quarter and remains under the 2012 to 2019 average. Strong leasing activity and demand for spaces in the area will likely continue to decrease sublease availability in the short to medium term.



Source: Newmark Research, CoStar

Industrial Supply Pipeline Continues to Grow

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 1.4 MSF under construction as of the end of the second quarter of 2025, representing a 54.0% increase since last quarter. Industrial developers are once again starting on new development projects amid increasing industrial demand within Palm Beach County.



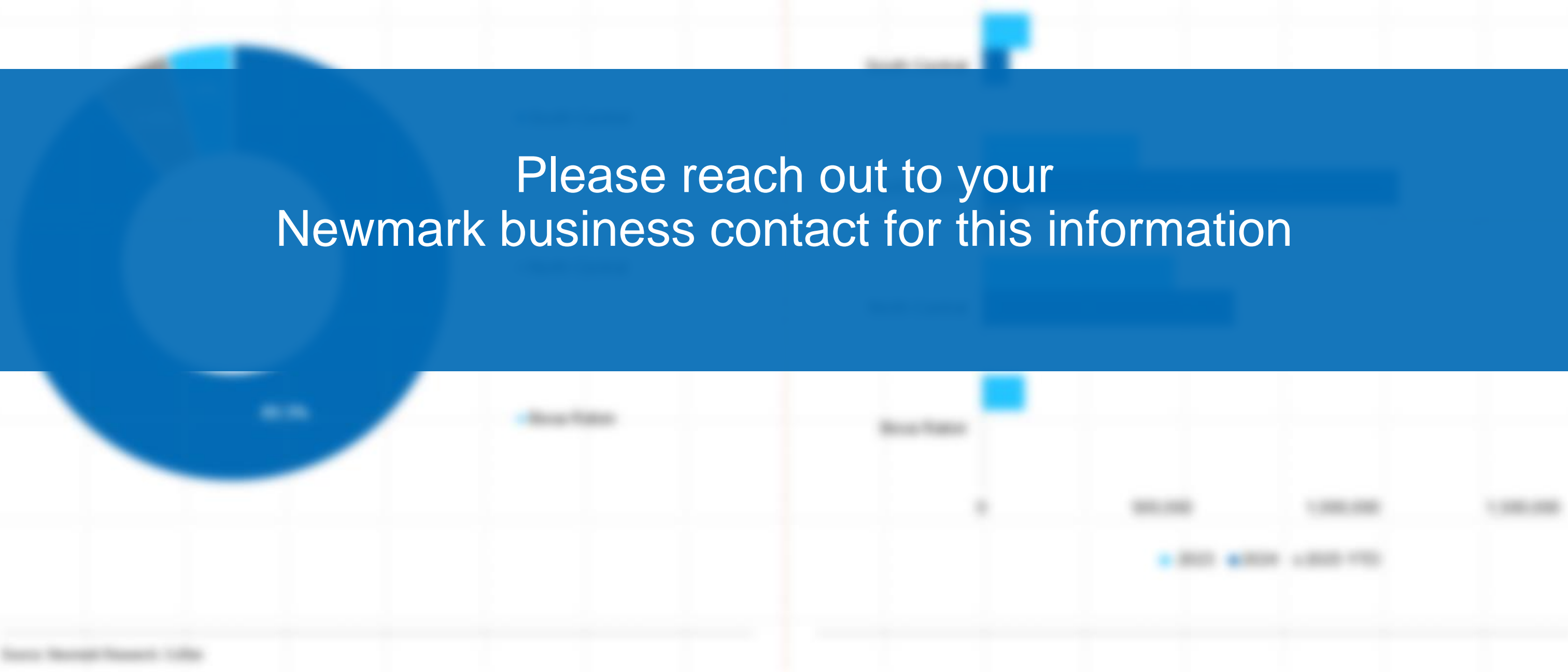
Source: Newmark Research, CoStar

North County Submarket Leads With Recent Construction Deliveries

The North County submarket continues to lead industrial construction growth with 1.2 MDD delivered in the last two years. The submarket currently has no projects under construction, with most ongoing developments now concentrated in the South County submarket, where 1.2 MDD is expected to be delivered over the next two years. Development has shifted as various industrial parks have completed and construction continues at the District, River Park, and River Logistics.

Completed Industrial Construction Deliveries by Submarket

Expected Industrial Deliveries, Next Two Years

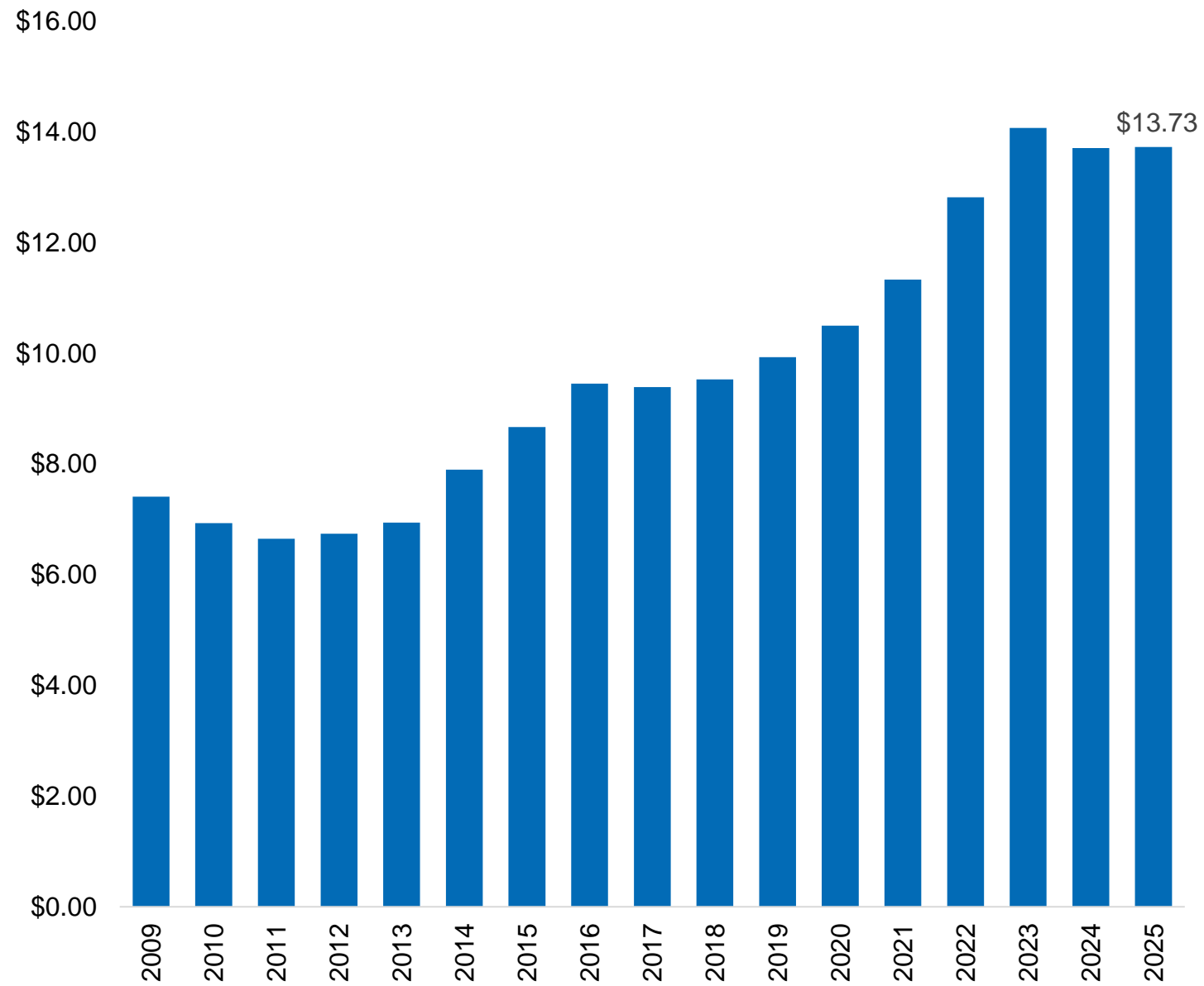


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Asking Rents Continue to Decrease from All-Time High Set in 2023

Asking rents declined by 2.4% from the all-time high of \$14.07/SF recorded in the fourth quarter of 2023 to \$13.73/SF as of the end of the second quarter of 2025. Rent growth rose 0.7% quarter over quarter but decreased 0.3% year over year. Near-term rent growth is expected to remain elevated, but the pace of increase will flatten over the near term due to an influx of new supply.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 2Q25 Lease Transactions

Leasing activity in the second quarter of 2025 increased by 72.1% quarter over quarter and 41.2% year over year to 968,314 SF. During the same time period, Class A leases made up 46.8% of all leasing activity. Projects under construction are currently 5.8% preleased as economic headwinds and uncertainty regarding tariffs are likely keeping preleasing activity muted.

| Select Lease Transactions | | | | |
|--|--|---------------|------------|-------------|
| Tenant | Building | Submarket | Type | Square Feet |
| Confidential | 15810 Walgreens Drive | North County | Direct New | 182,839 |
| A tenant signed a new deal at 15810 Walgreens Drive. The details of the transaction are under a non-disclosure statement. | | | | |
| American Tire Distributors | Southern Mills Business Park–Building 2 601 103 rd Ave N | North Central | Renewal | 124,800 |
| American Tire Distributors, which distributes a variety of vehicle tires across its 110 locations, has been based at 601 103 rd Ave. N since 2014 and has recently renewed their lease. | | | | |
| Confidential | Southern Way Business Center–Building 2 201 Sansbury Road | North Central | Direct New | 68,099 |
| A new lease by a confidential tenant was signed at 201 Sansbury Road for 68,099 SF. | | | | |
| Eckart | Lake Park Logistics Center 1100 Old Dixie Highway | North Central | Direct New | 55,831 |
| Eckart is a construction supply company that ships across the Midwest and Southeast regions. The company has recently secured 55,831 SF at 1100 Old Dixie Highway, as one of three new locations they will be opening soon across the country. | | | | |
| Tropical Shipping USA | 1525 Dr. Martin Luther King Jr Blvd | North Central | Direct New | 34,500 |
| Tropical Shipping has signed a new 34,500-SF lease at 1525 Dr. Martin Luther King Jr Blvd for one of its distribution centers. This facility is in close proximity to their headquarters at 501 Avenue P. | | | | |

Palm Beach Industrial Market



- Palm Beach benefits from strong international trade links through its airport and port.
- There is strong demand for new, high-quality spaces.



- High vacancy rates, particularly in older industrial buildings. Vacancy is trending above the 20-year historical average and expected to remain elevated over the next few quarters as new supply is worked through.
- Economic fluctuations can impact industrial demand and leasing activity.

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- Expansion of e-commerce offers significant opportunities for industrial space demand.
- Offer of sustainable and energy-efficient Class A spaces presents new business opportunities.
- Landlords are offering generous lease incentives to attract tenants.
- Downward trend in asking rents provides opportunity for new tenants.

- Potential economic downturns could reduce industrial space demand.
- Competitive markets like Miami may attract businesses away from Palm Beach.
- Rising construction costs and tighter financial conditions create headwinds for landlords.
- Fuel concerns and global trade uncertainties could impact industrial demand.

2Q25 South Florida Industrial Market Overview



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| | | | |
|-------------------------------------|--------|-----------|---------|
| Industrial Submarket | 0 | 1,000,000 | 100,000 |
| Office Submarket | 0 | 1,000,000 | 100,000 |
| Healthcare Submarket (2024-2025) | \$100M | \$100M | \$100M |
| Manufacturing Submarket (2024-2025) | \$100M | \$100M | \$100M |
| Warehouse Submarket (2024-2025) | \$100M | \$100M | \$100M |
| Other Submarket (2024-2025) | | | |

Palm Beach Industrial Submarket Overview



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Source: Newmark Research

Palm Beach Industrial Submarket Map

Please reach out to your
Newmark business contact for this information

For more information:

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

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

Neil Matthee
Research Manager
Southeast Research
Neil.Matthee@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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