

# Retail Market Monitor



## In Order to Thrive in 2018, Retailers Must Do Three Things: Adapt, Adapt and Adapt

The retail industry is evolving at a rapid pace, and must continually adapt to changing consumer preferences, demand drivers, and advancements in technology. There are two significant trends driving the majority of retail activity – a desire for amenity-driven experiential shopping experiences, and the simple value of convenience. Many retailers have begun creating innovative in-store merchandising options for consumers that desire a more personalized approach (i.e. Apple, Ulta Beauty, IKEA), effectively making the shopping experience more enjoyable. The impact of Amazon Prime on the retail market also cannot be overstated, as more than half of all online users have subscribed to Amazon Prime, with 79% citing free shipping as the primary reason for joining. That said, while e-commerce remains a significant challenger for traditional retailers, it still accounts for only 10% of all retail sales in the U.S. In response, savvy retailers willing to depart from their one-size-fits-all traditional store formats are focusing on creating seamless omni-channel experiences to support their brick and mortar operations, and to remain more Internet resilient.

Several trends have become apparent as of mid-year 2018. In addition to the ones discussed above, retailers focused on offering healthy and environmentally-friendly options will thrive as consumers are becoming increasingly mindful of their purchases, as will those retailers who continue to find innovative ways to respond to changing consumer shopping preferences (i.e. Shipt, Instacart and those offering pick-up lockers for ship-to-store online orders to avoid shipping charges.)

For example, Home Depot recently announced it would be installing designated lockers in 700 stores, completely eliminating the need to interact with store employees, and Wal-Mart, Amazon and Whole Foods are also continuing to improve similar services for efficiently handling grocery orders.

Forward-thinking developers in Florida's primary retail markets are increasingly focused on creating well thought out and curated entertainment and lifestyle destinations that offer unique and memorable experiences, as Encore Capital/The Falcone Group is doing with Plantation Walk in Broward County and at the \$750 million Margaritaville Resort Orlando.

### IMPACT OF THE SOUTH DAKOTA VS. WAYFAIR SUPREME COURT RULING

During the second quarter of 2018, the U.S. Supreme Court voted to impose the collection of sales tax for retailers within states in which they have no physical presence. The decision, intended to create a 'fair and level' playing field, is being lauded by the retail industry, particularly by retailers whose brick and mortar stores have fallen victim to the meteoric rise of e-commerce. However, it may also be a case of 'too little too late' as consumers have become accustomed to online shopping, the convenience that it allows, and the availability of exclusive online deals. The greatest impact will be on smaller retailers who have not yet developed an effective mechanism for the collection of sales tax on digital purchases.

## Retail Trends to Watch in 2018



Retail store formats becoming much more diverse



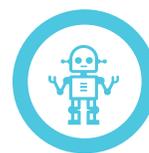
Brick and mortar stores will continue to flourish



Augmented reality technology getting more sophisticated



Development of targeted consumer experiences



Robots increasingly supporting the fulfillment side of retail



Experiential retail still key to attracting consumers

# South Florida

## Transformative Retail Projects Taking Shape in South Florida

Rising interest rates and the continued trickle-down impact of a strong e-commerce industry continue to affect South Florida's retail market, however these headwinds are somewhat mitigated by the area's steady population growth, robust tourism industry, and strong employment figures. While deal velocity has slowed, private investors have been primary players and international investors also continue to target the retail markets in Broward, Miami-Dade and Palm Beach counties. 1031 exchange buyers have been active, as have value-add and opportunistic investors looking to buy and hold, however those investors seeking greater immediate yield are increasingly turning their attention to secondary and tertiary markets like Tampa and Jacksonville. Transaction volume for the year-over-year period ending in June 2018 is down 40% but remains strong nonetheless, accounting for total volume of \$1.5 billion and just over 7 million sf.

- The Miami-Dade County Commission voted in May to approve the massive 6.2 million-sf American Dream Miami development, which upon completion will be the largest mall in North America. The project will be situated on a nearly 200-acre site and will include 2,000 hotel rooms, theme park rides, and an indoor ski slope.
- The \$300 million Atlantic Crossing mixed-use development is underway in Delray Beach's downtown core. The project consists of 73,000 sf of retail, 83,000 sf of office space, 261 apartments, 82 condos, and an underground parking garage.
- Kimco Realty Corp. has broken ground on the second phase of Dania Pointe, an \$800 million mixed-use project in Dania Beach. The first phase, scheduled to open during the third quarter, has notable tenants like BrandsMart, Lucky's Market, Ulta Beauty, Hobby Lobby and TJ Maxx, and the second phase is already 50% preleased.

## South Florida Retail Snapshot

**\$1.5 billion**

total retail transaction volume  
for T-12 months ending June 2018

**2.9 million**

total retail sf under construction

**132**

total retail sales >\$2.5MM and >10,000 sf during  
T-12 months ending June 2018

**\$212**

average price per sf for all retail sales >10,000 sf  
closed during T-12 months ending June 2018

## South Florida Retail Trends to Watch



Urban mixed-use redevelopment projects are breaking ground across South Florida with the largest projects found in downtown cores (i.e. FatCity and Miami Worldcenter)



New non-experiential retail developments are being largely tenanted by internet-resistant retailers (i.e. Ulta, grocers, discount department stores)



Vacated big box stores expected to find new life as repurposed entertainment and/or mixed-use centers

## Significant YTD-2018 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
PGA Plaza Shopping Center	2Q-2018	120,000	\$88,000,000	\$733	InvenTrust	Palm Beach County
Doral Commons	1Q-2018	150,000	\$71,560,000	\$477	Jamestown	Miami-Dade County
Fountains of Miramar	2Q-2018	139,329	\$40,000,000	\$287	Stockbridge	Broward County
Palms Plaza	2Q-2018	68,729	\$30,200,000	\$439	Crow Holdings	Palm Beach County
Shoppes of Boynton	1Q-2018	155,250	\$27,800,000	\$179	North Bridge Investment Mgmt	Palm Beach County

## Major Retail Projects Under Construction & Newly Delivered

Property	Developer/Owner	SF	% Pre-Leased	Delivery Date	Submarket
Miami Worldcenter	The Forbes Company & Taubman	450,000	0%	2Q-2019	Miami-Dade County
Aventura Mall Expansion	Simon Property Group	315,000	100%	1Q-2018	Miami-Dade County
Gardens Promenade	IMC Equity Group	300,000	100%	4Q-2018	Miami-Dade County
City Center Pembroke	Terra Group	300,000	87%	2Q-2019	Broward County
MiamiCentral	Florida East Coast Industries	127,000	28%	4Q-2018	Miami-Dade County

*Reporting Methodology: This report includes all free-standing retail buildings and shopping centers (including strip, neighborhood, community, power, mixed-use, and regional shopping centers) that are 10,000 SF and greater in Broward, Miami-Dade and Palm Beach counties. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.*

# Tampa Bay

## Mixed-Use Commercial Projects Reshaping the Urban Core

Economic fundamentals in Tampa Bay remain strong at mid-year 2018. The city of Tampa was recently named the "Most Livable City" in the United States by the U.S. Conference of Mayors, and unemployment has fallen 60 basis points since mid-year 2017 to current 3.3%. Steady growth persists across the Bay Area, with notable residential and commercial development activity in the South Bay and Pasco County areas. In Downtown Tampa, several highly anticipated development projects are transforming the Channelside area, most notably the massive 'Water Street Tampa' project that will bring up to 1 million sf of retail and cultural space to the urban core, along with the downtown area's first Publix (scheduled to open in September). Even though the Bay Area has had its share of retail closures over the last year, there are several recession-resistant grocery, discount and necessity retailers looking to expand, including Aldi, Lucky's, Sprouts, Earth Fare, Fresco y Mas, Bealls Outlet, HomeCentric, Five Below, CVS, Dollar Tree, Dollar General and Family Dollar.

- Grocery-anchored centers will continue to attract the highest investment interest, particularly in the South Tampa, Brandon, Wesley Chapel and Carrollwood areas.
- A recently shuttered Sam's Club store in South Tampa is being converted to a fulfillment center for online orders, and a nearby building formerly occupied by LA Fitness is being renovated with the addition of new restaurant and retail storefront space.
- Channelside Bay Plaza is being redeveloped into an urban mixed-use property to be known as Sparkman Wharf that will offer 65,000 sf of retail space. The site will feature a dining garden, biergarten and recreational lawn on the waterfront.

## Tampa Bay Retail Snapshot

**\$719 million**

total retail transaction volume  
for T-12 months ending June 2018

**624,940**

total retail sf under construction

**64**

total retail sales >\$2.5MM and >10,000 sf during  
T-12 months ending June 2018

**\$160**

average price per sf for all retail sales >10,000 sf  
closed during T-12 months ending June 2018

## Tampa Retail Trends to Watch



Mixed-use projects will attract consumers seeking a shopping experience as they create a 'sense of place'



Convenience will be key and retailers will seek to increase delivery options (i.e. Publix's use of Instacart & Target's use of Shipt)



Shuttered big-box anchor stores are being broken up and retenanting with stores in growth mode (i.e. Five Below and Ulta)

## Significant YTD-2018 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Bardmoor Promenade	1Q-2018	152,667	\$31,868,000	\$209	Publix	Mid-Pinellas/Gateway
Walk at Highwoods Preserve	2Q-2018	150,529	\$25,012,500	\$166	ACF Property Mgmt	I-75 Corridor/NE Tampa
Southtown Center	2Q-2018	43,669	\$19,750,000	\$452	CenterSquare	South Tampa
Tarpon Square	2Q-2018	199,271	\$12,946,594	\$65	Rivercrest Realty Associates	North Pinellas
Palms Plaza	1Q-2018	32,512	\$11,650,000	\$358	Clover Investment Properties	South Tampa

## Major Retail Projects Under Construction & Newly Delivered

Property	Developer/Owner	SF	% Pre-Leased	Delivery Date	Submarket
The Shoppes at Tyrone Square	Seritage Growth Properties	151,952	100%	3Q-2018	South Pinellas
Gulf to Bay Shopping Center	Leon Capital Group	101,760	100%	1Q-2018	Mid-Pinellas/Gateway
Hyde Park Village	W/S Development	60,000	0%	3Q-2018	South Tampa
The James Museum Retail	Raymond James Financial	40,763	100%	3Q-2018	St Petersburg CBD
Channel Club Publix	Mercury Advisors	38,233	100%	3Q-2018	Tampa CBD

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# Orlando

## Solid Retail Fundamentals Spurring Major New Developments

Orlando's enviable economic engine continues to perform, with the metro area projected to have the highest rates of job expansion, population growth, and retail sales gains within Florida's primary metro areas in 2018. Orlando also has a \$70 billion tourism industry that is driving much of the new development activity, particularly in the high-performing attractions area. Retail optimism remains strong as several key development projects move through the construction pipeline, vacancy continues to contract, and rental rates continue to record gains. The Lake Nona, Horizons West, Winter Garden, Waterford Lakes/Oviedo, and Lake Mary/Heathrow areas remain dominant players, and the SunRail commuter rail line is preparing to open its new \$187 million southern expansion that will likely fuel new retail projects near its four new stations.

- The \$750 million Margaritaville Resort in Kissimmee is moving closer to completion with the first retail buildings within its SunsetWalk development scheduled to deliver in late 2018. Confirmed tenants to date include multiple restaurants, Studio Movie Grill, and Game Time, among several others.
- Unicorp is planning a \$1.1 billion mixed-use project known as O-Town in the Disney area, and recently announced it would be doubling the size of the retail portion to 400,000 sf due in part to strong industry optimism regarding Orlando's retail market.
- Emerson International announced plans for a new \$346 million mixed-use project in the southeast quadrant of Interstate 4 and Central Parkway, although the amount of 'high quality' retail it hopes to attract has not yet been announced.

## Orlando Retail Snapshot

**\$645 million**

total retail transaction volume  
for T-12 months ending June 2018

**1.1 million**

total retail sf under construction

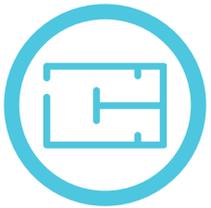
**65**

total retail sales >\$2.5MM and >10,000 sf during  
T-12 months ending June 2018

**\$149**

average price per sf for all retail sales >10,000 sf  
closed during T-12 months ending June 2018

## Orlando Retail Trends to Watch



Creative reuse of former big-box stores into medical/office, entertainment, and educational space



Investors continue to target value-add opportunities with solid upside potential near expanding retail centers



Record tourism continues to fuel the retail market, including the addition of a rumored 4th theme park for Universal Studios

## Significant YTD-2018 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Dellagio Town Center	1Q-2018	109,890	\$40,050,500	\$364	Concorde Group Holdings	Tourist Corridor
Artegon Marketplace*	1Q-2018	452,192	\$23,375,000	\$52	Dezer Development	Tourist Corridor
Alafaya Commons	2Q-2018	130,811	\$19,800,000	\$151	LBX Investments	University/Research
Conway Plaza	2Q-2018	117,723	\$15,050,000	\$128	PAC	436 Corridor
Winter Garden Shopping Center	2Q-2018	128,973	\$11,464,000	\$89	Core Investment Management	West Orange

\*This property is planned for a large retail redevelopment project

## Major Retail Projects Under Construction & Newly Delivered

Property	Developer/Owner	SF	% Pre-Leased	Delivery Date	Submarket
City Center West Orange	Park Development Corporation	259,120	0%	3Q-2018	West Colonial
Creative Village Retail	Ustler Properties	150,000	93%	3Q-2019	Downtown Orlando
Sunset Walk at Margaritaville	OTB Acquisition LLC	161,265	74%	3Q-2018	Kissimmee
Lucky's Corner	Private Investor	94,000	90%	4Q-2018	South Orange
Lake Nona Creekside	Lake Nona Land Company	60,000	90%	3Q-2018	Southeast/Airport

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# Jacksonville

## 'The District' Takes a Big Step Forward in the Southbank

Consistent population and job growth are translating into strong economic fundamentals in Jacksonville and are fueling demand for new retail development. According to a recent study released by the Urban Land Institute (ULI), Jacksonville is at the forefront of an emerging trend in urban growth. The city has the largest percentage of its urban population in what the study describes as "emerging economic centers" in the U.S., and the ULI study specifically named the Riverside and Town Center areas. Investment activity is still healthy and is expected to continue through the remainder of 2018. While several retailers are closing stores (namely Toys R Us, Babies R Us and Winn-Dixie), several retailers are expanding in Jacksonville, including Earth Fare, Walmart, Aldi, and Z Gallerie. Buffalo Wild Wings, Chuy's, Cheddar's, Blaze Pizza, Firebirds Wood Fired Grill, Fogo de Chao and Keke's are also opening or have recently opened new locations in St Johns Town Center.

- Jacksonville's urban core is attracting the attention of developers and lifestyle tenants. The much-anticipated redevelopment of the Laura Street Trio buildings will soon begin and will include a Marriott hotel, retail and restaurant space.
- A massive planned mixed-use project on the Southbank took a big step forward during the second quarter when Elements of Jacksonville, LLC, the project's developer, closed on a 30-acre parcel of land for \$18.5 million. Three years in the making, The District will be comprised of 1,170 residential units, 200,000 sf of office space, more than 200,000 sf of retail, a 4-acre riverfront park, a 125-slip marina, and a 200-room hotel. The developer received an \$82 million incentives package to help finance the project's construction, which will break ground once a community development district is formed to award the \$30 million in bonds needed to begin horizontal development.

## Jacksonville Retail Snapshot

# \$227 million

total retail transaction volume  
for T-12 months ending June 2018

# 238,500

total retail sf under construction

# 31

total retail sales >\$2.5MM and >10,000 sf during  
T-12 months ending June 2018

# \$112

average price per sf for all retail sales >10,000 sf  
closed during T-12 months ending June 2018

## Jacksonville Retail Trends to Watch



Creative retail redevelopment is occurring on the Southside and within the urban core



Investors continue to strategically target retail in Jacksonville to achieve higher yield requirements



Private and institutional investors have accounted for 85% of all sales activity so far in 2018

## Significant YTD-2018 Sales Transactions

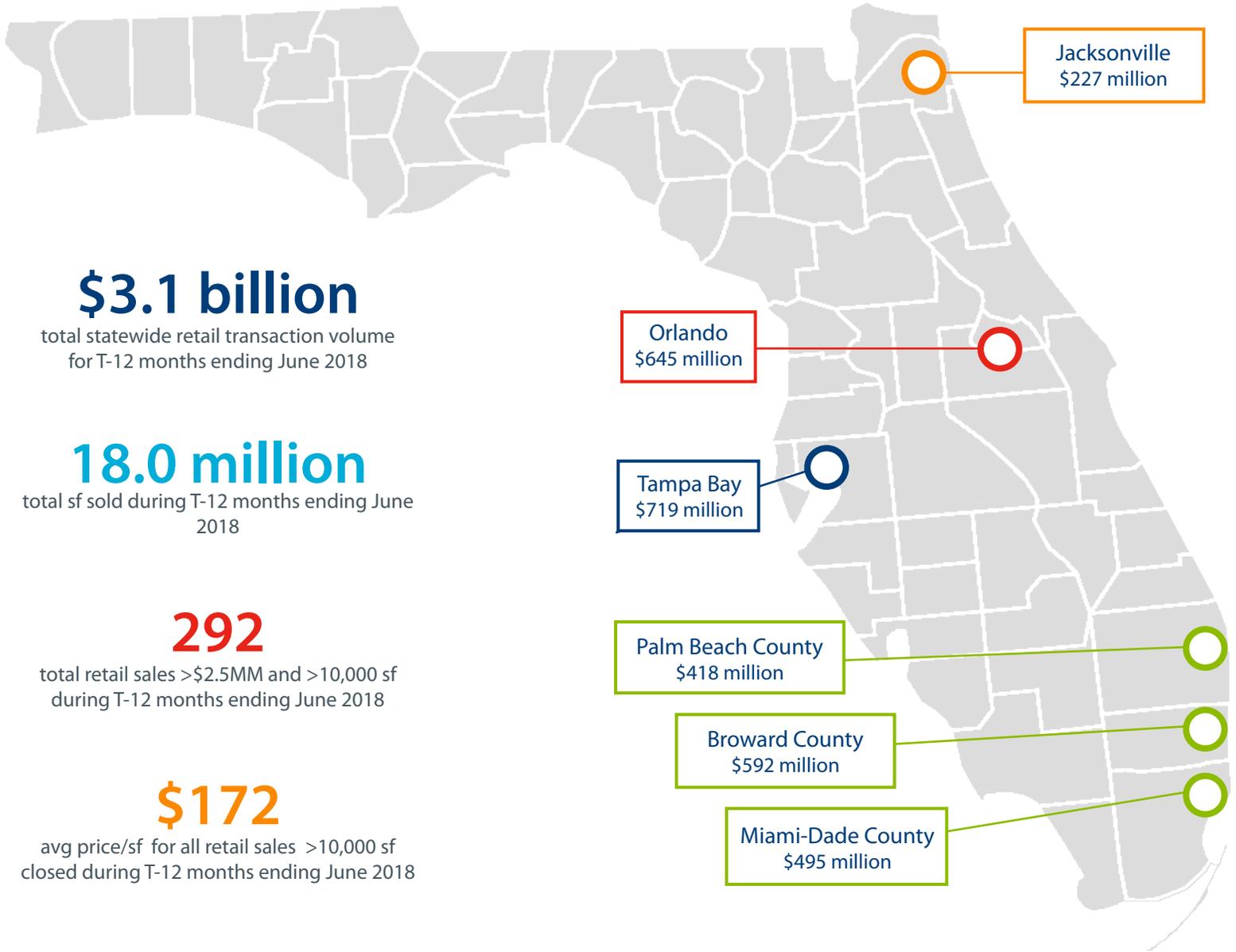
Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Villages of Amelia Island*	2Q-2018	175,000	\$26,152,500	\$149	Apollo Global RE	Nassau County
Duval Station Center	1Q-2018	72,840	\$15,000,000	\$206	Publix	Northeast Jacksonville
The Shoppes at Mission Trace*	2Q-2018	61,000	\$12,600,000	\$207	Apollo Global RE	St Johns County
San Jose Plaza	1Q-2018	92,967	\$12,386,200	\$133	SJP Jax, LLC	Mandarin
Regency Plaza	2Q-2018	205,696	\$10,800,000	\$53	America's Realty	Southside

\*Part of a 64-property national retail portfolio purchased from H&R REIT

## Major Retail Projects Under Construction & Newly Delivered

Property	Developer/Owner	SF	% Pre-Leased	Delivery Date	Submarket
IKEA	Forrest Investment Management	294,000	100%	4Q-2017	Southside
The Strand	Preferred Growth Properties	250,000	100%	4Q-2017	Southside
Costco	Costco	152,000	100%	1Q-2018	Westside
Walmart Neighborhood Market	Portland Investment Co.	31,950	100%	3Q-2018	I-95/9A Corridor
Gateway Village at Town Center	Davis Development	20,000	0%	3Q-2018	Southside

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