

INVESTMENT FORECAST

Marcus & Millichap

RETAIL

Miami-Dade Metro Area

2022

Thriving Retail Market Attracts Tenants and Capital from Across the Nation to South Florida

Miami enters 2022 ahead of pre-pandemic conditions. The local retail market has improved well beyond the baseline set prior to the global health crisis. Since the first quarter of 2020, retail sales are up more than 27 percent, while occupancy and rents have surpassed previous highs. Overall employment will breach the pre-recession threshold this year, as some of the key sectors in the local economy open more broadly. Although tourism to Florida has nearly returned to pre-pandemic levels, the number of international travelers to Miami remains more than 50 percent below the 2019 rate. These travelers, many from Latin America, are key to the leisure and hospitality employment sector, which represents approximately 70 percent of all jobs still unrecouped due to the pandemic. In the meantime, Miami will remain a favorite among domestic travelers, though some car travelers are not making the longer journey to the tip of Florida. Developers have responded to strong demand with several projects underway; nearly 90 percent of the space coming out of the ground, however, has existing leasing commitments.

Relaxed pandemic restrictions propel strong investment climate. Buyers have remained active in Miami after a minor slump at the onset of the global health crisis. The relative openness of the market has provided investors with more clarity on the direction of the economy and property performance. As a result, multi-tenant deal flow accelerated last year and has the potential for additional gains in 2022. Despite this, average cap rates in the mid-5 percent range could present some resistance if out-of-state investors look farther north in search of yields. Single-tenant assets, meanwhile, will remain popular with capital from across the nation in the coming months. The average first-year return for these properties is in the mid-5 percent range, roughly where they have been since 2014. The popularity of restaurants should remain robust relative to other markets, due to the lack of restrictions prevalent elsewhere.

2022 Market Forecast

- Employment**
 up 4.7%

Miami will regain pre-recession employment levels as 56,000 jobs are created this year.
- Construction**
 2,200,000 sq. ft.

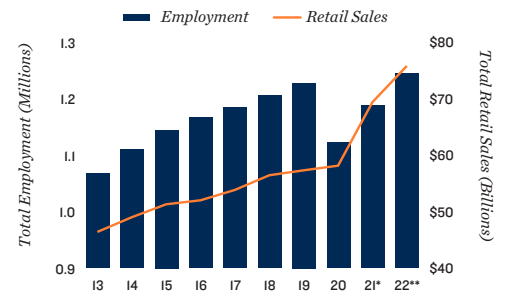
Stock increases 1.9 percent in 2022, up from a 0.5 percent rise last year when 550,000 square feet came online. The pipeline is waning and deliveries should subside as the year progresses.
- Vacancy**
 down 20 bps

The vacancy rate will dip to 3.8 percent by the end of the year, well below the 4.4 percent measure at the beginning of the global health crisis.
- Rent**
 up 4.1%

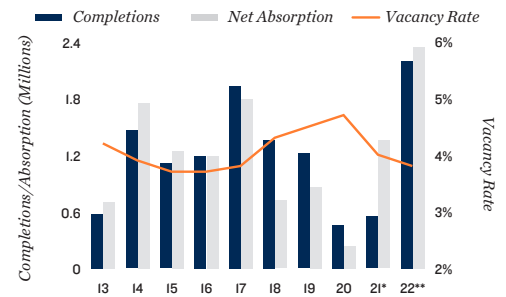
Following a 5.0 percent increase last year, the average asking rent is projected to climb aggressively again in 2022 to \$37.38 per square foot.
- Investment**

International and out-of-state capital will remain the primary drivers of price exploration in 2022, though Florida investors will play an active role in suburbs or assets with local tenants.

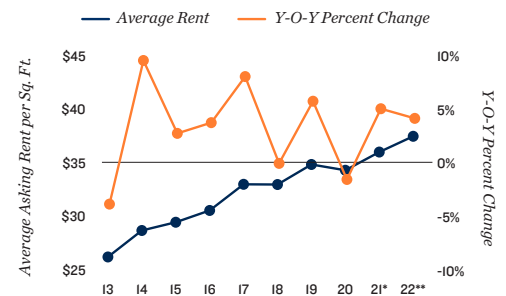
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

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

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.