

MARKET REPORT

Retail
Fort Lauderdale Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2Q/22

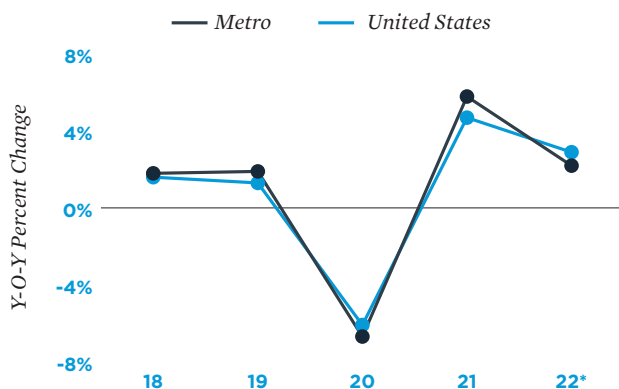
Outlook Optimistic; Supply Additions Taper, but Much of Pipeline Speculative

Population and employment gains bolster retail performance.

Broward County retail businesses have heavily benefited from the influx of new residents moving to the Sun Belt, resulting in a flurry of new leases. Last year, nearly 1.6 million square feet of retail space was absorbed metrowide, the second-highest annual total since 2007. Staffing in the metro's retail trade sector closed out March at levels last recorded immediately prior to the pandemic, and hiring in this sector should constitute a notable portion of this year's employment growth. Furthermore, consumer spending across Southeast Florida markets is projected to increase 9 percent by dollar volume this year, ahead of current inflationary pressures.

Lower rents than nearby metros draw national tenants. Following last year's surge in retail move-ins, leasing activity is expected to modestly temper in 2022. So far this year, mid-size storefronts are popular with expanding retailers, with national brands, including Wawa, Shake Shack and Sunglass Hut, highlighting this year's new leases in the 2,000- to 10,000-square-foot range. Moving forward, the metro's regionally discounted single-tenant asking rent should attract more high-credit tenants seeking to establish a Southeast Florida footprint. On the supply side, lower pre-leasing rates than adjacent metros indicate that developers are confident in the health of Fort Lauderdale's retail sector, though stock additions here are more likely to put upward pressure on vacancy rates here in the near term than in adjacent markets.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**19,000
JOBS**

will be created

EMPLOYMENT:

The 2.2 percent rate of job growth expected this year represents the second-fastest rise in Broward County's employment base since 2016. Still, the metro's low unemployment rate could create headwinds for companies seeking to expand payrolls.



**480,000
SQ. FT.**

will be completed

CONSTRUCTION:

Development is projected to taper from the 600,000 square feet delivered in 2021. This year's supply additions will grow stock by just 0.5 percent, the slowest rate of increase among Southeast Florida metros.



**30
BASIS POINT**

decrease in vacancy

VACANCY:

Construction moderation will force expanding retailers to browse existing stock. By the end of 2022, approximately 4.5 percent of space will remain unoccupied as the metro registers a second consecutive year of vacancy compression.



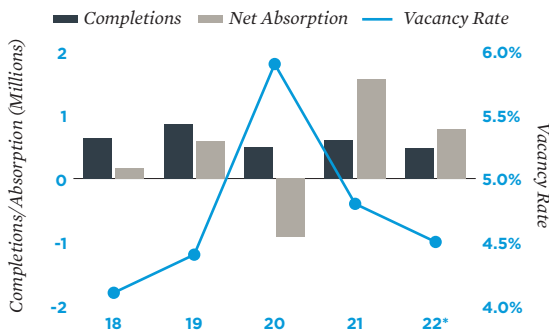
**3.6%
INCREASE**

in asking rent

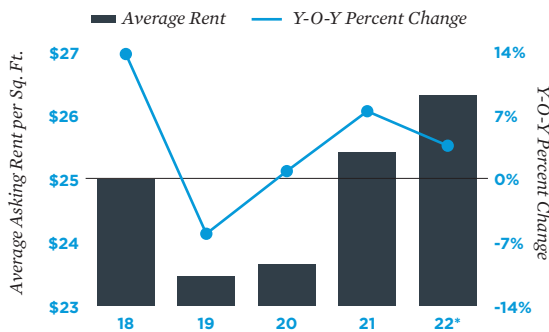
RENT:

Broward County's narrowing construction pipeline and vacant stock supports competition for available space, pushing the average asking rate to \$26.32 per square foot this year. Marketed rents posted a 7.4 percent gain in 2021.

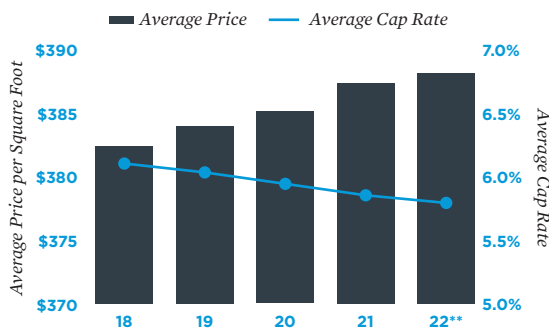
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

550,000 sq. ft. completed

- Despite labor and supply challenges, development during the 12-month period ending in March roughly matched that of the previous span.
- The majority of recent completions came online in coastal submarkets like Fort Lauderdale proper and Hollywood, as rising costs for premium parcels here have done little to dissuade construction activity.



VACANCY

90 basis point decrease in vacancy Y-O-Y

- Enthusiastic leasing activity over the past 12 months brought metrowide vacancy down to 4.7 percent in March. Net absorption in the single-tenant segment exceeded 1 million square feet.
- Due to its proximity to the Miami-Dade County border, positive leasing in Hallandale lowered local vacancy to a record low of 1.6 percent.



RENT

6.8% increase in the average asking rent Y-O-Y

- Retailers absorbed nearly 1.4 million square feet over the past year, leasing that brought the average asking rent to \$25.84 per square foot.
- Rent growth was most pronounced in the single-tenant sector, where marketed rents grew 8.8 percent to \$26.12 per square foot. This gain notably eclipsed the 1.2 percent climb noted in the multi-tenant segment.

Investment Highlights

- Deal flow during the past four quarters ending in March more than doubled the previous span, as the revitalization of Southeast Florida's retail sector and the release of pent-up capital supported record trading volume. Nevertheless, Broward County's average price point adjusted minimally, rising 1.0 percent to \$388 per square foot. The moderate pricing gains were driven by a 3.2 percent increase in the multi-tenant segment, where properties changed hands at an average of \$319 per square foot.
- As the epicenter of development moves away from the coast, geographical limitations presented by the Everglades may translate to elevated premiums on Broward County's well-located parcels. Rising land costs could motivate more developers to shift strategies to include acquiring and adapting existing properties, creating a new source of buyers.
- Multi-tenant investors operating in the sub-\$10 million tranche are targeting strip centers. In coastal submarkets, these properties usually trade with yields in the mid-5 to high-6 percent zone, though well-located assets can change hands with cap rates in the 4 percent range.

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

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