

Retail Market Monitor



Record Year-over-Year Tourism, Job Growth, E-Commerce and Changing Consumer Preferences are Driving Retail Trends Across Florida

Florida's retail landscape continues to evolve, led by several primary national trends that are influencing activity across the state. Shopping centers anchored by necessity-based retailers continue to be sought after investments, and destination shopping centers that cater to both value-driven and luxury-minded consumers are experiencing solid growth. Sawgrass Mills in South Florida's Broward County market and Disney Springs in Orlando typify this trend, along with Orlando's planned Vineland Pointe development. Many markets continue to contend with the slow but steady backfilling of big-box space left vacant due to bankruptcies and downsizing from retailers like Sports Authority, hhgregg and Sears, however some of these spaces are being taken by retailers entering or expanding their presence in a local market (i.e. Lucky's and Orchard Supply.)

Grocers continue to evolve, with many morphing into what is being coined a 'grocerant', a hybrid concept that blends a restaurant experience with a grocery experience. These restaurant areas are designed to encourage customers to linger and cater specifically to the discerning millennial demographic. Conventional grocers are also investing in expanded prepared food offerings in order to remain competitive with brands such as Whole Foods, soon to be a subsidiary of Amazon.

Finally, as consumers become increasingly motivated by convenience, it is becoming increasingly important for retailers to provide an omnichannel shopping experience. Technology is becoming a necessity for retailers, and those who cannot adapt will not survive in the new retail world.

Rental rate growth in secondary metro areas has not grown at a brisk pace since end of the last recession, although it is beginning to gain some traction. That said, with record tourism numbers being achieved year after year, healthy population growth and a still-improving economy nearing full employment, rental rate growth should see continued momentum well into 2018 with a steady uptick in key areas.

Statewide, investors are becoming more aggressive in seeking value-add opportunities with solid upside potential near expanding retail areas. Primary sellers include REITs that are repositioning their portfolios, owners with maturing loans, and private equity, including entrepreneurial sellers taking advantage of an increasingly competitive market.

Institutional investment in the retail sector has been brisk over the last year, with \$3.7 billion in total statewide retail transactions for the trailing 12 months ending June 2017. Nearly 19 million sf was sold during that timeframe in 301 total transactions averaging \$205 psf. 60% of all investment activity for the year to date has been by private investors, with institutional investors accounting for another 25%. Top buyers over the last two years have included Publix (\$541 million in total transaction volume), Weingarten Realty (\$377.8 million), and Madison International (\$301 million). TIAA, DDR and DRA Advisors were the top sellers having concluded the disposition of 39 properties totaling \$1.1 billion over the same period. The majority of cross-border capital so far this year has originated in Canada and Switzerland.

Florida Retail Trends to Watch



Technology

Increasing consumer dependence on convenience shopping driving new technology demands



The Evolution of Dining

Restaurant spending increasing significantly as discerning consumers seek out new experiential dining options



E-Commerce is King

Amazon's two-day delivery and value platform is changing how people order and how they spend their money

Retail Investors Continue to Chase Yield in Jacksonville

Consistent population and job growth are translating to strong economic fundamentals in Jacksonville and are fueling demand for new retail development. Over 29,000 new jobs have been added over the trailing 12-month period ending May 2017, healthy leasing activity is occurring, development plans are taking shape, and there is slow but steady rental rate growth. Jacksonville's retail market remains strong in 2017 with consistent demand for space creating rental growth in the most sought after areas, particularly within the Beaches and Southside submarkets.

There are several prominent new construction projects underway, including a new 294,000-sf IKEA at Interstate 295 and Gate Parkway, The Strand, a 250,000-sf development underway by Preferred Growth Properties, and Core Property Capital's Town Center Promenade development. Each of these new developments is located in the sought after Southside submarket. Another key project is also taking shape, and upon completion will comprise the first retail power center in North St Johns County. The Pavilion, the \$125 million first phase of the much anticipated Durbin Park development by gate Petroleum and Gatlin Development, is planned for completion in 2018 with Walmart and Home Depot as anchors.

As of mid-year 2017, both supply and demand is well below the peak witnessed in 2006 providing credible evidence that the market has room for continued expansion. Investment interest in Jacksonville is steady, and the most active investors so far during 2017 have been private buyers, accounting for 81% of all transactions to date this year. Cap rates are expected to moderate somewhat through the end of the year although investors will continue to chase the higher potential yields available in Jacksonville.

Jacksonville Retail Snapshot

\$220 million

total retail transaction volume for T-12 months ending June 2017

786,618

total retail sf under construction

27

total retail sales >\$2.5MM and >10,000 sf during T-12 months ending June 2017

\$137

average price per sf for all retail sales >10,000 sf closed during T-12 months ending June 2017

Jacksonville Retail Trends to Watch



New Destination Retailers

Sought after retail concepts like IKEA and TopGolf are beginning to open



Excitement over Mixed-Use

Several new developments planned throughout the metro area



The Amazon Effect

E-commerce hubs will continue to impact brick and mortar stores and consumer expectations

Significant YTD-2017 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Publix - St Augustine	Jun-17	40,401	\$13,100,000	\$324	Publix Super Market	St Augustine
Island Walk North	Jun-17	40,805	\$13,000,000	\$319	Steve Tallides	Orange Park/Clay County
Monument Landing	Jun-17	61,754	\$12,200,000	\$198	The Josephs Group	Jacksonville
Sadler Crossing	May-17	40,259	\$11,500,000	\$286	Fairway Investments	Fernandina Beach
Walgreens	Jun-17	15,056	\$5,999,900	\$399	TSG Realty	Neptune Beach

Major Retail Projects Under Construction

Property	Developer/Owner	SF U/C	% Pre-Leased	Delivery Date	Submarket
IKEA	Forrest Investment Mgmt	294,000	100%	Jan-2018	Southside
The Strand & The Crossing	Preferred Growth Properties	250,000	46%	Sep-2017	Southside
Town Center Promenade	Core Property Capital	100,000	90%	Nov-2017	Southside

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 the Jacksonville MSA. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Strong Tourism and Job Growth Fueling Retail in Orlando

Orlando's retail market is experiencing renewed vigor, construction is once again rising in key areas, and there is demand for larger boxes that have been vacated due to the downsizing and bankruptcies of retailers such as Sears, Sports Authority and hhgregg by retailers entering or expanding their presence in the market (i.e. Lucky's, Orchard Supply, Ollie's, 24 Hour Fitness and At Home.) The current development activity is in direct response to considerable consumer demand, which is serving to keep vacancies low and provide fuel for rental rate growth, which has been somewhat stagnant over the last several years. Record-breaking tourism over the last few years and a strong and still-growing local economy continues to propel growth within the retail sector. Steady economic growth is supporting residential and commercial development and population growth remains strong, growing by 2.1% between 2010 and 2017 and expected to grow another 2.7% by 2022.

The most dominant buyers in the greater Orlando market (including the Daytona Beach area) right now are REITs and private equity, along with Publix. Investors are also becoming somewhat more aggressive in seeking value-add opportunities with solid upside potential near expanding retail areas. Primary sellers include REITs that are repositioning their portfolios and private equity, including entrepreneurial sellers taking advantage of an increasingly competitive market and owners with maturing loans.

Orlando Retail Snapshot

\$735 million

total retail transaction volume for T-12 months ending June 2017

1.8 million

total retail sf under construction

61

total retail sales >\$2.5MM and >10,000 sf during T-12 months ending June 2017

\$143

average price per sf for all retail sales >10,000 sf closed during T-12 months ending June 2017

Orlando Retail Trends to Watch



Sustainable Growth

Both occupancy and rent growth show consistent quarter over quarter improvement



Redefining Retail

High-profile developments like Disney Springs attracting 'first to market' luxury concepts



Record Tourism

A record 68 million people visited the Orlando metro area in 2016 with 113 million visiting Florida

Significant YTD-2017 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	City
Eustis Village	May-17	156,462	\$23,500,000	\$150	Slate Retail REIT	Eustis
Volusia Marketplace*	Jun-17	131,361	\$20,700,000	\$157	Silvestri Investments	Daytona Beach
Town Center Shoppes	Mar-17	64,587	\$16,085,000	\$249	Premier Land Dev	Oviedo
Main Street Square	Apr-17	107,134	\$10,082,500	\$94	Gramercy	Casselberry
Red Bug Village	May-17	26,788	\$8,100,000	\$302	Crow Holdings	Winter Springs

*Avison Young was involved in this transaction

Major Retail Projects Under Construction

Property	Developer/Owner	SF U/C	% Pre-Leased	Delivery Date	Submarket
Lake Nona Landing	Tavistock Development	467,369	98%	Dec-2017	Southeast/Airport
City Center West Orange	Park Development Corp.	259,120	0%	Apr-2018	West Orange
Lee Vista Promenade	DDR Corp	134,976	61%	Mar-2018	Southeast/Airport
Hamlin Groves Publix	Boyd Development Corp.	96,345	100%	Sep-2017	West Orange
Westside Shoppes	Unicorp National Developments	70,700	96%	Aug-2017	Southwest

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Millennial Workforce is Redefining Retail

There are three primary trends impacting South Florida's retail landscape: a growing Millennial workforce, the rise of experiential retail, and the evolution of the live/work/play environment. According to the Bureau of Labor Statistics, Millennials will comprise 75% of the American workforce by 2025. At over 1.2 million strong in South Florida, retailers are paying close attention to what is driving their consumption habits and how this behavior will influence the next generation of shoppers.

Today's consumers have new expectations for their online and in-store shopping experience. Brands that are successfully navigating today's retail world are building a seamless omnichannel experience that leverages the power of e-commerce and digital marketing with the existing need for a physical footprint. While goods can be bought online, creating an authentic experience still requires brick-and-mortar stores. Restoration Hardware's newest store in Downtown West Palm Beach will leverage the attraction of in-store amenities to drive foot-traffic. Some of these experiences are also found in a variety of tenants such as restaurants and fitness facilities but a growing number of retailers such as grocers and sporting goods stores are new to this territory.

One of the most apparent ways the real estate market has adapted to this need for an "authentic experience" is through the seamless integration of residential, office and retail space into a single live/work/play environment. This is evident in many of the recently delivered and proposed developments in South Florida such as Brickell City Centre, MiamiCentral, American Dream Miami, Dania Pointe and Metropica. Landlords understand the role a store can play in a brand's identity and successful placemakers are diversifying their tenant mix to include more service-oriented businesses that are less vulnerable to online-penetration.

South FL Retail Snapshot

\$2.2 billion

total retail transaction volume for T-12 months ending June 2017

4.1 million

total retail sf under construction

151

total retail sales >\$2.5MM and >10,000 sf during T-12 months ending June 2017

\$266

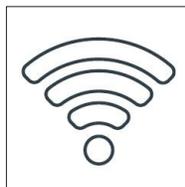
average price per sf for all retail sales >10,000 sf closed during T-12 months ending June 2017

South Florida Retail Trends to Watch



Millennial Workforce

The growing Millennial workforce is driving the retail market



Experiential Retail

Omnichannel retail seamlessly integrates the online and in-store experience



Live/Work/Play Development

The mixed-use environment is defining the future of urban space

Significant YTD-2017 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	City
Westfork Plaza*	Feb-17	292,207	\$98,943,000	\$339	InvenTrust Properties	Broward County
Paraiso Parc*	Feb-17	95,850	\$64,057,000	\$668	InvenTrust Properties	Broward County
Promenade Shopping Plaza	Apr-17	202,696	\$49,250,000	\$243	TIAA	Palm Beach County
1600 Commons	Jun-17	65,338	\$49,200,000	\$753	PGIM	Broward County
Royal University Plaza	Jun-17	123,343	\$48,000,000	\$389	Zurich	Broward County

* Part of a portfolio sale

Major Retail Projects Under Construction/Recently Delivered

Property	Developer/Owner	SF U/C	% Pre-Leased	Delivery Date	Submarket
Miami Worldcenter	The Forbes Company & Taubman	450,000	N/A	Nov-17	Miami-Dade
Aventura Mall Expansion	Simon Property Group	315,000	100%	Nov-17	Miami-Dade
CityPlace Doral	Related Group	300,000	98%	Mar-17	Miami-Dade
MiamiCentral	Florida East Coast Industries	182,000	29%	May-18	Miami-Dade
Costco	Costco	131,983	100%	Jun-17	Miami-Dade

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Necessity-Based Retail Centers Remain a Strong Draw

Tampa Bay continues to experience solid economic momentum, demonstrated by a steadily declining unemployment rate, vigorous job growth with over 55,000 new jobs added in the trailing 12-month period ending May 2017, healthy leasing activity, strong consumer confidence, and an outperforming housing market. While occupancies continue to show incremental declines, new retail development has been fairly tepid in recent years, and most new retail projects delivered to market have been a mix of ground-up developments, strategic redevelopments, and adaptive reuse projects. Grocery, fitness, and value store-anchored centers continue to drive the bulk of leasing activity as necessity-based retailers remain a strong draw for both small shop retailers and investors alike.

Tampa Bay's 75-million sf retail market affords investors both relatively high yields and stable cap rate, and the most active investors so far during 2017 have been publicly listed REITs, institutional buyers and Publix. There were no significant multi-tenant retail projects completed during 2016 and so far nothing significant has broken ground during 2017. Downtown Tampa will soon have a long-awaited grocery store as The Channel Club, a 22-story residential tower currently under construction in the Channelside area, will include a 36,900-sf Publix grocery store once the building is completed. National and regional fast casual concepts continue to view Tampa as a viable option for expansion due in part to increased consumer spending. Moving forward, grocery-anchored centers will continue to achieve higher rents and the strongest occupancies as a greater proportionate share of the retail market is becoming functionally obsolete.

Tampa Bay Retail Snapshot

\$539 million

total retail transaction volume for T-12 months ending June 2017

698,394

total retail sf under construction

63

total retail sales >\$2.5MM and >10,000 sf during T-12 months ending June 2017

\$157

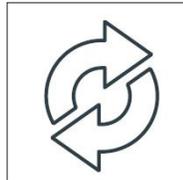
average price per sf for all retail sales >10,000 sf closed during T-12 months ending June 2017

Tampa Bay Retail Trends to Watch



Strong Local Economic Engine

Healthy job growth and a strong housing market further improve consumer confidence



Recycling Retail

Adaptive reuse and redevelopment projects creating cost effective infill opportunities



Retail in the Urban Core

Publix will soon bring the first grocery store to Tampa's urban core in the Channelside area

Significant YTD-2017 Sales Transactions

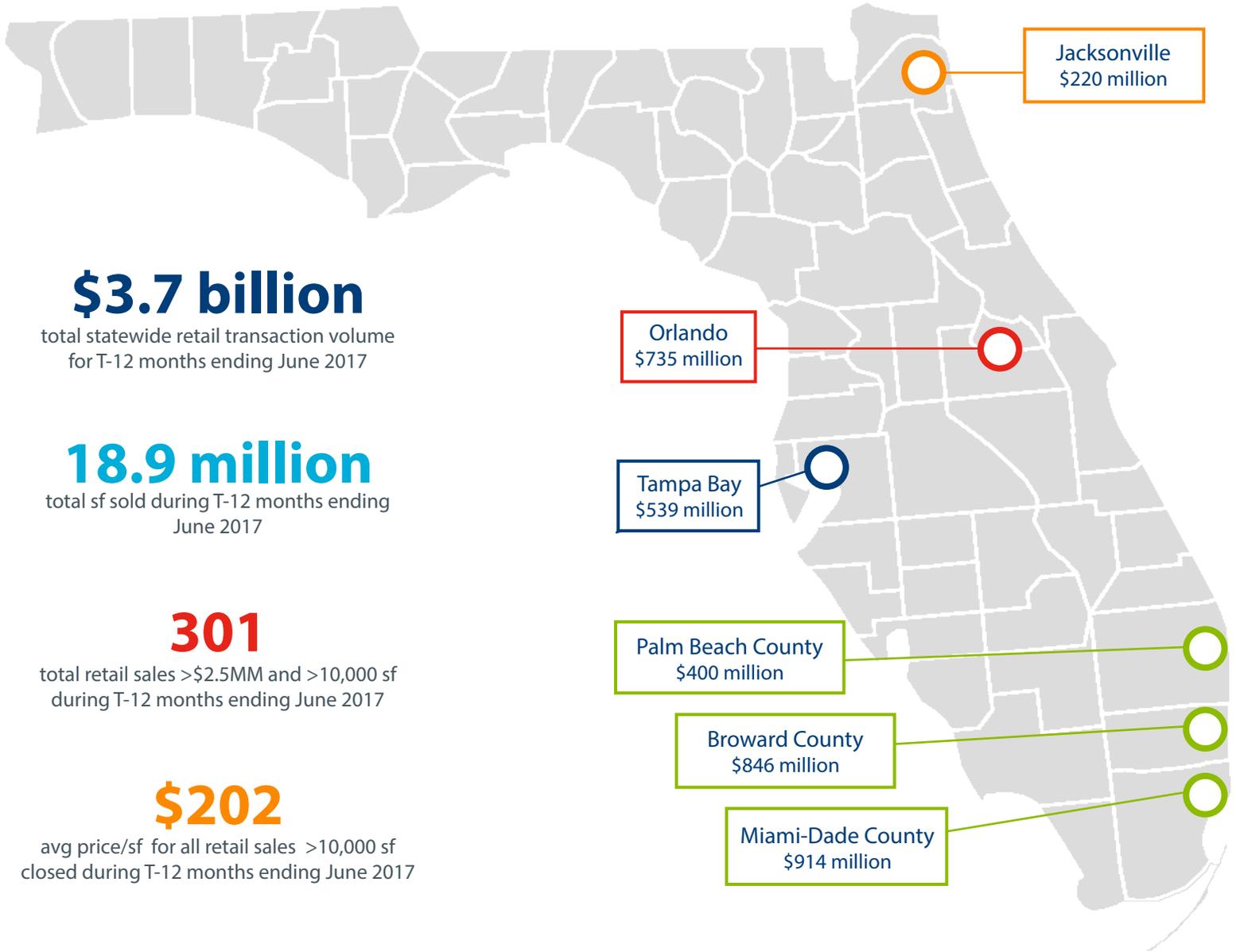
Property	Date Sold	SF	Sale Price	Price/SF	Buyer	City
Palms of Carrollwood	Feb-17	167,887	\$31,125,000	\$185	Wallace Enterprises	Tampa
BJ's Wholesale Club	Jan-17	119,884	\$17,752,500	\$148	Spirit Realty Capital	Tampa
Cortez Commons	Apr-17	72,160	\$17,250,000	\$239	RJ Brunelli & Co.	Brooksville
LA Fitness Center*	May-17	51,707	\$13,945,100	\$270	Consolidated Tomoka	Brandon
Shoppes at New Tampa	Apr-17	56,097	\$13,350,000	\$238	Wallace Enterprises	Tampa

*Avison Young was involved in this transaction

Major Retail Projects Under Construction

Property	Developer/Owner	SF U/C	% Pre-Leased	Delivery Date	Market
Gulf to Bay Shopping Center (Redevelopment)	Leon Capital Group	101,760	86%	Jan-2018	Mid-Pinellas
Hyde Park Village	W/S Development	60,000	0%	May-2018	South Tampa
Dave & Buster's	I-75/Palm River Road LLC	40,000	100%	Jun-2018	Brandon

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