

## Expedited Employment Recovery Helps Retail Sector Outperform National Averages

**Labor market rebound catalyzes retail resurgence.** Jacksonville's employment base was comparatively resilient last year, shedding only 2.0 percent of payrolls compared with the 6.2 percent U.S. reduction. This allowed for a faster recovery, with the metro headcount already nearing the pre-pandemic level entering August. Job gains enhance consumer spending and ultimately generate demand for retail space, which was evident in Jacksonville during the first six months of 2021. Net absorption in the opening two quarters was nearly three times as large as the total from the same period of 2020. The surge in leasing dropped vacancy by 90 basis points over the first half, outperforming the national rate, which was unchanged during that span. Jacksonville's average asking rent also grew at pace more than four times as fast as the U.S. mean since the beginning of 2020.

**Supply concerns low despite hefty pipeline.** Influenced by a strong demographic outlook, builders are ramping up activity. Deliveries in 2021 will exceed the trailing-10-year annual average by more than 60 percent. The new space is well-positioned, though, as the majority is in St. Johns County, the submarket responsible for nearly one-third of the metro's absorption in the first half. Household creation in southeast suburbs and improved tourism at beachfront areas is driving leasing activity here. The county's vacancy rate could hold below the market average despite the arrival of almost 700,000 square feet in 2021. Demand tailwinds and high-quality arrivals also allowed the average asking rent in St. Johns County to rise 15.8 percent year over year in June.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2021 Outlook



21,000 JOBS  
will be created

### EMPLOYMENT:

Jacksonville's employment total will increase by 2.9 percent in 2021 as the count surpasses the pre-pandemic peak by about 4,000 positions. The metro's unemployment rate of 4.3 percent entering August was the lowest among the six major Florida markets.



1,050,000 SQ. FT.  
will be completed

### CONSTRUCTION:

In 2021, more than 1 million square feet will be finalized for the first time since 2009. Metro stock is projected to grow by 1.3 percent this year, with the majority of the new supply going to the largest submarkets by inventory, particularly St. Johns County.



100 BASIS POINT  
decrease in vacancy

### VACANCY:

Net absorption will exceed 1.7 million square feet this year, marking the largest annual total in more than a decade. Stronger demand will tighten the vacancy rate to 5.0 percent, which is just 10 basis points above the 2019 recording prior to the recession.

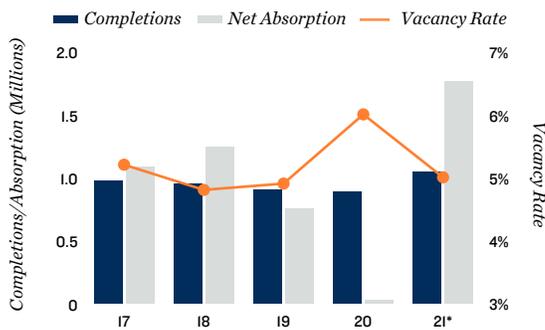


2.8% INCREASE  
in asking rent

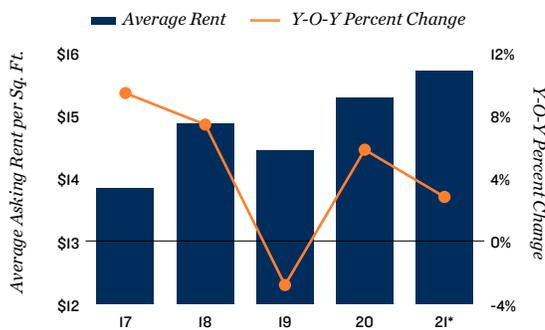
### RENT:

Building off the 5.8 percent gain posted last year, the market's average asking rent will advance to \$15.71 per square foot in 2021. By the end of this year, the mean rate will have grown by nearly 25 percent during the five-year period started in 2017.

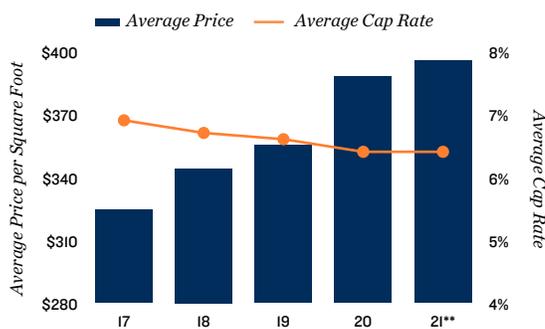
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

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

## 2Q21 – 12-Month Period

### CONSTRUCTION

656,000 sq. ft. completed

- Completions during the 12-month span ended in June fell by about 370,000 square feet relative to the previous period. As of July, an additional 968,000 square feet was underway throughout the metro.
- Approximately three-fourths of the space finalized was single-tenant, including the delivery of 243,000 square feet in St. Johns County.

### VACANCY

10 basis point decrease in vacancy Y-O-Y

- After peaking at 6.0 percent last year, the vacancy rate quickly retreated to 5.1 percent in the second quarter of 2021. In the first half of this year, more than 1.0 million square feet was absorbed.
- Single-tenant availability stood at 4.3 percent in June, down 20 basis points. The multi-tenant rate rose 30 basis points to 7.2 percent.

### RENT

2.9% increase in the average asking rent Y-O-Y

- Jacksonville's average asking rent has lifted in six consecutive quarters, growing by 6.7 percent over that frame. In June of this year the metro's overall rate was \$15.41 per square foot.
- Six different submarkets had annual rent growth in the double digits led by San Marco, St. Johns County, Downtown Northbank and the Beaches.

### Investment Highlights

- Single-tenant transactions have steadily increased after a lull in the first half of 2020 amid the onset of the pandemic. During the 12-month period ended in June, trades were up roughly 30 percent relative to prior yearlong span. The average single-tenant sale price climbed 3 percent to \$455 per square foot, while the mean cap rate held firm at 6.0 percent.
- Riverside and St. Johns County have been preferred targets for single-tenant buyers. Out-of-state investors from both coasts are actively acquiring triple net leased restaurant and fast-food shops in these areas, accepting minimum first-year returns in the 4 percent range.
- Approximately 25 percent fewer multi-tenant assets changed hands during the four-quarter stretch ended in June as in the prior period. Some investors remained on the sidelines due to pandemic and economic uncertainty. Properties that transacted during the past year sold for \$215 per square foot on average with a mean cap rate of 7.4 percent.
- Multi-tenant trades jumped by a sizable amount annually in Nassau County and Northwest Jacksonville. Here, strip centers priced below the market average attract private buyers seeking upside.