MARKETBEAT

Pinellas County

Industrial Q2 2019

CUSHMAN & WAKEFIELD

PINELLAS INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Tampa Bay MSA Employment	1.35M	1.38M	
Pinellas Unemployment	3.2%	3.0%	
U.S. Unemployment	3.9%	3.6%	

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

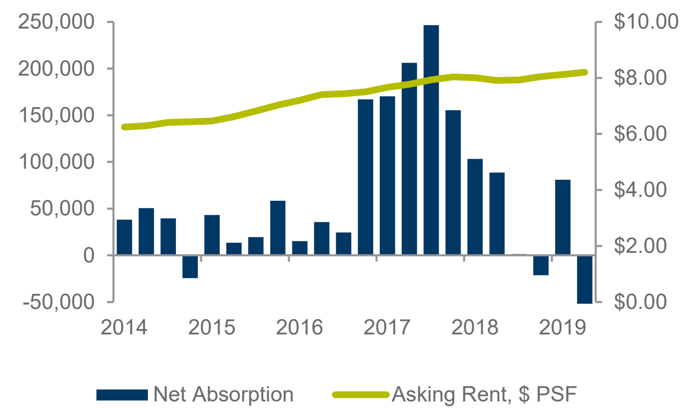
Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	3.7%	5.6%	
YTD Net Absorption (sf)	5k	-117k	
Under Construction (sf)	0	0	
Average Asking Rent*	$7.67	$8.00	

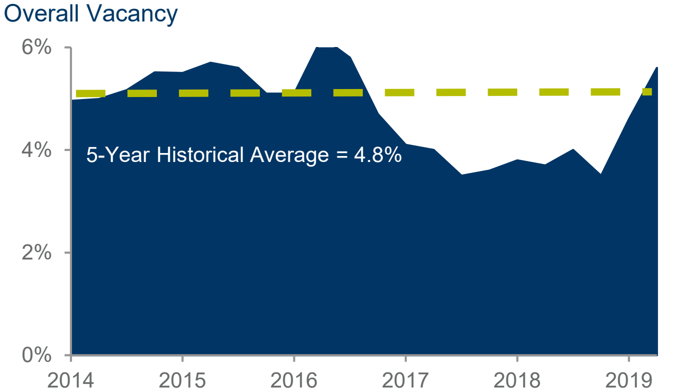
*Rental rates reflect net asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Tampa Bay economy accelerated over the past year, adding 27,100 jobs for an annual growth rate of 2.0%. As of May 2019, the unemployment rate fell by 30 basis points (bps) over the past twelve months to 2.9% in Pinellas County, which is part of the Tampa Bay region. Nearly all industrial-related industry sectors recorded employment growth. The Transportation, Warehousing, and Utilities sector bulked up on jobs, adding 1,700 jobs for a growth rate of 5.5%. The region's pace for new housing and rising wages benefited the industrial market as companies took space to meet consumer demand.

Market Overview

The overall triple net (NNN) asking rental rates rose by 4.3% year-over-year (YOY) to $8.00 per square foot (psf). This marked the sixth time in Pinellas's history that the overall asking rent was at or above $8.00 psf. Flex space experienced the most rent gains, increasing 16.3% YOY to $11.66 psf, marking the third consecutive quarter flex asking rates averaged over $11.00 psf. Warehouse/distribution increased by 3.1% YOY to $6.63 psf, the highest asking rental rate ever recorded. North Pinellas had the highest rent growth amongst Pinellas' submarkets due to nearly 65% of availabilities were from flex buildings.

The overall vacancy rate grew by 190 bps YOY to 5.6%. Flex recorded a 390 bps increase YOY and was fueled by the Gateway-Mid Pinellas submarket, which rose by 660 bps. Warehouse/distribution vacancy reached 5.2%, growing 120 bps when compared to one year ago. Pinellas County currently has nine spaces available over 75,000 square feet (sf), which equated to nearly half of the total vacancy in the County. However, the new availabilities provided much needed space variety in a market that had a vacancy rate below 5.0% for the past 11 quarters.

Leasing activity remained stable through the first half of the year with over 400,000 sf leased, in line with activity levels at this time in 2018. Ion Labs leased approximately 187,000 sf at 10950 Belcher Road, which accounted for almost half of the leasing activity this year. Manufacturing made up the bulk of the transactions, responsible for 68% of the total leasing activity year-to-date (YTD). Unlike the other markets in Tampa Bay, manufacturing users were attracted to Pinellas County for several reasons, most notably the availability of skilled employees and a strong pipeline for workforce training.

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The number of large availabilities provided unique space options and should support further leasing activity in the remainder of 2019. Overall absorption reached -116,910 sf YTD after a positive first quarter. Several large tenants vacated during the second quarter including Pinch a Penny, L-3 Technologies, and ARC Cable Systems. The move-outs were all located in the Gateway/Mid-Pinellas submarket and represented nearly 74% of the negative absorption this quarter.

Rents for warehouse/distribution increased by 3.1% YOY to $6.63 psf NNN, the highest asking rent ever recorded.

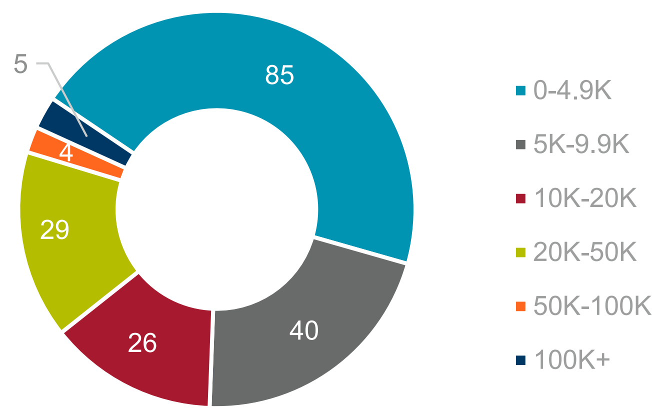
New construction in Pinellas County softened as builders struggled to find land suitable for distribution facilities. Gateway Commerce Center, a 64,675-sf speculative warehouse, was completed in the first quarter with more than half of the building still vacant. The market's construction activity became stagnant as high construction costs and limited land deterred most new development. Sale activity finished the first half of the year at 285,000 sf sold, approximately 33% of the level when compared to 2018. Manufacturing accounted for half of the total square footage sold in the second quarter.

Outlook

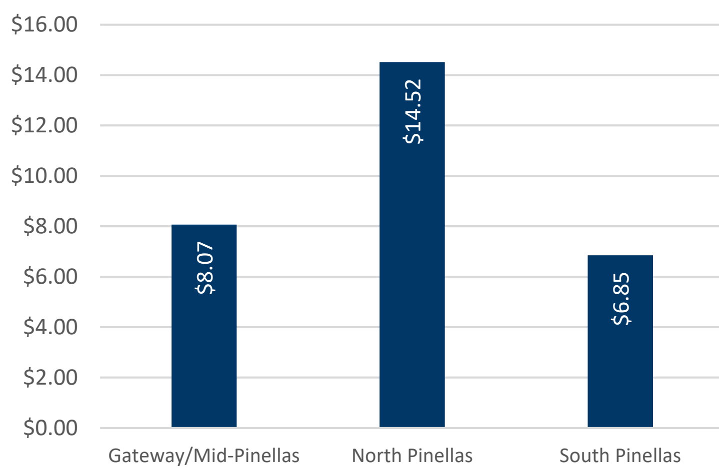
- Pinellas County's space options should improve leasing activity as tenants look to expand and relocate.
- The County continued to have the Tampa Bay region's lowest industrial overall vacancy rate and highest average asking rental rates.
- Cushman & Wakefield anticipates industrial fundamentals to stay positive with rental rates and vacancy levels remaining stable.

Availability by Size Segment

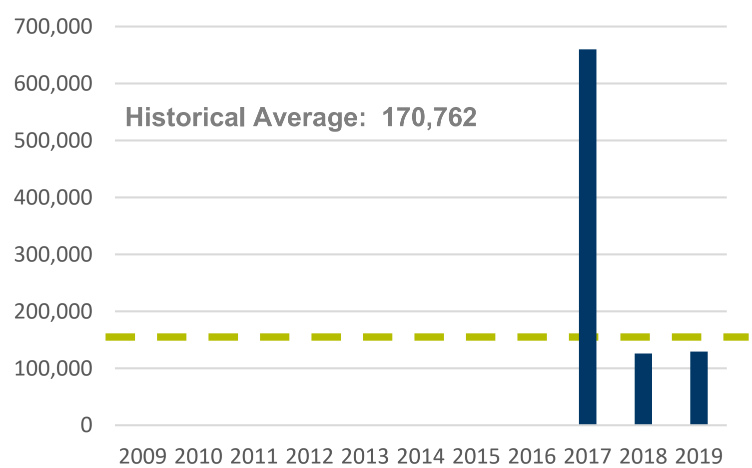
OVERALL VACANCIES IN ONE SUITE



NNN Asking Rents by Submarket



New Supply



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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)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Gateway/Mid-Pinellas	608	30,015,482	74,324	7.0%	-219,342	0	129,350	$5.21	$11.51	$6.78
North Pinellas	187	6,317,378	45,200	0.5%	-1,050	0	0	N/A	$18.01	$6.59
South Pinellas	174	6,950,918	104,128	4.4%	103,482	0	0	$7.97	N/A	$6.13
PINELLAS TOTALS	**969**	**43,283,778**	**223,652**	**5.6%**	**-116,910**	**0**	**129,350**	**$5.60**	**$11.66**	**$6.63**

*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	36	15,833,168	119,100	5.2%	-231,267	0	90,341	129,350	$6.63	$6.63
Manufacturing	452	21,153,316	34,272	3.7%	169,175	0	272,324	0	$5.60	$5.61
Office Service/Flex	151	6,297,294	47,680	13.3%	-54,818	0	38,610	0	$11.66	$11.95

*Does not include renewals

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Keystone Business Cener	20,000	Abraham Custom Creations	New	Gateway
13660 North 49th Street	20,000	Wendy & Basil Beck	New	Gateway

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / $PSF	SUBMARKET
Joe's Creek Industrial Park	39,000	Farallon Capital Management, LLC/ Oscar Mutz	$2,155,200 / $55.26	South Pinellas
Cobham Industrial Campus	34,272	Sparks Moving & Storage Co./ Merit Hill Capital	* $1,385,013 / $40.41	South Pinellas
Joe's Creek Industrial Park	30,856	Farallon Capital Management, LLC/ Oscar Mutz	$1,628,200 / $52.74	South Pinellas

* Allocated Price

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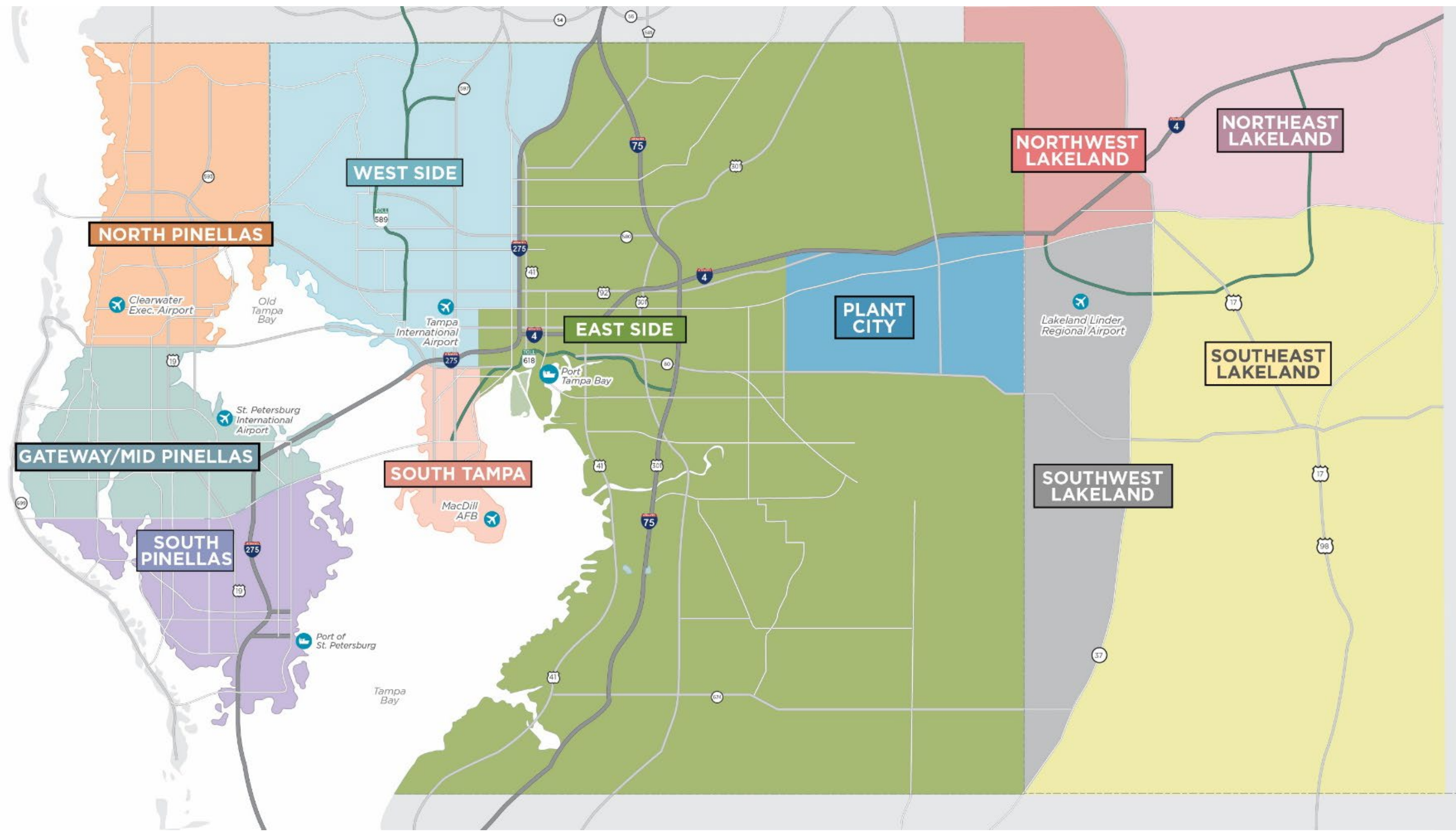

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