

# MARKET REPORT

RETAIL

Tampa-St. Petersburg Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

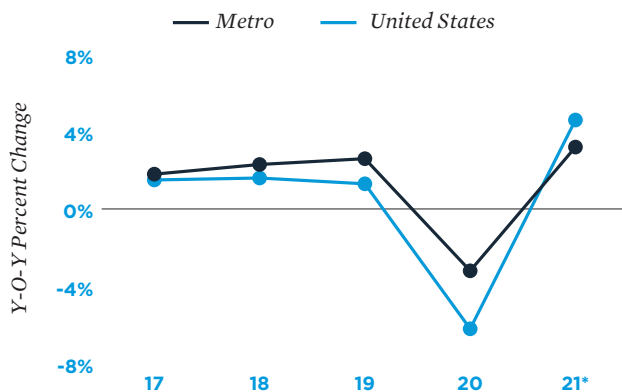
3Q/21

## Employment Gains and the Return of Tourism Drive Space Demand; Investors Take Notice

**Retail sector showed resiliency.** Fundamentals in the market remained relatively steady over the past year as foot traffic at shops improved after Florida's brief shutdown in spring 2020. Limited restrictions during the health crisis allowed the metro's employment base to recover quickly. As of August, nearly all of the 44,600 jobs lost last year had been restored. Employment gains coupled with greater levels of tourism supported a 24 percent rise in retail sales since mid 2020, increasing the demand for retail space. Leasing activity picked up beginning in the fourth quarter of last year, which held vacancy steady for the past three quarters and increased asking rents by more than 4 percent over that span. Strong demand for space coupled with tight availability and robust population growth projections should sustain momentum into next year.

**Construction activity continues to slow.** Groundbreakings have tapered over the past year, continuing a two-year slowing pattern that began before the health crisis. Inventory will grow by 0.6 percent in 2021, as the total amount of square footage completed will be the lowest since 2012. Deliveries will be concentrated in Sarasota-Bradenton and Pasco County, and nearly 75 percent of the incoming supply already has a tenant in place. Lingering uncertainty amid material and labor shortages will continue to limit starts in the near term. A reduced pipeline coupled with high levels of pre-leasing should further supplement retail fundamentals.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2021 Outlook



**43,000  
JOBS**

*will be created*

### EMPLOYMENT:

Fueled by the professional and business services sector, total employment will expand by 3.2 percent in 2021. As of August, the metro's unemployment rate was 4.3 percent, 90 basis points below the national average.



**1,020,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

Supply additions this year will fall short of the 1.2 million square feet completed in 2020. Deliveries will increase the metro's inventory by less than 1 percent for the third consecutive year in 2021.



**0  
BASIS POINT**

*change in vacancy*

### VACANCY:

The decline in construction activity coupled with an increase in net absorption from grocers, gyms and discount retailers will compensate for store closures and hold the vacancy rate steady at 5.1 percent in 2021.



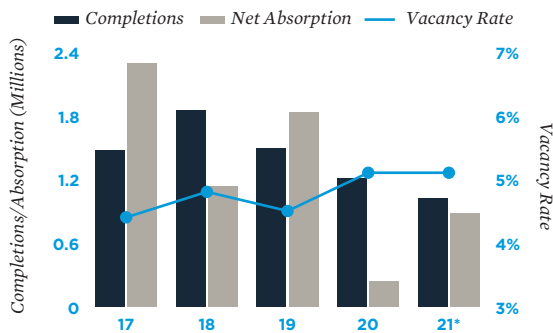
**4.2%  
INCREASE**

*in asking rent*

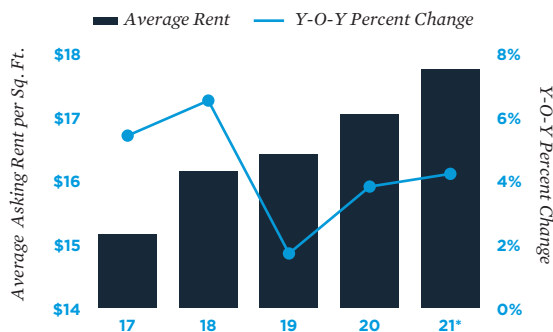
### RENT:

Tight market conditions will promote rent growth in the metro for the seventh consecutive year. By the end of 2021, the average asking rent will rise to \$17.75 per square foot, setting a new 15-year high.

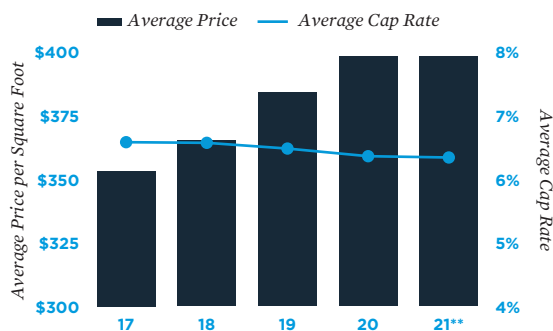
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

## 2Q21 – 12-Month Period



### CONSTRUCTION

**1,148,000** square feet completed

- Developers increased the metro’s retail inventory by 0.6 percent over the past four quarters. Completions were concentrated in the Sarasota-Bradenton, Central Tampa and Pasco County submarkets.
- Single-tenant properties accounted for two-thirds of the space finalized during the past year.



### VACANCY

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

- Tampa’s vacant stock grew by over 700,000 square feet during the 12-month period ended in June, lifting availability to 5.1 percent.
- Single-tenant vacancy rose 10 basis points over the past year to 4.4 percent. Multi-tenant availability climbed at a sharper pace, increasing 90 basis points to 6.7 percent.



### RENT

**5.6%** increase in the average asking rent Y-O-Y

- The average asking rent reached \$17.50 per square foot in June, following a 1.9 percent gain from the previous 12-month period.
- Central Tampa was one of only two submarkets that observed a yearly rent decline. The average rate contracted nearly 10 percent due to sluggish demand amid a reduction of daytime traffic in the CBD.

## Investment Highlights

- Retail investors continue to target Tampa-St. Petersburg more frequently than other major Florida markets due to lower entry costs and the potential for higher yields. Since the fourth quarter of 2020, sales activity has returned to a pre-pandemic pace, supporting a 19 percent increase in deal flow over the past year ended in June.
- Over the past four quarters, the number of deals involving single-tenant assets increased by 35 percent. The average sale price held relatively firm at \$473 per square foot during that span while the mean cap rate dipped 10 basis points to 6.0 percent.
- The trading of multi-tenant assets declined by 4 percent over the past 12 months. Uncertainty stemming from the pandemic coupled with the segment’s fundamental regression reduced activity. Despite lower deal volume, pricing for multi-tenant properties held steady at \$249 per square foot and the average cap rate fell 10 basis points to 6.9 percent.
- Buyers of both shopping centers and single-tenant assets are looking in similar areas of the metro. The Pinellas submarket accounted for nearly 40 percent of all transactions over the past four quarters.