Fourth quarter push boosts absorption, but remains outpaced by record deliveries

▲ 5.9%
Vacancy Rate

▲ 820,518
SF Q4 Net Absorption

▼ 3,109,444
SF Under Construction

▲ 1,126,151
SF Q4 Deliveries

▲ $10.55
Triple Net / Lease Rate

Note: Arrows indicate change from previous year.

OVERVIEW

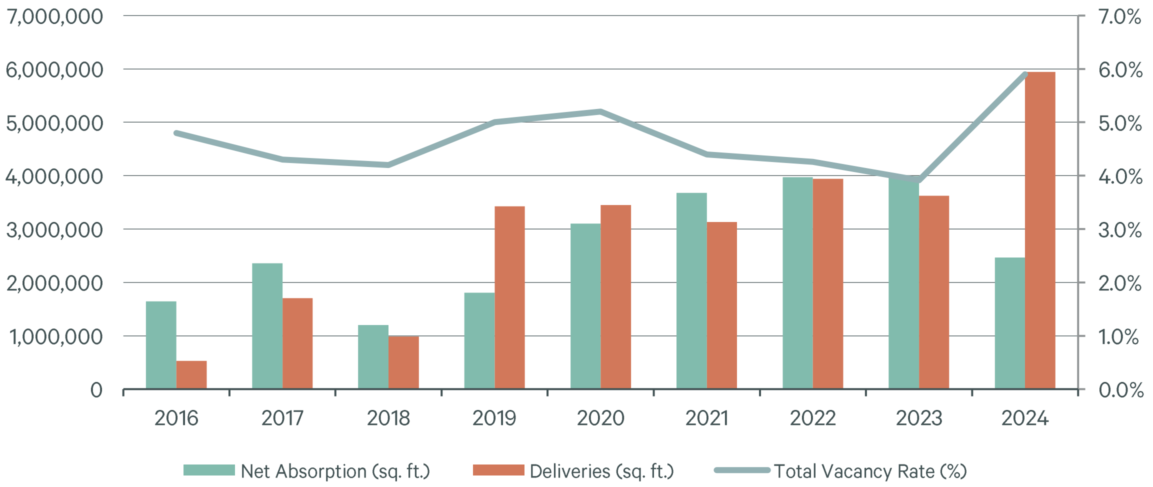
– Relatively muted net absorption over the summer of 2024 gave way to stronger activity to end the year, bringing the annual total to just under 2.5 million square feet

– Historic high deliveries of nearly 6 million square feet significantly outpaced absorption, causing vacancy to rise from 3.9% to 5.9% over the course of the year

– Average asking rent growth has moderated, increasing by 7.5% since Q4 2023

Over twice as much space delivered in 2024 than was absorbed, as the market saw record industrial construction totaling 6 million square feet. While this pushed vacancy rates to their highest level since 2015, demand trends heading into the new year suggest that some of this newly available space will be absorbed. Reflecting a national trend, we could in fact find ourselves facing a shortage of available product by the end of 2025, particularly given that the 3.1 million square feet currently under construction represents the lowest level of activity we've seen in four years. However, historically untouchable land sites are starting to get put into production, paving the way for potential infill projects in high-demand areas. These new developments could effectively leverage the timing of delivery to position themselves for the next wave of demand.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

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DEMAND

After a slower pace towards the middle of 2024, anticipated year-end move-ins propelled absorption to 820,518 square feet for the quarter and nearly 2.5 million square feet for the year. While this figure falls short of the post-COVID average of 3.7 million square feet recorded since 2020, it still surpasses the pre-COVID five-year average of 1.9 million square feet.

Looking ahead to 2025, tenant demand remains robust, suggesting that some of the recently delivered space in the market will continue to be absorbed. Developers are increasingly focusing on small bay assets, having constructed eight buildings over 250,000 square feet between 2020 and 2021 yet only one since 2022.

VACANCY

Over 1.1 million square feet of deliveries in the fourth quarter brings the 2024 total to a record setting 6 million square feet for Tampa. The influx of new deliveries has contributed to a slight increase in vacancy rates, which now stand at 5.9% in Q4, up 10 basis points from the previous quarter. However, this figure continues to vary significantly across submarkets. A notable improvement occurred in Plant City, where *direct* vacancy rates dropped dramatically from a peak of 15.8% in Q4 2022 to 6.6% as of Q4 2024, following a series of new deliveries over the past few years.

PRICING

Average asking rent growth has continued to normalize, rising by 7.5% year over year. This increase, while more moderate, supports the 4-5% annual escalations that have become standard for industrial leases in Tampa. Although the current growth rate is a departure from the explosive increases of the recent past, average asking rents remain significantly elevated, boasting a remarkable 60% increase compared to Q4 2019.

FIGURE 2: Statistical Snapshot Q4 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2024 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate ($/SF/NNN)
East Hillsborough	85,004,679	5.3%	5.5%	638,690	1,859,692	2,070,713	$10.10
Tampa CBD	8,738,254	4.9%	5.2%	(69,708)	(56,125)	0	$12.10
Northeast Tampa	1,539,951	0.0%	0.0%	3,000	0	0	N/A
East Tampa	53,616,121	4.4%	4.4%	824,108	879,775	390,774	$11.47
Plant City	19,131,735	6.6%	7.2%	(118,710)	978,352	1,679,939	$7.11
Southeast Tampa	1,978,618	24.8%	24.8%	0	57,690	0	$9.80
West Hillsborough	20,980,462	4.6%	4.7%	63,368	79,198	100,698	$13.11
Westshore	3,753,958	1.0%	1.0%	9,159	182,695	0	$11.74
Airport	13,384,718	5.7%	5.9%	78,489	(23,730)	100,698	$13.11
Southwest Tampa	1,822,684	6.3%	6.3%	0	(53,787)	0	N/A
Northwest Tampa	2,019,102	1.9%	1.9%	(24,280)	(25,980)	0	$18.00
Hillsborough County	105,985,141	5.2%	5.3%	702,058	1,938,890	2,171,411	$10.53
South Pinellas	8,559,707	6.2%	6.2%	7,753	123,555	0	$10.10
Mid Pinellas/Gateway	30,059,919	3.3%	3.8%	120,228	(309,741)	455,480	$10.32
North Pinellas	6,539,261	1.1%	2.5%	(1,125)	(126,006)	0	$12.36
Pinellas County	45,158,887	3.5%	4.1%	126,856	(312,192)	455,480	$10.30
Pasco County	13,552,948	16.7%	16.7%	(8,396)	839,307	482,553	$11.42
Tampa Total	164,696,976	5.7%	5.9%	820,518	2,466,005	3,109,444	$10.55
Manufacturing	32,116,623	3.3%	3.3%	(45,584)	(523,030)	0	$9.80
R&D/Flex	12,838,101	4.6%	5.6%	(41,917)	(100,131)	0	$14.06
Warehouse/Distribution	119,742,252	6.4%	6.7%	908,019	3,089,166	3,109,444	$10.38

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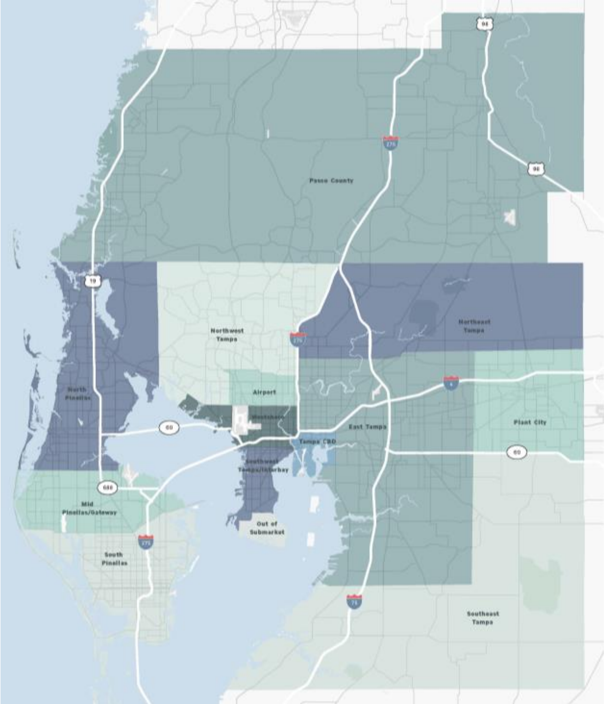
Market Area Overview



ECONOMIC OUTLOOK

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

Survey Criteria: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Hillsborough, Pinellas and Pasco counties.
*Note: Changes to submarket boundaries were implemented in Q4 2024, resulting in adjustments to submarket inventory and coverage.

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