

Tampa Bay

The same dynamics vexing the office and retail markets are fueling growth in the industrial sector

Tampa's economy is fairly diversified, and as a result is somewhat more insulated than other Florida metros like Orlando and Miami to the significant economic shock being felt within the leisure and hospitality sector. Unemployment rose to as 13.2% in April of this year, the highest in over 30 years, but fell considerably to 6.8% by the end of August according to the Bureau of Labor Statistics (well below the state average of 7.3% for the same period).

Leasing velocity experienced an uptick during the third quarter, with several key transactions in excess of 100,000 sf, the greatest of which was Amazon's lease of the entirety of a newly developed 710,892-sf bulk distribution facility in Lakeland.

Riding the e-commerce train

COVID-19 has accelerated a greater shift to online shopping that had already begun, however a trend that was expected to take 10 years has now become two, and some changes in consumer behavior may be permanent. E-commerce spending during the second quarter grew 30% over the first quarter of this year even as overall retail sales declined by 4%. The resulting increase in activity has been fueling explosive growth in the industrial sector, with prime logistics locations and large blocks of warehouse space in heavy demand. Within Tampa Bay, this trend is most apparent along the I-4 corridor where 3PL firms and retail giants (i.e. Amazon, Ace Hardware, PepsiCo and Home

Depot) have all competed to secure a strong foothold. During the third quarter alone, Ace Hardware finalized plans to commence construction on its new 710,000-square-foot distribution center in Plant City, Home Depot started their 492,156-sf distribution center in southern Hillsborough County, Xebec Realty Investment was preparing to break ground on a 400,040-sf warehouse on Whitten Rd in Lakeland, and Amazon secured yet another prime distribution location at Lakeland Dragstrip Logistics Center.

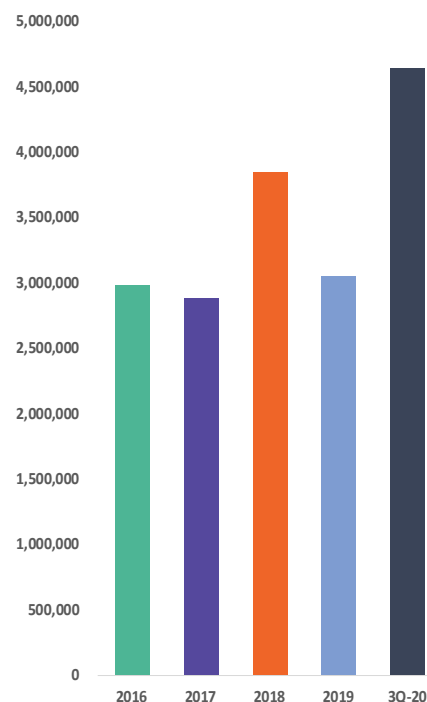
Investment activity picking up

Total investment volume for the trailing 12-month period ending September 2020 was -49.5% at \$620.1 million due in large part to lackluster investment activity during the second quarter, however the debt market is opening back up and interest in both industrial and multifamily investment is crowding out potential debt and equity investment in other sectors.

Looking ahead toward 2021

Some of the fear that personified the beginning of the current pandemic is fading and is being replaced by a sense of optimism that this will in fact be a short, V-shaped recovery with a quicker return to strong fundamentals. As of the end of the third quarter, there are no significant headwinds that are expected to assail the industrial market heading into the new year, with continued strong demand expected through the end of the year.

Historical 5-Year Net Absorption Trend



3.8 msf

of new industrial space has delivered since the beginning of the year with another 4 msf underway.



163.5 MSF

Total industrial inventory in the Tampa Bay office market

4,640,059 SF

Direct Y-T-D net absorption as of 3Q-2020

4.83%






Overall Vacancy

\$5.70/SF/NNN

Average rental rate industrial space (excluding flex)

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	33,186,154	\$5.07	2,479,110	92.53%	7.47%	1.00%	8.47%	3,310,861	81,442
Flex	15,579,260	\$10.77	871,875	94.40%	5.60%	0.37%	5.96%	0	580,247
Manufacturing	28,469,917	\$5.94	921,694	96.76%	3.24%	0.00%	3.24%	340,000	473,584
Warehouse / Distribution	86,307,122	\$6.12	3,221,387	96.27%	3.73%	0.02%	3.75%	406,432	3,509,016
Market Total	163,542,453	\$6.29	7,494,066	95.42%	4.58%	0.25%	4.83%	4,057,293	4,644,289
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	\$12.04	222,130	93.98%	5.62%	0.39%	6.02%	0	62,109
Manufacturing	1,210,732	\$0.00	0	100.00%	0.00%	0.00%	0.00%	290,000	600
Warehouse / Distribution	8,102,305	\$6.70	217,875	97.31%	2.69%	0.00%	2.69%	71,380	(166,508)
Airport/Westshore Total	13,263,173	\$9.40	440,005	96.57%	3.32%	0.12%	3.43%	361,380	(103,799)
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%	0	0
Flex	154,776	\$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	28,860
Warehouse / Distribution	3,704,360	\$6.14	254,232	93.14%	6.86%	0.00%	6.86%	0	24,469
Downtown Tampa Total	5,241,401	\$6.14	254,232	95.15%	4.85%	0.00%	4.85%	0	53,329
East Side									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	9,123,316	\$4.15	168,462	95.74%	1.85%	2.41%	4.26%	0	(11,250)
Flex	3,556,572	\$10.60	235,915	93.37%	6.63%	0.00%	6.63%	0	320,945
Manufacturing	5,427,141	\$10.00	10,923	99.80%	0.20%	0.00%	0.20%	50,000	513,317
Warehouse / Distribution	31,513,377	\$6.49	1,006,501	96.79%	3.19%	0.02%	3.21%	130,752	714,305
East Side Total	49,620,406	\$6.92	1,421,801	96.68%	2.87%	0.45%	3.32%	180,752	1,537,317
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	1,087,118	\$8.97	87,674	91.94%	8.06%	0.00%	8.06%	0	32,906
Manufacturing	718,886	\$12.00	27,200	96.22%	3.78%	0.00%	3.78%	0	(6,250)
Warehouse / Distribution	1,143,887	\$12.03	2,338	99.80%	0.20%	0.00%	0.20%	0	18,415
North Hillsborough Total	2,949,891	\$9.74	117,212	96.03%	3.97%	0.00%	3.97%	0	45,071
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	4,732,670	\$5.11	974,263	79.41%	20.59%	0.00%	20.59%	510,272	60,000
Flex	133,363	\$7.86	3,200	97.60%	2.40%	0.00%	2.40%	0	119,567
Manufacturing	2,338,697	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	7,009,065	\$5.02	446,180	93.63%	6.37%	0.00%	6.37%	0	1,132,550
Plant City/E Hillsborough Tot	14,213,795	\$5.09	1,423,643	89.98%	10.02%	0.00%	10.02%	510,272	1,312,117
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	(60,000)
Warehouse / Distribution	1,096,821	\$6.29	146,606	85.67%	13.37%	0			

Leading Indicators (Y-O-Y Q3-2019 to Q3-2020)

Market Inventory  163,542,453 SF	Vacancy Rate  4.83%	Net Absorption  4,640,059 SF	Construction Pipeline  4,057,293 SF	Average Asking Rate  \$6.29/SF NNN
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Significant Third Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Amazon.com*	DragStrip Logistics Center	710,892	New	Lakeland
Home Depot	7075 US Highway 41	492,156	New	East Side
Fanatics Licensed Sports Group	6422 Harney Rd	220,814	Renewal	East Side
M&W Tampa Logistics	Meadowcreek Distribution	150,420	Renewal/Expansion	East Side
Innovative Cabinetry	301 Business Center - Bldg 300	128,945	New	East Side
Hawthorne Hydroponics	I-4 Logistics Hub	123,917	New	Lakeland
Motion Industries, Inc.	5275 Drane Field Rd	117,440	New	Lakeland
PGT	Grand Oaks 75 - Phase II	75,236	New	East Side
Discount Auto Parts	7105 New Tampa Hwy	56,811	Renewal	Lakeland
Bonnie Relocation	5300 Adamo Dr	40,060	New	East Side

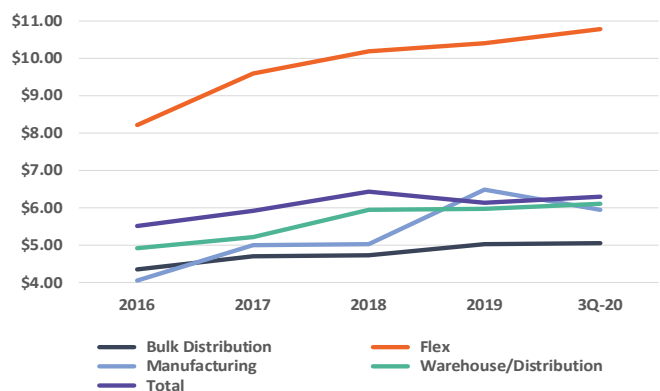
*Avison Young handled this transaction

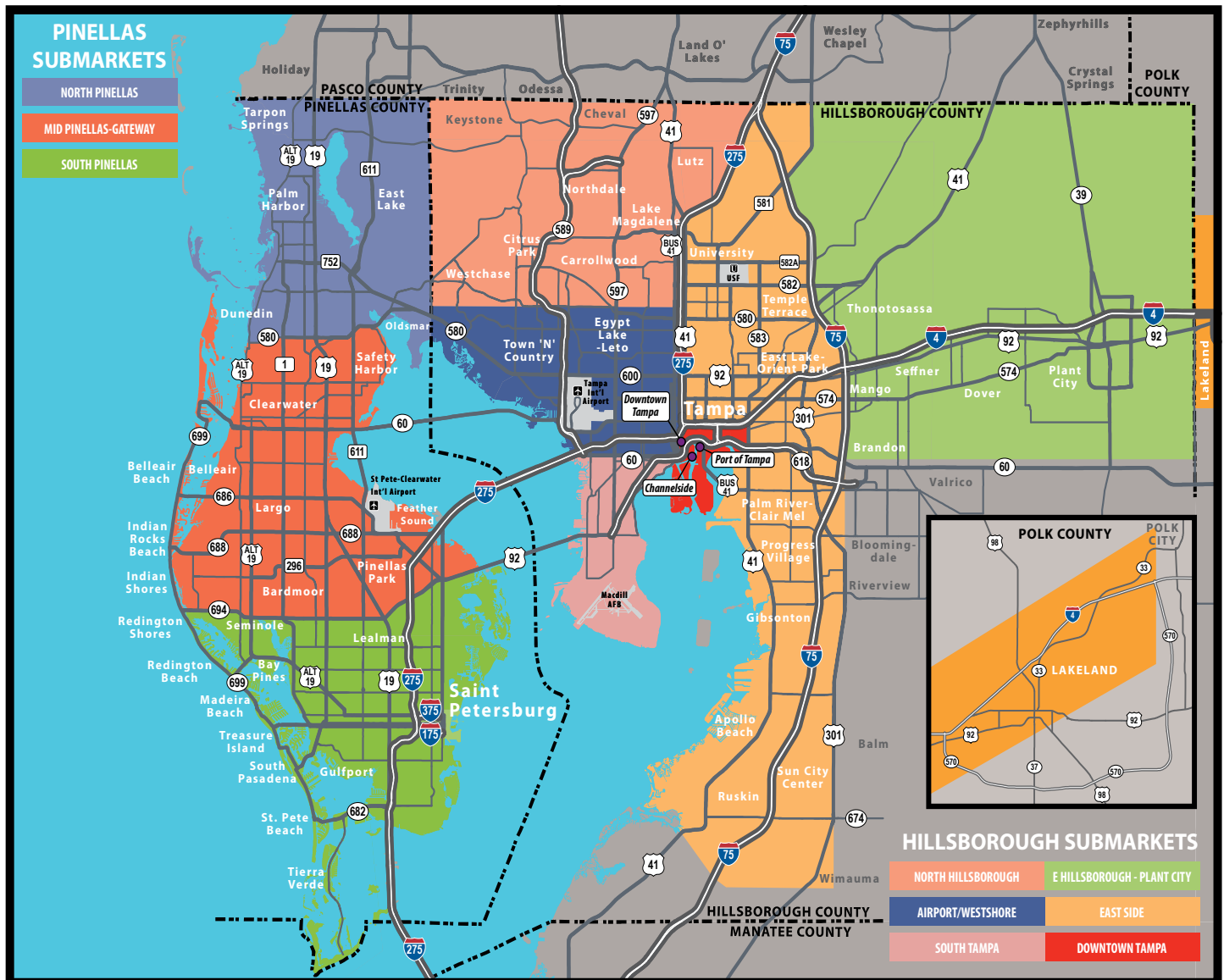
Significant Third Quarter 2020 Sales Transactions - Sorted by SF

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
Breckenridge Park	334,279	\$31,750,000	\$95	7.24%	Avistone	East Side
6815 Maple Ln	116,000	\$25,000,000	\$215	9.00%	Americold Realty Trust	East Side
5275 Drane Field Rd	221,875	\$15,105,112	\$68	NA	Bobbeck Real Estate Co.	Lakeland

Industrial asking rents continue to record healthy gains

There was a slight increase in rents over the preceding quarter of 2.5%, with gains reported in all four primary building types. With regard to overall inventory size, the submarkets recording the largest gains during the third quarter were Airport Westshore (+10.2%), East Side (+6.5%), and Lakeland (+2.4%).





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