



TAMPA

EXECUTIVE SUMMARY

- Tampa was recently named the 3rd fastest growing city in Florida by the U.S. Census Bureau and a strong housing market, steady expansion of the business base, and robust market fundamentals drove the market's growth in 2019.
- The first trophy office building in 27 years is underway in Downtown Tampa in the \$3 billion Water Street mixed-use development.
- The thriving e-commerce sector is fueling significant industrial development along the I-4 corridor. Much of this activity is occurring in the Lakeland area, which has grown by 13% in the last two years.
- Total investment sales volume was up 27% in 2019 over the previous year as institutional and private investors continue to chase yield in Tampa.

Accelerating in-migration and healthy market fundamentals are providing steady fuel for Tampa's economic engine and the commercial real estate market is well positioned for another year of growth. With highly anticipated new mixed-use projects underway, an ever-expanding industrial market running at full strength, and low interest rates encouraging investment activity, Tampa should prosper in 2020.

Strong economic fundamentals and healthy levels of in-migration coupled with positive consumer sentiment have fueled Tampa's growth over the last few years. The city of Tampa was recently named the 3rd fastest growing city in Florida by the U.S. Census Bureau and a strong housing market, steady expansion of the business base, a rise in construction employment, and a robust industrial sector drove the market's growth in 2019. Also notable is Florida's ranking as the top U.S. state for tax advantage according to a 2019 Tax Foundation analysis. Looking forward, the Tampa Bay area should experience accelerating in-migration over time as the state and local taxes (SALT) provisions of the 2017 Tax Cuts and Jobs Act promote relocation from higher tax states like New York.

The office market is well positioned to perform in 2020 and will grow further in 2021 following the delivery of several high-profile office projects currently underway in the urban core and Westshore areas. The most notable project is within Water Street Tampa, the \$3 billion mixed-use development project underway in Downtown Tampa. The highly anticipated 1001 Water Street is the first office building to break ground in the development and represents the first trophy office building downtown in 27 years. Strong demand for multifamily housing in the urban core

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑↑	↑	↑
Vacant Space	↑	→	↑
Construction Levels	↑↑	→	↑↑
Leasing Volume	↑↑	↑	↑
Investment Volume	→	→	↑

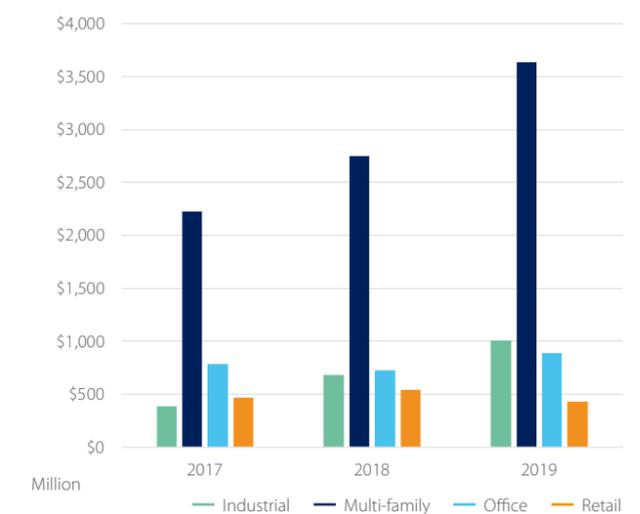
is being driven by both population and job growth, with data from Vertica Partners reporting a population increase of 1,000 people per week moving into Tampa. The CapTrust office building on downtown Tampa's waterfront is being demolished to make way for Riverwalk Place, a 53-story condo tower, and several other towers are also planned. Outside of the urban core, Midtown One, a \$72 million class A office building, has broken ground in the \$500 million, 1.8 million sf mixed-use Midtown Tampa development of Westshore. The building is scheduled to deliver in 2021.

Ever-evolving changes in the retail supply chain continue to drive strong demand for well-located industrial properties, and development along the I-4 Corridor continues at a feverish pace with 9.5 million sf, or 6% of the market's total inventory, delivering in the last 3 years. In Lakeland alone, robust demand for logistics facilities has fueled a 13% increase in the submarket's industrial inventory in the last 24 months. This rapid pace of growth is unsustainable over the long term, but with constant demand for efficient, well located distribution and logistics facilities seeking locations in Central Florida, primarily along the I-4 Corridor, it is unlikely that any potential future economic instability on a macro scale will bring development here to a halt. Over five million sf was delivered in 2019 by key developers including McDonald Development Company, Duke Realty Corp., Cabot Properties and Becknell.

Investment sales activity during 2019 was substantial with nearly \$6 billion in total investment volume in the office, industrial, retail and multifamily sectors, a 27.0% increase over the previous year. An absence of inflationary pressures is creating the likelihood of a period of ultra-low or negative rates, creating the possibility of further yield compression and thus the search for yield is unlikely to get any easier any time soon. Lower interest rates will likely extend the real estate cycle, and as investors continue their search for significant returns this is likely to increase demand for real estate in Tampa Bay.

Tampa was recently named the 3rd fastest growing city in Florida by the U.S. Census Bureau and a strong housing market, steady expansion of the business base, a rise in construction employment, and a robust industrial sector fueled by an expanding e-commerce sector and ever-evolving changes in the retail supply chain drove Tampa's growth in 2019.

TOTAL INVESTMENT VOLUME



Source: Real Capital Analytics