

INVESTMENT FORECAST

RETAIL

West Palm Beach Metro Area

IPA

INSTITUTIONAL
PROPERTY
ADVISORS






2019

New Residents Supporting Household Growth and Drawing Retailers to West Palm Beach

County's retail supported by favorable demographics. The market boasts several underlying trends that reinforce the retail market. Population and household growth, along with income, are all significantly above the national average, boosting retail sales. Among the three South Florida counties, Palm Beach has the highest rate of population growth, which will result in a nearly 3 percent gain in households this year. Higher sales are generating space demand, reversing the first year of negative net absorption since 2009. Nonetheless, vacancy will tick up as new construction soars. Nearly half of the additional supply will come from the Alton Town Center, which is scheduled for completion at the end of this year. The impact of higher vacancy will slow rent growth, though gains will remain well above the inflation rate.

Investors remain keen on the West Palm Beach retail market. Multi-tenant buyers are maintaining a South Florida trend by targeting larger centers that typically perform well through down economic cycles. However, strip centers in some areas of the county also continue to draw attention, bucking most acquisition trends. North Palm Beach and Boca Raton are popular with buyers searching for strip centers, largely attributable to low vacancy and strong rent growth. Due to the bifurcation in investor preference, average multi-tenant cap rates have ticked higher as more high-yield properties have changed hands. In the single-tenant arena, investor interest hovers around returns in the high-5 percent range. First-year returns have held relatively stable across several single-tenant property types, which has kept the purchase mix stable. Assuming the Fed continues along a dovish trajectory, single-tenant deals will remain attractive through the first half of the year.

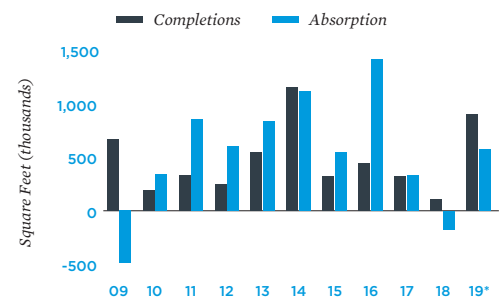
2019 Market Forecast

- Employment**  After 16,500 spots were generated in 2018, employers will add 12,000 jobs this year.
up 1.9%
- Construction**  Builders are ramping up construction this year as 900,000 square feet comes online, lifting supply by 1.3 percent. In 2018, only 100,000 square feet was completed.
900,000 sq. ft.
- Vacancy**  Despite healthy space demand, vacancy will rise 40 basis points to 5.2 percent in 2019, following a similar increase last year.
up 40 bps
- Rent**  Average asking rents are forecast to end the year at \$25.54 per square foot, building on an 8.4 percent jump in rents in 2018.
up 3.1%
- Investment**  Buyers willing to target multi-tenant properties with local and regional tenants could be rewarded with outsized gains as many institutional and out-of-state investors steer their portfolios into risk-averse positions.

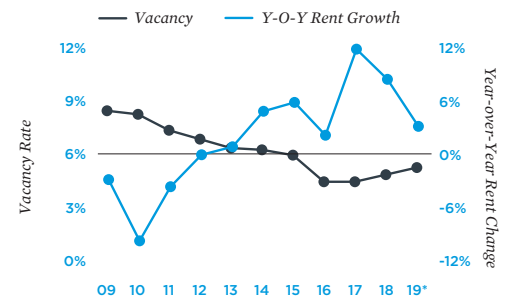
Employment vs. Retail Sales Trends



Retail Completions



Asking Rent and Vacancy Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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