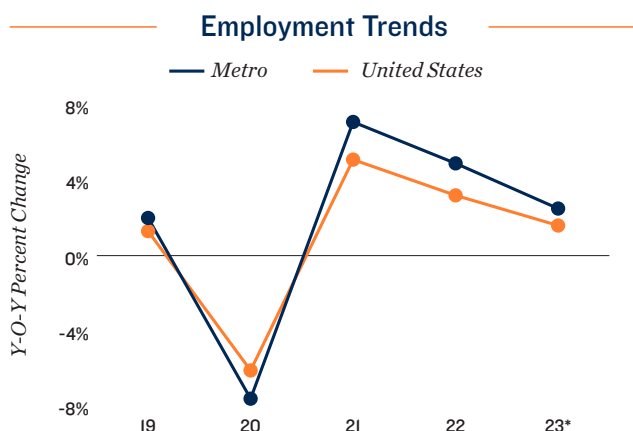


Inflow of Consumers and Limited Available Stock Propel Retail Construction Activity in Miami

Tourism tailwinds should benefit retailers. Retail vacancy was at 3.4 percent entering the second quarter, tied with Tampa for the second-lowest rate among major Florida markets. Consistent population growth and strong tourism continue to attract new retailers to the metro, and have underpinned consumer spending amid widespread inflation and elevated borrowing costs. In fact, local retail sales over the past year ending in March were roughly 30 percent above the pre-pandemic level. Areas like the Biscayne Corridor, Brickell, Coconut Grove, Coral Gables and Coral Way have observed robust space demand, as each submarket recorded vacancy declines of at least 100 basis points during this span. With an expected boost in visitation from the recovering cruise industry and international tourism this year, retail fundamentals are expected to remain tight by historical standards for the foreseeable future.

Uptick in new supply is warranted. Net absorption has outpaced deliveries over the past two years, indicating there is still additional runway for new projects in the metro. Developers have responded to Miami's strong tenant demand by ramping up construction in recent quarters. As of March, there was roughly 1.9 million square feet of retail space underway, with nearly 85 percent of the pipeline scheduled for completion this year. Supply additions in 2023 will more than quadruple last year's figure, which may result in some upward pressure on vacancy in the near-term while new stock leases up.



* Forecast
Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



32,000

JOB
will be created

EMPLOYMENT:

Miami will rank among the national leaders in job growth this year, as total employment increases by 2.5 percent. As of April, headcounts in the retail trade sector were roughly 4,000 positions above the pre-pandemic level.



1,600,000

SQ. FT.
will be completed

CONSTRUCTION:

Construction activity reaches the highest mark since 2019, as builders increase local inventory by 1.3 percent. There are six projects in the pipeline that are over 150,000 square feet slated for delivery this year.



40

BASIS POINT
increase in vacancy

VACANCY:

Elevated supply pressure and slowing leasing activity, due to economic uncertainty, result in a moderate rise in vacancy. Still, at 3.7 percent, the rate will remain 60 basis points below the figure recorded at the end of 2019.



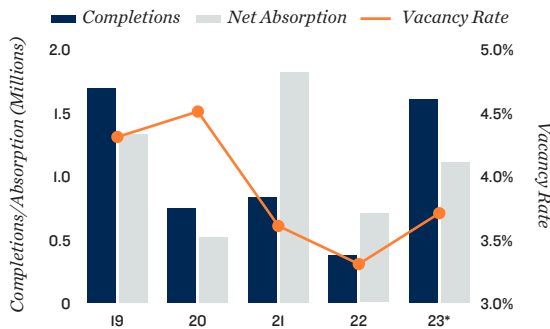
6.8%

INCREASE
in asking rent

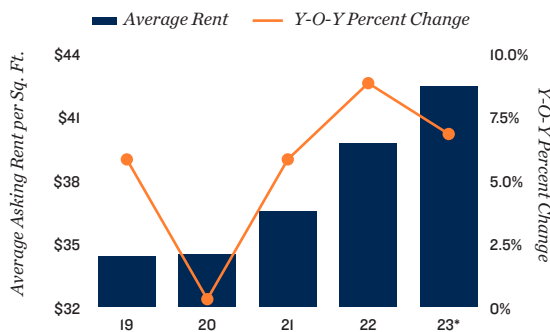
RENT:

Miami leads all major U.S. markets in rent growth, as limited availability of well-located space and an influx of new supply garnering higher rates drive gains. The average asking rent will reach \$42.40 per square foot.

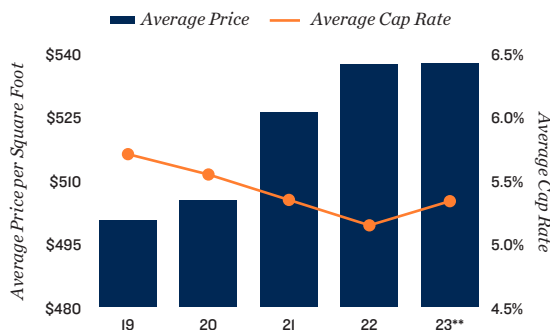
Supply and Demand



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

387,000 sq. ft. completed

- Retail stock increased by 0.3 percent during the past year ending in June, with more than 40 percent of all new supply delivering in South Dade.
- The Coral Gables, Coral Way, Downtown Miami, South Dade, Northeast Dade and Miami Airport submarkets each have more than 150,000 square feet of retail space slated for completion over the next two years.

VACANCY

10 basis point decrease in vacancy Y-O-Y

- The Aventura, Coral Gables, Coral Way, Medley-Hialeah, Miami Lakes, Northeast Dade and West Miami submarkets each recorded local vacancy rates at or below 2 percent entering the second quarter.
- As of March, the single-tenant and multi-tenant vacancy rates were at 3.3 and 3.7 percent, respectively.

RENT

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

- The average asking rent in the Brickell and Miami Beach submarkets each eclipsed \$70 per square foot entering April.
- Over the trailing 12-month period ending in March, half of Miami's 18 submarkets recorded double-digit rent growth. Medley-Hialeah and Aventura observed the largest gains during this span.

Investment Highlights

- The challenged lending environment has begun to hinder investment activity in Miami. Transaction velocity during the trailing 12-month period ending in March declined by nearly 30 percent relative to the previous yearlong span, with deal flow during the first three months of 2023 falling to the lowest quarterly total since the onset of the pandemic. However, investor interest for retail assets will likely remain high in Miami, due to the metro's tight vacancy and standout rent growth.
- Vacancy in the multi-tenant segment was nearly 200 basis points below the national average, and more than half of all deals since April 2022 involved properties of this subtype. Neighborhood and strip centers are often changing hands in the growing residential submarkets of Kendall and Northeast Dade, with cap rates trending in the low-6 percent range.
- Single-tenant assets have been trading in neighborhoods like Little Havana, Allapattah and Gladeview in recent quarters, as these are some of the most densely-populated areas in the metro. Restaurants, auto parts stores and fast-food establishments are often targeted, with entry costs commonly falling below the metro average of \$643 per square foot.