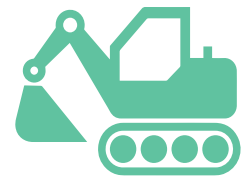


Tampa

Continued Demand for Distribution and Logistics Facilities Along the I-4 Corridor Fueling Growth with Headwinds on the Horizon

During the first nine months of 2019, Tampa's industrial market has been marked by strong leasing, healthy absorption levels, an almost feverish pace of development activity, and a moderation in rental rate growth. Looking ahead, it is safe to say that the U.S. economy will likely be affected by the impact of trade wars (particularly those involving China) and the uncertainty of an upcoming election year, however the degree to which it will affect the Tampa area is yet to be determined. Leasing and sales activity are expected to decelerate to a degree and new development will likely begin to taper, at least until the upcoming election sheds more light on economic policy and U.S. trade relations moving into 2021. Research compiled by Oxford Economics forecasts that year-over-year GDP growth will cool to 2% by the end of 2019 and will average 1.6% in 2020 as the US-China trade war continues to erode the U.S. economy.

While there are certainly headwinds on the horizon as the U.S. economy enters the later stages of its current expansion, the *2020 Emerging Trends in Real Estate* report produced by Urban Land Institute and PricewaterhouseCoopers concluded that the economy is more likely in for a soft landing than a sudden crash like the one that occurred during The Great Recession. Investors continue to search for yield, and although many U.S. markets are at risk of overbuilding the industrial market in Tampa remains well positioned with plenty of runway ahead.



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.

Industrial Market Snapshot

- Amazon continues to dominate industrial headlines as it evaluates potential new locations along Central Florida's pivotal I-4 Corridor. The company, which is the largest industrial user along the Interstate 4 corridor from Tampa through the Orlando metro area, is rumored to be interested in a massive 1.1 million-sf warehouse to be developed by Prologis on a 146-acre site in Auburndale.
- Nearly 10 million sf of new industrial space has been delivered over the last three years and another 3.9 million sf remains under construction. 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. Nearly 4 million sf has been delivered so far in 2019 by key developers including McDonald Development Company, Duke Realty Corp., Cabot Properties and Becknell.
- During the third quarter a Dallas-based investment group acquired the recently delivered I-4 Logistics Center in Seffner for \$29.1 million without a tenant in place, which is a testament to how competitive the industrial market has become and to the perceived strength of the I-4 Corridor connecting Tampa to Orlando.
- Blackstone Real Estate Income Trust, Inc., a New York-based REIT, made history in late September when it completed the \$5.3 billion purchase of Global Logistics Properties' 64 million-sf portfolio of urban, infill logistics assets, the largest private real estate transaction on record. Part of a larger, \$18.7 billion portfolio coming from three of GLP's U.S. funds, the 118-property portfolio is spread throughout the United States. Also during the third quarter, Blackstone entered into a definitive agreement to acquire Colony Industrial, the industrial arm of Colony Capital, for \$5.9 billion. That last-mile industrial portfolio, with a significant concentration in Florida, consists of 60 million sf situated in 465 industrial buildings in 26 U.S. markets.
- The Federal Reserve took action in September to help mitigate the effect of global headwinds on the U.S. economy by reducing its policy rate by 25 basis points to a target range of 1.75% to 2%, the second interest rate cut by the central bank in two months.
- St. Louis-based US Capital Development announced plans to build its first Tampa project, a 303,006-sf speculative distribution center in the Plant City/East Hillsborough submarket that is slated for completion by mid-2020. USAA Real Estate is a partner in the project.

160.0 MSF

Total industrial inventory in the Tampa Bay market

1,796,212 SF

Direct Y-T-D net absorption as of 3Q-2019

5.88%

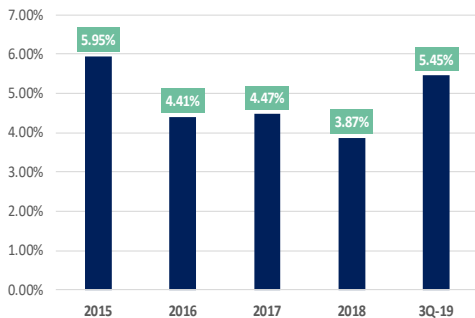
Overall Vacancy

\$6.19/SF/NNN

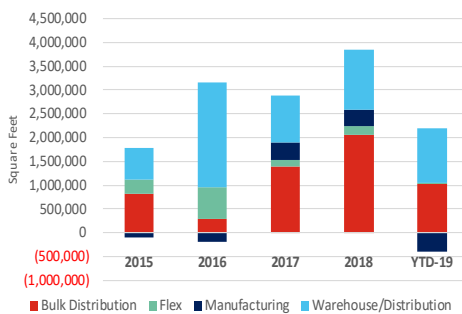
Average rental rate for industrial space

Statistical Snapshot

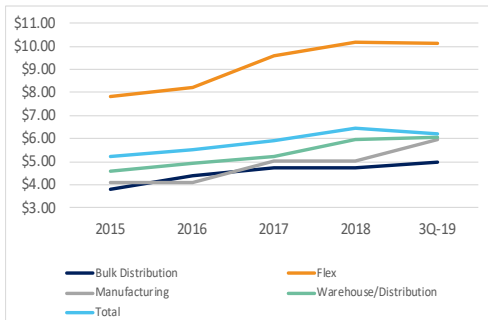
Vacancy Rate



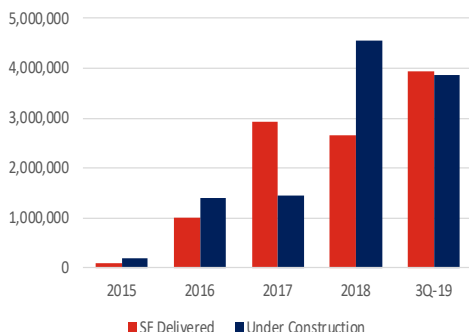
YTD Net Absorption (SF)



Average Asking Rent Rate (\$/SF/NNN)



Construction Pipeline



Tampa Bay Industrial Market At A Glance

Demographics & Economy

22 million

State demographers are projecting that Florida's population will surpass 22 million by 2022



The U.S. economy remains well entrenched in the expansion phase of the business cycle but is beginning to show signs of slowing



2.1%

average annual economic growth will outperform the U.S. overall

3.5%

AUG-2018

3.5%

AUG-2019

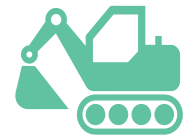
no change in Tampa Bay's unemployment rate

Development

95% of all new space underway is along the pivotal I-4 Corridor, offering accessibility to



20 million people within a 5-hour drive time



3.9 million

square feet currently under construction



Amazon moving forward on a planned \$100 MM air cargo hub at Lakeland Linder International Airport on a 50-year ground lease that will employ 800+

770,900 sf

average size of the new bulk distribution buildings currently underway in Lakeland

Market Influencers



\$759 million

in total industrial sales volume during the T-12 months ending 3Q19



7.6%

increase in asking warehouse/distribution rents over the T-12 months ending 3Q-2019



Amazon continues to dominate the industrial market with several new developments in the planning process in Florida

Robust demand for logistics facilities is fueling growth in Lakeland, where total industrial inventory has grown by 13% in the last 2 years



TAMPA BAY MSA TOTAL									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	29,997,025	\$4.99	3,037,675	89.87%	10.13%	0.37%	10.50%	3,262,398	1,017,985
Flex	15,851,696	\$10.14	1,075,521	93.22%	6.78%	0.89%	7.67%	0	20,559
Manufacturing	28,644,270	\$5.97	835,346	97.08%	2.92%	0.04%	2.95%	0	(397,810)
Warehouse / Distribution	85,290,502	\$6.07	3,766,081	95.58%	4.42%	0.48%	4.90%	600,305	1,155,478
Market Total	159,783,493	\$6.19	8,714,623	94.55%	5.45%	0.42%	5.88%	3,862,703	1,796,212

HILLSBOROUGH COUNTY									
Airport/Westshore									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Flex	3,950,136	\$10.75	197,798	94.99%	5.01%	0.70%	5.70%	0	(3,446)
Manufacturing	1,210,732	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	8,197,779	\$6.31	170,121	97.92%	2.08%	0.17%	2.25%	0	(55,377)
Airport/Westshore Total	13,358,647	\$8.70	367,919	97.25%	2.75%	0.31%	3.07%	0	(58,823)

Downtown Tampa									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	550,094	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	144,926	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	832,171	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	118,000
Warehouse / Distribution	3,704,119	\$5.86	60,393	98.37%	1.63%	1.15%	2.78%	178,387	(28,693)
Downtown Tampa Total	5,231,310	\$5.86	60,393	98.85%	1.15%	0.81%	1.97%	178,387	89,307

East Side									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	9,123,316	\$4.98	1,039,768	88.60%	11.40%	0.00%	11.40%	0	463,992
Flex	3,637,294	\$10.37	228,871	93.71%	6.29%	0.71%	7.01%	0	896
Manufacturing	5,427,141	\$5.60	37,620	99.31%	0.69%	0.20%	0.89%	0	(32,383)
Warehouse / Distribution	31,191,627	\$5.97	1,767,021	94.33%	5.67%	0.88%	6.55%	301,918	920,559
East Side Total	49,379,378	\$5.96	3,073,280	93.78%	6.22%	0.63%	6.86%	301,918	1,353,064

North Hillsborough									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Flex	1,119,894	\$9.39	184,464	83.53%	16.47%	0.00%	16.47%	0	(14,544)
Manufacturing	718,886	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,188,151	\$9.50	13,248	98.88%	1.12%	0.00%	1.12%	0	10,697
North Hillsborough Total	3,026,931	\$9.40	197,712	93.47%	6.53%	0.00%	6.53%	0	(3,847)

Plant City/East Hillsborough									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	3,124,570	\$5.40	166,163	94.68%	5.32%	0.00%	5.32%	1,720,644	236,043
Flex	133,363	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	2,338,697	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	64,502
Warehouse / Distribution	6,368,859	\$5.48	293,440	95.39%	4.61%	0.00%	4.61%	120,000	3,600
Plant City/E Hillsborough Total	11,965,489	\$5.45	459,603	96.16%	3.84%	0.00%	3.84%	1,840,644	304,145

South Tampa									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	679,129	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	60,681	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	542,291	\$6.00	35,000	93.55%	6.45%	0.00%	6.45%	0	2,308
Warehouse / Distribution	1,090,668	\$6.50	72,376	93.36%	6.64%	0.00%	6.64%	0	46,390
South Tampa Total	2,372,769	\$6.53	107,376	95.47%	4.53%	0.00%	4.53%	0	48,698

PINELLAS COUNTY									
Mid-Pinellas/Gateway									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	112,722	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	4,259,773	\$9.84	402,774	90.54%	9.46%	0.39%	9.85%	0	(83,872)
Manufacturing	11,701,633	\$6.01	693,184	94.08%	5.92%	0.00%	5.92%	0	(527,737)
Warehouse / Distribution	13,769,178	\$6.96	550,242	96.00%	4.00%	0.58%	4.58%	0	147,676
Mid-Pinellas/Gateway Total	29,843,306	\$7.26	1,646,200	94.48%	5.52%	0.32%	5.84%	0	(463,933)

North Pinellas									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Flex	1,466,463	\$15.48	12,649	99.14%	0.86%	0.00%	0.86%	0	10,976
Manufacturing	1,418,541	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,717,632	\$6.72	8,250	99.78%	0.22%	0.00%	0.22%	0	2,080
North Pinellas Total	6,602,636	\$12.02	20,899	99.68%	0.32%	0.00%	0.32%	0	13,056

South Pinellas									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	350,000	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	271,344	\$11.52	16,656	93.86%	6.14%	25.15%	31.29%	0	(3,056)
Manufacturing	1,680,281	\$5.00	44,042	97.38%	2.62%	0.00%	2.62%	0	0
Warehouse / Distribution	5,512,816	\$6.85	243,796	95.58%	4.42%	0.00%	4.42%	0	(11,986)
South Pinellas Total	7,814,441	\$6.84	304,494	96.10%	3.90%	0.87%	4.77%	0	(15,042)

LAKELAND									
Lakeland									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	16,057,194	\$4.96	1,831,744	88.59%	11.41%	0.70%	12.11%	1,541,754	317,950
Flex	807,822	\$10.04	32,309	96.00%	4.00%	0.31%	4.31%	0	113,605
Manufacturing	2,773,897	\$6.46	25,500	99.08%	0.92%	0.00%	0.92%	0	(22,500)
Warehouse / Distribution	10,549,673	\$5.35	587,194	94.43%	5.57%	0.00%	5.57%	0	120,532
Lakeland Total	30,188,586	\$5.13	2,476,747	91.80%	8.20%	0.38%	8.58%	1,541,754	529,587

Reporting Methodology: This report includes all industrial buildings and parks 20,000 SF and greater in the Tampa-Bay MSA that are not government owned. All rents are reported on a triple-net basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but not guaranteed.

Robust demand for distribution and logistics facilities is fueling fast growth in Lakeland, where total industrial inventory has grown by 13% in the last 2 years.

Leading Indicators (Y-O-Y 3Q-18 to 3Q-19)

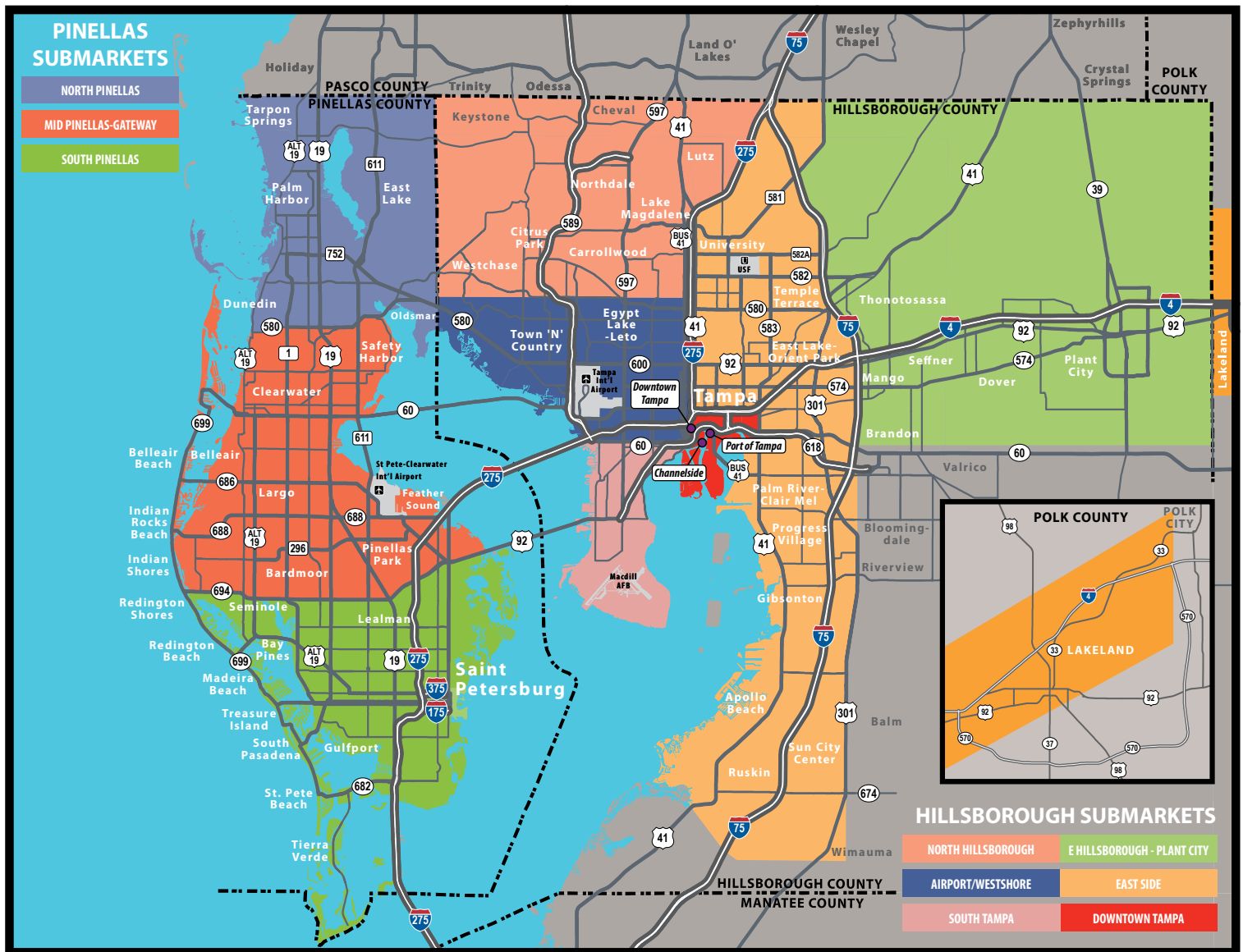
Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	Total Employment
				
5.88%	1,796,212 SF	\$6.19	3,862,703 SF	1.50 MM

Significant Third Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	SF	Type	Submarket
Conns Furniture	Interstate 4 Logistics Hub	413,347	New	Lakeland
Republic National Distribution	Tampa Regional Industrial Park	242,932	New	East Side
Eby-Brown	Tampa Regional Industrial Park	199,942	New	EastSide
Ta Chen International	Lakeland Logistics Center 200	157,500	New	Lakeland
Formulated Solutions	Starkey Lakes South - 8515 126th Ave	96,000	New	Mid-Pinellas/Gateway
Pura Globe	Becknell at Madison Business Center	70,570	New	East Side
Clark & Son	Tampa Regional Industrial Park	63,362	New	East Side
First Class Moving	8110 Anderson Rd	55,352	Renewal	Airport/Westshore
Mike's Pies	Pinebrooke Business Park	53,709	New	East Side
Staples Contract & Commercial	Fairfield Distribution Center	53,218	Renewal	East Side
Ryan Herco	Madison Distribution Center	51,386	New	East Side
Trans Globe	Harney Distribution Center	46,226	New	East Side
Paragon Water Systems	580 Corporate Center	42,000	New	North Pinellas
Amazon	Fairfield Distribution Center	35,950	New	East Side

Significant Third Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
Tampa Distribution Center	955,000	\$69,250,000	\$73	5.90%	Link Industrial Properties (Blackstone)	East Side
Grand Oaks 75 Business Ctr I & II	319,373	\$30,700,000	\$96	NA	EastGroup	East Side
I-4 Logistics Center	424,550	\$29,111,400	\$69	NA	Dalfen Industrial	East Side
Key Logistics Center 300	349,929	\$25,197,400	\$72	NA	Kohlberg Kravis Roberts & Co. L.P.	Lakeland
4908 Tampa West Blvd	210,000	\$12,000,000	\$57	NA	Tryumph Management Corp.	Airport/Westshore
Crossroads Commerce Center 4	78,560	\$8,300,000	\$106	5.43%	STAG Industrial, Inc.	East Side
Airport Service Center	44,100	\$6,407,000	\$145	NA	AnazaoHealth Corporation	Airport/Westshore
4914 Joanne Kearney Blvd	76,120	\$6,350,000	\$83	NA	McCraney Property Company	East Side
2307 N 36th St	122,028	\$4,440,000	\$36	NA	Hamilton and Newman-FL LLC	Downtown Tampa



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