

Retail Market Monitor



Retailers Must Adapt and Evolve in Order to Thrive in the Brave New Retail World

The face of the retail industry is changing, and retailers are quickly learning that they must adapt to ever-changing consumer needs and preferences in order to effectively compete, and even to survive. Still, the U.S. Commerce Department estimates that 90% of all shopping occurs in physical stores, indicating that while brick-and-mortar stores may face challenges, there is plenty of road ahead. According to the National Retail Federation, data from the IHL Group shows "a net increase in store openings of over 4,000 in 2017". The same report indicated that for every company closing a store, 2.7 plan to open new locations.

In today's retail world the customer continues to define the shopping experience, and the combination of omni-channel retailing, direct digital marketing, the emergence of augmented reality apps that allow consumers to visualize purchases, and e-commerce fulfillment have opened up retail channels and opportunities that previously did not exist. The phenomenal growth of Amazon, which some suggested would be a retail category killer, has created stiff competition but cannot replace the personalized shopping experience craved by consumers.

Grocers are also beginning to capitalize on their own strategic locations as they determine how to better compete with Amazon's last-mile fulfillment advantage, and they have realized their best asset is their

close proximity to their customers. Publix, Target and Walmart have all recently announced store-based initiatives related to online grocery pickup and/or delivery (i.e. Instacart and Shipt).

While Amazon will continue to disrupt the retail industry in the years ahead, increased integration of technology is expected in 2018 as retailers find ways to create experiences that give customers more innovative, personalized and convenient ways to shop.

FLORIDA RETAIL INVESTMENT STRONG DURING 2017

Institutional investment in Florida's retail sector has been brisk over the last year, with \$4.9 billion in total statewide retail transactions during 2017. Over 28 million sf was sold during that timeframe in 406 total transactions averaging \$180 per sf. 52% of all investment activity for the year to date has been by private investors (up 10 bps over 2016), with institutional investors accounting for another 17%, mirroring their total investment volume from one year prior. The top buyer over the last two years was Publix, which purchased 39 properties at an average of \$18.9 million for total transaction volume of \$735.6 million. DDR was the top seller having concluded the disposition of 37 properties totaling \$576.2 million over the same period. The majority of cross-border capital during 2017 originated in Canada, Germany, Australia and Switzerland.

Retail Trends to Watch in 2018



Creative retail reuse & repositioning



Personalized and predictive digital experiences



3-D augmented reality apps will drive engagement



Development of targeted consumer experiences



Omni-channel development growing



Experiential retail still key to attracting consumers

South Florida is Redefining the Retail Landscape

Marked by steady population growth, rising household income, and strong tourism, the South Florida retail market continues to experience robust development activity and solid sales volume. According to recently published figures, PortMiami welcomed more than 5.3 million cruise travelers in the fiscal year ending September 2017, a 6.5% increase from the prior year. This inflow of tourism has not only led to improved occupancy levels throughout South Florida's retail markets, but has also encouraged the development of more high-end retail in pedestrian-friendly environments such as Miami Worldcenter and American Dream Miami. These factors have improved investment interest in high occupancy retail centers and shops throughout the area, as demonstrated by the \$2.3 billion in total volume recorded for the trailing 12 months ending December 2017.

- Compressed vacancy levels and heightened rental rates have created strong demand for retail development.
- Experiential retail continues to play a pivotal role in the development of South Florida's retail landscape. This has driven the development of many destination projects such as Top Golf's newly planned South Florida locations and American Dream Miami's indoor ski slope.
- Live/Work/Play development remains a dominant force in South Florida's retail market. While projects such as Miami Worldcenter attract most of the market's attention, mixed-use projects such as FatCity, which is located in Fort Lauderdale's emerging Flagler Village, continue to gain traction.

South Florida Retail Snapshot

\$2.34 billion

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

4.2 million

total retail sf under construction

133

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

\$180

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

South Florida Retail Trends to Watch



Redevelopment projects in Fort Lauderdale's Flagler Village are creating more retail opportunity



Original concepts such as TopGolf and American Dream Miami are reshaping the local retail landscape



Key mixed-use developments such as FatCity are defining the future of urban space

Significant 2017 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Westfork Plaza (Part of a portfolio sale)	Feb-17	292,207	\$98,943,000	\$339	InvenTrust Properties	Broward County
Paraiso Parc (Part of a portfolio sale)	Feb-17	95,850	\$64,057,000	\$668	InvenTrust Properties	Broward County
Sears	Jul-17	144,109	\$62,812,114	\$436	GGP	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

Major Retail Projects Under Construction & Newly Delivered

Property	Developer/Owner	SF	% Pre-Leased	Delivery Date	Submarket
Miami Worldcenter	The Forbes Company & Taub-	450,000	0%	2019/2020	Miami-Dade County
Gardens Promenade	IMC Equity Group	240,000	100%	Jul-18	Miami-Dade County
Pines City Center	Terra Group	300,000	65%	May-19	Broward County
MiamiCentral	Florida East Coast Industries	182,000	35%	May-18	Miami-Dade County
Atlantic Crossing	Edwards Companies	76,000	N/A	Oct-19	Palm Beach 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

Transformative Developments Beginning to Take Shape

Economic fundamentals in Tampa Bay are strong, fueled by a strong tourism industry, employment growth, continued in-migration of Millennials, and steady growth in both trade and distribution. Retail developments underway include phased deliveries in two projects on opposite sides of Tampa Bay. The northern 204-acre portion of Cypress Creek Town Center is being built in Wesley Chapel and the 425,300-sf Seminole City Center power center is delivering in Seminole. In the urban core of Downtown Tampa, several highly anticipated development projects are transforming the Channelside area. The vaunted and massive 'Water Street Tampa' project is underway with plans to bring up to 1 million sf of retail and cultural space to the urban core, and the \$90 million Channel Club is underway with the downtown area's first Publix on the ground floor. Several retailers are expected to open new locations in Tampa Bay over the next year including Academy Sports, Conn's, Cost Plus Market and Orchard Supply, in addition to grocery concepts Earth Fare, Sprouts Farmers Market, Lucky's Market and Lidl.

- Grocery-anchored centers will continue to achieve higher rents and the strongest occupancies as a greater proportionate share of the retail market becomes functionally obsolete.
- Total transaction volume increased by 37% during 2017 with private investors accounting for 56% of all investment activity, followed by cross-border capital.
- The Shops at Wiregrass in Wesley Chapel was sold during the fourth quarter as part of a 10-property regional retail mall portfolio by Cleveland-based Forest City Realty Trust Inc. to investment partner QIC of Australia.

Tampa Bay Retail Snapshot

\$794 million

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

344,800

total retail sf under construction

70

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

\$156

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

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)



Traditional casual dining restaurants will continue to trim locations as unique, local eateries thrive

Significant 2017 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Palms of Carrollwood	1Q-2017	167,887	\$31,125,000	\$185	Wallace Enterprises	Northwest Tampa
Bass Pro Tampa	3Q-2017	132,734	\$28,603,600	\$215	Starwood Property Trust	Brandon
Shoppes at New Tampa	2Q-2017	188,602	\$30,825,000	\$163	Madison International	Wesley Chapel/Pasco Co
Bardmoor Promenade	2Q-2017	152,667	\$30,400,000	\$199	Madison International	Mid-Pinellas/Gateway
Northwoods Center	3Q-2017	95,994	\$24,250,000	\$253	RPM Realty Management	Wesley Chapel/Pasco Co

Major Retail Projects Under Construction & Newly Delivered

Property	Developer/Owner	SF	% Pre-Leased	Delivery Date	Submarket
Seminole City Center	North American Development Group	425,300	97%	1Q-2018	Mid-Pinellas/Gateway
Costco Citrus Park	Edgewood Properties	155,000	100%	1Q-2017	Northwest Tampa
The Shoppes at Tyrone Square	Seritage Growth Properties	151,952	100%	1Q-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%	2Q-2018	South Tampa

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Orlando

Creative Strategies Emerging as Shoppers Crave 'Experience'

Retail optimism remains strong in Orlando, even as vaunted names like Sears, Kmart and Toys R Us announce store closures across Central Florida. While Amazon is dominating e-commerce and accounts for 9% of all retail sales nationwide, there is a corresponding surge in consumer interest for neighborhood shopping districts, unique small shop space, and destination centers that provide a true retail experience not found through more traditional retailers. In Orlando, new developments like City Center West Orange, a new urbanism project in Ocoee, have been planned with these adapting consumer preferences in mind. Several specialty grocers will enter or expand in Orlando during 2018, including four new Lucky's Market locations, as well as Sprouts and Earth Fare, which will be opening in Winter Park and in the SoDo area, respectively.

- The much-anticipated Margaritaville Resort in Kissimmee is on schedule to begin a phased opening in the summer 2018. At buildout, the 300-acre resort will have 200,000-square-feet of retail, restaurant, and music venue space, along with a 187-room hotel, water park/lagoon, and over 1,000 vacation homes and timeshare units.
- Artegon Marketplace got a new lease on life during 4Q when it was acquired by the Miami-based Dezer Family and its partner David Goldfarb. Plans are to redevelop the entire property with a mixture of multifamily housing plus entertainment, restaurants and retail.
- Vineland Pointe is underway in the tourist corridor. Developed by Williams Company Southeast, the 447,500-sf shopping complex sits on a 64-acre site with Interstate 4 frontage. Delivery of the first phase is expected in 2018.

Orlando Retail Snapshot

\$635 million

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

1.13 million

total retail sf under construction

57

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

\$139

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

Orlando Retail Trends to Watch



Creative reuse as owners target non-retail tenants that need ample parking (i.e. medical and entertainment users)



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 expansion of resorts and theme park operations

Significant 2017 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Lake Nona Landing	4Q-2017	335,000	\$58,500,000	\$175	Clarion Partners	Southeast/Lake Nona
Casselberry Commons	2Q-2017	215,182	\$40,000,000	\$186	Madison International	Casselberry/Winter Springs
The Shoppes at Celebration Place	4Q-2017	43,870	\$29,500,000	\$672	Ben Hur Investments	Celebration
Lake Mary Village	3Q-2017	100,088	\$29,200,000	\$292	GDA Real Estate	Lake Mary/Sanford
Winter Springs Town Center	4Q-2017	117,767	\$24,900,000	\$211	Phillips Edison & Co	Casselberry/Winter Springs

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%	2Q-2018	West Colonial
Sunrise City	Intram Investments	144,000	46%	1Q-2018	Kissimmee
Lee Vista Promenade	DDR Corp	134,976	62%	1Q-2018	Southeast/Lake Nona
Sunset Walk at Margaritaville	OTB Acquisition LLC	120,744	65%	2Q-2018	Kissimmee
Lucky's Corner	Private Investor	94,000	85%	4Q-2018	South Orange

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Major Retail Projects Starting to Deliver on the Southside

Jacksonville's retail market was relatively strong in 2017 with consistent demand for space creating rental growth in the most sought after areas, particularly within the Southside submarket. Several significant projects are in various phases of delivery in the Southside area along Town Center Parkway and Gate Parkway including The Crossing, The Strand, and Town Center Promenade. Aldi, Hobby Lobby, PGA Tour Superstore, Mattress Firm, and Wawa are all developing new stores in this area, among several others. Approximately 20 new restaurants are opening as well, many of which are new to Jacksonville, including Red Robin, Grub Burger Bar and Fogo de Chao. Both supply and demand is well below the peak witnessed in 2006 providing credible evidence that the market has room for continued expansion. Additionally, older and less functionally efficient retail buildings along Atlantic and Beach Boulevards are being targeted as strategic redevelopment plays.

- Consistent population and job growth are translating to strong economic fundamentals in Jacksonville and are fueling demand for new retail development. In the urban core, the much-anticipated redevelopment of the historic Barnett Bank and Laura Street Trio buildings has begun, incorporating a mix of retail, hotel, restaurant, urban grocery, office and residential space.
- Retail and office activity on Downtown Jacksonville's riverfront is expected to increase in 2018 as major development projects break ground and access to the river improves.
- 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.

Jacksonville Retail Snapshot

\$204 million

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

364,500

total retail sf under construction

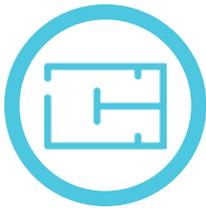
31

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

\$132

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

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



Foreign investors were virtually absent during 2017 while private investors accounted for 71% of all sales activity

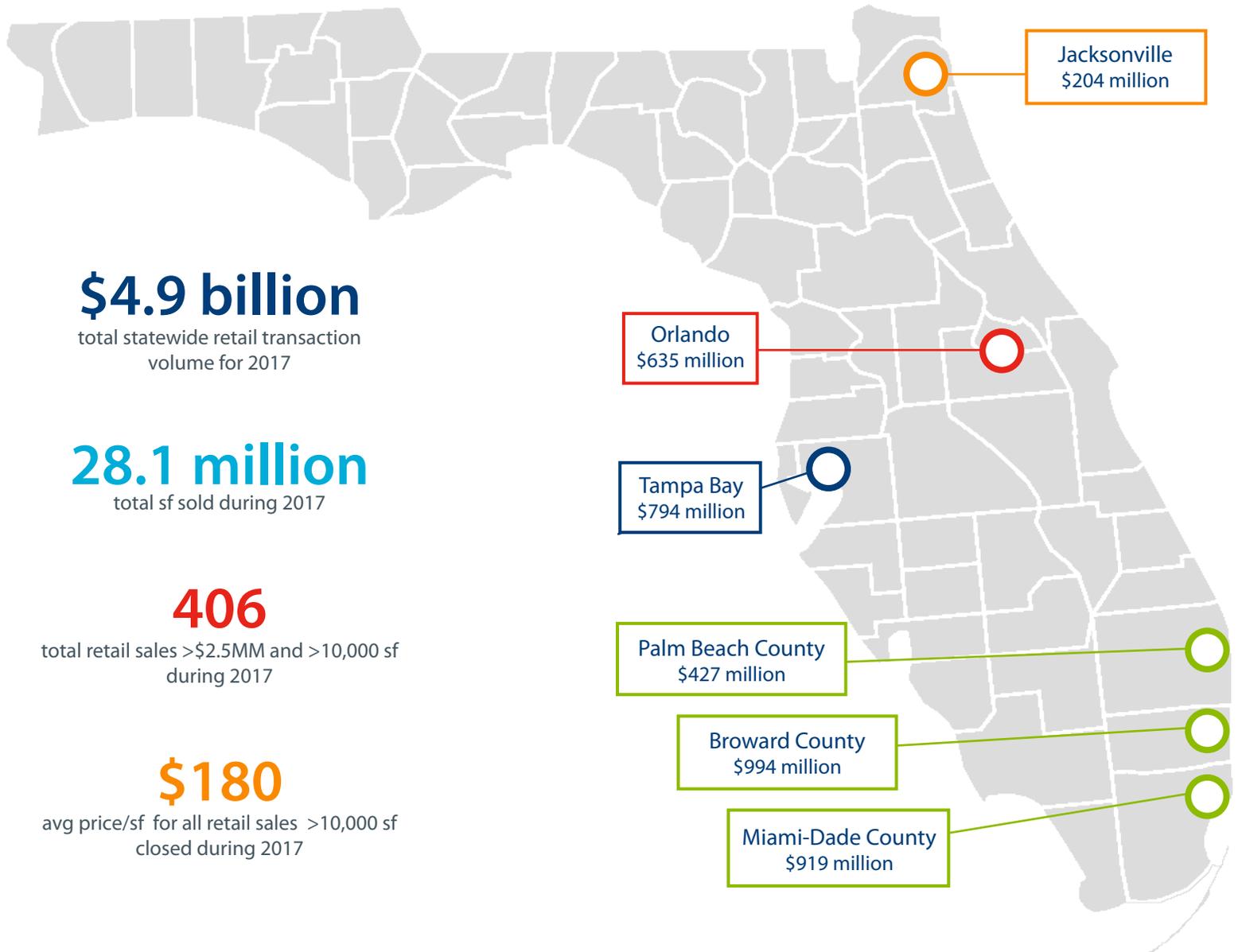
Significant 2017 Sales Transactions

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Publix	2Q-2017	40,401	\$13,100,000	\$324	Publix Super Markets	St Johns County
Island Walk North	2Q-2017	40,805	\$13,000,000	\$319	Steve Tallides	Clay County
Bartram Village	4Q-2017	25,615	\$13,000,000	\$508	Ronald Rettner	Mandarin
Monument Landing	2Q-2017	61,754	\$12,200,000	\$198	The Josephs Group	Arlington
Sadler Crossing	2Q-2017	40,259	\$11,500,000	\$286	Fairway Investments	Beaches

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%	2Q-2018	I-95/9A Corridor
Seminole Shoppes	Regency Centers	20,000	100%	1Q-2018	Beaches

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