

## RETAIL

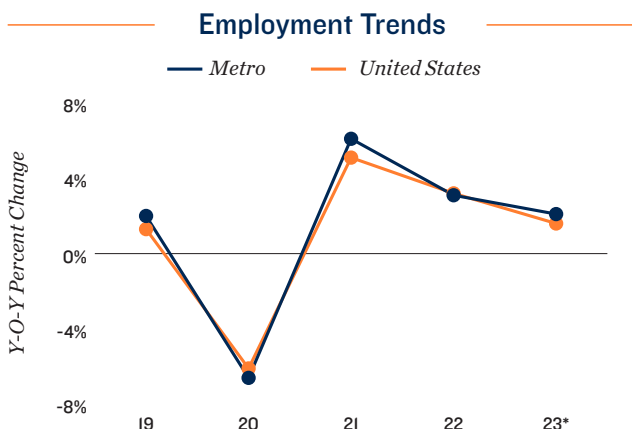
Fort Lauderdale Metro Area

# 2Q/23

### Available Space Remains Limited as Tenants Place Bets on Fort Lauderdale's Vibrant Retail Sector

**Broward County among the U.S. leaders in rent growth.** Retailers have gained confidence from Fort Lauderdale's robust population growth and tourism since the onset of the pandemic. Entering April of this year, the market had recorded nine straight quarters of positive net absorption, with tenants taking more than 3.2 million square feet of space off the market. Local vacancy compressed by 200 basis points during this span to 3.8 percent, just 30 basis points above the metro's all-time low. The limited amount of high-quality space options over the past year ending in March drove the average asking rent up nearly 12 percent, which tied Miami for the third-highest growth rate among major U.S. markets. Looking ahead, an expected boost in visitors from the recovering cruise and international tourism industries, coupled with slowing development activity, should keep market conditions tight in the near-term.

**Growth prospects bode well for future consumer demand.** Over the next five years, Broward County's population is expected to increase by 90,000 residents. Also, despite robust growth in recent quarters, the average asking rent is still lower than the neighboring markets of West Palm Beach and Miami-Dade. Retailers looking to enter or expand in Southeast Florida may strongly consider Fort Lauderdale as a viable option, as the metro benefits from similar tourism and net in-migration demand drivers, while also offering tenants less expensive space options in a rapidly-growing region.



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

### Retail 2023 Outlook



18,500

JOB

will be created

#### EMPLOYMENT:

Headcounts in the retail trade sector neared pre-pandemic levels, as the segment added 2,400 positions during the first three months of 2023. Firms are expected to increase total employment by 2.1 percent this year.



400,000

SQ. FT.

will be completed

#### CONSTRUCTION:

Supply additions amount to less than half of last year's total, as developers increase local stock by just 0.4 percent. The bulk of near-term completions are in the NW Broward-Coral Springs submarket.



10

BASIS POINT

decrease in vacancy

#### VACANCY:

Limited competition from new supply and consistent retailer demand help sustain tight market conditions. Vacancy will end the year at 3.8 percent, 50 basis points below the metro's pre-pandemic rate.



6.5%

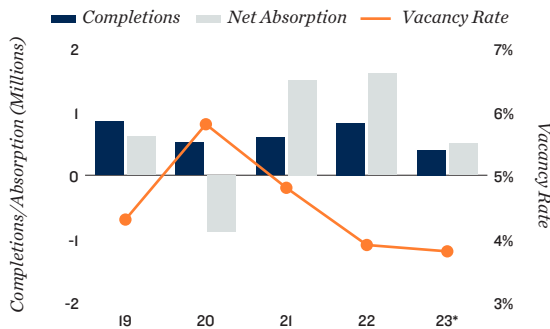
INCREASE

in asking rent

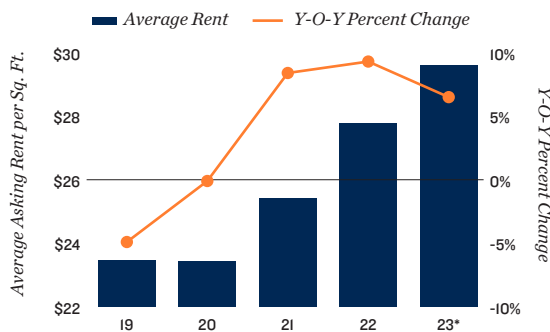
#### RENT:

Broward County ranks second among all major U.S. markets in rent growth this year, trailing only Miami. The average asking rate will rise to \$29.59 per square foot, marking a 26 percent increase from the end of 2019.

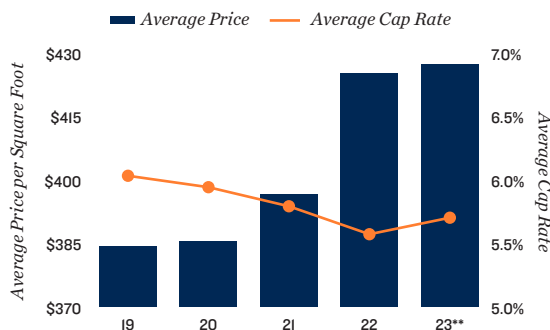
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

## IQ 2023 - 12-Month Period

### CONSTRUCTION

777,000 sq. ft. completed

- Nearly 70 percent of all new supply delivered during the past 12 months ending in March was located in Downtown Fort Lauderdale, growing the submarket's inventory by 11 percent.
- Entering the second quarter, nearly 85 percent of the 562,000 square feet of retail space underway metrowide was accounted for.

### VACANCY

80 basis point decrease in vacancy Y-O-Y

- Commercial Blvd, Cypress Creek, Downtown Fort Lauderdale, Hollywood and Pompano Beach each recorded local vacancy reductions of at least 170 basis points during the trailing 12-month period ending in March.
- Retail vacancy was at or below the 2 percent threshold in the Hallandale, Sawgrass Park and Southwest Broward submarkets entering April.

### RENT

11.6% increase in the average asking rent Y-O-Y

- Of Broward County's 12 submarkets, eight observed double-digit rent gains over the past four quarters ending in March, helping lift the metrowide average asking rate to \$28.87 per square foot.
- The mean asking rent in single-tenant and multi-tenant properties grew by 14.2 and 3.4 percent, respectively.

### Investment Highlights

- Tight vacancy and standout rent growth have elevated investment demand for retail assets in Fort Lauderdale. Despite challenges in the lending environment, deal flow during the last four quarters ending in March remained well-above annual historical norms, suggesting buyers are confident in the long-term demand drivers present in the market. Also, lower entry costs than West Palm Beach and Miami should help the metro sustain interest from investors looking to establish a presence in Southeast Florida.
- Downtown Fort Lauderdale has emerged as one of the premier shopping hubs in Southeast Florida, and retail assets in the submarket are coveted by investors. Smaller restaurant and storefront properties, ranging from 1,000 to 10,000 square feet, have been changing hands as of late. Competition for available listings in the CBD is fierce, with entry costs averaging around \$800 per square foot.
- Popular tourist destinations, such as Hallandale, Hollywood and Pompano Beach, have also experienced strong buyer demand. Each of these submarkets recorded annual rent growth above the market average and vacancy rates at or below 3 percent entering the second quarter.