

RETAIL

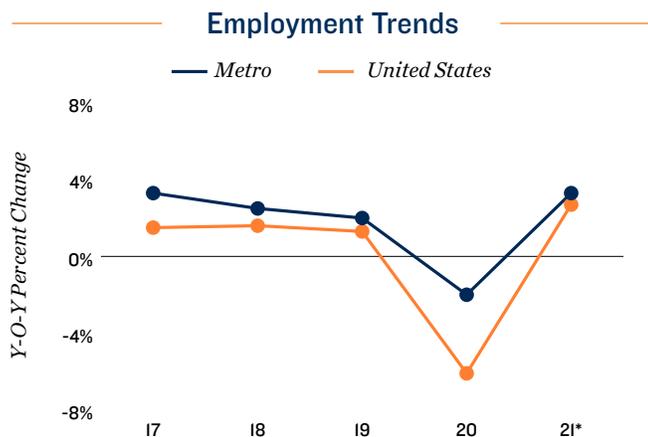
Jacksonville Metro Area

2Q/21

Expanding Professional and Financial Headcounts Buoy Discretionary Retail Purchasing

Growth in higher-wage sectors aid the retail outlook. While the focus of the labor recovery has been on the hard-hit leisure and hospitality sector after it shed 11,500 jobs in 2020, other employment segments posted notable annual expansions. Both the financial activities as well as the professional and business services sectors grew last year, a promising indication that Jacksonville is poised to lure more of these types of firms. Fidelity Investments is the most recent to voice hiring plans, announcing in early April that it will add 375 personnel throughout the metro this year. The enlargement of these industries supports higher household incomes and will ultimately boost retail spending in the market.

St. Johns County a mixed bag. Household formation in suburban areas is expected to remain strong, particularly close to Interstate 95 south of the core, which will bolster consumer spending and benefit local retailers. Alongside this, tourists are flocking to St. Johns County beaches as restrictions are shelved and inoculations become more widespread. However, retail vacancy in the county soared 220 basis points over the past two years when nearly 535,000 square feet was added. The county pipeline remains hefty in 2021 with upward of 400,000 square feet scheduled to finalize. Fountains at St. John's, a 100,000-square-foot-plus mixed-use development featuring retail and office space, will reach full completion, while a slew of additional retail shops at the nearby Beachwalk lifestyle center open late this year.



* Forecast
Sources: BLS; CoStar Group, Inc.

Retail 2021 Outlook



23,700 JOBS
will be created

EMPLOYMENT:

The resurgence in hiring within the leisure and hospitality sector as mass vaccination propels visitations and in-person shopping allows the Jacksonville employment count to grow by 3.3 percent in 2021. All of the 14,800 roles lost last year will be recovered.



512,000 SQ. FT.
will be completed

CONSTRUCTION:

Deliveries are set to taper significantly in 2021 after at least 800,000 square feet was finalized annually in each of the past five years. Properties slated for completion this year will increase metro stock by less than 1 percent, softening headwinds facing the sector.



40 BASIS POINT
increase in vacancy

VACANCY:

Store closures and curbed retailer expansion plans in the aftermath of 2020 will heighten availability in the metro this year. The vacancy rate is expected to reach 6.4 percent at year end, 200 basis points above the decade-low recorded in 2019.

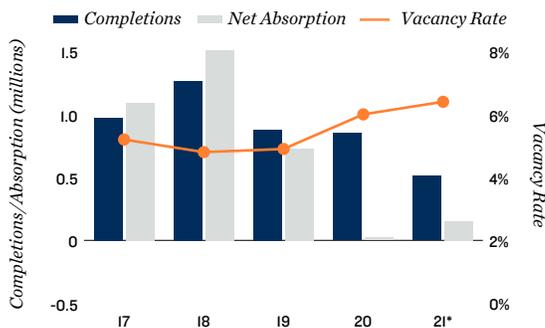


0.1% INCREASE
in asking rent

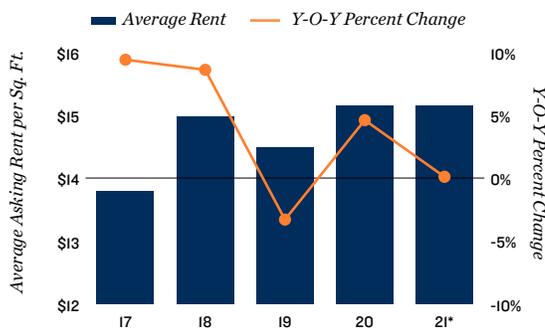
RENT:

Average asking rent growth will be subdued by rising availability, yet strengthening demand should produce a marginal increase to \$15.16 per square foot. In three of the past four years annual gains in the metro have exceeded 4 percent.

Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc., Real Capital Analytics

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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. Note: 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

2020



CONSTRUCTION

851,000 sq. ft. completed

- More than 815,000 square feet was completed over the first three quarters of last year, but less than 36,000 square feet opened in the final three months, resulting in an annual delivery volume below 2019.
- St. Johns County led all submarkets with 250,000 square feet of additions last year, which expanded the local inventory by 2.7 percent.



VACANCY

110 basis point increase in vacancy Y-O-Y

- Available stock grew by 872,000 square feet as the vacancy rate touched 6.0 percent for the first time since 2015. The Riverside, Nassau County and San Marco submarkets recorded the only decreases in availability.
- Multi-tenant vacancy hiked up 150 basis points to 8.6 percent, while single-tenant availability moved 90 basis points higher to 5.0 percent.



RENT

4.6% increase in the average asking rent Y-O-Y

- The average asking rent surged 5.1 percent over the first nine months as new supply commanded above-market rates and high-quality space became available. The average rent ended 2020 at \$15.15 per square foot.
- Submarkets with more than 5 million square feet of inventory that posted sizable rent gains include Arlington and St. Johns County.

Investment Highlights

- The 40 percent year-over-year reduction in trading during the second quarter contributed to annual velocity shrinking 12 percent in 2020. Transaction volume over the last six months of the year nearly matched the same period in 2019, and preliminary data reveals that investors are continuing to ramp up activity in the early stages of 2021.
- Jacksonville ranked in the top 10 major U.S. markets last year in terms of average sales price growth. Retail assets traded for an average of \$336 per square foot, which was 6 percent higher than in 2019. Single-tenant sales led the sectors' gains, posting a 6 percent growth compared with a 4 percent uptick for multi-tenant. The average retail cap rate compressed by 10 basis points to 6.6 percent.
- Riverside and the Southside are receiving the most buyer interest. Out-of-state investors are especially active in these locales, lured by favorable demographics and initial returns that range from 6 percent to 10 percent for multi-tenant assets, depending on location and quality. Single-tenant fast-food and convenience stores here also attract buyers and typically trade with cap rates in the 5 percent to 6 percent band.