

Tampa

Robust Demand for Space Along the I-4 Corridor and a Strong Investor Appetite Fueled Tampa's Industrial Market in 2019

Tampa's industrial market performed well in 2019 as e-commerce fueled both industrial demand and development. Heading into 2020, commercial real estate in Tampa is going to be affected by a combination of headwinds and tailwinds, however the industrial sector is expected to continue its strong performance – particularly within the growing I-4 corridor. While a cease-fire has been declared in the trade war with China, the upcoming presidential election and escalating tensions in the Middle East may create some degree of volatility as the year progresses. Despite the current geopolitical stress, the U.S. economy is entering its 11th year of expansion and 2020 is expected to be another strong year for the industrial market. Investment activity is anticipated to remain strong as industrial remains a preferred asset class for investors due to strong demand, rental rate appreciation, and the ripple effects of an ever-expanding e-commerce sector.

Net absorption was strong during 2019 at just over three million sf due in large part to the delivery of several industrial buildings that were either partly or fully preleased. Bulk distribution rents have increased by 5.9% over the trailing 12 months ending December 2019 and warehouse/distribution rents remain relatively flat year-over-year. Industrial development continues at a brisk pace along the I-4 corridor, and several additional new projects are being planned. All in all, Tampa's industrial market is very solid heading into 2020.



Several new developments are being planned within the rapidly expanding I-4 corridor in order to sate robust industrial demand

Industrial Market Snapshot

- Chicago-based Brennan Investment Group acquired a 165-acre site in the fast-growing Lakeland submarket during the fourth quarter and is planning a 1.5 million sf industrial park to be known as CenterState Logistics Park East. The first phase is comprised of a 1+ million sf distribution building that will break ground on speculation, with delivery expected by the end of 2020.
- Nearly 12 million sf of new industrial space has been delivered over the last five years and another 3.4 million sf remains under construction. Just under 5 million sf was delivered in 2019 by key developers including McDonald Development Company, Duke Realty Corp., Xebec Realty Partners, McCraney Property Company, Cabot Properties and Becknell. Recent development announcements include US Capital Development's plans for a 303,006-sf speculative distribution center in the Plant City/East Hillsborough submarket, a new Amazon air cargo facility near Lakeland Linder International Airport, a new distribution hub for Home Depot, and Amazon's fourth distribution center in Polk County.
- At the close of the year, Parkway Properties closed on the purchase of 725 acres in Lakeland, a site that is entitled for up to 5.5 million sf of industrial development, along with 650,000 sf of office, 225,000 sf of retail, 300 residential units, and up to 125 hotel rooms.
- The industrial sector continues to attract big investors, with many moving from the retail sector into industrial property investment. As e-commerce continues to drive structural shifts, larger investors are increasingly interested in investing in the back end of the internet, placing their capital in fulfillment and distribution centers. The net result is an increase in deal volume and accelerating rents in primary distribution corridors.
- The Federal Reserve cited global developments as the rationale for further reducing its policy rate by 25 basis points to a target range of 1.50% to 1.75% in October, after which Fed Chairman Jerome Powell signaled that he felt monetary policy was in a good place as trade tensions were easing and Brexit was coming under control.
- Industrial investment activity was strong over the past year, with total industrial investment sales volume of \$764 million over the trailing 12-month period ending December 2019, and \$3.6 billion in total investment sales occurring over the past five years. The largest sale during the fourth quarter was the acquisition of 580 Corporate Center, a 363,602-sf flex development in the Mid-Pinellas/Gateway submarket of Pinellas County. Adler Kawa Real Estate Advisors purchased the property for \$47.1 million, or \$127 per sf.

160.7 MSF

Total industrial inventory in the Tampa Bay market

3,041,225 SF

Direct Y-T-D net absorption as of 4Q-2019

5.64%

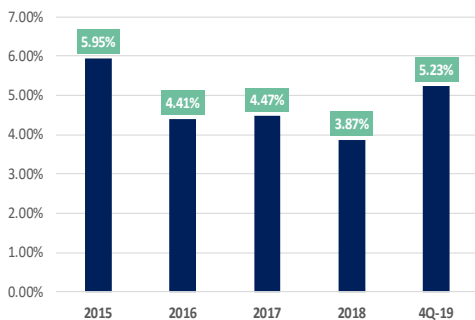
Overall Vacancy

\$5.64/SF/NNN

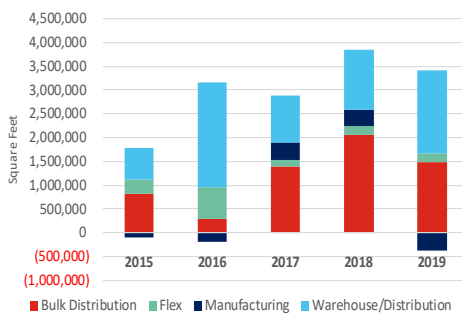
Average rental rate for industrial space (excluding flex)

Statistical Snapshot

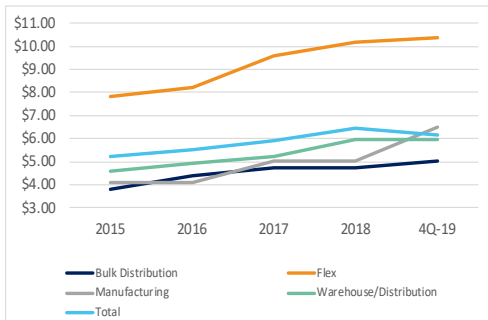
Vacancy Rate



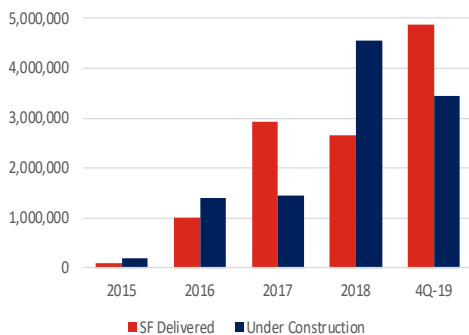
YTD Net Absorption (SF)



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



Construction Pipeline



Tampa Bay Industrial Market At A Glance

Demographics & Economy

22 million

State demographers are projecting that Florida's population will surpass 22 million by 2022



The U.S. economy remains strong at the close of 2019 although there are certainly headwinds moving into 2020



2.1%

average annual economic growth will outperform the U.S. overall

3.2%

NOV-2018



2.7%

NOV-2019

Y-O-Y change in Tampa Bay's unemployment rate

Development

97% of all new space underway is along the pivotal I-4 Corridor, offering accessibility to



20 million people within a 5-hour drive time

1.5 million sf



size of Brennan Investment Group's planned CenterState Logistics Park East



During 4Q-19, Parkway Property Investments closed on the purchase of 725 acres in Lakeland, which is entitled for 5.5 million sf of industrial space



3.4 million sf currently under construction

Market Influencers



\$764 million

in total industrial sales volume during the T-12 months ending 4Q-19



5.9%

increase in asking bulk distribution rents over the T-12 months ending 4Q-19



Amazon continues to dominate the industrial market with several new developments in the planning process in Florida

Robust demand for logistics facilities is fueling growth in Lakeland, where total industrial inventory has grown by 15% in the last 3 years



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	30,534,379	\$5.03	3,116,539	89.79%	10.21%	0.37%	10.57%	2,031,781	1,476,475
Flex	15,861,546	\$10.39	898,894	94.33%	5.67%	1.11%	6.78%	0	197,186
Manufacturing	28,644,270	\$6.50	808,571	97.18%	2.82%	0.04%	2.86%	290,000	(371,035)
Warehouse / Distribution	85,695,874	\$5.98	3,585,166	95.82%	4.18%	0.42%	4.60%	1,113,680	1,738,599
Market Total	160,736,069	\$6.15	8,409,170	94.77%	5.23%	0.41%	5.64%	3,435,461	3,041,225

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	\$10.73	185,762	95.30%	4.70%	0.33%	5.03%	0	8,590
Manufacturing	1,210,732	\$0.00	0	100.00%	0.00%	0.00%	0.00%	290,000	0
Warehouse / Distribution	8,197,779	\$7.39	130,444	98.41%	1.59%	0.24%	1.83%	0	(15,700)
Airport/Westshore Total	13,358,647	\$9.35	316,206	97.63%	2.37%	0.25%	2.61%	290,000	(7,110)

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	118,000
Warehouse / Distribution	3,704,119	\$4.07	129,174	96.51%	3.49%	1.15%	4.64%	178,387	(97,474)
Downtown Tampa Total	5,241,160	\$4.07	129,174	97.54%	2.46%	0.81%	3.28%	178,387	20,526

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	\$5.05	1,154,768	87.34%	12.66%	0.00%	12.66%	0	348,992
Flex	3,637,294	\$11.06	168,566	95.37%	4.63%	1.68%	6.31%	0	61,201
Manufacturing	5,427,141	\$4.69	85,861	98.42%	1.58%	0.20%	1.78%	0	(80,624)
Warehouse / Distribution	31,191,627	\$6.17	1,196,317	96.16%	3.84%	0.69%	4.53%	370,418	1,491,263
East Side Total	49,379,378	\$5.94	2,605,512	94.72%	5.28%	0.58%	5.86%	370,418	1,820,832

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	\$9.13	109,308	90.24%	9.76%	0.00%	9.76%	0	60,612
Manufacturing	718,886	\$12.50	51,600	92.82%	7.18%	0.00%	7.18%	0	(51,600)
Warehouse / Distribution	1,188,151	\$13.50	5,316	99.55%	0.45%	0.00%	0.45%	0	18,629
North Hillsborough Total	3,026,931	\$10.31	166,224	94.51%	5.49%	0.00%	5.49%	0	27,641

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	3,124,570	\$5.40	166,163	94.68%	5.32%	0.00%	5.32%	1,318,438	236,043
Flex	133,363	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	2,338,697	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	64,502
Warehouse / Distribution	6,771,065	\$5.12	703,497	89.61%	10.39%	0.00%	10.39%	120,000	(4,251)
Plant City/E Hillsborough Total	12,367,695	\$5.17	869,660	92.97%	7.03%	0.00%	7.03%	1,438,438	296,294

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	\$6.37	83,376	92.36%	7.64%	0.00%	7.64%	0	35,390
South Tampa Total	2,372,769	\$6.44	118,376	95.01%	4.99%	0.00%	4.99%	0	37,698

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	\$10.15	368,164	91.36%	8.64%	0.39%	9.04%	0	(49,262)
Manufacturing	11,701,633	\$6.27	610,195	94.79%	5.21%	0.00%	5.21%	0	(444,748)
Warehouse / Distribution	13,772,344	\$6.92	495,644	96.40%	3.60%	0.58%	4.18%	0	202,274
Mid-Pinellas/Gateway Total	29,846,472	\$7.46	1,474,003	95.06%	4.94%	0.32%	5.26%	0	(291,736)

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	\$13.77	12,649	99.14%	0.86%	0.97%	1.83%	0	10,976
Manufacturing	1,418,541	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,717,632	\$6.89	15,625	99.58%	0.42%	0.00%	0.42%	0	(5,295)
North Pinellas Total	6,602,636	\$9.97	28,274	99.57%	0.43%	0.22%	0.64%	0	5,681

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	271,344	\$11.67	19,656	92.76%	7.24%	25.15%	32.39%	0	(6,056)
Manufacturing	1,680,281	\$5.85	22,915	98.64%	1.36%	0.00%	1.36%	0	21,127
Warehouse / Distribution	5,512,816	\$6.86	248,313	95.50%	4.50%	0.00%	4.50%	0	(16,503)
South Pinellas Total	7,814,441	\$7.11	290,884	96.28%	3.72%	0.87%	4.60%	0	(1,432)

LAKELAND

Lakeland									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	16,594,548	\$4.99	1,795,608	89.18%	10.82%	0.67%	11.50%	713,343	891,440
Flex	807,822	\$9.83	34,789	95.69%	4.31%	0.31%	4.62%	0	111,125
Manufacturing	2,773,897	\$6.20	3,000	99.89%	0.11%	0.00%	0.11%	0	0
Warehouse / Distribution	10,549,673	\$5.43	577,460	94.53%	5.47%	0.00%	5.47%	444,875	130,266
Lakeland Total	30,725,940	\$5.16	2,410,857	92.15%	7.85%	0.37%	8.22%	1,158,218	1,132,831

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 *Emerging Trends in Real Estate 2020*® report published by PwC and the Urban Land Institute found that investors continue to place fulfillment and warehouse properties at the top of their list for investment prospects.

Leading Indicators (Y-O-Y 4Q-18 to 4Q-19)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	Total Employment
5.64%	3,041,225 SF	\$6.15	3,435,461 SF	1.50 MM

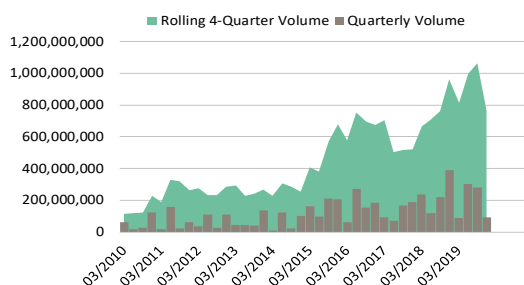
Significant Fourth Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	SF	Type	Submarket
United States Postal Service*	1801 Grant St	281,600	Renewal	Downtown Tampa
RC Moore	3102 Queen Palm Dr	229,605	New	East Side
Summit Contracting Group*	5353 W Tyson St	78,392	New	South Tampa
The Merit Distribution Group	7100 123rd Cir N	70,500	Renewal	Mid-Pinellas/Gateway
Furniture Store	Oak Creek VI	54,400	New	East Side
Premier Packaging*	Walden Distribution Center 100	48,800	New	Plant City/E
Cort Business Services*	5202-5208 Tampa West Blvd	29,870	Renewal	Airport/Westshore
Seacor	2021 N 40th St	27,519	New	East Side
Associated Materials*	5202-5208 Tampa West Blvd	27,000	Renewal	Airport/Westshore
OnMed.com	14101-14105 McCormick Dr	24,100	New	North Hillsborough
NVGITN	5322-5350 115th Ave	20,788	New	Mid-Pinellas/Gateway
Fox-Rowden-McBrayer, Inc.	3214 Queen Palm Dr	19,200	New	East Side
New Advantage Corp	Metropointe Commerce Center	18,614	New	Mid-Pinellas/Gateway
Nestle Dryers Ice Cream	8105 Krauss Blvd	16,800	New	East Side

* Avison Young handled this transaction

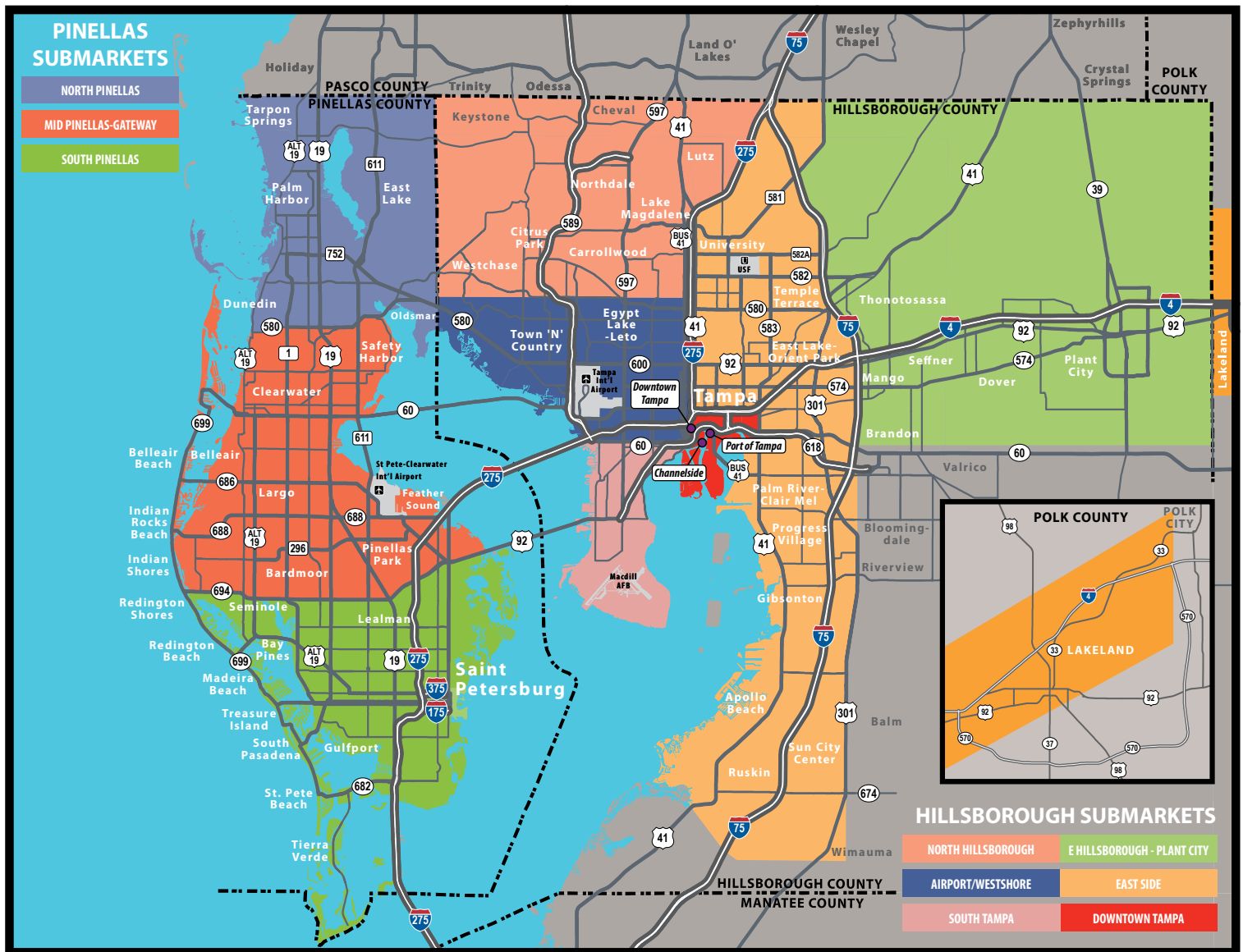
Significant Fourth Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Type	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
580 Corporate Center	369,602	Flex	\$47,100,000	\$127	7.78%	Adler Kawa Real Estate Advisors	North Pinellas
Bryan Dairy East Bus. Pk.	281,214	Flex	\$29,400,000	\$105	5.50%	GID Investment Advisers LLC	Mid-Pinellas/Gateway
Vector III	73,723	Flex	\$8,900,000	\$121	NA	Richland Investments	Airport/Westshore
6511 N 54th St	69,743	W/D	\$3,000,000	\$43	NA	Landon Enterprises LLC	East Side



T-12 Month Sales Volume Down 21% Due to a Slow Fourth Quarter

Total industrial investment sales volume for 2019 was down 20.6% over the previous year, due in large part to a smaller number of large portfolio transactions and a slower-than-usual fourth quarter. Forty-six industrial transactions closed during the year totaling 9.4 million sf. Total sales volume during the fourth quarter accounted for only 12% of the year's activity, partly due to a smaller number of quality buildings on the market after several successive years of solid investment activity.



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