



**Q3**  
2019

# TAMPA BAY LAND MARKET OVERVIEW

QUARTERLY REPORT

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## IN THIS REPORT

Erhardt's Quick Look at the Land Market .....	2
The Big Picture .....	3
Tampa Bay Single Family Market Overview .....	7
Tampa Bay Multifamily Market Overview .....	9
Tampa Bay Hospitality Market Overview.....	11
Tampa Bay Retail Market Overview .....	12
Tampa Bay Office Market Overview .....	13
Tampa Bay Industrial Market Overview.....	14
Land Sales.....	15



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The following represents excerpts from economic and real estate journals, notes from conventions, seminars and other meetings I attended, along with personal opinions of my own and others that affect the land market in the Tampa Bay Region. Previous Market Overviews can be found at [cushwakelandfl.com/tampa](http://cushwakelandfl.com/tampa)

## ERHARDT'S QUICK LOOK AT THE LAND MARKET

### MULTIFAMILY

Same as the last 33 quarters, rental sites continue to be very active especially in the suburbs. Starting to see smaller, 100-150 unit projects. For sale townhomes and condominiums (entry level and luxury) are under contract or construction in urban and suburban markets and continue to gain momentum.

### SINGLE FAMILY

As for the last 40 quarters, builders and developers are closing and making offers on A, B and C+ locations. North Manatee is still hot. Nationals are getting into single family and multifamily for rent development.

Please note Hillsborough County impact fees are going up.

### RETAIL

Mainly tenant driven, grocery in particular and location driven. Outparcel subdivisions and unanchored strips in A location are active.

### MIXED USE

With a retail component is active.

### INDUSTRIAL

New and local developers continue to contract and close land positions in Tampa, South and North Pasco, Lakeland, Plant City and Manatee/Lakewood Ranch. Spec buildings are getting larger - 500,000+.

### OFFICE

There are now 6 class A office buildings under construction totaling 1.9 million square feet. Proposed rents are \$40-\$50 per square feet, gross. Some developers are quoting NNN rents.

### MEDICAL

The new law that went into effect July 1st, new hospitals, standalone emergency rooms, no longer require a certificate of need (CON) from the state we predict.

### HOSPITALITY

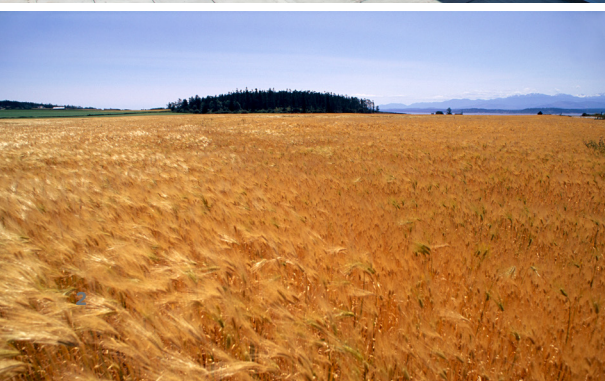
Same as the last 21 quarters, development activity continues in urban and suburban locations.

### AGRICULTURAL LAND

Active. More buyers than sellers.

### CYCLE

I'm still predicting the overall Tampa Bay land cycle has three to four years left, with solid growth for the next two years. Population growth and job gains are the main drivers. The only headwind is construction and labor costs and impact fees rising faster than rents.



# THE BIG PICTURE

## Workforce and Low-Income Housing

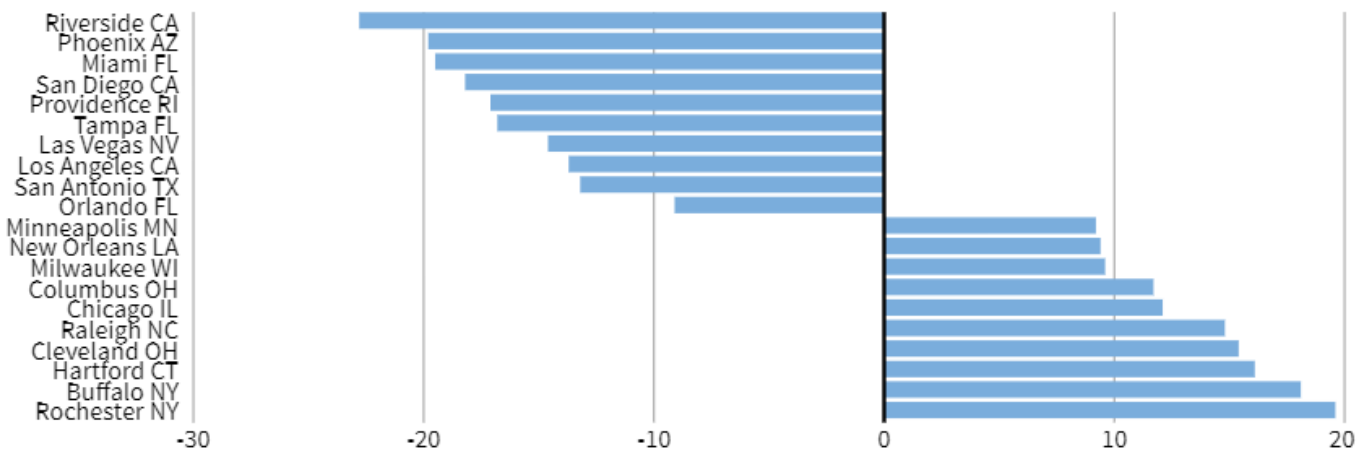
The Sadowski act has been collecting doc stamps since 1993 specifically for workforce housing. Unfortunately, our state legislature uses these funds like their own piggy bank. It has been estimated that over two billion dollars, in the last 12 years, has been used for the state’s general fund and did not go to its intended use.

Please contact your legislators in Tallahassee and urge them to stop stealing from this fund.  
[Click here to contact your legislators](#)

## Reuters, Business News, September 6, 2019 Negative Risk of a Housing Downturn

To reinforce this, a recent Reuters article included the chart below, which shows Tampa having negative risk of a housing downturn!

TO VIEW THE FULL REPORT [CLICK HERE](#)



Ann Saphir | REUTERS GRAPHICS

## Affordable Housing ToolKit, Florida Apartment Association and Apartment Association of Greater Orlando.

This is an interesting study on the Florida multifamily market addressing market rate, affordable, and a combination of market rate and affordable products.

Florida is experiencing an unprecedented housing shortage, which is causing affordability challenges across the state. The purpose of this document is to offer background information regarding the underlying causes of Florida’s housing affordability problem as it relates to apartments and to offer effective solutions designed to increase the supply of apartment homes and control the cost of multifamily housing for Floridians.

[CLICK HERE](#) FOR FULL TOOLKIT

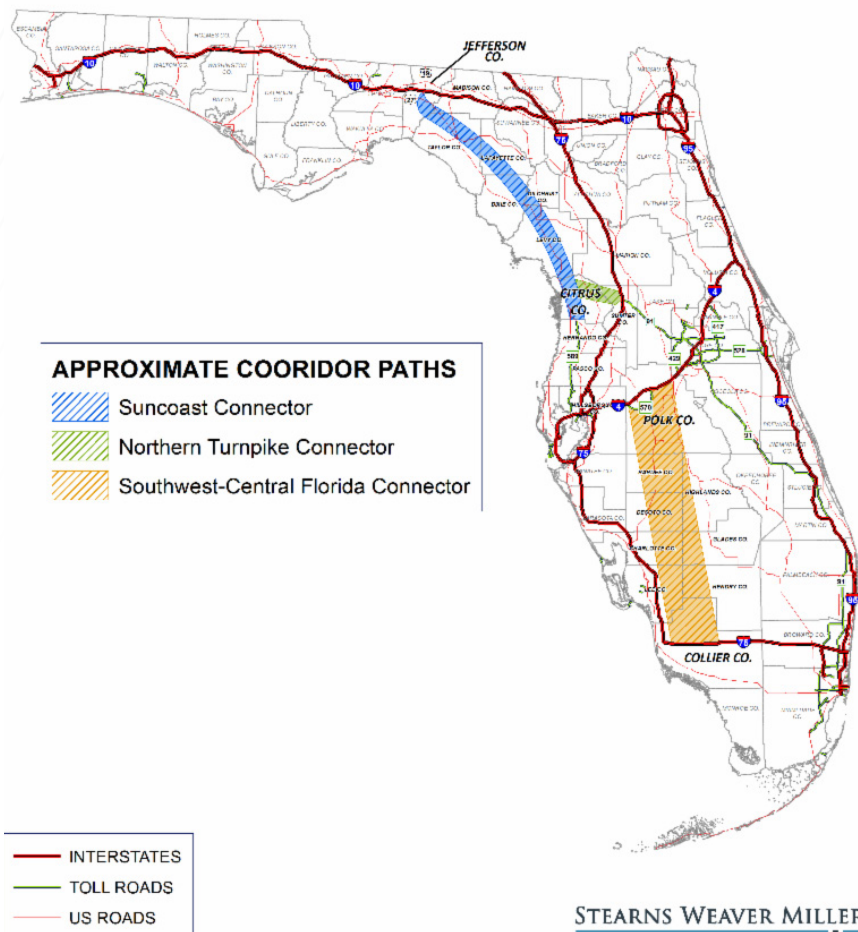
## Capital Improvement Program FY 20 – FY 25, Board of County Commissioners Public Hearing

[CLICK HERE](#) TO SEE THE FULL LIST OF CAPITAL IMPROVEMENTS TOTALING \$1.3 BILLION

### Opportunities Ahead as Florida Prepares for Three New Tollways, Stearns Weaver Miller, Government Affairs New Update May 31, 2019

- The three tollway corridors under study are:
  1. Southwest-Central Florida Connector, extending from Collier County to Polk County;
  2. Suncoast Connector, extending from Citrus County to Jefferson County; and
  3. Northern Turnpike Connector, extending from the northern terminus of the Florida Turnpike northwest to the Suncoast Parkway.
- The Program is aimed at two of Florida's critical problems. First, as we gain nearly 1,000 Floridians every day, the state's existing interstate system continues to face capacity issues, especially I-75. These are especially severe during hurricane evacuations, and new tollway corridors could address some of these safety issues. Second, this legislation also focuses on spurring economic growth within the rural areas where these tollway corridors will be located.
- Each task force must issue its evaluations in a final report by October 1, 2020. Construction must begin no later than December 31, 2022, with the corridors open to traffic no later than December 31, 2030. Both the studies and the tollways are significantly funded through this measure, along with several critical funding mechanisms focused on rural development.
- Landowners, developers, mitigation bankers, and others within these corridors should pay close attention for opportunities to engage in the locations of these corridors. This includes work with the task forces and the Department of Transportation, as well as engaging with local governments during their involvement in the program. The exact location of the new tollways within the corridors could have important effects on all of these interested parties.

[CLICK HERE](#) TO READ MORE



## Mueller Real Estate Cycle Monitor - Second Quarter 2019, Cycle Monitor, Glenn Mueller, Ph.D

### REAL ESTATE PHYSICAL MARKET CYCLE ANALYSIS OF 5 PROPERTY TYPES IN 54 METROPOLITAN STATISTICAL AREAS (MSAS).

Economic growth has moderating to a low 2% range, while job growth has been steady and 2Q wage growth grew at 3%, the best in this expansion. Real estate demand has been steady while development continues to grow meeting, but also exceeding demand in many markets. With many markets at the peak / equilibrium point #11 on the cycle for over a year, rent growth is decelerating toward inflation levels. Lower interest rates should help commercial real estate during the next year. Real Estate seems to be fairly valued versus stocks and bonds.



#### OFFICE OCCUPANCY

increased **0.1%** in 2Q19, and rents **grew 0.4%** for the quarter and **2.3% annually**



#### RETAIL OCCUPANCY

was **flat** in 2Q19, and rents **were flat** for the quarter and grew **1.4% annually**



#### INDUSTRIAL OCCUPANCY

declined **-0.1%** in 2Q19, and rents **grew 1.1%** for the quarter and **5.5% annually**



#### HOTEL OCCUPANCY

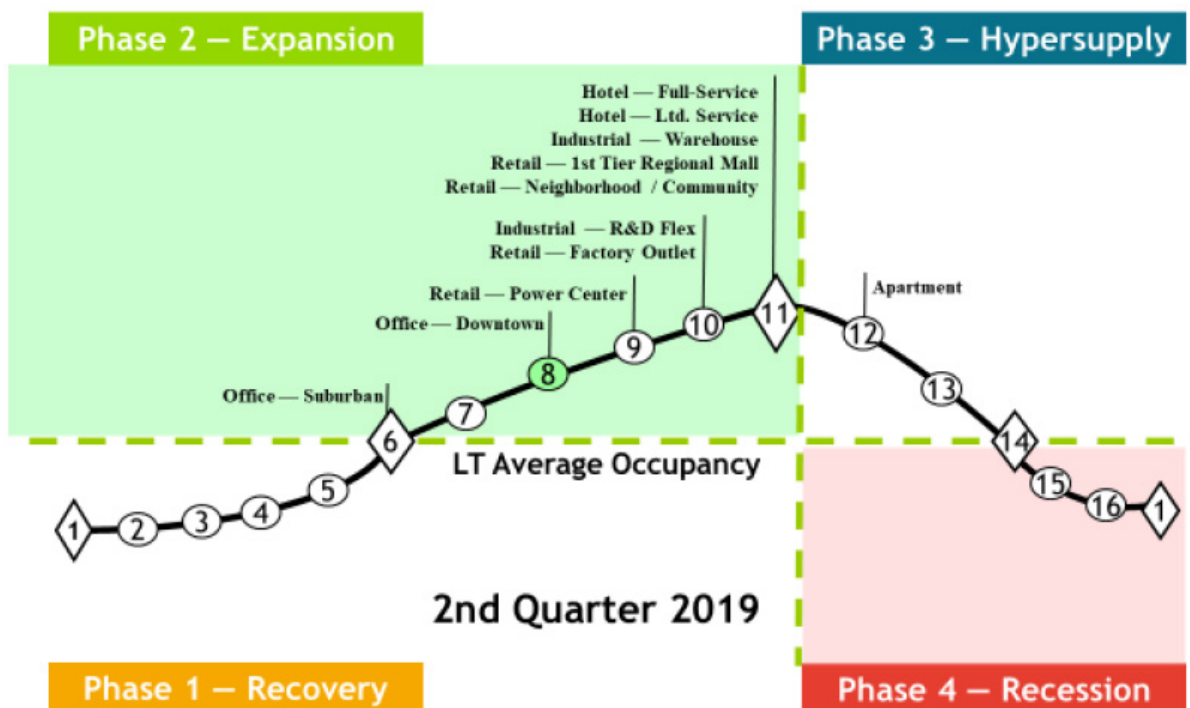
improved **0.1%** in 2Q19, and room rates **grew 0.2%** for the quarter and grew **1.1% annually**



#### APARTMENT OCCUPANCY

increased **0.3%** in 2Q19, and rents **grew 0.4%** for the quarter, but grew **2.3% annually**

### NATIONAL PROPERTY TYPE CYCLE LOCATIONS



Source: Mueller, 2019

### OFFICE MARKET CYCLE ANALYSIS

The national office market occupancy level increased 0.1% in 2Q19 and was up 0.3% year-over-year. Demand growth continues with WeWork leading the way in leasing space. WeWork now has over 24 million square feet of office space in the US with most leases over 10 years. Flexible “short term” leases continue to be the major office demand driver, with both start-up and large companies using this option. Supply remains moderate in most markets as construction costs are increasing due to high construction levels in apartment and industrial space. Local “economic base” industries creating different demand growth levels, have spread cities across all points in the expansion phase of the cycle. Average national rents increased 0.4% in 2Q19 and produced a 2.3% rent increase year-over-year.

***Tampa for a second quarter is at level 11, which is the demand/supply equilibrium point. With Tampa is Jacksonville, Nashville and Raleigh-Durham. Behind Tampa is Atlanta, Charlotte, Memphis, Miami, Norfolk, Ft. Lauderdale, Orlando, Palm Beach and Richmond. With Tampa is Jacksonville, Nashville and Raleigh-Durham. No one in the southeast is ahead.***



### INDUSTRIAL MARKET CYCLE ANALYSIS

Industrial occupancies declined 0.1% in 2Q2019 and were down 0.1% year-over-year. While demand remains positive and moderately strong, 13 markets moved into the hyper-supply phase due to excess new construction over demand in these markets. Close in warehouse demand has grown the most in the past year. It remains to be seen if the hyper-supply is an ongoing trend or a completion timing ahead of the demand need issue that could correct itself in the next few quarters. Industrial national average rents increased 1.1% in 2Q19 and increased 5.5% year-over-year.

***Tampa is at level 12, which is increasing vacancy new construction. Behind Tampa is Atlanta, Charlotte, Memphis, Miami, Norfolk, Raleigh-Durham and Richmond. With Tampa is Ft. Lauderdale, Jacksonville, Nashville, Orlando and Palm Beach. No one in the southeast is in front.***

### APARTMENT MARKET CYCLE ANALYSIS

The national apartment occupancy average improved 0.3% in 1Q19 and improved 0.3% year-over-year. Millennial demand continues to be strong with school graduations pushing up 2Q occupancies. A few markets swapped places from being at peak equilibrium point #11 on the cycle to hyper-supply point #12 on the cycle and vice-versa. New construction is moderating in many downtowns, but heating up in suburbs, especially near transit stops. Builders are using urban concepts in the suburbs with retail on first floor with apartments above. Average national apartment rent growth improved 0.4% in 2Q19 and national average rents increased 2.3% year-over-year.

***Tampa has dropped back to level 11, which is the demand/supply equilibrium point after 4 quarters at level 12. With Tampa is Austin, Jacksonville, Norfolk and Raleigh-Durham. Ahead of Tampa is Charlotte, Ft. Lauderdale, Nashville, Orlando, Palm Beach, Richmond, Atlanta and Miami. No one in the southeast is behind Tampa.***

### RETAIL MARKET CYCLE ANALYSIS

Retail occupancies were flat in 2Q19 and were flat year-over-year. Retail concepts continue to evolve toward “experience based” retail concept success - with restaurants, brew pubs and event type experiences leading the way. Internet retailers continue to open stores with Amazon leading the way at 200 expected stores in 2019. Many retailers are also using the showroom style concept with smaller space to show products, but no inventory to sell. They help buyers buy on-line in the store. National average retail rents were flat in 2Q19 but increased 1.4% year-over-year.

***For the seventh quarter Tampa is at level 11, the demand/supply equilibrium point. With Tampa is Atlanta, Charlotte, Ft. Lauderdale, Jacksonville, Palm Beach, Memphis, Miami, Nashville, Norfolk, Orlando and Richmond. Ahead of Tampa in the southeast is Raleigh-Durham.***

### HOTEL MARKET CYCLE ANALYSIS

Hotel occupancies improved 0.1% in 2Q19 and were up 0.4% year-over-year. Demand continues to grow and there are mixed results as supply has been higher in some markets creating occupancy decline and moving those markets into the hyper supply phase of the cycle. While other markets (mainly major business cities) have seen higher demand than supply moving them back to peak occupancy/equilibrium point #11 on the cycle graph. We would expect this position swapping to continue if GDP growth remains positive going forward over the next year. The national average hotel room rate increased 0.2% in 2Q19 and increased 1.1% year-over-year.

***For the eleventh quarter Tampa is at level 11, the demand/supply equilibrium point. With Tampa is Ft. Lauderdale, Jacksonville, Miami, Orlando, Palm Beach and Richmond. Behind Tampa is Norfolk, Memphis and Raleigh-Durham. Ahead of Tampa is Miami, Norfolk and Atlanta.***

# TAMPA BAY SINGLE FAMILY MARKET OVERVIEW

## Metrostudy Quarterly 2Q19 Executive Summary

Tony Polito [tpolito@metrostudy.com](mailto:tpolito@metrostudy.com) 813 888 5151 Ext. 811

- In Tampa, 2,966 single-family units were started in the second quarter of 2019. This represents an decrease of 2.95% compared to last year's rate of 3,056 units.
- The annual starts rate, compared to last year, increased by 11.7%, to 12,185 annual starts. The current cyclical peak was the 12,275 annual starts recorded for the twelve months ending March 31, 2019. Quarterly closings totaled 3,008 units, which was 2.1% lower than the 3,071 closings during the 2nd Quarter of last year.
- The biggest increase in annual starts occurred in the \$200 - \$250k price range. However, the largest percentage increase came in new homes with a base price over \$450k, a 44.9% jump in starts.
- Total single-family inventory, which is composed of units under construction, finished vacant and models equaled 6,112 units on the ground at the end of the 2nd Quarter of 2019; an 6.3-month supply. Inventories increased by 10.3% compared to 2nd Quarter of 2018. Compared to last year, the number of units under construction grew by 402 homes to 4,423 homes. Finished vacant inventory increased by 14.4% from 1,138 units last year to 1,302 this year. Compared to a year ago, the FV months of supply held level at 1.3 months. Looking only at the last quarter, the number of completions exceeded moveins and FV inventory grew by 177 units versus 1Q19. The MOS increased from 1.2 to 1.3 months. Since June of 2018, the UC backlog has grown by 402 units. There is currently a 4.6-month supply of units under construction versus 4.5-months a year ago. There may be more unsold starts in 2019. This is consistent with our contracts data which showed a decline in 4Q 2018 followed by a rebound in 2019 near the level reported in 2018. Lower interest rates may have brought back some buyers who had been priced out of the market. Our thesis is that we will bump along the top of the market for several more quarters, although some economic warning signs for 2020 are beginning to appear.
- This quarter, 3,033 new lots were delivered to the Tampa market. This same quarter a year ago, we delivered 2,493 lots. Vacant developed lot inventory stands at 30,898 lots, an increase of 2.8% compared to 30,072 lots last year. Based upon the annual start rate, this level of lot inventory represents a 30.4 month supply, down 2.7 months from last year. Overall the market is at equilibrium, but both of the two major production counties: Hillsborough and Pasco Counties are under-supplied. For the Tampa market 24 - 36 months is considered an equilibrium level of lot supply.
- The table below ranks the top ten Master Planned Communities in the market by annual starts.

Community Annual Starts

Starkey Ranch	481
Wiregrass	371
Southfork Lakes	363
Cypress Creek	341
Bexley	320
Epperson	298
Belmont	289
South Fork	281
Waterset	273
Triple Creek	267

- Hillsborough County remained the most active county within the Tampa market. Over the last 90 days, Hillsborough lost market share, down from 60.2% for 1Q19 to 59.6% for 2Q19. Market share in Pasco grew from 28.1% for 1Q19 to 28.8% for 2Q19, despite quarterly starts falling from 969 in 1Q19 to 856 for 2Q19. The VDL supply throughout all of Hillsborough County stood at 14.5 months as of 2Q 2019, down from 14.9 months as of 2Q 2018. The VDL supply in Pasco stood at 19.2 months as of June 30, 2019. One year ago Pasco had a 19.8-month supply of vacant developed lots. Both of these two major counties have seen development of lots lag behind housing starts, constraining supply.
- Metrostudy's housing demand forecast is for 11,700 units of "for sale" housing for 2019. This is based on the CBSA adding 30,000 new jobs annually. Since March 2010, the Tampa CBSA has added 268,300 new jobs, an average of 29,811 jobs. Over the last year 29,300 jobs were added. The current start pace at 12,185 units is slightly above our demand forecast. The current annual closing pace of 11,614 indicates a slight upside for the last half of 2019 for new home closings. The lack of lot supply and a market where price increases are becoming more difficult means margin pressures will persist through 2019 and into 2020. Our 2020 Forecast for new housing activity is a range of housing starts between 11,700 and 12,300 units. This could represent a slight increase or a slight decline over 2019 levels. This level of activity is based on local and national economic conditions holding through the summer of 2020. Our thesis of bobbing along near the top of the market is expected to hold until we near the Presidential election in the fall of 2020.

## Single Family New Home Market Overview for Past 12 Months

Provided by Landmark Reports +1 813 810 4335, [chris@landmarkreports.com](mailto:chris@landmarkreports.com)

### TAMPA NEW HOME CLOSINGS BY COUNTY

	County	# of Closings	Aggregate Closings	Avg Closing Price	Avg HSF	Avg FF
1	Hillsborough	5,888	\$1,699,342,119	\$287,083	2,304	49
2	Polk	2,851	\$704,295,826	\$247,035	1,984	55
3	Pasco	2,796	\$949,006,175	\$339,416	2,360	53
4	Sarasota	1,894	\$763,023,956	\$402,864	2,125	53
5	Manatee	1,875	\$748,639,591	\$399,275	2,182	57
6	Pinellas	306	\$132,410,075	\$432,713	2,466	39
7	Hernando	193	\$41,088,843	\$212,896	1,874	84

### CLOSINGS BY COUNTY SUBMARKET

	Submarket	No. of Closings	Aggregate Closings	Avg Closing Price	Avg HSF	Avg FF
1	South Hillsborough	4,732	\$1,280,809,140	\$270,670	2,258	49
2	Venice/Englewood	1,223	\$439,390,173	\$359,272	2,006	52
3	Wes Chapel/New Tampa	1,149	\$424,458,291	\$369,415	2,452	54
4	SR 54/Trinity	1118	\$414,001,530	\$370,305	2,366	49
5	NE Polk	914	\$230,320,028	\$251,991	1,983	51
6	Lakewood Ranch	850	\$427,909,372	\$503,423	2,150	61
7	New Eastern Polk	668	\$138,729,815	\$207,679	1,823	63
8	North of the River	642	\$200,589,500	\$312,445	2,238	52
9	Citrus Park/NW Tampa	536	\$199,688,917	\$372,554	2,437	45
10	US 41/SR 52	453	\$132,143,604	\$291,708	2,320	55

### TOP 10 BY COMMUNITY

	Community	No. of Closings	Total Closing Price	Avg Closing Price	Avg HSF	Avg FF
1	Carlton Lakes (Southfork Lakes)	359	\$90,817,334	\$252,973	2,423	49
2	Villages of Starkey Ranch	342	\$138,975,072	\$406,360	2,589	51
3	Belmont	289	\$77,130,365	\$266,887	2,534	50
4	Epperson Ranch South	274	\$68,777,386	\$324,005	2,308	53
5	Cypress Creek	242	\$51,671,292	\$213,518	2,036	48
6	Triple Creek	242	\$71,143,821	\$293,983	2,413	52
7	Bexley South	240	\$79,610,657	\$331,711	2,412	45
8	South Fork	211	\$66,732,485	\$316,268	2,720	60
9	Gran Paradiso	196	\$71,255,486	\$363,548	1,987	52
10	Ayersworth Glen	191	\$39,688,626	\$207,794	2,003	45



# TAMPA BAY MULTIFAMILY MARKET OVERVIEW

## Axiometrics, Inc. Market Performance Summary, Q2-2019, Tampa - St. Petersburg - Clearwater, Florida Metropolitan Statistical Area

### APARTMENT PERFORMANCE

Effective rent increased 2.0% from \$1,192 in 1Q19 to \$1,214 in 2Q19, which resulted in an annual growth rate of 3.7%. Annual effective rent growth has averaged 2.7% since 2Q96.

The market's annual rent growth rate was above the national average of 3.1%. Out of the 150 markets ranked by RealPage nationally, Tampa-St. Petersburg-Clearwater, FL was 53rd for quarterly effective rent growth, and 56th for annual effective rent growth for 2Q19.

The market's occupancy rate increased from 95.2% in 1Q19 to 95.6% in 2Q19 but was down from 95.8% a year ago. The market's occupancy rate was below the national average of 96.1% in 2Q19. The market's occupancy rate has averaged 94.0% since 2Q96.

### MARKET SURVEY RESULTS AND FORECASTS

	Sequential				Month	Annual						
	3Q18	4Q18	1Q19	2Q19	Jun-19	2017	2018	2019F	2020F	2021F	2022F	2023F
Effective Rent Per Unit	\$1,192	\$1,187	\$1,190	\$1,214	\$1,219	\$1,124	\$1,173	\$1,215	\$1,249	\$1,264	\$1,294	\$1,328
Per Sq. Ft.	\$1.28	\$1.27	\$1.28	\$1.30	\$1.31	\$1.21	\$1.26	\$1.30	\$1.34	\$1.36	\$1.39	\$1.43
Effect Rent Growth - Annually	4.9%	4.4%	4.2%	3.7%	2.9%	3.0%	4.4%	3.9%	1.9%	1.8%	2.5%	2.4%
Effective Rent Growth - Quarterly	1.8%	-0.4%	0.3%	20.0%								
Occupancy Rate	96.0%	95.4%	95.2%	95.6%	95.8%	95.2%	95.6%	95.6%	96.2%	96.3%	95.8%	95.9%
Occupancy Change - Annually	0.6%	0.2%	-0.1%	-0.2%	0.1%	0.3%	0.2%	0.2%	0.4%	-0.1%	-0.4%	0.4%
Occupancy Change - Quarterly	0.2%	-0.5%	-0.3%	0.5%								
Economic Concessions												
Concession Value	\$27.00	\$44.00	\$41.00	\$33.00	\$77.00	\$32.25						
As a % of Asking Rent	2.3%	3.7%	3.4%	2.8%	6.3%	2.9%						



## TAMPA BAY **MULTIFAMILY** MARKET OVERVIEW CONT.

### DEMAND AND SUPPLY

According to the Bureau of Labor Statistics, job growth in Tampa-St. Petersburg-Clearwater, FL was 2.0% in May 2019, reflecting 27,100 jobs added during a 12-month period. The metro job growth figure was above the national number of 1.5%.

RealPage forecasts Tampa-St. Petersburg-Clearwater, FL's job growth to be 1.0% in 2020, with 14,154 jobs added. Job growth is expected to average 0.8% from 2021 to 2023, with an average of 11,873 jobs added each year.

On the supply side, permits for 5,415 multifamily units were issued in the 12 months ending in May 2019, up 2,546 units from the prior year's sum. In terms of total residential housing, 19,949 units were permitted in the 12 months ending May 2019, an increase of 2,730 units from the prior year's total.

### MULTIFAMILY ABSORPTION AND SUPPLY

	Annual				2Q19	Annual Forecast				
	2016	2017	2018	Market	National	2019F	2020F	2021F	2022F	2023F
Total Units Absorbed	1,704	4,672	5,697	4,234	327,601	4,416	4,796	4,137	2,357	4,890
New Supply	3,659	4,443	5,417	5,599	284,889	4,523	3,922	4,587	3,583	3,973
Inventory	1.4%	1.8%	2.2%	2.1%	1.5%	1.8%	1.5%	1.8%	1.3%	1.5%

### IDENTIFIED SUPPLY

As of April 24, 2019, RealPage has identified 4,510 apartment units scheduled for delivery in 2019, of which, 1,040 have been delivered. As a comparison, there were 5,407 apartment units delivered in 2018. Properties delivered to the market in the last 12 months have achieved an average asking rent of \$1,703 per unit, or \$1.79 per square foot. Effective rent has averaged \$1,623, or \$1.70 per square foot, resulting in an average concession value of \$149.04. As a comparison, existing properties in the market had an average asking rent of \$1,197 per unit (\$1.28 per square foot) and an average effective rent of \$1,191 per unit, or \$1.27 per square foot, in 1Q19. Concessions for existing properties averaged \$42.00. Tampa Bay Multifamily Market Overview

### SUBMARKET DELIVERY SCHEDULE

	Pipeline Delivery Schedule				Pipeline Lease Up Trend					
	2017	2018	2019	Total	Units Absorbed		Asking Rent		Effective Rent	
Top Submarkets	2017	2018	2019	Total	Totals	PPM	Per Unit	PSF	Per Unit	PSF
Carrollwood/Citrus Park	242	356	598	1,196	325	20	\$1,471	\$1.48	\$1,367	\$1.37
Central Tampa	1,893	1,395	776	4,064	1,233	19	\$1,923	\$2.29	\$1,782	\$2.12
New Tampa/East Pasco County	42	645	395	1,082	374	22	\$1,541	\$1.47	\$1,405	\$1.34
Peninsula	288	1	1,113	1,403	219	22	\$1,701	\$1.87	\$1,635	\$1.80
South St. Petersburg	371	315	683	1,324	416	19	\$2,194	\$2.35	\$2,046	\$2.19
Other	1,293	2,603	855	4,751	1,802	14	\$1,513	\$1.52	\$1,480	\$1.49
<b>Tampa-St. Petersburg-Clearwater, FL</b>	<b>4,129</b>	<b>5,315</b>	<b>4,375</b>	<b>13,819</b>	<b>4,369</b>	<b>16</b>	<b>\$1,683</b>	<b>\$1.80</b>	<b>\$1,600</b>	<b>\$1.70</b>

\*Based on 2019 deliveries

\*Trends based on trailing 12 month period

# TAMPA BAY HOSPITALITY MARKET OVERVIEW

August 2019, Tampa/Hillsborough County Hospitality Statistics, [www.visittampabay.com](http://www.visittampabay.com)

<b>OCCUPANCY RATE</b>	67.9 (-2.0%)
<b>ROOM RATES ADR</b>	\$106.96 (+2.7%)
<b>ROOM EXPENDITURES RevPAR</b>	\$72.60 (+0.7%)
<b>SUPPLY</b>	730,267 (+4.6%)
<b>DEMAND</b>	495,710 (+2.5%)
<b>REVENUE</b>	\$53,019,569 (+5.4%)



# TAMPA BAY **RETAIL** MARKET OVERVIEW

## Tampa / St. Petersburg Retail Market Report, CoStar Group, Inc.

### SUMMARY

Tampa's retail market is flourishing, thanks to elevated personal consumption from the metro's robust population and wage growth, as well as a vibrant tourism industry. After outperforming the nation for generally the past five years, the market continues to be one of the healthiest in the country. In 2019, both the average vacancy rate and annual rent growth have established record levels.

While Tampa's retail trade employment has been one of the highest growth sectors over the past two years, with over 5% job growth, net absorption has started to gradually taper off, as vacancies sit near record lows. Although relatively low compared to long-term trends, construction has picked up, with 2019's supply underway the largest in nearly a decade.

### RENT

Tampa is one of the strongest rent growth markets in the nation and has remained so for roughly the past five years. Annual gains have shown no sign of slowing, with the market establishing a record growth rate in 2019. Furthermore, the current growth rate is roughly five times the long-term trend.

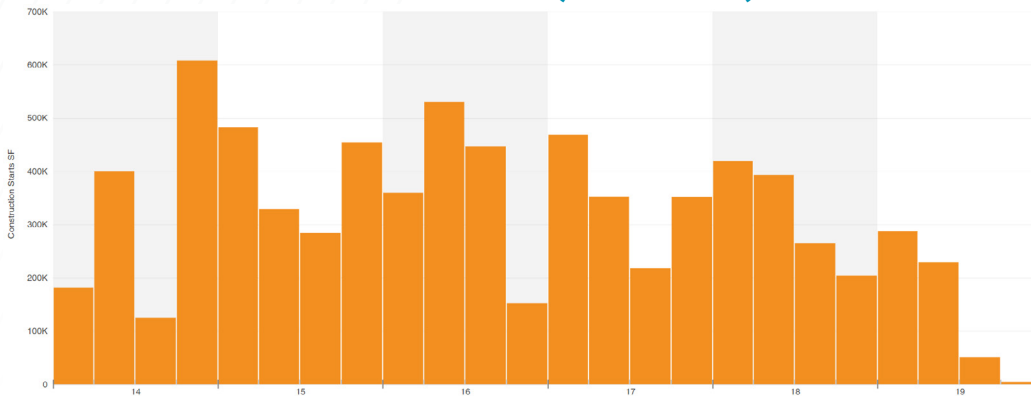
Despite a relative uptick in recent and current construction, the metro has seen little impact on rent growth. The moderate supply and expected continued strong demand levels should insulate rent growth from significant downward pressure.

### CONSTRUCTION

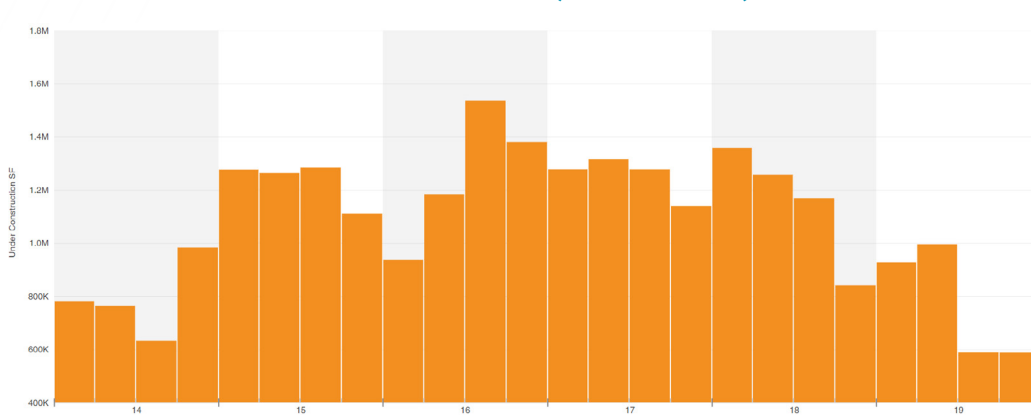
Construction has gradually crept up over the past two years and in 2019 has reached the highest point in roughly a decade. However, even at the elevated construction levels, the total square footage underway is well below the metro's long-term average.

Part of the reason for limited new supply has been the amount of space added back to the market through well publicized store closures. This is a trend seen all across the nation, though Tampa has had comparatively greater success filling the empty spaces. With the vacancy rate approaching an all-time low and store closures appearing to taper off over the past two quarters, the market could be primed for increased developer activity.

**CONSTRUCTION STARTS (LAST 5 YEARS)**



**UNDER CONSTRUCTION (LAST 5 YEARS)**



## Florida Retail Report 2019, Cushman & Wakefield, Chris Owen and Mark Gilbert

### TAMPA BAY

- 281,669 square feet under construction
- The majority of the square footage is in mixed use projects: Water Street, Midtown Tampa, and Cypress Creek Town Center
- Retail square feet per person is 22



**\$18.52**  
MARKET RENT 

**5.5%**  
VACANCY RATE 

**\$703.7**  
YTD VOLUME (MILLIONS) 

**\$189**  
PRICE PER SQUARE FOOT 

**6.7%**  
CAP RATES 

## TAMPA BAY OFFICE MARKET OVERVIEW

### Cushman & Wakefield Market Overview - Tampa

- **Westshore Office Overview:** Overall vacancy at the end of 3Q19 is 11.7% compared to 11.8% last year and 12.9% last quarter. Class A is at 10.3% compared to 10.1% last year and 12.2% last quarter.
- **I-75 Office Overview:** Overall vacancy at the end of 3Q19 is at 21.5% compared to 10.5% a year ago and 18.6% last quarter. Class A is at 16.4% compared to 7.7% a year ago and 14.3% last quarter.
- **Tampa Central Business District:** Overall vacancy at the end of 3Q19 is at 10.1% compared to 11.2% a year ago and 9.1% last quarter. Class A is at 9.3% compared to 8.0% a year ago and 7.8% last quarter.



## TAMPA BAY INDUSTRIAL MARKET OVERVIEW

### The Land we once knew...

Hillsborough County recorded 1.1 msf of construction deliveries in the third quarter, the second highest quarterly total in the County's history. The significant land positions that were acquired over the past 36 months have now delivered, which led to this record activity. McCraney's County Line Logistics Center completed their third building on a site that was previously a 70-acre strawberry farm (Fancy Farms).

Cushman & Wakefield's Central Florida industrial team helped PlastiPak occupy 236,043 sf in the 402,206-sf building. County Line Logistics Center's building 300 was concurrently built and is estimated to deliver in the fourth quarter of 2019. Cabot's Aprile Farms (formerly a well-known dairy farm) delivered building 100, a 241,445-sf warehouse with rumored strong activity. TPA Group completed the second and final phase of Grand Oaks 75 with a 150,471-sf warehouse. Becknell's Madison Business Center delivered a 188,316-sf warehouse which had 70,500 sf pre-leased to PuraGlobe. The market's strong construction environment was expected to continue with 2.2 msf expected to deliver by mid-2020.

The overall vacancy rate rose 150 basis points (bps) year-over-year (YOY) to 7.0%, marking the 17th consecutive quarter the overall vacancy rate has remained at or below 7.0%. The rise in vacancy was attributed to the Eastside Central/South submarket, which recorded a 330 bps bump in the last 12 months due to the 2.7 million square feet (msf) of new construction deliveries with minimal pre-leasing. In contrast, the Near Eastside submarket recorded a 60 bps decrease and ended the third quarter at 2.2%. The Near Eastside and Airport submarkets continued to have some of the lowest vacancy rates in Tampa Bay as tenants sought out desirable infill and last mile locations.

Overall triple net (NNN) asking rents increased by 3.5% YOY to \$6.46 per square foot (psf). All industrial types recorded YOY rental gains in the third quarter. Warehouse/distribution increased by 5.1% YOY to \$5.56 psf, marking the ninth consecutive quarter the asking rate was greater than \$5.00 psf. The greatest warehouse/distribution boost was in the East Side Central/South submarket where rents increased 11.3% YOY to \$5.52 psf. The asking rate increase was a result of new construction delivering with above market rates. Flex asking rates increased 3.5% YOY to \$10.97, the second highest rate post-recession. The East Side Central/South submarket boasted robust flex rent growth with 18.5% YOY increase to \$12.57 psf.

Overall absorption continued its strong surge with approximately +1.7 msf of absorption year-to-date (YTD) as several large tenants occupied space. The third quarter's +526,631 sf of absorption marks the fifth consecutive quarter with positive absorption. Absorption was bolstered by Republic National Distributing Company and US Venture, Inc. who combined occupied over 370,000 sf. Leasing activity continued to trail historic 2018 figures with 2.1 million square feet (msf) leased YTD, a 35.6% YOY decrease. Through the third quarter of 2019, approximately 1.7 msf was leased in the Eastside submarket, the majority of which in warehouse/distribution, which totaled approximately 1.6 msf leased YTD. Duke Realty's Tampa Regional Industrial Park became fully occupied as

Republic National Distributing Company, Eby-Brown, and Clark & Son leased over 500,000 sf.

Industrial sales activity reached a historical high with 4.0 msf sold in 2019 YTD, the most since Cushman & Wakefield started tracking the market in 1997. Tampa Distribution Center, a six-building park totaling 955,000 sf, was purchased by Link Industrial Properties for \$69,250,000, or \$72.51 psf. Dalfen Industrial purchased I-4 Logistics Center, a recently completed 425,000-sf warehouse. The asset was purchased for \$29,111,400, or \$68.57 psf. The second quarter featured the sale of the 1.0-msf Amazon distribution center in the Eastside Central/South submarket. Industrial Logistics Properties Trust purchased the asset in a portfolio and paid \$624.7 million for the 20 properties.

## OUTLOOK

- Cushman & Wakefield anticipates an increase in vacancy levels and asking rents on available space in new deliveries.
- The industrial market continued to post positive market fundamentals through mid-2019.
- Cushman & Wakefield anticipates the record setting sales activity to continue as new construction delivers in 2019.

## Cushman & Wakefield Industrial Market Overview – Tampa

### WEST TAMPA INDUSTRIAL OVERVIEW:

- The overall vacancy at the end of 3Q19 is 3.9% compared to 4.1% a year ago and 4.0% last quarter.
- Warehouse distribution is at 2.4% vacancy compared to 2.6% a year ago and 1.8% last quarter.
- Office Service Center is at 7.7% vacancy compared to 8.3% a year ago and 9.2% last quarter.

### EAST TAMPA INDUSTRIAL OVERVIEW:

- The overall vacancy at the end of 3Q19 was 8.3% compared to 5.8% a year ago and 8.1% last quarter.
- Warehouse distribution is at 8.9% vacancy compared to 5.9% a year ago and 8.9% last quarter.
- Office Service Center is at 10.7% vacancy compared to 8.0% last year and 10.4% last quarter.

### PLANT CITY INDUSTRIAL MARKET OVERVIEW:

- The overall vacancy at the end 3Q19 was 5.6% vacancy compared to 6.3% a year ago and 6.1% last quarter.
- Warehouse distribution is at 7.4% vacancy compared to 8.7% a year ago and 8.1% last quarter.

### LAKELAND INDUSTRIAL MARKET OVERVIEW:

- The overall vacancy at the end of 3Q19 was 7.4% vacancy compared to 3.8% a year ago and 5.7% last quarter.
- Warehouse distribution is at 9.7% vacancy compared to 4.6% a year ago and 7.1% last quarter.

# LAND SALES

## Single Family

- Park Square Homes purchased 22 lots in Asteria South Central Pasco County for \$85,000 per lot developed.
- Kolter purchased 139.77 acres at 35353 Eiland Blvd Zephyrhills former Hidden Creek Golf Course for \$3 Million, \$21,463 per gross acre. Property is engineered for 347 lots, 40 and 50 foot lots. This is \$8,645 per unit.

## Multifamily

- Millcreek Residential Trust purchased 2 acres in Downtown Tampa for \$9,150,000 or \$105 per square foot. They plan on building 353 apartments in a 23 story building, which is \$25,920 per unit.
- Tampa SH1 Owner LLC purchased a Downtown Tampa site containing 42,191.41 square feet for \$173 per square foot they are planning student housing.

## Industrial

- Foundry purchased 64.01 acres at Lakeside Station Plant City for \$32,537 per gross acre. They're planning on building a 505,160 square foot building which is \$4.12 per building foot. The property was not developed

## Agricultural

- KMDGR investments LLC purchased 154.89 acres of pasture land at 6511 Lithia Pinecrest Road for \$30,726 per acre.
- Simpson Farms Inc purchased 101.9 agricultural acres in North Central Pasco County for \$1,657.65 per gross acre.

## Healthcare

- HCA Healthcare purchased 55 acres in Jacksonville at the northeast quadrant of 95 and FL A1A for \$16 million or \$6.68 per square foot.

## Retail

- Aldi purchased 2.69 acres at Cypress Creek Town Center at the southeast corner of Wesley Chapel Blvd. and state road 56 for 23.47 per square foot developed.









## THE CUSHMAN & WAKEFIELD LAND ADVISORY GROUP

This group brings together teams of seasoned and knowledgeable professionals who have expertise in all aspects of buying and selling. These teams use their substantial experience and proprietary real-time local market information to analyze and develop appropriate strategies for individual sites or portfolios. By capitalizing on various resources within the company, Cushman & Wakefield is uniquely qualified to combine local real estate knowledge with experience in international and domestic capital markets through our Equity, Debt and Structured Finance Group.



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