
2Q24

Palm Beach Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate trended upwards, increasing by 52 basis points year over year to 3.3% but remaining well below the five-year average of 4.3%
- Job growth pace has slowed compared with recent highs to 1.9% year over year, but has risen above pre-pandemic levels, with May 2019 growth averaging 1.8%
- All sectors, except other services, financial activities, business and professional, and information, reported employment growth, with mining and construction leading job gains at 8.1% 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 8.1%, 2.9%, and 1.5% year over year, respectively.

Major Transactions

- TPH Holdings, LLC signed the largest deal of the second quarter, a renewal for 26,002 SF at Landmark Commerce Center II.
- Seven of the top ten leases in the second quarter took place in the North Central submarket of Palm Beach, with two in South Central and one in Boca Raton.
- The top five deals were done by four tenants in different supplier industries and one manufacturer. None of the top ten deals were done by 3PL companies for a third consecutive quarter. This suggests that warehousing space is currently in greater demand than distribution space.

Leasing Market Fundamentals

- The market realized 211,066 SF of positive absorption in the second quarter of 2024, a 17.1% year over year increase.
- Overall rental rates increased by 5.3% quarter over quarter and by 3.5% year over year to \$13.59/SF.
- Construction deliveries in the second quarter of 2024 totaled a record high 1.4 MSF while another 449,513 SF remains under construction.
- Supply greatly exceeded demand this quarter due to record high deliveries, which pushed the vacancy rate up by 220 basis points quarter over quarter to 8.4%. However, vacancy has only increased by 240 basis points year over year, indicating that vacancy was normalized prior to the influx of new supply.

Outlook

- The Palm Beach industrial market will see a drop in new supply delivering to the market in the medium term, due to a decline to 0.9% 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 with very limited 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. Of the remaining space currently under construction, 32.5% is preleased.

1. Economy
2. Leasing Market Fundamentals

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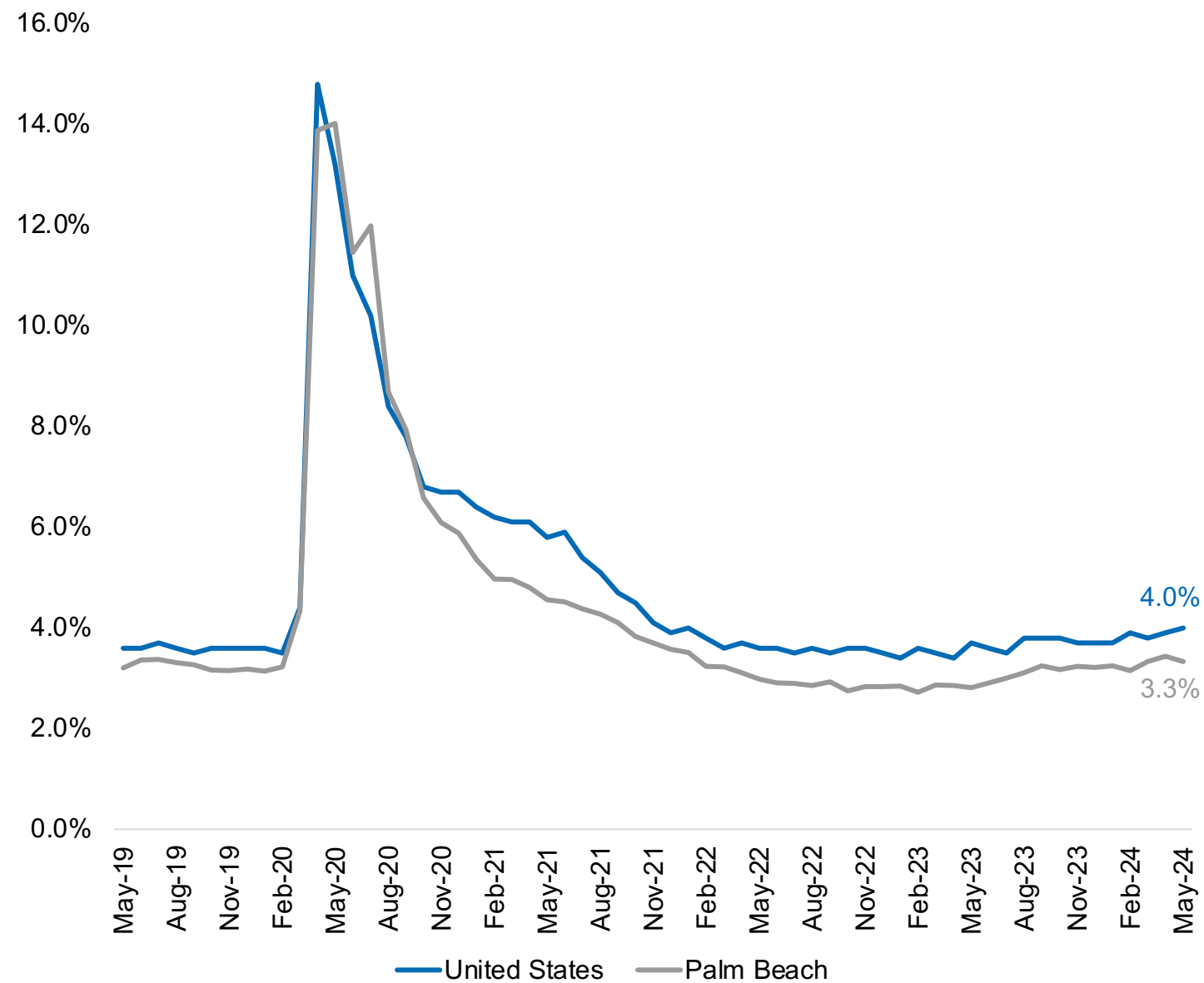
Economy



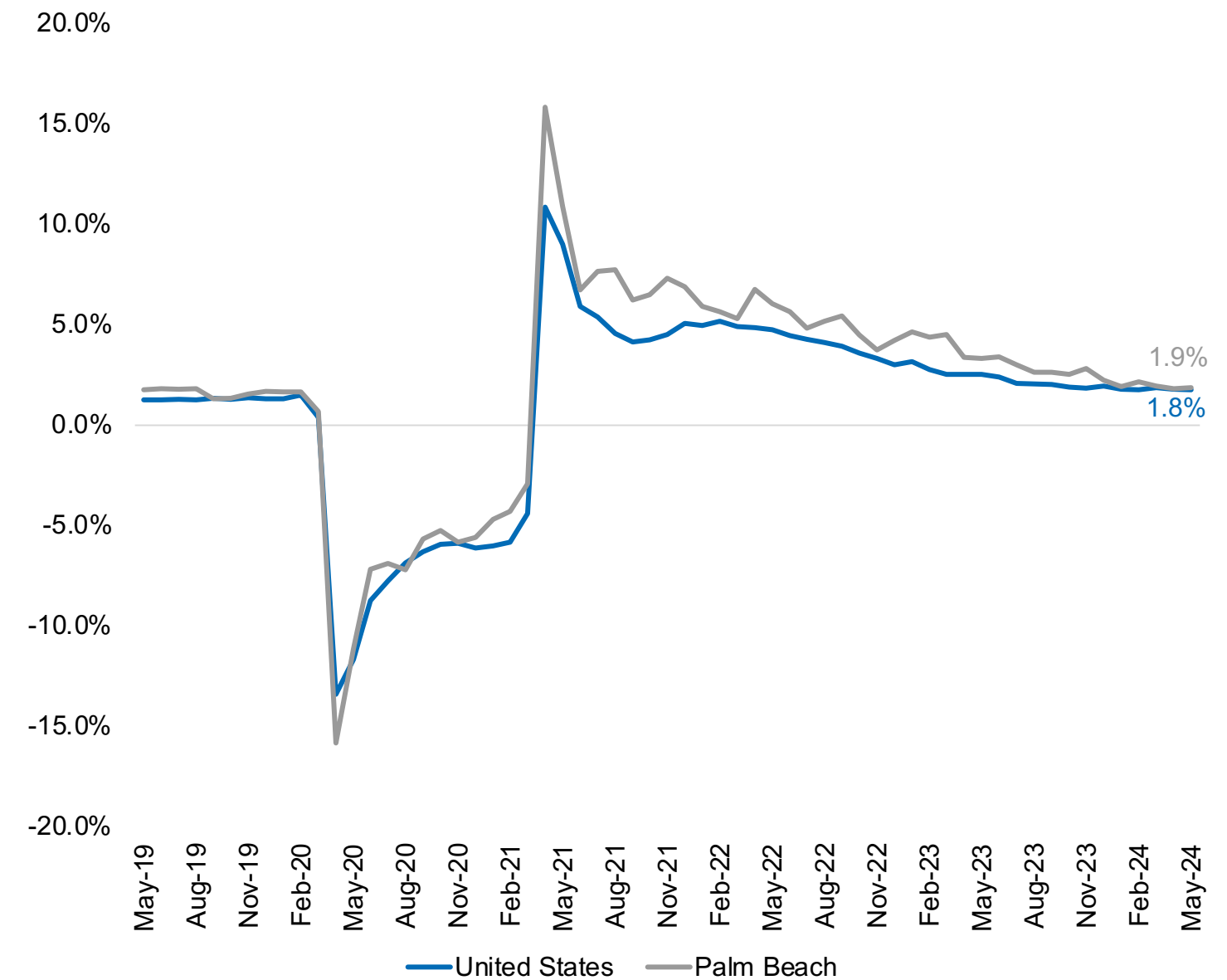
Unemployment Ticks Upward; Employment Growth Loses Steam

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 52 basis points year over year to 3.3%, marking the eleventh consecutive month above 3.0%. Employment growth has recently decelerated to just above pre-pandemic levels and fell by 146 basis points year over year to 1.9%, likely impacted by recent national economic headwinds.

Unemployment Rate, Seasonally Adjusted



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



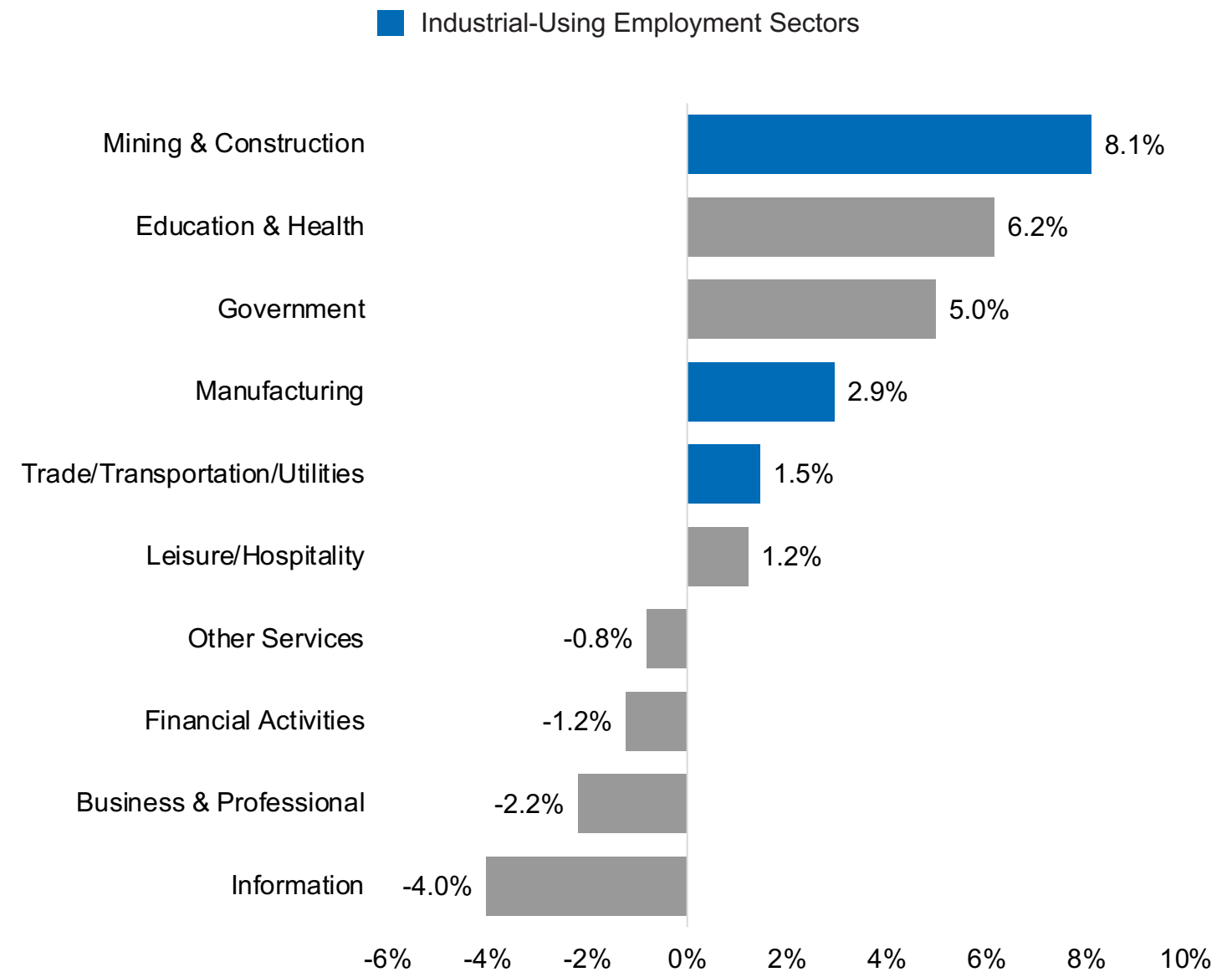
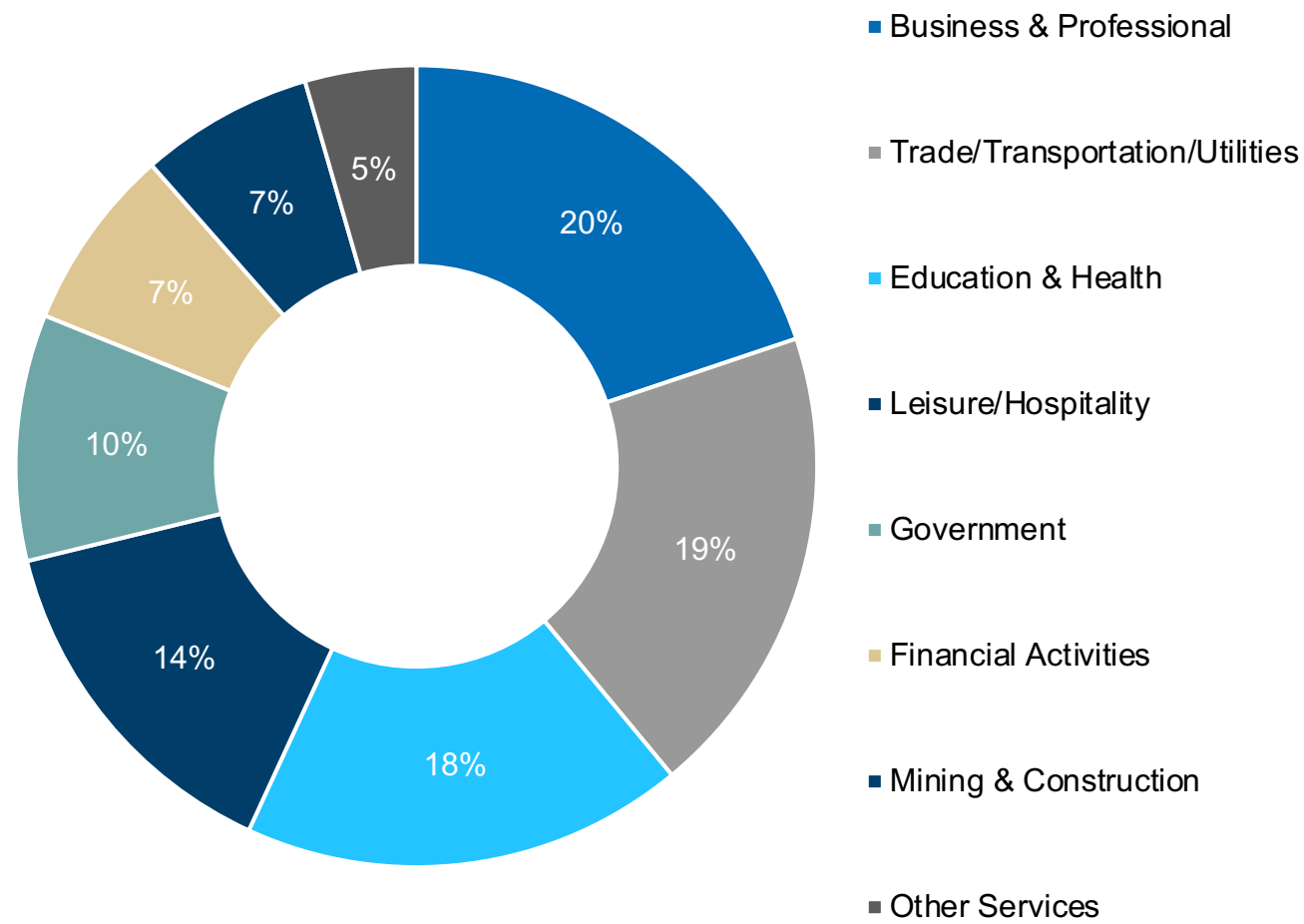
Source: U.S. Bureau of Labor Statistics, Palm Beach County

Industrial-Using Employment Sectors Report Growth

Palm Beach's top two employment industries account for 37.1% 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 other services, financial activities, business and professional, and information, reported growth, with industrial-using industries reporting year-over-year growth ranging from an increase of 1.5% to 8.1%.

Employment by Industry, May 2024

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

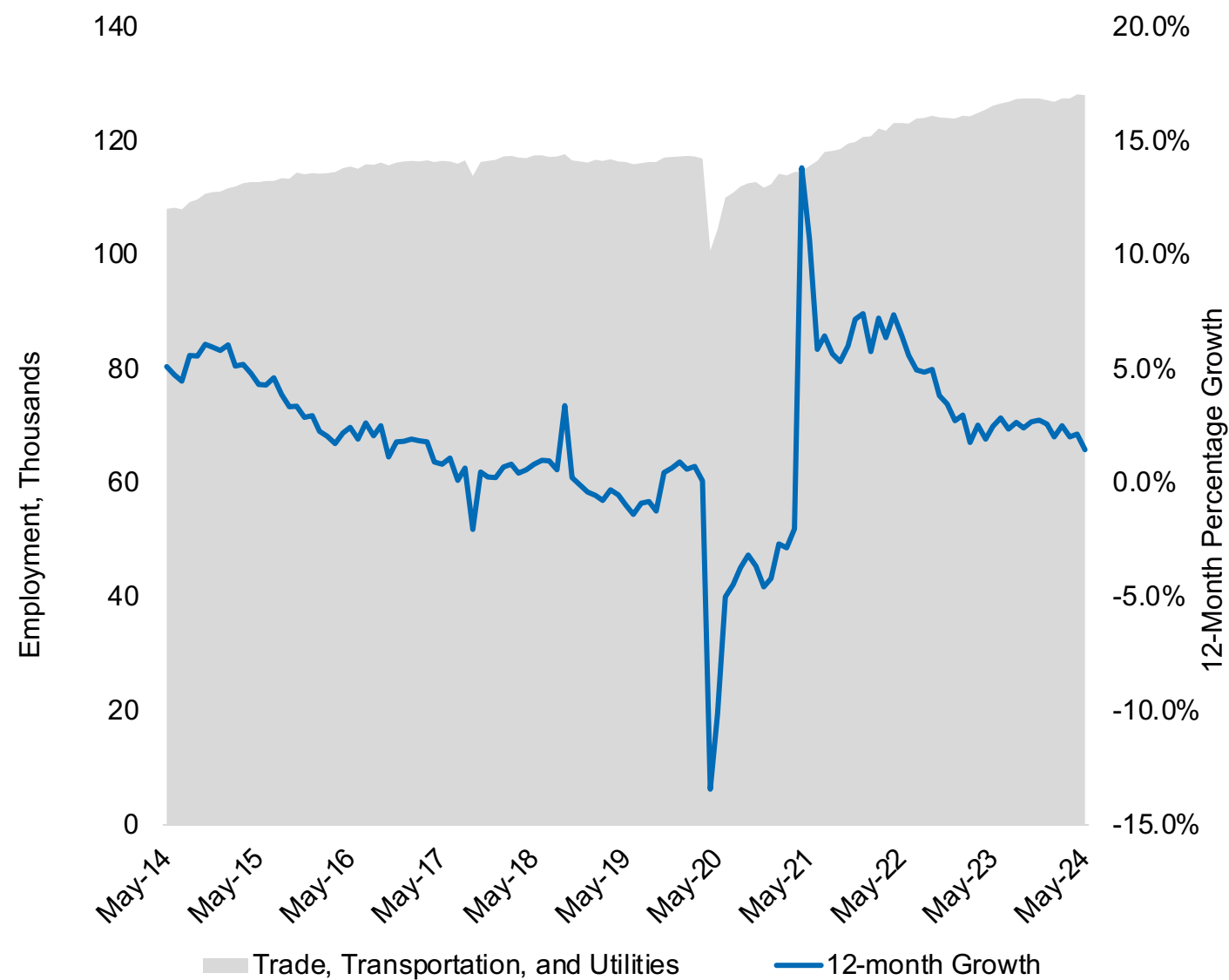


Source: U.S. Bureau of Labor Statistics, Palm Beach County

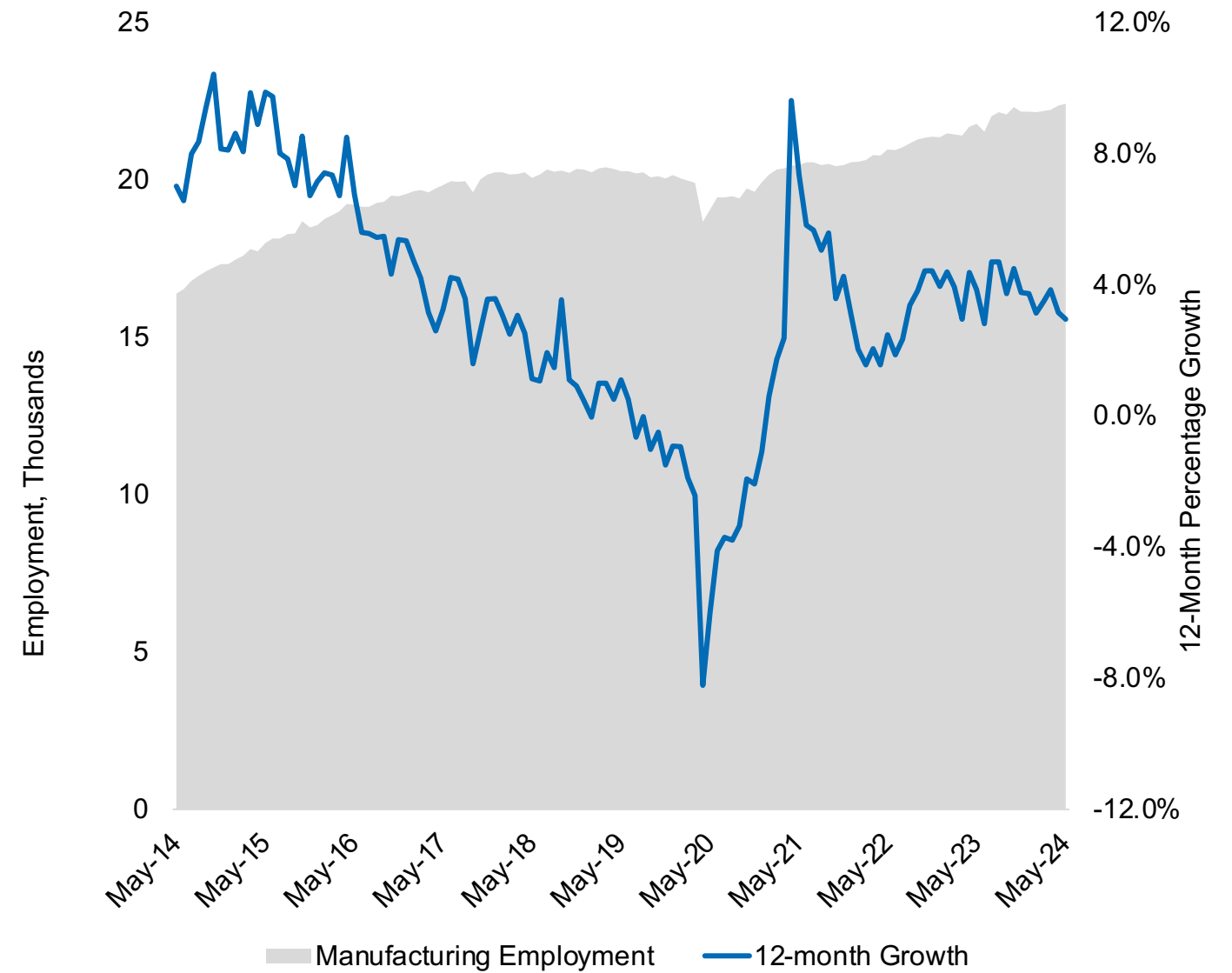
Industrial Employment Reaches All Time Highs in the 2Q24

Trade, transportation, and utilities employment has trended slightly down to 127,984 employees as of the end of May 2024, remaining close to the historical high of 128,144 reported in the previous month. During the same period manufacturing employment trended upwards to 22,411 jobs surpassing the previous historical high of 22,364 recorded in the month prior. Trade, transportation, and utilities and manufacturing employment have shown moderate growth, with May 2024 reporting 1.5% and 2.9% growth year over year, respectively.

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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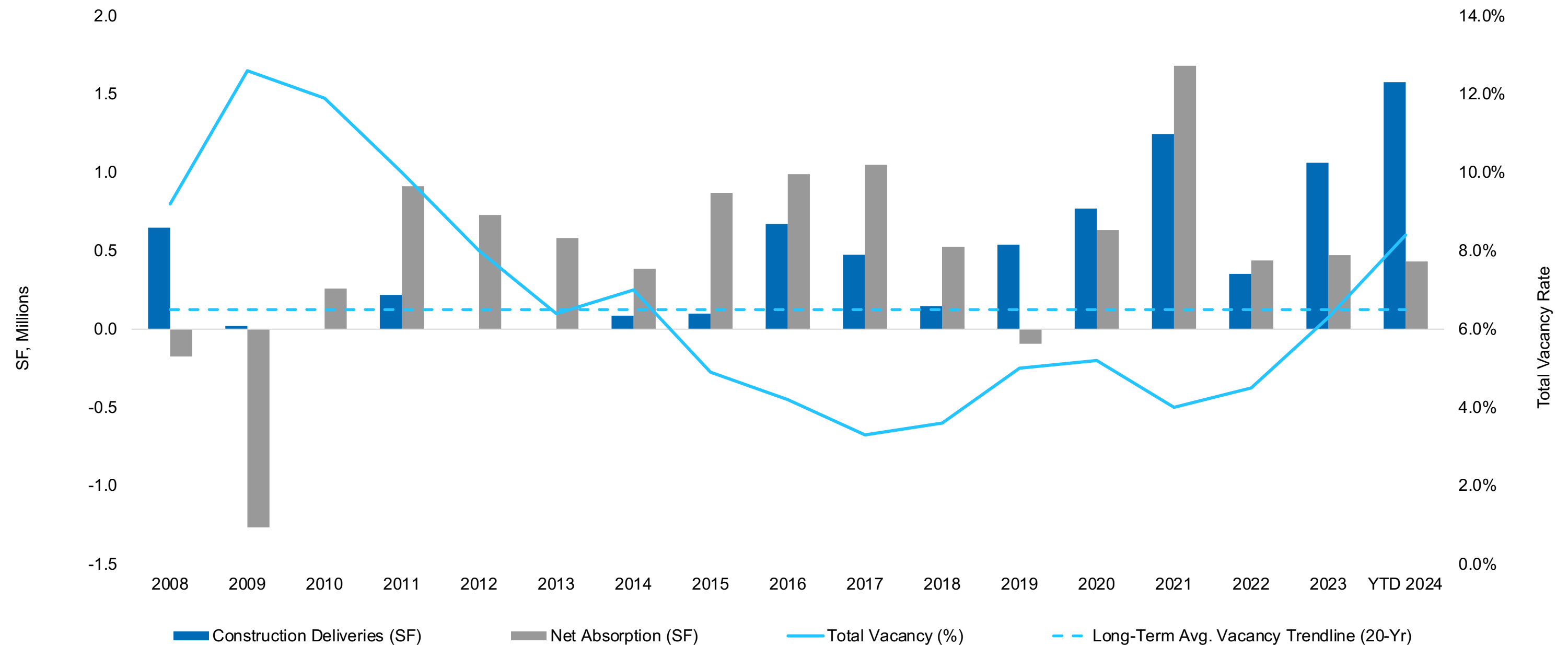
Leasing Market Fundamentals



Record Breaking New Supply Exceeds Continued Strong Demand

Palm Beach's industrial vacancy rate increased by 240 basis points year-over-year to 8.4% in the second quarter of 2024, moving above the long-term average of 6.5%. Deliveries for the second quarter totaled 1.4 MSF, nearly six and a half times the market's net absorption of 211,066 SF. In the near term, Palm Beach industrial vacancy rates are projected to remain elevated as new deliveries hit the market and are absorbed.

Historical Construction Deliveries, Net Absorption, and Vacancy

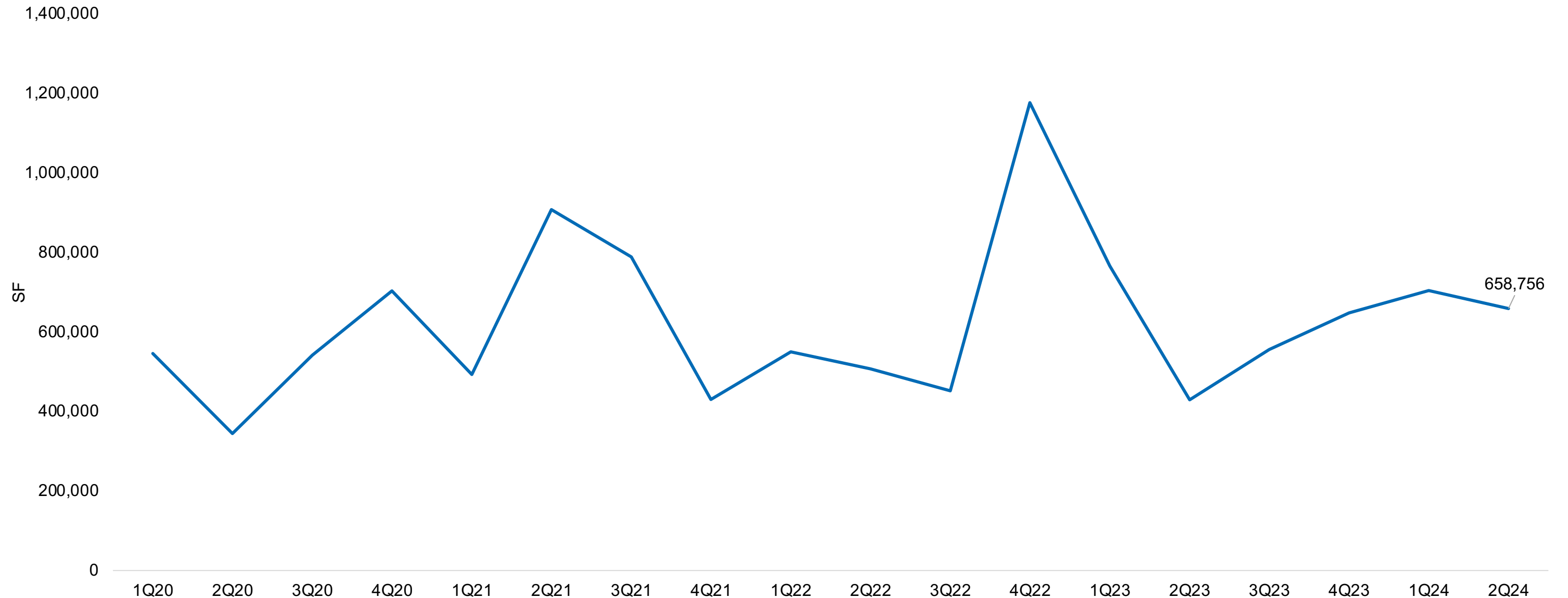


Source: Newmark Research, CoStar

Industrial Leasing Activity Remains Above Pre-Pandemic Levels

Quarter-over-quarter leasing activity eased slightly by 6.4% from the first quarter of 2024, ending the second quarter at 658,756 SF. Overall demand in the market continues to remain positive with six consecutive quarters of the number of deals done topping triple digits despite national economic headwinds.

Total Leasing Activity (SF)

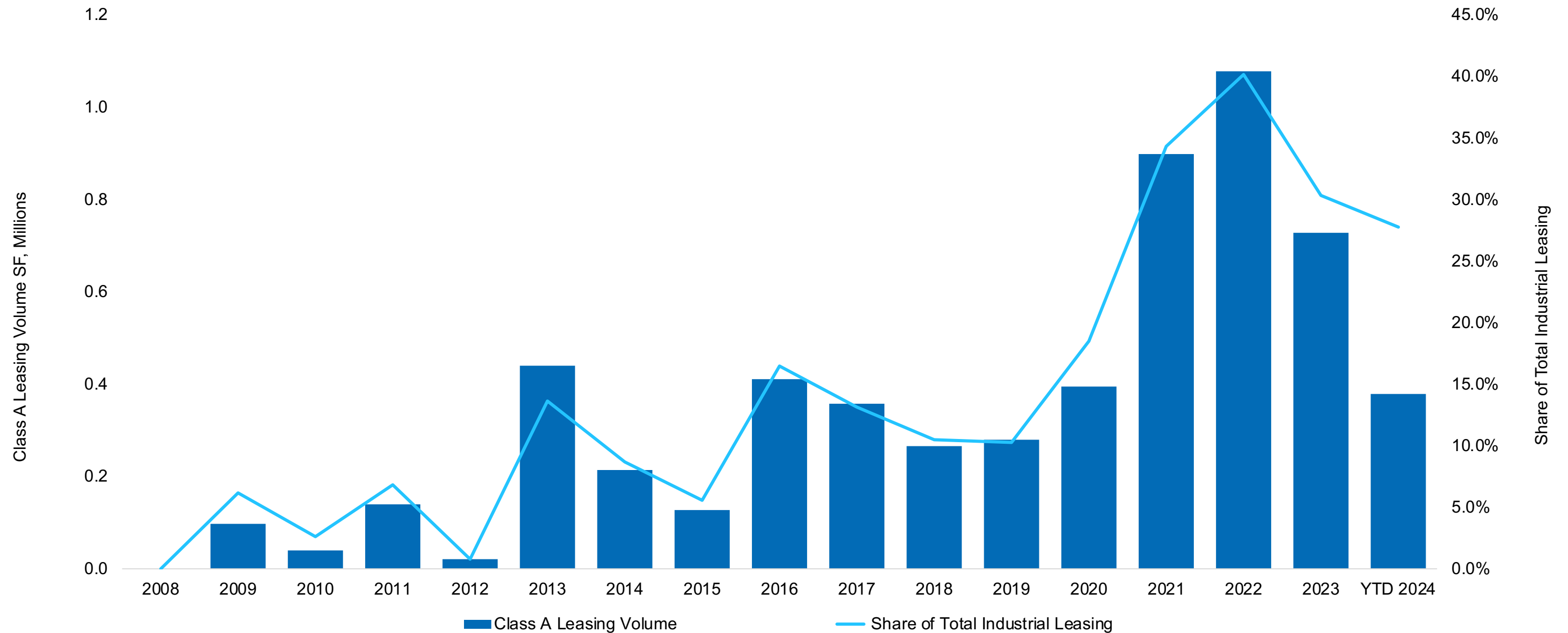


Source: Newmark Research, CoStar

Class A Warehouse Leasing Share Declines

Class A Leasing volume decreased by 44.0% quarter over quarter to 135,837 SF. Class A leasing activity accounted for 27.8% of all leasing so far in 2024, surpassing the pre-pandemic average of 10.3% for 2019, but falling short of the 40.2% high reported in 2022. With an increasing share of Class A warehouse availability due to record high new deliveries, Class A leasing is anticipated to rise in the second half of 2024.

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

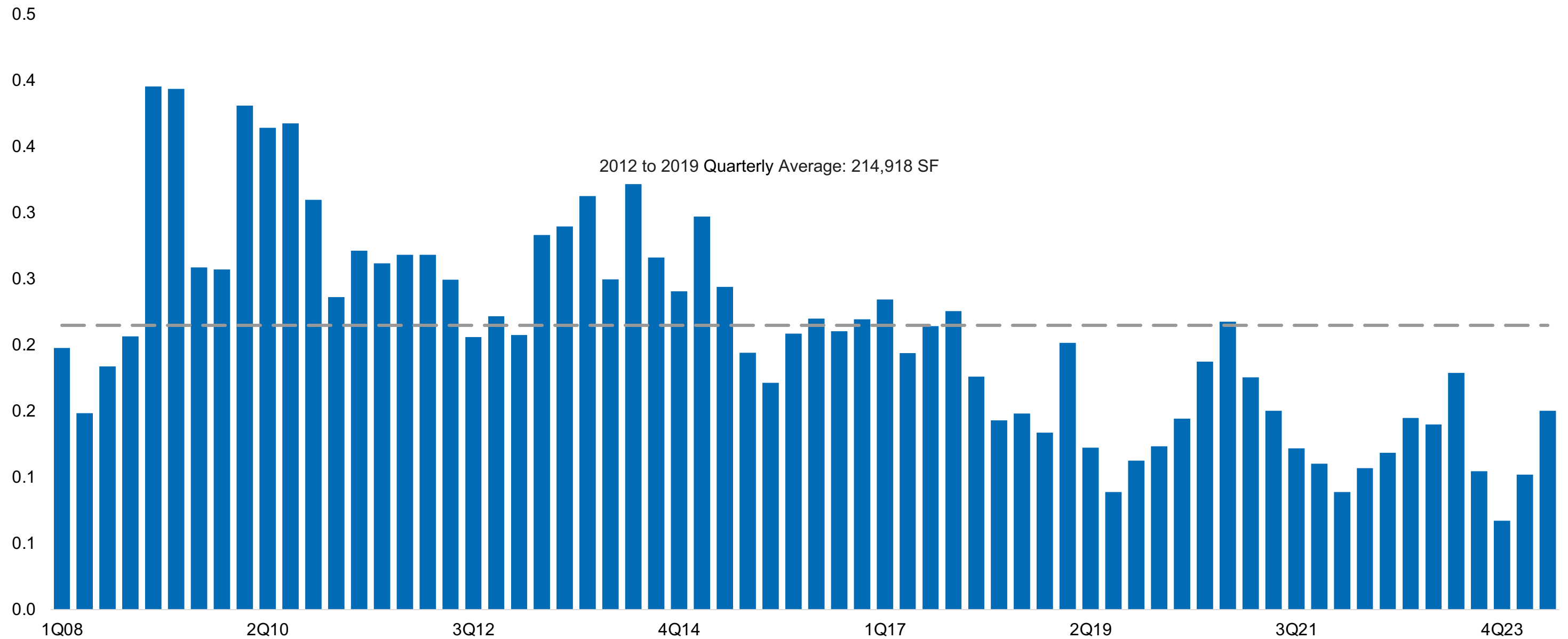


Source: Newmark Research, CoStar

Industrial Sublease Availability Rising From Record Low

Until recently, sublease availability has generally decreased since the recent high in the second quarter of 2023 at 178,827 SF. A recent low was reached in the fourth quarter of 2023 when sublease availability was at 67,334 SF. Sublease availability fell by 16.0% year over year to 150,214 SF as of the end of the second quarter of 2024 and remains well below the 2012 to 2019 average of 214,918 SF.

Available Industrial Sublease Volume (msf)

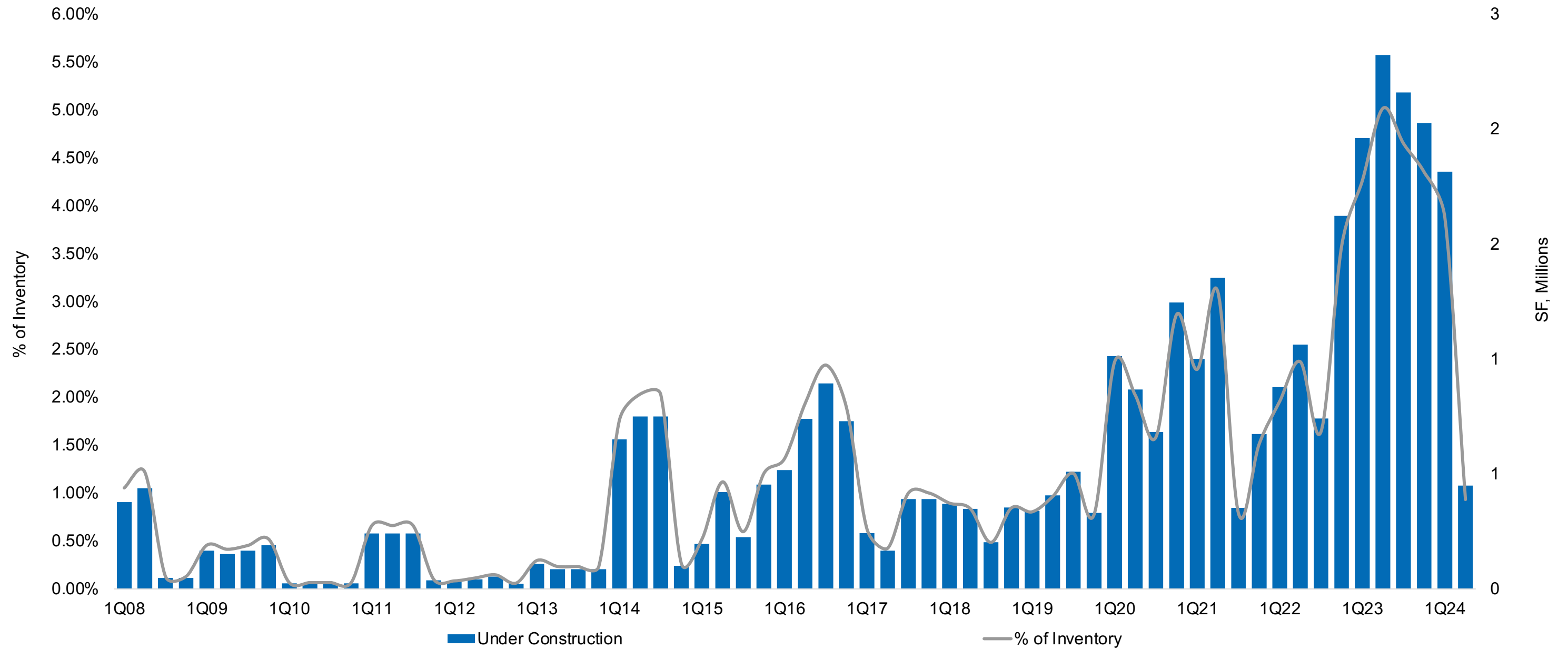


Source: Newmark Research, CoStar

Industrial Supply Pipeline Continues Declining from Historical Peak

The construction pipeline decreased from the historical high of 2.3 MSF reported in the second quarter of 2023 to 449,513 SF as of the second quarter of 2024, marking four consecutive quarterly declines. Industrial developers are pausing new development projects in the near term to allow the market time to absorb the influx of new supply. With a record number of deliveries in the second quarter of 2024 and two projects still underway, it is anticipated that the pipeline will pause on new starts until early 2025.

Industrial Under Construction and % of Inventory

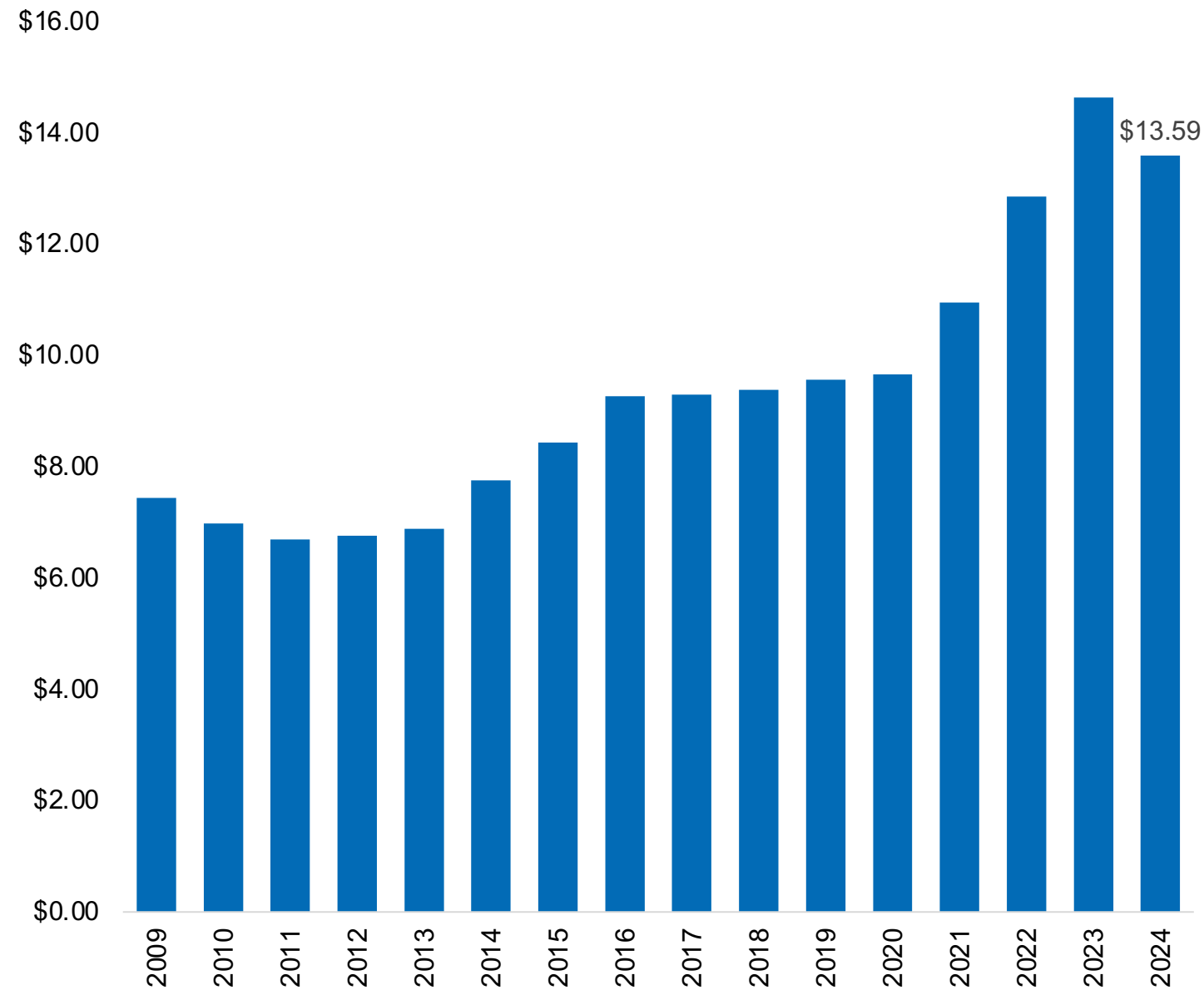


Source: Newmark Research, CoStar

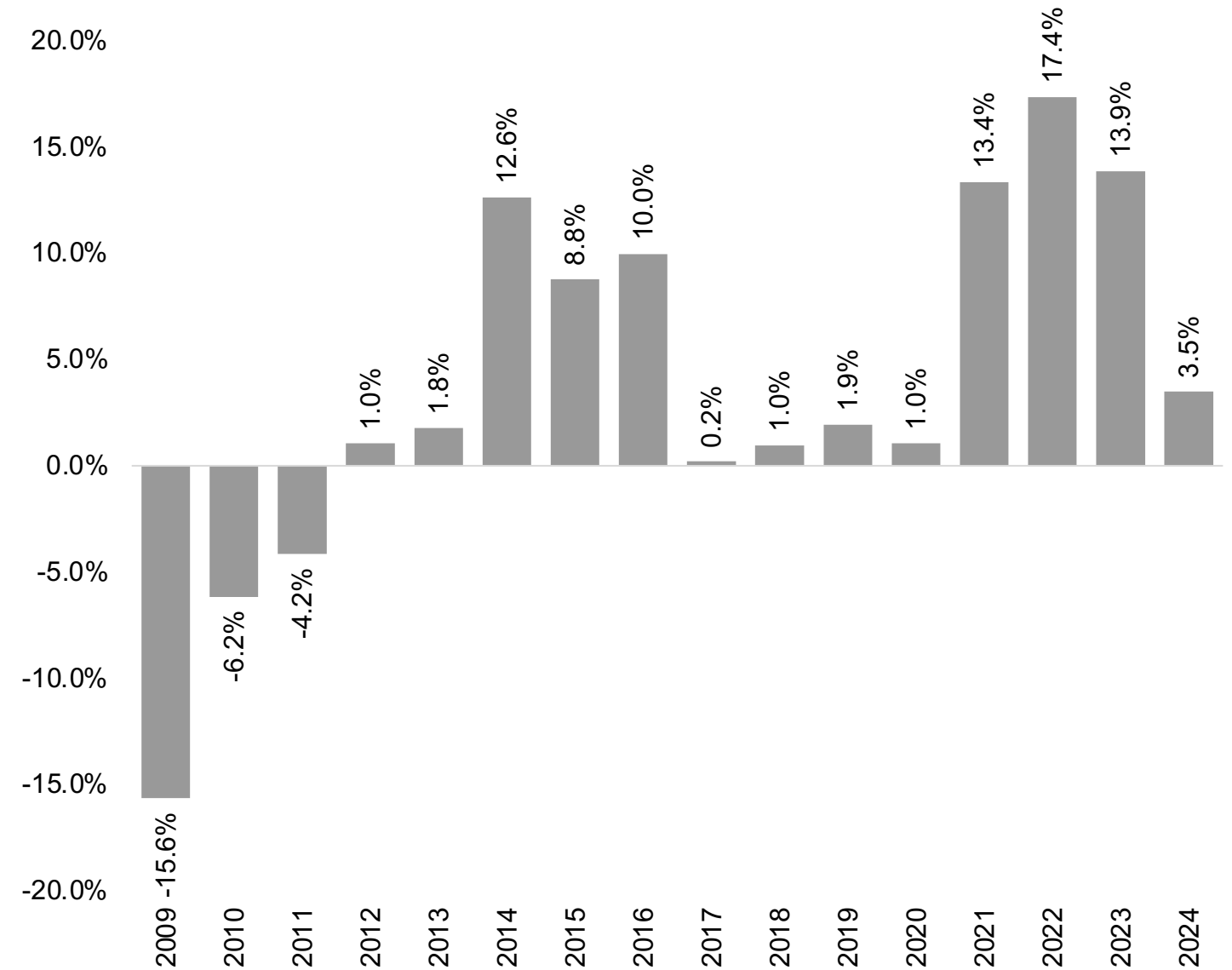
Asking Rents Temporarily Ease From All Time High

Industrial average asking rents have rapidly increased since the onset of the pandemic in 2020 but the pace of growth has continued to decrease since 2022. As of the end of the second quarter of 2024, asking rents increased by 3.5% year over year to \$13.59. 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 2Q24 Lease Transactions

Overall leasing activity declined by 6.4% quarter over quarter in the second quarter of 2024. New leases and renewals 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 27.8% of total lease activity for the quarter. Of the space currently under construction, 32.5% is pre-leased.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
TPH Holdings, LLC <i>TPH Holdings, a business-to-business automotive parts supplier, signed the largest deal of the second quarter, a renewal for 26,002 SF at Landmark Commerce Center II.</i>	Landmark Commerce Center II	North Central	Renewal	26,002
Import Mex Distributors <i>Import Mex is a distributor of Mexican and Central American products in demand and is headquartered in Riviera Beach, Florida. The company was subleasing their space beforehand.</i>	Lewis Terminals Distribution	North Central	Direct New	23,471
Panor Corporation <i>Panor Corporation is a manufacturer of LED products and home lighting and electrical products.</i>	Silver Beach Industrial Park – Building IV	North Central	Direct New	23,384
U.S. LBM Holdings <i>U.S. LBM Holdings is one of the largest building products distributors in the United States. The company operates more than 400 locations nationwide.</i>	Turnpike Crossing 5	North Central	Direct New	23,066
Florida Water Products, LLC <i>Florida Water Products is a distributor of pool and spa supplies across Central and South Florida. The business currently operates 11 locations.</i>	Turnpike Business Center	North Central	Renewal	20,708

Source: Newmark Research



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