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Brokers Expect Mixed Bag for Tampa Retail Landlords in 2012

By *Jennifer LeClaire*



Brian Bern says landlords are getting pressure from big box retailers to downsize.

TAMPA, FL—The **retail** sector of the commercial real estate market is heating up in Tampa. In the last 90 days alone, **Franklin Street's** tenant and **landlord representation** team leased up more than 25,900 square feet of retail space in the region and sold about an acre of raw land off South Dale Mabry to an end user.

Brian Bern, senior director of Franklin Street Real Estate Services, tells GlobeSt.com 2011 was the firm's most active year in **retail** since the downturn. He expects 2012 to be slightly busier.

"Retailers are definitely gaining more confidence," Bern says. "More retailers are actively looking to open stores to establish their brands in various trade areas. This year has been great for tenants trying to expand. It's been easy to target good properties, but now we are seeing the class A, and even class B properties filling up."

Steady improvement in demand underpinned a 40-basis-point drop in Tampa Bay's vacancy rate this year to 9.6%, according to **Marcus & Millichap's** third quarter data. The rate rose 30 basis points in 2010 and was 6.4% at the start of the recession.

Although the leasing uptick is good news for landlords, tenants might not like the result: the increased demand will push up the price per square foot on high-traffic locations. With class A space harder to come by, retailers despite to enter specific trade areas may have to settle on class B locations to get the doors open.

At the same time, Bern expects more retail tenants to announce expansion plans in 2012 than in 2011. "While 2011 was a strong year for expansion, I think you'll hear more about new concepts entering the U.S. market from overseas," he explains. "The first quarter is always interesting for retailers. Those with successful holiday sales gear up to expand while those struggling to survive tend to go out-of-business after the first of the year."

Bern predicts that the lack of class A space with the rising demand from tenants will lead to redevelopment and eventually new development. That's good news for the Tampa Bay economy because it will create jobs and influence purchasing behaviors. Still, challenges remain for Tampa's **retail real estate** sector in 2012, namely leasing space.

"Even though the vacancies are filling up there are retail concepts that continue to struggle and may not survive 2011. Vacant space in class B and C centers still remains plentiful," Bern says. "Landlords are also experiencing pressure from retailers like Best Buy, Office Depot, and Staples to downsize their spaces. The challenge and expense of downsizing a big box store is great. It will be interesting to see how landlords begin to work through these requests to downsize."

For more thought leadership from Marcus & Millichap Real Estate Investment Services, check out "**StreetSmart**," a blog by **Hessam Nadji**, the firm's managing director of research and advisory services. The blog provides Thought Leadership positions on a variety of commercial real estate-related issues. **Click here** to watch Nadji on CNBC's "Realty Check" program talking about multifamily and the housing crash. For more information on the Thought Leadership program, contact Scott Thompson at sthompson@alm.com.