MARKET REPORT

Marcus & Millichap

RETAIL

Miami-Dade Metro Area

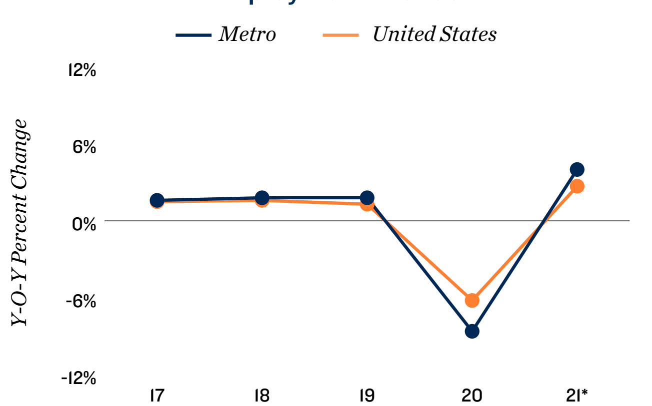
2Q/21

Improving Economy a Tailwind to Retail Sector; Near-Term Supply Wave Poses Challenges

Pent-up consumer demand to support retail's recovery. Miami's retail sector has been particularly hard hit by the imposed lockdowns and mandated store closures that were enacted last year, with some closures turning permanent for more challenged retailers. The steep reduction in tourism spending was also felt by many shops and restaurants, contributing to a wave of layoffs as the metro relies heavily on visitor spending. The market has been quicker to reopen than many others, though, which is supporting a stable recovery as pent up demand to shop, dine out and be entertained is being unleashed by consumers. Miami's retail sector will still take some time to fully return to metrics seen prior to the pandemic as changing consumer preferences lead some retailers to reconsider expansion plans and development continues to be robust.

Developers focus on mixed-use and modernization of malls. Miami remains one of the most active markets in the nation for retail development, much of it located in mixed-use centers. Miami Worldcenter is the largest project underway, bringing 300,000 square feet of retail space to the metro, along with residences and hospitality. In Miami Beach, a 350,000-square-foot expansion of the Bal Harbour Shops is in progress and set for completion in 2023. Another sizable project has begun at Aventura Mall, where a 215,000-square-foot expansion is anticipated to be completed later this year.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.

Retail 2021 Outlook

45,000 JOBS
will be created

EMPLOYMENT:

Miami recovered 46 percent of the 202,700 jobs lost during the early months of the pandemic by the end of last year, bringing the unemployment rate to 8.6 percent in December. Employment is anticipated to expand 4 percent this year.

1,497,000 SQ. FT.
will be completed

CONSTRUCTION:

Deliveries will reach the highest level since 2017 as many project timelines were extended last year, surpassing the completion total recorded in 2020 by more than 1 million square feet. Much of this year's construction is in mixed-use developments.

80 BASIS POINT
increase in vacancy

VACANCY:

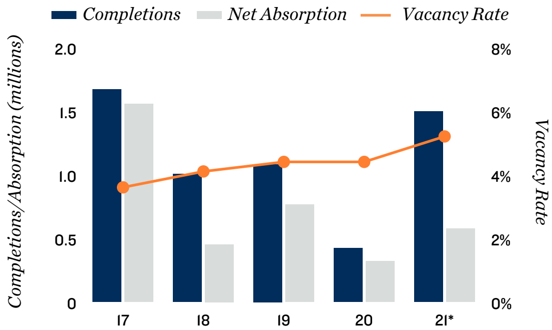
Leasing activity will be slow to recover this year, pushing market vacancy up to 5.2 percent by the end of the year, the highest it has been since the latter half of 2010. Vacancy was unchanged last year.

1.3% DECREASE
in asking rent

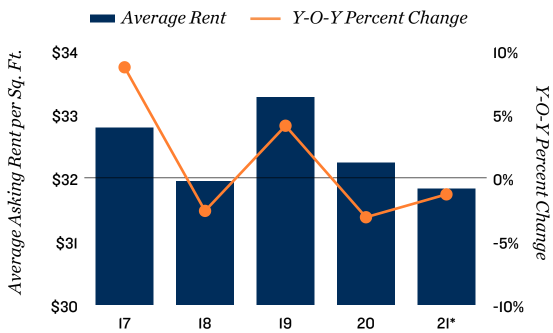
RENT:

Rent growth has retreated in the metro as heightened development has put upward pressure on vacancies. The average asking rent will recede to $31.83 per square foot this year as landlords compete to fill vacant space.

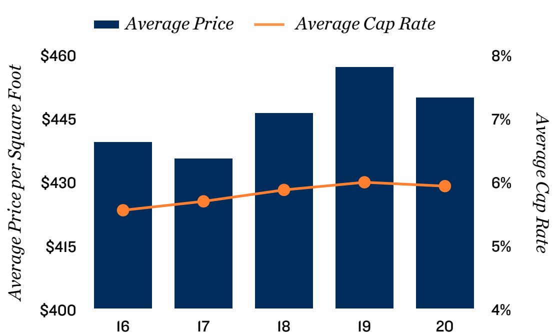
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Miami Office:

Ryan Nee *First Vice President, District Manager*
5201 Blue Lagoon Drive, Suite 100
Miami, FL 33126
Tel: (786) 522-7000 | ryan.nee@marcusmillichap.com

Prepared and edited by:

Michael Murphy
Research Analyst | Research Services

For information on national retail trends, contact:

John Chang
Senior Vice President, National Director | Research Services
Tel: (602) 707-9700 | john.chang@marcusmillichap.com

2020

CONSTRUCTION

424,500 square feet completed

- Pandemic-related challenges to development cut deliveries to less than half of the previous five-year average, recording the lowest annual level in more than a decade.
- Miami Beach posted the largest increase to supply at 99,400 square feet, followed by South Dade with 71,500 square feet delivered.

VACANCY

0 basis point change in vacancy Y-O-Y

- Net absorption remained positive at 320,000 square feet, holding the vacancy rate still at 4.4 percent in 2020.
- Vacancy in the fourth quarter was between 1 percent and 4 percent across the majority of submarkets. Hialeah Gardens registered the tightest rate at 1.6 percent despite a 40-basis-point annual increase.

RENT

3.1% decrease in the average asking rent Y-O-Y

- The average asking rent retreated to $32.24 per square foot by the end of the year on the back of softening tenant demand.
- Aventura and Coconut Grove posted some of the steepest reductions to average rents, falling 12.4 percent to $38.89 per square foot and 11.7 percent to $44.29 per square foot, respectively.

Investment Highlights

- Transaction velocity dipped moderately last year with low sales volume in the second quarter. Several deals greater than $20 million comprised a substantial share of annual sales volume, while smaller transactions were less frequent. Suburban properties that can reach higher initial yields continued to attract investors, driving investment to areas of Kendall, Northeast Dade, and Medley-Hialeah.
- The average cap rate recorded last year declined by 10 basis points to 5.9 percent, while several suburban areas were able to achieve yields pushing above 6 percent. Properties that traded last year recorded an average price of $450 per square foot, marking a 2 percent reduction from one year earlier.
- Investor interest in transitioning neighborhoods and areas of strong job creation and household formation, including Medley-Hialeah, Northeast Dade and Miami Gardens, will remain primary targets of investors. Properties with a strong tenant roster of more pandemic-resilient retailers including drugstores, drive-thrus and grocers will be highly sought by investors.

Price: $250