



Tampa market fundamentals

FLORIDA INDUSTRIAL INSIGHT REPORT
Q2 2021

Key industrial takeaways



Economic conditions

- Tampa has recently been ranked as a top market by multiple surveys for the performance of its housing market and thriving office and industrial sectors. The unemployment rate currently sits at an impressively low **4.6%**. Tampa's supply chain is solid and leasing fundamentals are strong, especially for Class A space.
- Oxford Economics projects that Tampa is expected to see job growth of **3.6%** in 2021, 2.8% in 2022, and should recover all of its lost jobs in Q3 2021.
- Gross domestic product (GDP) in Tampa surpassed the peak 2019 level in Q1 2021 and has grown by 1.1%, ranking Tampa 11th of the top 51 metros.



Recovery rate

- Florida was ranked **#4** in a WalletHub study of the top U.S. states for their rates of recovery, with industries gaining the most jobs over the year including leisure and hospitality, professional and business services, and trade, transportation and utilities.
- Tampa saw net in-migration of **34,900** in the trailing 12-month period ending in Q1 2021, which represented 1.1% of the population—one of the highest rates in the US.



Industrial demand

- Leasing activity is at **42.1%** of all volume recorded in 2020 and is expected to grow through the end of the year.
- Demand for large bulk distribution projects remains strong, particularly along the I-4 Corridor into Lakeland where several similar projects have delivered in recent years and were quickly leased.
- Net absorption is keeping pace with new deliveries, with the **3.3 million sf** recorded so far this year already totaling **56%** of all net absorption recorded during 2020.

Key industrial takeaways



Industrial supply

- Total vacancy is at a three-year low, totaling **5.7%**, which is notable given that **16.5 million sf** has delivered during that period.
- Amazon is expanding its rapidly growing footprint in the Tampa Bay area with two new delivery stations in the I-75 Corridor, one on Harney Road and the other in Duke Realty's Tampa Regional Industrial Park.
- Industrial urban infill development projects are underway and planned in the airport area and near Port Tampa Bay.



Pricing trends

- Base rents have increased by **6.3%** since the start of the pandemic and have continued a steady upward trajectory since 2015.
- The average asking rent for new deals signed since the beginning of the pandemic for distribution space in Tampa is currently \$6.90 per sf, compared to \$7.56 per sf for general warehouse and \$10.54 per sf for manufacturing space.



Capital markets

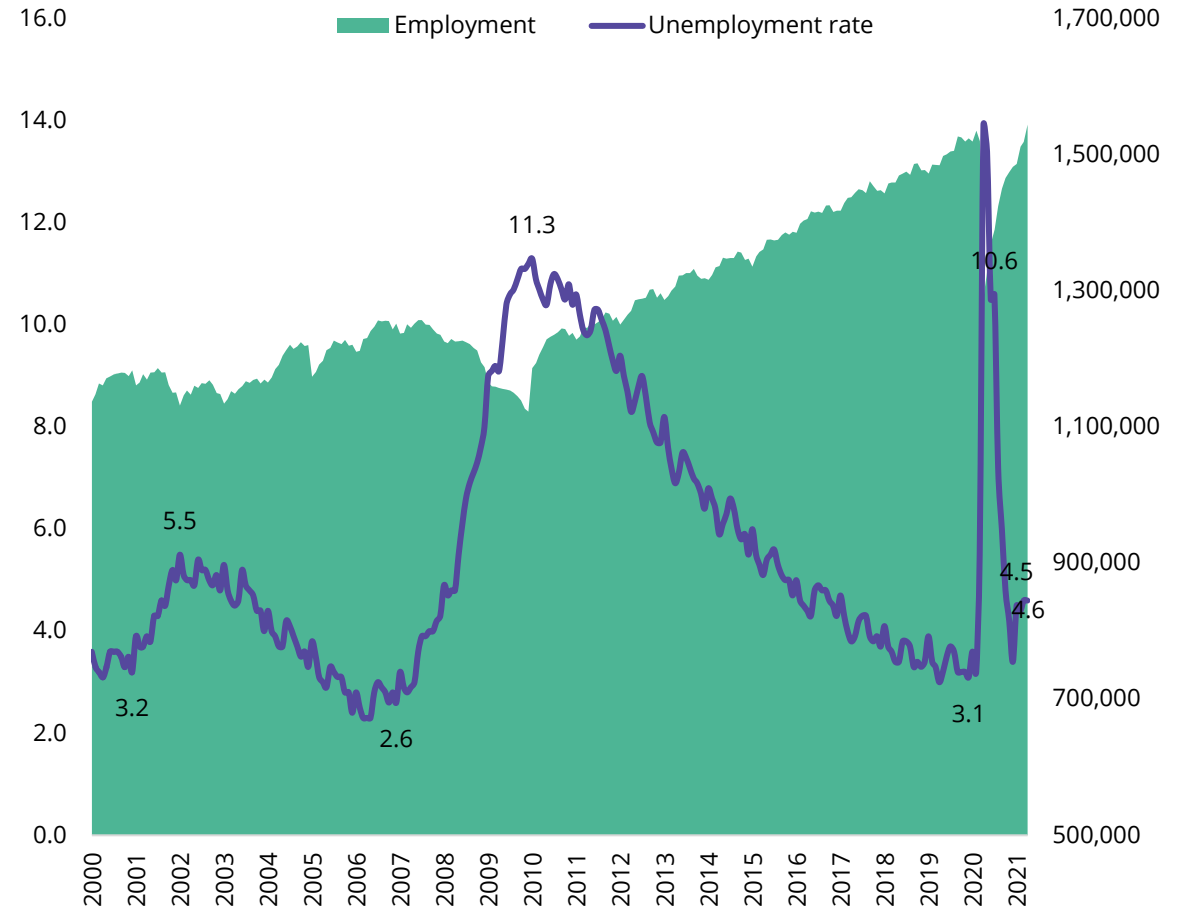
- Industrial investment activity has been robust in Tampa, with total transaction volume of **\$1.5 billion** for the period from Jan 2020 through Jun 2021. The largest sale YTD was Eaton Vance Real Estate Investment Group's acquisition of Amazon's 1.1 million sf warehouse in Auburndale for **\$170 million**.
- Similar to the office market, there has been an increase in both the number of deals being brought to market and the corresponding investment interest, however a considerable delta remains between the two as too many investors are chasing too few deals.

Employment and unemployment rate

4.6%

Tampa's unemployment rate as of May 2021, 930 bps below the height of the pandemic

Historically tightened labor market conditions were halted by the pandemic with nearly 247,000 job losses between February and May 2020, although steady vaccinations and business reopening efforts have added back over 255,000 jobs in the months since.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Property type job gains and losses

-2.2%

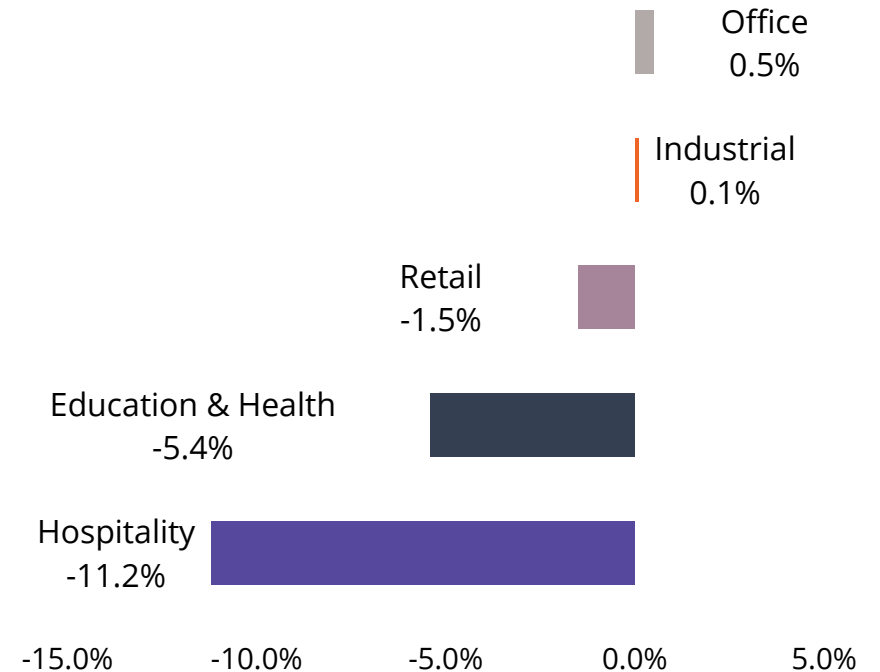
Change in total employment during the pandemic

The Tampa metro area lost 2.2% of its total labor force since the pandemic began, though industrial losses were comparatively very subdued. The strength of the industrial sector in Tampa pre-pandemic helped to offset the minor losses that have occurred.

[VIEW DASHBOARD](#)

Total change in Tampa MSA* job gains/(losses)

February 2020 to May 2021



Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

-0.1%

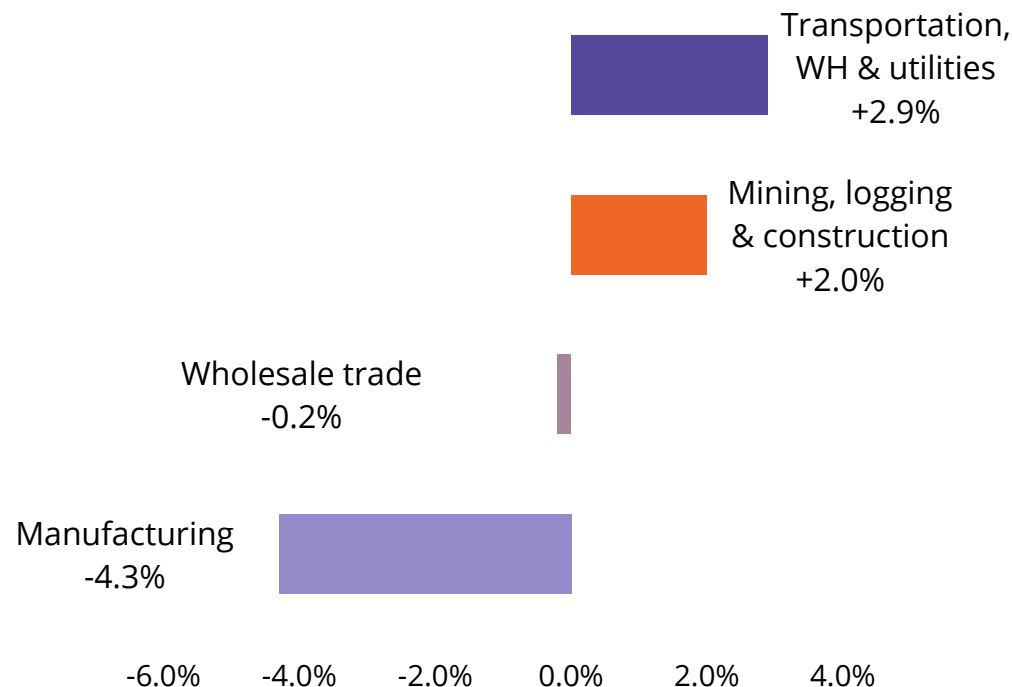
Change in industrial employment during the pandemic

Tampa MSA job losses have declined by 2.2% since the start of the pandemic, though industrial jobs are down by just 0.1%. This recession's impact on the industrial labor market has been considerably less severe than the global financial crisis, when total job losses totaled 18.6%.

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Total change in Tampa MSA* job gains/(losses)

February 2020 to May 2021



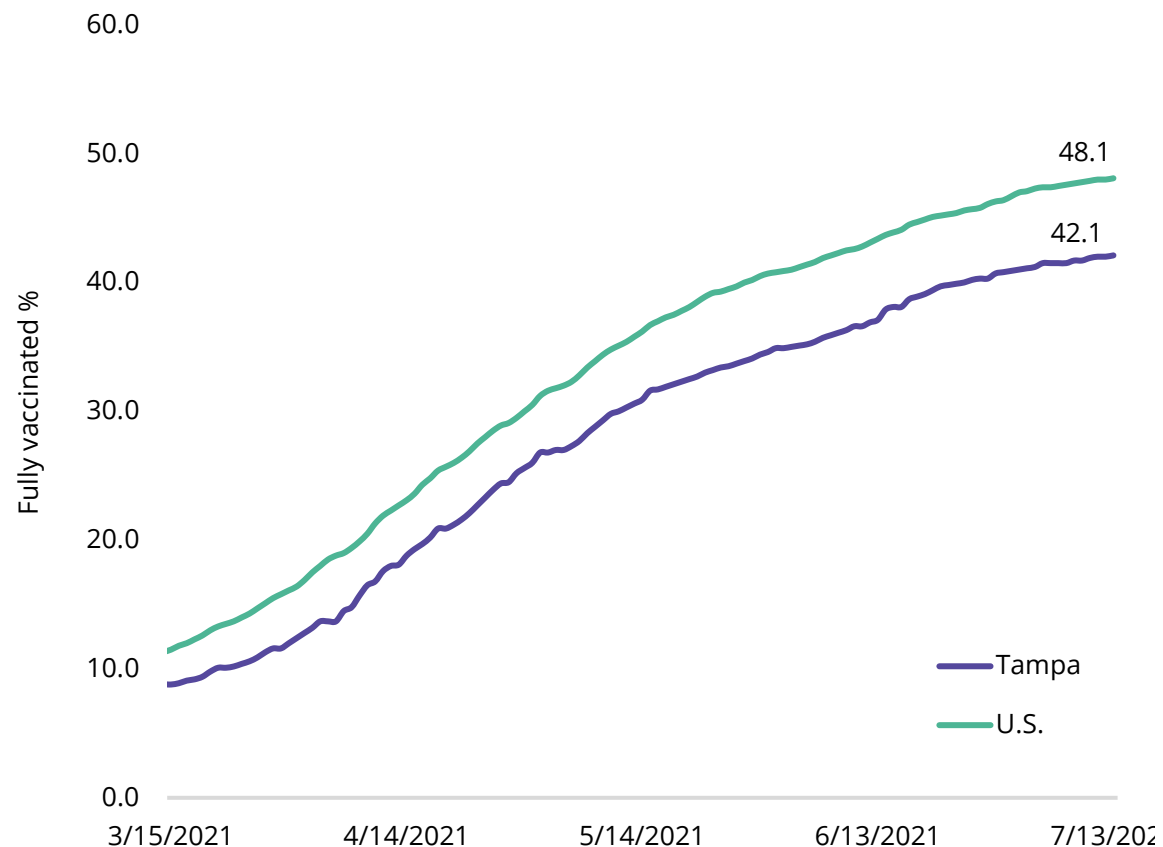
Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Vaccination rates

42.1%

Share of total Tampa population that is fully vaccinated

While the data seems to indicate that the proportionate vaccination rate for Tampa lags the U.S. average, it only covers which residents got vaccinated in the county in which they reside. As many traveled to adjacent counties, exact numbers are difficult to determine.



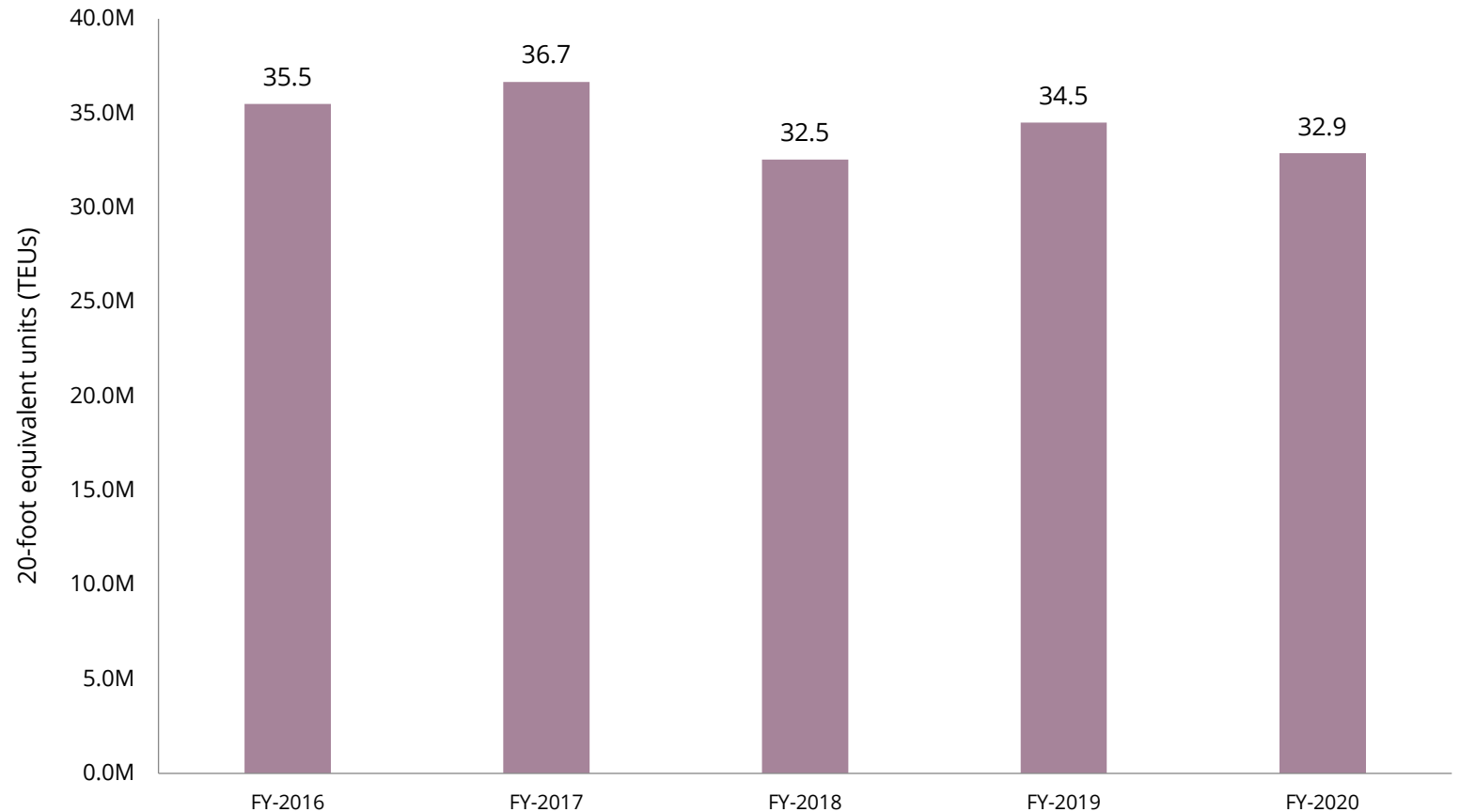
Source: CDC

Port Tampa Bay total cargo volume

34.4 M

5-yr avg cargo volume

Although the number of cruise ship sailings was down 54% during FY-2020, the port has remained healthy through the pandemic. Port Tampa experienced an increase in dry bulk cargo in 2020, and the primary cargo loss was a decline in petroleum.



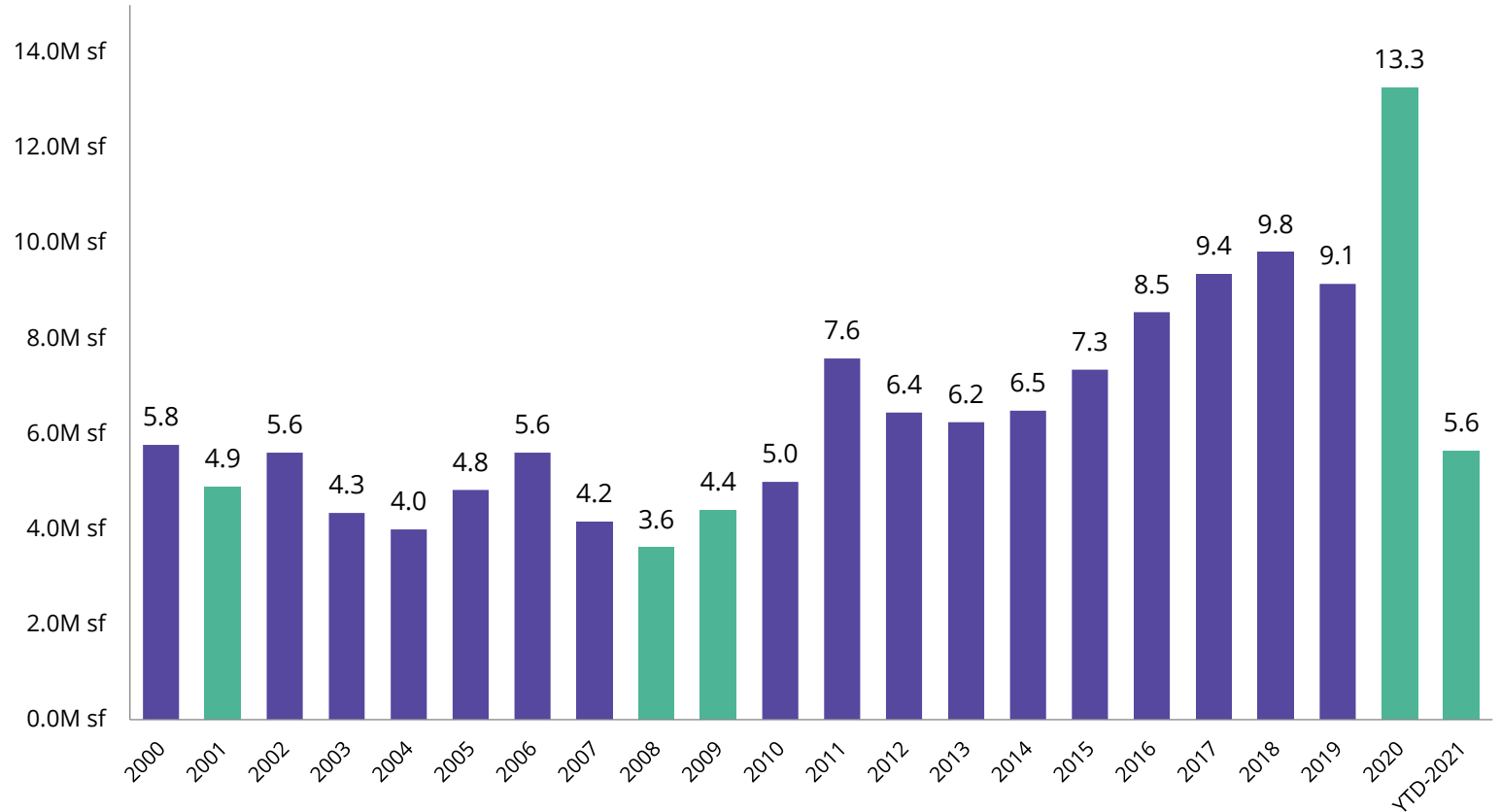
Source: Port Tampa Bay

Industrial leasing activity

42.1%

Year-to-date 2021 leasing activity compared to year-end 2020

Leasing activity has been strong through Q2 2021, following on the heels of a record year in 2020 when over 13 million sf was leased.



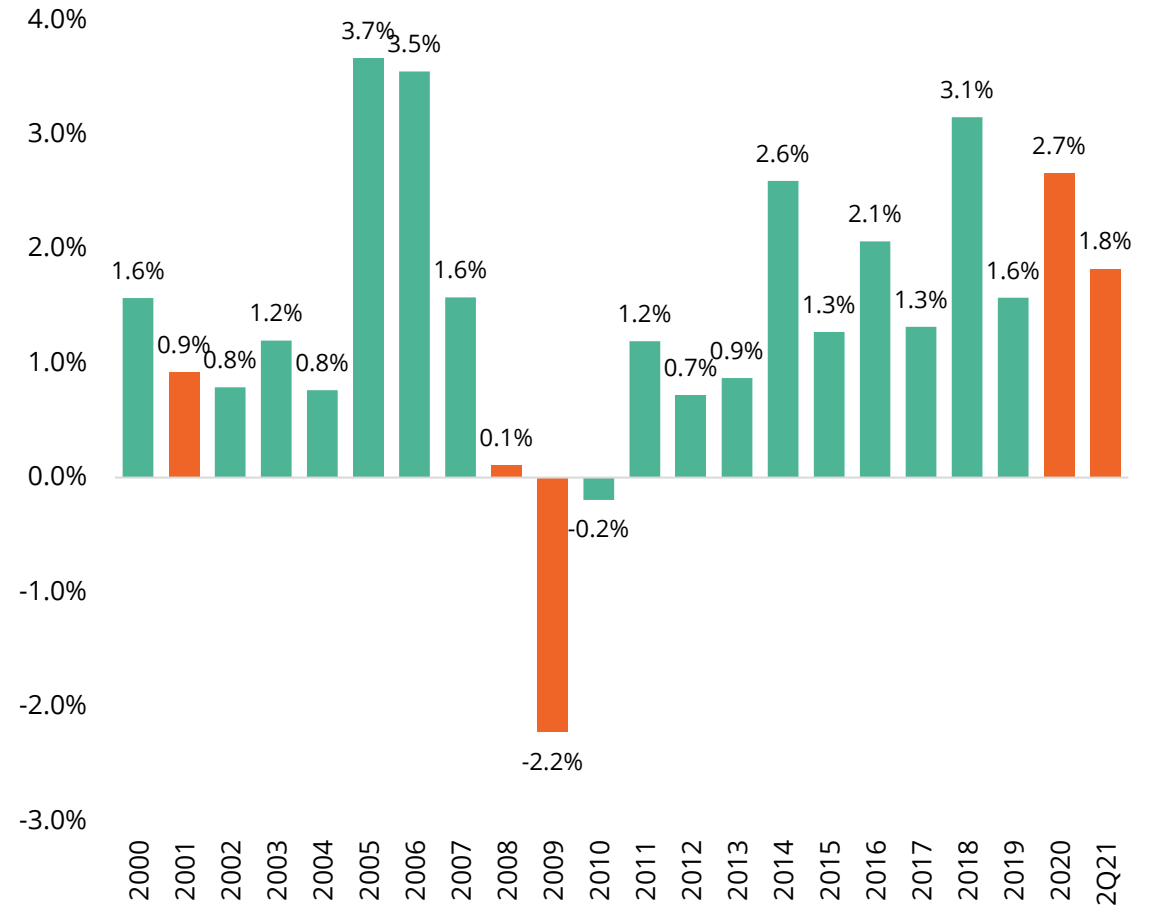
Note: Green represents recession years.
Source: CoStar

Industrial net absorption

1.8%

Net absorption as a percentage of inventory, 2020 through Q2 2021

Absorption through mid-year remains healthy and on pace to outperform recent historical performance due to the steady lease-up of recently delivered distribution product and deals over the 50,000-sf threshold.



Note: Absorption is measured as the year-over-year change in occupied square feet. Orange represents recession years.
Source: CoStar

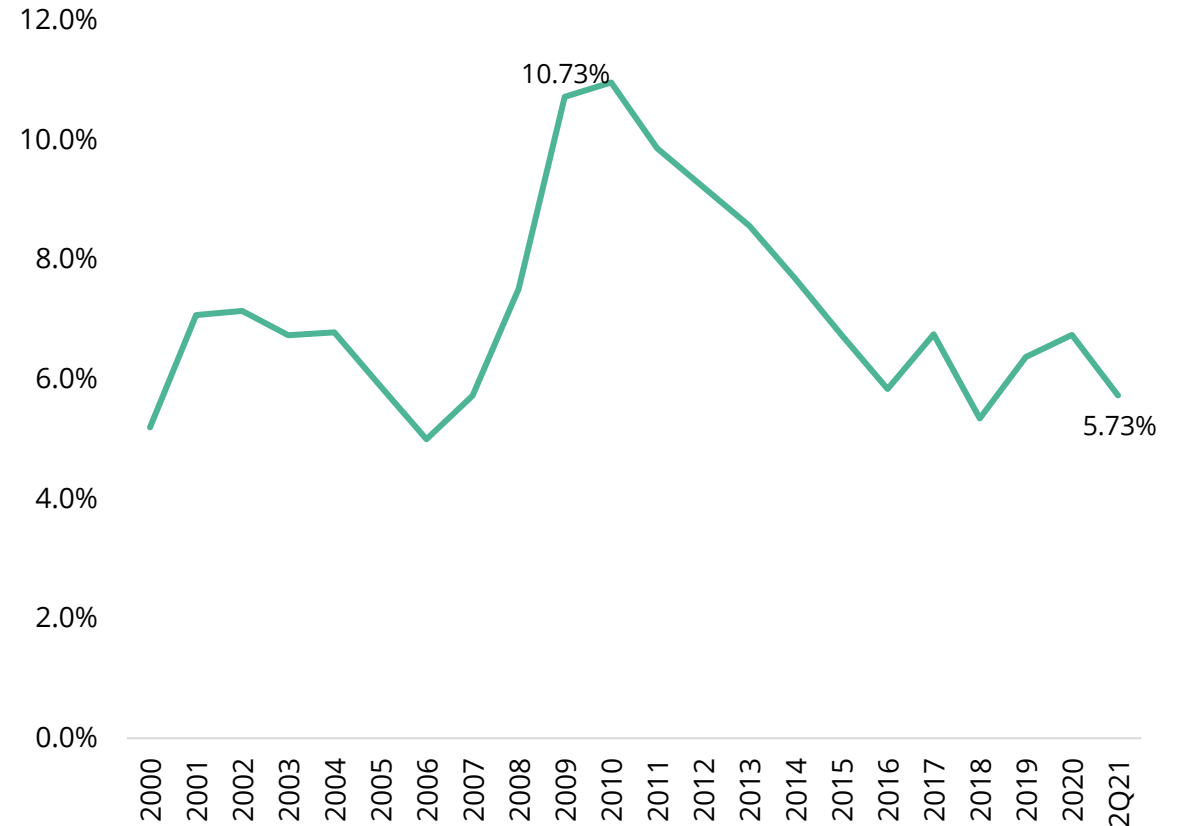
Industrial vacancy rate

5.7%

Total vacancy in Tampa is at its lowest point since 2018

The Q2 2021 total vacancy rate of 5.7% reflects the lowest rate recorded—with the exception of 2018 when vacancy was 5.3%—since the previous recession began in 2007.

Average asking rents have increased 19.9% over that same time period, underscoring how industrial demand has outstripped supply in Tampa.



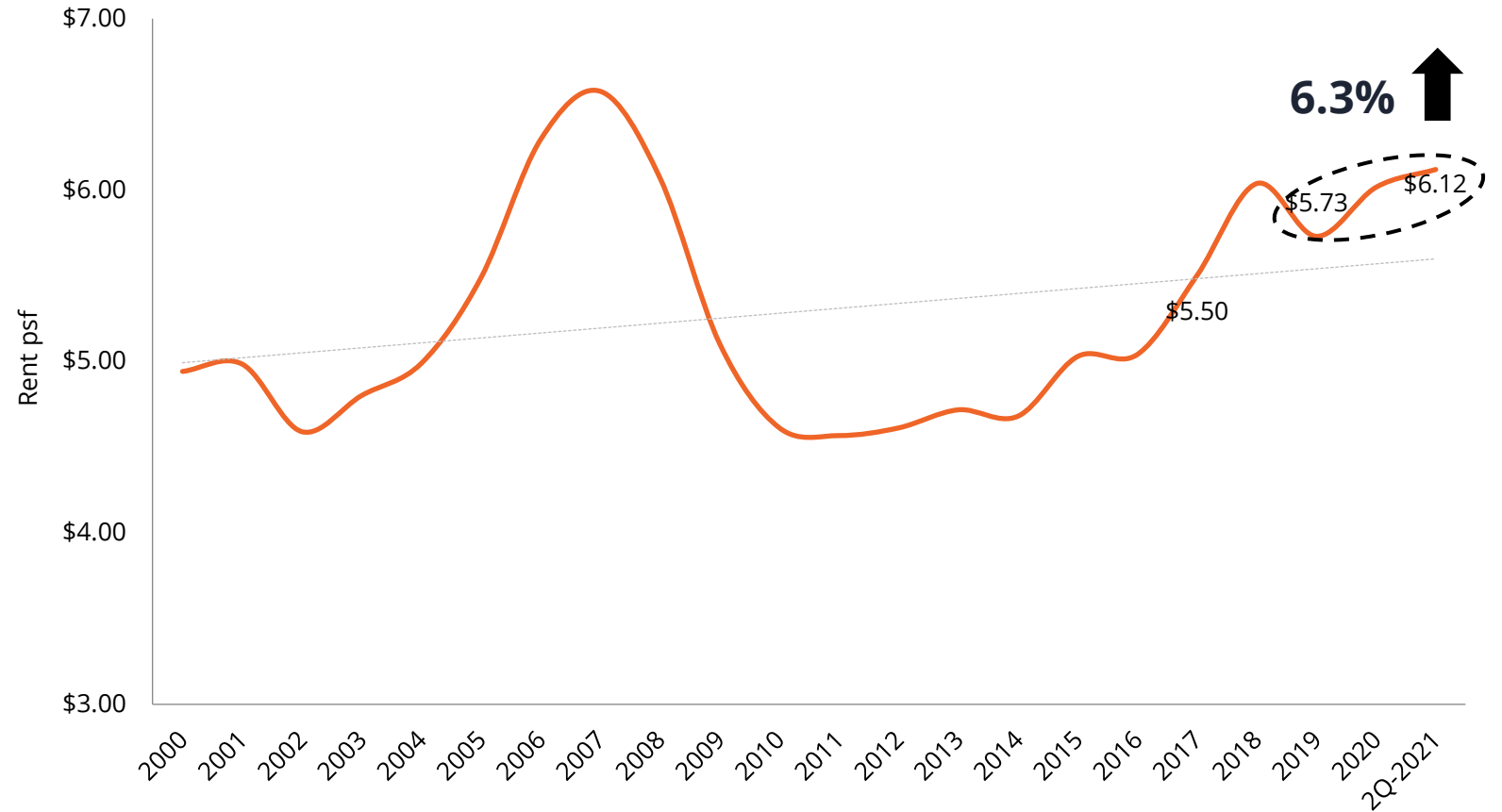
Source: CoStar

Base rents

+6.3%

Base rents since the onset of the pandemic

Base rents grew incrementally during the second quarter and have generally trended upward over the last decade, rising steadily since 2015 and increasing by 17.8% over that period.



Source: AVANT by Avison Young

Big-box demand drives construction

68 properties

Proposed or under construction

20.6 msf

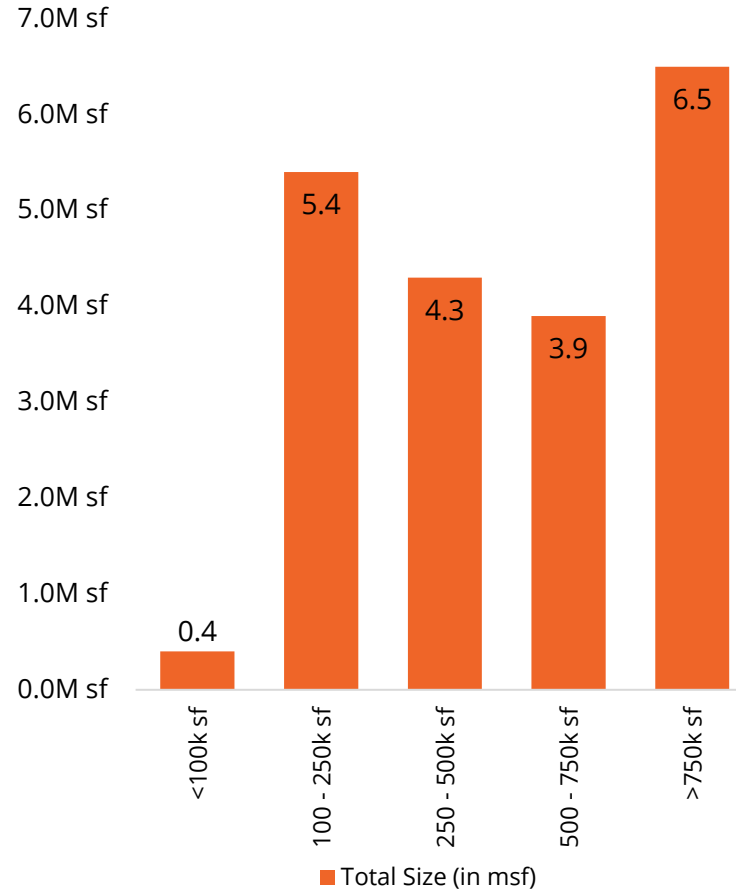
Proposed or under construction

15.3%

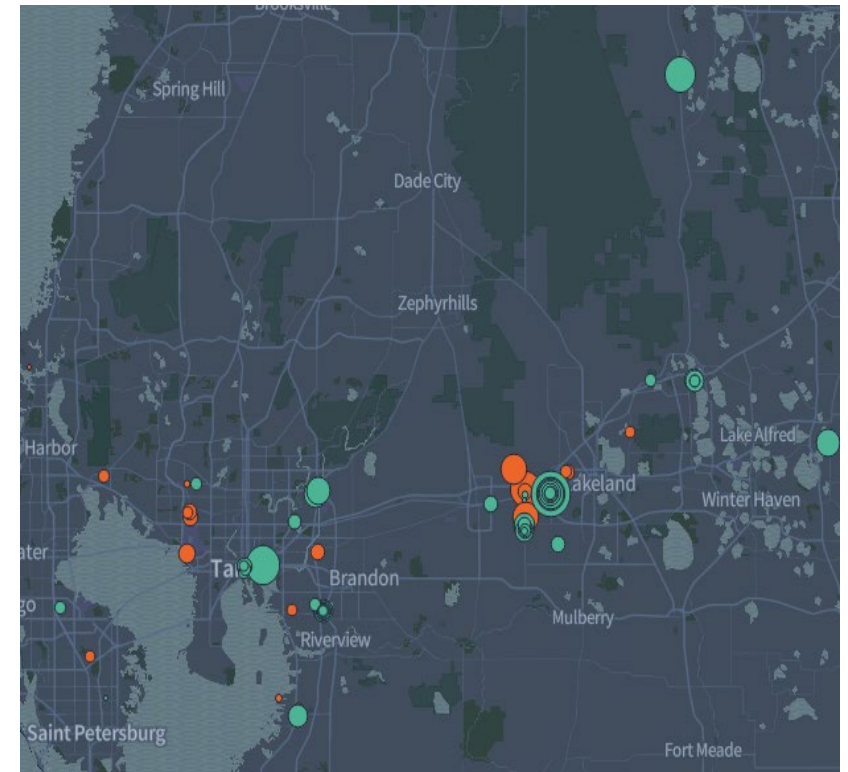
Share of industrial inventory

East Side

Submarket with the most projects under construction or proposed at 18



Source: AVANT by Avison Young



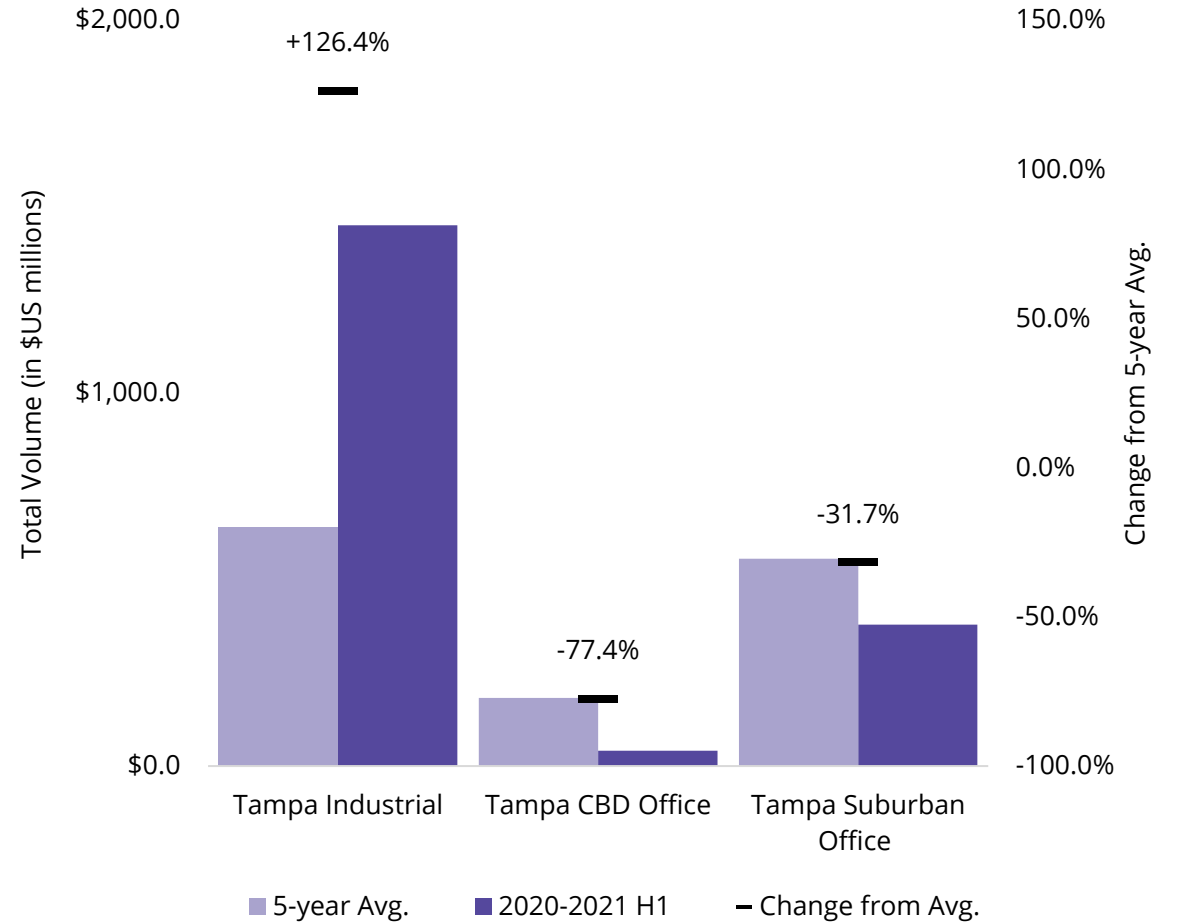
Orange circle: Under construction Green circle: Proposed

Investment dollar volume

\$1.5B

Industrial dollar volume, 2020 to Q2 2021

Office sales activity temporarily paused during the risk-pricing crisis, decreasing by an annualized rate of 77.4% and 31.7% in CBD and Suburban markets, respectively, compared with the prior five-year average dollar volume. Industrial volumes have surged +126.4% against the prior five-year average due to stronger fundamentals.



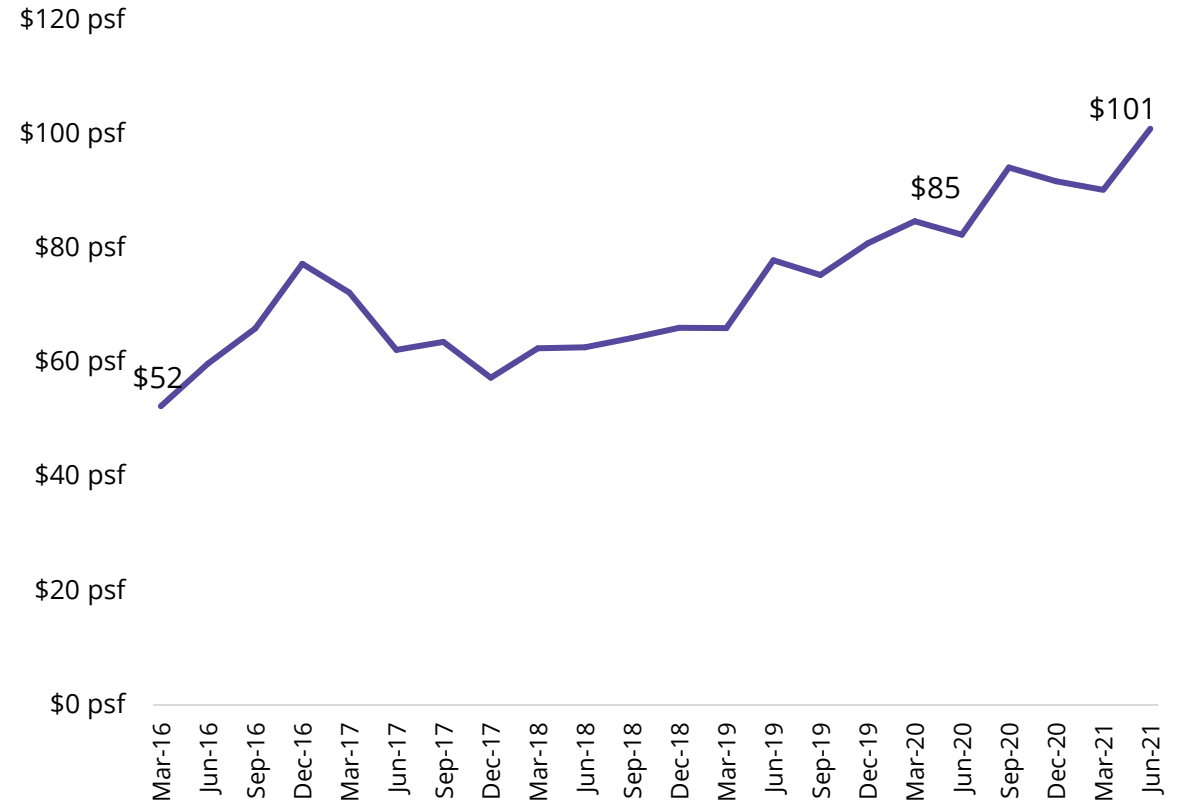
Source: AVANT by Avison Young
RCA

Industrial asset pricing

+ 19.1%

**Tampa industrial pricing,
March 2020 to June 2021**

Pricing for Tampa industrial assets has continued to elevate since 2016, particularly since the pandemic, as an influx of investors seek exposure to properties that can accommodate the rise of e-commerce distribution.



Source: AVANT by Avison Young
RCA

Looking forward



Here's what we can expect

- The bulk of new industrial development will continue to occur along the I-4 Corridor, primarily in the greater Lakeland area, with one major development already making waves. Parkway Properties has broken ground on the massive 730-acre, Lakeland Central Park project. Construction will begin on the first building, a 708,000-sf spec warehouse, following infrastructure work. The entire project is planned **for 5 million sf of new industrial space.**
- Incremental upticks in asking base rents will continue over the next year as higher quality class A space will remain sought after, creating **pricing appreciation.**
- While **supply chain disruption** was an issue at the beginning of the pandemic, semiconductor shortages coupled with the Suez Canal blockage further highlighted frailties within global supply chains. Central Florida is the state's fastest growing region, and the U.S. Census Bureau expects it to outpace the growth of South Florida by a factor of 2 to 1 for the next several years. Moving forward, creating logistics, distribution and shipping efficiencies, in addition to reshoring efforts, will be critical in preventing the kind of disruption that took place in 2020.



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Let's talk

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