



MIAMI RETAIL: REINVENTING ITSELF

BUSINESS BRIEFING

A Cushman & Wakefield Research Publication



MIAMI: REINVENTING HIGH STREET

Long known for its tropical climate, beautiful beaches and tantalizing nightlife, Miami has been one of the world's top international tourism destinations for decades. But the trends of globalization and growing international wealth have cemented Miami's status as a global gateway city for business as well, especially for Latin American business.

In terms of cultural diversity, the city is also unparalleled. It is the second largest U.S. city with a Spanish-speaking majority and the largest U.S. city with a Cuban-American plurality. Once known as a retirement haven, Miami now ranks as the 15th youngest city (out of the top 50 U.S. cities) in terms of average age. This trend is largely driven by Millennials.

Shifting demographics, record-setting tourism and Miami's growing stature as a center of Latin-American finance are all factors that are radically redefining both the city itself and its ever-evolving retail landscape. Luxury retailers that once congregated in Miami's glamorous South Beach neighborhoods have begun to infiltrate up-and-coming

submarkets like Brickell, Wynwood and the Design District. The emergence of not one, but three new high street retail districts has meant that Miami now leads the U.S. in terms of growth from the luxury retail sector. Meanwhile, the Downtown and Arts & Entertainment areas continue to transform into vibrant, 24/7 live-work-play environments while the city's retail landscape reinvents itself.

Though a robust and growing tourism element is central to this story, Miami also finds itself at the epicenter of the two most important demographic trends impacting the retail marketplace today: the emergence of the Millennial shopper and the rise of Hispanic buying power. Miami's ongoing retail



“The evolution of Miami’s retail scene likely has profound implications for other high street urban markets across the U.S. as our cities become both younger and more diverse.”

transformation may therefore have an impact that reaches far beyond city limits with profound implications for other high street urban markets across the U.S. as cities become both younger and more diverse.

Diverse & Growing

While the city of Miami itself may only be the 44th largest city in the U.S. (with a population of just under 420,000 people), it is the undisputed epicenter of South Florida, which is the fourth largest urban area in the U.S. with a population of roughly 5.5 million people. This is one of the most densely populated urban areas in the nation with an average of more than 4,400 people per square mile. Of the 20 largest (population) urban areas in the country, only the greater New York, Los Angeles and San Francisco urban areas boast higher population density. It is also one of the fastest-growing regions in the country.

The population of Miami-Dade County now stands at just under 2.7 million people. This number increased by 6.5% from 2010 to 2014 with the city of Miami itself leading the way. According to the latest data available from the U.S. Census Bureau, the Miami/Fort



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Lauderdale/Palm Beach metropolitan statistical area (MSA) was one of the fastest growing MSAs in the country in the 12-month period ending in July 2014. All told, the region added 66,000 new residents in just one year. Broward County led the way with a net population gain of 24,000, while Palm Beach County added 22,000 and Miami-Dade County added 21,000 people.

The Miami metropolitan area is not only one of the fastest growing regions in the U.S., but it is by far one of the most culturally diverse. Within Miami-Dade County itself, 66.2% of all residents identify themselves as Hispanic or Latino. Within Miami's urban core, which consists of the city's mainland submarkets and Miami Beach, this diversity is particularly evident.

Within Miami's urban core, roughly 54% of the total population speaks Spanish in the home. This is well above the 39.9% average prevalent throughout the Miami/Fort Lauderdale/Palm Beach MSA. The Brickell submarket has an especially large concentration of Spanish speakers with these metrics at just under 64%. This diversity creates a multilingual employment base and a cultural heart that acts as a gateway for Latin/South American business and tourism. This is one of the reasons why Downtown Miami is home to the greatest concentration of international banks in the country. According to

MIAMI-DADE COUNTY DEMOGRAPHICS RACIAL DIVERSITY

White	77.9%
African American	18.9%
American Indian	0.3%
Hispanic	66.2%

**Hispanics may be of any race, so are also included in applicable race categories.*

Source: U.S. Census Bureau

Miami-Dade officials, Miami supports over 105,000 jobs through its international trade. In 2014, Miami Customs District 52 set a national record with a \$25.7 billion trade surplus.

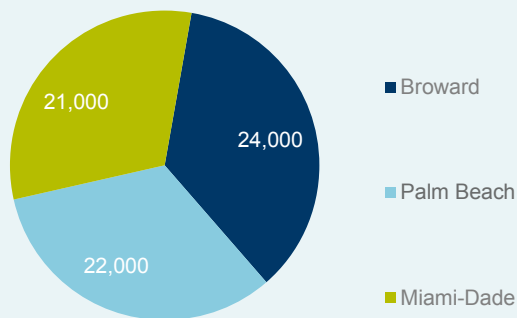
Increasing Population... and Affluence

The urban core has led growth within Miami-Dade County. Over the past 15 years, the population in the city's mainland core markets has expanded by an astounding 93.1% as the number of households within these trade areas has more than doubled. Comparatively, the population of Miami Beach grew by 7.0% during this same period.

At the heart of this growth has been the trend of urban revitalization that, save for a brief pause during the recession, has transformed Miami's urban core for most of the past decade. Between Q3 2006 and Q3 2015, developers added more than 37,000 new multifamily housing units (including both condominiums and apartments) in Miami-Dade County. Those numbers are only intensifying going forward. Cushman & Wakefield is tracking about 24,000 multifamily housing units that are currently under construction in Miami-Dade County and an additional 30,000 units that are in various stages of proposal.

This growth has been accompanied by an increase in affluence as well. According to the latest Census Bureau data, the number of

MIAMI MSA POPULATION GROWTH BY COUNTY (2013 - 2014)



Source: U.S. Census Bureau



lower- and middle-class households in Miami-Dade County fell slightly from 2009 to 2014, while the number of high-income households skyrocketed. The number of households earning between \$100,000 and \$149,999 per year increased by 19.9%. Households with a total annual income of \$150,000 to \$199,999 grew by a whopping 32.6%. Meanwhile, the number of households reporting annual income of \$200,000 per year or more expanded by an amazing 40.6%.

Much of this growth has been driven by urban revitalization in Miami's core mainland markets. The average household income in Brickell, Downtown and the Arts & Entertainment District is now \$75,500 per year compared to \$65,810 for the county as a whole.

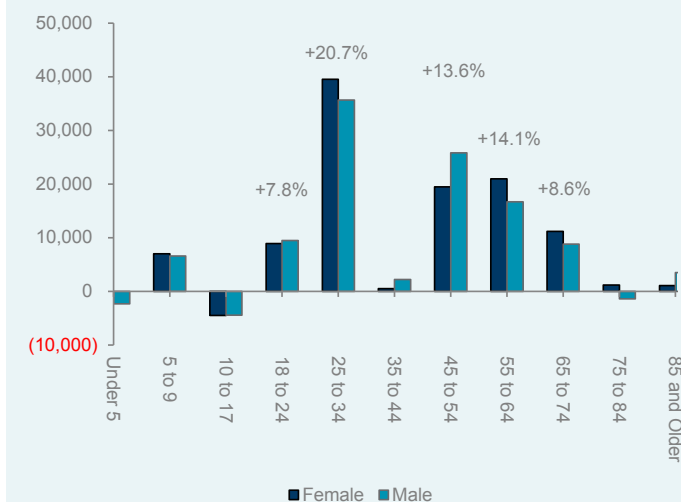
Between 2007 and 2012, the strongest growth in Miami-Dade County was the 25 to 34 year-old age bracket, which accounted for nearly 80,000 new residents and a robust growth rate of 20.7%. The second largest group in terms of actual numbers was 45 to 54 year-olds which added roughly 45,000 new residents at a growth rate of 13.6%. The 55 to 64 year-old age demographic increased by 14.1% (38,000 people), while the 18 to 24 year-old bracket grew by 7.8% (19,000 new residents). In other words, Millennials and empty nesters (mostly Baby Boomers) have been driving Miami's population growth trends.

The Brickell submarket, which lies directly south of Downtown, is very similar to the CBD in that 30% of its population is comprised of urban-living young adults. But perhaps most notable is the fact that the Brickell submarket ranks above all other Miami urban core submarkets with 65% of the population holding a bachelor's degree or higher. This largely contributes to more affluent income levels, as the average household income within the Brickell submarket exceeds other local submarket income averages by as much as \$50,000 per year in some cases. The higher education and income levels of Brickell's young urban professionals translate to higher retail sales volumes in their preferred areas.

Demographics=Destiny

Ultimately demographic trends impact all real estate, but demographic shifts manifest themselves first in housing and then typically in retail. The radical changes currently taking place

MIAMI-DADE COUNTY POPULATION CHANGE BY AGE & GENDER 2007 - 2012



Source: U.S. Census Bureau

within Miami's retail marketplace are directly related to its location at the epicenter of two major trends: the emergence of the Millennial consumer and the rise of Hispanic buying power.

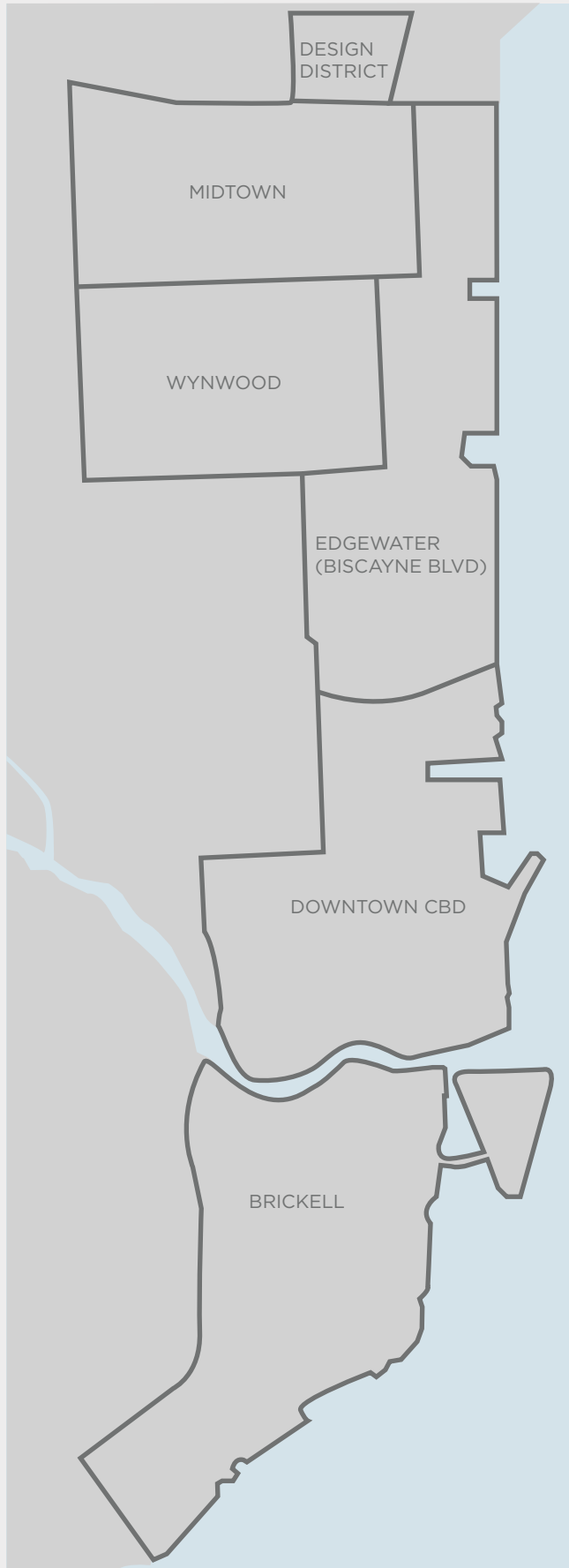
Millennials are now the largest single age demographic in the nation; there are now roughly 85 million Millennials in the United States. Baby Boomers are now the second largest age demographic at just under 74 million. According to Census Bureau estimates, Millennials now account for 21% of estimated net worth dollars and 18% of total income dollars, but those numbers are increasing quickly as this group (the oldest Millennials are now 35) moves increasingly towards middle age. Meanwhile, though Baby Boomers still constitute an estimated 34% of all net worth dollars and 39% of income dollars, those numbers are falling as this generation ages. While Boomers may still account for more actual wealth, this hasn't changed the fact that Millennials have emerged

MIAMI-DADE COUNTY DEMOGRAPHICS - GROWTH BY INCOME

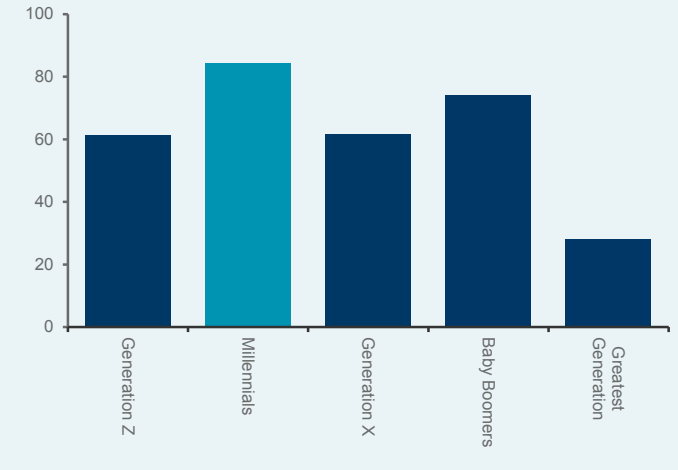
Total Household Income	2010	2014	2009 - 2014 % Change
Less than \$10,000	93,144	88,189	-2.6%
\$10,000 to 14,999	63,882	60,062	4.7%
\$15,000 to \$24,999	106,815	110,218	4.1%
\$25,000 to \$34,999	95,921	91,281	-3.3%
\$35,000 to 49,999	116,701	120,082	-1.4%
\$50,000 to \$74,999	134,511	136,021	-0.7%
\$75,000 to \$99,999	72,099	80,349	-1.8%
\$100,000 to 149,999	72,857	85,270	19.9%
\$150,000 to \$199,999	24,505	33,072	32.6%
\$200,000 or more	29,254	39,343	40.6%

Source: U.S. Census Bureau

MIAMI MAINLAND RETAIL SUBMARKETS



AMERICAN CONSUMERS BY AGE GROUP



Source: U.S. Census Bureau

as the most desired demographic for the lion's share of retailers. Younger shoppers have traditionally been the drivers for a wide range of retail categories from apparel and sporting goods to dining establishments.

Both Millennials and empty nest Baby Boomers have increasingly driven demand for urban multifamily product over the past decade, particularly in 24/7 cities that offer live/work/play environments. This trend is already clearly evident in Miami where growth has been overwhelmingly driven by both age demographics, while the Generation X demographic has actually shrunk with that group in the midst of its prime child-rearing years. The same trend may hold true for aging Millennials, but the out-migration from that group to suburban or rural settings will more than be offset by the arrival of Generation Z and the continued in-migration of the empty nesters.

11.7%

Population growth in Miami's mainland core submarkets since 2010



Upscale Latinos: The New Baby Boomers

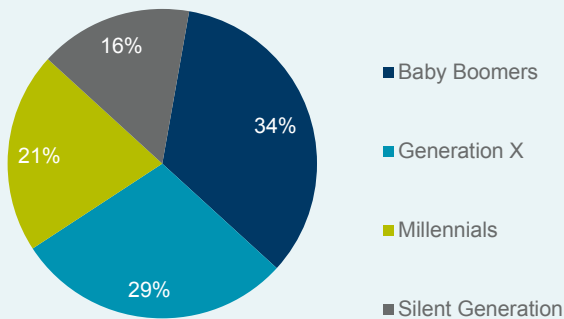
The other significant demographic trend helping to fuel Miami's retail reinvention is the rise of what Nielsen refers to as America's New Baby Boomers: Upscale Latinos. According to the Census Bureau, 55 million Americans identify themselves as Hispanic or Latino. As a demographic group, Hispanic consumers are projected to surpass Generation X (61.5 million) sometime in the next couple of years. Hispanics constitute 17% of the overall population of the U.S. and are the fastest-growing racial/cultural demographic. The population of the U.S. increased by 2.35 million people between 2013 and 2014—Hispanics accounted for 1.15 million of that total. The Hispanic consumer base has grown by roughly 2.0% annually each year for the past decade. The Census Bureau projects the U.S. Hispanic population to reach 119 million by 2060, by which time Latinos will account for 28.6% of the nation's population.



Upscale Latino consumers

now account for roughly 27% of the overall Hispanic population ... They are responsible for 38% of the \$1.3 trillion spend annually in the U.S. by Hispanic consumers.

SHARE OF TOTAL NET WORTH DOLLARS



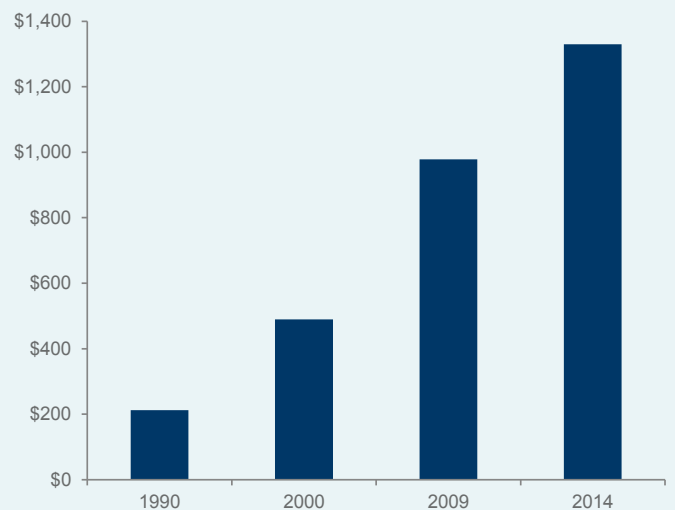
Source: Shullman Research Center

Miami-Dade County has obviously been at the forefront of this growth with 66.2% of its residents identifying themselves as Latino. But Miami's growing Hispanic community also helps to demonstrate some key points often misunderstood about the nation's fastest growing demographic. First, while the overall U.S. population is aging, the Latino population remains young (the median age of the nation's Hispanic population is just 28 years old while the overall median age is 37). Secondly, the Hispanic/Latino demographic is far from monolithic. Vast and significant cultural differences exist within this consumer group. And lastly, Hispanics are not only the nation's fastest growing demographic in terms of population, but the fastest growing segment of the economy in terms of overall buying power.

Rising levels of educational attainment, growing levels of employment, increasing entrepreneurial activity and the gradual shift for many Latino families from immigrant to second- or third-generation citizenship has meant the rise of a Hispanic middle class that is all too often overlooked by American retailers. In a recent report published jointly with the Association of Hispanic Advertising Agencies, Nielsen estimated that there are now 15 million "Upscale Latino" consumers in the U.S. that account for roughly 27% of the overall Hispanic population, and they are responsible for nearly \$500 billion (or 38%) of the more than \$1.3 trillion spent annually by this demographic group.

The emergence of the Millennial consumer and the rise of Hispanic buying power are arguably the two most important demographic shifts underway today in the U.S., and Miami is at the epicenter of both trends. Yet, there is another element driving the city's retail transformation and that is the impact of tourism, particularly international tourism.

HISPANIC BUYING POWER IN \$ BILLIONS



Source: Selig Center for Economic Growth

International travelers spend more at retail establishments than their domestic counterparts.

Domestic travelers in the U.S. spend an average of 7% of their travel budgets on retail expenditures. International visitors spend an average of 30%.



Booming Tourism

Tourism is a major retail driver. According to the U.S. Travel Association, in 2014 the nation's travel industry generated \$2.1 trillion in revenues. This broke down to \$927.9 billion in direct travel spending (transportation, lodging, etc.) and \$1.2 trillion in indirect and induced spending, with retail spending accounting for a sizable part of that total. The travel industry also supports an estimated 15.0 million jobs in the U.S.; 8.0 million Americans are directly employed by the industry with another 7.0 million in related fields impacted by travel.

In 2014, a record-setting 97.3 million visitors came to Florida, reflecting a year-over-year increase of 3.9%. Of those, 11.5 million were from overseas and 3.8 million came from Canada. Miami-Dade County also welcomed more tourists in 2014 than ever before. According to the Greater Miami Convention and Visitors Bureau (GMCVB), a total of 14.5 million visited the greater Miami metro in 2014. These numbers were up 2.4% over 2013 totals. What may be an even more critical statistic is the fact that roughly half of those visitors (7.26 million) were international travelers. More than 4.3 million Latin Americans visited Miami in 2014, while roughly 1.4 million European travelers came to the region.

While Miami Beach hosted 47.8% of these overnight travelers, Downtown Miami is the second most popular area to stay and has steadily seen its share of overnight visitors to the region climb over the past few years. All told, Miami's hotel room inventory is in excess of 50,000 rooms. Despite stiff competition from Orlando, it remains the top-performing hotel market in the state of Florida. Additionally, according to the GMCVB, Miami ranks in the top five in all three of the hotel industry's major measuring benchmarks: average occupancy, average daily room rate and revenue per room.

The role of international tourism in driving retail sales cannot be understated. According to the U.S. Travel Association, spending by international visitors accounts for 15% of all travel expenditures in the country with Florida ranking as the top state in terms of overall spending by international travelers. Most importantly, international travelers generally spend more at retail establishments than their domestic counterparts. While domestic travelers in the U.S. spend an average of 7% of their travel budgets on retail expenditures, international visitors allocate roughly 30% of their travel budgets to retail purchases. Of the estimated \$23.8 billion that was spent by visitors to Miami-Dade County last year, an estimated 79% of that total was attributable to international travelers.

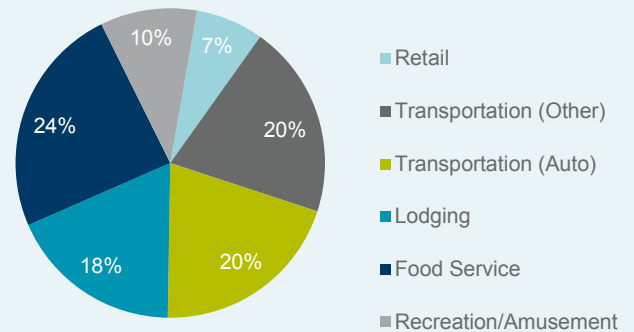
The GMCVB has predicted that the total visitor tally for Miami-Dade County in 2015 should top the 15 million visitor mark. According to their forecast, the region's hospitality industry should close the year with a 2.1% overall increase in occupancy, a 5.4% boost in average daily room rates and a 7.7% jump in revenue per room. They also remain bullish on 2016. Though a stronger dollar will likely serve as a headwind to international travelers from many key regions of the world in 2016, Cushman & Wakefield believes that this trend will likely be offset by safety concerns in Europe. Barring any major terrorist attacks in the U.S., we anticipate that while tourism from Latin America may slow slightly in 2016, visits from Europeans may increase. All of these trends are expected to drive demand for retail throughout the Miami metro area and particularly in the mainland urban core submarkets.

33.0%

Percentage of foreign visitor foot traffic at existing Miami shopping hubs.

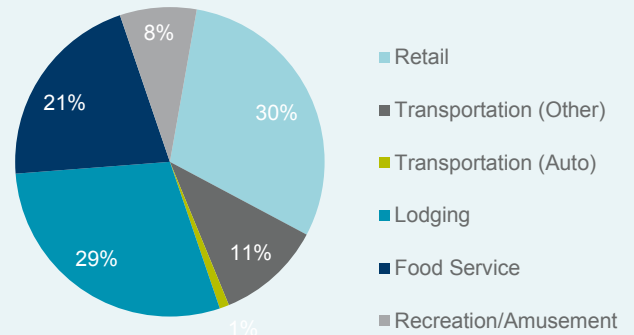


DOMESTIC TRAVELER SPENDING



Source: U.S. Travel Association

INTERNATIONAL TRAVELER SPENDING



Source: U.S. Travel Association



intervening 12 months, nearly 6,200 new units were delivered to the marketplace. These were absorbed rather quickly and with virtually no impact on the overall trend of climbing rents that has been in place since 2010.

The average asking rent per unit in Miami-Dade now stands at \$1,219 per month, though there are considerable variances depending on the submarket. This number has increased by 8.4% over the past year. Since the return of rental rate growth exactly five years ago (Q3 2015), overall asking rates have increased by 28.2%, and the rate of increase has steadily climbed. This is despite the fact that over 15,300 new rental units have delivered during that time frame.

Millennials and empty nesters seeking urban lifestyles in a 24/7 live/work/play environment continue to drive demand for multifamily product in metro Miami, a trend not likely to end anytime soon. That being said, there are more than 22,800 multifamily units currently under construction in Miami-Dade County with delivery dates through midyear 2018. This is the

Hotel Development Ramping Up

Cushman & Wakefield is currently tracking 11 hotel projects under construction in Miami-Dade County, the largest of which is Swire Properties' 263-room EAST Hotel. This establishment, which is part of Brickell City Centre, Phase I, is slated to open in June 2016. Also within the Brickell submarket is a new 140-room Hotel Indigo (scheduled for completion in December 2016) and the 208-room Panorama Hotel Tower (slated for June 2017 delivery). Other projects underway include the 96-room Monarch Hotel (December 2016 delivery) and the 169-room Faena Hotel (March 2016 delivery), both of which are in the Palm Beach submarket. Meanwhile, Coral Gables will be home to the new 137-room Aloft Coral Gables Hotel upon its scheduled completion in January 2017.

Following the Rooftops

As of the close of Q3 2015, apartment vacancy in Miami-Dade County stood at just 2.9%, making it one of the tightest urban rental markets in the nation. This number was down from 3.2% at the midyear point of 2015, though it is actually up slightly from the 2.8% level that was posted exactly one year ago. But in those

72%

Percentage of Miami's mainland core population that are renters

highest level of multifamily development that the market has seen since the boom of the late 1980s, and though some of these may end up being converted to condominiums, the reality is that this level of new construction will impact vacancy levels and rents. Regardless, while we anticipate a slight uptick in vacancy levels as the market absorbs waves of new product, rents will not retreat. Instead, year-over-year rental rate growth will likely slow from today's pace. Miami-Dade County's population grew by over 20,000 new residents last year, another trend unlikely to end in the near future. As for the potential impact of all this construction on Miami's retail sector? More rooftops simply mean more consumers and more retail opportunities.

STATE OF THE MARKET APARTMENTS Q3 2015

Select Submarkets	Total Inventory	Q3 2015 Vacancy	Q3 2014 Vacancy	Deliveries Last 12 Months	Units Under Construction	Q3 2015 Avg. Asking Rent	Q3 2014 Avg. Asking Rent
Brickell	11,115	3.4%	3.7%	1,294	4,892	\$1,904	\$1,840
Downtown	6,549	1.3%	2.5%	0	1,446	\$1,207	\$1,141
Miami	41,978	2.8%	3.3%	757	796	\$974	\$918
Biscayne Corridor	10,839	7.1%	1.8%	919	2,544	\$1,530	\$1,420
Coconut Grove	3,355	2.6%	2.7%	67	96	\$1,053	\$971
Coral Way	4,833	6.1%	5.0%	137	344	\$1,695	\$1,436
Coral Gables	5,713	6.4%	4.6%	308	476	\$2,049	\$1,873
Miami-Dade County	286,839	2.9%	2.8%	6,187	22,849	\$1,219	\$1,125

Source: Cushman & Wakefield Research/CoStar Group

Condos Cooling, Not Crashing This Time

While Miami's apartment rental market remains white hot, the market for condominiums has slowed in recent months thanks largely to the year-long climb in the U.S. dollar. The luxury condo market was hit hard by the housing collapse of 2008. The city was in the midst of a condo building boom just as bad loan product began to unravel the residential marketplace. As foreclosures mounted, local condo developers faced the extreme challenge of an aggressive development pipeline that still brought more than 10,000 new units to market in 2008 as the economy was going off the rails. In fact, new units accounted for more than a quarter of the region's inventory in 2008—an amount that would be a challenge for any market to absorb, much less one heading into the worst economic downturn in almost 80 years. This crashed values by as much as 50% or more during the recession.

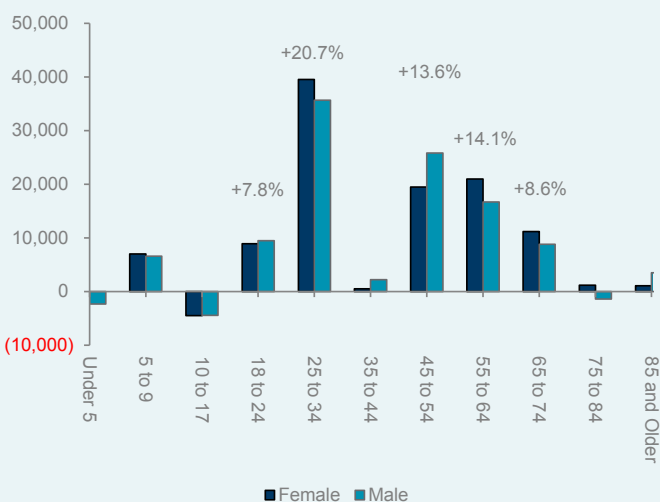
The good news is that Miami's housing market bounced back from the crisis faster than any other major housing market in the country. By 2011, the local condominium market was hot again, fueled in large part by a weak dollar and an influx of buyers from Latin America and Europe. New post-recession-era development models initially required buyers to put down as much as 50% on units before projects broke ground, allowing developers to bypass traditional financing methods. But the dollar has increasingly strengthened against virtually every foreign currency over the past year, and this has slowed activity over the course of the past few months. This slowdown is taking place just as new development levels are ramping up. However, a crash is unlikely for multiple reasons.

While 2015 will close with roughly 2,000 new condo units (of which about 1,500 are Downtown), it is critical to note that over the past four years the market only added about 1,500 units and that these projects have largely been absorbed with occupancy rates nearing 100%. About 5,700 units are currently under construction with delivery timelines staggered over the next couple of years, with another 16,000 units in the planning phase (nearly 7,000 of which are in the Downtown area). However, developers are unlikely to move forward on most of these projects speculatively.

Though we see condo sales activity cooling from the breakneck pace of the last few years, the market should be able to gradually absorb what is in the development pipeline.



MIAMI-DADE COUNTY POPULATION CHANGE BY AGE & GENDER 2007 - 2012



Source: U.S. Census Bureau

**STATE OF THE MARKET CONDOMINIUMS
GREATER DOWNTOWN MIAMI CONDOMINIUM PIPELINE Q3 2015**

Submarket	Completed	Under Construction	Contracts	Reservations	Proposed	Totals
Arts & Entertainment	0	83	0	941	1,758	2,782
Brickell	1,317	3,614	549	406	4,151	10,037
CBD	0	352	625	449	7,581	9,007
Edgewater	561	2,256	30	360	1,349	4,556
Midtown	0	0	400	0	195	595
Wynwood	0	11	0	0	478	489
Miami-Dade County	1,878	6,316	1,604	2,156	15,512	27,466

Source: Miami Downtown Development Authority

SELECT GREATER DOWNTOWN MIAMI CONDOMINIUM PROJECTS Q3 2015

Project/Market	Units	Project/Market	Units	Project/Market	Units
Canvas (A&E)	513	Gran Paraiso (Edgewater)	360	Brickell City Centre	773
Auberge (A&E)	428	Biscayne Beach (Edgewater)	399	Flatiron (Brickell)	549
Paramount Miami (CBD)	472	Paraiso Bay (Edgewater)	360	1010 Brickell (Brickell)	387
River Tower (CBD)	449	One Paraiso (Edgewater)	276	Brickell Heights E & W (Brickell)	682
Centro (CBD)	352	Paraiso Bay (Edgewater)	398	The Bond (Brickell)	328
Hyde (Midtown)	400	SLS Hotel/Residences (Brickell)	450		
Aria on the Bay (Edgewater)	647	One River Point (Brickell)	406		

Source: Miami Downtown Development Authority

Booming Retail Sales, Skyrocketing Demand

All of the trends that we have explored thus far in this business briefing—Miami’s strong population growth, the rise of the Millennial consumer, the explosion of Hispanic buying power, robust growth in tourism, the booming multifamily market and even the continued growth of the city’s condo market—have all translated into booming retail sales and skyrocketing demand from retailers.

According to Experian, retail sales (including Food Service & Drinking Places) in Miami’s core mainland submarkets now total more than \$2.1 billion annually. The Arts & Entertainment area

\$2.1 Billion

Total 2014 retail sales in Miami’s mainland core submarkets

(including Edgewater, Midtown, Wynwood and the Design District) leads all the mainland submarkets with \$910 million in total annual retail sales. Meanwhile, Brickell leads the core mainland markets in terms of total restaurant sales, while the Downtown/CBD trade area captures the most apparel sales.

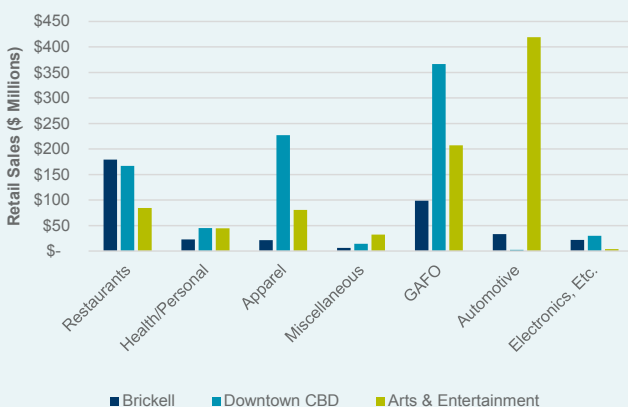
Between projects already under construction in Miami-Dade County and those slated to begin work shortly, over 1.9 million square feet (MSF) of new retail space is in the pipeline with delivery dates through 2018. These numbers include both redevelopment projects (Coral Gables’ Miracle Mile and Miami Beach’s Lincoln Road) as well as new ground-up development like the 750,000 square foot (SF) Mall at Miami Worldcenter, the 505,000 SF Brickell City Centre and the 300,000 SF CityPlace Doral, among others. In the Design District, Brickell and Wynwood submarkets, three new upscale retail districts are emerging virtually overnight. These trends guarantee that all of these retail sales metrics will climb exponentially over the next few years. Moody’s Analytics forecasts total retail sales for Miami-Dade County to grow by 25.8% by 2019.

Moody’s Analytics forecasts total retail sales for Miami-Dade County to grow by 25.8% by 2019.



In terms of the luxury retail sector, no other major U.S. city has seen as much growth, active requirements or leasing activity over the past year, and this isn’t likely to change in 2016.

MIAMI-DADE COUNTY TOTAL RETAIL SALES BY CATEGORY 2014



Source: Map Insight, Experian, Cushman & Wakefield Retail Research

Options! Options! Options!

The retail reinvention of Miami’s core mainland markets has also provided retailers with a wealth of options. In terms of the luxury retail sector, no other major U.S. city has seen as much growth, active requirements or leasing activity over the past year, and this is not likely to change in 2016.

The Miami-Dade County market has roughly 125.6 MSF of retail space, 7.1 MSF of which (or 17.7%) is located in the core mainland submarkets. As of the close of Q3 2015, overall retail vacancy stood at just 3.4%, making it one of the tightest vacancy markets in the nation. Throughout the post-recession era, Miami has

Tight vacancy, aggressive rental rate growth, robust residential development and escalating demand have combined to produce the retail construction boom that is currently underway.

boasted some of the lowest vacancy levels in the nation thanks both to continued (and strengthening) levels of retail demand and the relative dearth of new construction until recently.

Tight leasing conditions have translated into aggressive rental rate growth. Overall retail asking rates have increased by 8.8% annually to the current average of \$32.92 per square foot (PSF) annually on a triple net basis. This metric has increased by 32.7% since 2011. Of course, this rate reflects averages for all retail space types. Rates for premier, or high street, retail space are a different story. Top rents in the Design District now approach \$225 PSF. But while the rates dramatically differ, most product types have seen rapidly climbing rents over the past three years as leasing conditions tightened. Tight vacancy, aggressive rental rate growth, robust residential development and escalating demand have combined to produce the current retail construction boom.

The Game Changers

Miami Beach has traditionally served as home to Miami’s premier retail districts: the Collins Avenue and Lincoln Road corridors. Miami Beach is also home to more than 400 hotels, in excess of 60 luxury resorts, and one of the most exclusive luxury malls in

RETAIL VACANCY BY PRODUCT TYPE Q3 2015

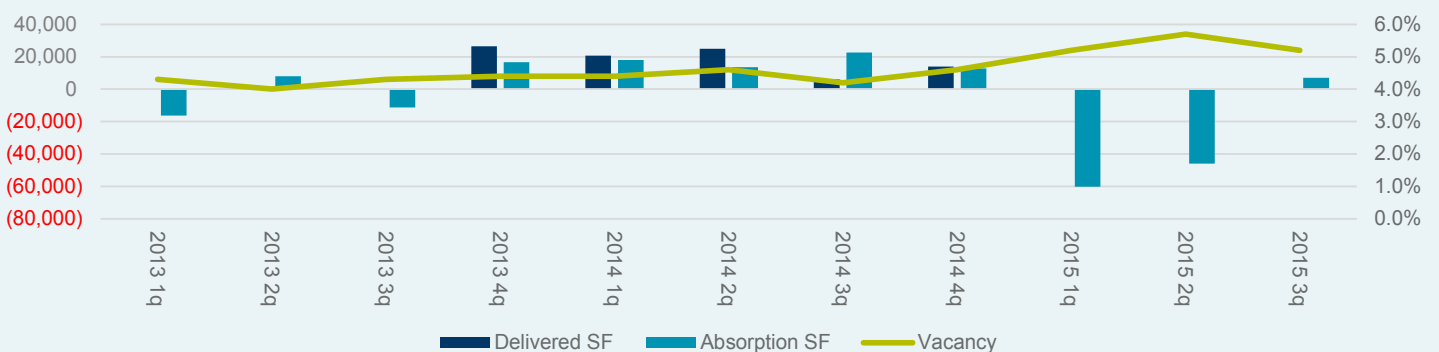
	Miami-Dade County	U.S.
General Retail	3.2%	3.8%
Regional/Super Regional Malls	2.1%	5.6%
Power	1.1%	4.5%
Neighborhood/Community/Strip	4.2%	8.9%
Specialty	1.1%	5.9%
Total Market	3.4%	5.7%

Source: CoStar Group, Cushman & Wakefield Retail Research

the U.S., Bal Harbour Shops. According to a recent report from Green Street Advisors, Bal Harbour generated an average of \$3,010 PSF in retail sales in 2014, more than any other mall in the nation. A north-south corridor that runs the length of Miami Beach, Collins Avenue extends from exclusive Bal Harbour to the north to the nightlife-infused Art Deco District of South Beach. The Collins Avenue Shopping District features more than 30 designer shops such as Armani, Guess, Intermix, Kenneth Cole, Nicole Miller, Sephora, Tommy Hilfiger, UGG and Versace. Meanwhile, the Lincoln Road Corridor is home to a mix of more moderately priced retail including American Eagle, Athleta, Diesel, Express, Forever 21, H&M, lululemon and Macy’s. Recent additions include a new GAP store, a Zara flagship (its second in Miami Beach) and the first stand-alone Adidas by Stella McCartney in America. It also remains central to Miami’s highest concentration of hotels and ground zero for the city’s famed nightlife. Rents for premier space on both Collins Avenue and Lincoln Road frequently top the \$300 PSF mark.

It is hard for local retailers to determine exactly how much retail trade is driven by tourism because so many of their shoppers are foreign nationals with second homes in the area. However, the role of international visitors and part-time residents cannot be

STATE OF THE MARKET: RETAIL, MIAMI-DADE COUNTY HISTORIC ABSORPTION, DELIVERIES & VACANCIES Q3 2015



Source: CoStar Group, Cushman & Wakefield Retail Research

underestimated. While officials at Aventura Mall (just north of the city) have gone on record estimating that just 25% of their customers are tourists, estimates for Bal Harbour are in excess of 75%. The explosion of housing on Miami's mainland markets hopes to capitalize on these same trends. While international investors have helped to drive that boom, domestic demand has also proved a bolstering force as well.

As of the close of Q3 2015, overall retail vacancy in the Miami Beach market stood at 5.2%. This number is up slightly from 4.2% a year ago primarily due to increased competition from Miami's emerging mainland submarkets. Year-to-date net absorption currently stands at negative 99,000 SF. This can be attributed partially to retailers like Hermes closing shop here and opening on the mainland (Hermes relocated from Bal Harbour to the Design District). It also reflects the diversion of occupancy growth to these game-changing new retail districts.

Yet, area rents have felt little impact from the market's shift. Deals for premier locations in excess of \$300 PSF have happened, but the overall average asking rate for retail space in Miami Beach (all classes and types) is currently \$64.66 PSF. This number is down only slightly from the \$64.99 PSF rate of a year ago. Regardless, the impact of the rise of the Design District, Midtown, Wynwood and Brickell submarkets cannot be underestimated. While both the Lincoln Road and Collins Avenue Corridors will remain the epicenter of local tourism and nightlife, heightened competition from emerging trade areas will likely result in slight increases in vacancy and diminished pressure of rents in the short-term. Miami Beach's role as a dominant high street retail district will not change in the near future, but in terms of growth, this market will take a backseat for now to Miami's emerging new markets.

The Design District

The Design District, located 40 blocks north of Downtown, has undergone a transformation from an area once known more for its furniture showrooms to Miami's hottest new retail submarket. The redevelopment of this neighborhood has successfully attracted a critical mass of luxury brands that rivals the lineup at Bal Harbour Shops.

In Q1 2015, more than 20 of the world's most sought-after brands, including Bulgari, Cartier, Hermes, Louis Vuitton and Valentino, opened in Phase One of the Design District's multiphase redevelopment. Since that time, another 20 global luxury powerhouses have since opened, while several others have signed deals. Phase Two, situated on the north end of the District, will be called Paradise Plaza. Paradise Plaza will be complete by late 2016 or early 2017 and will house at least 60 more retailers. The enthusiasm surrounding the redevelopment of the Design District has spilled over to the neighboring Midtown market where multiple mixed-use projects are planned.

Midtown

Midtown is dominated by the Shops at Midtown, a mixed-use retail and residential development comprised of four condominium towers and nearly 650,000 SF of retail. The retail component is anchored by Target, Marshall's, Nordstrom Rack, Sport's Authority and West Elm. While both the Design District to the north and the Wynwood submarket to the south have exploded with activity from luxury and lifestyle brands, Midtown has racked up impressive growth from a more diverse mix of retail tenants including some off-price and daily-needs players. Bordering the Design District, the largest new project underway in Midtown is the 63,000 SF District 36 project, which is currently scheduled for delivery in Q4 2016.



\$300 PSF+

Top retail rents for Miami Beach

SELECTED RETAIL DEVELOPMENT (MIAMI-DADE COUNTY), Q3 2015

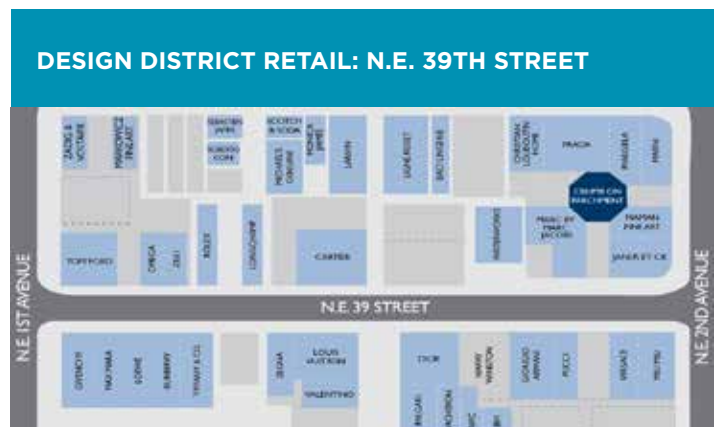
Project Name	Total GLA (SF)	Delivery
The Mall at Miami World Center*	750,000	Q4 2017
Brickell City Centre	505,000	Q4 2016
City Place Doral	300,000	Q4 2016
Doral Commons	133,000	Q1 2016
District 36	63,000	Q4 2016
Total Market	1.9 MSF	

*December 2015 Groundbreaking

Source: CoStar Group, Cushman & Wakefield Retail Research

\$225 PSF

Top retail rents in the Design District



Source: Miami Design District Association, Cushman & Wakefield Retail Research

SELECT MIAMI STORE OPENINGS 2015

A. Lange & Sohne (Design District)	Finds (South Miami)	O Bag (Lincoln Rd)
Adrienne Bosh's Sparkle & Shine (South Beach)	Frontgate (Shops at Sunset Place)	Officine Panerai (Design District)
Aesop (Design District)*	Giuseppe Zanotti (Brickell City Centre)*	Omega (Aventura Mall)
Alex and Ani (Lincoln Rd and The Falls)	Givenchy (Design District)	OMG Swimwear Miami (South Beach)
Alexander McQueen (Design District)*	Golden Bar Clothing (Lincoln Rd)	OndadeMar (Brickell City Centre)*
Alice + Olivia (Design District)	Goorin Bros (Lincoln Road Mall)	The Orchard Boutique (Wynwood)
Allegra (Miami International Mall)*	Goyard (Bal Harbour Shops)	Parmigiani Fleurier (Design District)
Amazing Lash Studio (Miracle Marketplace)	Harry Winston (Design District)	Planet Blue (South Beach)
Anthropologie (Lincoln Rd)	H&M (Westland Mall & Dolphin Mall)	Raw Juice (Multiple Locations)*
Apple (Lincoln Rd)	Hermes (Design District)	Richard Mille (Bal Harbour Shops)
Aristocrazy (Aventura Mall)	Illesteva (Brickell City Centre* and Wynwood)	Robert Graham (Aventura Mall)
Balenciaga (Design District)*	Italia Independent (Wynwood)	Roberto Coin (Design District)
Bally (Aventura Mall)	IWC (Design District)	Roche Bobois (Aventura)
Barney's (Design District)*	Jaeger-LeCoultre (Design District)	Rumors (Wynwood)
Basic (Mary Brickell Village)	Jason of Beverly Hills (Design District)	Saint Laurent (Design District)
Bebe (Lincoln Rd)	Just Cavalli (Aventura Mall)	Saks Fifth Avenue (Bal Harbour Shops)*
Bottega Veneta (Design District)	Kay Jewelers (Dadeland Mall)	Sephora (Merrick Park)
Buccellati (West Palm Beach)	Kipling (Dadeland Mall)	Shinola (Wynwood)
Camille La Vie (Sawgrass Mills)	Kit and Ace (The Grove)	Sugar Factory (South Beach)
Cartier (Design District)	Kiton (Brickell City Centre)*	Suitsupply (Lincoln Rd)
Caudalie (Aventura Mall)	Labellamafia (South beach)	Supply & Advise (Downtown)
Celine (Design District)*	La Perla (Bal Harbour Shops & Brickell City Centre*)	SWGR (Wynwood)
Charlotte Olympia (Bal Harbour Shops)	Lanvin (Design District)	TAG Heuer (Design District)
Century 21 (Sawgrass Mills)*	Lilly Pulitzer (Merrick Park)	Tom Ford (Design District)
Chilli Beans (Lincoln Rd)	Live! (Lincoln Rd)	Tory Burch (Aventura Mall & Design District)*
Choard (Brickell City Centre)*	Lladro (Design District)	True Vintage (South Beach)
Christian Louboutin (Design District)*	Loewe (Design District)	Tumi (Lincoln Rd)
Christopher Kane (Design District)*	Loro Piana (Design District)	Ulta (Sweetwater)
Cole Haan (Brickell City Centre)*	Louis Vuitton (Design District)	Up Vibe (South Beach)
Columbia Sportswear (The Falls)	Maison Marie Saint Pierre (Wynwood)	Vacheron Constantin (Design District)
Creed (Design District)*	Malaquita Design (Wynwood)	Valentino (Brickell City Centre)*
Diane Von Furstenberg (Aventura Mall & Design District)*	Marine Layer (Wynwood)	Vanity Projects (Little River)
Dior (Design District)	Marshall's (Lincoln Rd)	Vineyard Vines (Merrick Park)
Dolce & Gabbana (Design District)*	Max Mara (Palm Beach)	Vince (Merrick Park)
Double Agent (Wynwood)	Melissa Shoes (Aventura & Dadeland Malls)	Vince Camuto (Aventura Mall)
Dsquared2 (Bal Harbour)	Mitchell Gold + Bob Williams (Design District)	Warby Parker (Wynwood)
Emilio Pucci (Design District)	Miu Miu (Design District)	ZThea (Wynwood)
Ermanno Scervino (Bal Harbour Shops)	Nike (Lincoln Rd)	
Fendi (Design District)		

**Under Construction or Coming Soon*

Wynwood

Immediately south of Midtown, the Wynwood Arts & Fashion District is a rapidly emerging neighborhood located in the heart of Miami's east side. Until the early 2000s, this was primarily an industrial neighborhood dealing with varying degrees of blight. The large blank slate of vacant industrial buildings provided dramatic canvasses for muralists and street artists. The local arts scene repurposed old warehouse buildings into lofts, transforming the neighborhood. Millennials and young professional have since followed, but the neighborhood has kept its creative, funky flavor.

Today Wynwood is both an incubator for office users and for hip, new and emerging brands such as Italia Independent that appreciate its edgy quality. It is also a focal point for established "cool" brands such as Warby Parker, Shinola and Marine Layer that see Wynwood as the ideal fit. Wynwood is quickly becoming Miami's answer to classic bohemian neighborhoods like New York's SoHo (of the 1980s) or the Meatpacking District.

Brickell City Centre and Miami Worldcenter

The retail dynamics of the Miami mainland submarkets will forever be changed by the addition of two major mixed-use projects currently in the pipeline: Brickell City Centre and Miami Worldcenter. Combined, these two projects alone will add approximately 1.3 MSF of new mall/retail space to the market.

Phase I of Brickell City Centre, currently under construction in Miami's CBD, is expected to open in Q3 2016, while Miami Worldcenter is expected to break ground shortly.

Developed by Hong Kong-based Swire Properties, Brickell City Centre is a \$1.05 billion, 5.4 MSF mixed-use project. The development, which broke ground in June 2012, will contain 505,000 SF of retail space in addition to 270,000 SF of office space, 263 hotel rooms and more than 870 residential units. The project's site-integrated Metromover light rail station will enhance the area's pedestrian-friendly character, and unique \$30 million, 150,000+ SF lattice system is expected to be an innovative prototype in sustainability.

Brickell City Centre's retail component will be anchored by Saks Fifth Avenue, complemented by a strong mix of luxury and contemporary brands and nearly 80,000 SF of food and beverage and entertainment venue space.

The Miami Worldcenter is a planned 27-acre, mixed-use development in the city's core that will include retail, residential towers and a convention center and adjacent hotel. The retail component, The Mall at Miami Worldcenter, will contain 765,000 SF of high-end retail space and will be anchored by Bloomingdale's and Macy's. Additionally, a 429-unit luxury apartment building will rise next to Bloomingdale's and complement the Paramount Miami Worldcenter condominium project. Worldcenter will act as a conduit between the Downtown CBD and the Arts & Entertainment area, elevating the surrounding neighborhoods to "destination" status with an estimated injection of \$2.0 billion in investment activity and the creation of approximately 18,000 jobs.

The Brickell City Centre and Miami Worldcenter projects are a testament to their developers' confidence in Miami and its mainland retail submarkets as enticing global destinations. These developments, along with a variety of new museums, restaurants and entertainment venues, will greatly expand the existing retail offerings in Miami's mainland core.

Yet, demand is driving new retail development well beyond the urban core, and developers are now seizing opportunities throughout the Miami metro area. Both Aventura Mall and Bal Harbour Shops are in the process of renovation/expansions.



2.1 MSF

The amount of retail space that will be under construction in Miami-Dade County by next year.

Meanwhile, a number of other projects remain in the development queue. What is not clear, however, is how many of these will go forward at this point in the cycle. For example, the mixed-use River Landing project, which would add another 430,000 SF of retail space to the CBD market, was hit with a foreclosure suit in September, and its current outlook is uncertain. But there are a few other projects that will proceed and we anticipate that by the close of Q1 2016, the Miami-Dade market will see over 2.1 MSF of retail space under construction.

9,160

Number of restaurants in the Downtown, Brickell and Arts & Entertainment submarkets

SELECT MIAMI RESTAURANT OPENINGS 2015

5411 Empanadas	Hyde Beach Kitchen & Cocktails
Alter	Izzy's Fish & Oyster
Apiero Kitchen & Bar	Jaya
Bachour Bakery & Bistro	Jucy Lo
Bazi	Klima
Beaker & Gray	Laffa Mediterranean Kitchen
Biscayne Diner	Le Zoo
Buddha Brewery	Marion
Coyo Taco	NaiYaRa
DIRT	Pao
El Tucan	Park Grove
Farnielli 1937	Paulie Gee's
Fooq's	PB Station
GK Bistronomie	Pi
Glass & Vine	Phuc Yea!
Harry's Pizzeria	Pincho Factory
Hyde Beach Kitchen & Cocktails	Pisco y Nazca
Izzy's Fish & Oyster	Plethere et Balthazar
Jaya	Quinto La Huella
Jucy Lo	Schnebly Winery
Klima	The Spillover
Laffa Mediterranean Kitchen	Spring Chicken
Le Zoo	Sunny's
Marion	Talde
NaiYaRa	Zest/Zest Market
Pao	
Park Grove	Soon to Open (2016)
Paulie Gee's	Angelo Elia Pizza Bar & Tapas
PB Station	Graziano's Market
Pi	IceBox Café
Phuc Yea!	The Salty Donut
Pincho Factory	Sarsparilla Club

Dining Explosion!

The increasing influx of tourists and densifying residential base in Miami's urban core submarkets have had a profound impact on the local restaurant scene, which has long been highly regarded. With each new opening, a unique offering enters the market. Recent additions include the Mediterranean cuisine of Klima and the well-recognized Colombian coffee of Juan Valdez. But literally dozens of high-profile fine dining establishments and hundreds of eating establishments (including everything from sandwich shops, burrito joints and other chains) have opened over the past year. In one telling anecdote; after 17 years in Miami Beach, the world famous China Grill elected to relocate to the Brickell submarket.

Can the Market Support It?

With roughly 1.9 MSF of new retail space currently under construction, Miami now ranks eighth in the nation in terms of retail development. Boston, Dallas, New York Metro, Chicago, Los Angeles, Philadelphia and Houston are all experiencing higher levels of retail development currently. While there are a few major upscale malls, lifestyle centers and prime urban retail district space in the mix in all of these markets, development or redevelopment of community/neighborhood, power or strip centers are the majority of these projects. In other words, the lion share of development is about daily-needs retail, not luxury or high-end retail. Upscale retail centers, however, account for about 1.3 MSF of the 1.9 MSF currently in the pipeline. And those numbers do not include the 765,000 SF of space at Miami Worldcenter, which had not yet broken ground as this report went to press.

Can Miami absorb this much new retail space? The answer is yes. Of the 1.9 MSF of retail space currently under construction in Miami-Dade, only about 800,000 SF remains available. Meanwhile, Miami Worldcenter already has commitments for about half of its space before even moving dirt. The majority of projects underway are not slated for delivery until the second half of 2016, giving developers and brokers even more time to lease space. Barring any major event, the economy should continue to perform reasonably well through then.

This is not to say the almost overnight creation of three new premier retail districts, the addition of two major new malls and the expansion/renovations of the city's legacy trophy shopping centers will not have an impact on local leasing fundamentals. They absolutely will. Vacancy has hovered in the 3.0% range for the better part of the last two years, and those days are coming to an end. Likewise, the addition of this much inventory will alleviate rent pressures, slowing and possibly flattening rate growth while the market absorbs new product. But as long as the development pipeline does not swell much beyond current levels, Miami will support this unprecedented wave of growth as it continues to transform itself.

Looking Ahead

Miami stands in the crosshairs of the two most critical demographic trends currently facing retailers: the rise of the Millennials and the explosive growth both in terms of population and buying power of the Hispanic consumer. In the urban mainland core, an exploding residential base both in terms of size and income is positioning Miami's mainland submarkets as viable and attractive alternatives to the prominent and long-popular Miami Beach corridors. Meanwhile, thanks to its proven strengths as a tourist destination and a major international trade hub, Miami's reputation as "the Capital of Latin America" only continues to solidify. Though controversial to many local residents, the opening of relations with Cuba will ultimately increase and

accelerate Miami's role in international trade. All of these factors will only bolster ongoing growth and strengthen Miami's reputation as one of the most dynamic retail markets in the world.

Miami's draw as an international center of commerce and tourism also make it vulnerable to global economic pressures, however. The city's incredibly rapid housing recovery was driven largely by a weak dollar and foreign investment. The rising strength of the dollar remains a potential threat, though for now, Cushman & Wakefield believes that the relative security of U.S. investment will offset this reality.

Meanwhile, retail development beyond current levels could become a problem—particularly for projects that proceed without significant pre-leasing commitments before construction. Yet despite these potential challenges, Miami's retail marketplace has successfully reinvented itself virtually overnight. And, as one of America's most culturally diverse cities, Miami may well serve as a new high street retail model for the rest of the nation's urban areas as they continue to grow both younger and more multicultural in the future.



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