

# MARKET REPORT

Retail

Tampa-St. Petersburg Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

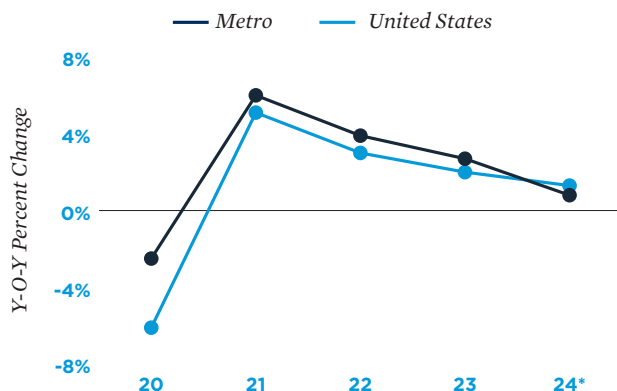
2Q/24

## High-Growth Inland Submarkets Record Strongest Retailer Demand, Eliciting Investment Activity

**Local retail sector assisted by demographic trends.** In 2024, net in-migration to the metro is anticipated to exceed 33,000 individuals, with comparable inflows expected during each of the next four years. This local population growth is motivating retailers to execute expansion initiatives in anticipation of a rise in consumer demand. As such, retailers absorbed a net of 650,000 square feet over the 12-month period ending in March, placing vacancy at 3.5 percent – a rate 200 basis points below the long-term average. Tight conditions warrant new construction; however, this year’s completion total is slated to fall short of 500,000 square feet for the first time on record. Many expanding retailers will have to comb the metro’s scant vacant stock as a result, aiding property owners with available space.

**Outer suburbs gain momentum.** The I-75 Corridor and Pasco County each noted three straight years of positive net absorption through March, with a collective 1.9 million square feet absorbed on net during this span. These areas have recently recorded high levels of apartment development, as the metro expands out from the city limits. Retailers are following, with vacancy along the I-75 Corridor at 2.0 percent in March, the lowest rate among U.S. submarkets with at least 24 million square feet of inventory. Vacancy in Pasco County, meanwhile, contracted 70 basis points over the past year. A triple-digit basis point drop in local office vacancy over that same interval has the potential to aid midweek foot traffic moving forward.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2024 Outlook



**13,000 JOBS**

*will be created*

### EMPLOYMENT:

Job creation falls to a seven-year low as employment grows by a modest 0.8 percent. Hiring during the first four months of 2024 was led by the trade, transportation and utilities sectors, which added over 3,000 roles.



**481,000 SQ. FT.**

*will be completed*

### CONSTRUCTION:

Delivery volume declines to the lowest level since 2007, translating to a modest inventory lift of 0.3 percent. Completions are highlighted by The Shops at Big Bend, a 68,000-square-foot property in Gibsonton.



**10 BASIS POINT**

*decrease in vacancy*

### VACANCY:

The metro notches a 15th consecutive year of positive net absorption, with vacancy inching down to 3.3 percent. Among major Florida markets, only Miami ends 2024 with a lower rate.



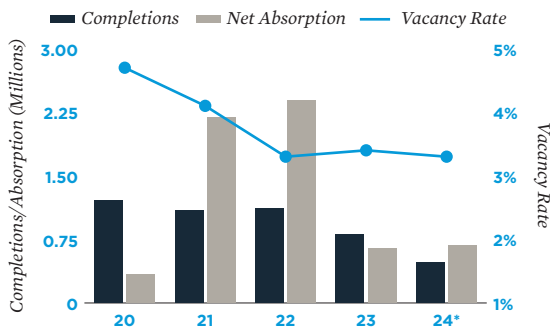
**5.0% INCREASE**

*in asking rent*

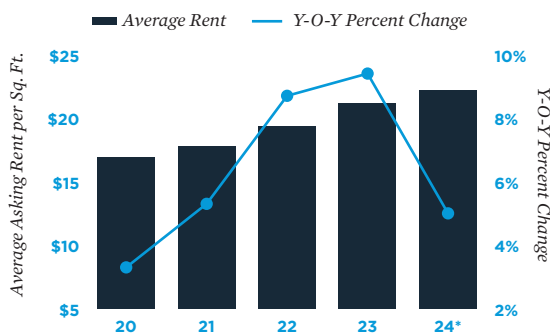
### RENT:

Tenant demand outpaces supply, enabling the metro’s average asking rent to rise by at least 5 percent annually for a fourth straight year. This places the mean market rate at \$22.20 per square foot.

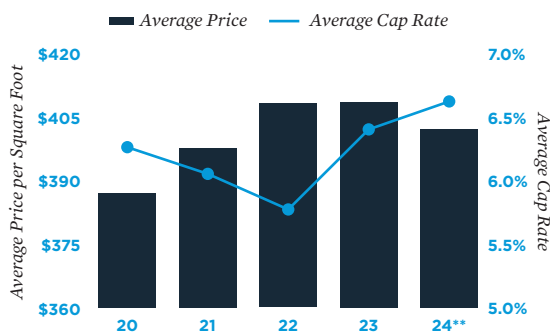
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

## 1Q 2024 - 12-Month Period



### CONSTRUCTION

**722,000 sq. ft. completed**

- Inventory increased by 0.4 percent over the yearlong period ending in March, with development moderating from the previous 12-month span.
- Most development during the last four quarters came online in outlying submarkets. Pasco County and Sarasota-Bradenton together accounted for over 450,000 square feet of new supply during the period.



### VACANCY

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

- Local vacancy inched up to 3.5 percent in March. Still, the metro's rate has held below the 4 percent mark for nine straight quarters.
- Submarkets with the lowest vacancy rates entering April were Central Tampa, Eastern Outlying Tampa and the I-75 Corridor. All three areas posted metrics at 2.0 percent or below.



### RENT

**6.3% increase in the average asking rent Y-O-Y**

- Steadfast tenant demand combined with a pullback in construction over the past four quarters allowed the average asking rent to climb to \$21.56 per square foot in March.
- The multi-tenant segment recorded a 9.6 percent jump to \$19.60 per square foot, while the single-tenant sector noted a 5.2 percent gain.

## Investment Highlights

- At 6.6 percent, Tampa reported the highest average cap rate among major Florida retail markets during the trailing 12 months ending in March. This relatively elevated cap rate may aid deal flow amid a period of financing hurdles. Tampa also had a lower average price per square foot, at \$402, than the other major southern Florida metros. This lower price point may be attracting cost-conscious buyers already interested in Florida assets.
- While many submarkets nationwide have recorded declines in deal flow during a period of elevated interest rates, transaction volume in Pasco County lifted in the first half of 2024. Flourishing demand for retail space in the area should continue to draw a larger pool of active buyers to this part of the metro moving forward. Assets that traded here over the past year ending in June sold for a mean of \$739 per square foot, pointing to investor demand for single-tenant net-leased properties.
- Investors interested in the multi-tenant segment may be drawn to the I-75 Corridor, as vacancy among shopping centers in this area was an extremely scant 0.8 percent in March. Multi-tenant properties that traded here over the 12 months ending in June netted buyers a mean cap rate of 6.5 percent.

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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