Vacancy levels remain manageable despite record deliveries this year

▲ 5.9%
Vacancy Rate

▼ 205,933
SF Q3 Net Absorption

▼ 3,400,053
SF Under Construction

▲ 993,069
SF Q3 Deliveries

▲ $10.62
Triple Net / Lease Rate

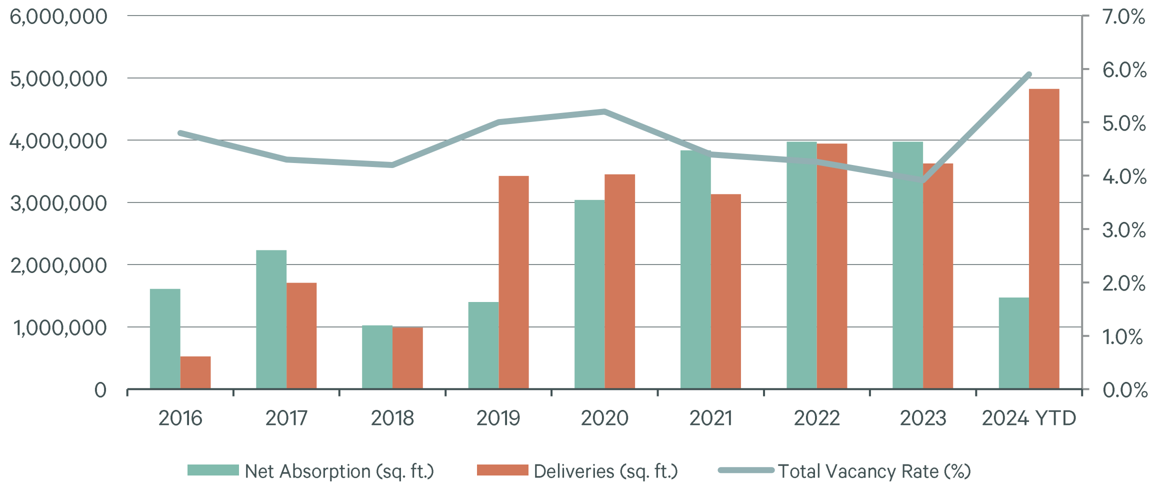
Note: Arrows indicate change from previous year.

OVERVIEW

- Overall vacancy increased 50 bps despite positive net absorption of just over 200,000 square feet for the quarter due to the vacant delivery of projects in Plant City and the Airport
- Almost 1 million square feet of deliveries added to an annual total that could surpass 7 million square feet before the end of the year – a historic high
- Average asking rent growth has shown some signs of slowing, still up an aggressive 15.9% year over year but just 2.5% since January

So far, 4.8 million square feet have been delivered this year, with an additional 2.2 million square feet expected by year-end—a record high for Tampa over the last 20 years. Of the total that will be delivered, 60% were built-to-suit projects, and just 30% of the 7+ million square feet of new space remains available for lease. This has helped keep vacancy impacts relatively low, and we will see additional demand for these spaces over the next 90 days. While a strong national headline, sublease space remains a trivial factor in Tampa's market, with sublease availability at just 0.6% of total inventory. The 900,000 square feet of available sublease space is down from over 1 million square feet last quarter, though local sources suggest some large sublease blocks may enter the market in the coming months.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

After a strong first quarter with over 1.1 million square feet absorbed, the pace has slowed over the past six months. Deal sizes have shrunk and the availability of 1st generation space catering to those sized tenants remains fairly thin. This quarter, 60% of the positive absorption came from those 1st generation spaces, demonstrating the close relationship between the availability of this high demand space and the levels of absorption the market can achieve. Over the past couple of years, the construction pipeline has struggled to keep pace with demand in key submarkets like the Airport and East Tampa.

VACANCY

Despite positive net absorption totaling 205,933 square feet this quarter, the vacancy rate rose to 5.9%, driven by the delivery of vacant buildings like Lakeside Logistics III (533,000 square feet) in Plant City and Hanger Court Distribution Center (101,202 square feet) in the Airport submarket.

The relocation of CAE to a new facility near the Airport has also left a hole in that area, pushing vacancy up to 6.6% - the highest level since 2014. On the other hand, Plant City vacancy has continued to recover. Now down to 6.7% from a peak of 15.8% at the end of 2022. There will be additional deliveries across the market before the end of the year but the impact from those will be less than 50 bps on headline vacancy even if they were to be delivered fully vacant.

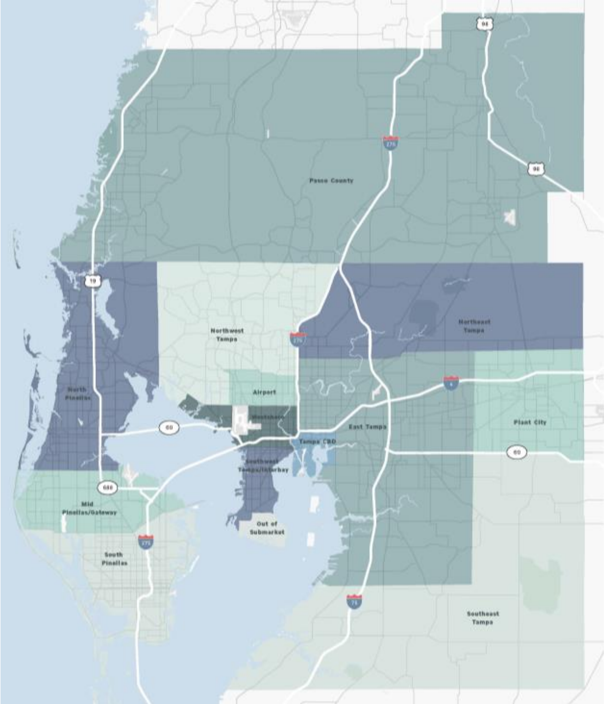
PRICING

While asking rents continue to grow, the pace has slowed. Year-over-year rents are up 15.9%, but they've increased only 2.5% since January. The addition of bulk space has brought averages down slightly, moderating the explosive growth seen in 2021 and 2022. However, demand for modern, functional industrial spaces remains strong, allowing landlords to command higher rents, especially for 1st generation product.

FIGURE 2: Statistical Snapshot Q3 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2024 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate ($/SF/NNN)
East Hillsborough	83,888,528	4.9%	5.1%	583,556	1,170,767	2,944,573	$10.05
Tampa CBD	8,748,254	4.6%	4.6%	(79,293)	(8,917)	0	$11.99
Northeast Tampa	2,245,043	0.1%	0.1%	0	(3,000)	465,388	$12.12
East Tampa	49,866,156	3.7%	3.9%	171,452	37,932	1,145,945	$11.46
Plant City	19,119,208	6.7%	6.7%	491,397	1,087,062	1,034,860	$7.12
Southeast Tampa	3,909,867	13.7%	16.6%	0	57,690	298,380	$9.65
West Hillsborough	20,980,462	5.0%	5.1%	(80,862)	(14,415)	0	$12.89
Westshore	3,753,958	1.3%	1.3%	191,108	173,536	0	$12.86
Airport	13,384,718	6.6%	6.7%	(236,390)	(132,464)	0	$13.11
Southwest Tampa	1,822,684	6.3%	6.3%	(30,000)	(53,787)	0	$10.00
Northwest Tampa	2,019,102	0.6%	0.7%	(5,580)	(1,700)	0	$18.00
Hillsborough County	104,868,990	4.9%	5.1%	502,694	1,156,352	2,944,573	$10.56
South Pinellas	8,559,707	6.9%	6.9%	130,716	61,241	0	$10.61
Mid Pinellas/Gateway	30,058,913	4.0%	4.3%	(359,742)	(462,752)	455,480	$10.44
North Pinellas	6,539,261	1.1%	2.5%	(28,100)	(124,881)	0	$10.92
Pinellas County	45,157,881	4.1%	4.6%	(257,126)	(526,392)	455,480	$10.52
Pasco County	13,533,848	16.7%	16.7%	(39,635)	844,153	0	$11.47
Tampa Total	163,560,719	5.7%	5.9%	205,933	1,474,113	3,400,053	$10.62
Manufacturing	32,115,617	3.2%	3.2%	(310,541)	(479,046)	0	$9.94
R&D/Flex	12,838,101	4.5%	5.4%	787	(72,359)	0	$13.80
Warehouse/Distribution	118,607,001	6.5%	6.7%	515,687	2,025,518	3,400,053	$10.48

Market Area Overview



ECONOMIC OUTLOOK

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November's election the most consequential policy lever has already been pulled via the FOMC's 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

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.diblasi@cbre.com

Marc L. Miller
Field Research Director
+1 305 381 6428
marc.miller1@cbre.com

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