

FOOD AND BEVERAGE

SOUTH FLORIDA

SUMMER 2019



CBRE



A CHANGING RETAIL SEGMENT

The secret is out. Over the last several years, the food and beverage industry has helped diffuse the claims of a “retail apocalypse.” Developers and landlords are finally over the shock of having food and beverage tenants outside of their food courts, instead occupying prime spaces within the main concourses of malls and retail centers nationwide. Some are arranging for food-themed events, such as food truck gatherings, wine tastings, and have even been making space for food-driven kiosks within primary foot traffic corridors. The industry is also seeing a rise in restaurant “incubators,” in the form of food halls which allow new restaurant concepts the ability to share kitchens, back of house space, maintenance costs, and to collaboratively market themselves. Bare-bones “ghost kitchens” provide restaurant concepts with a take-out only location to ease partnership with food delivery services.

South Florida owns several of its own drivers of the restaurant industry. Population growth throughout Florida metro areas has been steady for decades, but South Florida has the added benefit of a strong, diverse tourism economy, bringing the region’s restaurants an entirely separate source of clientele. Equally diverse are the region’s residents, which like South Florida’s tourists, originate from all over the world. This has established Miami as a world city that projects influence across South Florida and the globe with its unique, authentic culture and attractive lifestyle. This force has brought foreign capital investment into our retail centers and our hotels, further stabilizing those assets and keeping them competitive. New restaurant concepts in the region have the opportunity to establish their brands worldwide.

This report offers predictions about the future of the local food and beverage industry in the foreseeable future. There are few markets as dynamic as South Florida when it comes to establishing brand and spreading influence. It is hoped that the predictions, and the supporting data and information, will assist food and beverage operators and retailers in making the best possible decisions for their business.

PREDICTIONS

1 

Restaurant spending will remain ahead of non-food retail spending.

2 

Tourism affords the restaurant industry a level of resilience against future economic hiccups.

3 

Miami will hold its place as a World City, drawing investors from across the globe.

4 

South Florida will remain a prime market for international restaurant expansions into the U.S.

5 

Fort Lauderdale's quiet boom will entice further restaurant expansion.

6 

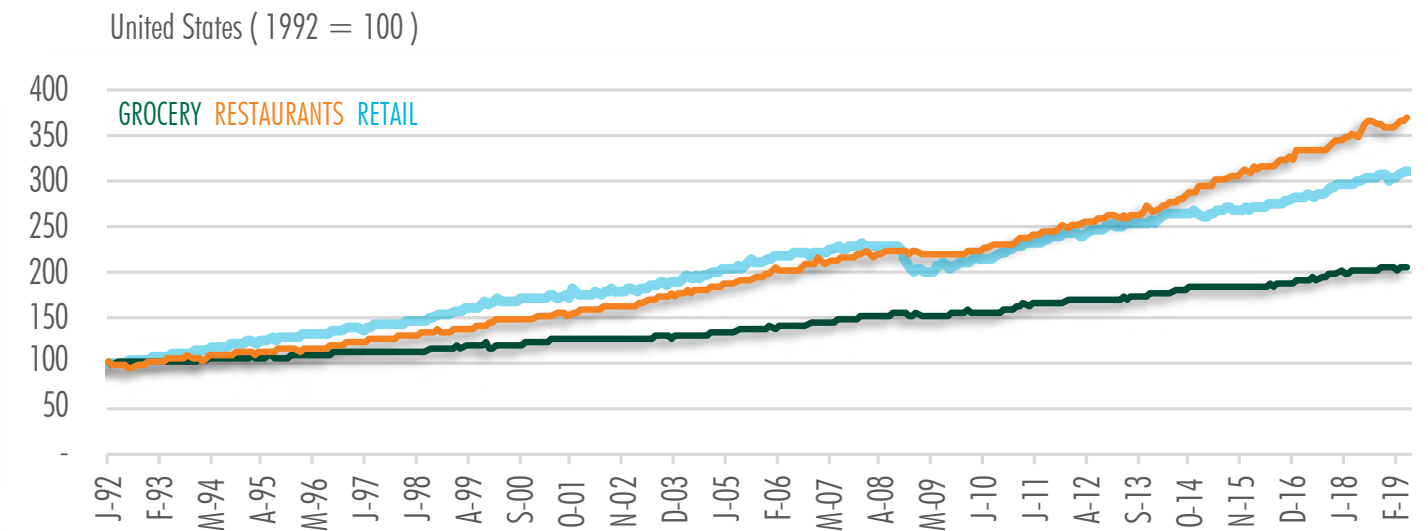
Palm Beach restaurants will take advantage of the region's economic strength.

PREDICTION 1

Restaurant spending growth will remain ahead of non-food retail spending.



Figure 1: Grocery Sales, Food Service + Drinking Places, vs. Non-Food Retail Index



Source: St. Louis FRED

Reacting to retail spending trends, landlords have significantly increased their share of food and beverage tenancy in shopping malls, up 18% in gross leasable area, or 6.6 million sq. ft., since 2007.

Source: CBRE Research

In 2015, restaurant spending surpassed grocery spending for the first time within the U.S. This trend is expected to continue, given the growth of "experience" retail, of which restaurants belong to. As reported in the [CBRE Food and Beverage report](#), "Food in Demand: Consumers," restaurant spending now accounts for approximately 25% of all retail spending.

Food and beverage is resilient to market conditions, as displayed in Figure 1. Despite the significant bump in retail spending

due to the Great Recession, restaurant spending continues its steady rise, exhibiting recession-proof properties.

Restaurants are e-commerce proof. Despite the rise of web-based delivery platforms, the experience of eating out is not going away. Landlords recognize that, and are diversifying to drive foot traffic. This also provides incentive for other retailers looking at those retail centers for expansion.

PREDICTION 2

Tourism affords the restaurant industry a level of resilience against future economic hiccups.

Tourism is a massive driver of the hotel and cruise industries of South Florida. It also provides local food and beverage spending with a turbo-boost that few markets can assume.

Over 44 million visitors came to South Florida in 2018. These travelers spent an average of \$315 per person on food and beverage during their visits, for an estimated total of \$8.8 billion, more than doubling restaurant spending for the region.

In addition, tourists come to South Florida across several different channels. Visitors arrived from within the U.S. and internationally, as vacationers, cruise passengers, or convention goers. This helps insulate the tourism industry from dips in any of the channels of travel.

Some tourists come to Miami specifically for the food. One example is Miami Spice, which is a two-month culinary celebration of Greater Miami's restaurants in August and September, promoted by the Greater Miami Convention and Visitor's Bureau. It has grown from a handful of participating restaurants to over 200, and elevates restaurant traffic in what are traditionally the two slowest months in the industry.

An estimated 11.3 million cruise passengers will come through South Florida in 2019.

Source: Visit Florida, GMCVB, Port Everglades

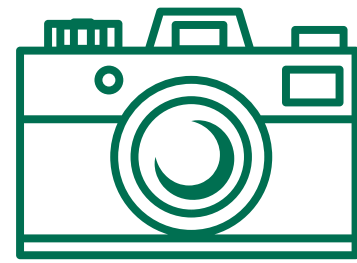
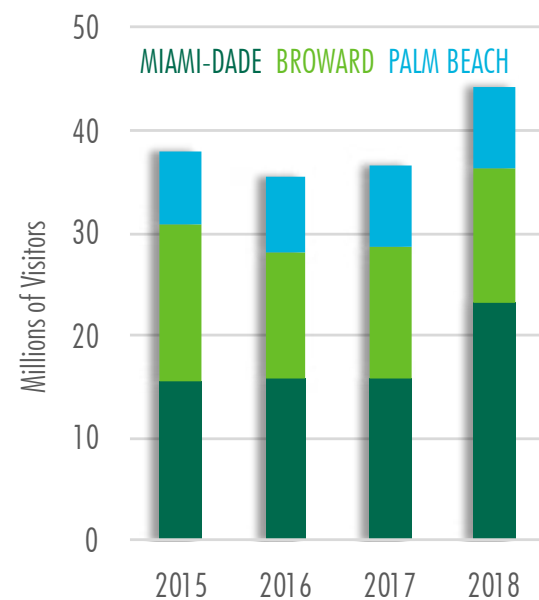


Figure 2: South Florida Visitors, by Year



Source: Visit Florida, GMCVB, GFLCVB, Palm Beach BDB

Figure 3: South Florida Restaurant Spending Estimates, 2018, Billions of \$

	Residents	Visitors	Total
Miami	3.1	5.5	8.6
Fort Lauderdale	2.6	1.9	4.5
Palm Beach	2.3	1.4	3.7
South Florida	8.0	8.8	16.8

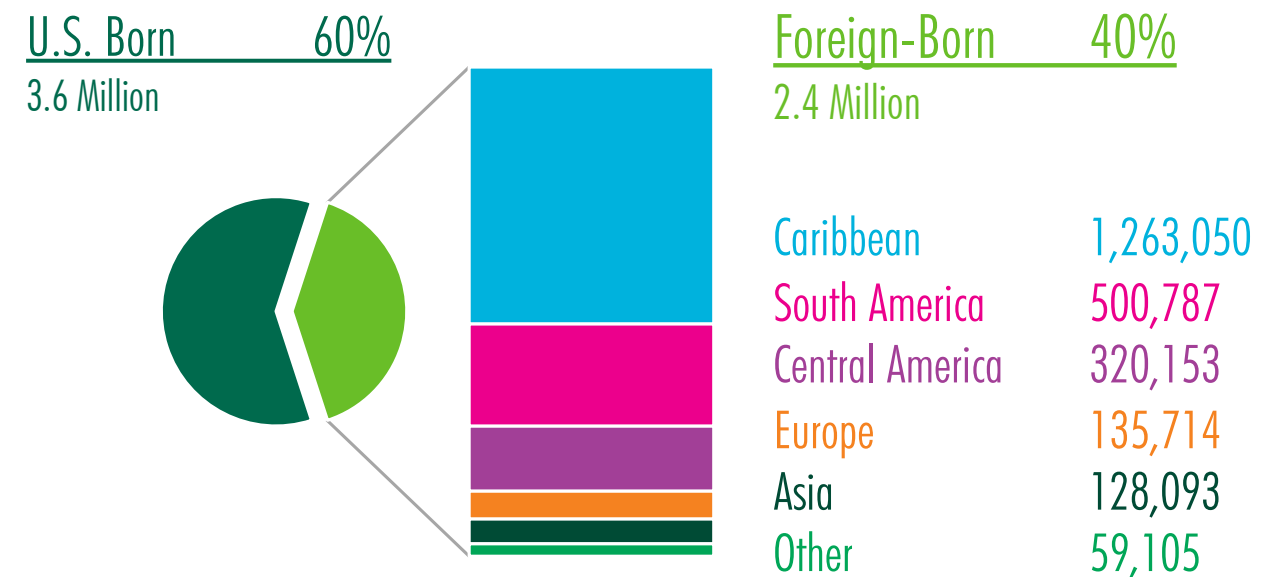
Source: U.S. Census, CBRE Research

PREDICTION 3

Miami will hold its place as a world city, drawing residents and investors from across the globe.



Figure 4: U.S. vs. Foreign-Born Residents, South Florida



Source: U.S. Census

South Florida is home to the U.S. headquarters of 30 foreign banks - only two cities have more.

Source: FDIC 2019

Miami's position as a world city supplies all of South Florida with a global presence of residents, visitors, and investors. In turn, this offers worldwide exposure for new restaurant concepts and restaurant groups.

Approximately 40% of all South Florida residents are foreign-born. Most trace their heritage to the Caribbean and within the Americas, with smaller yet significant portions coming from Europe and Asia. In addition, among the millions of annual visitors to South Florida, almost 8 million are international travelers. At an average of \$462 per person, per trip, this group spends 43% more on food and beverage than domestic travelers.

All together, international visitors spend almost \$3.7 billion annually in South Florida restaurants.

According to Real Capital Analytics, South Florida's retail assets are a preferred investment type for international investors. Almost \$2.5 billion of foreign capital has been invested in South Florida over the past 12 months, with \$1.0 billion invested in retail assets alone. All said, this activity represents one-fifth of all cross-border investments in the entire Southeast Region, ensuring that South Florida's prime retail assets are well-capitalized, and are attractive centers for food and beverage tenants.

PREDICTION 4

South Florida will remain a prime market for international restaurant expansions into the U.S.



Figure 5: Global Retail Ranks

Rank	Region	Country	City	% of Global Retailer Presence
1	EMEA	United Arab Emirates	Dubai	62.0
2	APAC	China	Shanghai	55.3
3	EMEA	United Kingdom	London	51.7
4	EMEA	United Arab Emirates	Abu Dhabi	51.0
5	EMEA	France	Paris	48.0
6	APAC	Hong Kong	Hong Kong	47.3
7	APAC	Singapore	Singapore	46.7
8	AMERICAS	United States	New York	46.3
9	EMEA	Qatar	Doha	45.3
9	APAC	Russia	Moscow	45.3
11	APAC	China	Beijing	43.3
12	AMERICAS	United States	Miami	43.0
13	APAC	Malaysia	Kuala Lumpur	41.7
14	EMEA	Spain	Madrid	41.3
15	APAC	Japan	Tokyo	41.0

Source: How Global is the Business of Retail?, CBRE 2018

Figure 6: First in U.S. Restaurant Concepts

Miami-Dade				Broward	Palm Beach
Estiatorio Milos	Hakkasan	Nusr-Et Steakhouse	Obra Kitchen Table	Che	Lona
Kosushi	La Mar	Orilla Bar & Grill	Osaka	Florie	
Le Piment	Novikov Restaurant & Bar	Soya e' Pomodoro			

Source: CBRE Research

The 2018 CBRE report, "How Global is the Business of Retail?," focused on the top global markets that international retailers are targeting. 334 separate global retailers were studied, in 191 different cities in 61 countries. Not only is Miami the 2nd largest international retailer market in the U.S., it is 12th among global markets. 43% of the study group has a presence within the Miami market, a 100 basis-point (bps) rise from the previous year, which was one of the highest growth rates of any market studied.

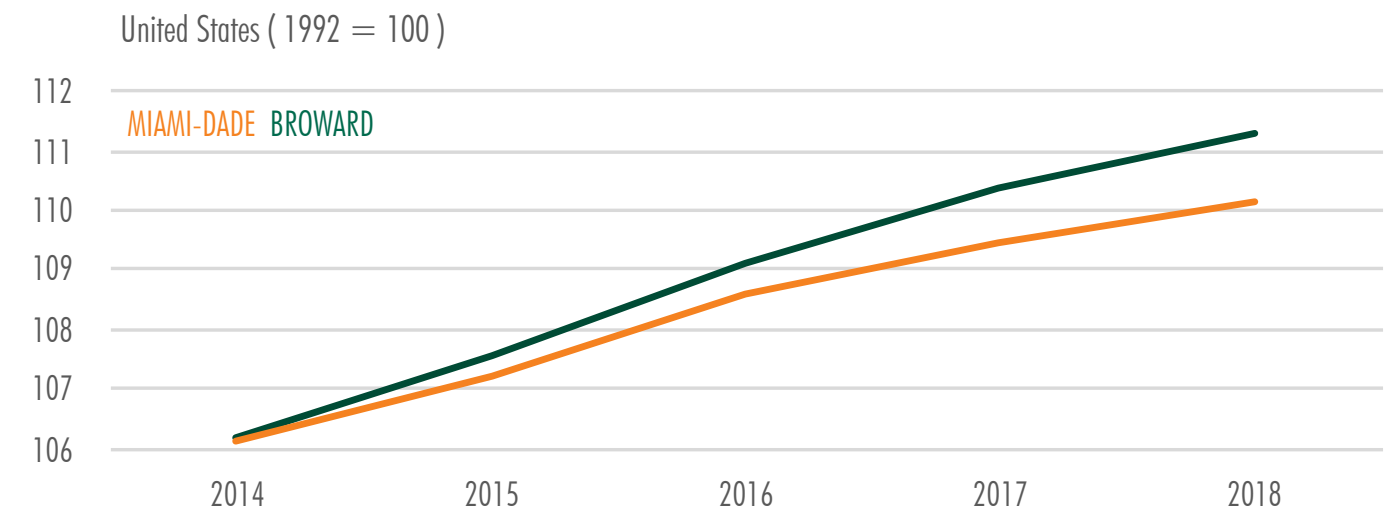
This international retail expansion is not limited to soft-goods retailers. Many international restaurant groups and chefs have chosen South Florida for their first location within their U.S. expansion strategy.

PREDICTION 5

Fort Lauderdale's quiet boom will entice further restaurant expansion.



Figure 7: Population Growth Index, 2010 = 100



Source: U.S. Census Bureau

Since June 2018, Fort Lauderdale has added almost 14,000 office-using jobs, the most of any South Florida metro area. In addition, 4,200 jobs have been added in the Education and Health Services industry.

Source: Florida Department of Economic Opportunity, July 2019

Fort Lauderdale is no longer just the city between Palm Beach and Miami. Quietly, a population drive is occurring, with recent growth in Broward County outpacing the much larger Miami-Dade County on an indexed basis. In addition, the population of "twentysomethings" in the region increased by 4.8% from 2012-2017, far above the average U.S. gain of 2.5%.

The local tech talent pool has also gained strength, exhibiting a net "brain-gain" of 3,394 tech jobs from 2013-2018, one of only 15 North American markets to grow in that category over that time frame. In addition, among small tech

talent markets, Fort Lauderdale had the highest percent change in total tech jobs, at 46.8%, coming from adding over 8,200 tech jobs from 2013-2018.

As predicted in the 2019 U.S. Food in Demand Series by CBRE, millennials will be the biggest spenders in restaurants within 10 years. Growth in the number of young adults within the labor pool will bring restaurants that wish to establish a strong local brand presence to Fort Lauderdale and to other cities within Broward County.

PREDICTION 6

Palm Beach restaurants will take advantage of the region's economic strength.

Palm Beach County is smaller in size than neighboring Broward and Miami-Dade counties, but packs a serious punch in regard to restaurant spending. It is estimated that residents of Palm Beach spend over \$500 more annually in restaurants than residents of Miami-Dade, a difference of 17.5%.

Decades of New York to Palm Beach migration have brought significant wealth to the area. This migration comes in the forms of people and firms, as favorable tax policies of Florida remain



in place. Palm Beach County is home to more Fortune 1000 companies than any other county within Florida. Those companies bring over \$52 billion in annual revenues, with total assets over \$170 billion.

Additionally, the demographic makeup of Palm Beach is ideal for restaurants. The higher household incomes and home values encourage residents to spend more on food away from home. This enables restaurants to be less dependent on seasons of tourism to operate in the black.

Figure 8: Florida-Based Fortune 1000 Firms by County, in Total Number and Assets

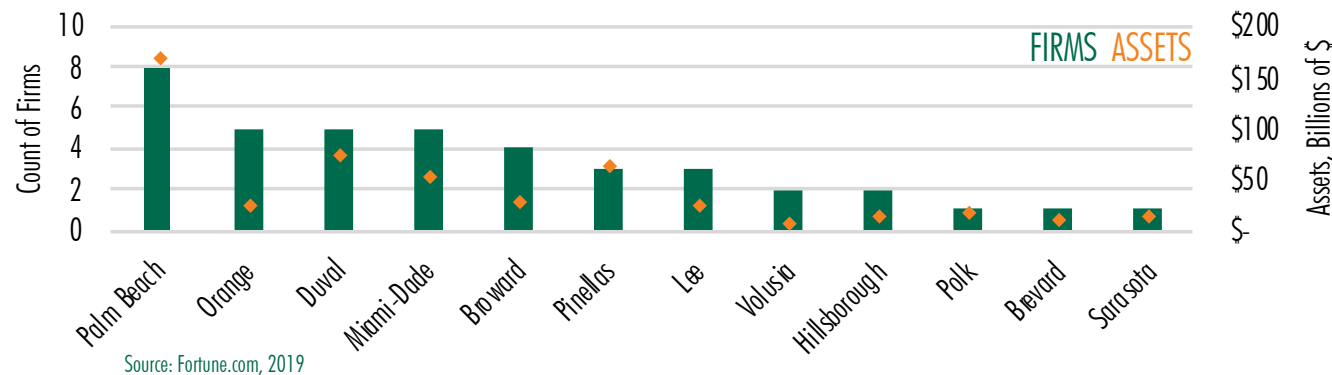
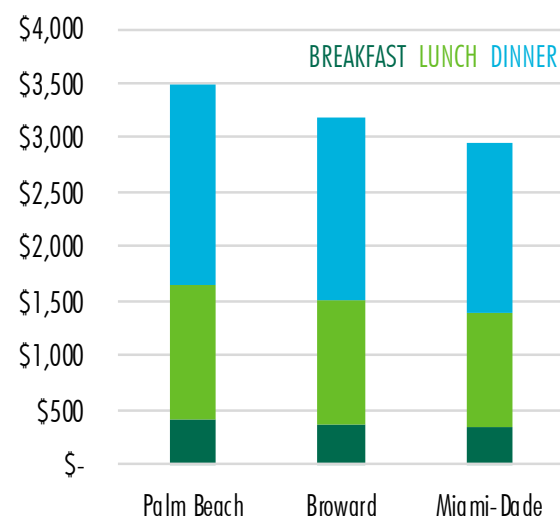


Figure 9: Annual Restaurant Spending Estimates, Per Person



With over \$50 billion in 2017, Palm Beach County is 4th in the U.S. in personal income by dividends, interest, and rent, with a higher per-capita rate than San Francisco.

Source: BEA, CBRE Research

LEASING CHALLENGES | STRATEGIES

South Florida is not without challenges within the food and beverage industry. Below are some obstacles within restaurant leasing, and how those challenges have been overcome.

CHALLENGE

New retail developments in prime areas demand higher asking rents than certain restaurateurs can budget for.

STRATEGY

Emerging urban neighborhoods and suburban locations offering competitive lease rates can offer respite from market saturation.

CHALLENGE

An increasingly longer amount of time is required, and more difficulty is involved, in setting lease terms.

STRATEGY

Time restaurant opening with a curated social-media campaign to drive interest, and use length of start-up time as leverage on rents.

CHALLENGE

Established restaurant concept does not fit with local culture.

STRATEGY

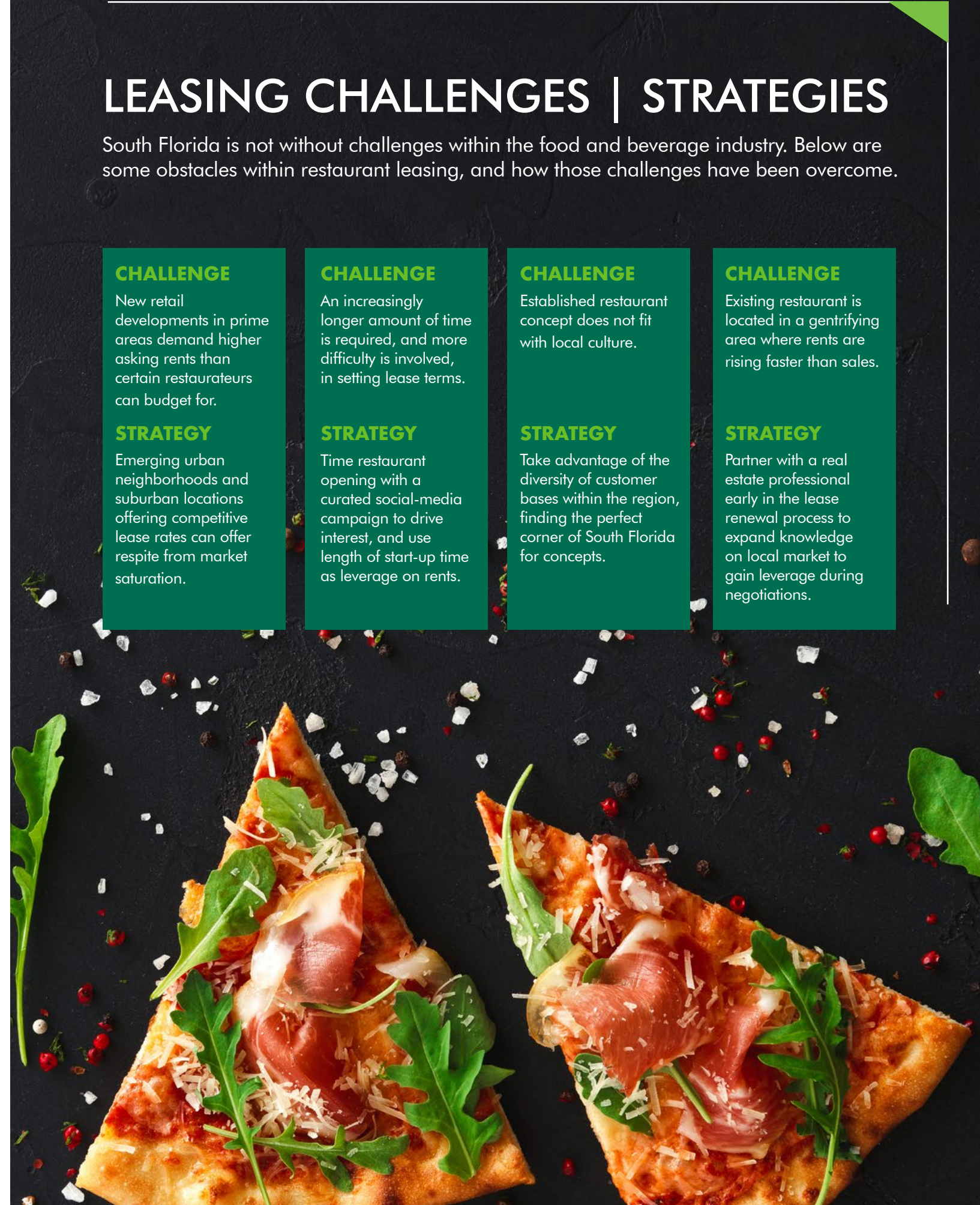
Take advantage of the diversity of customer bases within the region, finding the perfect corner of South Florida for concepts.

CHALLENGE

Existing restaurant is located in a gentrifying area where rents are rising faster than sales.

STRATEGY

Partner with a real estate professional early in the lease renewal process to expand knowledge on local market to gain leverage during negotiations.



CONCLUSIONS

Americans spent \$717 billion inside restaurants in 2018. This is a 58% gain since 2009, and is expected to increase in 2019 and for the foreseeable future. Baby Boomers currently spend the most on food and beverage of any generation, in total, due to their larger share of the adult population. As generations shift, Millennials will outnumber Baby Boomers as the top spending generation.

South Florida will remain a prime destination for tourism. State-of-the-art convention centers and a robust hotel presence will continue to attract large events, from concerts to major sporting events. With Miami holding the title as the Cruise Capital of the World, and Port Everglades bringing in 3+ million additional annual cruise passengers, the region is more than just a beach destination, with travelers from all over the world and via many different channels.

Miami's position as a world city will continue to encourage both domestic and foreign capital investment from across the globe. Additionally, the presence of an international base of residents offers an embedded global presence to restaurants and other retail brands who establish locations within South Florida.

South Florida's Broward and Palm Beach counties will continue their emergence as prime destinations for restauranteurs who wish to cater to a more permanent base of residents. As those counties grow in population and in local jobs, restaurant districts will expand with more offerings than in previous years. New retail developments within these areas will seek out food and beverage tenants as a larger share of their total occupancy.





KONDITORI

COFFEE

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Iced		Coffee	
Item	Price	Item	Price
Iced Latte	4.50	Swedish Flat	2.00 2.50
Iced Espresso	4.00	Deaf	2.50 3.00
Iced Mocha Latte	5.00	Cafe Au Lait	2.99 3.00
Iced Americano	4.00	Red Eye	4.25 4.75
Iced Red Eye	5.00		
Iced Tea	3.50		

Tea		Espresso	
Item	Price	Item	Price
Earl Grey / English Breakfast	2.25 2.75	Espresso	3.00
Hot Chai / Spiced / Roasted Chai		Machista	3.25
Green Tea / Mint Verbena / Chamomile		Cortado	3.25
		Cappuccino	3.50
		Latte	3.50 4.00
		Amerosino	3.00 4.00
		Mocha Latte	4.50 5.00
		Chai Latte	3.50 4.00
		Maple Latte	5.00 5.50
		Matcha Latte	5.00 5.50

Bagels	
Item	Price
Bagel	1.50
Bagel w/ butter	2.00
Bagel w/ 1st choice	2.50
Bagel w/ 2nd choice	3.00

DRIP
DON'T KILL
MY VIBE

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