MARKET REPORT

RETAIL

Miami-Dade Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

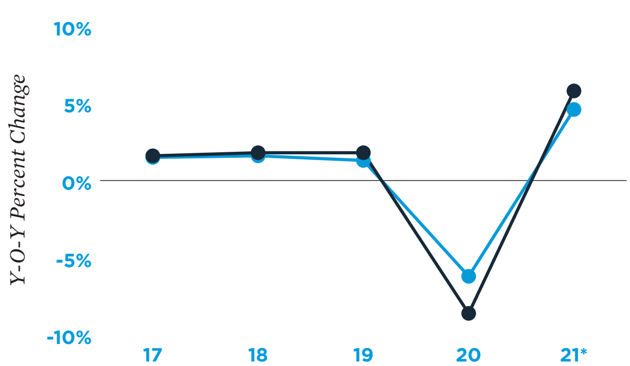
3Q/21

New Supply Has High Pre-Leasing Commitments; Reopened Economy Benefits Retail

Miami retail benefits from early opening. Despite a recent increase in COVID-19 cases, large tracts of Florida's economy have remained open, supporting retailers since the health crisis. In addition to locals, vacationers seeking areas with more lax restrictions have sought out South Florida over the course of the last several months. Demographics have also favored the market as more people accelerated retirement plans and moved to the area. Over the past year, the population age 65 and older has grown by 3.5 percent, outpacing the national rate of 3.1 percent. This cohort generally has the largest portion of wealth, boosting retail sales. In the last 12 months, total retail sales in the metro jumped 28.5 percent as more residents ventured out to take advantage of local amenities and travelers flocked to the area.

Fundamentals return to pre-recession levels. Miami retailers persevered better than most in the country during the health downturn. Vacancy has already returned to the level prior to the downturn and the average asking rent is rising. Supply growth is accelerating, though elevated construction costs, particularly in the highly developed market, mean builders are hesitant to pursue speculative projects. Miami has one of the highest rates of pre-leasing in the country, which is a trend that is projected to persist into the coming months. As a result, competition for available space is unlikely to become a significant challenge for existing retail operators.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2021 Outlook

65,000 JOBS
will be created

EMPLOYMENT:

Headcounts expand by 5.8 percent this year, largely due to the increase of the leisure and hospitality sector. Payrolls will be approximately 40,600 spots short of the pre-recession peak in the fourth quarter of 2019.

1,100,000 SQ. FT.
will be completed

CONSTRUCTION:

Deliveries return to the 2019 level as more than a million square feet is finished, increasing inventory by approximately 1.0 percent. Completions in 2021 are roughly aligned with the five-year average.

10 BASIS POINT
decrease in vacancy

VACANCY:

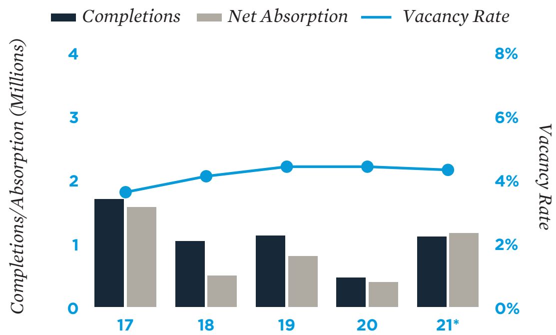
The availability rate will inch down this year as more retailers open their doors. At year-end, vacancy is projected to be 4.3 percent, down 20 basis points from the recessionary peak in the first quarter.

0.9% INCREASE
in asking rent

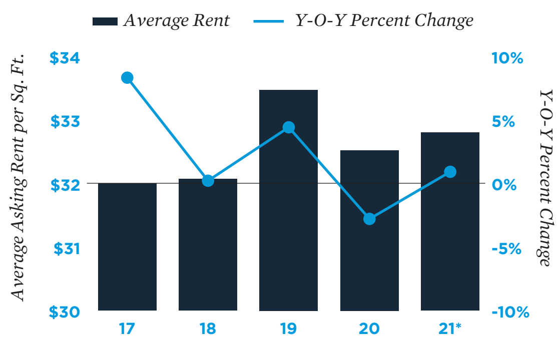
RENT:

Operators gain a little leverage in the coming months as space becomes more scarce. The average asking rent climbs to $32.80 per square foot in the fourth quarter, a level unseen since the end of 2019.

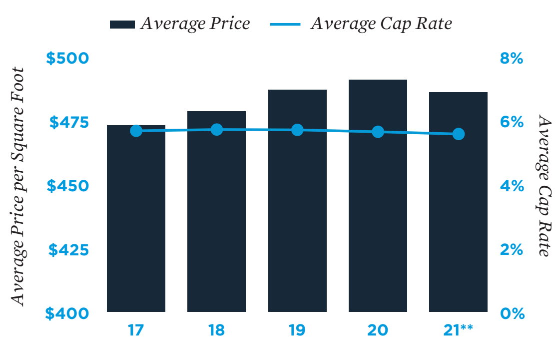
Supply and Demand



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

343,400 square feet completed

- The pace of construction eased during the 12-month period ending in the second quarter as pandemic-related challenges prevented construction companies from completing projects.
- Approximately 3.7 million square feet of retail space is underway, though nearly 90 percent has leasing commitments.

VACANCY

0 basis point change in vacancy Y-O-Y

- The vacancy rate held steady at 4.3 percent during the past year as an early reopening served to keep retailers operating in Miami.
- Multi-tenant availability dipped 20 basis points annually to 4.0 percent in the second quarter. At the same time, single-tenant vacancy increased 10 basis points to 4.4 percent.

RENT

1.0% increase in the average asking rent Y-O-Y

- Despite the health crisis, the average asking rent for available space ticked up to $32.58 per square foot in the yearlong period ending in June.
- Both single-tenant and multi-tenant rents increased during the period. The former climbed 1.0 percent to $32.81 per square foot while the latter inched up 1.2 percent to $32.05 per square foot.

Investment Highlights

- Investors remained interested in local single-tenant properties during the past year due to relaxed reopening orders and lack of state income tax. The average price of a single-tenant property dipped just 1.0 percent to $564 per square foot year over year during the period ending in June. At the same time, the average cap rate contracted 10 basis points to 5.5 percent as buyer confidence held steady.
- Multi-tenant investors awaited the impact of the health crisis, though buyers were generally more active than in other parts of the country. The average price fell a modest 2 percent to $383 per square foot during the yearlong period ending in the second quarter. First-year returns tightened to 5.7 percent, down just 10 basis points from the previous annual period.
- The outlook for the local investment market remains strong. A potential for rising taxes in some other coastal markets will encourage investors to divest properties and target Florida assets. Additionally, the prevalence of new coronavirus variants could lead to more restrictions and make Miami properties more attractive.