MARKET REPORT

Retail

Miami-Dade Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

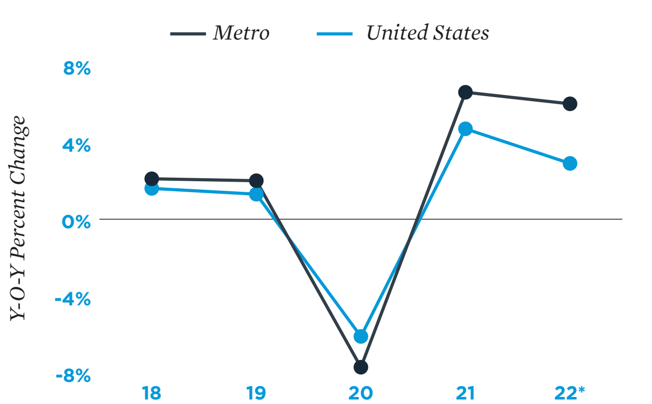
2Q/22

Miami-Dade Boasts Florida's Tightest Retail Sector Amid Abundant Pipeline

Miami weathered the storm. Buoyed by record levels of domestic tourism and an influx of new residents, Miami's retail sector showed its resiliency throughout the health crisis. At its peak, metrowide vacancy had only risen 20 basis points above the 2019 rate, and has since fallen 100 basis points to 3.7 percent entering the second quarter — the lowest rate among all major Florida markets. Retail demand has been strong, evidenced by six consecutive quarters of positive net absorption. Leasing activity is robust in South Dade, Miami (City) and Kendall, submarkets receiving much of the metro's incoming population. Retailers have also shown a willingness to pay a premium to set up shop in affluent, urban areas in the metro like Coconut Grove, Brickell and Miami Beach, where asking rents have surged above $60 per square foot in the past year.

More tailwinds remain. With roughly 2.9 million square feet underway as of April, Miami ranks as the top major metro in the nation for retail construction on a percentage of inventory basis. However, over 90 percent of the pipeline was pre-leased entering the second quarter, suggesting fundamentals will remain tight throughout this year. Additionally, demand for retail space in Miami may accelerate further as restrictions on international travel are eased around the globe. The World Travel & Tourism Council estimates foreign traveler spending in the U.S. will surpass last year's amount by $113 billion in 2022. The rise in spending will likely induce additional groundbreakings and retailer expansions in the coming quarters.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook

72,500 JOBS
will be created

EMPLOYMENT:

Hiring velocity reaches at least 6 percent for the second straight year, bolstered by hiring in the leisure and hospitality sector. As of April, total employment in Miami's retail trade sector was roughly 3,000 positions below the pre-pandemic level.

2,200,000 SQ. FT.
will be completed

CONSTRUCTION:

Supply additions this year are the highest since 2008, as developers expand retail inventory by 1.9 percent. Deliveries in Aventura and South Dade County account for roughly half of this year's pipeline.

0 BASIS POINT
change in vacancy

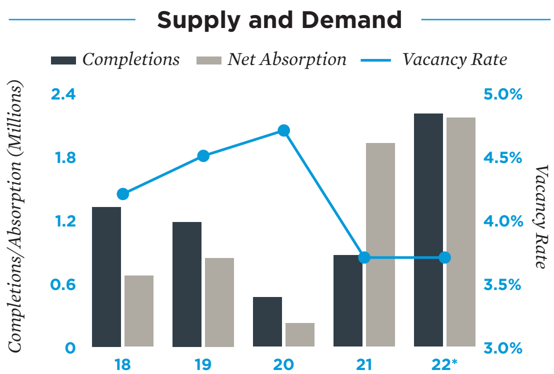
VACANCY:

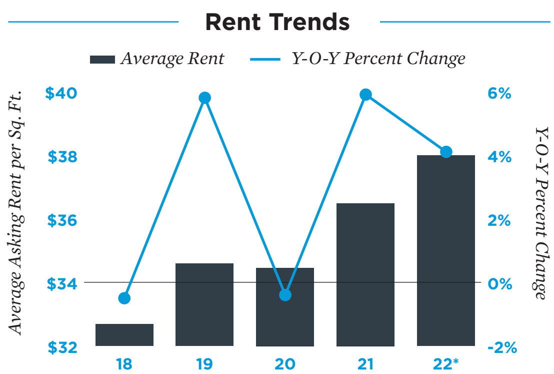
Net absorption surpasses the 2 million-square-foot threshold for the first time on record, holding vacancy relatively steady near record lows. The rate is projected to remain at 3.7 percent, at least 30 basis points below all other major Florida markets.

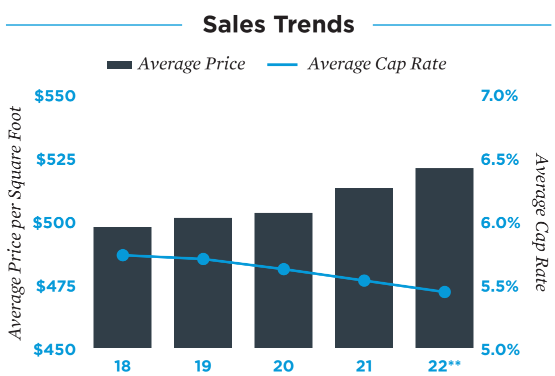
4.1% INCREASE
in asking rent

RENT:

An influx of first-generation retail space coming to the market helps lift the average asking rate to $37.99 per square foot this year, an all-time high. Asking rents in Miami are roughly 35 percent above all other major Florida metros on average.







** Forecast ** Through 1Q*

Sources: CoStar Group, Inc.; Real Capital Analytics

1Q 2022 - 12-Month Period

CONSTRUCTION

687,000 sq. ft. completed

- Developers expanded retail inventory by 0.6 percent over the past year ending in March, accelerating the pace of construction relative to the previous yearlong span when 417,000 square feet was delivered.
- More than half of the supply additions during the past year delivered in the South Dade and Miami Airport submarkets.

VACANCY

100 basis point decrease in vacancy Y-O-Y

- Net absorption more than doubled completions over the past four quarters, lowering vacancy to 3.7 percent. The Biscayne Corridor registered a 320-basis-point contraction during this time period.
- Availability in both the single- and multi-tenant sectors was 3.7 percent entering the second quarter.

RENT

5.0% increase in the average asking rent Y-O-Y

- Stimulated by the 6.7 percent increase in multi-tenant rents, the average asking rate in Miami rose to $36.25 per square foot in April — the third highest among all major metros in the nation.
- Coconut Grove, Brickell, Coral Gables, Miami Beach, Northeast Dade and Miami Lakes all recorded double-digit rent gains year-over-year in April.

Investment Highlights

- Over the past year ending in March, deal flow for both single- and multi-tenant assets more than doubled the velocity recorded during the previous yearlong span, a testament to the liquidity in Miami's retail market. Aggressive bidding for single-tenant properties elevated the average sale price to $626 per square foot, with cap rates averaging in the mid-5 percent span. The spread between mean cap rates in single- and multi-tenant properties was only 10 basis points entering the second quarter.
- Buyers looking to maximize their potential yields are active in Miami (City) and South Dade submarkets. Both of these locales are key residential nodes that have been recipients of robust retailer expansion as of late. Multi-tenant assets in the $1 million to $5 million price range are trading here most often, with cap rates that average roughly 50 basis points above the market mean of 5.5 percent.
- Heightened competition for listings is requiring investors to pay a premium for assets in affluent neighborhoods like Aventura, Biscayne Corridor, Brickell, Coral Gables and Miami Beach, where entry costs for single-tenant properties often rise above $1,000 per square foot. Here, yields for net-leased buildings can fall in the 2 percent to 3 percent band.

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Price: $250