

Tampa Bay



Market Facts

41.3 MSF

Total office inventory in the Tampa Bay office market

341,522 SF

Direct net absorption for YTD-2017

12.89%

Overall Vacancy

\$27.33 PSF

Average rental rate for class A space in Tampa Bay

Economic Momentum and Steady Job Creation Continue to Fuel Tampa Bay's Office Market

Economic Drivers

Economic fundamentals in Tampa Bay remain solid as indicated by a steady unemployment rate, which at 4.5% in February 2017 was the same rate recorded one year prior. Job growth continues with over 46,000 new jobs added in the trailing 12-month period, healthy leasing activity is occurring, consumer confidence remains strong, and the housing market outperforms itself month after month.

For the second time in less than a year, the Federal Reserve raised the benchmark interest rate by a quarter point, a move that indicates its confidence that the national economy continues to improve. Officials project two more potential hikes over the course of 2017, although any move would be predicated on how the economy is performing. In the meantime, the U.S. stock market has been surging due to reforms expected to come out of Washington, D.C., although relatively flat spending has not resulted in a corresponding spike in economic growth to date.

U.S. Investment Activity Starts Slow but Expected to Pick Up

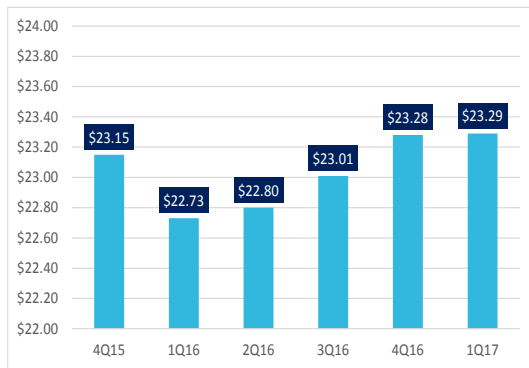
Preliminary figures released by Real Capital Analytics show that overall U.S. investment sales activity fell 23% year over year for the trailing 12 month period ending in March, due in large part to a decline in the portfolio and entity-level sales that fueled the sector back in 2015. Some investors are adopting a wait and see approach while potential policy changes out of Washington are being implemented, and yet others will likely find that the reduced competition for assets may open a window of opportunity. Pricing and yields have remained fairly steady, even as transaction velocity has slowed, and limited development has helped most markets sustain a sense of equilibrium.

Office Market Snapshot

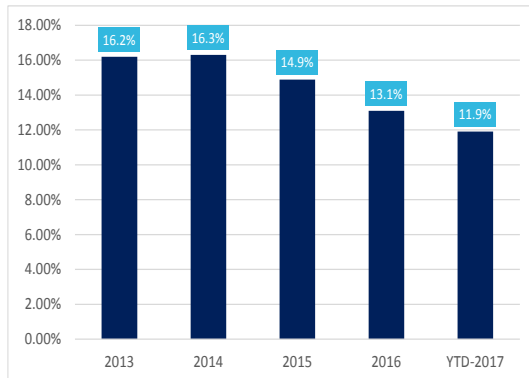
At the end of the first quarter, office fundamentals remained sound with a healthy 176 bps decline in the direct vacancy rate over the trailing 12 months to a current 11.9%, healthy net absorption

Capital will continue to flow into the real estate market during 2017, albeit at a somewhat slower pace, and investors are now factoring the rising cost of capital into their negotiations.

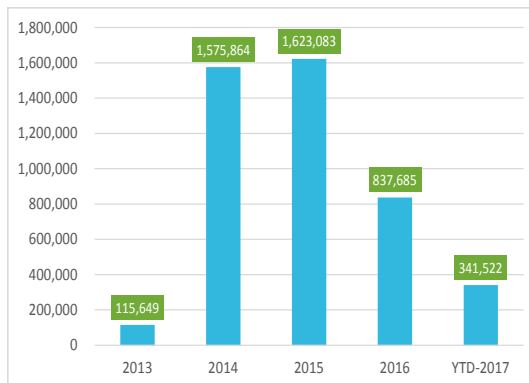
Average Asking Rent Rate (\$/SF/FS)



Direct Vacancy Rate



Net Absorption (SF)



for the year-to-date of 341,522 sf, and continued incremental gains within asking rents in primary areas, particularly within the highest quality properties. Market wide, the direct weighted average asking rent has risen \$0.56 per sf on a full-service basis over the last year.

Over 70% of net absorption for the year-to-date was concentrated in the Westshore and I-75 Corridor submarkets, although healthy activity has also been recorded in Downtown Tampa. All other submarkets posted weak or flat absorption during the first quarter. Several key leases were signed during the first quarter, the most notable of which were Amgen's lease of 124,715 sf at Corporate Center I in Westshore; United Healthcare's lease of 60,000 sf at Pinebrook Business Park; Coca-Cola Beverages' expansion into an additional 26,995 sf at the Atrium Building in Sabal Park; and All American Title's lease of 20,760 sf at Largo Lakes Corporate Center.

Real Estate Trends

Developers continue to seek efficient ways to promote the attractiveness of suburban office alternatives in lieu of a lack of transit-oriented development opportunities to young millennial workers attracted to life in the urban core. Startup companies providing flexible lease options and dynamic, configurable spaces will also impact commercial real estate, although their impact is expected to be modest as it is generally the shorter term tenant that is attracted to such options. Landlords willing and able to provide greater flexibility during the lease negotiation process with traditional tenants should be able to overcome their appeal.

Could an Absence of Speculative Construction Result in Lost Opportunity?

Tampa's office market has no speculative office construction currently underway, and the market

will need to begin delivering new office product in order to remain competitive with other metro areas and attract and retain quality companies over the next couple of years. Should there be no new quality office space delivered over the next 18-24 months, Tampa will likely not be able to supply the large blocks of contiguous high quality space that potential corporate relocations and expansions require, resulting in a significant potential opportunity cost.

Looking Ahead

Capital will continue to flow into the real estate market during 2017, albeit at a somewhat slower pace, and investors are now factoring the rising cost of capital into their negotiations. REITs actually rallied by over two percent following the latest move by the Federal Reserve, indicating that investors should not fear additional increases yet to come later in 2017. After all, rate hikes indicate a healthy, growing economy and that is a core fundamental for REIT performance. Additionally, the absence of new speculative construction, coupled with still-rising commercial land prices, should continue to support a stable vacancy rate with continued incremental gains in rents, particularly within sought after class A space in primary submarkets.

Avison Young continues to project that absorption of office space in Tampa's central business district will remain relatively flat in the near term as parking has become scarce and users are not able to find an adequate parking solution for their employees. Further compounding the issue, several downtown parking lots are being redeveloped into multi-family projects and there are substantial waiting lists at city parking garages. To date, no immediate solution for the problem has been determined.

TAMPA BAY MSA TOTAL

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	% Total Vacant	Under Construction	YTD Absorption
Class A	22,156,807	\$27.33	1,750,968	92.10%	7.90%	0.97%	8.87%	0	142,533
Class B	19,162,525	\$21.05	3,168,930	83.46%	16.54%	0.99%	17.53%	0	198,989
Tampa Bay MSA Total	41,319,332	\$23.29	4,919,898	88.09%	11.91%	0.98%	12.89%	0	341,522

HILLSBOROUGH COUNTY

Tampa CBD

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	5,306,173	\$28.27	546,407	89.70%	10.30%	0.56%	10.86%	0	30,593
Class B	936,746	\$22.50	188,477	79.88%	20.12%	1.31%	21.43%	0	4,108
Tampa CBD Total	6,242,919	\$26.79	734,884	88.23%	11.77%	0.67%	12.44%	0	34,701

Westshore

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	7,524,312	\$29.75	428,513	94.30%	5.70%	1.48%	7.17%	0	94,485
Class B	4,933,527	\$23.33	553,849	88.77%	11.23%	1.73%	12.95%	0	22,650
Westshore Total	12,457,839	\$26.13	982,362	92.11%	7.89%	1.58%	9.46%	0	117,135

I-75 Corridor

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	2,749,490	\$23.77	243,600	91.14%	8.86%	0.36%	9.22%	0	(2,774)
Class B	3,990,468	\$18.72	637,106	84.03%	15.97%	1.50%	17.46%	0	135,592
I-75 Corridor Total	6,739,958	\$20.12	880,706	86.93%	13.07%	1.03%	14.10%	0	132,818

Northwest Tampa

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	1,170,380	\$22.85	39,055	96.66%	3.34%	2.04%	5.37%	0	5,250
Class B	2,635,119	\$20.21	375,408	85.75%	14.25%	0.84%	15.09%	0	(15,970)
Northwest Tampa Total	3,805,499	\$20.46	414,463	89.11%	10.89%	1.21%	12.10%	0	(10,720)

South Tampa

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	48,050	\$26.00	1,168	97.57%	2.43%	0.00%	2.43%	0	0
Class B	279,023	\$21.88	25,344	90.92%	9.08%	0.00%	9.08%	0	1,755
South Tampa Total	327,073	\$22.06	26,512	91.89%	8.11%	0.00%	8.11%	0	1,755

PINELLAS COUNTY

Bayside

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	1,024,411	\$21.54	123,861	87.91%	12.09%	2.06%	14.15%	0	13,103
Class B	1,135,389	\$19.55	382,734	66.29%	33.71%	0.00%	33.71%	0	6,240
Bayside Total	2,159,800	\$20.03	506,595	76.54%	23.46%	0.97%	24.43%	0	19,343

Gateway

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	1,791,518	\$23.57	190,563	89.36%	10.64%	0.00%	10.64%	0	2,343
Class B	1,845,644	\$18.82	387,306	79.02%	20.98%	0.57%	21.55%	0	1,212
Gateway Total	3,637,162	\$20.38	577,869	84.11%	15.89%	0.42%	16.31%	0	3,555

Mid Pinellas

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	94,470	\$20.00	14,595	84.55%	15.45%	0.00%	15.45%	0	0
Class B	895,904	\$17.37	180,779	79.82%	20.18%	0.00%	20.18%	0	14,116
Mid Pinellas Total	990,374	\$17.57	195,374	80.27%	19.73%	0.00%	19.73%	0	14,116

North Pinellas

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	970,075	\$21.10	128,230	86.78%	13.22%	0.32%	13.54%	0	(6,293)
Class B	1,137,271	\$20.07	261,281	77.03%	22.97%	0.00%	22.97%	0	11,198
North Pinellas Total	2,107,346	\$20.41	389,511	81.52%	18.48%	0.15%	18.63%	0	4,905

South Pinellas

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Class B	700,852	\$17.98	126,015	82.02%	17.98%	0.06%	18.04%	0	17,009
South Pinellas Total	700,852	\$17.98	126,015	82.02%	17.98%	0.06%	18.04%	0	17,009

St Petersburg CBD

Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	1,477,928	\$25.57	34,976	97.63%	2.37%	0.70%	3.07%	0	5,826
Class B	672,582	\$22.57	50,631	92.47%	7.53%	0.00%	7.53%	0	1,079
St Petersburg CBD Total	2,150,510	\$23.79	85,607	96.02%	3.98%	0.48%	4.46%	0	6,905

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and aprks 20,000 SF and greater in the Tampa Bay MSA that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Investment activity during 2017 is expected to continue at a healthy pace as the growing economy supports business fundamentals including rising rents, occupancies and cash flows.

Leading Indicators (Y-O-Y 1Q-2016 to 1Q-2017)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	Under Construction	Total Employment
12.89%	341,522 SF	\$23.29	0 SF	1.44 MM

Significant First Quarter 2017 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Amgen	Corporate Center I	New Lease	124,715	Westshore
United Healthcare	Pinebrook Business Park	New Lease	60,000	I-75 Corridor
Mortgage Contracting Services	Two Urban Centre	Renewal	33,005	Westshore
Coca-Cola Beverages	Sabal Park - Atrium	Expansion	26,995	Northwest Tampa
All American Title	Largo Lakes Corporate Center	New Lease	20,760	Mid-Pinellas
Ace American Insurance*	Centrepointe	Renewal	18,844	Westshore
Southeastern Companies, Inc.	Buschwood III	New Lease	16,866	Northwest Tampa
Diversified Maintenance*	Sunforest II	Renewal	15,331	Westshore
Seminole Gaming*	Southpointe at Breckenridge	New Lease	12,791	I-75 Corridor
AgileThought	The Pointe	Expansion	12,558	Westshore

* Avison Young handled this transaction

Significant First Quarter 2017 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
Bristol-Myers Squibb Building	136,755	\$31,400,000	\$229	N/A	Gramercy REIT	Westshore
Meridian 589	260,500	\$18,500,000	\$71	N/A	Meridian Development JV Eightfold RE Capital	Westshore
Atrium at Clearwater	133,375	\$13,000,000	\$97	N/A	601 Cleveland Street LLC	North Pinellas
Palm Lake - 15310 Amberly Dr	85,820	\$11,410,000	\$133	7.84%	Tower Realty Partners	I-75 Corridor
Interchange Center - East Bldg	60,000	\$6,100,000	\$102	9.85%	Real Estate Value Advisors, LLC	I-75 Corridor

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