INVESTMENT FORECAST

Marcus & Millichap

RETAIL 2022

Fort Lauderdale Metro Area

Broward County Awaits Greater Performance With Stronger Return of Tourism; Outside Investors Active

Fort Lauderdale aims to keep pace with other parts of South Florida. The road to achieving pre-pandemic retail fundamentals will accelerate in Broward County. Another year of strong economic and employment growth should aid property performance. Entering the year, nine of the 11 major employment sectors were still underwater, but most will reach pre-pandemic levels, supporting retailers. Namely, the professional and business services, as well as the leisure and hospitality sector, should outperform. Tourism is still below pre-recession levels as visitors arrive to the state via automobile and generally opt for locations further north. When airline travel resumes in earnest, spending by visitors will propel retail space demand. Additional sailings by cruise ships out of Port Everglades will increase visitor counts to the metro. Business conventions will also play a significant role in improving the market's retail fortunes, as a $1.1 billion expansion of the Greater Fort Lauderdale/Broward County Convention Center gets underway, unpinning the long-term outlook.

Investors widen search parameters in Broward County. Sales velocity surged last year as both private buyers and institutions moved quickly to acquire local assets. Access to inexpensive capital encouraged some of the retail sectors' largest players to accelerate portfolio expansion, leading to multi-tenant deal flow above $10 million to nearly triple last year. Overall multi-tenant sales nearly doubled, and the average cap rate remained in the high-6 percent range, relatively unchanged since 2015. Single-tenant activity will remain strong again in 2022, particularly early as pressure on interest rates mounts. Last year, the average cap rate ticked up just 10 basis points to 5.9 percent. Many of the acquisitions in the single-tenant market will come from Northeast buyers executing a 1031 Exchange out of multifamily properties in their home markets, though some California investors are active as well. Local owners will chase yields in secondary submarkets.

2022 Market Forecast

Employment up 4.6% — Job growth accelerates this year as 39,000 positions are generated, outpacing the 4.3 percent gain in 2021.

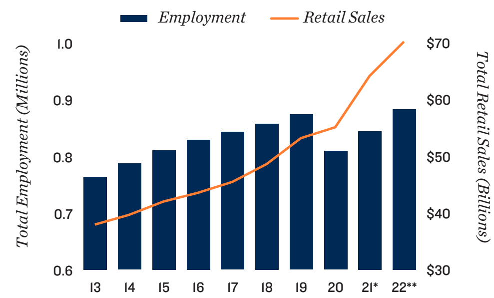
Construction 450,000 sq. ft. — Following the delivery of 430,000 square feet, builders will expand stock a tepid 0.5 percent by year-end. Slightly more than half the space underway is pre-leased.

Vacancy down 40 bps — Vacancy declines to 4.6 percent in 2022, 10 basis points below the rate prior to the downturn. After peaking at the end of 2020, availability fell 100 basis points last year.

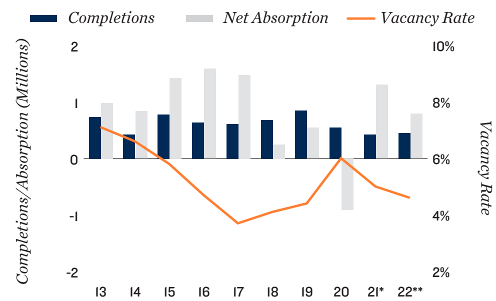
Rent up 3.9% — Tightening conditions will facilitate a rent hike to $25.23 per square foot by the fourth quarter. Operators lifted the average marketed rate 4.5 percent in 2020.

Investment — As investors seek higher yields in the wake of rising interest rates, smaller strip centers will increase in popularity, particularly ones with a drive-thru tenant.

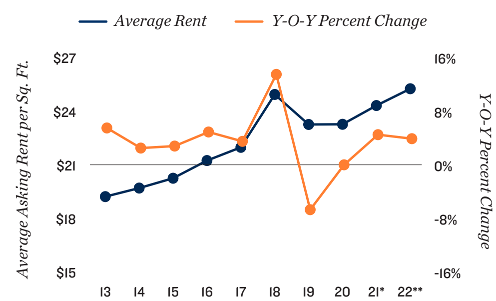
Economic Trends



Supply and Demand



Rent Trends



** Estimate; ** Forecast*
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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