

Tampa market fundamentals

FLORIDA INDUSTRIAL MARKET REPORT
Q3 2021

Key industrial takeaways



Economic conditions

- Tampa’s unemployment rate is holding steady at **4.5%** due to steadily rising vaccination rates, healthy consumer confidence, and a strong local business base. Tampa’s supply chain is solid, industrial leasing fundamentals are strong, and the development of new larger-scale bulk distribution and warehouse projects continues along the I-4 corridor.
- The steady rise in e-commerce activity combined with labor shortages and pandemic-induced disruptions to the global supply chain are creating backlogs at several key U.S. ports. As a result, Florida’s governor and the state’s port leaders are making an active pitch to companies to send their cargo to Florida.



Recovery rate

- As of August 2021, the state of Florida had recovered 974,000 jobs, equivalent to **77%** of all job losses incurred due to the pandemic.
- The Biden administration’s intention to begin allowing foreign nationals to travel from Europe, China, Brazil, and India as of this November will help propel the Tampa economy as the influx of travelers will serve to boost the still-recovering tourism and hospitality sector.



Industrial demand

- Leasing activity is at **65.9%** of all volume recorded in 2020 and is expected to grow through the end of the year.
- The largest lease transaction during the third quarter was Gopher Resource’s deal for 206,382 sf at 1820 Massaro Blvd in the East Side where it will consolidate into two buildings vacated by Refresco Beverages.
- Net absorption has already surpassed annual totals for 2019 and 2020 and may be on track to outpace the previous high in 2018.

Key industrial takeaways



Industrial supply

- Total vacancy remains at a three-year low, totaling **5.5%**, and is only 20 basis points below the 14-year low recorded in 2018.
- As of the end of Q3 2021, there were 27 industrial buildings under construction across Tampa, accounting for **7.8 million sf**.
- City Furniture's new **\$100 million** mixed-use development in Plant City is underway on a 111-acre site with I-4 frontage. When complete in 2022 the development will include 800,000 sf of distribution space, along with retail and showroom space and over 45,000 sf of corporate office space.



Pricing trends

- Asking rents have increased by **2.7%** since the start of the pandemic and have for the most part continued on a steady upward trajectory over the last decade.
- Strong leasing and development activity in key areas, primarily within the Lakeland and Plant City/East Hillsborough submarkets, is keeping upward pressure on rents and ensuring landlords remain firmly in the driver's seat while industrial market fundamentals remain solid.



Capital markets

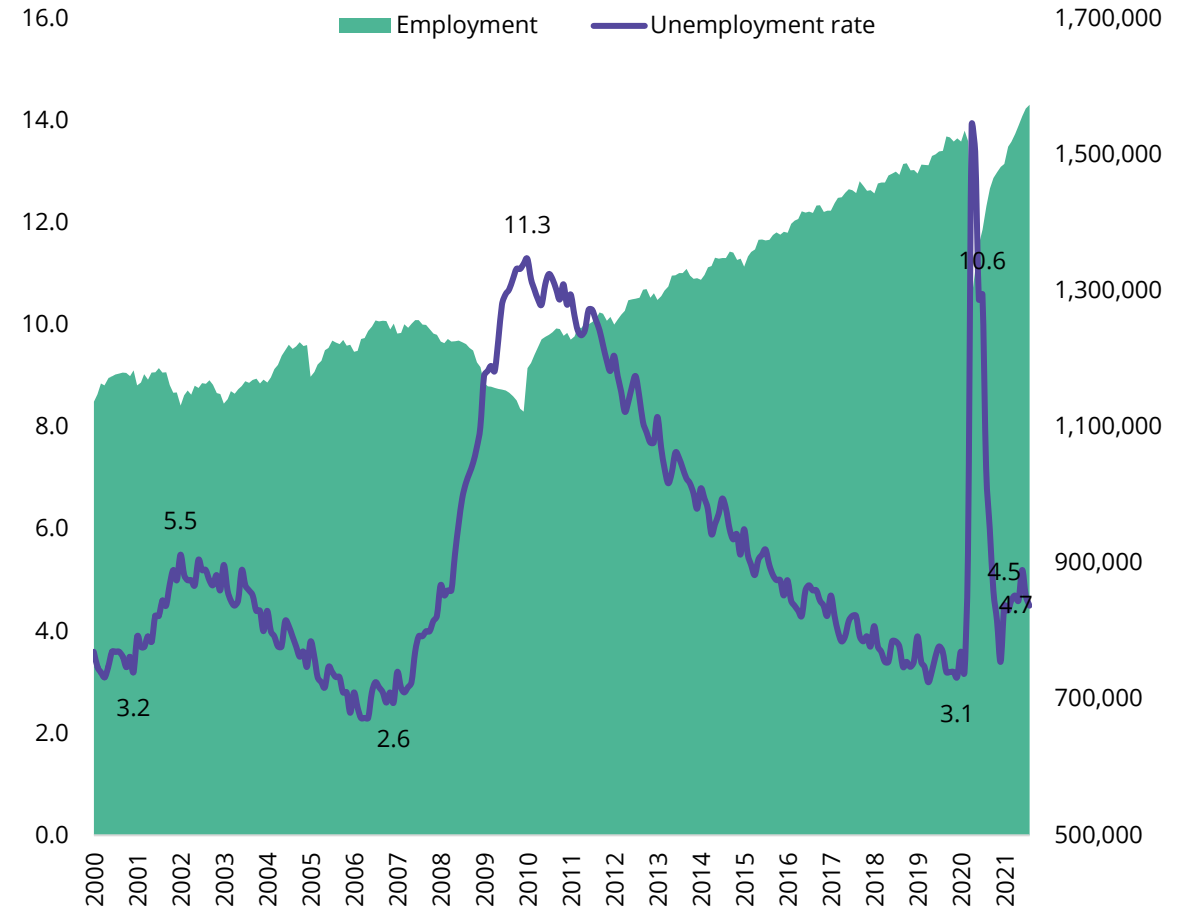
- Industrial investment activity has been robust in Tampa, with a total transaction volume of **\$1.4 billion** for the year-to-date through September 2021.
- The sale of University Park at Bridgewater in Lakeland to AEW Capital Management was the largest investment transaction during Q3. The 713,343-sf bulk distribution center, which is fully occupied by HCA Healthcare, was acquired from Crow Holdings for **\$100.8 million**, or \$141 per sf.

Employment and unemployment rate

4.5%

Tampa unemployment rate as of August 2021, a sharp decline from the height of the pandemic

Pre-pandemic unemployment was at historical lows. The economy has added back over 284,633 jobs since last year, up 22.1%, and unemployment has declined by 9.4% to near pre-pandemic levels.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

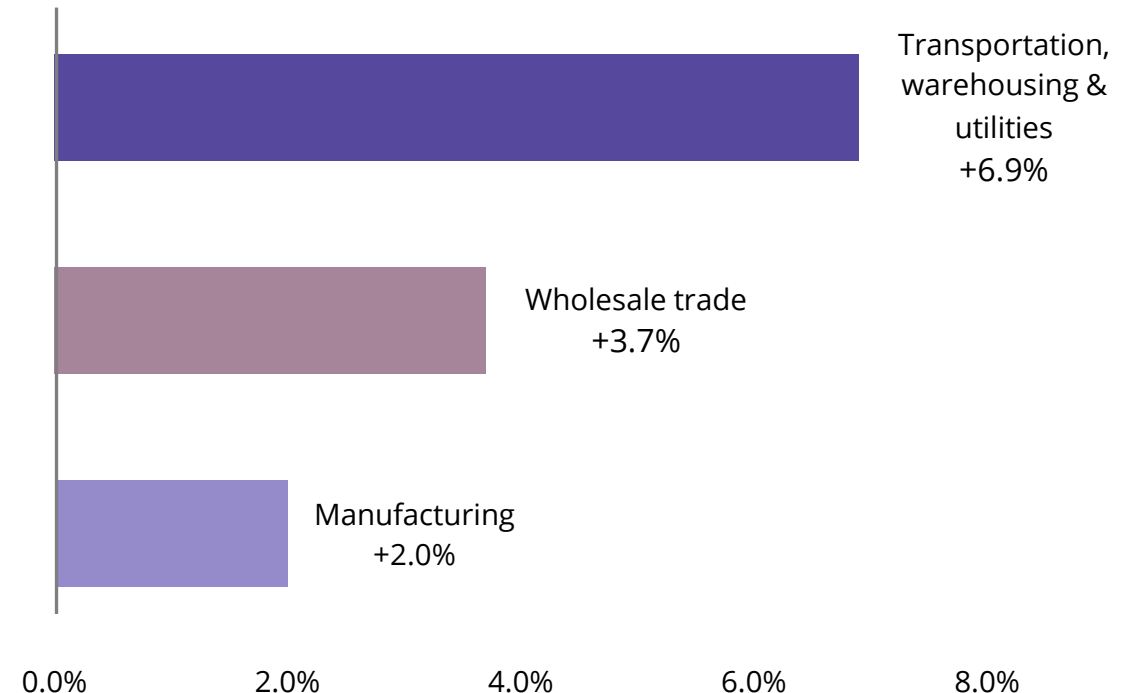
+3.8%

Change in industrial employment from July 2020 to July 2021

The Tampa metro area has experienced job additions totaling 3.8% in the last year, especially in the critical areas of transportation and logistics. These job gains have remained steady this year, with the transportation, warehousing and utilities sector up 6.9% year-to-date.

Total change in Tampa MSA* job gains/(losses)

July 2020 to July 2021



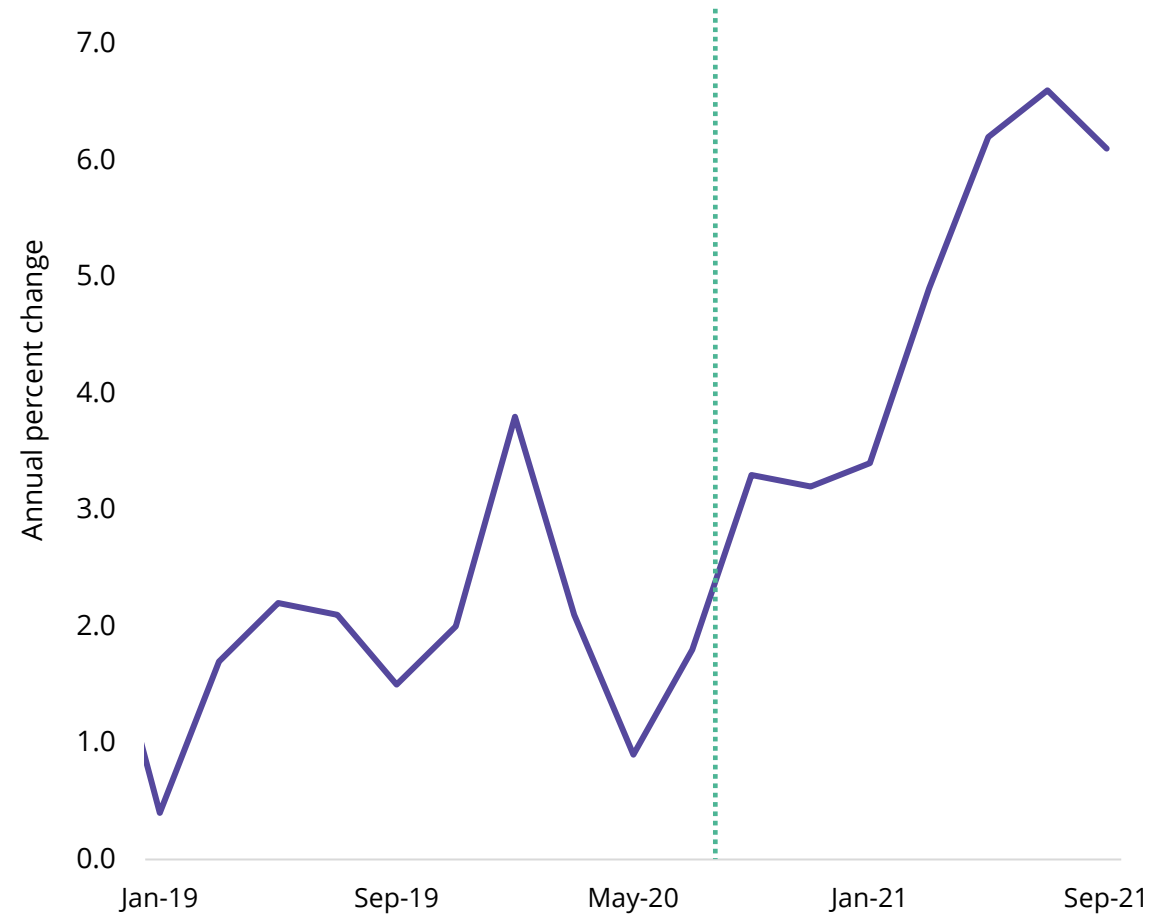
Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Inflation rates

+6.1%

Year-over-year change in Consumer Price Index for Tampa, all items

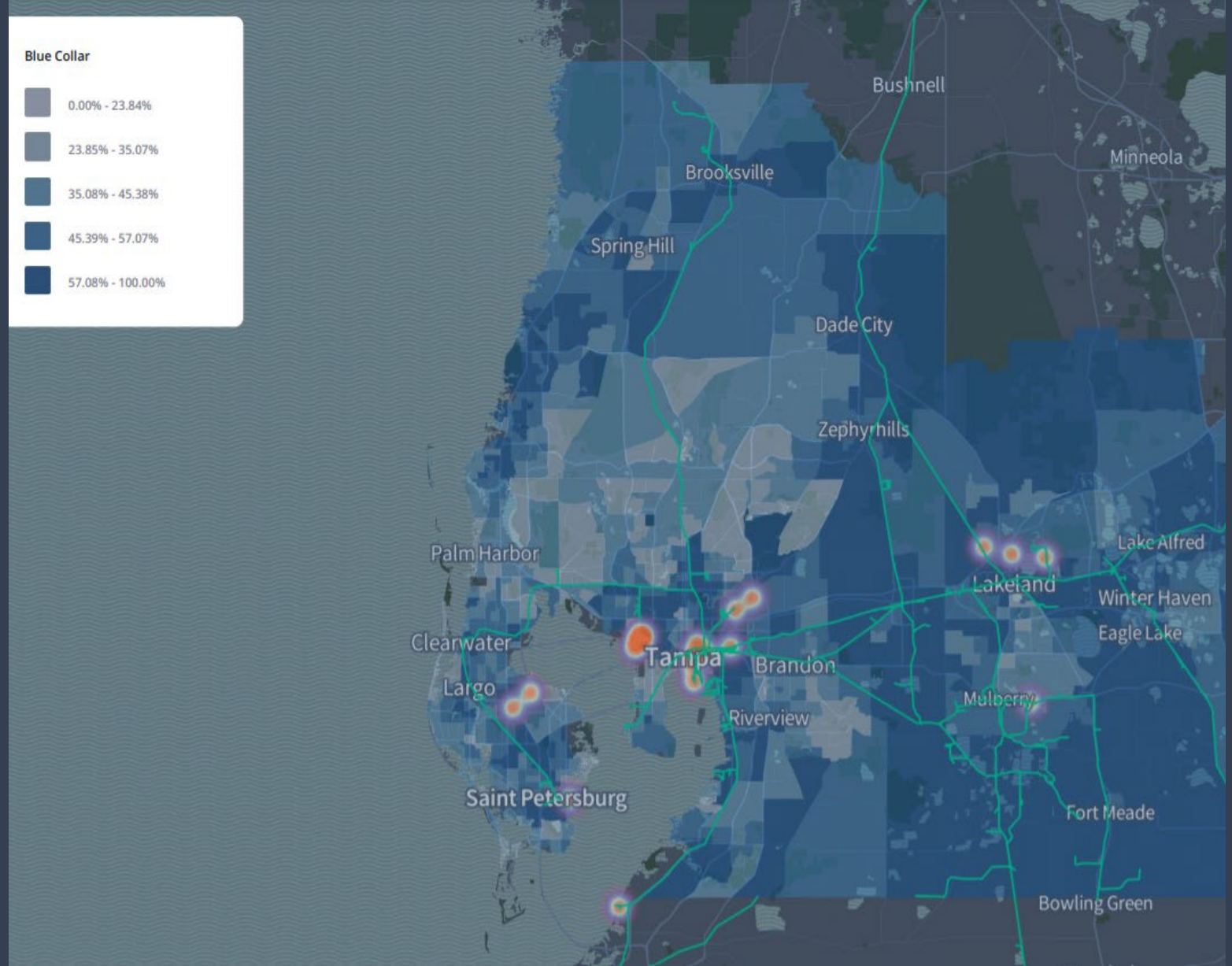
Tampa-area consumer prices have been rapidly increasing as the local economy has reopened. The energy index rose 23.6% over the past year, largely due to sharp increases in gas prices. Despite stabilizing this summer, lingering supply chain disruptions, a shortage of truck drivers, and severe weather have impacted many sectors and could keep inflation at higher-than-normal levels heading into 2022.



Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Freight rail & intermodal facilities

Source: AVANT by Avison Young, ESRI
Intermodal facilities are clustered around seaport submarkets and major throughout corridors, with Class I rail lines providing connectivity throughout the country

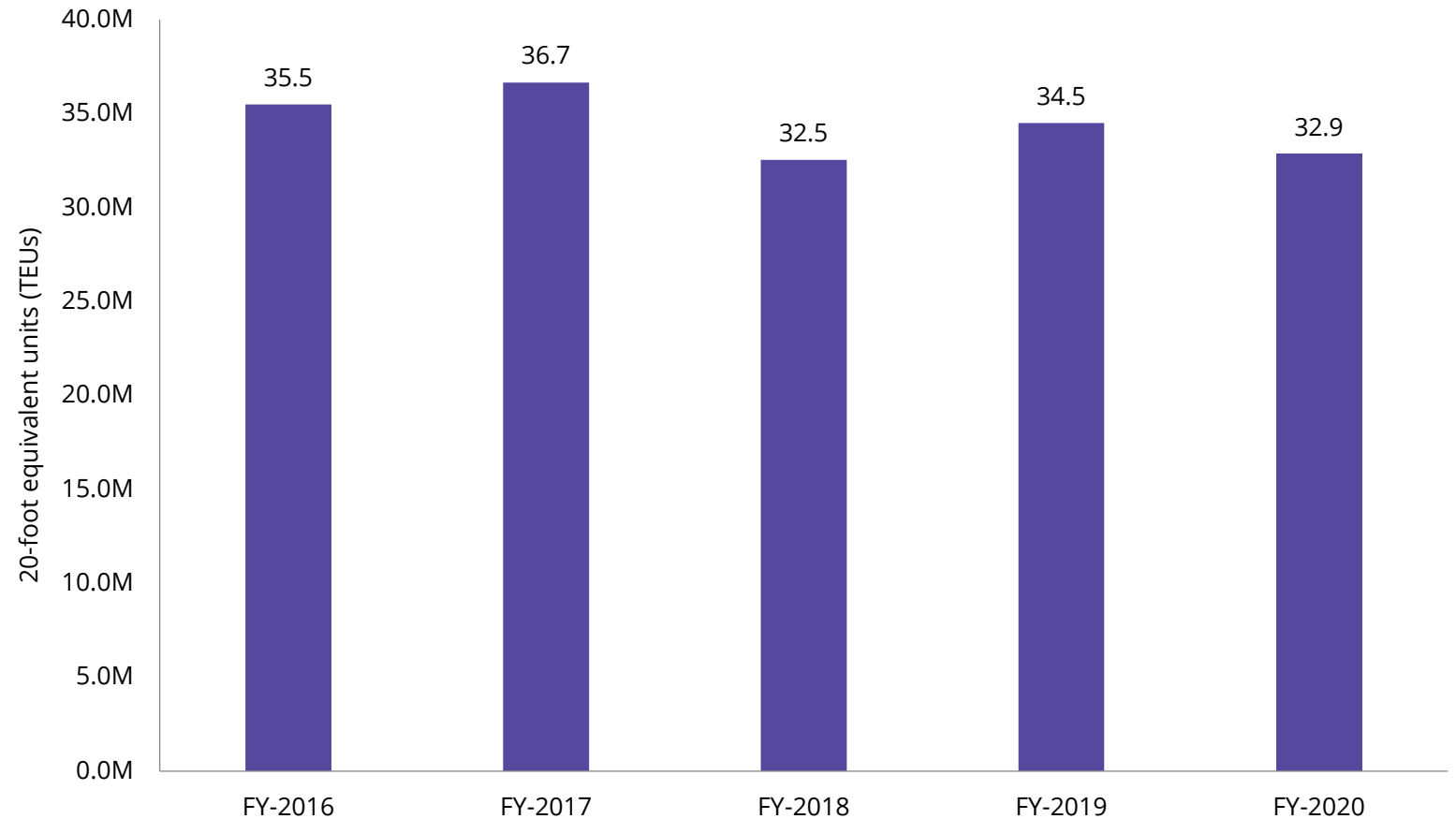


Port Tampa Bay total cargo volume

34.4 M

Five-year avg cargo volume

Although the number of cruise ship sailings was down 54% during FY-2020, the port has remained healthy through the pandemic. Port Tampa experienced an increase in dry bulk cargo in 2020, and the primary cargo loss was a decline in petroleum.



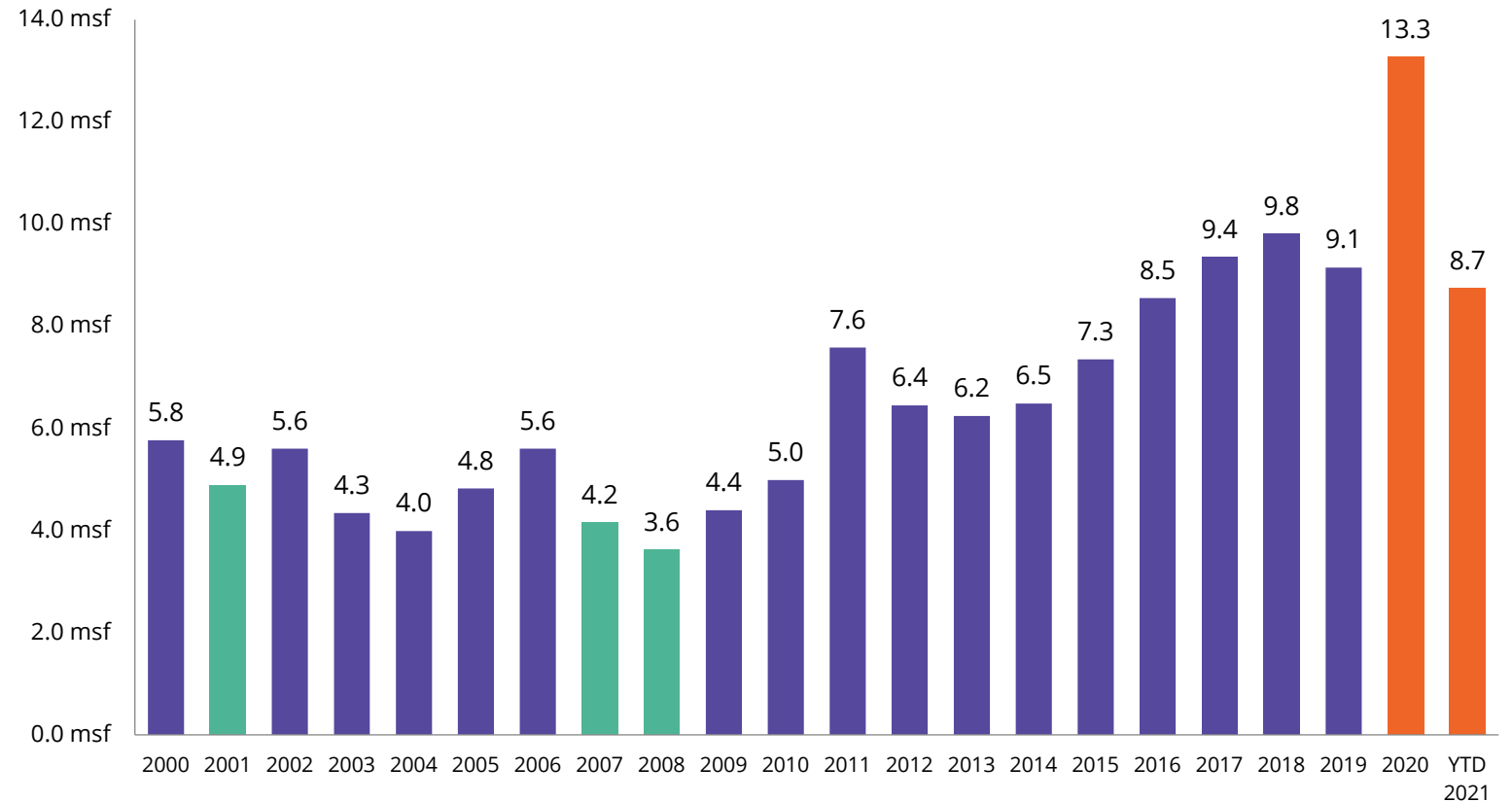
Source: Port Tampa Bay

Industrial leasing activity

65.9%

Year-to-date 2021 leasing activity compared to year-end 2020

Leasing activity has remained brisk during 2021 with activity through Q3 nearly eclipsing all pre-pandemic leasing volume recorded during 2019 and exceeding all leasing activity recorded in 16 of the last 20 years.



Note: Green represents recession years.
Source: CoStar

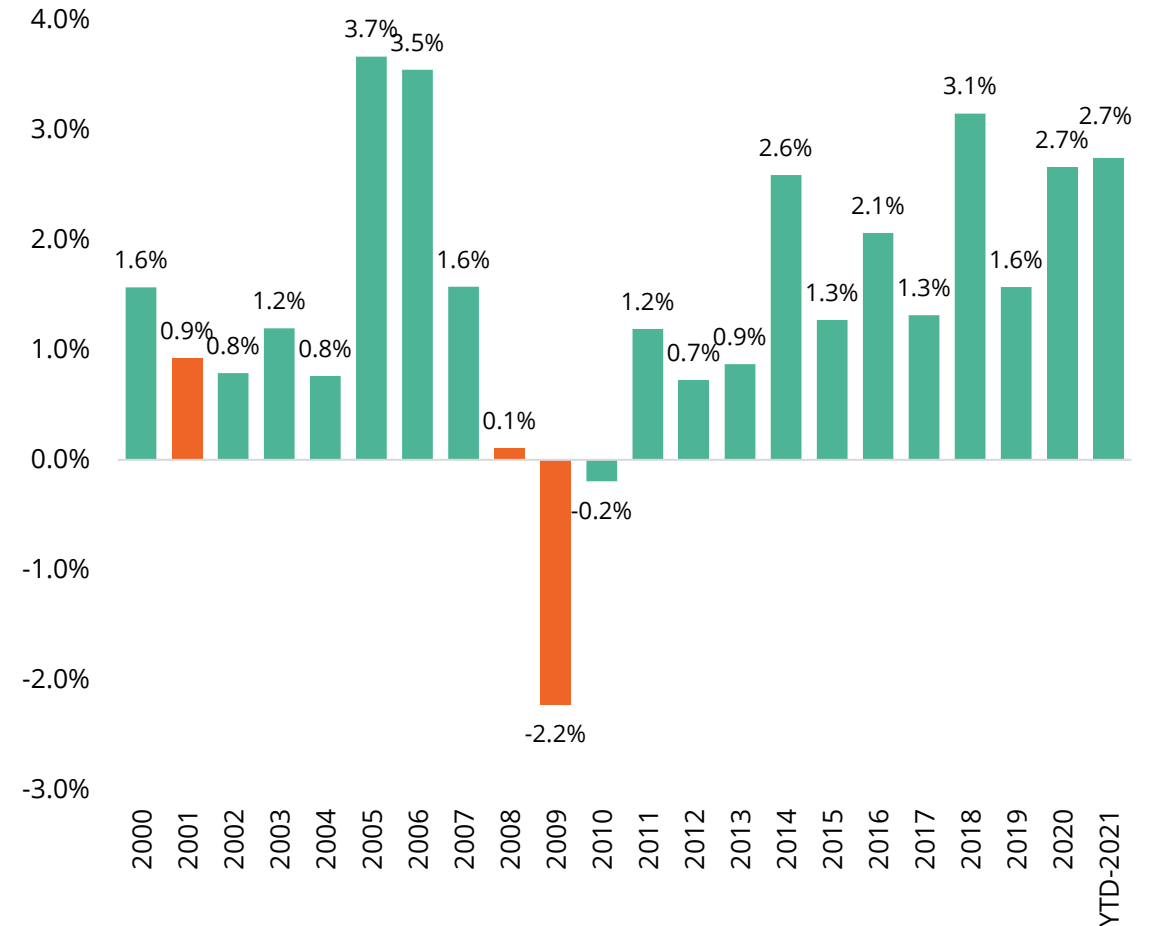
Source: CoStar

Industrial net absorption

2.7%

Net absorption as a percentage of inventory, through Q3 2021

Accounting for 4.9 million sf for the year-to-date, net absorption has already surpassed annual totals for 2019 and 2020 and may be on track to outpace the previous high in 2018. Development remains active, particularly in the I-4 corridor stretching from Tampa through Lakeland, creating opportunities for distribution users to take down large blocks of space resulting in robust net absorption.



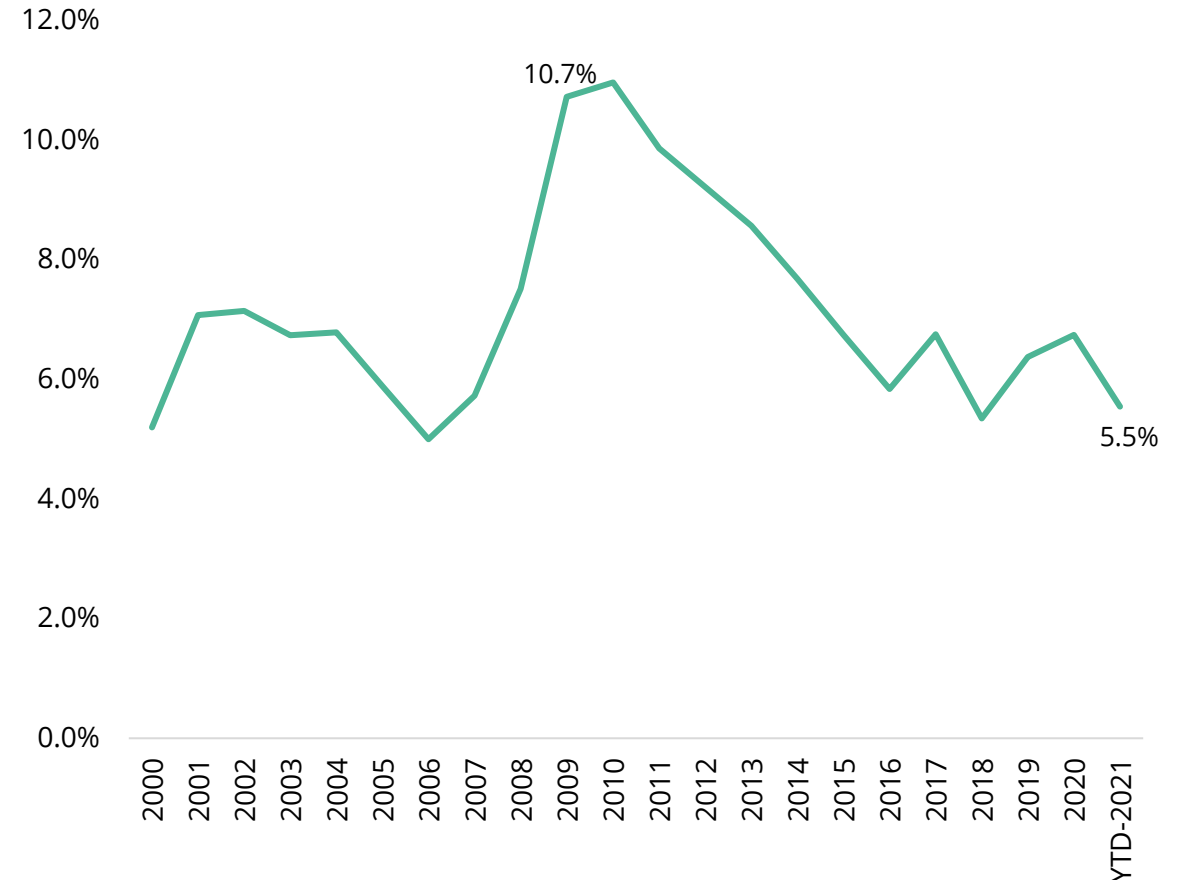
Note: Absorption is measured as the year-over-year change in occupied square feet.
Source: CoStar

Industrial vacancy rate

5.5%

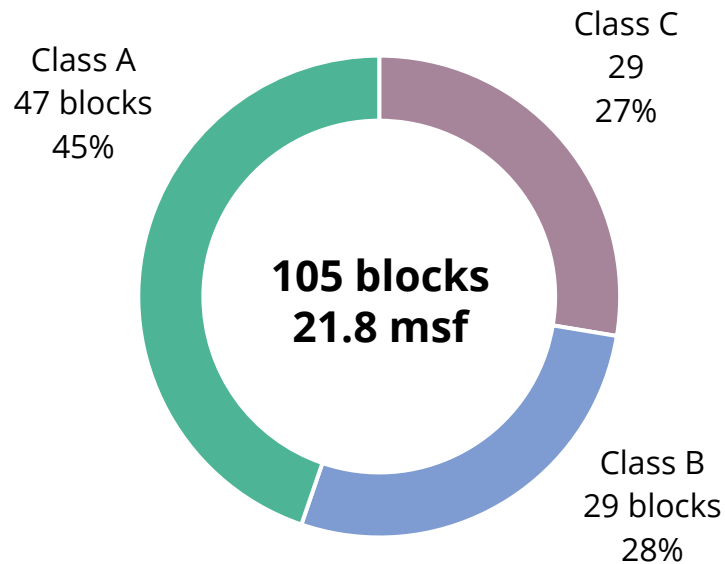
Vacancy as of Q3 2021 remains at its lowest point in three years

The Q3 2021 total vacancy rate is only 20 basis points below the 14-year low recorded in 2018 and may fall further by the end of the year as an active fourth quarter of leasing is expected. Average asking rents have increased significantly over the last decade, underscoring how industrial demand has outstripped supply in Tampa.

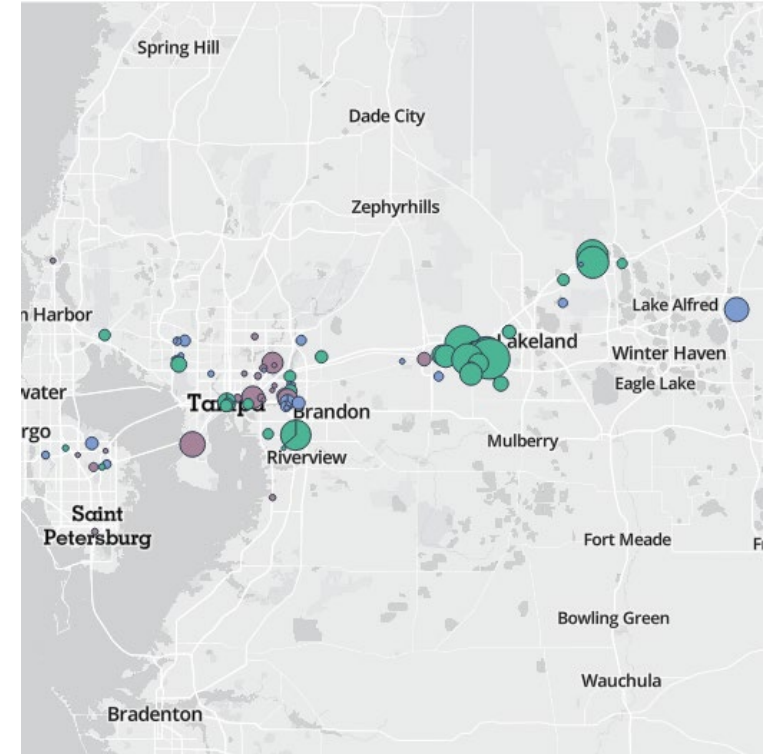
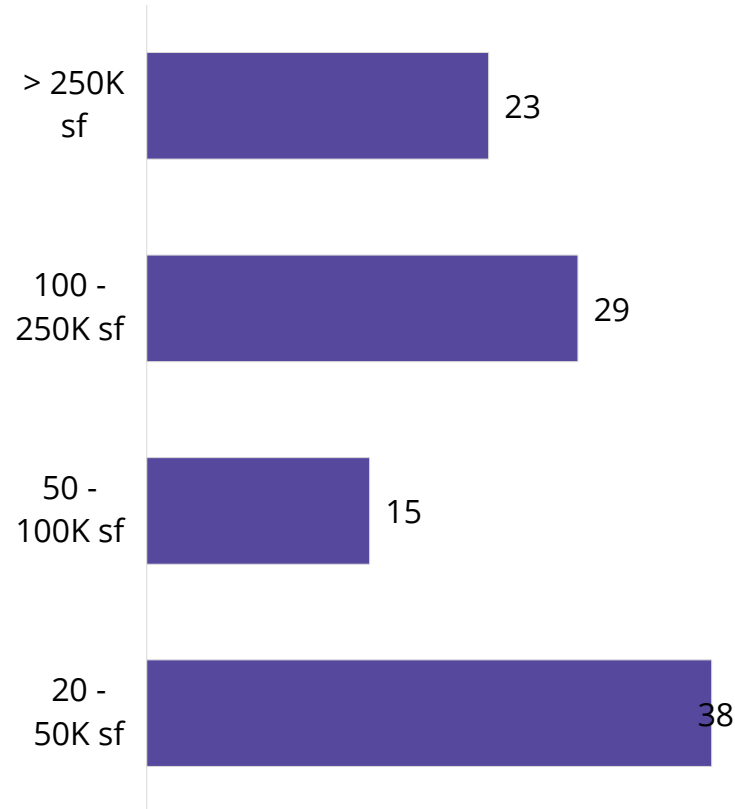


Industrial large-block availabilities

Building class



Space size ranges



Source: AVANT by Avison Young

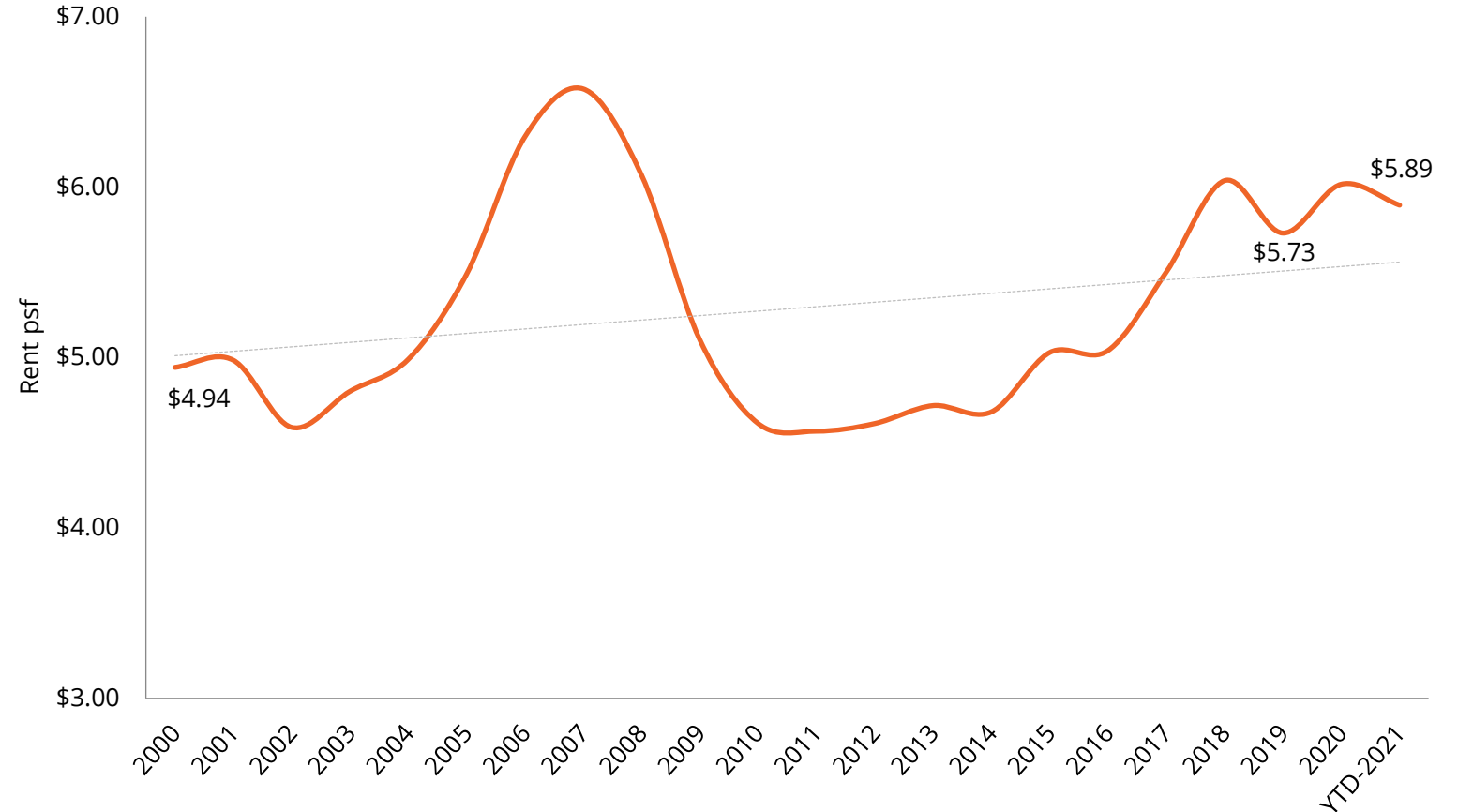
Asking rents

+2.7%

Asking rents since the onset of the pandemic

While asking rents fell slightly during the third quarter, they remain 2.7% higher than at the close of 2019.

Rents have trended upward for the most part since 2011, increasing by 22.4% over the last 10 years.



Source: AVANT by Avison Young

Industrial development pipeline

74 properties

proposed or under construction

22.5 msf

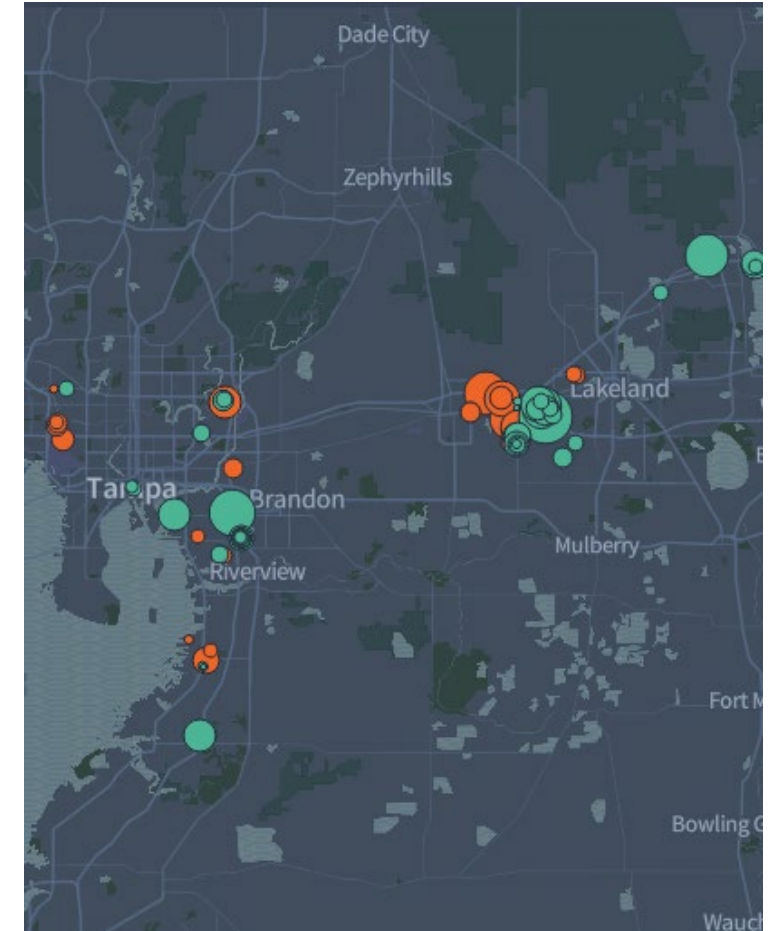
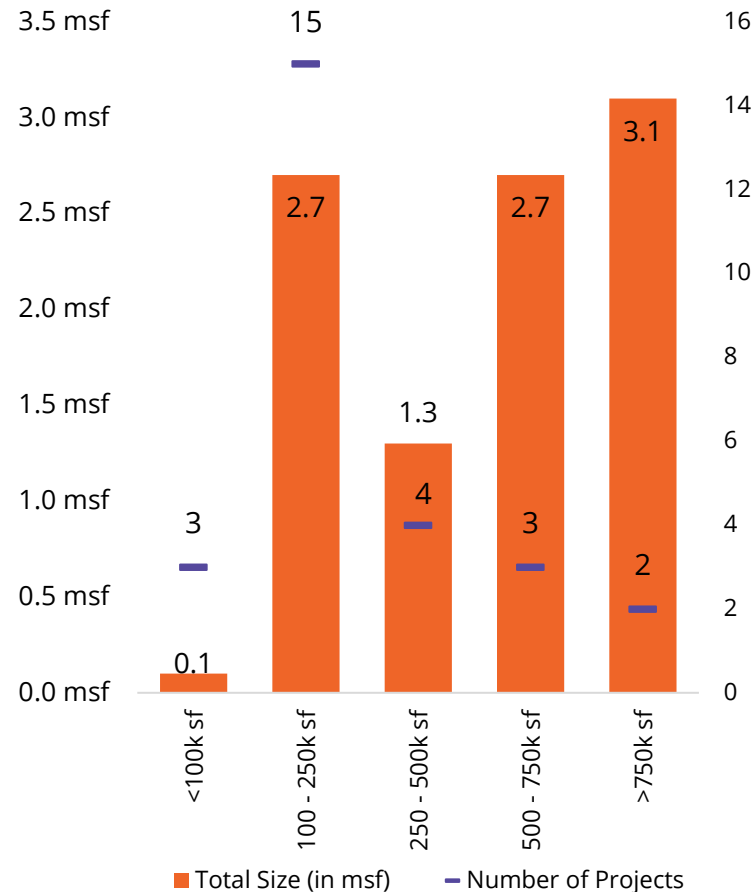
proposed or under construction

16.6%

share of industrial inventory

Plant City

submarket with most development under construction at 4.5 msf



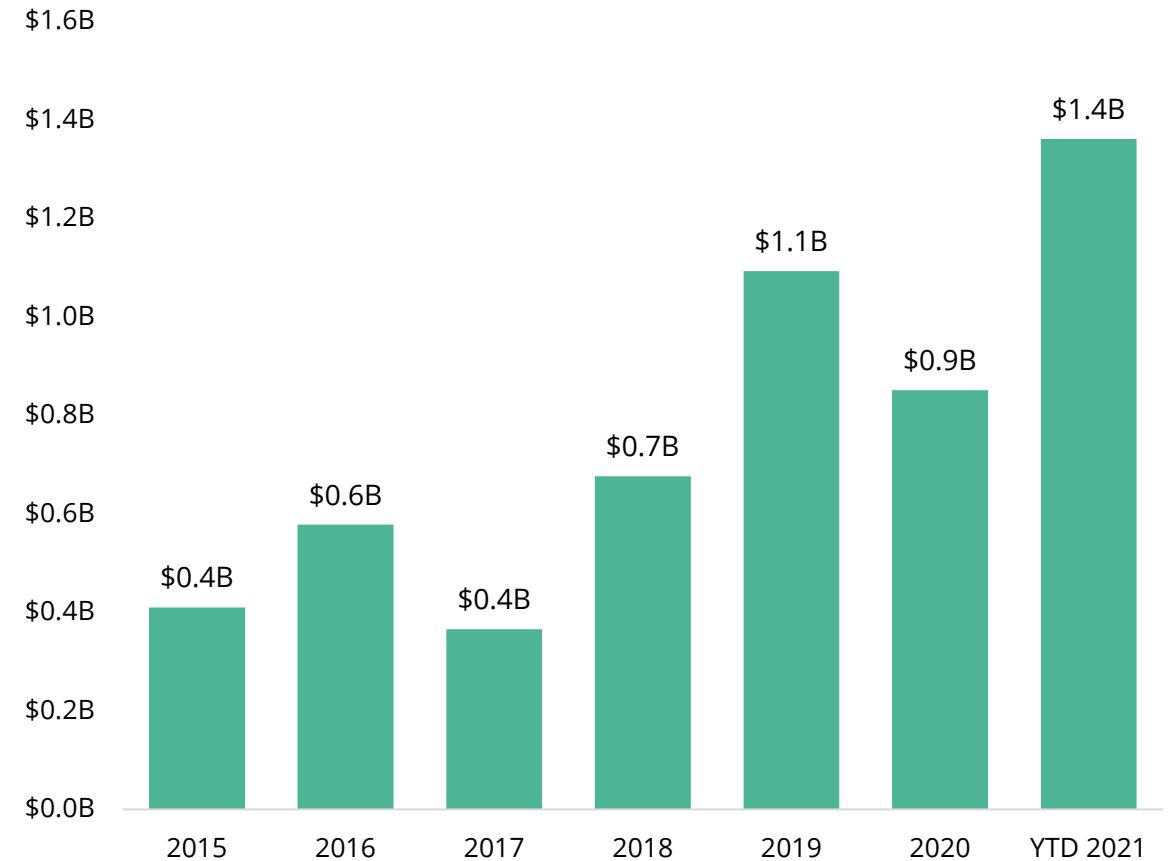
Source: AVANT by Avison Young

Investment dollar volume

\$1.4B

Industrial dollar volume,
year-to-date 2021

Total industrial sales volume through Q3 2021 is on pace to nearly double all volume recorded during 2020 and has already exceeded the previous five-year high of \$1.1 billion recorded in 2019 by 19.8%. Investors continue to chase deals in the market with particular interest in bulk distribution projects along the I-4 corridor and within the East Side.



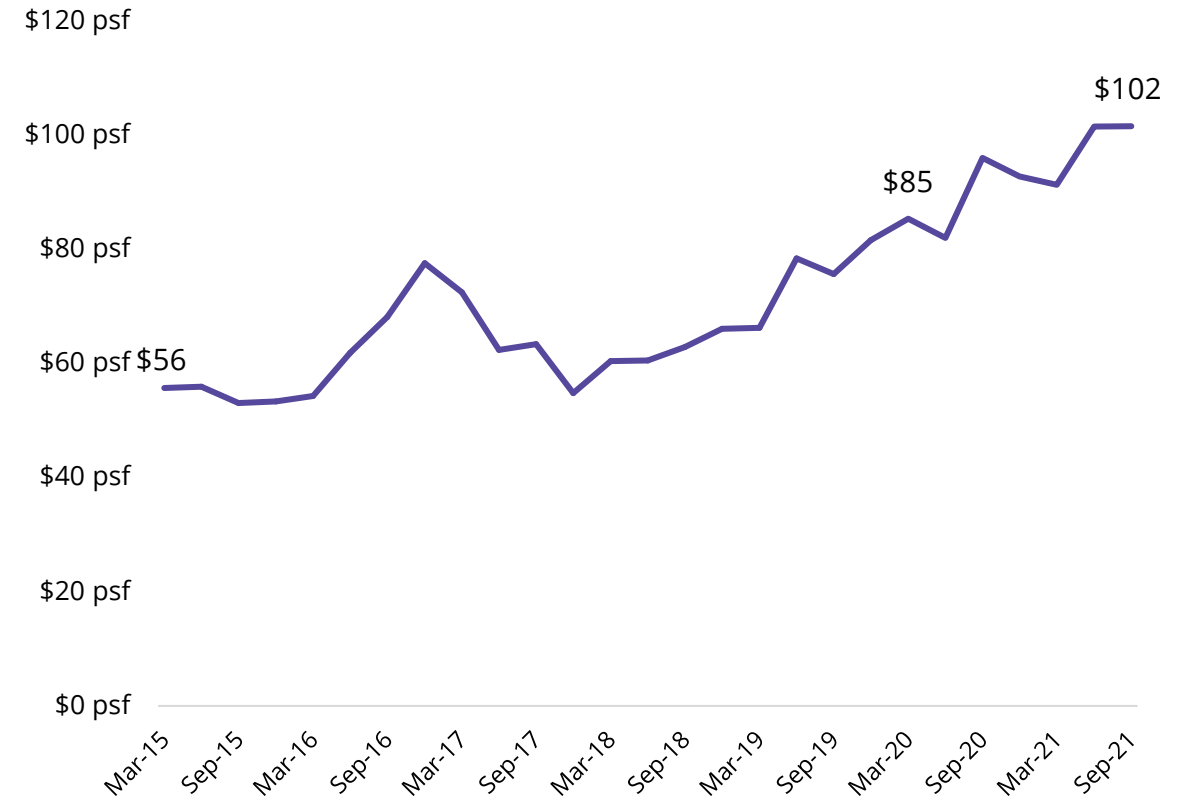
Source: AVANT by Avison Young
RCA

Industrial asset pricing

+19.0%

**Tampa industrial pricing,
March 2020 to September 2021**

Pricing for Tampa industrial assets has continued to elevate since 2016, particularly since the pandemic, as an influx of investors seek exposure to properties that can accommodate the rise of e-commerce distribution.



Source: AVANT by Avison Young
RCA

Looking forward



Here's what we can expect

- Automation in distribution is increasingly viewed as one of many paths forward within the industrial sector. In the Tampa market, e-commerce mammoth Amazon is preparing to open a new 2.6 million-sf **state-of-the art robotic fulfillment center** in Temple Terrace that will employ 1,000 tasked with processing roughly one million packages a day from the facility. The new facility is Amazon's eighth robotic fulfillment center in Florida.
- Incremental upticks in asking base rents will continue over the next year as higher quality class A space will remain sought after, creating further **pricing appreciation**.
- Third party logistics ("3PL") companies are expanding their e-commerce distribution capabilities at a faster rate than any other major industrial occupier and will continue to comprise an increasing share of **industrial demand** as companies rethink their existing supply chains.
- The U.S. industrial sector is bracing for a record surge in holiday shopping at a time when **supply chain volatility** and labor shortages threaten to temper an otherwise robust outlook.



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Let's talk

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