

MARKET REPORT

Retail

Tampa-St. Petersburg Metro Area

IPA INSTITUTIONAL
PROPERTY
ADVISORS

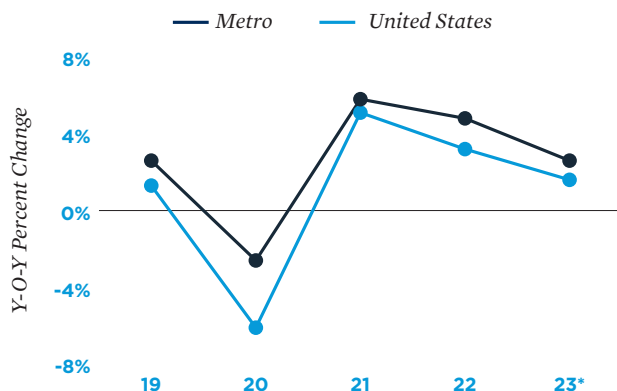
4Q/23

Tampa Boasts Florida's Tightest Single-Tenant Vacancy, Second-Fastest Multi-Tenant Rent Growth

Limited space available for net-lease tenants. The metro added more households over the past five years than any other market in Florida, and ranked second on the East Coast behind only Atlanta. A growing consumer base is driving retailer demand, helping single-tenant vacancy in Tampa slide 50 basis points year-over-year to 2.7 percent in June 2023, the lowest rate among major Florida markets. A lack of available floor plans is set to persist as well, with only 162,000 square feet of single-tenant supply scheduled to deliver in the second half of 2023, more than 90 percent of which was pre-leased as of September. Demand for net-lease space has been strong across all of the Tampa metro, but especially in Pasco County, North Hillsborough and Sarasota-Bradenton. All three areas noted annual single-tenant vacancy drops of at least 60 basis points in June.

Declining shopping center vacancy accelerates rent growth. Tenant demand has also been noteworthy in the multi-tenant segment, with vacancy in that sector dipping 30 basis points year-over-year to 4.7 percent in June. This allowed Tampa to join Jacksonville as the only two Florida markets, and among just six major metros nationally, to post an annual asking rent surge exceeding 15 percent on average. Marketed multi-tenant rates have been climbing the fastest in Central Tampa, Pasco County and the I-75 Corridor. All three locations also registered year-over-year multi-tenant vacancy contractions of at least 60 basis points, supporting these rent surges.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



**39,000
JOBS**

will be created

EMPLOYMENT:

Net job growth in Tampa surpassed 25,500 new positions during the first eight months of 2023, supporting an expected 2.6 percent annual gain by year-end. Education and health services segments are leading hiring.



**840,000
SQ. FT.**

will be completed

CONSTRUCTION:

The volume of new retail supply will fall below 1 million square feet annually for the first time since 2012. This year's total is also roughly 700,000 square feet smaller than the trailing-decade average.



**10
BASIS POINT**

decrease in vacancy

VACANCY:

Moderate construction by recent standards helps Tampa register a third consecutive annual vacancy decline in 2023. The metro rate will dip to 3.3 percent, which marks the lowest year-end measure since at least 2007.



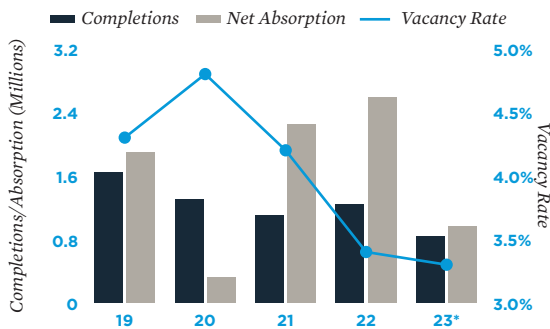
**7.8%
INCREASE**

in asking rent

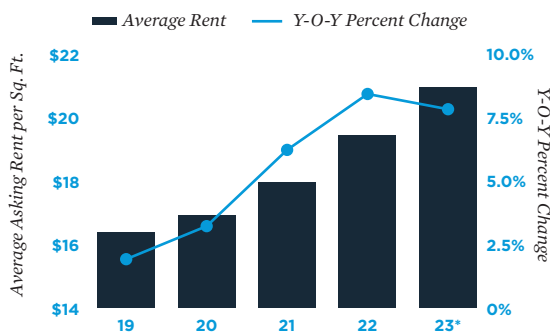
RENT:

A decade-plus low vacancy rate helps keep rent growth elevated in Tampa. The average asking rate will jump by more than 6.0 percent for a third straight year, bringing the figure to \$20.95 per square foot.

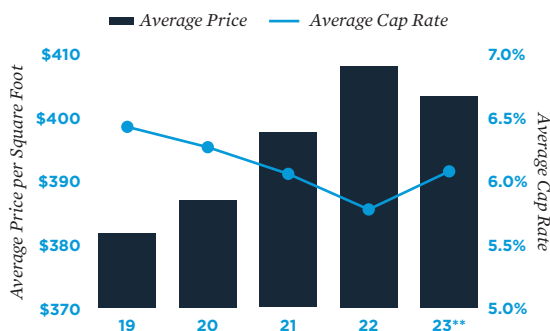
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2023 - 12-Month Period



CONSTRUCTION

1,403,000 sq. ft. completed

- Roughly 60 percent of the trailing-year's supply additions through June 2023 delivered in the third quarter of 2022. Mild construction in the subsequent nine months held annual inventory growth to 0.8 percent.
- Sarasota-Bradenton and the Eastern Outlying submarket were the only areas to note local supply growth exceeding 1.0 percent over the past year.



VACANCY

40 basis point decrease in vacancy Y-O-Y

- Entering the second half of 2023, four of Tampa's eight submarkets had vacancy below 3.0 percent. Pasco County's rate is 100 basis points above that benchmark; however, it noted the metro's largest annual reduction.
- Hernando County was the only location to record a vacancy increase year-over-year. Strength elsewhere lowered the metrowide rate to 3.3 percent.



RENT

11.7% increase in the average asking rent Y-O-Y

- During just the first half of 2023, Tampa's average asking rent surged by 6.3 percent to \$20.67 per square foot in June. This acceleration allowed the metro to post its first double-digit annual gain in more than 15 years.
- The multi-tenant average rose 15.1 percent to \$19.15 per square foot, while the single-tenant mean climbed 10.4 percent to \$21.30 per square foot.

Investment Highlights

- Higher lending costs have placed an emphasis on yield when closing transactions. Single-tenant assets changed hands during the yearlong period ending in June with an average cap rate of 5.6 percent, up 20 basis points from the full-year 2022 recording. The average sale price also adjusted downward 1 percent to \$476 per square foot. Transactions year-to-date through August have frequently included fast food, restaurants and auto parts shops, with yields ranging from 4 percent to the mid-6 percent zone.
- The average multi-tenant sale price for trades recorded during the four-quarter period ending in June 2023 was \$310 per square foot, which was roughly in-line with the 2022 measure. Cap rates, meanwhile, rose by 40 basis points to a mean of 6.6 percent. Buyers have favored strip centers of late, although interest in larger assets with a recognizable supermarket anchor is common as well.
- Pinellas County has been the most liquid submarket for retail trades overall through the first eight months of 2023, followed by Pasco County and the I-75 Corridor. Among these three spots, per-square-foot entry costs are the lowest in the I-75 Corridor and the highest in Pasco County.

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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