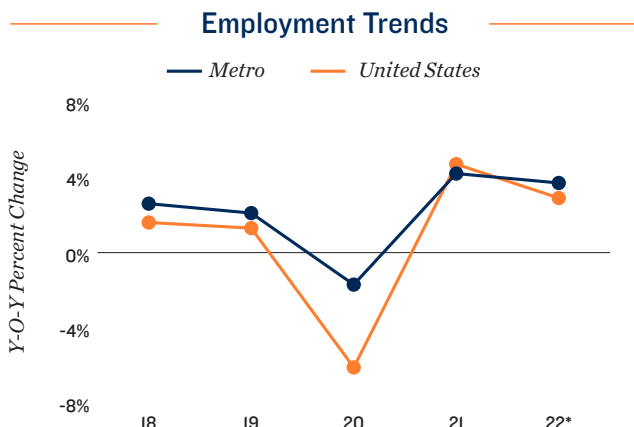


## St. Johns County is the Epicenter of Retail Activity; Multi-Tenant Vacancy Falls to a Historic Low

**Net in-migration spurs demand for necessity goods.** In the trailing 12 months ended in June, St. Johns County noted the largest volume of deliveries among Jacksonville's 15 submarkets, as over 250,000 square feet came online. Despite elevated development activity, the vacancy rate in the coastally-proximate locale continued to plunge in the second quarter to 3.0 percent. Many of the projects under construction in the area were fully leased as of September. Large properties slated to come online by year-end include two Publix markets and the Treaty Oaks Marketplace. As net in-migration continues at an elevated pace and the metro household count expands, consumer demand for necessity goods will remain heightened. Additionally, there have been several proposed redevelopment projects to turn retail spaces into apartments. One such property is the St. Augustine Outlets in St. Johns County. Projects like this will further deplete availability as vacant stock is taken off the market.

**Shopping centers remain attractive to tenants.** Multi-tenant properties have continued steady vacancy compression, with an 80-basis-point drop over the last 12 months ended in June. The sector's rate in the second quarter fell to a 15-year low of 5.6 percent. Tightening vacancy has been aided by new multi-tenant deliveries that have been well-received, as structures like the Crossings at Wildlight in Nassau County came online heavily pre-leased. Additionally, lower availability has facilitated a 5.1 percent annual gain in the segment's average asking rent to \$16.66 per square foot.



\* Forecast  
Sources: BLS; CoStar Group, Inc.

## Retail 2022 Outlook



28,000

JOB

will be created

### EMPLOYMENT:

Total employment is expected to expand by 3.7 percent this year, sitting 5.0 percent above the February 2020 high. Gains in the workforce will be driven by the leisure and hospitality sector, which as of August had surpassed the pre-pandemic peak.



950,000

SQ. FT.

will be completed

### CONSTRUCTION:

The metro's inventory will expand by 1.2 percent by year-end. Deliveries in 2022 are expected to be consistent with the trailing five-year average, and St. Johns County is slated to receive over half of these completions.



10

BASIS POINT

decrease in vacancy

### VACANCY:

Availability will fall to 4.5 percent in December. Vacancy compression will be aided by over 1 million square feet being absorbed this year, following six consecutive quarters of consistent positive absorption beginning last year.



5.6%

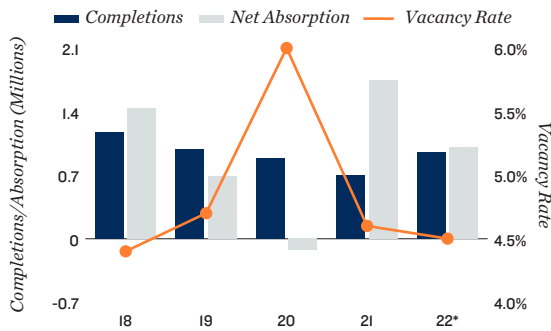
INCREASE

in asking rent

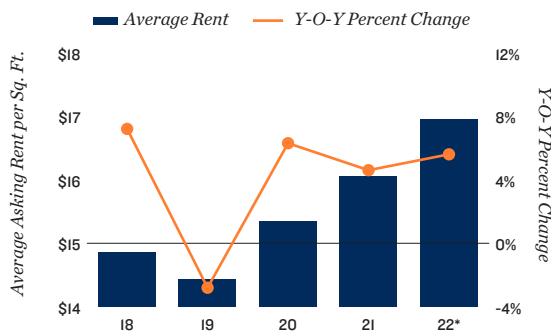
### RENT:

Following a 4.6 percent annual gain in 2021, this year will see the average asking rent continue its ascent to \$16.95 per square foot. This will be the third straight calendar period of year-over-year rent gains in the metro.

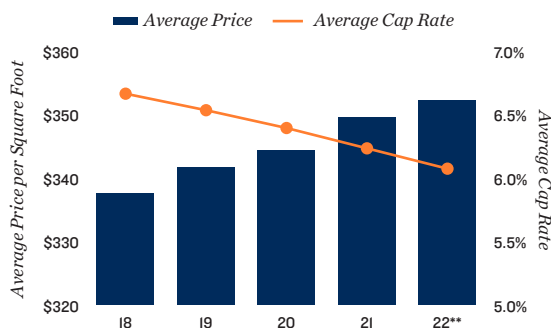
### Supply and Demand



### 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. 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

## 2Q 2022 - 12-Month Period

### CONSTRUCTION

676,000 sq. ft. completed

- Deliveries in Nassau and St. Johns counties accounted for half of total stock additions over the trailing 12-month period ended in June. These arrivals boosted local stock by over 2 percent.
- Over 470,000 square feet of single-tenant space came online in the year-long span, predominantly in St. Johns County.

### VACANCY

90 basis point decrease in vacancy Y-O-Y

- The second quarter ended with metro vacancy at 4.4 percent, the second-lowest rate on record.
- Single-tenant properties led the compression in vacancy, as five of the metro's 13 submarkets with over 1 million square feet of stock reported sub-3 percent vacancy. San Marco noted the lowest availability at 1.1 percent.

### RENT

7.8% increase in the average asking rent Y-O-Y

- The trailing 12-month period preceding July reported the third-greatest year-over-year increase in Jacksonville's average asking rent since at least 2007, landing at \$16.66 per square foot in June.
- Rent gains were fueled by an 18.1 percent increase in the Beaches submarket, and a 16.1 percent rise in St. Johns County.

### Investment Highlights

- In the trailing yearlong interval ended in June, single-tenant transaction velocity remained largely unchanged compared to the previous span. Multi-tenant deal flow, however, doubled across the trailing 12 months. Renewed investor interest in multi-tenant properties caused the average sale price to rise nearly 4 percent to \$220 per square foot, and the mean cap rate fell 20 basis points to 6.8 percent. Even after this compression, Jacksonville maintained its position as the highest first-year multi-tenant return market among major metros in Florida.
- Overall, the metro has the lowest mean sale price of major Florida markets at \$350 per square foot, and the highest average cap rate at 6.1 percent. Rising interest rates may heighten buyer interest in the coming quarters.
- During the first six months of the year, St. Johns County witnessed the highest number of trades, as a wide range of sale prices can be found here. Predominantly, properties are within the high-\$100 to mid-\$300 per square foot range, or priced around \$1,000 per square foot. For lower-priced properties, cap rates sit in the 6 percent band, attracting investors seeking higher yields with lower entry costs.