

MARKET REPORT

Retail

Jacksonville Metro Area

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

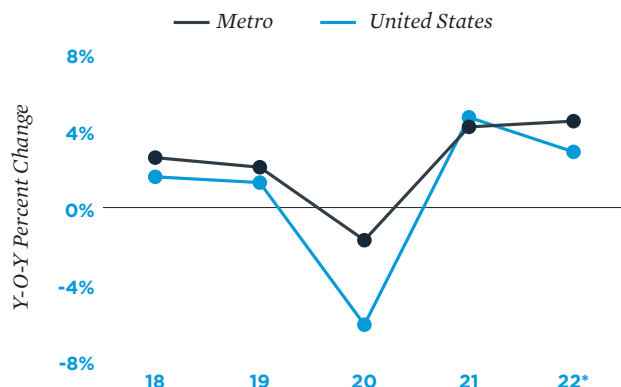
2Q/22

Growing Economy Attracts Retailers; Multi-Tenant Deal Flow Hits Record High

Retail sector poised for further growth. Robust employment gains and household formation over the past year stimulated a rise in consumer spending, which ultimately spearheaded tenant demand. At the onset of the second quarter, availability was at 4.6 percent, 30 basis points above the metro's past-decade low. Grocers and fitness concepts fueled this spike in leasing, evidenced by Publix, Winn-Dixie, Crunch Fitness and Bailey's Gym each inking deals over 30,000 square feet during the past four quarters. The metro is well positioned to sustain this momentum moving forward, as Jacksonville boasts the second-highest median household income among all major Florida markets. Additionally, recent headquarter relocations from notable employers, like Dun & Bradstreet and Nymbus, signal more high-paying jobs are on the way — a healthy sign for consumer spending and retailer space demand in the long term.

Urban core still recovering. Although availability is near record lows, vacancies in the CBD are well above the market mean. Retailers here heavily depend on daytime foot traffic, which still remains below pre-pandemic levels. Although, as more employees return to offices, further local vacancy expansion is unlikely this year. Currently, leasing activity is most pronounced in key residential nodes like St. Johns County, Southside and Riverside, where local vacancies are below 4 percent. Even though supply additions will increase in 2022, deliveries still remain below the five-year trailing average, aiding additional rent growth and vacancy contraction metrowide.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**34,000
JOBS**

will be created

EMPLOYMENT:

Entering the second quarter, total employment in the metro's retail trade sector surpassed the pre-pandemic level by roughly 5,000 positions. Overall, hiring velocity this year outpaces the national average, as firms expand headcounts by 4.5 percent.



**850,000
SQ. FT.**

will be completed

CONSTRUCTION:

Developers expand retail inventory by 1.1 percent this year, with the bulk of completions concentrated in St. Johns County. Over the past five years, deliveries were, on average, roughly 970,000 square feet per annum.



**40
BASIS POINT**

decrease in vacancy

VACANCY:

Limited development in high vacancy submarkets, like Downtown Northbank and Arlington, aids in the second straight year of annual vacancy compression. Availability will fall to 4.4 percent this year, 40 basis points below the 2019 rate.



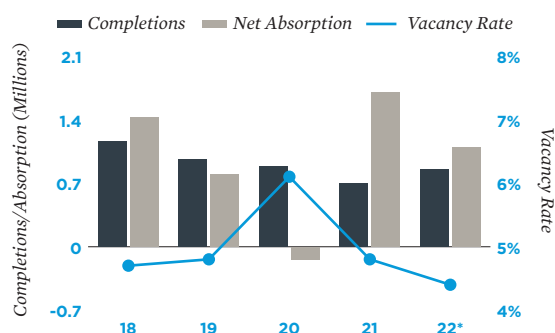
**5.4%
INCREASE**

in asking rent

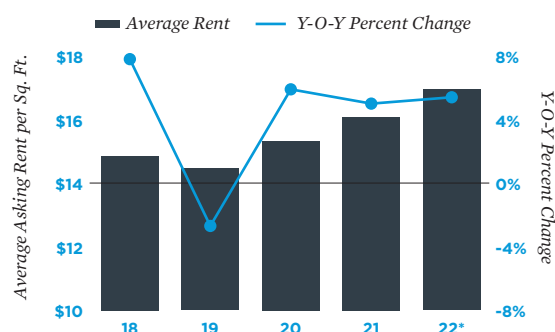
RENT:

Building off last year's 5.0 percent increase, the average asking rent will rise to \$16.95 per square foot in 2022, a new record high. Jacksonville's pace of rent growth ranks second among all major Florida metros this year.

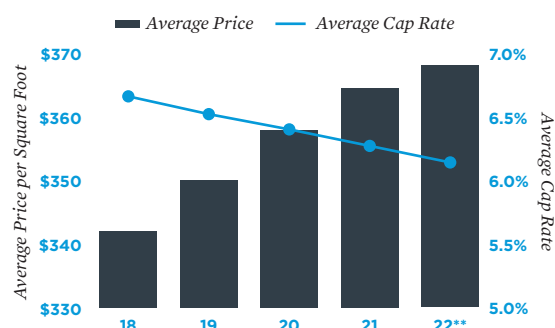
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

738,000 sq. ft. completed

- Developers increased retail inventory by 0.9 percent year-over-year in March. Supply additions trailed completions during the previous 12-month span by roughly 43,000 square feet.
- Entering April, approximately 700,000 square feet of retail space was underway, with delivery dates extending into 2023.



VACANCY

90 basis point decrease in vacancy Y-O-Y

- Net absorption surpassed the 1 million-square-foot threshold over the past year, lowering availability to 4.6 percent in March. Vacancy rose by 30 basis points during the previous four-quarter period.
- The multi-tenant rate compressed 120 basis points during this span to 6.1 percent, while the single-tenant rate fell 90 basis points to 3.9 percent.



RENT

6.8% increase in the average asking rent Y-O-Y

- The average asking rate advanced over the past four quarters ending in March to \$16.47 per square foot, driven by the 7.6 percent rate increase recorded in multi-tenant assets.
- Vigorous space demand in St. Johns County facilitated an 18 percent surge in local asking rents during this span.

Investment Highlights

- Single-tenant deal flow rose by 26 percent year-over-year in March, relative to the previous 12-month span, as buyers targeted fast-food concepts, drug stores and discount retailers. Competition for available listings resulted in a 3 percent increase in the average sale price to \$485 per square foot, while first-year returns fell to the mid-5 percent span.
- Buyers are actively targeting listings in the St. Johns County and Southside submarkets, where median household incomes are among the highest in the metro. Single-tenant assets in the \$1 million to \$10 million price tranche are changing hands here most often. Yields for net-leased assets with credit-worthy tenants can fall between 3 and 4 percent.
- Investors seeking higher upside potential can find opportunities in Downtown Northbank, North Jacksonville and Nassau County. Entry costs here often fall below the metro mean, with yields that can rise above 7 percent.
- Transaction velocity in multi-tenant properties more than doubled activity from the previous yearlong span. Average pricing rose 1 percent to \$233 per square foot over the past year ending in March, with first-year returns that average in the high-6 percent range.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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