

FIGURES | TAMPA INDUSTRIAL | Q1 2024

# Market shows resilience via robust absorption and strong rent growth

▲ 5.5%  
Vacancy Rate

▼ 673,964  
SF Net Absorption

▲ 2,438,043  
SF Under Construction

▼ 3,280,232  
SF Deliveries

▲ \$10.40  
Triple Net / Lease Rate

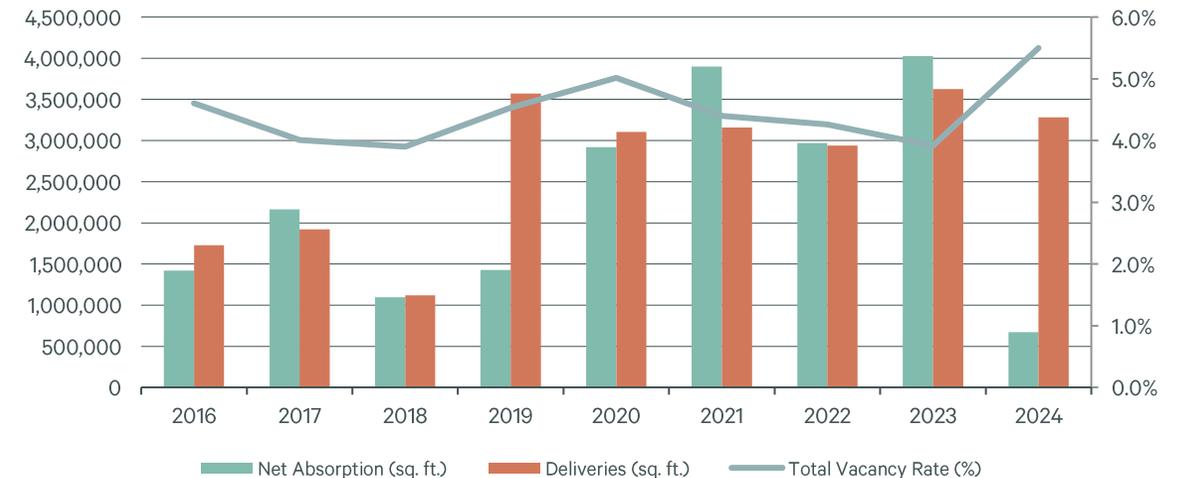
Note: Arrows indicate change from previous year.

## OVERVIEW

- Strong absorption was recorded through multiple move-in’s within newly delivered product with Pasco County leading the market.
- The construction pipeline replenished as 541,000 square feet break ground in Q1, 21% of active space has commitments.
- Despite the delivery of 3.2 million square feet and an uptick in vacancy, average asking rents continued their growth trajectory as they posted a 22% year-over-year rise.

Tampa’s industrial market continued to show its strength in the new year, keeping the momentum earned over the course of 2023. A whopping 3.28 million square feet of deliveries were met by nearly 674,000 square feet of positive absorption. The impact of this new product on the overall vacancy rate was minimized in large part by pre-leasing efforts that saw nearly 980,000 square feet of space delivered with a tenant in tow. Amongst the various submarkets Pasco County showed especially well as it led the market with the two largest move-in’s of the quarter—500,000 square feet as HIT Promotional Products moved into their new build-to-suit space and Gary Plastics 279,000 square foot occupancy of its new facility. Asking rate growth remained on a steady upward trajectory as it grew 22% since Q1 2023.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

## DEMAND

Nearly 1 million square feet of positive net absorption this quarter came via leases signed within newly delivered product. This activity was a large driver of total absorption and allowed the market to build upon the momentum of the previous year. Pasco County, an expanding industrial market, showed particularly well—largely in part to two occupancies within buildings delivered this quarter. Despite a perceived slowdown in the larger economy, demand for space in Tampa continued to show resilience and registered its strongest quarter since Q2 2023.

## VACANCY

Across the market 12 buildings delivered 3.28 million square feet of space. Strong pre-leasing within these assets allowed the market to see minimal movement in the vacancy rate, rising by 1.6 percentage points both year-over-year and quarter-over-quarter—an impressive feat considering that inventory grew by nearly 2.0%. Given the sustained demand for space and a diminished construction pipeline the vacancy rate should remain stable and avoid excess upward pressure.

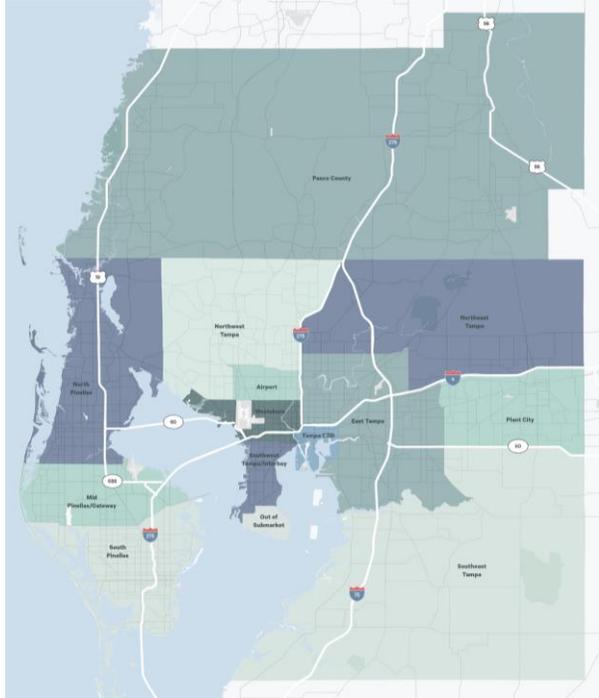
## PRICING

Average asking rates continued their runaway growth to start the year. After a strong showing to close out 2023, the average market rate grew an impressive 22% since the first quarter of 2023 – reaching double digits for the first time in Tampa’s history. Over 750,000 square feet of new product remain available, with average rates in the mid \$12’s for this new product. Some particularly tight submarkets could facilitate additional rental rate growth this year.

FIGURE 2: Statistical Snapshot Q1 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2024 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
East Hillsborough	81,724,100	4.8%	5.1%	337,002	337,002	1,952,986	\$10.10
Tampa CBD	8,565,325	2.1%	2.1%	(400)	(400)	0	\$11.72
Northeast Tampa	2,319,823	0.4%	0.4%	(8,885)	(8,885)	466,480	\$13.20
East Tampa	49,726,194	3.4%	3.6%	51,360	51,360	80,000	\$11.63
Plant City	17,115,824	8.9%	8.9%	237,237	237,237	1,108,126	\$6.73
Southeast Tampa	3,996,934	13.5%	16.3%	57,690	57,690	298,380	\$9.57
West Hillsborough	20,849,333	3.1%	3.5%	(51,713)	(51,713)	172,620	\$12.53
Westshore	3,569,841	0.5%	0.5%	4,522	4,522	0	\$11.75
Airport	13,407,493	4.6%	4.8%	(51,615)	(51,615)	172,620	\$12.54
Southwest Tampa	1,852,897	0.0%	3.3%	0	0	0	N/A
Northwest Tampa	2,019,102	0.8%	0.9%	(4,620)	(4,620)	0	N/A
Hillsborough County	102,573,433	4.5%	4.8%	285,289	285,289	2,125,606	\$10.50
South Pinellas	8,548,057	6.0%	7.3%	4,512	4,512	0	\$8.92
Mid Pinellas/Gateway	29,964,573	3.4%	3.7%	(414,408)	(414,408)	312,437	\$10.31
North Pinellas	6,952,279	0.5%	0.5%	(5,269)	(5,269)	0	\$11.77
Pinellas County	45,464,909	3.4%	3.9%	(415,165)	(415,165)	312,437	\$9.81
Pasco County	13,433,548	16.0%	16.1%	803,840	803,840	0	\$11.35
Tampa Total	161,471,890	5.1%	5.5%	673,964	673,964	2,438,043	\$10.40
Manufacturing	32,311,413	1.8%	1.8%	(354,235)	(354,235)	86,350	\$9.88
R&D/Flex	12,926,254	5.2%	5.5%	(94,735)	(94,735)	0	\$13.90
Warehouse/Distribution	116,234,223	6.1%	6.5%	1,122,934	1,122,934	2,351,693	\$10.10

**Market Area Overview**



**ECONOMIC OUTLOOK**

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declined to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

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

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