

MARKET REPORT

Retail

Tampa-St. Petersburg Metro Area

IPA INSTITUTIONAL
PROPERTY
ADVISORS

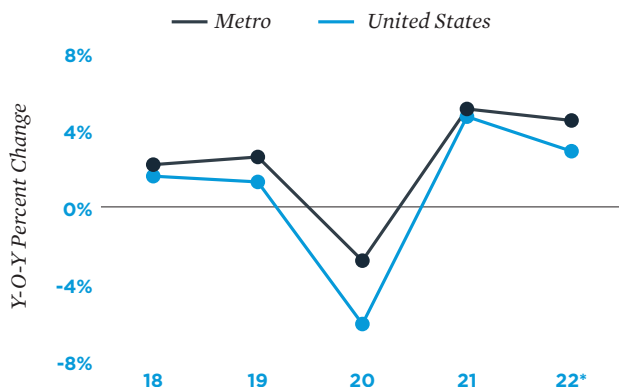
2Q/22

Development Activity Modest, Despite Availability Falling to All-Time Low

Demographic trends lure retailers. Robust levels of in-migration to Tampa-St. Petersburg continue to fuel the metro's labor market, which, in turn, is bolstering consumer spending. At the onset of the second quarter, unemployment was at 2.8 percent, 80 basis points below the national average and the second-lowest rate among all major Florida markets. Strong household formation throughout the metro is stimulating space demand, with grocers, gyms and discount apparel retailers ramping up leasing activity as of late. Over the past four quarters ending in March, vacancy fell 90 basis points to 4.2 percent, an all-time low. Limited availability in Central Tampa has retailers seeking space in other densely populated areas like Sarasota-Bradenton and Pinellas County, with net absorption eclipsing 700,000 square feet in both submarkets during this span.

New corridors for construction may arise. With the rate of population growth expected to accelerate over the next five years, new supply will be needed to support the metro's growing demographics. However, development is expected to reach a 10-year low in 2022, indicating market conditions will remain tight for the foreseeable future. Pasco County represents an area of opportunity for developers. Lennar, a homebuilding company, recently acquired 5,100 acres near State Route 52 and US Highway 41 for future development that will allow for up to 11,495 single-family homes. Additionally, Moffitt Cancer Center has a project planned along the Suncoast Parkway that is expected to create over 14,000 jobs in the region.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**65,000
JOBS**
will be created

EMPLOYMENT:

Bolstered by gains in the trade, transportation and utilities sector, employers will expand headcounts by 4.5 percent this year. At the onset of the second quarter, total employment in the retail trade sector surpassed the pre-COVID-19 level by 9,300 jobs.



**870,000
SQ. FT.**
will be completed

CONSTRUCTION:

Completions decline on an annual basis and fall well below the five-year trailing average of 1.4 million square feet. Over half of this year's supply additions are in Sarasota-Bradenton and the I-75 Corridor.



**40
BASIS POINT**
decrease in vacancy

VACANCY:

Steady in-migration and robust job gains continue to fuel retail demand, contributing to a second consecutive year of annual vacancy contraction. By year-end, availability will reach 4 percent, the second-lowest rate among all major Florida metros.

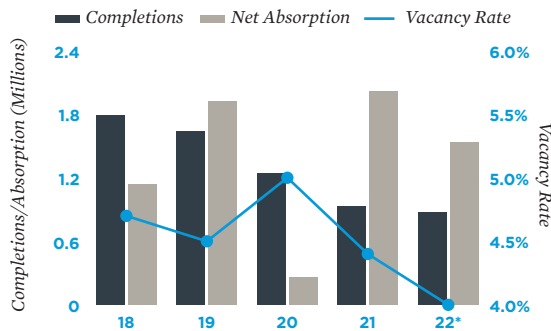


**6.2%
INCREASE**
in asking rent

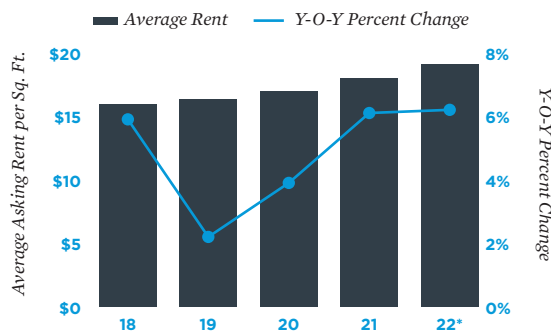
RENT:

Rent gains nearly mirror last year's growth, as the average rent rises on an annual basis for the eighth straight year. The average marketed rent climbs to \$19.10 per square foot, with the rate of increase outpacing all other major markets in the state.

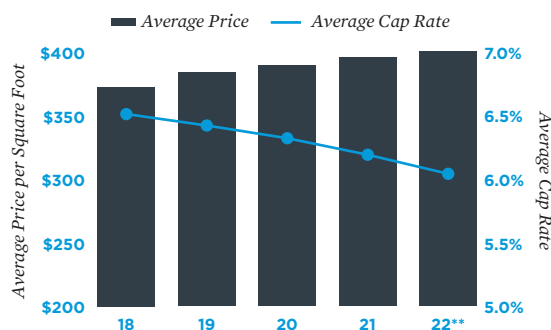
Supply and Demand



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

759,000 sq. ft. completed

- Retail inventory in Tampa increased by 0.4 percent over the past four quarters ending in March. Approximately three-fourths of all supply additions during this span delivered in Sarasota-Bradenton and Pasco County.
- Roughly three-fourths of the 800,000 square feet underway was pre-leased entering the second quarter.



VACANCY

90 basis point decrease in vacancy Y-O-Y

- Retailers absorbed over 2 million square feet over the past year, lowering availability to 4.2 percent. Local vacancy in Pinellas County contracted 140 basis points during this span to 4.1 percent.
- The multi-tenant vacancy fell 90 basis points to 5.5 percent, while the single-tenant rate decreased by 100 basis points to 3.6 percent.



RENT

9.7% increase in the average asking rent Y-O-Y

- Spearheaded by the 12 percent surge in single-tenant market rates, the average asking rent rose to \$18.67 per square foot year-over-year in March, the largest annual rent increase since 2008.
- Sarasota-Bradenton, Hernando County and the Eastern Outlying submarkets each recorded double-digit rent gains during this time frame.

Investment Highlights

- Single-tenant transaction velocity rose by roughly 90 percent over the past year ending in March, reaching a new record high in a four-quarter period. Net-leased assets generated strong buyer interest, due to the stability they provide during times of economic downturn. The average sale price for single-tenant properties rose to \$491 per square foot, while the mean cap rate compressed to the high-5 percent range.
- Properties in Pinellas County are highly sought after as of late, accounting for more than a quarter of all transactions during the past four quarters. Consumer spending power is strong due to the submarket's older age demographic, which is a huge draw for retailers and investors alike. Average pricing and yields here generally fall in line with metro averages. Assets in Pasco County will likely garner heightened buyer interest moving forward, as the submarket continues to increase its population and labor force.
- Multi-tenant deal flow has surged in recent quarters, more than doubling velocity from the previous 12-month span. Average pricing rose 5 percent to \$288 per square foot, with first-year returns falling to the mid-6 percent range. Grocery-anchored community centers changed hands most often, due to the strong amount of foot traffic they generate.

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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