

Tampa Industrial, Q4 2018

# Positive industrial absorption in Q4 caps a very active year

**Total Vacancy**  
4.5%

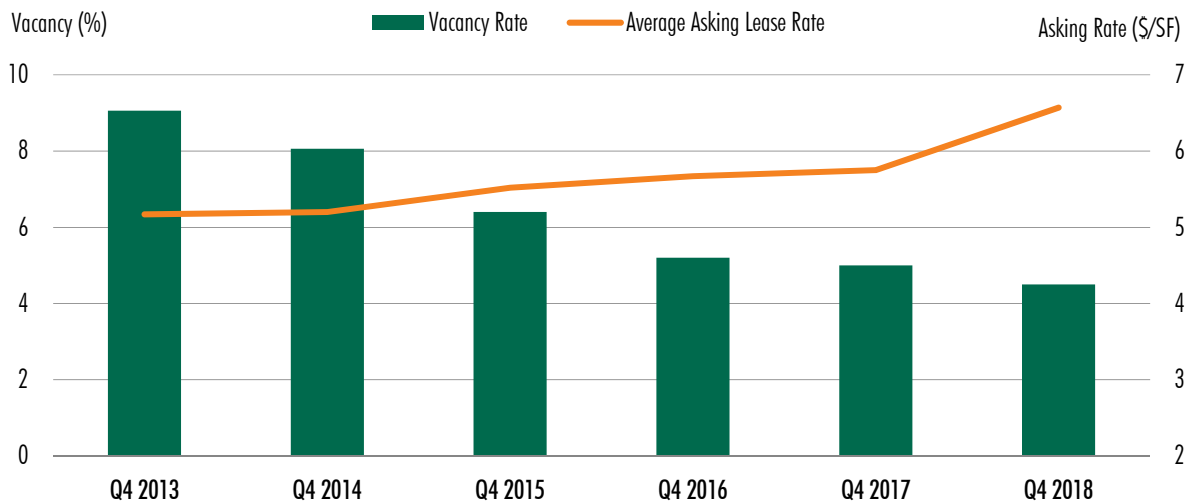
**Lease Rate**  
\$6.57 PSF

**Net Absorption**  
190,000 SF

**Under Construction**  
2.4 MSF

\*Arrows indicate change from previous year.

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



Source: CBRE Research, Q4 2018.

### LEASING ACTIVITY

- Leasing activity totaled nearly 896,000 sq. ft. in Q4, an increase of 8.0% from Q3 2018.
- 23.3% of the total square footage under construction was pre-leased at the close of Q4 2018.
- Investment activity dominated industrial sales during Q4 2018, accounting 90.2% of the total sq. ft. which traded during the past quarter.
- The Tampa MSA's unemployment rate of 3.0% is on par with the state's rate but is significantly lower than the national unemployment rate.

The Tampa industrial market regained its strength in Q4 2018. Following a quarter marked by an increase in vacancy and negative absorption, several key market fundamentals once again turned positive. Market-wide absorption totaled a positive 189,562 sq. ft. during the last three months of the year, which boosted the market's annual absorption total to positive 789,895 sq. ft. Although 2018's absorption ended the year in positive figures, when compared to the 2017 total, absorption levels over the past year decreased by 55.8%. As a result of continued strong user demand, as well as the positive net absorption recorded within the market, the overall vacancy rate posted 4.5% in Q4 2018. Overall vacancy within the market fell 10 basis points (bps) lower than the Q3 2018 rate, though when compared to Q4 2017, vacancy remained constant, despite the delivery of over 806,000 sq. ft. of new space during the year. Additionally, the average asking rental rate at the close of the quarter was \$6.57 per sq. ft.

Figure 2: Market Statistics

Submarket	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q4 2018 Net Absorption (SF)	2018 Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/MNN)
Tampa CBD	8,919,590	6.8	9.0	152	121,381	179,080	4.96
Northeast Tampa	17,075,771	4.7	7.2	(124,441)	(198,978)	390,395	5.69
East Tampa	25,194,477	3.2	8.2	250,100	581,572	941,050	7.06
Plant City	10,624,747	7.9	6.2	(19,808)	111,826	0	5.01
Southeast Tampa	7,637,225	3.0	3.4	62,164	620,823	811,585	4.89
East Tampa Area	69,451,810	4.5	7.5	168,167	1,236,624	2,322,110	5.78
Westshore	2,575,732	6.2	12.2	(62,292)	(70,372)	0	7.02
Southwest Tampa	3,814,944	2.3	4.4	11,197	(28,002)	0	4.60
Northwest Tampa	16,059,873	4.3	7.8	48,825	43,767	0	8.89
Airport Area	22,450,549	4.2	7.7	(2,270)	(54,607)	0	8.38
Hillsborough County	91,902,359	4.4	7.5	165,897	1,182,017	2,322,110	6.34
South Pinellas	9,573,921	6.1	8.6	(21,702)	(391,814)	0	6.58
Mid-Pinellas	30,451,270	4.9	9.1	47,456	(15,458)	65,000	7.46
North Pinellas	6,910,012	0.9	1.3	(2,089)	15,150	0	5.91
Pinellas County	46,935,203	4.6	7.8	23,665	(392,122)	65,000	7.14
Overall Tampa Bay	138,837,562	4.5	7.6	189,562	789,895	2,387,110	6.57
Manufacturing	32,330,875	3.5	5.8	55,000	(117,032)	0	6.25
R&D/Flex	13,056,732	9.6	13.6	48,403	(3,267)	0	9.66
Warehouse/Distribution	90,308,152	3.9	7.2	87,359	934,364	2,387,110	5.70

Source: CBRE Research, Q4 2018.

Figure 3: Significant Q4 2018 Lease Transactions

Submarket	Property	Tenant	Transaction (SF)
East Tampa	8504 E Adamo Dr	Confidential Tenant	59,200
East Tampa	1820 Massaro Blvd	Cott Corporation	50,752
Southeast Tampa	6469 S Falkenburg Rd	Vallen Distribution Inc	48,078
Northwest Tampa	5102 W Clifton St	J & J Mission Critical	42,212

Source: CBRE Research, Q4 2018.

Figure 4: Significant Q4 2018 Sale Transactions

Submarket	Property	Buyer	Seller	Building (SF)	Sale Price (\$)
East Tampa	1920-2000 N 62nd St (Part of 4 Bldg. local portfolio)	Blackstone Real Estate Income Trust Inc.	Harvard Management Company Inc	191,314	9,925,370
Northwest Tampa	5401-5440 Jetview Cr (4 Bldg. portfolio)	Equitable Real Estate Partners	Keating Resources	166,680	16,300,000
Northeast Tampa	2307 N 36th St	Capstone Group	Martin Garcia	125,633	4,440,000

Source: CBRE Research, Q4 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	I-4 Logistics Center – Bldg. 100	Blue Steel Development LLC	Blue Steel Development LLC	424,550
East Tampa	301 Business Center – Bldg. 300	McDonald Ventures XXXIV	McDonald Development Company	341,800

Source: CBRE Research, Q4 2018.

a \$0.29 per sq. ft. increase from Q3 2018 and a significant \$0.82 per sq. ft. jump from the average recorded in Q4 2017.

**DEVELOPMENT**

Despite the delivery of nine new buildings over the year, totaling slightly over 800,000 sq. ft., there continues to be a limited supply of large institutional quality, Class A space throughout the Tampa market in Q4 2018. The current imbalance between supply and demand has persuaded many developers to start construction on new buildings, many of which are being built on a speculative basis. Q4 2018 shows 12 buildings under construction, consisting of nearly 2.4 million sq. ft. The most significant building being developed in the market, in terms of square footage, is Duke Realty Corporation’s second building in Tampa Regional Industrial Park, which consists of 442,874 sq. ft.

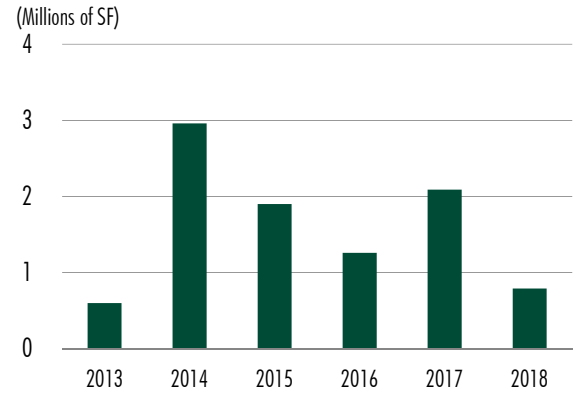
**SALES ACTIVITY**

Within the Tampa market’s industrial sales arena, demand from both investors and owner/users remained strong during Q4 2018, though the limited amount of space available for purchase continued to decrease. During the quarter, a total of 23 sales were completed, equaling nearly 2.8 million sq. ft. The total area sold during Q4 2016 increased by 19.8% compared to the total for Q3 2018. Although, when comparing total annual sales volume year-over-year on a total sq. ft. basis, 2018 sale activity fell from 2017’s total sales volume by approximately 500,000 sq. ft. or nearly 18%. Tampa’s industrial properties are in such high demand, that the average sales price per sq. ft. in 2018 jumped to \$64.85 per sq. ft., a 10.9% increase over the average posted in 2017.

**OUTLOOK**

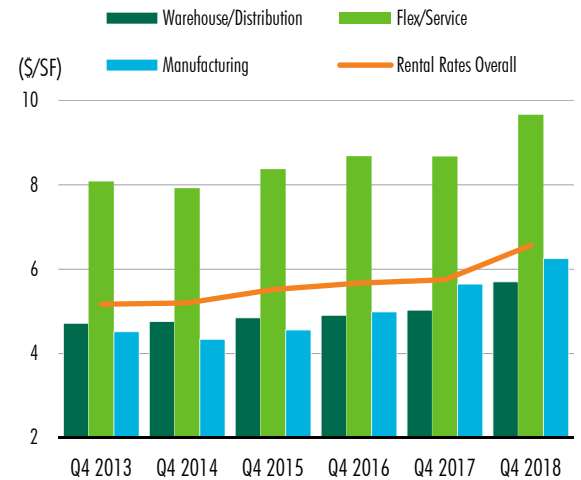
The Tampa industrial market remained very tight in Q4 2018. The addition of several high-quality industrial buildings coming on-line in 2019 should ease some of the pent-up demand in the market. This new space won’t stay vacant for long. Demand from existing tenant expansion and relocation, combined with the need for more space by e-commerce and last mile servicers, is expected to remain very strong in 2019. As a result, metrics within the Tampa market are expected to continue to improve throughout 2019, with a slowdown in activity not projected within the foreseeable future.

Figure 6: Net Absorption



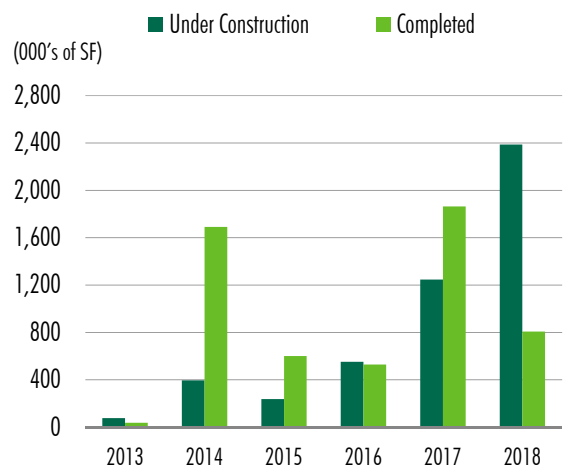
Source: CBRE Research, Q4 2018.

Figure 7: Average Direct Asking Lease Rate (NNN)

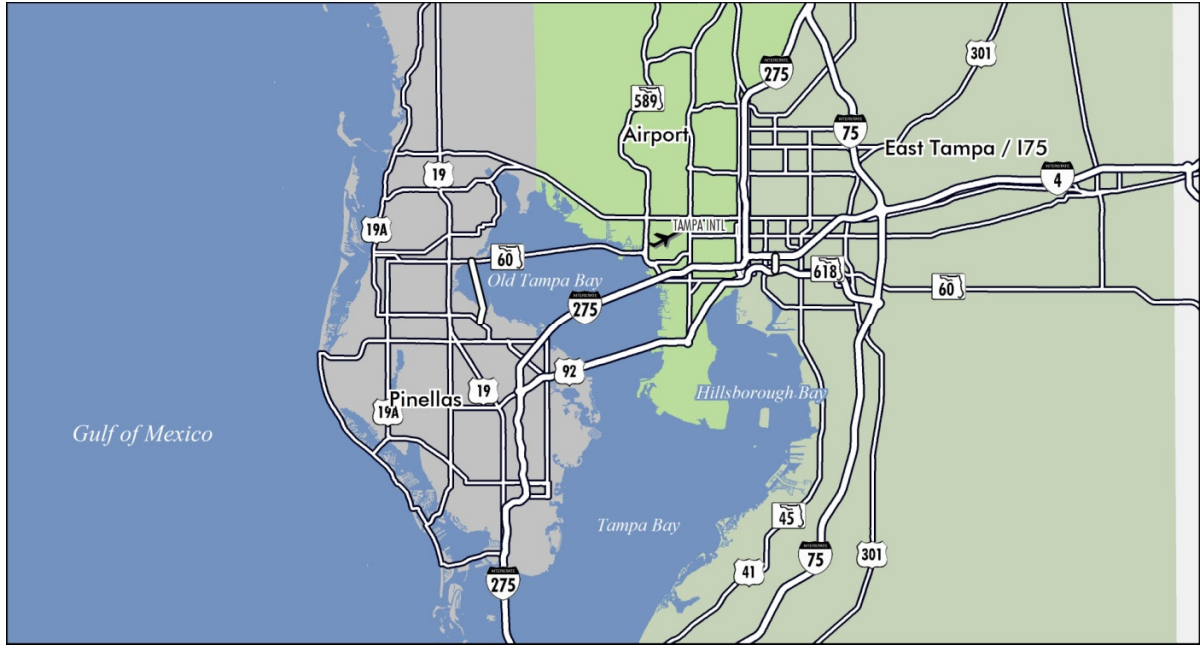


Source: CBRE Research, Q4 2018.

Figure 8: Under Construction and Completions



Source: CBRE Research, Q4 2018.



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

**CONTACTS**

**Tripp Gulliford**  
*Senior Managing Director*  
 +1 904 630 6344  
 tripp.gulliford@cbre.com

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**Endria Maiorano**  
*Research Operations Manager*  
 +1 561 393 1642  
 endria.maiorano@cbre.com

**Rick Siems**  
*Senior Research Analyst*  
 +1 813 273 8447  
 rick.siems@cbre.com

**Contact CBRE Tampa**  
 101 E. Kennedy Blvd  
 Suite 1500  
 Tampa, FL 33606  
 T: 1 813 229 3111  
 F: 1 813 223 7144