MARKET REPORT

Marcus & Millichap

RETAIL

Fort Lauderdale Metro Area

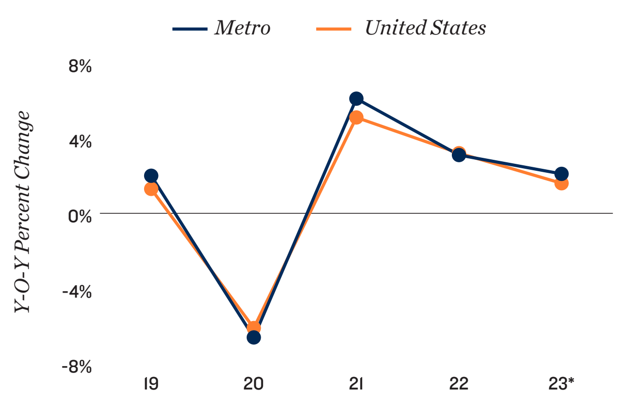
4Q/23

Limited Retail Pipeline and Corporate Boost to Foot Traffic Culminate in All-Time Low Vacancy

Retailers view local population trends favorably. A second consecutive year of Fort Lauderdale welcoming over 20,000 residents on net should keep retailers' interest elevated, being the first time this occurred since 2013. As a result, net absorption in 2023 is projected to exceed the trailing half-decade average of 460,000 square feet, chipping away from the market's vacant stock. Completions are also slowing down, as the amount of space underway in October was smaller than nearly every calendar year dating back to 2007. The combination of these factors are positioning marketwide vacancy to fall at the second-fastest pace among major metros in 2023.

Heightened office activity benefits core's retail sector. Vendors absorbed 110,000 square feet on net in Downtown Fort Lauderdale over the year ended in June, the highest 12-month total since 2016. A wave of space expansions in the business, technical and financial services sectors lifted office net absorption here to an all-time high in 2022, and the subsequent rise in foot traffic has motivated retailers to grow footprints. Recent move-ins reduced retail vacancy, pulling the submarket's rate down 160 basis points in the first half to 5.5 percent. Tenants should also be hard-pressed to find vacant space in newer builds near-term, with a nominal amount of speculative space underway in the core's pipeline. While the average asking rate here rose by a double-digit percentage over the last year, this dynamic may stoke even stronger local rent growth moving forward.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook

18,500
JOBS
will be created

EMPLOYMENT:

Job growth in 2023 will match the historical norm, at 2.1 percent. Over 40 percent of new hires are expected to come from office-centric sectors, driven by expansions from professional and business services firms.

325,000
SQ. FT.
will be completed

CONSTRUCTION:

Fort Lauderdale hosts its second-lowest completion total in a calendar year since 2007, as overall inventory increases by 0.4 percent in 2023. Supply additions are mostly slated for Hallandale and Plantation.

40
BASIS POINT
decrease in vacancy

VACANCY:

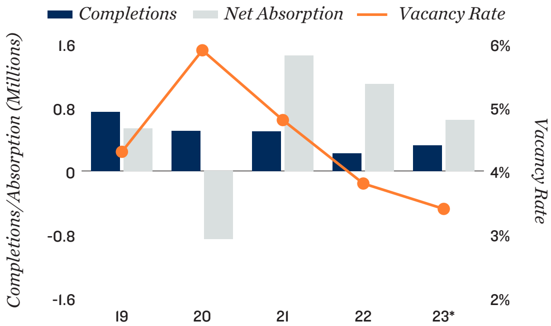
Overall vacancy descends to a record low of 3.4 percent this year. Hollywood and Pompano Beach are likely to lead the charge, with rates in each submarket already falling 110 basis points over the first half.

7.1%
INCREASE
in asking rent

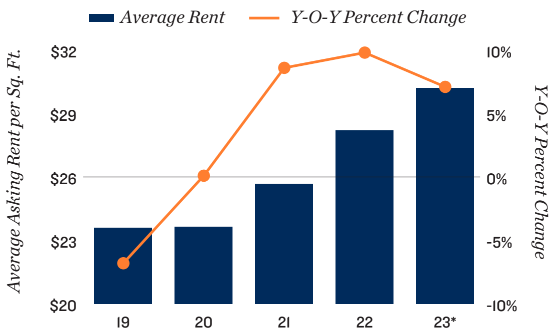
RENT:

The average asking rate will advance at about three times the long-term pace in 2023, pushing the metric up to $30.20 per square foot. By year-end, the mean marketed rent will be about 28 percent higher than in 2019.

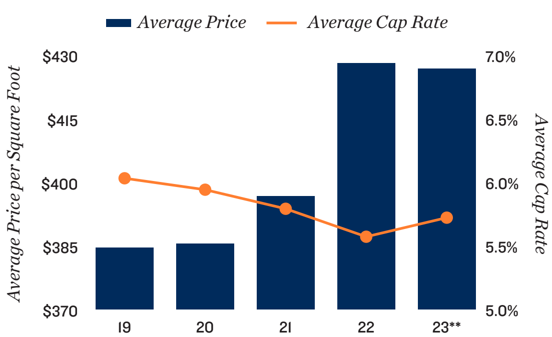
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 2Q*

Sources: CoStar Group, Inc.; Real Capital Analytics

2Q 2023 - 12-Month Period

CONSTRUCTION

164,000 sq. ft. completed

- None of Fort Lauderdale's 12 submarkets had more than 60,000 square feet delivered over the year ended in June. This resulted in marketwide inventory growing just 0.2 percent, about one-fifth of the long-term pace.
- Southwest Broward and Hollywood were the only two submarkets to note over 30,000 square feet of completions over the span.

VACANCY

80 basis point decrease in vacancy Y-O-Y

- Local vacancy rates in Pompano Beach, Hallandale and Hollywood each fell to record lows in June, materializing in a historically tight marketwide metric of 3.5 percent.
- Vacancies fell in every submarket except Sawgrass Park in the span, with Commercial Boulevard's 330-basis-point drop being one of the largest.

RENT

10.5% increase in the average asking rent Y-O-Y

- Fort Lauderdale noted the third-strongest annual rent growth among major U.S. metros, lifting the average asking rate up to $29.60 per square foot.
- The mean marketed single-tenant rent advanced 11.0 percent over the last year to $30.16 per square foot. Multi-tenant spaces also had strong growth, with their average rate moving up 8.8 percent to $27.57 per square foot.

Investment Highlights

- Preliminary data over the first eight months of 2023 indicates that Pompano Beach comprised a larger share of retail trades than in any of the past five years. Cap rates for most multi-tenant deals completed here penciled under 6 percent, moving down from last year's typical mid-6 percent range despite higher financing costs. While rising insurance and wage expenses have caused most buyers to target high-credit tenants with a national presence to reduce such downside risk, long-term expectations for value appreciation are still anchored. Local multi-tenant vacancy hit a record-low 6.3 percent in June, propelling over-20 percent annual rent growth.
- Multi-tenant assets comprised most trades so far in 2023. Amid higher owner expenses, buyers targeting shopping centers may continue to prefer these generally higher-yield options. Over the year ended in June, the local mean multi-tenant yield was 6.1 percent, the second-lowest among major southeastern metros, but still 80 basis points above the single-tenant rate.
- Opportunities to trade for net-leased assets should draw buyers hedging against rising costs more frequently. Tenants incur some or all operating costs in these leases, enabling investors to reduce expense-related risk.

Fort Lauderdale Office:

Harrison E. Rein *Regional Manager*

5900 North Andrews Avenue, Suite 100

Fort Lauderdale, FL 33309

Tel: (954) 245-3400 | harrison.rein@marcusmillichap.com

Prepared and edited by:

Josh Craft

Research Analyst | Research Services

For information on national retail trends, contact:

John Chang

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | john.chang@marcusmillichap.com

Price: $250