

## Strong Consumer Base to Bolster Retail Recovery; Upside Potential Sustains Investor Interest

**Signs of recovery form, though challenges remain.** A cautious senior population and long period of occupancy restrictions designed to curb the spread of the coronavirus weighed heavily on Fort Lauderdale's retail sector last year, leading to permanent closures and interrupting leasing activity. The distribution of the vaccine has helped release pent-up consumer demand, bringing life back to restaurants, entertainment venues and shops, though a long road to full recovery still lies ahead. The impact on tourism has been especially challenging as many jobs and retailers rely on spending by visitors, though signs of a rebound are starting to form as more people become comfortable with travel. Nonetheless, while leasing activity has gradually picked up, it will likely take a several quarters to backfill the vacant space left behind by struggling retailers.

**Developers target mixed-use projects.** The retail development pipeline continues to thin out as fewer projects have begun over the past year, which will help to balance property metrics. Roughly 800,000 square feet was underway at the start of the year, a 40 percent reduction from a year earlier. Much of the construction is taking place in Plantation, highlighted by Plantation Walk where 130,000 square feet of retail space is rising in a mixed-use redevelopment of the former Fashion Mall. Another mixed-use project is underway in Southwest Broward, where 135,000 square feet is being built at 16000 Pines Market, adding restaurants and shops in a live-work-play environment that will drive foot traffic.

### Employment Trends



\* Forecast  
Sources: BLS; CoStar Group, Inc.

## Retail 2021 Outlook



**36,000** JOBS  
*will be created*

### EMPLOYMENT:

By the end of last year, 53 percent of the 139,300 jobs lost during the early months of the pandemic were recovered, compressing the unemployment rate to 6.9 percent. This year, the employment base will expand 4.4 percent.



**559,000** SQ. FT.  
*will be completed*

### CONSTRUCTION:

Deliveries increase this year with the completion of 559,000 square feet, up by 78,000 square feet from 2020. Development remains below the previous five-year average and represents 0.6 percent of inventory.



**90** BASIS POINT  
*increase in vacancy*

### VACANCY:

Leasing activity has gradually picked up, though near-term supply-side pressure will continue to increase vacancies this year, bringing the market rate up to 6.6 percent by the end of the year.

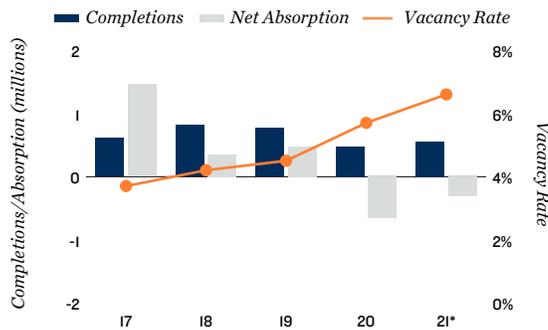


**1.6%** DECREASE  
*in asking rent*

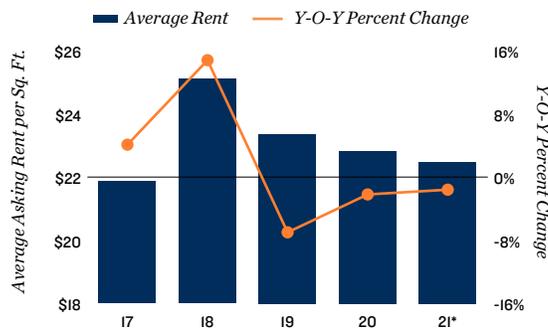
### RENT:

Rising vacancies and greater competition for available space will keep asking rents on a downward trajectory, falling 1.6 percent to \$22.47 per square foot. A 2.2 percent reduction was posted last year.

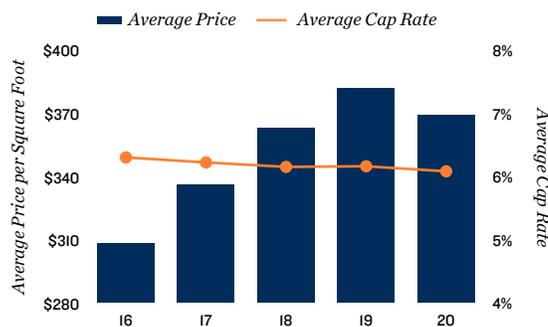
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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## 2020



### CONSTRUCTION

**481,000** square feet completed

- Deliveries slowed to their lowest level since 2014 as the pandemic created construction challenges, falling to 481,000 square feet. One year earlier, 765,800 square feet was completed.
- Southwest Broward added the most retail space of any submarket last year with the arrival of 240,550 square feet.



### VACANCY

**120** basis point increase in vacancy Y-O-Y

- Net absorption was negative during each quarter of 2020, reducing occupied space by 658,600 square feet and pushing the vacancy rate up to 5.7 percent in the fourth quarter.
- Hallandale maintained one of the tightest vacancy rates at 4.0 percent, followed by Northwest Broward/Coral Springs at 4.3 percent.



### RENT

**2.2%** decrease in the average asking rent Y-O-Y

- Heightened development weighed on asking rents prior to the pandemic, which continued to fall as tenant demand softened, reaching \$22.84 per square foot at year end.
- The average asking rent fell across most submarkets, though Northwest Broward/Coral Springs posted a 2.5 percent increase.

### Investment Highlights

- Sales volume was gradually falling in the years leading up to the pandemic and then took a steep decline in the second quarter of last year. Sales picked up in the second half of the year, though annual transactions fell approximately 24 percent in comparison with 2019 as buyers awaited greater clarity. Most of last year's sales volume can be attributed to smaller trades below \$10 million.
- Retail assets changed hands at an average price of \$369 per square foot in 2020, representing a 3 percent decline from a year earlier. The average cap rate rested at 6.1 percent, a 10-basis-point decline from the prior period. Properties in Hollywood are attractive to yield-seeking investors as the average cap rate nears 7 percent in the submarket.
- Stable job growth and household formation, coupled with initial yields that can be higher than other South Florida markets will keep investors in search of upside potential this year. Retail space that has been able to weather the downturn with strong tenants, including grocers, drugstores and drive-thrus, will be highly coveted by investors.