

MARKET REPORT

RETAIL

Fort Lauderdale Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

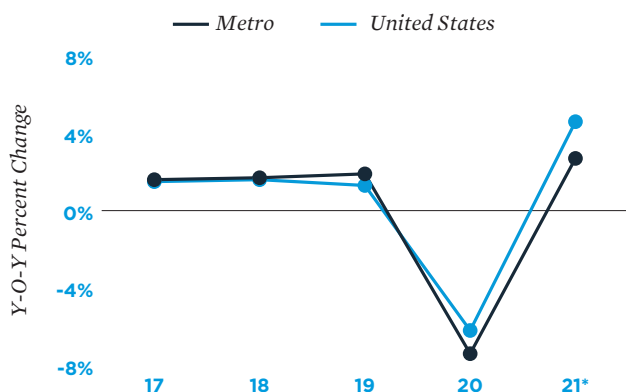
3Q/21

Retirees and New Residents Propel Retail Market; Recovering Economy Set to Boost County

Retailers benefit from influx of new residents. Although Broward County trails much of the state in the economic recovery, the increase in new residents has supported the local retail market. Total retail sales increased 23.1 percent year over year in the second quarter, largely supported by a rise of more than 14,000 households over the last 12 months. As more people make the Fort Lauderdale metro their permanent residence, including remote workers and retirees, consumer spending in the county should stay strong. Furthermore, the upside potential is elevated and will be realized as the employment market returns to pre-recession levels over the next 24 months. Retailers will increasingly opt to expand operations in the county as the confluence of economic and population growth provides an attractive destination.

Fundamentals on path to recovery. After peaking at 6 percent at the end of 2020, retail vacancy has begun tightening in Broward County. The rapid turnaround is a testament to the spending power of the local population. Although household income is below the national level, the number of retirees in the county, who generally hold a great deal of wealth, helps boost the local retail market. The number of residents aged more than 65 has climbed by 3.6 percent during the yearlong period ending in June, a more brisk rate of growth than the 2.9 percent rise nationally. The result has been a recovery in the retail market that outpaces the local economic situation. Vacancy should reach pre-recession levels next year.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2021 Outlook



**22,000
JOBS**

will be created

EMPLOYMENT:

Payrolls expand by 2.7 percent this year, bringing overall employment to within 42,600 jobs of the pre-recession peak in the fourth quarter of 2019. Gains will be concentrated in the leisure and hospitality, and professional and business services sectors.



**580,000
SQ. FT.**

will be completed

CONSTRUCTION:

Inventory only expands by 0.6 percent this year as development remains limited in the county. Over the previous five years, average annual deliveries were approximately 675,000 square feet.



**90
BASIS POINT**

decrease in vacancy

VACANCY:

As more people move into the area, retailers will follow over the next several quarters. By year-end 2021, the availability rate will tighten to 5.1 percent, just 60 basis points above the pre-recession level.



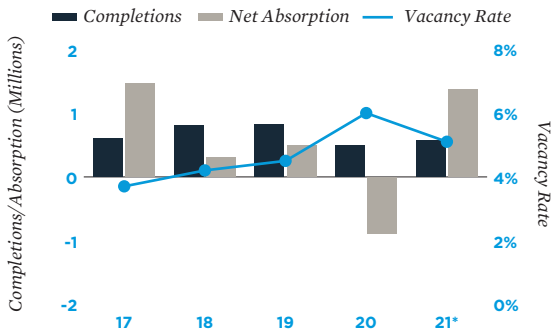
**4.5%
INCREASE**

in asking rent

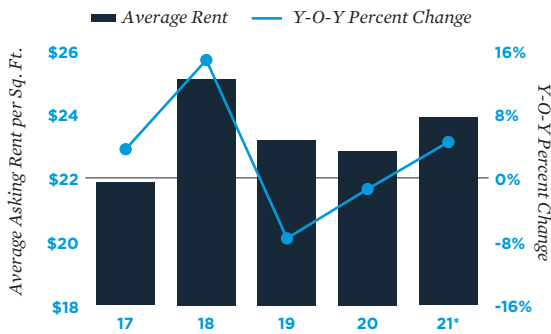
RENT:

As the quality of space that is marketed rises this year, the average asking rent will climb to \$23.90 per square foot. Rents were declining prior to the recession as retailers had leased most of the high-end space.

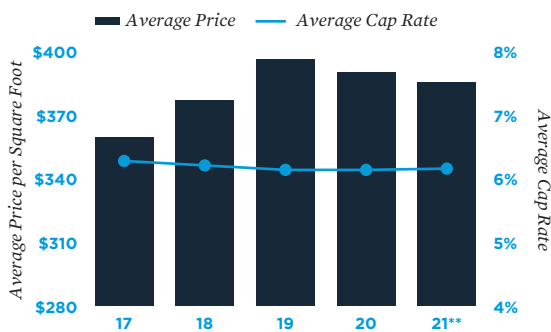
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q
Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q21 – 12-Month Period



CONSTRUCTION

485,000 square feet completed

- Developers are not particularly active in Broward County, expanding inventory just 0.5 percent during the yearlong period ending in June.
- Less than 450,000 square feet of space is underway across the county, limiting future supply threats to existing operations. Furthermore, over 70 percent of that pipeline already has leasing commitments.



VACANCY

10 basis point increase in vacancy Y-O-Y

- At 5.3 percent, retail vacancy fell 70 basis points during the first half of the year after peaking at 6.0 percent during the pandemic. Prior to the health crisis, vacancy was 4.7 percent.
- Multi-tenant vacancy contracted 70 basis points in the second quarter while the single-tenant rate tightened 30 basis points.



RENT

2.2% increase in the average asking rent Y-O-Y

- Retail asking rent climbed to \$23.47 per square foot in the second quarter, marking the fourth consecutive three-month period that the average rate has advanced.
- Over the past 12 months, multi-tenant asking rent increased 2.0 percent and single-tenant asking rent rose 2.2 percent.

Investment Highlights

- Single-tenant deal flow inched up 10 percent in the 12-month period ending in June as buyers sought recession-resistant assets in Florida, where there is no personal income tax. The number of restaurants that traded declined while storefronts changed hands more frequently as investors sought discounted properties.
- The average price for single-tenant assets dipped 3 percent year over year to \$459 per square foot. The decline can be attributed to investors willingness to target buildings with mom-and-pop tenants rather than a decline in valuations. At the same time, average first-year returns rose to 5.9 percent, 10 basis points higher than the prior year.
- Investors remained interested in multi-tenant assets during the year-long period ending in June, though a greater level of due diligence was part of deals. The average price inched lower 1 percent to \$283 per square foot while the mean cap rate remained stable at 6.5 percent, where it has been since 2018.