

MARKET REPORT

Retail
Fort Lauderdale Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

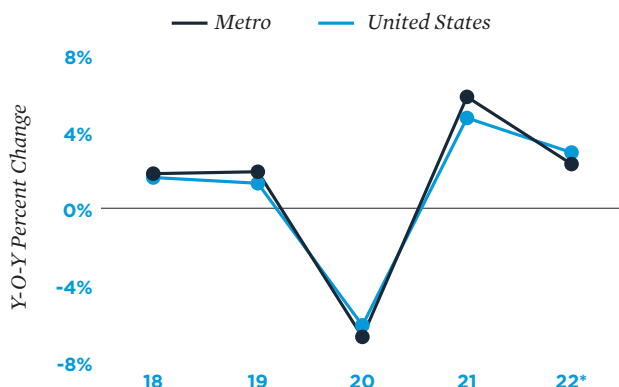
3Q/22

Broward County Well-Positioned for Sustained Long-Term Retailer Space Demand

Occupancy returns to pre-pandemic level. Strong population growth and historic levels of domestic tourism are fueling demand for retail space in Fort Lauderdale. The vacancy rate decreased by 150 basis points over the past six quarters ended in June to 4.4 percent — equal to the year-end 2019 rate. Leasing activity has been most pronounced in Hallandale, Hollywood, Plantation, Pompano Beach and Southwest Broward, with tenants taking more than 100,000 square feet off the market in each of these five locales during the trailing 12-month period ending in June. Looking ahead, net in-migration is expected to accelerate over the next decade, bolstering the metro's consumer base. Additionally, easing travel restrictions will drive more international tourism, augmenting the market's record amount of hotel room night bookings over the past year ending in June. These factors indicate retailer demand in Fort Lauderdale will likely remain elevated for the foreseeable future.

Delivery pace slows amid robust space demand. Supply chain constraints and widespread inflation have rapidly increased construction costs, which has hamstrung development in recent quarters. As of July, there were only 150,000 square feet underway metrowide, with the bulk of projects in the pipeline slated for delivery in the city of Fort Lauderdale, Plantation and Southwest Broward. Nominal completions will require many new and expanding tenants to browse the metro's existing retail inventory, leading to further vacancy compression and rent growth over the second half.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**19,500
JOBS**

will be created

EMPLOYMENT:

Strong hiring through the first seven months of 2022 helped lower unemployment to 2.7 percent, the second-lowest rate among major Florida markets. Retail trade headcounts are projected to eclipse the 2019 level by the end of this year.



**380,000
SQ. FT.**

will be completed

CONSTRUCTION:

Supply additions fall to a decade low in 2022, as developers increase retail inventory by just 0.4 percent — the slowest rate of development among major South Florida metros. Nearly all projects underway as of July are less than 20,000 square feet.



**60
BASIS POINT**

decrease in vacancy

VACANCY:

Robust net in-migration, coupled with an influx of tourism, continues to drive retail spending and space absorption, facilitating a second straight year of vacancy compression. The rate will fall to 4.2 percent by the end of 2022.



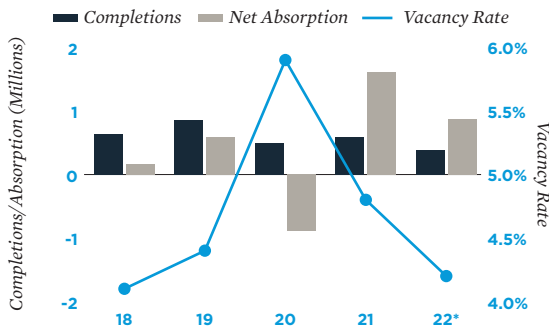
**7.4%
INCREASE**

in asking rent

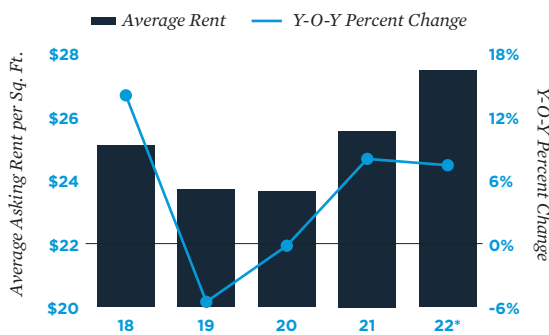
RENT:

Following the 8 percent increase in 2021, the average asking rent in Fort Lauderdale will rise by a comparable margin this year to \$27.45 per square foot. This year's rate of advancement ranks sixth among all major markets in the U.S.

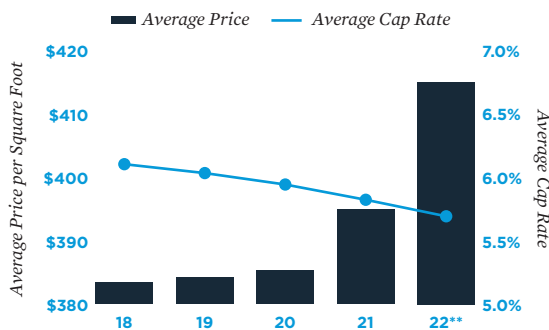
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2022 - 12-Month Period



CONSTRUCTION

538,000 sq. ft. completed

- Supply additions during the trailing 12-month period ended in June roughly matched the delivery pace from the previous yearlong span, as developers increased retail stock by 0.6 percent.
- Completions during this time frame were largely concentrated in the city of Fort Lauderdale and Miami-adjacent Hallandale.



VACANCY

80 basis point decrease in vacancy Y-O-Y

- Over the past four quarters ending in June, six of Broward County's 12 sub-markets recorded annual vacancy compressions exceeding 100 basis points, lowering the metrowide rate to 4.4 percent.
- Vacancy in Downtown Fort Lauderdale rose by 20 basis points during this span, as reduced midweek foot traffic is hindering leasing activity here.



RENT

9.1% increase in the average asking rent Y-O-Y

- Above-average retail demand equating to 1.2 million square feet of positive net absorption over the past year ending in June helped lift the metro's average asking rent to \$26.60 per square foot.
- Single-tenant asking rents increased by 11.5 percent during this span. In the multi-tenant sector, asking rents ticked up 2.4 percent.

Investment Highlights

- Robust consumer demand driven by the growing population and strong levels of tourism are heightening investor interest for retail assets in Broward County. Deal flow increased by nearly 90 percent year-over-year in June relative to the previous yearlong span, marking a new annual record. Transaction velocity for single-tenant and multi-tenant properties were nearly identical during the trailing 12-month period.
- The average sale price for the past year rose to \$415 per square foot, while the mean cap rate compressed 20 basis points to 5.7 percent. Entry costs here are 8 percent lower than any other major South Florida metro.
- Single-tenant assets are garnering significant interest from buyers in the city of Fort Lauderdale, as well as Hollywood and Pompano Beach, aligning with notable residential demand. Entry costs here frequently rise above \$500 per square foot, with yields averaging in the mid-5 percent range.
- Out-of-state investors have been actively targeting multi-tenant properties in Southwest Broward County and Cypress Creek. Neighborhood and community centers with grocery or department store anchor tenants are changing hands most often in these locales.

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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