

# MARKET REPORT

Retail  
Jacksonville Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

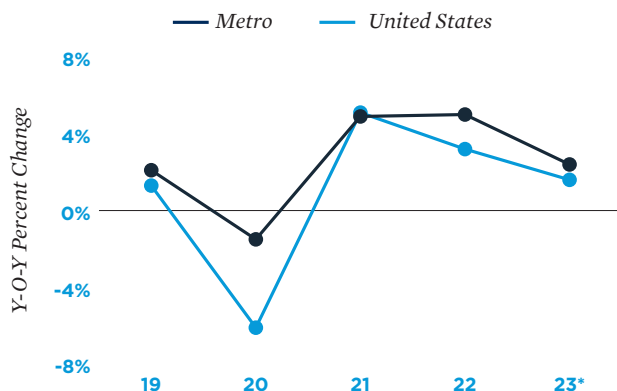
4Q/23

## Robust Population Growth Continues to Support Local Retailers, Even as Pace of Progress Cools

**Leasing trends reflect the climbing number of residents.** Whether downtown, in scenic locations or out by expanding suburbs, retailers have continued to show interest in Jacksonville this year. Recent sizable leases signed by Burlington Coat Factory in Downtown Northbank, Nordstrom Rack near the coast, and Bass Pro Shops in St. Johns County illustrate this trend. Overall, demand for space is most apparent among discount and outdoor apparel retailers, as well as fitness concepts and restaurants. This behavior is consistent with the strong job and population growth observed here in recent years. As of August, the metro's employment base has increased by 10.5 percent since the end of 2019, triple the national pace. Aided by this hiring, greater net in-migration is bolstering retail fundamentals.

**Rising insurance costs bear consideration.** Changing lifestyle preferences and new corporate investment have helped make Jacksonville one of the top 10 fastest-growing major markets since 2019. These favorable demographics bode well for the metro's retail outlook, although the horizon is not hurdle free. The rising frequency and severity of hurricanes is increasing insurance premiums, especially for housing. The average fee to insure an apartment here jumped over 60 percent year-over-year in June. In time, higher living costs may influence migration, placing a spotlight on lower-rent areas with room for expansion, such as St. Johns County. This aligns well with recent retail construction, much of which is focused here.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2023 Outlook



**19,000  
JOBS**  
*will be created*

### EMPLOYMENT:

After a brief contraction in the spring, Jacksonville's employment base is on track to expand by 2.4 percent in 2023. Hiring has been prevalent in the fields of trade, transportation, utilities, education and health services.



**600,000  
SQ. FT.**  
*will be completed*

### CONSTRUCTION:

Approximately 470,000 less square feet will be delivered this year compared to 2022, as openings fall to an eight-year low. St. Johns County and the Southside will welcome the most new retail space.



**50  
BASIS POINT**  
*increase in vacancy*

### VACANCY:

After 2.6 million square feet of retail space was absorbed on net in 2021 and 2022 — the second largest 24-month total in recent history — leasing activity tapers this year. Vacancy will rise to 5.4 percent in 2023 as a result.

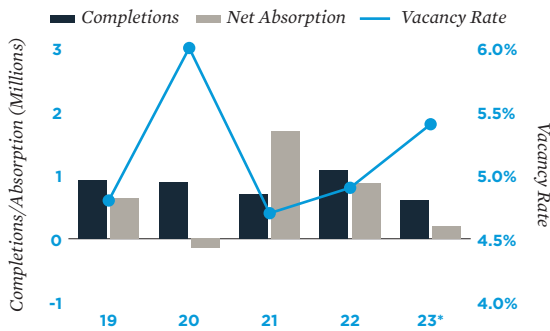


**3.6%  
INCREASE**  
*in asking rent*

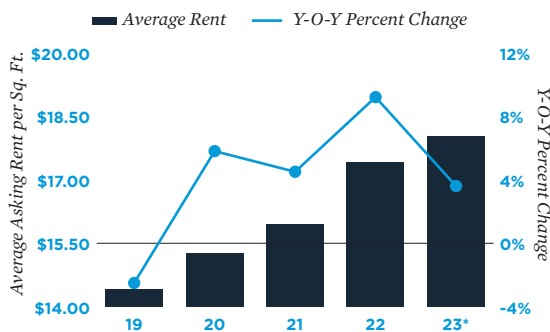
### RENT:

A shift up in vacancy will contribute to moderating rent growth, after last year's 9.2 percent jump. Still, the mean asking rate will climb by triple the long-term annual average margin, ending 2023 at \$18.03 per square foot.

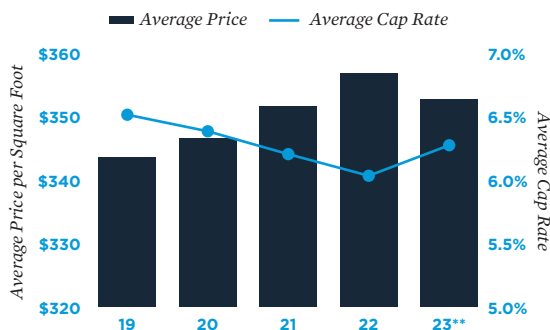
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

## 2Q 2023 - 12-Month Period



### CONSTRUCTION

**973,000 sq. ft. completed**

- The completion of 546,000 square feet in the final three months of 2022 marked the largest quarterly total since early 2008, and comprised more than half of the 1.2 percent inventory expansion for the year ended in June.
- Of deliveries made in the first half, the vast majority have been single-tenant builds, with St. Johns County welcoming the most new space.



### VACANCY

**70 basis point increase in vacancy Y-O-Y**

- After dropping to a post-pandemic low of 4.4 percent in September 2022, the metrowide vacancy rate has increased to 5.2 percent as of mid-2023. Vacancy is nevertheless still below any point from 2008 to 2015.
- Downtown Northbank and the Beaches submarket noted year-over-year vacancy declines in June, while rates in farther out suburbs generally rose.



### RENT

**9.3% increase in the average asking rent Y-O-Y**

- Broad-based improvements in marketed rents across most Jacksonville submarkets translated to a metro mean of \$18.13 per square foot in June.
- The average per-square-foot multi-tenant asking rent jumped ahead of the single-tenant mean in June, to rates of \$19.22 and \$17.73, respectively. Increases were most prevalent in Riverside and the Southside.

## Investment Highlights

- Sales activity for the year's first nine months fell about 30 percent short of the same span in 2022, but was back in line with 2016 velocity. Elevated lending rates have hindered deal flow and emphasized higher cap rates, which may have contributed to a slowdown in the trading of newer builds. Sale prices may be reflecting this shift, as the average for the year ended in June of \$353 per square foot was down slightly from the prior span.
- St. Johns County, particularly in and around St. Augustine, continues to be a popular spot among both local and out-of-state investors to deploy capital. Sub-10,000-square-foot single-tenant buildings, including several restaurants, have changed hands so far this year for around \$400 to \$500 per square foot. Recently-built properties tenanted by high-credit grade national brands, such as Starbucks or Wendy's, can trade for entry costs above \$700 per square foot.
- For buyers seeking lower sale prices and higher yields, Riverside may present opportunities. Preliminary data through the first nine months of the year reveal that several storefronts changed hands for under \$300 per square foot. Cap rates up to 9 percent were possible for specific assets.

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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