Signs of stability with stronger growth projected with limited new inventory

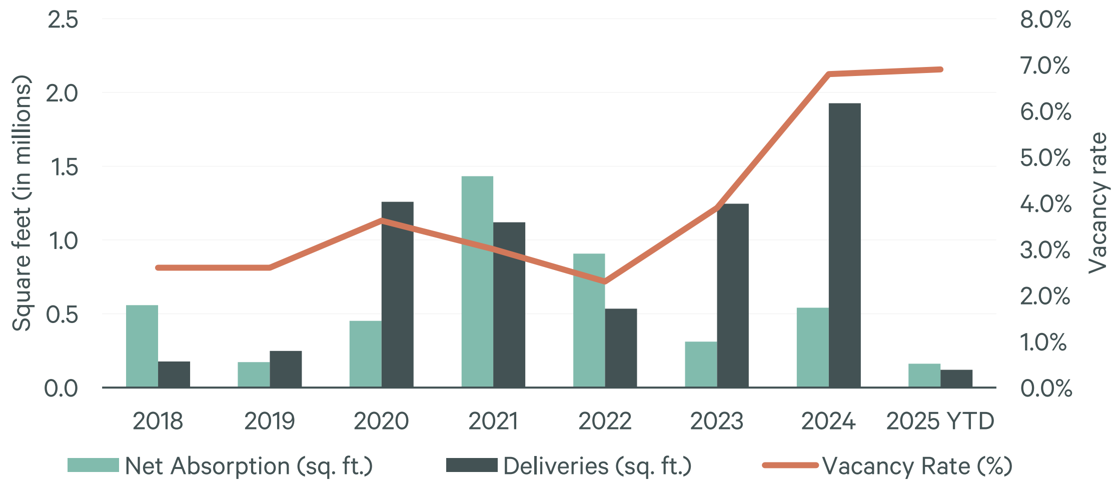
▼ 6.9%	▲ 138,040	▲ 1,422,305	▲ 69,963	▶ $14.84
Total Vacancy (Q3 2025)	SF Net Absorption (Q3 2025)	SF Construction (Q3 2025)	SF Delivered (Q3 2025)	NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

Market highlights

- Net absorption in the Palm Beach market increased this quarter to 138,040 sq. ft., up from 58,276 sq. ft. absorption recorded in Q2. Net absorption is expected to remain positive trough the quarters ahead.
- Vacancy remains heavily concentrated outside the core market, accounting for 27.1% of total vacant space, primarily within the Palm Beach Park of Commerce. Positive momentum is beginning to emerge, however, with Niagara Bottling occupying 183,029 sq. ft. this quarter and Meyer Tool expected to move in next quarter with 63,445 sq. ft.
- Rent growth has stagnated quarter-over-quarter due to pressure from new supply, with asking rates averaging $14.84 per sq. ft. on a triple net basis. Nearly 1.5M sq. ft. is under construction, though the pipeline is cooling from the 2M sq. ft. pandemic peak, signaling a broader slowdown in speculative development.

FIGURE 1: : Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

Demand & Supply

Palm Beach's industrial market is facing substantial supply pressure heading into the final months of 2025. Leasing activity has slowed as softer retail spending and ongoing tariff uncertainty put large-tenant decision-making on hold. Year-to-date leasing totals 2.1 million sq. ft., down nearly 500,000 sq. ft. from the same period last year. However, early indications suggests the market could be strengthening, with several deals expected to close in the coming months.

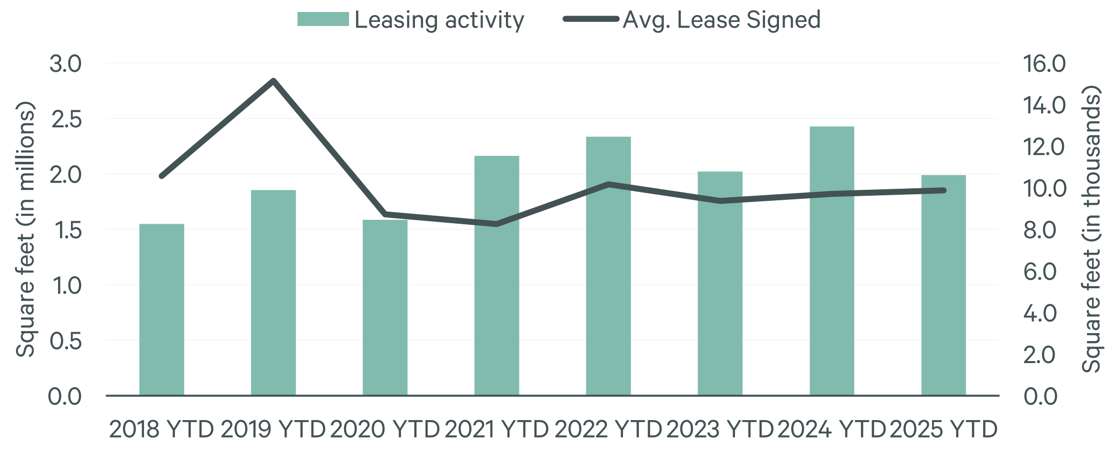
The largest move in this quarter was Niagara Bottling 183,029 sq. ft. at Palm Beach Park of Commerce, Building 1. This transaction helped drive absorption in the PB Outlying submarket, which recorded the highest quarterly and year-to-date totals across the market.

There is nearly 1.5 million sq. ft. of industrial space under construction primarily across two submarkets, Boynton Beach and Delray Beach. Notable projects underway include Logistics Center at Delray (200,000 sq. ft.) and The District (474,000 sq. ft.). Of the total vacant space, approximately 54%, or 2.0 million sq. ft., comes from properties delivered since 2021. The vacancy rate has increased at a higher pace than the national average and is likely to face further upward pressure in the coming quarters as several projects are completed without pre-leasing commitments.

Vacancy & Pricing

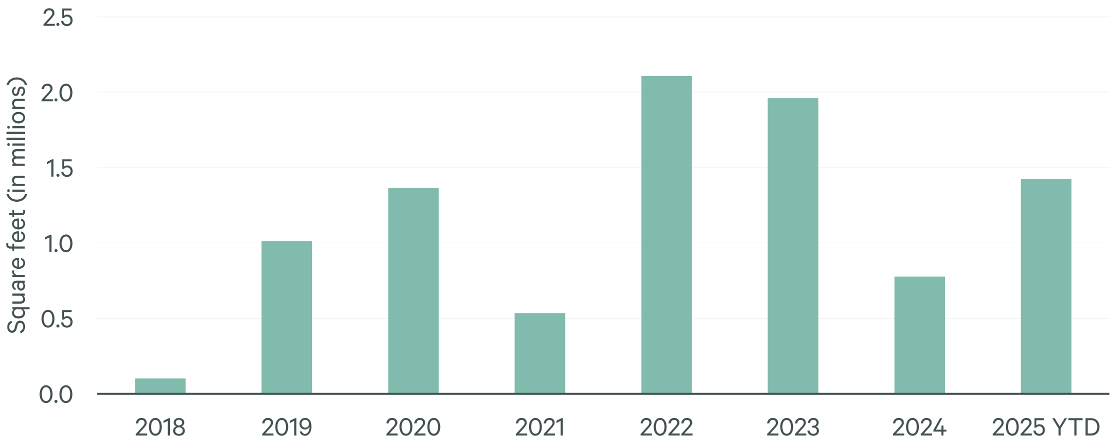
At the peak of speculative industrial construction in 2022, tenants faced vacancy rates below 3%, placing upward pressure on rents and limiting options for large space users. Today, vacancy is approaching 7% as construction activity has slowed significantly. With over 1.4 million sq. ft. slated to deliver in the coming quarters, the vacancy rate is projected to rise further, potentially reaching between 7.5% and 8.0%, before beginning to stabilize. This shift in market dynamics has led to a modest correction in asking rents, which currently average $14.84 per sq. ft. on a triple net basis. Similar conditions are playing out across South Florida and nationwide, as markets adjust to a wave of deliveries and more cautious tenant behavior.

FIGURE 2: Leasing activity



Source: CBRE.com

FIGURE 2: Under Construction



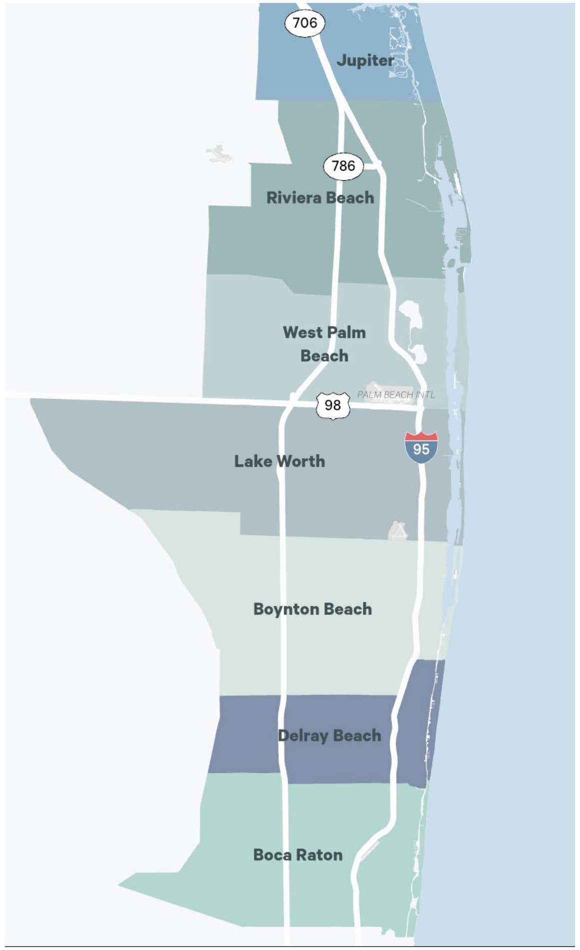
Source: CBRE.com

FIGURE 2: Statistical Snapshot Q3 2025

Submarket	Total Inventory (SF)	Total Vacancy Rate (%)	Q3 2025 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Q3 2025 Deliveries (SF)	YTD Deliveries (SF)	Avg. Asking Lease Rate ($/NNN)
Boca Raton	7,413,431	4.2 %	45,009	-106,105	0	0	0	$16.31
Boynton Beach	4,525,343	3.1 %	-7,894	-6,423	931,307	0	0	$17.91
Delray Beach	2,977,711	4.7 %	36,399	42,678	400,000	69,963	69,963	$18.34
Jupiter	1,659,179	1.2 %	-272	5,808	0	0	0	$17.72
Lake Worth	3,910,625	1.3 %	-11,041	-12,252	0	0	0	$19.83
PB Outlying	5,154,632	27.1 %	172,190	206,185	0	0	0	$13.09
Riviera Beach	12,727,664	4.9 %	-59,188	60,931	0	0	50,022	$18.42
West Palm Beach	14,749,873	6.8 %	-37,163	-29,438	90,998	0	0	$15.28
Total	53,118,458	6.9 %	138,040	161,384	1,422,305	69,963	119,985	$14.84

Note: All figures reflect the most current data and are revised each quarter. Prior reports may not reflect updated statistics. All stated rents are estimates subject to size, credit, TI, and term.

Market Area Overview



CBRE Economic House View

CBRE has revised its U.S. growth outlook upward, a shift from the more pessimistic view held in the spring. Greater clarity around trade policy and private sector resilience should equate to 1.6% GDP growth this year. Much of this growth should be frontloaded as higher inflation—peaking in the low-3% range by early 2026—creates some headwinds during the latter half of this year. The labor market is flashing important signals such as falling job openings and weak hiring by firms.

Despite the modest growth outlook and expectations for further rate cuts, 10-year Treasury yields are holding steady in the low 4% range. A combination of higher inflation and excessive U.S. debt levels should keep yields near this level through 2027. This environment—with Treasury yields fluctuating between 4% and 4.5% and moderate economic growth—is fostering some recovery in commercial real estate (CRE) capital markets. Investment volumes are on track to exceed 2023 and 2024 levels.

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