

TEN-X: BUY SOUTH FLORIDA RETAIL, BUT BE CAREFUL

May 17, 2016 | Jarred Schenke, Bisnow, Atlanta

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For Miami's retail market, **it's the tale of two cities**: a **hot suburb** and a **cooling Downtown Miami** environment, or so predicts Ten-X in its latest US Retail Market Outlook report.

Top 5 Buy Markets	2015 Final Effective Rents (per square foot)	2019 Forecast Effective Rents (per square foot)
Miami	22.81	26.78
Fort Lauderdale, Fla.	17.38	20.16
Austin, Texas	20.19	23.85
Northern Virginia	26.04	29.81
Los Angeles	27.67	31.87

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Ten-X, the online real estate sales site, placed both Miami and Fort Lauderdale among its **top five buy markets** in the US, forecasting great opportunities for the long haul. Improved economic conditions coupled with strong rent growth—a **17.4% jump** to **nearly \$27/SF** in Miami and a **16% climb** to **just over \$20/SF** in Fort Lauderdale by 2019—should **outperform** the nation as a whole.

*Ten-X*

But **Ten-X**'s chief economist, **Peter Muoio** (pictured), says performance won't be consistent throughout South Florida. “There's **more risk** in the Miami piece of the market than the **Fort Lauderdale** piece,” he says. A **strengthened dollar** and **upheaval** in Latin America will put a crimp on foreign investment capital as well as tourism. But **job growth** in South Florida has been another story—a very positive story that has fed demand for neighborhood retailers. “Taking away that sort of foreign element...that **should be a positive for hospitality and the retail** that goes along with it.”

FM Capital's **Aaron Kurlansky**—who finances real estate acquisitions and developments—sees the story of neighborhood versus **luxury retail being more pronounced** going forward. As the condo market falls off a cliff here, fewer people

from outside Miami will be coming with stuffed purses to shop high-end retail. **“I’m actually not sure what’s going to happen with the larger new luxury retail developments,”** Aaron says, adding that rents will likely slow to a crawl in that category over the next year. **“A lot of growth is being fueled by low interest rates** right now. As debt starts to get expensive, it definitely will inflate cap rates and will hurt the growth market for sure.” Contrary, the Miami 'burbs—where the workforce has moved to live and now even work—is helping that small retail sector thrive, and he's seeing **consummate interest in investors to pick up retail in those areas.**



Wikipedia

Peter notes that **demographic expansion** in suburban Florida—especially Fort Lauderdale, here—has returned to growth. Plus, getting new projects off the ground in Miami is tough, and has led to a **constrained supply** stream of new retail space. That helps up the rents in South Florida neighborhood retail centers. All are factors recognized by investors. **“I think investors now have sort of shaken off the red line** of the housing bust. We're seeing a transaction flow in South Florida pick up.”

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