

INVESTMENT FORECAST

Industrial
West Palm Beach

IPA
INSTITUTIONAL
PROPERTY
ADVISORS






2022

Investors Return to the Metro as Construction Moderately Rises, but Trails Long-Term Demand

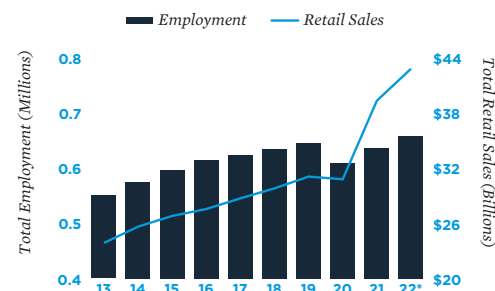
Retail sales persevere industrial demand. Industrial operations in West Palm Beach were not strongly impacted by the health crisis as vacancy remained well below the 4 percent threshold. Local residents embraced the online purchasing trend during lockdowns, with stimulus funds helping to drive more shopping. Retail sales jumped more than 27 percent last year, and are on pace to improve by over 7 percent in 2022. Amid the improving demand environment, development is accelerating modestly and pre-leasing is below 40 percent. The speculative space projected to come online this year is expected to lift vacancy, though the elevation is not expected to prevent operators from lifting rents in the coming months. Availability that is still historically low warrants additional development to fulfill space needs and provide the necessary inventory. The near-future pipeline is thin, however, so no major supply influx is expected.

Accelerated deal flow reflects strong track record. After a soft 2020, investors increased the pace of acquisitions last year in an effort to place capital while interest rates are low. Buyers are targeting warehouse and distribution centers, especially last-mile facilities, to service the needs of the growing local population. The resurgent economy is also attracting investment, leading to a level of trading that has not been seen since 2016. The competition for assets is driving up prices, with the metro's average sale price climbing 18 percent from 2019 to 2021. While cap rates have contracted in that time, the market average was 6.2 percent entering this year — 40 basis points above the level in Miami-Dade. Higher yields are attracting out-of-state investment from large private buyers, who are less deterred by the higher entry costs. Locally, industrial assets are trading at higher cap rates than most other properties and have a stronger reputation.

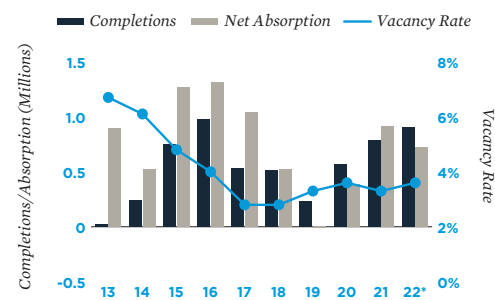
2022 Market Forecast

- Employment**  Employers add 21,000 jobs this year, following the addition of more than 27,000 positions last year.
up 3.3%
- Construction**  Construction is picking up as inventory expands 1.9 percent in 2022, modestly more than the 780,000 square feet that came online in 2021.
900,000 sq. ft.
- Vacancy**  Vacancy ticks up to 3.6 percent in 2022, but remains historically tight and provides landlords an avenue to lift rents. Last year, the availability rate dipped 30 basis points.
up 30 bps
- Rent**  The rate of rent growth accelerates this year, lifting the average marketed rate to \$12.76 per square foot. In 2021, rents increased by 4.4 percent.
up 4.8%
- Investment**  Over the past year, the amount of foreign investors active in West Palm Beach has risen, as firms are searching for higher cap rates. That trend should continue this year.

Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. 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.