

FIGURES | TAMPA INDUSTRIAL | Q3 2021

Needed product on the way as nearly 1 million square feet breaks ground speculatively



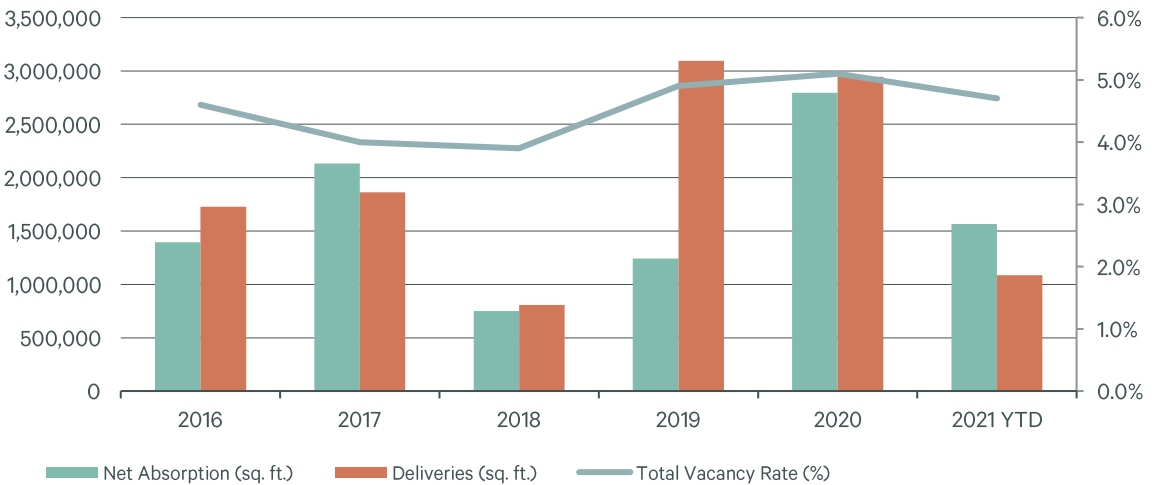
Note: Arrows indicate change from previous year.

OVERVIEW

- Total vacancy increased 20 basis points this quarter to 4.7% as 330,015 square feet of speculative projects delivered, and a couple of large class B blocks of space came to market.
- Net absorption of over 500,000 square feet pushed the annual total past 1.5 million square feet. Despite sitting at 56% of 2020 totals absorption has already surpassed 2018/2019 levels and continues to outpace new deliveries.
- Rental rates continue to rapidly appreciate with quarterly increases of 15-20%+ common for some modern, class A assets.

With just 430,000 square feet of available space across the 1.1 million square feet that has come online across the market this year, welcomed additional speculative space is around the corner. Groundbreakings on Becknell's third building in East Tampa, Phase I of Hines' Tampa Commerce Center and Phase II of Lakeside Logistics have bolstered the construction pipeline. While the earliest we will see new space to East Tampa is spring/summer 2022, 1.4 million square feet is set to deliver in Plant City and 550,000 square feet is set to deliver in the Airport submarket over the next two quarters.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

So far in 2021 the market has relied on a shrinking pool of competitive availabilities as spaces were quickly leased and the pace of new construction slowed. Still, net absorption has reached typical annual levels – totaling over 1.5 million square feet for the year. Hillsborough County, and the East Tampa Area specifically, continue to be the major drivers but new construction in the Airport Area will create opportunity for that submarket shortly. The delivery of multiple built-to-suit projects for a large E-commerce firm and Ace Hardware over the next 90 days could push year end absorption past 3 million square feet - a five year high.

VACANCY

Vacancy ticked up slightly with deliveries of Central Florida Commerce Center 4 (vacant) and Grand Oaks 75 III (50% leased) this quarter paired with a couple of large move outs. Perry Ellis closed operations at their 305,000 square foot Waters Ave facility in the Airport submarket while the sale of 6708 Harney Rd sparked a majority of that 442,000 square foot building to become available in East Tampa. As two of just four existing blocks of space above 200,000 square feet between these two submarkets, these could also provide opportunity for firms struggling to find space to grow in the current competitive environment.

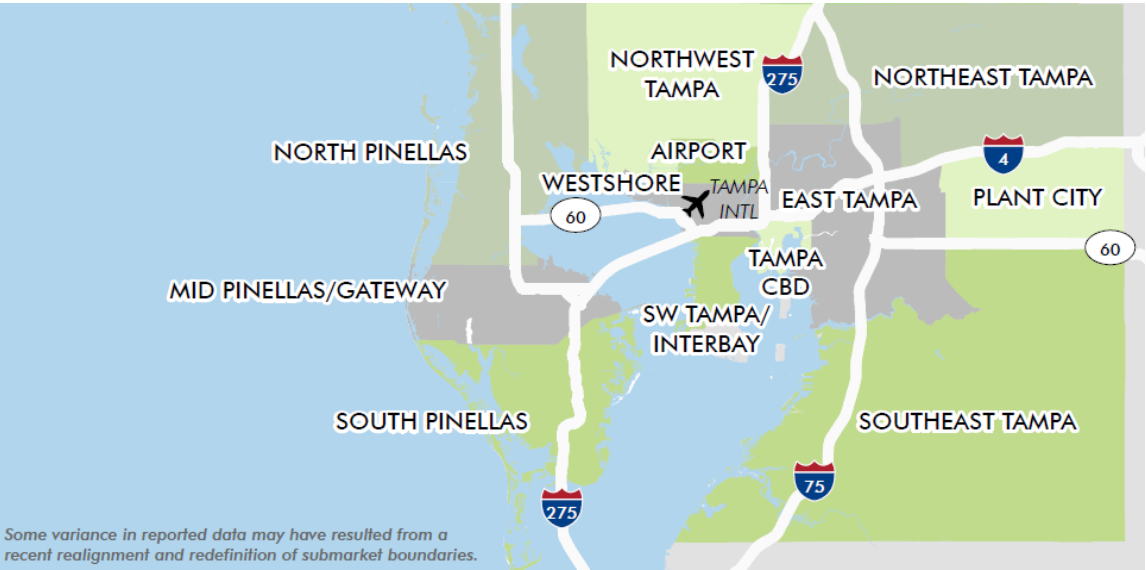
PRICING

Average asking rates continue to be one of the most fluid metrics in the market with newly delivered product seeing quarterly increases surpassing 15-20% in some cases. New construction pricing for warehouse/distribution product nears \$6.00/sq. ft. in Plant City, over \$7.00/sq. ft. in East Tampa and surpasses \$9.00/sq. ft. in the Airport submarket.

FIGURE 2: Statistical Snapshot Q3 2021

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2021 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
East Tampa Area	74,643,388	5.0%	5.2%	478,471	1,785,101	3,514,479	\$6.19
Tampa CBD	8,529,796	1.9%	3.3%	10,684	216,934	0	\$4.08
Northeast Tampa	2,319,823	7.0%	7.0%	(2,038)	149,432	0	\$6.97
East Tampa	47,562,957	4.4%	4.5%	(94,167)	314,959	1,252,512	\$7.16
Plant City	12,895,611	10.4%	10.4%	71,836	588,820	2,149,967	\$5.48
Southeast Tampa	3,335,201	0.0%	0.0%	492,156	514,956	112,000	\$3.00
Airport Area	21,098,012	3.8%	4.0%	(138,744)	(205,297)	542,254	\$7.74
Westshore	3,619,841	2.9%	2.9%	478	35,476	0	\$6.05
Airport	12,819,439	4.4%	4.7%	(190,494)	(298,421)	542,254	\$9.36
Southwest Tampa	2,598,988	1.6%	1.6%	61,239	70,615	0	\$6.51
Northwest Tampa	2,059,744	4.3%	4.9%	(9,967)	(12,967)	0	\$9.89
Hillsborough County	95,741,400	4.8%	5.0%	339,727	1,579,804	4,056,733	\$6.54
South Pinellas	8,553,723	5.8%	6.0%	(7,500)	(307,230)	0	\$5.85
Mid Pinellas/Gateway	29,697,090	4.1%	4.2%	169,332	351,733	100,000	\$7.82
North Pinellas	6,832,279	1.0%	1.1%	0	(57,798)	130,000	\$8.76
Pinellas County	45,083,092	4.0%	4.1%	161,832	(13,295)	230,000	\$7.62
Tampa Total	140,824,492	4.5%	4.7%	501,559	1,566,509	4,286,733	\$6.73
Manufacturing	31,315,800	3.3%	3.3%	(288,067)	(280,677)	0	\$6.53
R&D/Flex	12,577,782	6.2%	6.3%	103,975	127,075	0	\$11.99
Warehouse/Distribution	96,930,910	4.7%	4.9%	685,651	1,720,111	4,286,733	\$5.84

Market Area Overview



ECONOMIC OUTLOOK

Due to the rise of the Delta variant, CBRE pared back our GDP growth outlook for the year by an entire percentage point, to 6%, followed by nearly 4% year-on-year growth in 2022. The labor market has also been volatile, primarily due to a reversal in hiring within the Accommodation & Food Services sector, reflecting uncertainty in the space. But demand for labor remains high and most signals suggest the key problem firms face is finding workers. Thus, employment employing growth should remain above 3% through 2022. Longer-term hiring in the U.S. will be restrained by a shrinking labor force.

Shortages are not just limited to people. Key economic inputs ranging from raw materials to microchips pushed consumer prices up by 5% year-on-year. Some supply bottlenecks have proven transitory and annual price increases are stalling. Inflation should ultimately settle into the low-2% range next year. The Fed is responding to these labor market and price developments by announcing it might begin tapering its quantitative easing program as soon as this November.

A plausible outlook is that waves of COVID-19 continue but the U.S. economy and health system learn to manage these disruptions. This will allow room for 5% GDP growth in 2022, as business investment and consumer activity normalize. Upside risks include the prospect of greater infrastructure spending, albeit the political dynamics are fluid. Also, the construction of more housing units to correct a historic shortage—estimated at 3.8 million units, per FreddieMac—would also be material tailwind for growth.

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