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3Q24

# Tampa Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- The market’s unemployment rate increased by 38 basis points year over year to 3.4% but remained well below the five-year average of 4.2%.
- Job growth pace has slowed compared with recent highs to 1.7% year over year while employment growth continues to remain well below pre-pandemic levels, with August 2019 recording annual growth at 2.3%.
- All sectors reported employment growth, with the mining and construction industry leading job gains at 4.3% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, ranging from 0.8% to 4.3% over the past 12 months.

## Major Transactions

- LG Electronics signed the largest deal of the quarter at Building 400 of the newly delivered Lakeland Commerce Center in 2024. The full-building lease will support the company’s distribution of home appliances throughout Florida.
- Three of the five largest deals signed were new leases, while two were renewals, indicating there is still appetite for industrial leasing in the market.
- Four of the five largest lease deals were signed in E Hillsborough/Plant City and East Side Tampa, with two deals in each submarket.

## Leasing Market Fundamentals

- The market reported 2.6 MSF of positive absorption in the third quarter of 2024, significantly bouncing back from the first quarterly negative occupancy reported since year-end 2013 in the previous quarter.
- Overall rental rates declined from the historical high in year-end 2023 by 9.4% to \$7.64/SF but continued to remain elevated, despite reflecting negative yearly growth.
- Construction pipeline recorded 1.5 MSF of deliveries as of the end of the third quarter of 2024. Meanwhile, under construction declined to 6.9 MSF, reflecting a downward trend since reaching a recent high of 11.6 MSF in the third quarter of 2022.
- Following yearly supply outpacing demand, vacancy increased by 120 basis points year over year to 7.2%. Landlords leased a large amount of bulk space over the past years, improving the bulk-space segment that had been dragging down the market.

## Outlook

- The Tampa market’s ongoing development accounts for 2.7% of the current market’s inventory, with the market projected to further dwindle the pipeline in the near term as new projects deliver and 44.6% of the projects are already preleased.
- Vacancy rates are expected to flatten in the near term, as supply is expected to outpace occupancies before decreasing again once the new supply is absorbed.
- Asking rents will likely remain elevated, due to inflation and a large pipeline of quality new product commanding higher pricing coming online.

1. Economy
2. Leasing Market Fundamentals



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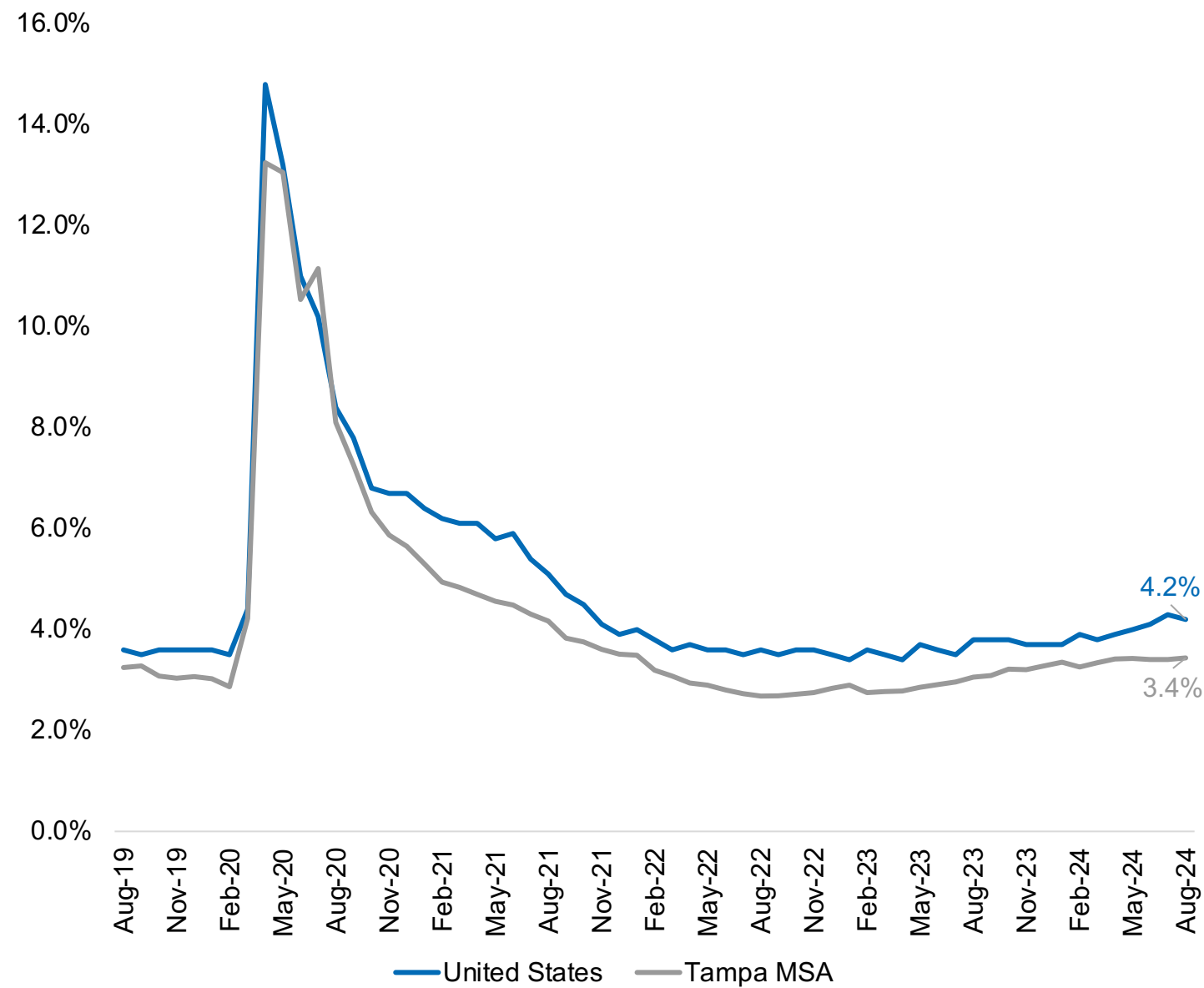
# Economy



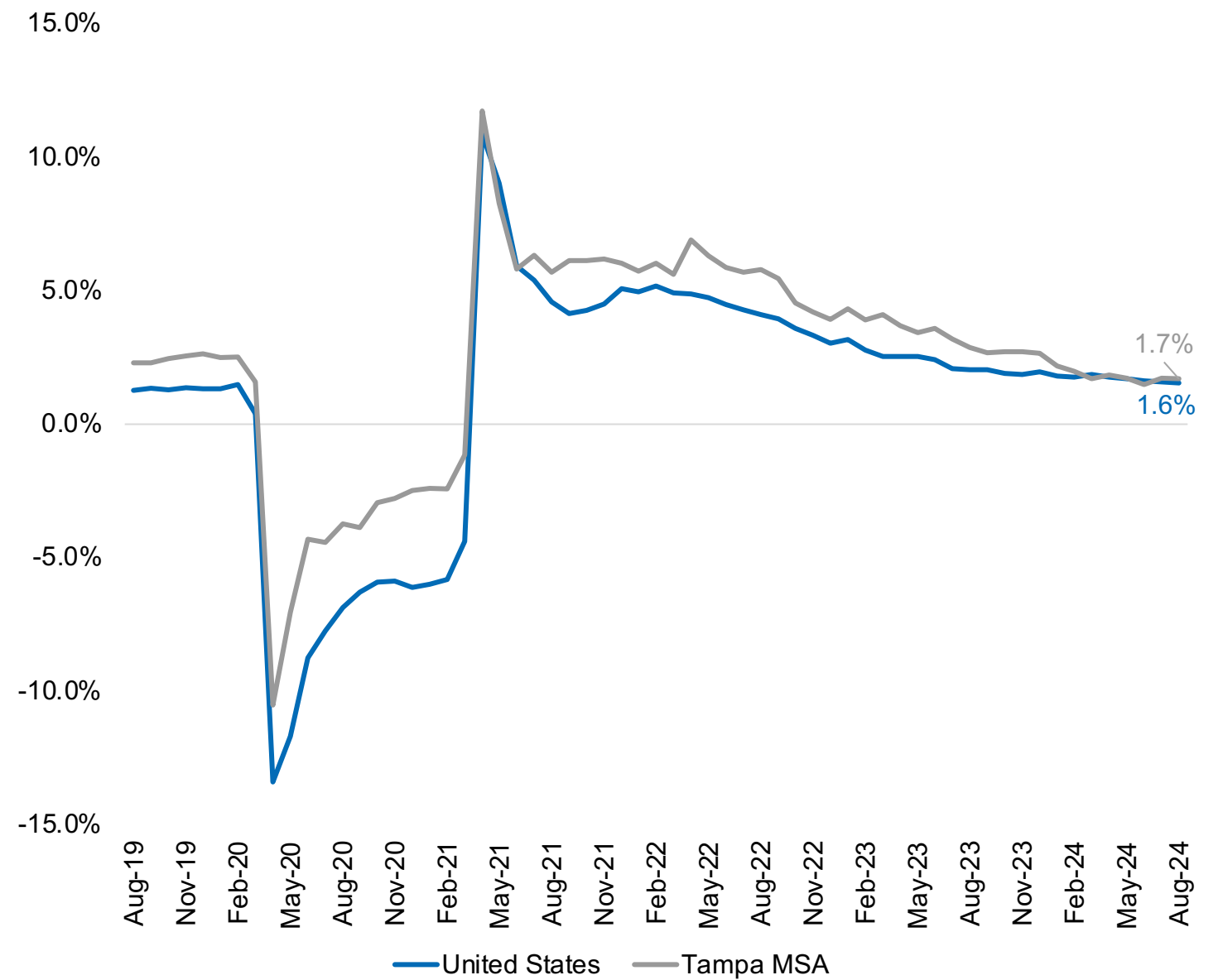
# Metro Employment Growth Trends Remain Flat

Tampa has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. Recent national economic headwinds have pushed the region's unemployment rate to increase by 38 basis points year over year, with employment growth slowing by 117 basis points compared with the previous year. The difference in employment growth in the market and nation remain close by 10 basis points.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



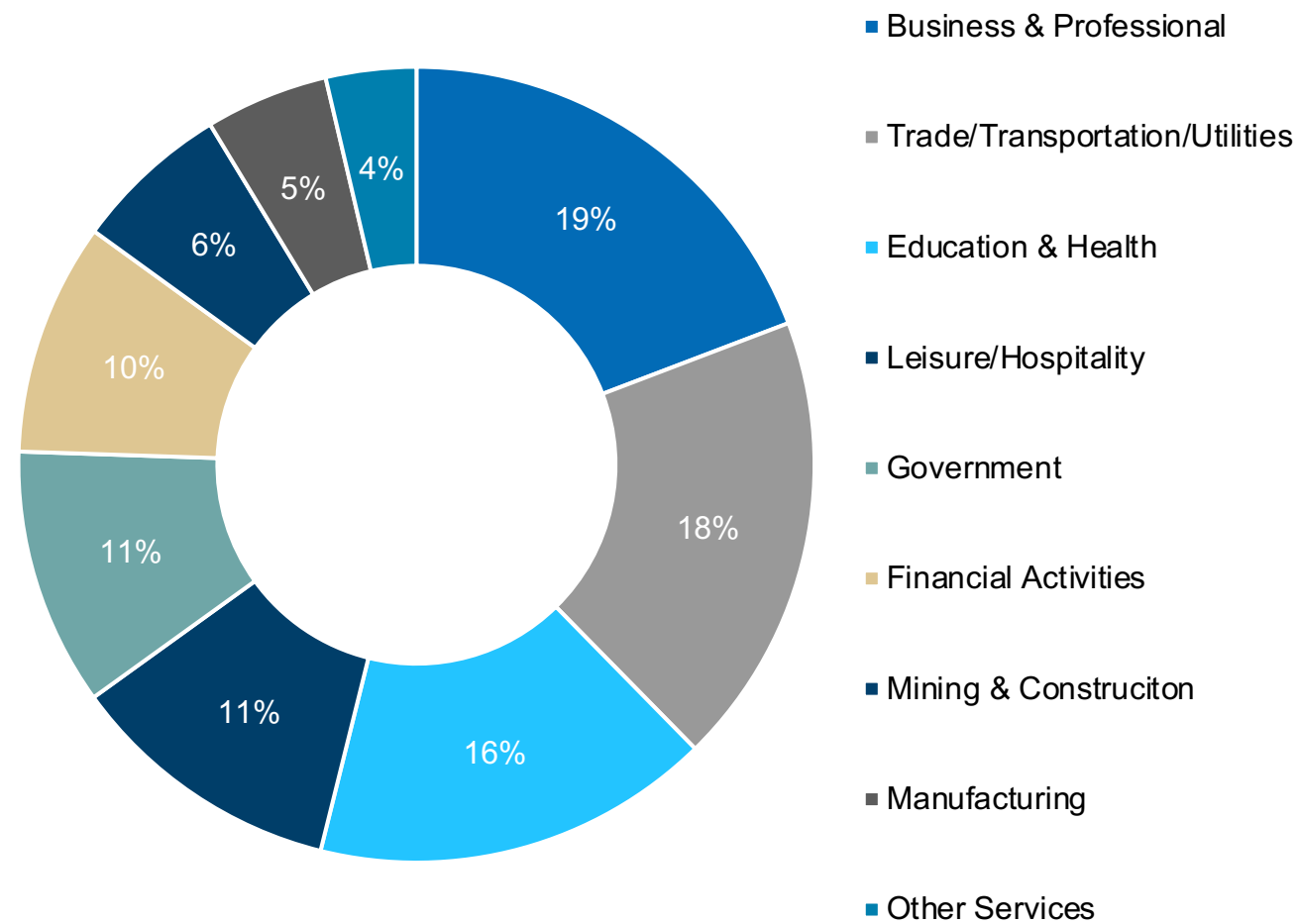
Source: U.S. Bureau of Labor Statistics, Tampa MSA



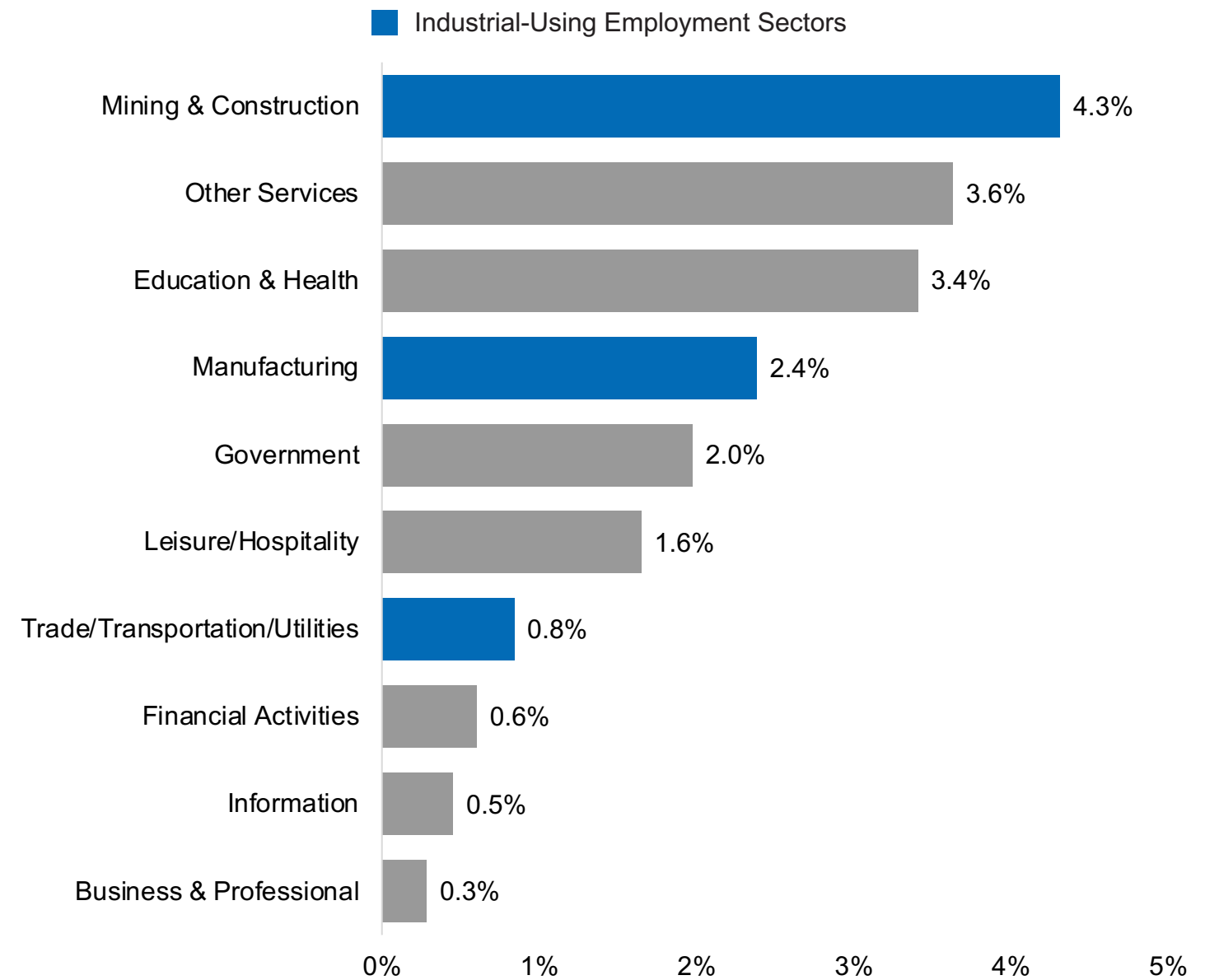
# Employment Growth Continues for All Sectors

The Tampa market's top two employment industries account for 36.9% of market share. The industrial-using employment's trade/transportation/utilities sector is the second-largest industry sector in the metroplex at 18.1%. All industries in the metroplex reported growth, with industrial-using industries reporting year-over-year growth ranging from 0.8% to 4.3%.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

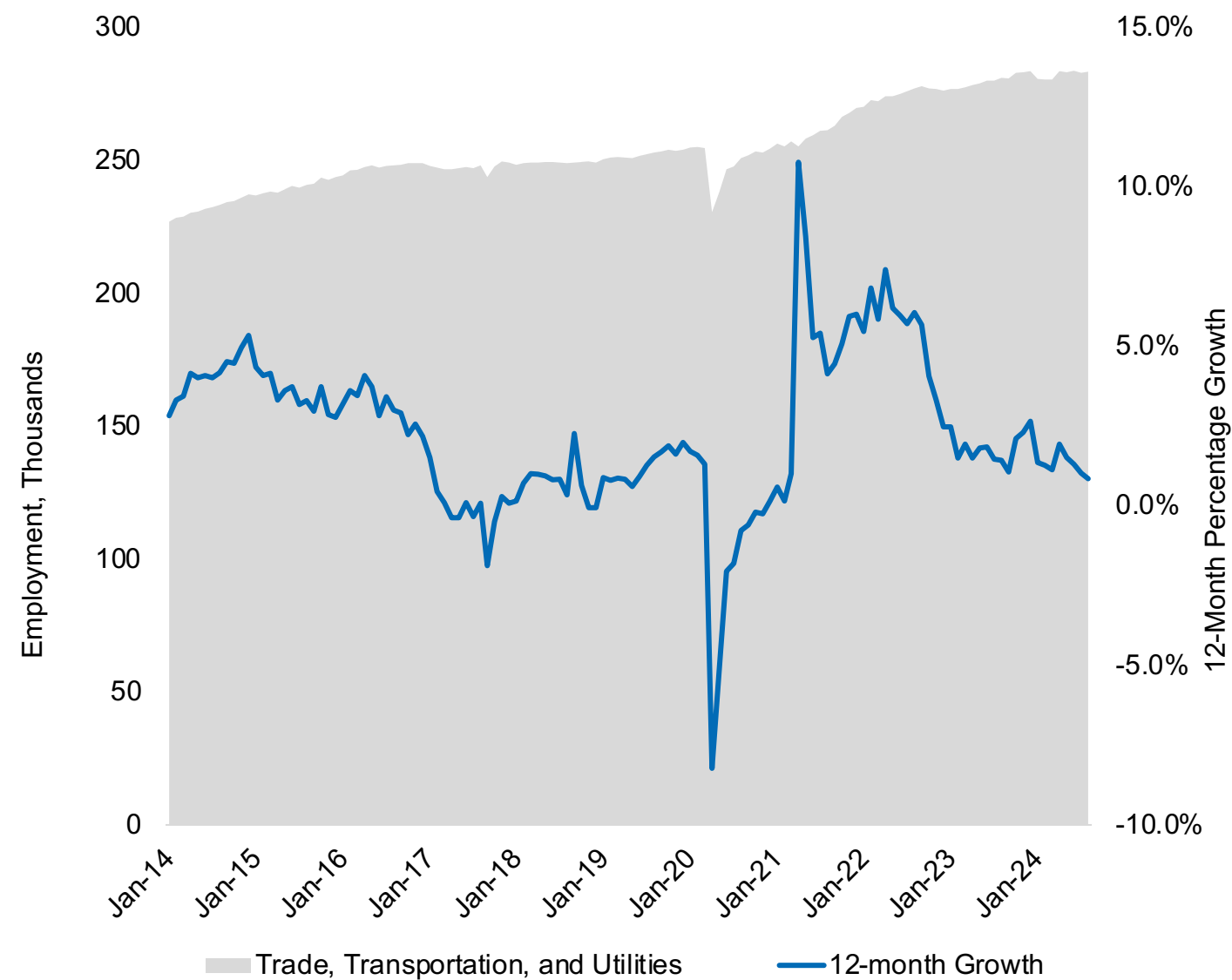


Source: U.S. Bureau of Labor Statistics, Tampa MSA

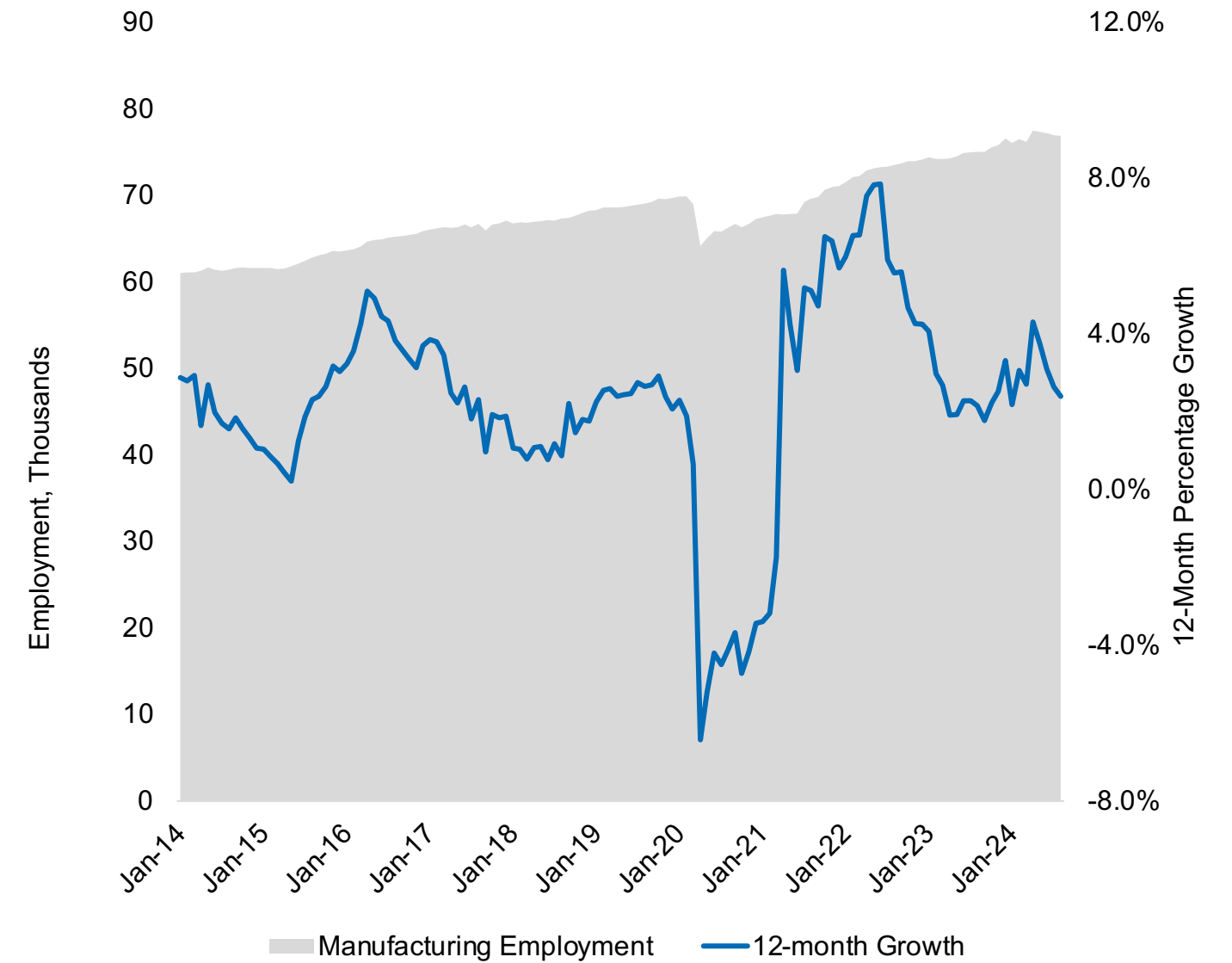
# Industrial Employment Remains Elevated, Easing from Historical High

Trade/transportation/utilities employment as of the end of August 2024 was at 283,120 employees, minimally decreasing by 0.1% from the all-time high reported in June 2024. Manufacturing employment remains elevated at 76,830 employees, easing by 0.8% from the April 2024 historical high. Industrial-using employment continues to show yearly growth, albeit at a slower pace than before, reflecting a slowing economy.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Tampa MSA



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# Leasing Market Fundamentals

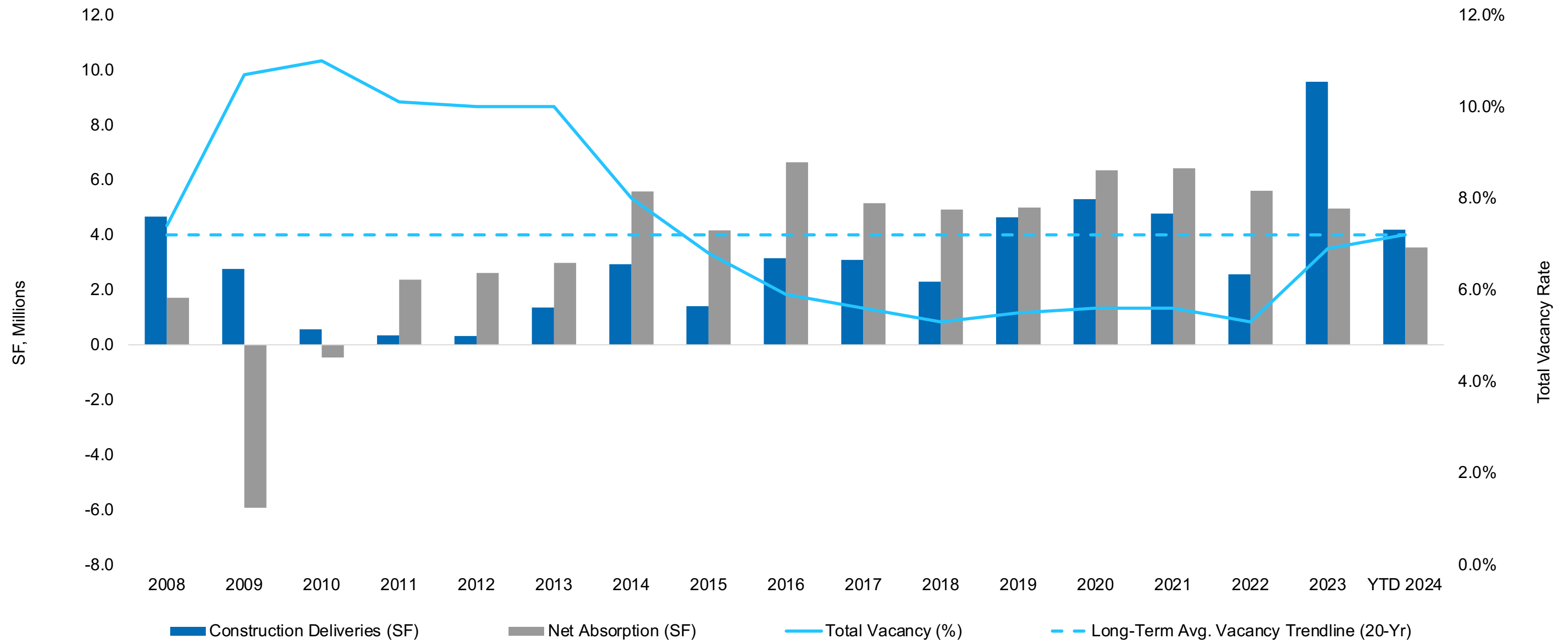




# Demand Increases, Pushes Vacancy to Decrease Quarter over Quarter

The Tampa industrial vacancy rate decreased by 50 basis points quarter over quarter to 7.2% in the third quarter of 2024, with demand significantly outpacing supply by approximately 1.0 MSF. New supply totaled 1.5 MSF in the third quarter of 2024, outpacing the third-quarter average from 2008 to 2023 at 838,502 SF. Quarterly occupancies reached 2.6 MSF in the third quarter of 2024.

## Historical Construction Deliveries, Net Absorption, and Vacancy

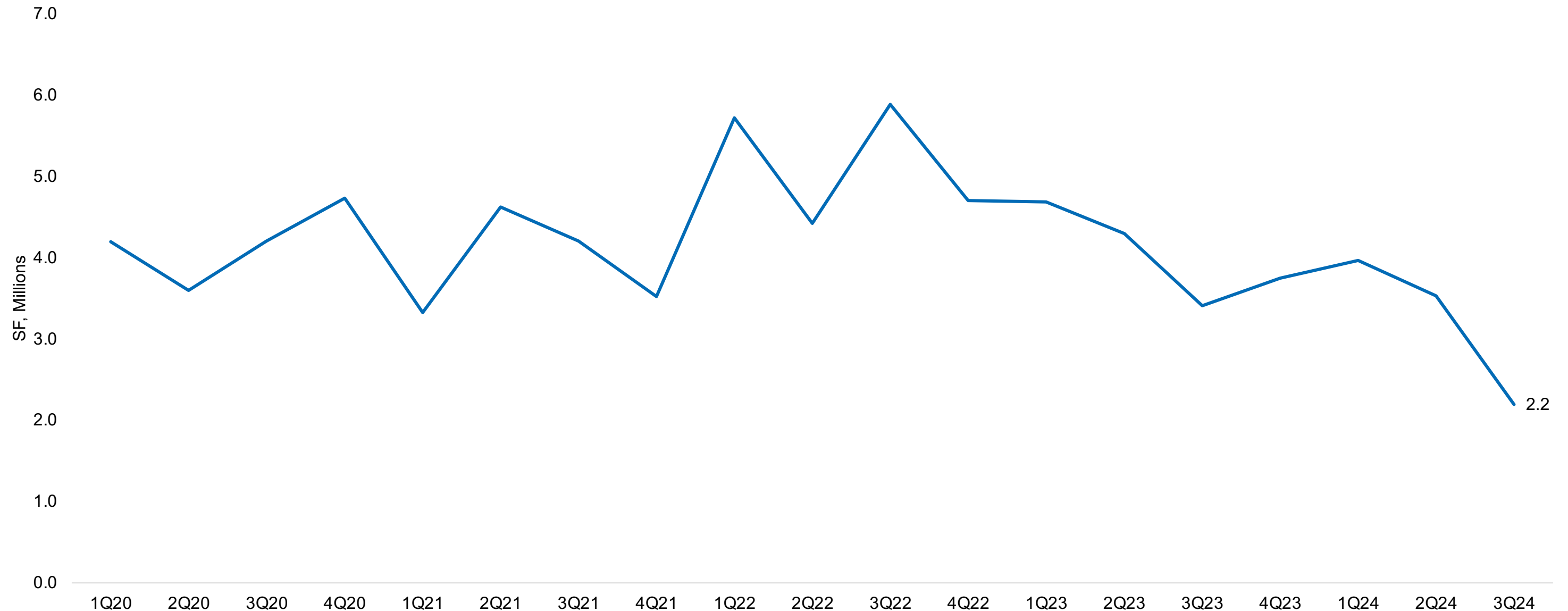


Source: Newmark Research, CoStar

# Industrial Leasing Activity Continues to Decelerate

In the third quarter of 2024, leasing activity decelerated from historical highs reported post-pandemic, ending the quarter at 2.2 MSF. Over the past years, landlords leased a large amount of bulk space that was dragging down the market, indicating signs of improvement in the bulk-space segment. Leasing activity slowed, likely due to prevailing economic headwinds, coupled with some tenants controlling costs and space needs via supply chain optimization.

Total Leasing Activity (SF)



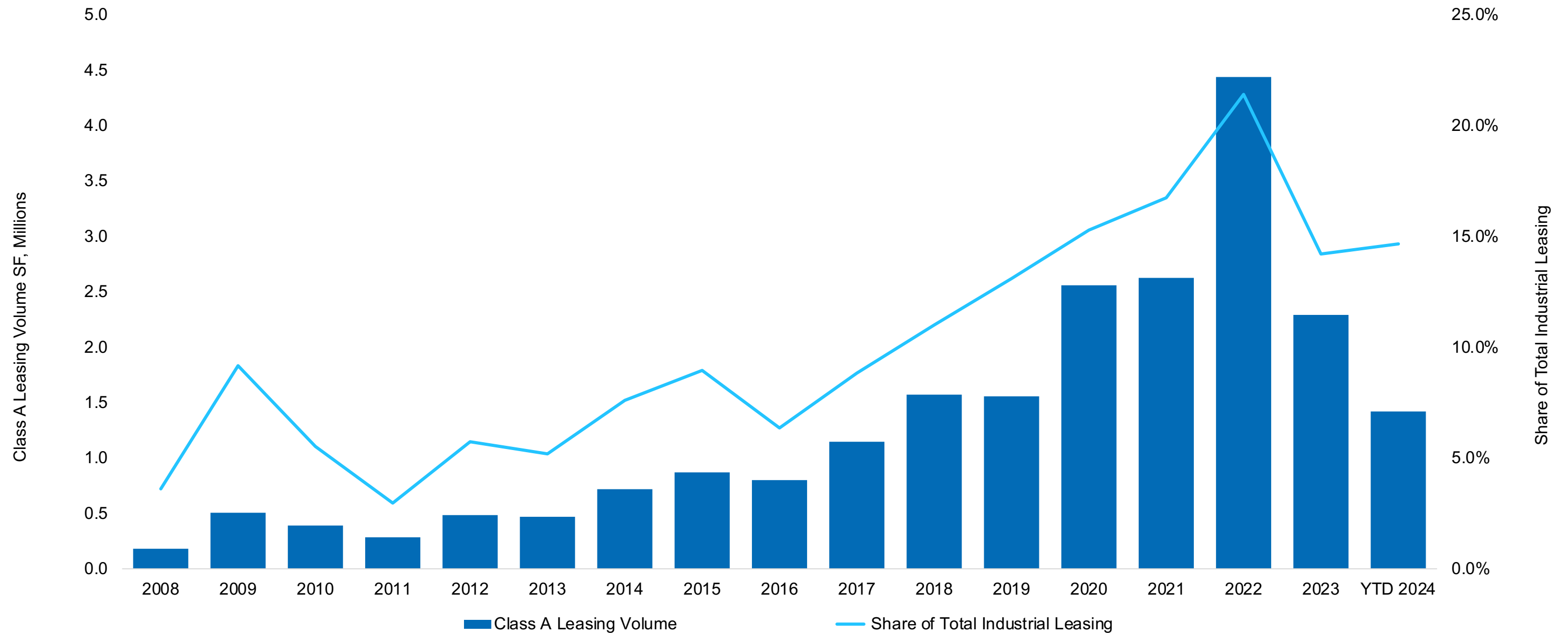
Source: Newmark Research, CoStar



# Class A Warehouse Leasing above Long-Term Average

Class A warehouse space leasing activity declined since the high of 2.1 MSF reached in the first quarter of 2022 to 553,912 SF in the third quarter of 2024. The influx of high-quality deliveries that hit the market post-pandemic allowed Class A leasing activity by square footage to increase substantially. Class A warehouse leasing represented 14.7% of overall activity so far in 2024, slightly higher than year-end 2023 at 14.2% and significantly higher than the pre-pandemic average at 7.3% from 2008 to 2019.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

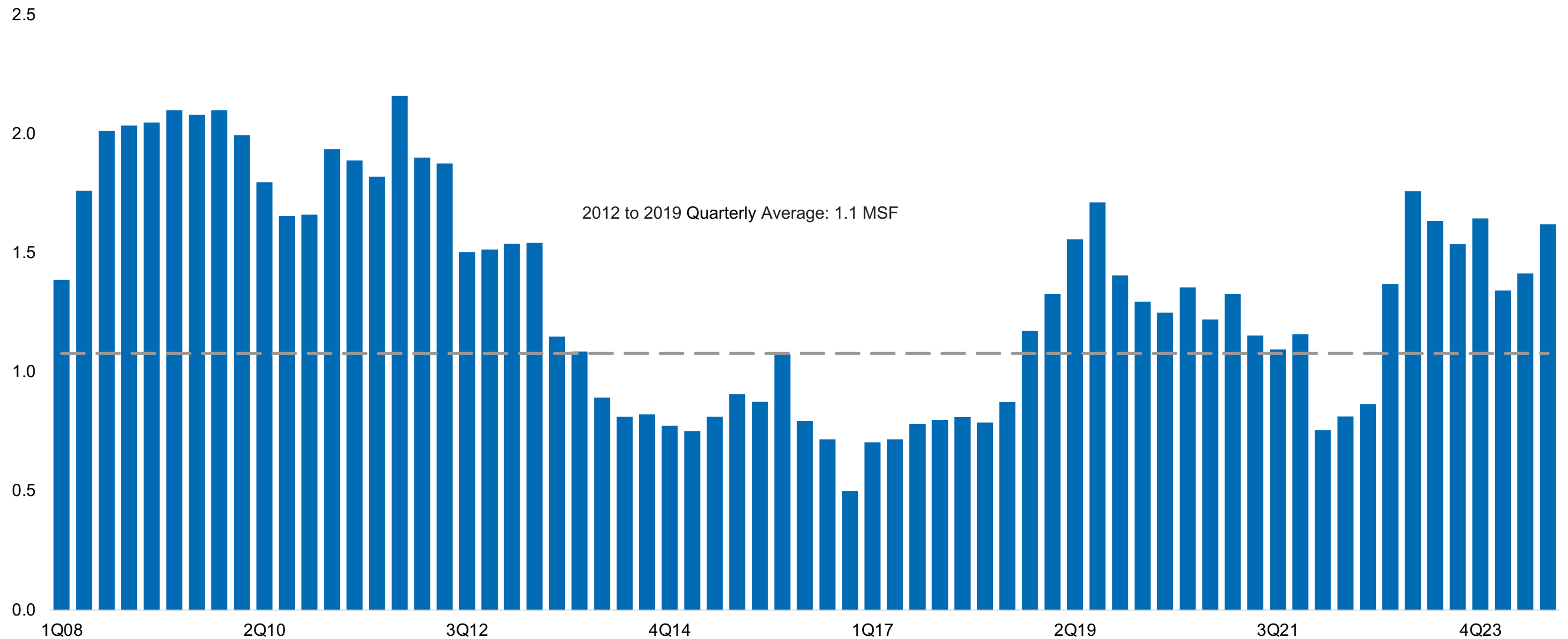


Source: Newmark Research, CoStar

# Industrial Sublease Availability Increases, Remains Elevated Year Over Year

Sublease volume continued decreasing from the recent high of 1.8 MSF reached in the first quarter of 2023. As of the end of the third quarter of 2024, sublease space available was at 1.6 MSF. Sublease availability continued to remain elevated, increasing by 14.6% quarter over quarter and 5.4% year over year. Rising interest rates, an inflationary environment and declining consumer demand are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.

Available Industrial Sublease Volume (msf)



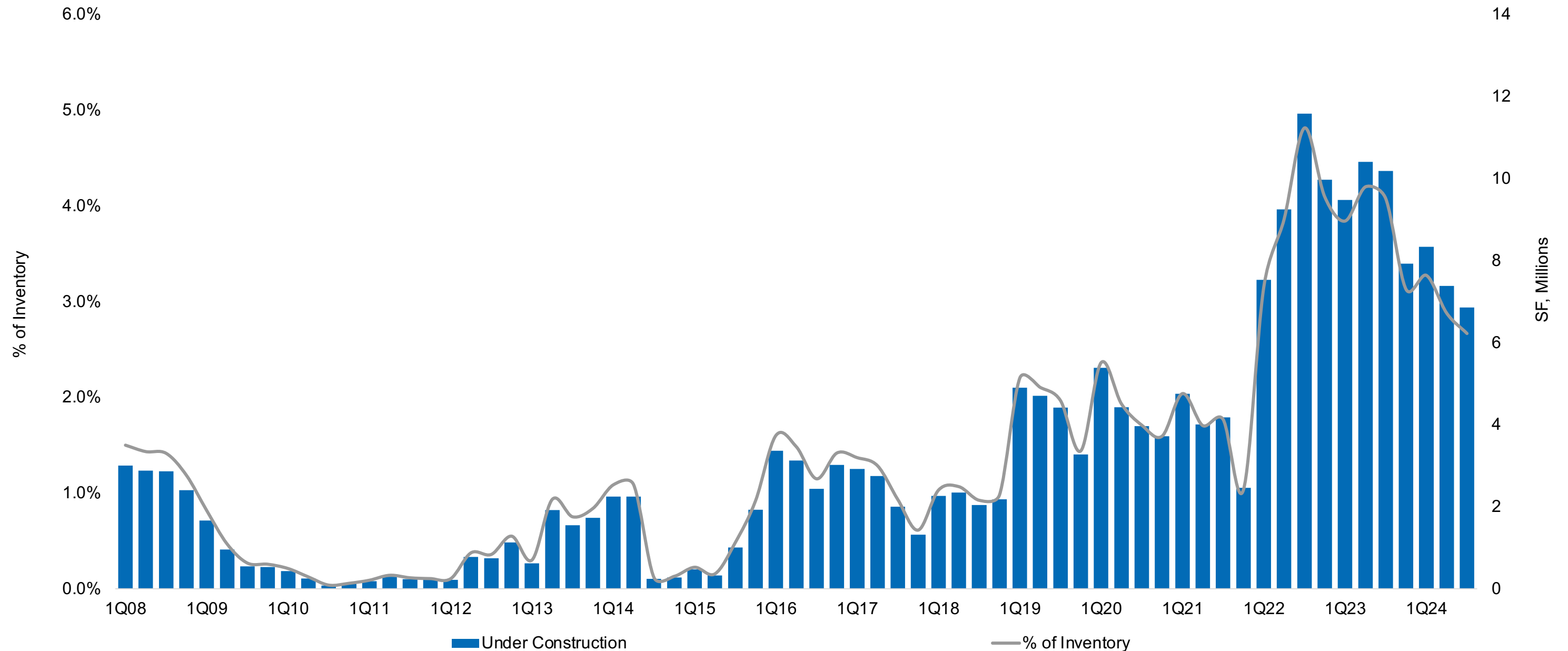
Source: Newmark Research, CoStar



# Industrial Supply Pipeline Decreases

The construction pipeline continued to trend downwards after reaching a historic high of 11.6 MSF in the third quarter of 2022, decreasing to 6.9 MSF in the third quarter of 2024. Despite the decline, the elevated under-construction activity will help prevent the market from witnessing supply shortages as supply remains relatively in balance with demand for the year. There is also less risk of overbuilding with only 2.7% of the current inventory under construction.

Industrial Under Construction and % of Inventory

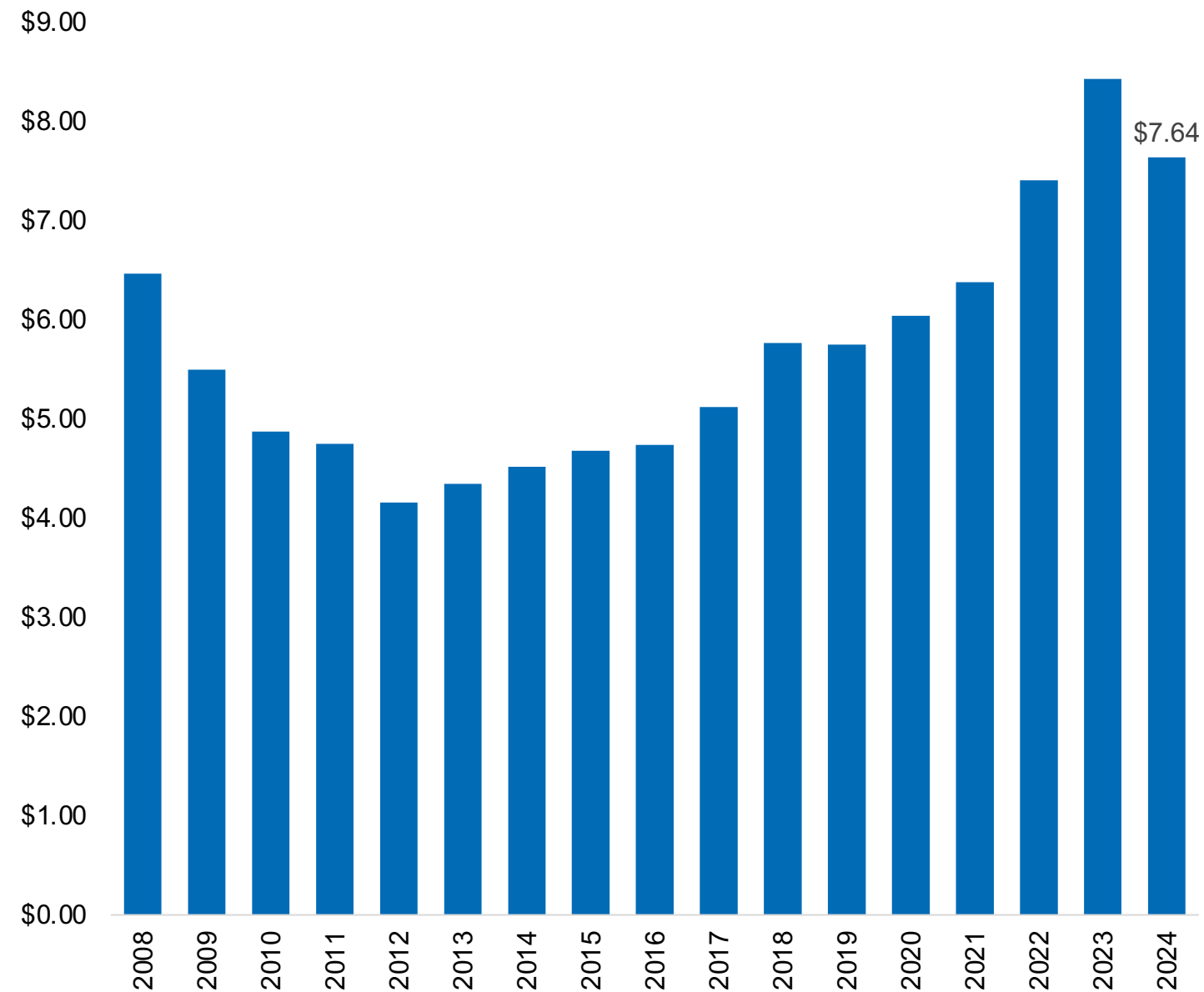


Source: Newmark Research, CoStar

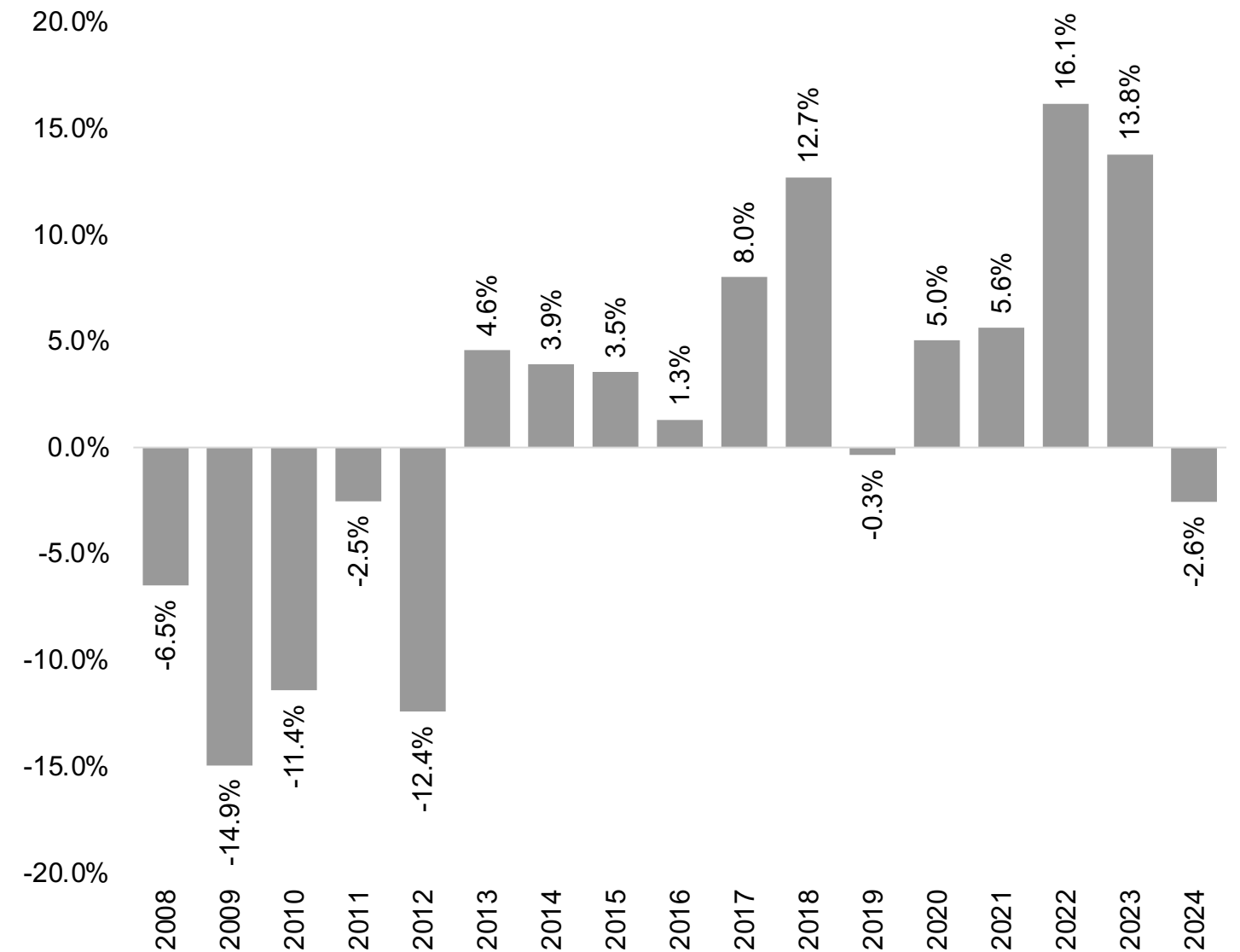
# Asking Rents Remain Elevated Despite Negative Year Over Year Rent Growth

Industrial average asking rents decreased from the historical high achieved in year-end 2023 by 9.4%, with the third quarter of 2024 ending at \$7.64/SF. Despite year-over-year rent growth at negative 2.6%, rents are expected to remain elevated as new, higher-quality assets continue delivering.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



# Notable 3Q24 Lease Transactions

Leasing activity dropped to a recent low of 2.2 MSF in the third quarter of 2024. The last time the market reported quarterly leasing volume in the 2.0 MSF range was in the first half of 2019. The quarter's recent low activity is now lower than the pre-pandemic quarterly average activity of 2.4 MSF from 2008 to 2019. Currently, projects under construction are 44.6% preleased.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
LG Electronics <i>The building at 5205 Drane Field Rd was newly delivered in 2024 and is fully leased to LG Electronics. The asset will service the company's distribution of home appliances throughout Florida.</i>	Lakeland Commerce Center—Building 400	Polk County	Direct New	348,740
AramSCO <i>The distribution service company for cleaning products signed a new lease at 611 Charlie Taylor Road to join Tesla as a tenant in the building.</i>	Southern Oaks Business Park—Building E1	E Hillsborough/Plant City	Direct New	135,923
Crown Equipment Corporation <i>The global manufacturer of material handling signed a new lease at 10608 Tanner Road to fully occupy the building upon completion in 2025.</i>	Crossroads Logistics Park—Building 1	E Hillsborough/Plant City	Direct New	123,429
American Builders Supply <i>Builder materials supplier, American Builders Supply, renewed its full-building lease at 6506 Pelican Creek Circle.</i>	Oak Creek Distribution Center—VII	East Side Tampa	Renewal	116,400
United States Postal Service <i>The United States Postal Service renewed its 103,754-SF lease at 4720 Oak Fair Road.</i>	Fairfield Distribution 4720	East Side Tampa	Renewal	103,754





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