

RETAIL

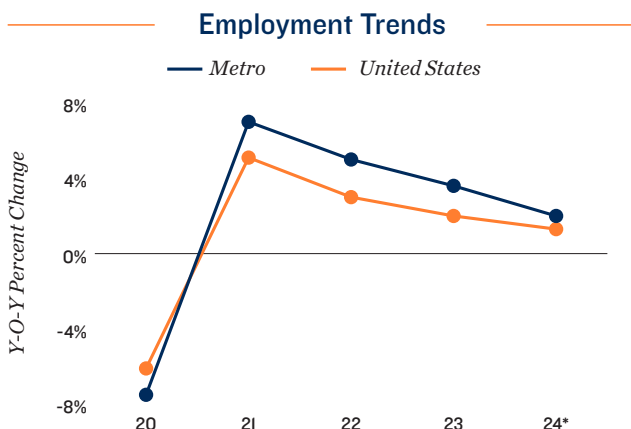
Miami-Dade Metro Area

2Q/24

Nation's Second Most Costly Market to Lease Space Gets More Expensive Amid Very Low Vacancy

Miami's lack of available stock stands out nationally. Metro vacancy measured at just 2.9 percent entering the second quarter of 2024. As one of only three major U.S. markets with a sub-3 percent rate, decreasing amounts of available stock are visible throughout the metro, with 13 of 18 submarkets recording year-over-year declines in the first quarter of 2024. That list included Kendall — the market's largest area by inventory — where vacancy fell by 120 basis points to 2.1 percent, as well as Miami Airport — which has the third most stock — logging a 60-basis-point drop to 2.8 percent. On the other hand, the area with the second-largest retail inventory — the city of Miami — registered a 50-basis-point rise to 4.3 percent. The increase here was a byproduct of robust tenant demand which pushed the local average asking rate up by over 15 percent annually.

Robust rent growth contrasts comparable markets. Miami's average asking rate surpassed \$47 per square foot in the first quarter of 2024, ranking it as the second most expensive major U.S. market to lease retail space. Among the 10 most costly metros, Miami's 16.2 percent rent growth over the past 12 months ended in March stood out, as no other market from that group had a gain within half of that pace. Rising costs may motivate tenant demand shifts to less expensive portions of the metro, although vacant space is hard to come by in these areas. The five submarkets with the lowest average asking rents each had vacancy rates of 2.0 percent or below in March.



* Forecast
Sources: BLS; CoStar Group, Inc.

Retail 2024 Outlook



26,000

JOB
will be created

EMPLOYMENT:

Roughly 11,600 jobs were added in the first five months of 2024, down from 16,200 in the equivalent span of 2023. That trend will continue as this year's employment gain falls almost 20,000 roles shy of 2023's expansion.



543,000

SQ. FT.
will be completed

CONSTRUCTION:

For only the second time in over a decade, the annual completion total measures below 600,000 square feet. The resulting 0.4 percent inventory growth in 2024 will be Miami's slowest pace since at least 2008.



BASIS POINT
change in vacancy

VACANCY:

Slower job growth and retail net absorption will be counterbalanced by a deceleration in construction, holding vacancy firm. The year-end rate of 2.9 percent is 100 basis points below the trailing-decade mean.



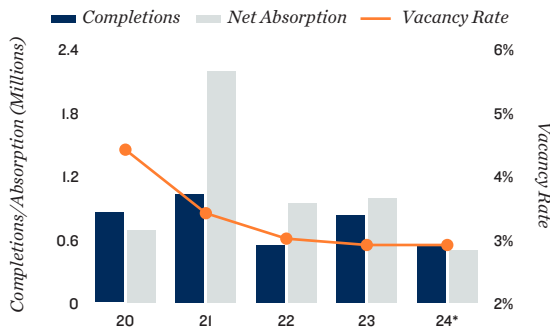
8.2%

INCREASE
in asking rent

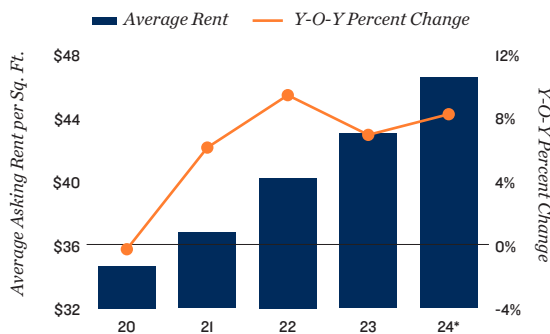
RENT:

Vacancy holding steady at a very low level allows for robust rent growth in 2024. Miami's average asking rate soars to \$46.50 per square foot, keeping it as the second most costly U.S. metro to lease retail space.

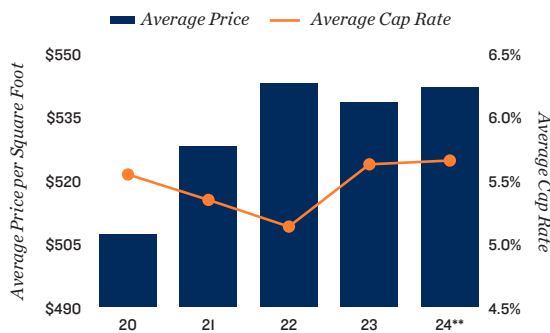
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

Miami Office:

Harrison E. Rein Vice President, Regional Manager

2916 North Miami Ave, Suite 700

Miami, FL 33127

Tel: (786) 522-7000 | harrison.rein@marcusmillichap.com

Prepared and edited by:

Benjamin Kunde

Research Analyst II | Research Services

For information on national retail trends, contact:

John Chang

Senior Vice President, National Director | Research & Advisory Services

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

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IQ 2024 - 12-Month Period

CONSTRUCTION

686,000 sq. ft. completed

- Miami's retail inventory expanded by 0.6 percent over the 12-month period ended in March 2024, the fastest pace among the three Southeast Florida markets. Local single-tenant stock grew by just 0.4 percent.
- Multi-tenant supply rose by 0.9 percent, buoyed by a combined 135,000 square feet that finalized in the Downtown and Miami Airport areas.

VACANCY

20 basis point decrease in vacancy Y-O-Y

- Six of the metro's 10 largest submarkets by inventory had year-over-year vacancy declines in March 2024. Drops of at least 60 basis points in Kendall, Downtown and Miami Airport lowered the overall rate to 2.9 percent.
- Nine submarkets had sub-2 percent vacancy rates in the first quarter of 2024, including well-supplied areas like Medley-Hialeah and South Dade.

RENT

16.2% increase in the average asking rent Y-O-Y

- All nine submarkets with over 5 million square feet of local inventory had rent growth during the past year. Two-thirds of these areas logged double-digit gains, elevating the metro's mean to \$47.38 per square foot.
- The average multi-tenant asking rent surpassed the \$50 per square foot mark for the first time ever, while single-tenant rates also hit a new high.

Investment Highlights

- Miami was the second most active major Florida market for retail asset trades from April 2023 through March 2024. Roughly 60 percent of local deals were single-tenant properties compared to a near 50-50 split across the prior 12 months. Vacancy rates are even across segments at 2.9 percent in the first quarter of 2024, while multi-tenant recorded stronger rent growth during the opening three months, potentially rebalancing trading.
- Single-tenant deal flow fell by roughly 30 percent during the first quarter of 2024 relative to the same span of 2023. Preliminary April-May data suggests that the slowdown persisted. Trading this year has been dispersed, with 11 different submarkets recording transactions. Non-local buyers from the Northeast and California remain active as Miami's 5.9 percent average single-tenant cap rate is higher than 13 other major U.S. markets.
- Multi-tenant trading was sturdier. First quarter 2024 deal flow matched the equivalent 2023 span while preliminary April-May data reflects a mild acceleration. The city of Miami and Northeast Dade are top choices, with strip centers constituting a major share of deals. An average multi-tenant cap rate of 5.4 percent is above only Los Angeles and San Jose.