

MARKET REPORT

INDUSTRIAL

Tampa-St. Petersburg Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

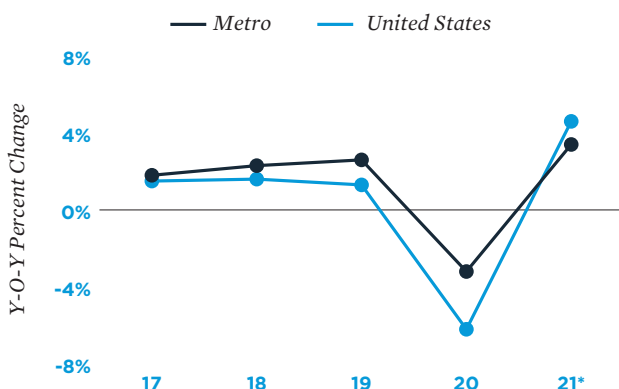
2Q/21

Port Activity, Population Growth Boost Demand; Development Focused in East Metro

Residential gains generate the need for storage space. Population expansion that is typically double the U.S. level will bring more than 20,000 residents to the metro during 2021. The added residents will boost the need for goods, including a rise in e-commerce activity. The increase will support demand for warehouses smaller than 50,000 square feet, with several set for delivery throughout the metro this year. At the other end of the size spectrum, the Port of Tampa Bay and nearby Port Manatee underpin demand for large logistics space. More than 40 million tons of cargo pass through the two ports annually and both are expanding their container facilities, which will likely amplify the need for additional industrial inventory in the coming years.

Eastern portion of metro is the focus of development. Access to Interstate 4, lower land costs, and the strategic position between the growing Tampa-St. Petersburg and Orlando markets are generating a flurry of warehouse and distribution construction in Eastern Hillsborough County. After receiving the bulk of new space last year, the submarket is scheduled to receive the majority of inventory this year, and more deliveries are on the way. The largest project due in 2021 is a 1 million-square-foot speculative warehouse in Plant City. Buildings of more than 700,000 square feet for Ace Hardware and City Furniture are among the 2.8 million square feet expected to break ground in the submarket in 2021. The completion of speculative inventory will likely have an upward impact on vacancy in the submarket.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2021 Outlook



**45,500
JOBS**

will be created

EMPLOYMENT:

Tampa employers will replace all of the 44,600 positions that were lost last year as employment rises 3.4 percent in 2021. Many of the positions will be in the hospitality and services sectors to accommodate the needs of a growing population and tourism industry.



**2,500,000
SQ. FT.**

will be completed

CONSTRUCTION:

Finalizations rose to the highest level in 19 years last year when 3.7 million square feet was added. During 2021, completions will recede as inventory rises 1.3 percent. Warehouses in Eastern Hillsborough County comprise the largest portion of 2021's deliveries.



**40
BASIS POINT**

decrease in vacancy

VACANCY:

Following two years of vacancy increases, the decline in completions amid a rising need for storage space will assist in lowering the vacancy rate to 4.7 percent in 2021, a level last registered in 2019.



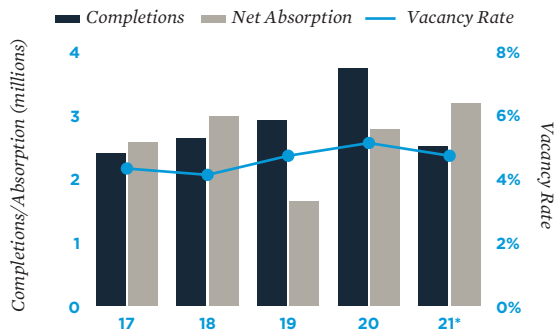
**5.8%
INCREASE**

in asking rent

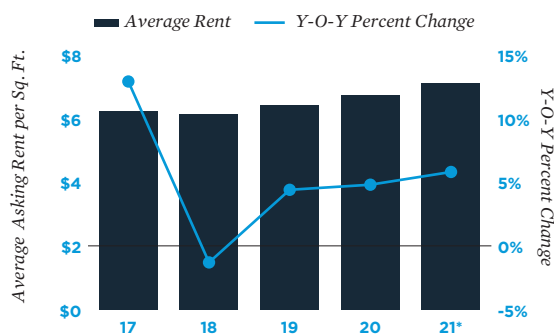
RENT:

After a 4.8 percent rise last year, strong demand for a tightening supply of available space will boost rent growth. The average asking rent climbs to \$7.12 per square foot this year, the highest annual rate gain since 2017.

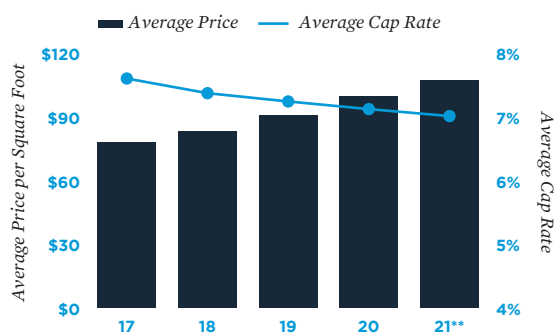
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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1Q21 – 12-Month Period



CONSTRUCTION

3,297,000 square feet completed

- From January through March 2021, deliveries fell to the lowest quarterly level since 2016, as 236,000 square feet was finalized, raising the year-over-year total to almost 3.3 million square feet.
- Developers also have 1.7 million square feet underway with completions scheduled into 2022 and more projects are set to break ground.



VACANCY

20 basis point increase in vacancy Y-O-Y

- Over the past 12 months ending in March, vacancy rose to 5.0 percent, building on the prior year's 50-basis-point climb.
- Despite the elevated pace of deliveries, vacancy in East Hillsborough, the largest submarket by inventory, held steady year over year at 7.4 percent, the highest rate in the metro.



RENT

7.2% increase in the average asking rent Y-O-Y

- New available inventory contributed to the average asking rent jumping to \$6.88 per square foot over the 12-month period ending in March, building on the prior year's 2.2 percent climb.
- Sarasota/Bradenton maintains the highest rent among submarkets at \$8.61 per square foot, up 14.8 percent over the past four quarters.

Investment Highlights

- Even though deal flow has gained traction since the health crisis began, transactions were down 24 percent year over year in the first quarter of 2021. Properties in the \$20 million and above price tranche, however, traded steady as the metro's long-term potential kept institutional buyers active.
- Interest in quality assets contributed to the average sale price surging 15 percent year over year, setting a new high of \$107 per square foot. The average price has nearly doubled since 2010. As valuations rose during the 12-month period ending in March, the average cap rate compressed 20 basis points to 7.0 percent.
- Out-of-state investors remained active during the past four quarters, a number coming from California, New York and Massachusetts. Many of these buyers targeted suburban warehouses throughout the market. If new, these assets traded at an average of \$83 per square foot.
- Recently built distribution and light distribution buildings also drew interest from investors outside of Florida at an average price of \$131 per square foot. Older Class B/C distribution properties changed hands at an average of \$105 per square foot.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Note: Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics