CUSHMAN & WAKEFIELD

Q4 - 2018

TAMPA BAY
LAND MARKET OVERVIEW

QUARTERLY REPORT

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IN THIS REPORT

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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 www.cushwakelandfl.com/tampa.

ERHARDT'S QUICK LOOK AT THE LAND MARKET

- **MULTIFAMILY** – Same as the last 30 quarters, rental sites continue to be very active especially in the suburbs. Construction and labor cost increases have killed several deals. 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 37 quarters, builders and developers are closing and making offers on A and B locations. There are some land buys for entry level outside the A/B market like Hudson, Zephyrhills and Plant City. North Manatee is hot.
- **RETAIL** – Mainly tenant driven, grocery in particular and location driven. Outparcel subdivisions and unanchored strips in A locations 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+. Last mile sites are in demand.

- **OFFICE** – Same as last 25 quarters, users, B-T-S only, but spec development has started in urban markets, with deliveries in 2019 and 2020. Developers are looking at Pasco County because of the reverse commute, and government assistance. Brandon is seeing interest from large users, and spec developers. Medical office building (MOBs) construction by providers continues to be active especially in Pasco.

Erhardt Comment: *I am predicting 2019 will be the year of spec office.*

- **HOSPITALITY** – Same as the last 18 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 four to five years left, with solid growth for the next three years. Population growth and job gains are the main drivers. The only headwind is construction costs rising faster than rents.

THE BIG PICTURE

Florida Trend - October 2018 - Population Growth

The Arithmetic

ARRIVALS

- **1,632** People who move to Florida each day from elsewhere in the U.S
- **654** People who move to Florida each day from abroad
- **613** Births
- **2,899** Total daily arrivals

DEPARTURES

- **1,148** People who leave Florida for other states
- **275** People who leave Florida for other countries*
- **557** Deaths
- **1,980** Totally daily departures

919
Net Daily Growth

335,435
Net Annual Growth

Emerging Trends in Real Estate Urban Land Institute 2019

For the first time ever, Tampa/St. Petersburg/Clearwater is in the top 10 for US markets to watch. Orlando is also included. Other southeast United States markets in the top ten were Raleigh-Durham, Nashville and Charlotte.

Erhardt Comment:

Referring to Moody's Analytics August 2018 report on the Tampa/St. Petersburg/Clearwater MSA, they are predicting net migration in 2019 and 2020 to be 53,100; 53,200 in 2022; 54,100 in 2023
click here for full report

Cushman & Wakefield Research - In The Opportunity Zone

This report shows Florida in a particularly favorable position to benefit from opportunity zone investment.

Of the 25 US markets ranked, Orlando leads the county for economic momentum, making it the market with the most potential to benefit from opportunity zone investment. West Palm Beach and Tampa immediately follow Orlando, with Fort Lauderdale and Miami also in the top 10. Click to read more.

Wood Office buildings - Costar News - November 29, 2018

Hines is currently developing a 6-story 250,000 square foot wood office building in Denver. This is Hines' 2nd building having completed a prototype project in Minneapolis in 2016. This was the first major multistory office building built of wood in the US in 100 years.

RLCO Real Estate Advisors 2018

Top Selling Master Planned Communities 2018

10 of the 50 were in Florida and 3 were in Tampa Bay; Lakewood Ranch, Starkey Ranch and Wiregrass Ranch. Click here for entire list.

Garrick Brown VP Retail, Intelligence, Cushman & Wakefield – The Amenitization of Retail given at Urban Land Institute October 10, 2018.

To see what is happening in retail today Click here.

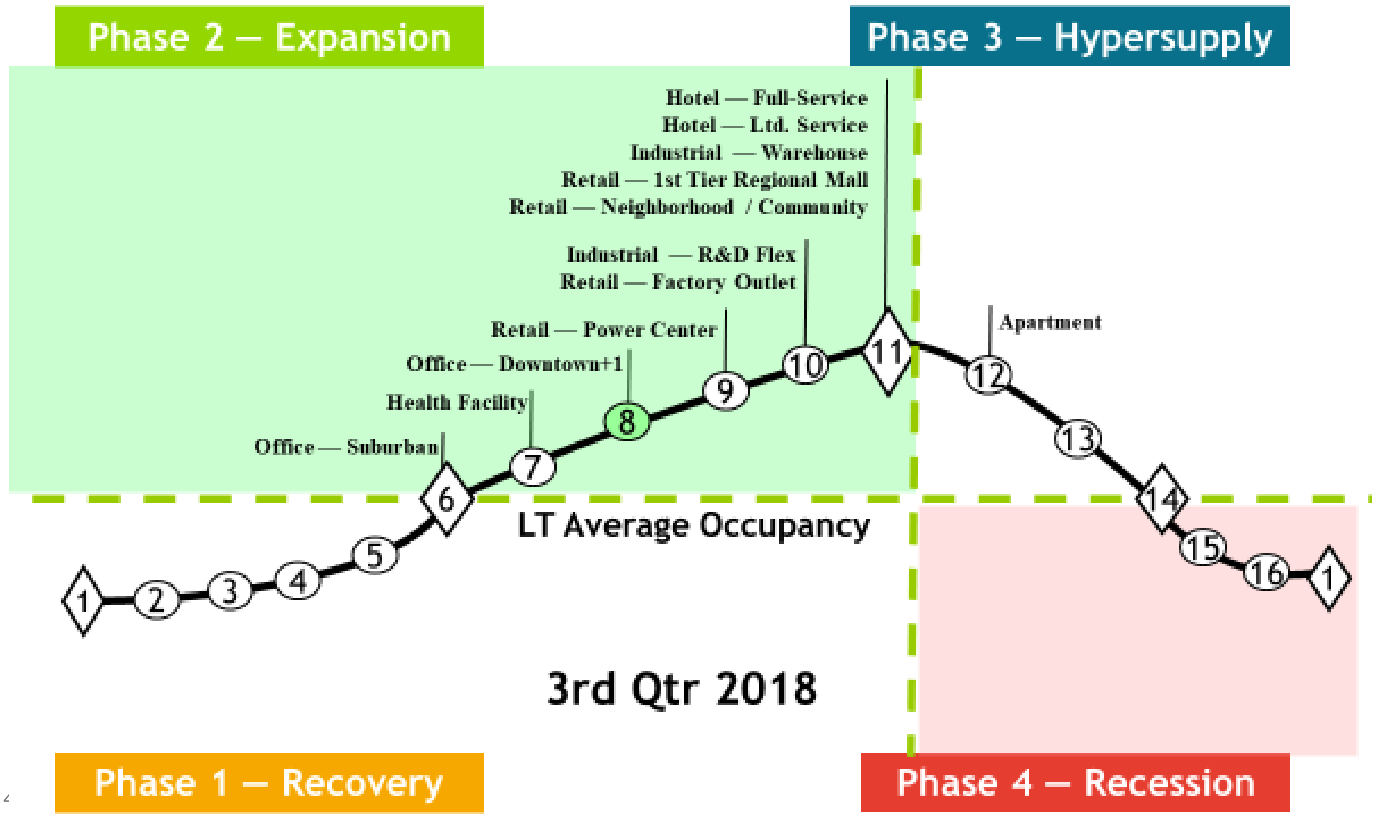
Muller Real Estate Cycle Monitor - Third Quarter 2018, Cycle Monitor, Glenn Mueller, Ph.D Click Here

Real Estate Physical Market Cycle Analysis of 5 Property Types in 54 Metropolitan Statistical Areas (MSAs).

It appears mid-term elections should not substantially change the pro-growth policies being pursued by the current administration, thus moderate economic growth should continue for the next few years. While US GDP growth has trended above the 2% average experienced since the great recession, slowing growth in Germany China and Japan may moderate US growth in the future. Full employment may push inflation and interest rates moderately over the next year. Demand growth continues in all the property types, with mild oversupply in apartments and hotels. We expect slowing supply growth due to labor shortages and higher construction costs.

- Office occupancy increased 0.1% in 3Q18, and rents grew 0.5% for the quarter and 2.2% annually
- Retail occupancy was flat in 3Q18, and rents grew 0.2% for the quarter and 1.6% annually
- Industrial occupancy was flat in 3Q18, and rents grew 1.2% for the quarter and 5.9% annually
- Hotel occupancy declined 0.2% in 3Q18, and room rates grew 0.8% for the quarter and 3.3% annually
- Apartment occupancy increased 0.1% in 3Q18, and rents grew 0.2% for the quarter and 3.2% annually

National Property Type Cycle Locations



Source: Mueller, 2018

Office Market Cycle Analysis

The national office market occupancy level increased 0.1% in 3Q18 and was up 0.1% year-over-year. Office employment growth was constrained by full employment, as firms found it difficult to hire from a smaller hiring pool. New supply is moderate, as higher construction and financing costs are creating better rationalization. Short term rentals like WeWorks is leading new demand for space as small startups need the growth flexibility and larger firms realize that the tax code now favors short terms rentals that do not have to be accounted for as debt on their balance sheets like long term leases. National average occupancy has moved to point #8 (the cost feasible rent level) so expect more new construction. All but five markets are now in the growth phase of the occupancy cycle! Average national rents increased 0.5% in 3Q18 and produced a 2.2% increase year-over-year.

For the fourth quarter Tampa is at level 10, which is high rent growth in a tight market. With Tampa is Jacksonville and Orlando. Behind Tampa is Atlanta, Charlotte, Ft. Lauderdale, Memphis, Miami, Norfolk, Palm Beach and Richmond. Ahead of Tampa is Nashville and Raleigh-Durham.

Industrial Market Cycle Analysis

Industrial occupancies were flat in 3Q18 and increased 0.2% year-over-year. Remember that peak occupancy is also economic equilibrium, where demand and supply are BOTH growing at the same balanced rate. In a perfect world, markets would be at equilibrium point #11 at all times. Retailers building out their internet delivery systems continue to be the major driver of industrial demand. Closer in warehouse for same day delivery is also an additional demand driver. There is also a demand boost when recreational marijuana is legalized in any state, and now with Massachusetts being the first eastern state, more should follow. Industrial national average rents increased 1.2% in 3Q18 and increased 5.9% year-over-year.

For the fifth quarter, Tampa is at level 11, which is demand/supply equilibrium point. With Tampa is Atlanta, Charlotte, Ft. Lauderdale, Jacksonville, Memphis, Miami, Nashville, Norfolk, Orlando, Palm Beach, Raleigh-Durham and Richmond. With no one behind or ahead.

Apartment Market Cycle Analysis

The national apartment occupancy average improved 0.1% in 3Q18 and improved 0.4% year-over-year. Moderate demand growth continues and increasing interest rates are helping to slow the number of renters leaving to buy a house. Increasing construction costs and increasing interest rates are finally starting to moderate the over-supply that has happened over the past five years. If supply moderation continues, it is possible that many apartment markets could move back into the growth phase. Average national apartment rent growth was up 0.2% in 3Q18 and national average rents increased 3.2% year-over-year.

For the second quarter Tampa is at level 12 the hyper supply phase of rent growth, positive but declining. With Tampa is Charlotte, Memphis, Miami Raleigh-Durham and Richmond. Behind Tampa is Ft. Lauderdale, Jacksonville, Norfolk and Orlando. Ahead of Tampa is Atlanta, Nashville and Palm Beach.

Retail Market Cycle Analysis

Retail occupancies were again flat in 3Q18 and were up 0.2% year-over-year. All but ten markets are at peak occupancy. Remember that peak occupancy is also economic equilibrium, where demand and supply are BOTH growing at the same balanced rate. New experienced based formats continue to take over vacated space from traditional retailers going out of business. Many mall owners are now working toward creating mini-cities with apartments, offices and more food and entertainment options to both fill existing space and create space demand. National average retail rents increased 0.2% in 3Q18 and increased 1.6% year-over-year.

For the fourth quarter Tampa is at level 11, the demand/supply equilibrium point. With Tampa is Atlanta, Charlotte, Ft. Lauderdale, Jacksonville, Palm Beach, Miami, Nashville, Orlando, Raleigh-Durham and Richmond. Ahead of Tampa is Memphis and Norfolk. With no one Behind Tampa.

Hotel Market Cycle Analysis

Hotel occupancies were down -0.2% in 3Q18 and flat year-over-year. Room demand remains strong from both business and leisure travel with the higher current economic expansion. New construction continues to push supply in a number of markets with six markets experiencing lower occupancy, thus moving them into the hyper-supply phase of the cycle this quarter. Over supply is the key risk for hotels at this time. Many new niche and unique format hotels continue to emerge and the Air-B&B expansion continues as well. The Marriott – Starwood merger integration has taken longer than expected but improved their loyalty program attraction by expanding stay options. We expect to see them acquire and build more hotels going forward. The national average hotel room rate increased 0.8% in 3Q18 and increased 3.3% year-over-year.

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

Erhardt Comment: ***Population growth single family deliveries being below the 20 year average and 50+ downsizing to apartments, will keep the apartment market steady.***

TAMPA BAY SINGLE FAMILY MARKET OVERVIEW

Single Family Market Overview Provided by Landmark Reports 813-810-4335, Chris@landmarkreports.com

Tampa New Home Closings By County

	County	# of closings	Aggregate Closings	Avg Closing Price	Avg HSF	Avg FF
1	Hernando	148	$33,271,962	$224,811	2,133	$57
2	Hillsborough	5,512	$1,590,721,299	$288,592	2,473	$51
3	Manatee	1,648	$629,389,880	$381,911	2,309	$52
4	Pasco	2,704	$909,974,713	$336,529	2,574	$55
5	Pinellas	238	$97,468,316	$409,531	2,782	$42
6	Sarasota	1,874	$706,739,921	$377,129	2,231	$51

Closings By County Submarket

	Submarket	# of closings	Aggregate Closings	Avg Closing Price	Avg HSF	Avg FF
1	South Hillsborough	4,401	$1,205,240,482	$273,856	2,450	$51
2	Wes Chapel/New Tampa	1,234	$454,923,970	$368,658	2,676	$55
3	Venice/Englewood	1,210	$411,121,940	$339,770	2,042	$50
4	Lakewood Ranch	771	$361,348,667	$468,675	2,339	$51
5	SR 54/Trinity	952	$352,166,803	$369,923	2,573	$53
6	Citrus Park/NW Tampa	444	$169,967,838	$382,810	2,576	$44
7	Sarasota South	332	$154,604,909	$465,677	2,448	$56
8	North of the River	467	$139,359,228	$298,414	2,250	$54
9	US 41/SR 52	463	$130,471,868	$281,797	2,649	$60
10	Sarasota North	293	$111,351,872	$380,041	2,440	$43

Top 10 By Community

	Community	# of closings	Aggregate Closings	Avg Closing Price	Avg HSF	Avg FF
1	Villages of Starkey Ranch	267	$109,636,661	$410,624	2,669	$54
2	Bexley South	266	$84,495,357	$317,652	2,507	$50
3	Epperson Ranch South	255	$80,884,811	$317,195	2,324	$57
4	Islandwalk at the West Villages	212	$79,287,511	$373,998	1,899	$49
5	Waterset	224	$78,409,761	$350,044	2,594	$59
6	Fishhawk Ranch West	206	$74,695,106	$362,598	2,409	$53
7	Del Webb	138	$64,146,674	$464,831	1,958	$51
8	Belmont	228	$62,904,847	$275,898	2,652	$49
9	Union Park	180	$61,388,350	$341,046	2,399	$56
10	Lucaya Lake Club	204	$57,396,656	$281,356	2,376	$48

Erhardt Comment:

The total of the six county closings is

$3,964,566,091.

This shows just how important the home building industry is to the Tampa Bay area.

TAMPA BAY MULTIFAMILY MARKET OVERVIEW

AxioMetrics, Inc. Market Performance Summary, Q4-2018, Tampa – St. Petersburg – Clearwater, Florida Metropolitan Statistical Area

Apartment Performance

Effective rent decreased -0.4% from $1,185 in 3Q18 to $1,180 in 4Q18, which resulted in an annual growth rate of 4.4%. The market's annual rent growth rate was above the national average of 2.5%. In addition, the market's five-year average of 4.4% puts the market fifth among top 50 U.S. Metros, tied with San Jose, CA. Annual effective rent growth is forecast to be 4.0% in 2019, and average 2.5% from 2020 to 2022. Annual effective rent growth has averaged 2.7% since 3Q96. Going forward, rent growth is likely to remain solid in the coming years.

Erhardt Comment: ***For the first time we have a suburban Pasco County project averaging $1.50 a square foot in the Altman's Altis Wiregrass Ranch property.***

The market's occupancy rate decreased from 96.1% in 3Q18 to 95.5% in 4Q18, and was up slightly from 95.3% a year ago. For the forecast period, the market's occupancy rate is expected to be 94.7% in 2019, and average 94.0% from 2020 to 2022. The market's occupancy rate has averaged 94.0% since 3Q95.

Market Survey Results and Forecasts

	Sequential					Month	Annual						
	4Q17	1Q18	2Q18	3Q18	4Q18	Dec-18	2016	2017	2018	2019F	2020F	2021F	2022F
Effective Rent Per Unit	$1,128	$1,135	$1,164	$1,185	$1,180	$1,180	$1,109	$1,140	$1,180	$1,228	$1,255	$1,284	$1,323
Per Sq. Ft	$1.21	$1.21	$1.24	$1.27	$1.26	$1.26	$1.17	$1.20	$1.26	$1.31	$1.34	$1.37	$1.42
Effective Rent Growth - Annually	3.1%	3.0%	3.4%	3.9%	4.4%	4.4%	5.6%	2.8%	4.4%	4.0%	2.8%	1.9%	2.9%
Effective Rent Growth - Quarterly	-0.1%	0.7%	2.5%	1.8%	-0.4%	-0.4%							
Occupancy Rate	95.3%	95.5%	95.9%	96.1%	95.5%	95.5%	95.3%	95.0%	95.5%	94.7%	94.0%	94.1%	93.9%
Occupancy Change - Annually	0.3%	0.4%	0.7%				-0.2%	-0.3%	0.5%	-0.8%	-0.7%	0.1%	-0.2%
Occupancy Change - Quarterly	-0.2%	0.2%	0.4%	-0.1%	-0.70%	-0.70%							
Economic Concessions													
Concession Value	$35.00	$41.00	$29.00	$26.00	$46.00	$46.00	$31.00	$35.00	$46.00				
As a % of Asking Rent	3.2%	3.7%	2.5%	2.2%	3.9%	3.9%	2.9%	3.2%	3.9%				

Demand and Supply

The Tampa Bay economy accelerated over the past year, adding +23,500 jobs for an annual growth rate of 1.7%. As of November 2018, the unemployment rate in Tampa/Hillsborough County, Pinellas County, and Polk County fell by -70 bps, -60 bps, XX bps 2.9%, 2.9%, and X.X%, respectively.

Axiometrics forecasts Tampa-St. Petersburg-Clearwater, FL Metro Area's job growth to be 2.8% in 2019, with 25,000 jobs added. Job growth is expected to average 0.8% from 2020 to 2022, with an average of 11,000 jobs added each year.

On the supply side, permits for over 17,800 multifamily units were issued in the 12 months ending in October 2018, down approximately -7,100 units from the prior year's sum. In terms of total residential housing, over 52,000 units were permitted in the 12 months ending October 2018, an increase of approximately 6,000 units from the prior year's total.

Multifamily Absorption and Supply

	Annual				4Q18	Annual Forecast			
	2015	2016	2017	2018	Market	2019F	2020F	2021F	2022F
Total Units Absorbed	5,620	1,727	5,199	4,771	-484	2,099	919	3,670	922
New Supply	3,987	4,704	4,646	5,177	1,341	3,235	3,066	2,460	3,830
Inventory Growth	1.3%	1.5%	1.5%	2.0%	0.5%	1.0%	0.9%	0.7%	1.1%

Identified Supply

At the close of 2018, Axiometrics has identified 5,177 apartment units that were delivered. As a comparison, there were 4,646 apartment units delivered in 2017. Properties delivered to the market in the last 12 months have achieved an average asking rent of $1,609 per unit, or $1.59 per square foot. Effective rent has averaged $1,576, or $1.76 per square foot, resulting in an average concession value of $-33.00. As a comparison, existing properties in the market had an average asking rent of $1,189 per unit ($1.27 per square foot) and an average effective rent of $1,180 per unit, or $1.26 per square foot, in 4Q18. Concessions for existing properties averaged $-46.00.

Submarket Delivery Schedule

Pipeline Delivery Schedule						
	Sequential					
Top Markets	2016	2017	2018	2019	2020	Total
Central Tampa	751	2,227	1,332	916	92	5,318
Brandon/Southeast Hillsborough County	454	328	864	0	0	1,646
New Tampa/East Pasco County	267	42	645	350	0	1,304
Clearwater	48	218	463	238	0	967
South St. Petersburg	456	250	456	526	746	2,434
Largo/Seminole	170	102	361	42	0	675
Tampa-St. Petersburg-Clearwater, FL	3,383	4,295	5,394	4,252	904	18,228

**Based on 2018 deliveries*

TAMPA BAY HOSPITALITY MARKET OVERVIEW

November 2018, Tampa/Hillsborough County Hospitality Statistics, Visit Tampa Bay

Occupancy Rate	69.9 flat
Room Rates ADR	$111.69 (-1.1%)
Room Expenditures RevPAR	$76.93 (-1.2%)
Supply	675,480 (+2.6%)
Demand	465,263 (+2.5%)
Revenue	$51,65,027 (+1.4%)

TAMPA BAY RETAIL MARKET OVERVIEW

Q3-2018 Tampa / St. Petersburg Retail Market Report, CoStar Group, Inc.

The Tampa/St Petersburg retail market did not experience much change in market conditions in the third quarter 2018. The vacancy rate went from 4.3% in the previous quarter to 4.4% in the current quarter. Net absorption was positive 40,103 square feet, and vacant sublease space increased by 1,388 square feet. Quoted rental rates increased from second quarter 2018 levels, ending at $15.81 per square foot per year. A total of 21 retail buildings with 338,663 square feet of retail space were delivered to the market in the quarter, with 1,242,224 square feet still under construction at the end of the quarter.

NET ABSORPTION

Retail net absorption was basically flat in Tampa/St Petersburg third quarter 2018, with positive 40,103 square feet absorbed in the quarter. In second quarter 2018, net absorption was positive 426,947 square feet, while in first quarter 2018, absorption came in at positive 296,268 square feet. In fourth quarter 2017, positive 1,333,058 square feet was absorbed in the market.

Tenants moving out of large blocks of space in 2018 include: Q Auto moving out of 46,632 square feet at 1207 E Brandon Blvd; Harvey's Supermarket moving out of 45,600 square feet at 2525 E Hillsborough Ave; and Toys R Us moving out of 24,006 square feet at 12601-12895 Citrus Plaza Dr.

Tenants moving into large blocks of space in 2018 include: Floor & Decor moving into 75,683 square feet at 2004 - 2020 34th St N; T.J. Maxx moving into 57,941 square feet at 9409 US Highway 19; and Dick's Sporting Goods moving into 50,000 square feet at 6901 22nd Ave N.

VACANCY

Tampa/St Petersburg's retail vacancy rate increased in the third quarter 2018, ending the quarter at 4.4%. Over the past four quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 4.2% at the end of the fourth quarter 2017 and first quarter 2018, to 4.3% at the end of the second quarter 2018, to 4.4% in the current quarter.

The amount of vacant sublease space in the Tampa/St Petersburg market has trended up over the past four quarters. At the end of the fourth quarter 2017, there was 184,123 square feet of vacant sublease space. Currently, there is 213,401 square feet vacant in the market.

RENTAL RATES

Average quoted asking rental rates in the Tampa/St Petersburg retail market are up over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the third quarter 2018 at $15.81 per square foot per year. That compares to $15.27 per square foot in the second quarter 2018, and $14.86 per square foot at the end of the fourth quarter 2017. This represents a 3.5% increase in rental rates in the current quarter, and a 6.01% increase from four quarters ago.

INVENTORY & CONSTRUCTION

During the third quarter 2018, 21 buildings totaling 338,663 square feet were completed in the Tampa/St Petersburg retail market. Over the past four quarters, a total of 1,830,885 square feet of retail space has been built in Tampa/St Petersburg. In addition to the current quarter, 33 buildings with 550,745 square feet were completed in second quarter 2018, 41 buildings totaling 432,256 square feet completed in first quarter 2018, and 509,221 square feet in 29 buildings completed in fourth quarter 2017.

There was 1,242,224 square feet of retail space under construction at the end of the third quarter 2018. Some of the notable 2018 deliveries include: 1407 US-301, a 212,000-square-foot facility that delivered in second quarter 2018 and is now 100% occupied by Goodwill, and The Shoppes at Tyrone Square, a 151,952-square-foot building that delivered in third quarter 2018 and is now 100% occupied by Dick's Sporting Goods, Lucky's Supermarket, Petsmart, 5 Below and Pollo Operations.

Total retail inventory in the Tampa/St Petersburg market area amounted to 246,184,868 square feet in 20,810 buildings and 2,346 centers as of the end of the third quarter 2018.

SHOPPING CENTER

The Shopping Center market in Tampa/St Petersburg currently consists of 2,287 projects with 93,826,623 square feet of retail space in 3,924 buildings. In this report the Shopping Center market is comprised of all Community Centers, Neighborhood Centers, and Strip Centers.

After absorbing 16,115 square feet and delivering 18,960 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 6.4% at the end of the second quarter 2018 to 6.5% this quarter.

Over the past four quarters, the Shopping Center vacancy rate has gone from 6.6% at the end of the fourth quarter 2017, to 6.5% at the end of the first quarter 2018, to 6.4% at the end of the second quarter 2018, and finally to 6.5% at the end of the current quarter.

Rental rates ended the third quarter 2018 at $14.01 per square foot, up from the $13.66 they were at the end of second quarter 2018. Rental rates have trended up over the past year, going from $13.19 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled 1,058,730 square feet over the past four quarters. In addition to the positive 16,115 square feet absorbed this quarter, positive 140,460 square feet was absorbed in the second quarter 2018, positive 254,198 square feet was absorbed in the first quarter 2018, and positive 647,957 square feet was absorbed in the fourth quarter 2017.

POWER CENTERS

The Power Center average vacancy rate was 3.9% in the third quarter 2018. With negative 6,410 square feet of net absorption and no new deliveries, the vacancy rate went from 3.8% at the end of last quarter to 3.9% at the end of the third quarter.

In the second quarter 2018, Power Centers absorbed negative 73,334 square feet, delivered no new space, and the vacancy rate went from 3.1% to 3.8% over the course of the quarter. Rental started the quarter at $21.96 per square foot and ended the quarter at $23.68 per square foot.

A year ago, in third quarter 2017, the vacancy rate was 4.4%. Over the past four quarters, Power Centers have absorbed a cumulative 49,944 square feet of space. Vacant sublease space has gone from 2,516 square feet to 4,000 square feet over that time period, and rental rates have gone from $25.09 to $25.25.

At the end of the third quarter 2018, there was 10,892 square feet under construction in the Tampa/St Petersburg market. The total stock of Power Center space in Tampa/St Petersburg currently sits at 10,293,438 square feet in 28 centers comprised of 169 buildings.

A total of 10,892 square feet of space was under construction at the end of the third quarter 2018.

TAMPA BAY OFFICE MARKET OVERVIEW

WESTSHORE OFFICE OVERVIEW:

- Overall vacancy at the end of 2018 is 11.0% compared to 9.0% last year and 11.8% last quarter. Class A is at 10.3% compared to 7.0% last year and 10.1% last quarter.

I-75 OFFICE OVERVIEW:

- Overall vacancy at the end of 2018 is at 17.0% compared to 15.1% a year ago and 10.5% last quarter. Class A is at 14.5% compared to 7.7% a year ago and 7.7% last quarter.

TAMPA CENTRAL BUSINESS DISTRICT:

- Overall vacancy at the end of 2018 is at 9.5% compared to 13.7% a year ago and 11.2% last quarter. Class A is at 6.8% compared to 10.6% a year ago and 8.0% last quarter.

TAMPA BAY INDUSTRIAL MARKET OVERVIEW

Our Perception on the Market, Julia Rettig, Director, Industrial Brokerage, Chris Owen, Director, Florida Research and Michelle McMurray, Senior Research Analyst, Cushman & Wakefield of Florida, Inc.

TAMPA BAY IS EXPERIENCING RAPIDLY IMPROVING MARKET FUNDAMENTALS – The overall market had over 3.7 msf of positive absorption through 2018 and over 10.5 msf in the last four years. At 4.4%, the direct vacancy was at its lowest level yearend since before the recession.

While the holidays slowed some leasing momentum, a significant transaction was closed in Plant City for 200,000 sf of space in a speculative building that will ultimately deliver 400,000 sf total. This lease prompted the developer, McCraney Property Company, to go vertical on an additional two buildings in first quarter 2019, each at 400,000 sf. There were several other developers betting on the improving market and heightened leasing demand that will go vertical, speculatively with new product starting in 400,000 sf range and up.

The Tampa East Side submarket has several industrial buildings concurrently under development. McDonald Development was ahead of the pack but Becknell Industrial, Blue Steel Development, TPA Group and Keating Resources were all not too far behind. This is the most speculative industrial construction in this submarket since 2008. New-to-market and existing tenant demand should create the absorption necessary to fill up these spaces.

The Plant City submarket and Lakeland market witnessed unprecedented construction starts for industrial buildings, the most since we began tracking those areas. The entire Tampa MSA as of the end of 2018 had 4.2 msf under construction with another 8.1 msf in the planning stages.

Our activity reports are congested with users seeking space north or 200,000 + sf and we are cognizant that tariff and trade tensions, coupled with record low unemployment, may extend some tenant's expansion plans. We remain optimistic that Central Florida will continue to be one of the bright spots for industrial development and tenant expansion as markets realign their supply chain. With Tampa Bay's industrial market's solid fundamentals, continued population growth and the sustained demand of from users, we believe the market has room to grow and can absorb much of the under construction and proposed new supply.

Cushman & Wakefield Industrial Market Overview – Tampa

WEST TAMPA INDUSTRIAL OVERVIEW:

- The overall vacancy at the end of 2018 is 4.3% compared to 5.5% a year ago and 4.1% last quarter.
- Warehouse distribution is at 2.7% vacancy compared to 3.9% a year ago and 2.6% last quarter.
- Office Service Center is at 8.8% vacancy compared to 9.9% a year ago and 8.3% last quarter.

EAST TAMPA INDUSTRIAL OVERVIEW:

- The overall vacancy at the end of 2018 was 5.8% compared to 5.6% a year ago and 5.8% last quarter.
- Warehouse distribution is at 6.0% vacancy compared to 5.8% a year ago and 5.9% last quarter.
- Office Service Center is at 10.7% vacancy compared to 8.6% last year and 8.0% last quarter.

PLANT CITY INDUSTRIAL MARKET OVERVIEW:

- The overall vacancy at the end 2018 was 4.2% vacancy compared to 4.5% a year ago and 6.3% last quarter.
- Warehouse distribution is at 5.6% vacancy compared to 6.0% a year ago and 8.7% last quarter.

LAKELAND INDUSTRIAL MARKET OVERVIEW:

- The overall vacancy at the end of 2018 was 3.8% vacancy compared to 3.9% a year ago and 3.8% last quarter.
- Warehouse distribution is at 4.9% vacancy compared to 4.7% a year ago and 4.6% last quarter.

LAND SALES

MULTIFAMILY

- Kolter bought a 1.2 acre site on Bayshore Blvd. Tampa FL for 7.5 mill. They plan on building 70 condos which is $107,142 per unit. Land price was $143.48 per sqft. Density is 58 units per acre

SINGLE FAMILY

- Park Square Homes an Orlando based builder purchased the remaining parcels from Newland in Mira Bay for $18 million and a single parcel in Fishhawk 3.5 million
- Solera Land Co LLC paid $14,592 per unit for 675 units on 278 acres and Lakewood Ranch. Acre 35,431 per acre. Solera is building lots for DR Horton
- Pulte purchased 271 lots at Epperson Ranch for $56,444 per developed lot
- Beazer Homes purchased 15 lots from Newland in Waterset for $67,752 per developed lot
- DR Horton purchased 44 lots at Silver Stone, Manatee County for 70,454 per lot
- DR Horton purchased 65 lots at Berkley Ridge, Auburndale for $40,000 per lot
- Homes by West Bay purchased land for 156 units in Lithia for $28,235 per lot

URBAN

- Brorein Partners LLC (SPP) purchased 34,848 sf in downtown Tampa for $78.91 per sqft
- SPP purchased 2.72 acre in downtown Tampa for $113.15 per sqft

RETAIL

- O'Reily Auto Motive Stores purchased 1.7 acres on Hillsborough Avenue Tampa for $20.93 per sqft
- RaceTrac purchased a site on highway 52 in San Antonio, Pasco County, for $1,950,000
- Aldi Food purchased 3.03 acres in Lake Wales for $15.34 per sqft

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THE CUSHMAN & WAKEFIELD
LAND PRACTICE 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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