

3Q23

Palm Beach Industrial Market Overview

An aerial photograph of an industrial facility, likely a refinery or chemical plant. The image shows several large, rectangular storage tanks or processing units arranged in a grid-like pattern. The tanks are light-colored, possibly white or light blue, and have a series of dark, horizontal slats or louvers on their sides. The perspective is from a high angle, looking down at the facility, which creates a strong sense of depth and scale. The overall color palette is dominated by the light blue/white of the tanks and the dark blue/black of the slats and shadows.

NEWMARK

Market Observations

Economy

- The market's unemployment rate remained steady, increasing by 11 basis points year over year to 2.7% and remaining well below the five-year average of 4.3%.
- The market's employment growth rate declined by 405 basis points year over year.
- All sectors, except information, business and professional, other services, and construction, reported employment growth, with leisure and hospitality leading job gains at 4.6% over the past year.
- Industrial-using jobs in the market continued to reflect yearly growth, with trade/transportation/utilities jobs and manufacturing jobs growing by 2.8% and 2.1% year over year, respectively. Construction saw a 1.5% decline year over year.

Major Transactions

- Reliable Healthcare Logistics signed the largest lease of the quarter, renewing its 70,744 SF space at Boca Distribution Center 1.
- Many of the top new leases signed in the third quarter of 2023 were by companies that cater to commercial and residential building supplies and materials.
- Aside from the renewal by Reliable Healthcare Logistics, there were no other deals done by 3PL companies reported in the third quarter of 2023. 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 69,582 SF of positive absorption in the second quarter of 2023, bringing the year-to-date total to 381,540 SF.
- Overall rental rates grew 7.4% year-over-year to \$12.80/SF, remaining near the historical high.
- Construction deliveries are up compared to 2022 and finished the third quarter of 2023 with 925,498 SF delivered year-to-date in 2023. Another 2.5 MSF is still currently under construction.
- Supply continues outpacing demand this quarter, pushing the vacancy rate up by 190 basis points year-over-year to 6.2%, as the market continues to work through supply.

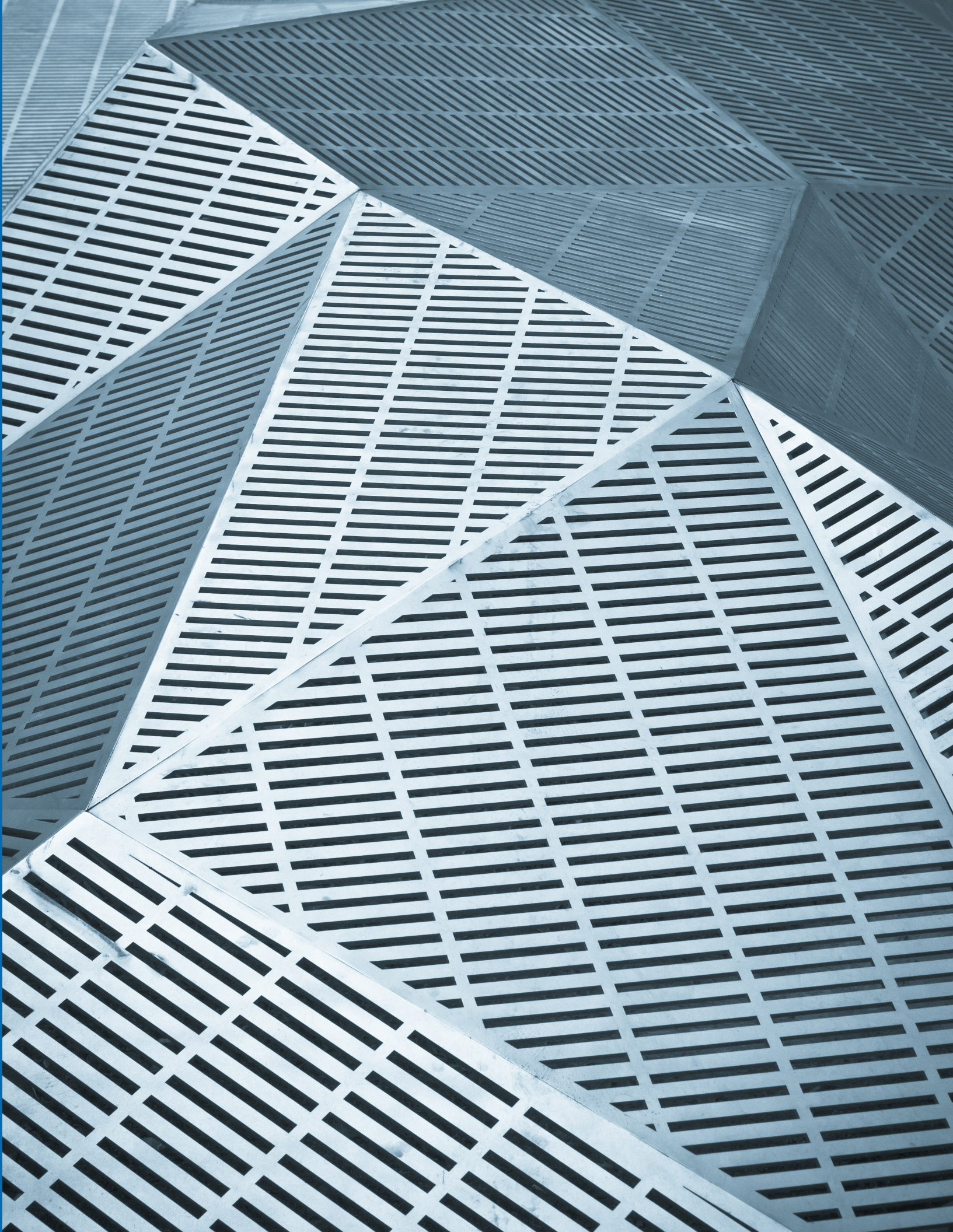
Outlook

- The Palm Beach industrial market will see an influx of supply delivering to the market in the near term, due to 5.5% 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 time due to additional supply being delivered to the market.

1. Economy
2. Leasing Market Fundamentals

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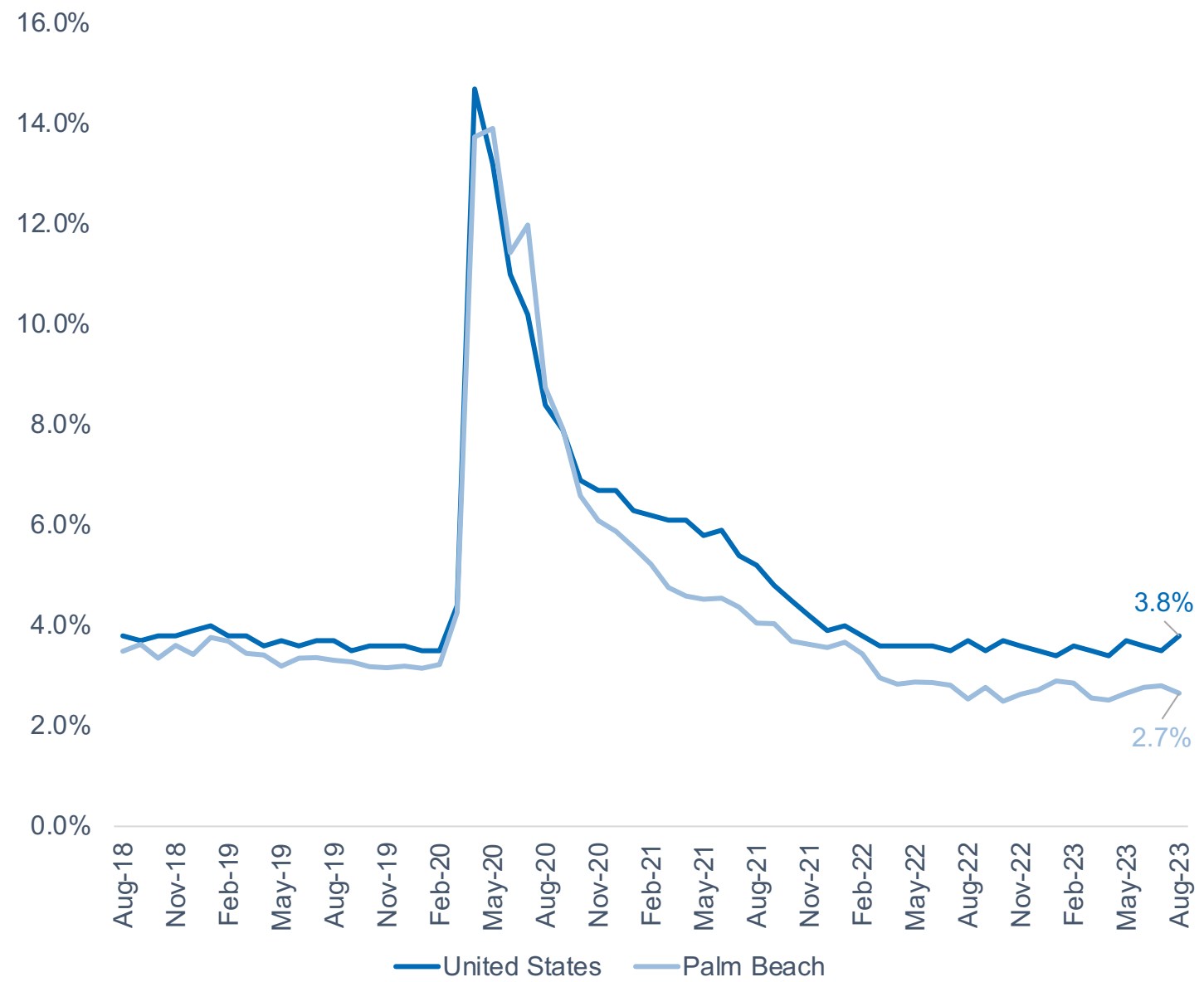
Economy



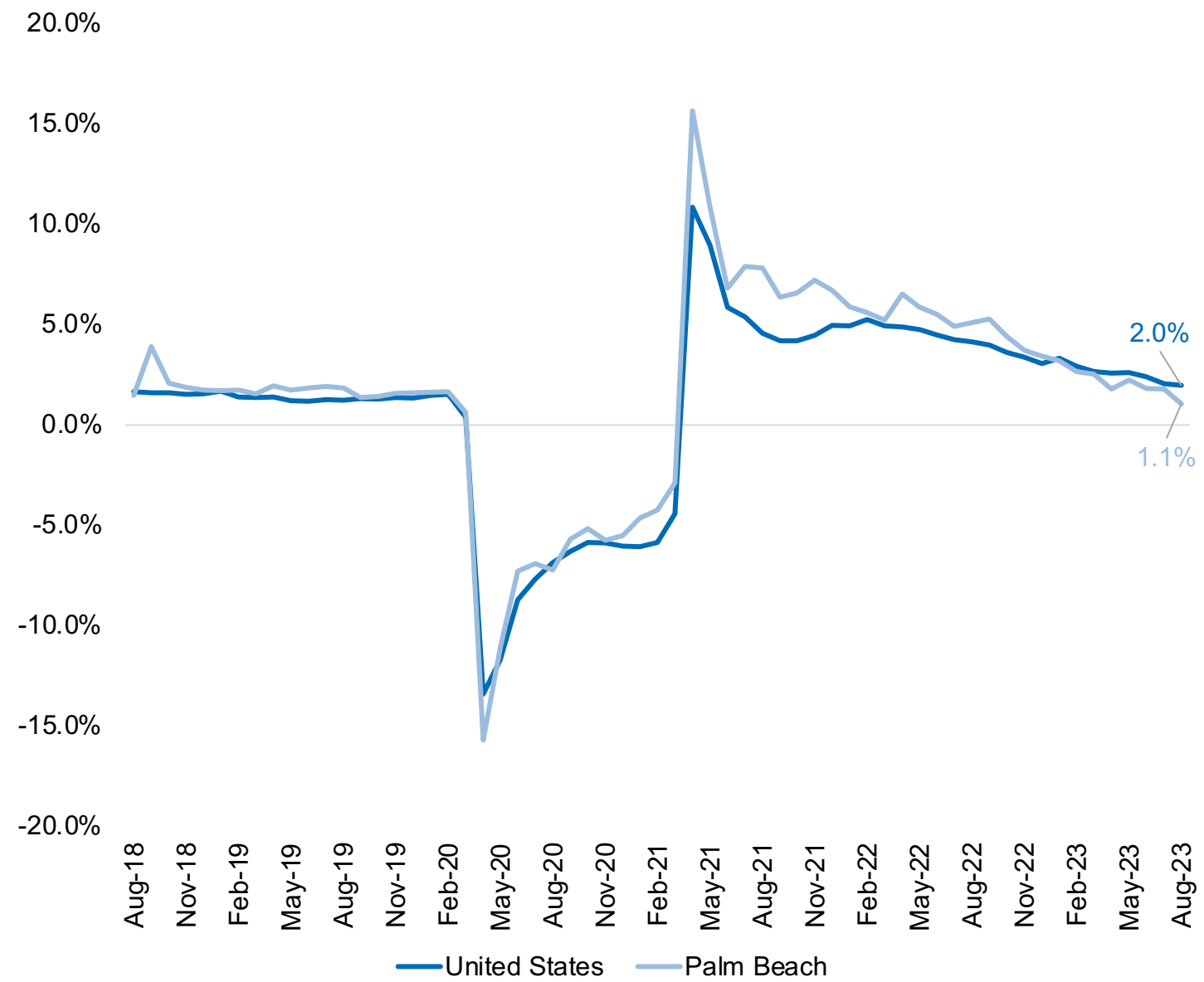
Unemployment Remains Near Historical Low

Palm Beach has generally reported lower unemployment rates compared with the national average but has recently fallen below the national average in employment growth. The region's unemployment rate increased by 11 basis points year over year to 2.7%, remaining near the historical low of 2.5% achieved in October 2022. Employment growth has decelerated since 2021 and fell by 405 basis points year over year, likely impacted by recent national economic headwinds.

Unemployment Rate, Seasonally Adjusted



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

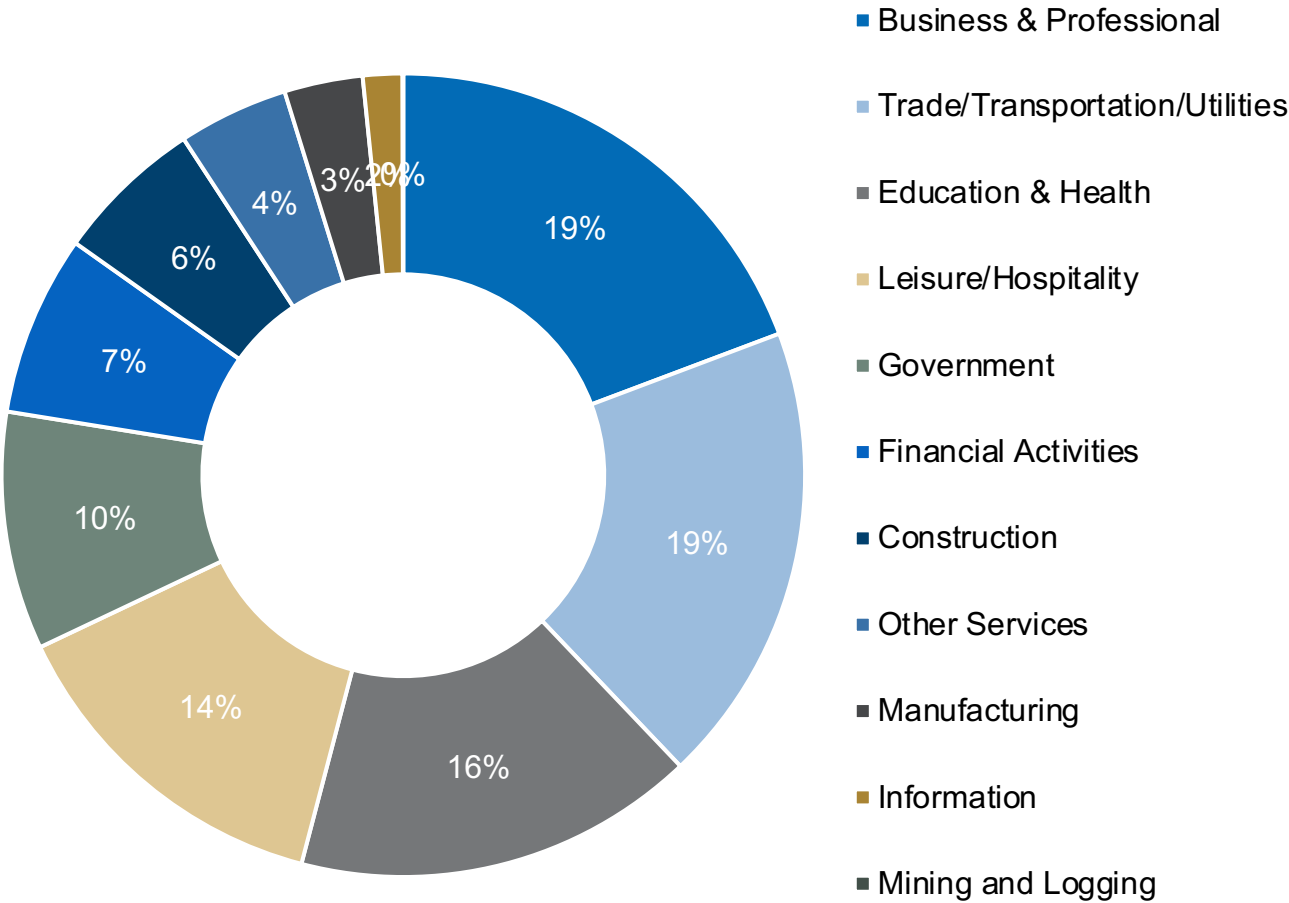


Source: U.S. Bureau of Labor Statistics, Palm Beach

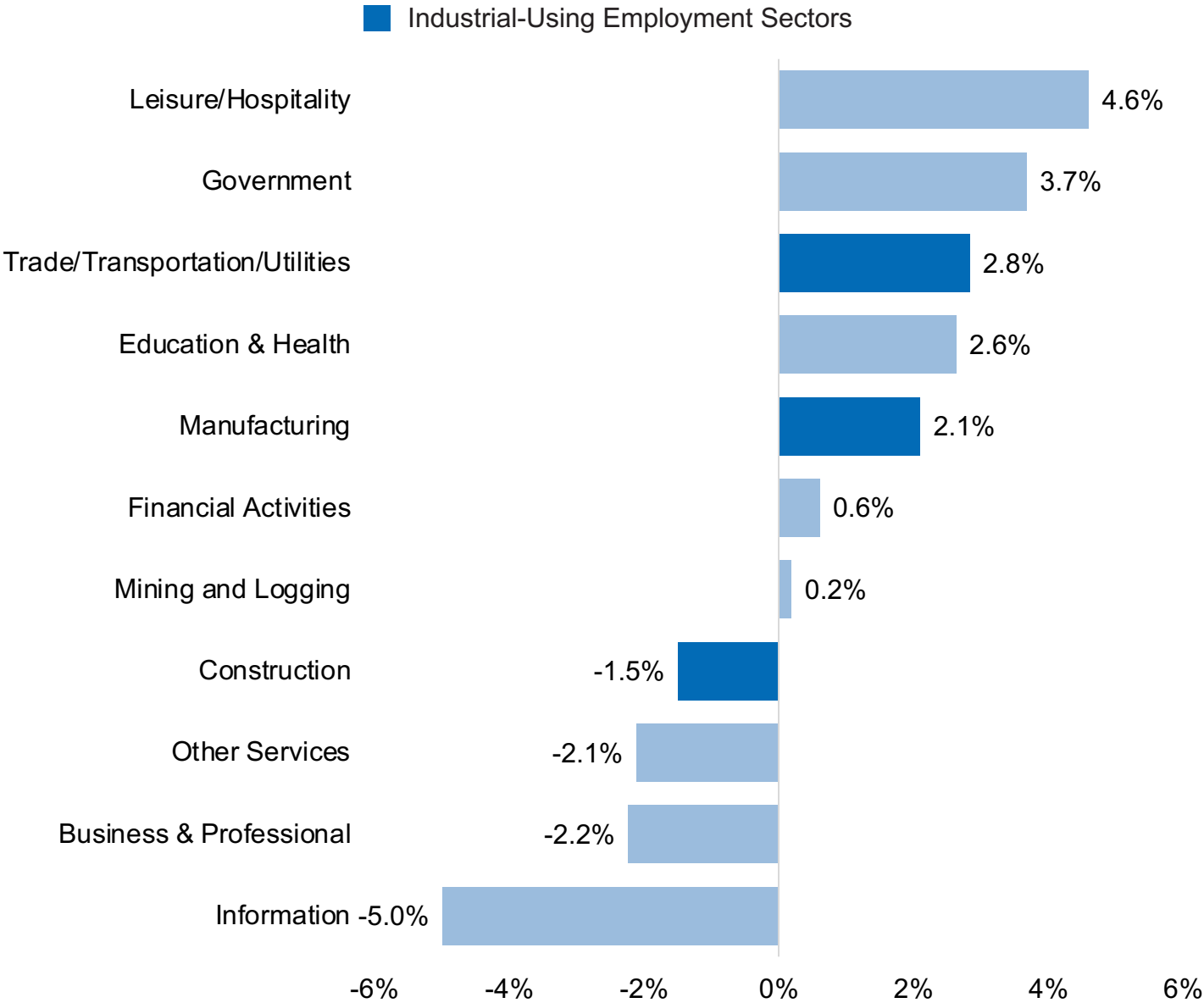
Trade, Transportation, Utilities and Manufacturing Report Growth; Construction Contracts

Palm Beach’s top two employment industries account for 37.9% of market share. Industrial-using employment’s trade/transportation/utilities sector is the second-largest sector in the market, at 18.6%. All industries, except for construction, other services, business and professional, and information, reported growth, with industrial-using industries reporting year-over-year growth ranging from a decrease of 1.5% to an increase of 2.8%.

Employment by Industry, August 2023



Employment Growth by Industry, 12-Month % Change, August 2023

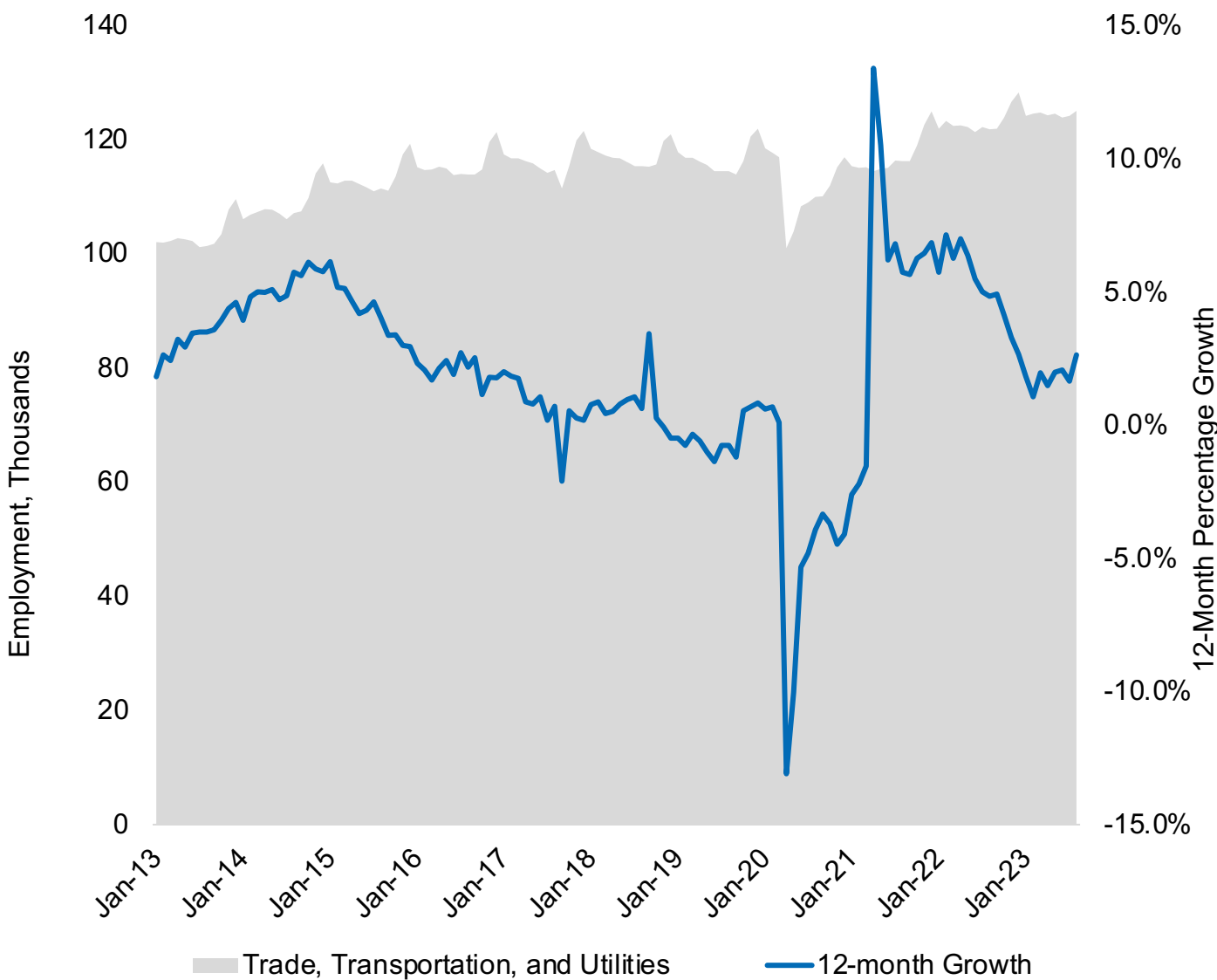


Source: U.S. Bureau of Labor Statistics, Palm Beach

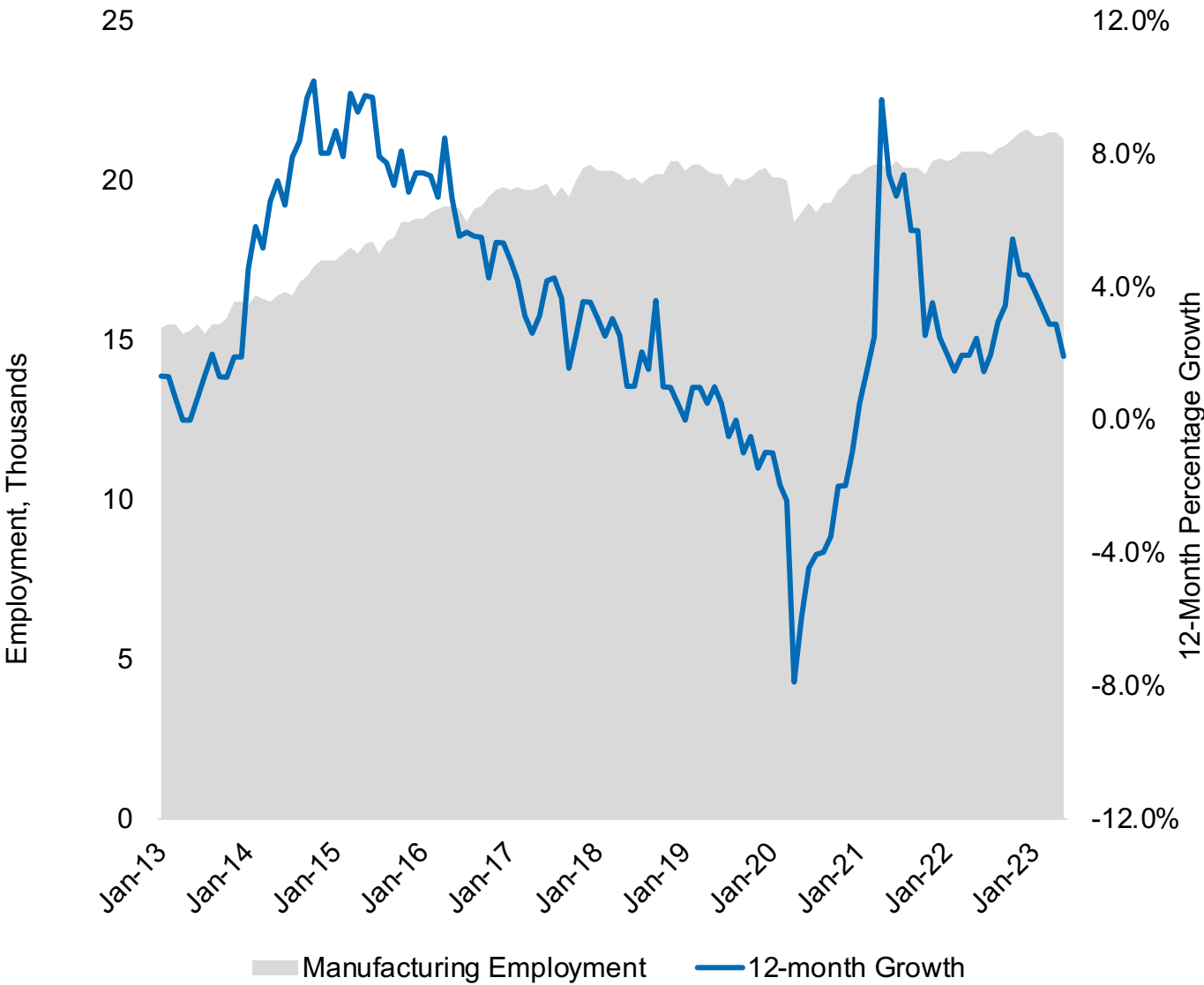
Employment Trends Continue from Previous Quarter

Trade, transportation, and utilities employment has trended up to 125,000 employees as of the end of August 2023, remaining close to the historical high of 128,200 reported in December 2022. As of the end of August 2023, manufacturing employment has trended down to 21,400 jobs from the historical high of 21,600 recorded in December of 2022. Trade, transportation, and utilities and manufacturing employment have shown moderating growth, with August 2023 reporting 2.8% and 2.1% growth year over year, respectively. These are above the 10-year average of 2.2% and below the 10-year average of 3.2% respectively, which could be indicative of a slowing economy.

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



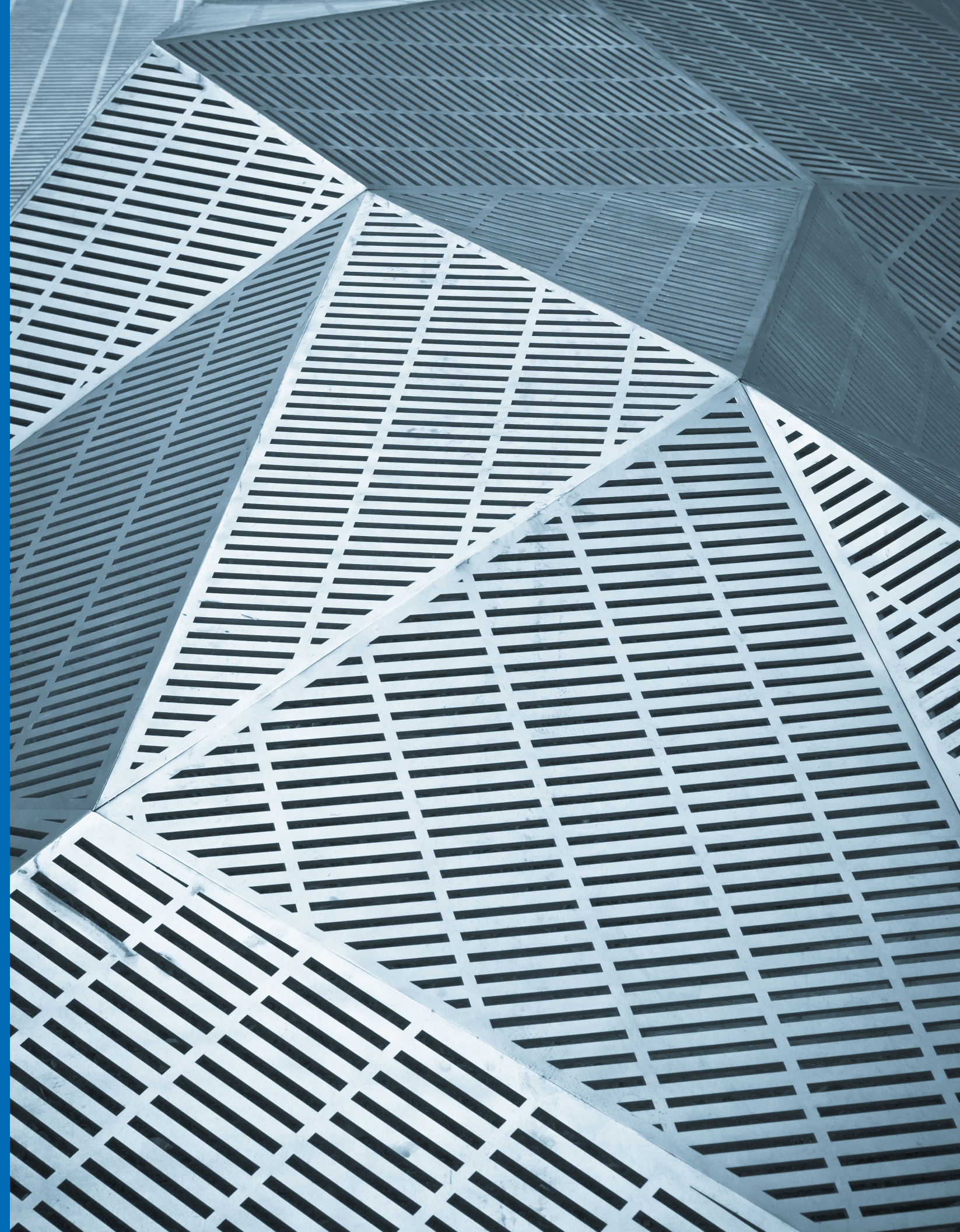
Total Employment and 12-Month Growth Rate, Manufacturing



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

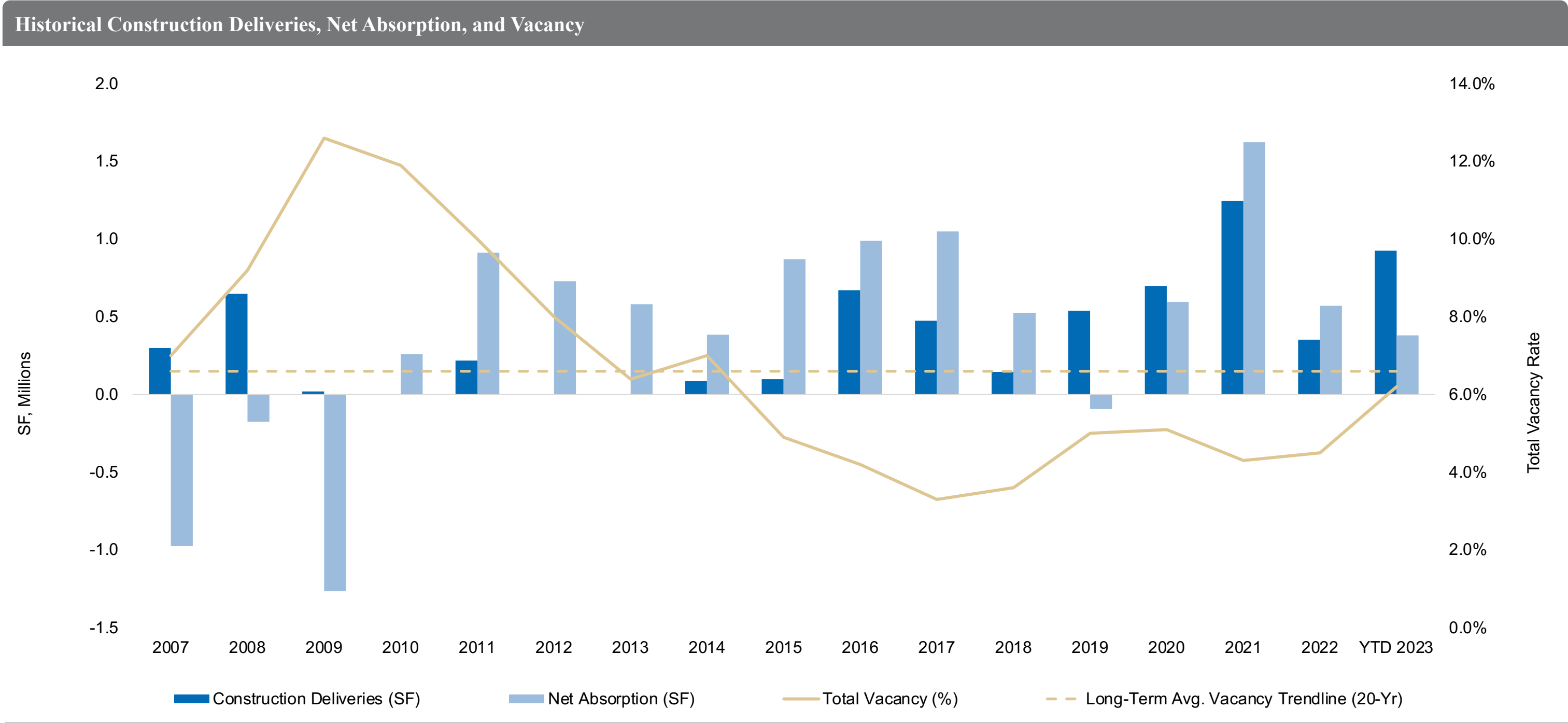
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Leasing Market Fundamentals



Vacancy Continues Trending up from Historic Lows

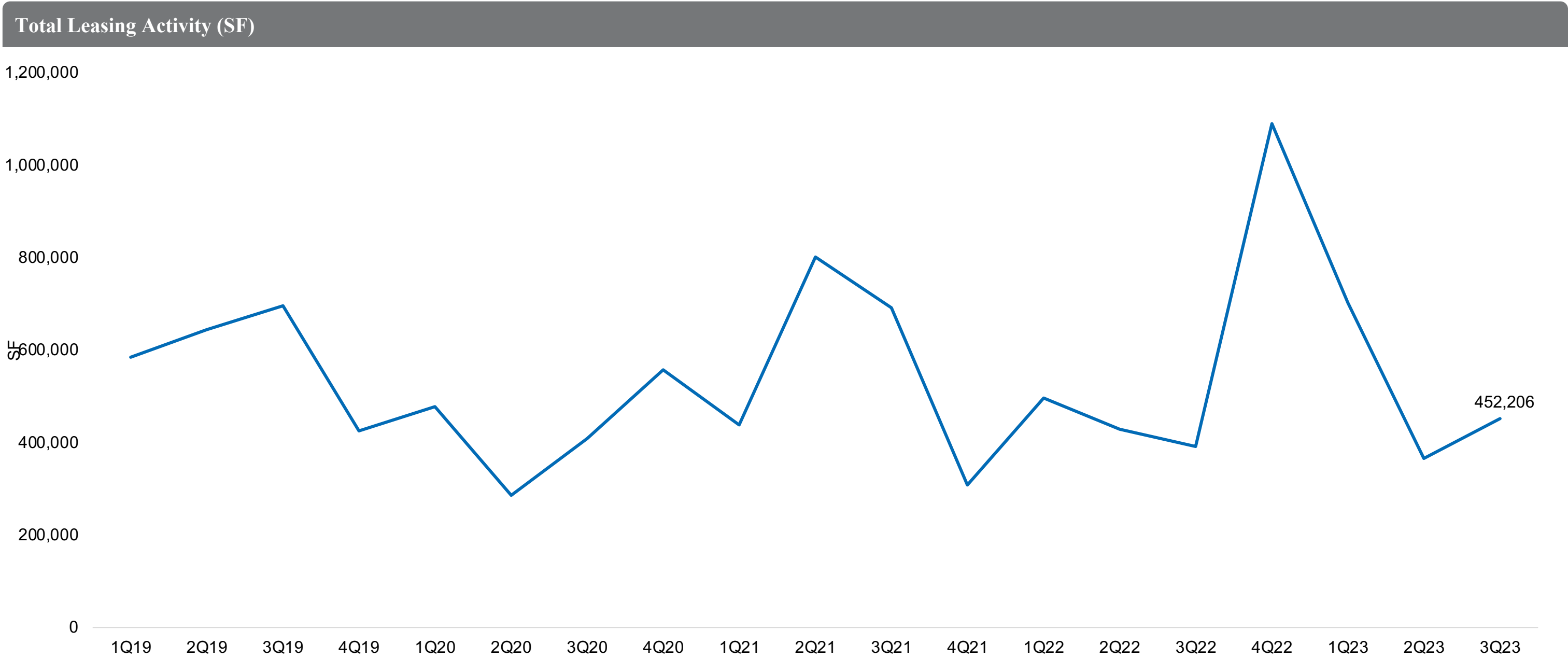
Palm Beach’s industrial vacancy rate increased by 190 basis points year-over-year to 6.2% in the third quarter of 2023. It remains below the long-term average of 6.6%. Year-to-date deliveries were 925,498 SF, well above the market’s net absorption of 384,540 SF for the same period. In the near term, Palm Beach industrial vacancy rates will increase as demand slows and new deliveries hit the market.



Source: Newmark Research, CoStar

Industrial Leasing Activity Remains Below Pre-Pandemic Levels

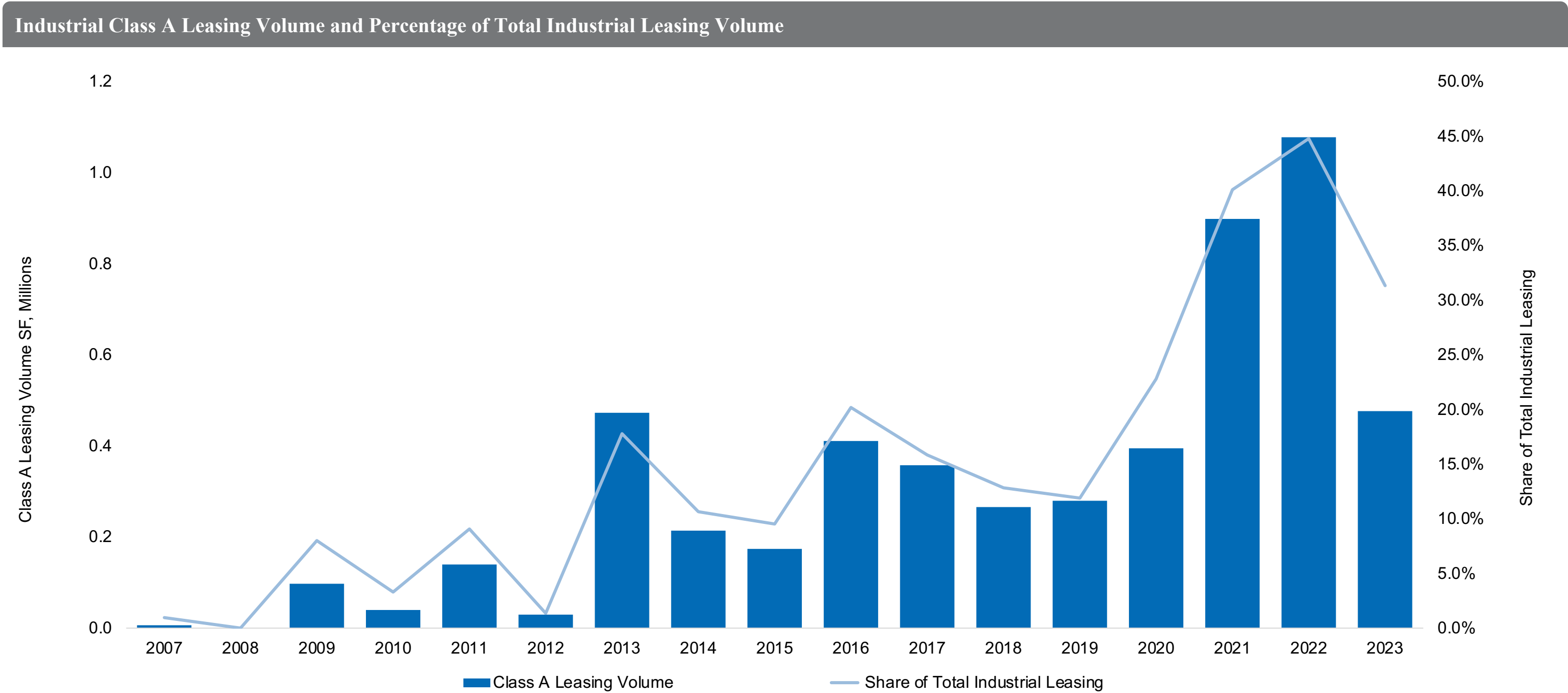
Quarter-over-quarter leasing activity rebounded 23.7%, ending the third quarter of 2023 at 452,206 SF. Despite muted leasing activity, likely resulting from national economic headwinds, net absorption continues to remain positive in the market.



Source: Newmark Research, CoStar

Class A Warehouse Leasing Increases in the Third Quarter

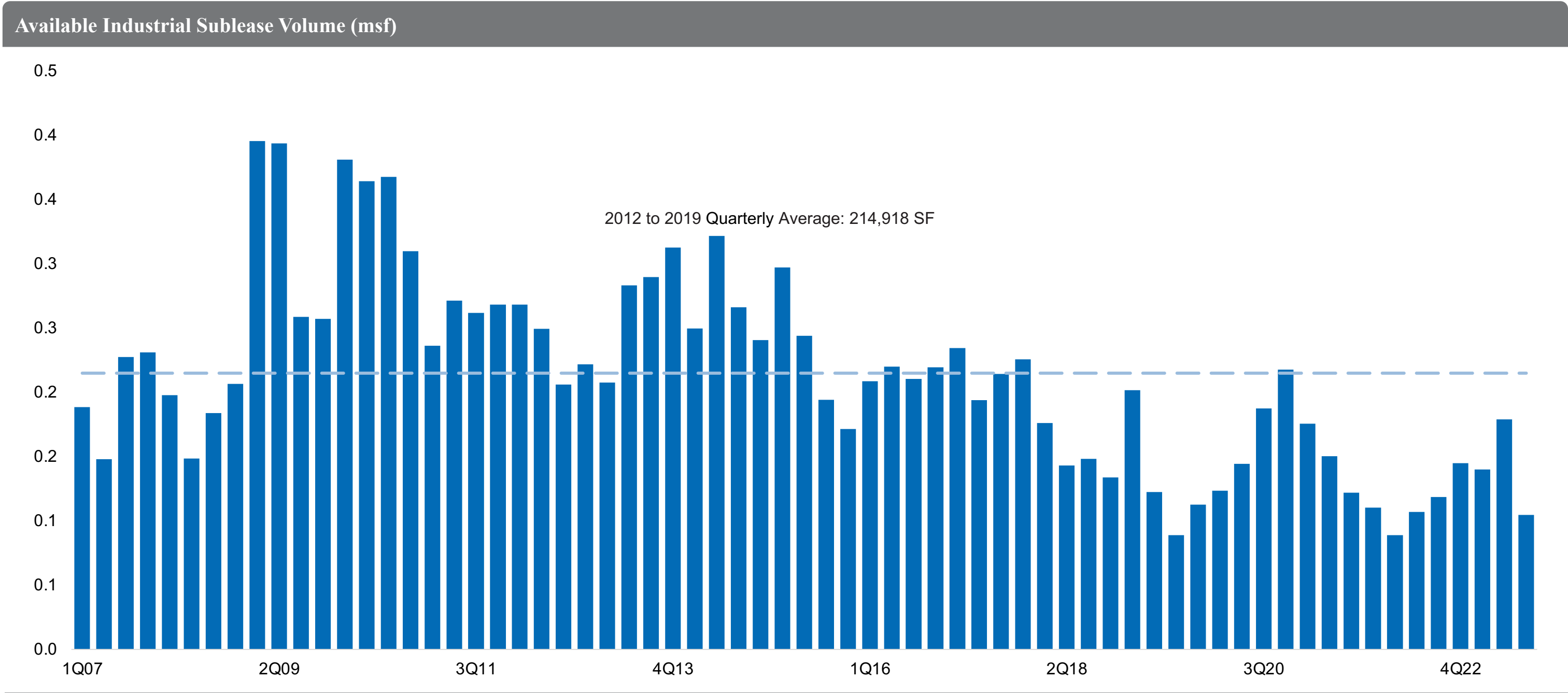
Class A warehouse and distribution leasing volume increased quarter over quarter from 29,779 SF to 168,595 SF in the third quarter of 2023. Class A leasing activity made up 31.3% of all year-to-date leasing activity, well above the pre-pandemic average of 11.9%, but below the 44.8% reported in 2022.



Source: Newmark Research, CoStar

Industrial Sublease Availability Begins Declining

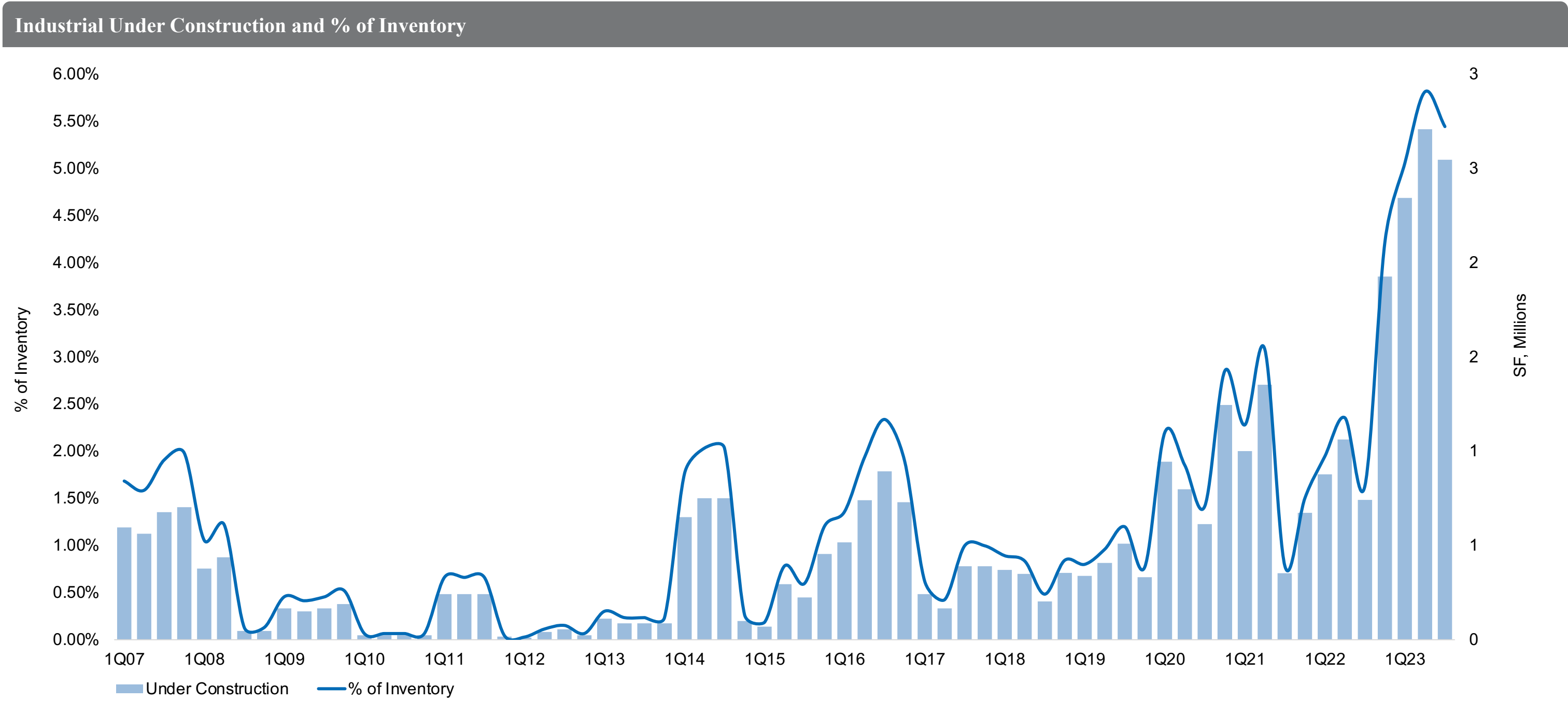
As of the end of the third quarter of 2023, industrial sublease space available is at 104,651 SF. Until recently, sublease availability has generally increased since the first quarter of 2022 but remains below the high of 217,717 SF recorded during the pandemic and the recent high of 178,827 SF recorded in the second quarter of 2023.



Source: Newmark Research, CoStar

Industrial Supply Pipeline Declines from Historical Peak

The construction pipeline decreased from the historical high of 2.7 MSF reported in the second quarter of 2023 to 2.5 MSF in the third quarter of 2023. Industrial developers are pausing new development projects amid slowing leasing activity and a challenging financing and economic environment. It is expected that several projects will be delivered over the next several months.

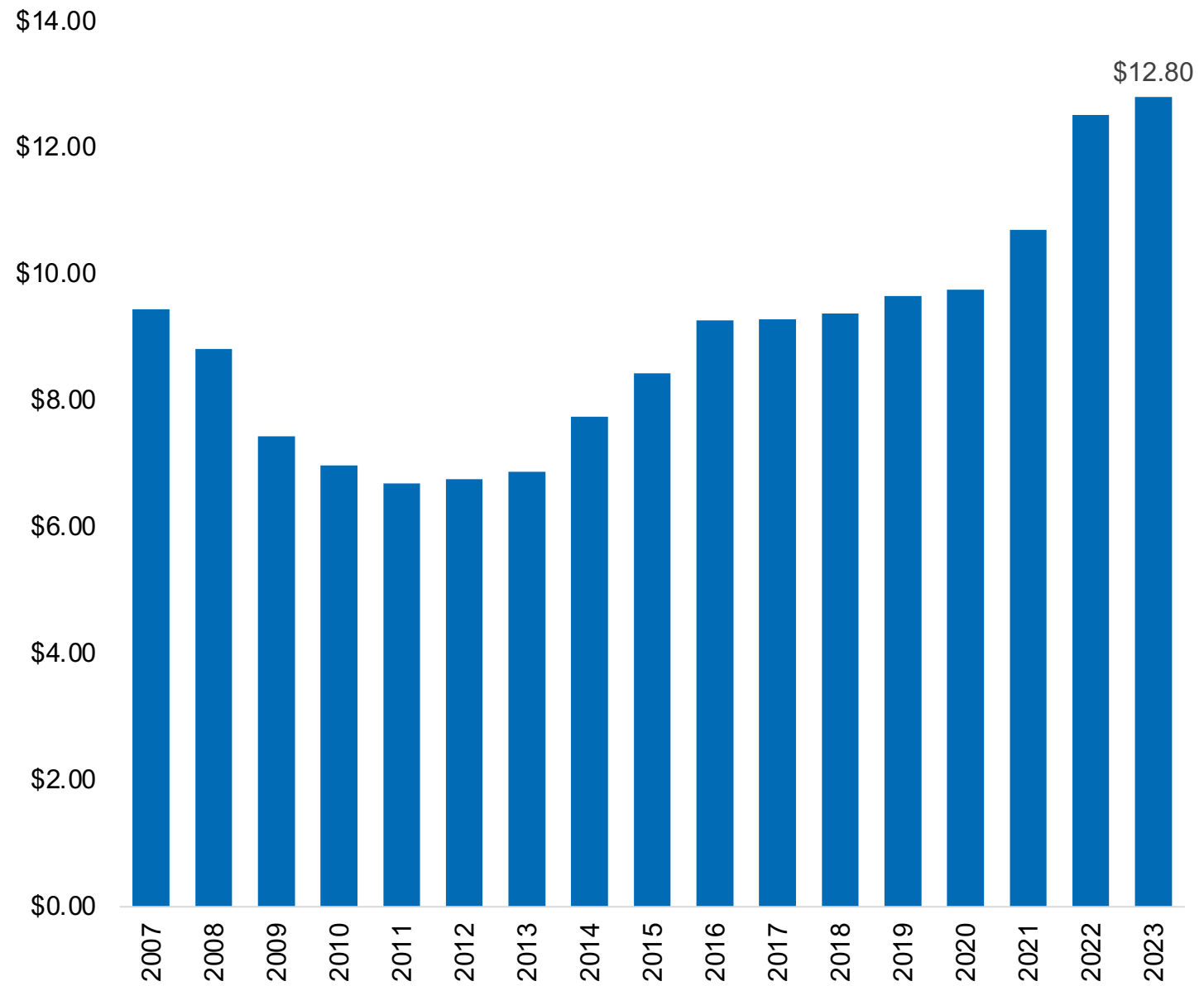


Source: Newmark Research, CoStar

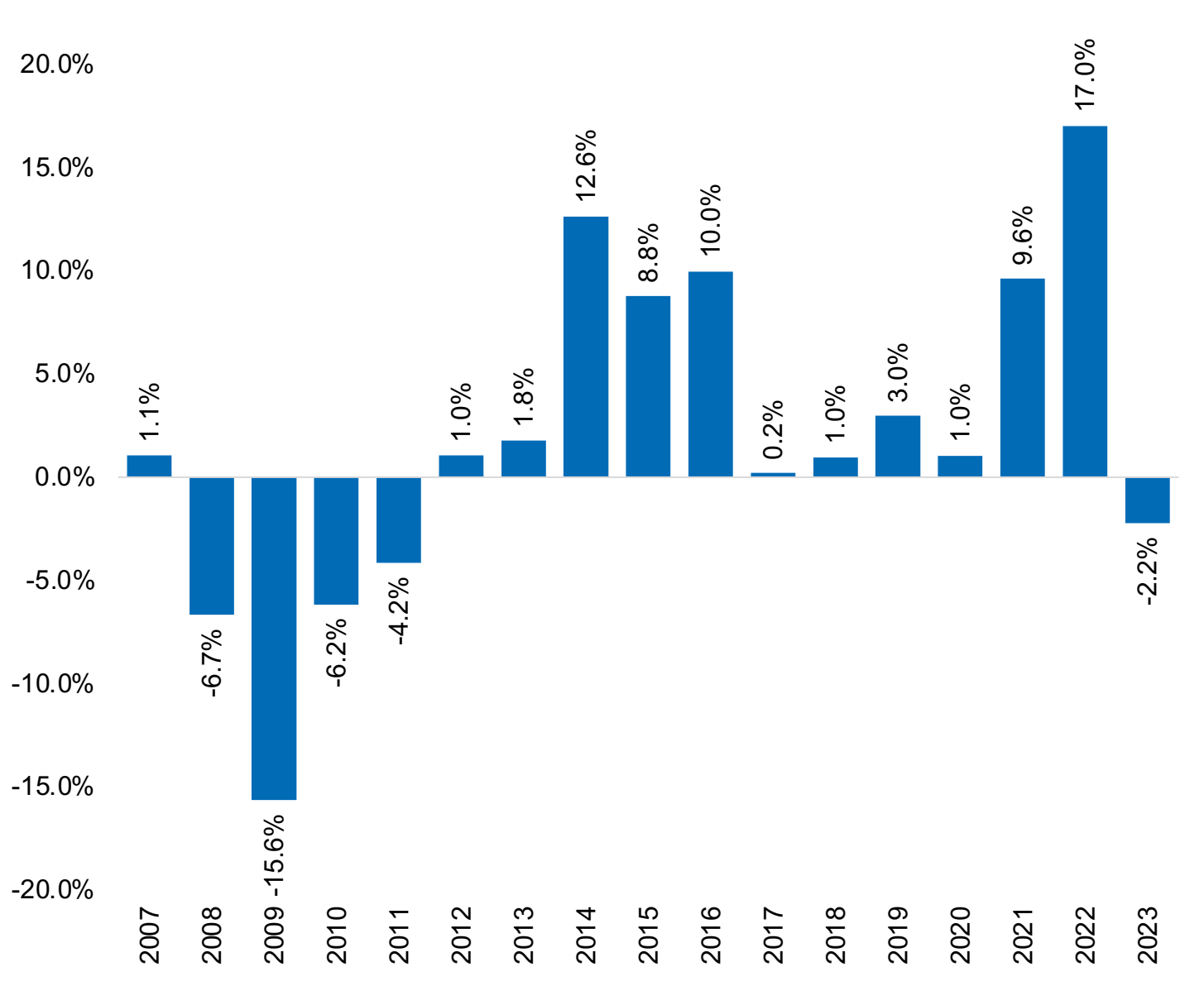
Asking Rents and Year-over-Year Rent Near Historical Highs

Industrial average asking rents have increased since the onset of the pandemic in 2020 and reached \$12.80/SF as of the end of the third quarter of 2023, increasing by 7.4% year over-year. This is well above the 10-year average rent growth rate of 6.5%. Rent growth is expected to flatten as industrial vacancy rates increase and demand wanes in the face of more challenging national economic headwinds.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 3Q23 Lease Transactions

Overall, leasing activity remained steady in the third quarter of 2023. New leases dominated the largest transactions of the quarter as local entities moved within the market and national entities moved into the market.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Reliable Healthcare Logistics <i>Reliable Healthcare Logistics is a 3PL with over 650,000 SF in facilities designated to the secure and proper storage of pharmaceutical products.</i>	Boca Distribution Center 1	Boca Raton	Renewal	70,744
Foundation Building Materials <i>FBM, which specializes in the local supply of building materials, has over 300+ locations across the U.S. and Canada with 31 of those located in Florida.</i>	7 th Avenue Logistics	South Central	Direct New	50,283
Laticrete International <i>Laticrete is a construction solutions company that specializes in tile and stone installation materials for architects, contractors, distributors, and homeowners.</i>	Silver Beach Industrial Park – Building III	North Central	Direct New	47,673
Novo Aero Services <i>Novo Aero Services is a FAA certified repair station focusing on commercial airplane components.</i>	Royal Palm Logistics	North Central	Direct New	24,373
Just Natural Products <i>Just Natural Products (to be rebranded JustNutritive) is a cosmetics manufacturer.</i>	Duke Realty Gateway – Gateway Center 200	South Central	Direct New	24,101

Source: Newmark Research

Palm Beach Industrial Submarket Overview



Please reach out to your
Newmark business contact for this information

Palm Beach Industrial Submarket Map



Please reach out to your
Newmark business contact for this information

For more information:

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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