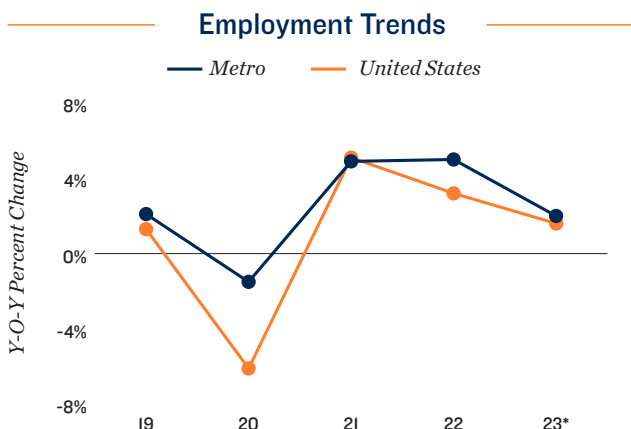


## Local Vacancies May Edge up from Record Lows As Positive Absorption Prevents Notable Rises

Visitors bolster retail space needs in submarket trio. Available retail space remains limited in Southside, Jacksonville Beaches and Downtown Northbank, despite a broader stabilization taking place in the metro. Vacancy in each submarket declined to historic lows over the year ended in March, contrasting a 60-basis-point rise marketwide. A determining factor has been limited new supply, with each submarket recording annual growth rates of 1.0 percent or lower. As each area also represents a primary tourist corridor, demand for nearby retail space has also been bolstered by elevated visitations to the metro. Jacksonville International Airport recorded its second-busiest year on record in 2022, with visitors boosting retail sales in the submarket trio. The airport is also underway on more than \$100 million in upgrades, which should help facilitate larger travel volumes once completed.

Developers hone in on St. Johns County. The submarket hosts over half of this year's construction volume, with builders beckoned by recent tenant demand. The addition of more than 33,400 people here over the past two years helped keep net absorption higher than anywhere else in the metro. While Bass Pro Shops will occupy 100,000 square feet here in 2024, near-term space needs could still be outweighed by additions. Rising St. Augustine apartment vacancy may indicate slowing residential demand nearby, which could curtail retailer expansion plans in the area.



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

## Retail 2023 Outlook



16,000

JOB  
will be created

### EMPLOYMENT:

The 7,700-job gain in the first five months of 2023 was the second-smallest among major Florida metros. By year-end, the job tally will rise by 2.0 percent, marking an 11-year low aside from a reduction in 2020.



840,000

SQ. FT.  
will be completed

### CONSTRUCTION:

Completions in St. Johns County will account for nearly half of the metro's delivery volume, fueling 1.1 percent stock growth metrowide. No other area adds more than 125,000 square feet of retail spaces in 2023.



50

BASIS POINT  
increase in vacancy

### VACANCY:

Both multi- and single-tenant vacancy rose in the first quarter, suggesting bumps may be felt in both segments near-term. Still, an overall year-end vacancy of 5.4 percent will remain well-below the long-term mean.



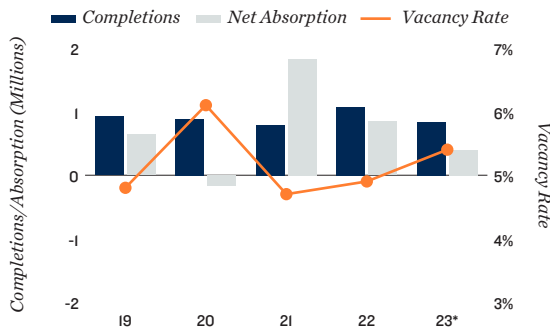
3.6%

INCREASE  
in asking rent

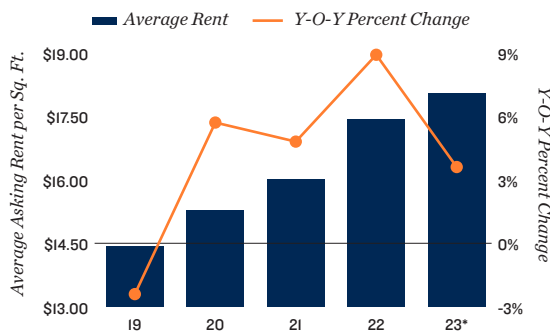
### RENT:

Higher vacant stock volumes in both the single- and multi-tenant segments weigh on rent growth near-term. This results in a slower rise relative to last year, lifting the mean marketed rent to \$18.05 per square foot in 2023.

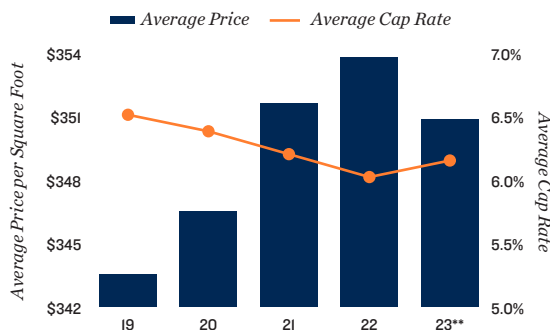
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

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

## IQ 2023 - 12-Month Period

### CONSTRUCTION

970,000 sq. ft. completed

- Supply expanded by 1.2 percent over the year ended in March. During the span, St. Johns County added nearly 470,000 square feet of space, primarily single-tenant, translating to a 5.3 percent growth rate.
- Multi-tenant spaces comprised one-third of the past year's supply additions, with the largest amount delivered in Northeast Jacksonville.

### VACANCY

60 basis point increase in vacancy Y-O-Y

- Riverside and Orange Park-Clay County — two of the four largest submarkets by stock — registered 130 basis point rises in vacancy over the past year, lifting the metrowide average rate to 5.1 percent in March.
- Downtown Northbank and Southside registered multi-tenant vacancy drops, contrary to the 230-basis-point rise in the segment marketwide.

### RENT

6.6% increase in the average asking rent Y-O-Y

- Local rent increases in 11 out of 15 submarkets over the past year helped lift the average asking rate to \$17.44 per square foot in March.
- Single-tenant rent growth upward of 20 percent in Mandarin, Northwest Jacksonville and Riverside pushed the segment's mean marketed rent up to \$17.68 per square foot.

## Investment Highlights

- Trading activity over the first three months of 2023 fell 15 percent lower than the long-term quarterly mean. A period of price discovery appears to have emerged, with buyers being more circumspect when evaluating opportunities, due to a rising vacancy rate and elevated capital costs. This is evident in average pricing, which fell by 0.8 percent between the 12-month period ended in March compared to the prior equivalent span.
- The epicenter of local household formations, St. Johns County continues to host the highest number of retail trades. Thus far in 2023, most transactions have involved single-tenant assets, with properties occupied by high-credit, fast-food chains commanding entry costs upward of \$700 per square foot, nearly double the metrowide average. Net absorption here has been positive for nine of the past 10 quarters, a dynamic that will foster additional buyer demand for available listings, should it continue.
- Multi-tenant trading velocity flattened as of late; however, some transactions still occurred in Orange Park-Clay County. Household growth here was double the metro figure last year, stirring investor interest for well-located shopping centers in areas with expanding consumer bases.