

INVESTMENT FORECAST

Industrial
Tampa-St. Petersburg

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2022

Tampa's Broad Industrial Infrastructure Underpins Leasing Activity and Long-Term Investor Confidence

Demand surge stimulates historic supply wave. Robust population gains, job creation and the exponential growth of e-commerce have combined to fuel a strong retail sales environment in the Tampa metro that has bolstered industrial firms' storage needs. Over the past year, online retailers, logistics companies and suppliers absorbed 6.5 million square feet of space, slicing 200 basis points off the market's vacancy rate. Although the recent spike in demand has prompted a record supply wave that will likely place upward pressure on availability in the short run, the metro is poised for long-term success moving forward. Tampa's key positioning near the largest seaport in Florida, three interstate highways, two international airports and the CSX terminal in Winter Haven grants the metro access to other major markets within the state. Additionally, cargo volumes at the Port of Tampa are expected to remain elevated throughout this year, further strengthening the need for nearby warehouse space.

Investors are optimistic on Tampa's future. Industrial sales activity has surged in recent quarters, with annual deal flow reaching a 20-year high in 2021. Robust population growth and tight market conditions are luring a wide range of investors to the metro, which is elevating competition for available assets, resulting in a nearly 60 percent increase in the average sale price over the past five years. Deal flow has risen notably in Pinellas County, with investors targeting properties proximate to St.Pete-Clearwater International Airport. Pre-1990-constructed warehouses and distribution properties are trading here most often, with cap rates averaging in the high-5 percent range. Buyers interested in assets comprising more than 100,000 square feet are active in East Hillsborough County, targeting properties near the Interstate 4 Corridor and Plant City.

2022 Market Forecast

- Employment**
up 4.5%

Employers will add 64,000 new jobs this year — a moderate slowdown from 2021 when 69,300 positions were created.
- Construction**
4.3 million sq. ft.

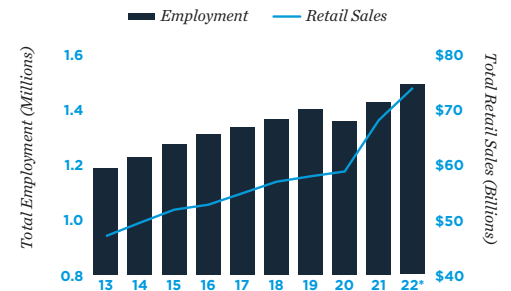
Annual delivery volume surpasses 4 million square feet for the first time since 2001. Roughly 75 percent of the pipeline is slated to deliver in East Hillsborough County.
- Vacancy**
up 20 bps

The incoming supply wave will place slight upward pressure on availability in 2022, inching the rate up to 3.2 percent. Last year, vacancy contracted by 200 basis points.
- Rent**
up 6.3%

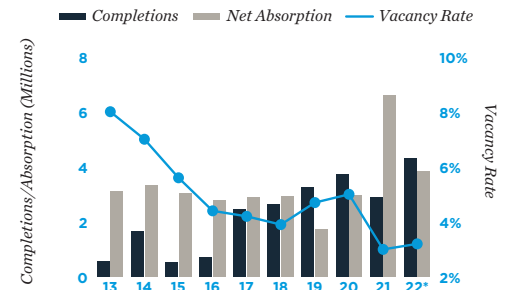
The steady delivery of new supply, coupled with strong space demand, continues to stimulate rent growth. The average asking rate will rise to \$7.65 per square foot this year.
- Investment**

Elevated leasing activity and a sub-2 percent vacancy rate are piquing buyer interest in the Sarasota-Bradenton submarket. Cap rates here average in the low-6 percent span.

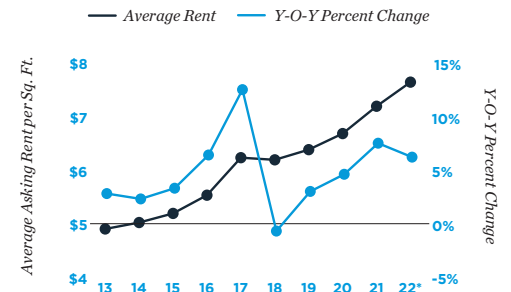
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.