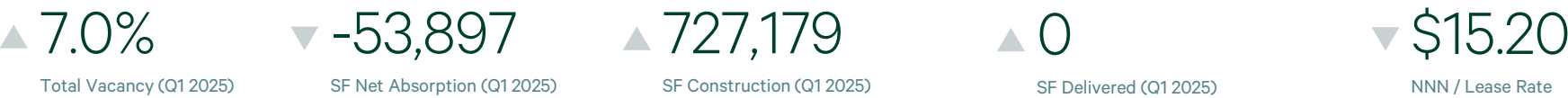


FIGURES | PALM BEACH INDUSTRIAL | Q1 2025

Early year demand slows amid steady market fundamentals

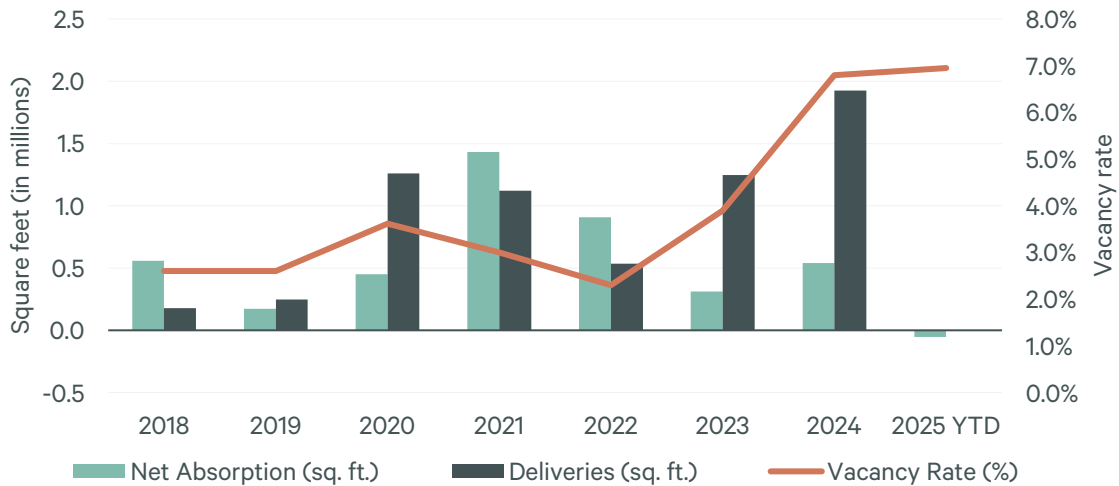


Note: Arrows indicate change from previous quarter.

Market highlights

- The year began with over 50,000 sq. ft. of negative net absorption, largely due to move-outs by smaller tenants, primarily those occupying spaces under 10,000 sq. ft. Looking ahead, absorption levels are expected to normalize, reflecting steady demand rather than the sharp spikes observed in 2021.
- The vacancy rate has reached a multi-year high of 6.2%, mainly due to large buildings (above 200,000 sq. ft.) developed outside of the core market. Demand for large swaths of industrial space will be the key deciding factor for how quickly vacancy rates will recover in 2025 and beyond.
- Rental growth, which peaked in 2021, has significantly slowed. Currently, the annual growth rate is 3.0% across the Palm Beach market. For now, landlords are lowering rents as fundamentals soften. However, ongoing economic uncertainty and tariff negotiations may introduce short-term volatility.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

Entering 2025, the Palm Beach industrial market has cooled from its record pace of demand following the pandemic. Annual absorption reached 340,000 sq. ft. over the past four quarters, while up from the previous year it is down about 53% from the market's average over the past five years. Less demand from large box tenants has led to this decline; though some are still active, tenant activity is below its peak.

The bulk of this quarter's negative absorption was concentrated in the Boca Raton submarket, driven primarily by significant vacancies such as Woodfield Distribution (53,000 sq. ft.) and Bahama Boats (19,600 sq. ft.). Additionally, several smaller tenants occupying less than 10,000 sq. ft. also vacated their space, further contributing to the market's overall decline. While there were some notable move-ins, including Deutz (43,800 sq. ft.) in Riviera Beach and Ideal Nutrition (43,200 sq. ft.) in West Palm Beach, they were not sufficient to fully offset the drop in demand this quarter.

VACANCY & PRICING

Since 2022, vacancy rates have risen from 2.3% to 7.0%, largely driven by the delivery of big-box industrial buildings on the outskirts of the core market. The Palm Beach Outlying submarket alone has added 1.0 million sq. ft. of new inventory during this period, with an average building size of 300,000 sq. ft., significantly larger than the region's typical development footprint. A majority of these newly constructed facilities remain unleased, placing upward pressure on overall vacancy.

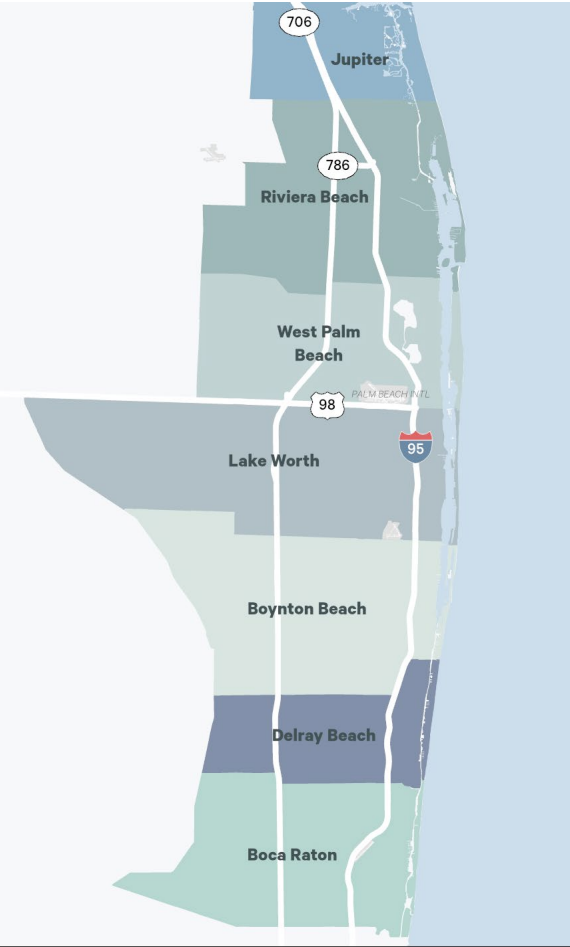
Annual rent growth has slowed to 3.0%, down from double-digit peaks in early 2022 amid softer demand. While further growth is expected, it will likely continue to decelerate as leasing activity remains subdued.

FIGURE 2: Statistical Snapshot Q1 2025

Submarket	Total Inventory (Sq. Ft.)	Total Vacancy	Q1 2025 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Q1 2025 Deliveries (SF)	Avg. Asking Lease Rate (\$/SF /NNN)
Boca Raton	7,413,431	4.75 %	-143,387	-143,387	0	0	\$16.80
Boynton Beach	4,888,641	2.15 %	-9,222	-9,222	457,396	0	\$15.23
Delray Beach	3,177,531	3.46 %	11,597	11,597	269,783	0	\$16.16
Jupiter	1,659,179	1.52 %	1,200	1,200	0	0	\$19.00
Lake Worth	3,910,625	0.91 %	1,819	1,819	0	0	\$22.29
PB Outlying	5,154,632	31.07 %	2,591	2,591	0	0	\$13.57
Riviera Beach	12,587,773	4.43 %	46,396	46,396	0	0	\$19.39
West Palm Beach	14,794,524	6.12 %	35,109	35,109	0	0	\$15.56
Total Palm Beach	53,586,336	7.0 %	-53,897	-53,897	727,179	0	\$15.20

All stated rents are estimates subject to size, credit, TI, and term.

Market Area Overview



CBRE Economic House View

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

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