

FIGURES | PALM BEACH INDUSTRIAL | Q1 2024

# Demand slows from record but still robust

▲ 3.9%

Direct Vacancy

▼ 166,606

SF Net Absorption

▼ 1,540,769

SF Construction

▼ 0

SF Delivered

▲ \$15.88

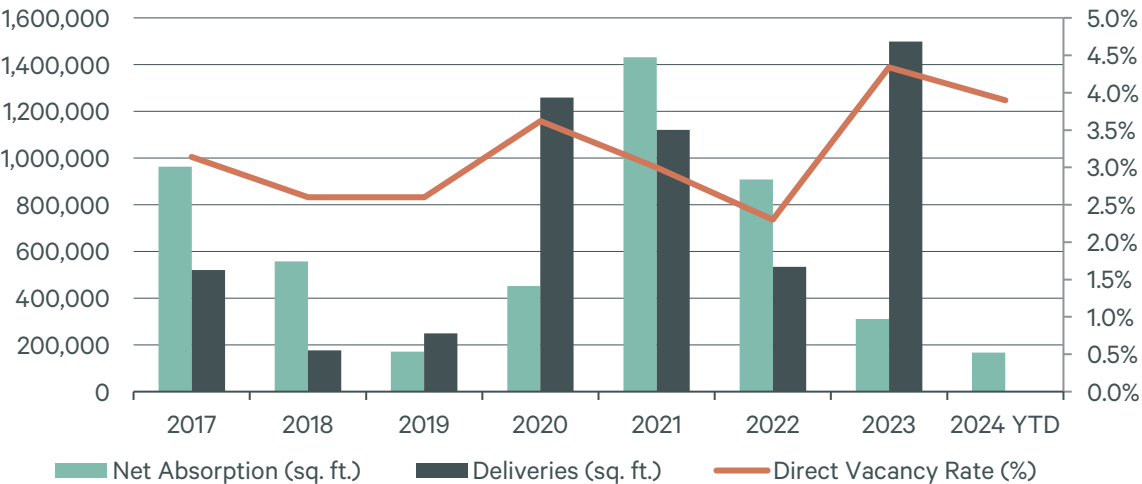
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

## Overview

- As 2024 gets underway, key performance indicators of Palm Beach’s industrial market have been softening over the past four quarters. However, the vacancy rate dropped by 30 basis points quarter-over-quarter. As a result, the market for both large and small bay spaces remains very tight in most submarkets, even as supply additions have risen over the past few quarters.
- Markets shifts have been visible in rent movement, too. Asking rents have grown by about 6% year-over-year, which exceeds the region’s long-term annual growth rate of about 4%.
- A positive for landlords in Palm Beach is that supply-side pressures have been moderating as well. With about 1.5 million square feet underway metro-wide, the pipeline remains above historical norms.
- Net absorption was positive for the 16<sup>th</sup> straight quarter in Q1 2024, though the pace slowed considerably.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

Net absorption has slowed in 2023, totaling 310,000 square feet, well below the five-year average of 600,000. This demand slowdown has pushed up vacancies from lows of 2.3% in the first quarter of 2022 to 3.9% in the first quarter of 2024. Absorption has been largely driven by newer product, with properties built since 2015 of between 100,000 square feet and 250,000 square feet driving the bulk of newly occupied space. Most notably the full occupancy of 133,075 square feet at Palm Beach Airport Logistics Center with Chep.

In early 2024, most new lease signings were for smaller spaces. After all, the market’s bread and butter demand ranges between 5,000 to 15,000 square feet. However, there were some sizeable deals worth mentioning this quarter such as Cook & Boardman (101,022 sq. ft.), Berlin Packaging (77,865 sq. ft.), E-Z Weld Group (43,847 sq. ft.), Frost Lighting (31,500 sq. ft.), Wolves Food Service (29,721 sq. ft.), and Avanti Development (25,925 sq. ft.). All of which were new deals, primarily in the West Palm Beach submarket.

VACANCY & PRICING

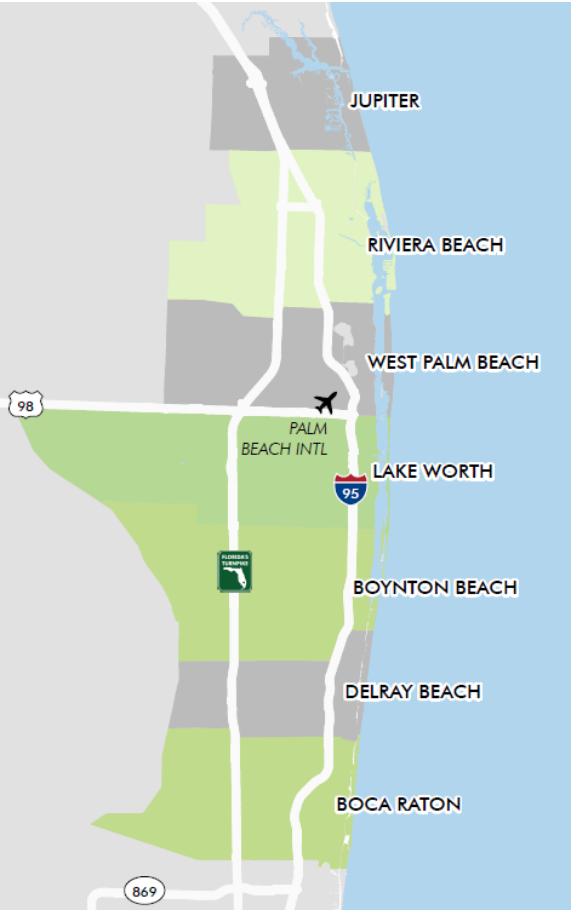
Due to its limited stock of industrial space, the vacancy rate in Palm Beach has consistently remained 1.3 percentage points under the U.S. average over the past 10 years, and the market has held that spread as the national vacancy rate increased to 6.3% through the first quarter of 2024.

Cumulative rent growth over the last 3 years has been staggering: 25.3%. This growth was spurred - and continues to be spurred - by the lack of space relative to demand. Looking forward, rent growth is likely to moderate somewhat as more supply comes online and the economy continues to cool.

FIGURE 2: Statistical Snapshot Q1 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Direct Availability (%)	Q1 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF /NNN)
Boca Raton	7,455,058	3.52%	5.08%	-8,609	-8,609	0	\$19.10
Boynton Beach	4,431,245	1.62%	3.34%	2,160	2,160	0	\$17.05
Delray Beach	2,907,748	1.44%	1.89%	8,736	8,736	0	\$17.55
Jupiter	1,682,839	1.82%	1.65%	700	700	0	\$13.03
Lake Worth	3,910,625	4.60%	1.37%	18,090	18,090	0	\$13.01
PB Outlying	3,916,215	8.24%	6.46%	-29,494	-29,494	1,105,327	\$11.55
Riviera Beach	12,523,055	3.90%	5.28%	84,551	84,551	0	\$14.50
West Palm Beach	14,651,925	4.36%	5.75%	90,472	90,472	435,442	\$16.55
Total Palm Beach	51,478,710	3.96%	4.70%	166,606	166,606	1,540,769	\$15.88

Market Area Overview



Economic Outlook

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity. More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

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