
1Q24

Tampa Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market’s unemployment rate increased by 70 basis points year over year to 3.2% but remained well below the five-year average of 4.1%.
- Although job growth pace has slowed compared with recent highs to 1.8% year over year, employment growth now lags pre-pandemic levels, with 2019 growth averaging 2.5%.
- All sectors, except business and professional, reported employment growth, with education and health leading job gains at 4.9% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, ranging from 0.9% to 3.1% over the past 12 months.

Major Transactions

- Republic National Distribution Company signed the largest deal of the quarter, a 242,932-SF renewal at Tampa Regional Distribution Center.
- Four of the five largest deals signed were new deals, indicating appetite for industrial space in the market.
- Two of the five largest deals signed were all in the East Side Tampa submarket, with the deals inked by ROC Cabinetry and Hood Container Corporation.

Leasing Market Fundamentals

- The market reported 538,101 SF of positive absorption in the first quarter of 2024, resulting in the lowest first quarter net absorption since 2013.
- Overall rental rates declined from the historical high in 2023 by 6.2% to \$7.71/SF but continued to remain elevated.
- Construction pipeline declines from quarterly highs in 2023 to 717,594 MSF of deliveries as of the end of the first quarter of 2024. Meanwhile, under construction slightly increased by 5.0% quarter over quarter to 8.4 MSF under construction.
- Following yearly supply outpacing demand for the fifth consecutive quarter, vacancy increased by 160 basis points year over year to 7.0%. 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 3.3% of the current market’s inventory, with the market projected to further dwindle the pipeline in the near term as new projects deliver and 64.1% 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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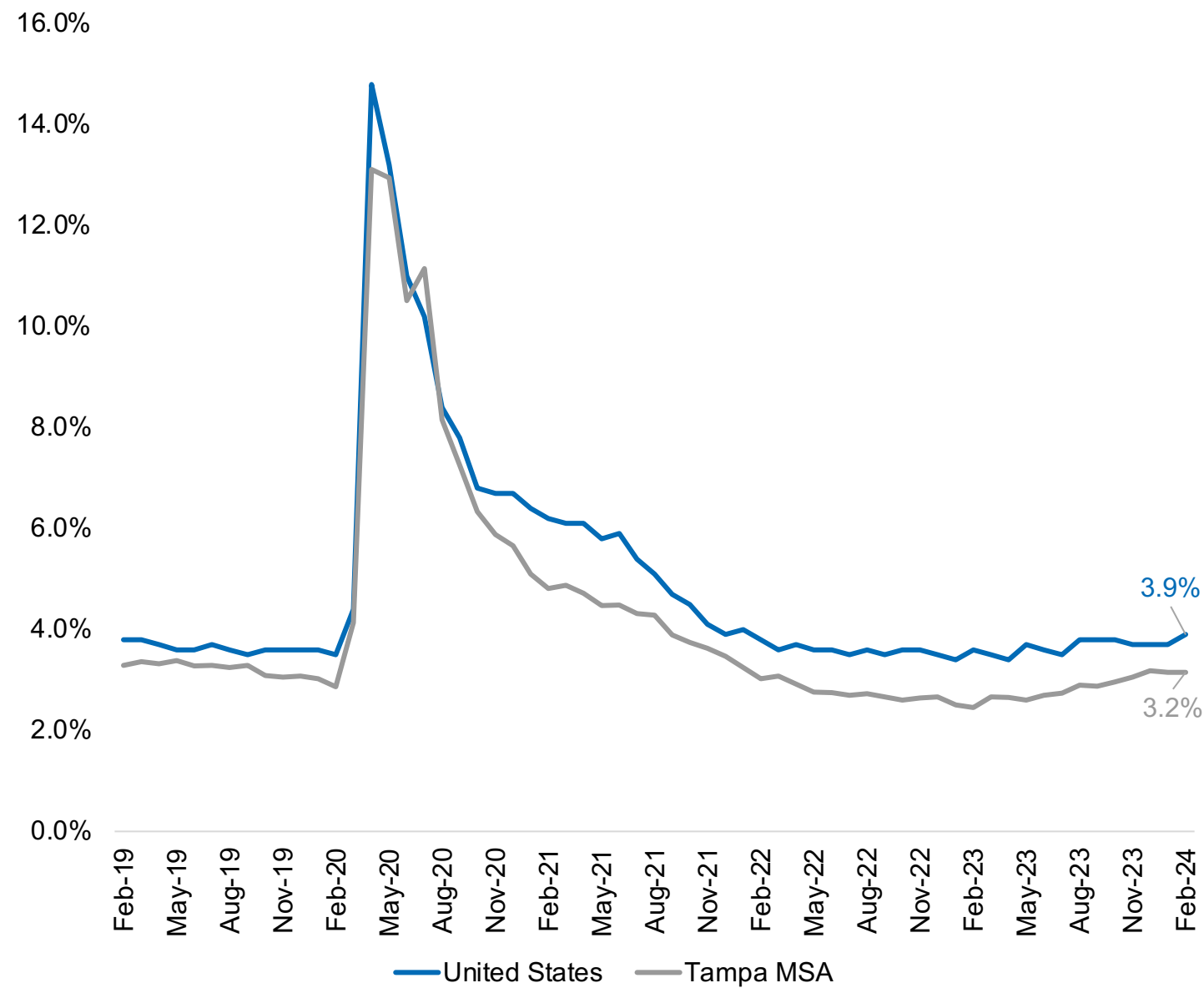
Economy



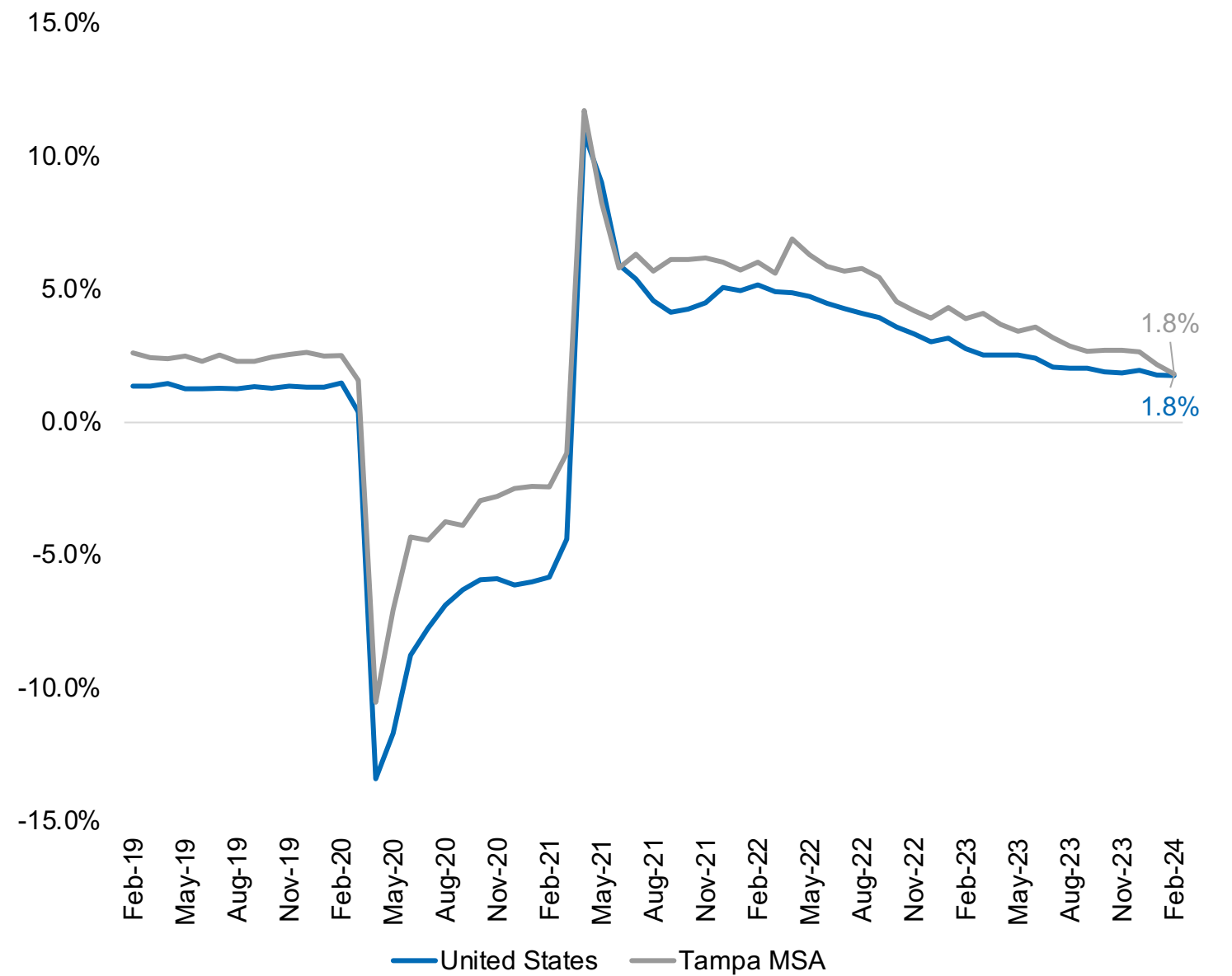
Metro Employment Trends Continue Signaling a Slowing Economy

The Tampa market 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 70 basis points year over year, with employment growth slowing by 209 basis points compared with the previous year. The difference in employment growth in the market and nation are the closest they have been, by one basis point, since June 2021 post pandemic.

Unemployment Rate, Seasonally Adjusted



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

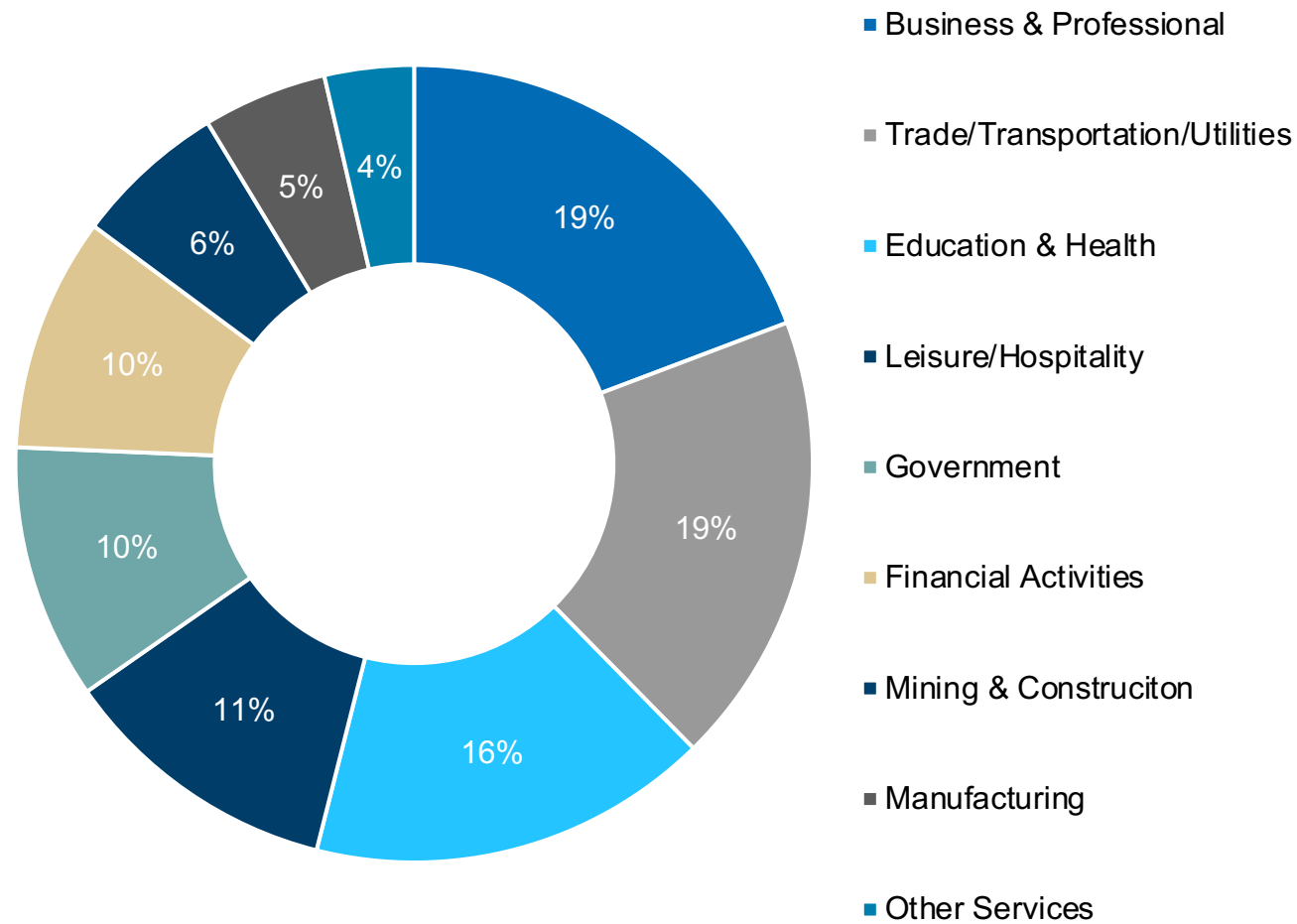


Source: U.S. Bureau of Labor Statistics, Tampa MSA

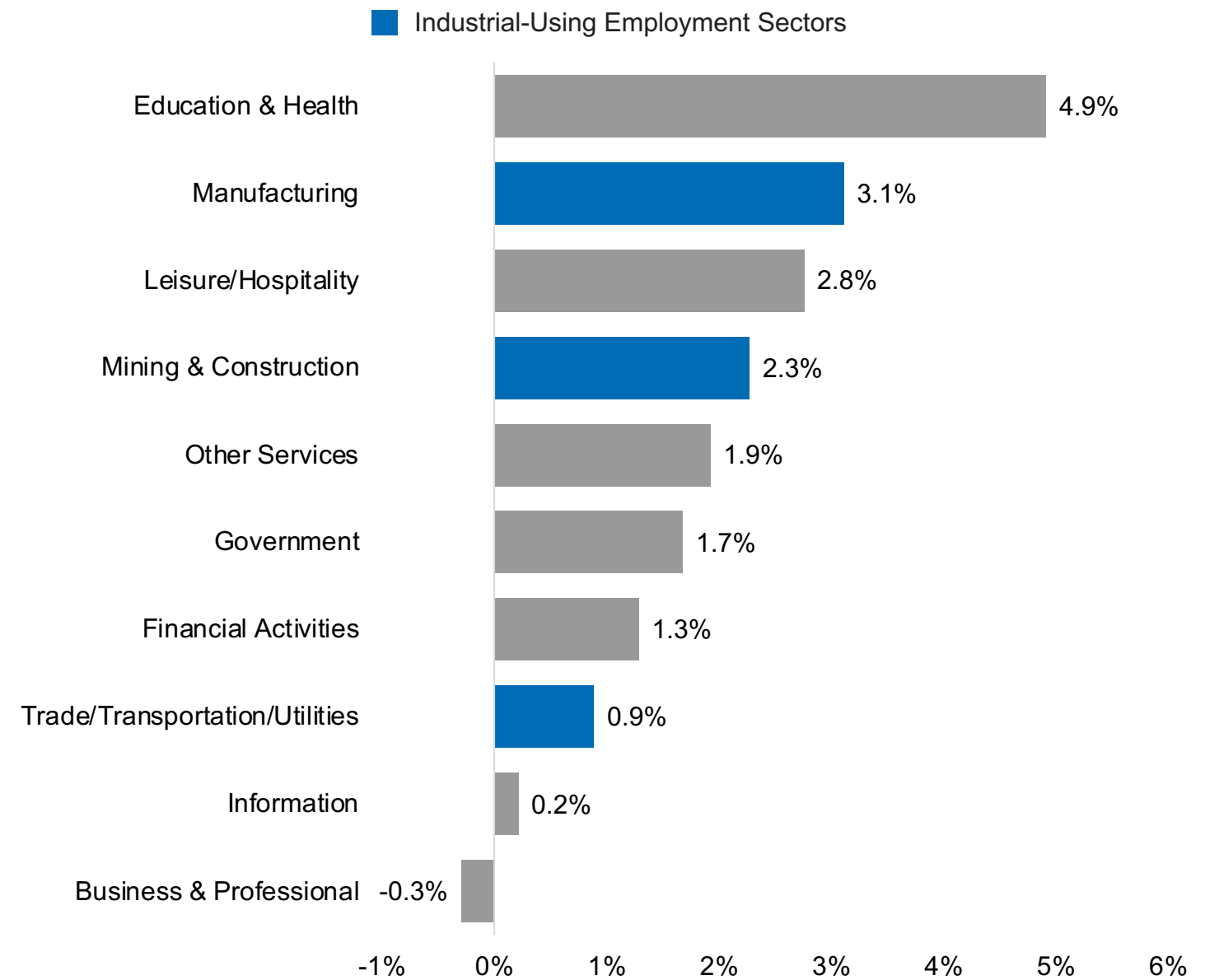
Employment Growth Continues in All Industrial-Using Sectors

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 18.0%. All industries, except for the business and professional sector, in the metroplex reported growth, with industrial-using industries reporting year-over-year growth ranging from 0.9% to 3.1%.

Employment by Industry, February 2024



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

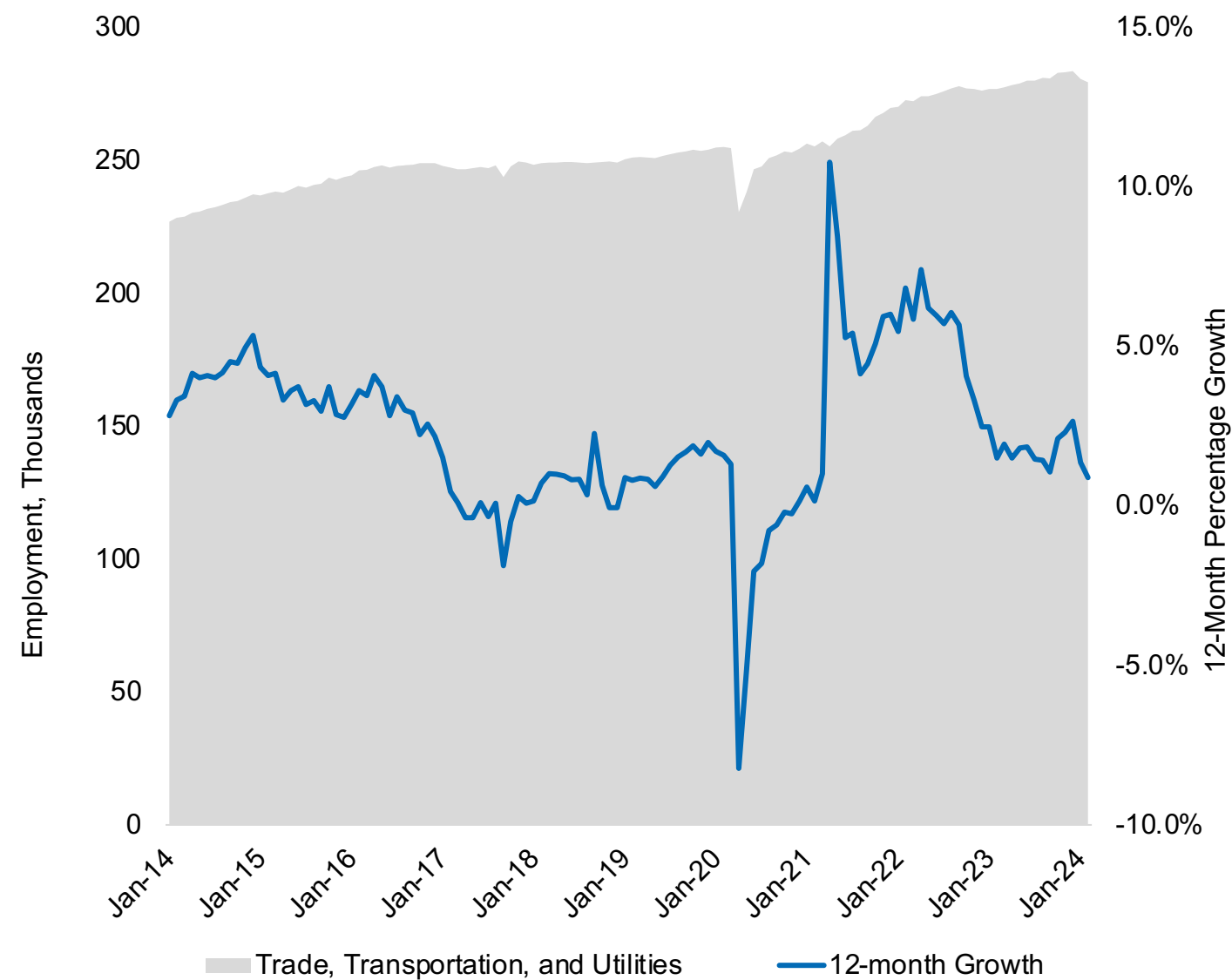


Source: U.S. Bureau of Labor Statistics, Tampa MSA

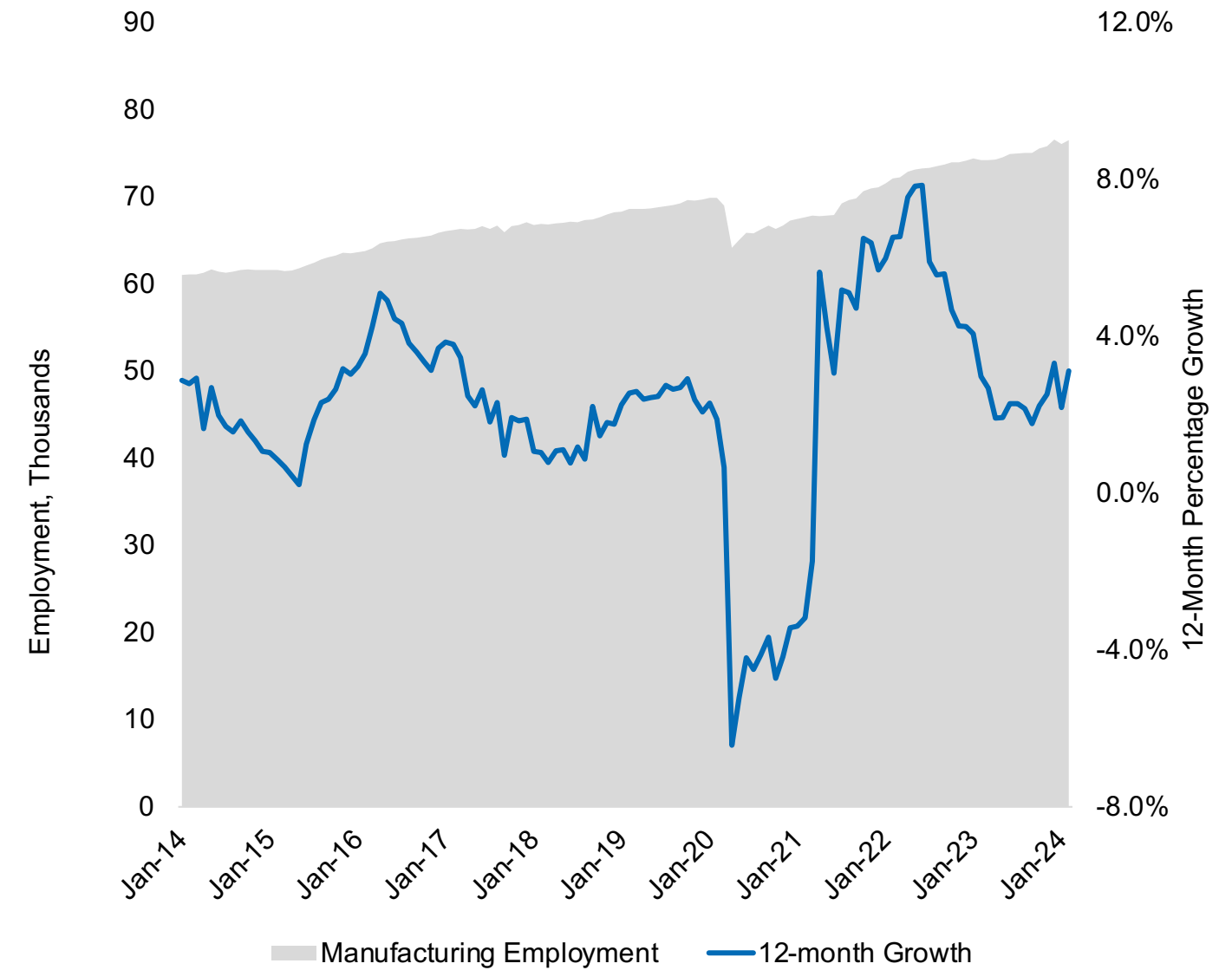
Industrial Employment Remains Elevated, Easing from Historical High

Trade/transportation/utilities employment as of the end of February 2024 was at 279,040 employees, decreasing by 1.5% from the all-time high reported in December 2023. Manufacturing employment remains elevated at 76,500 employees, easing by less than 0.1% from the October 2023 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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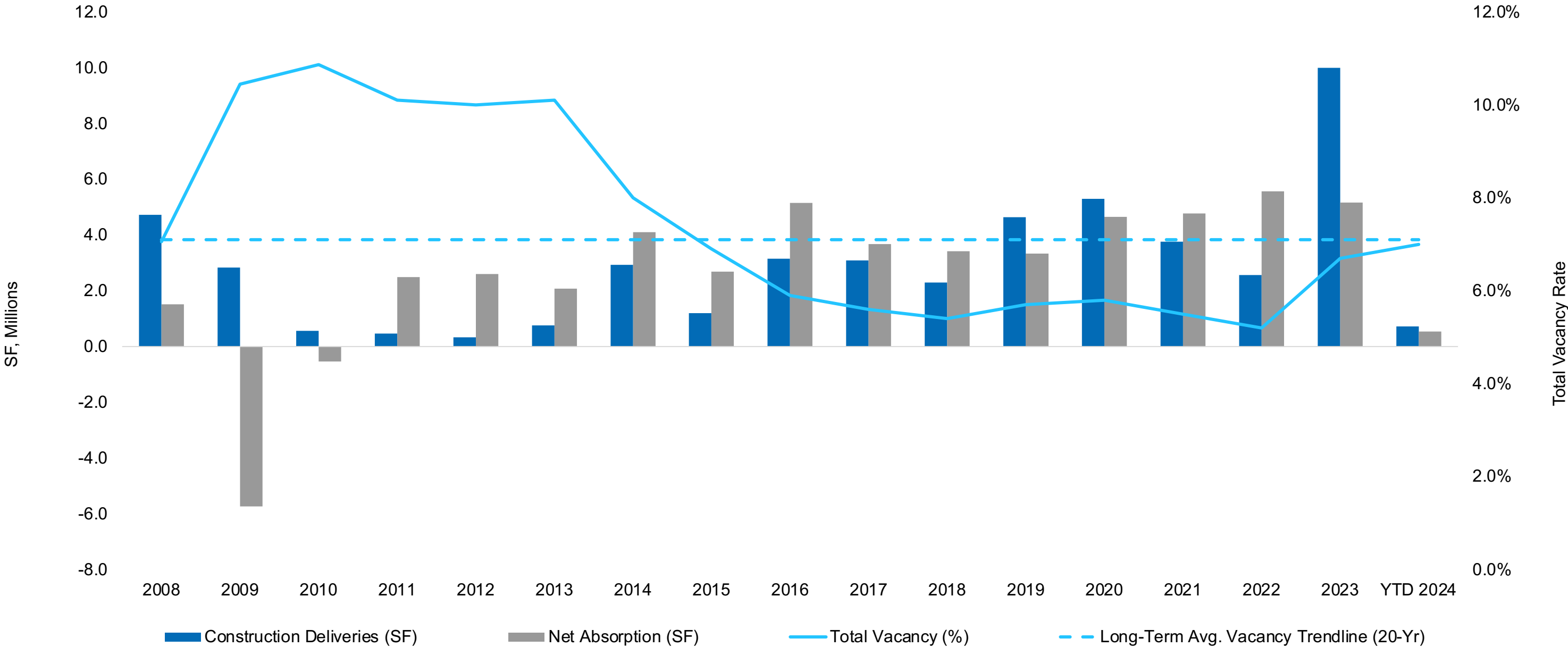
Leasing Market Fundamentals



Supply Continues Outpacing Demand

The Tampa industrial vacancy rate increased by 160 basis points year over year to 7.0% in the first quarter of 2024, with supply continuing to outstrip demand for the fifth consecutive quarter. Deliveries continue to outpace supply in the market, with new supply added in the first quarter of 2024 at 717,594 SF, very slightly outpacing the first quarter average from 2008 to 2023 by 0.7%. Despite national economic headwinds, demand continues to remain positive for industrial space in the market.

Historical Construction Deliveries, Net Absorption, and Vacancy

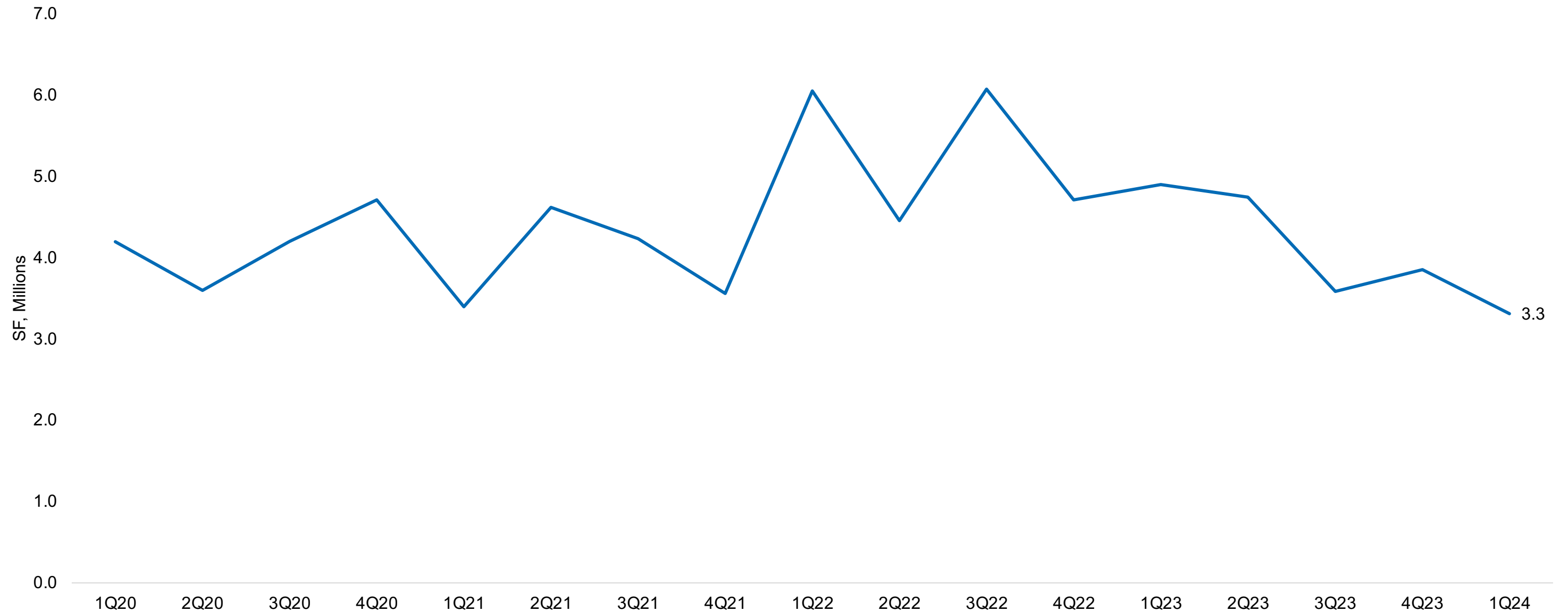


Source: Newmark Research, CoStar

Industrial Leasing Activity Decelerates

In the first quarter of 2024, leasing activity decelerated from historical highs reported post-pandemic, ending the quarter at 3.3 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. Even though leasing activity slowed, likely due to prevailing economic headwinds, demand continues to remain positive.

Total Leasing Activity (SF)

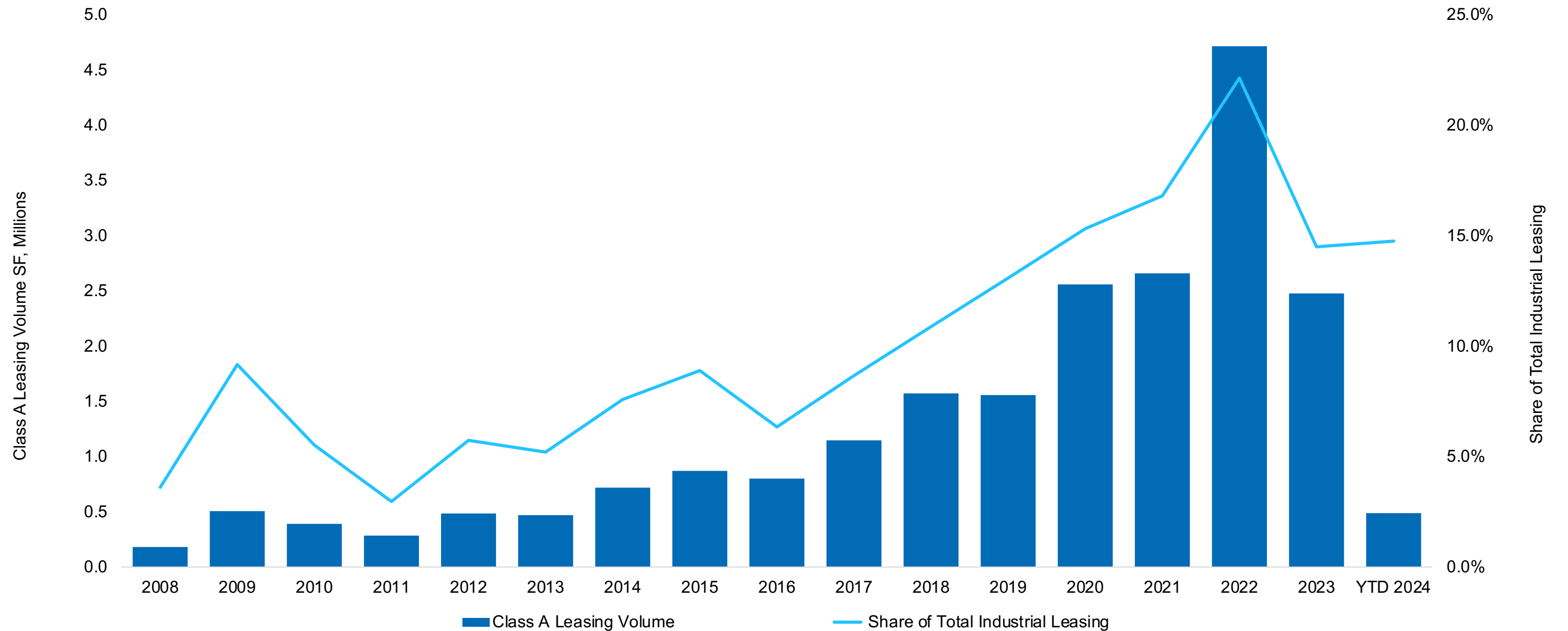


Source: Newmark Research, CoStar

Class A Warehouse Leasing above Long-Term Average

Class A warehouse space leasing activity decreased since the high of 2.1 MSF reached in the third quarter of 2022 to 488,821 SF in the first 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 14.8% of overall activity in the first quarter of 2024, slightly higher than year-end 2023 at 14.5% 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

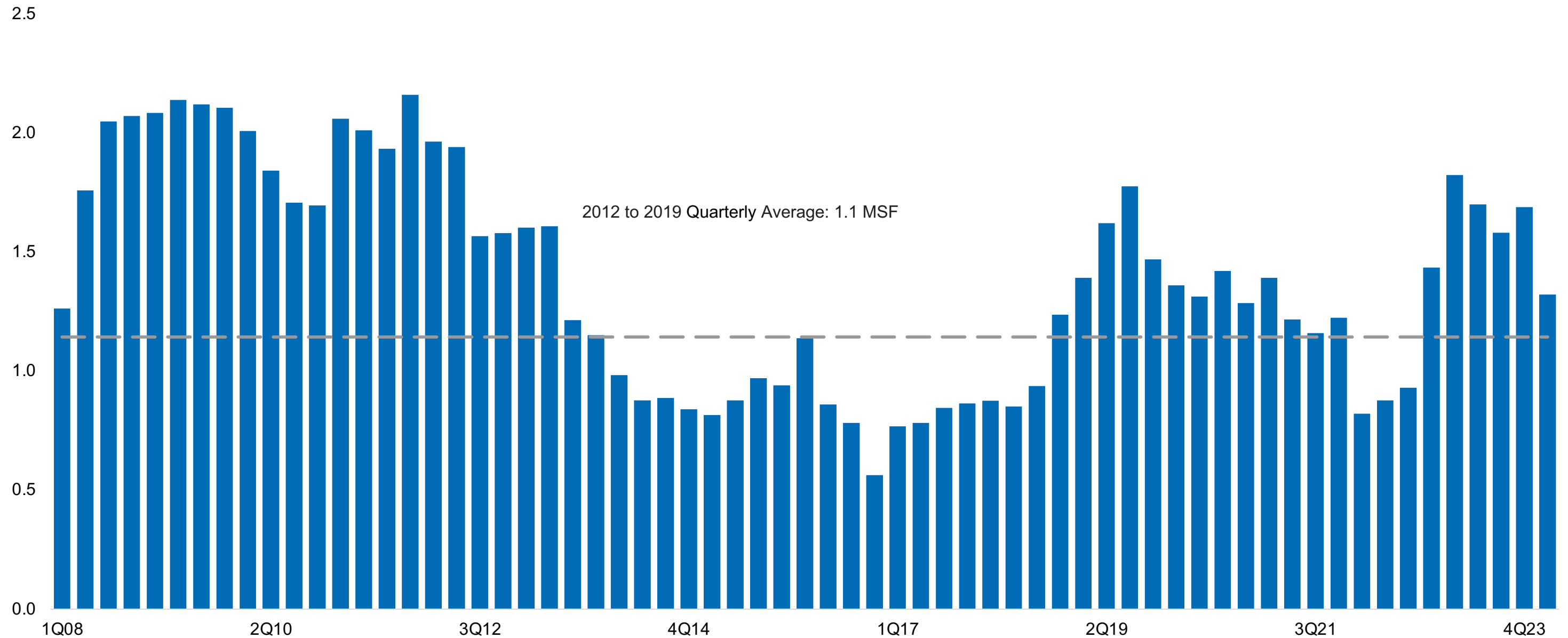


Source: Newmark Research, CoStar

Industrial Sublease Availability Declines

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 first quarter of 2024, sublease space available is at 1.3 MSF. Sublease availability continued to remain elevated but have decreased by 21.7% quarter over quarter and 27.5% 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)

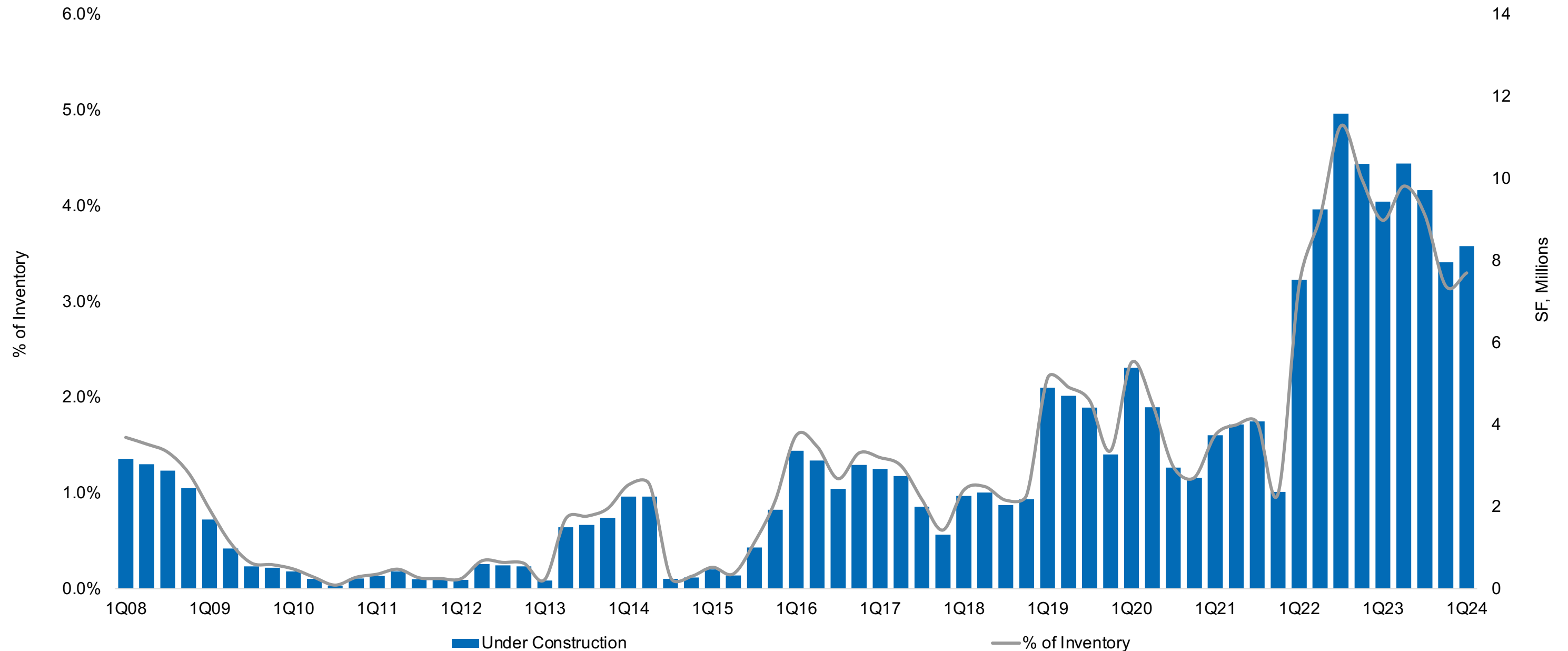


Source: Newmark Research, CoStar

Industrial Supply Pipeline Slightly Increases

The construction pipeline continues to trend downward after reaching a historic high of 11.6 MSF in the third quarter of 2022. The first quarter of 2024 reversed this trend with the under-construction pipeline increasing by 5.0% quarter over quarter to 8.4 MSF. The influx of under construction activity will help prevent the market from witnessing supply shortages as demand continues to remain positive in the market. Despite a healthy pipeline, there is less risk of overbuilding with only 3.3% of the current inventory under construction.

Industrial Under Construction and % of Inventory

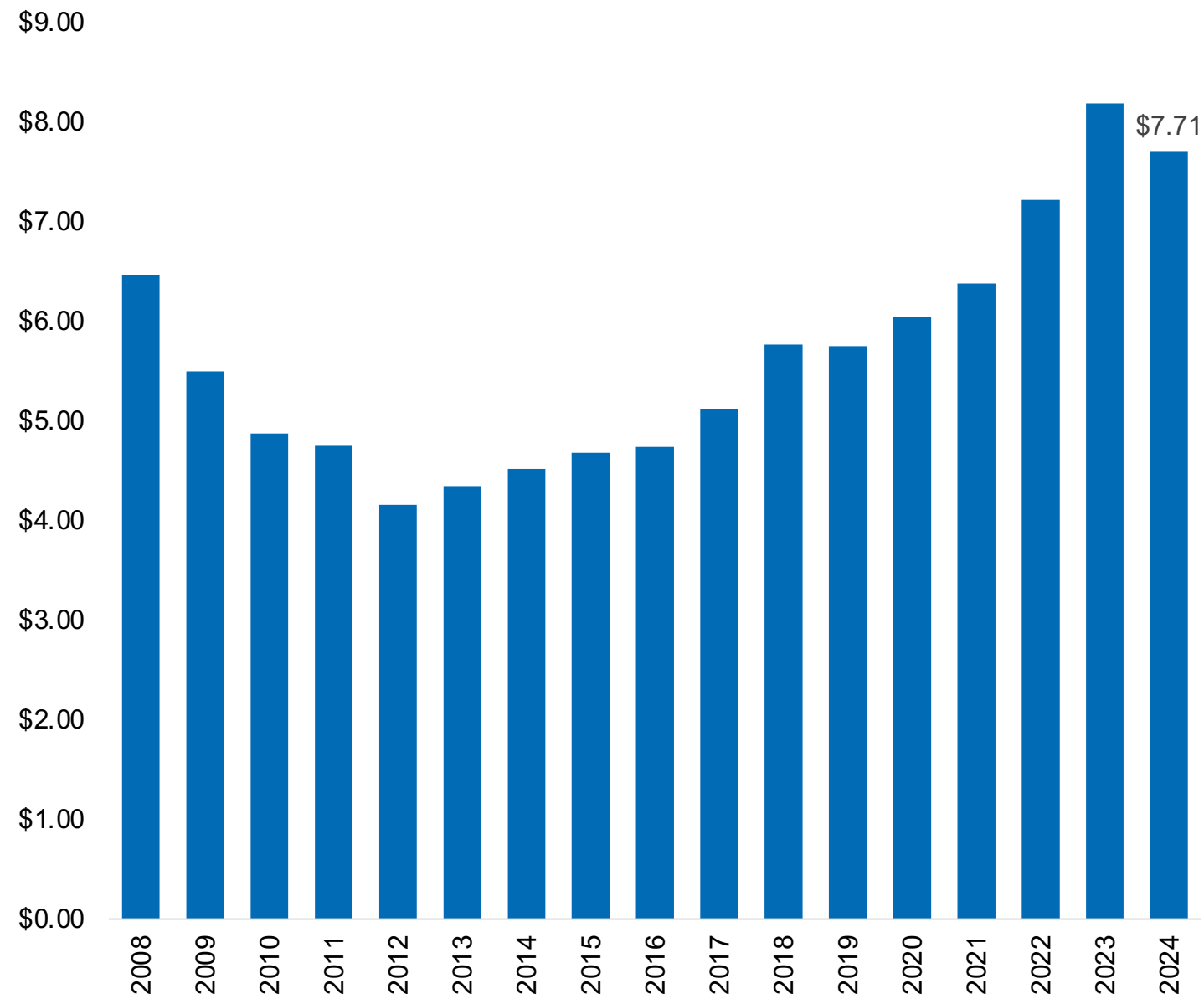


Source: Newmark Research, CoStar

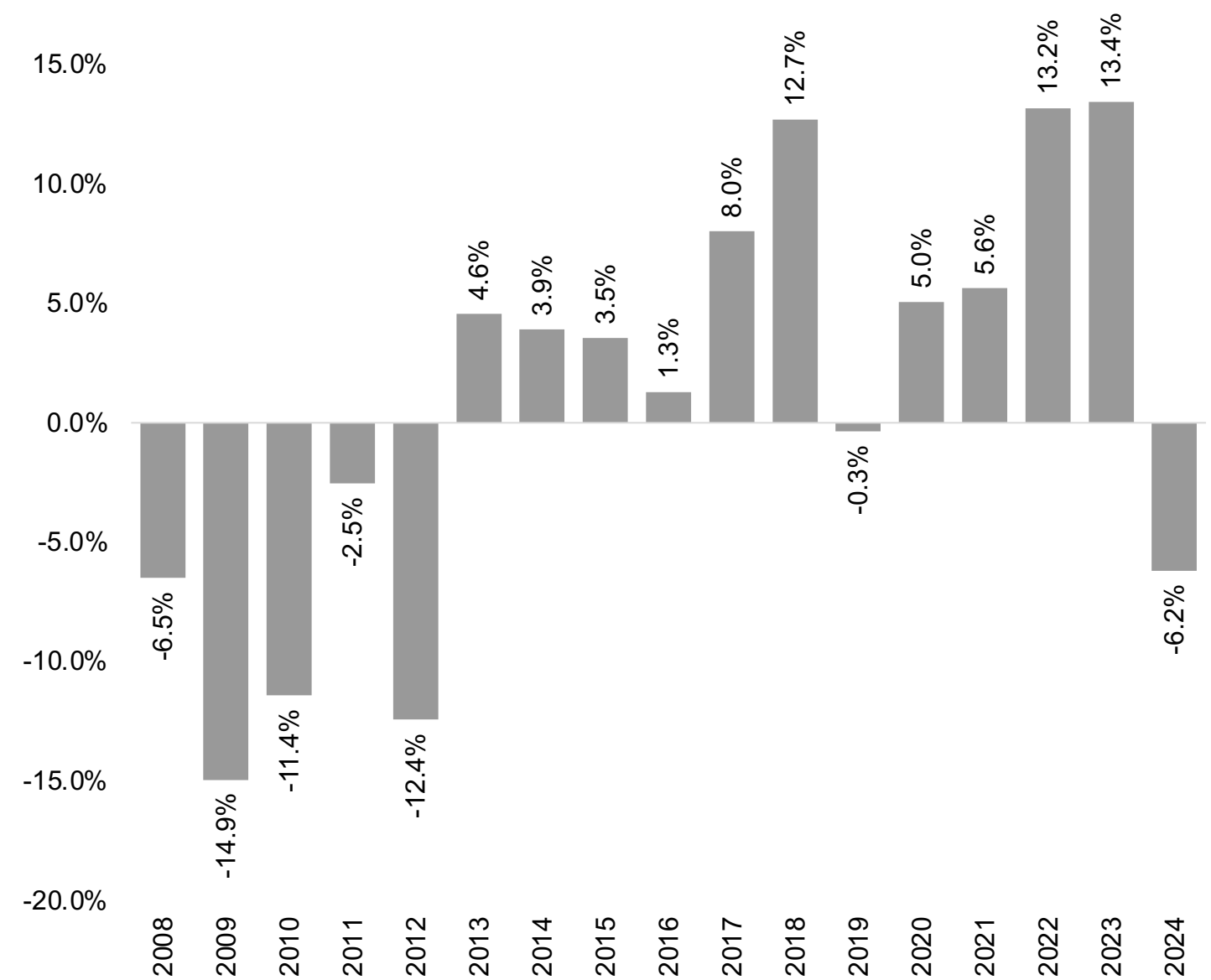
Asking Rents Reach Decrease from Historical High

Industrial average asking rents decreased from the historical high achieved in 2023 by 6.2%, with the first quarter of 2024 ending at \$7.71/SF. Rent growth is 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 1Q24 Lease Transactions

Leasing activity slowed for the fifth consecutive quarter, closing the first quarter of 2024 at 3.3 MSF, reflecting a decline of 14.0% quarter over quarter. Given strong leasing post-pandemic, the current leasing activity is 5.1% above quarterly averages reported since 2010 at 3.2 MSF. Currently, projects under construction are 64.1% preleased.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Republic National Distributing Company <i>National beverage distributor, Republic National Distributing Company inked the largest lease of the quarter, a renewal for 242,932 SF at 13040 Bay Industrial Dr.</i>	Tampa Regional Distribution Center	SE Hillsborough	Renewal	242,932
Polyglass USA <i>With plans to help expand support for an existing manufacturing plant in Auburndale, roofing products manufacturer Polyglass USA signed a new lease at I-4 Midway Logistics.</i>	I-4 Midway Logistics	E Hillsborough/Plant City	Direct New	215,889
ROC Cabinetry <i>A new lease for 91,440 SF at 9209 Palm River Rd was signed by cabinet manufacturer ROC Cabinetry.</i>	East Tampa Commerce Center—Building 100	East Side Tampa	Direct New	91,440
Hood Container Corporation <i>Paper and packaging company, Hood Container Corporation, signed a new lease at 5806 N 53rd St to expand the company's Tampa operations by 75,000 SF.</i>	Hanna Distribution Center	East Side Tampa	Direct New	75,000
Jabil <i>Jabil, a supply chain company, signed a new lease for 72,410 SF at 12901 Starkey Rd in Largo to expand operations.</i>	Starkey Lakes Corporate Center—Building 1	S Pinellas County	Direct New	72,410



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