

RETAIL

West Palm Beach Metro Area

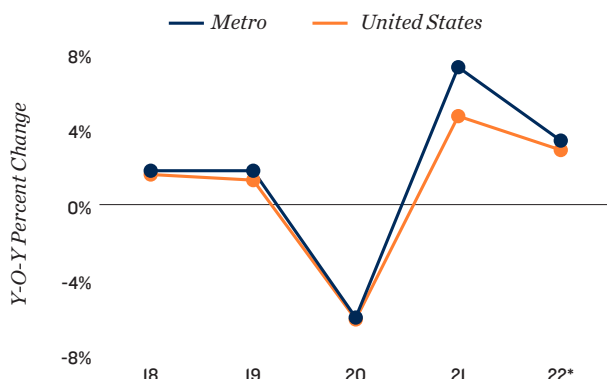
3Q/22

West Palm Beach Among National Leaders in Rent Growth as Net In-Migration Fuels Space Demand

Metro vacancy falls to a record low. Initiatives from the Business Development Board of Palm Beach County helped spearhead corporate relocations and expansions in the metro, which has led to standout population gains in recent quarters. The growing populace supported a rise in retail sales that is outpacing inflation over the past year ending in June, indicating consumer demand is still strong for goods and services. Leasing activity surged as a result, with net absorption surpassing 1.1 million square feet during this span. Minimal completions in the trailing 12-month period helped availability fall 120 basis points to 3.9 percent — the lowest rate in more than 15 years. With only 350,000 square feet underway entering July, further vacancy compression is expected throughout the second half. Looking ahead, this momentum will likely be sustained in the near- to long-term, as the metro is projected to add an additional 25,000-plus new residents in each of the next 10 years.

Asking rates rising at a robust pace. Historically tight market conditions are fueling stellar rent growth in West Palm Beach. The mean asking rent jumped 12.8 percent during the trailing 12-month period ending in June, the third-highest growth rate among major markets nationally. The surge in market rates has been widespread, with five of the metro's nine submarkets recording double-digit gains during this span. Tenants are willing to pay a premium to lease space in Boca Raton, Delray Beach and West Palm Beach's CBD, where asking rates exceed \$31 per square foot on average.

Employment Trends



* Forecast
Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



22,000

JOBS
will be created

EMPLOYMENT:

Firms will need to fill openings by recruiting from outside the metro during the remainder of this year, as unemployment sat at 2.8 percent entering August. This will continue to stimulate net in-migration, which will further elevate retail space demand.



450,000

SQ. FT.
will be completed

CONSTRUCTION:

Supply additions in 2022 nearly match last year's construction pace, as developers expand the metro's retail inventory by 0.7 percent. The West Palm Beach (City) and Boynton-Lantana submarkets will receive the bulk of new supply this year.



100

BASIS POINT
decrease in vacancy

VACANCY:

Limited completions, coupled with consistent population gains, continue to fuel retail space demand, facilitating the second consecutive year of annual vacancy compression. The rate will fall to 3.7 percent by year-end.



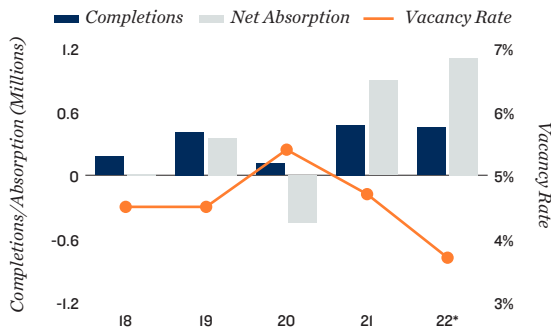
8.0%

INCREASE
in asking rent

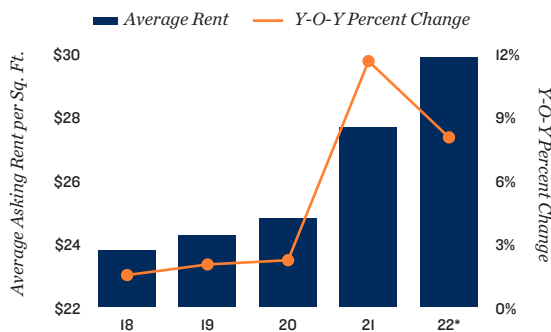
RENT:

West Palm Beach will register the fastest annual rent gain among major Florida markets in 2022, building off last year's 11.6 percent surge. By the end of this year, the average asking rent will reach \$29.85 per square foot.

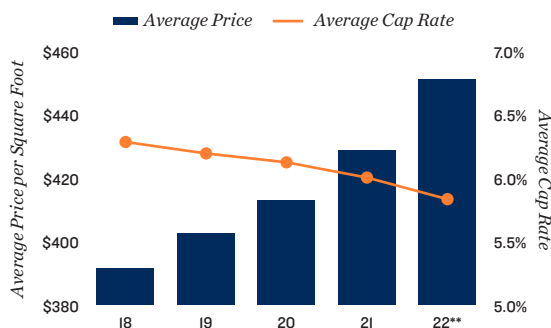
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

2Q 2022 - 12-Month Period

CONSTRUCTION

385,000 sq. ft. completed

- Retail inventory in West Palm Beach increased by 0.6 percent over the past year ending in June, as supply additions outpaced the previous yearlong span by more than 100,000 square feet.
- Roughly 90 percent of completions during this time frame delivered in Boca Raton, Boynton-Lantana and North Palm Beach.

VACANCY

120 basis point decrease in vacancy Y-O-Y

- Availability in the multi-tenant segment fell by 100 basis points to 3.6 percent in the trailing 12-month period ending in June. Meanwhile, single-tenant vacancy declined 120 basis points to 4.0 percent.
- Boca Raton recorded the largest decline in local vacancy during this span, with the rate falling 200 basis points to 3.3 percent.

RENT

12.8% increase in the average asking rent Y-O-Y

- The metrowide average asking rent rose to \$28.77 per square foot during the past four quarters ending in June. This growth rate was the highest among all major Florida metros.
- The single-tenant segment registered the most notable gains, with the average asking rate jumping 18 percent to \$29.99 per square foot.

Investment Highlights

- Strong population and job growth in West Palm Beach has attracted a flurry of national retail brands to the metro, which has elevated investor interest. Over the past year ending in June, transaction velocity rose by nearly 70 percent on an annual basis, marking a new record high. Investor interest will likely remain heightened in the coming quarters, as the metro is among the U.S. leaders in rent growth, and projections suggest net in-migration will remain strong for the next decade.
- The recent surge in buyer activity was highlighted by a notable rise in multi-tenant transactions, which accounted for nearly half of all deals in the trailing 12-month span. Community and neighborhood centers with grocery and necessity-based anchor tenants are highly sought after, with entry costs averaging around \$360 per square foot.
- Single-tenant properties are also highly coveted by investors, with most activity occurring in West Palm Beach proper and the North Palm Beach submarket. Fast food establishments, restaurants, drug stores and auto repair shops are changing hands here most often, with average pricing around \$540 per square foot and mean first-year returns in the mid-5 percent range.