
1Q24

Palm Beach Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate trended upwards, increasing by 57 basis points year over year to 3.4% but remaining well below the five-year average of 4.3%
- Job growth pace has slowed compared with recent highs to 2.0% year over year, but has risen above pre-pandemic levels, with 2019 growth averaging 1.7%
- All sectors, except business and professional, other services, and information, reported employment growth, with education and health leading job gains at 5.8% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, with construction jobs, manufacturing jobs, and trade/transportation/utilities jobs, growing by 5.6%, 3.5%, and 2.1% year over year, respectively.

Major Transactions

- National Millwork signed the largest lease of the quarter, taking 101,022 SF space at Turnpike Logistics Center and doubling their footprint.
- Eight of the top ten leases in the first quarter were new deals, with renewals accounting for the other two.
- The top five deals were done by tenants in different industries. No deals were done by 3PL companies for a second consecutive quarter. This suggests that warehousing space is currently in greater demand than distribution space, which is supported by the robust construction pipeline.

Leasing Market Fundamentals

- The market realized 213,780 SF of positive absorption in the first quarter of 2024, a 38.3% year over year increase and nearly equivalent to the prior three quarters combined.
- Overall rental rates slipped by 0.9% year-over-year to \$12.91/SF, a decline from the previous quarter's all time high.
- Construction deliveries in the first quarter of 2024 totaled 211,529 SF while another 2.1 MSF remains under construction.
- Supply and demand were in line this quarter, keeping the vacancy rate unchanged quarter over quarter at 6.3%. However, vacancy has increased by 90 bps year over year as the market continues to work through new through supply.

Outlook

- The Palm Beach industrial market will see an influx of supply delivering to the market in the near term, due to 4.4% of the current market's inventory being under construction.
- Vacancy rates are expected to continue ticking upwards over the next few quarters as new supply from a robust construction pipeline is delivered to the market.
- Asking rents will likely remain elevated, but the pace of increases will flatten over the near term due to the delivery of new supply. Of the space currently under construction, 8.5% is pre-leased. Of the space that delivered in the first quarter, 68.1% was pre-leased.

1. Economy
2. Leasing Market Fundamentals

1Q24

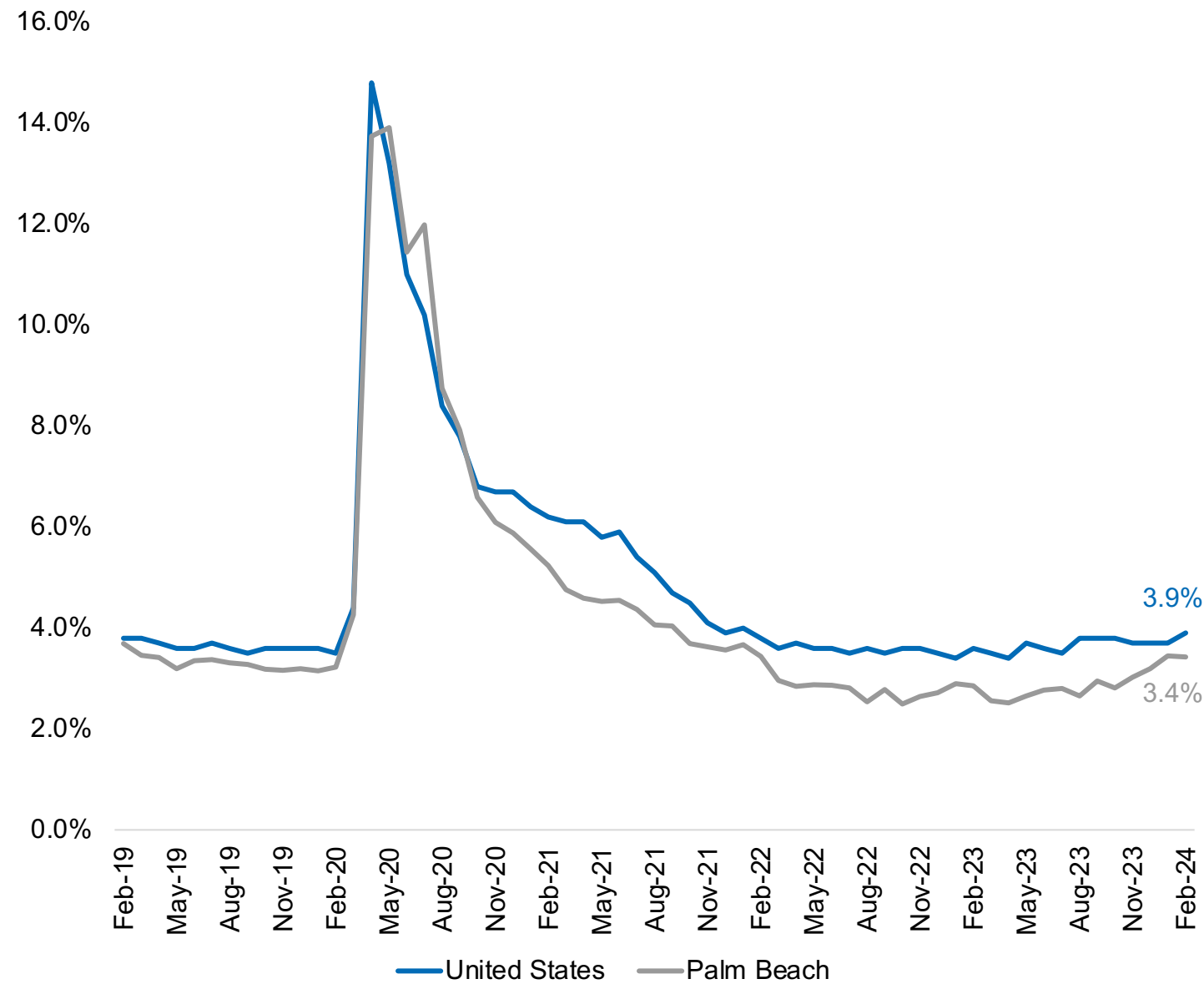
Economy



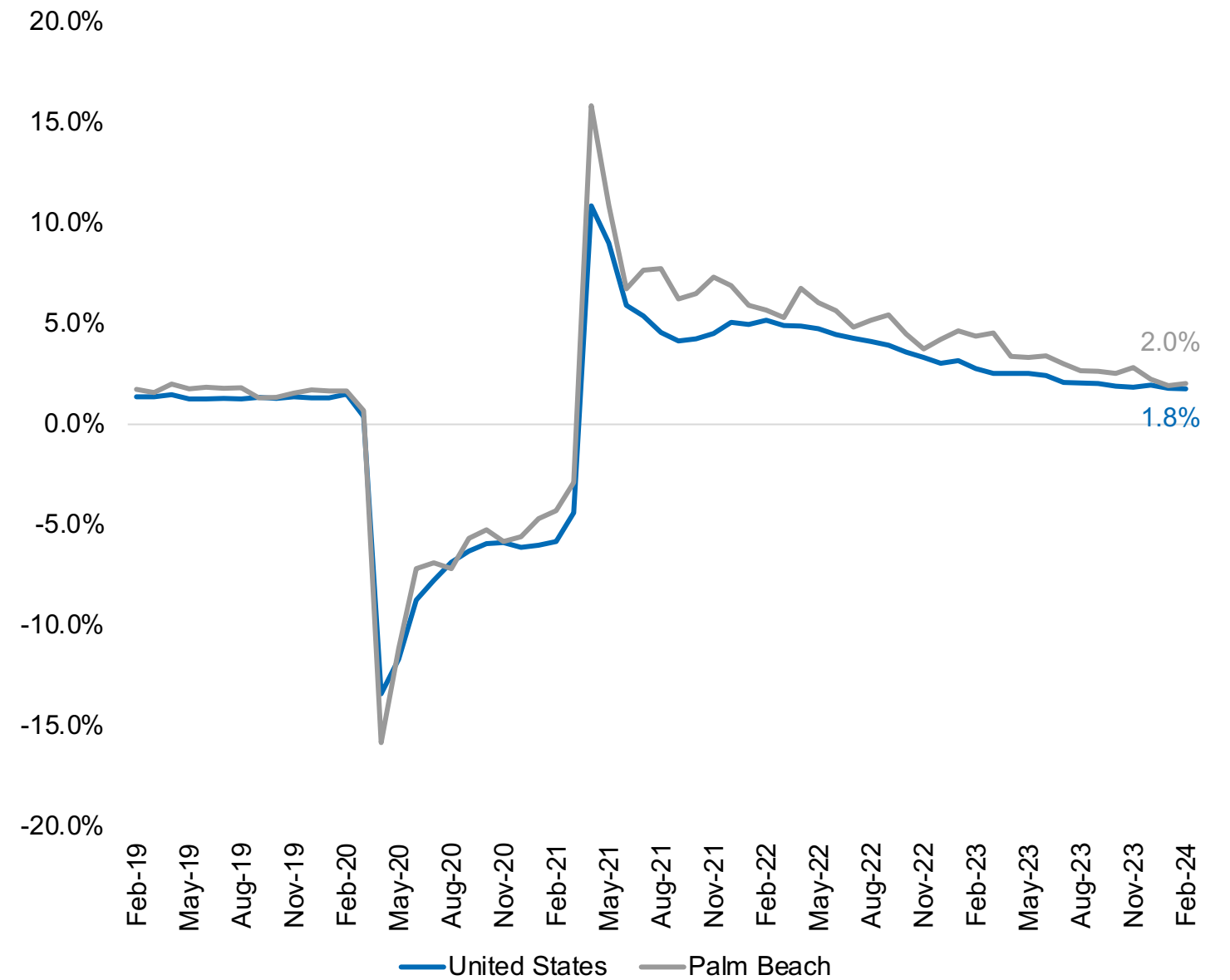
Unemployment Ticks Upward; Employment Growth Slows

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 57 basis points year over year to 3.4%, marking the fourth consecutive month above 3.0%. Employment growth has decelerated since 2021 and fell by 237 basis points year over year to 2.0%, likely impacted by recent national economic headwinds.

Unemployment Rate, Seasonally Adjusted



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

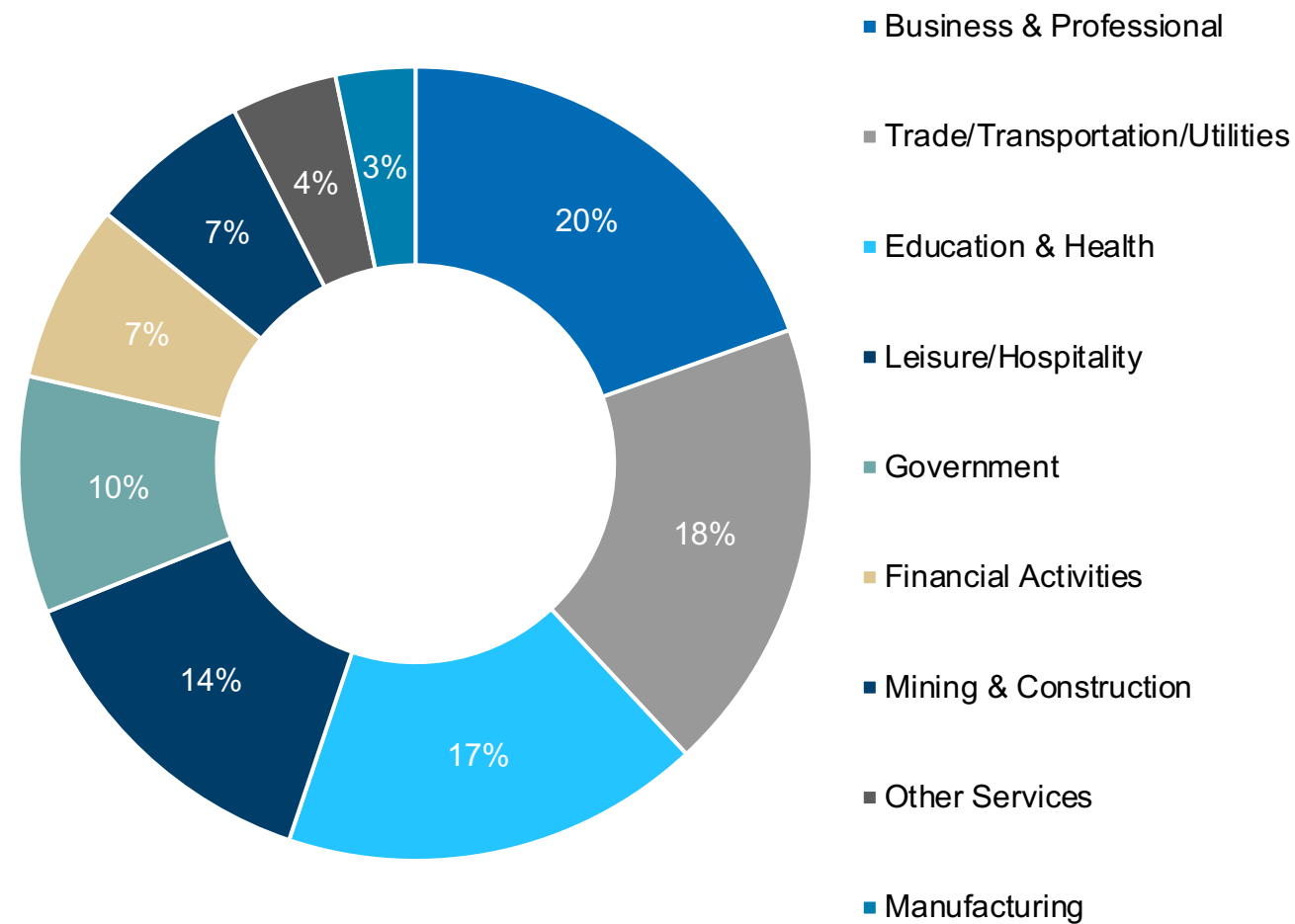


Source: U.S. Bureau of Labor Statistics, Palm Beach County

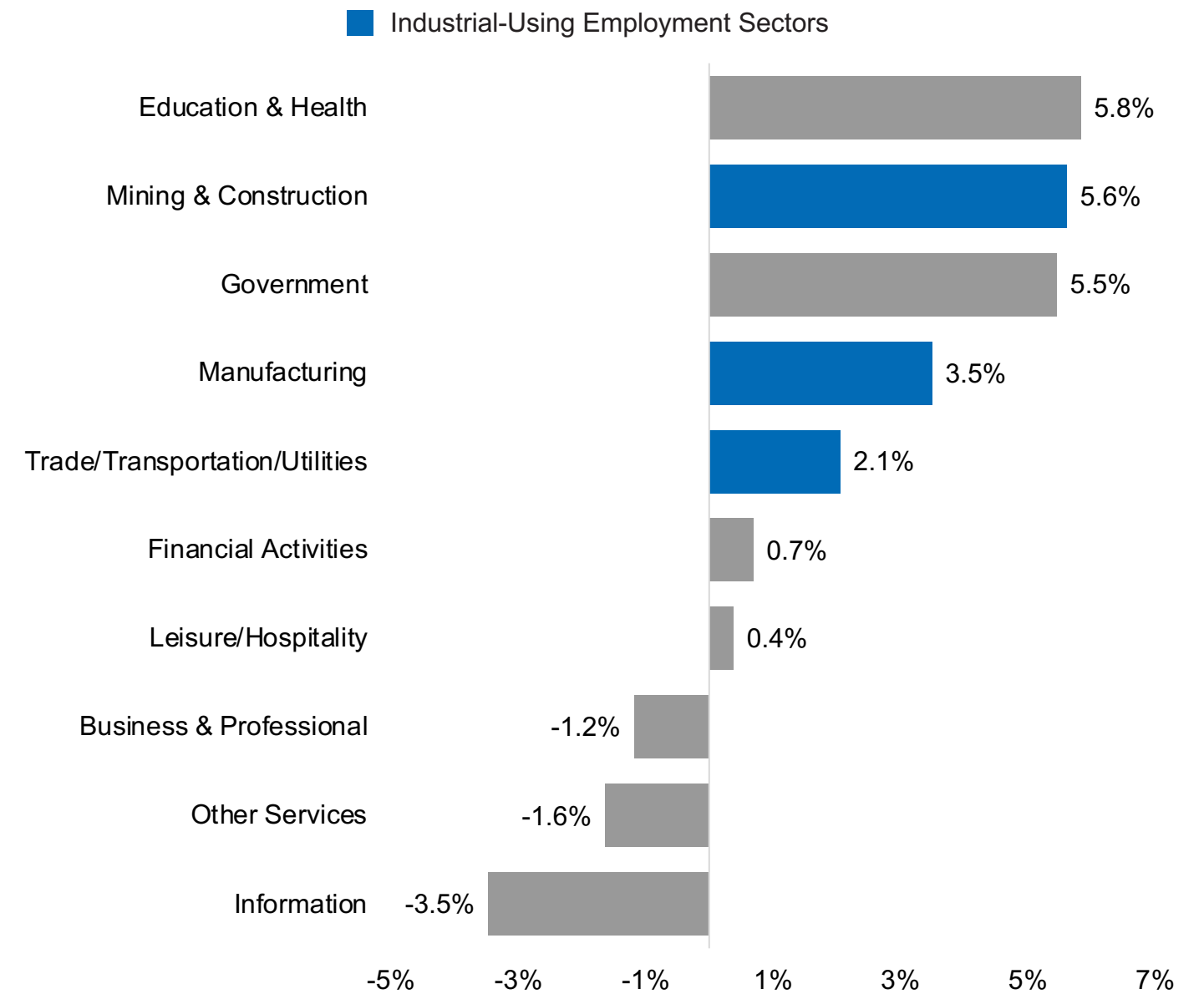
Industrial-Using Employment Sectors Report Growth

Palm Beach's top two employment industries account for 37.4% of market share. Industrial-using employment's trade/transportation/utilities sector is the second-largest sector in the market, at 18.2%. All industries, except for business and professional, other services, and information, reported growth, with industrial-using industries reporting year-over-year growth ranging from an increase of 2.1% to 5.6%.

Employment by Industry, February 2024



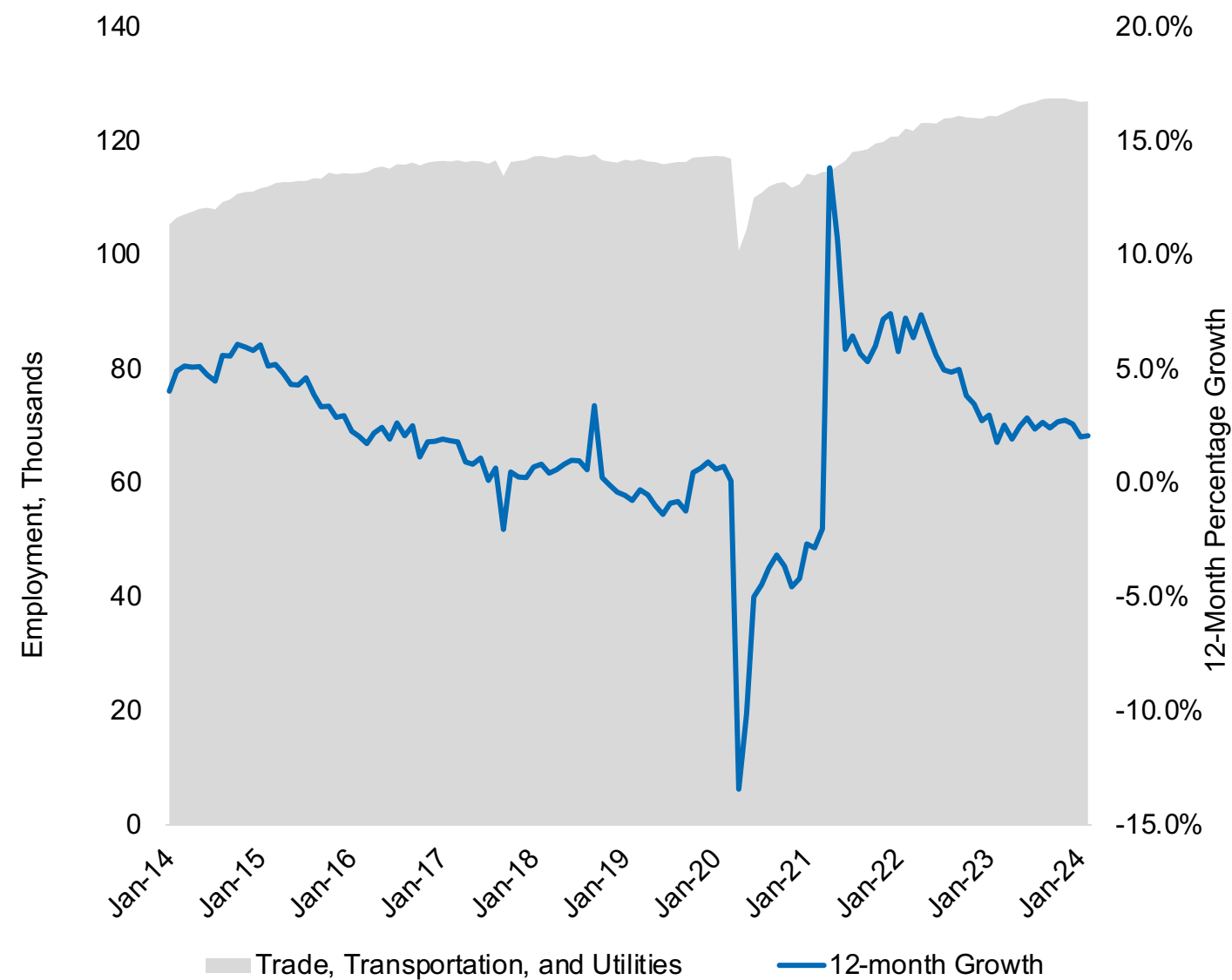
Employment Growth by Industry, 12-Month % Change, February 2024



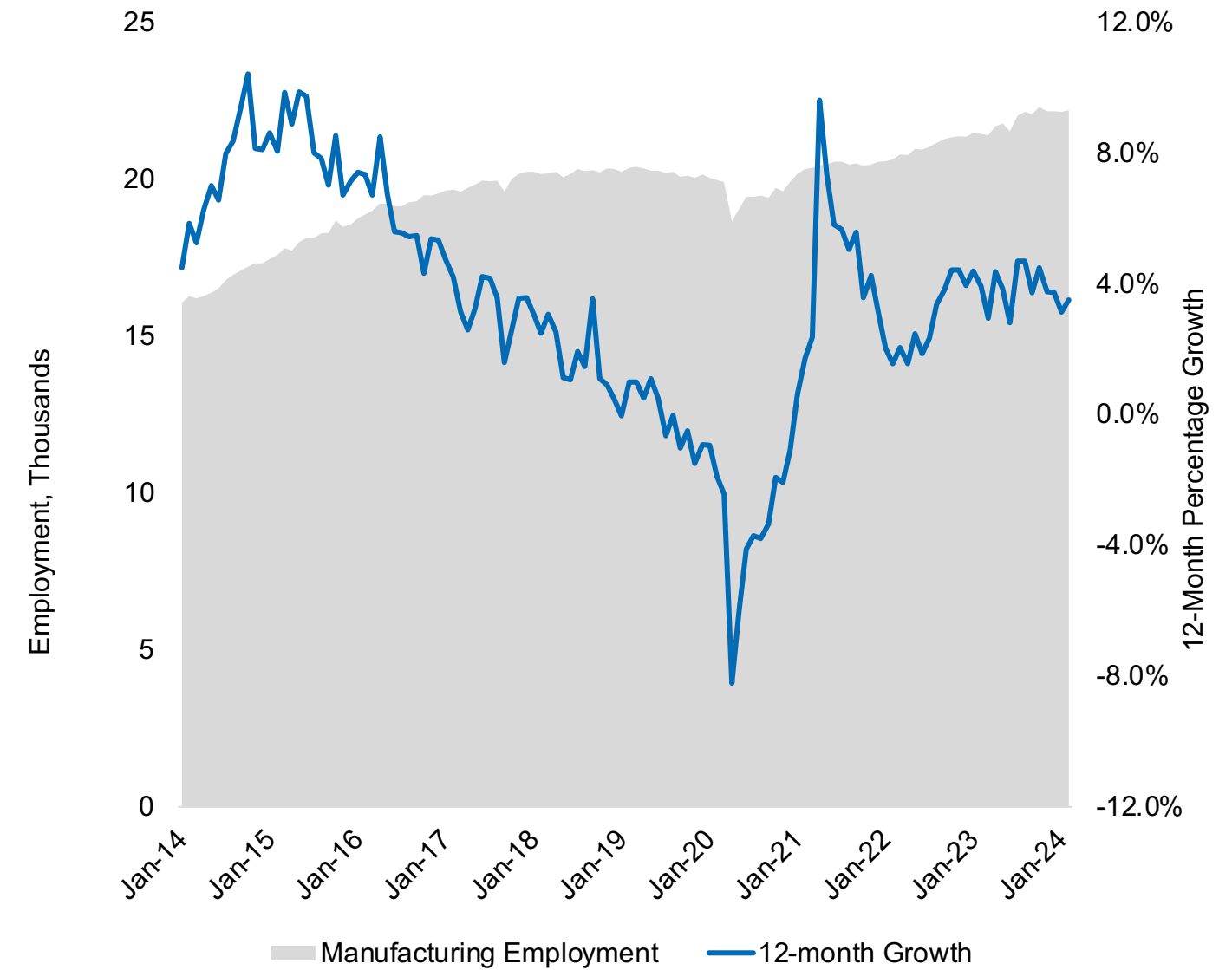
Industrial Employment Growth Remains Slow and Steady

Trade, transportation, and utilities employment has trended slightly down to 126,893 employees as of the end of February 2024, remaining close to the historical high of 127,435 reported in September 2023. During the same period manufacturing employment trended downwards to 22,194 jobs from the historical high of 22,297 recorded in October 2023. Trade, transportation, and utilities and manufacturing employment have shown moderate growth, with February 2024 reporting 2.1% and 3.5% growth year over year, respectively, which is on pace with the 10-year average.

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

1Q24

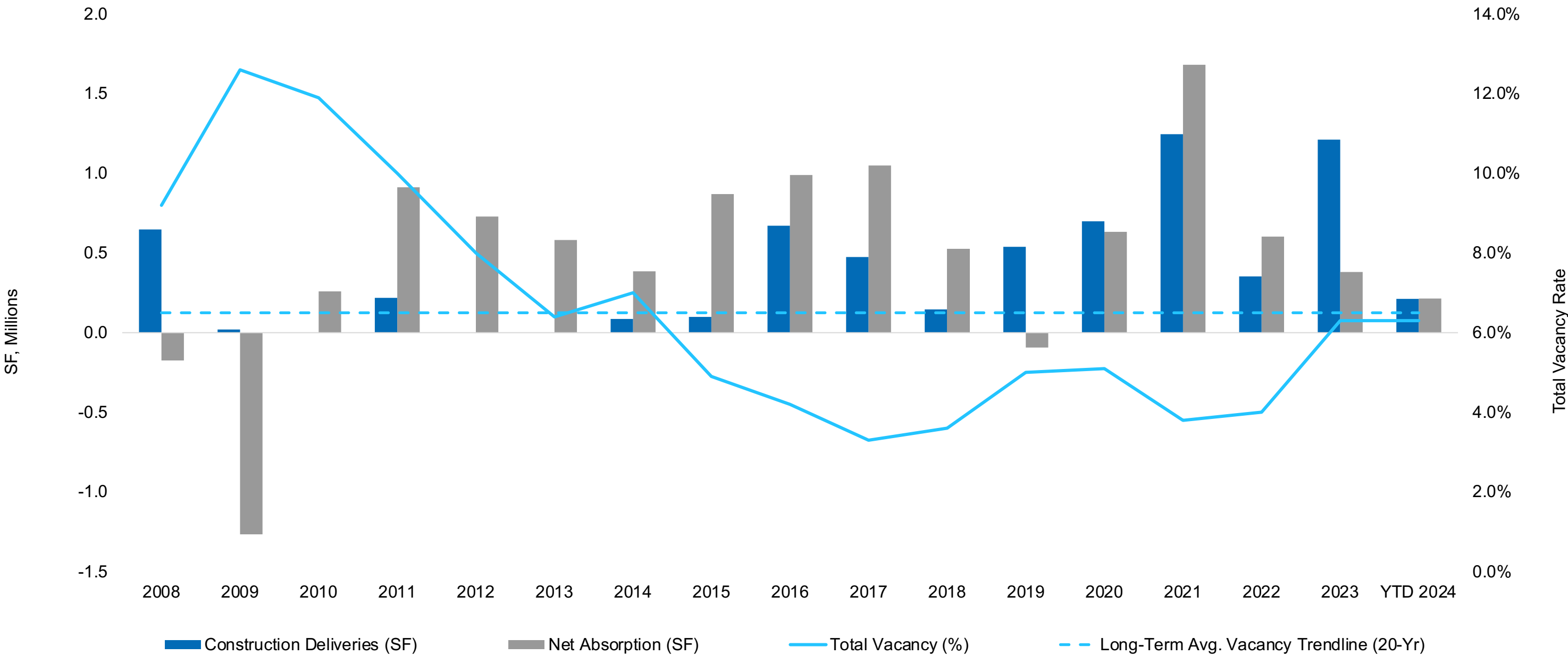
Leasing Market Fundamentals



Supply and Demand Start New Year in Step

Palm Beach’s industrial vacancy rate increased by 90 basis points year-over-year to 6.3% in the first quarter of 2024. It remains below the long-term average of 6.5%. Deliveries for the first quarter totaled 211,529 SF, nearly identical with the market’s net absorption of 213,870 SF. In the near term, Palm Beach industrial vacancy rates are projected to increase as demand slows and new deliveries hit the market.

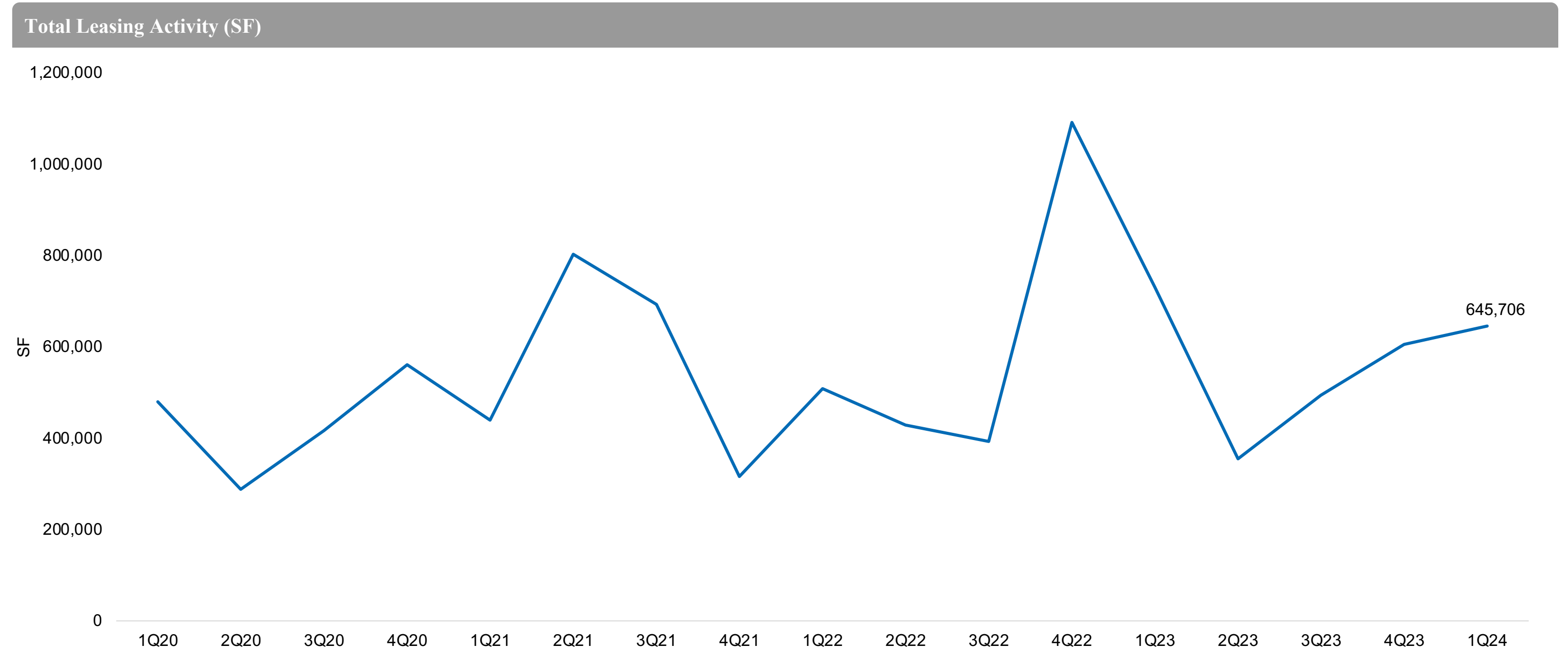
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity Rises Above Pre-Pandemic Levels

Quarter-over-quarter leasing activity continued the climb that was started in the third quarter of 2023 by 6.6%, ending the first quarter of 2024 at 645,706 SF. Overall demand in the market continues to remain positive, despite national economic headwinds.

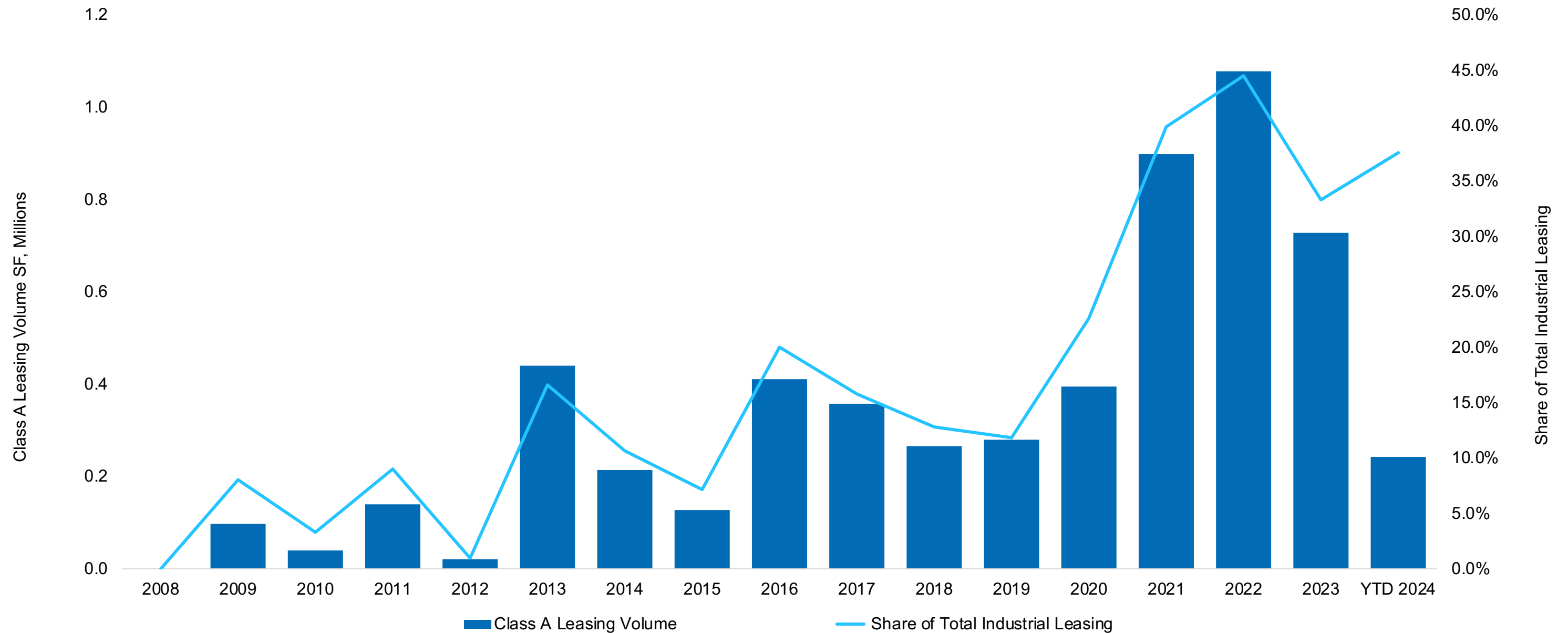


Source: Newmark Research, CoStar

Class A Warehouse Leasing Accounts for Increasing Share of Total Leasing

Class A Leasing volume increased by 9.9% quarter over quarter to 242,625 SF. Class A leasing activity accounted for 37.6% of all leasing so far in 2024, surpassing the pre-pandemic average of 9.0%, but falling short of the 44.5% high reported in 2022.

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

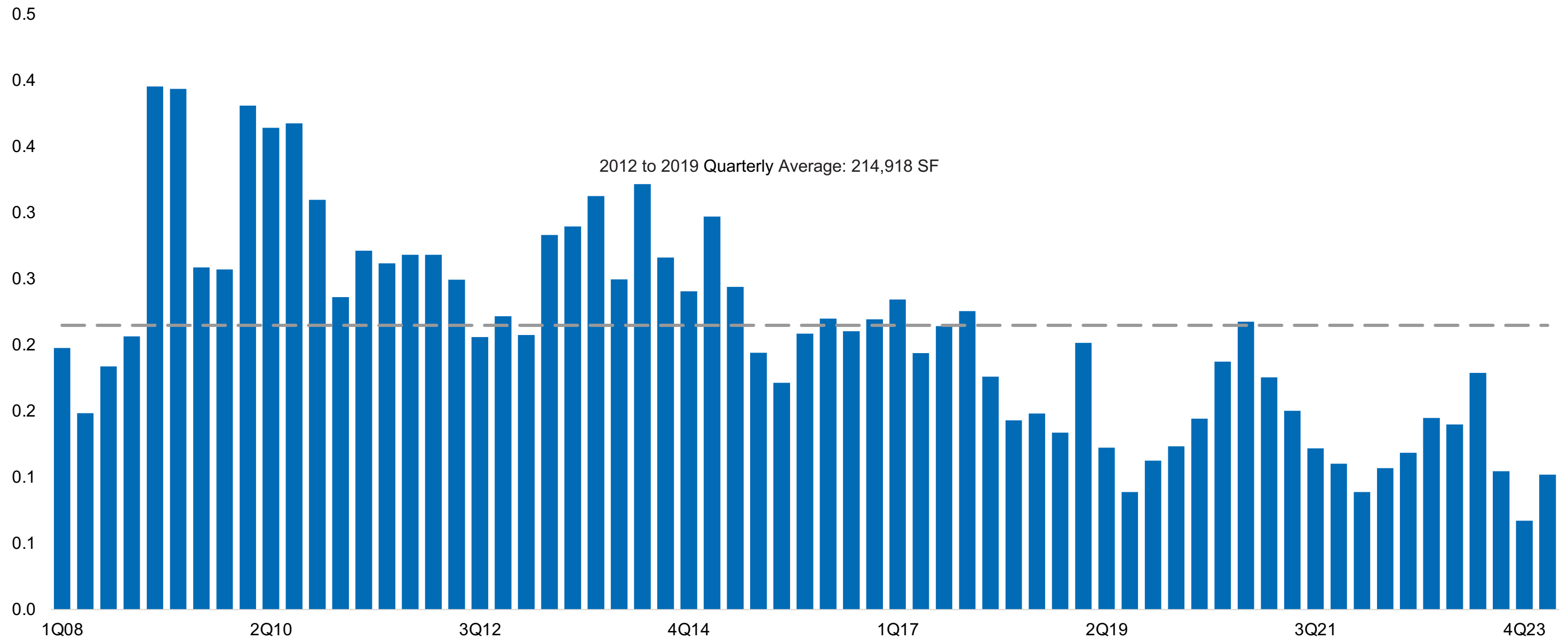


Source: Newmark Research, CoStar

Industrial Sublease Availability Remains Low

Until recently, sublease availability has generally increased since the first quarter of 2022 and peaked at 178,827 SF in the second quarter of 2023. Sublease availability fell by 27.1% year over year to 102,066 SF as of the end of the first quarter of 2024 and remains well below the 2012 to 2019 average of 214,918 SF.

Available Industrial Sublease Volume (msf)

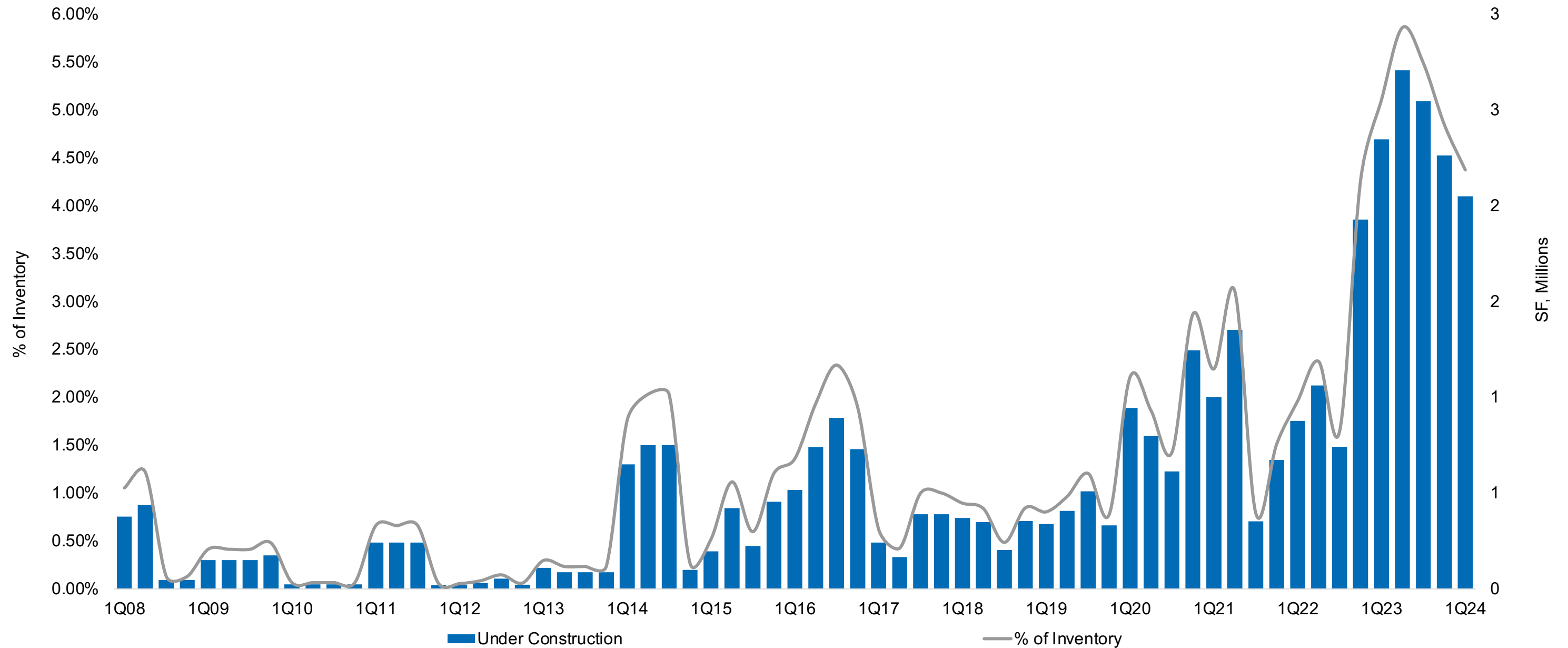


Source: Newmark Research, CoStar

Industrial Supply Pipeline Continues Declining from Historical Peak

The construction pipeline decreased from the historical high of 2.7 MSF reported in the second quarter of 2023 to 2.1 MSF in the first quarter of 2024. Industrial developers are pausing new development projects to allow the market time to absorb the influx of new supply. It is expected that several projects will be delivered over the next several months.

Industrial Under Construction and % of Inventory

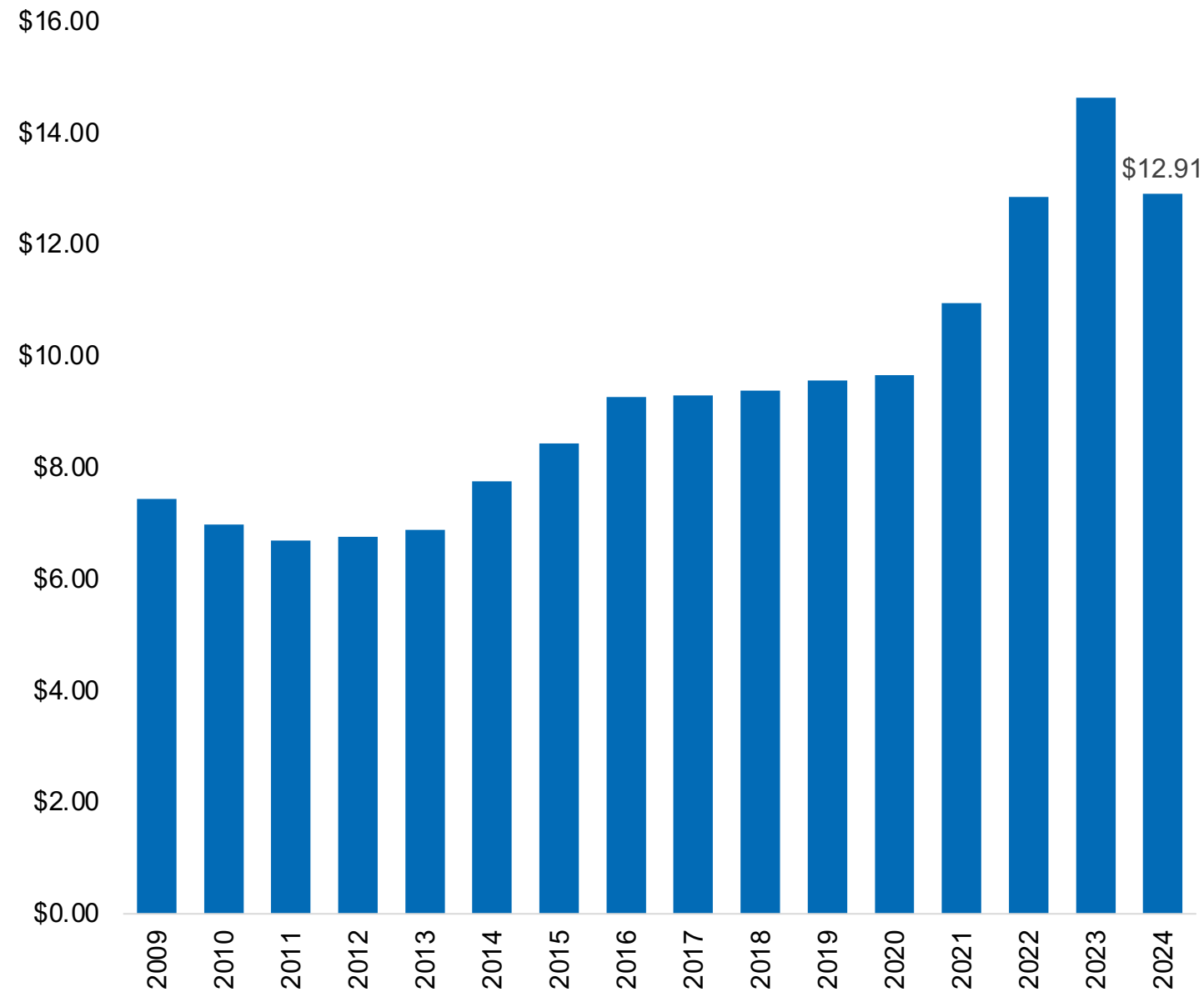


Source: Newmark Research, CoStar

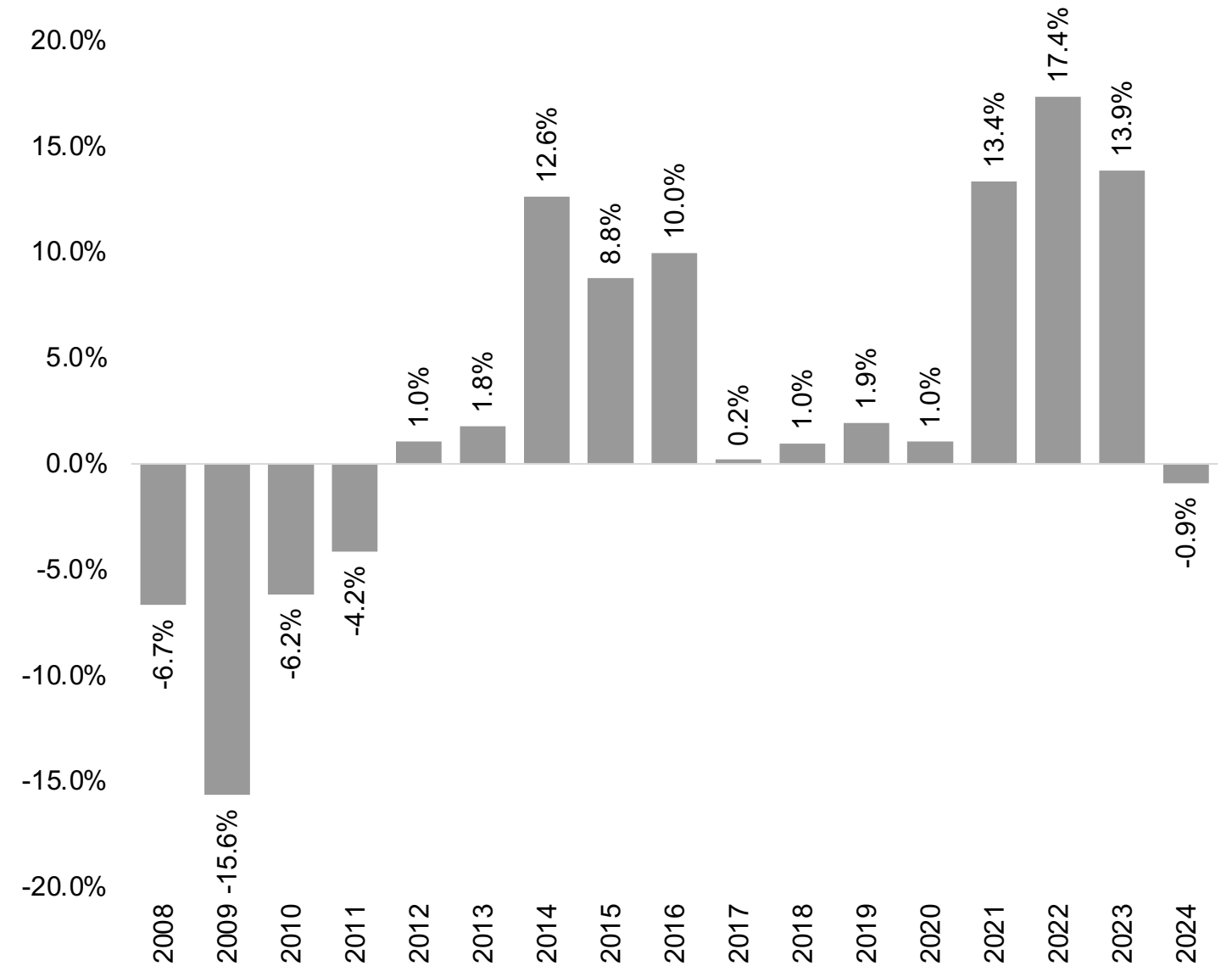
Asking Rents Temporarily Ease From All Time Highs

Industrial average asking rents have rapidly increased since the onset of the pandemic in 2020 but now show signs of pause on further increases. As of the end of the first quarter of 2024, asking rents declined year over year by 0.9% to \$12.91. Near term rent growth is expected to remain elevated, but with a slower pace of growth, as new deliveries commanding higher rents hit the market.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 1Q24 Lease Transactions

Overall leasing activity improved by 6.6% quarter over quarter in the first quarter of 2024. New leases dominated the largest transactions of the quarter as local entities moved within the market and national entities moved into the market. Leases in Class A spaces accounted for 37.6% of total lease activity for the quarter. Of the space currently under construction, 8.5% is pre-leased.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
National Millwork <i>National Millwork signed the largest new lease of the quarter, a direct lease for 101,022 SF at Turnpike Logistics Center. This deal doubled National Millwork's space.</i>	Turnpike Logistics Center	North Central	Direct New	101,022
Anton Paar Quantatec <i>Anton Paar Quantatec designs laboratory instruments for materials characterization laboratories.</i>	Boynton Commerce Center	South Central	Renewal	52,505
Frost Lighting Co. <i>Frost Lighting Co. offers full-service event production to include lighting, staging, video projection for weddings, corporate events, galas, and concerts.</i>	Interstate Business Center – Bldg B	South Central	Direct New	31,500
Wolves Food Service <i>This lease deal brings Silver Beach Industrial Park – Bldg III up to 81.2% leased. The property delivered in 2023.</i>	Silver Beach Industrial Park – Bldg III	North Central	Direct New	29,721
British Feed and Supplies <i>British Feed and Supplies is a retailer that provides feed and supplies for horses and other livestock in the Wellington and Loxahatchee area of Palm Beach County.</i>	Royal Palm Logistics	North Central	Direct New	26,628

Source: Newmark Research



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