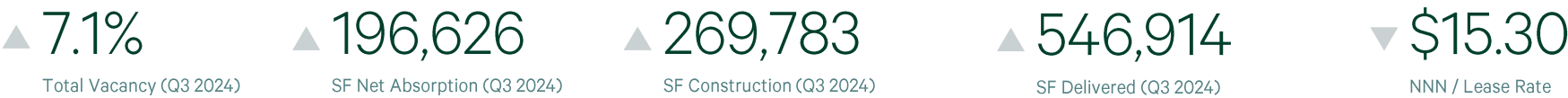


FIGURES | PALM BEACH INDUSTRIAL | Q3 2024

# Demand has stabilized, even as new deliveries reach record highs

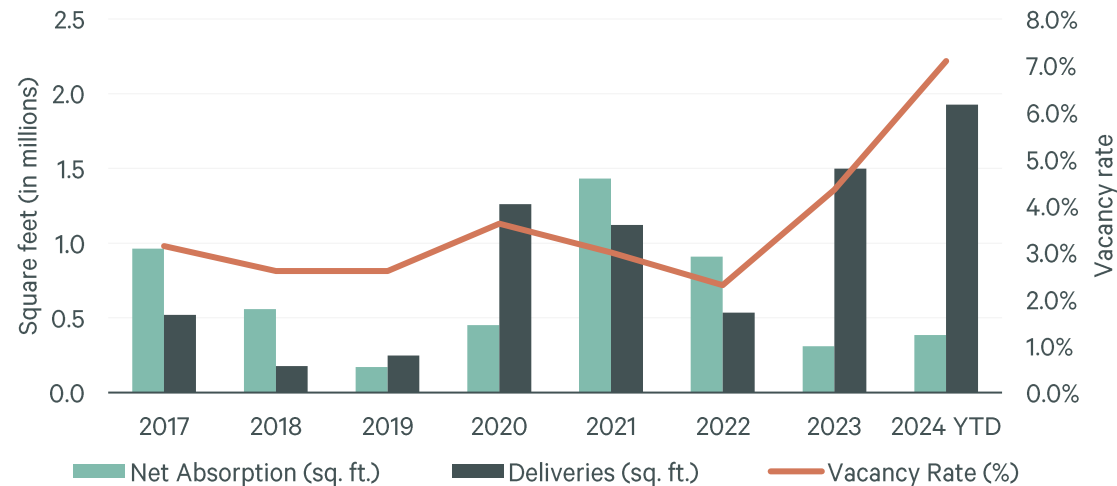


Note: Arrows indicate change from previous quarter.

## Market highlights

- The Palm Beach industrial market is sending mixed signals in the second half of 2024. Leasing activity is down, but net absorption is up. Annual rent growth has cooled, but long-term tenants face unprecedented sticker shock at lease renewal. New construction won't pencil, but deliveries remains at record levels.
- Currently, large vacant spaces remains the market's biggest challenge, and the combination of slower leasing and record levels of big-box construction has lifted the availability rate to 9.0%, 500 basis higher than two years ago. Developers have delivered more than 3.0 million sq. ft. since 2023, and an additional 269,783 sq. ft. remains underway. The bulk of new space has been in speculative distribution centers larger than 200,000 sq. ft., which has heightened supply pressure in the exurban submarkets where most construction is concentrated.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

Net absorption in Q3 2024 recorded its strongest performance in over a year, driven by a slowdown in move-outs and significant move-ins at previously leased big-box spaces. Notable examples include Cook and Boardman, which occupied more than 100,000 sq. ft. at Turnpike Logistics Center, Building 2, in the West Palm Beach submarket this quarter. Jamlyn Supply also moved into part of their new headquarters at James Business Park, occupying 92,000 sq. ft. Another sizable move-in included Panor, which took 23,000 sq. ft. at Silver Beach Industrial Park in Riviera Beach.

VACANCY & PRICING

Since 2022, vacancy rates have surged from 2.3% to 7.1%, driven primarily by the completion of large-format buildings in Palm Beach Park of Commerce, situated in the PB Outlying submarket. This industrial park has added 1.0 million sq. ft. of new space since 2022, with average building sizes of 300,000 sq. ft., significantly larger than typical developments in core submarkets. Additionally, nearly 70% of the space delivered since early 2023 remains vacant and available for lease. Currently, only one property over 100,000 sq. ft. is under construction, with the remaining projects ranging from 20,000 sq. ft. to 50,000 sq. ft., reflecting a shift toward smaller developments.

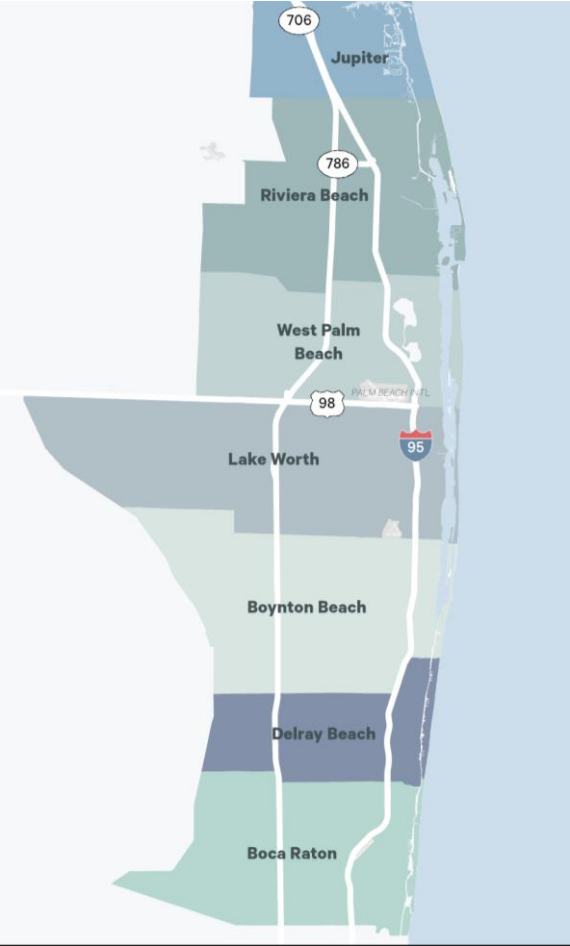
Vacancy is expected to peak for this cycle in early 2025 near 8%, and a much slower development pipeline will prevent it from rising further in the near term. Looking ahead, one of the biggest challenges the Palm Beach industrial market will face is an undersupply of newer, functionally efficient inventory under 100,000 sq. ft. The supply-demand disconnect has softened annual asking rent growth. While year-over-year increases average around 4.0%, quarterly rent growth has totaled less than 2% in the second half of 2024.

FIGURE 2: Statistical Snapshot Q3 2024

Submarket	Total Inventory (Sq. Ft.)	Total Vacancy	Q3 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Q3 2024 Deliveries (SF)	Avg. Asking Lease Rate (\$/SF /NNN)
Boca Raton	7,519,981	3.35 %	27,028	55,161	0	0	\$19.00
Boynton Beach	4,431,245	1.85 %	5,641	-8,131	0	0	\$17.00
Delray Beach	2,907,748	2.49 %	-956	-20,705	269,783	0	\$17.40
Jupiter	1,682,839	1.9 %	4,204	379	0	0	\$13.00
Lake Worth	3,910,625	1.07 %	9,893	156,168	0	0	\$13.00
PB Outlying	5,151,357	32.21 %	100,096	-94,204	0	546,914	\$11.00
Riviera Beach	12,523,977	5.18 %	21,553	16,597	0	0	\$14.00
West Palm Beach	15,054,907	6.6 %	29,167	279,879	0	0	\$16.35
Total Palm Beach	53,182,679	7.11%	196,626	385,144	269,783	546,914	\$15.30

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

## Market Area Overview



### CBRE Economic House View

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November's election the most consequential policy lever has already been pulled via the FOMC's 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

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