

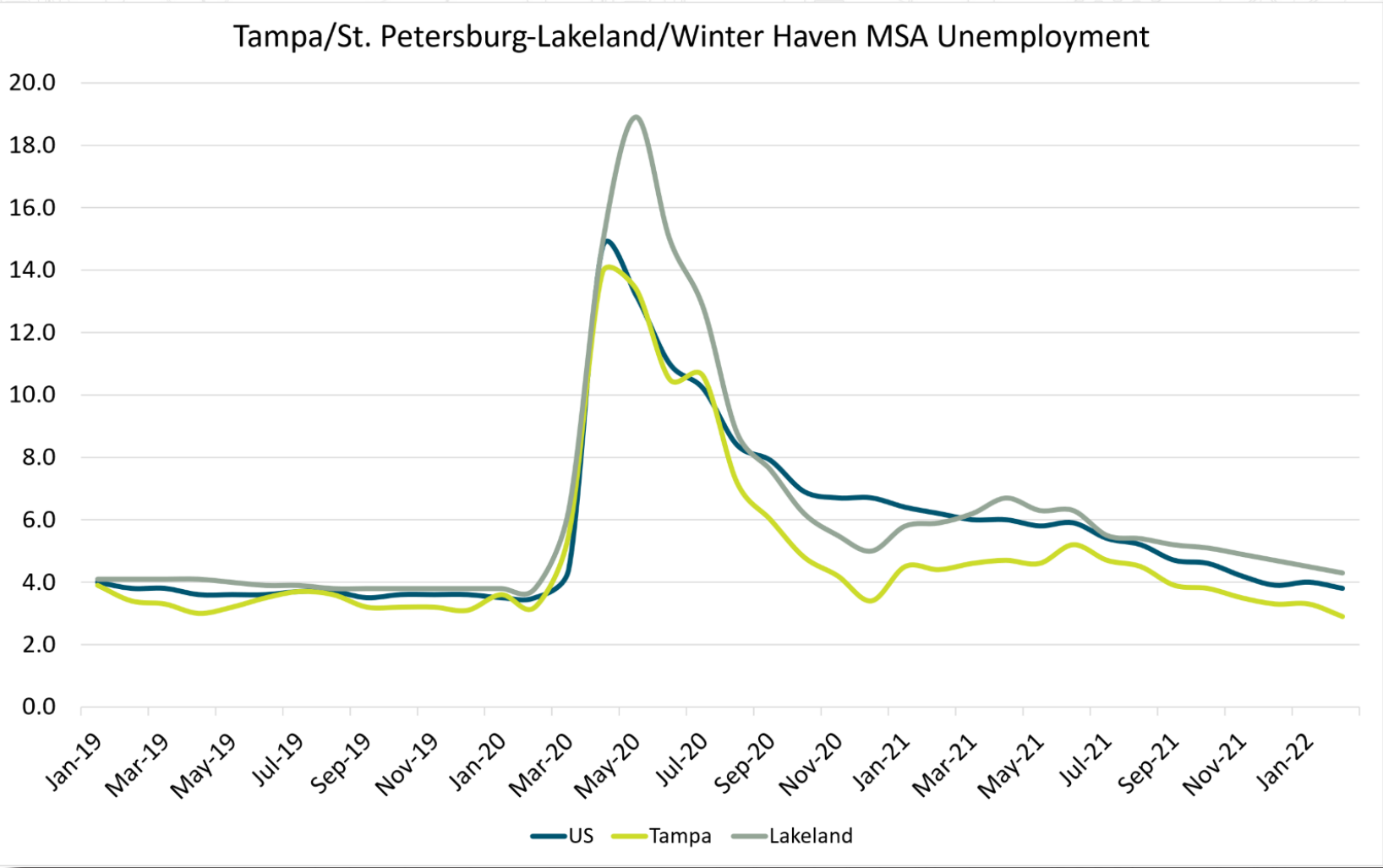
TAMPA

Q1-22 Industrial Report

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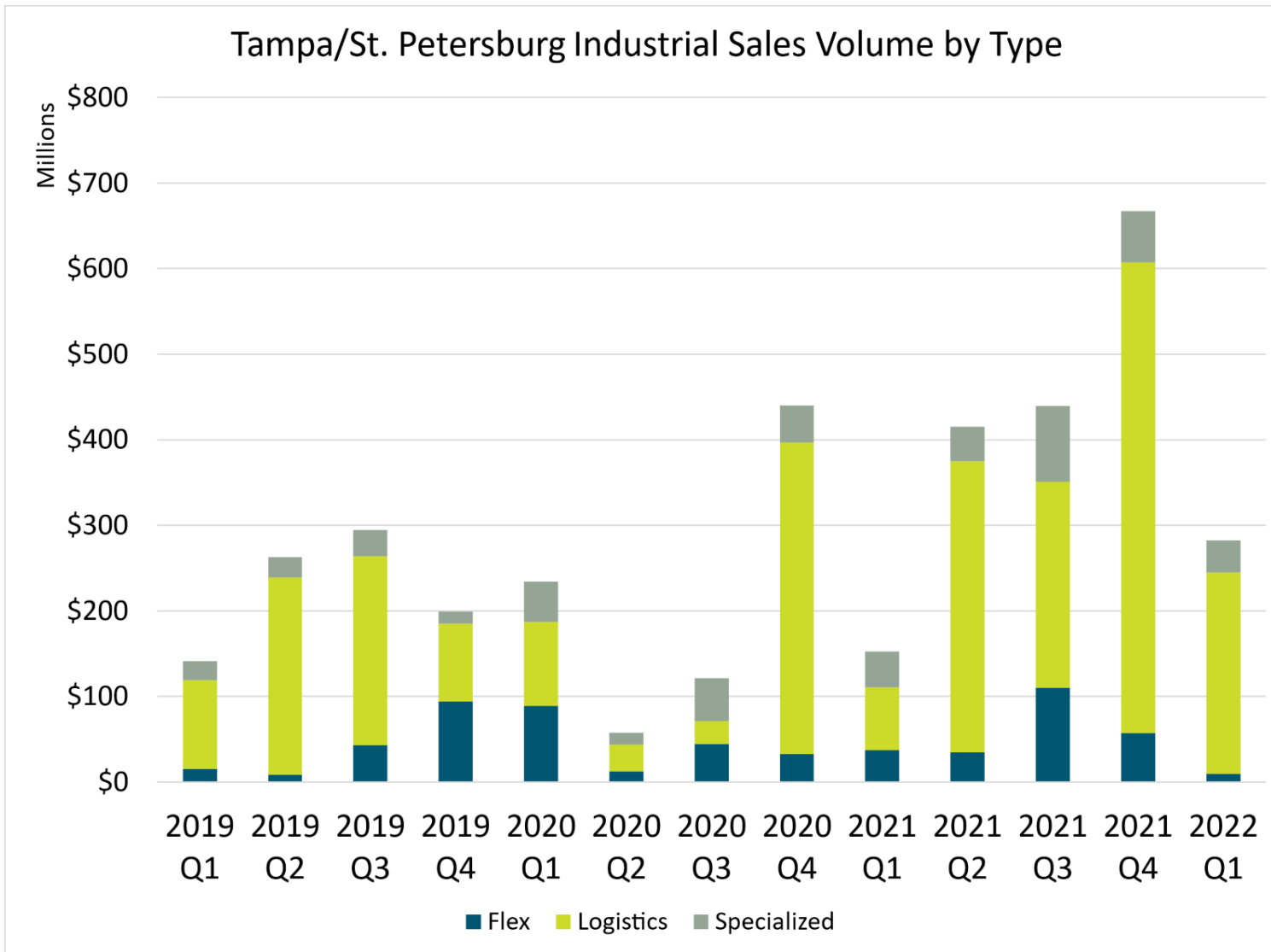
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MSA Unemployment



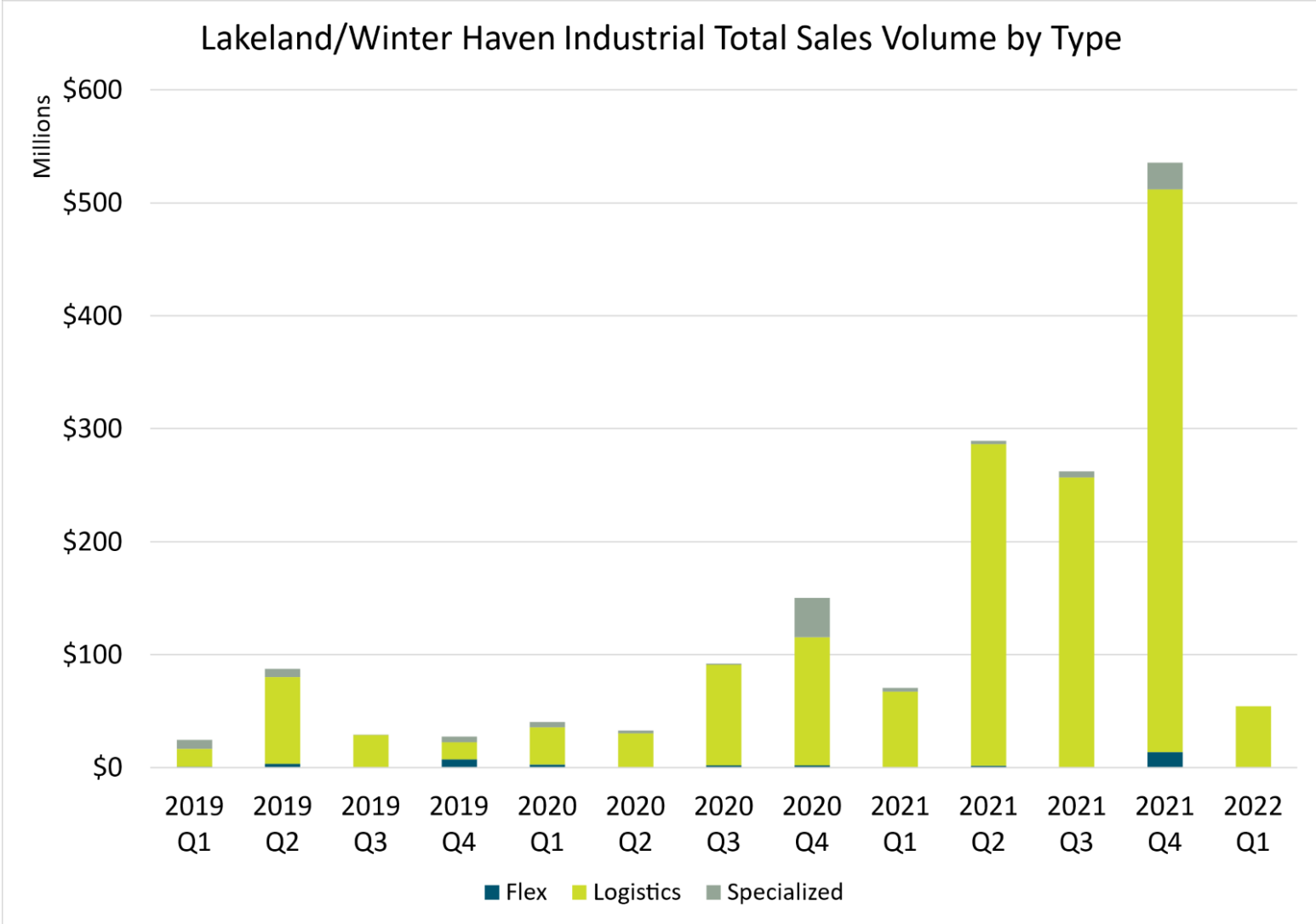
The Tampa-St. Petersburg MSA recovered quickly post-pandemic. Since unemployment peaked in April 2020 at 13.9%, the job market has more than regained its strength. Today, the MSA boasts its lowest ever recorded unemployment rate of 2.9%. While it is uncertain whether the metro area can maintain this downward trajectory, the local economy will benefit from its extremely healthy job market. Lakeland's job market was impacted more significantly by the pandemic. In May 2020, unemployment reached a peak of 18.9%. Although it has taken a similar, high-speed, recovery as the greater economy learned how to navigate a world with Covid-19, it still hasn't reached pre-pandemic levels. Currently, the area is sitting at 4.3% unemployment, roughly 50 basis points above its pre-pandemic low.

Tampa / St. Pete: Industrial Sales



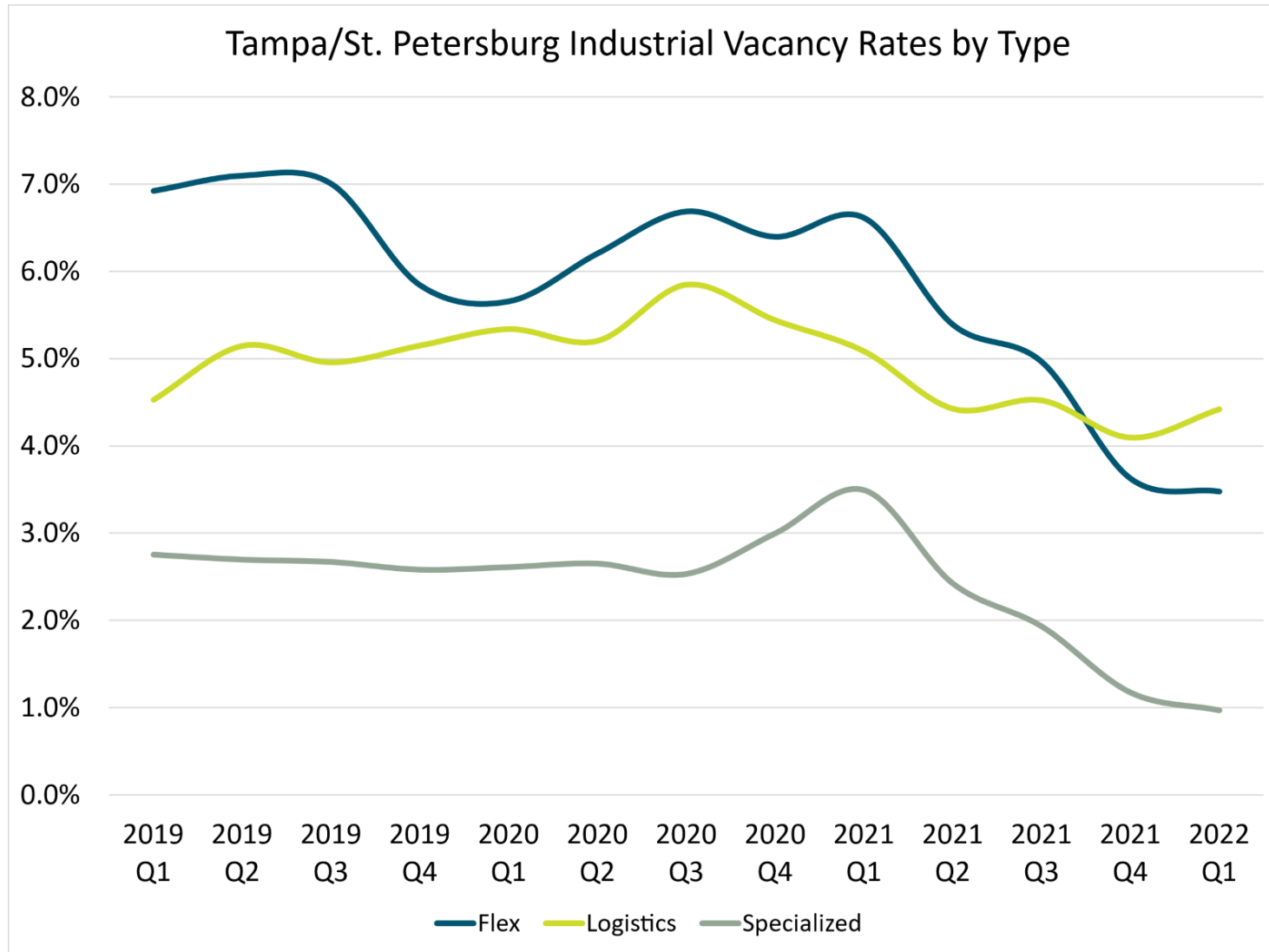
2022 sales volume for industrial space in Tampa-St. Petersburg started off very strong, despite headwinds from anticipated rounds of interest rate hikes and somewhat turbulent market conditions. Flex space recorded \$9.4 million in total sales, logistics space recorded \$235 million in total sales, and specialized space recorded \$37 million in total sales. Demand for industrial space has arguably never been higher. The area has proven its resilience and ability to perform with unfavorable conditions. We anticipate sales volume to ramp up as we exit a covid burdened environment.

Lakeland / Winter Haven: Industrial Total Sales



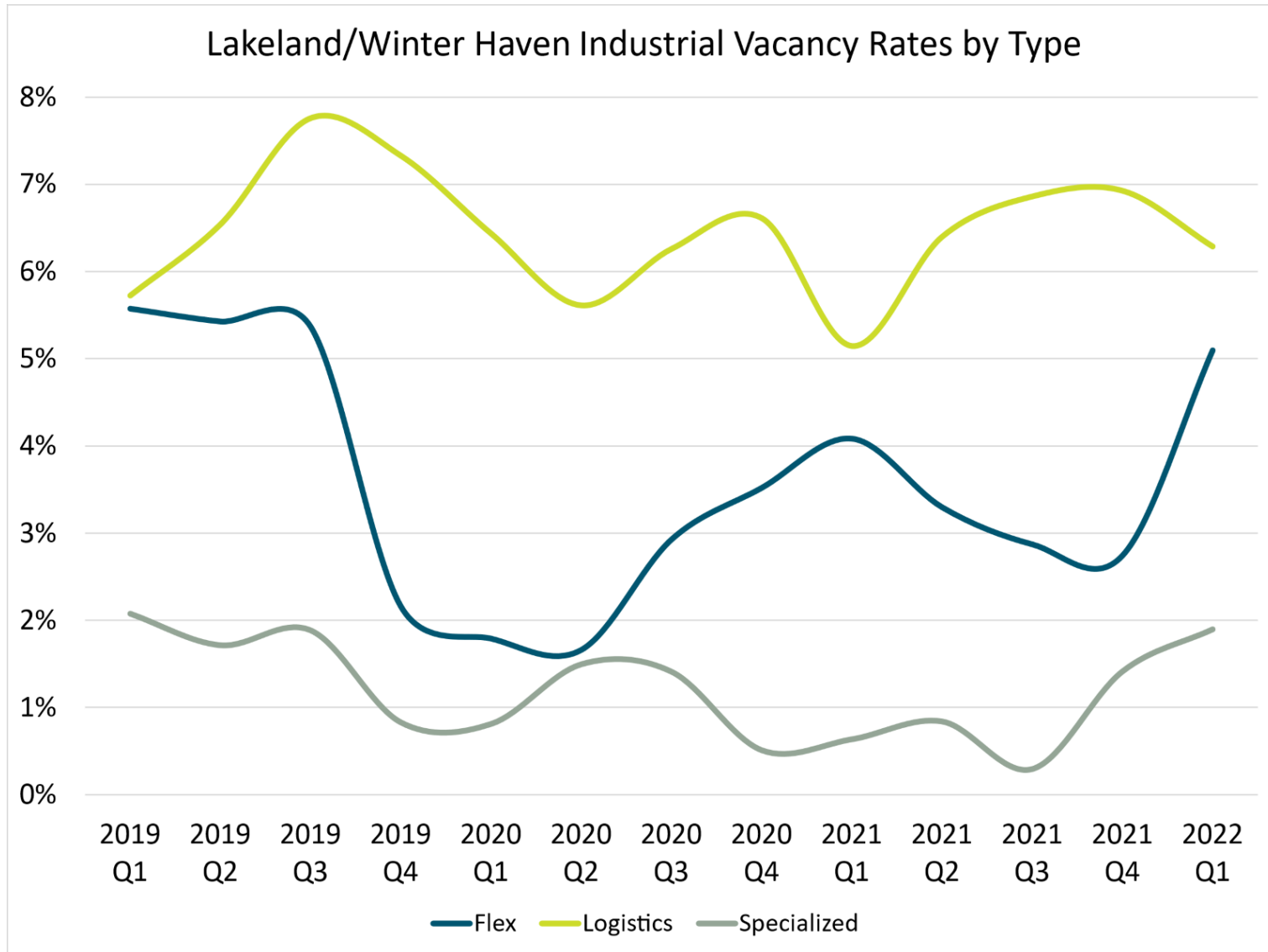
The Lakeland area saw a massive influx of industrial sales volume toward the closing of 2021. Potentially due to the anticipation of rate hikes by the Federal Reserve throughout 2022. Appetite for industrial space in Lakeland has skyrocketed, especially for logistics space. As noted, Lakeland captures spillover effects caused by activity in Tampa and Orlando. Given its proximity between the two metros, it serves as a very strategic location for distribution centers. In Q1-22, there was over \$54 million in total sales in Lakeland. All of that has been allocated to logistics space. Labor and material costs are currently very high, and if they don't come down soon, we expect sales activity may slow.

Tampa / St. Pete: Industrial Rates



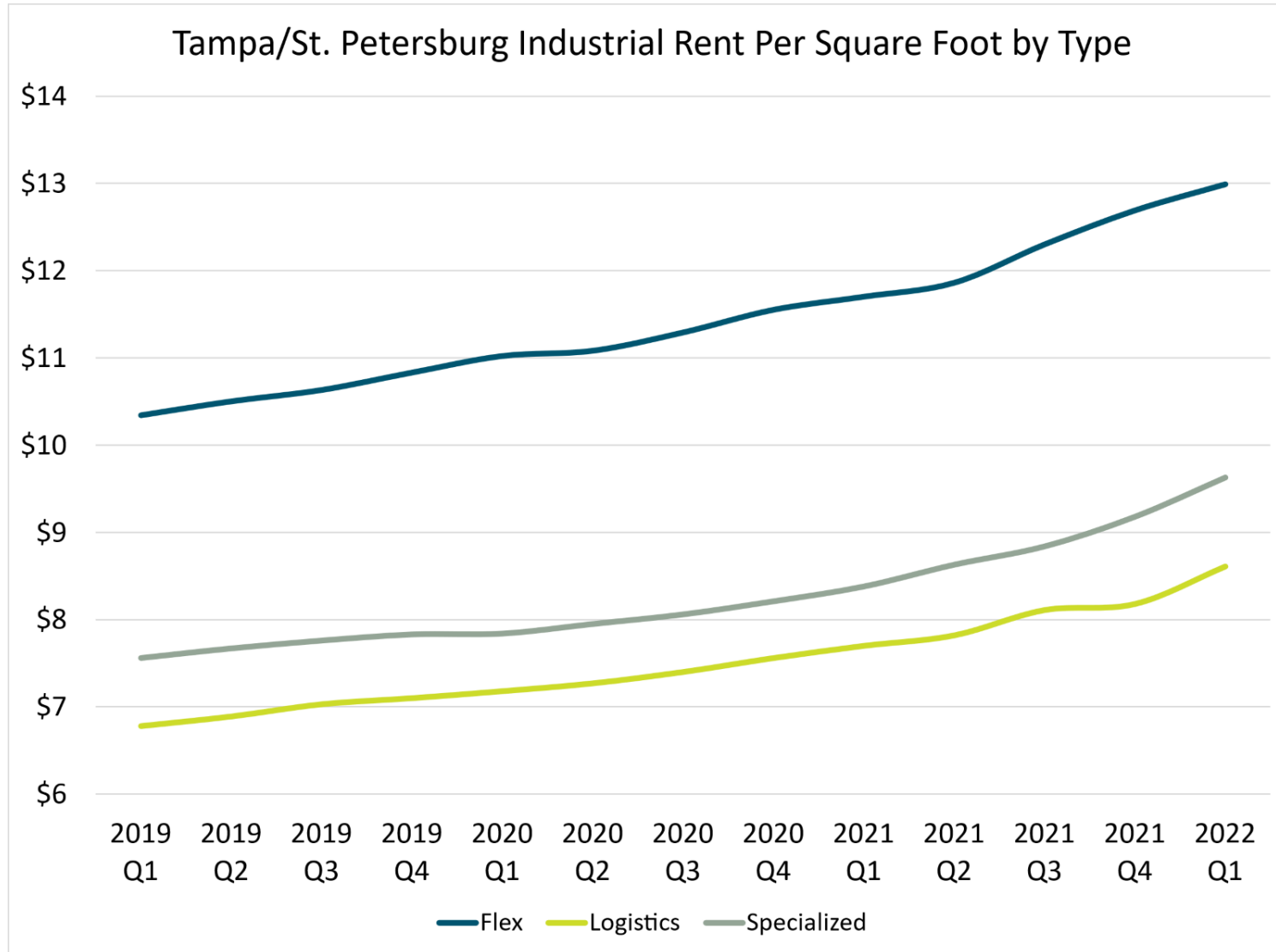
With demand at an all-time high, competition for industrial space in Tampa and St. Petersburg is high. Across all three industrial types, most of the space is occupied. Flex space is sitting at 3.5% vacancy, logistics space is sitting at 4.4% vacancy and specialized space is sitting at a mere 0.9% vacancy. The deltas between the types of space are illustrative of the composition of the demand for each of them respectively. As 2022 progresses, we do not expect these rates to increase. Demand will remain high, and tenants will continue to fight to occupy industrial space. For investors, this will remain an attractive asset class.

Lakeland / Winter Haven: Industrial Rates



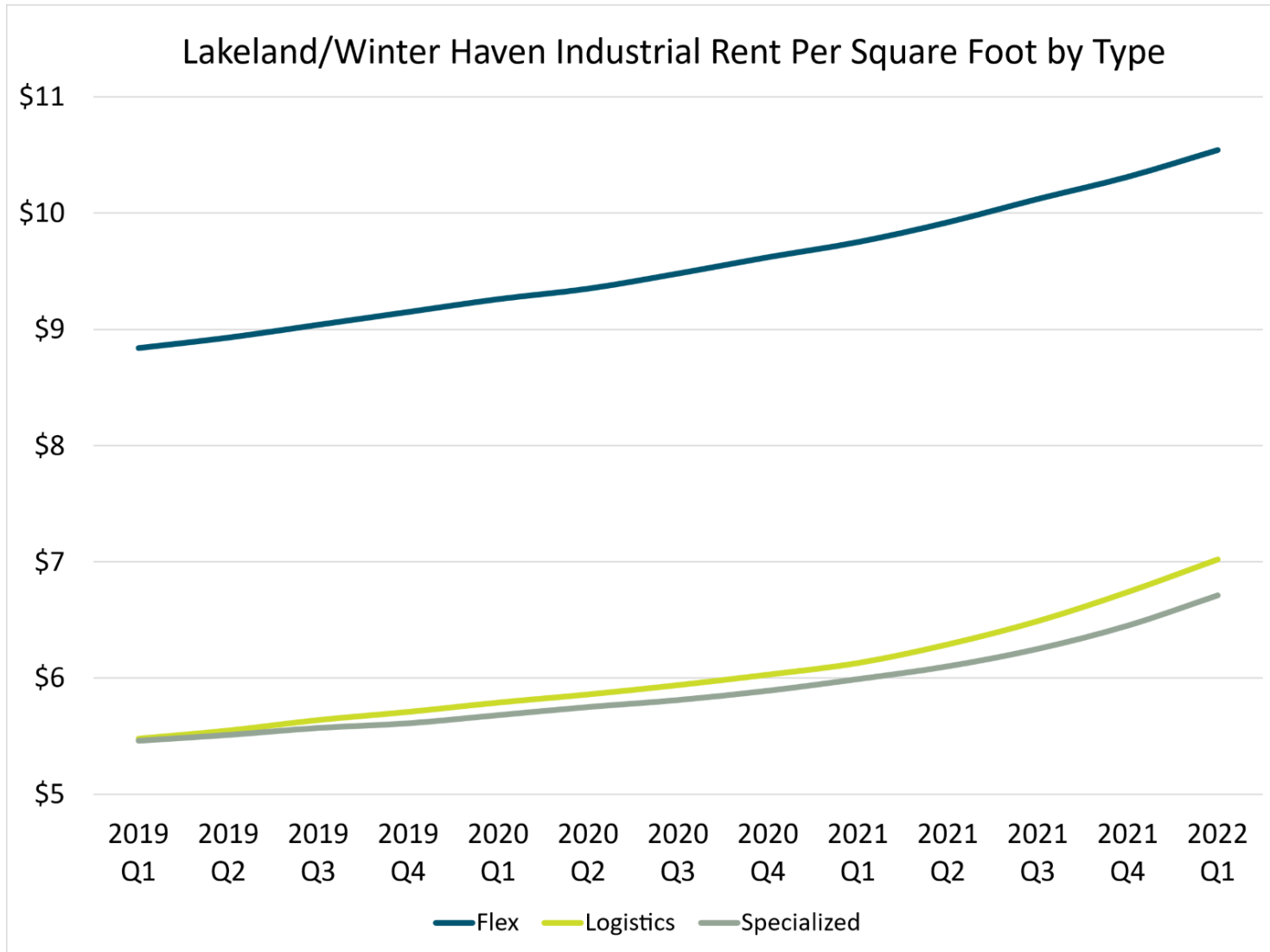
The average vacancy rate across Lakeland is about 4.43% between all three major industrial space types. However, specialized space is notably lower than flex and logistics space. In Q1, specialized space vacancy rates were around 1.90%, while logistics space vacancy was around 6.29% and flex space was around 5.10%. Although these vacancy rates are higher than Orlando, they are much lower than they were in the past. Logistics vacancy in 2010 averaged 13.41%, while flex space averaged 12.66% the same year.

Tampa / St Pete: Industrial Rent



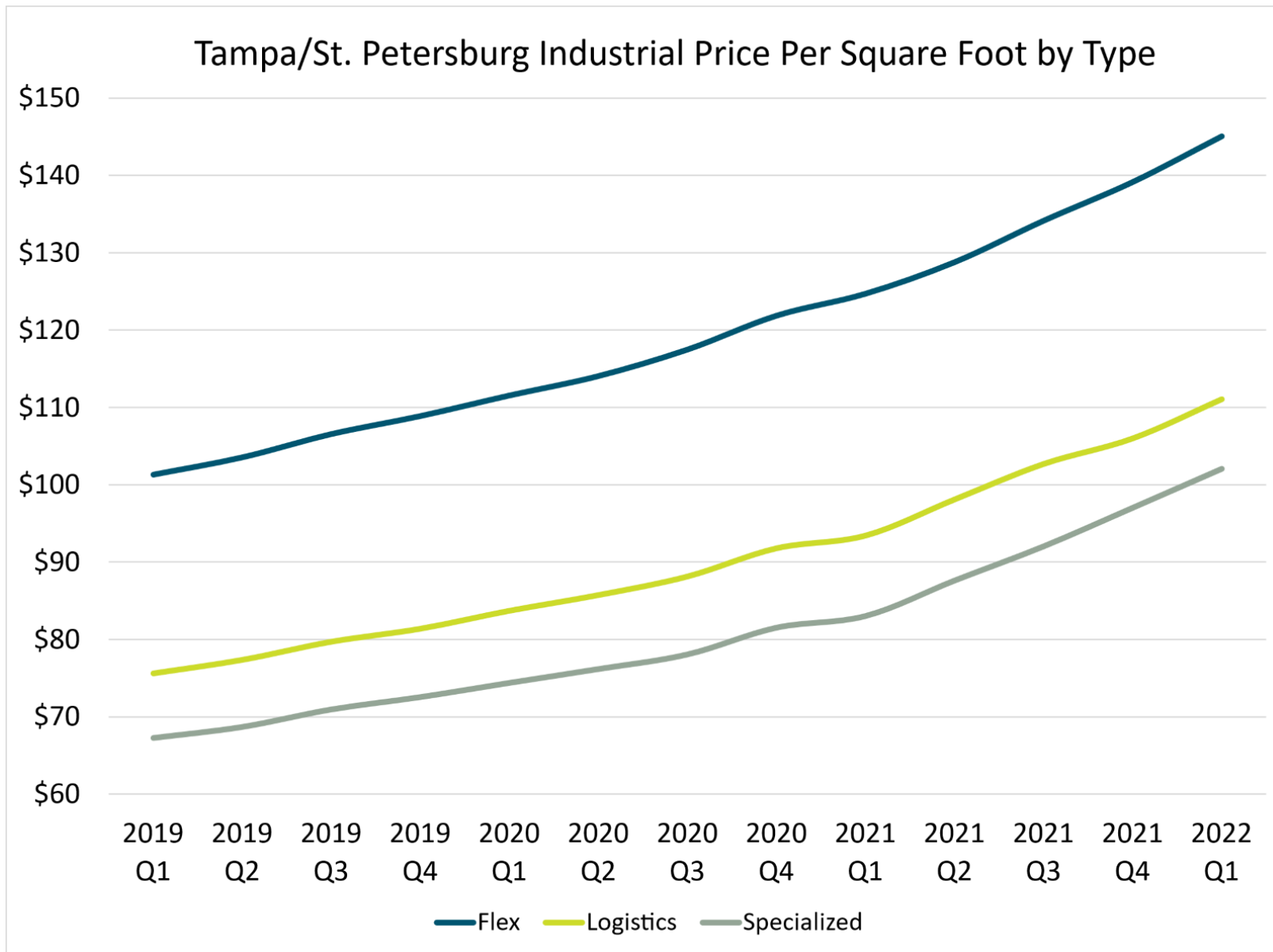
With vacancy at all-time lows, rent per square foot for industrial space is at an all-time high. In Q1-22, flex space is going for \$12.99 per square foot, logistics space is going for \$8.61 per square foot, and specialized space is going for \$9.63 per square foot. The rising rates are also indicative of inflated demand for industrial space. As we've mentioned, competition for industrial space is incredibly tight. With demand so high, rental rates will remain elevated throughout 2022.

Lakeland / Winter Haven: Industrial Rent



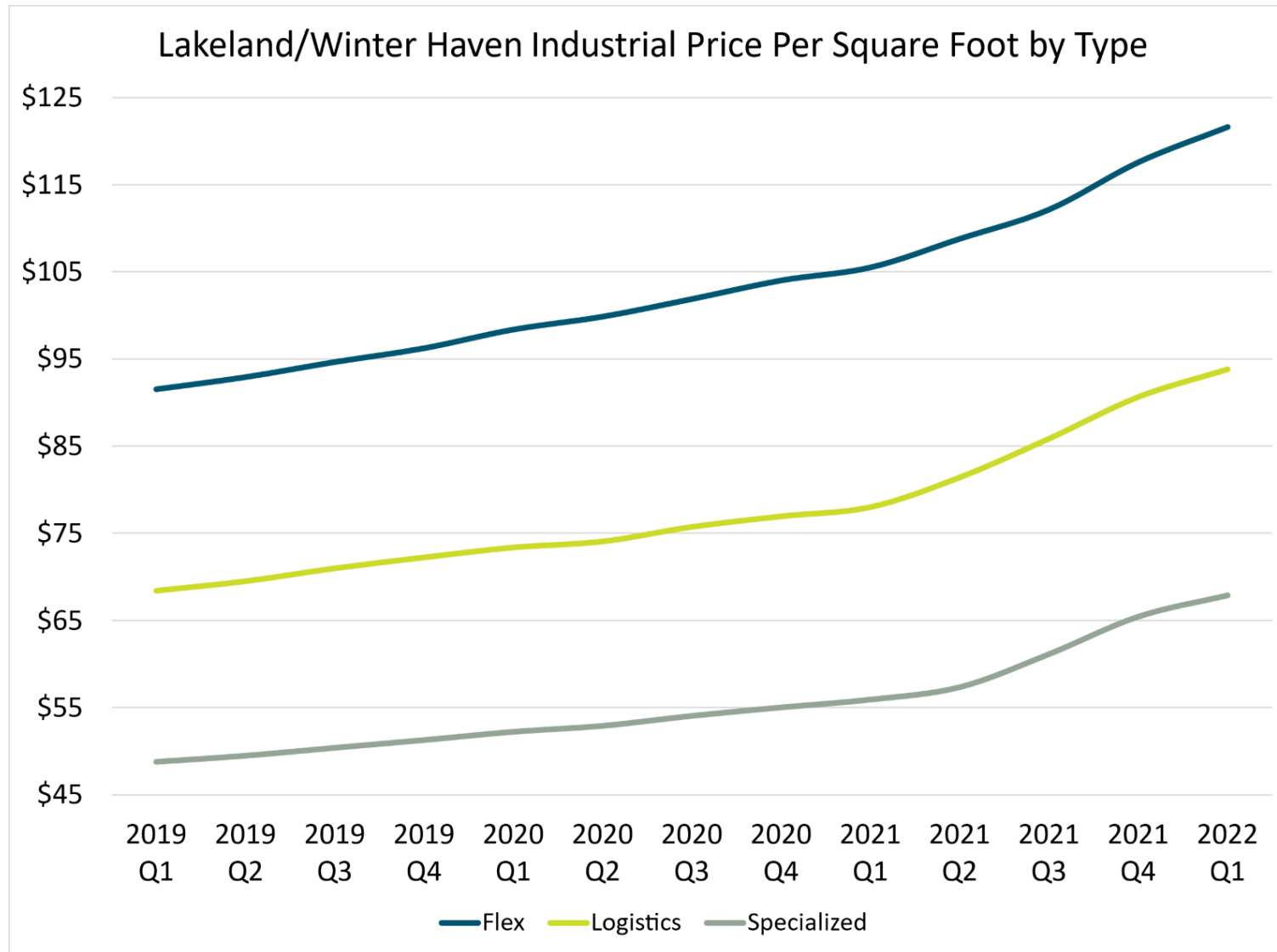
Rental rates in Lakeland are higher than they have ever been, fueled by increased demand and competition for space. In Q1 of 2019, the average rent per square foot across industrial space types was \$6.59. In Q1-22, rent for industrial space averaged \$8.09 per square foot. Flex space was slightly higher than average at \$10.54 per square foot, while logistics and specialized space came in slightly below average at \$7.02 and \$6.71 per square foot, respectively. We believe that this trend will continue throughout the year. As rate hikes have already started to impact pricing and rent growth, the cost of occupying industrial space will continue to increase.

Tampa / St. Pete: Industrial Price



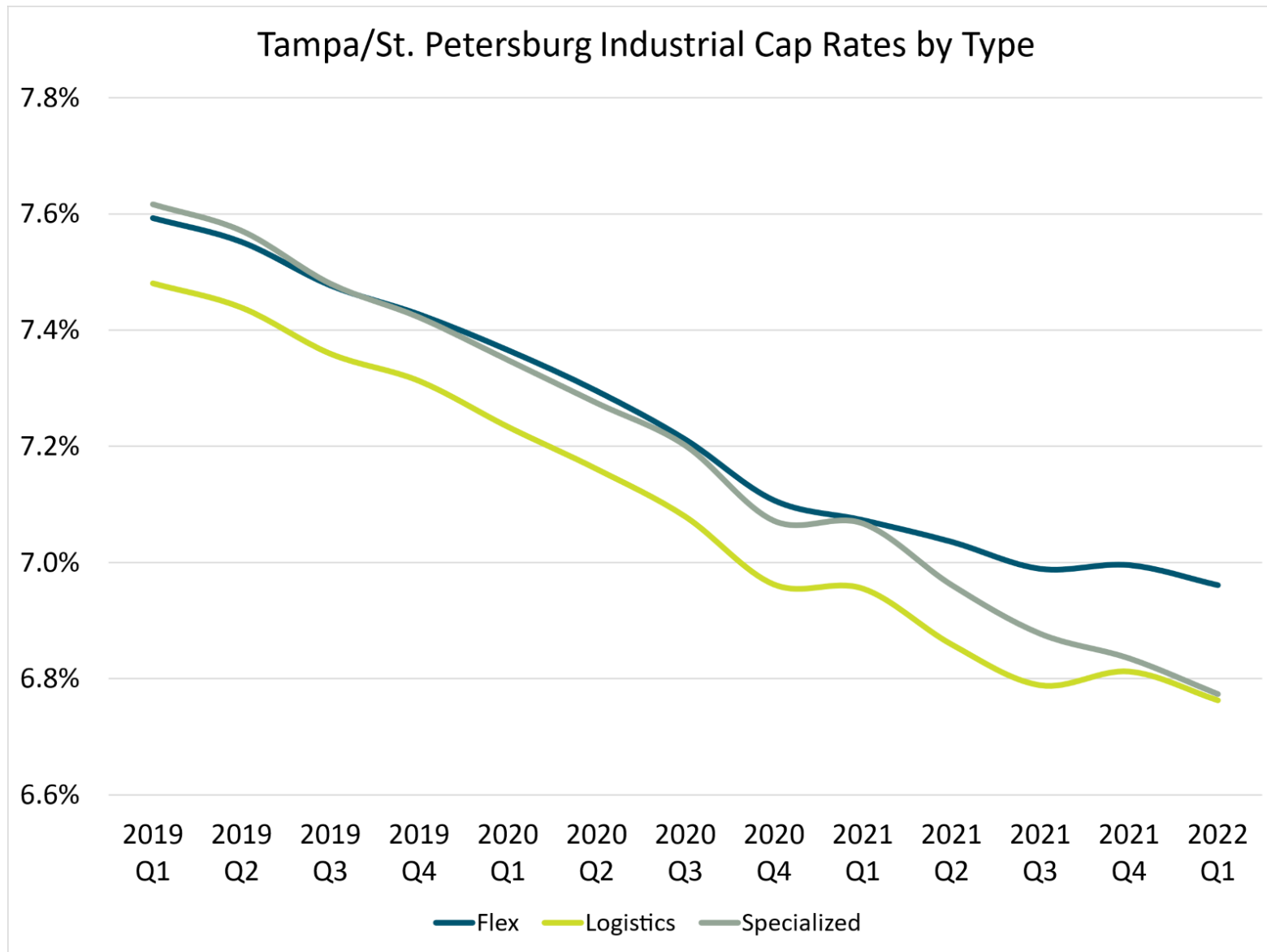
Industrial space has also never been more expensive to own. At \$145.06 per square foot, flex space is the most expensive. Specialized space is the least expensive at \$102.06, and logistics space is slightly higher at \$111.04. These increased prices could be in part fueled by slow development within the asset class. Regardless, we anticipate prices for industrial space to remain high throughout 2022 and potentially into 2023.

Lakeland / Winter Haven: Industrial Price



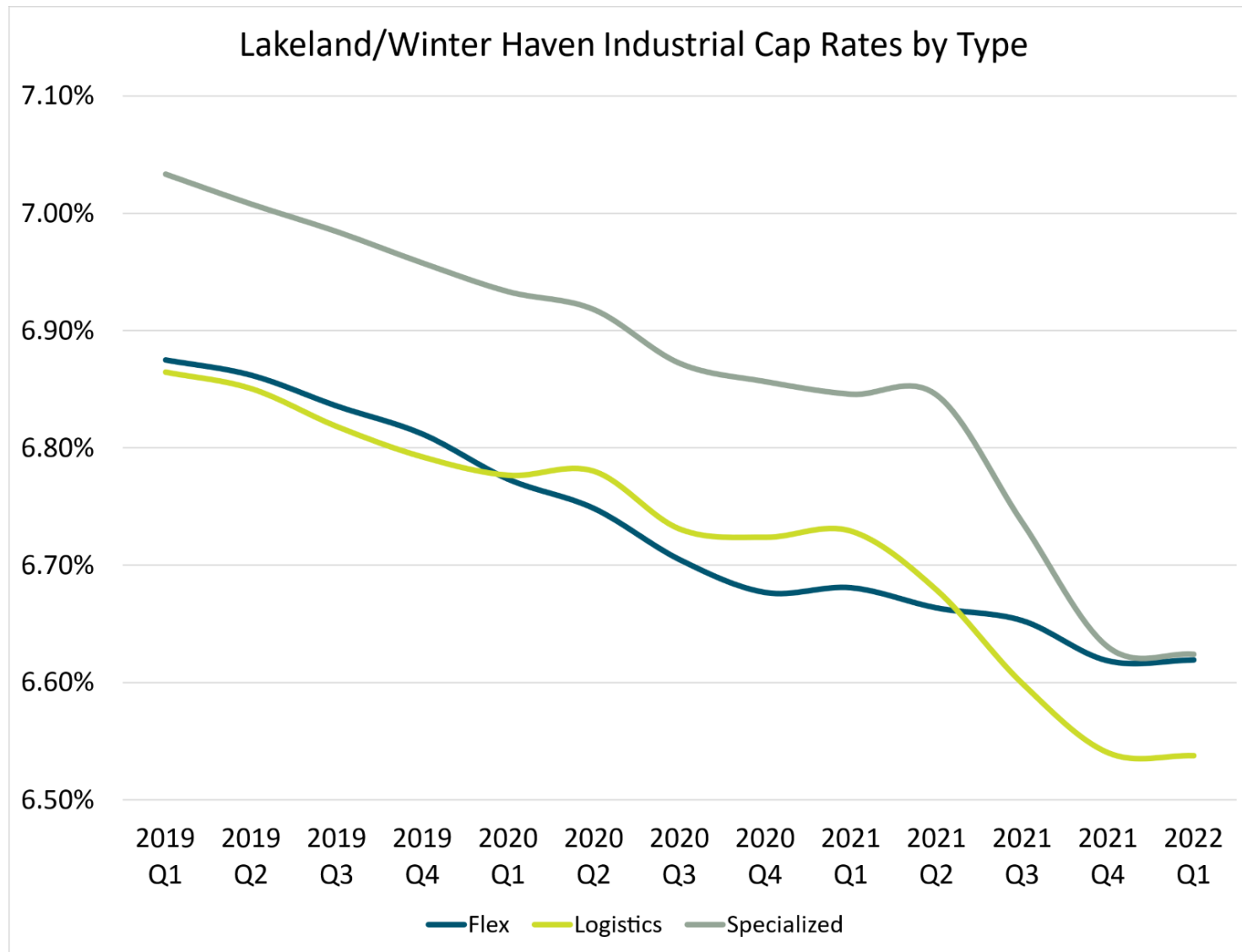
Sales price per square foot is also rising in the Lakeland market. The average price per square foot in Lakeland was roughly \$94.43 in Q1-22, but there are variances across industrial space types. Flex space is the most expensive at \$121.60 per square foot, logistics space is \$93.81 per square foot, and specialized space is \$67.89 per square foot. Since 2019, flex space has increased by \$30 per square foot, logistics space has increased by \$25 per square foot, and specialized space has increased \$19 per square foot. As we've noted, competition for space is tight and will remain so for the foreseeable future. We expect the upward trajectory to maintain its course throughout 2022 and potentially stabilize in early 2023.

Tampa / St. Pete: Industrial Cap Rates



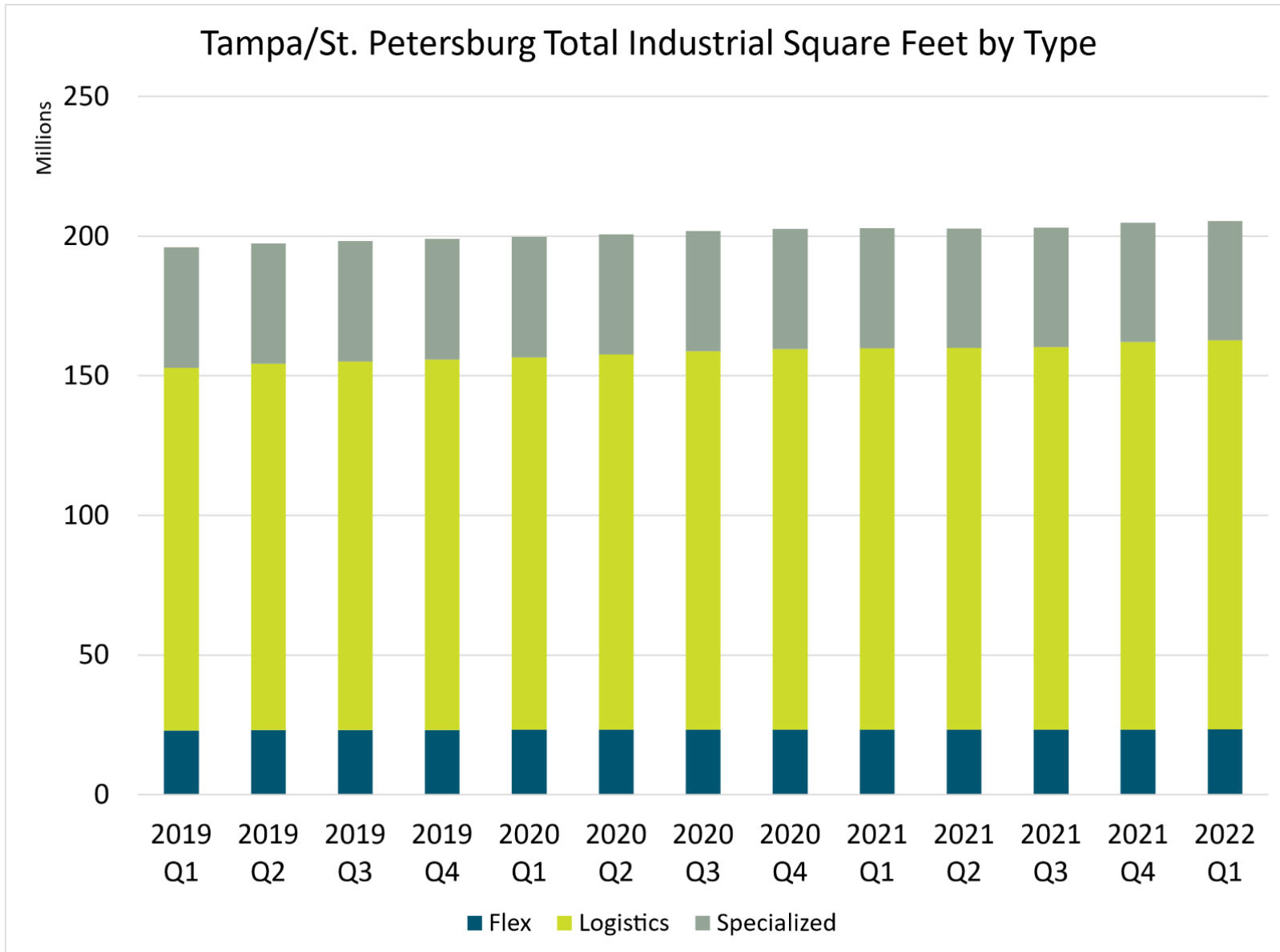
The increased prices have driven cap rates extremely low. Flex, logistics, and specialized cap rates are sitting at 6.96%, 6.76%, and 6.77% respectively. While cap rates for all three main industrial space types are at record lows, investor demand for the asset class is at an all-time high. We do not expect this trend to lose momentum as the year continues. There is potential for cap rates to reach a bottom in early 2023, but will remain low indefinitely.

Lakeland / Winter Haven: Industrial Cap Rates



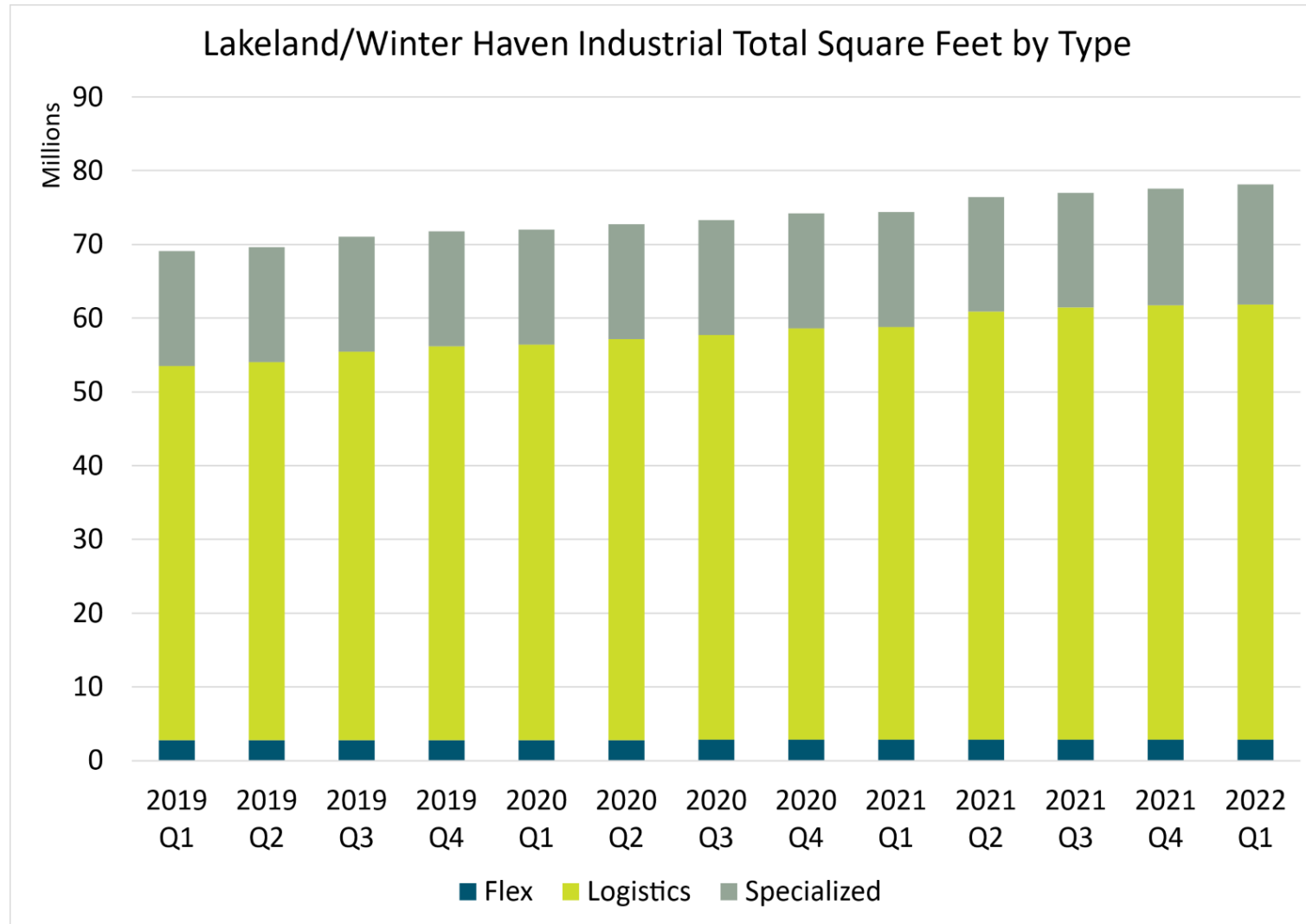
Increased sale pricing for industrial space has put persistent downward pressure on cap rates, which are now at record lows in the Lakeland-Winter Haven market. Flex space and specialized space cap rates are currently averaging 6.6%, while logistics space cap rates are currently averaging 6.5%. We expect cap rates to stabilize in Q2 or Q3 of this year and remain at a compressed level until 2023.

Tampa / St. Pete: Total Industrial



Since 2019, only 9.5 million square feet of industrial space has been added to the Tampa-St. Petersburg MSA. Whether it be location availability or material and labor costs, industrial development has been slow. This has caused the value of existing industrial space to grow. In Q1-22, there was 23 million total square feet of flex space, 139 million square feet of logistics space, and 42 million square feet of specialized space in the market.

Lakeland / Winter Haven: Total Industrial



There has been 8.9 million square feet of industrial space delivered to the Lakeland area since the beginning of 2019, which is equivalent to roughly 11% of the total inventory in the area. Most of that space, 59 million square feet, has been dedicated to logistics space. This is very illustrative of the level of demand around distribution centers to support the national shift toward an ecommerce-driven economy. Specialized space makes up the next largest portion of industrial inventory in the area, with 16.2 million total square feet. Flex space has the least amount of square feet in the area, but still an objectively large footprint for a city such as Lakeland with over 2.8 million square feet. As Lakeland continues to develop and grow, we believe the total amount of industrial space will continue to increase.

Submarket	Asset Value	Vacancy Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	12 MO delivered SF	Under Construction SF	12 MO Net absorption SF	Market Sale Price Per SF	Market Cap Rate
Downtown Tampa	\$974,493,888	3.0%	\$9.46	12.8%	8,691,595	-29,400	20,000	314,779	\$111.85	6.8%
E Hillsborough/Plant	\$2,327,408,640	7.3%	\$7.23	12.0%	19,783,151	1,214,107	3,803,397	2,278,891	\$98.67	6.5%
FL - East Side	\$6,097,485,824	4.2%	\$8.75	12.0%	55,640,681	687,255	1,737,958	958,293	\$106.27	6.7%
Eastern Outlying	\$130,017,696	3.4%	\$13.54	12.7%	1,115,423	30,000		-8,297	\$116.56	6.5%
Hernando County	\$393,131,264	0.7%	\$8.52	12.4%	4,361,814	0		798	\$90.13	6.8%
NE Hillsborough/Univ	\$268,253,904	1.0%	\$11.07	11.9%	2,039,038	0		22,019	\$131.86	6.8%
North Pinellas	\$1,687,379,200	0.8%	\$10.44	12.2%	14,155,850	0	152,500	111,928	\$117.92	7.0%
NW Hillsborough	\$509,838,976	2.4%	\$12.70	12.2%	3,236,979	0	22,500	123,377	\$156.42	6.7%
Pasco County	\$1,806,944,768	3.5%	\$9.03	12.3%	13,716,775	173,600	880,170	250,769	\$123.79	6.7%
SE Hillsborough	\$520,996,800	0.6%	\$6.45	12.4%	3,985,515	564,156		591,014	\$130.72	6.3%
South Pinellas	\$6,605,161,984	2.7%	\$9.97	12.8%	56,730,350	-129,003	458,312	794,674	\$115.50	7.0%
SW Hillsborough	\$356,432,672	23.1%	\$10.66	12.4%	2,926,173	0		-529,969	\$121.81	6.8%
Westshore/Airport	\$2,438,264,832	2.0%	\$10.27	11.7%	19,114,294	95,908	710,654	298,557	\$122.99	6.9%

INDUSTRIAL MARKET OUTLOOK

The Tampa-St. Petersburg and Lakeland-Winter Haven markets are some of the fastest-growing metros in the country. There have never been more people moving to the eastern and central parts of Florida as there are today in 2022. With this high growth, the need for industrial space is dire. Ecommerce trends have truly reshaped the way goods are moved around the country, and the composition of real estate near major city centers has changed with it. Throughout 2022, we expect industrial asset classes to continue to perform at a very high level. Investors who have industrial assets around these areas in their portfolios will likely enjoy very healthy long-term returns. Going forward, our industrial specialists will be watching the following trends:

DEMAND OUTPACING SUPPLY

To put it simply, industrial real estate throughout the Tampa Bay and Lakeland areas is currently very under-supplied. The lack of space paired with high costs of construction have resulted in a landlord's market where rents are continuing to rise. This means tenants may have to be more flexible and open to creative solutions when it comes to finding space that suits their needs.

BUILD-TO-SUIT PROJECTS HIGHLY COVETED

Cap rates are compressed for all industrial types, but some build-to-suits for national credit tenants are seeing extreme lows, trading at below 4%, depending on the credit. It will be interesting to see how increased interest rates impact these figures, but once these big national companies identify a location they want, it seems most investors/developers are willing to pay above-market rates to win the deal.

CREATIVE DEVELOPMENT SOLUTIONS

The limited inventory and high costs of construction are fueling investor interest in flex light distribution space. We are also seeing covered land plays for redevelopment in growing areas that have limited land opportunities.

RELIANCE ON RAIL

Rail is moving significantly more freight every year, and new technologies are empowering the supply chain to fully embrace the new precision railroading model. We expect many industrial users in Florida to consider how rail can help them be most cost effective and efficient with their distribution.

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