

# MARKET REPORT

INDUSTRIAL

Greater Tampa Bay Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS






2H/19

## Asking Rents Climb While a Surge in Speculative Construction Temporarily Weighs on Vacancy

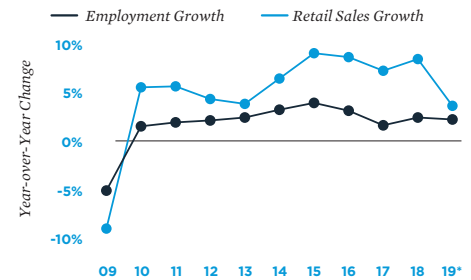
**Growing need for goods and services supports industrial demand; multimodal transit options draw users.** Robust employment, population and tourism gains are generating consumer demand throughout Greater Tampa Bay, boosting the industrial sector. Meanwhile, a network of road, rail, port and air systems provides access to markets around the world, attracting tenants. This network will soon be enhanced as Amazon is building the largest air cargo hub in the Southeast at Lakeland Linder International Airport. Strong demand for space dropped vacancy to the cyclical low in the final quarter of 2018, sparking a wave of speculative construction, especially along the I-4 corridor in East Hillsborough and Polk County. These deliveries will push vacancy higher in 2019. Leasing activity has been assisted by retailers seeking large warehouse and distribution space within an easy distance to customers. Ikea and Walmart are among the firms taking sizable blocks of space in 2019. In addition, Home Depot is planning a distribution center in Plant City and Conn's HomePlus is opening a logistics center in Lakeland during 2020 as it expands into Florida.

**Investors finding opportunities throughout Greater Tampa Bay.** Since June 2018, deal flow increased 10 percent from one year earlier, with a wide range of investors active. The highest number of transactions were in South Pinellas County. Older Class B/C assets with less than 40,000 square feet in the submarket were most often sought at an average of \$84 per square foot and cap rates averaging in the low-7 percent bracket. Some of these buildings are being targeted for last-mile consumer deliveries. Buyers were also prevalent along Interstate 4 in the East Hillsborough and Polk County submarkets, where properties exchanged hands at an average of \$73 per square foot over the past four quarters. New well-located warehouse or distribution buildings, however, can trade above \$290 per square foot at cap rates starting in the high-6 percent span. In the Sarasota/Bradenton area trading volume slowed after a flurry of sales in the prior 12-month period reduced the amount of available for-sale listings.

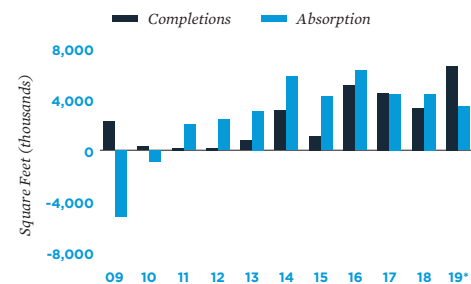
## 2019 Market Forecast

- Employment** up 2.2%  Roughly 30,000 employees will be added in the Tampa-St. Petersburg metro during 2019, down from a 2.4 percent gain last year.
- Construction** 6.6 million sq. ft.  Deliveries double last year's 3.3 million square feet and remain above 3 million square feet for the fourth consecutive year.
- Vacancy** up 120 bps  An increase in large speculative warehouses and distribution facilities will weigh on vacancy. The metro's vacancy rate will jump to 6.0 percent at year end, following a 60-basis-point decline last year.
- Rent** up 6.0%  The escalation in vacancy has yet to soften rent growth. The average asking rent will rise to \$6.22 per square foot at the end of 2019, building on last year's 3.2 percent advance.
- Investment**  Robust population growth, a strong logistics and distribution sector, as well as steady port activity will keep investors focused on Greater Tampa Bay. Buyers seeking higher yields may want search for assets in Pasco County.

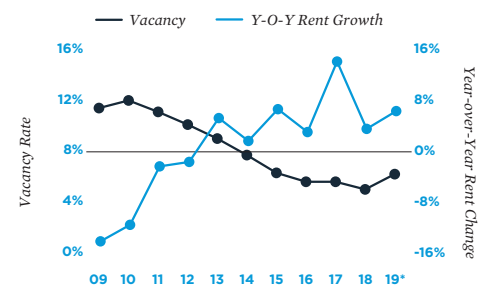
## Employment vs. Retail Sales Trends\*\*



## Industrial Completions



## Asking Rent and Vacancy Trends



\* Forecast \*\* Tampa-St. Petersburg metro  
Sources: CoStar Group, Inc.; Real Capital Analytics; Moody's Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of September 2019. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and industrial data are made during the third 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.