From peak to balance: Palm Beach market adjusts to new norms

▶ 7.0%	▲ 58,276	▶ 727,179	▲ 50,022	▼ $14.90
Total Vacancy (Q2 2025)	SF Net Absorption (Q2 2025)	SF Construction (Q2 2025)	SF Delivered (Q2 2025)	NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

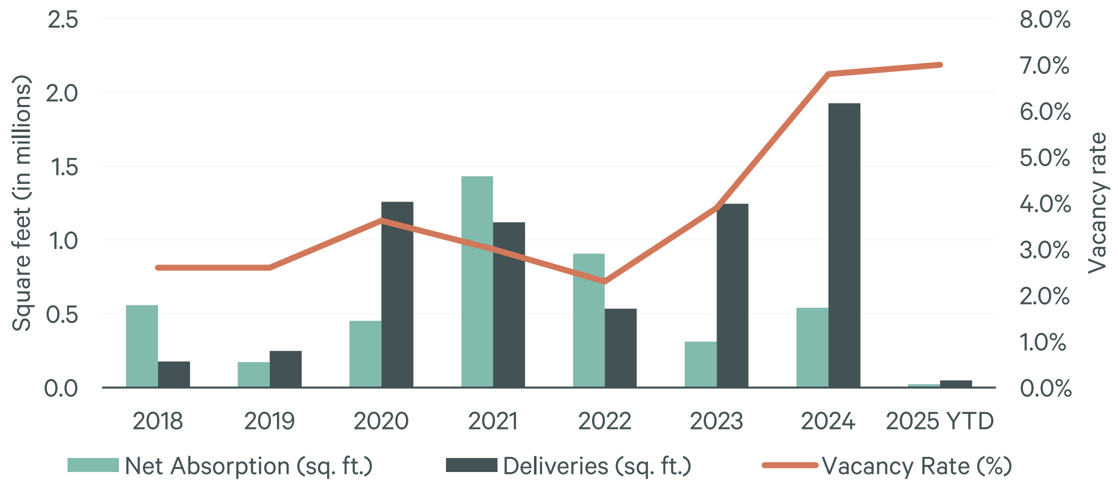
Market highlights

- Net absorption in the Palm Beach market remained positive, though signs of slowing demand are becoming more evident, both locally and across the nation. With less than 30,000 sq. ft. absorbed during the first half of the year activity has returned to levels more consistent with the pre-pandemic norm.

- The upward trend in vacancy has persisted this quarter, with the rate climbing to a multi-year high of 7.0%. This is mostly due to the delivery of big-box spaces (above 200,000 sq. ft.) located outside of the core market.

- The persistent supply-demand imbalance has put downward pressure on rent growth, with asking rates now averaging $14.90 per sq. ft. on a triple net basis, a -1.0% decline from the previous quarter.

FIGURE 1: : Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

Demand & Supply

Net absorption has continued to taper off compared to the robust activity recorded during the pandemic. Industrial tenants are taking longer to make decisions, leading to a noticeable slowdown in absorption across several submarkets. Still, underlying demand remains healthy, and absorption is expected to stay in positive territory in the quarters ahead.

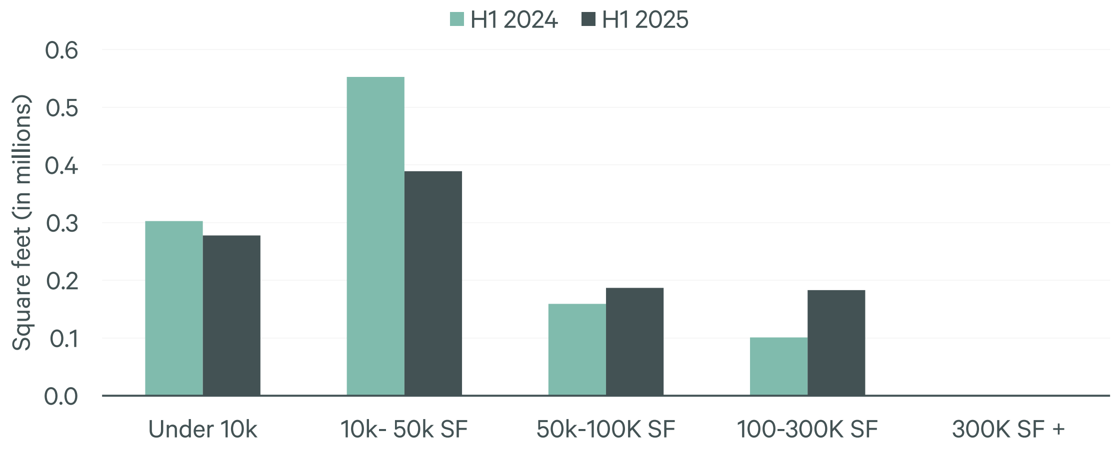
Riviera Beach stood out this quarter, posting the highest net absorption among all submarkets and leading year-to-date totals as well. This was supported by ongoing tenant interest and a steady pipeline of new deliveries such as Silver Beach Industrial Park and Lake Park Logistics. Notably, leasing activity was the strongest in the larger space segments, with demand for spaces over 50,000 sq. ft. showing marked improvement compared to last year.

There is nearly 730,000 sq. ft. of industrial space under construction across the market, down 1.9 million sq. ft. from peak development levels seen during the pandemic. This slowdown reflects a broader deceleration in speculative activity following the rapid expansion earlier in the decade. Notable projects underway include Apex Logistics Park at Delray and Egret Logistics Center (Buildings 1-2).

Vacancy & Pricing

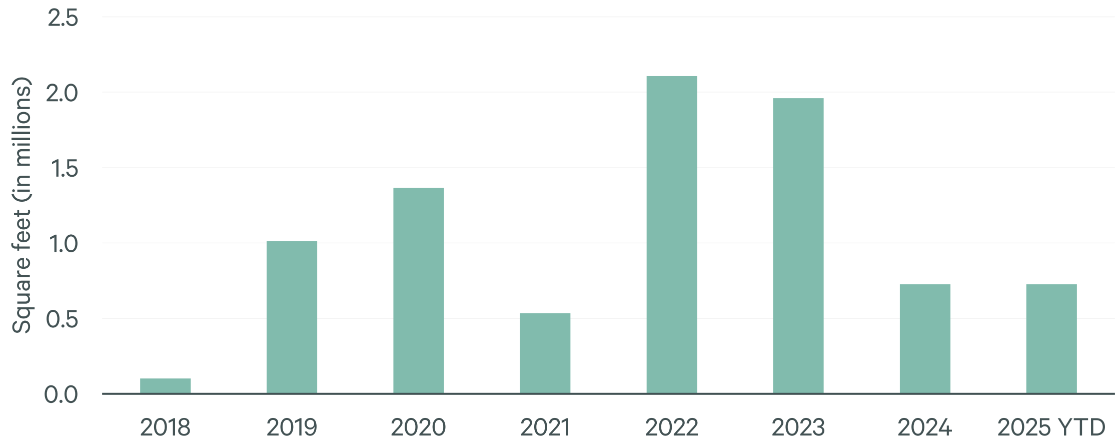
At the peak of speculative industrial construction in 2022, tenants faced vacancy rates below 3%, placing upward pressure on rents and limiting options for large space users. Today, vacancy is approaching 7% as construction activity has slowed significantly. With over 700,000 sq. ft. slated to deliver 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 $14.90 per sq. ft. on a triple net basis, reflecting a 1.0% decline quarter-over-quarter. 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 (excluding renewals)



Source: CBRE.com

FIGURE 2: Under Construction



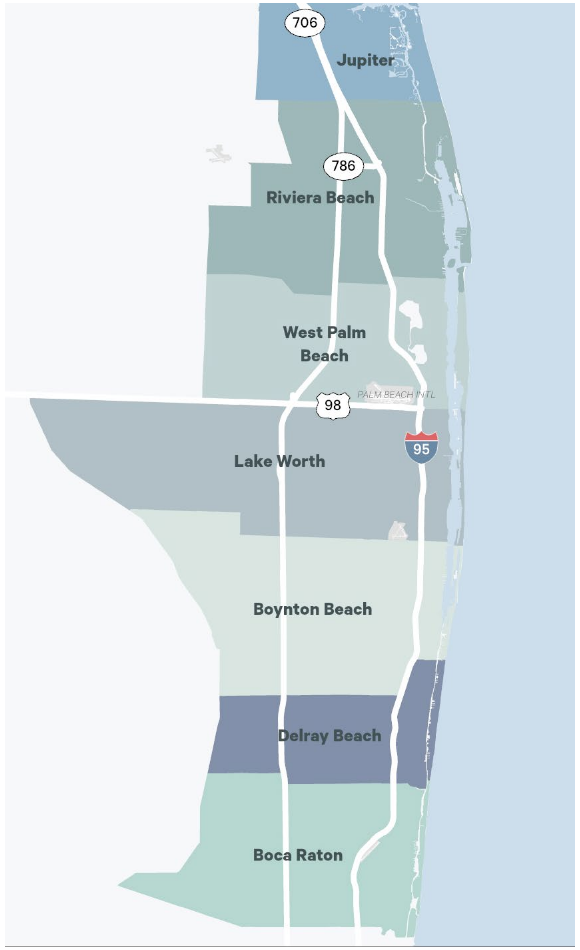
Source: CBRE.com

FIGURE 2: Statistical Snapshot Q2 2025

Submarket	Total Inventory (SF)	Total Vacancy Rate (%)	Q2 2025 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Q2 2025 Deliveries (SF)	YTD Deliveries (SF)	Avg. Asking Lease Rate ($/NNN)
Boca Raton	7,413,431	4.9 %	-7,727	-151,114	0	0	0	$16.18
Boynton Beach	4,525,343	2.8 %	-6,272	1,471	457,396	0	0	$17.29
Delray Beach	2,907,748	3.6 %	-5,318	6,279	269,783	0	0	$17.95
Jupiter	1,659,179	1.2 %	4,880	6,080	0	0	0	$16.82
Lake Worth	3,910,625	0.9 %	-3,030	-1,211	0	0	0	$20.04
PB Outlying	5,154,632	30.4 %	31,404	33,995	0	0	0	$13.08
Riviera Beach	12,573,999	4.2 %	73,723	120,119	0	50,022	50,022	$18.53
West Palm Beach	14,794,524	6.5 %	-29,384	7,725	0	0	0	$15.32
Total	52,939,481	7.0 %	58,276	23,344	727,179	50,022	50,022	$14.90

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

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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