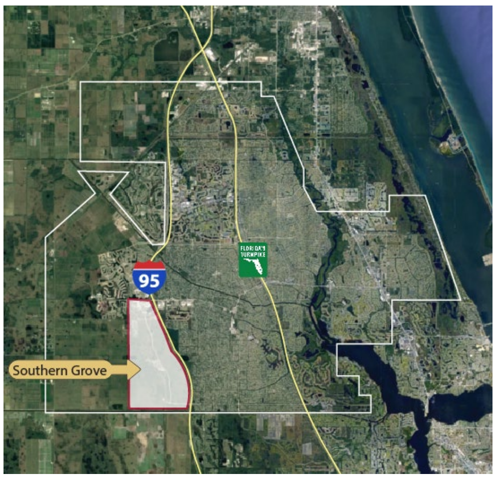
Technical Memorandum #2

Market Conditions & Development Potentials

Southern Grove Master Plan

Port St. Lucie, FL



Prepared for:
Treasure Coast Regional Planning Council
Stuart, FL

On behalf of:
City of Port St. Lucie
Port St. Lucie, FL

FINAL: Revised September 2020

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible. These data are believed to be reliable at the time the study was conducted. This study is based on estimates, assumptions, and other information developed by WTL +Associates (referred hereinafter as “WTL+a”) from its independent research effort, general knowledge of the market and the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent and/or representatives, or any other data source used in preparing or presenting this study.

No warranty or representation is made by WTL+a that any of the projected values or results contained in this study will be achieved. Possession of this study does not carry with it the right of publication thereof or to use the name of "WTL+a" in any manner without first obtaining the prior written consent of WTL+a. No abstracting, excerpting or summarizing of this study may be made without first obtaining the prior written consent of WTL+a. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person, other than the client, without first obtaining the prior written consent of WTL+a. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from WTL+a.

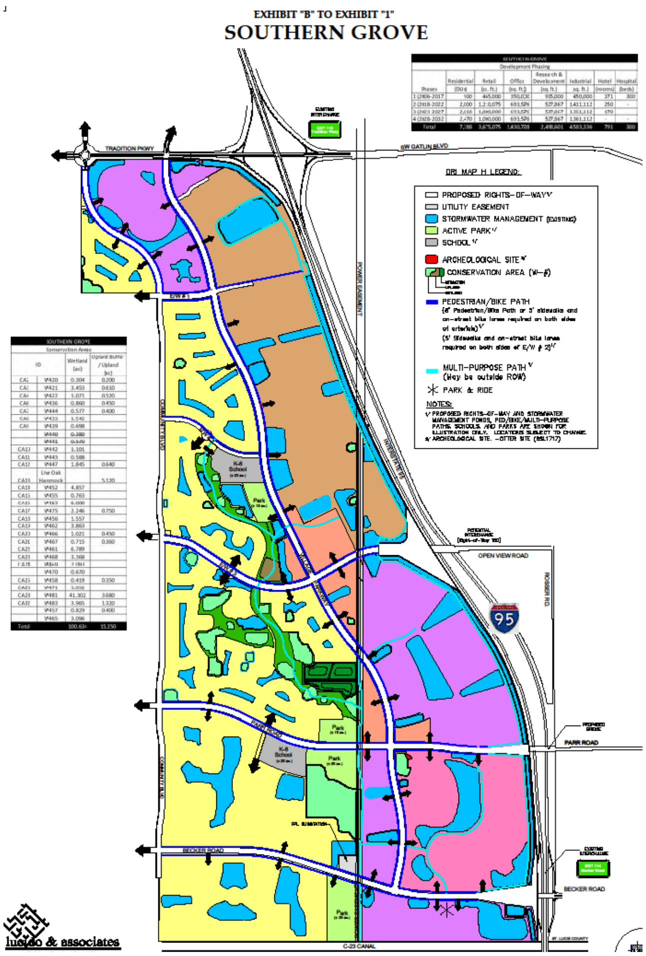
This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

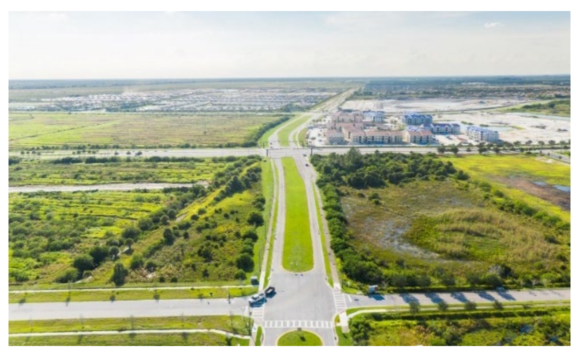
Overview

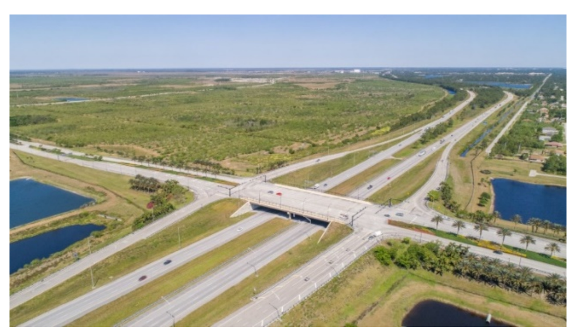
The City of Port St. Lucie, located in St. Lucie County, Florida, is one of the fastest-growing municipalities in the State of Florida. Established in 1961, its municipal boundaries encompass 121.5 square miles. The City acquired 1,223.35 acres known as the “Southern Grove” property (the “study area”) on June 28, 2018, of which approximately 1,183 acres are owned by the City of Port St. Lucie Government Finance Corporation (GFC), and the focus of this analysis.

The study area is a part of the Southern Grove Development of Regional Impact (DRI), which encompasses approximately 3,606 acres. Technical Memorandum #2 evaluates real estate market conditions and supplements Technical Memorandum #1, which included a profile of demographic and economic profile characteristics prepared as part of a market and financial analysis of the Southern Grove study area.

Figure 1: Southern Grove Study Area







WTL +a, with Retail & Development Strategies LLC, evaluated real estate market conditions in Port St. Lucie and in other selected, nearby competitive locations in St. Lucie County (and adjacent Martin County) to understand how recent market trends, current economic conditions, and future growth affect opportunities for new economic development in the Southern Grove study area.

This section of the report analyzes historic and current building inventory, occupancy and vacancy levels, annual absorption (leasing) activity, historic development trends, and other appropriate market indicators for housing, workplace (office and industrial), supporting commercial (retail) and lodging/hospitality uses based on available data. Key findings are summarized below and illustrated in Table 1 through Table 33.

Impacts of the 2020 Pandemic

This report presents the findings of the real estate market and development potentials for housing, workplace (commercial office and industrial), and supporting uses such as retail and hotel/lodging. It should be noted that **market conditions presented are based on data and conditions *prior to* COVID-19 impacts**. While the timing for future development may be more extended due to the pandemic, there are potentials for selected, carefully considered new growth and investment. Experience in other Florida markets has demonstrated the best way to fully optimize economic benefits will result from a strategically structured and implemented master plan that appropriately integrates different land uses and phases to provide development flexibility.

The most important difference between year-end 2019 (the data-year used for this analysis) and current conditions in September 2020 is the impact of the global Coronavirus pandemic. COVID-19 has already had a significant impact on commercial real estate, although these impacts vary considerably from location to location. It has affected consumer spending, real estate sales, job prospects and recreation options in ways that have profoundly modified pre-COVID conditions. **The office market, especially for technology and other computer-based industries, has responded most rapidly, and *not* in ways that are likely to encourage new office development.** At the broadest levels across the country, early reactions to self-isolation and working-at-home have resulted in some companies advising employees to work at home for the remainder of 2020, while Twitter has announced that its employees can work at home *forever*.

The travel, hospitality and retail industries have been particularly hard-hit, with airline passenger volumes reportedly down by as much as 90%, major layoffs in the hotel and food & beverage industries, and last week's announcement of a bankruptcy filing by the Hertz Rental Car company. The travel and leisure market based on tourism has been seriously impacted and will likely take several years to stabilize, much less fully recover. **The National Retail Federation speculated in May 2020 that as many as 40% of small retailers *may never re-open***.

National unemployment levels are at their highest since the Great Depression of the 1930s; in August (the latest month in which unemployment levels were reported), the official U.S. unemployment rate was 8.4%, while Florida's rate (July 2020) was 11.3%. It is projected the national unemployment rate could climb to more than 20% during the pandemic recovery, approaching the 25% in 1933 that is the highest ever recorded. For a visitor destination like Florida, where the $111.7 billion annual tourism industry is the state's largest industry, the impact is already significant, and could become a profound issue if the virus continues without a vaccine. Like many states, government policies are intended to balance social responsibility and safety with the economic implications of re-opening businesses and encouraging visitors to return. The re-opening of beaches and public spaces across the state has been a relief to millions of Florida residents, but could also result in a virus rebound that could require retrenchment or (at minimum) more carefully regulated public behaviors.

Taken in total, **these impacts will cause a major slowdown in economic activity across Florida (especially in hospitality and tourism-dependent sectors), and the costs of lost consumer spending will result in near-term increases in vacancy rates for retail and office uses, a massive slowdown in tourism and visitor spending**, and a slow recovery period, due in large part to the number of unknowns about a global pandemic. Until a reliable vaccine is developed and produced in sufficient volumes to stabilize the rate of transfer, restoring consumer confidence to travel, spend time in other places and have the money to stimulate local economies will be set back for many months, if not years.

Accordingly, the short-term economic forecasts should be cautious and slow. However, there are mitigating factors that could change the mid-to longer-term outlook:

- **Slowing of Unsupportable Speculative Real Estate Development**—an overheated real estate market in Florida has encouraged speculative development and over-entitlements in many submarkets.

- **Time to Plan More Effectively—**a slowdown could encourage a more manageable pace of development and reduce environmental and social impacts that often result from hurried decisions.
- **Business Opportunities for Millennials**—the millennial generation is highly entrepreneurial and will be more willing to start new retail, food & beverage and consumer service businesses once the pandemic has stopped.
- **Pent up Demand for Social Experiences**—while online sales have spiked, consumers are also looking forward to dining out, going out, and shopping, assuming there are surviving businesses; it would be reasonable to assume consumer demand for goods and services is pent-up at levels not seen since the 2007 recession.
- **Creative Regulation & Behavior Management**—if reasonable standards can be put into place and safety practices realized, Florida's beaches, communities and visitor destinations should rebound faster than other parts of the country.

For Port St. Lucie and Southern Grove, the impacts are more likely related to time and phasing than permanent loss of economic activity. The area's economic recovery period may present opportunities to take advantage of the 'pause' and consider how to best optimize prospective agreements to create new jobs, attract business investment, and create an overall plan that will capitalize on the site's advantages. For example, the Cleveland Clinic has stimulated a bio-health cluster in the northern portion of the Southern Grove study area, and manufacturing and warehouse/distribution companies have been attracted due to the proximity to I-95 and lower land values than more urbanized counties to the south. While economic recovery may take two to three years, the longer-term prospects for Southern Grove remain moderate but steady over time.

Ironically, U.S. financial markets have stabilized more quickly than consumer markets. The reduced costs of debt/capital have encouraged developers to accelerate proposed projects, allowing 18-24 months for regulatory review, approvals, and construction so that they are ready for the rebound when it occurs. The challenge for the City of Port St. Lucie will be to select those projects carefully so that new development in the Southern Grove study area can generate the greatest economic benefits possible for the City of Port St. Lucie over the long-term.

Executive Summary

The market analysis evaluated development potentials for four key land uses in the Southern Grove study area: "workplace" (multi-tenant/speculative office and general industrial); hotel/lodging; supporting retail; and multi-family residential.

We note that **it is *not* possible to evaluate development potentials for specific end-users of office or industrial space (also known as "build-to-suits") like Project Bullet or portions of Sansone** that are looking for a specific location like Southern Grove, as such deals are based on specific recruitment strategies and terms (e.g., the amount of space to be occupied) negotiated on a case-by-case basis. As a result, the analysis **estimates demand only for <u>speculative/multi-tenant opportunities</u> for office and general industrial space based on employment forecasts** prepared by the Florida Department of Economic Opportunity (DEO).

Definitions

The market study also uses key metrics common to the real estate industry. These include **net absorption**, which is defined as the occupancy of previously vacant space. Net absorption also includes an existing tenant that *expands* their occupied space when renewing their lease; the amount of the expansion—in square feet—constitutes the net absorption. It is a standard—and critical—metric in evaluating the overall potential for office and industrial space.

Another term utilized in the study includes **stabilized occupancy**, which is defined by the real estate industry as a building that is 95% occupied (i.e., 5% vacancy). Real estate market studies also evaluate how much time it will take for vacant space to be absorbed to 95% stabilized occupancies. This is typically based on past trends—both short- (5 years) and long-term (years are based on available data). For example, over the past 13 years the City's office market has averaged net absorption of 65,295 sq. ft. per year. If this pace continues, it will take approximately 4.25 years to reduce vacant office space—from 8.1% vacancy at year-end 2019 to 5% vacancy. In other words, the higher the annual net absorption the shorter amount of time required to achieve stabilized (95%) occupancies.

Employment Forecasts

The Florida Department of Economic Opportunity (DEO) issues employment forecasts in specific industry sectors for selected, individual counties across the state. For other counties, DEO groups multiple counties into **"Workforce Regions"**. St. Lucie County is included in "Workforce Region #20", which comprises Martin, St. Lucie and Indian River Counties. In order to extract employment forecasts specific to St. Lucie County, the analysis assumes that the County's current share of jobs (using existing data)—also known as "fair share"—continues. We also note that **DEO forecasts are for eight-year periods (2019—2027) only**.

In its review of Technical Memorandum #2, City staff inquired whether the City has the potential to *increase* its share of St. Lucie County's employment base, which would thereby enhance demand for office and industrial space generated by growth in specific job sectors. Based on employment data from the U.S. Census Bureau's "On-the-Map" database, **between 2006 and 2017, Port St. Lucie's historic share of countywide employment increased from 33.5% in 2006 to 39.9% in 2017** (latest data available), averaging 36.8% over this 12-year period (see Table 10 in Technical Memorandum #1). By comparison, a different data source, Dun & Bradstreet, Inc., estimates that employment in Port St. Lucie accounted for 49.5% of all jobs in St. Lucie County in 2019 (see Table 11 in Technical Memorandum #1). The difference between the two sources—part-time and self-employment—is excluded in the Dun & Bradstreet data. **WTL+a utilized the higher ratio—49.5%—as the City's "fair share" in our analysis of demand potentials for office and industrial space generated by future employment growth**.

Moreover, for analytical purposes, the fair share forecasts can be considered a baseline. However, the likelihood that trend-based shares for specific land uses such as office or industrial can be reallocated will be affected by a number of other factors. These include:

- Long-term infrastructure investment
- Focused marketing of available sites elsewhere in Port St. Lucie in addition to Southern Grove (such as the proposed City Center redevelopment), and
- A broad understanding by both City officials and residents of the City's existing financial obligations in the study area. This point is reflected in the City's recent success in capturing a share of regional demand for industrial and warehouse space. It also underscores the

need to revisit Southern Grove's current approved DRI entitlements, which do *not* reflect current market conditions and near-term demand potentials.

Market Overview & Development Potentials—Industrial

According to CoStar, Inc., there are 3.42 million sq. ft. of industrial space in Port St. Lucie in 207 buildings. The City accounts for 28% of St. Lucie County's 12.0 million sq. ft. of industrial space, as the majority of industrial supply in the County is located in Fort Pierce and in unincorporated areas along the I-95 corridor. The City's share of the County's industrial supply has remained relatively stable in the range of 27% to 28% over the past 13 years.

Prior to the national recession, the City's industrial vacancy rate was 15% in 2007; vacancies jumped to almost 22% in 2009. Job growth in industrial-using sectors resulted in vacancies declining to 8.7% by 2014, and to only 3.3% by 2019 generated by eight years of positive net absorption. Vacancies ticked up to 5.1% during the first quarter of 2020.

Citywide, ***net* industrial absorption totaled almost 463,400 sq. ft. over this 13-year period, averaging 35,645 sq. ft. per year**, and accounting for fully 60% of all countywide industrial absorption during this period. Activity in PSL's industrial market strengthened slightly over the past five years—**with net absorption increasing to 53,500 sq. ft. per year.**

Our analysis of industrial market potentials is summarized below:

- DEO estimates that Workforce Region #20 (all three counties) will add **over 23,000 new jobs** between 2019 and 2027. Currently, St. Lucie County's share of jobs in Workforce Region #20 is 40.5%. **If the County *maintains* its fair share it would translate into 9,330 new jobs by 2027**. With an estimated 42,275 employees working in Port St. Lucie, the City's share of all jobs in St. Lucie County is 49.5%;
- Under this "fair share" analysis, Port St. Lucie would continue to capture 49.5% of future countywide job growth, or approximately 4,620 new employees, by 2027. Assuming industry-standard metrics whereby 26% of all jobs in the city are industrial-using with an average occupancy factor of 675 sq. ft. per job translates into **net demand for 796,600 sq. ft. of industrial space citywide over the next eight years** after accounting for partial occupancy of existing vacant industrial space;

- The next step considers that existing DRIs with industrial entitlements located in the City's western planning areas will capture their full share of future demand. That is, remaining entitlements are built in their entirety:
  - 269,300 sq. ft. at The Reserve (oriented to small industrial tenants)
  - 136,322 sq. ft. in the St. Lucie West DRI
  - No industrial space is entitled at either Riverland/Kennedy or Verano
- **This leaves approximately 390,900 sq. ft. of "unallocated" industrial space that could be built in the Southern Grove study area over the next eight years**. (This includes the 53,743 sq. ft. that was recently approved). To reiterate, **"un-allocated" demand is for *speculative/multi-tenant* space only; it does *not* include potential build-to-suit facilities for end users, such as that proposed in the "Project Bullet" or portions of the recently-proposed Sansone project;** and
- This key finding reinforces the critical importance of building upon the City's recent success at recruiting end users to support approved entitlements for industrial space at Southern Grove.

Market Potentials—Industrial:

Up to 400,000 SF of Speculative Space Next 8 Years (Excludes "Build-to-Suits")

Market Overview & Development Potentials—Office

Knowledge-based industries like finance, software, business and management consulting services, market and communications, professional/business services such as accountants, legal and medical and other similar businesses house most of their employees in commercial office buildings.

According to CoStar, Inc., there are 3.61 million sq. ft. of office space in Port St. Lucie in 276 buildings. The City accounts for 55% of St. Lucie County's 6.6 million sq. ft. of office space. The City's share of the County's supply has remained relatively stable—ranging from 51% to 55% over the past 13 years.

Similar to the City's industrial market, the impacts of the national recession on the City's office market were dramatic: office vacancies doubled between 2007 and 2009—from 9.5% to 18.6%. It took fully five years for the vacancy rate to drop to 15.5% in 2014; vacancies declined more rapidly thereafter as net absorption strengthened. By 2018, the office vacancy rate had dropped to 5.8%, although it jumped to 8.1% in 2019.

Citywide *net* office absorption totaled 848,800 sq. ft. over this 13-year period, averaging almost 65,300 sq. ft. per year. **The City's office market strengthened over the past five years—with net absorption doubling (over its historic 13-year pace)—to more than 124,300 sq. ft. per year.** If the City's long-term annual average of 65,300 sq. ft. of net absorption (over 13 years based on available data) can be sustained, it would require approximately 4.25 years to achieve 95% stabilized occupancy in the City's office supply.

Since the 2007—2009 recession, office-using businesses across the United States have been reducing office occupancies, in some cases by significant amounts. Historically, the commercial real estate industry has used an average occupancy factor of 250 sq. ft. per office employee. However, according to a 2017 study by REIS, Inc. (a national commercial real estate database) the amount of office space per employee has been steadily declining in each successive business cycle after a recession. REIS data indicate that, in the national economic expansion of the late 1990s, a new office employee was typically associated with approximately 175 sq. ft. of additional office space. During the early- and mid-2000s (until the 2007—2009 recession), the typical employee was associated with approximately 125 sq. ft. of additional office space. Since 2010, however, each added/new employee has been associated with only about 50 sq. ft. of additional office space. This is particularly notable in space-efficient industries like software and professional/business services, which have been the strongest growing sectors in the current business cycle. Moreover, hoteling and remote work-arrangements, where employees share space rather than having dedicated offices or cubicles, enables companies to accommodate even more workers in a given amount of occupied space. **The unprecedented shift to teleworking as a result of COVID-19 may, as previously noted, lead to permanent part-time and full-time teleworking for some workplace industries.**

Another study by CoStar, Inc., an international commercial real estate database, indicates that the **amount of office space occupied per employee dropped to 182 sq. ft. per worker in 2017 from 197.3 sq. ft. in 2010.**

Our analysis of office market potentials is summarized below:

- DEO estimates that Workforce Region #20 (all three counties) will add **over 23,000 new jobs** between 2019 and 2027. Currently, St. Lucie County's share of jobs in Workforce Region #20 is 40.5%. **If the County *maintains* its fair share it would translate into 9,330 new jobs by 2027**. With an estimated 42,275 employees working in Port St. Lucie, the City's share of all jobs in St. Lucie County is 49.5%;
- Under this "fair share" analysis, Port St. Lucie would continue to capture 49.5% of future countywide job growth, or approximately 4,620 new employees, by 2027. Assuming industry-standard metrics whereby 34% of all jobs in the city are office-using with an average occupancy factor of 193 sq. ft. per job translates into **net demand for 272,400 sq. ft. of office space citywide over the next eight years,** after accounting for partial occupancy of existing vacant office space;
- The next step considers that existing DRIs with office entitlements located in the City's western planning areas will capture their full share of future demand. That is, remaining entitlements are built in their entirety. **If built, this list would consume approximately 64% of citywide demand potentials over the next eight years.** According to data provided by the City, this includes:
    - 49,210 sq. ft. of unbuilt office space at The Reserve, and
    - 124,635 sq. ft. of unbuilt office space in the St. Lucie West DRI
- In addition, there are 9,860 sq. ft. of office space under construction and 63,960 sq. ft. of approved office space in the study area. In the short-term, **sufficient market potential exists to support this 73,820 sq. ft. of new office space as well as an additional 25,000 sq. ft. of "unallocated" office space citywide**. Depending on the marketability of other competitive locations citywide, this reinforces the critical importance of an economic development strategy aimed at recruiting owner-users and/or build-to-suit office buildings in the study area.
- To reiterate, **"un-allocated" demand is for *speculative/multi-tenant* space only; it does *not* include potential build-to-suit office space for end users, such as future medical office space likely to be built by the hospital/Cleveland Clinic;** and

- This key finding reinforces the critical importance of building upon the City's recent success at recruiting end users to support approved entitlements for additional office space at Southern Grove as well as economic development strategies aimed at recruiting owner-users and/or build-to-suit office buildings in the study area.

Market Potentials—Office:
75,000 to 100,000 SF Next 8 Years (Excludes "Build-to-Suits")

Market Overview & Development Potentials: Hotel/Lodging

Demand for hotel/motel rooms in any location is typically driven by specific market segments, including: corporate business, leisure/social, tourism and visitors to specific venues or events. **The capital markets typically seek sustained annual occupancies between 65% and 72% before financing new hotel construction**. Since 2014, the Port St. Lucie area hotel market has strengthened, with occupancies increasing from 58.1% in 2014 to 71.4% in 2019 among 17 properties (with 1,602 rooms) identified for this analysis. This includes two properties located in or near the study area—a Marriott Townplace Suites (128 rooms), which opened in December 2019 and a Hilton Homewood Suites (111 rooms), which opened in December 2009.

The larger Southern Grove DRI is entitled for **a total of 791 hotel rooms, of which 158 rooms can be built in the Southern Grove study area.** Of the 393 rooms "conveyed by the land sale", 111 rooms (the Hilton Homewood Suites) have been completed, 84 rooms are under construction and another 82 rooms have been approved.

According to data provided by the City, several other DRIs in surrounding/nearby planning areas have entitlements for up to 491 additional hotel rooms, including:

- 100 rooms at The Reserve
- 291 rooms at the St. Lucie West DRI, and
- 100 rooms at Verano

WTL+a prepared two scenarios for hotel development at Southern Grove:

- The first scenario assumes limited growth in hotel performance after the strong period of recovery that occurred over the past six years (2014—2019), measuring future room demand based on assumptions that continued growth in available roomnights (supply) will remain stable, and occupied roomnights (demand) will be limited to 50% of actual 2014—2019 growth rates. This translates into growth of 1.30% per year, for occupied roomnights yields **demand for 138 new hotel rooms** over the next 10 years (through 2030);
- The 84 rooms under construction in Scenario 1 reflect a 61% share of potential market support, and the 82 rooms approved would require another 59% share. In other words, these two properties would provide slightly more rooms than the market could support over the next 10 years;
- The second scenario assumes that growth in available roomnights (supply) will remain stable and occupied roomnights (demand) will continue at their historic 2014—2019 pace of 2.59% per year through 2030. This translates into **demand for 293 new hotel rooms** over the next 10 years (through 2030); and
- The 84 rooms under construction in Scenario 2 reflect a more reasonable share of 29% of potential market support, and the 82 rooms approved would require another 28% share. In other words, these two properties would provide a room supply of approximately two-thirds of what the market could support over the next 10 years.

Market Potentials—Hotel/Lodging:

150—175 Rooms Next 10 Years (High-Growth Scenario)

Market Overview & Development Potentials: Retail

Port St. Lucie contains almost **7.5 million sq. ft. of retail space,** comprising 56% of the County's total retail supply. At year-end 2019, there were **335,900 sq. ft. of vacant retail space** (including direct vacancies and sublet space), which reflects a vacancy rate of only 4.5%. Over the past 13 years, retail vacancies peaked at 8.7% in 2007. Despite another peak of 7.7% in 2013, vacancy rates have continued to decline. Paralleling the County, the **retail sector in Port St. Lucie is operating in stabilized market conditions with vacancies of less than 5%.**

The City's retail inventory suggests there are **39.7 sq. ft. of retail space** for each of the City's 188,722 residents. This is well-*above* the U.S. average of approximately 26 sq. ft. per capita (based on shopping centers/malls alone; estimates including other retail locations such as strip development and downtown areas suggest a ratio up to 50 sq. ft. per capita). Moreover, more than 2.41 million sq. ft. of new retail space was built in Port St. Lucie between 2007 and 2019, with fully 1.65 million sq. ft. delivered in 2007 and 2008 alone. The City **captured fully 85% of all new retail space built in St. Lucie County during this period.**

Net retail absorption totaled over **2.39 million sq. ft. citywide over the past 13 years, which equates to a sustained annual average of 183,860 sq. ft. per year**. Port St. Lucie accounted for 98% of all countywide retail absorption. **Of all "workplace" uses, the City's retail sector is the strongest.**

- The retail demand analysis indicates that **there is approximately 125,000 to 135,000 sq. ft. of market-supportable retail potentials in the Southern Grove study area**. Of this total, demand for approximately 100,000 sq. ft. will be generated from unmet market demand generated by current residents;
- Spending from visitors and tourists will account for most of the remaining incremental demand, assuming recovery of pre-COVID visitor totals to the Treasure Coast/St. Lucie County. The business mix is dispersed across specialty retail and consumer service categories
- There will be **sufficient demand to support an additional grocery store (20,000 to 35,000 sq. ft.)**, such as the proposed future Publix grocery at Village Parkway and Becker Road. This future store would be on the smaller size of Publix' typical range of store sizes; and
- Restaurants and drinking places (pubs, wine bars, craft breweries, etc.) comprise the largest incremental demand category at just over 32,000 sq. ft. of combined total space. Stakeholders commented that they wanted more dining options and a mix of national and locally-owned restaurants. At an average size of about 3,500 sq. ft. (with selected larger operations and some smaller-sized locations) this would suggest that an additional nine-to-10 food service operations could be included in the retail mix.

Market Potentials—Retail:

125,000—135,000 SF Next 10 Years (High-Growth Scenario)

Market Overview & Development Potentials—Multi-family Residential

The Southern Grove study area has approval for up to 1,686 housing units, including 786 multi-family units and 900 apartments. We assume that "multi-family" is defined as condominiums (for-sale product) and "apartments" are defined as rental units. Based on revised entitlement information provided by the City in September 2020, WTL+a prepared a revised demand analysis that measures market potentials for new housing—with a specific focus on multi-family units—for a 10-year period between 2020 and 2030. The analysis considers the following scenarios:

- **Scenario #1**—Utilizes an annual ("straight-line") growth rate of **3.96% per year** consistent with historic *actual* population growth rates in Port St. Lucie between 2000—2019. For purposes of this analysis, we extrapolated this growth rate for 10 years (through 2030).
- **Scenario #2**—Utilizes an annual growth rate of **2.10% per year** based on a five-year forecast of population growth in Port St. Lucie as prepared by ESRI Business Analyst, a demographic forecasting service, for the next five years (2019—2024). For purposes of this analysis, we extrapolated this growth rate for 10 years (through 2030).

Both scenarios allocate market share to the Southern Grove DRI (outside of the study area) as well as known residential projects in the planning areas surrounding Southern Grove as identified by the City (including the master planned communities of The Reserve, Riverland/Kennedy, St. Lucie West and Verano), to determine the number of "unallocated" units that could be available to accommodate future population/household growth and captured as part of new multi-family residential development in the Southern Grove study area. This also provides an opportunity to understand the "required" market capture, or share, that new multi-family residential development at Southern Grove would need in order to be market-supportable.

The focus on market potentials for multi-family units also considers the 2019—2020 lease-up/absorption patterns underway at two new properties—including Springs at Tradition and The Atlantic Palms at Tradition.

Scenario #1

In Scenario #1, if the *pace* of growth continues at this historic/overall rate of 3.96% per year, it would yield more than **89,660 new residents in 32,840 new households (i.e., housing units)** by 2030, assuming the City's average household size of 2.73 remains unchanged. This would translate into *annual* demand of 3,280 units per year. By comparison, actual new housing starts in Port St. Lucie between 2000 and 2006 (the high growth period) averaged over 4,500 units per year, but *declined* to 901 units per year between 2007 and 2018 as population and household growth moderated (particularly after 2010);

- The next step allocates future growth in population/households to Southern Grove (outside the study area) as well as fully-entitled residential projects in DRIs located in the City's western planning areas remaining to be built. According to revised data provided by the City (September 2020), in addition to the 3,090 entitled units approved by the sale of Southern Grove to the City as well as the 5,044 units located in the DRI but *outside of* the study area, these include: The Reserve (369 units); Riverland/Kennedy (2,208 units); St. Lucie West (50 units); and Verano (608 units);
- The analysis assumes that all entitled units (11,369) as identified are built. We note that Riverland/Kennedy is entitled for 11,700 units. Since the DRI was approved in September 2016, a total of 883 units have been built, which equates to an annual average of 221 units over this four-year period. WTL+a has assumed that this average annual pace continues for the next 10 years, yielding 2,208 completed units. This leaves 21,475 "unallocated" units citywide. The analysis illustrates the number of future units built based on the City's current distribution of single-family (90%) and multi-family (8%). (Another 1.5% are other/mobile homes);
- If the study area's 1,686 entitled units are built over the next 10 years, it would require a "capture", or share, of fully 97% of the 1,738 multi-family units that would be market-supportable. In our view, we believe this to be an **unreasonably disproportionate share**

of citywide demand for multi-family units <u>over the next 10 years</u>, suggesting that market absorption of the 1,686 units would need to extend *beyond* 10 years;

- Alternatively, if the proportion of multi-family units built in Port St. Lucie in the future increases, it will *reduce* the required market capture needed to support the study area's 1,686 units. For example, if the proportion of the City's multi-family stock increases from its current 8% to 12%, the study area's required capture declines from 97% to 65%, and to 49% if multi-family comprises 16% of the City's future housing inventory; and
- While it is not known where other multi-family units could be accommodated/entitled elsewhere in the city (such as at the proposed City Center project), increasing employment opportunities should be accompanied by a concomitant increase in the housing types across the City. This could be expected to enhance the City's overall marketability as a jobs location and should be a critical component of an overall economic development strategy.

Scenario #2

Scenario #2 utilizes the 2019—2024 growth rate as estimated by ESRI Business Analyst of 2.10% per year, and extrapolates that growth over the 10-year forecast period. ESRI's forecasts suggest that the City's growth over the next five years will increase above the slower growth rate that occurred between 2010 and 2019 (1.54% per year).

- If Port St. Lucie grows at a sustained annual rate of 2.10% per year, it would yield almost **43,600 new residents in 15,960 new households (housing units)**, which would translate into annual demand of almost 1,600 units per year;
- Like Scenario #1, **future growth in Scenario #2 is allocated to the same DRI projects identified above, thereby leaving "unallocated" demand for approximately 4,595 units citywide** after accounting for the 11,369 units allocated to existing DRIs. The analysis illustrates the number of future units built based on the City's current distribution of single-family (90%) and multi-family (8%). (Another 1.5% are other/mobile homes);
- If the study area's 1,686 entitled units are built over the next 10 years, it would require a "capture", or share, of fully 453% of the 372 multi-family units that would be market-supportable if multi-family remains at 8% of the City's total housing stock. Even if the number of multi-family units doubles as a proportion of citywide housing inventory in the future, it will still necessitate a required market capture of 229%, suggesting either that 1)

higher population growth is necessary and/or 2) the buildout period to deliver 1,686 multi-family units in the study area would extend well-beyond 10 years. Nonetheless, **increasing the number of multi-family units as a proportion of the City's housing stock could be expected to enhance marketability for business recruitment as the City's labor force expands**; and

- Institutional/national multi-family developers typically seek to build 200 to 300 units in a single project—as witnessed in both competitive nearby projects with Springs at Tradition (304 units) and Atlantic Palms at Tradition (300 units). **Monthly absorption (lease-up) in these two projects has averaged between 16 and 36 units per month in 2019 and 2020;**
- At a consistent monthly absorption pace of 16 units per month, it would require a minimum of 8.7 years (105 months) to lease-up the 1,686 entitled units in the study area if built in a single phase. Of course, development of multi-family product in the study area is likely to occur over multiple phases; with additional time required for permitting and construction, well beyond 10 years will likely be required for buildout irrespective of the study area's ability to capture a portion of citywide demand for multi-family units.

Solid Market Potentials for Multi-family:

Absorption Patterns of 16 to 36 Units/Month among Comparable Projects

Market Conditions—Housing

Port St. Lucie contains a diverse array of residential neighborhoods. Market metrics of the City's housing stock are illustrated in Table 1 and detailed below:

- Based on data from ESRI Business Analyst and the American Community Survey (ACS), Port St. Lucie contains over 78,000 housing units, comprising 53% of St. Lucie County's total housing stock. Since 2010, ESRI data suggest that the City's housing inventory has increased by almost 7,200 units;

- Unlike many communities across the U.S. after the 2007—2009 recession, **the number of owner-occupied units in the City has remained stable**—in the range of 67% between 2010 and 2019. The number of renter-occupied units increased slightly during this time—from 18.8% in 2010 to 21.1% by 2019. As discussed in greater detail below, 12% of the City's housing stock is "unoccupied" (estimated at 9,257 units);

- The average unit value of all housing units in the City in 2019 is $233,385. Over the next five years, ESRI Business Analyst forecasts suggest that average housing values will increase at a solid compound annual rate of 3.7% per year—to more than $279,700;

- More specific analysis of the City's unoccupied housing stock indicates that units are unoccupied for various reasons. As a result, this does not accurately reflect actual, "truly vacant" units. U.S. Census data indicate that 9,972 units were unoccupied as of the 2010 Census, as the economic recovery from the 2007—2009 recession ended, and recovery gained momentum, thereby reducing the number of vacant units in many housing markets with an improving economy. In Port St. Lucie, **the number of unoccupied units *decreased* between 2010 and 2019**—from 9,972 units in 2010 to 9,257 units in 2019;

Table 1: Housing Profile—City of Port St. Lucie, 2010—2024

	2010	2019	% Dist.	2024	% Dist.	Change: 2019-2024 No.	Change: 2019-2024 CAGR %
Housing Tenure							
Owner-occupied	47,523	52,297		59,312		7,015	2.5%
% of Total	67.1%	67.0%		68.5%			
Renter-occupied	13,348	16,478		16,643		165	0.2%
% of Total	18.8%	21.1%		19.2%			
Unoccupied	9,972	9,257		10,621		1,364	2.8%
% of Total	14.1%	11.9%		12.3%			
Total Units:	**70,843**	**78,032**		**86,576**		**8,544**	**2.1%**
Change in Units:		**7,189**					
Owner-Occupied Value							
$0 - $99,999		5,440	10%	3,311	6%	(2,129)	-9.5%
$100,000 - $199,999		22,171	42%	18,468	31%	(3,703)	-3.6%
$200,000 - $299,999		15,733	30%	21,454	36%	5,721	6.4%
$300,000 - $399,999		4,612	9%	7,999	13%	3,387	11.6%
$400,000 - $499,999		2,005	4%	4,035	7%	2,030	15.0%
$500,000 - $749,999		1,588	3%	2,747	5%	1,159	11.6%
$750,000 - $999,999		324	0.6%	582	1.0%	258	12.4%
$1,000,000 - $1,499,999		202	0.4%	337	0.6%	135	10.8%
$1,500,000 - $1,999,999		12	0.02%	13	0.02%	1	1.6%
$2,000,000+		209	0.4%	366	0.6%	157	11.9%
Median Value		**$ 194,496**		**$ 235,184**			**3.9%**
Average Value		**$ 233,385**		**$ 279,739**			**3.7%**
All Housing Units By Structure (2017 American Community Survey)							
1 Unit, Detached		62,340	87.3%				
1 Unit, Attached		2,228	3.1%				
2 Units		433	0.6%				
3 or 4 Units		1,350	1.9%				
5 to 9 Units		1,142	1.6%				
10 to 19 Units		1,054	1.5%				
20 to 49 Units		1,163	1.6%				
50 or more Units		638	0.9%				
Mobile Home		1,082	1.5%				
Boat/RV/Other		-	0.0%				
Total Units:		**71,430**	**100%**				
Unoccupied Housing Units By Status							
Unoccupied-All Reasons	**2010**	**2017 (ACS)**					
Rented (Not Occupied)	76						
For Sale Only	2,079						
Sold (Not Occupied)	384						
3.5% Seasonal Use	2,508						
For Migrant Workers	-						
Subtotal:	**5,047**						
TRUE VACANCIES							
Other Vacant	3,668						
Vacant, For Rent	1,257						
Subtotal:	**4,925**	**4,767**	*(1)*				
True Vacancy Rate	**7.0%**	**6.1%**					
Total Unoccupied Units:	**9,972**	**9,652**		49.4%			

(1) True vacant units reflect those actually available for rent/occupancy. Estimates of true vacancy for 2017 are based on 2010 true vacant units as a proportion of total unoccupied units.

https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

Source: ESRI Business Analyst; American Community Survey; WTL +a, February 2020.

- The number of unoccupied units includes 2,508 units that are seasonally-owned (i.e., occupied for only a portion of the year, such as by snowbirds who vacation in Florida). When such units (as well as other units, such as those that are sold but not yet occupied) are removed from the unoccupied category**, the City's *true vacancy* in 2010 was significantly lower—7.0%, or 4,925 units.** The 2017 American Community Survey (ACS) suggests that the number of truly vacant units has declined further—to 4,767 units in 2017, revealing a true vacancy rate of 6.1%. In effect, the City's housing market is nearing stabilized levels, as 5% vacancy is considered industry-standard; and

- ACS data reveal the City's housing stock consists of a diverse array of housing types. This includes a predominant share of single-family detached (87.3%), a small share of single-family attached (3.1%), and multi-family units (8.1%). In addition, 1.5% of the City's housing stock, or 1,082 units, consists of mobile homes.

Housing Starts

To document how population and household growth affects market potentials for new housing in the Southern Grove study area, WTL+a reviewed information on annual housing starts. Housing starts are defined as the start of actual construction (after permits are issued). This analysis also compares housing starts to household growth to understand whether the pace of one metric is consistent with (or exceeds) the other. According to data provided by the U.S. Department of Housing & Urban Development (HUD), housing starts for the 12-year period between 2007 and 2018 (latest date available) are illustrated in Table 2 below. Key findings indicate that:

- Between 2007 and 2018, housing starts across St. Lucie County resulted in delivery of more than **13,990 new housing units, producing a *sustained* annual pace of over 1,166 units per year** between 2007 and 2018. In terms of unit distribution, this includes 11,325 single-family units (81% of the total) and 2,668 multi-family units (19% of the total);
- Between 2000 and 2018, the County recorded 54,231 total housing starts, equating to an annual pace of 2,854 units per year during this 19-year period;
- Between 2007 and 2018, housing starts in Port St. Lucie resulted in delivery of **10,808 new housing units, producing an average annual pace of 901 units per year**. This included 9,010 single-family detached units and 1,798 multi-family units. The City accounted for fully 80% of the County's single-family starts and 67% of its multi-family units since 2007;
- Notably, between 2000 and 2006, the City recorded 31,810 total housing starts, which equates to a remarkable 4,544 units built annually during this seven-year period (data for 2000—2006 are not shown in the table). While the pace of residential construction slowed significantly between 2008 and 2014, annual housing starts have again increased—averaging over 1,700 new starts annually between 2015 and 2018;
- Most new housing starts in Port St. Lucie were in numerous residential subdivisions and multiple planning areas at the western edges of the City adjacent or proximate to Southern Grove, such as:
    - Del Webb—entitled for 1,300 units on 762.5 gross acres
    - The Reserve—2,531 units completed out of 2,900 approved units in 36 different communities
    - TCI Village Point—entitled for 2,160 units on 397.5 gross acres located at Village Parkway and Discovery Way, and
    - Verano—592 units completed out of 1,200 approved units.

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Table 2: 12-Year Housing Starts—St. Lucie County & Selected Municipalities, 2007—2018

													Change: 2007-2018		
Municipality	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total Starts**	**Annual Average**	**% of County**
Single-family Detached															
Fort Pierce	136	63	21	12	5	8	7	16	19	24	18	61	390	33	3%
Port St. Lucie	**1,281**	**513**	**197**	**192**	**153**	**176**	**489**	**545**	**783**	**1,114**	**1,465**	**2,102**	**9,010**	**751**	**80%**
As % of County	*76%*	*75%*	*78%*	*72%*	*58%*	*63%*	*83%*	*80%*	*83%*	*82%*	*83%*	*82%*			
St. Lucie Village	2	-	-	-	-	-	-	-	-	-	1	1	4	0.3	0%
Unincorporated County	271	108	36	61	108	95	91	121	143	225	274	388	1,921	160	17%
Subtotal:	**1,690**	**684**	**254**	**265**	**266**	**279**	**587**	**682**	**945**	**1,363**	**1,758**	**2,552**	**11,325**	**944**	**100%**
SFD-St. Lucie County:	**1,690**	**684**	**254**	**265**	**266**	**279**	**587**	**682**	**945**	**1,363**	**1,758**	**2,552**	**11,325**	**944**	**81%**
Multi-family															
Fort Pierce	220	243	10	22	21	28	15	5	7	2	18	88	679	57	25%
Port St. Lucie	**8**	**96**	**-**	**6**	**28**	**6**	**26**	**275**	**231**	**145**	**136**	**841**	**1,798**	**150**	**67%**
As % of County	*2%*	*28%*	*0%*	*21%*	*57%*	*17%*	*58%*	*98%*	*95%*	*99%*	*88%*	*86%*			
St. Lucie Village	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
Unincorporated County	125	6	-	-	-	2	4	-	6	-	-	48	191	16	7%
Subtotal:	**353**	**345**	**10**	**28**	**49**	**36**	**45**	**280**	**244**	**147**	**154**	**977**	**2,668**	**222**	**100%**
MF-St. Lucie County:	**353**	**345**	**10**	**28**	**49**	**36**	**45**	**280**	**244**	**147**	**154**	**977**	**2,668**	**222**	**19%**

http://socds.huduser.org/permits/

Source: U.S. Census Bureau; U.S. Dept. of Housing & Urban Development; WTL+a, February 2020.

Table 2 (Continued): 12-Year Housing Starts—St. Lucie County & Selected Municipalities, 2007—2018

Municipality	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change: 2007-2018 Total Starts	Annual Average	% of Total
Total Starts															
Fort Pierce	356	306	31	34	26	36	22	21	26	26	36	149	1,069	89	8%
Port St. Lucie	**1,289**	**609**	**197**	**198**	**181**	**182**	**515**	**820**	**1,014**	**1,259**	**1,601**	**2,943**	**10,808**	**901**	**77%**
As % of County	*63%*	*59%*	*75%*	*68%*	*57%*	*58%*	*81%*	*85%*	*85%*	*83%*	*84%*	*83%*			
St. Lucie Village	2	-	-	-	-	-	-	-	-	-	1	1	4	0	0%
Unincorporated County	396	114	36	61	108	97	95	121	149	225	274	436	2,112	176	15%
Subtotal:	**2,043**	**1,029**	**264**	**293**	**315**	**315**	**632**	**962**	**1,189**	**1,510**	**1,912**	**3,529**	**13,993**	**1,166**	**100%**
TOTAL-St. Lucie County:	**2,043**	**1,029**	**264**	**293**	**315**	**315**	**632**	**962**	**1,189**	**1,510**	**1,912**	**3,529**	**13,993**	**1,166**	**100%**

http://socds.huduser.org/permits/

Source: U.S. Census Bureau; U.S. Dept. of Housing & Urban Development; WTL+a, February 2020.

Multi-family Rental

WTL+a examined market trends in the City's multi-family rental market based on data for those properties that are tracked by CoStar, Inc. Overall market conditions are key to understanding development potentials for the 1,686 units of new rental housing entitled in the Southern Grove study area.

Market performance characteristics for the City's multi-family rental market are illustrated in Table 3. Key findings indicate the following:

- **Port St. Lucie contains an inventory of almost 5,100 rental units in 21 properties**, as tracked by CoStar, Inc.;
- In 2019, the overall **vacancy rate was 4.5%**. Vacancies, which peaked at 12.8% in 2007 as the national recession commenced, have steadily declined. Vacancy rates have remained at stabilized levels (i.e., of 5% or less) since 2015;
- Over the past 12 years, **net absorption in Port St. Lucie totaled 1,381 units, or 99 units per year**. However, with construction deliveries of 662 new rental units since 2016, net absorption has strengthened—averaging 142 units per year over the past five years. In fact, net absorption has been positive in 13 of the past 14 years; and
- Average monthly rents have increased at a compound annual rate of 2.1% per year since 2006, with an average rent of $1,267 per month ($1.21 per sq. ft.) in 2019 and an average unit size of 983 sq. ft.

WTL+a also examined two recently-opened multi-family rental properties located on Village Parkway in the Southern Grove DRI to understand multi-family market performance in this part of the City. Key metrics are illustrated in Table 4 and summarized below.

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Table 3: Multi-family Rental Characteristics—City of Port St. Lucie, 2006—2019

			National Recession & Recovery												YTD	Change: 2006-2019		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Inventory (Units)	3,580	4,068	4,150	4,150	4,150	4,150	4,150	4,150	4,402	4,402	4,612	4,612	4,612	5,064	5,064	**1,484**		
No. of Buildings	14	16	17	17	17	17	17	17	18	18	19	19	19	21	21	**7**		
Vacant Stock (Units)	170	522	425	314	252	250	209	165	279	168	173	160	140	230	167	**60**		
Vacancy Rate	4.7%	12.8%	10.2%	7.6%	6.1%	6.0%	5.0%	4.0%	6.3%	3.8%	3.8%	3.5%	3.0%	4.5%	3.3%			**-0.3%**
Total Net Absorption (Units)	**(45)**	**137**	**178**	**112**	**63**	**2**	**41**	**43**	**138**	**112**	**204**	**14**	**21**	**361**	**64**	**1,381**	**99**	
Past 5 Years																**712**	**142**	
Construction Deliveries	-	488	82	-	-	-	-	-	252	-	210	-	-	452	-	**1,484**		
Average Unit Size (SF)	938	958	961	961	961	961	961	961	966	966	968	968	968	983	983			**0.4%**
Average Monthly Rent	$ 969	$ 989	$ 970	$ 934	$ 941	$ 955	$ 972	$ 995	$ 1,021	$ 1,091	$ 1,136	$ 1,178	$ 1,219	$ 1,267	$ 1,274			**2.1%**
Per SF Rent	$ 0.92	$ 0.94	$ 0.92	$ 0.89	$ 0.90	$ 0.91	$ 0.93	$ 0.95	$ 0.97	$ 1.04	$ 1.08	$ 1.12	$ 1.16	$ 1.21	$ 1.21			**2.1%**
Average Annual % Change		*2.2%*	*-2.1%*	*-3.3%*	*1.1%*	*1.1%*	*2.2%*	*2.2%*	*2.1%*	*7.2%*	*3.8%*	*3.7%*	*3.6%*	*4.3%*	*0.0%*			

Source: CoStar, Inc.; WTL+a, April 2020.

Table 4: Market Performance—Springs at Tradition & Atlantic/Grand Palms, 2019—2020

Project/Location	Year Built Class & Height	Site Size/ Densities & Bldg. Area	Unit Type	No. of Units	% Dist.	Size (In SF)	Per Month Asking Rent Amount	Asking Rent Per SF	Effective Rent Amount	Effective Rent Per SF	3-Year Vacancy & Absorption Analysis Vacant	2020	2019	2018
Springs at Tradition	2019	30.14	Studios	48	16%	606	$ 1,383	$ 2.28	$ 1,378	$ 2.28	1			
Market-rate	B	acres	1 BR	104	34%	850	1,714	2.02	1,709	2.01	2			
11200 SW Village Court	4 floors	0.28	2 BR	126	41%	1,143	1,893	1.66	1,887	1.65	2			
Port St. Lucie		364,800	3 BR	26	9%	1,356	2,092	1.54	2,085	1.54	1			
Developer: Continental Properties Co., Inc.			**Total:**	**304**		**976**	**$ 1,768**	**$ 1.81**	**$ 1,762**	**$ 1.80**	**6**	**2.0%**	**38.7%**	**100%**
												112	**186**	
											Months Open:	7	12	
			Asking Rent Concessions:							**-0.3%**	**Avg. Monthly Absorption:**	**16**	**16**	



Table 4 (Cont.): Market Performance—Springs at Tradition & Atlantic/Grand Palms, 2019—2020

Project/Location	Year Built Class & Height	Site Size/ Densities & Bldg. Area	Unit Type	No. of Units	% Dist.	Size (In SF)	Per Month: Asking Rent Amount	Asking Rent Per SF	Effective Rent Amount	Effective Rent Per SF	3-Year Vacancy & Absorption Analysis: Vacant	2020	2019	2018
The Atlantic Palms at Tradition	2020	-	1 BR	64	21%	810	$ 1,577	$ 1.95	$ 1,577	$ 1.95	26			
Market-rate	B	acres	2 BR	206	69%	1,107	1,739	1.57	1,739	1.57	84			
11349 SW Discovery Way	4 floors	-	3 BR	30	10%	1,274	1,938	1.52	1,938	1.52	12			
Port St. Lucie		720,000												
			Total:	**300**		**1,060**	**$ 1,724**	**$ 1.63**	**$ 1,724**	**$ 1.63**	**122**	**40.7%**	**100.0%**	**100%**
Developer: Atlantic/Pacific Companies												178	-	
											Months Open:	5	-	
												(1)		
			Asking Rent Concessions:							0.0%	**Avg. Monthly Absorption:**	**36**	**-**	

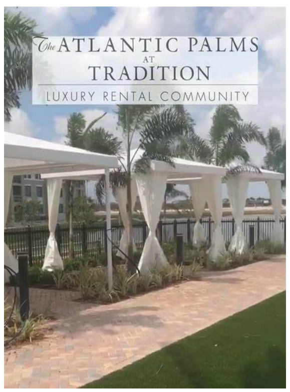

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Table 4 (Cont.): Market Performance—Springs at Tradition & Atlantic/Grand Palms, 2019—2020

Project/Location	Year Built Class & Height	Site Size/ Densities & Bldg. Area	Unit Type	No. of Units	% Dist.	Size (In SF)	Per Month: Asking Rent Amount	Per Month: Asking Rent Per SF	Per Month: Effective Rent Amount	Per Month: Effective Rent Per SF	3-Year Vacancy & Absorption Analysis: Vacant	2020	2019	2018
COMPARABLES ANALYSIS			Studios	48	**8%**	606	$ 1,383	$ 2.28	$ 1,378	$ 2.28				
Total/Weighted Average:			1 BR	168	**28%**	835	1,662	1.99	1,659	1.99				
			2 BR	332	**55%**	1,121	1,797	1.60	1,795	1.60				
			3 BR	56	**9%**	1,312	2,010	1.53	2,006	1.53				
			Total:	**604**		**1,018**	**$ 1,746**	**$ 1.72**	**$ 1,743**	**$ 1.71**	**128**	**21.2%**	**69.1%**	**-**
Estimated Unit Absorption (2018-2020):											**Avg. Annual Absorption:**	**290**	**186**	
											Avg. Monthly Absorption:	**52**	**16**	

(1) Certificates of Occupancy for Atlantic (Grand) Palms were issued starting in May 2020. The analysis assumes pre-leasing started in March, suggesting a five-month period of unit absorption (March-July).

Source: City of Port St. Lucie; CoStar, Inc.; WTL+a, August 2020.

Both Springs at Tradition (304 units) and The Atlantic Palms at Tradition (300 units) have recently opened and are in the process of occupancy/lease-up.

Springs at Tradition

- Springs at Tradition contains a mix of units (75% of which are one- and two-bedroom units), with an average unit size of 976 sq. ft. Asking rents average $1,768 per month, with effective rents of $1,762 per month ($1.81 per sq. ft.) suggesting nominal tenant concessions of 0.3% per month;
- The City of Port St. Lucie issued Certificates of Occupancy (CO) for all 304 units over a seven-month period in 2019. CoStar data suggest that the pace of **unit occupancies (absorption) averaged 16 units per month over a 12-month period in 2019**. That lease-up pace was maintained over the first seven months of 2020. WTL+a notes that this pace is considered solid. Springs at Tradition has achieved stabilized occupancies, with a vacancy rate of only 2%.

The Atlantic Palms at Tradition

- The Atlantic Palms at Tradition (also known as Grand Palms) contains a mix of units (90% of which are one- and two-bedroom units), with an average unit size of 1,060 sq. ft. Asking and effective rents average $1,724 per month (i.e., there are no tenant concessions);
- The City of Port St. Lucie issued COs for 116 units between May and July 2020. CoStar data suggest that the pace of **unit occupancies at Atlantic Palms is averaging approximately 36 units per month for the estimated five months the project has been leasing in 2020** (i.e., it is common for new multi-family properties to initiate pre-leasing for one to two months prior to issuance of COs). Monthly lease-up at this pace is considered very strong. If Atlantic Palms maintains this pace, the project should achieve stabilized occupancies (i.e., 5% vacancy) in less than four months.

Overall, market performance of the two new multi-family properties in the Southern Grove DRI is strong. Continued market strength is necessary to support development of the 1,686 multi-family units currently entitled in the study area.

In conclusion, **the Port St. Lucie housing market reflects generally stabilized market conditions—with stabilized occupancies, increasing values among owner-occupied**

properties, and strong lease-up (absorption) activity in new multi-family properties accompanied by solid achieved monthly rents. Ongoing population and household growth, which translates into significant levels of new residential development, as well as the reported pace of lot take-downs and unit sales among the master-planned communities adjacent or proximate to Southern Grove reinforce the City's strong market conditions in its housing sector.

Market Conditions—Hotel/Lodging

WTL+a reviewed data on market conditions for hotel and lodging uses in St. Lucie County based on performance data provided by STR Global, the industry leader in hotel market data. Performance metrics from this analysis will be used to determine hotel/lodging market potentials as an amenity to support ongoing business retention and recruitment and job-creation initiatives in the Southern Grove study area.

In larger population centers and communities with established commercial office concentrations, hotels can serve as an important supporting amenity to corporate and business activity generators, for tourism destinations and for nearby residential clusters. Hotel quality levels are generally determined by the depth and sustainability of support from available market segments. In areas with lower spending potentials or more price-sensitive consumers (such as logistics-related markets serving truck drivers and others), market potentials may be best met by a limited-service property (which is defined by the hotel industry to include the absence of an on-site restaurant and limited other amenities such as gyms, meeting/conference/event spaces, swimming pools, spas, etc.) as opposed to higher-priced hotel categories (such as full-service business-oriented hotels, which include all of the above amenities) or destination resort properties oriented toward beaches/waterfronts, golf courses, etc.

As illustrated in Table 5, St. Lucie County contains 3,058 hotel rooms, with Fort Pierce containing 1,557 rooms (51% of supply) and **Port St. Lucie containing 1,501 rooms (49% of the County's room inventory).** By comparison, neighboring Martin County contains 1,674 rooms, with 79% of Martin County's room inventory located in Stuart. STR Global categorizes hotel properties into the following class levels:

- **Economy**—properties in this class typically include EconoLodge, Day's Inn, Extended Stay America, Red Roof Inn and a number of smaller, non-chain affiliated properties across Broward County. This category comprises 23% of the County's hotel market

- **Midscale**—hotels in this category typically include Best Western, Quality Inn, Sleep Inn and Wingate by Wyndham. This category comprises 13% of the County's hotel market
- **Upper Midscale**—properties in this category typically include the Comfort Inn, Fairfield Inn, Hampton Inn and Holiday Inn Express & Suites. This category comprises 31% of the County's hotel market
- **Upscale**—properties in this class typically include Marriott Courtyard, Hilton Garden Inn, Hyatt Place and Residence Inn. This category comprises 16% of the County's hotel market
- **Upper Upscale**—properties in this class typically include Hyatt Regency, Marriott, Sheraton and Wyndham. This category, which includes the 337-room Club Med Sandpiper Bay Hotel in Port St. Lucie, comprises 17% of the County's hotel market, and
- **Luxury**—properties in this class typically include international chains such as the Ritz Carlton and W Hotel. There are no luxury properties in St. Lucie County.

To understand hotel market performance and opportunities for additional new hotel development in Southern Grove, WTL+a obtained hotel performance data for 17 selected properties across St. Lucie County with 1,602 rooms from STR Global, the hotel industry's leader in tracking market performance in the lodging industry.

Hotel occupancies are a principal source of information on both business and leisure travel markets; measures of demand for hotel development follow general industry patterns that identify markets to determine readiness to add more room capacity. The general investment thresholds used in capital markets to test expansion feasibility for new hotel rooms include Average Daily Rates (ADRs) and sustained average annual room occupancies (allowing for seasonal changes over the year in major visitor markets.

The industry benchmark identified for construction feasibility/potential expansion is a ***sustained*** **annual occupancy level between 65% and 72%**. If a market/location sustains an average annual occupancy within these levels (or higher), that location can support additional capacity and warrant development of new hotel rooms.

Table 5: St. Lucie County Hotel Inventory, 2019

	No. of Rooms by Property Class							
Location (By Rooms)	Economy	Mid-scale	Upper Mid-scale	Upscale	Upper Upscale	Luxury	Total Rooms	As % of County
St. Lucie County	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*			
Fort Pierce	891	139	457	70	-	-	1,557	50.9%
Port St. Lucie	**-**	**260**	**435**	**469**	**337**	**-**	**1,501**	**49.1%**
Subtotal-St. Lucie:	**891**	**399**	**892**	**539**	**337**	**-**	**3,058**	**64.6%**
Martin County								
Indiantown	22	-	-	-	-	-	22	1.3%
Jensen Beach	15	-	23	110	178	-	326	19.5%
Stuart	183	201	548	120	274	-	1,326	79.2%
Subtotal-Martin:	**220**	**201**	**571**	**230**	**452**	**-**	**1,674**	**35.4%**
TOTAL:	**1,111**	**600**	**1,463**	**769**	**789**	**-**	**4,732**	**100%**
% Dist. by Class	***23%***	***13%***	***31%***	***16%***	***17%***	***0%***		

(1) Examples of economy class properties include: Days Inn; Extended Stay America; Red Roof Inn; Super 8; and Travelodge.
(2) Examples of mid-scale class properties include: Best Western; LaQuinta Inn; Quality Inn; Sleep Inn & Suites and Wingate By Wyndham.
(3) Examples of upper mid-scale properties include: Comfort Inn; Fairfield Inn; Hampton Inn; and Holiday Inn Express & Suites.
(4) Examples of upscale properties include: Marriott Courtyard; Crowne Plaza; Doubletree; Hilton Garden Inn; Hyatt Place; and Residence Inn.
(5) Examples of upper upscale properties include: Hyatt Regency; Marriott; Sheraton and Wyndham.

Source: STR Global; WTL+a, February 2020.

Table 6 illustrates key performance metrics among the selected competitive hotel properties; notably, 16 of these 17 properties are considered “limited” or “select” service and located primarily at I-95 interchanges in Port St. Lucie and Fort Pierce. The Club Med Sandpiper Bay Hotel is the only full-service hotel in St. Lucie County. Key findings from STR Global data on these competitive properties indicate that:

- The 17 properties selected for this analysis include 1,602 rooms. In terms of STR class levels, four properties reporting their performance data to STR are Economy Class, nine are Upper Midscale and four are Upscale. The Club Med property does *not* report its market performance to STR;
- Occupancy levels have strengthened; over the past six years, **average annual occupancies ranged from a low of 58.1% in 2014 to a peak of 73.6% in 2017, with a six-year average of 71.8%;**

- Notably, for the past three years, ***sustained annual occupancies for these properties have averaged 67.4%***. In 2019, occupancies averaged 71.4% and, indicative of peak seasonality, occupancy averaged 84.7% in January and February of 2020—*prior* to the impacts of the COVID-19 pandemic;
- Other indicators of solid market performance include Average Daily Rates (ADRs), which increased at a sustained annual pace of 3.76% per year and Revenue per Available Room (REVPAR), which increased at a remarkable 8.12% per year between 2014 and 2019. There were significant year-over-year jumps in this particular metric;
- In conclusion, based on occupancy and revenue performance, this analysis suggests **there may be sufficient demand/investment-level performance necessary to support new hotel rooms in the Southern Grove study area.** However, with the delivery of the 128-room Townplace Suites property on Village Parkway (outside of the study area near The Landing at Tradition) in December 2019, additional time will be required to gauge its impacts on market performance and the capacity to support additional new rooms beyond this new supply.

Area Hotel Market Performance (Before Coronavirus) is Strong:

Occupancies Exceeded 70% Past 3 Years

Table 6: Market Performance of Selected Competitive Hotel Properties, 2014—2019

		2014	2015	2016	2017	2018	2019	February 2020	CHANGE: 2014-2019 Average	CAGR
Performance Characteristics										*(1)*
	Number of Rooms	1,619	1,550	1,544	1,454	1,506	1,497	1,602		
	Available Room Nights (Supply)	591,021	565,778	563,711	530,510	549,559	546,619	567,108	**557,866**	**-1.55%**
	Occupied Room Nights (Demand)	343,224	365,578	383,528	390,224	383,730	390,041		**376,054**	**2.59%**
	Annual Occupancy (%)	**58.1%**	**64.6%**	**68.0%**	**73.6%**	**69.8%**	**71.4%**	**84.7%**	**67.4%**	**4.21%**
	Average Daily Rate	$ 84.97	$ 90.03	$ 95.40	$ 100.63	$ 102.38	$ 102.20	$ 124.93	**$ 96.21**	**3.76%**
(2)	Revenue Per Available Room	$ 49.35	$ 58.17	$ 64.91	$ 74.02	$ 71.49	$ 72.92	$ 105.76	**$ 64.86**	**8.12%**
Year-to-Year % Growth										
	Annual Occupancy	-	11.3%	5.3%	8.1%	(5.1%)	2.2%			
	Average Daily Rate	-	5.9%	6.0%	5.5%	1.7%	(0.2%)			
	Revenue/Available Room	-	17.9%	11.6%	14.0%	(3.4%)	2.0%			

Selected Property	Rooms	% Dist.	Year Open
Hampton Inn Fort Pierce	81	5%	Nov 2006
Comfort Suites Fort Pierce I 95	68	4%	Dec 2004
La Quinta Inns & Suites Fort Pierce	87	5%	Jul 2008
Fairfield Inn & Suites Fort Pierce	108	7%	Dec 2008
Holiday Inn Express & Suites Fort Pierce West	94	6%	Sep 2009
Best Western Port St Lucie	98	6%	Jan 1987
Holiday Inn Port St Lucie	142	9%	Oct 1988
SpringHill Suites Port St Lucie	103	6%	Jul 1998
Holiday Inn Express & Suites Port St Lucie West	93	6%	Apr 2009
Sleep Inn At PGA Village	17	1%	Mar 2013
Residence Inn Port St Lucie	125	8%	Feb 2009
Hilton Garden Inn PGA Village Port St Lucie	130	8%	Nov 2006
Hampton by Hilton Inn & Suites Port St Lucie West	72	4%	Mar 2002
Perfect Drive Golf Villas	82	5%	Jul 2006
MainStay Suites At PGA Village Port St Lucie	63	4%	Mar 1999
TownePlace Suites Port St Lucie I-95	128	8%	Dec 2019
Homewood Suites by Hilton Port St Lucie Tradition	111	7%	Nov 2009
Total:	**1,602**	**100%**	

(1) CAGR=Compound Annual Growth Rate.

(2) Revenue per available room is total annual room revenue divided by available rooms. It is the best measure of year-to-year growth because it considers simultaneous changes in both room rate and annual occupancies.

Source: STR Global; WTL+a, March 2020.

Market Conditions—Office

The market analysis evaluated development potentials for "workplace" uses, including multi-tenant/speculative office (and general industrial sectors) in St. Lucie County and Port St. Lucie. We note that it is not possible to evaluate development potentials for specific end-users such as Project Bullet (or portions of Sansone) looking for a specific location such as Southern Grove, as such deals are based on specific recruitment strategies and terms (e.g., the amount of space to be occupied) that are negotiated on a case-by-case basis. As a result, the analysis estimated demand for speculative/multi-tenant opportunities based on employment forecasts. This task was tailored to:

- Understand the Southern Grove study area's overall competitive market position for speculative/multi-tenant uses, based on key performance metrics (total inventory, construction deliveries, net annual absorption/leasing activity, vacant stock, vacancy rates, and rental rates);
- Inform the evaluation of workplace development potentials for the study area based on the findings in this profile; and
- Guide the TCRPC planning team's testing of development scenarios to ensure that uses such as office and industrial space will physically fit and be sufficiently marketable.

Given that the study area is a designated "jobs corridor", the City is particularly interested in understanding recent and current real estate market conditions for general industrial uses in a number of competing jurisdictions throughout Florida. As a result, City staff identified four counties (Palm Beach, Broward and Miami-Dade in South Florida and Orange in Central Florida) for additional research on industrial market performance. Key findings for the area's office market are illustrated in multiple tables that follow, and summarized below:

St. Lucie County

- As illustrated in Table 7, St. Lucie County contains **6.6 million sq. ft. of office space** distributed across Port St. Lucie, Fort Pierce and unincorporated areas. Countywide,

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Table 7: Office Market Profile—St. Lucie County, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Office																	
Inventory	5,393,752	5,940,029	5,966,605	5,998,552	6,033,852	6,055,552	6,118,606	6,129,961	6,271,609	6,271,609	6,409,726	6,496,336	6,567,106	6,583,470	**1,173,354**		
No. of Buildings/Centers	536	552	554	558	561	564	567	569	578	578	584	591	594	595			
Vacant Stock	686,401	960,195	1,098,697	878,725	870,118	868,608	858,022	782,330	709,035	725,853	743,911	620,241	717,697	729,773	**31,296**		
Vacancy Rate	12.7%	16.2%	18.4%	14.6%	14.4%	14.3%	14.0%	12.8%	11.3%	11.6%	11.6%	9.5%	10.9%	11.1%			**-1.3%**
Net Absorption:	**(208,440)**	**272,483**	**(111,926)**	**251,919**	**43,907**	**23,210**	**73,640**	**87,047**	**214,943**	**(16,818)**	**120,059**	**210,280**	**(26,686)**	**4,288**	**933,618**	**71,817**	
Past 5 Years															**501,778**	**100,356**	
Construction Deliveries	172,143	546,277	26,576	31,947	35,300	21,700	63,054	11,355	141,648	-	138,117	86,610	70,770	16,364	**1,345,497**		
Gross Rent/SF	$ 18.10	$ 17.84	$ 17.62	$ 16.15	$ 16.27	$ 15.56	$ 15.00	$ 13.79	$ 14.32	$ 14.39	$ 13.34	$ 13.27	$ 15.32	$ 16.94			**-1.4%**
Average Annual % Change	-	*-1.5%*	*-1.2%*	*-8.4%*	*0.8%*	*-4.4%*	*-3.6%*	*-8.1%*	*3.8%*	*0.5%*	*-7.3%*	*-0.5%*	*15.4%*	*10.6%*			

Source: CoStar, Inc.; WTL+a, revised April 2020.

there were **717,700 sq. ft. of vacant office space** (including direct vacancies and sublet space), which reflects a year-end 2019 vacancy rate of 10.9%;

- Office vacancies peaked at more than 18% during the national recession in 2009, but they declined steadily between 2010 and 2018, at 9.5%. Vacancies have increased slightly to 11.1% in the first quarter of 2020;
- Multiple factors have combined to strengthen overall leasing activity, including recovery from the 2007—2009 recession, net new job growth in office-using sectors and new or expanded businesses throughout the County. In fact, *net* absorption totaled **933,600 sq. ft. countywide over this 13-year period.** Notably, net absorption in St. Lucie County has strengthened over the past five years—to an average of 100,300 sq. ft. per year;
- If the County's historic annual pace of 71,800 sq. ft. of net absorption (over 13 years) can be sustained, approximately **9.7 years would be required to absorb 95% of the County's existing vacant office space**. Nine of the past 13 years have recorded positive net absorption in the County's office market;
- Interestingly, gross office rents *declined* between 2007 and 2019—from $18.10 per sq. ft. in 2007 to $15.32 per sq. ft. at year-end 2019, reflecting a compound annual decline of -1.4% per year during this period; and
- Declining office rents may have propelled positive net absorption to some extent, particularly since St. Lucie County's office inventory expanded with 1.34 million sq. ft. of new office construction since 2007.

Port St. Lucie

- As illustrated in Table 8, there are 3.61 million sq. ft. of office space in Port St. Lucie in 276 buildings. The City accounts for 55% of St. Lucie County's 6.6 million sq. ft. of office space. The City's share of the County's supply has remained relatively stable—ranging from 51% to 55%;

- The impacts of the national recession on the City's office market were dramatic: office vacancies doubled between 2007 and 2009—from 9.5% to 18.6%. It took fully five years for the vacancy rate to drop to 15.5% in 2014; vacancies declined more rapidly thereafter as net absorption strengthened. By 2018, the office vacancy rate had dropped to 5.8%, although it jumped to 8.1% in 2019;
- More than 892,300 sq. ft. of new office space has been built citywide since 2007, equating to annual average deliveries of 68,600 sq. ft. per year;
- Citywide *net* office absorption totaled 848,800 sq. ft. over this 13-year period, averaging almost 65,300 sq. ft. per year. **The strength of the City's office market is best exemplified in metrics over the past five years—with net absorption doubling (over its historic 13-year pace)—to more than 124,300 sq. ft. per year**;
- **If the City's historic annual pace of 65,300 sq. ft. of net absorption (over 13 years) can be sustained, it would require approximately 4.25 years to absorb 95% of the City's vacant office space**. Similar to the County, nine of the past 13 years have recorded positive net absorption in the City's office market;
- Unlike the County, gross office rents remained generally flat between 2007 and 2019—between $19 per sq. ft. in 2007 and almost $18 per sq. ft. at year-end 2019, reflecting a nominal compound annual decline of -0.6% per year during this period; and
- Positive net absorption may also have been buoyed by flat office rents to some extent, particularly since the City's office inventory expanded with the addition of 892,400 sq. ft. of new office space built since 2007.

A Strengthening Office Market in PSL:
Annual Absorption *Doubled* to 124,300 SF/Year Past 5 Years

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Table 8: Office Market Profile—Port St. Lucie, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Office																	
Inventory	2,877,400	3,033,303	3,059,879	3,091,826	3,110,074	3,128,338	3,191,392	3,202,747	3,337,450	3,337,450	3,461,624	3,548,234	3,619,004	3,635,368	**741,604**		
As % of County	*53%*	*51%*	*51%*	*52%*	*52%*	*52%*	*52%*	*52%*	*53%*	*53%*	*54%*	*55%*	*55%*	*55%*			
No. of Buildings/Centers	228	239	241	245	247	249	252	254	262	262	266	273	276	277			
Vacant Stock	272,019	495,079	568,079	497,281	468,907	460,580	437,587	497,746	464,734	356,509	331,567	205,668	292,132	321,717	**20,113**		
Vacancy Rate	9.5%	16.3%	18.6%	16.1%	15.1%	14.7%	13.7%	15.5%	13.9%	10.7%	9.6%	5.8%	8.1%	8.8%			**-1.3%**
Net Absorption:	**127,342**	**(67,157)**	**(46,424)**	**102,745**	**46,622**	**26,591**	**86,047**	**(48,804)**	**167,715**	**108,225**	**149,116**	**212,509**	**(15,694)**	**(13,221)**	**848,833**	**65,295**	
Past 5 Years															**621,871**	**124,374**	
Construction Deliveries	150,765	155,903	26,576	31,947	18,248	18,264	63,054	11,355	134,703	-	124,174	86,610	70,770	16,364	**892,369**		
Gross Rent/SF	$ 19.14	$ 19.26	$ 19.19	$ 17.93	$ 18.15	$ 17.47	$ 17.26	$ 16.15	$ 17.27	$ 16.76	$ 15.70	$ 15.88	$ 17.86	$ 19.23			**-0.6%**
Average Annual % Change	-	*0.6%*	*-0.4%*	*-6.6%*	*1.2%*	*-3.8%*	*-1.2%*	*-6.4%*	*7.0%*	*-3.0%*	*-6.3%*	*1.1%*	*12.5%*	*7.7%*			

Source: CoStar, Inc.; WTL+a, revised April 2020.

Martin County

- As illustrated in Table 9, Martin County contains **4.03 million sq. ft. of office space** distributed across Stuart, Palm City, the U.S. Route 1 and A1A corridors and unincorporated areas. Countywide, there were **269,860 sq. ft. of vacant office space** (including direct vacancies and sublet space), which reflects a year-end 2019 vacancy rate of 6.7%. Office vacancies peaked at almost 13% during the national recession in 2009 and again in 2012, but declined steadily to a low of 4.3% in 2017. Vacancies have increased to 7.8% in the first quarter of 2020;
- *Net* absorption totaled **226,750 sq. ft. countywide over this 13-year period, equating to an annual average of only 17,440 sq. ft. per year.** Net absorption in Martin County strengthened slightly over the past five years—to an average of 38,930 sq. ft. per year;
- If the County's historic annual pace of 17,440 sq. ft. of net absorption (over 13 years) can be sustained, approximately **15 years would be required to absorb 95% of the County's vacant office space**. There has been positive net absorption in only six of the past 13 years, and only 246,155 sq. ft. of new construction;
- Similar to St. Lucie County, gross office rents in Martin County *declined* between 2007 and 2019—from $24.75 per sq. ft. in 2007 to $17.54 per sq. ft. at year-end 2019, reflecting a sizable compound annual decline of -2.8% per year during this period; and
- The Martin County office market is smaller than St. Lucie County—with less average annual absorption activity (17,400 sq. ft. per year compared to 71,800 sq. ft. per year). Moreover, it is not expanding as rapidly, with only 246,155 sq. ft. of new office supply (compared to 1.34 million sq. ft. in St. Lucie). While overall office rents are higher in Martin, they have declined more rapidly than St. Lucie over the past 13 years.

Table 9: Office Market Profile—Martin County, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Office																	
Inventory	3,857,307	3,911,333	3,940,333	3,940,333	3,959,374	3,959,374	3,973,972	3,973,972	3,973,972	3,991,339	3,996,339	4,008,911	4,038,785	4,038,785	**181,478**		
No. of Buildings/Centers	459	464	466	466	468	468	470	470	470	473	474	476	479	479			
Vacant Stock	321,299	400,073	500,078	424,385	469,298	503,328	510,029	399,703	298,791	266,963	172,867	215,539	269,860	314,167	**(51,439)**		
Vacancy Rate	8.3%	10.2%	12.7%	10.8%	11.9%	12.7%	12.8%	10.1%	7.5%	6.7%	4.3%	5.4%	6.7%	7.8%			**-1.8%**
Net Absorption:	**(5,470)**	**(31,414)**	**(71,005)**	**82,359**	**(25,872)**	**(34,030)**	**7,200**	**110,326**	**100,912**	**49,195**	**99,096**	**(30,100)**	**(24,447)**	**(44,307)**	**226,750**	**17,442**	
Past 5 Years															**194,656**	**38,931**	
Construction Deliveries	64,677	54,026	29,000	-	19,041	-	14,598	-	-	17,367	5,000	12,572	29,874	-	**246,155**		
Gross Rent/SF	$ 24.75	$ 25.55	$ 17.71	$ 17.01	$ 16.88	$ 16.51	$ 15.86	$ 15.77	$ 15.81	$ 16.22	$ 16.27	$ 16.50	$ 17.54	$ 18.29			**-2.8%**
Average Annual % Change	-	*3.2%*	*-30.7%*	*-4.0%*	*-0.8%*	*-2.2%*	*-3.9%*	*-0.6%*	*0.3%*	*2.5%*	*0.3%*	*1.4%*	*6.3%*	*4.3%*			

Source: CoStar, Inc.; WTL+a, revised April 2020.

In conclusion, **the office market in (and surrounding) Port St. Lucie has benefitted from strong job growth in office-using sectors of the regional economy**. As reported previously in Technical Memorandum #1, Port St. Lucie added 7,115 new jobs between 2006 and 2017 (latest data available), which fueled positive net absorption totaling 848,800 sq. ft. between 2007 and 2019. With almost 892,400 sq. ft. of new office space, demand kept pace with deliveries during this period. **Demand has been strongest over the past five years, with annual net absorption of 124,400 sq. ft. per year.**

WTL+a notes, however, that **rent growth has not kept pace with demand; in fact, office rents have declined** at a compound annual rate of -0.6% per year during this period. While commercial office rents declined, the more concerning metric may be negative net absorption of -28,915 sq. ft. in 2019 and the first quarter of 2020. Combined with more significant (but as yet unknown) impacts of COVID-19, the City's office market may face a period of weakness in the short-term.

Table 10: Summary of Regional Office Market Conditions

Location	2019 SF Inventory (Ranked by Size)	2019 Vacant SF	% Vacant 2007	% Vacant 2019	Average Annual Absorption (In SF) 2007-2019	Average Annual Absorption (In SF) Past 5 Years	Total New Construction 2007-2019
St. Lucie County	6,567,106	717,697	12.7%	10.9%	71,817	100,356	1,345,497
Port St. Lucie	**3,619,004**	**292,132**	**9.5%**	**8.1%**	**65,295**	**124,374**	**892,369**
As % of County	***55%***						***66%***
Martin County	4,038,785	314,167	8.3%	6.7%	17,442	38,931	246,155

Source: CoStar, Inc.; WTL+a, revised April 2020.

Market Conditions—Retail

Historic development patterns in Port St. Lucie differ from most other Florida communities in that there was never a traditional commercial downtown or urban center in the City that created a center for retail, commerce and civic identity. This issue was mentioned in many of the stakeholder interviews in the early stages of the Southern Grove market study, both as a needed planned solution as well as to fill a void in market identity and civic pride. Opinions were divided about whether a new (or redeveloped) "town center" could be created within Tradition/Southern Grove, although many considered the location west of I-95 to be an opportunity to form a new civic identity for the City. **Many stakeholders also commented that there are not enough entertainment and recreational activities in Port St. Lucie**, and that **Southern Grove could be a logical location for entertainment-oriented uses because of the site's visibility and access from I-95.**

Because much of the early development occurred in Port St. Lucie in single-family residential development, existing retail and commercial clusters are scattered along major arterial roadways, such as St. Lucie West Boulevard. St. Lucie West, a 1980s DRI, was entitled for 2,125,287 sq. ft. of commercial retail space. According to data provided by the City, a total of 1,886,610 sq. ft. of retail space has been built, such as the Shoppes at St. Lucie West (384,400 sq. ft. across three phases), Walmart Center (225,767 sq. ft.), Lowe's (171,069 sq. ft.), and Home Depot (129,268 sq. ft.).

Other retail developments are located along the Federal Highway/U.S. Route 1 corridor, mostly in individual pad sites and small retail strip shopping centers. While Tradition Town Center has added some pedestrian-friendly spaces, there is only limited contiguous retail. The Landing at Tradition, a 600,000 sq. ft. Big Box center, includes a Target superstore (127,000 sq. ft.), Bed Bath & Beyond (31,000 sq. ft.), and TJ Maxx (29,000 sq. ft.), but there is approximately 126,500 sq. ft. of vacant retail space (20% of the gross leasable area/GLA). The Landing also has large vacant parcels between the in-line stores and Village Parkway, and does it not create a strong pedestrian connection to other parts of Tradition. While The Landing is not technically part of the Southern Grove study area, given its current vacancy rate and longer-term planning prospects as an assembled parcel, the TCRPC planning team believes that it is both necessary and appropriate to include it as a redevelopment prospect, rather than creating significant competing retail within the study area boundaries.

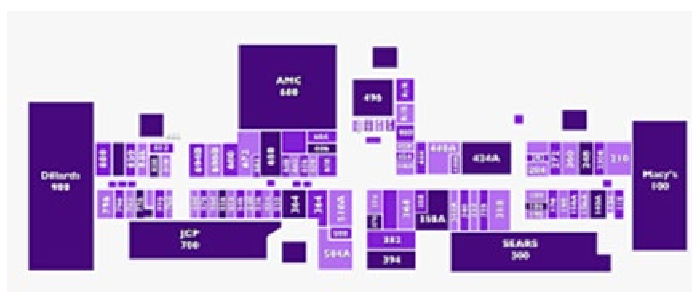
Port St. Lucie also has significant retail competition both nearby and within an easy driving distance:

- **Treasure Coast Square**—in nearby Jensen Beach (Martin County) includes over 875,000 sq. ft. of retail space. Reportedly, the mall generated the nearby development of an additional 800,000 sq. ft. of other retail within 10 years of its opening. Like many traditional malls, the mall's department store 'anchors' are challenged by changes in consumer shopping patterns: The Sears store is closed; JC Penney is closing stores nationally and has significant debt that will require further adjustments in 2020 and beyond; and Macy's is streamlining its store count and planning to close 28 of its stores nationwide (plus the Bloomingdales in The Falls center in Miami). The Simon Company, the mall's owner (and largest shopping center developer in the U.S.) is leading an ongoing repositioning of the mall and its store mix over time.

- **Downtown Stuart**—this traditional downtown cluster of dining and specialty retailers is approximately 13 miles (driving distance) from the Southern Grove study area, and it includes a number of destination restaurants, specialty retailers and consumer services, all within a pleasant, walkable environment. The 18-block Main Street District was revitalized with concerted public initiatives and supported by both resident and visitor spending.

- **Gardens Mall**—the 1.4 million sq. ft. Gardens Mall in Palm Beach Gardens is located approximately 35 miles from Southern Grove in Palm Beach County. The Gardens Mall has been a high performing, upscale destination with luxury stores and national tenants. While the Sears store has closed, the mall's other anchors include Saks Fifth Avenue, Nordstrom and Bloomingdale's (which is owned by Macy's). The mall has over 7,000 parking spaces across acres of surface parking lots that could be redeveloped; with a strong operating history, it is likely to survive the COVID downturn.

- **Indian River Mall**—this regional center is located in Vero Beach to the north of Southern Grove. The mall has experienced significant vacancies (Sears had previously closed, and Macy's announced its permanent closing in mid-May), and could be considered a candidate for a major repositioning strategy for a re-use program.



Retail market conditions, by geography, are highlighted below.

St. Lucie County

- As illustrated in Table 11, St. Lucie County contains almost **13.5 million sq. ft. of retail space** distributed across the County (this includes all of the county's incorporated municipalities). At year-end 2019, there were more than **853,700 sq. ft. of vacant retail space** (including direct vacancies and sublet space), which reflects a vacancy rate of only 6.3%. Over the past 13 years, retail vacancies peaked at only 7.4% during the national recession in 2010. Between 2007 and 2019, vacancies ranged from 5.6% to 7.2%. Effectively, the retail sector in St. Lucie County is operating in stabilized market conditions;
- The County's retail inventory suggests that there are **43 sq. ft. of retail space** for each of the County's 313,200 residents. This is well-above the U.S. average of approximately 26 sq. ft. per capita (based on shopping centers/malls alone; estimates including other retail locations such as strip development and downtown areas suggest the ratio is up to 50 sq. ft. per capita). By any reasonable measure, these per capita metrics are too high and more than the market can support;

- Multiple factors contribute to the strength of the County's retail market—including significant population and household growth and the County's (secondary) role as a visitor destination in South Florida. Net absorption totaled over **2.43 million sq. ft. countywide over the past 13 years, which equates to a sustained annual average of 187,530 sq. ft. per year**. Fully 11 of the past 13 years exhibited positive absorption, although the pace slowed to roughly 93,900 sq. ft. per year over the past five years;

WTL+a

Table 11: Retail Market Profile—St. Lucie County, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Retail																	
Inventory	11,571,918	12,574,580	12,719,593	12,828,195	12,859,788	12,870,818	13,007,409	13,042,499	13,053,992	13,150,733	13,291,507	13,456,153	13,477,367	13,477,367	**1,905,449**		
No. of Buildings/Centers	976	1,007	1,023	1,029	1,034	1,036	1,042	1,046	1,048	1,065	1,080	1,098	1,104	1,104			
Vacant Stock	752,623	666,536	877,666	945,895	770,167	869,433	933,410	911,768	838,596	734,388	769,203	845,666	853,731	852,325	**101,108**		
Vacancy Rate	6.5%	5.3%	6.9%	7.4%	6.0%	6.8%	7.2%	7.0%	6.4%	5.6%	5.8%	6.3%	6.3%	6.3%			**-0.2%**
Net Absorption:	**652,798**	**1,093,041**	**(67,042)**	**41,298**	**207,321**	**(88,236)**	**72,614**	**56,732**	**84,665**	**200,949**	**101,959**	**68,643**	**13,149**	**1,406**	**2,437,891**	**187,530**	
Past 5 Years															**469,365**	**93,873**	
Construction Deliveries	948,866	1,002,662	145,013	108,602	31,593	11,030	136,591	35,090	11,493	96,741	136,774	145,106	21,214	-	**2,830,775**		
Base Rent/SF (NNN)	$ 22.38	$ 21.22	$ 17.49	$ 15.29	$ 14.75	$ 14.11	$ 14.02	$ 13.94	$ 14.27	$ 14.03	$ 15.63	$ 16.21	$ 15.89	$ 16.35			**-2.8%**
Average Annual % Change	-	*-5.2%*	*-17.6%*	*-12.6%*	*-3.5%*	*-4.3%*	*-0.6%*	*-0.6%*	*2.3%*	*-1.7%*	*11.4%*	*3.7%*	*-1.9%*	*2.9%*			

Source: CoStar, Inc.; WTL+a, revised April 2020.

- Notably, more than 2.83 million sq. ft. of new retail space was built in St. Lucie County between 2007 and 2019, with fully 1.95 million sq. ft. delivered in 2007 and 2008 alone. As detailed below, the City of Port St. Lucie captured fully 85% of all new retail space built in the County during this period; and
- Similar to the County's office sector, retail rents *declined* between 2007 and 2019—from $22.38 per sq. ft. in 2007 to $15.89 per sq. ft. (on a triple net basis) at year-end 2019, reflecting a compound annual decline of -2.8% per year during this period.

Port St. Lucie

- As illustrated in Table 12, Port St. Lucie contains almost **7.5 million sq. ft. of retail space** and comprises 56% of the County's total retail supply. At year-end 2019, there were **335,900 sq. ft. of vacant retail space** (including direct vacancies and sublet space), which reflects a vacancy rate of only 4.5%. Over the past 13 years, retail vacancies peaked at 8.7% in 2007. Despite another peak of 7.7% in 2013, vacancy rates have continued to decline. Paralleling the County, the retail sector in Port St. Lucie is operating in stabilized market conditions;
- The City's retail inventory suggests there are **39.7 sq. ft. of retail space** for each of the City's 188,722 residents. This is well-above the U.S. average of approximately 26 sq. ft. per capita (based on shopping centers/malls alone; estimates including other retail locations such as strip development and downtown areas suggest a ratio up to 50 sq. ft. per capita);
- Net retail absorption totaled over **2.39 million sq. ft. citywide over the past 13 years, which equates to a sustained annual average of 183,860 sq. ft. per year**. **Port St. Lucie accounted for 98% of all countywide retail absorption,** and 10 of the past 13 years exhibited positive absorption, although the pace slowed to roughly 104,200 sq. ft. per year over the past five years;

Table 12: Retail Market Profile—City of Port St. Lucie, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Retail																	
Inventory	5,994,339	6,779,793	6,891,901	6,955,503	6,965,913	6,965,913	7,087,702	7,122,792	7,134,285	7,215,983	7,326,969	7,478,019	7,493,111	7,493,111	**1,498,772**		
As % of County	*52%*	*54%*	*54%*	*54%*	*54%*	*54%*	*54%*	*55%*	*55%*	*55%*	*55%*	*56%*	*56%*	*56%*			
No. of Buildings/Centers	345	369	379	384	386	386	391	395	397	410	421	438	441	441			
Vacant Stock	522,840	382,852	516,969	497,925	441,176	499,640	546,669	509,975	488,076	361,032	335,928	316,298	335,918	350,485	**(186,922)**		
Vacancy Rate	8.7%	5.6%	7.5%	7.2%	6.3%	7.2%	7.7%	7.2%	6.8%	5.0%	4.6%	4.2%	4.5%	4.7%			**-5.4%**
Net Absorption:	**723,761**	**929,734**	**(22,009)**	**82,646**	**67,159**	**(58,464)**	**74,760**	**71,784**	**33,392**	**208,742**	**132,090**	**151,140**	**(4,528)**	**(14,567)**	**2,390,207**	**183,862**	
Past 5 Years															**520,836**	**104,167**	
Construction Deliveries	943,866	785,454	112,108	63,602	10,410	-	121,789	35,090	11,493	81,698	106,986	131,510	15,092	-	**2,419,098**		
Base Rent/SF (NNN)	$ 24.16	$ 23.17	$ 20.05	$ 17.00	$ 16.06	$ 15.51	$ 15.42	$ 15.73	$ 16.28	$ 15.40	$ 16.18	$ 16.28	$ 18.18	$ 19.09			**-2.3%**
Average Annual % Change	-	*-4.1%*	*-13.5%*	*-15.2%*	*-5.6%*	*-3.4%*	*-0.6%*	*2.0%*	*3.5%*	*-5.4%*	*5.1%*	*0.6%*	*11.7%*	*5.0%*			

Source: CoStar, Inc.; WTL+a, revised April 2020.

- Notably, more than 2.41 million sq. ft. of new retail space was built in Port St. Lucie between 2007 and 2019, with fully 1.65 million sq. ft. delivered in 2007 and 2008 alone. As noted, the City of **Port St. Lucie captured fully 85% of all new retail space built in St. Lucie County during this period**;
- WTL+a estimates that it would take only two years to absorb 95% of the City's existing vacant retail space, assuming the historic (13 years) pace of annual absorption continues; and
- Similar to the County, retail rents in Port St. Lucie *declined* between 2007 and 2019—from $24.16 per sq. ft. in 2007 to $18.18 per sq. ft. (on a triple net basis) at year-end 2019, reflecting a compound annual decline of -2.3% per year during this period.

Port St. Lucie Captured 98% of All Retail Absorption & 85% of New Construction

In St. Lucie County between 2007 and 2019

Martin County

- As illustrated in Table 13, Martin County contains **11.4 million sq. ft. of retail space.** At year-end 2019, there were more than **622,200 sq. ft. of vacant retail space** (including direct vacancies and sublet space), which reflects a vacancy rate of 5.4%. Over the past 13 years, retail vacancies peaked at 8.0% in 2009. Since that time, vacancy rates have declined and have been in the range of 3% to 5% over the past five years. Similar to St. Lucie County, Martin County's retail sector is operating in stabilized market conditions;

- The County's retail inventory suggests that there are an extraordinary **72 sq. ft. of retail space** for each of the County's 158,598 residents. This is well-above the U.S. average of approximately 26 sq. ft. per capita (and St. Lucie County's 43 sq. ft. and Port St. Lucie's 39.7 sq. ft. per capita) (based on shopping centers/malls alone; estimates including other retail locations such as strip development and downtown areas suggest a ratio up to 50 sq. ft. per capita), and likely reflects the significant impacts of tourism spending generated by visitors to Martin County's Hutchinson Island and resorts as well as affluent primary households and second homeowners;
- Net retail absorption totaled **584,870 sq. ft. countywide over the past 13 years, which equates to a sustained annual average of only 44,990 sq. ft. per year**. Eight of the past 13 years exhibited positive absorption, although the pace strengthened to more than 80,100 sq. ft. per year over the past five years. **The rate of retail net absorption in Martin County is significantly *lower* than in neighboring Port St. Lucie**;
- More than 856,400 sq. ft. of new retail space was built in Martin County between 2007 and 2019;
- WTL+a estimates that it would require approximately 13 years to absorb 95% of the County's existing vacant retail space, assuming the historic pace of annual absorption (of 44,990 sq. ft. per year) continues; and
- Unlike St. Lucie County and Port St. Lucie, retail rents increased between 2007 and 2019—from $17.10 per sq. ft. in 2007 to $18.37 per sq. ft. (on a triple net basis) at year-end 2019, reflecting a nominal compound annual increase of 0.6% per year during this period.

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Table 13: Retail Market Profile—Martin County, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Retail																	
Inventory	10,815,533	10,842,273	10,899,216	11,000,476	11,042,270	11,042,270	11,105,373	11,113,423	11,131,811	11,260,467	11,292,629	11,394,697	11,426,442	11,426,442	**610,909**		
No. of Buildings/Centers	727	731	733	737	742	742	750	751	753	763	767	778	783	783			
Vacant Stock	519,666	784,817	874,169	669,732	749,952	795,449	785,999	709,891	502,940	352,745	502,965	603,881	622,245	746,286	**102,579**		
Vacancy Rate	4.8%	7.2%	8.0%	6.1%	6.8%	7.2%	7.1%	6.4%	4.5%	3.1%	4.5%	5.3%	5.4%	6.5%			**1.0%**
Net Absorption:	**51,156**	**(213,027)**	**(32,409)**	**305,697**	**(38,426)**	**(45,497)**	**72,553**	**84,158**	**225,339**	**278,851**	**(118,058)**	**1,152**	**13,381**	**(124,041)**	**584,870**	**44,990**	
Past 5 Years															**400,665**	**80,133**	
Construction Deliveries	245,523	26,740	56,943	101,260	41,794	-	63,103	8,050	18,388	128,656	32,162	102,068	31,745	-	**856,432**		
Base Rent/SF (NNN)	$ 17.10	$ 17.42	$ 17.68	$ 16.97	$ 17.10	$ 16.27	$ 15.75	$ 15.74	$ 16.24	$ 16.40	$ 17.99	$ 19.08	$ 18.37	$ 18.04			**0.6%**
Average Annual % Change	-	*1.9%*	*1.4%*	*-4.0%*	*0.7%*	*-4.8%*	*-3.2%*	*0.0%*	*3.2%*	*0.9%*	*9.7%*	*6.1%*	*-3.7%*	*-1.8%*			

Source: CoStar, Inc.; WTL+a, revised April 2020.

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Table 14: Summary of Regional Retail Market Conditions

Location	2019 SF Inventory (Ranked by Size)	2019 Vacant SF	% Vacant 2007	% Vacant 2019	Average Annual Absorption (In SF) 2007-2019	Average Annual Absorption (In SF) Past 5 Years	Total New Construction 2007-2019
St. Lucie County	13,477,367	853,731	6.5%	6.3%	187,530	93,873	2,830,775
Martin County	11,426,442	622,245	4.8%	5.4%	44,990	80,133	856,432
Port St. Lucie	**7,493,111**	**335,918**	**8.7%**	**4.5%**	**183,862**	**104,167**	**2,419,098**
As % of County	***56%***						***85%***

(1) Number of years to stabilized (95%) occupancy based on average annual absorption between 2007-2019.

Source: CoStar, Inc.; WTL+a, revised April 2020.

Market Conditions—Industrial

St. Lucie County

- As illustrated in Table 15, St. Lucie County contains more than **12.0 million sq. ft. of industrial space** distributed across the County (this includes all of the county's incorporated municipalities). At year-end 2019, there were **514,000 sq. ft. of vacant industrial space** (including direct vacancies and sublet space), which reflects a vacancy rate of only 4.3%. Over the past 13 years, vacancies in the County's industrial supply peaked at 13.5% during the national recession in 2009 and steadily declined to a low of only 2.7% in 2018. The amount of vacant industrial space countywide increased slightly to 4.3% in 2019 and 4.9% during the first quarter of 2020. Effectively, the industrial sector in St. Lucie County is operating in stabilized market conditions;
- Multiple factors contribute to the strength of the County's industrial market—including job growth in industrial-using sectors as well as significant population and household growth. Net absorption totaled over **770,000 sq. ft. countywide over the past 13 years, which equates to a sustained annual average of 59,240 sq. ft. per year**. Ten of the past 13 years exhibited positive absorption. Notably, the pace of net absorption has strengthened—to roughly 95,355 sq. ft. per year over the past five years;
- New construction resulted in deliveries of over 745,350 sq. ft. of new industrial space in St. Lucie County between 2007 and 2019. As detailed below, the City of Port St. Lucie captured fully 50% of all new industrial space built in the County during this period;
- WTL+a estimates that it would require approximately eight years to absorb 95% of the County's existing vacant industrial space, assuming the historic pace of annual absorption (of 59,240 sq. ft. per year) continues; and
- Similar to the County's office and retail sectors, industrial rents also *declined* between 2007 and 2019—from $8.12 per sq. ft. in 2007 to $7.78 per sq. ft. (on a gross basis) at year-end 2019, reflecting a nominal compound annual decline of -0.4% per year during this period.

Table 15: Industrial Market Profile—St. Lucie County, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Industrial																	
Inventory	11,552,495	11,747,392	11,868,842	11,908,200	11,908,200	11,908,200	11,908,200	11,908,200	11,929,367	11,939,966	11,952,782	11,970,622	12,015,042	12,015,042	**462,547**		
No. of Buildings/Centers	688	696	702	705	705	705	705	705	706	707	709	710	713	713			
Vacant Stock	1,188,275	1,247,888	1,604,150	1,465,073	1,415,632	1,347,623	1,112,709	883,928	793,886	494,326	480,402	318,415	513,996	589,264	**(674,279)**		
Vacancy Rate	10.3%	10.6%	13.5%	12.3%	11.9%	11.3%	9.3%	7.4%	6.7%	4.1%	4.0%	2.7%	4.3%	4.9%			**-7.0%**
Net Absorption:	**(366,678)**	**135,284**	**(234,812)**	**178,435**	**49,441**	**68,009**	**234,914**	**228,781**	**111,209**	**310,159**	**26,740**	**179,827**	**(151,161)**	**(75,268)**	**770,148**	**59,242**	
Past 5 Years															**476,774**	**95,355**	
Construction Deliveries	282,806	194,897	121,450	39,358	-	-	-	-	21,167	10,599	12,816	17,840	44,420	-	**745,353**		
Gross Rent/SF	$ 8.12	$ 7.57	$ 7.35	$ 5.74	$ 5.46	$ 5.42	$ 5.50	$ 6.03	$ 6.34	$ 6.50	$ 6.76	$ 6.47	$ 7.78	$ 9.02			**-0.4%**
Average Annual % Change	-	*-6.8%*	*-3.0%*	*-21.8%*	*-4.9%*	*-0.7%*	*1.4%*	*9.5%*	*5.1%*	*2.6%*	*4.0%*	*-4.3%*	*20.3%*	*15.9%*			

Source: CoStar, Inc.; WTL+a, revised April 2020.

Port St. Lucie

- As illustrated in Table 16, there are 3.42 million sq. ft. of industrial space in Port St. Lucie in 207 buildings. The City accounts for only 28% of St. Lucie County's 12.0 million sq. ft. of industrial space, as the majority of industrial supply in the county is located in the City of Fort Pierce and in unincorporated areas along the I-95 corridor. The City's share of the County's supply has remained relatively stable in the range of 27% to 28%;
- Prior to the national recession, the City's industrial vacancy rate was 15% in 2007; vacancies jumped to almost 22% in 2009. Job growth in industrial-using sectors resulted in vacancies declining to 8.7% by 2014, and to only 3.3% by 2019 generated by eight years of positive net absorption. Vacancies ticked up to 5.1% during the first quarter of 2020;
- Citywide *net* industrial absorption totaled almost 463,400 sq. ft. over this 13-year period, averaging 35,645 sq. ft. per year, and accounting for fully 60% of all countywide industrial absorption during this period. Activity in PSL's industrial market strengthened slightly over the past five years—**with net absorption increasing to 53,500 sq. ft. per year.** However, even though the pace of absorption increased, it comprised less of the countywide activity (56%);
- Ten of the past 13 years have recorded positive net absorption in the City's industrial supply. While vacancies ticked up to 5.1% during the first quarter of 2020, the City's industrial market is effectively in stabilized operations.
- Similar to the City's office rents, gross industrial rents declined slightly between 2007 and 2019—from $9.88 per sq. ft. in 2007 to $8.82 per sq. ft. at year-end 2019, reflecting a nominal compound annual decline of -0.9% per year during this period; and

Table 16: Industrial Market Profile—City of Port St. Lucie, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Industrial																	
Inventory	3,126,231	3,296,429	3,329,029	3,337,229	3,337,229	3,337,229	3,337,229	3,337,229	3,358,396	3,368,995	3,379,711	3,379,711	3,424,131	3,424,131	**297,900**		
As % of County	*27%*	*28%*	*28%*	*28%*	*28%*	*28%*	*28%*	*28%*	*28%*	*28%*	*28%*	*28%*	*28%*	*28%*			
No. of Buildings/Centers	191	197	200	201	201	201	201	201	202	203	204	204	207	207			
Vacant Stock	467,858	590,679	718,303	612,411	665,293	602,449	445,599	291,933	252,922	197,788	186,653	138,299	111,339	175,049	**(356,519)**		
Vacancy Rate	15.0%	17.9%	21.6%	18.4%	19.9%	18.1%	13.4%	8.7%	7.5%	5.9%	5.5%	4.1%	3.3%	5.1%			**-11.9%**
Net Absorption:	**(191,033)**	**47,377**	**(95,024)**	**114,092**	**(52,882)**	**62,844**	**156,850**	**153,666**	**60,178**	**65,733**	**21,851**	**48,354**	**71,380**	**2,000**	**463,386**	**35,645**	
Past 5 Years															**267,496**	**53,499**	
Construction Deliveries	76,840	170,198	32,600	8,200	-	-	-	-	21,167	10,599	10,716	-	44,420	-	**374,740**		
Gross Rent/SF	$ 9.88	$ 9.65	$ 7.94	$ 6.35	$ 6.26	$ 6.14	$ 6.10	$ 6.48	$ 6.96	$ 7.10	$ 8.05	$ 7.97	$ 8.82	$ 9.74			**-0.9%**
Average Annual % Change	-	*-2.3%*	*-17.8%*	*-20.1%*	*-1.3%*	*-2.0%*	*-0.6%*	*6.2%*	*7.4%*	*2.0%*	*13.3%*	*-1.0%*	*10.7%*	*10.4%*			

Source: CoStar, Inc.; WTL+a, revised April 2020.

- More than 374,700 sq. ft. of new industrial space was built citywide between 2007 and 2019, accounting for 50% of all new industrial space built in St. Lucie County. However, data from CoStar, Inc. does *not* include the 411,000 sq. ft. City Electric plant, which was built on a 40-acre site within the study area.

Martin County

- As illustrated in Table 17, Martin County contains **7.3 million sq. ft. of industrial space** distributed across the County. At year-end 2019, there were **384,600 sq. ft. of vacant industrial space** (including direct vacancies and sublet space), which reflects a vacancy rate of 5.2%. Over the past 13 years, vacancies in the County's industrial supply peaked at 10.2% during the national recession in 2009 and steadily declined to a low of only 1.3% in 2017. The amount of vacant industrial space countywide increased to 5.2% in 2019 and 7.7% during the first quarter of 2020. For the past five years, the industrial sector in Martin County has been operating at stabilized levels;

- Multiple factors contribute to the strength of Martin County's industrial market—including job growth in industrial-using sectors. Net absorption totaled over **812,790 sq. ft. countywide over the past 13 years, which equates to a sustained annual average of 62,500 sq. ft. per year;**
- Notably, **these market trends indicate that the pace of industrial absorption in Martin County is *higher* than it has been in St. Lucie County**—both in the short-term (past five years) and long-term (past 13 years). Similar to St. Lucie County, 10 of the past 13 years exhibited positive industrial absorption in Martin County and the pace of net absorption has strengthened over the past five years; and

Average Annual Industrial Absorption	**Past 13 Years**	**Past 5 Years**
St. Lucie County	35,645 SF	53,499 SF
Martin County	62,522 SF	72,817 SF

- New construction resulted in deliveries of over 860,800 sq. ft. of new industrial space in Martin County between 2007 and 2019. WTL+a estimates that it would take six years to lease 95% of the County's existing vacant space at current absorption patterns.

WTL+a

Table 17: Industrial Market Profile—Martin County, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Industrial																	
Inventory	6,575,563	6,575,563	6,575,563	6,900,962	6,900,962	6,900,962	6,907,012	6,907,012	6,907,012	6,907,012	6,979,546	7,221,616	7,334,116	7,534,116	**758,553**		
No. of Buildings/Centers	393	401	405	405	405	405	406	406	406	406	412	419	421	422			
Vacant Stock	202,231	313,444	668,870	624,390	596,217	603,716	395,032	386,005	263,328	116,603	93,375	223,418	384,606	583,633	**182,375**		
Vacancy Rate	3.1%	4.8%	10.2%	9.0%	8.6%	8.7%	5.7%	5.6%	3.8%	1.7%	1.3%	3.1%	5.2%	7.7%			**4.5%**
Net Absorption:	**297,332**	**119,280**	**(256,820)**	**44,480**	**28,173**	**(7,499)**	**214,734**	**9,027**	**122,677**	**146,725**	**95,762**	**55,107**	**(56,188)**	**973**	**812,790**	**62,522**	
Past 5 Years															**364,083**	**72,817**	
Construction Deliveries	166,725	226,793	98,606	-	-	-	6,050	-	-	-	72,534	185,150	105,000	200,000	**860,858**		
Gross Rent/SF	$ 11.28	$ 9.58	$ 8.04	$ 7.39	$ 6.81	$ 6.65	$ 6.83	$ 6.73	$ 6.90	$ 8.06	$ 8.99	$ 9.87	$ 10.90	$ 10.33			**-0.3%**
Average Annual % Change	-	*-15.1%*	*-16.1%*	*-8.1%*	*-7.8%*	*-2.4%*	*2.7%*	*-1.5%*	*2.6%*	*16.7%*	*11.6%*	*9.7%*	*10.5%*	*-5.3%*			

Source: CoStar, Inc.; WTL+a, revised April 2020.

Competitive Industrial Markets

Given that the study area is a designated "jobs corridor", the City is particularly interested in understanding recent and current real estate market conditions for general industrial uses in several competing jurisdictions throughout Florida. As a result, City staff identified four counties (Palm Beach, Broward and Miami-Dade in South Florida and Orange in Central Florida) for additional research on industrial market performance. Key findings are highlighted below and illustrated in a summary in Table 18. Key data tables for each county are contained in the Appendix to this report.

- Three of the largest jurisdictions—Miami-Dade, Broward and Orange Counties—contain a combined 470.9 million sq. ft. of industrial space, with Miami-Dade comprising 42% of that amount (230.4 million sq. ft.). In sum, these three counties account for 87% of the 540.4 million sq. ft. across these six jurisdictions. St. Lucie County accounts for only 2% of the regional industrial inventory;
- During the national recession, vacancies peaked at 9% to 10% in these three jurisdictions—as compared to 13.5% in St. Lucie County and almost 22% in the City of Port St. Lucie. Since the 2009—2010 recession ended, however, **vacancy rates have generally been at 5% or below, suggesting that the industrial sector in the three largest counties has been in stabilized operations.** By the end of 2019 (pre-COVID), only Orange County/Orlando exhibited vacancies slightly above stabilized levels—at 7.1%;
- While industrial vacancy rates in other counties generally remained at stabilized levels or better after the 2007—2009 recession, both St. Lucie County and the City of Port St. Lucie experienced significant *declines* in industrial vacancy rates during this period. In fact, the industrial vacancy rate in St. Lucie County dropped from 10.3% in 2007 to 4.3% in 2019; in Port St. Lucie, the rate of decline was even greater—dropping from 15% to 3.3%—a 78% decrease as the pace of absorption/occupancy of vacant industrial space across the City over this period;

Table 18: Summary of Regional Industrial Market Conditions

Location	2019 SF Inventory (Ranked by Size)	2019 Vacant SF	% Vacant 2007	% Vacant 2019	Average Annual Absorption (In SF) 2007-2019	Average Annual Absorption (In SF) Past 5 Years	Total New Construction 2007-2019
Miami-Dade County	230,416,331	9,383,906	5.3%	4.1%	1,690,007	3,054,612	28,133,082
Orange County (Orlando) *(1)*	124,592,193	8,787,270		7.1%		1,386,454	
Broward County	115,979,512	6,435,980	4.8%	5.5%	645,711	1,173,097	13,405,103
Palm Beach County	52,073,374	1,574,269	6.0%	3.0%	312,778	759,633	5,567,480
St. Lucie County	**12,015,042**	**513,996**	**10.3%**	**4.3%**	**59,242**	**95,355**	**745,353**
Port St. Lucie	**3,424,131**	**111,339**	**15.0%**	**3.3%**	**35,645**	**53,499**	**374,740**
As % of County	***28%***	***22%***			***60%***	***56%***	***50%***
Martin County	7,334,116	384,606	3.1%	5.2%	62,522	72,817	860,858

(1) Data from Cushman & Wakefield, Inc. Net absorption limited to calendar year 2019.

Source: CoStar, Inc.; Cushman & Wakefield, Inc.; WTL+a, revised April 2020.

- While Palm Beach County has 4.3x the amount of industrial space of St. Lucie County (52 million versus 12 million sq. ft.), **its average annual absorption was 5.3x that of St. Lucie County between 2007 and 2019, and *8x higher* over the past five years**; and
- Moreover, while St. Lucie County has 1.6x the amount of industrial space of Martin County (12 million versus 7.3 million sq. ft.), St. Lucie County's annual absorption averaged only 95% of Martin County's absorption activity between 2007 and 2019.

Palm Beach County: Industrial Inventory is 4.3x Larger but

Net Absorption was *8x Greater* than St. Lucie County Past 5 Years

Development Potentials

This section of Technical Memorandum #2 details the analysis of real estate market potentials for four key land uses for the Southern Grove study area based on the demographic profile and evaluation of real estate market conditions. As presented in detail below, the market analysis focused on four uses: housing, workplace (office and industrial), supporting retail and hotel/lodging.

Approved Entitlements

A significant amount of entitlements at Southern Grove were previously approved by the City of Port St. Lucie. Based on the Southern Grove Development of Regional Impact (DRI) Resolution 15-R59 Approved Development Program, the following uses are entitled in the Southern Grove DRI (updated September 2020):

Table 19: Approved Entitlements—Entire Southern Grove DRI

Land Use	Approved	Conveyed by Land Sale	Completed	Under Construction	Approved
Residential Units	7,388	3,090	542	820	1,082
Retail (SF)	3,675,075	170,985	37,194	2,500	24,516
Office (SF)	2,430,728	679,691	216,872	9,860	63,960
Research & Development (SF)	2,498,602	-	201,557	-	-
Warehouse/Industrial (SF)	4,583,336	798,743	411,852	-	53,743
Hotel (Rooms)	791	393	111	84	82
Hospital (Beds)	300	300	180	-	-

Source: City of Port St. Lucie; WTL+a, revised September 2020.

As illustrated in Figure 2, the DRI is comprised of eight separate areas. The Southern Grove study area encompasses Areas 4, 5 and 6 located between I-95 on the east and Village Parkway on the west. According to September 2020 data provided by the City, Southern Grove DRI entitlements include:

- **Housing**—the 7,388 approved residential units include 3,314 single-family units and 4,074 multi-family units. Mattamy Palm Beach LLC has development rights for 3,394 units, and other third parties have development rights to 2,308 units; 3,090 units conveyed with the land sale; 542 units are completed; 820 units are under construction; and another 1,082 units have been approved. For example, recently completed projects include Atlantic (Grand) Palms at Tradition apartments (300 units) and The Springs at Tradition (304 units).

  In the Southern Grove study area, 1,686 multi-family units are entitled. With 372 units allocated to the proposed AHS project, there remain 1,314 units for future development.

- **Industrial**—2,498,602 sq. ft. of research & development (R&D) and 4,583,336 sq. ft. of warehouse space are entitled; 798,743 sq. ft. of warehouse/industrial space conveyed with the land sale; City Electric/Tamco's 411,852 sq. ft. manufacturing center was completed in the first quarter of 2020 (a relocation of its operations from other locations in Port St. Lucie); and 53,743 sq. ft. of warehouse/industrial space have been approved.

  In the Southern Grove study area, entitled industrial uses include 2,168,602 sq. ft. of R&D space and 3,784,593 sq. ft. of warehouse/industrial space.

- **Office**—2,430,728 sq. ft. of office are entitled, with 679,691 sq. ft. conveyed by the land sale; 216,872 sq. ft. are completed; 9,860 sq. ft. are under construction; and 63,960 sq. ft. have been approved.

  In the Southern Grove study area, entitled office uses include 2,024,647 sq. ft.

- **Retail**—3,675,075 sq. ft. of retail are entitled, with 170,985 sq. ft. conveyed by the land sale to GFC; 37,194 sq. ft. are completed; 2.500 sq. ft. are under construction; and, 24,516 sq. ft. have been approved.

  In the Southern Grove study area, entitled retail uses include 2,581,091 sq. ft.

Figure 2: Southern Grove DRI

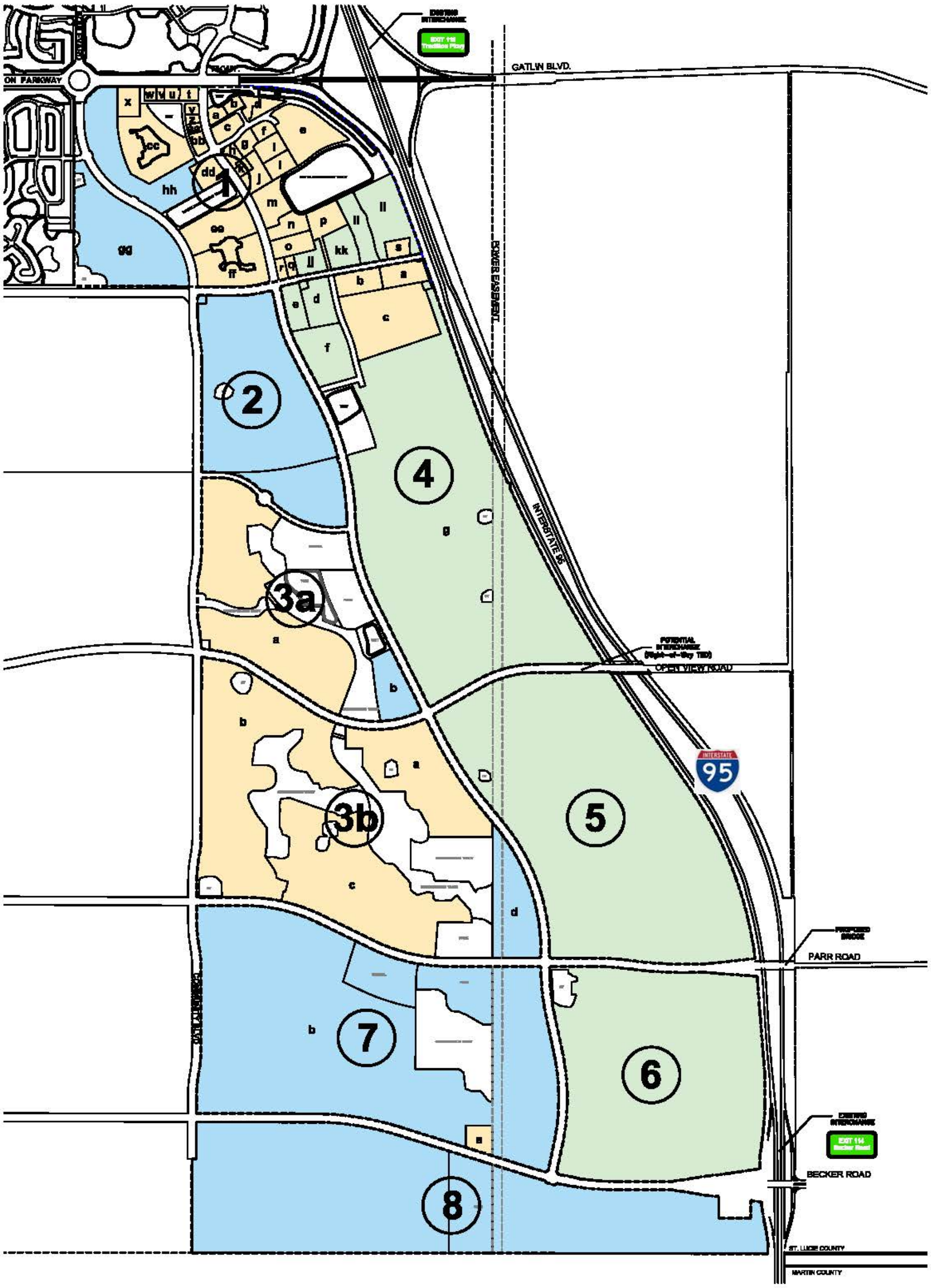

Table 20: Entitled Uses—Southern Grove Study Area

	Map			DRI Entitlements Sold/Assigned										
Area	No.	Owner	Acres	SF	MF	Apt.	Retail	Office	R&D	Warehouse	Medical	Hotel	ALF	NOTES
4	e	PSL Governmental Finance Corp	5.623	-	-	-	39,000	-	-	-	-	122	-	Contracts pending
1	ii	PSL Governmental Finance Corp	9.610											
1	jj	PSL Governmental Finance Corp	5.260											
1	kk	PSL Governmental Finance Corp	8.360											
1	ll	PSL Governmental Finance Corp	20.969	-	786	528	2,542,091	2,024,647	2,168,602	3,784,593	-	36	-	Uses to be allocated to specific parcels by developer; Uses may be altered per application of DRI Conversion Matrix
4	g	PSL Governmental Finance Corp	373.460											
5		PSL Governmental Finance Corp	413.460											
6		PSL Governmental Finance Corp	298.370											
Total-GFC:			**1,135.11**	**-**	**786**	**528**	**2,581,091**	**2,024,647**	**2,168,602**	**3,784,593**	**-**	**158**	**-**	

Source: City of Port St. Lucie; Treasure Coast Regional Planning Council; WTL+a, revised September 2020.

The following details our market/demand analysis for specific land uses in the Southern Grove study area. We note that the forecast period varies, by use, between five and 10 years based on specific data utilized as the basis of forecasts (such as employment forecasts prepared by the Florida Department of Economic Opportunity/DEO).

Market-rate Housing

As illustrated previously in Table 20, **the Southern Grove study area has approval for up to 1,686 housing units,** including 786 multi-family units and 900 apartments. We assume that "multi-family" is defined as condominiums (for-sale product) and "apartments" is defined as rental units. WTL+a prepared a revised demand analysis that measures market potentials for new housing—with a specific focus on multi-family units—for a 10-year period between 2020 and 2030. The analysis considers the following scenarios:

- **Scenario #1**—Utilizes an annual ("straight-line") growth rate of **3.96% per year** consistent with historic *actual* population growth rates in Port St. Lucie between 2000—2019. For purposes of this analysis, we extrapolated this growth rate for 10 years (through 2030).
- **Citywide Scenario #2**—Utilizes an annual growth rate of **2.10% per year** based on a five-year forecast of population growth in Port St. Lucie as prepared by ESRI Business Analyst, a demographic forecasting service, for the next five years (2019—2024). For purposes of this analysis, we extrapolated this growth rate for 10 years (through 2030).

Both scenarios allocate market share to known residential projects in the planning areas surrounding Southern Grove as identified by the City (including the master planned communities of The Reserve, Riverland/Kennedy, St. Lucie West and Verano), to determine the number of "unallocated" units that could be available to accommodate future population/household growth and captured as part of new residential development in the Southern Grove study area. This also provides an opportunity to understand the "required" market capture, or share, that new residential development at Southern Grove would need to be market-supportable.

The focus on market potentials for multi-family units considers the 2019—2020 lease-up/absorption patterns underway at two new properties—including Springs at Tradition and The Atlantic Palms at Tradition.

Citywide Scenario #1

- As noted in the demographic profile in Technical Memorandum #1, the City of Port St. Lucie has experienced significant population growth over the past 20 years—increasing from 90,170 residents in 2000 to 188,722 residents in 2019—**more than *doubling* its population with 98,552 new residents in 34,332 new households** during this period;

Table 21: Housing Potentials—Scenario #1, 2020—2030

Competitive (DRI) Projects	2020	Forecasts *(1)* 2030	Population Change	Average Household Size *(2)*	2030 Housing Units
Scenario 1: Straight-line Forecast					
Average Annual Growth Rate (2000-2019)	**3.96%**				
Current & Future Population (Extrapolated to 2030)	188,722	278,384	89,662	2.73	**32,843**
Allocation to Known Residential Projects:					
Southern Grove					
Conveyed by Land Sale					**3,090**
- Under Construction				*820*	
- Approved				*1,082*	
Reserve					369
Riverland/Kennedy	*(3)*				2,208
Southern Grove DRI (Outside of Study Area)	*(5)*				5,044
St. Lucie West (SLW)					50
Verano					608
Subtotal - Allocated Units:					**11,369**

Scenario 1 - Supportable (Unallocated) Units:				**21,475**
	Assumed Citywide Distribution of Units			
	Existing	**5 Years**	**10 Years**	
Single-family Units	90%	85%	82%	
Supportable Units	19,412	18,253	17,609	
Multi-family Units	8%	12%	16%	
Supportable Units	1,738	2,577	3,436	
Study Area Entitled Units	**1,686**	**1,686**	**1,686**	
Required Market Capture of Citywide MF Units	**97%**	**65%**	**49%**	

(1) Population forecasts assume that Port St. Lucie continues to grow at the same pace it did between 2000 and 2019 (straight-line forecast).

(2) In order to convert 2030 population growth into housing units, the analysis assumes that average household size remains the same as it was in 2019 (2.73 persons per household).

(3) The Riverland/Kennedy DRI is entitled to build 11,700 units. To date, 579 units are completed and closed; 94 units are awaiting CO; and 210 units are under construction. This reflects average annual deliveries of 221 units per year since the DRI was approved in September 2016. The analysis assumes continued deliveries averaging 221 units per year for the 10-year forecast period.

(4) Scenario #2 utilizes the 2019-2024 population growth forecasts and applies them through 2030. It also assumes no change in average household size.

(5) This reflects 7,388 entitled units in the Southern Grove DRI, less 1,686 units entitled in the study area, less 658 units completed or under construction.

Source: City of Port St. Lucie; University of Florida Bureau of Business & Economic Research; ESRI Business Analyst; WTL+a, revised September 2020.

- The lion's share of this growth occurred between 2000 and 2010, when the City added almost 74,300 new residents (reflecting a *sustained* average annual growth rate of 6.19% per year). Growth moderated between 2010 and 2019—with 24,259 new residents and reflecting a much *lower* average annual growth rate of 1.54% per year. Thus, the overall growth rate over the past 20 years averaged 3.96% per year between 2000 and 2019;
- As illustrated in Table 21, if the *pace* of growth continues at this historic/overall rate of 3.96% per year, it would yield more than **89,660 new residents in 32,840 new households (i.e., housing units)** by 2030, assuming the City's average household size of 2.73 remains unchanged. This would translate into *annual* demand of 3,280 units per year. By comparison, actual new housing starts in Port St. Lucie between 2000 and 2006 (the high growth period) averaged over 4,500 units per year, but *declined* to 901 units per year between 2007 and 2018 as population and household growth moderated (particularly after 2010);
- The next step allocates future growth in population/households to fully-entitled residential projects in DRIs located in the City's western planning areas remaining to be built. According to revised data provided by the City (September 2020), in addition to the 3,090 entitled units approved by the sale of Southern Grove to the City as well as the 5,044 units located in the DRI but *outside of* the study area, these include: The Reserve (369 units); Riverland/Kennedy (2,208 units); St. Lucie West (50 units); and Verano (608 units);
- The analysis assumes that all entitled units (11,369) as identified are built. We note that Riverland/Kennedy is entitled for 11,700 units. Since the DRI was approved in September 2016, a total of 883 units have been built, which equates to an annual average of 221 units over this four-year period. WTL+a has assumed that this average annual pace continues for the next 10 years, yielding 2,208 completed units. This leaves 21,475 "unallocated" units citywide. The analysis illustrates the number of future units built based on the City's current distribution of single-family (90%) and multi-family (8%). (Another 1.5% are other/mobile homes);
- If the study area's 1,686 entitled units are built over the next 10 years, it would require a "capture", or share, of fully 97% of the 1,738 multi-family units that would be market-supportable. In our view, we believe this to be an **unreasonably disproportionate share**

of citywide demand for multi-family units over the next 10 years, suggesting that market absorption of the 1,686 units would need to extend *beyond* 10 years;

- Alternatively, if the proportion of multi-family units built in the future increases, it will *reduce* the required market capture needed to support the study area's 1,686 units. For example, if the proportion of the City's multi-family stock increases from its current 8% to 12%, the study area's required capture declines from 97% to 65%, and to 49% if multi-family comprises 16% of the City's overall housing inventory; and
- While it is not known where other multi-family units could be accommodated/entitled elsewhere in the city (such as at the proposed City Center project), increasing employment opportunities should be accompanied by a concomitant increase in the housing types across the City. This could be expected to enhance the City's overall marketability as a jobs location and should be a critical component of an overall economic development strategy.

Citywide Scenario #2

- As illustrated in Table 22, Scenario #2 utilizes the 2019—2024 growth rate as estimated by ESRI Business Analyst of 2.10% per year, and extrapolates that growth over the 10-year forecast period. ESRI's forecasts suggest that the City's growth over the next five years will increase above the growth rate between 2010 and 2019 (1.54% per year);
- If Port St. Lucie grows at a sustained annual rate of 2.10% per year, it would yield almost **43,600 new residents in 15,960 new households (housing units)**, which would translate into annual demand of almost 1,600 units per year;
- Like Scenario #1, **future growth in Scenario #2 is allocated to the same DRI projects identified above, thereby leaving "unallocated" demand for approximately 4,595 units citywide** after accounting for the 11,369 units allocated to existing DRIs. The analysis illustrates the number of future units built based on the City's current distribution of single-family (90%) and multi-family (8%). (Another 1.5% are other/mobile homes);

Table 22: Housing Potentials—Scenario #2, 2020—2030

Competitive (DRI) Projects	2020	Forecasts *(1)* 2030	Population Change	Average Household Size *(2)*	2030 Housing Units
Scenario 2: Alternative Forecast (4)					
Average Annual Growth Rate (2019-2024)	2.10%				
Current & Future Population (Extrapolated to 2030)	188,722	232,301	43,579	2.73	**15,963**
Allocation to Known Residential Projects:					
Southern Grove					
Conveyed by Land Sale					3,090
- Under Construction				*820*	
- Approved				*1,082*	
Reserve					369
Riverland/Kennedy	*(3)*				2,208
Southern Grove DRI (Outside of Study Area)	*(5)*				5,044
St. Lucie West (SLW)					50
Verano					608
Subtotal - Allocated Units:					**11,369**

Scenario 2 - Supportable (Unallocated) Units:				**4,595**
	Assumed Citywide Distribution of Units			
	Existing	**5 Years**	**10 Years**	
Single-family Units	90%	85%	82%	
Supportable Units	4,135	3,905	3,768	
Multi-family Units	8%	12%	16%	
Supportable Units	372	551	735	
Study Area Entitled Units	**1,686**	**1,686**	**1,686**	
Required Market Capture of Citywide MF Units	**453%**	**306%**	**229%**	

(1) Population forecasts assume that Port St. Lucie continues to grow at the same pace it did between 2000 and 2019 (straight-line forecast).

(2) In order to convert 2030 population growth into housing units, the analysis assumes that average household size remains the same as it was in 2019 (2.73 persons per household).

(3) The Riverland/Kennedy DRI is entitled to build 11,700 units. To date, 579 units are completed and closed; 94 units are awaiting CO; and 210 units are under construction. This reflects average annual deliveries of 221 units per year since the DRI was approved in September 2016. The analysis assumes continued deliveries averaging 221 units per year for the 10-year forecast period.

(4) Scenario #2 utilizes the 2019-2024 population growth forecasts and applies them through 2030. It also assumes no change in average household size.

(5) This reflects 7,388 entitled units in the Southern Grove DRI, less 1,686 units entitled in the study area, less 658 units completed or under construction.

Source: City of Port St. Lucie; University of Florida Bureau of Business & Economic Research; ESRI Business Analyst; WTL+a, revised September 2020.

- If the study area's 1,686 entitled units are built over the next 10 years, it would require a "capture", or share, of fully 453% of the 372 multi-family units that would be market-supportable if multi-family remains at 8% of the City's total housing stock. Even if the number of multi-family units doubles as a proportion of citywide housing inventory in the future, it will still necessitate a required market capture of 229%, suggesting either that 1) higher population growth is necessary and/or 2) the buildout period to deliver 1,686 multi-family units in the study area would extend well-beyond 10 years; and

- Institutional/national multi-family developers typically seek to build 200 to 300 units in a single project—as witnessed in both competitive nearby projects with Springs at Tradition (304 units) and Atlantic Palms at Tradition (300 units). As noted previously, **monthly absorption (lease-up) in these two projects has averaged between 16 and 36 units per month in 2019 and 2020**. At a consistent monthly pace of 16 units per month, it would require a minimum of 8.7 years (105 months) to lease-up the 1,686 entitled units in the study area if built in a single phase. Of course, development of multi-family product in the study area is likely to occur over multiple phases; with additional time required for permitting and construction, well beyond 10 years will likely be required for buildout irrespective of the study area's ability to capture a portion of citywide demand for multi-family units.

Workplace—Office

Knowledge-based industries like finance, software, business and management consulting services, market and communications, professional/business services such as accountants, legal and medical and other similar businesses house most of their employees in commercial office buildings.

The first step in measuring support for new multi-tenant/speculative office space in the Southern Grove study area examines market potentials for office use in St. Lucie County, and allocates demand to the City of Port St. Lucie. The analysis translates employment forecasts (for 2019—2027) among specific industry sectors in St. Lucie County (as prepared by the Florida Department of Economic Opportunity/DEO), into demand for office space by applying an occupancy factor (of occupied space per employee) and estimates the proportion of employees in each sector who are office workers. We note that **DEO employment forecasts are issued only in eight-year periods**.

The analysis also considers demand generated by other market factors, such as vacancy adjustments, part-time/self-employed individuals (who may or may not occupy multi-tenant office space), and cumulative replacement; these estimates either increase or reduce future demand for office space. Cumulative replacement, for example, considers tenants that move when a building is removed from the inventory due to physical and/or functional obsolescence.

We note that assumptions pertaining to occupancy factors *may* be overstated. Since the 2007—2009 recession, office-using businesses have been reducing office occupancies, in some cases by significant amounts. Historically, the commercial real estate industry has used an average occupancy factor of 250 sq. ft. per office employee. However, according to a 2017 study by REIS, Inc. (a national commercial real estate database) the amount of office space per employee has been steadily declining in each successive business cycle after a recession. REIS data indicate that, in the national economic expansion of the late 1990s, a new office employee was typically associated with approximately 175 sq. ft. of additional office space. During the early- and mid-2000s (until the 2007—2009 recession), the typical employee was associated with approximately 125 sq. ft. of additional office space. Since 2010, however, each added/new employee has been associated with only about 50 sq. ft. of additional office space. This is particularly notable in space-efficient industries like software and professional/business services, which have been the strongest growing sectors in the current business cycle. Moreover, hoteling and remote work-arrangements, where employees share space rather than having dedicated offices or cubicles, enables companies to accommodate even more workers in a given amount of occupied space. **The unprecedented shift to teleworking as a result of COVID-19 may, as previously noted, lead to permanent part-time and full-time teleworking for some workplace industries.**

Another study by CoStar, Inc., an international commercial real estate database, indicates that the **amount of office space occupied per employee dropped to 182 sq. ft. per worker in 2017 from 197.3 sq. ft. in 2010.** According to the annual 2018 Experience Exchange Report (EER), prepared by the Building Owners & Managers Association, the average occupancy factor for office employees in 2018 was 288 sq. ft. per employee on a *rentable* basis (rentable includes all common areas of a building). However, after netting out a common area factor (typically 30% to 35%), the ***usable*** **occupancy factor for office employees is in the range of 187 to 202 sq. ft. per employee.**

We note that our analysis of office market potentials is for <u>speculative (or multi-tenant) office space</u> only. That is, the analysis *excludes* any estimates for individual end-users (such as Project Bullet or portions of the Sansone project), also known as "build-to-suits". The analysis is illustrated in Table 23 and Table 24, and summarized below:

Workforce Region #20 & St. Lucie County

- The Florida Department of Economic Opportunity/DEO prepares employment forecasts for individual counties and groups of counties throughout the state known as "workforce regions". St. Lucie County is part of Workforce Region #20, which also includes Indian River and Martin Counties. DEO estimates that Workforce Region #20 will add **over 23,000 new jobs between 2019 and 2027**;
- The analysis indicates potential *gross* demand for 1.73 million sq. ft. of office space across the entire workforce region between 2019 and 2027. This estimate is based on an average occupancy factor of 193 sq. ft. per office employee, generated by growth in office-using jobs comprising roughly one-third of all jobs. This is inclusive of adjustments related to vacancy, cumulative (building) replacements, tenant churn, etc.;
- As noted in the demographic profile in Technical Memorandum #1, St. Lucie County's current share of jobs in Workforce Region #20 is 40.5%. **If the County *maintains* its fair share it would translate into 9,300 new jobs by 2027, and gross demand for approximately 609,500 sq. ft. of new office space** using the same office-using and occupancy factors;
- From a financing perspective, however, some portion of the County's existing 717,700 sq. ft. of vacant office space would need to be leased before new office space could be financed. It is also not known how much of the remaining existing vacant inventory suffers from physical and/or functional obsolescence, will be converted to other uses such as residential, or could be demolished; and
- For purposes of this analysis, WTL+a conservatively assumes that 35% of St. Lucie County's vacant office inventory is leased before financing is provided for new office construction. This serves to reduce the County's office vacancy rate to roughly 7% from current levels, and lowers **demand generated by job growth in office-using sectors to approximately 358,300 sq. ft. of *net new* space by 2027.**

Table 23: Office Potentials—St. Lucie County, 2019—2027

Industry Sector	New Jobs 2019-2027	% Office-Using	SF Occupancy Factor	2027 Demand (In SF)
Workforce Region #20				
Agriculture/Mining	(436)	10%	175	(7,600)
Construction	2,030	20%	175	71,100
Manufacturing	233	20%	200	9,300
Transp/Communications/Utilities	253	40%	200	20,200
Wholesale & Retail Trade	2,034	20%	175	71,200
Finance/Insurance/Real Estate	336	95%	275	87,800
Services				
Professional, Scientific & Technical Services	904	95%	250	214,700
Management of Companies & Enterprises	85	65%	275	15,200
Administrative & Waste Management	1,590	35%	225	125,200
Educational Services	440	20%	200	17,600
Health Care & Social Assistance	6,352	35%	200	444,600
Arts, Entertainment & Recreation	699	20%	175	24,500
Accommodation & Food Services	3,849	20%	175	134,700
Other Services (Except Government)	1,042	35%	225	82,100
Government	2,085	65%	150	203,300
Self-Employed	1,548	10%	200	31,000
Total/Weighted Average:	**23,044**	**34%**	**193**	**1,544,900**
+ Vacancy Adjustment @		5%	*(1)*	77,200
+ Cumulative Replacement Demand		7.5%	*(2)*	115,900
2027 Gross Demand - Workforce Region #20:				**1,738,000**
St. Lucie County				
Allocation to County				
Current Share of Workforce Region #20				40.5%
2019-2027 Employment Growth (If Fair Share Maintained)				9,338
% Office-using Jobs				34%
SF Occupancy Factor				193
2027 Gross Demand - St. Lucie County:				**609,536**
Existing Vacant Office Space		717,697		
- *Lease-up Required @*	*35%*	(251,194)	*(3)*	(251,194)
Remaining Vacant Space:		**466,503**		
% Vacant		*7.1%*		
2027 Net Demand - St. Lucie County (Rounded):				**358,300**

(1) This allows for a 5% "frictional" vacancy rate in new office space delivered to the market (i.e., this accounts for tenant movement to new space).

(2) This represents new space required by existing businesses to replace obsolete or otherwise unusable office space. This is assumed to represent 7.5% of total demand.

(3) From a financing perspective, some portion of existing vacant office space in St. Lucie County will need to be leased before financing of new construction is viable. The analysis assumes that 35% of existing vacant office space is leased, thereby reducing the overall vacancy rate to approximately 7%.

Source: Florida Department of Economic Opportunity (DEO); CoStar, Inc.; WTL+a, March 2020.

Port St. Lucie

The next step in the analysis is illustrated in Table 24, which estimates market potentials for speculative/multi-tenant office space based on the City's current share of countywide employment.

- With an estimated 42,275 employees working in Port St. Lucie, the City's share of all jobs in St. Lucie County is 49.5%;
- Under this "fair share" analysis, Port St. Lucie would continue to capture 49.5% of future countywide job growth, or approximately 4,620 new employees, by 2027. Assuming similar proportions of office-using jobs and occupancy factors translates into **gross demand for roughly 301,600 sq. ft. of office space over the next eight years**;
- For new office buildings to receive construction financing, some portion of the City's existing 292,100 sq. ft. of vacant office space would need to be leased before new office space could be built. It is also not known how much of the City's remaining existing vacant office inventory suffers from physical and/or functional obsolescence, will be converted to other uses such as residential, or could be demolished; and
- For purposes of this analysis, WTL+a conservatively assumes that 10% of the City's vacant office inventory is leased before financing is provided for new office construction. This serves to reduce the City's office vacancy rate to roughly 7% from current levels, and lowers **demand generated by job growth in office-using sectors to approximately 272,400 sq. ft. of *net new* office space by 2027.**

Southern Grove Study Area

As illustrated previously in Table 20, the Southern Grove DRI is entitled for a total of 2,430,728 sq. ft. of office space. According to the City, the study area is entitled for **a total of 2,024,647 sq. ft. of office space**. Of that amount, approximately 679,691 sq. ft. was "conveyed with the land sale", and 216,872 sq. ft. has been built.

Table 24: Office Potentials—City of Port St. Lucie, 2019—2027

Industry Sector	New Jobs 2019-2027	% Office-Using	SF Occupancy Factor	2027 Demand (In SF)
City of Port St. Lucie				
Total Employment			*(4)*	**45,275**
As % of St. Lucie County (2019)				**49.5%**
Fair Share Analysis				
2019-2027 Employment Growth (If Fair Share Maintained)				4,620
% Office-using Jobs				34%
SF Occupancy Factor				193
2027 Citywide Gross Demand (In SF):				**301,600**
Existing Vacant Office Space				
Vacant Space Available to Accommodate Future Demand		292,132		
- Lease-up Required @	*10%*	(29,213)		(29,213)
Remaining Vacant Space:		**262,919**		
% Vacant After Lease-up		*7%*		
2027 NET DEMAND - CITYWIDE (Rounded, In SF):				**272,400**
Allocation to Approved DRI Office				
Existing DRIs				
Southern Grove	**Entitled SF**	**Completed SF**		
Conveyed by Land Sale	**679,691**	**216,872**		
- Under Construction				9,860
- Approved				63,960
Reserve				49,210
Riverland/Kennedy				-
St. Lucie West (SLW)				124,635
Verano				-
Subtotal-Allocated Office:				**173,845**
As % of Citywide Demand				**64%**
Unallocated Office (Rounded, In SF):				**98,600**

(4) This reflects the City's share of all jobs in St. Lucie County in 2019. The analysis assumes that the City maintains its "fair share" of the County's total employment base in the future.

Source: Florida Dept. of Economic Opportunity (DEO); City of Port St. Lucie; Dun & Bradstreet, Inc.; CoStar, Inc.; WTL+a, revised September 2020.

- Similar to the housing analysis, the next step allocates future demand for office space to fully-entitled projects with office uses in DRIs located in the City's western planning areas remaining to be built. **If built, this list would consume approximately 64% of citywide**

demand potentials over the next eight years. According to data provided by the City, this includes:

- 49,210 sq. ft. of unbuilt office space at The Reserve, and
- 124,635 sq. ft. of unbuilt office space in the St. Lucie West DRI

- In addition, there are 9,860 sq. ft. of office space under construction and 63,960 sq. ft. of approved office space in the study area. In the short-term, **sufficient market potential exists to support this 73,820 sq. ft. of new office space as well as an additional 25,000 sq. ft. of "unallocated" office space citywide**. Depending on the marketability of other competitive locations citywide, this reinforces the critical importance of an economic development strategy aimed at recruiting owner-users and/or build-to-suit office buildings in the study area.

Workplace—Industrial

We note that our analysis of industrial market potentials is for speculative (or multi-tenant) industrial space only. That is, the analysis *excludes* any estimates for individual end-users (such as Project Bullet or portions of the Sansone project), also known as "build-to-suits". The analysis is illustrated in Table 25 and Table 26, and summarized below:

Workforce Region #20 & St. Lucie County

- The Florida Department of Economic Opportunity/DEO prepares employment forecasts for individual counties and groups of counties throughout the state known as "workforce regions". St. Lucie County is part of Workforce Region #20, which also includes Indian River and Martin Counties. DEO estimates that Workforce Region #20 will add **over 23,000 new jobs between 2019 and 2027**;
- The analysis indicates potential *gross* demand for more than 4.83 million sq. ft. of industrial space across the entire workforce region between 2019 and 2027. This estimate is based on an average occupancy factor of 675 sq. ft. per industrial employee, generated by growth in industrial-using jobs comprising roughly 26% of all jobs. This is inclusive of adjustments related to vacancy, cumulative (building) replacements, tenant churn, etc.;
- As noted in the demographic profile in Technical Memorandum #1, St. Lucie County's current share of jobs in Workforce Region #20 is 40.5%. **If the County *maintains* its fair**

share it would translate into 9,330 new jobs by 2027, and gross demand for **approximately 1.63 million sq. ft. of new industrial space** using the same use and occupancy metrics;

Table 25: Industrial Potentials—St. Lucie County, 2019—2027

Industry Sector	New Jobs 2019-2027	% Industrial-Using	SF Occupancy Factor	2027 Demand (In SF)
Workforce Region #20				
Agriculture/Mining	(436)	35%	500	(76,300)
Construction	2,030	70%	750	1,065,800
Manufacturing	233	95%	600	132,800
Transp/Communications/Utilities	253	90%	1,100	250,500
Wholesale Trade	383	75%	900	258,500
Retail Trade	1,651	20%	850	280,700
Finance/Insurance/Real Estate	336	10%	550	18,500
Services				
Professional, Scientific & Technical Services	904	5%	550	24,900
Management of Companies & Enterprises	85	20%	600	10,200
Administrative & Waste Management	1,590	35%	850	473,000
Educational Services	440	20%	500	44,000
Health Care & Social Assistance	6,352	15%	650	619,300
Arts, Entertainment & Recreation	699	15%	500	52,400
Accommodation & Food Services	3,849	20%	750	577,400
Other Services (Except Government)	1,042	45%	575	269,600
Government	2,085	10%	500	104,300
Self-Employed	1,548	25%	500	193,500
Total/Weighted Average:	**23,044**	**26%**	**675**	**4,299,100**
+ Vacancy Adjustment @		5%	*(1)*	215,000
+ Cumulative Replacement Demand		7.5%	*(2)*	322,400
2027 Gross Demand - Workforce Region #20:				**4,836,500**
St. Lucie County				
Allocation to County				
Current Share of Workforce Region #20				40.5%
2019-2027 Employment Growth (If Fair Share Maintained)				9,338
% Industrial-using Jobs				26%
SF Occupancy Factor				675
2027 Gross Demand - St. Lucie County:				**1,632,227**
Existing Vacant Industrial Space		513,996		
- *Lease-up Required @*	*25%*	(128,499)	*(3)*	(128,499)
Remaining Vacant Space:		**385,497**		
% Vacant		*5.9%*		
2027 Net Demand - St. Lucie County (Rounded):				**1,503,700**

(1) This allows for a 5% "frictional" vacancy rate in new industrial space delivered to the market (i.e., this accounts for tenant movement to new space).

(2) This represents new space required by existing businesses to replace obsolete or otherwise unusable industrial space. This is assumed to represent 7.5% of total demand.

(3) From a financing perspective, some portion of existing vacant industrial space in St. Lucie County will need to be leased before financing of new construction is viable. The analysis assumes that 25% of existing vacant industrial space is leased, thereby reducing the overall vacancy rate to approximately 12%.

Source: Florida Department of Economic Opportunity (DEO); CoStar, Inc.; WTL+a, March 2020.

- For new industrial buildings to receive construction financing, some portion of the County's existing 514,000 sq. ft. of vacant industrial space would need to be leased before new space could be financed. It is also not known how much of the remaining existing vacant inventory suffers from physical and/or functional obsolescence or could be demolished; and

- For purposes of this analysis, WTL+a conservatively assumes that 25% of St. Lucie County's vacant industrial inventory is leased before financing is provided for new construction. This serves to reduce the County's industrial vacancy rate to roughly 6% from current levels, and lowers **demand generated by job growth in industrial-using sectors to approximately 1.5 million sq. ft. of *net new* industrial space by 2027.**

Port St. Lucie

The next step in the analysis is illustrated in Table 26, which estimates market potentials for speculative/multi-tenant industrial space based on the City's current share of countywide employment.

- With an estimated 42,275 employees working in Port St. Lucie, the City's share of all jobs in St. Lucie County is 49.5%;

- Under this "fair share" analysis, Port St. Lucie would continue to capture 49.5% of future countywide job growth, or approximately 4,620 new employees, by 2027. Assuming similar proportions of industrial-using jobs and occupancy factors translates into **gross demand for roughly 807,600 sq. ft. of industrial space citywide over the next eight years**;

- For new industrial buildings to receive construction financing, some portion of the City's existing 111,300 sq. ft. of vacant industrial space would need to be leased before new space could be financed. It is also not known how much of the remaining existing vacant inventory suffers from physical and/or functional obsolescence or could be demolished; and

- For purposes of this analysis, WTL+a conservatively assumes that 10% of the City's vacant industrial inventory is leased before financing is provided for new construction. This serves to reduce the City's industrial vacancy rate to roughly 3% from current levels, and lowers **demand generated by job growth in industrial-using sectors to approximately 796,500 sq. ft. of *net new* industrial space by 2027.**

Southern Grove Study Area

As illustrated previously in Table 20, The Southern Grove study area is entitled for **a total of 7,081,938 sq. ft. of industrial space**. This includes 2,498,602 sq. ft. of research & development (R&D) space and 4,583,336 sq. ft. of warehouse/industrial uses. Of that amount, 798,743 sq. ft. was "conveyed with the land sale"; 411,852 sq. ft. of warehouse space and 201,557 sq. ft. of R&D space has been completed (the City Electric/Tamco project), and 53,743 sq. ft. has been approved.

Table 26: Industrial Potentials—Southern Grove Study Area, 2019—2027

Industry Sector	New Jobs 2019-2027	% Office-Using	SF Occupancy Factor	2027 Demand (In SF)
City of Port St. Lucie				
Total Employment			(4)	**45,275**
As % of St. Lucie County (From Table 11, 2019)				**49.5%**
Fair Share Analysis				
2019-2027 Employment Growth (If Fair Share Maintained)				4,620
% Industrial-using Jobs				26%
SF Occupancy Factor				675
2027 Citywide Gross Demand (In SF):				**807,600**
Existing Vacant Industrial Space				
Vacant Space Available to Accommodate Future Demand		111,339		
- Lease-up Required @	*10%*	(11,134)		(11,134)
Remaining Vacant Space:		**100,205**		
% Vacant After Lease-up		*2.8%*		
2027 NET DEMAND - CITYWIDE (Rounded, In SF):				**796,500**
Southern Grove				
Allocation to Known Industrial Projects:				
Southern Grove	**Entitled SF**	**Completed SF**		
Conveyed by Land Sale	**798,743**	**411,852**		
- Under Construction				-
- Approved				53,743
Reserve				269,300
Riverland/Kennedy				-
St. Lucie West (SLW)				136,322
Verano				-
Subtotal-Allocated Industrial:				**459,365**
As % of Citywide Demand				**58%**
Unallocated Industrial (Rounded, In SF):				**337,100**

(4) *This reflects the City's share of all jobs in St. Lucie County in 2019. The analysis assumes that the City maintains its "fair share" of the County's total employment base in the future.*

Source: Florida Dept. of Economic Opportunity (DEO); City of Port St. Lucie; Dun & Bradstreet, Inc.; CoStar, Inc.; WTL+a, revised September 2020.

- The next step allocates future demand for industrial space to fully-entitled projects with industrial uses in DRIs located in the City's western planning areas remaining to be built;
- **If built, this list (459,365 sq. ft.) would consume approximately 58% of citywide demand potentials over the next eight years.** According to data provided by the City, this includes:
  - 269,300 sq. ft. at The Reserve
  - 136,322 sq. ft. in the St. Lucie West DRI
  - No industrial space is entitled at either Riverland/Kennedy or Verano
- **This leaves approximately 337,100 sq. ft. of "unallocated" industrial space that could be built in the Southern Grove study area over the next eight years. WTL+a notes "unallocated" demand is for *speculative* space only; it does *not* include potential build-to-suit facilities for end users, such as that proposed in the "Project Bullet" proposal.** Similar to the office analysis, this reinforces the critical importance of an economic development strategy aimed at recruiting owner-users and/or build-to-suit industrial buildings in the study area over the longer-term.

Hotel/Lodging

Demand for hotel/motel rooms in any location is typically driven by specific market segments, including: corporate business, leisure/social, interstate pass-by traffic, tourism and visitors to specific venues or events. As noted previously, **the capital markets typically seek sustained annual occupancies between 65% and 72% before financing new hotel construction**. Since 2014, the Port St. Lucie area hotel market has strengthened, with occupancies increasing from 58.1% in 2014 to 71.4% in 2019 among 17 properties (with 1,602 rooms) identified for this analysis. This includes two properties located in or near the study area—a Marriott Townplace Suites (128 rooms), which opened in December 2019 and a Hilton Homewood Suites (111 rooms), which opened in December 2009.

As illustrated previously in Table 20, the larger Southern Grove DRI is entitled for **a total of 791 hotel rooms, of which the Southern Grove study area is entitled for 158 rooms.** Of the 393 rooms "conveyed by the land sale", 111 rooms (the Hilton Homewood Suites) have been completed, 84 rooms are under construction and another 82 rooms have been approved.

According to data provided by the City, several other DRIs in surrounding/nearby planning areas have entitlements for up to 491 additional hotel rooms, including:

- 100 rooms at The Reserve
- 291 rooms at the St. Lucie West DRI, and
- 100 rooms at Verano

WTL+a prepared two possible scenarios to evaluate hotel potentials in the study area.

Scenario 1: Limited Growth

- This scenario assumes limited growth in hotel performance after the strong period of recovery that occurred over the past six years (2014—2019). Scenario 1 measures future demand for hotel rooms based on assumptions that continued growth in available roomnights (supply) will remain stable, and occupied roomnights (demand) will be limited to 50% of actual 2014—2019 growth rates. This translates into growth of 1.30% per year, for occupied roomnights yields gross **demand for 138 new hotel rooms** over the next 10 years (through 2030);
- In this scenario, the 84 rooms under construction reflects a 61% share of potential market support, and the 82 rooms approved would require another 59% share. In other words, these two properties would provide slightly more rooms than the market could support over the next 10 years; and
- Current entitlements in other DRIs total 491 hotel rooms, which *exceeds* market support by approximately 356% in Scenario 1. In other words, **if all 491 hotel rooms are built, there would be an excess of supply of (400) rooms in Scenario 1.**

Table 27: Hotel Potentials—Scenario 1, 2020—2030

	2020	2030	Change: 2020-2030	Supportable Rooms
Scenario 1: Limited Growth				
Area Hotel Rooms	1,602			
Available Roomnights	557,866	559,178	1,312	
Estimated Growth *(1)*	0.02%			
Occupied Roomnights	376,054	427,699	51,645	**138**
Estimated Growth *(1)*	**1.30%**			
Annual % Occupancy	71.4%			

		Entitled	Completed	
Allocation to Known Hotel Rooms:				
Southern Grove		**Rooms**	**Rooms**	
Conveyed by Land Sale		**393**	**111**	
- Under Construction				84
- Approved				82
Reserve				100
Riverland/Kennedy				-
St. Lucie West (SLW)				291
Verano				100
Subtotal-Allocated Hotel Rooms:				**491**
As % of Area-wide Demand				**356%**
Unallocated Hotel Rooms:				**(400)**

(1) Assumes that future growth in occupied roomnights and annual occupancies is more limited (50% of 2014-2019 actual growth).

Source: STR Global; WTL+a, revised September 2020.

Scenario 2: Trendline Growth

- Scenario 2 assumes that growth in available roomnights (supply) will remain stable and occupied roomnights (demand) will continue at their historic 2014—2019 pace of 2.59% per year through 2030. This translates into gross demand for 293 new hotel rooms over the next 10 years (through 2030);
- In this scenario, the 84 rooms under construction reflects a more reasonable share of 29% of potential market support, and the 82 rooms approved reflects another 28% share. In

other words, these two properties would provide a room supply of approximately two-thirds of what the market could support over the next 10 years; and

- Current entitlements in other DRIs total 491 hotel rooms, which *exceeds* market support by approximately 168% in Scenario 2. In other words, **if all 491 hotel rooms are built, there would be an excess of supply of (200) rooms in Scenario 2.**

Table 28: Hotel Potentials—Scenario 2, 2020—2030

	2020	2030	Change: 2020-2030	Supportable Rooms
Scenario 2: Past Trends (2014-2019)				
Area Hotel Rooms	1,602			
Available Roomnights	557,866	560,492	2,626	
Annual Growth (2014-2019)	0.05%			
Occupied Roomnights	376,054	485,641	109,587	**293**
Annual Growth (2014-2019)	**2.59%**			
Annual % Occupancy	71.4%			

		Entitled Rooms	Completed Rooms	
Allocation to Known Hotel Rooms:				
Southern Grove				
Conveyed by Land Sale		**393**	**111**	
- Under Construction				84
- Approved				82
Reserve				100
Riverland/Kennedy				-
St. Lucie West (SLW)				291
Verano				100
Subtotal-Allocated Hotel Rooms:				**491**
As % of Area-wide Demand				**168%**
Unallocated Hotel Rooms:				**(200)**

(1) Assumes that future growth in occupied roomnights and annual occupancies is more limited (50% of 2014-2019 actual growth).

Source: STR Global; WTL+a, revised September 2020.

Retail

The traditional sources of demand in retail districts come from three sources; resident spending (local and from the surrounding areas), spending by members of the local workforce, and tourist/visitor spending. The retail demand analysis indicates that **there is approximately 125,000 to 135,000 sq. ft. of market-supportable retail potentials in the Southern Grove study area**. Of this total, demand for approximately 100,000 sq. ft. will be generated from unmet market demand generated by current residents. Spending from visitors and tourists will account for most of the remaining incremental demand, assuming recovery of pre-COVID visitor totals to the Treasure Coast/St. Lucie County. The business mix is dispersed across specialty retail and consumer service categories.

- The retail demand analysis suggests that there will be **sufficient demand to support an additional grocery store (20,000 to 35,000 sq. ft.)**, such as the proposed future Publix grocery at Village Parkway and Becker Road. This future store would be on the smaller size of Publix' typical range of store sizes;
- Restaurants and drinking places (pubs, wine bars, craft breweries, etc.) comprise the largest incremental demand category at just over 32,000 sq. ft. of combined total space. Stakeholders commented that they wanted more dining options and a mix of national and locally-owned restaurants. At an average size of about 3,500 sq. ft. (with selected larger operations and some smaller-sized locations) this would suggest that an additional nine-to-10 food service operations could be included in the retail mix; and
- The planning team also analyzed opportunities for entertainment and recreation uses (e.g., cinema complex, golf driving range, indoor go-kart arena, trampoline courts, etc.) as part of the master plan's economic studies. These uses are activity-based destination 'retail' uses whose business models typically seek to keep participants within their facilities (i.e., frequently providing snacks, food and drinks to keep patrons on the premises for longer periods of time). For this reason, incremental retail spending is not expected to generate significant opportunities for additional retail square footage. While some spending may result (such as dinners associated with going to a movie), that spending alone would not justify additional stand-alone retail spaces. Additional retail square footage should be justified by larger market forces. Deal terms to attract these types of destination retail uses

can vary widely, and specific operating requirements and levels of capital investment may affect financial feasibility and/or timing of these types of projects.

Table 29: Retail Potentials—Resident Sales

Category	Sales Productivity Average Industry Sales/SF	Total Annual Unmet Sales	Total Supportable SF	Supportable SF @ 25% Capture	Total Annual Unmet Sales	Total Supportable SF	Supportable SF @ 2.5% Capture
		Unmet Market Demand - Resident Sales	Capture Rate:	25%	Re-Captured Demand - Inflow Sales	Capture Rate:	2.5%
General Merchandise Stores							
Department Stores Excl Leased Depts.	$ 257.02				$ 8,522,769	33,160	829
Other General Merchandise Stores	$ 317.56				$ 3,677,570	11,581	290
Clothing & Accessories Stores							
Clothing Stores	$ 372.26				$ 894,566	2,403	60
Shoe Stores	$ 476.10	$ 300,216	631	158			
Luggage, Leather Goods	$ 710.21				$ 423,875	597	15
Jewelry	$ 1,219.80						
Furniture & Home Furnishings Stores							
Furniture Stores	$ 312.72	$ 4,514,291	14,436	3,609			
Home Furnishings Stores	$ 328.09	$ 4,556,952	13,889	3,472			
Electronics & Appliance Stores							
Appliances, TV's, Electronics Stores	$ 530.62	$ 23,855,083	44,957	11,239			
Leisure & Entertainment							
Sporting Goods/Hobby/Musical Instru.	$ 209.00						
Books, Periodicals & Music Stores	$ 237.38	$ 7,186,138	30,273	7,568	$ 976,686	4,114	103
Food Service & Drinking Places							
Special Food Services	$ 478.73	$ 1,614,804	3,373	843			
Drinking Places - Alcoholic Beverages	$ 381.10	$ 13,771,516	36,136	9,034			
Restaurant/Other Eating Places	$ 235.24	$ 10,762,000	45,749	11,437			
Food & Beverage Stores							
Grocery Stores	$ 560.82	$ 39,272,867	70,028	17,507			
Specialty Food Stores	$ 478.73	$ 8,594,115	17,952	4,488			
Beer, Wine & Liquor Stores	$ 490.10	$ 3,191,575	6,512	1,628			
Health & Personal Care Stores							
Health & Personal Care Stores	$ 402.13				$ 851,749	2,118	53
Building Material, Garden Equipment Stores							
Building Materials & Supplies	$ 301.25	$ 486,891	1,616	404			
Lawn & Garden Equipment & Supplies	$ 238.00	$ 8,089,140	33,988	8,497			
Miscellaneous Store Retailers							
Florists	$ 439.43	$ 1,215,072	2,765	691			
Office Supplies, Stationery, Gift Stores	$ 248.65	$ 2,424,045	9,749	2,437			
Used Merchandise Stores	$ 285.00	$ 7,414,674	26,016	6,504			
Thrift Stores	$ 199.17						
Other Miscellaneous Retail Stores	$ 458.38	$ 16,854,504	36,770	9,192			
Supportable SF by Retail Category & Segment:		**$ 154,103,883**	**394,839**	**98,710**	**$ 15,347,215**	**53,973**	**1,349**

Source: ESRI Business Analyst; RDS LLC, May 2020.

Table 29 (Continued): Retail Potentials—Visitor Sales

				Capture Rate:	2.5%
	Visitor Spending				
Category	Total Visitor Spending by Category	Adjusted Average Sales Productivity		Total County-wide Supportable SF	Supportable SF @ 2.5% Capture
General Merchandise Stores					
Department Stores Excl Leased Depts.					
Other General Merchandise Stores					
Clothing & Accessories Stores					
Clothing Stores	$ 66,792,000	$	389	171,702	4,293
Shoe Stores					
Luggage, Leather Goods					
Jewelry					
Furniture & Home Furnishings Stores					
Furniture Stores					
Home Furnishings Stores					
Electronics & Appliance Stores					
Appliances, TV's, Electronics Stores					
Leisure & Entertainment					
Sporting Goods/Hobby/Musical Instru.	$ 110,186,000	$	223	494,108	12,353
Books, Periodicals & Music Stores					
Food Service & Drinking Places					
Special Food Services					
Drinking Places - Alcoholic Beverages	$ 134,740,600	$	308	437,469	10,937
Restaurant/Other Eating Places					
Food & Beverage Stores					
Grocery Stores	$ 55,751,600	$	510	109,317	2,733
Specialty Food Stores					
Beer, Wine & Liquor Stores					
Health & Personal Care Stores					
Health & Personal Care Stores					
Building Material, Garden Equipment Stores					
Building Materials & Supplies					
Lawn & Garden Equipment & Supplies					
Miscellaneous Store Retailers					
Florists					
Office Supplies, Stationery, Gift Stores					
Used Merchandise Stores					
Thrift Stores					
Other Miscellaneous Retail Stores	$ 13,364,100	$	399	33,494	837
Supportable SF by Retail Category & Segment:	**$ 380,834,300**			**1,246,090**	**31,152**

Source: ESRI Business Analyst; RDS LLC, May 2020.

Table 30: Summary of Supportable Retail Space

Market Segment	Capture Rate	Supportable SF
Unmet Resident/Household Sales	25.0%	98,710
Increased Share of Inflow Sales	2.5%	1,349
Share of Visitor Sales	2.5%	31,152
Total Supportable Retail SF:		**131,211**

Source: ESRI Business Analyst; RDS LLC, May 2020.

- It is noteworthy that **incremental market potentials for retail space in the Southern Grove study area are almost exactly the current estimated amount of vacant space at The Landing at Tradition** (operated by Kite Realty); and
- While the Big Box center is technically outside the Southern Grove study area addressed by this analysis, **WTL+a and RDS recommend that the greater part of retail demand (excluding the mid-sized grocery store and a modest amount of supporting retail) should be 'backfilled' in the Landing** center (or site), both as a tool to reposition the outmoded Big Box format, and to encourage a greater critical mass of retail uses in an already established location with vacancies to be filled and further support the Town Center.

Appendix

Table 31: Industrial Market Profile—Palm Beach County, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Industrial																	
Inventory	48,601,326	49,390,423	48,964,204	49,103,100	49,243,307	49,084,382	48,936,636	49,172,444	49,824,733	50,877,759	51,372,090	51,887,669	52,073,374	52,349,797	**3,472,048**		
No. of Buildings/Centers	2,691	2,711	2,699	2,697	2,691	2,685	2,675	2,676	2,670	2,677	2,683	2,688	2,688	2,690			
Vacant Stock	2,892,220	4,025,095	5,037,255	4,771,268	4,368,157	3,817,716	2,928,059	2,494,302	2,143,968	1,909,571	1,333,364	1,361,936	1,574,269	1,856,716	**(1,317,951)**		
Vacancy Rate	6.0%	8.1%	10.3%	9.7%	8.9%	7.8%	6.0%	5.1%	4.3%	3.8%	2.6%	2.6%	3.0%	3.5%			**-5.5%**
Net Absorption:	**(701,084)**	**(343,778)**	**(1,438,379)**	**404,883**	**543,318**	**391,516**	**741,911**	**669,565**	**992,623**	**1,287,423**	**1,057,738**	**487,007**	**(26,628)**	**(62,447)**	**4,066,115**	**312,778**	
Past 5 Years															**3,798,163**	**759,633**	
Construction Deliveries	646,077	981,826	32,755	196,163	248,261	16,227	9,060	240,400	745,634	1,066,930	553,424	537,394	293,329	220,000	**5,567,480**		
Gross Rent/SF	$ 9.50	$ 9.12	$ 7.99	$ 7.73	$ 7.42	$ 7.78	$ 8.06	$ 8.39	$ 8.83	$ 9.46	$ 9.83	$ 9.89	$ 10.16	$ 10.17			**0.6%**
Average Annual % Change	-	*-4.0%*	*-12.4%*	*-3.3%*	*-4.0%*	*4.9%*	*3.6%*	*4.1%*	*5.2%*	*7.1%*	*3.9%*	*0.6%*	*2.7%*	*0.1%*			

Source: CoStar, Inc.; WTL+a, March 2020.

Table 32: Industrial Market Profile—Broward County, 2007—2019

	2007	2008 (National Recession & Recovery)	2009 (National Recession & Recovery)	2010 (National Recession & Recovery)	2011 (National Recession & Recovery)	2012 (National Recession & Recovery)	2013	2014	2015	2016	2017	2018	2019	YTD 2020	Change: 2007-2019 Total	Change: 2007-2019 Ann'l Avg.	Change: 2007-2019 % CAGR
Industrial																	
Inventory	105,878,473	108,131,250	108,964,702	109,296,264	109,224,201	108,859,993	109,201,506	110,251,972	111,183,802	111,563,450	112,248,606	113,676,973	115,979,512	116,228,517	**10,101,039**		
No. of Buildings/Centers	5,207	5,245	5,266	5,269	5,263	5,243	5,241	5,243	5,250	5,238	5,244	5,250	5,269	5,270			
Vacant Stock	5,105,980	7,453,465	10,362,148	9,987,048	10,148,136	9,351,212	8,330,051	7,100,559	6,647,276	4,462,116	3,317,456	3,842,009	6,435,980	6,646,318	**1,330,000**		
Vacancy Rate	4.8%	6.9%	9.5%	9.1%	9.3%	8.6%	7.6%	6.4%	6.0%	4.0%	3.0%	3.4%	5.5%	5.7%			**1.2%**
Net Absorption:	**143,935**	**(90,308)**	**(2,073,731)**	**706,662**	**(233,151)**	**432,716**	**1,362,674**	**2,279,958**	**1,214,740**	**2,564,808**	**1,478,857**	**898,514**	**(291,432)**	**38,667**	**8,394,242**	**645,711**	
Past 5 Years															**5,865,487**	**1,173,097**	
Construction Deliveries	1,618,982	2,312,643	865,259	367,526	33,603	46,748	440,885	1,171,217	1,147,777	729,488	410,398	1,514,169	2,746,408	249,005	**13,405,103**		
Gross Rent/SF	$ 8.35	$ 8.12	$ 7.52	$ 7.29	$ 7.11	$ 7.05	$ 7.31	$ 7.72	$ 8.26	$ 8.94	$ 9.24	$ 9.47	$ 9.86	$ 9.93			**1.4%**
Average Annual % Change	-	*-2.8%*	*-7.4%*	*-3.1%*	*-2.5%*	*-0.8%*	*3.7%*	*5.6%*	*7.0%*	*8.2%*	*3.4%*	*2.5%*	*4.1%*	*0.7%*			

Source: CoStar, Inc.; WTL+a, March 2020.

Table 33: Industrial Market Profile—Miami-Dade County, 2007—2019

		National Recession & Recovery												YTD	Change: 2007-2019		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Ann'l Avg.	% CAGR
Industrial																	
Inventory	209,511,465	211,072,861	212,835,252	212,894,187	212,779,629	213,483,566	214,817,971	217,014,647	218,768,918	220,981,260	224,017,710	227,617,954	230,416,331	230,673,875	**20,904,866**		
No. of Buildings/Centers	8,285	8,334	8,358	8,358	8,347	8,338	8,333	8,344	8,348	8,350	8,364	8,375	8,387	8,391			
Vacant Stock	11,112,777	16,214,473	20,752,955	16,485,343	14,260,109	12,868,720	11,989,587	11,274,283	8,864,909	7,804,118	8,513,983	9,138,393	9,383,906	10,620,482	**(1,728,871)**		
Vacancy Rate	5.3%	7.7%	9.8%	7.7%	6.7%	6.0%	5.6%	5.2%	4.1%	3.5%	3.8%	4.0%	4.1%	4.6%			**-2.2%**
Net Absorption:	**(644,854)**	**(3,540,300)**	**(2,784,227)**	**4,334,683**	**2,110,676**	**2,094,631**	**2,214,438**	**2,911,980**	**4,163,645**	**3,288,613**	**2,303,868**	**2,941,941**	**2,574,995**	**(979,032)**	**21,970,089**	**1,690,007**	
Past 5 Years															**15,273,062**	**3,054,612**	
Construction Deliveries	2,953,666	1,748,352	1,955,019	470,969	384,146	1,144,972	1,802,444	2,330,528	2,184,234	2,546,366	3,318,386	4,306,020	2,987,980	257,544	**28,133,082**		
Gross Rent/SF	$ 8.11	$ 8.11	$ 7.15	$ 6.67	$ 6.90	$ 7.32	$ 7.91	$ 8.03	$ 8.57	$ 9.12	$ 9.39	$ 10.29	$ 10.40	$ 10.45			**2.1%**
Average Annual % Change	-	*0.0%*	*-11.8%*	*-6.7%*	*3.4%*	*6.1%*	*8.1%*	*1.5%*	*6.7%*	*6.4%*	*3.0%*	*9.6%*	*1.1%*	*0.5%*			

Source: CoStar, Inc.; WTL+a, March 2020.