Deliveries may have cooled but 2.2 million square feet is scheduled for the next 90 days

▼ 3.8%
Vacancy Rate

▲ 963,118
SF Net Absorption

▲ 4,505,062
SF Under Construction

▲ 212,000
SF Deliveries

▲ $7.75
Triple Net / Lease Rate

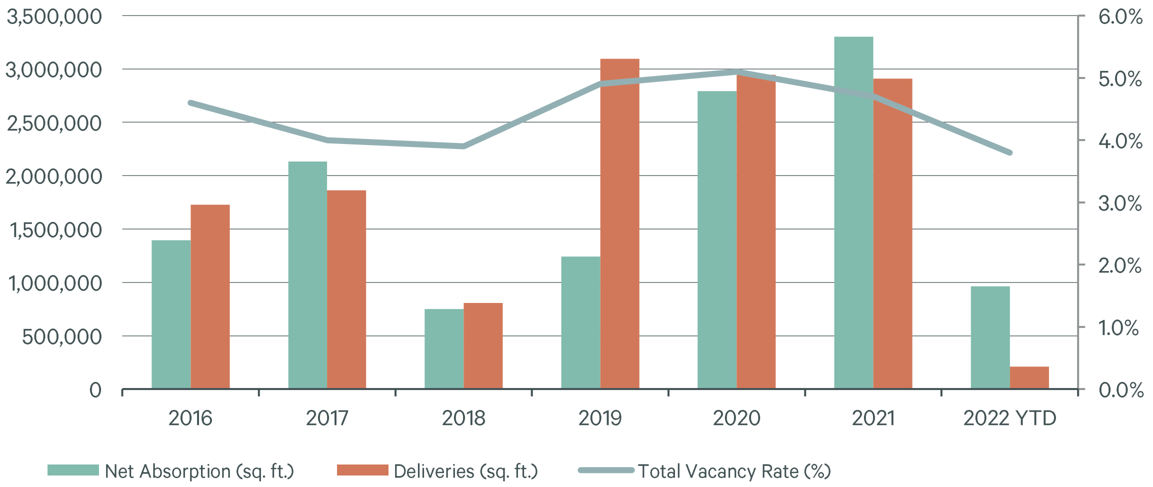
Note: Arrows indicate change from previous year.

OVERVIEW

- Total vacancy dropped below 4% as nearly 1 million square feet of absorption was met with limited deliveries this quarter. This follows strong demand trends that have persisted over the past two years.
- It may be a temporary pause, as 4.5 million square feet are under construction across the market. This includes 2.2 million square feet of speculative product that is on track for Q2 delivery as well as a 1.2 million square foot build-to-suit that recently broke ground at County Line Farms in Plant City.
- Rental rate growth is untethered, with average rates up almost 18% year-over-year as inflated construction costs and a lack of existing alternatives provide the perfect storm.

Like last quarter, absorption started off on a strong note in 2022 as large move-ins by Star Distribution, Gopher Resources, a large E-commerce firm and others were met with very minimal move-outs. Much of this activity continues to be focused on recent deliveries, which is diminishing those opportunities to the point where just 15% of the 6 million square feet that have come online over the past two years remain available. Completions scheduled for the second quarter will tip the scales yet again, but history has shown that this new space may be fleeting.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Historically high demand has manifest as strong absorption over the last handful of quarters as well as a lengthy tenant in market roster that has firms, in many cases, competing for spaces. While the 7.5 million square feet that have been absorbed since the start of COVID are impactful enough, a whopping 12.4 million square feet of active tenant in market requirements are considering Tampa. Some of these, including three that are over 1M square feet, extend into Polk County (or even more regionally) but 25% are solely focused on Tampa.

VACANCY

Overall vacancy dropped below 4% for the first time in over three years this quarter, with most submarkets remaining exceptionally occupied. Plant City remains the outlier, where a few blocks of space have been propping up vacancy. That includes County Line Distribution Center and Lakeside Logistics I – each of which have had recent or pending move-ins that will work to counteract that. More space in the pipeline will also have its own effect, with 17 buildings across 14 projects totaling 4.5 million square feet actively under construction. 27% of that is build-to-suit and 11% is already spoken for which leaves 62%, or 2.8 million square feet, available for lease.

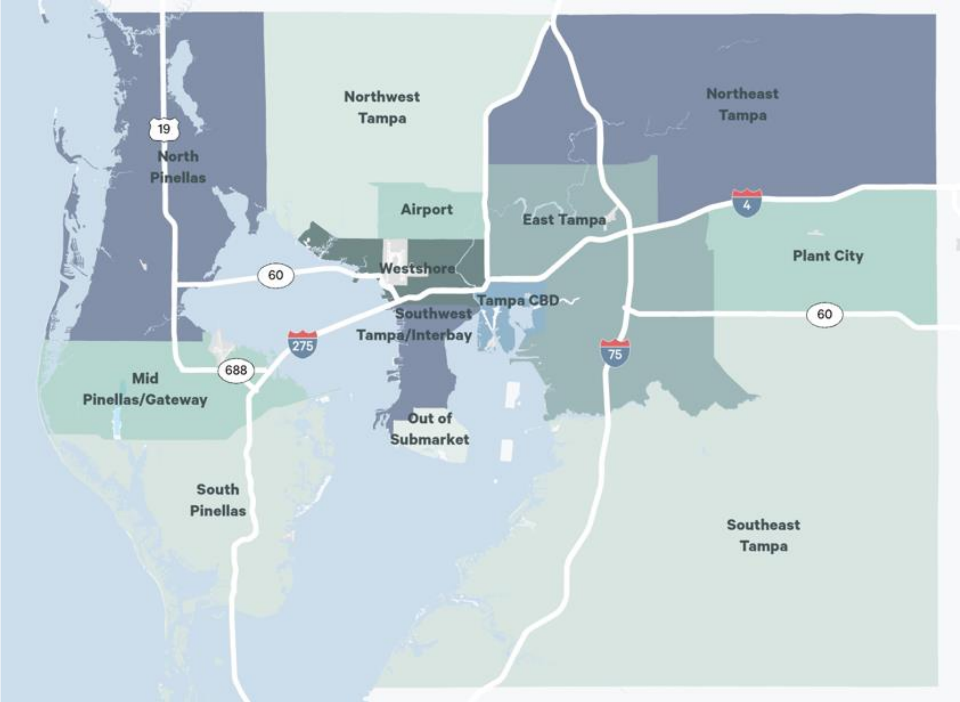
PRICING

Multiple market forces including limited existing blocks of space, elusive buildable land sites, disrupted supply chains and runaway construction costs have all come together to put immense upward pressure on asking rents. Now, average market rates of $7.75 NNN represent a year-over-year increase of nearly 18%. With no natural reprieve in sight, there is no doubt that new heights will be reached this year.

FIGURE 2: Statistical Snapshot Q1 2022

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2022 Net Absorption (Sq. Ft.)	2022 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate ($/SF/NNN)
East Tampa Area	76,467,065	4.4%	4.8%	643,475	643,475	3,593,074	$7.20
Tampa CBD	8,529,796	1.3%	2.7%	67,250	67,250	0	$6.58
Northeast Tampa	2,319,823	7.1%	7.1%	0	0	0	$7.31
East Tampa	48,265,667	4.1%	4.5%	122,814	122,814	916,982	$7.99
Plant City	13,904,578	7.8%	7.8%	341,411	341,411	2,676,092	$5.69
Southeast Tampa	3,447,201	0.0%	0.0%	112,000	112,000	0	N/A
Airport Area	20,420,096	3.3%	3.4%	38,154	38,154	667,654	$10.10
Westshore	3,619,841	1.8%	1.8%	(1,626)	(1,626)	0	$7.00
Airport	12,820,652	4.2%	4.2%	68,500	68,500	667,654	$10.35
Southwest Tampa	1,919,859	1.0%	1.0%	(18,500)	(18,500)	0	$7.50
Northwest Tampa	2,059,744	2.8%	2.8%	(10,220)	(10,220)	0	$11.02
Hillsborough County	96,887,161	4.1%	4.5%	681,629	681,629	4,260,728	$7.59
South Pinellas	8,553,723	4.0%	4.1%	79,957	79,957	114,334	$8.46
Mid Pinellas/Gateway	29,522,090	1.8%	2.0%	183,923	183,923	0	$8.81
North Pinellas	6,832,279	0.9%	0.9%	17,609	17,609	130,000	$10.57
Pinellas County	44,908,092	2.1%	2.2%	281,489	281,489	244,334	$8.99
Tampa Total	141,795,253	3.5%	3.8%	963,118	963,118	4,505,062	$7.75
Manufacturing	31,040,800	1.9%	1.9%	(7,260)	(7,260)	0	$8.26
R&D/Flex	12,493,433	5.4%	5.7%	(65,895)	(65,895)	0	$11.94
Warehouse/Distribution	98,261,020	3.8%	4.1%	1,036,273	1,036,273	4,505,062	$6.95

Market Area Overview



ECONOMIC OUTLOOK

Sentiment has taken a turn for the worse during the first quarter with Russia's invasion of Ukraine magnifying existing economic concerns. Specifically, the exclusion of Russian oil & gas from global markets is pushing up gasoline prices for U.S. consumers already rattled by inflation. American consumers are more sensitive to energy prices shifts than those in other OECD countries. Energy prices will likely remain heightened throughout this year, which will increase our inflation forecast to over 6% for 2022.

The prospects of weaker global growth—especially in Germany and China—and rising interest rates are causing some alarm. Bond markets are pricing in rate hikes through 2023 with a terminal Fed Funds Rate of 3% to 3.5%. On the upside, consumer demand should remain heightened this year driven by excess savings, especially among more affluent households, and a very strong labor market. This should translate into another year of above-trend annual growth, at 2.4%. It is possible that these tailwinds will fade quicker than the downside risks and weaker economic growth should be expected next year. The beginnings of an inverted yield curve are hinting at a recession in 2023. This is not our base case, and there is plenty of momentum left in the U.S. economy, but medium-term risks are rising, with an increasingly hawkish Fed. being the main cause for concern.

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

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