

RETAIL

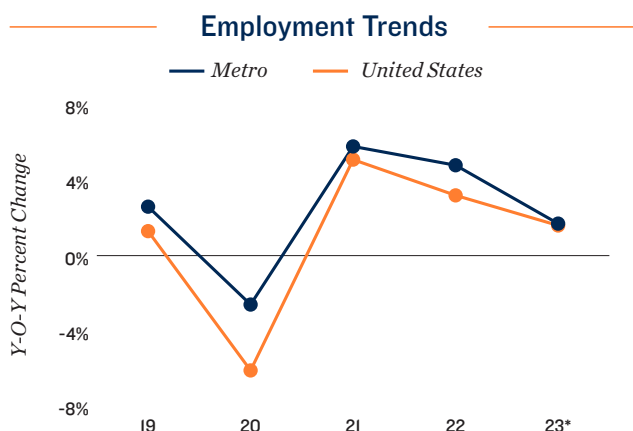
Tampa-St. Petersburg Metro Area

2Q/23

Robust Levels of Tourism and Economic Growth Continue to Drive Consumer Spending in Tampa

Vacancy falls to record low. The metro employment and population counts improved by 4.7 and 1.4 percent, respectively, over the past 12 months ending in March. Tampa has also experienced record levels of tourism, evidenced by hotel room bookings reaching a new all-time high during the same span. Growth in the local economy and resident base, coupled with historic levels of visitation, bolstered discretionary spending, despite ongoing economic headwinds. Resilient consumer demand has continued to motivate retailer expansions in the metro, as tenants absorbed a net of 2.3 million square feet during the yearlong span ending in March, a volume higher than historical norms. Retail fundamentals have experienced substantial tightening as a result, with this activity slicing vacancy to 3.4 percent, marking the metro's lowest rate in more than 15 years.

Suburban areas poised for growth. Recent leasing activity has been widespread, as all eight of Tampa's submarkets recorded year-over-year vacancy compression entering the second quarter. With the local vacancy rate at 2 percent and minimal projects in the pipeline slated for the CBD, competition for floor plans is fierce in Central Tampa. Retailers looking to expand in the metro may target suburban locales, such as Pasco County, Pinellas, Sarasota-Bradenton and the I-75 Corridor, because these areas offer more space options. Builders have also taken notice, as these four submarkets account for the bulk of the development pipeline.



* Forecast
Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



25,500

JOB
will be created

EMPLOYMENT:

As of April, employment in the retail trade sector was roughly 10,000 positions above the pre-pandemic level. Although job growth slows relative to last year's pace, firms will still expand headcounts by 1.7 percent in 2023.



1,175,000

SQ. FT.
will be completed

CONSTRUCTION:

Supply additions fall below the long-term average of 1.7 million square feet per year, as developers increase local stock by 0.7 percent. Deliveries slated for 2023 are mostly concentrated in the Sarasota-Bradenton submarket.



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BASIS POINT
increase in vacancy

VACANCY:

Although vacancy experiences a modest uptick to 3.5 percent, the rate will remain more than 200 basis points below the metro's long-term average, and also marks the second-lowest rate among all major Florida markets.



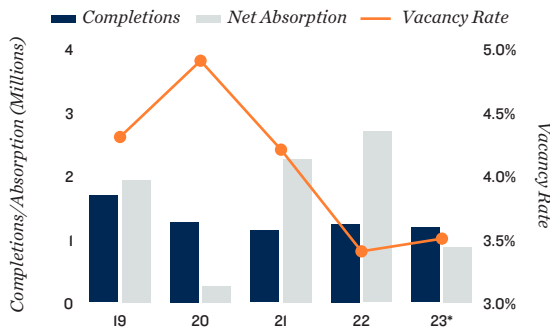
4.6%

INCREASE
in asking rent

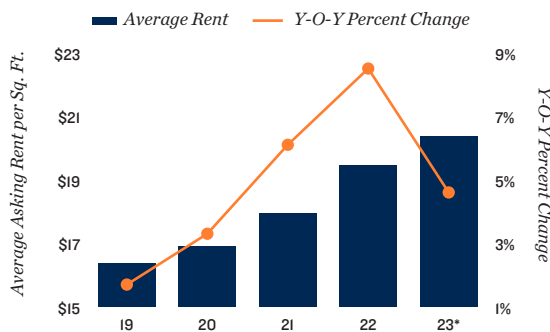
RENT:

Tampa will outpace all major North and Central Florida markets in rent growth this year. The average asking rate will increase to \$20.36 per square foot, which is nearly 25 percent above the metro's pre-pandemic level.

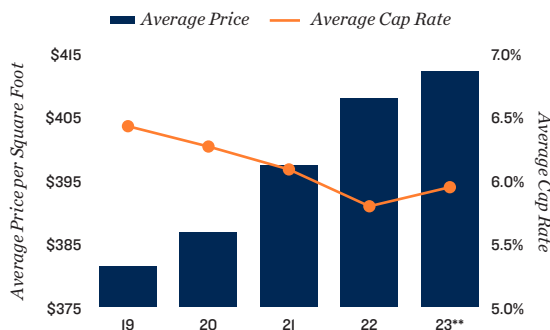
Supply and Demand



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

1,354,000 sq. ft. completed

- Tampa's retail inventory has increased by 0.8 percent over the past 12 months ending in March, with roughly half of all new supply delivering in the Sarasota-Bradenton submarket.
- Entering the second quarter, more than 70 percent of the 1.1 million square feet of retail space underway has already been pre-leased.

VACANCY

60 basis point decrease in vacancy Y-O-Y

- Pasco County experienced the largest drop in local vacancy among metro submarkets during the past four quarters ending in March, as the rate fell by 190 basis points to 4.1 percent.
- Single-tenant vacancy was at 2.9 percent entering April, roughly 190 basis points below the multi-tenant rate.

RENT

7.2% increase in the average asking rent Y-O-Y

- Central Tampa and the I-75 Corridor led all submarkets in year-over-year rent growth ending in March, with both areas recording double-digit gains.
- Rent growth was most pronounced in the multi-tenant segment, as the mean rate of properties in the subtype jumped 8.1 percent. The average asking rent among single-tenant assets rose by 6.9 percent.

Investment Highlights

- Record-low vacancy, coupled with robust population growth and tourism, have strengthened investor interest for retail assets in the Tampa-St. Petersburg metro. Although deal flow declined by more than 30 percent over the past year ending in March relative to the previous yearlong span, the amount of deals was still the third-highest total on record and outpaced all other major Florida markets during the same time frame. Headwinds like elevated borrowing costs and a potential economic slowdown still remain; however, historically tight market conditions and favorable growth prospects should continue to drive investment activity across the market.
- Single-tenant, net-leased assets have been coveted in recent quarters, as they offer more stability during times of economic strain. Assets of this subtype with creditworthy tenants in place — such as Walgreens, Dollar General, Starbucks and 7-Eleven — are often changing hands in Pinellas and Pasco County, with cap rates averaging in the low-5 percent range.
- In the multi-tenant segment, strip centers ranging from 5,000 to 20,000 square feet have been trading in North Hillsborough, with entry costs that frequently fall below the metro average of \$321 per square foot.