

FIGURES | TAMPA INDUSTRIAL | Q3 2023

Consistent demand keeps vacancy steady and asking rates rising



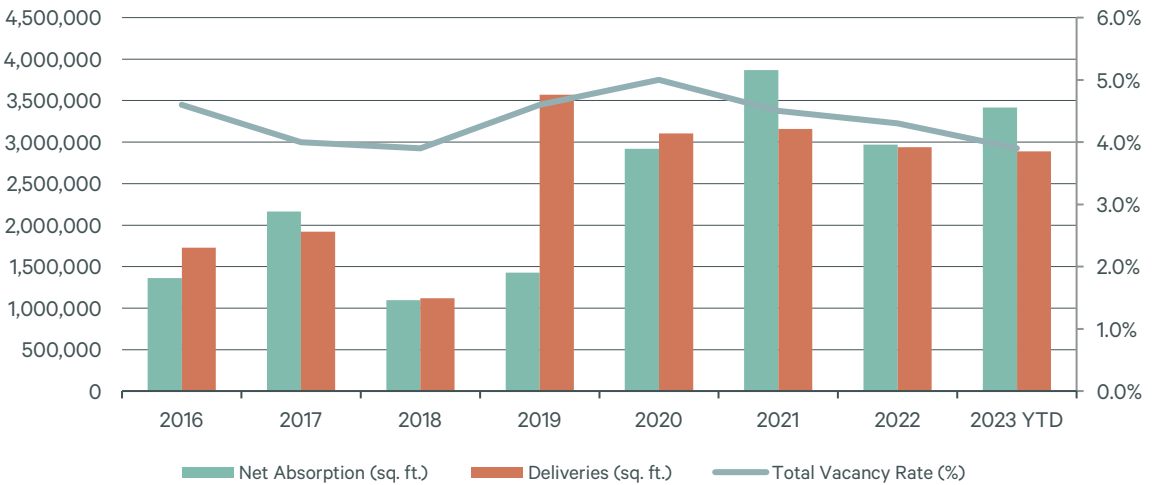
Note: Arrows indicate change from previous year.

OVERVIEW

- Headline vacancy saw a 20 basis point increase in the third quarter, continuing the pattern of fluctuation along the 4% vacancy mark that has been present since the first quarter of 2022.
- Although the construction pipeline remains robust, total square footage dipped slightly as deliveries outweighed ground breakings over the past 90 days. The shift by developers to focus on small to mid sized projects manifested once again as the footprint of all new starts was below 175,000 square feet.
- After breaking the \$9.00/NNN barrier last quarter average asking rents took another important stride in the third quarter, growing by an impressive 15.5% year-over-year.

Tampa's industrial market continued to show its strength in the third quarter as fundamentals remained steady even amid recession murmurs. Although net absorption fell sharply from the 1.5 million square feet recorded in the second quarter the figure remained in positive territory and on track to break the highwater mark for annual absorption established in 2021. Average asking rents also registered another good showing as they extended a streak of growth that has seen an average annual growth rate of 12.3% in 2023. The synergies between robust tenant demand and an active construction pipeline should allow the market to close out 2023 in record form.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

During the third quarter industrial demand in Tampa experienced its 22nd consecutive quarter of positive net absorption despite registering only one move-in above 100,000 square feet; which came in the form of Williams Sonoma taking possession of their new space at the Central Florida Commerce Center. Accordingly, the market segment of commitments under 200,000 square feet was wholly responsible for the positive absorption over the past three months, a metric that aligns with the size trends observed in construction starts and projects under construction.

VACANCY

After registering the lowest vacancy rate in the last 15 years during the second quarter the metric increased slightly to 3.9% in the current quarter. The market has been teetering around the 4% vacancy mark for the better part of the last 18 months as net absorption and construction deliveries have closely followed one another, signaling robust tenant demand. This parity should remain on course as projected net absorption and deliveries are shaping up to remain synchronized during the final quarter of 2023.

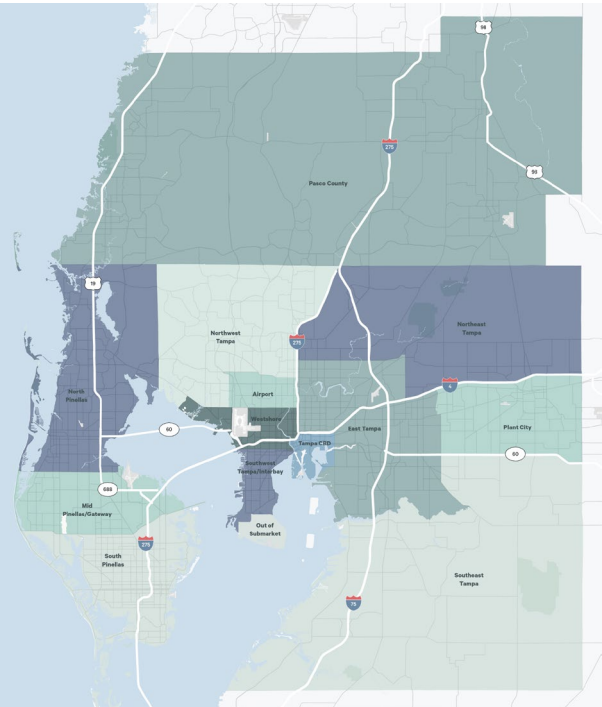
PRICING

Despite broader economic uncertainty, average asking rents have continued to appreciate at explosive rates. The market improved upon the already impressive asking rate growth seen last quarter as it swelled by 15.5% year over year and set a highwater mark for the fourth consecutive quarter. The East Tampa submarket towered above all others as it posted a walloping 33.9% annual growth rate amid extremely low vacancy.

FIGURE 2: Statistical Snapshot Q3 2023

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
East Hillsborough	81,005,562	4.4%	4.8%	270,197	3,328,968	1,151,404	\$9.24
Tampa CBD	8,456,771	0.9%	0.9%	65,880	60,513	108,554	\$10.24
Northeast Tampa	2,319,823	0.0%	0.0%	10,176	0	0	N/A
East Tampa	49,278,680	2.5%	2.9%	28,924	790,125	582,000	\$12.09
Plant City	16,953,354	9.8%	9.8%	165,217	2,526,909	162,470	\$6.57
Southeast Tampa	3,996,934	15.0%	17.8%	0	(48,579)	298,380	\$10.03
West Hillsborough	20,745,599	2.5%	3.0%	(68,283)	26,704	273,822	\$12.17
Westshore	3,569,841	1.0%	1.0%	(99)	(19,462)	0	\$10.43
Airport	13,303,759	3.5%	3.8%	(79,829)	73,130	273,822	\$12.39
Southwest Tampa	1,852,897	0.0%	3.3%	0	(42,739)	0	N/A
Northwest Tampa	2,019,102	0.8%	0.9%	11,645	15,775	0	N/A
Hillsborough County	101,751,161	4.0%	4.4%	201,914	3,355,672	1,425,226	\$9.45
South Pinellas	8,668,057	6.2%	7.6%	(9,106)	1,461	0	\$8.76
Mid Pinellas/Gateway	29,498,961	1.3%	1.7%	34,997	33,928	770,697	\$8.93
North Pinellas	6,962,279	0.9%	0.9%	16,245	26,909	0	\$9.10
Pinellas County	45,129,297	2.2%	2.7%	42,136	62,298	770,697	\$8.87
Pasco County	10,749,252	3.6%	3.6%	(14,741)	356	2,684,296	\$8.71
Tampa Total	157,629,710	3.5%	3.9%	229,309	3,418,326	4,880,219	\$9.30
Manufacturing	32,305,220	0.8%	0.9%	45,052	(33,300)	86,350	\$8.23
R&D/Flex	12,972,228	5.4%	5.7%	(175,857)	(152,438)	12,000	\$13.84
Warehouse/Distribution	112,352,262	4.0%	4.5%	360,114	3,604,064	4,781,869	\$8.80

Market Area Overview



ECONOMIC OUTLOOK

The U.S. economy has defied expectations for a slowdown and has even exhibited some signs of acceleration despite sharp tightening of credit conditions and ongoing write-downs in the banking sector. This resilience due to a number of factors: 1) the Chips and IRA Acts have stimulated the construction sector; 2) the Fed. and the FDIC have provided prompt and effective support for the banks, and: 3) consumers are in good shape from a balance sheet and income perspective.

Nevertheless, headwinds are intensifying: such as higher oil prices, resumption of student loan payments, and a weakening global economy. These headwinds, not serious in themselves, will hit home at a time when the squeeze from elevated interest rates is at its maximum. The upshot for real estate is that the Fed is likely finished with its tightening cycle, allowing a clearer path for real estate capital markets to unfold. Although we expect economic growth to deteriorate it is likely that valuations will stabilize during 1H 2024

Survey Criteria: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Hillsborough, Pinellas and Pasco counties.

Contact

Mike DiBlasi

Managing Director
+1 813 273 8400
mike.diblas@cbre.com

Marc L. Miller

Associate Field Research Director
+1 305 381 6428
marc.miller1@cbre.com

Kyle Koller

Field Research Manager
+1 813 273 8422
kyle.koller@cbre.com

Juan Rodriguez Acosta

Field Research Analyst
+1 813 273 8456
juan.rodriguezacosta@cbre.com