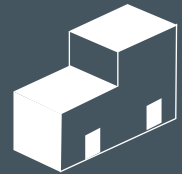


## Economic Fundamentals Remain Strong and Continued Logistics and E-Commerce Demand is Fueling the 5.8 Million SF of New Industrial Development in Tampa Bay

The U.S. industrial sector is showing few signs of slowing heading into 2019, although there are potential headwinds on the distant horizon. Strong economic fundamentals persisted throughout most of 2018 although the year ended on a sour note with stock market volatility, economic uncertainty driven by interest rate concerns and trade tensions, and a government shutdown. Fortunately, the outlook for 2019 looks bright and the underlying economic fundamentals that drove industrial growth through most of 2018 remain in place and are expected to drive continued growth this year. Logistics and e-commerce companies continue to dominate industrial leasing activity across the nation's top markets, and the bulk of new development activity under construction along the pivotal I-4 Corridor is comprised of bulk distribution product with a clear height of 32 feet and greater in order to accommodate these tenants. Building floor plates are getting larger as well, with significant developments in the Lakeland area averaging over 560,000 sf. Asking rental rates have grown considerably, up 7.7% in the trailing 12-month period ending with the first quarter of 2019, and the overall vacancy rate has declined by 93 basis points during the same period of time even as 2.7 million sf of space has delivered since the beginning of 2018.



As investor risk appetite declines, industrial remains the preferred sector for investment, with a particular focus on logistics properties.

### Industrial Market Snapshot

- While no major institutional portfolio transactions took place during the first quarter, there was almost \$100 million in total industrial investment sales volume in the first three months of the year, with \$420 million in total volume over the trailing 12-month period. The largest investment sale during the first quarter was Redstone Investments' acquisition of a 466,460-sf, 17-building industrial portfolio in the Airport/Westshore and East Side submarkets for \$28.6 million, or \$61 per sf.
- Nationwide, U.S. commercial property prices rose 6.3% over the trailing 12-month period ending February 2019, led primarily by gains in industrial property prices which posted an 8.2% year-over-year gain. Industrial transaction volume in February also posted a healthy gain due primarily to substantial portfolio sales, without which there would have been a decline in sales activity. The most notable portfolio sale of the year to date was Colony Capital's \$1.2 billion acquisition of an 11.9 million sf U.S. portfolio, none of which is located in Florida.
- The I-4 Corridor continues to dominate new development activity, accounting for 97% of all industrial buildings under

construction. Blue Steel Development, already underway on Key Logistics Center and I-4 Logistics Center, is also planning a massive 779,760-sf warehouse in Plant City. The largest new development is a massive 1 million sf warehouse facility called University Park at Bridgewater being developed by a partnership between Transwestern Development Company and Crow Holdings. McCraney Property Co., Duke Realty Corporation, McDonald Development, Cabot Industrial, Becknell Industrial, and Xebec Realty Partners also have significant speculative warehouse or bulk distribution facilities planned or underway along the I-4 Corridor.

- The Federal Reserve ("Fed") reversed course from its median interest rate forecast in 2018 where it had implied the likelihood of two additional interest rate hikes during 2019. The Fed decided to leave the target range for the Federal Funds rate unchanged between 2.25 and 2.5 percent, where it has been since December in a move widely expected by economists. While U.S. economic growth remains strong, external risks remain including the fate of Brexit, US-China trade relations, and tensions at the southern border.

## 155.3 MSF

Total industrial inventory in the Tampa Bay market

## 98,452 SF

Direct Y-T-D net absorption as of 1Q-2019

## 4.24%

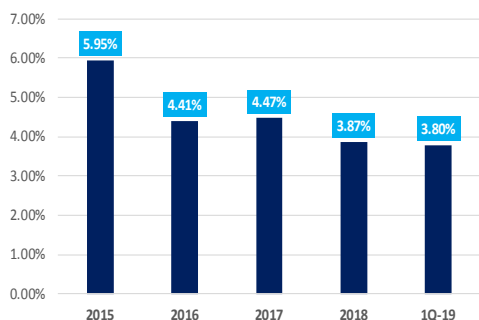
Overall Vacancy

## \$6.39/SF/NNN

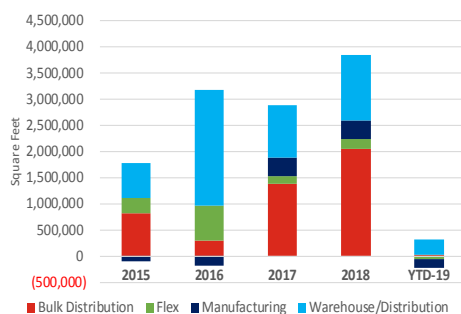
Average rental rate for industrial space

## Statistical Snapshot

### Vacancy Rate



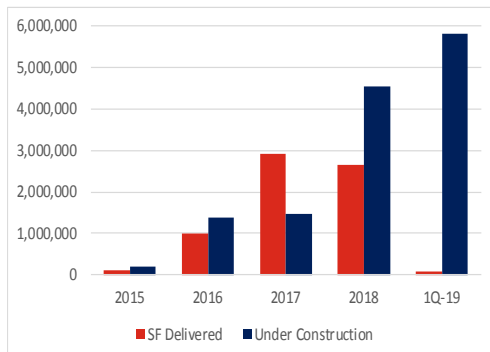
### YTD Net Absorption (SF)



### Average Asking Rent Rate (\$/SF/NNN)



### Construction Pipeline



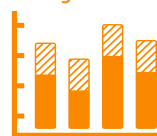
## Tampa Bay Industrial Market At A Glance

### Demographics & Economy



The U.S. economy remains well entrenched in the expansion phase of the business cycle

The U.S. GDP growth rate is expected to remain between the ideal 2% to 3% range in 2019 and unemployment is forecast to continue at the natural rate.



**3.6%**  
**FEB-2018**

↓

**3.4%**  
**FEB-2019**

change in Tampa Bay's unemployment rate

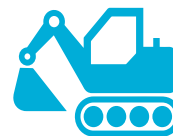
**5,032**  
increase in total non-farm employment since 1Q-2018

### Development

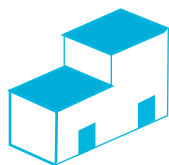


**97%**  
**OF ALL NEW INDUSTRIAL SPACE**

is being built along the pivotal I-4 Corridor



**5.8 million**  
square feet currently under construction



Clear heights are increasing - new class A distribution buildings average 32'

**564,720 sf**  
average size of the new bulk distribution buildings currently underway in Lakeland

### Market Influencers



**\$420 million**

in total industrial sales volume during the T-12 months ending 1Q19



**7.7%**

average rental rate increase over the trailing 12-months ending 1Q-2019



The Amazon Effect continues to have a significant effect on the industrial market



Supply chain needs dominate industrial demand according to ULI's Emerging Trends in Real Estate Report for 2018

### TAMPA BAY MSA TOTAL

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	27,272,648	\$4.81	1,167,205	95.72%	4.28%	0.41%	4.69%	4,211,907	20,000
Flex	15,853,458	\$9.83	1,153,239	92.73%	7.27%	0.54%	7.81%	0	(57,159)
Manufacturing	28,648,872	\$5.37	609,164	97.87%	2.13%	0.08%	2.20%	0	(171,628)
Warehouse / Distribution	83,528,639	\$5.87	2,965,150	96.45%	3.55%	0.57%	4.12%	1,600,450	307,239
<b>Market Total</b>	<b>155,303,617</b>	<b>\$6.39</b>	<b>5,894,758</b>	<b>96.20%</b>	<b>3.80%</b>	<b>0.45%</b>	<b>4.24%</b>	<b>5,812,357</b>	<b>98,452</b>

### HILLSBOROUGH COUNTY

#### Airport/Westshore

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Flex	3,950,136	\$10.33	224,346	94.32%	5.68%	0.52%	6.20%	0	(29,994)
Manufacturing	1,210,732	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	8,197,779	\$8.21	95,621	98.83%	1.17%	0.21%	1.38%	0	19,123
<b>Airport/Westshore Total</b>	<b>13,358,647</b>	<b>\$9.70</b>	<b>319,967</b>	<b>97.60%</b>	<b>2.40%</b>	<b>0.29%</b>	<b>2.68%</b>	<b>0</b>	<b>(10,871)</b>

#### Downtown Tampa

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	550,094	\$0.00	0	100.00%	0.00%	0.00%	0.00%	179,080	0
Flex	144,926	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	832,171	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	118,000
Warehouse / Distribution	3,704,119	\$5.68	50,135	98.65%	1.35%	1.37%	2.72%	0	(18,435)
<b>Downtown Tampa Total</b>	<b>5,231,310</b>	<b>\$5.68</b>	<b>50,135</b>	<b>99.04%</b>	<b>0.96%</b>	<b>0.97%</b>	<b>1.93%</b>	<b>179,080</b>	<b>99,565</b>

#### East Side

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	8,082,994	\$4.31	239,360	97.04%	2.96%	0.00%	2.96%	1,209,224	80,000
Flex	3,637,294	\$9.88	254,837	92.99%	7.01%	0.28%	7.29%	0	(25,070)
Manufacturing	5,422,521	\$10.00	5,237	99.90%	0.10%	0.41%	0.50%	0	0
Warehouse / Distribution	29,924,378	\$5.20	1,422,225	95.25%	4.75%	1.07%	5.83%	1,273,368	83,017
<b>East Side Total</b>	<b>47,067,187</b>	<b>\$5.72</b>	<b>1,921,659</b>	<b>95.92%</b>	<b>4.08%</b>	<b>0.75%</b>	<b>4.83%</b>	<b>2,482,592</b>	<b>137,947</b>

#### North Hillsborough

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Flex	1,119,894	\$9.24	161,670	85.56%	14.44%	0.00%	14.44%	0	8,250
Manufacturing	718,886	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,188,151	\$9.36	4,941	99.58%	0.42%	0.00%	0.42%	0	19,004
<b>North Hillsborough Total</b>	<b>3,026,931</b>	<b>\$9.24</b>	<b>166,611</b>	<b>94.50%</b>	<b>5.50%</b>	<b>0.00%</b>	<b>5.50%</b>	<b>0</b>	<b>27,254</b>

#### Plant City/East Hillsborough

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	2,722,364	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	133,363	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	2,338,697	\$3.75	64,502	97.24%	2.76%	0.00%	2.76%	0	0
Warehouse / Distribution	6,229,109	\$5.44	156,341	97.49%	2.51%	0.00%	2.51%	0	949
<b>Plant City/E Hillsborough Total</b>	<b>11,423,533</b>	<b>\$4.95</b>	<b>220,843</b>	<b>98.07%</b>	<b>1.93%</b>	<b>0.00%</b>	<b>1.93%</b>	<b>0</b>	<b>949</b>

#### South Tampa

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	679,129	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	60,681	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	542,291	\$6.25	35,000	93.55%	6.45%	0.00%	6.45%	0	2,308
Warehouse / Distribution	1,090,668	\$7.18	118,766	89.11%	10.89%	0.00%	10.89%	0	0
<b>South Tampa Total</b>	<b>2,372,769</b>	<b>\$6.97</b>	<b>153,766</b>	<b>93.52%</b>	<b>6.48%</b>	<b>0.00%</b>	<b>6.48%</b>	<b>0</b>	<b>2,308</b>

### PINELLAS COUNTY

#### Mid-Pinellas/Gateway

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	112,722	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	4,259,773	\$9.84	362,704	91.49%	8.51%	1.29%	9.80%	0	(43,802)
Manufacturing	11,709,249	\$5.51	457,383	96.09%	3.91%	0.00%	3.91%	0	(291,936)
Warehouse / Distribution	13,769,178	\$6.98	616,414	95.52%	4.48%	0.58%	5.06%	0	81,504
<b>Mid-Pinellas/Gateway Total</b>	<b>29,850,922</b>	<b>\$7.23</b>	<b>1,436,501</b>	<b>95.19%</b>	<b>4.81%</b>	<b>0.45%</b>	<b>5.26%</b>	<b>0</b>	<b>(254,234)</b>

#### North Pinellas

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Flex	1,466,463	\$13.45	22,219	98.48%	1.52%	0.00%	1.52%	0	1,406
Manufacturing	1,418,541	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,717,632	\$6.82	12,750	99.66%	0.34%	0.00%	0.34%	0	(2,420)
<b>North Pinellas Total</b>	<b>6,602,636</b>	<b>\$11.04</b>	<b>34,969</b>	<b>99.47%</b>	<b>0.53%</b>	<b>0.00%</b>	<b>0.53%</b>	<b>0</b>	<b>(1,014)</b>

#### South Pinellas

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	350,000	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	273,106	\$8.75	13,200	95.17%	4.83%	0.00%	4.83%	0	400
Manufacturing	1,680,281	\$5.00	44,042	97.38%	2.62%	0.00%	2.62%	0	0
Warehouse / Distribution	5,499,284	\$5.88	211,910	96.15%	3.85%	0.00%	3.85%	0	19,900
<b>South Pinellas Total</b>	<b>7,802,671</b>	<b>\$5.87</b>	<b>269,152</b>	<b>96.55%</b>	<b>3.45%</b>	<b>0.00%</b>	<b>3.45%</b>	<b>0</b>	<b>20,300</b>

### LAKELAND

#### Lakeland

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	14,775,345	\$4.94	927,845	93.72%	6.28%	0.76%	7.04%	2,823,603	(60,000)
Flex	807,822	\$8.94	114,263	85.86%	14.14%	0.00%	14.14%	0	31,651
Manufacturing	2,775,503	\$6.20	3,000	99.89%	0.11%	0.00%	0.11%	0	0
Warehouse / Distribution	10,208,341	\$5.71	276,047	97.30%	2.70%	0.07%	2.78%	327,082	104,597
<b>Lakeland Total</b>	<b>28,567,011</b>	<b>\$5.45</b>	<b>1,321,155</b>	<b>95.38%</b>	<b>4.62%</b>	<b>0.42%</b>	<b>5.04%</b>	<b>3,150,685</b>	<b>76,248</b>

Reporting Methodology: This report includes all industrial buildings and parks 20,000 SF and greater in the Tampa-Bay MSA that are not government owned. All rents are reported on a triple-net basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but not guaranteed.

The outlook for 2019 looks bright and the underlying economic fundamentals that drove industrial growth through most of 2018 remain in place and are expected to drive continued growth this year.

### Leading Indicators (Y-O-Y 1Q-18 to 1Q-19)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	Total Employment
				
4.24%	98,452 SF	\$6.39	5,812,357 SF	1.48 MM

### Significant First Quarter 2019 Lease Transactions - Sorted by SF

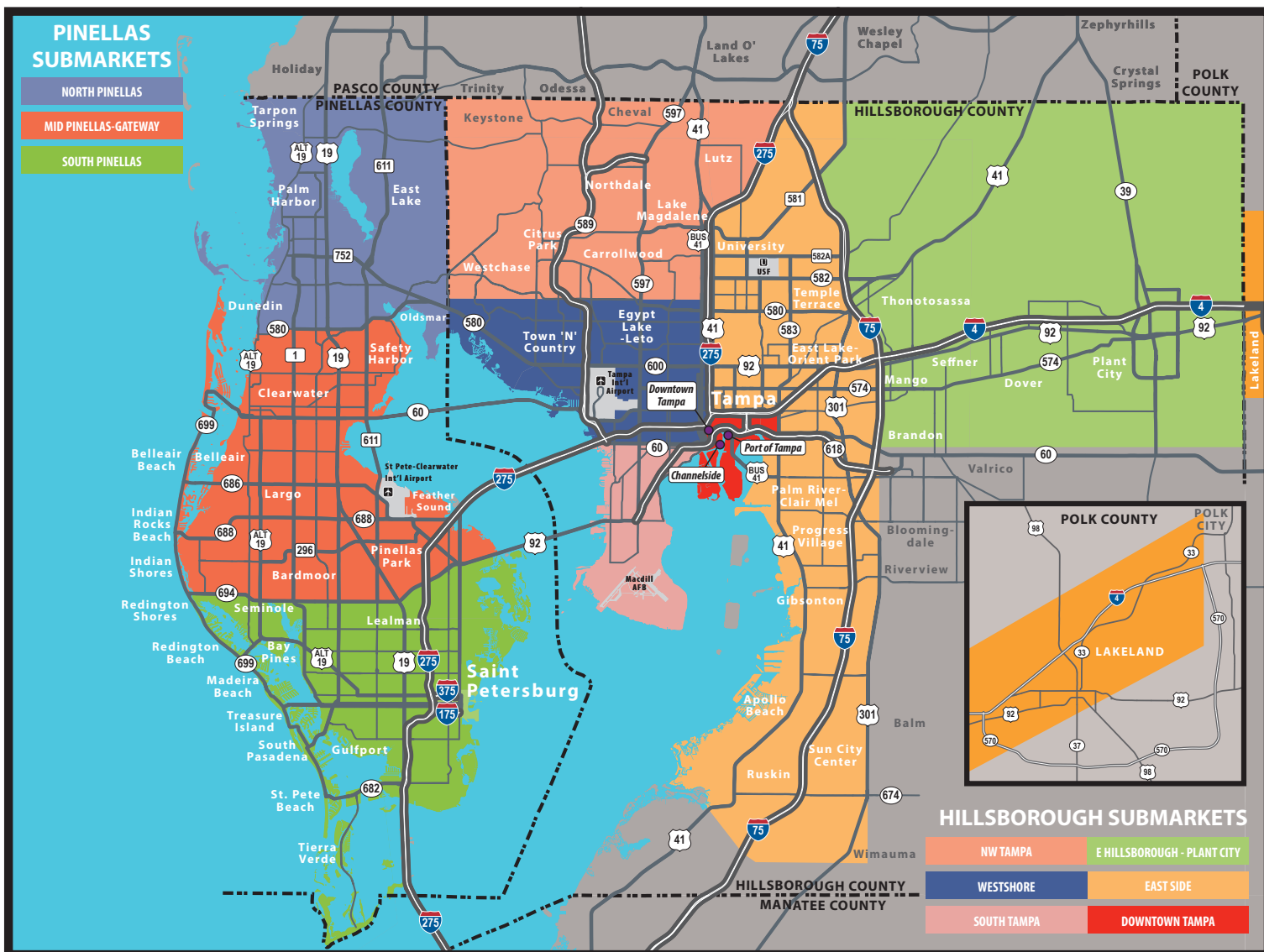
Tenant	Property	SF	Type	Submarket
PlayCore, Inc.	4150 S Pipkin Rd	96,200	New	Lakeland
Sims Recycling	Sabal Park Distribution Center 500	49,776	New	East Side
Columbia Care	2700 Interstate Dr	40,000	New	Lakeland
United States Postal Service*	Westport Commerce Center 'B'	39,400	Renewal	Airport/Westshore
Wabash National Corp.	Big Bend Commerce Center	36,400	New	East Side
Elite Beauty International	Broadway Industrial Center	25,525	New	East Side
SDC Tampa Botanicals, LLC*	8810 E Broadway	22,988	New	East Side
Fortune Energy, LLC*	Adamo Distribution Center 6	14,989	New	East Side
MidAmerican Administrative	Lakeland Interstate Business Park	14,500	New	Lakeland
Belt Power LLC	Lakeland Interstate Business Park	10,900	New	Lakeland
DC Foam Recyclers, Inc.*	Jetport Commerce Center 518	10,852	New	Airport/Westshore
Shur-Way Movers*	Jetport Commerce Center 518	9,029	New	Airport/Westshore
FinishMaster*	Center Point Distribution #3	9,000	New	Downtown Tampa

\* Avison Young handled this transaction

### Significant First Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
Roth Portfolio (17 bldgs)	466,460	\$28,622,000	\$61	8.25%	Redstone Investments	Airport/Westshore & East Side
1301 E 4th Ave	84,137	\$16,115,000	\$192	NA	Ybor City Holdings	Downtown Tampa
10840 Crossroads Commerce	213,686	\$15,762,200	\$74	NA	American Metals Supply	East Side
Gateway Business Centre	131,800	\$14,800,000	\$112	6.21%	Graham & Company	Mid-Pinellas/Gateway
5223 S 16th Ave	191,492	\$11,250,000	\$59	NA	SJA Enterprises, LLC	East Side
500 S Falkenburg Rd	266,840	\$7,297,500	\$27	NA	WSSA Tampa Falkenburg LLC	East Side
5046 W Linebaugh Ave	49,410	\$5,000,000	\$101	NA	NCIG St Charles, LLC	Airport/Westshore





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