

MARKET REPORT

Retail
Miami-Dade Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

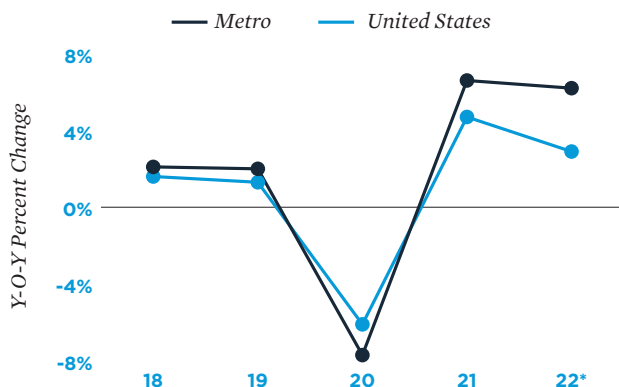
3Q/22

Economic Tailwinds and Historic Tourism Levels Lift Retail Spending and Leasing Activity in Miami

Vacancy is the tightest in Florida. Miami continues to grow, as local employment gains outpaced the national average by nearly 300 basis points during the past year ending in June, while the market gained more than 26,000 new residents. Additionally, the region is experiencing record levels of tourism, with Miami International Airport on pace to surpass 50 million annual passengers for the first time on record in 2022. The growing populace and influx of visitors is heightening consumer demand for a range of goods and services, and leasing activity has amplified in response. Nearly 1.6 million square feet of space was taken off the market in the trailing 12-month period ending in June. Net absorption more than tripled supply additions during this span, compressing metro availability to 3.5 percent — the lowest rate among major Florida markets.

Construction pace accelerates. Favorable long-term demographics and seven straight quarters of positive net absorption have restored developers' confidence in future retailer demand. The current pipeline reflects this, as Miami is one of four major markets nationwide projected to record retail inventory growth of at least 1 percent in 2022, as annual deliveries surpass 1 million square feet for the first time since the onset of the health crisis. Development is widespread, as half of the metro's 18 submarkets had at least 100,000 square feet under construction entering the second half. However, more than 80 percent of this space is pre-leased, suggesting new supply will have minimal impact on retail fundamentals in the near- to mid-term.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc., Miami International Airport

Retail 2022 Outlook



**75,000
JOBS**
will be created

EMPLOYMENT:

The metro will lead the nation in employment growth this year, as firms expand headcounts by 6.2 percent. As of August, the unemployment rate in Miami was at 2.4 percent, the lowest among all major Florida markets.



**1,200,000
SQ. FT.**
will be completed

CONSTRUCTION:

Miami records the largest supply wave among South Florida markets, as developers increase local inventory by 1 percent in 2022. Notable projects include Miami Worldcenter and the Shoppes of Highland, each delivering at least 300,000 square feet.



**30
BASIS POINT**
decrease in vacancy

VACANCY:

Retailers are projected to absorb more than 1.5 million square feet in 2022, allowing vacancy to compress for the second straight year. At 3.5 percent, the year-end rate will be 100 basis points below the pre-pandemic mark.

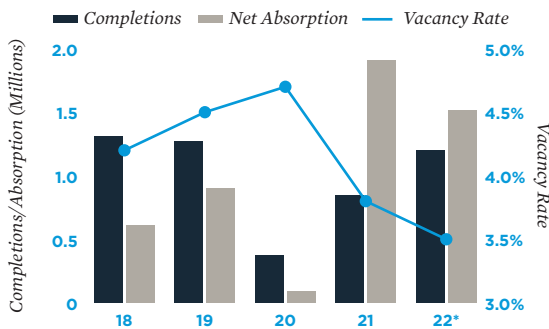


**7.6%
INCREASE**
in asking rent

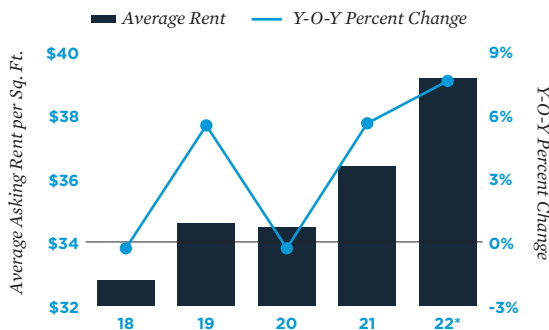
RENT:

Miami ranks among the top five nationally for rent growth in 2022, building off last year's 5.6 percent increase. The average asking rent will rise to \$39.15 per square foot, the second-highest rate in the nation, only trailing New York City.

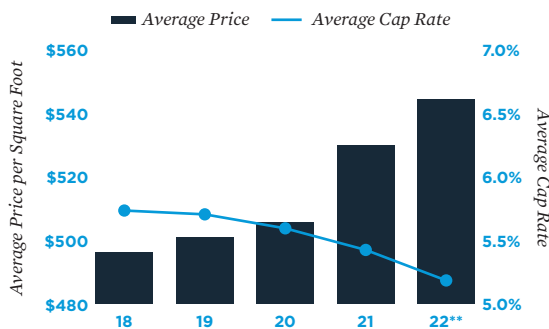
Supply and Demand



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

516,000 sq. ft. completed

- Deliveries have been minimal relative to historical levels, as developers increased inventory by just 0.4 percent year-over-year ending in June. Retail stock increased by an average of 1.0 percent over the past 15 years.
- The Kendall, Miami Airport and South Dade submarkets each added just over 100,000 square feet of space during the recent 12-month interval.



VACANCY

100 basis point decrease in vacancy Y-O-Y

- Availability in the single-tenant segment decreased by 100 basis points to 3.5 percent during the trailing 12-month period ending in June. Meanwhile, multi-tenant vacancy fell 70 basis points to 3.6 percent.
- Local vacancy in Downtown Miami slid 200 basis points during this time frame, indicating retailer demand is returning to the CBD.



RENT

8.3% increase in the average asking rent Y-O-Y

- Nearly half of Miami's 18 submarkets recorded double-digit rent gains over the past year ending in June, which lifted the metrowide average asking rate to \$37.46 per square foot.
- The multi-tenant marketed rate jumped 10.0 percent during this time period, while the single-tenant asking rent rose by 7.6 percent.

Investment Highlights

- Historically tight market conditions, record levels of domestic tourism and robust population growth are heightening buyer interest for retail assets in the Miami-Dade metro. Transaction velocity has surged of late, with deal flow in both the single- and multi-tenant segments reaching all-time highs over the past year ending in June. Fueled by standout rent growth projections, investor demand should remain strong for the foreseeable future, despite downward pressure on cap rates and more stringent underwriting.
- Competition for available listings intensified in recent quarters, increasing the average sale price by 5 percent over the past year to \$544 per square foot. The mean first-year return compressed 30 basis points during this span to 5.2 percent, the lowest rate among major Florida metros.
- Double-digit rent growth in multi-tenant assets helped drive deal flow in the segment. Neighborhood and strip centers are highly coveted, with first-year returns that average in the mid-5 percent range.
- Buyers are also pursuing less management intensive single-tenant assets. These various net leased properties are changing hands at a mean of \$651 per square foot, with yields averaging in the low-5 percent span.

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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