

FIGURES | TAMPA INDUSTRIAL | Q4 2023

# Market records most absorption since GFC thanks to a strong start to the year



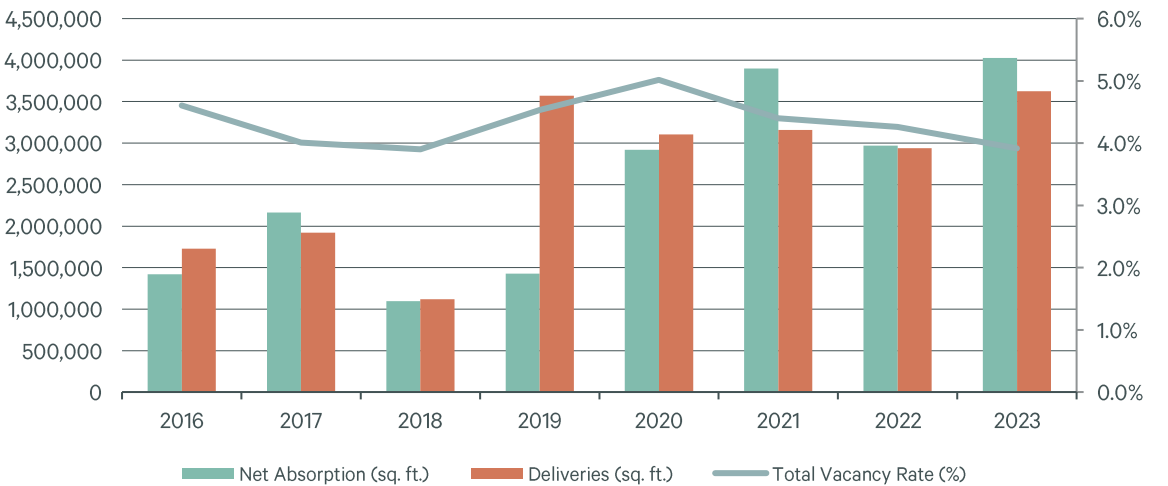
Note: Arrows indicate change from previous year.

## OVERVIEW

- With net absorption continuing to offset new deliveries, market wide vacancy was up just 10 bps this quarter to 3.9%. This figure is down 40 bps year over year.
- 5.2 million square feet remains under construction heading into the new year, but 57% of that space has commitments through build-to-suit and preleasing activity.
- Low vacancy that remained under 4% for the entire year has continued to propel rent growth, up nearly 19% since YE 2022.

2023 proved to be the year of two records, with the highest levels of both absorption and deliveries since before the Global Financial Crisis in 2007. Over 4 million square feet of absorption was met with 3.6 million square feet of deliveries, which has continued the trend of demand outpacing supply that has persisted for each of the last three years. This has helped keep vacancy below 4% market wide, with 8 of 13 submarkets under 3% vacant. Eastern Hillsborough County accounted for 86% of absorption and 68% of deliveries over the course of the year, as these areas continue to be targeted by tenants and developers alike. Despite over 5 million square feet actively under construction, Tampa has a low risk of overbuilding given 57% of the space is already committed to and the pace of new groundbreakings has slowed.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Just under 500,000 square feet of absorption over the fourth quarter was below typical trends, but it was enough to push the market over 4 million square feet for the year – a 15+ year high. Large move ins from leases signed at the end of 2022 propelled the market to a strong start in the first half of 2023, but only a dozen firms that moved in this year were over 100,000 square feet. Instead, it was firms in the 25,000 to 75,000 square foot size range that were extremely active over the past 12 months. This follows national trends around slowing big-box leasing, something that has also played out in the local market.

VACANCY

Seven buildings delivered in the fourth quarter, all under 200,000 square feet. This brought 740,000 square feet of new additions and bolstered the annual total to 3.6 million square feet. By the end of the year, 72% of these 2023 deliveries were leased. In addition, nearly half of what broke ground this quarter was a build-to-suit for Sysco at Southern Oaks. This lends to a market that continues to see limited options for growing firms, something that won't be fully addressed by the 5.2 million square feet under construction. Not only is 57% of that space leased ahead of delivery, but true infill submarkets are only seeing a fraction of those deliveries.

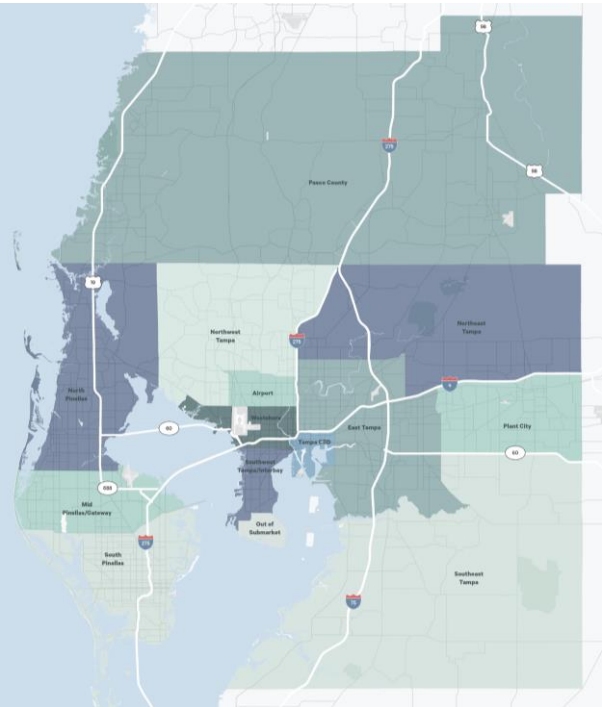
PRICING

With limited available space among new deliveries setting rents at continuous market highs, rent growth remains at an aggressive clip. Average rents are now up 18% year over year, but a staggering 50% over the last three years. Without an influx of new supply on the horizon, tenant demand would have to wane significantly to put downward pressure on rents.

FIGURE 2: Statistical Snapshot Q4 2023

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2023 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
East Hillsborough	80,988,299	4.4%	4.6%	174,004	3,443,102	2,146,093	\$9.33
Tampa CBD	8,456,771	0.8%	0.8%	7,588	68,101	108,554	\$11.98
Northeast Tampa	2,319,823	0.0%	0.0%	0	0	0	\$13.75
East Tampa	49,261,417	2.6%	2.8%	47,077	837,202	542,550	\$11.29
Plant City	16,953,354	9.4%	9.4%	119,339	2,586,378	1,196,609	\$6.66
Southeast Tampa	3,996,934	15.0%	17.8%	0	(48,579)	298,380	\$9.80
West Hillsborough	20,745,599	2.4%	2.7%	35,382	83,760	273,822	\$12.06
Westshore	3,569,841	0.6%	0.6%	9,500	(7,214)	0	\$12.25
Airport	13,303,759	3.4%	3.5%	24,137	116,193	273,822	\$12.06
Southwest Tampa	1,852,897	0.0%	3.3%	0	(42,739)	0	N/A
Northwest Tampa	2,019,102	0.7%	0.9%	1,745	17,520	0	N/A
Hillsborough County	101,733,898	4.0%	4.2%	209,386	3,526,862	2,419,915	\$9.68
South Pinellas	8,548,057	6.0%	7.3%	27,764	29,225	0	\$8.92
Mid Pinellas/Gateway	29,835,061	1.6%	1.9%	231,300	304,115	434,597	\$9.56
North Pinellas	6,962,279	0.6%	0.6%	24,384	51,293	0	\$8.86
Pinellas County	45,345,397	2.3%	2.7%	283,448	384,633	434,597	\$9.30
Pasco County	11,110,252	5.7%	5.7%	1,725	114,142	2,323,296	\$11.68
Tampa Total	158,189,547	3.6%	3.9%	494,559	4,025,637	5,177,808	\$9.77
Manufacturing	32,305,220	0.7%	0.7%	23,835	27,465	86,350	\$9.62
R&D/Flex	12,924,228	4.5%	4.7%	69,881	(72,623)	0	\$13.31
Warehouse/Distribution	112,960,099	4.3%	4.7%	400,843	4,070,795	5,091,458	\$9.38

Market Area Overview



ECONOMIC OUTLOOK

The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages are helping to maintain higher, albeit decelerating, core inflation.

This backdrop will likely translate into the Fed only slowly lower its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

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

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