

Tampa Industrial, Q3 2018

Lease rates continue their rise in response to new product

Total Vacancy
4.8%

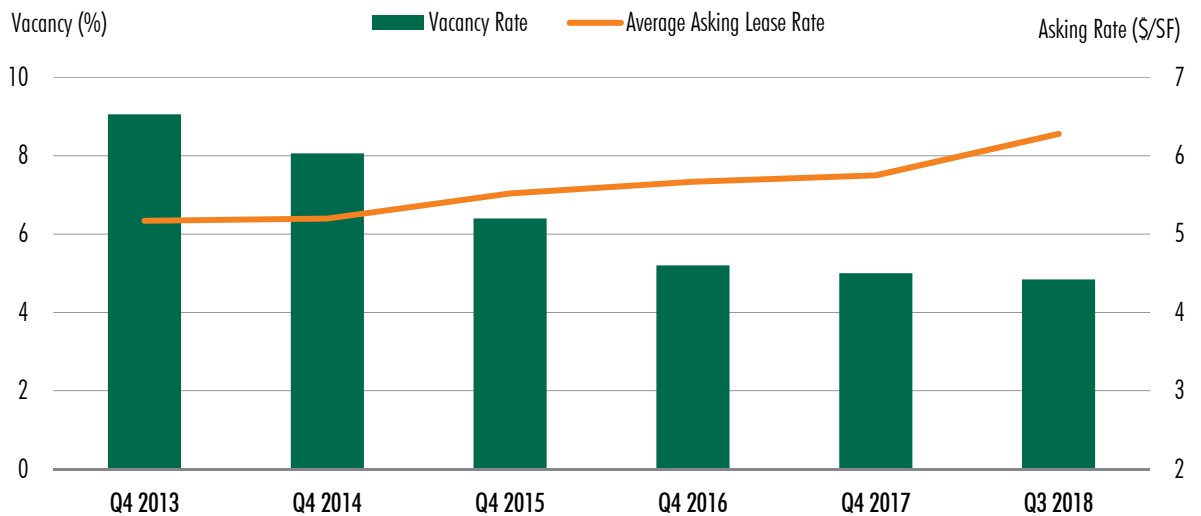
Lease Rate
\$6.28 PSF

Net Absorption
(225,000) SF

Under Construction
1.3 MSF

*Arrows indicate change from previous year.

Figure 1: Total Vacancy –vs– Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q3 2018.

- Crossroads Commerce Center III was delivered in Tampa, with American Metals taking the entire 215,123 sq. ft. upon completion.
- Almost 1.3 million sq. ft. of warehouse/logistics space remains under construction, with 3.8 million sq. ft. in the planning stages, approaching groundbreaking.
- Investment sales slowed, with 10 separate assets trading for a combined \$87.6 million, at \$68 per sq. ft.
- The Tampa Bay MSA continues to experience positive employment numbers, with a 50 basis point (bps) drop in unemployment rate, and an addition of over 28,000 jobs year-over-year.

LEASING ACTIVITY

Tampa’s industrial market continues to show signs of strength and growth, despite quarterly metrics that were a bit down from the previous period. In Q3 2018 overall industrial vacancy rose 30 bps quarter-over-quarter to 4.8%, with net absorption being calculated at a negative 225,127 sq. ft. Asking lease rates exhibited rises in both quarter-over-quarter and year-over-year measures, at 2% and 6%, respectively, to finish at \$6.25 per sq. ft.

Despite overall negative absorption, warehouse facilities showed positive absorption of 73,175 sq. ft. Poor performance in manufacturing space pulled down the market, as it experienced 198,762 sq. ft. of negative absorption, with R&D/Flex space with 99,540 sq. ft. of negative absorption.

Figure 2: Market Statistics

Submarket	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q3 2018 Net Absorption (SF)	2018 YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/MNN)
Tampa CBD	8,919,590	7.1	8.6	42,363	89,099	0	4.48
Northeast Tampa	17,075,771	5.4	8.0	(66,283)	(216,289)	0	5.77
East Tampa	25,114,917	4.1	8.6	25,655	284,992	565,860	6.67
Plant City	10,624,747	6.0	7.3	63,617	131,634	0	5.09
Southeast Tampa	7,637,225	3.8	3.8	51,514	558,659	725,385	4.89
East Tampa Area	69,372,250	4.9	7.7	116,866	848,095	1,291,245	6.05
Westshore	2,575,732	3.8	10.1	(3,650)	(8,080)	0	6.90
Southwest Tampa	3,814,944	2.6	4.2	0	(39,199)	0	3.85
Northwest Tampa	16,059,873	4.7	8.1	65,742	(15,058)	0	8.41
Airport Area	22,450,549	4.1	7.7	62,092	(9,508)	0	7.85
Hillsborough County	91,822,799	4.7	7.7	178,958	838,587	1,291,245	6.02
South Pinellas	9,573,921	5.7	7.8	(147,872)	(370,112)	0	6.37
Mid-Pinellas	30,451,270	5.3	8.6	(250,977)	(114,944)	0	7.13
North Pinellas	6,910,012	1.1	2.8	(5,236)	4,559	0	7.96
Pinellas County	46,897,205	4.6	7.6	(404,085)	(344,028)	0	6.93
Overall Tampa Bay	138,758,002	4.8	7.7	(225,127)	305,261	1,291,245	6.28
Manufacturing	32,330,875	4.1	5.6	(198,762)	(194,712)	0	5.79
R&D/Flex	13,027,234	10.3	14.7	(99,540)	(67,380)	0	9.64
Warehouse/Distribution	90,220,092	4.2	7.2	73,175	590,323	1,291,245	5.41

Source: CBRE Research, Q3 2018.

Figure 3: Significant Q3 2018 Lease Transactions

Submarket	Property	Tenant	Transaction (SF)
East Tampa	1601 North 50th St	Precision Installations, Inc.	66,000
East Tampa	9207 Florida Palm Dr	iGov Technologies	54,360
Northwest Tampa	9937 Race Track Rd	The Compound, LLC	14,245
East Tampa	602 South Ware Blvd	Solideal	12,760

Source: CBRE Research, Q3 2018.

Figure 4: Significant Q3 2018 Sale Transactions

Submarket	Property	Buyer	Seller	Building (SF)	Sale Price (\$)
East Tampa	3401 Queen Palm Dr	Angelo, Gordon & Co.	Chromalloy	118,448	18,600,000
Northeast Tampa	11316 North 46th St	Federated Companies	Exeter Property Group	383,600	17,000,000
Mid-Pinellas	7431 114th Ave	Arcis Investments	Omni Property Cos	154,984	11,200,000

Source: CBRE Research, Q3 2018.

Figure 5: Significant Projects Under Construction (SF)

Submarket	Property	Owner	Developer	Building (SF)
Southeast Tampa	Tampa Reg. Indust. Park – Bldg. 200	Duke Realty Corporation	Duke Realty Corporation	442,874
East Tampa	301 Business Center – Bldg. 300	McDonald Ventures XXXIV	McDonald Development Company	341,800
Southeast Tampa	Becknell at Madison Bus Ctr – Bldg. 1	Becknell Industrial	Becknell Industrial	189,111
East Tampa	301 Business Center – Bldg. 100	McDonald Ventures XXXIV	McDonald Development Company	144,500

Source: CBRE Research, Q3 2018.

Leasing activity in Q3 2018 was steady, accounting for approximately 640,000 sq. ft. across 80 tracked transactions. Almost 500,000 sq. ft. was made up of new transactions, with the remainder made up of renewals. Warehouse assets accounted for 64% of the total leasing activity, with R&D/Flex representing 30% and manufacturing about 6%.

DEVELOPMENT

With the completion of Building 3 at the Crossroads Commerce Center (215,123 sq. ft.), approximately 727,000 sq. ft. of new product has been delivered year-to-date. This follows a year in which almost 1.9 million sq. ft. was added to the market. That said, almost 1.3 million sq. ft. remains under construction, with 15 projects accounting for over 3.9 million sq. ft. in the planning stage, much of which is expected to break ground in the next 24 months. The majority of these projects are warehouse/distribution facilities, many of which will be put to use as e-commerce support facilities.

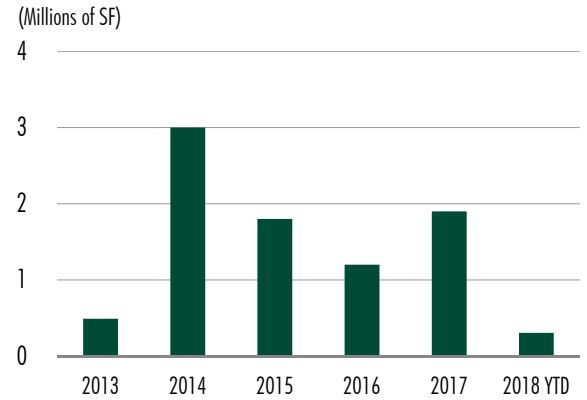
SALES ACTIVITY

Capital markets remained modest for a second consecutive quarter, accounting for 11 transactions for a total consideration of \$96.5 million, at roughly \$70 per sq. ft. Year-to-date, investment sales have totaled \$301 million in consideration. Private investors have increased their activity in the market, accounting for approximately 50% of the transactions year-to-date. Institutional investors account for 26% of the activity, with cross-border investors from China and Singapore representing 11% of the activity.

OUTLOOK

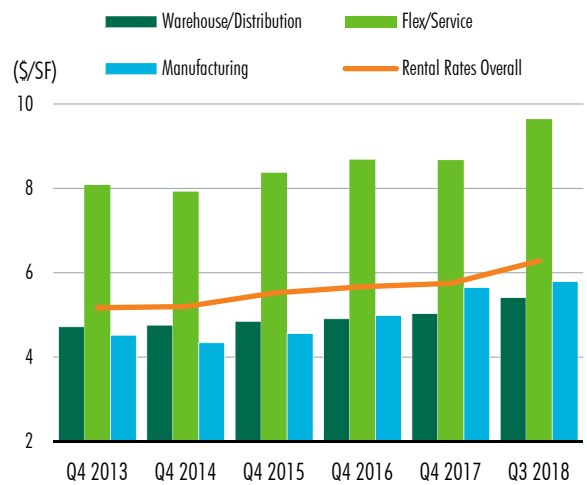
The Tampa metro area remains in a period of growth. As population and office-using jobs rise, so will the need for industrial warehouses and distribution facilities, to support the “last mile” of the delivery of goods. Transportation companies and large retailers will continue to be in the market for warehouse space, which has been illustrated by new buildings being delivered with tenants already in place. It is expected that his demand will last for at least as long as population continues its strong growth.

Figure 6: Net Absorption



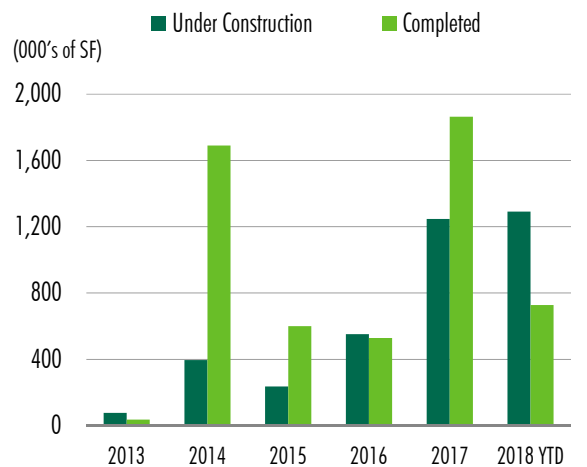
Source: CBRE Research, Q3 2018.

Figure 7: Average Direct Asking Lease Rate (NNN)

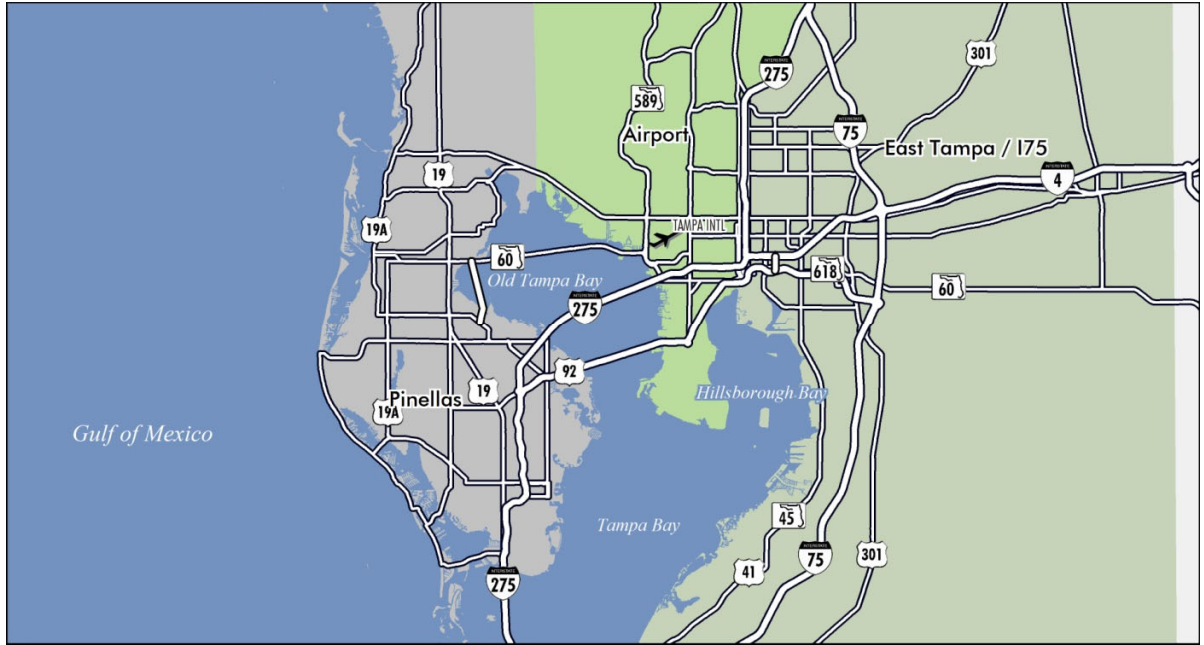


Source: CBRE Research, Q3 2018.

Figure 8: Under Construction and Completions



Source: CBRE Research, Q3 2018.



Market Coverage: All competitive industrial buildings 10,000 sq. ft. and greater in size in Hillsborough and Pinellas counties.

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