

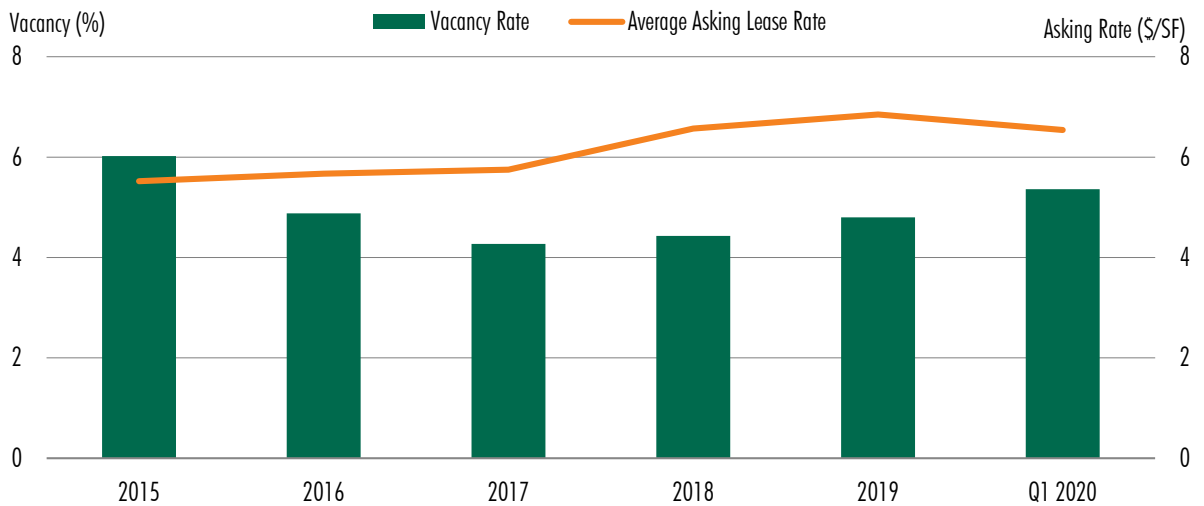
Tampa Industrial, Q1 2020

# Tampa Industrial continues to be safe bet for investors

▲ Total Vacancy 5.4%
▲ Lease Rate \$6.85 PSF
▼ Net Absorption 343,238 SF
▲ Under Construction 2.3 MSF

\*Arrows indicate change from previous year.

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



Source: CBRE Research, Q1 2020.

- The Tampa industrial market vacancy closed at 5.4% in Q1 2020.
- Q1 2020 closed out at \$6.85 per sq. ft. with the highest rates observed in Southwest Tampa (\$10.91), Northwest Tampa (\$8.91), and North Pinellas (\$8.36).
- Roughly 2250,000 sq. ft. was delivered in Tampa Bay in Q1 with over 2 million in the construction pipeline.
- A total of 42 sale transactions were recorded across \$215 million transacted in Q1 2020

**LEASING ACTIVITY**

Demand for industrial product in the Tampa Bay Region was healthy with over one million sq. ft. of space leased in Q1 2020. Activity was concentrated in Southeast Tampa, Plant City, and the Southeast Pinellas submarkets. Q1 2020 net absorption totaled 343,238 sq. ft. Keeping pace with national trends, last-mile logistics firms continue to be highly active locally, to meet demand of an expanding local resident base.

Vacancy remained below 5% for the 14<sup>th</sup> consecutive quarter. Although this trend will likely end as a large portion of product comes online in Q2. The market has experienced some recent slow-down in lease rate growth, but Asking rates are anticipated to grow with new deliveries.

**Figure 2: Market Statistics**

Submarket	Total Inventory (SF)	Total Availability (%)	Total Vacancy (%)	Q1 2020 Net Absorption (SF)	YTD 2020 Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/NNN)
Tampa CBD	8,769,590	6.5	5.4	0	0	179,080	5.40
Northeast Tampa	17,466,166	8.2	4.7	6,950	6,950	127,000	6.06
East Tampa	26,123,164	10.5	5.0	(29,384)	(29,384)	529,424	6.46
Plant City	11,306,453	8.2	5.6	199,567	199,567	1,051,654	5.24
Southeast Tampa	8,620,103	10.6	6.7	321,550	321,550	100,000	5.87
<b>East Tampa Area</b>	<b>72,285,476</b>	<b>10.0</b>	<b>5.4</b>	<b>498,683</b>	<b>498,683</b>	<b>1,987,158</b>	<b>6.17</b>
Westshore	2,520,592	8.8	5.6	(23,304)	(23,304)	0	7.77
Southwest Tampa	3,804,864	4.0	0.9	0	0	0	10.19
Northwest Tampa	16,047,260	6.0	3.6	66,963	66,963	127,000	8.91
<b>Airport Area</b>	<b>22,372,716</b>	<b>6.0</b>	<b>3.4</b>	<b>43,659</b>	<b>46,055</b>	<b>127,000</b>	<b>8.77</b>
<b>Hillsborough County</b>	<b>94,658,192</b>	<b>8.4</b>	<b>4.8</b>	<b>542,342</b>	<b>542,342</b>	<b>2,114,158</b>	<b>7.11</b>
South Pinellas	9,232,921	7.4	5.6	77,984	77,984	0	6.48
Mid-Pinellas	30,367,245	8.1	5.7	(196,711)	(196,711)	209,494	6.67
North Pinellas	6,895,012	3.1	0.7	0	0	0	8.36
<b>Pinellas County</b>	<b>46,495,178</b>	<b>7.2</b>	<b>4.9</b>	<b>(118,727)</b>	<b>(118,727)</b>	<b>209,494</b>	<b>6.70</b>
<b>Overall Tampa Bay</b>	<b>141,153,204</b>	<b>8.0</b>	<b>5.4</b>	<b>343,238</b>	<b>343,238</b>	<b>2,323,652</b>	<b>6.85</b>
Manufacturing	32,126,762	5.2	3.3	(95,318)	(95,318)	0	5.39
R&D/Flex	12,937,369	12.3	8.8	108,989	108,989	0	10.37
Warehouse/Distribution	93,107,516	8.2	5.5	329,567	329,567	2,129,408	6.12

Source: CBRE Research, Q1 2020.

**Figure 3: Significant Q1 2020 Lease Transactions**

Submarket	Property	Tenant	Transaction (SF)
Plant City	County Line Logistics Center	Hardware Resources	119,567
North Pinellas	13133 34 <sup>th</sup> St	E-commerce	106,136
East Tampa	1430 Massaro Blvd	Ace Hardware	48,000

Source: CBRE Research, Q1 2020.

**Figure 4: Significant Q1 2020 Sale Transactions**

Submarket	Property	Buyer	Seller	Building (SF)	Sale Price (\$)
Multiple	Multiple (Portfolio Purchase)	Prologis	Liberty Property Trust	130,564,384	7,295,302,783
Airport	Thompson Center Waters	Denholtz Holdings LLC	First Industrial	225,651	26,500,000
Mid-Pinellas	3051 Tech Drive N	DuPont Publishing LLC	CMNY Holdings LLC	86,768	7,000,000

Source: CBRE Research, Q1 2020.

**Figure 5: Significant Projects Under Construction (SF)**

Submarket	Property	Owner	Developer	Building (SF)
Plant City	Home Depot Distribution Center	Wish Land Wiggins Road LLC	Blue Steel Development	800,000
Plant City	County Line Distribution Center	Wharton Equity Partners	Red Rocks Development	510,272
Plant City	US 92 and Park Rd	Ascentris	Foundry Commercial	500,000
East Tampa	Mango I-4 Logistics Center	US Capital Development	US Capital Development	303,006

Source: CBRE Research, Q1 2020.

**DEVELOPMENT**

Q1 2020 deliveries were strong with roughly 370,000 sq. ft. coming online. Macroeconomic factors may change current construction timelines, but with over 2.1 million sq. ft. under construction, continued growth remains steady for Tampa Bay. With the Super Bowl being hosted in Q1 2021, most development for all asset classes stay on pace to be completed before then. From a sq. ft. perspective activity is concentrated in Plant City and Southeast Tampa. At present these projects are predominantly warehouses with approximately 36% preleased, but long term demand across the Florida industrial market as a whole should make filling this space a relatively painless process.

Potential delays in permitting and inspections could extend the delivery dates for assets remaining under construction. However, Florida allows for developers to use private, third-party inspectors, which could prove advantageous for local development, when compared to markets outside of the state.

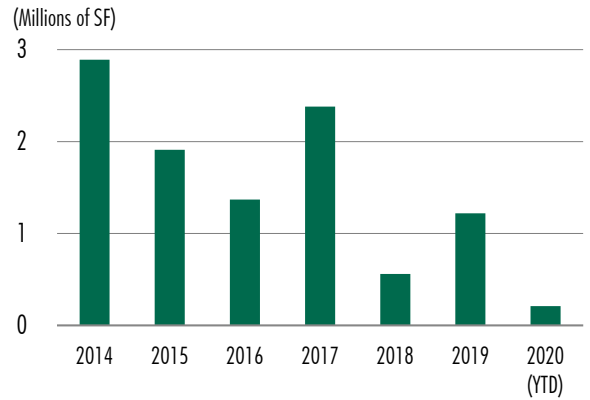
**SALES ACTIVITY**

Capital markets had a strong surge this quarter, with roughly \$225.4 million in volume. This is a 112% changed YoY from Q1 2019. The stage was set with Prologis acquiring Liberty Property Trust totaling over 2.1 million square feet of Tampa Bay product being apart of that portfolio. East Tampa and Mid-Pinellas were the ripest markets. Combined they accounted for over 80% of sales activity this quarter.

Average sale price per sq. ft. for industrial assets in Q4 2019 was \$95, which was up 2.6% from Q1 2019.

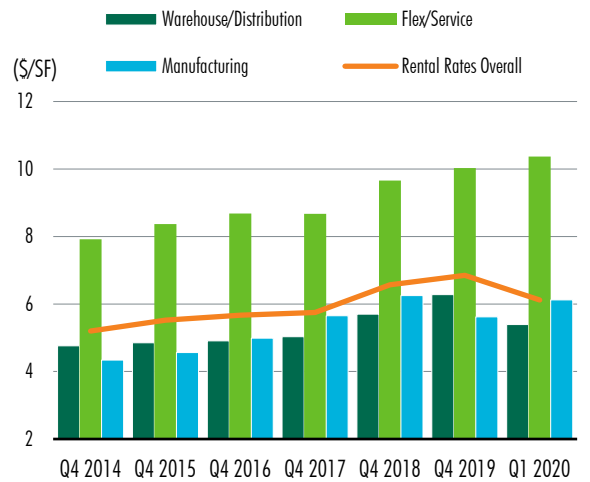
According to Real Capital Analytics (RCA), the capital flowing into the Tampa industrial market comes primarily from REITs (58.3%), followed by Private (19.7%) and Foreign investors (17.5).

Figure 6: Net Absorption



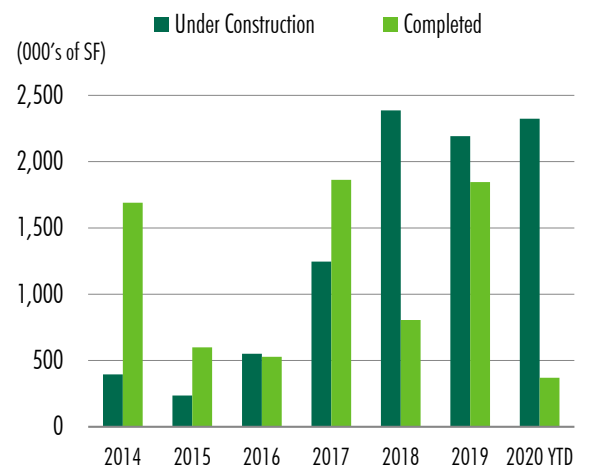
Source: CBRE Research, Q1 2020.

Figure 7: Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q1 2020.

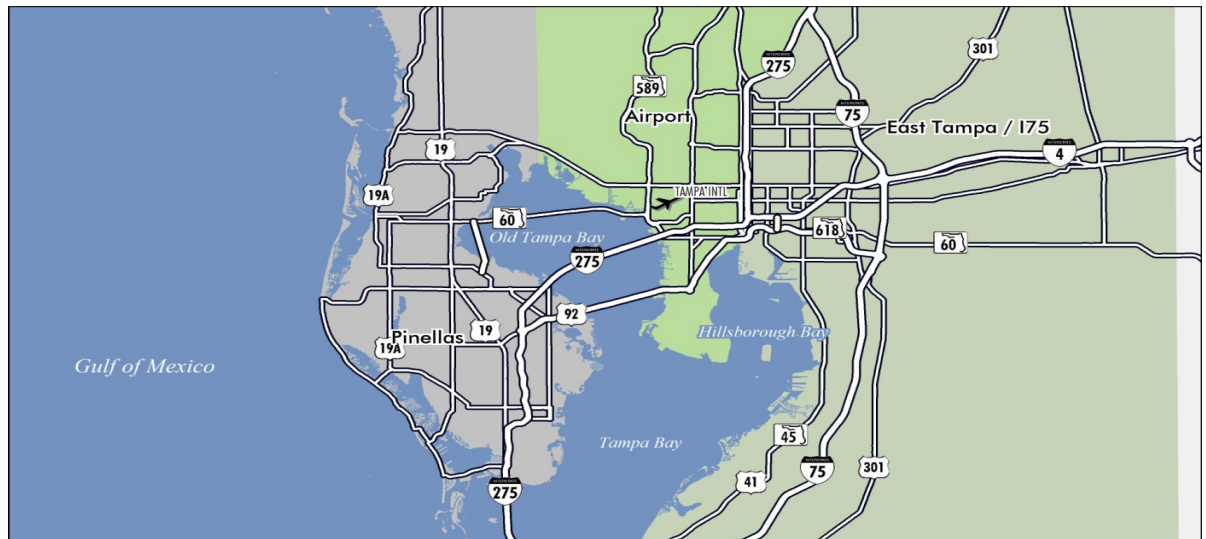
Figure 8: Under Construction and Completions



Source: CBRE Research, Q1 2020.

**OUTLOOK**

The COVID-19 pandemic has forced some state governments to impose strict stay-at-home orders that are adversely affecting many industries. This is leading the U.S. economy into a recession that will result in very sharp declines in GDP for H1 2020 and in job losses, particularly in the retail, food & beverage and transportation sectors. Office-using employment may be less negatively affected than in recent recessions. But the unique nature of this downturn should result in an unusually swift recovery that could begin as early as Q3 2020. Assuming the coronavirus peaks this summer in the U.S.—mirroring China’s experience—the U.S. government’s fiscal and monetary stimulus will begin to bear fruit. This will be paired with pent-up private demand that could help the U.S. economy return to growth by year-end and drive stronger than previously expected growth in 2021.



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

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