
4Q24

Tampa Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate increased by 41 basis points year over year to 3.6% but remained well below the five-year average of 4.2%.
- Job growth pace has slowed compared with recent highs to 1.1% year over year while employment growth continues to remain well below pre-pandemic levels, with November 2019 recording annual growth at 2.6%.
- All sectors reported employment growth, with the mining and construction industry leading job gains at 3.5% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, ranging from 0.5% to 3.5% over the past 12 months.

Major Transactions

- The Lithium Battery Company signed the largest deal of the quarter at 5201 S West Shore Boulevard to expand its business in manufacturing new lithium battery packs. The company will be creating 50 new high-tech jobs over the next three years.
- All five of the largest deals signed were new leases, indicating there is still appetite for industrial leasing in the market.
- Two of the five largest lease deals were signed in Westshore/Airport in the same building, resulting in 5402-5424 Hangar Ct to be fully leased.

Leasing Market Fundamentals

- The market reported 286,796 SF of positive absorption in the fourth quarter of 2024, the second lowest quarterly occupancies since 2013. Overall, the year end at 3.3 MSF of net absorption.
- Overall rental rates declined from the historical high in year-end 2023 by 13.1% to \$7.59/SF but continued to remain elevated, despite reflecting negative yearly growth.
- Construction pipeline recorded 1.8 MSF of deliveries as of the end of the fourth quarter of 2024. Meanwhile, under construction declined to 5.9 MSF, continuing a downward trend since reaching a recent high of 11.6 MSF in the third quarter of 2022, reflecting the third consecutive quarter of decline.
- Following yearly supply outpacing demand, vacancy increased by 100 basis points year over year to 7.7%. 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 2.3% of the current market's inventory, with the market projected to further dwindle the pipeline in the near term as new projects deliver and 46.7% 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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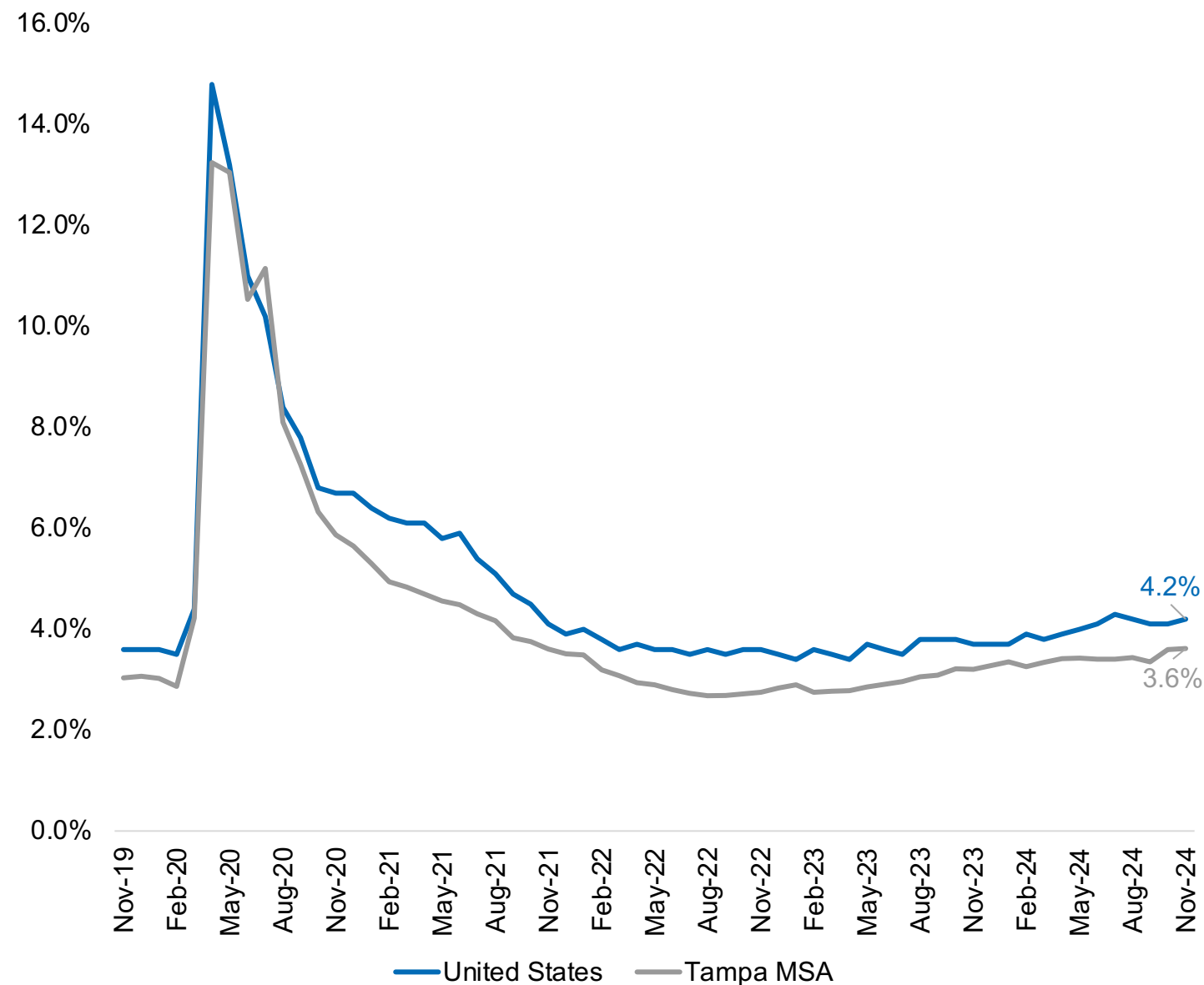
Economy



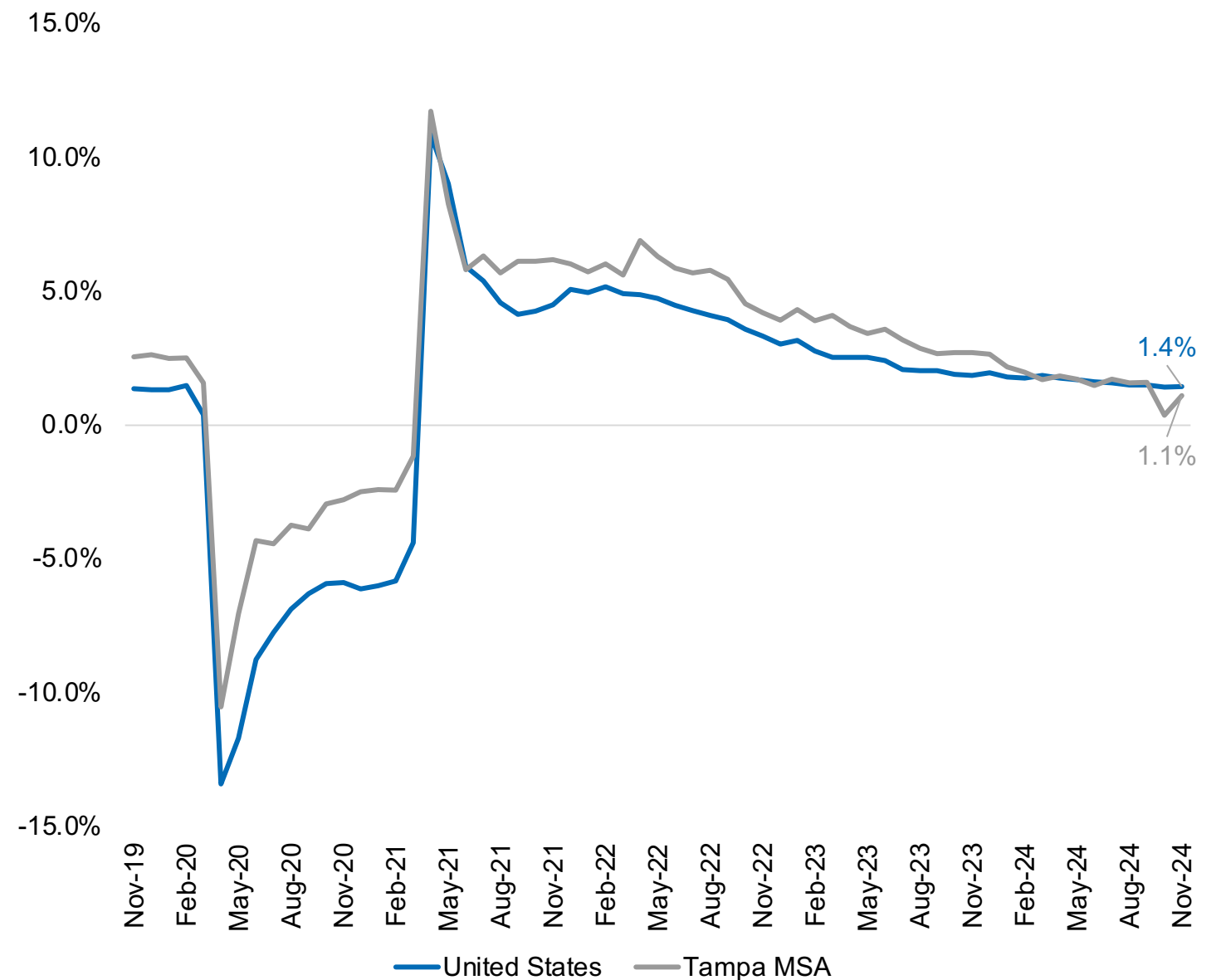
Metro Employment Growth Begins to Trail the Nation

Tampa 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 41 basis points year over year, with employment growth slowing by 162 basis points compared with the previous year. For the first time since the post-pandemic era, Tampa employment growth began to lag national growth starting in October 2024, likely impacted by the employment decline in the leisure/hospitality sector.

Unemployment Rate, Seasonally Adjusted



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

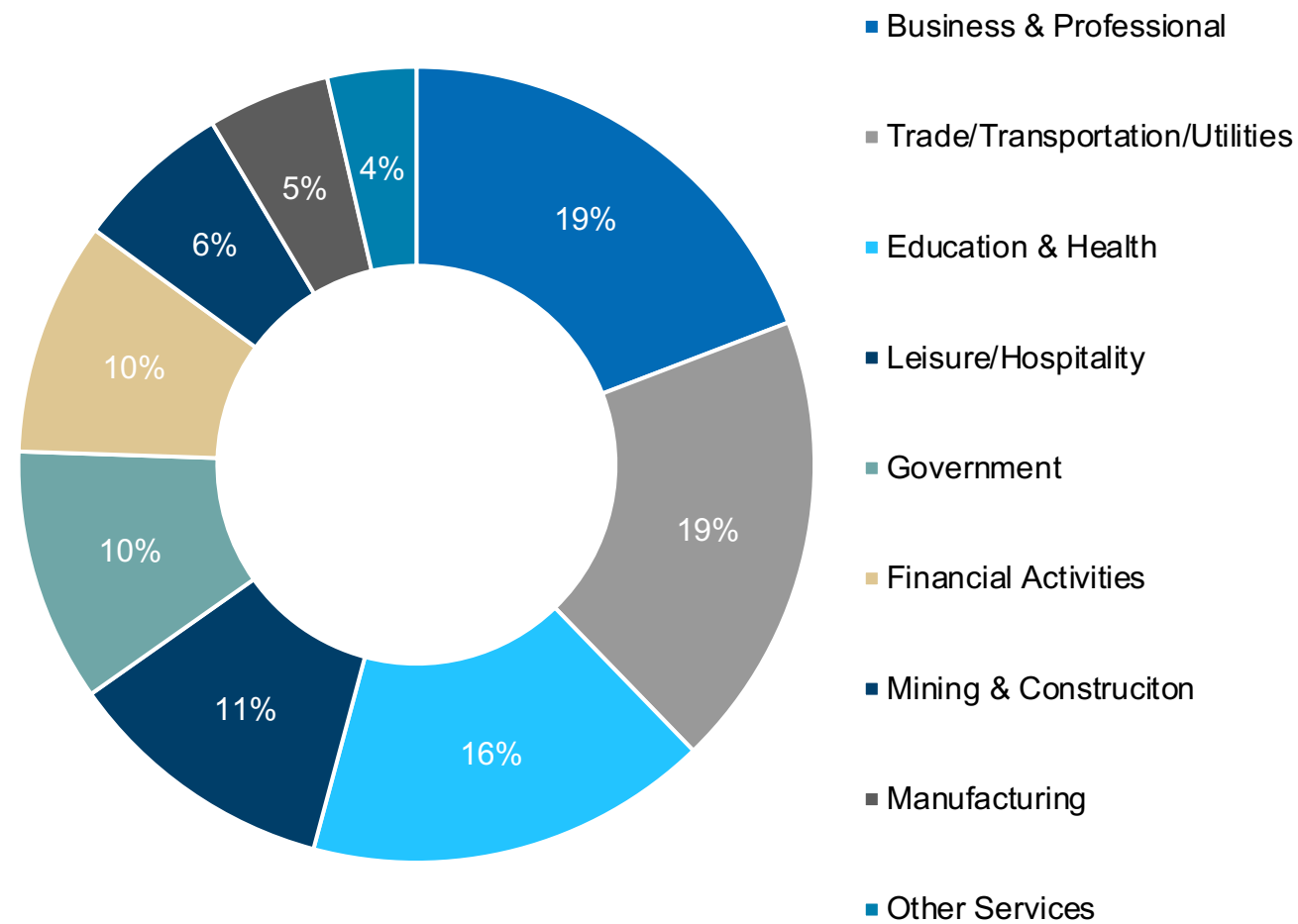


Source: U.S. Bureau of Labor Statistics, Tampa MSA

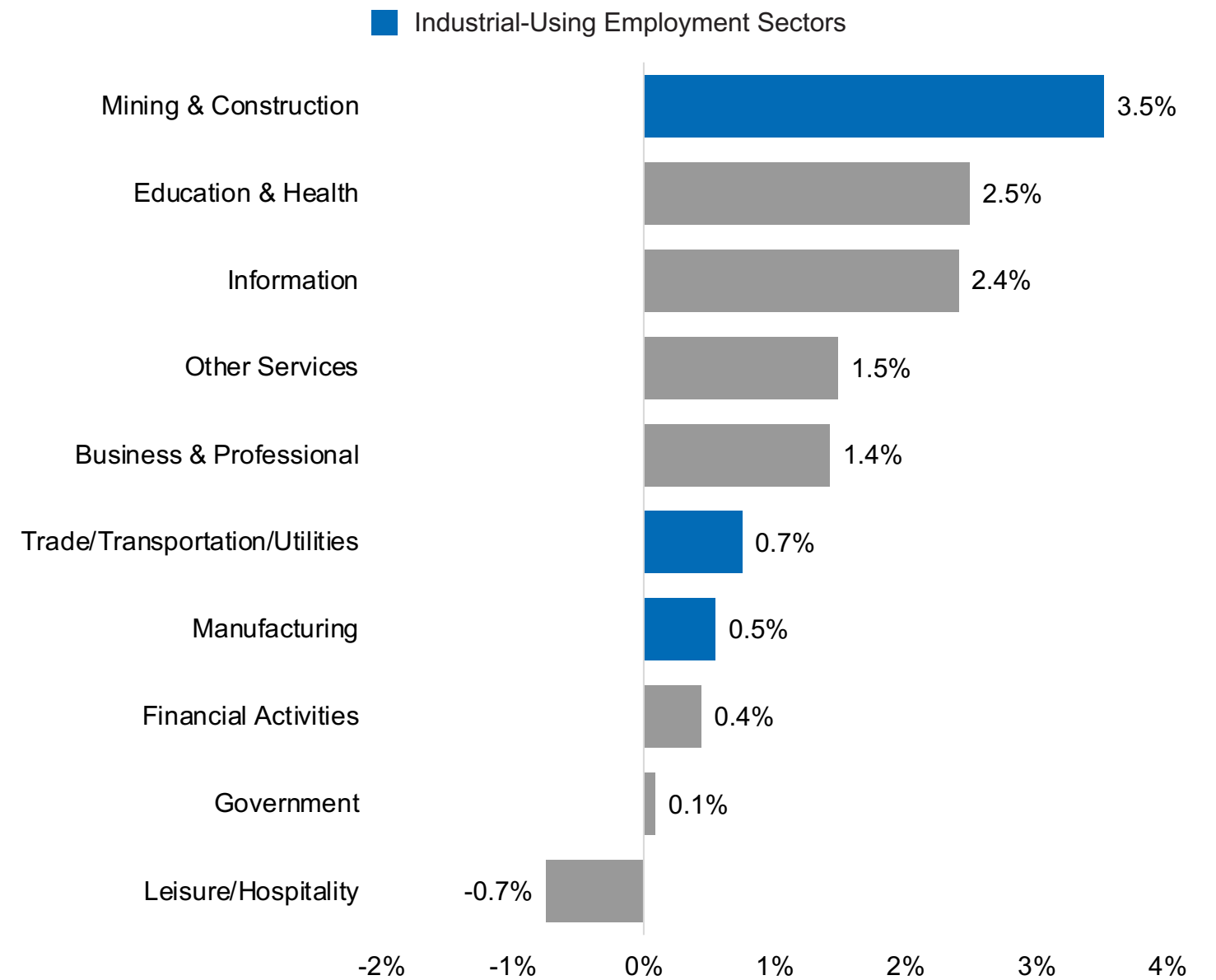
Employment Growth Continues for All Industrial Sectors

The Tampa market's top two employment industries account for 37.0% of market share. The industrial-using employment's trade/transportation/utilities sector is the second-largest industry sector in the metroplex at 18.2%. All industries in the metroplex reported growth, except for the leisure/hospitality sector, with industrial-using industries reporting year-over-year growth ranging from 0.5% to 3.5%.

Employment by Industry, November 2024



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

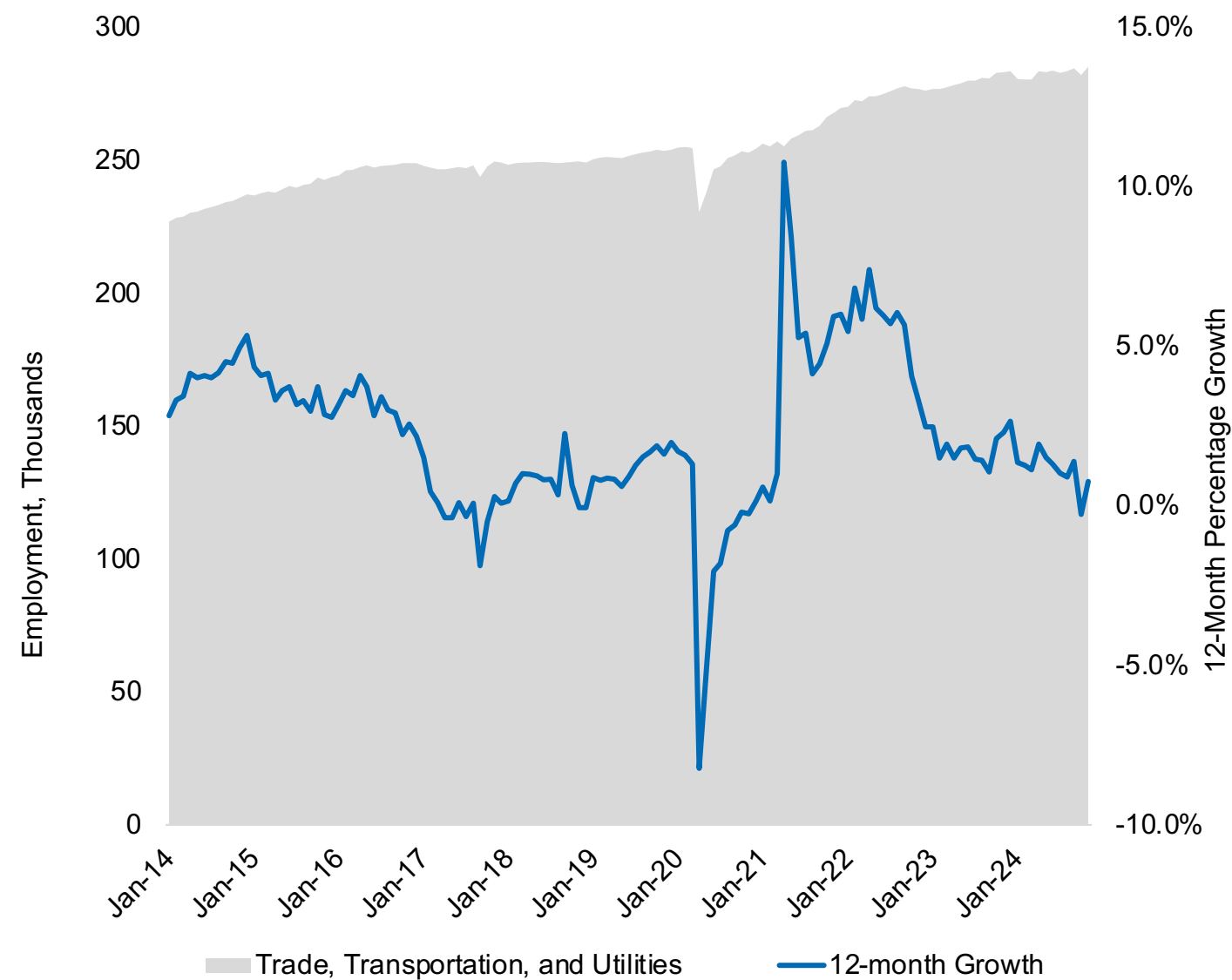


Source: U.S. Bureau of Labor Statistics, Tampa MSA

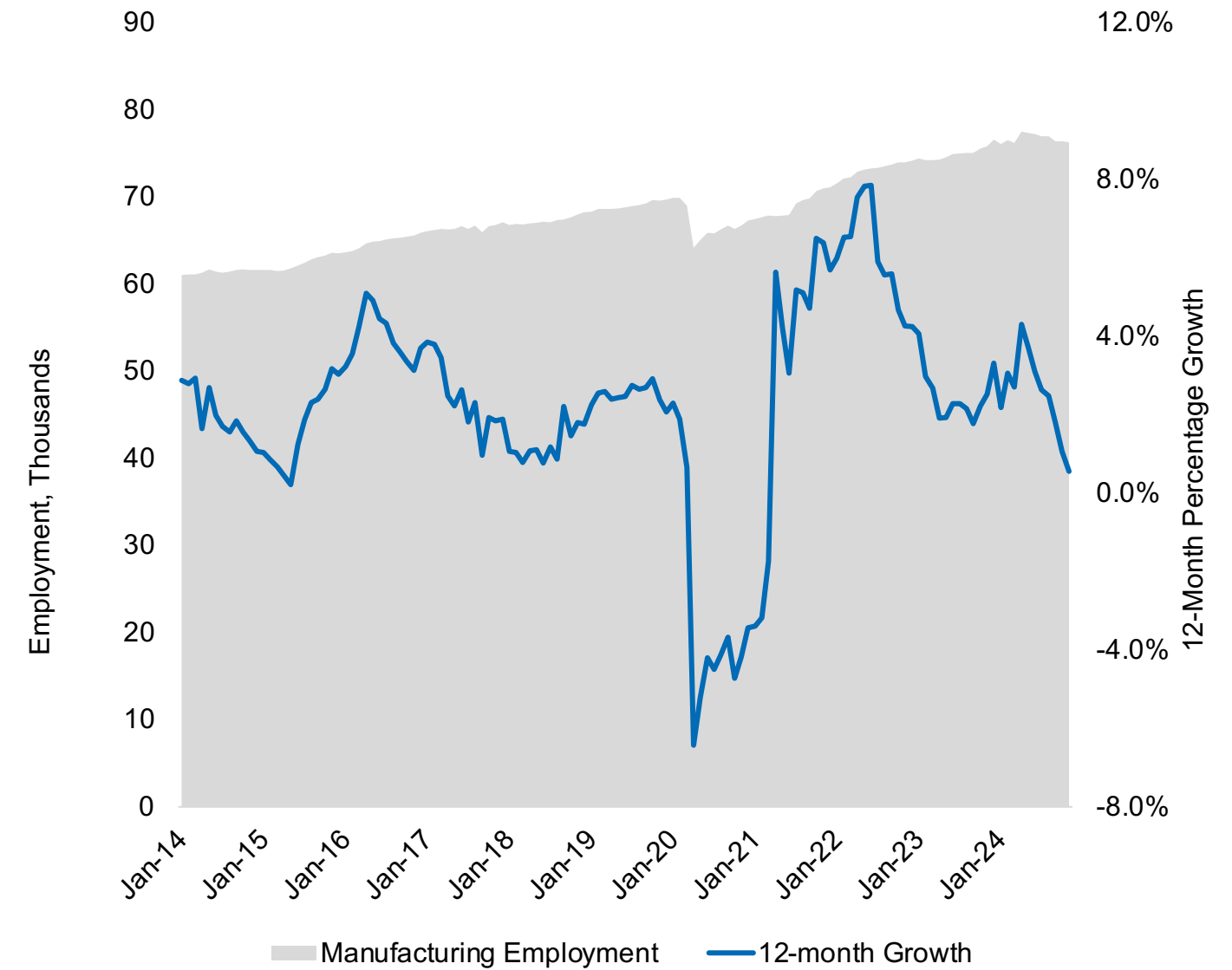
Industrial Employment Remains Elevated

Trade/transportation/utilities employment as of the end of November 2024 reached a new all-time high at 284,990 employees. Manufacturing employment remains elevated at 76,200 employees, decreasing by 1.6% from the April 2024 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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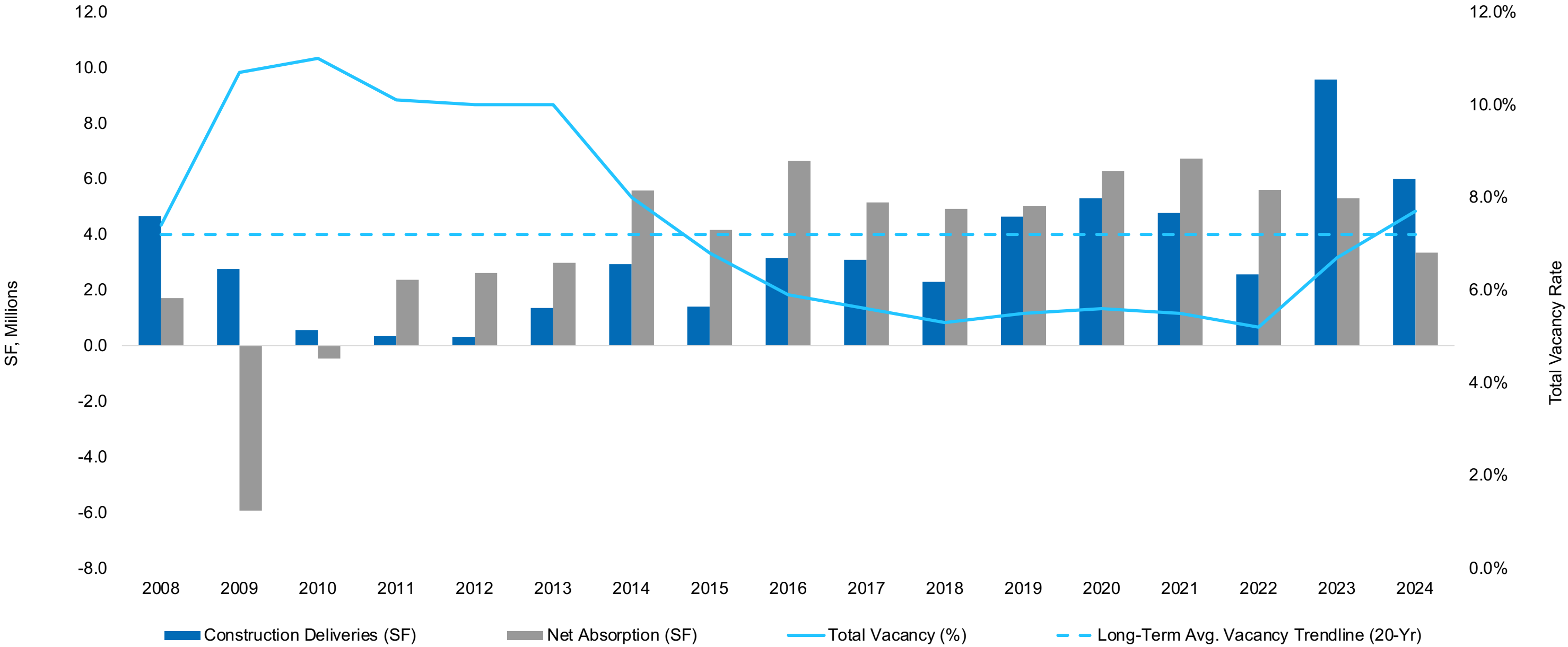
Leasing Market Fundamentals



Strong Quarterly Deliveries Push Vacancy to Increase

The Tampa industrial vacancy rate increased by 50 basis points quarter over quarter to 7.7% in the fourth quarter of 2024, with supply significantly outpacing demand by approximately 1.5 MSF. New supply totaled 1.8 MSF in the fourth quarter of 2024, outpacing the fourth-quarter average from 2008 to 2023 at 910,197 SF. Quarterly occupancies ended at 286,796 SF, with year-end 2024 occupancies at 3.3 MSF.

Historical Construction Deliveries, Net Absorption, and Vacancy

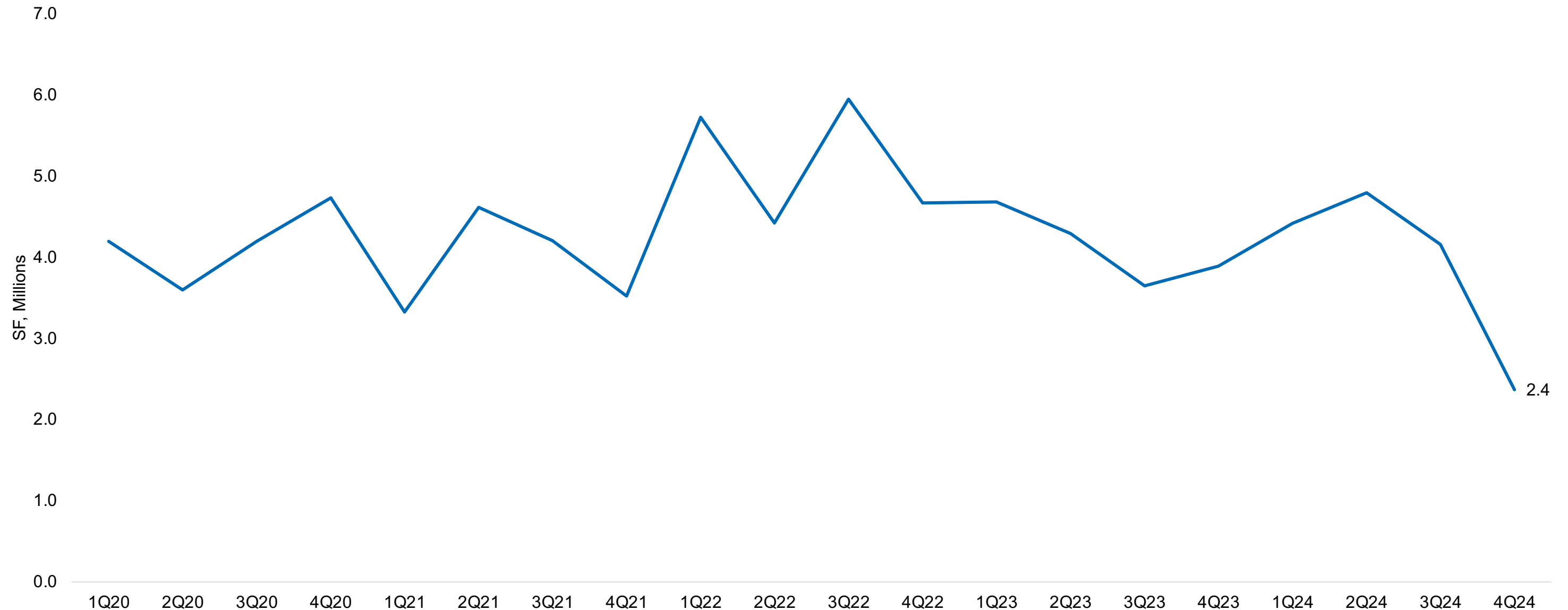


Source: Newmark Research, CoStar

Industrial Leasing Activity Continues to Decelerate

In the fourth quarter of 2024, leasing activity decelerated from historical highs reported post-pandemic, ending the quarter at 2.4 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. Leasing activity slowed, likely due to prevailing economic headwinds, coupled with some tenants controlling costs and space needs via supply chain optimization.

Total Leasing Activity (SF)

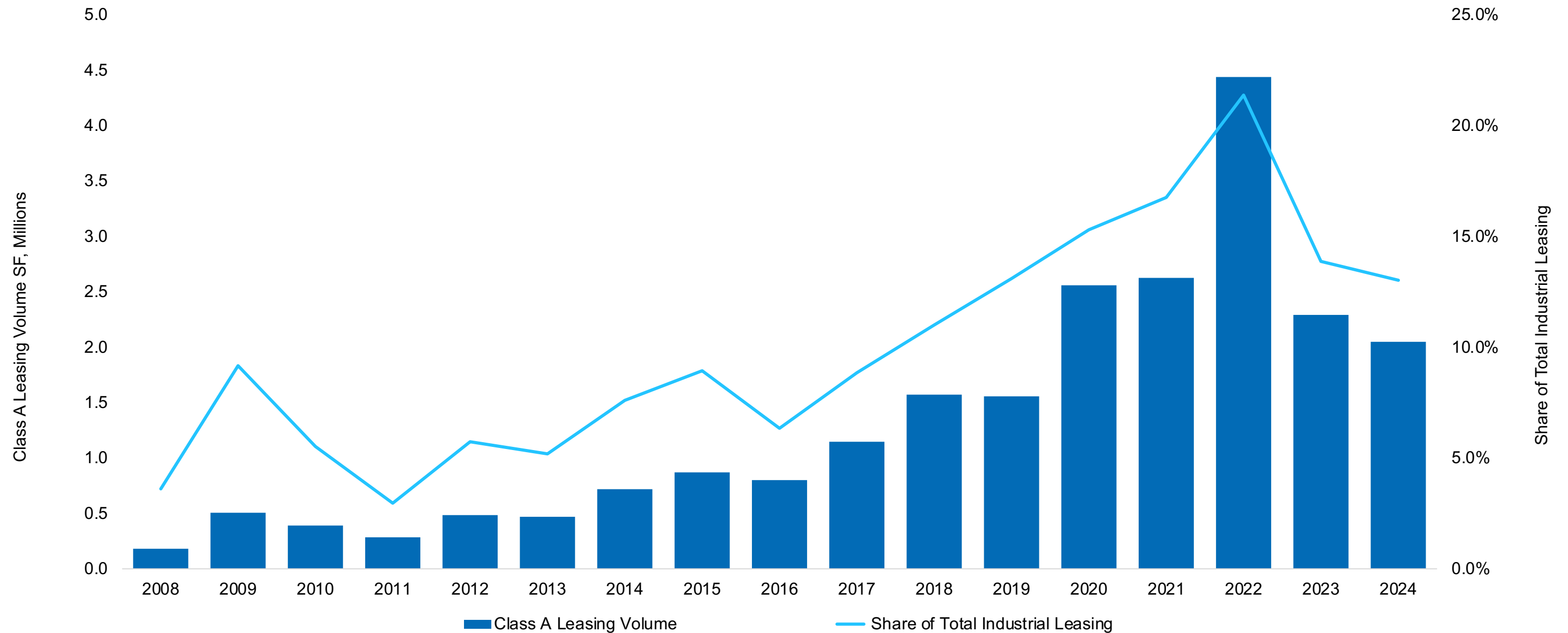


Source: Newmark Research, CoStar

Class A Warehouse Leasing Declines but Remains Above Long-Term Average

Class A warehouse space leasing activity declined since the high of 2.1 MSF reached in the first quarter of 2022 to 137,545 SF in the fourth quarter of 2024. The post-pandemic influx of high-quality deliveries led to a substantial increase in Class A leasing activity by square footage. However, this activity has since decreased as the market works through its under-construction pipeline. Class A warehouse leasing represented 13.0% of overall activity annually in 2024, one basis point lower than year-end 2023 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

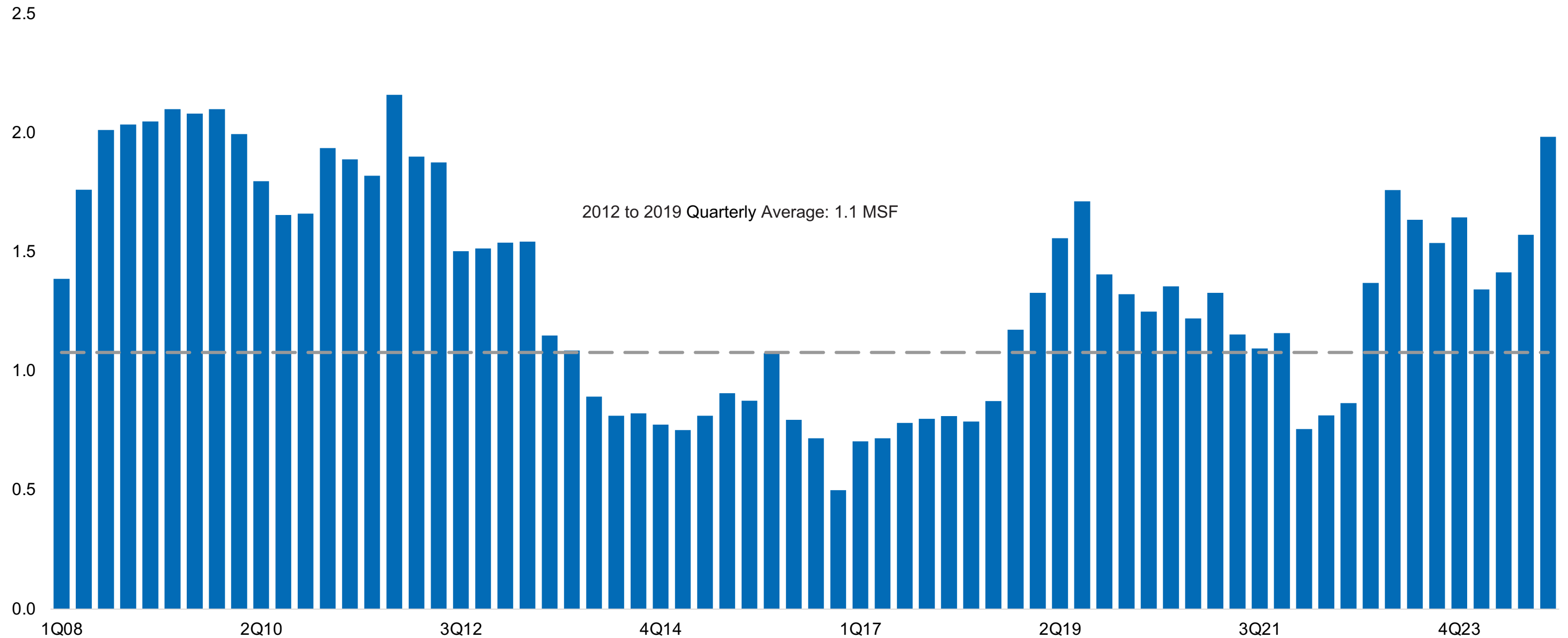


Source: Newmark Research, CoStar

Industrial Sublease Availability Increases to a Recent Peak

Sublease availability volume peaked to a recent high of 2.0 MSF in the fourth quarter of 2024, reflecting a 26.1% increase quarter over quarter and a 20.5% increase year over year. Elevated 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)

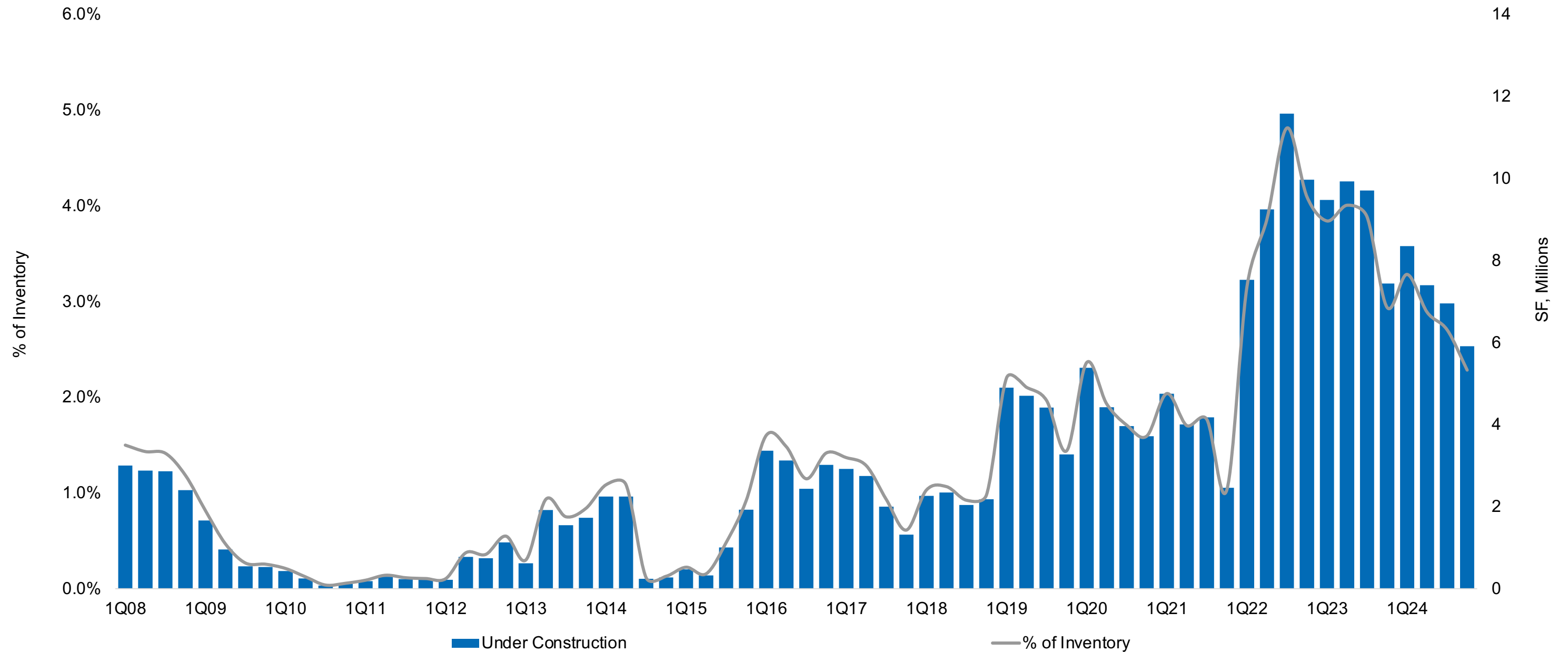


Source: Newmark Research, CoStar

Industrial Supply Pipeline Decreases

The construction pipeline continued to trend downwards after reaching a historic high of 11.6 MSF in the third quarter of 2022, decreasing to 9.9 MSF in the fourth quarter of 2024. Despite the decline, the elevated under-construction activity will help prevent the market from witnessing supply shortages. There is also less risk of overbuilding with only 2.3% of the current inventory under construction.

Industrial Under Construction and % of Inventory

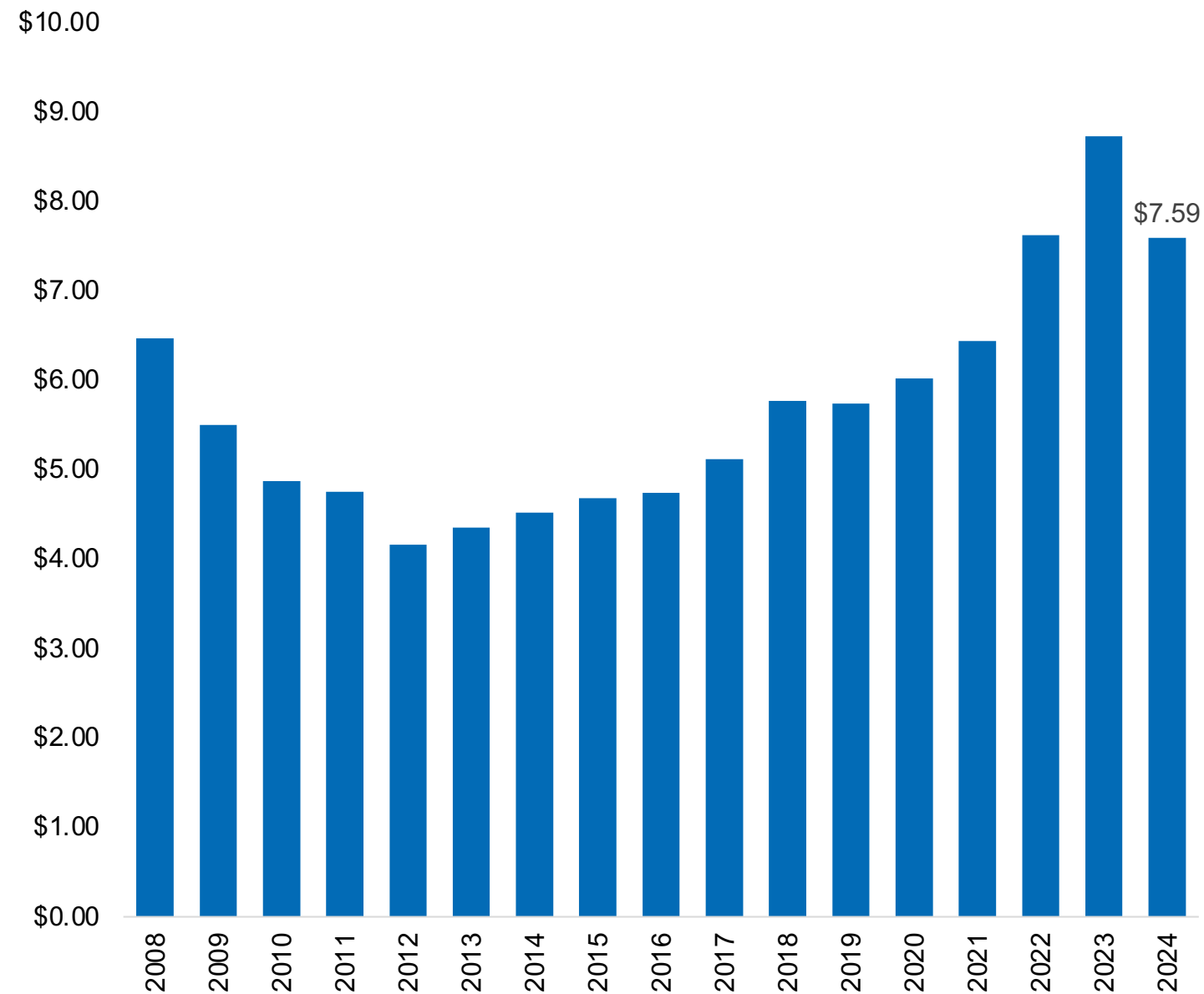


Source: Newmark Research, CoStar

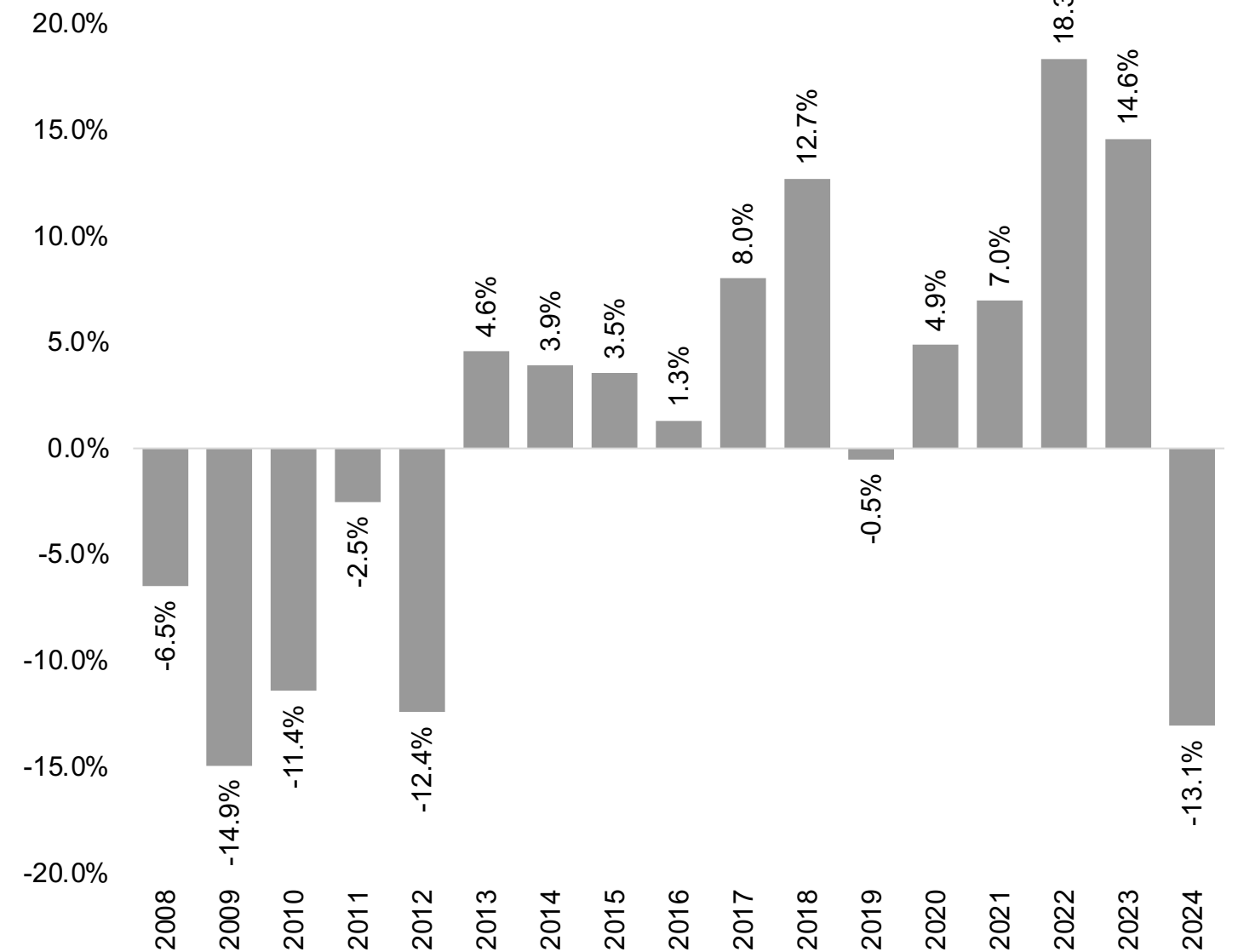
Asking Rents Remain Elevated Despite Negative Year Over Year Rent Growth

Industrial average asking rents decreased from the historical high achieved in year-end 2023 by 13.1%, with the fourth quarter of 2024 ending at \$7.59/SF. Despite year-over-year rent growth at negative 13.1%, rents are expected to remain elevated as new, higher-quality assets continue delivering as the market continues working through the pipeline.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 4Q24 Lease Transactions

Leasing activity dropped to a recent low of 2.4 MSF in the fourth quarter of 2024. The last time the market reported quarterly leasing volume in the 2.0 MSF range was in the first half of 2019. The quarter's recent low activity is now lower than the pre-pandemic quarterly average activity of 2.5 MSF from 2008 to 2019. Currently, projects under construction are 46.7% preleased.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
The Lithium Battery Company <i>The lithium battery technology company is expanding its business in manufacturing new lithium battery packs and plans on creating 50 new high-tech jobs over the next three years.</i>	5201 S West Shore Blvd	S Tampa Ind	Direct New	65,000
Siemens Energy <i>The energy technology company is expanding its 216,000-SF manufacturing plant by another 61,000 SF and more than doubling its head count to 450 people.</i>	13111 Bay Industrial Dr	SE Hillsborough	Direct New	61,000
Gruma <i>Mexican multinational corn flour and tortilla manufacturing company signed a new lease at 7105-7125 New Tampa Highway to occupy 56,793 SF.</i>	Lakeland Distribution Center—Building 1	Polk County	Direct New	56,793
Lykes Cartage Company <i>The freight forwarding service company is moving from Tampa Distribution Center in order to double their space.</i>	5402-5424 Hangar Ct	Westshore/Airport	Direct New	50,601
Lubewerks <i>The motor oil manufacturer signed a lease to occupy half of the building, followed by Lykes Cartage Company, which signed a similar lease a month later to fully lease up the building.</i>	5402-5424 Hangar Ct	Westshore/Airport	Direct New	50,601



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