

# MARKETBEAT

# Pinellas County

Industrial Q3 2018



## PINELLAS INDUSTRIAL

### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Tampa Bay MSA Employment	1.32M	1.35M	▲
Pinellas Unemployment	3.8%	3.4%	■
U.S. Unemployment	4.4%	3.9%	▼

\*Numbers above are monthly figures, August 2018, FL Dept. Economic OPP.

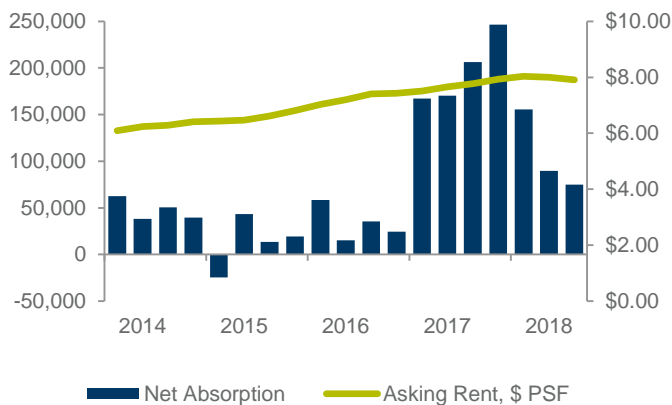
### Market Indicators (Overall, All Property Types)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	3.5%	4.0%	■
YTD Net Absorption (sf)	395k	-311k	■
Under Construction (sf)	286k	65k	■
Average Asking Rent*	\$7.99	\$8.05	▼

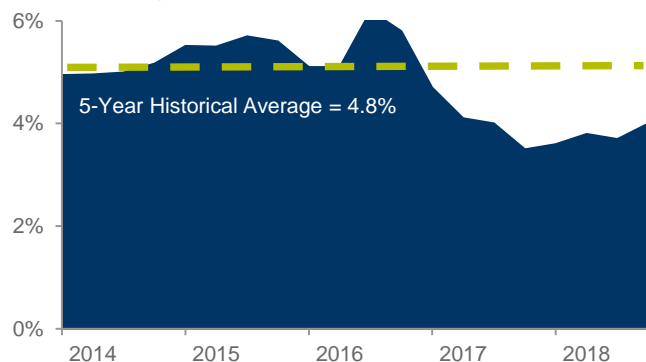
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

The Tampa Bay economy surged over the past year, adding +32,400 jobs for an annual growth rate of 2.3%. As of August 2018, the unemployment rate in Pinellas County fell by -40 basis points (bps) over the past twelve months to 3.4%. Nearly all industrial-related industries saw employment growth. Construction had the bulk of job gains, adding +3,500 jobs for a growth rate of 4.7%. The region's pace for new housing and commercial construction projects benefited the industrial market with many in- and new-to-market users taking space to meet consumer demand.

## Market Overview

Pinellas County's industrial market continued to have a mixed performance through the third quarter. The overall vacancy rate increased by +50 bps to 4.0%, in large part due to a few tenant move outs including Pellon Consumer Products and Konica Minolta in the Gateway/Mid-Pinellas submarket. However, the new availabilities provided much needed space variety in a market that has had a vacancy rate below 5.0% for nine-consecutive quarters. The overall triple net asking rental rate increased by less than 1.0% year-over-year to \$8.05 per square foot (psf). Warehouse/distribution space saw significant rental rate gains, increasing +11.6% to \$6.14 psf year-over-year, marking the third consecutive quarter that the warehouse/distribution asking rate has averaged over \$6.00 psf.

Less than 2.0 million square feet (msf) was vacant in Pinellas County for the last seven consecutive quarters. Availabilities were predominately located in inferior locations within functionally obsolete buildings, especially manufacturing and flex assets. Limited quality space options caused leasing activity to cool in 2018 with nearly 661,000 square feet (sf) leased year-to-date, approximately 65% of last year's figures for the first nine months. In contrast, warehouse/distribution was on pace to meet-or-exceed 2017 leasing activity with nearly 391,000 sf year-to-date, figures that are only 17% off from last year's third quarter numbers. Overall absorption totaled -310,962 sf for the first three quarters and was impacted by tenant move-outs over the last three months.

Rising occupancies bolstered confidence by developers to deliver an additional 126,000 sf of warehouse/distribution product in 2018. Builders became creative in finding sites with limited land available on the peninsula suitable for distribution. Noteworthy projects were Mosk Development Company's 50,000-sf speculative warehouse in the Gateway submarket and an additional 76,000-sf build-to-suit warehouse delivered by Cousins Corp of America.

## Outlook

Industrial product in Pinellas County continued to have one of the Tampa Bay region's lowest overall vacancy rate and highest asking rental rates. Additions of new blocks of space to the market should spark greater leasing activity and assist absorption. Cushman & Wakefield anticipates industrial fundamentals in Pinellas County will continue to stay positive through the remainder of 2018 on further growth in rental rates and sustained low vacancy levels.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTRUCTION COMPLETIONS (SF)	YTD WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Gateway/Mid-Pinellas	792	31,995,667	686,947	4.7%	-255,621	64,675	50,000	\$6.11	\$10.49	\$6.11
North Pinellas	297	8,052,810	27,523	1.5%	14,700	0	0	\$5.50	\$14.11	\$9.95
South Pinellas	227	7,862,454	0	3.9%	-70,041	0	76,000	\$7.66	N/A	\$7.52
<b>PINELLAS TOTALS</b>	<b>1,316</b>	<b>47,910,931</b>	<b>714,470</b>	<b>4.0%</b>	<b>-310,962</b>	<b>64,675</b>	<b>126,000</b>	<b>\$6.28</b>	<b>\$10.61</b>	<b>\$6.14</b>

\*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Asset Type*	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)**	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	487	17,421,788	368,037	3.9%	23,385	64,675	390,966	126,000	\$6.14	\$6.21
Manufacturing	639	23,531,258	60,905	1.9%	-256,942	0	45,363	0	\$6.28	\$6.74
Office Service/Flex	185	6,768,734	285,528	11.6%	-77,405	0	224,329	0	\$10.61	\$10.67

\*Chart does not reflect inventory for High Tech

\*\*Does not include renewals

### Key Lease Transactions 3Q18

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11211 69 <sup>th</sup> Street N	25,950	Southwire	Direct	Gateway/Mid-Pinellas
9937 Race Track Road	14,245	The Compound	Direct	North Pinellas

### Key Sales Transactions 3Q18

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Omni Business center	179,736	Omni Property Co./Arcis Investments	\$11,200,000/\$62	Gateway/Mid-Pinellas

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