

Martin County

Market Analysis Executive Summary

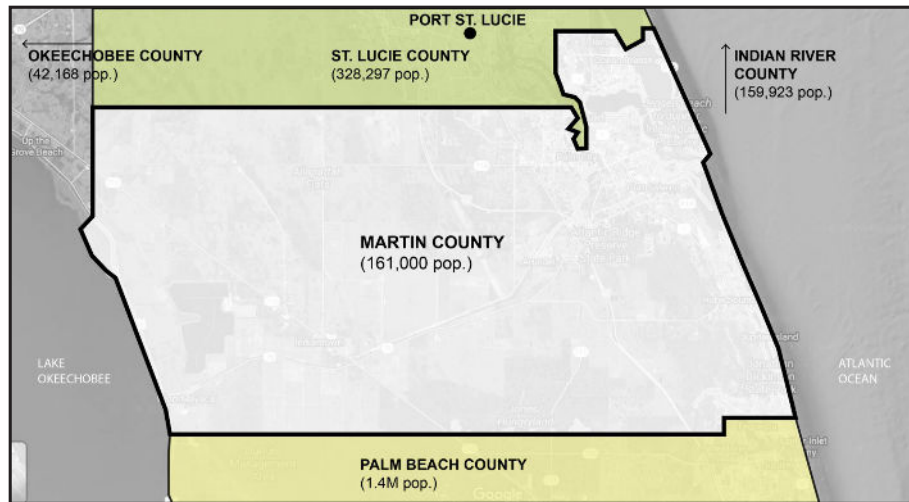
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Martin County, Florida is located in the southeast part of the State of Florida between Palm Beach County to the south and St. Lucie County to the north, stretching between the Atlantic Ocean and Lake Okeechobee. It has five municipalities and several major population and centers of commerce. The largest city is Stuart, and the largest unincorporated area is Palm City. The County is internally connected by Interstate 95, the Florida Turnpike and US1.

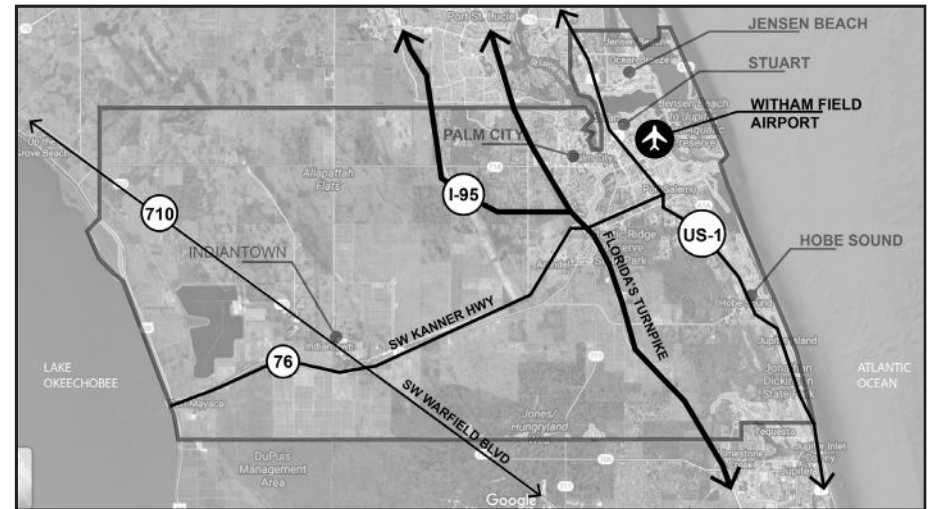


There are six community redevelopment areas (CRA) in the County, and the City of Stuart also has a CRA. In addition to the CRAs, other economic development opportunities can be found in the Rio and Indiantown Opportunity Zones.

The County has a significant amount of agriculture and conservation land, which makes up the vast majority of the County's landmass. Healthcare is one of the County's dominant industries and Cleveland Clinic is the largest employer.

BusinessFlare used several data sources in this market analysis. To maintain as much consistency between the sources the primary study areas are the seven zip codes that are wholly located within Martin County, and account for over 99% of the County's economic activity and generally correspond to the six major population centers.

The study areas include Indiantown and the western Martin County; Palm City and the surrounding area; Hobe Sound from Jupiter Island to I-95 and the Florida Turnpike; Port Salerno to the Florida Turnpike including the area



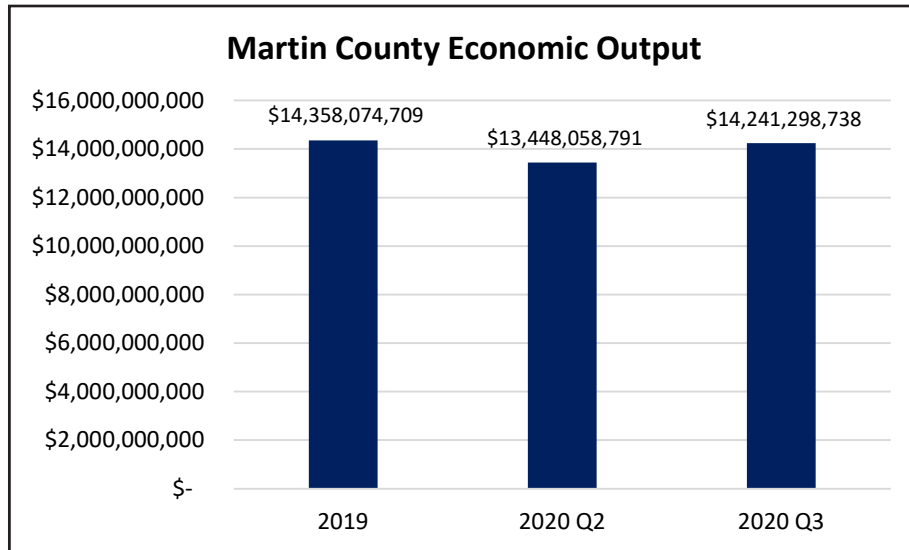
Martin County's Transportation Connectivity

around American Yacht and the Treasure Coast Commerce Center; the City of Stuart which in fact has two zip codes; and the Jensen Beach / Rio area.

Covid-19 began to show effects on the economy in March of 2020 however, the cases did not really begin to appear in Martin County until May and June of 2020 in any significant amounts. A review of trends related to cases, hospitalizations and deaths from COVID-19 indicates that these trends did not significantly impact economic conditions in Martin County. Rather, economic conditions were more greatly impacted by the reactions to the pandemic, primarily in the form of business closures, restrictions of business activity, restrictions of occupancy loads, and limitations on essential workers during certain periods of the pandemic.

There were several public sector responses to the pandemic at the local, state, and federal levels. At the local level, the expanded use of public spaces and outdoor spaces such as non-traditional areas for sidewalk cafes were some of the most popular in terms of boosting the service industry and grant and loan programs were the largest part of assistance.

The largest program was the Paycheck Protection Plan (PPP) through the United States Small Business Administration (SBA). In Martin County, the Paycheck Protection Plan was effectively used for both business survival and job retention with over 289 million dollars in loans that preserved over 37,000 jobs, or almost 40 percent of the County's jobs. These are jobs that



include both wage and salary jobs as well as supporting sole proprietors and self-employed individuals.

The analysis of the County economy and how the pandemic affected it begins with a review of the four (4) drivers of economic development: Capital, Labor, Markets, and Land. Throughout the analysis, pre and post pandemic periods are evaluated. In many cases 2019 baseline numbers are identified, followed by analysis of periods early in the pandemic, either the first or the second quarter of 2020 depending on the data source, or later in the pandemic in the third quarter of 2020 when some recovery had begun for many sectors.

Capital

In 2019 the total economic output of Martin County was fourteen (14) billion dollars, which was distributed throughout the County in different areas with Stuart providing the largest economic output and Indiantown the smallest. The change from 2019 to 2020 in overall economic output was a decline from \$14.4 billion in 2019 to \$13.4 in the second quarter of 2020. The economy recovered to 14.2 billion dollars by the third quarter of 2020.

Employment also declined from 2019 to the second quarter of 2020 from one hundred thousand to 94,000 jobs, and in the third quarter of 2020 it had recovered to almost 96,000; however, job recovery has not yet recovered at the same rate as the economic recovery. These job estimates include both wage and salary workers (approximately 70,000) and self-employed



Witham Field

individuals and 1099 employees (also referred to as “proprietor employment.”)

In the third quarter of 2020 total employment was 4.7 percent below that of 2019 while the economic output was less than 1% lower for the same period. There were some sectors during the pandemic that experienced growth from 2019 levels into the 2nd quarter of 2020 when many sectors were feeling the negative impacts. One of the sectors that grew during the pandemic was aircraft parts and auxiliary equipment manufacturing which includes companies such as Triumph.

Another sub-sector that demonstrated significant growth was commercial fishing. However, it has been determined that this growth is likely misleading because the growth in employment of that sector is attributed to many recreational boaters obtaining commercial fishing licenses to continue to access boat ramps, which were closed to the general public and for recreational boating.

Although most industries and sectors appear to have rebounded from the second quarter of 2020, in the third quarter there are some sectors that continued to experience a decline in economic activity. These included aircraft manufacturing sectors, personal and household repair and maintenance, hotels, and certain types of restaurants.

Of note is the different experience of various aviation sectors during the pandemic, with the aforementioned increase in aircraft parts and auxiliary equipment manufacturing and the decline in activity for aircraft manufacturing and companies such as Paradigm Precision.

Some of the sectors that experienced the largest recovery from the second quarter to the third quarter during the pandemic included personal care services, who's recovery is attributed to the relaxing of restrictions and the reopening of places such as barber and beauty shops and nail salons.

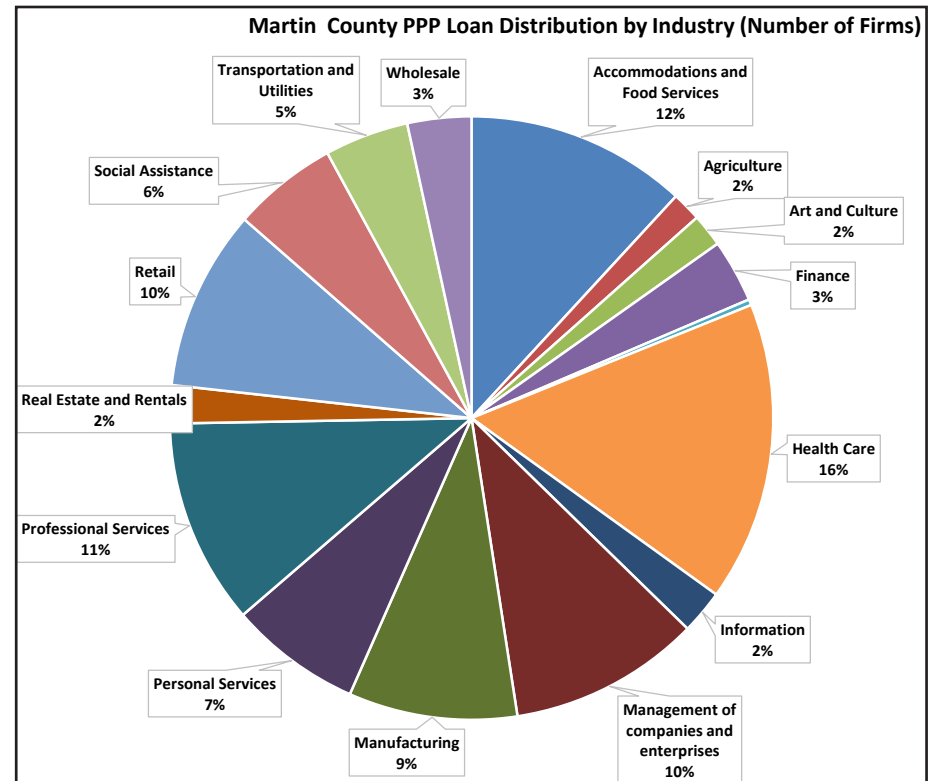
Full-service restaurants, which had declined 40% from 2019 levels in the second quarter of 2020 rebounded and increased 45% into the third quarter, and a similar trend was also observed in fitness and recreation centers and in many manufacturing sectors such as custom boat building, which declined 44% in the second quarter but recovered by 37% from the second quarter to the third.

Analysis was also done to identify both the dominant industries in the different areas of the County and clusters in those areas. The dominant industries are those where a significant amount of the countywide economic output of an industry occurs in one place. For example, 80% of the County's communications industry is in Stuart, and seventy percent of the County's marine industry is in Port Salerno. Stuart has 53% of the County's medical sector.

Additionally, clusters are identified within the different areas. In Hobe Sound, landscaping and creative industries are identified as a cluster, and in Indiantown the clusters are food production, healthcare, and energy.

The county has an approximately \$130 million Capital Improvement Program and a review of real estate activity during the pandemic indicates that the level of real estate sales volume is significant and is likely to cushion against negative impacts on the county and its cities' ad valorem revenues in the next fiscal year.

As previously mentioned, the PPP program was used extensively by Martin County businesses – 4,000 businesses received \$289 million in loans preserving 37,000 jobs. While businesses from all industries participated in the program it was especially important for accommodations and food services, retail agriculture and manufacturing. The loans for accommodations and food services, agriculture and manufacturing supported between 80 and 90% of those industries' jobs.



PPP Loan Distribution by Industry

Most of the PPP loans were awarded in April with still strong participation in May, tapering off during the rest of the eligibility period that ended in August 2020, and picking up again in the more recent round that opened in January and experienced significant participation in February of 2021.

As part of the PPP program \$19 million in loans were granted to 109 nonprofit organizations in Martin County, preserving over 2,800 nonprofit jobs. Additional nonprofit funding came from the Community Foundation of Martin and St. Lucie Counties.

In addition to the 4,000 businesses that received \$289 million in PPP loans, the CARES Act also provided the county with funding in the amount of \$5.6 million. This funding supported an additional four hundred and six businesses above the 4,000 that received PPP assistance as well as other assistance in the county.

Labor

The top industries in which Martin County residents are employed are healthcare, construction, retail, and professional services however, these residents do not necessarily work in Martin County. The industries in Martin County that employ the most people are healthcare, retail, hospitality, and professional services, and these jobs are occupied by residents and non-residents.

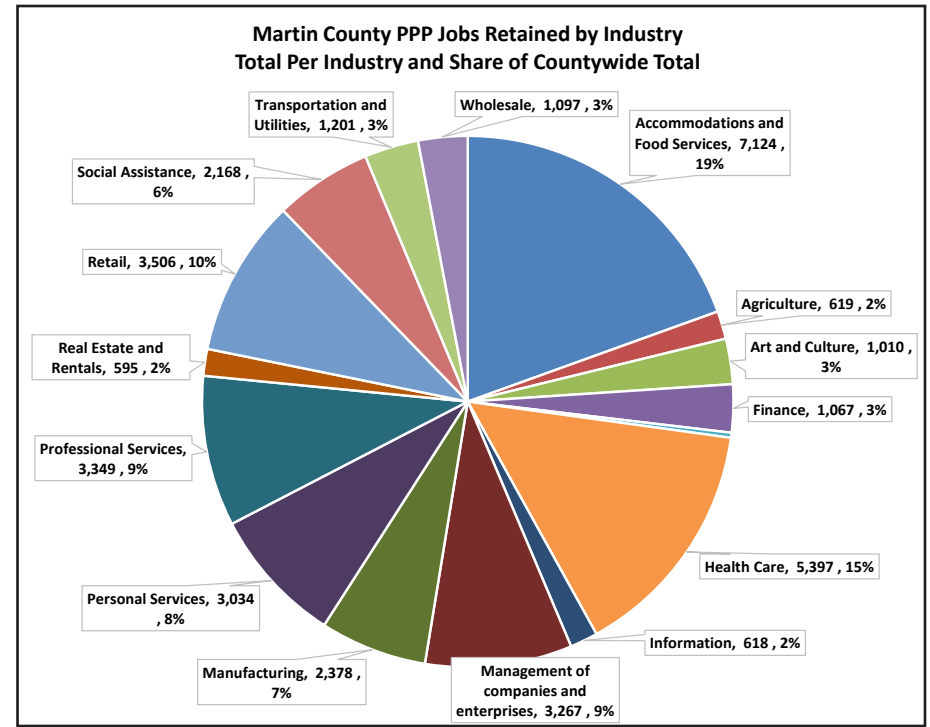
One consistent theme has been the need for improved access to labor and talent. Of the approximately 70,000 wage and salary jobs in Martin County, 25,000 are held by residents of Martin County. The other 45,000 jobs are residents of other counties, especially St. Lucie County and Palm Beach County. Thirty-six thousand Martin County residents leave Martin County for their employment. Most of the workers that live outside of Martin County live in St. Lucie County and more specifically Port St. Lucie.

The highest-paying Industries in Martin County are management of companies and enterprises, finance and insurance, transportation, warehousing, and utilities. The lowest wage Industries are accommodations, food services, agriculture, educational services, retail, and arts and entertainment.

There are some sub-sectors that saw significant increases or decreases in average quarterly wages from 2019 levels to the 2nd quarter of 2020. As the pandemic set in sectors that had declining quarterly wages included information services, civic and social organizations, and support activities for air, transportation and travel and tour services.

Unemployment levels spiked in April and May of 2020 but are quickly recovering to near pre-pandemic levels. Martin County has experienced a quicker recovery and re-employment compared to its neighboring counties. Many of the top industries in the County either maintained employment or rehired employees by the third quarter of 2020 as restrictions eased. Many subsectors have returned to pre-pandemic employment levels and there are others that are approaching 2019 levels.

As previously mentioned, PPP loan information from Martin County demonstrates the importance the program had on retaining local jobs. Full-service restaurants are one of the sub sectors that has experienced significant recovery in employment from the second quarter to the third quarter 2020. Comparatively subsectors that had the largest average employment losses from 2019 to 2020 included performing arts companies, spectator sports,



Job Preservation by PPP Loans

motion picture and video industries, vocational rehabilitation, and several travel-related sectors.

Of the jobs that were retained by the PPP program 20% were in the accommodations and food services industry, 15% in healthcare, and 10% in retail. The PPP program was especially important in retaining jobs in several sectors. The loans for the program covered 80% of the accommodation and food services jobs, 83% of agriculture jobs, 50% of arts and culture, 95% of manufacturing jobs and 78% of social assistance jobs.

Markets

On the customer side reliable retail spending numbers are not yet available for the pandemic period however, a review of pre-pandemic retail determined that most retail sectors are losing sales to areas outside of the County. Another area in which data is not yet available is migration to Martin County. However, in the 2014-2018 period almost a quarter of Martin County's new residents moved from Palm Beach County. During the same period, approximately 55%, which is more than half of Martin County's new residents

Active Educated
Independent Nature
Informed Leisure
Wealth Travel

Commonalities between the top lifestyle tapestry segments in Martin County

moved from other counties in Florida. When 2020 numbers are available, they will very likely show a much higher percentage of out-of-state residents.

For those residents that moved away from Martin County in the period from 2014 to 2018, many of them moved to St. Lucie County, Palm Beach County, and Miami-Dade County. While specifics are not available, these moves may include younger residents moving away for job opportunities and lifestyle amenities.

Tourism is one of the sectors that was the hardest hit by the pandemic and continues the slowest recovery. January 2021 hotel occupancy rate for Martin County was 57.2%, down from 77.9% one year earlier. However, some of Martin County's tourism indicators do demonstrate recovery as well including credit card utilization which declined significantly in April 2020, but which recovered in the late summer. Additionally, at the Hutchinson Island Resort by Marriott weekly visits in the fall returned to pre-pandemic levels. The post-pandemic distribution of businesses was reviewed through an evaluation of the County's business tax receipts, which shows that the professional sector such as attorneys, architects, and insurance are heavily concentrated in Stuart, as are physicians and some other sectors of the medical industry.

Activities and entertainment such as theater, boating, golf courses and bowling are much more spread out throughout the County while personal services are also heavily concentrated in Stuart and to a lesser extent in Palm City. Shopping and dining is also spread throughout the County with a significant amount of shopping and dining opportunities not only in Stuart but also in Jensen Beach.

The most interesting part of the business distribution analysis was the review of trades related businesses. These are businesses such as plumbing and electrical contractors, engineers, and repair. Construction trade businesses are located throughout Martin County; however, these are also the industries that have a shortage of skilled workers. This labor shortage, combined with significant demand in Martin County has attracted a large number of these types of businesses that are located outside of Martin County in places like Vero Beach West Palm Beach, Fort Pierce and Broward County.

The review of business tax receipts also included reported business closings, which peaked in March 2020 at the beginning of the pandemic followed by a second peak in July. New businesses also opened during the pandemic, including 53 retail stores and 17 restaurants. Many new businesses were in Stuart, and there were 45 new businesses in Jensen Beach, 43 in Palm City, and 30 in Hobe Sound in 2020.

Another general observation was an evaluation of consumer foot traffic and the effects of the pandemic on select shopping and dining areas in Martin County. While significant drops in foot traffic occurred when the lockdowns began in March, most of the downtown areas are recovering to near pre-pandemic levels including Stuart, Jensen Beach and Port Salerno.

Downtown Hobe Sound experienced the highest drop in foot traffic and is the one downtown area that has not recovered to pre-pandemic levels. Downtown Jensen Beach experienced the lowest drop in traffic at 21% compared to the same period one year prior, however this may be due to several factors (such as CRA construction activity) and not solely due to the pandemic. Historically, signature events such as the Stuart Boat Show, Fourth of July, the Port Salerno Seafood Festival, and the Jensen Beach Pineapple Festival draw traffic to downtown areas, especially in January. The Martin County Fair is another event that is a significant draw, and it will have a larger positive impact after it relocates to the Agriplex in Indiantown.



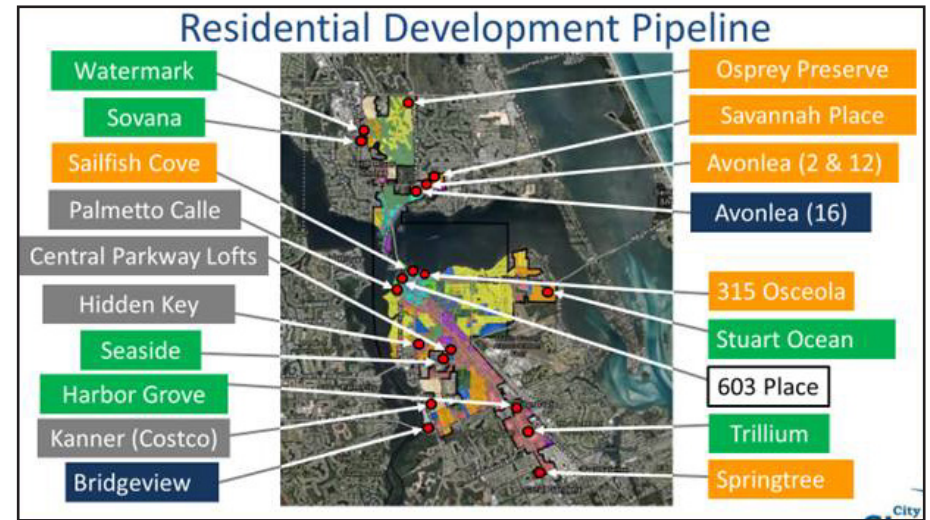
The Stuart Air Show

Land

Real estate trends were also evaluated as part of this analysis. The pandemic accelerated several trends that impact residential real estate including the desire of people to move out of densely populated areas into less dense locations. This has been compounded by the flight from the Northeast U.S. due to long-term tax policies and near-term pandemic related restrictions.

Residential real estate activity since the easing of some pandemic related restrictions has been the highest since 2015 in terms of the number of transactions and the prices of real estate sales. Median list and sell prices continue to increase, which has driven significant increases in residential sales volumes. However, while the number of transactions has increased the number of homeowners opting to remain in their homes has led to a decline in the number of listings, which has pushed sale prices even higher.

On the multifamily apartment front, apartment buildings, which are not in significant supply in Martin County do have strong demand with falling vacancy and rising rents and there are several rental projects in planning and under construction in Stuart. On the commercial real estate front regional new construction of office space is substantial, but none of the new regional office construction is in Martin County. Flex space has been well absorbed in

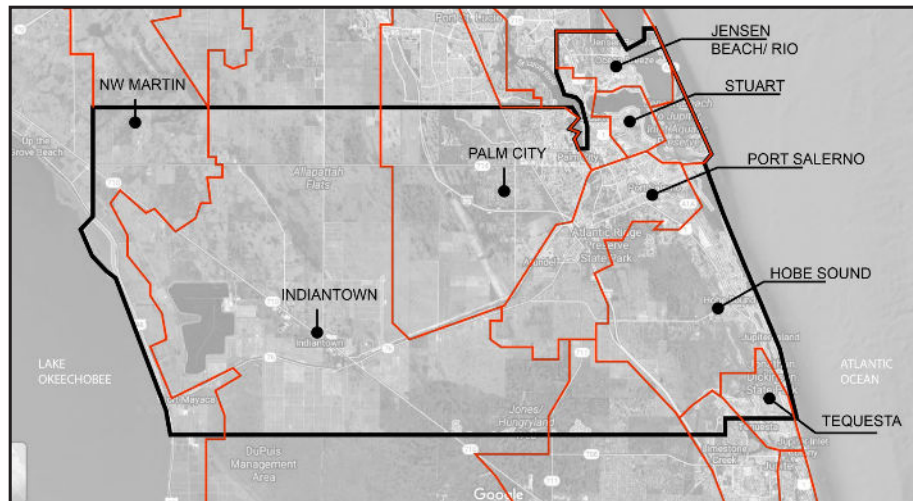


Residential investment in the City of Stuart

Martin County although there is none currently under construction. Martin County has also experienced the smallest change in retail vacancies compared with the neighboring counties.

In reviewing commercial real estate in Martin County and comparing them to St. Lucie and Palm Beach counties, St. Lucie is the county that is comparable and competitive. The amounts of industrial, office, and retail space in Martin County is similar to that in St. Lucie County, and available commercial space levels are very comparable. In retail real estate, vacancy rates have been trending up over the past five years while rents have remained flat and as some big boxes have lost tenants. However, retail leasing activity has been consistent each quarter during that period.

Office Trends on the countywide level show some increase in vacancy, a downward trend in leasing activity while office rents continue to rise however, similar to retail, these countywide trends are not as relevant as submarket trends; some submarkets may be more vulnerable to remote working trends than other areas and it is too early to tell how remote working will impact office space at the local, regional and national levels long-term.



SUBCOUNTY AREAS

In addition to the countywide review, this analysis includes a review of sub-county geographies: Stuart, Indiantown, Port Salerno, Hobe Sound, Palm City, Jensen Beach and Rio. While Martin County's major population areas are located along the east coast by the Atlantic Ocean, in recent years there has also been limited growth in the Indiantown and the western area of the County.

For most of this analysis, the study areas are based on the seven (7) zip codes located entirely within Martin County which comprise over 99% of the County's economic activity. The major population centers are in separate zip codes and this approach provides the best consistency between the various data sources. In some sections additional smaller geographic areas have also been reviewed.

The analyses highlight patterns of economic growth by industry sector for each subcounty area. They identify key economic drivers, uncover any unique COVID impacts, evaluate and note relevant real estate patterns, and compare employee travel patterns and locations, among other insights.

Stuart

The City of Stuart, with the population of 16,000 is the largest municipality in Martin County and is the County Seat. It includes Cleveland Clinic and the Downtown Stuart shopping and dining destination, the County's airport, and the County's main Administration offices.



Downtown Stuart is a popular Martin County destination

In the western and northern part of the city, the economic drivers include downtown and the hospital, while the eastern part of the city houses the airport, government offices and the County-owned fairgrounds. The western and northern areas, with more consumer-type businesses, experienced a larger decline at the beginning of the pandemic, but the area has recovered some from the second to the third quarter of 2020. The eastern part of the city, which is smaller economically, has generally returned to pre-pandemic levels of economic activity.

Overall, in the third quarter of 2020, Stuart's economic output was nearing pre-pandemic levels. The two most dominant industries in Stuart for economic activity are healthcare and finance. The healthcare industry has recovered from its lows of the pandemic and although the industry overall shows recovery, this does not mean that all practitioners have experienced recovery. The city's second largest industry, the financial industry, has economic output that increased early in the pandemic and remained stable throughout it. As part of this activity and recovery, there were 743 PPP loans awarded, for a total of 96 million dollars which retained over 12,000 jobs.

Like the countywide trend, while economic output shows a rebound in the third quarter of 2020, employment recovery in Stuart is lagging, but employment levels have stabilized. In addition to healthcare being the top in-



The Indiantown Marina

dusty for economic activity, it is also the top industry for employment. The second highest industry for employment is the hospitality industry - accommodations and food services, closely followed by retail.

In Stuart, there are several new residential developments under way which will ultimately add almost 2,700 new units to the market. These units are spread throughout the city, and this includes almost 700 units in an area that has the potential of being Martin County's innovation district. This will be explored in Section 3 of this Market Analysis.

Indiantown

Indiantown, which was recently incorporated in the western part of Martin County, has a population of approximately 7,000 people. Its dominant industries include health care, agriculture and food, and energy (including solar plants) and its overall economic in output increased during the pandemic. Some of the significant subsectors in Indiantown also remained stable or grew during the pandemic including hospitals, energy, agriculture, and food production.

Growth and recovery in Indiantown were supported by 102 PPP loans totaling six million dollars, that retained 834 jobs.



The Port Salerno area has a strong manufacturing district, in addition to its working waterfront

Port Salerno

The Port Salerno area was led by a decline in manufacturing activity, so its overall economic output dropped from \$3.3 billion pre-pandemic to \$2.9 billion in the second quarter of 2020. However, this recovered to almost \$3.2 billion by the third quarter of 2020.

Some of the area's top employment subsectors experienced a significant decline going into the pandemic in the second quarter of 2020 but have seen recovery in the third quarter. These top sectors are employment services and full-service restaurants. Like much of Martin County, Port Salerno features a transient workforce, with many employees traveling into the area for marine and marine-associated jobs. More than 1,000 PPP loans were awarded in Port Salerno in zip code 34957 for a total of 88 million dollars. These loans retained over 10,000 jobs and were instrumental in preserving 90% of the area's manufacturing jobs.

The large cluster of manufacturing related jobs north of Salerno Road between Dixie Highway and US 1 form the southern area of a potential innovation district. This concept is strengthened by the presence of numerous patent registrations as well as the presence of supply chain companies such as Minder which provides electrical components to industries including avi-

ation, marine and automobiles. This area also includes businesses that help attract talented workforce to the area such as the Stuart Distillery and Brewery. The Port Salerno industrial and manufacturing sector is an area that has existing opportunity and 148,095 square feet of available space.

Hobe Sound

Hobe Sound has also seen a slight increase overall in economic output: from a pre-pandemic level of 968 million dollars, declining to 946 million dollars in the second quarter of 2020, and recovery to 998 million dollars in the third quarter of 2020. The dominant industry of management of companies and enterprises grew throughout the pandemic and real estate, which saw a slight decline in the second quarter, is beginning a slow recovery. Part of Downtown Hobe Sound's potential is its proximity to Jupiter Island, Martin County's highest concentration of residential wealth.

Hobe Sound is not a large employment center, and with proximity to Palm Beach County many Hobe Sound residents commute to Jupiter and West Palm Beach for work. Art and culture are one of the largest employment industries in Hobe Sound along with health care, management of companies and enterprises, and landscaping. It has seen some recovery in employment in the third quarter of 2020 after experiencing a decline in the second. The area had 414 PPP loans for 25 million dollars and the preservation of 3,700 jobs.

Palm City

Palm City is an unincorporated area of Martin County that has almost 25,000 residents. Located near the future Newfield 2,000-acre development, it includes direct access to Florida's Turnpike. It has a strong industrial real estate market and many residential communities.

Economic output overall in Palm City, has recovered slightly above the pre-pandemic levels after declining slightly in the second quarter of 2020. Its dominant industries either experienced only a slight decline going into the pandemic with some recovery since, or experienced growth during the pandemic. This includes real estate, wholesale trade, professional services, and finance sectors. Manufacturing experienced the same trend as other areas of the County with a decline in activity in the second quarter of 2020 and recovery as the pandemic wore on into the third quarter. Information Industries in Palm City experienced significant growth in the second quarter stabilizing into the third.



The Sands Commerce Park anchors Palm City's industrial, warehousing and logistics industries

Palm City has largely remained a bedroom community, but recent developments have greatly enhanced job growth. Palm City has a surplus in jobs within arts and entertainment, hospitality, information and real estate, and there are many manufacturing and wholesale jobs clustered in the Sands Commerce Park next to the Florida Turnpike. Palm City area business received over one hundred million dollars in PPP loans, which retained almost 14,000 jobs.

Jensen Beach and Rio

Jensen Beach and Rio are located within the same zip code but are two distinct areas with separate CRAs and separate identities. Since some of the available data sources utilized for this study are only available at the zip code level these two areas have been combined when required. Like other areas of Martin County, economic output in this area declined in the second quarter of 2020 and has rebounded in the third quarter to pre-pandemic levels overall. Also similar to other areas and the County as a whole, this overall trend is not necessarily the trend being felt by any individual business or individual sector.

The major contributors to the economy in this area include retail, management, and hospitality. These are industries which experienced some of the largest second quarter declines as the pandemic began, but all have

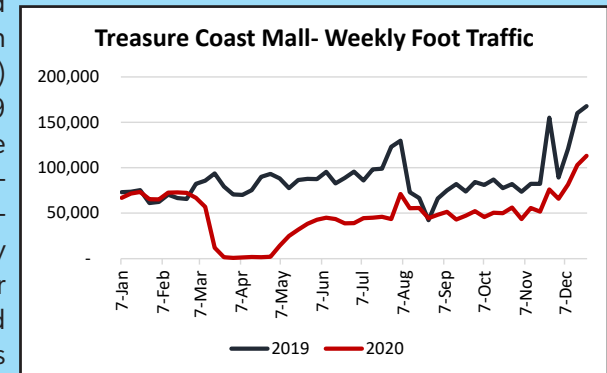


Downtown Jensen Beach has an active hospitality and visitor industry

demonstrated recovery into the third quarter. Out of all the shopping and dining areas evaluated in Martin County, downtown Jensen Beach is the one that showed the best recovery in foot traffic.

Economic output only declined slightly and has recovered to pre-pandemic levels but because hospitality and retail are significant parts of this economy the same trend is not present with employment. Jobs in this area declined in the 2nd quarter of 2020 from 15,000 (pre-pandemic) to 13,000 jobs and recovered approximately half of those lost jobs by the third quarter of 2020. In Jensen Beach and Rio there were 500 PPP loans for 34 million dollars, which retained 5,000 of the area's jobs.

The **Treasure Coast Square Mall** is owned by Simon Property Group, and was been the subject of much discussion during stakeholder engagement. The 1.1 million square foot mall experienced a drop in annual foot traffic pre-pandemic and especially during the pandemic. In fact, of the various shopping areas analyzed in Martin County, the Treasure Coast Mall suffered the highest drop in foot traffic (-45%) compared to 2019 levels. The Treasure Coast Mall and other struggling shopping centers may be opportunities for redevelopment and reuse in the future as retail trends continue



to evolve. Of the several regional shopping areas analyzed in Martin County, the Treasure Coast Square Mall suffered the highest drop in visits (down 44.5% in 2020 compared to 2019).

The mall's anchor tenants, most which own their own spaces, account for 461,000 square feet of total space. According to CoStar, the mall currently has 13% vacancy with average non-anchor rent per square foot of \$19-24.



Image: Rockledge Flats, a 4-story residential project being constructed on part of a former Bealls anchored shopping plaza in Rockledge, FL.

INDUSTRIES

In addition to the countywide and geographic subarea analyses, a review of individual industries and the County's Hubs of Excellence is necessary to understand the impact the pandemic has had on the Martin County economy. This includes an assessment of data related to the identified Hubs of Excellence: Aviation, Marine, Information Technology, Life Sciences and Health Care.

Other Hubs of Excellence which are multi-industry such as Green Technologies, Headquarters Operations, and Entrepreneurship will be addressed during the next phase of this project, including the final identification and evaluation of opportunities, and the action plan to implement them.

Marine

The Marine industry is truly countywide stretching from the Atlantic Ocean to Lake Okeechobee with many businesses in between. When it comes to the Marine industry, Martin County businesses are much more focused on small batch and highly customized craft and products - in comparison to St. Lucie County which has many mass production boat facilities.

Because of this customization focus, there is an opportunity to strengthen the connection between this industry another goal related to the Hubs of Excellence: custom, craft, local manufacturing . There are some weaknesses in the Marine industry, especially related to access to a skilled workforce. There are also other infrastructure impacts and challenges such as the channel depths of the St. Lucie Inlet and the St. Lucie Canal Marine Corridor.

Overall, the Marine industry declined 34% in the initial phase of the pandemic, recovering to a point where in the third quarter of 2020 it was off only 14% from pre-pandemic levels. Of the different sub sectors in the Marine industry, boat building has made the fastest recovery, which may continue into 2021 because of increased demand for socially distanced activities. The industry continues to find opportunities to grow however, and the St. Lucie Canal is the last frontier of waterfront in the South Florida and Treasure Coast regions. New investment possibilities include the 33-acre Lake Michigan Marina in Indiantown, the Indiantown Marine Center and boat builder Rybovich with a sizeable property along the canal.

Additional opportunities for the Marine industry will be explored in the next phase of this assignment. The manufacture of marine components is a foundation for expansion and recruitment of complementary marine systems and

devices manufacturers. And marine tech has a smaller development footprint that could be filled by absorbing existing vacant commercial space or repurposed retail space.



Port Salerno



Locks at Lake Okeechobee and Port Mayaca



The marine industry is Martin County's true "countywide" industry, from ocean to Lake Okeechobee

Aviation

Another of the County's Hubs of Excellence is Aviation. Some of this industry's subsectors experienced a decline during the pandemic. This includes aircraft manufacturing, the 24th ranked sub-sector in 2019 ranked 60th in the third quarter of 2020. On the positive side, aircraft engine and engine parts manufacturing (which includes companies such as Triumph) improved from being the 31st ranked sub-sector to 15th by the 3rd Quarter of 2020. Air transportation also declined in both the second and third quarters. It was one of the county's few subsectors to decline during the pandemic.

The dominant sector is aircraft engine and engine parts manufacturing with the strongest growth in the smaller manufacturing of other aircraft parts and auxiliary equipment. While these subsectors demonstrated post-pandemic job growth to levels higher than before the pandemic, the overall industry remains below pre-pandemic employment levels due to the global decline in aircraft manufacturing. The industry's growth is supported by both activities happening at the airport and in parts of the Port Salerno industrial area where more of the smaller parts manufacturing takes place.

The airport is also well situated to take advantage of the coming Vertical Takeoff and Landing (VTOL) industry with nearby wealthy users and (supply chain) supportive businesses including composite material fabricators and suppliers. While currently moderate in size, the aircraft parts sector is growing and is healthy. This may be an opportunity to retain some of the business activity that migrated away from Palm Beach International even after flight restrictions were lifted.

Aviation Tech includes aerospace and aeronautics, defense, and also space technologies. Martin County's location between the space center and South Florida can provide significant location benefits to supply chain companies and service providers to the growing space industry. There are strong indications of growing space industry regionally, which may be an opportunity to regain some businesses if talent remained local or can be recruited back.

The combination of Marine Tech and Aviation Tech sectors in proximity creates a potential opportunity for an Innovation District located generally between Port Salerno and the Airport and between Dixie Highway and US 1. Given the proximity to educational institutions and other potential research partners, available real estate, strong existing clusters, significant patent generation, and new planned residential and mixed-use investments, this area is also well positioned as a potential innovation district.



Indian River State College and Cleveland Clinic are key partners for expanding research and development, and workforce readiness for Martin County

Life Sciences and Health Care

The health care industry is the largest industry in Martin County, but key subsectors are missing including biomedical and life science research and Innovation. This represents a variety of potential growth opportunities, including a research institute in partnership with Cleveland Clinic and other entities including medical startups, water quality and treatment businesses, and other LSTAR companies.

Agriculture and Associated Technologies

This sector involves innovation and commercialization of farming, food processing, waste management, production techniques and scientific advances. It also includes enterprises that can yield smaller footprints and lower environmental impacts. Some of the key locations in Martin County to support agriculture are the Agriplex and Newfield, but there is a need for strategic investment and focus.

Overall, the agricultural industry's economic output grew throughout the pandemic, especially in flour milling, which is growing may be a sector that can continue to grow and increase its market share.

This is one of those industries that can especially benefit from linkage with the Hub of Excellence goal supporting Green Technology. In fact, to maintain farming land uses as part of the desired lifestyle in Martin County and



The Dupuis Management Area Park and Campgrounds are important recreational and ecotourism destinations

to address water quality concerns, there are opportunities for technological innovations that relate to fertilization, agricultural processes, and water runoff management.

Landscaping is another segment that falls within the agriculture umbrella. This sector experienced significant decline in the early part of the pandemic and has been recovering. However, the decline in employment was not as significant as the decline in economic output due to it being such a labor-intensive industry.

Hospitality

The hospitality industry suffered significantly from the pandemic and has been one of the slowest to recover, especially the lodging subsector. While some restaurants are performing much better, some are still struggling. As previously mentioned, this is one of the industries that was the most positively impacted by the paycheck Protection Program with PPP loans covering over 80% of the industry's pre-pandemic jobs and 95% of the industry's jobs in the 3rd Quarter of 2020.

Another opportunity in the tourism sector is ecotourism. Multiple strengths and assets position Martin County well for ecotourism: bicycle lanes, significant county-owned undeveloped property, Jonathan Dickinson State Park, the Dupuis Preserve, equine parks, hiking trails the Martin Grade Scenic Highway, the canal, Lake Okeechobee, the Atlantic Ocean, and the St. Lucie River.

Ecotourism is a low environmental impact industry and could also be one that is key to Martin County's competitiveness and to preserving its rural character and small-town feel. Ecotourism increased throughout the State of Florida during the pandemic, and Martin County is well positioned competitively to capitalize on this growth, which will be explored in more detail in the opportunities segment of this assignment.

Information Technology

The Information Technology (I.T.) sector in Martin County grew throughout the pandemic, with especially strong growth into the early part of the pandemic by software publishers. Software publishers increased from one of the smallest subsectors to one of the larger ones in economic output, also emerging as the subsector of I.T. that experienced the most significant percentage increase in employment, likely driven by increased demand for on-line activity and support as well as remote work by employees in this sector.

Creative Industries

The creative industry was also hit hard by the pandemic, especially in the early months, and many of its subsectors are some of the worst the lowest performing in recovery. In fact, independent artists, writers, and performers is the single most negatively impacted sub-sector in Martin County followed not far behind by the motion picture and video industries, museums, and performing arts companies. These are subsectors which still have some of the largest uncertainty attached to them about the future.



The energy sector in Martin County has significant growth opportunity, especially for green and clean energy applications

Energy

The energy sector includes opportunities to invest in biofuels including biodiesel and biosolids, the use water from agricultural runoff to grow renewable oils, and continued expansion of solar.

Manufacturing

There are many additional manufacturing sectors in Martin County besides Aviation, Medical, Marine and Technology. While these have not recovered at the same pace as those more dominant clusters, the overall manufacturing industry is an opportunity both to grow the County's strong custom and craft manufacturing base and help improve the industrial branding and positioning of the County. Martin County has a desirable location near the South Florida population centers, connections to Interstate 95 and the Florida Turnpike, and multiple rail lines that can be capitalized on positioning and proactively branding the industrial areas, which will assist with the absorption of available industrial space, grow employment, and expand economic output.

Retail

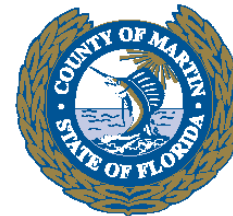
The retail industry, like hospitality, saw a significant decline early in the pandemic. While all retail sectors recovered between the second quarter and third quarter of 2020 many, except for big boxes, are still below pre-pandemic levels. Retail also saw the biggest variation in the pandemic experience between large businesses and national chains and small mom-and-pop businesses. This was in part due to the different difference in the restrictions that were Imposed or not imposed on them and which retailers were and were not defined as 'essential'. Those deemed essential, including building material stores and general merchandise stores such as Walmart, have recovered much better than other retail sectors, especially locally owned businesses. In fact, many retail businesses continue to struggle day to day and have not yet experienced the recovery that is seen in the overall economic and employment numbers.

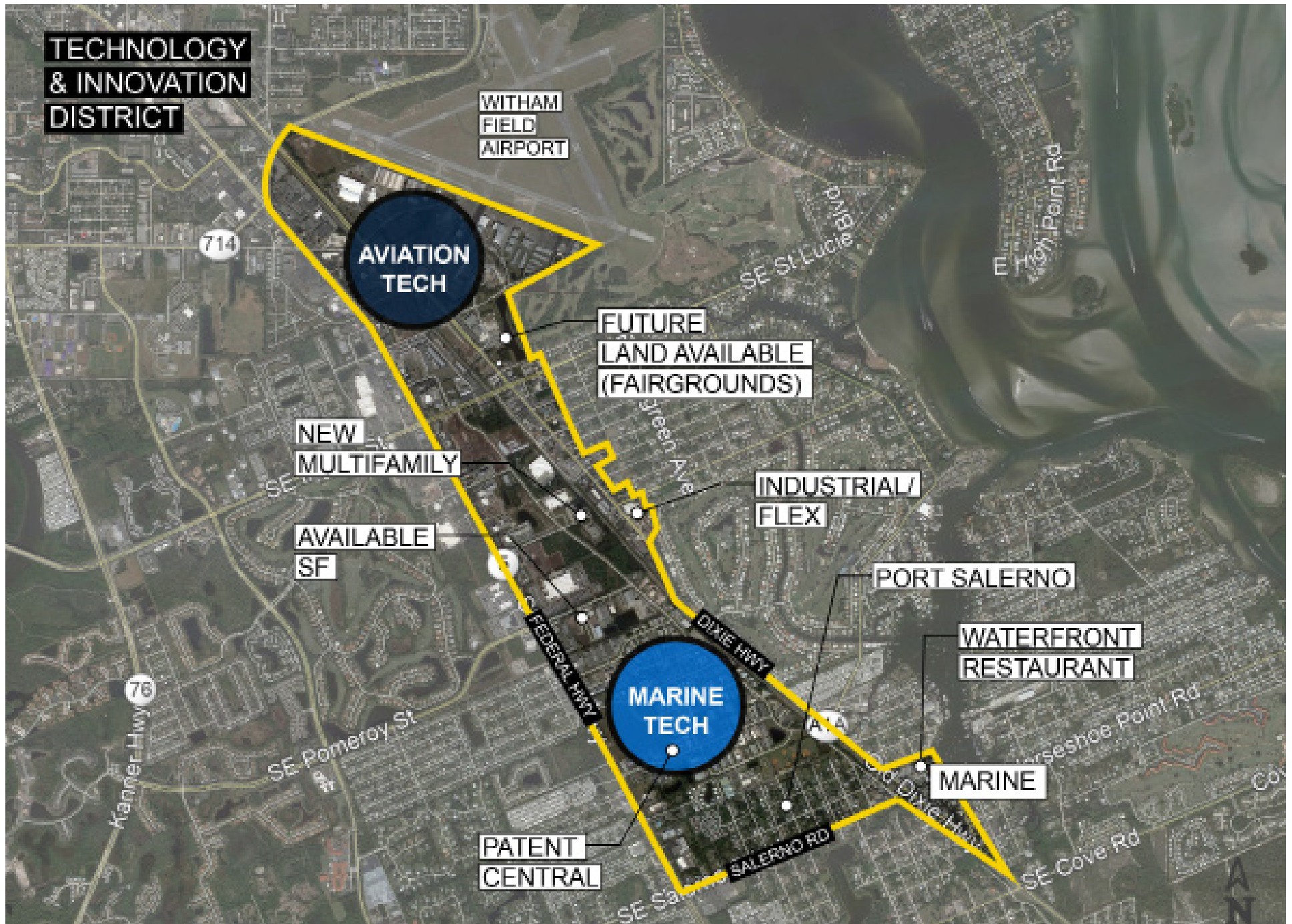
The reuse of underperforming retail centers for redevelopment for housing or other economically beneficial uses provides another growth opportunity, especially in built out areas where redevelopment is preferred to the loss of additional green and open space.

Wholesale Trade

One of the brightest economic stories during the pandemic was the wholesale trade industry. This industry grew from pre-pandemic levels throughout the pandemic, from 676 million dollars in pre-pandemic economic output to \$716 million in the second quarter of 2022 and \$743 million in the third quarter. Similarly, employment grew from 2,100 to 2,400 during that period and every subsector of the wholesale trade industry grew from the second quarter of 2020 to the third quarter in economic output.

These and other opportunities will be explored during the next phase of this assignment, followed by the completion of the action plan steps necessary to implement them.





The general location of a potential Innovation District in Martin County.