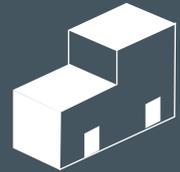


## Economic Growth Continues to Fuel Industrial Fundamentals and there is Still Gas Left in the Tank Heading Into the Second Half of 2019

The industrial sector continues to dominate the headlines as the U.S. expansion moves past the 10-year point. The outlook for the balance of 2019 remains bright, and strong economic fundamentals coupled with rapid e-commerce growth and manufacturing expansion bode well for the overall industrial market. Last-mile distribution and fulfillment facilities near city centers, a critical link in the e-commerce delivery chain, are in increasingly short supply due to growing demand and strong leasing in recent years. That along with aging existing industrial stock and rabid consumer demand has prompted the development of multi-story, modern distribution and logistics centers in the nation's primary markets, although that trend has not yet appeared in Florida. Recent moves by Amazon, Walmart and other distributors to shorten shipping times to one day or less will further tighten available inventory, although Tampa Bay's 4.8 million sf underway will satisfy much of that immediate demand in the near term.

Net absorption improved to 431,134 sf as of mid year following healthy leasing activity of mid-sized spaces between 20,000 sf and 40,000 sf and the delivery of two buildings in 301 Business Center that were partly released. Rental rates have also accelerated, growing by 8.27% over the trailing 12 months ending June 2019.



Ever-evolving changes in the retail supply chain continue to drive strong demand for well-located industrial properties.

### Industrial Market Snapshot

- Industrial investment activity has been strong over the past year, with total industrial investment sales volume nearing \$700 million over the trailing 12-month period ending June 2019. The largest investment sale during the second quarter was Industrial Logistics Properties Trust's acquisition of a 1 million sf Amazon distribution center on the East Side, which is covered in greater detail on page 4 of this report.
- In a year of significant portfolio transactions nationwide, another massive industrial acquisition was announced during the second quarter when private equity firm Blackstone agreed to pay nearly \$19 billion to Singapore-based Global Logistics Properties for a 179 million-sf portfolio of urban infill logistics properties. The move will nearly double Blackstone's national industrial footprint and will result in one of the largest private real estate deals on record in the U.S.
- U.S. cold storage demand is expected to accelerate over the next several years as 'grocery wars' heat up and online grocery sales continue to rise. CoStar research estimates that new demand for cold storage space could grow to 100 million sf by 2024. The Food Marketing Institute and research firm Nielsen have projected that

online grocery sales will increase by 13% over the next 3 years, and new space will likely be needed as refrigerated warehouses comprise less than 3% of the total U.S. industrial market. Not surprisingly, investment in refrigerated/cold storage space has grown by 42% in the last three years.

- United Airlines has broken ground on a new \$33 million hangar in the Airport/Westshore submarket that will house 737 and 757 aircraft. The company selected Tampa largely due to its business friendly climate, quality of life, and ability to recruit talent from returning members of the military.
- Two significant new developments are coming to the I-4 Corridor. Amazon plans to leave its current operation at Tampa International Airport upon completion of its planned air cargo hub at Lakeland Linder International Airport, a development that will create 800 new jobs. Retail giant Home Depot is also planning a \$67 million distribution hub in Plant City following approval of a 7-year tax exemption by the city. The 800,000 sf building will be built on Wiggins Road and is expected to create at least 150 new jobs with the potential for up to 345.

**157.3 MSF**

Total industrial inventory in the Tampa Bay market

**431,134 SF**

Direct Y-T-D net absorption as of 2Q-2019

**5.18%**

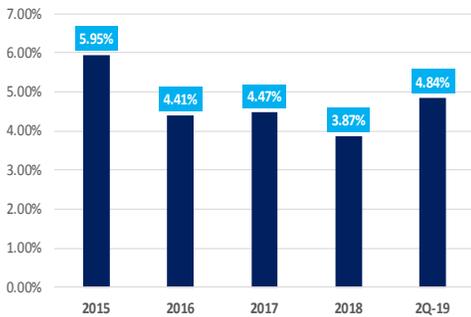
Overall Vacancy

**\$6.47/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.

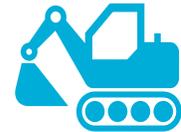


**3.3%** MAY-2018  
**3.1%** MAY-2019  
change in Tampa Bay's unemployment rate

**14,486**  
increase in total non-farm employment since 2Q-2018

### Development

96% of all new space underway is along the pivotal I-4 Corridor, offering accessibility to **20 million people** within a 5-hour drive time



**4.8 million**  
square feet currently under construction



Amazon planning a \$100 MM air cargo hub at Lakeland Linder International Airport on a 50-year ground lease that will employ 800+

**582,900 sf**  
average size of the new bulk distribution buildings currently underway in Lakeland

### Market Influencers



**\$695 million**  
in total industrial sales volume during the T-12 months ending 2Q19



**8.3%**  
average rental rate increase over the trailing 12-months ending 2Q-2019



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

Global e-commerce sales grew by 18% in 2018, with the U.S. and China dominating online retailing

### 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	28,380,340	\$5.01	2,002,913	92.94%	7.06%	0.39%	7.45%	3,739,725	436,062
Flex	15,853,458	\$10.27	1,127,046	92.89%	7.11%	0.54%	7.65%	0	(30,966)
Manufacturing	28,639,650	\$5.72	870,500	96.96%	3.04%	0.09%	3.13%	0	(432,964)
Warehouse / Distribution	84,441,936	\$6.28	3,613,499	95.72%	4.28%	0.38%	4.66%	1,039,633	459,002
<b>Market Total</b>	<b>157,315,384</b>	<b>\$6.47</b>	<b>7,613,958</b>	<b>95.16%</b>	<b>4.84%</b>	<b>0.34%</b>	<b>5.18%</b>	<b>4,779,358</b>	<b>431,134</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	\$10.86	176,591	95.53%	4.47%	0.56%	5.03%	0	17,761
Manufacturing	1,210,732	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	8,197,779	\$7.17	138,851	98.31%	1.69%	0.27%	1.97%	0	(24,107)
<b>Airport/Westshore Total</b>	<b>13,358,647</b>	<b>\$9.24</b>	<b>315,442</b>	<b>97.64%</b>	<b>2.36%</b>	<b>0.33%</b>	<b>2.69%</b>	<b>0</b>	<b>(6,346)</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	\$5.67	50,135	98.65%	1.35%	1.37%	2.72%	0	(18,435)
<b>Downtown Tampa Total</b>	<b>5,231,310</b>	<b>\$5.67</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	8,698,766	\$5.03	803,598	90.76%	9.24%	0.00%	9.24%	424,550	275,612
Flex	3,637,294	\$10.62	228,183	93.73%	6.27%	0.08%	6.36%	0	1,584
Manufacturing	5,422,521	\$6.35	17,237	99.68%	0.32%	0.41%	0.73%	0	(12,000)
Warehouse / Distribution	30,683,675	\$6.10	1,748,856	94.30%	5.70%	0.54%	6.24%	712,551	416,748
<b>East Side Total</b>	<b>48,442,256</b>	<b>\$6.16</b>	<b>2,797,874</b>	<b>94.22%</b>	<b>5.78%</b>	<b>0.40%</b>	<b>6.17%</b>	<b>1,137,101</b>	<b>681,944</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	\$9.26	149,170	86.68%	13.32%	0.22%	13.54%	0	20,750
Manufacturing	718,886	\$0.00	0	100.00%	0.00%	0.38%	0.38%	0	0
Warehouse / Distribution	1,188,151	\$11.00	1,200	99.90%	0.10%	0.00%	0.10%	0	22,745
<b>North Hillsborough Total</b>	<b>3,026,931</b>	<b>\$9.27</b>	<b>150,370</b>	<b>95.03%</b>	<b>4.97%</b>	<b>0.17%</b>	<b>5.14%</b>	<b>0</b>	<b>43,495</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%	804,412	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	6,368,859	\$5.46	292,491	95.41%	4.59%	0.00%	4.59%	0	4,549
<b>Plant City/E Hillsborough Total</b>	<b>11,563,283</b>	<b>\$5.15</b>	<b>356,993</b>	<b>96.91%</b>	<b>3.09%</b>	<b>0.00%</b>	<b>3.09%</b>	<b>804,412</b>	<b>4,549</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	\$6.60	35,000	93.55%	6.45%	0.00%	6.45%	0	2,308
Warehouse / Distribution	1,090,668	\$7.03	151,766	86.09%	13.91%	0.00%	13.91%	0	(33,000)
<b>South Tampa Total</b>	<b>2,372,769</b>	<b>\$6.95</b>	<b>186,766</b>	<b>92.13%</b>	<b>7.87%</b>	<b>0.00%</b>	<b>7.87%</b>	<b>0</b>	<b>(30,692)</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	\$10.43	336,908	92.09%	7.91%	1.29%	9.20%	0	(18,006)
Manufacturing	11,701,633	\$5.86	684,219	94.15%	5.85%	0.00%	5.85%	0	(518,772)
Warehouse / Distribution	13,769,178	\$7.18	614,592	95.54%	4.46%	0.58%	5.04%	0	83,326
<b>Mid-Pinellas/Gateway Total</b>	<b>29,843,306</b>	<b>\$7.30</b>	<b>1,635,719</b>	<b>94.52%</b>	<b>5.48%</b>	<b>0.45%</b>	<b>5.93%</b>	<b>0</b>	<b>(453,452)</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	\$11.66	67,329	95.41%	4.59%	0.00%	4.59%	0	(43,704)
Manufacturing	1,418,541	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,717,632	\$6.82	15,050	99.60%	0.40%	0.00%	0.40%	0	(4,720)
<b>North Pinellas Total</b>	<b>6,602,636</b>	<b>\$10.78</b>	<b>82,379</b>	<b>98.75%</b>	<b>1.25%</b>	<b>0.00%</b>	<b>1.25%</b>	<b>0</b>	<b>(48,424)</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	\$11.21	24,856	90.90%	9.10%	0.00%	9.10%	0	(11,256)
Manufacturing	1,680,281	\$5.00	44,042	97.38%	2.62%	0.00%	2.62%	0	0
Warehouse / Distribution	5,499,284	\$6.45	252,704	95.40%	4.60%	0.00%	4.60%	0	(20,894)
<b>South Pinellas Total</b>	<b>7,802,671</b>	<b>\$6.62</b>	<b>321,602</b>	<b>95.88%</b>	<b>4.12%</b>	<b>0.00%</b>	<b>4.12%</b>	<b>0</b>	<b>(32,150)</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	15,267,265	\$5.01	1,199,315	92.14%	7.86%	0.73%	8.59%	2,331,683	160,450
Flex	807,822	\$8.81	144,009	82.17%	17.83%	0.31%	18.14%	0	1,905
Manufacturing	2,773,897	\$6.46	25,500	99.08%	0.92%	0.00%	0.92%	0	(22,500)
Warehouse / Distribution	10,222,591	\$5.49	347,854	96.60%	3.40%	0.00%	3.40%	327,082	32,790
<b>Lakeland Total</b>	<b>29,071,575</b>	<b>\$5.45</b>	<b>1,716,678</b>	<b>94.09%</b>	<b>5.91%</b>	<b>0.39%</b>	<b>6.30%</b>	<b>2,658,765</b>	<b>172,645</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.

Last-mile distribution and fulfillment facilities near city centers, a critical link in the e-commerce delivery chain, are in increasingly short supply due to growing demand and strong leasing in recent years.

### Leading Indicators (Y-O-Y 2Q-18 to 2Q-19)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	Total Employment
5.18%	431,134 SF	\$6.47	4,779,358 SF	1.49 MM

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

Tenant	Property	SF	Type	Submarket
HD Supply*	First Park @ Bridgewater	400,000	Renewal/Expansion	Lakeland
Mavis Tires	Harney Distribution Center	62,211	New	East Side
Online Transport	5300 E Adamo Dr	40,060	New	East Side
Moffitt Cancer Center	Fowler Distribution Center	32,674	New	East Side
Johnson Controls	Fowler Distribution Center	32,674	New	East Side
JB Hudco*	Adamo Distribution Center 2	32,130	New	East Side
Harper Limbach	Tampa Fulfillment Center	28,860	New	Downtown Tampa
Infiniti Labs*	Westport Commerce Center	27,691	Renewal	Airport/Westshore
Driller's Service	4343 I-4 Frontage Rd N	22,130	New	Lakeland
Laptop Computer Technology*	Jetport Commerce Center	12,043	New	Airport/Westshore

\* Avison Young handled this transaction

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

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
Amazon Distribution Center	1,017,693	\$123,600,000	\$121	5.25%	Industrial Logistics Properties Trust	East Side
Key Logistics Center - Bldg 200	491,920	\$35,422,700	\$72	NA	Kohlberg Kravis Roberts & Co, L.P.	Lakeland
6870 Firstpark Blvd	400,000	\$28,817,701	\$72	NA	WPT Industrial Real Estate Investment Trust	Lakeland
8800-8824 E Adamo Dr	368,664	\$26,300,000	\$71	6.00%	ASB Capital Management LLC	East Side
5210 S 16th St	364,082	\$16,500,000	\$45	NA	RealOp Investments, LLC	East Side
5120 Great Oak Dr	113,308	\$6,850,000	\$60	6.16%	Individual Investor	Lakeland
1701 W Gray St	31,440	\$5,347,000	\$170	NA	Pollack Shores Real Estate Group	Downtown Tampa

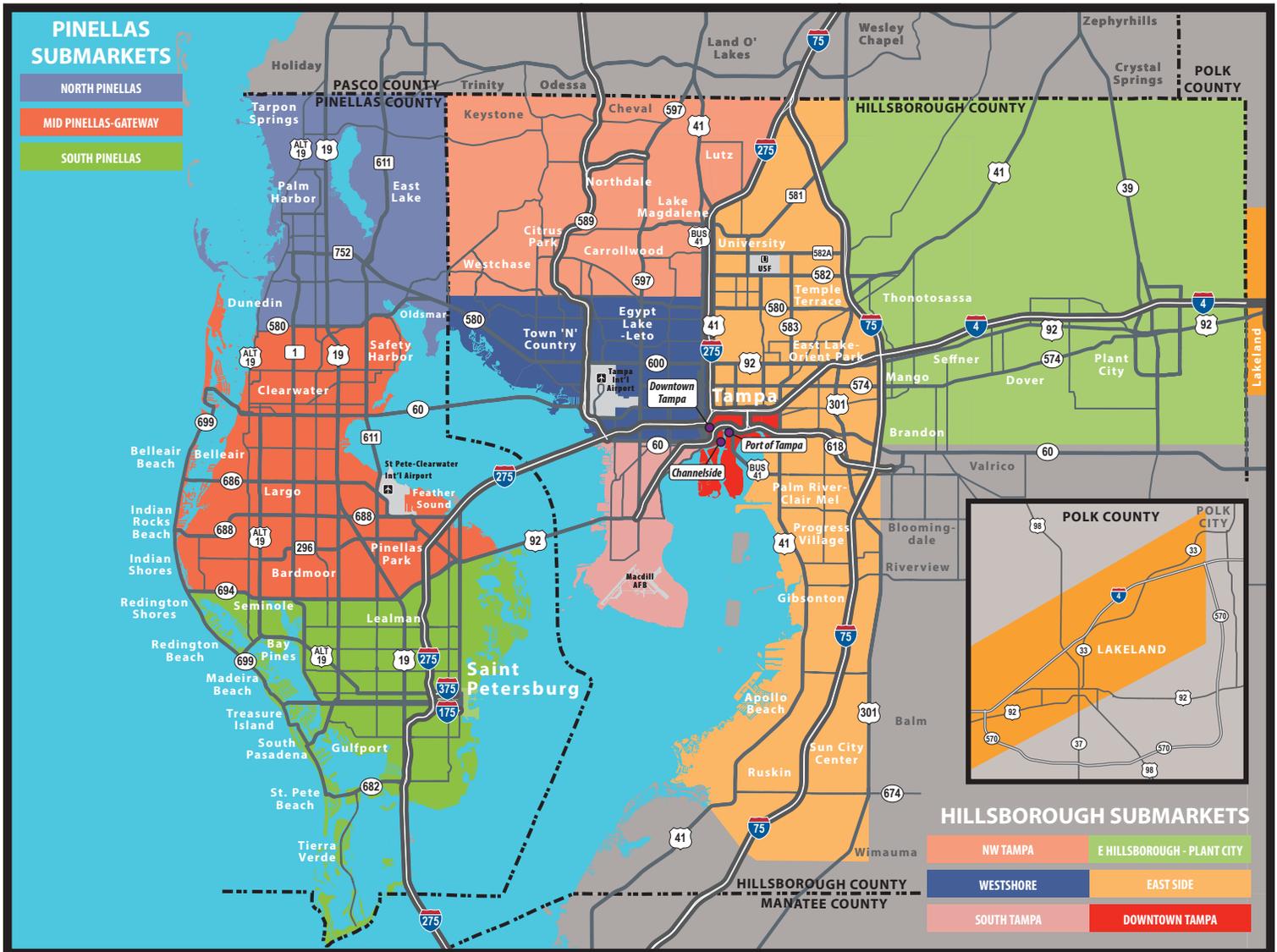


### Amazon Distribution Facility Trades Hands Again for a \$20 MM Premium

A massive 1+ million sf distribution facility in the East Side's Ruskin area has sold for the second time since its delivery in 2014, and this time for a substantial premium over its last sale in 2016. Cole Office & Industrial REIT II previously acquired the property for \$103.6 million, and just finalized its sale to Industrial Logistics Properties Trust for \$123.6 million, a 16% increase in two years. The 80-acre property was developed by USAA and built to suit Amazon's requirements. At the time of its sale in 2016, it set a record for the highest price paid for an industrial property in Tampa Bay.

# Tampa Bay Industrial Market Report

## Second Quarter 2019



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