

# MARKET REPORT

Retail

Tampa-St. Petersburg Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

3Q/22

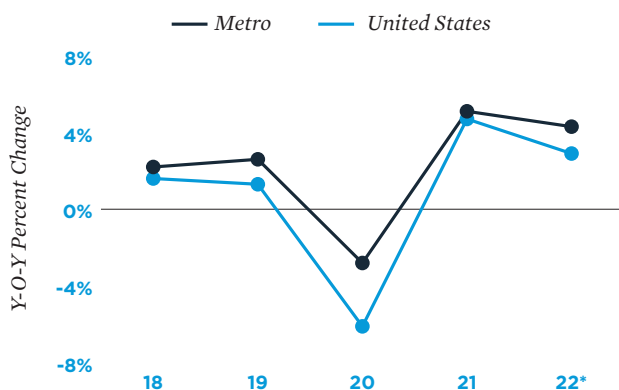
## Relocations, Retirees and Resorts — Demand Drivers Face Constrained Construction

### Demand for available space growing as supply additions stall.

Tampa-St. Petersburg's appeal to tourists and retirees has long served as a backbone for consumer spending. Recently, the market has also become a hotspot for relocating young adults. Quality-of-life considerations and ample employment opportunities, with a bevy of corporate relocations like Pfizer and ID.me, are boosting in-migration. An expanding metro populace underscores the need for new shopping choices for consumers. However, supply has failed to keep pace with demand. Fewer projects were completed during the first six months of 2022 than in any opening half over the last 15 years. This imbalance of supply and demand pushed vacancy to a decade-plus low in June. Strong demand drivers amid shrinking availability will serve as a catalyst for continual asking rent growth.

**Residential growth supports single-tenant expansions.** Retail construction activity has trended toward single-tenant builds, many of which house restaurants and convenience stores. National chains, such as Smashburger and Raising Cane's, have been eager to establish a footprint amid robust growth trends. Single-tenant development is notable in Sarasota-Bradenton, with developers encouraged by a near-20 percent lift in the segment's asking rent during the past year. The area is rapidly expanding as households relocate for the area's lower cost-of-living relative to Tampa's urban core and pandemic-era workplace flexibility. Sarasota is expected to continue growing, adding momentum to local retail fundamentals.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2022 Outlook



**62,000  
JOBS**

*will be created*

### EMPLOYMENT:

Job creation will slow slightly this year as the unemployment rate hit a 15-year low of 2.6 percent in July. Gains in the administrative services, health, and education sectors have underpinned a healthy job market as the population grows.



**460,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

Inventory will expand by just 0.3 percent this year, as about 150,000 square feet of retail space was finalized in the first half of 2022. Second half deliveries are concentrated in Pasco County, Pinellas and the I-75 Corridor.



**80  
BASIS POINT**

*decrease in vacancy*

### VACANCY:

Vacancy tightens to a more than 15-year low of 3.6 percent in 2022, as a net of 1.8 million square feet of retail space is absorbed. Single-tenant vacancy was 90 basis points lower than the year-end 2019 rate, while multi-tenant sits above that year's rate but is recovering.



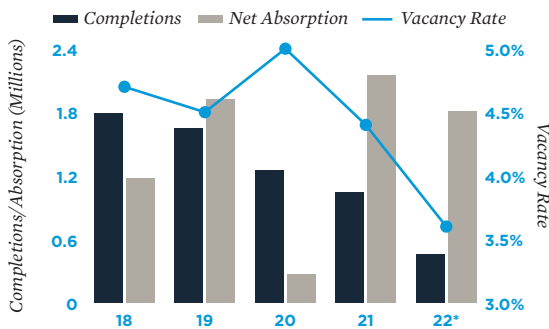
**7.4%  
INCREASE**

*in asking rent*

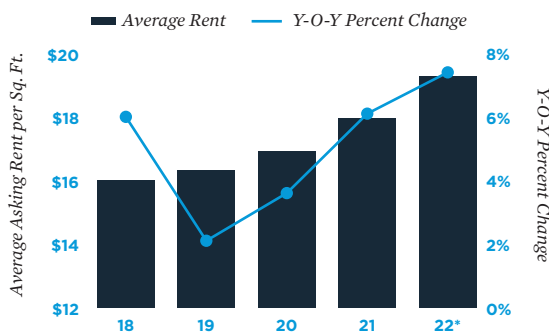
### RENT:

Rent growth continues to accelerate after the pandemic-induced slowdown, lifting the average asking rate to \$19.30 per square foot. Fewer completions amid tenant expansions boost the pace of rent gains.

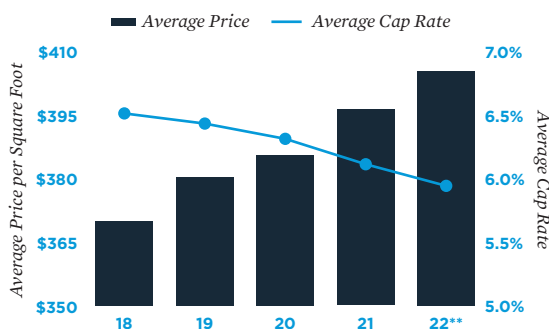
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

## 2Q 2022 - 12-Month Period



### CONSTRUCTION

**655,000** sq. ft. completed

- Metro inventory increased by 0.4 percent in the last 12 months ending in June, down from the previous year's 0.7 percent addition. The majority of recent completions were single-tenant properties.
- Pasco County and Sarasota-Bradenton accounted for more than two-thirds of recent supply additions, which was consistent with past years.



### VACANCY

**120** basis point decrease in vacancy Y-O-Y

- Vacant stock fell by over 2 million square feet during the last year, pushing availability under 4.0 percent for the first time since at least 2007. Single-tenant vacancy declined to an impressive 3.3 percent.
- With very few recent completions and positive absorption, the Eastern Outlying submarket has sat at 1.7 percent since the third quarter of 2021.



### RENT

**7.1%** increase in the average asking rent Y-O-Y

- Spearheaded by the single-tenant segment, the average asking rate across all retail saw above-average year-over-year growth, reaching \$18.59 per square foot during the second quarter.
- Hernando County reported the largest increase in marketed rent, with a year-over-year surge of 16.9 percent as of June.

## Investment Highlights

- Across the six major Florida metros, Tampa-St. Petersburg entered the second half of 2022 with the second-lowest entry cost on average, sitting at \$405 per square foot. It also maintains the third-highest average cap rate of 5.9 percent, giving Tampa a slight comparative advantage in attracting yield-focused investors.
- Over the last 12 months ending in June, the single-tenant market reported a 35 percent sales velocity increase compared to the previous year. Pricing in the sector stayed fairly stable throughout the health crisis, reporting mild, but positive, growth across 2020 and 2021, with similar gains year-over-year through the second quarter of 2022.
- A lack of substantial multi-tenant completions this year have squeezed vacancy, steering expanding retailers to the metro's available inventory and helping push the year-over-year price per square foot up by 9 percent.
- Pinellas County has reported a larger transaction volume in the 12 months leading up to July than any other four-quarter period since 2018. The area's higher median income relative to other Tampa-St. Petersburg submarkets has solidified Pinellas' assets as some of the most sought after.

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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