



CRE MARKET INSIGHTS

The Tampa Bay regional industrial market is extraordinarily healthy and in high demand. It is also one of many nuances. There are some systematic similarities, but as real estate goes, location makes a difference.

As the industrial market continues in this cycle of strong growth and increased demand, property values and lease rates have increased with velocity not seen in years. As a result, we have seen a surge of new construction throughout the region with most new buildings designed and developed as large multi or single user institutional-grade facilities. These are generally defined as tilt wall, high ceiling developments attracting large regional or national companies. With interest rates still low and financial institutions still willing to fund industrial transactions, the sales market has become extremely competitive.

Hillsborough County is home to two robust industrial cores: the East Tampa and Airport markets. These two combine to total over 75 million square feet of inventory and with just over 5.6 million vacant or a single digit vacancy rate of 7.5%. As the sales prices and lease rates continue to climb, we see Institution-grade warehouses trading above the \$100 psf threshold. The A/B grade masonry block buildings are now trading at \$80-95 psf and metal buildings topping out at an average of \$70-85 psf. Manufacturing NNN lease rates are averaging \$8.00 psf, flex properties at \$11.00 psf and storage warehousing at \$5.65 psf.

Jumping across the bridge to Pinellas County the trends continue, but the numbers differ slightly. Pinellas has three major industrial markets, the South, Mid and North Markets. The Mid-Pinellas market is the largest at over 25 million sf, followed by the South at 5.7 million and then the north at 5.3 million. The vacancy rates for each are as follows: Mid – 6.6%, South – 9.2% and North at a historic low of <1%. NNN lease rates are detailed for each market below:

Mid Pinellas

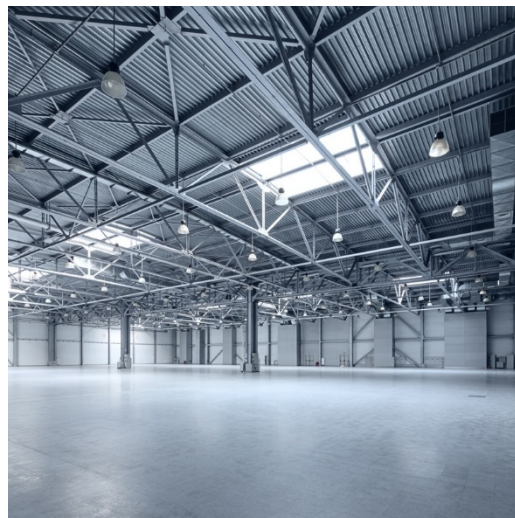
- Manufacturing - \$6.25 psf,
- Flex - \$11.30 psf
- Storage Warehouse - \$5.50 psf

South Pinellas

- Manufacturing - \$6.35 psf
- Flex – N/A
- Storage Warehouse - \$5.00 psf

North Pinellas

- Manufacturing - \$10.00 psf
- Flex - \$12.75 psf
- Storage Warehouse - \$8.10 psf



In regard to Pinellas industrial sales, the property values mimic much of the same values seen in Hillsborough, with limited new construction due to a lack of vacant land. Many new projects are a result of redevelopment efforts. The newer block buildings are now being sold for over \$115 psf. The tight market has made purchasing highly competitive and properties are being bid routinely over asking price.

On the investment side, Industrial properties have been one of the most desired targets of institutional and local investor. Industrial buildings have typically traded for double digit cap rate returns, however in recent years those rates have significantly compressed. Industrial investment deals are now trading in the 7.0-8.5% range, dependent upon type of structure, lease terms, and quality of tenants.

With the shift of online retail and the consumer need to have their goods in the fastest means possible, last-mile distribution and the manufacturing of these items will continue to drive demand and we may continue to see values climb for our regional industrial properties. The scarcity of land and limited resources to build new buildings will work to only push existing structures' values higher.



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