

Miami Retail MarketView

Q3 2013

CBRE Global Research and Consulting

VACANCY
4.2%

ASKING RATE
\$37.76

ABSORPTION
72 K

CONSTRUCTION
1,374 K

COMPLETIONS
45 K

UNEMPLOYMENT
8.4%

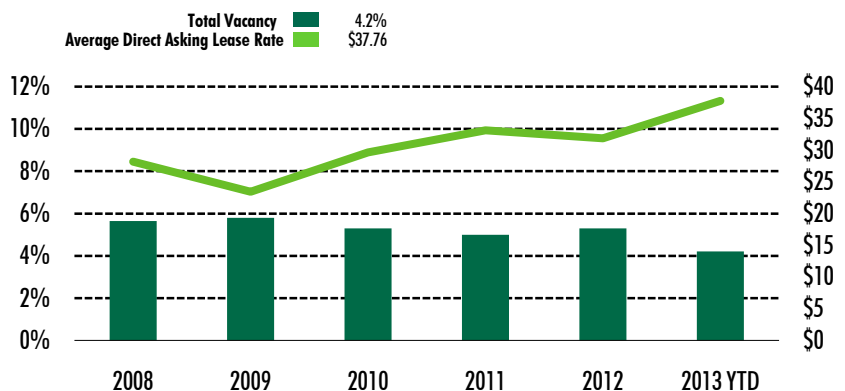
*Arrows indicate change from previous year.

DEVELOPERS VIEW MIAMI AS A WORLD-CLASS CITY WITH A RETAIL MARKET RIPE FOR GROWTH

Hot Topics

- PortMiami issued \$400 million in bonds and is spending nearly \$1 billion on capital improvements through 2018.
- Pop-up shops, or temporary stores that take advantage of a trend or a seasonal product such as Halloween costumes, have long been a part of the retail sector. However, the pop-up trend is spreading from pop-up shops to pop-up restaurants, pop-up lounges and now even pop-up hotels, attracting even high-end consumers without sacrificing luxury.
- Investors are paying a high premium per sq. ft. for single-tenant, net-leased, free-standing retail properties with long-term, strong credit tenants that will provide solid secure income.
- Retailers are redefining their retail footprint and using space more efficiently; big-box retailers are rolling out smaller formats and catering to urban markets.
- Retail space under construction currently totals 1.3 million sq. ft and is the highest level of retail construction activity since 2008.
- Retail Property Sales are up 3.5% quarter-over-quarter and 8.3% year-over-year according to Loopnet.
- Retail vacancy hovers around 4% for the third consecutive quarter in 2013 setting the stage for massive development ahead.

Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q3 2013.

Development

Miami is considered the economic capital for South America, as well as being a banking capital, renowned vacation destination and transportation hub. As the number of retail projects in the CBD and nearby urban neighborhoods continues to climb, it is clear that developers view Miami as one of the major U.S. markets that is "under-stored," and investors agree that consumer buying power exceeds the amount of retail currently in the area. The number of planned projects is estimated at close to 2 million sq. ft. A good example of some of the mega-projects in the works include an elevated Grand Central-style station in Miami as part of All Aboard Florida, the planned passenger rail system connecting Orlando to Miami.

Currently, there are a total of nine projects and over 1.3 million sq. ft. under construction. The largest project is Brickell CityCentre, a \$1.05 billion mixed-use development being constructed by Swire Properties. The 5.4 million-sq.-ft. complex will feature office, residential and hotel towers, in addition to 505,000 sq. ft. of

retail space stretched across 9.1 acres in the heart of Brickell. Another significant project is the \$312 million redevelopment of the Design District, which is being undertaken in a joint effort between Dacra and L Real Estate. The first IKEA in Miami-Dade County, which will be adjacent to Dolphin Mall, is under construction and is scheduled to open in the summer of 2014. The Swedish retailer with 340 stores in 41 countries is expected to create 750 jobs during construction and 350 positions once the new store opens. Gables Ponce, a residential project with a retail component, is expected to be completed during Q4 2013 and has secured Epicure Gourmet Market as an anchor tenant in a 24,044-sq.-ft. space on the ground floor. MDM Development, which is currently building Met 3, a 37,000-sq.-ft. retail development that will feature a Whole Foods Market, Silverspot Cinema, two restaurants, and a nine-level parking garage, is expected to deliver the final component of the Metropolitan Miami complex in downtown Miami in the spring of 2014.

Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Total Occupancy (%)	Qtrly Net Absorption	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Aventura/Sunny Isles	2,347,494	3.8	96.2	500	(4,146)	0	\$32.10
Carol City/Opa Locka	1,780,948	3.6	96.4	(24,787)	41,049	0	\$20.28
Central Miami	1,004,865	3.7	96.3	(2,800)	(1,808)	0	\$32.55
Coral Gables	4,868,537	3.3	96.2	22,546	58,164	84,105	\$35.91
Cutler Bay	1,131,998	6.3	93.7	0	3,422	0	\$21.08
Doral/Medley	1,723,874	2.4	97.5	992	22,844	417,000	\$22.74
Downtown/Brickell	1,359,349	0.1	97.5	24,412	6,753	542,000	-
East Kendall	4,409,408	6.1	93.9	35,300	128,032	47,982	\$33.06
Hialeah	4,989,645	4.2	95.8	(980)	53,099	0	\$20.71
Homestead	2,607,212	2.0	97.8	(1,200)	9,562	84,637	\$15.58
Miami Beach	1,333,066	3.3	96.4	7,190	46,486	0	\$152.04
Miami Lakes	1,380,316	3.4	96.6	1,117	39,070	0	\$23.17
Miami Shores	1,953,197	8.6	91.4	(1,112)	2,385	150,000	\$54.65
North Miami	1,972,523	5.6	94.4	(1,345)	114,700	0	\$14.19
West Kendall	4,562,744	2.7	97.3	15,627	87,350	47,900	\$23.91
West Miami	4,492,356	5.0	95.0	(3,639)	15,849	0	\$23.78
Total Market	41,917,532	4.1	95.8	71,821	622,811	1,373,624	\$37.76
Total Before Free Standing	37,383,966	4.5	95.3	77,824	601,528	871,987	\$37.76
Free Standing	4,533,566	0.7	99.3	(6,003)	21,283	501,637	-
Shopping Centers	31,050,392	4.4	95.4	50,850	475,148	95,882	\$25.52
Mixed Use	6,333,574	5.0	94.9	26,974	126,380	776,105	\$82.12

Source: CBRE Research, Q3 2013.

The 44,862-sq.-ft. Building 4 in the re-developed Dixie Belle Shoppes was completed during Q3 2013. The center has an occupancy rate of 81.4%, with tenants including BankUnited, Starbucks, Chipotle, Sleep Number and Supercuts.

Leasing Activity

The Miami retail scene is moving into a new era. As people move back to the urban core, retailers follow, causing them to redefine their retail footprint and use space more efficiently. Big-box retailers are rolling out smaller formats and catering to urban markets, such as CityTarget and Walmart Neighborhood Markets. This phenomenon could explain a lower than average absorption, which was only 71,821 sq. ft., compared to 332,867 sq. ft. in Q2 2013. It could also explain the climbing average asking rate, now \$37.76, up an astonishing \$6.07 year-over-year.

A Miami neighborhood that was once considered dilapidated and slightly dangerous is quickly becoming an international shopping destination. Currently undergoing a \$312 million overhaul, the Design District is the future home to some of the world's most exclusive brands. Luxury brands are flocking to join the growing list of top designers such as Louis Vuitton, Prada and Emilio Pucci in the Design District. Within the next year, an anticipated 50 new stores will open, with another 50 opening in 2015. Some brands, such as Hermès, are so eager to open boutiques in the exclusive shopping district that they have opted to open temporary, "pop up" stores while future permanent spaces are built. Other retailers,

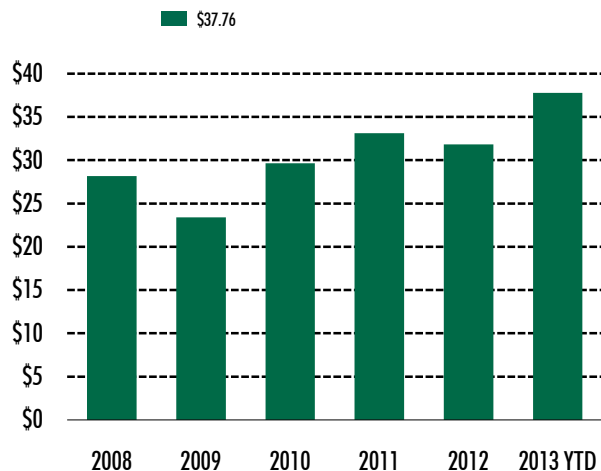
like home furnishings company Mitchell Gold & Bob Williams, which signed a 10,000-sq.-ft. lease for their flagship store during Q3 2013, are moving into permanent spaces that are already built.

As a world-renowned vacation destination, Latin American business hub and shopping mecca, Miami is also attracting world-class restaurants, such as L'Entrecote. With locations in Paris, London and New York, L'Entrecote opened a dining establishment in Brickell during Q3 2013. The influx of new developments and residents into the Brickell area makes it an attractive location for other dining establishments to follow suit. The much anticipated Mediterranean restaurant Lippi, at 600 Brickell Avenue, and the British-inspired Box Park, sister to the Hoxton, both opened in Brickell during Q3 2013. Harvey Wolf, the third restaurant in the trio of European pubs is anticipated to open during Q4 2013. The three-story, 15,000-sq.-ft. space at 801 Brickell Avenue that will serve as the new home to China Grill, which recently closed in Miami Beach in preparation for the move to Brickell, is in the final stages of renovations for the restaurant's opening in Q4 2013.

Investment Sales Activity

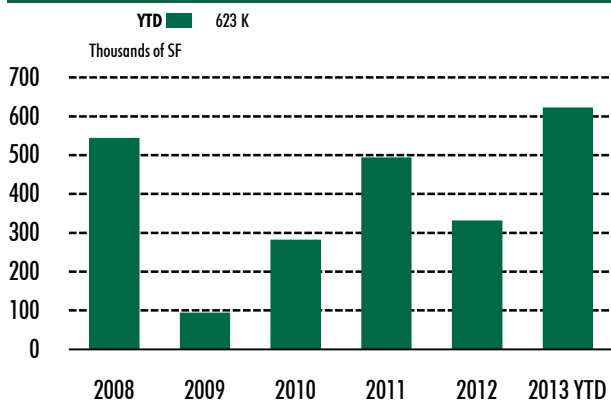
The universe of buyers in retail property investments has increased dramatically year-to-date, according to Real Capital Analytics, and the private sector has experienced the greatest growth. This has been fueled by the rebound of commercial mortgage-backed securities. This, together with a focus by institutional investors and

Average Dir Asking Lease Rates (NNN)



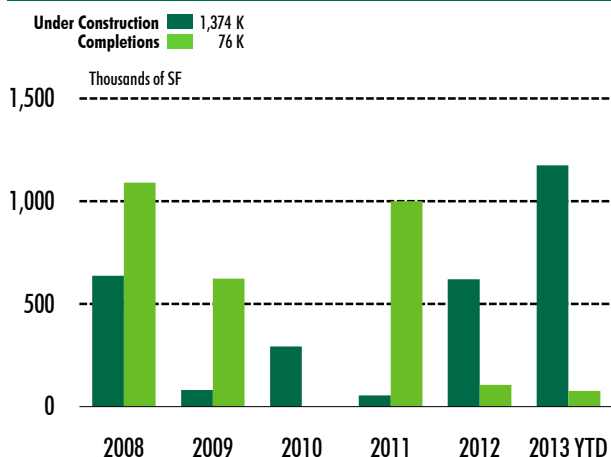
Source: CBRE Research, Q3 2013.

Net Absorption



Source: CBRE Research, Q3 2013.

Under Construction and Completions



Source: CBRE Research, Q3 2013.

equity funds on the retail market, has driven up prices over the past year.

Retail investment sales were \$89.5 million for Q3 2013, an increase of 55.4% quarter-over-quarter, bringing the total year-to-date sales activity to \$535 million. Investors are paying a high premium per sq. ft. for single-tenant, net-leased, free-standing retail properties with long-term, strong credit tenants that will provide solid secure income. During Q3 2013, there were three noteworthy sales in the North Miami and Miami Beach submarkets. The 35,996-sq.-ft. Whole Foods Market at 12150 Biscayne Boulevard sold for \$19.8 million to Happiness, Inc. The single-tenant net-leased property was completed in May 2013. The second-largest transaction of the quarter based on dollar value was the sale of Citibank at 830 5th St. in Miami Beach for \$7.8 million, or \$1,515 per sq. ft. The brand new 5,150-sq.-ft. net-leased bank is located on 5th Street on South Beach. Another new freestanding bank branch that changed ownership during Q3 2013 was TD Bank at 7400 Bird Road, which sold for an impressive \$1,974 per sq. ft., or \$5.85 million. TD Bank has a 20 year lease at the 2,964-sq.-ft. location.

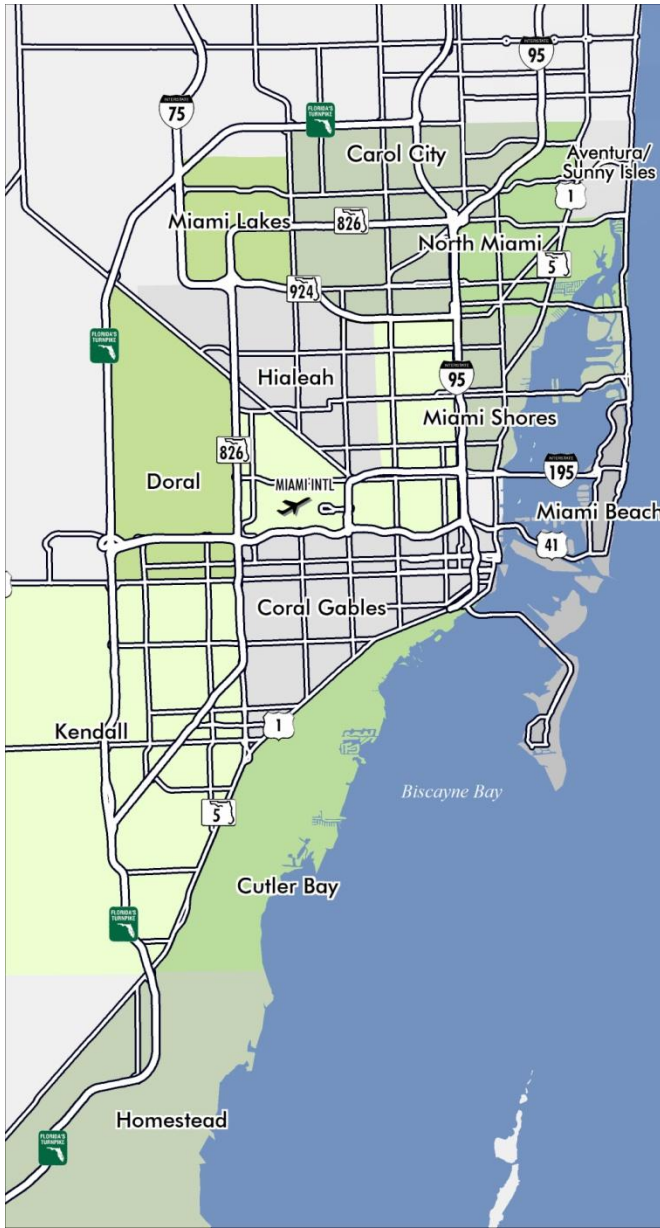
Economic Influence

Attracting over 13 million visitors annually, and contributing an astounding \$21.8 billion to the local economy in 2012, Miami's tourism industry is a crucial component to the Miami retail sector's success. Miami's largest economic engine, Miami International Airport, welcomes 98% of the visitors to Miami. Ranked #2 in the United States for number of international passengers, MIA is the largest airport in Florida and one of the busiest airports in the country. Miami International recently underwent \$6.4 billion in capital improvements, including an expanded airfield, expanded parking and the addition of 4 million sq. ft. of terminal space and 29 more gates in order to accommodate the growing number of visitors traveling through the airport.

Known as the *Cruise Capital of the World*, PortMiami is Miami's second-largest economic powerhouse. The Port has welcomed more than four million cruise passengers annually over the past four years, contributing millions of dollars to the local economy. Port officials anticipate a growing number of cruise passengers and are planning ahead for steady future growth, investing more than \$20 million in recent upgrades to cruise terminals. Cruise Terminal D underwent a major renovation that expanded passenger capacity in order to facilitate processing for mega-ships. Cruise Terminal J, which caters to high-end cruise tenants, received a \$3 million facelift. Future construction phases are planned, which will increase capacity. The 2013 cruise season marks a large expansion of the port's cruise industry with new cruise brands and new ships joining the fleet. Over a 12-month period, PortMiami will have added three new brands to its roster: Disney Cruise Line, Regent Seven Seas and MSC Cruises.

Outlook

With vacancy hovering around 4% since the beginning of the year, it's apparent that Miami retail space is a desirable commodity. Developers are moving enthusiastically forward with plans to fill the demand for space. Megaprojects like All Aboard Florida and Miami WorldCenter, all within the urban core, are fueling that growth. Miami will be home to many exciting changes, and industry experts agree these changes will create a vibrant future for the Miami retail sector.



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