CBRE

Construction levels moderate from 2024 spike, realign with shifting demand

▲ 7.2%
Vacancy Rate

▲ 411,324
SF Q2 Net Absorption

▼ 3,857,103
SF Under Construction

▲ 1,563,851
SF Q2 Deliveries

▼ $10.46
Triple Net / Lease Rate

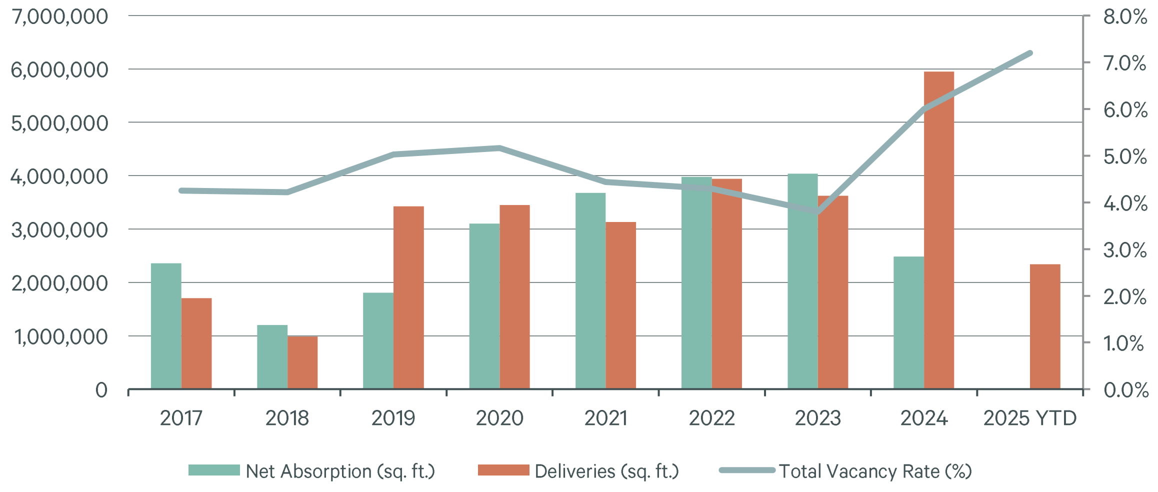
Note: Arrows indicate change from previous year.

OVERVIEW

- Following an outlier quarter of negative absorption, the Tampa industrial market rebounded in Q2 with over 410,000 square feet of positive net absorption
- Headline vacancy rose by another 70 basis points to 7.2%, driven by the delivery of 1.6 million square feet of new product—bringing the year to date total to 2.3 million square feet
- The construction pipeline has now dipped below the five-year average, with 21 buildings totaling 3.8 million square feet currently underway across the market

While 2024 saw a record-setting 6 million square feet delivered, much of that space remains in lease-up, placing upward pressure on vacancy in the near term. Looking ahead, 2025 is expected to bring 4 million square feet of new deliveries—more in line with the annual average from 2019 to 2023. Notably, while 2024 introduced 2.1 million square feet of speculative space, the 2025 pipeline includes 2.8 million square feet, underscoring the need for strong first-generation leasing to stabilize vacancy. The diversity of product types—both in size and location—should help capture a broader range of tenant demand. Tampa remains a highly attractive market for industrial occupiers and investors alike and is well-positioned for an active second half of the year.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Plant City, which had previously driven the market's negative net absorption in Q1, has now led the rebound into positive territory over the past 90 days. A key contributor was the delivery of Sysco's cutting-edge, 517,000 square foot distribution facility at Southern Oaks. Recent leasing activity continues to reflect a shift toward smaller deal sizes, aligning more closely with Tampa's historical leasing patterns. In fact, the average lease size so far in 2025 is down 46% compared to the 2022 peak. Still, a few notable transactions over 100,000 square feet have taken down first-generation vacancies in both East Tampa and Plant City this quarter.

VACANCY

Despite positive net absorption, overall vacancy rose for the eighth straight quarter, driven by the delivery of 1.6 million square feet of new product—of which over 700,000 square feet remains available. The market continues to show a stark contrast in vacancy rates by building size: properties under 250,000 square feet report a vacancy rate of just 5.1%, and those under 150,000 square feet are even tighter at 3.7%, compared 12.4% for buildings over 250,000 square feet.

An additional 1.3 million square feet broke ground in Q2, including some unique product types not seen in recent years. These include super shallow bay buildings at Park 52 Logistics by McCraney, designed to serve the growing residential base in Pasco County, and over 400,000 square feet of new distribution space at LBA's South Tampa Trade Center.

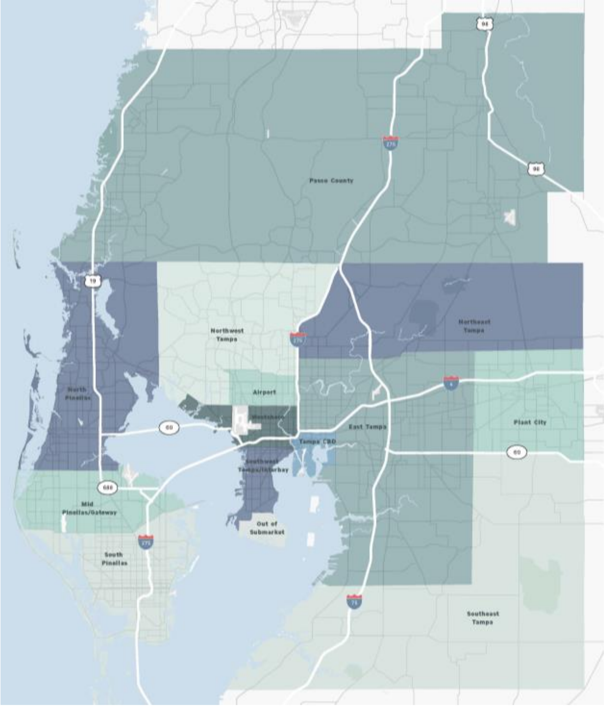
PRICING

After a sharp run-up from 2022 to 2024, average asking rent growth has moderated. First-generation space remains the primary driver of rent appreciation. Looking ahead, overall rent growth is expected to align more closely with contractual increases, averaging around 4% annually.

FIGURE 2: Statistical Snapshot Q2 2025

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 2025 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate ($/SF/NNN)
East Hillsborough	86,729,855	6.9%	7.5%	518,149	224,571	686,896	$9.88
Tampa CBD	8,750,755	5.6%	5.8%	(47,877)	(59,604)	0	$12.10
Northeast Tampa	1,539,951	0.2%	0.2%	1,882	(3,118)	0	$12.25
East Tampa	53,810,087	4.8%	5.3%	(103,475)	86,643	274,826	$11.79
Plant City	20,650,444	11.5%	13.1%	667,619	200,650	412,070	$7.62
Southeast Tampa	1,978,618	24.8%	24.8%	0	0	0	$9.20
West Hillsborough	20,940,196	3.9%	3.9%	53,710	110,826	630,870	$13.60
Westshore	3,753,958	0.5%	0.5%	6,498	16,698	0	$14.19
Airport	13,327,739	5.1%	5.1%	64,237	64,014	226,098	$13.65
Southwest Tampa	1,822,684	3.9%	3.9%	0	43,639	404,772	$9.00
Northwest Tampa	2,035,815	2.5%	2.5%	(17,025)	(13,525)	0	$18.00
Hillsborough County	107,670,051	6.3%	6.8%	571,859	335,397	1,317,766	$10.30
South Pinellas	8,550,535	7.9%	7.9%	(17,623)	(152,707)	0	$9.79
Mid Pinellas/Gateway	30,305,000	5.0%	5.5%	(171,879)	(219,369)	358,861	$11.13
North Pinellas	6,539,261	1.8%	3.3%	12,720	(48,793)	0	$10.56
Pinellas County	45,394,796	5.1%	5.6%	(176,782)	(420,869)	358,861	$10.76
Pasco County	13,552,948	14.9%	15.0%	16,247	101,428	2,180,476	$11.13
Tampa Total	166,617,795	6.7%	7.2%	411,324	15,956	3,857,103	$10.46
Manufacturing	32,083,548	2.9%	2.9%	55,287	68,556	883,000	$9.52
R&D/Flex	12,783,921	4.8%	5.8%	(97,372)	(75,826)	0	$13.93
Warehouse/Distribution	121,750,326	7.8%	8.4%	453,409	23,226	2,974,103	$10.38

Market Area Overview



ECONOMIC OUTLOOK

Policy announcements and the news cycle—not economic fundamentals— are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a steadier economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

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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