
4Q24

Palm Beach Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate increased by 19 basis points year over year to 3.4% but remained well below the five-year average of 4.4%.
- Job growth pace has slowed compared with recent highs to 1.5% year over year and has fallen below pre-pandemic levels, with November 2019 growth at 1.6%.
- All sectors, except office-using industries and manufacturing, reported employment growth, with mining and construction leading job gains at 4.0% over the past 12 months.
- Among industrial sectors, only manufacturing experienced a decline, shrinking by 0.8%, while both trade, transportation, and utilities saw growth of 0.8%, and mining and construction grew by 4.0%.

Major Transactions

- Xcel Padel signed the largest deal of the fourth quarter, taking 63,763 SF in Southern Way Business Center Building 2.
- Four of the top five leases in the third quarter took place in the North Central submarket of Palm Beach, with one in South Central.
- The top five deals were done by tenants in different industries. For the first time in five quarters, one of the top five deals was done by a 3PL company. This suggests that warehousing space is currently in greater demand than distribution space.

Leasing Market Fundamentals

- The market realized 125,840 SF of positive absorption in the fourth quarter of 2024, finishing the year with four consecutive positive quarters totaling 914,992 SF.
- Overall rental rates remained flat quarter over quarter at \$13.56/SF.
- There were no new construction deliveries in the third quarter of 2024, while 693,633 SF of new construction broke ground.
- Positive demand coupled with no new supply pushed vacancy down by 20 basis points quarter over quarter to 8.0%. However, vacancy increased by 180 basis points year over year, indicating that the rising vacancy is primarily attributed to the 2.1 MSF of new deliveries that took place in the previous four quarters.

Outlook

- The Palm Beach industrial market will see a decline in new supply delivering to the market in the medium term, due to only 1.8% 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 with fewer new projects set to break ground in the near term. Continued positive demand will aid in absorbing the new space.
- 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 no current preleasing activity.

1. Economy
2. Leasing Market Fundamentals

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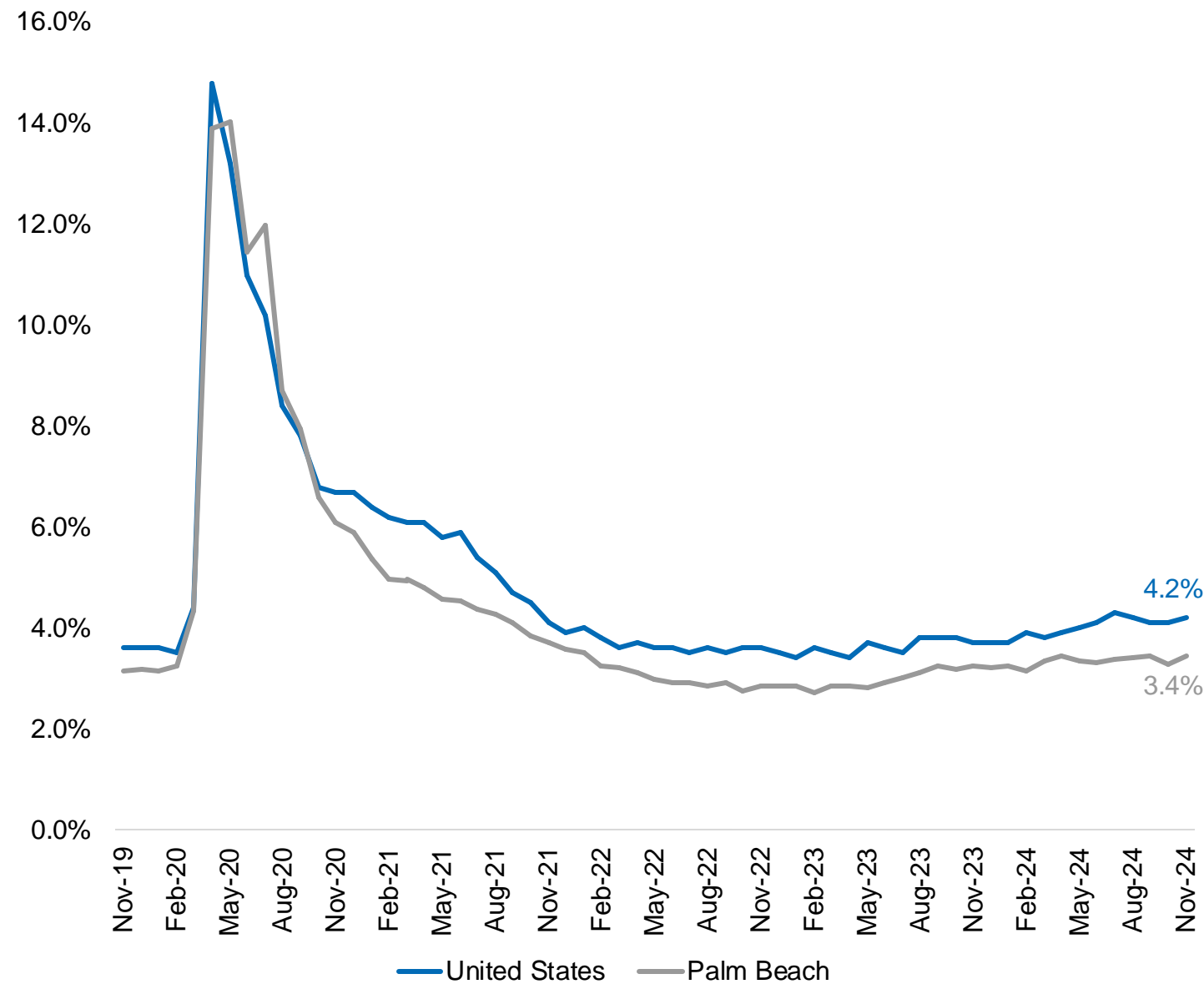
Economy



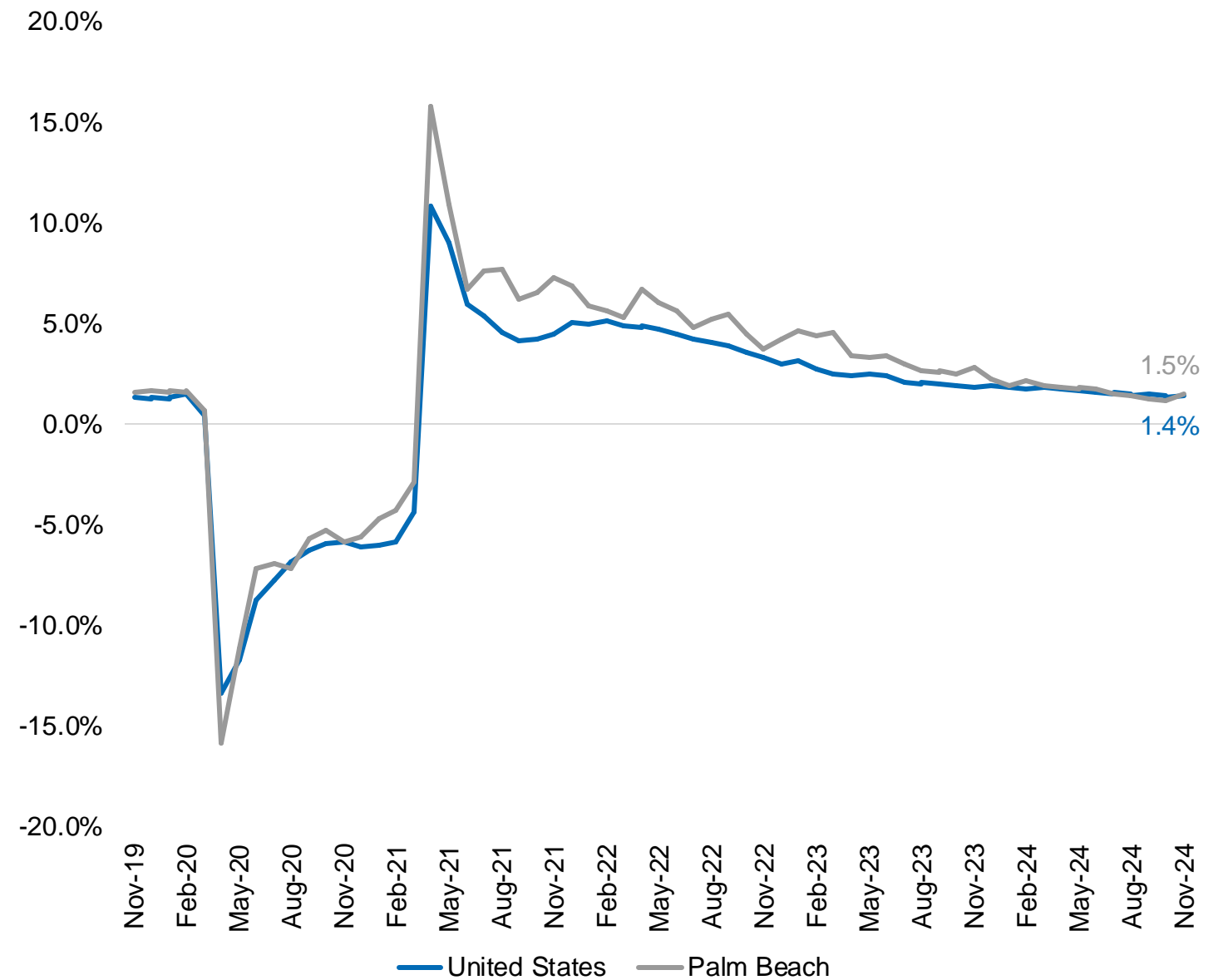
Unemployment Flattens; Employment Growth Remains Muted

Palm Beach has generally reported lower unemployment rates compared with the national average but has recently fallen closer to the national average in employment growth. The region's unemployment rate increased by 19 basis points year over year to 3.4%, marking the ninth consecutive month above 3.2%. Employment growth has recently accelerated back above the national average but fell by 136 basis points year over year to 1.5% as a likely result of continued national economic headwinds.

Unemployment Rate, Seasonally Adjusted



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

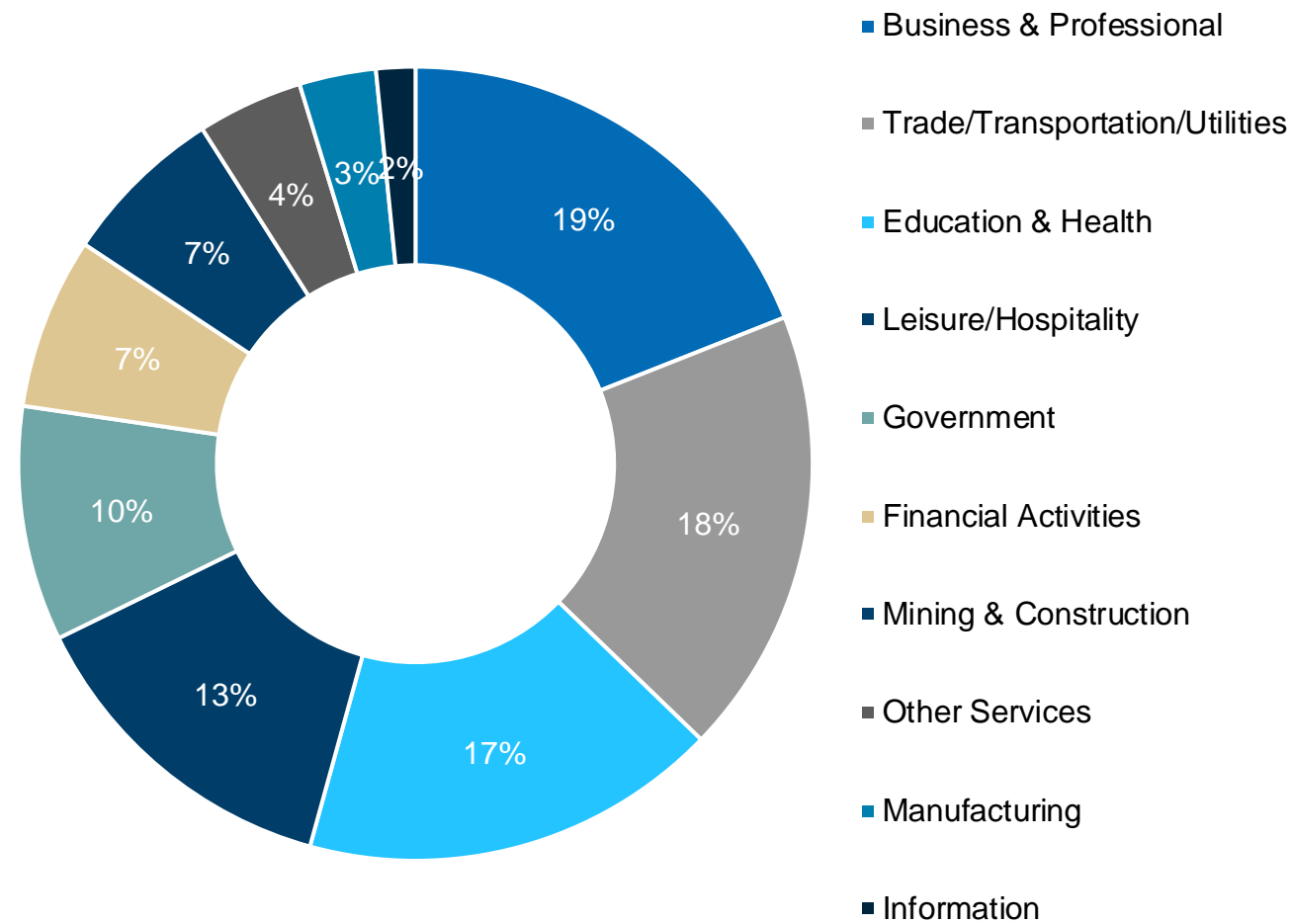


Source: U.S. Bureau of Labor Statistics, Palm Beach County

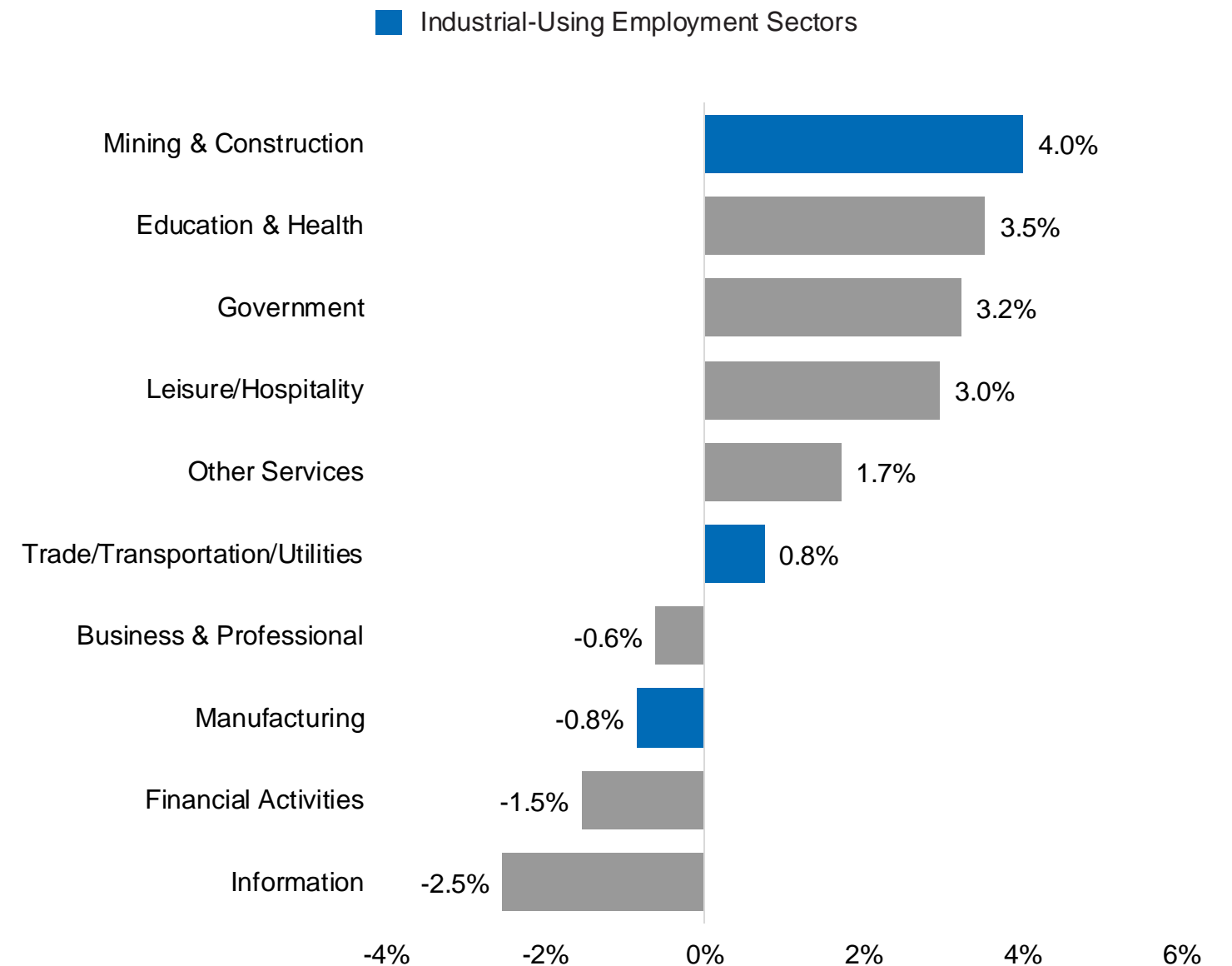
Mining & Construction Leads All Employment Sector Growth

Palm Beach's top two employment industries account for 37.2% of market share. Industrial-using employment's trade/transportation/utilities sector is the second-largest sector in the market, at 18.2%. Despite a 0.8% decline in manufacturing jobs growth, trade/transportation/utilities employment increased by 0.8% and mining and construction jobs increased by 4.0% over the past 12 months.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

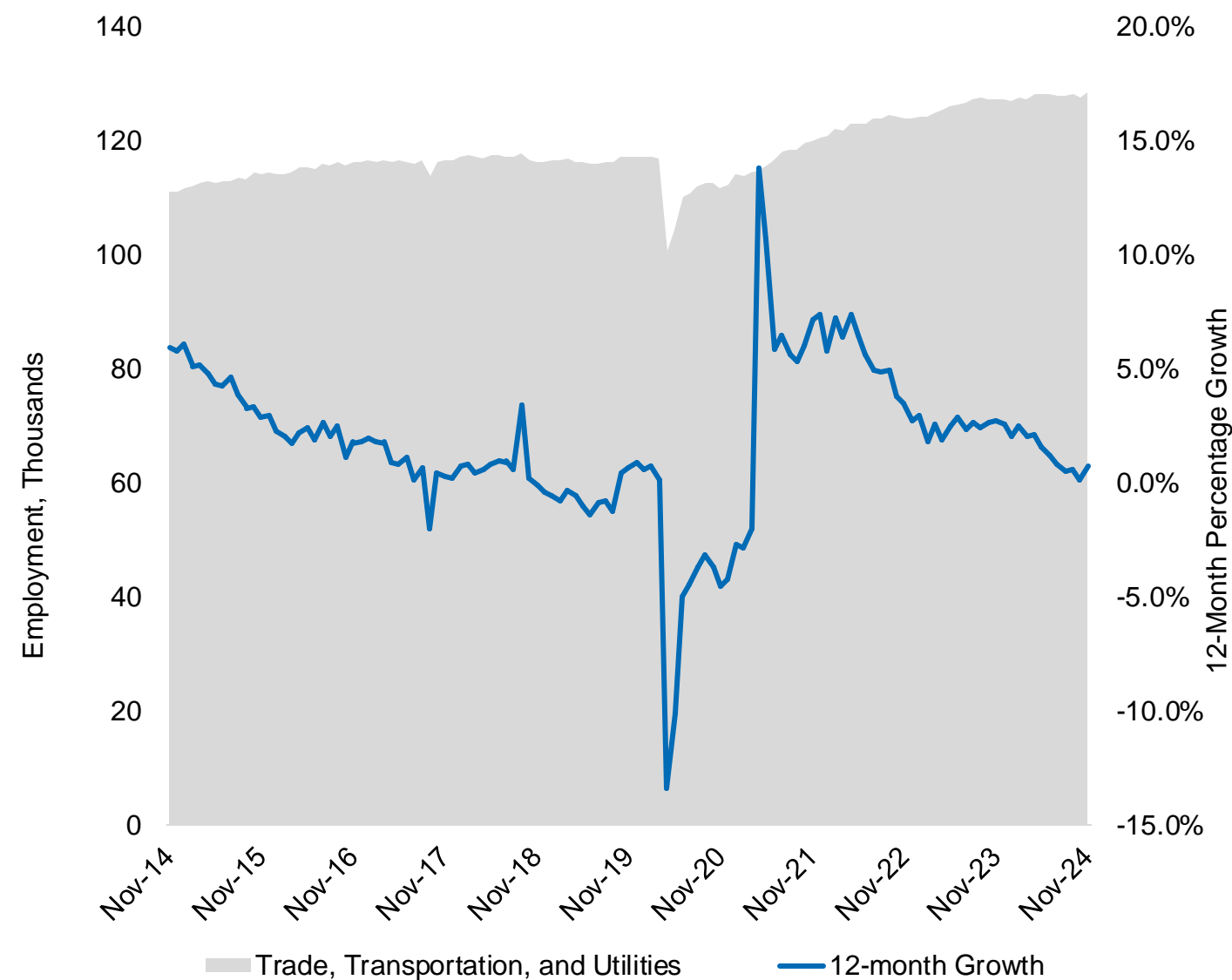


Source: U.S. Bureau of Labor Statistics, Palm Beach County

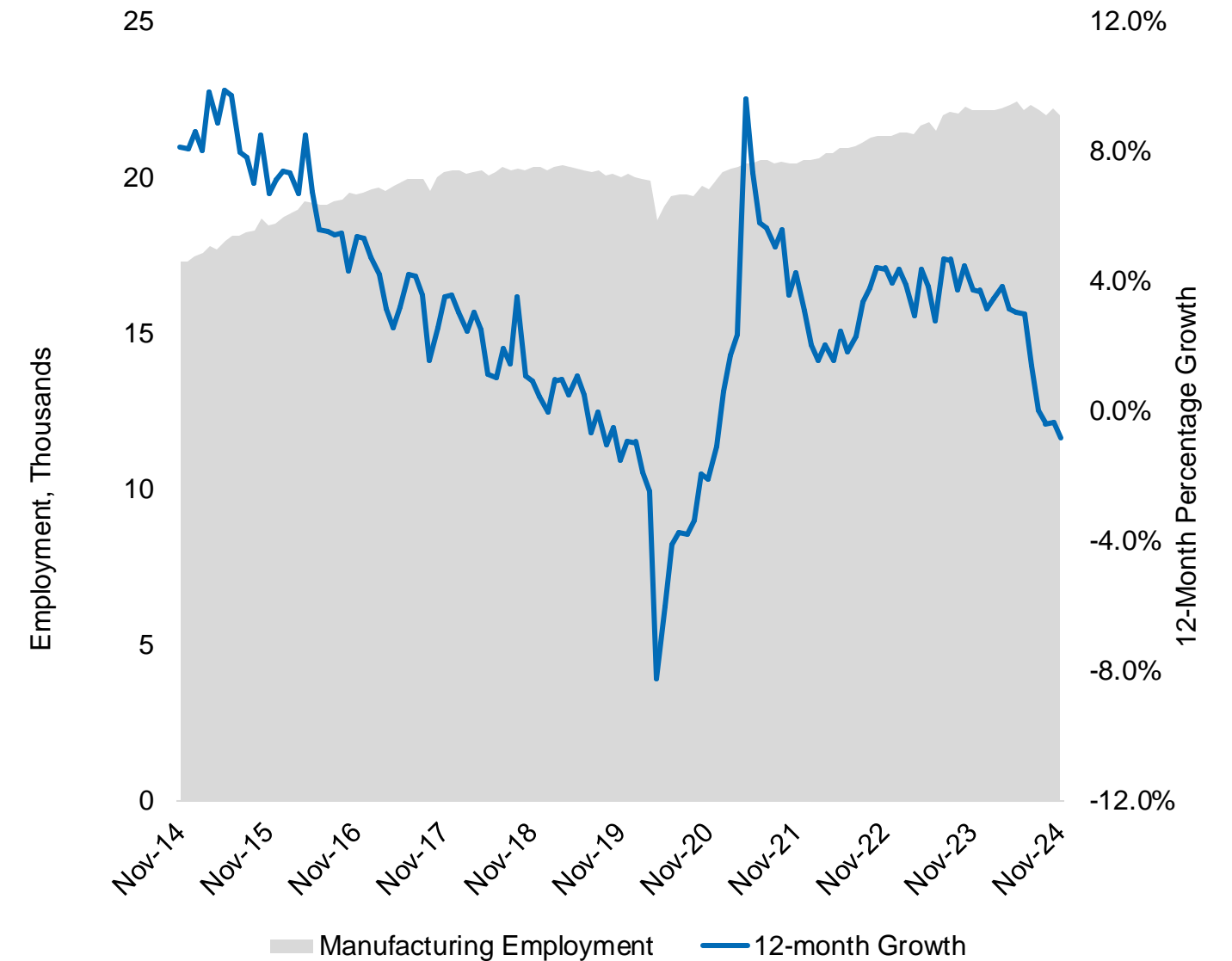
Industrial Employment Growth Remains Stagnant

Trade/transportation/utilities employment has trended slightly up to an all-time high of 128,355 employees as of the end of November 2024. Manufacturing employment trended down to 21,981 jobs, falling from the historical high of 22,439 recorded in May 2024. As of November 2024, trade/transportation/utilities employment growth improved by 0.8% year over year, while manufacturing employment growth fell by 0.8% year over year.

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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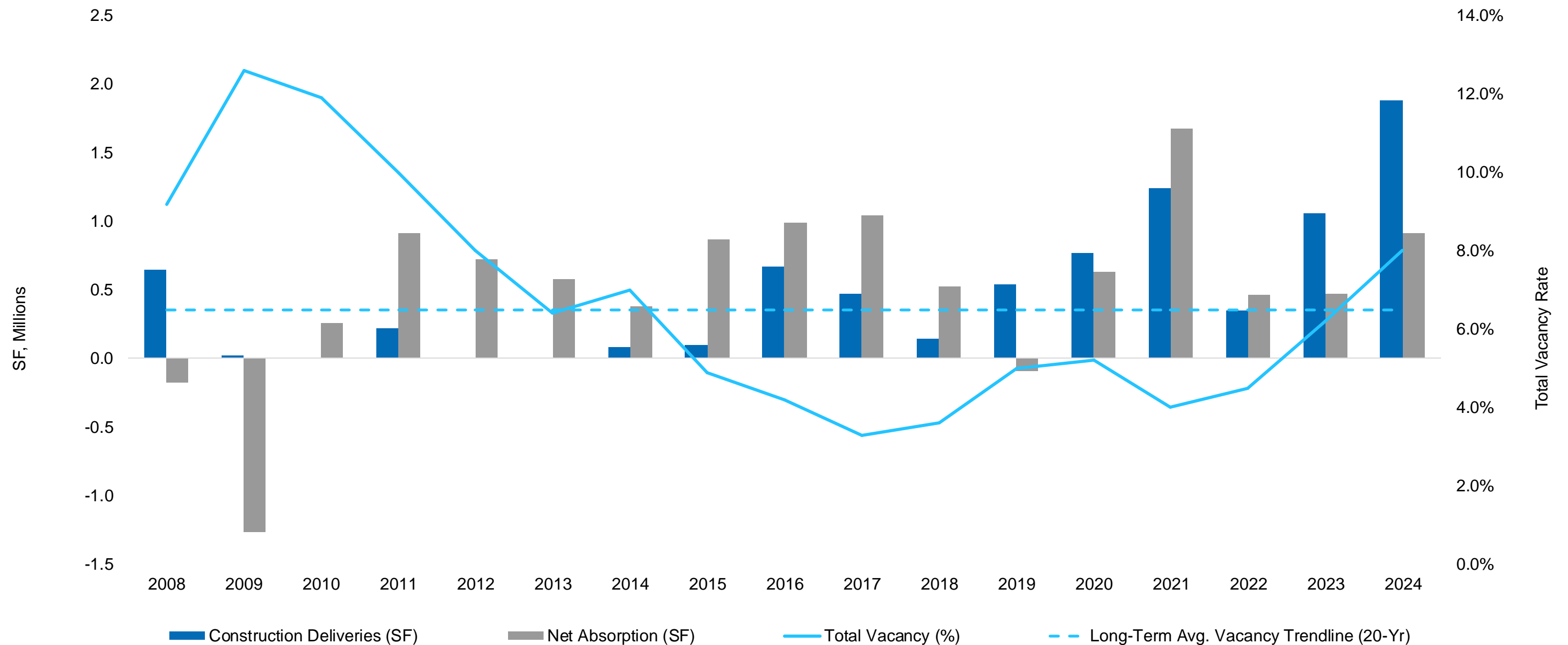
Leasing Market Fundamentals



Demand Remains Strong Alongside Record-Breaking New Supply in 2024

Palm Beach's industrial vacancy rate increased by 180 basis points year over year to 8.0% in the fourth quarter of 2024, staying above the 20-year average of 6.5%. There were no new deliveries in the fourth quarter of 2024, but annual deliveries totaled 1.9 MSF, nearly double the market's net absorption of 914,992 SF in the same period. 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

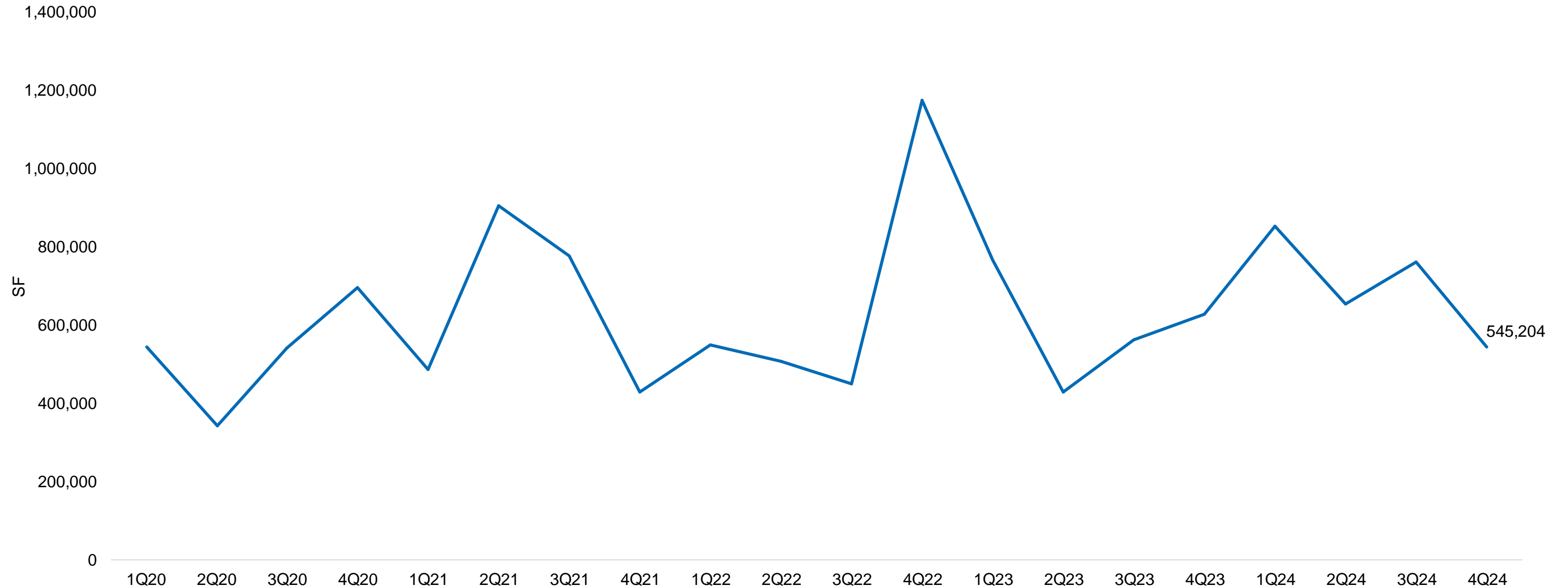


Source: Newmark Research, CoStar

Industrial Leasing Activity Falls Slightly Below Pre-Pandemic Levels

Year-over-year leasing activity declined by 13.3% in the fourth quarter of 2024, ending the quarter at 545,204 SF. Despite national economic headwinds, overall demand in the market remains positive, with the number of completed deals exceeding triple digits for eight consecutive quarters.

Total Leasing Activity (SF)

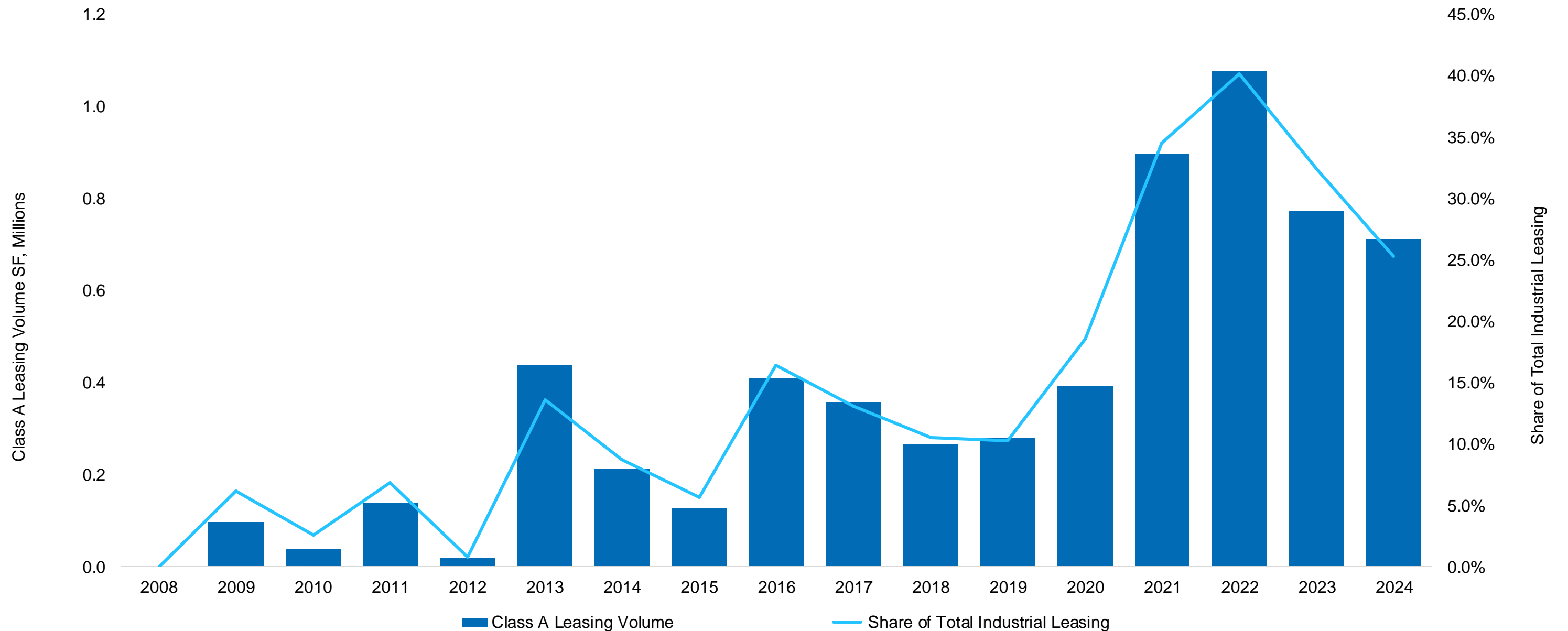


Source: Newmark Research, CoStar

Class A Warehouse Leasing Share Declines for Second Consecutive Year

Although Class A Leasing volume increased by 132.6% quarter over quarter to 126,735 SF, it fell by 52.4% year over year. Class A leasing activity accounted for 25.3% of all leasing in 2024, surpassing the pre-pandemic yearly average of 10.3% in 2019, but falling short of the 40.2% high reported in 2022. With an increasing share of Class A warehouse availability due to recent 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

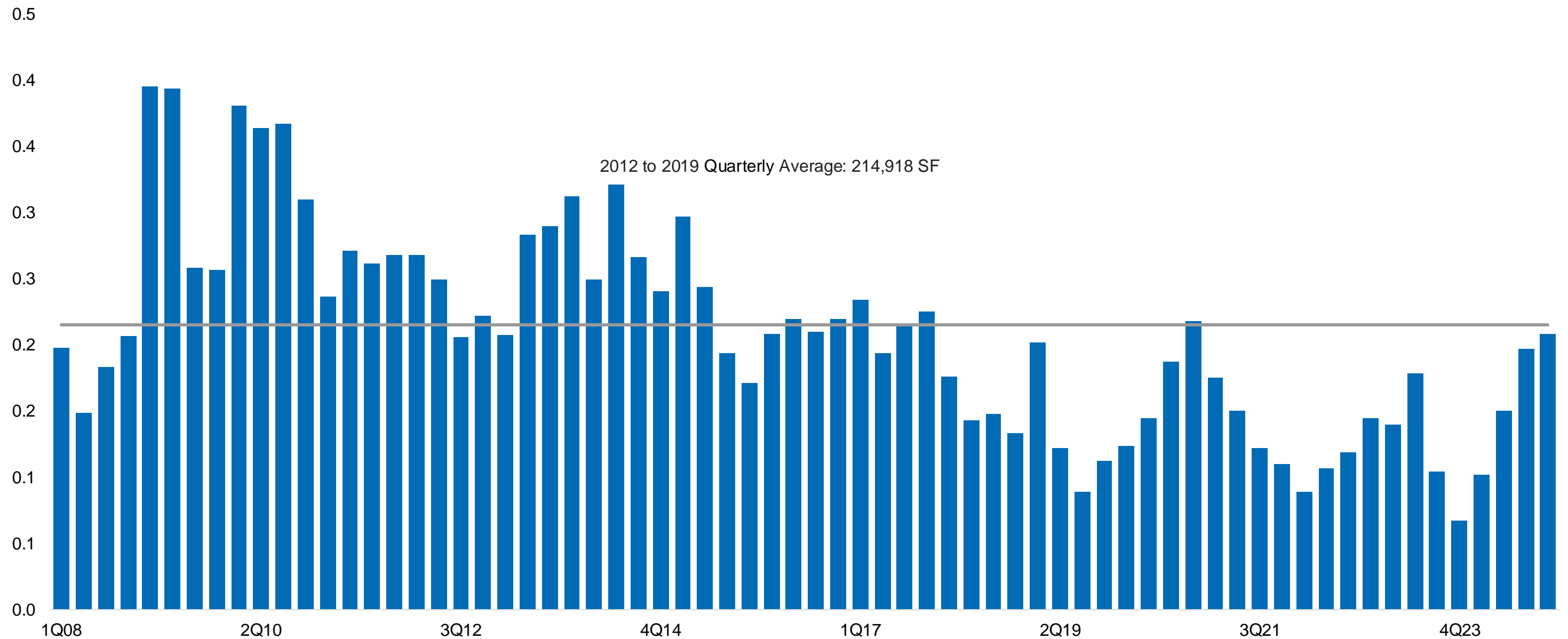


Source: Newmark Research, CoStar

Industrial Sublease Availability Continues to Increase From Record Low

Since hitting a record low of 67,334 SF in the fourth quarter of 2023, sublease availability has increased to 208,665 SF as of the fourth quarter of 2024. Sublease availability increased by 209.9% year over year but remains just below the 2012 to 2019 average of 214,918 SF. Elevated interest rates and an inflationary environment are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.

Available Industrial Sublease Volume (msf)

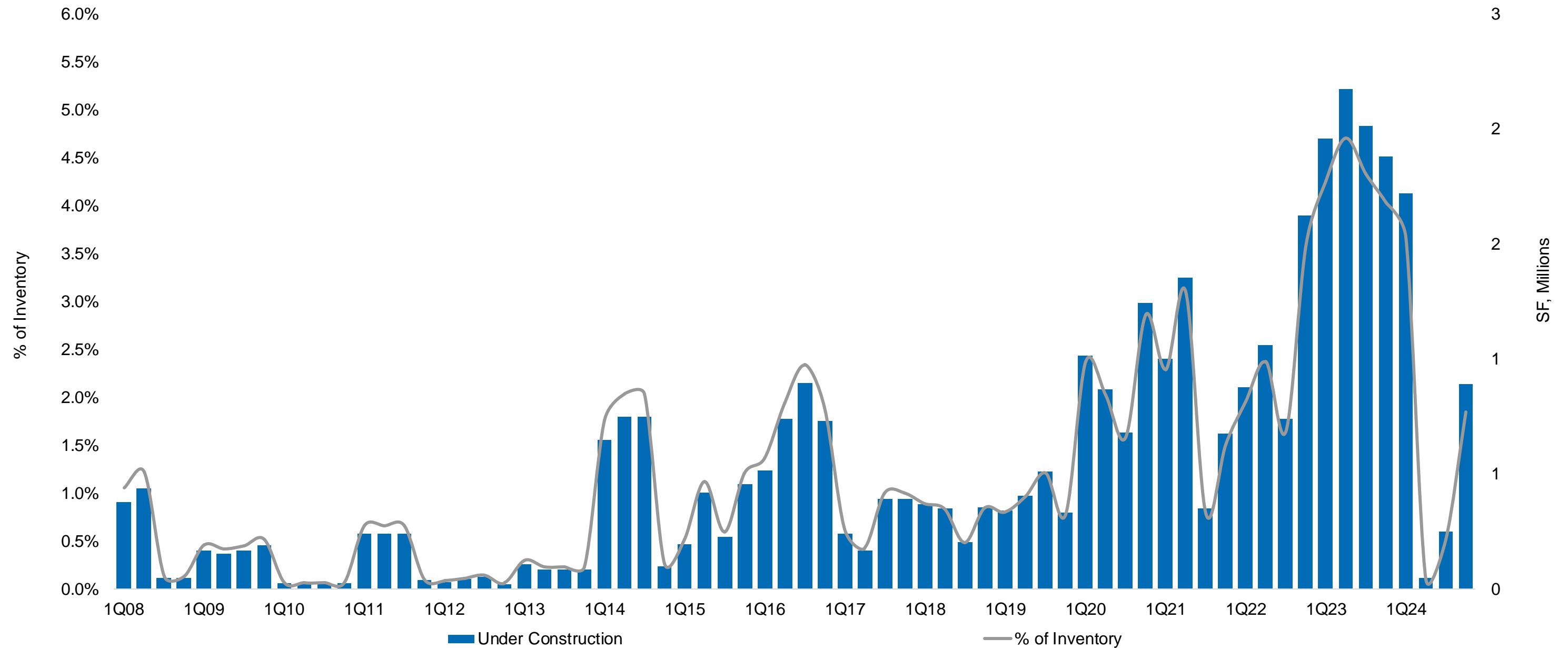


Source: Newmark Research, CoStar

Industrial Supply Pipeline Accelerates Once Again

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 893,633 SF under construction as of the end of 2024. Industrial developers are once again starting on new development projects amid increasing industrial demand within Palm Beach county.

Industrial Under Construction and % of Inventory

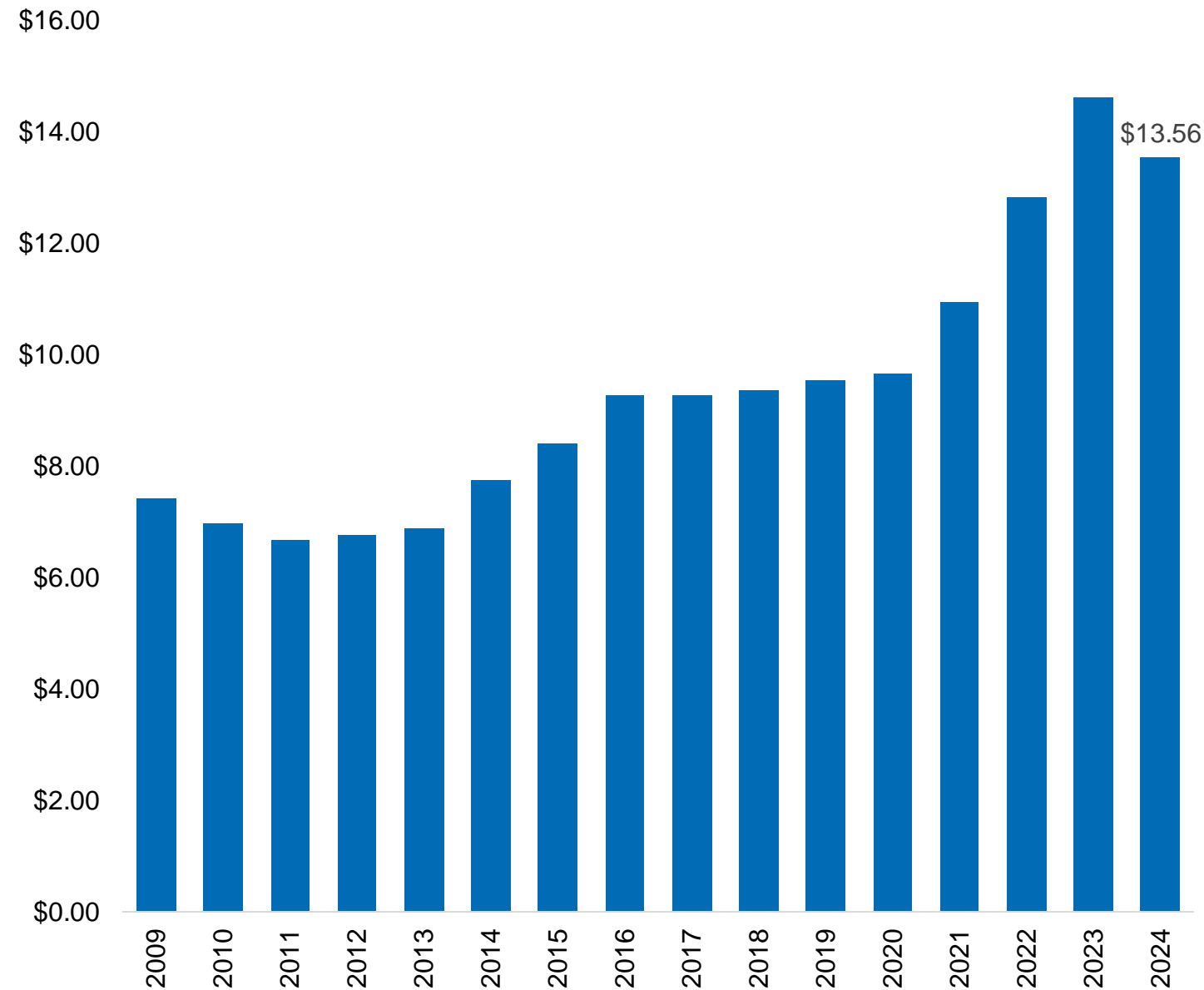


Source: Newmark Research, CoStar

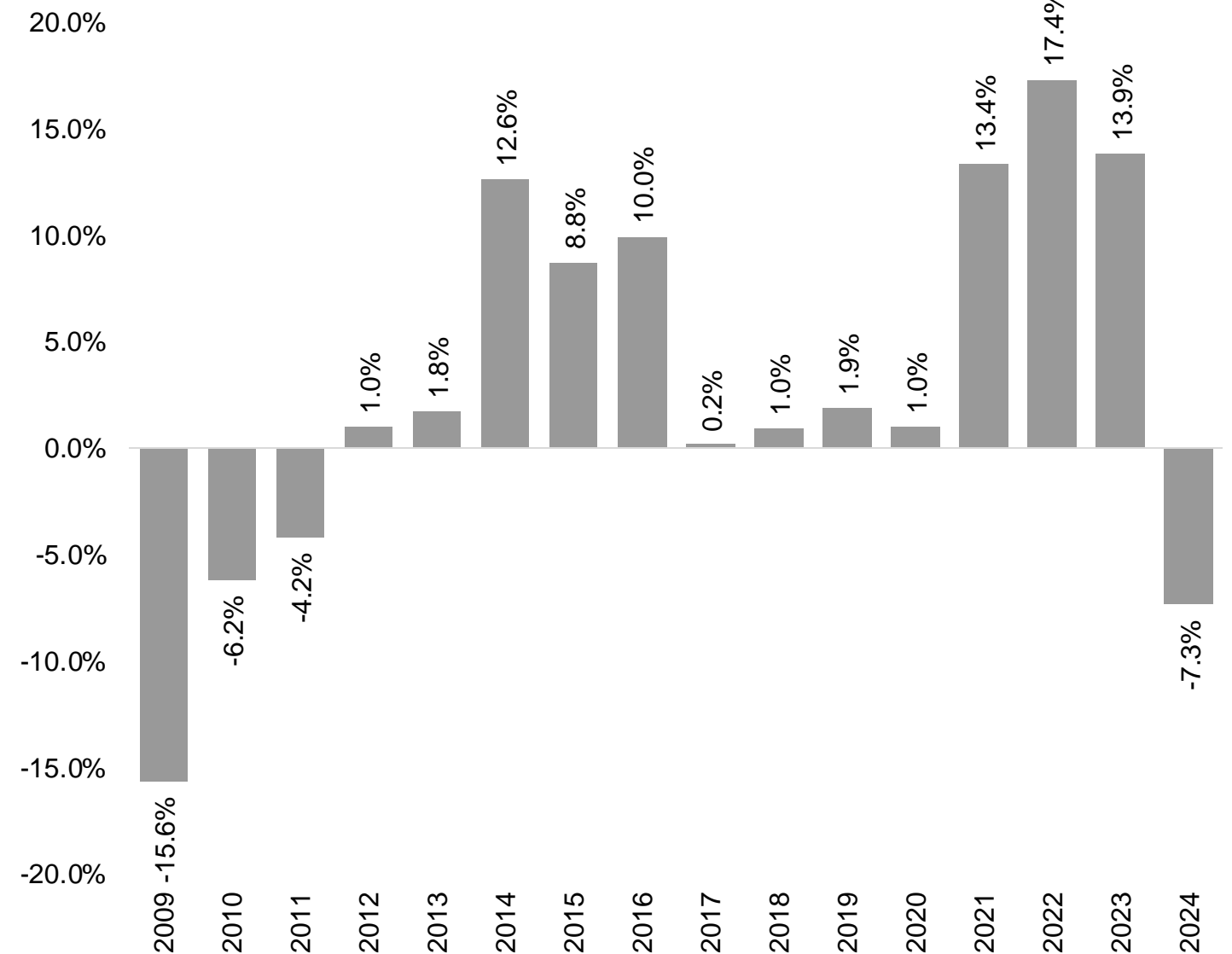
Asking Rents Fall from All-Time High Set One Year Prior

As of the end of the fourth quarter of 2024, asking rents fell from the all-time high by 7.3% year over year to \$13.56. Near term rent growth is expected to remain elevated, but grow at a slower pace, as demand will need to catch up with the temporary oversupply from 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 4Q24 Lease Transactions

Overall leasing activity decreased by 13.3% year over year in the fourth quarter of 2024. New leases accounted for the largest transactions of the quarter as local entities moved within the market while national entities moved into the market. Leases in Class A spaces accounted for 23.2% of total lease activity for the quarter. No space is pre-leased out of the 893,633 SF under construction.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Xcel Padel <i>The largest deal signed in the fourth quarter of 2024 was by Xcel Padel, an indoor padel and wellness club that is slated to open its doors for business in June 2025.</i>	Southern Way Business Center – Bldg 2 200 Sansburys Way	North Central	Direct New	63,763
Kiosoft Technologies Kiosoft Technologies, an unattended kiosk and vending payment processing company, signed a new lease for 39,601 SF at the Gateway Center	Gateway Center – Bldg 300 2027-2035 High Ridge Rd	South Central	Direct New	39,601
Safebound Moving & Storage <i>Safebound Moving & Storage is a full-service local and long-distance moving company that specializes in residential and commercial relocations, as well as piano moves.</i>	Prologis Airport Center – Bldg 4 6051 Southern Blvd S	North Central	Direct New	29,238
Next Plumbing Solutions <i>With six locations, Next Plumbing Solutions is one of the leading independent plumbing supply distributors in the State of Florida.</i>	Airport Distribution Center – Bldg 2 1805-1851 Old Okeechobee Rd	North Central	Direct New	14,579
RealTurf Florida <i>RealTurf Florida is a company that manufactures artificial grass for a variety of uses, included landscaping, sports, and public areas.</i>	Turnpike Business Center – Bldg 1 563 N Cleary Rd	North Central	Direct New	13,955

Source: Newmark Research



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