

Recovery in the Cruise Industry Provides Another Tailwind for Fort Lauderdale's Retail Sector

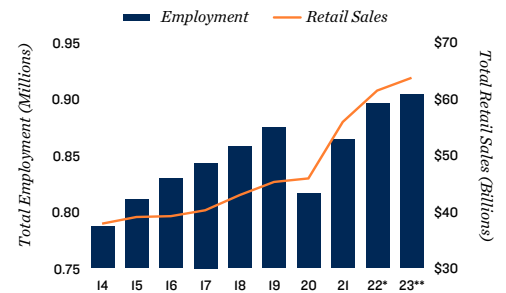
Retailers show confidence in the metro's long-term demand drivers. Broward County's retail sector is displaying growth across all key indicators. Net absorption surpassed 1.3 million square feet in both 2021 and 2022, with the average asking rent increasing by at least 8 percent per year during that span. This surge in leasing activity compressed vacancy to 4.2 percent entering 2023, a rate 20 basis points below the pre-pandemic level. Although national economic headwinds pose a threat to this momentum, local market conditions are expected to remain tight this year, as tenants are confident in the market's long-term demand drivers. Fort Lauderdale has been successful in attracting companies, which will continue to drive in-migration to the area as jobs are created. Additionally, South Florida observed a resurgence in tourism during the past two years, while the cruise industry remained in recovery. Projections suggest passenger volumes will return to pre-health crisis levels in 2023, which may propel even more visitation to the region moving forward. New construction will also have a minimal impact on availability, as roughly 75 percent of the underway pipeline was pre-leased heading into this year.

Tight market conditions drive deal flow. Declining vacancy and strong rent growth have piqued the interest of many retail investors. Despite elevated borrowing costs, deal flow reached a record high in 2022, indicating buyers are optimistic that market conditions will remain steady during this period of uncertainty. However, as interest rates continue to climb, it is likely that overall trading activity will moderate in 2023. Buyers who seek out single-tenant assets may concentrate on properties with high-credit tenants to minimize their downside risk. Restaurants, discount retailers and convenience stores are coveted within this segment in high-density submarkets, such as Downtown Fort Lauderdale and Hollywood. Meanwhile, shopping centers with strong anchor tenants are sought after in Hallandale, where local retail vacancy was below 2 percent entering 2023.

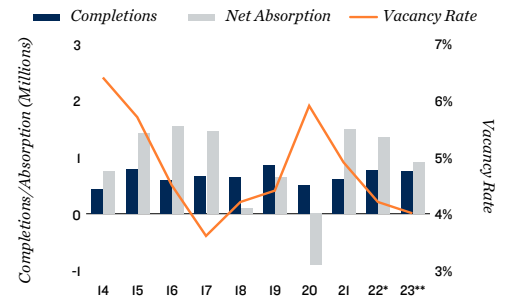
2023 Market Forecast

- Employment** ↑
 up 0.9% Roughly 8,000 new jobs are expected to be created in Fort Lauderdale, equating to one-fourth of last year's employment gains.
- Construction** ↑
 750,000 sq. ft. Developers will expand metro retail inventory by 0.8 percent in 2023. The largest project in the active pipeline is Seneca Town Center delivering in the Hallandale submarket.
- Vacancy** ↓
 down 20 bps Bucking the national trend, vacancy in Broward County is expected to further tighten in 2023. Availability will fall to 4.0 percent, the lowest rate since 2017.
- Rent** ↑
 up 6.5% Fort Lauderdale is projected to lead all major U.S. markets in rent growth this year, with the average asking rate increasing to \$29.45 per square foot.
- Investment** ↑
Business travel could potentially provide another tailwind for the retail sector and heighten investor interest as the Broward County Convention Center undergoes a \$1.1 billion expansion.

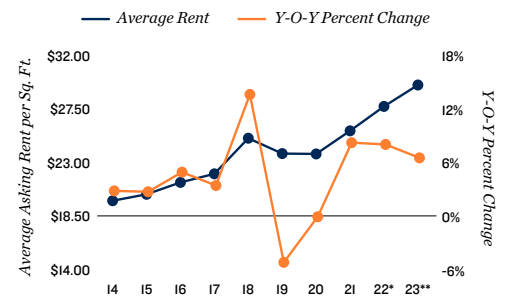
Economic Trends



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 January 2023. 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.