

MARKET REPORT

Retail

Tampa-St. Petersburg Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

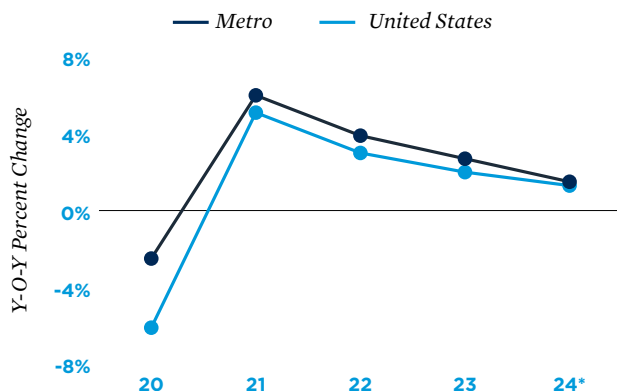
4Q/24

Residential and Office Space Tailwinds, Coupled With Lasting Household Spending, Aid Tampa Retail

Resilient consumer base bolsters sector. Total retail spending in Tampa-St. Petersburg grew 5.3 percent year over year ended in the second quarter, ranking third-fastest among major U.S. markets. Over the same period, the metro saw a decade-low level of construction, opening only about 940,000 square feet. This slowdown in new supply, paired with a net in-migration projected to exceed 33,000 individuals in 2024 for the 12th-straight year, drives retailers to compete for the limited available space in anticipation of growing consumer demand. Over the past year ended in June, more than 1 million square feet of retail space has been absorbed on net, pushing the vacancy rate to a record low for the market at 3.2 percent. The multi-tenant segment saw stronger gains than its counterpart from this demand, noting a 40-basis-point drop in vacancy to 4.1 percent as of June.

North locales gain traction amid office and apartment tailwinds. Declining office vacancy and positive apartment absorption within Hernando and Pasco counties over the past year ended in June enhanced retail performance in both areas. The greater foot traffic from local residents and workers is aiding local spending and tenant demand. These regions were two of only four submarkets to see declining retail vacancy over the past four quarters. Local rates fell 180 and 70 basis points, respectively, over that time period. This, coupled with residential movements beyond the urban core, may drive greater rent growth in these two traditionally low-cost submarkets.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2024 Outlook



**23,000
JOBS**

will be created

EMPLOYMENT:

Job creation will reach a 14-year low — excluding 2020 — expanding at 1.5 percent in 2024. Education and health organizations, along with local government agencies, led hiring year to date through August.



**660,000
SQ. FT.**

will be completed

CONSTRUCTION:

Arrivals over the last half of 2024 are expected to slow, adding only 120,000 square feet during the final six months. Annual deliveries will fall to a decade-plus low, representing a modest 0.4 percent of stock.



**30
BASIS POINT**

decrease in vacancy

VACANCY:

Amid lower supply pressure, the metro will shift course from its prior upward trend as the rate dips to 3.1 percent by year-end. The market will record the third-lowest vacancy among major metros within the Sun Belt.



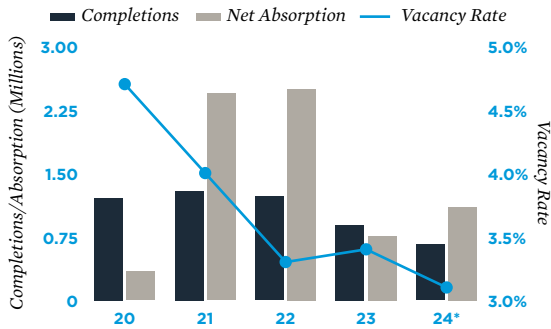
**7.2%
INCREASE**

in asking rent

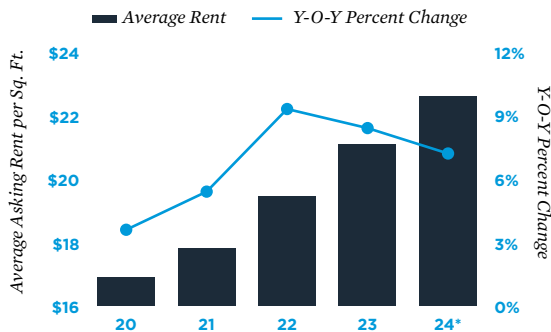
RENT:

Tenant demand outpaces inventory growth, pushing the metro's average asking rent up to a historical high of \$22.60 per square foot by year-end. This will be the third-consecutive year of at least 7 percent rent growth.

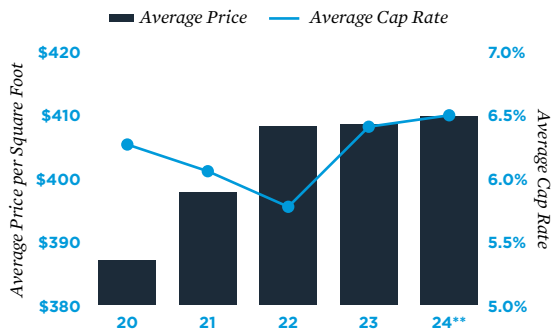
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

2Q 2024 – 12-Month Period



CONSTRUCTION

942,000 sq. ft. completed

- Inventory growth slowed to 0.5 percent over the trailing 12-month period ended in June, averaging 235,500 square feet per quarter.
- Outlying submarkets like Pasco County and Sarasota-Bradenton saw over 70 percent of the marketwide deliveries. This concentrated construction lifted Pasco County's inventory by a metro-leading 2.3 percent.



VACANCY

10 basis point decrease in vacancy Y-O-Y

- Metro vacancy inched down over the past year ended in June to 3.2 percent, resulting in a total decrease of 160 basis points since mid-2021.
- Submarkets with the lowest vacancy in the second quarter were Hernando County, Eastern Outlying Hillsborough County and the Interstate 75 Corridor. These locales boasted metrics of 2.1 percent or below.



RENT

7.6% increase in the average asking rent Y-O-Y

- Resilient tenant demand, coupled with a slower pace of construction, created upward momentum for rent growth, pushing the average asking rate to \$22.40 per square foot in the second quarter of 2024.
- The single-tenant segment saw a 7.9 percent bump to \$23.26 per square foot, while the multi-tenant rate rose 6.9 percent to \$20.34 per square foot.

Investment Highlights

- Tampa recorded the second-highest average cap rate and second-lowest average price per square foot among major Florida retail markets at 6.5 percent and \$410, respectively, for the year ended in June. This dynamic may support transaction velocity in the near term as easing financing conditions provide more opportunities for acquisitions and further entices cost-conscious buyers interested in Florida assets.
- Despite single-tenant transaction velocity slowing metrowide over the past year ended June relative to prior periods, deal flow picked up in Pasco County, leading the locale to host over 20 percent of the overall metro's trades. In particular, more assets priced over \$500 per square foot changed hands than in the prior year, with auto parts shops and fast food properties trading most frequently. A high population density and a returning office environment may be driving demand for these specific assets.
- Investors seeking multi-tenant properties were primarily drawn to Pinellas County, which contributed about half of the metrowide transaction volume over the past year ended in June. Assets that changed hands were primarily located in and around Clearwater, close to local interstates.

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 guarantee 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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