

2024
Q1

Palm Beach Industrial

MARKET REPORT

ABSORPTION & VACANCY

In Q1 2024, industrial net absorption in Palm Beach decreased significantly to -168,580 square feet, a notable drop from the previous quarter's +233,531 square feet. The change is primarily due to smaller tenants (mostly under 20,000 SF) vacating space, pushing vacancy higher. Despite a challenging economic climate and lower leasing activity, there remains a scarcity of available existing industrial spaces.

The absorption trends have been heavily affected by new property deliveries since 2015. Newer facilities ranging in size from 100,000 to 250,000 square feet have absorbed most of the new tenancies. Notable leases include the full lease up of the 162,000-square-foot space at the Southern Way Business Center Building 1, a 124,000-square-foot space at Dalfen Industrial's Turnpike Logistics Center occupied by Eastern Metal Supply, and a 95,000-square-foot space at Airport Logistics Park occupied by Gummy Works. Since the beginning of 2023, there has been a noticeable increase in the vacancy rate in industrial properties under 100,000 SF.

By the first quarter of 2024, vacancy rates rose to 5.3%, up from a low of 3.5% in Q1 2023. Despite these challenges, the scarcity of new developments in this sector has still yielded relatively low vacancy levels. Additionally, the limited availability of larger properties (300,000+ square feet) continues to keep vacancy low in this sector.

Palm Beach's industrial market has maintained a vacancy rate consistently 1.3 percentage points below the U.S. average over the past decade. This trend continues as the national vacancy rate climbed to 6.2% in the first quarter of 2024, underscoring the resilience and tight supply of Palm Beach's industrial space.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	46,106,299	5.0%	\$17.05	8.6%	53,240	128,550	1,771,047
Specialized Industrial	11,916,908	4.1%	\$16.09	6.9%	46,797	0	0
Flex	11,456,168	4.9%	\$20.67	7.2%	(38,377)	0	259,649
Market	69,479,375	4.8%	\$17.48	8.1%	61,660	128,550	2,030,696
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.5%	5.0%	4.7%	10.9%	2009 Q4	2.4%	2018 Q3
Net Absorption SF	435K	679,932	935,254	2,216,369	2021 Q2	(2,360,288)	2009 Q3
Deliveries SF	1.6M	845,342	1,117,419	2,044,011	2021 Q2	31,589	2013 Q4
Market Asking Rent Growth	7.3%	3.4%	5.4%	11.5%	2022 Q3	-4.0%	2009 Q4
Sales Volume	\$352M	\$248.5M	N/A	\$1.1B	2022 Q4	\$35.5M	2010 Q1

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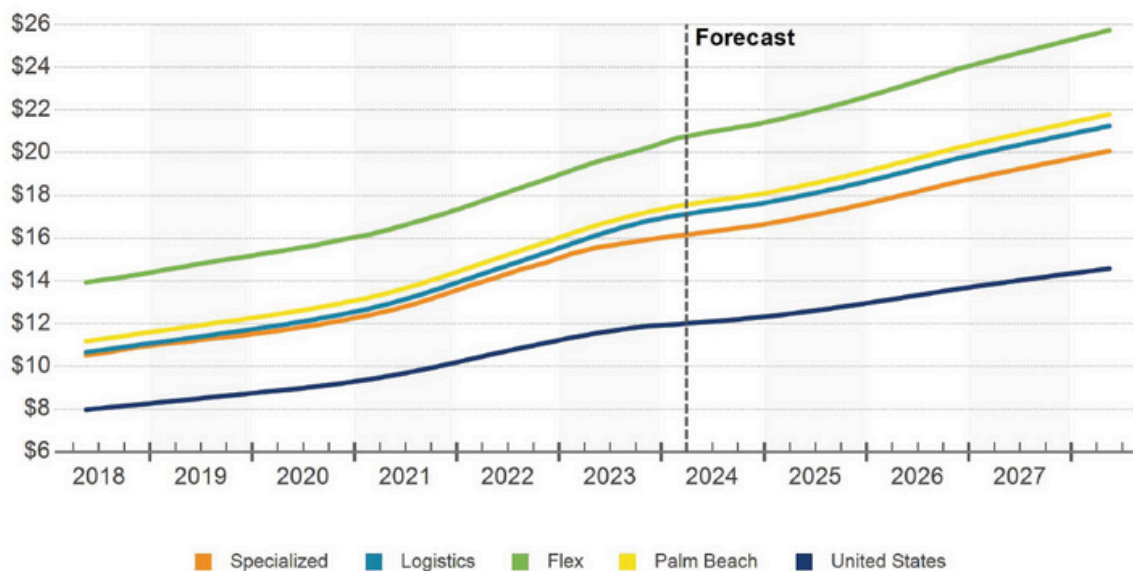
ASKING RENT PER SF

Average asking rents in Palm Beach are approximately \$15.28 per square foot, ranking as the third highest across Florida markets, trailing only Fort Lauderdale and Miami. Since 2019, industrial rents in Palm Beach have surged by over 41%, surpassing the U.S. average increase of approximately 36%. For logistics properties exceeding 100,000 square feet, asking rents are at \$14 per square foot, which is 15% lower than the rents at smaller properties (10,000 to 100,000 square feet), set at \$16 per square foot. However, since 2021, larger properties have seen more significant rent increases, decreasing the rent premium spread for smaller assets from over 20% to 18%.

Rents for properties under 100,000 square feet vary widely, typically ranging from \$10 to over \$20 per square foot, depending on the lease size. For instance, a recent triple-net lease for more than 13,000 square feet at a warehouse constructed in 2017 in the Southern Boulevard Submarket was signed in January 2024 with an effective rate of \$14.95 per square foot. Conversely, a smaller 1,500-square-foot lease was signed in November 2023 at a warehouse built in 1994 in the West of Turnpike Submarket, at an effective rate of \$18.50 per square foot. Despite similar locations, the smaller, older property commanded a rate that is 1.2 times higher than its larger counterpart.

Industrial assets over 100,000 square feet, constructed since 2018, generally have an average asking rent of approximately \$13 per square foot. These properties, often located in less densely populated areas, are currently experiencing heightened competition. Despite this, rent growth remains robust at over 8% annually, with occupancy rates exceeding 80%. Rental rates for these properties also vary based on the size of the lease. For instance, Boca Logistics Park, which has a facility built in 2023 offering more than 100,000 square feet, is listed with an asking rent of \$15.25 per square foot on a triple-net (NNN) basis. In contrast, a larger facility at the Palm Beach Park of Commerce, also constructed in 2023 and spanning over 250,000 square feet, has its rents marketed at \$10.95 per square foot NNN.

MARKET ASKING RENT PER SQUARE FEET



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TOP SALES

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Former Bethesda Service Station



Address: 3800 S. Congress Ave., Boynton Beach
Sale Price: \$37,750,000
Price/SF: \$286.90
Building Size: 131,579 SF

Redevelopment Project



Address: 8289 Boynton Beach Blvd., Boynton Beach
Sale Price: \$25,750,000
Price/SF: \$2,823.46 (sold for land value)
Building Size: 9,120 SF/ 37.94 acres

Pioneer Index Campus



Address: 1400 Alabama Ave., West Palm Beach
Sale Price: \$10,300,000
Price/SF: \$307.28
Building Size: 33,520 SF

Woolbright



Address: 3716 N. Interstate Park Rd., Riviera Beach
Sale Price: \$5,500,000
Price/SF: \$183.73
Building Size: 29,936 SF

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TOP LEASES

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National Millwork

- 1715 Meathe Dr., West Palm Beach
- 101,002 SF
- New Lease



Anton Paar USA, Inc

- 1900-1920 Corporate Dr., Boynton Beach
- 52,505 SF
- Renewal



Rescue Metal Framing

- 5455 Dexter Rd., Mangonia Park
- 30,800 SF
- New Lease



“Although industrial properties are starting to face some headwinds, the lack of new product and land for new development is keeping vacancy rates low and rents high. We don’t expect this to change significantly over the next several quarters.- Michael Feuerman, Esq., SIOR, CCIM, Managing Director, Palm Beach County.”

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