


Tampa Bay Business Journal - July 23, 2007

<http://tampabay.bizjournals.com/tampabay/stories/2007/07/23/focus3.html>

# TAMPA BAY Business Journal



[From Beginners to Bigshots: Going and Growing with the SBA](#)

Sponsored by 

**Business Pulse Survey:** [What type of co-worker bugs you the most?](#)

## Demand for industrial space outpacing new projects, sales

Tampa Bay Business Journal - July 20, 2007

by [Michael Hinman](#)

Staff Writer

Industrial vacancy rates throughout the Tampa Bay area jumped slightly in the second quarter, with clear indications that industrial space will remain a hot commodity in coming months.

While more than 3 million square feet of industrial space remains under construction in the region -- adding to 230 million square feet of current inventory -- developers are taking a closer look at where potential tenants want to locate. All eyes seem focused on south Hillsborough and Pasco counties.

"If you look at the next decade of residential land and housing development, we're in the doldrums right now, but I don't think it's inconceivable that Pasco will eventually surpass Hillsborough County in building permits," said Bill Eshenbaugh, president of Eshenbaugh Land Co. in Tampa.

And where people go, he said, so does interest in industrial property.

"It's kind of a chicken-and-the-egg story, but there are already several big commercial deals going on now in Pasco, especially at the [Interstate] 75 and [state roads] 54 and 56 areas, and rents are going to get there," he said.

Pasco charging in

Pasco is just behind South Hillsborough County in terms of vacancy, with a combined nearly 9.5 million square feet available, according to Grubb & Ellis|Commercial Florida. Occupancy is above 98 percent in both areas, and while Pasco County still has the lowest rental rates in the region at \$3.82 per square foot, new impact fees could change that.

Earlier this year, developers were concerned that proposed impact fee increases in Pasco would stunt growth, with something as simple as a fast-food restaurant costing \$500,000 more and grocery stores having \$3 million of added expense. In the end, the burden of impact fees fell to residential developers, while commercial builders actually got a break.

"The fees were held on par for retail, but we got a 40 percent reduction on industrial and office," Eshenbaugh said. "Pasco is sending a pretty clear message that it's tired of being a bedroom community and wants to attract distribution and office space."

South Hillsborough, especially the Apollo Beach area, also is competing for stronger industrial tenants and has a number of builders on board, including plans by Duke Realty Corp. to construct 1.4 million square feet of space on the northeast corner of Big Bend Road and U.S. 41.

"We really wanted to be on the east side of Tampa because that's where the main larger distribution users are locating," said Doug Irmscher, senior VP of Central Florida for Duke Realty (NYSE: DRE).

Vacancy in that area sits at 1.6 percent, according to Grubb & Ellis, commanding rents upward of \$6.13 per square foot.

Where distributors and other industrial users locate depends on a variety of factors including transportation infrastructure, and South Hillsborough -- with its close proximity to Interstate 75 -- has become a common target for many.

However, it could be difficult for industrial developers to keep pace with the demand as suitable sites remain sparse.

"Developers are struggling to find land in Tampa, so what you've seen are a lot of developers

going out east," Irmischer said.

Less competition

Being able to obtain land provides a significant step up over competitors, while at the same time virtually assuring that competition in the market will be limited, said Larry Dinner, VP of leasing for Atlanta-based Industrial Developments International Inc., which is building more than 500,000 square feet of new inventory at Madison Industrial Park near U.S. 41 and I-75.

"With a lack of land options available, there is less of a chance of an oversupply," Dinner said. "That's not to say that things won't change, because everything changes. We just see a lot of upside, a lot of promise, and we don't see many negatives in the Tampa market."

IDI's Madison project is going vertical, however the company isn't waiting to make its next move. IDI is breaking ground in the next six months for 301 Business Center, several miles north of Madison, that is expected to offer another 900,000 square feet of inventory on 69 acres, Dinner said.

"We just got fortunate in the last six months to find a couple of great [land] opportunities," Dinner said. "The East Tampa market is something that has been really exciting for us, and not to say that we wouldn't choose other areas of Tampa, but that area has been on our radar for a while now."

Industry stats: Total vacancy Market Inventory rate % rent\*  
SW Hillsborough 3.98 million sf 1.6 \$6.13\*\*

Pasco County 5.6 million sf 1.8 \$3.82

NE Hillsborough/Univ. 1.5 million sf 2.2 \$5.75

Downtown Tampa 11.5 million sf 2.4 \$7.47

East Hillsborough/

Plant City 10.7 million sf 3.1 \$5.30

Manatee County 21.6 million sf 4.4 \$6.57

**North Pinellas 10.8 million sf 4.6 \$5.55**

**East Tampa 45.3 million sf 4.7 \$5.26**

**South Pinellas 46.2 million sf 4.8 \$6.01**

**NW Hillsborough 2.96 million sf 5.1 \$9.20**

**SE Hillsborough 759,000 sf 5.5 \$5.50**

**Westshore/Airport 19.2 million sf 5.5 \$7.86**

**Sarasota County 17.9 million sf 7.0 \$6.21**

**Polk County 30.6 million sf 9.1 \$5.13**

**TOTAL 228.6 million sf 5.2 \$5.74**

**\* Rent per square foot for warehouse space**

**\*\* Rent per square foot for flex space**

**Source: Grubb & Ellis|Commercial Florida**

***[mhinman@bizjournals.com](mailto:mhinman@bizjournals.com) / 813.342.2477***

[Contact the Editor](#) [Need Assistance?](#) [More Latest News](#) →

**[Subscribe or renew online](#)**

*All contents of this site © American City Business Journals Inc. All rights reserved.*