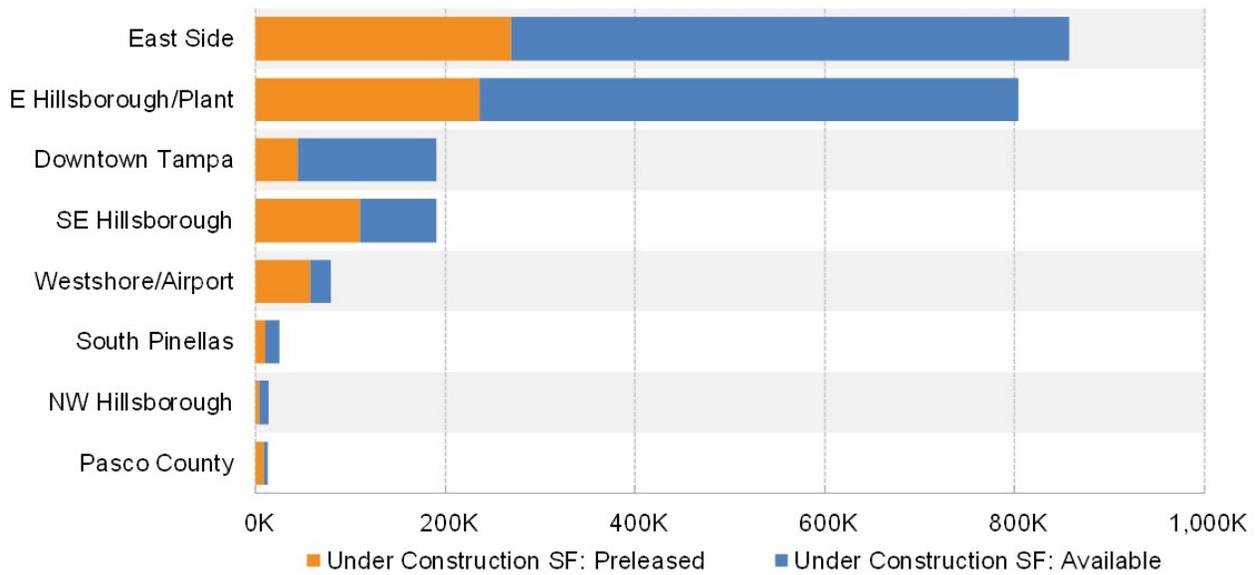


# Industrial Speculative Construction in Tampa Reaches Highest Level in 15 Years

CoStar Market Insights: Nearly All Available Under-Construction Space Is in Hillsborough County, Concentrated Along the I-4 Corridor

## Tampa Speculative Construction Rising



Source: CoStar

End of 19Q2



Most of the speculative construction is located in eastern Hillsborough County.

Speculative industrial starts, where ground was broken without significant preleasing activity or a tenant lined up, have significantly increased in Tampa over the past two years, a reflection of developer confidence in the strength of the market.

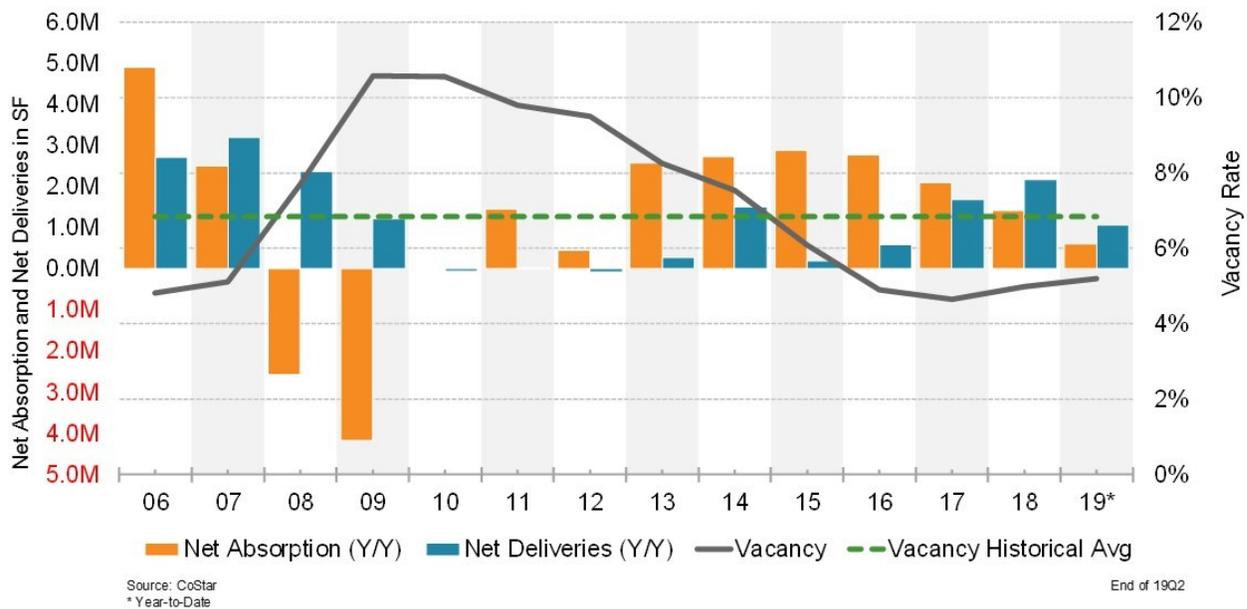
With roughly 1.5 million square feet currently under construction still available for lease, CoStar is tracking more speculative space underway in Tampa than at any point in the past 15 years. The activity has ramped up rapidly, with total available square feet underway nearly tripling since the start of 2017.

Furthermore, the percent of new construction that is listed as available has also increased. At the start of 2017, 16% of supply underway was still available for lease. As of mid-year 2019, the concentration has increased to 66%.

The overwhelming majority of this space is located in eastern Hillsborough County, along the I-4 Corridor. The corridor, which runs from Tampa to Daytona, has seen a significant increase of speculative construction over the past two years, especially in the stretch that includes Hillsborough, Polk and Orange counties.

Developers have been drawn to the Tampa industrial market of late due to historically low vacancies alongside some of the highest annual rent growth rates on record. As of July 2019, the average vacancy rate sits at 5% with annual rent growth at 4.7%, both marks easily outperforming Tampa's long-term trend.

## Despite Supply Increases, Vacancies Remain Tight



Tampa's average market vacancy rate has only loosened 50 basis points since 2017.

Most of the available space currently underway is located within the [East Side](#) and [East Hillsborough / Plant City](#) submarkets. The two CoStar submarkets account for over 1.1 million square feet of speculative construction underway, roughly 80% of the Tampa metro's total.

The proposed property pipeline indicates these areas will see additional speculative starts over the near future. For example, US Capital Development and USAA recently announced plans to begin an approximately 300,000-square-foot speculative warehouse in Seffner, Florida, later this year.

The Tampa industrial market is remarkably healthy and is likely to continue to attract developer interest. Although the recent supply increase has loosened vacancies somewhat over the past two years, Tampa's average vacancy rate sits just above 5%, less than 100 basis points higher than the lowest mark ever recorded by CoStar.

In fact, despite adding more than 5 million square feet of inventory in a little over two years, Tampa's average vacancy rate has only slipped 50 basis points. Industrial demand remains robust and has had little trouble absorbing the new supply.

Tampa's industrial demand has been increasingly driven by personal consumption over recent years, spurred by the industry's increasing integration with retail, particularly from the rise of e-commerce and last-mile delivery. Given the market's high job, population and wage growth as compared to national trends, along with near record-low industrial vacancies, Tampa appears to have significant pent-up demand. Even the increasing speculative pipeline appears manageable based upon recent trends.

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