

Tampa Bay



Market Facts

40.9 MSF

Total office inventory in the Tampa Bay office market

837,685 SF

Direct net absorption for 2016

13.65%

Overall Vacancy

\$23.90 PSF

Average rental rate for class A space in Tampa Bay

Office Market Fundamentals Strong Heading into 2017

Economic fundamentals in Tampa Bay were solid throughout 2016, and the market ended the year with an unemployment rate holding steady at 4.7%, over 31,000 new jobs added in the trailing 12-month period ending in November, a continued uptick in consumer confidence, and steadily rising housing prices.

At the close of 2016, office fundamentals remained sound with a healthy 120 bps decline in the direct vacancy rate since year-end 2015 to a current 13.7%, healthy net absorption for the year of 837,685 sf, and incremental gains within asking rents in primary areas, particularly within the highest quality properties. Market wide, the direct weighted average asking rent has risen \$0.27 per sf on a full-service basis since year-end 2015, and the strongest rent increases have taken place in Gateway (up \$1.56), the St Pete CBD (up \$1.27), Westshore (up \$1.16), Northwest Tampa (up \$1.10), and North Pinellas (up \$0.95).

Over half of the net absorption for the year was concentrated in the Westshore

submarket, although strong leasing has also been recorded in the I-75 Corridor, Northwest Tampa, and North Pinellas areas. Anemic leasing activity in the Tampa CBD and Bayside submarkets led to tepid absorption in both of those areas.

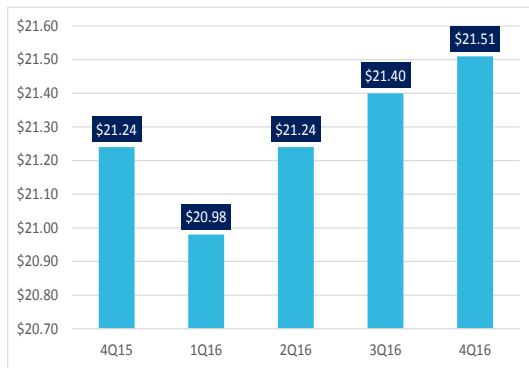
Downtown Tampa's Skyline Continues to Evolve

Downtown Tampa has been undergoing a renaissance of sorts, and with several prominent developments underway it is taking steps toward becoming the world class downtown developers envision. One of the most prominent planned projects appears to be close to moving forward as Miami-based Related Group recently secured a construction loan for the redevelopment of the Tampa Tribune site on the Hillsborough River. The company is planning an eight-story, 400-unit multifamily building with ground-level retail.

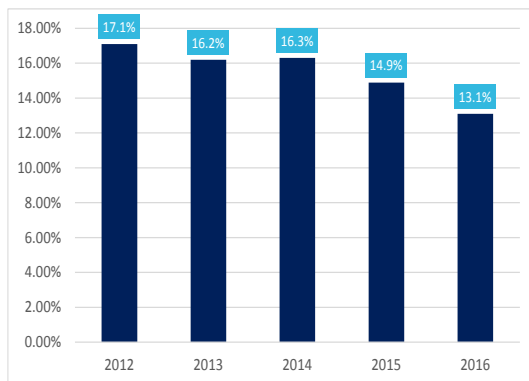
Skyhouse Channelside, a recently developed luxury apartment tower situated across from the Amalie Arena, sold during the fourth quarter to a New

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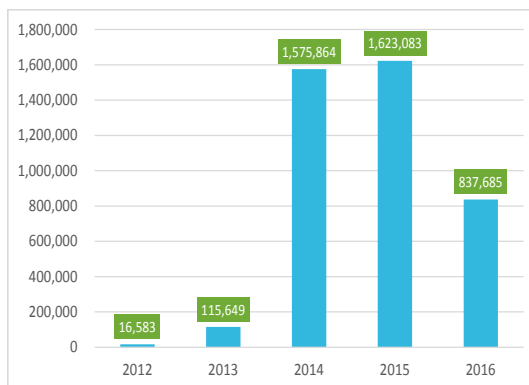
Average Asking Rent Rate (\$/SF/FS)



Direct Vacancy Rate



Net Absorption (SF)



York-based group for \$88 million (or \$272,445 per unit), indicating that investors see value and potential upside in the Downtown Tampa area. Also downtown, a new mixed-use development called Lafayette Place is being proposed near the Kennedy Boulevard Bridge that will offer 355 feet of frontage on the water and will incorporate office, hotel and retail uses. Upon completion, the development will expand the Riverwalk area to the west bank of the river.

Additionally, Tampa City Council recently granted final approval for a new mixed-use building planned by Altman Companies close to the Oxford Exchange where the Kennedy Boulevard corridor continues to transform. Finally, a long awaited Publix has broken ground adjacent to the site of a future 22-story residential tower to be known as the Channel Club.

Although these new projects are exciting, there were also a couple of short-term setbacks at the close of 2016. Citigroup, which had been rumored to be considering Strategic Property Partners' \$3 billion mixed-use redevelopment district in downtown Tampa for a substantial block of space, recently closed on the acquisition of their current Citibank service center campus in the Northwest Tampa submarket. That deal is covered in greater detail on page five of this report. A division of Nestle also recently announced its intention to vacate 43,000 sf in the soon-to-be renovated Park Tower building, although that vacancy would also present an opportunity for a tenant seeking a large block of contiguous space in the downtown core.

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

Heading into 2017, Avison Young anticipates that private and institutional investors will likely dominate investment sales activity as REITs will find it increasingly challenging to acquire quality assets in Tampa Bay at reasonable cap rates given stiff competition from other buyer types. As a result, they will continue to look for opportunities in tertiary markets like Jacksonville. Continued investment activity is expected as capital continues to flow into the real estate market, albeit at a somewhat slower pace. 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 projects that absorption of office space in Tampa's central business district will continue to remain flat in the near term as parking has become scarce and users are not able to find an adequate parking solution for their employees. 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	22,059,633	\$23.90	1,882,003	91.47%	8.53%	0.52%	9.05%	0	506,990
Class B	18,866,359	\$20.22	3,478,757	81.56%	18.44%	0.59%	19.03%	0	330,695
Tampa Bay MSA Total	40,925,992	\$21.51	5,360,760	86.90%	13.10%	0.56%	13.65%	0	837,685

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	\$27.47	545,952	89.71%	10.29%	0.52%	10.81%	0	5,967
Class B	936,746	\$22.44	192,585	79.44%	20.56%	1.31%	21.87%	0	7,172
Tampa CBD Total	6,242,919	\$26.16	738,537	88.17%	11.83%	0.64%	12.47%	0	13,139

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	\$30.18	533,510	92.91%	7.09%	0.44%	7.53%	0	277,138
Class B	4,717,254	\$23.65	572,110	87.87%	12.13%	1.28%	13.41%	0	153,879
Westshore Total	12,241,566	\$26.80	1,105,620	90.97%	9.03%	0.77%	9.80%	0	431,017

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	\$23.20	240,826	91.24%	8.76%	0.84%	9.59%	0	238,618
Class B	3,877,975	\$19.04	756,647	80.49%	19.51%	0.25%	19.76%	0	(86,688)
I-75 Corridor Total	6,627,465	\$20.04	997,473	84.95%	15.05%	0.49%	15.54%	0	151,930

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	\$24.63	44,305	96.21%	3.79%	0.00%	3.79%	0	21,056
Class B	2,635,119	\$20.16	359,438	86.36%	13.64%	0.72%	14.36%	0	91,094
Northwest Tampa Total	3,805,499	\$20.65	403,743	89.39%	10.61%	0.50%	11.11%	0	112,150

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	1,378
Class B	279,023	\$23.60	25,945	90.70%	9.30%	0.00%	9.30%	0	(2,113)
South Tampa Total	327,073	\$23.70	27,113	91.71%	8.29%	0.00%	8.29%	0	(735)

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	\$21.48	136,964	86.63%	13.37%	2.06%	15.43%	0	(36,498)
Class B	1,034,789	\$19.55	381,236	63.16%	36.84%	0.00%	36.84%	0	19,392
Bayside Total	2,059,200	\$20.06	518,200	74.83%	25.17%	1.02%	26.19%	0	(17,106)

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	\$23.43	192,906	89.23%	10.77%	0.00%	10.77%	0	(20,047)
Class B	1,845,644	\$18.70	394,008	78.65%	21.35%	0.57%	21.92%	0	36,800
Gateway Total	3,637,162	\$20.25	586,914	83.86%	16.14%	0.42%	16.55%	0	16,033

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	1,454
Class B	895,904	\$16.83	194,895	78.25%	21.75%	0.00%	21.75%	0	33,565
Mid Pinellas Total	990,374	\$17.05	209,490	78.85%	21.15%	0.00%	21.15%	0	35,019

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	\$21.43	121,937	87.43%	12.57%	0.32%	12.89%	0	(3,350)
Class B	1,125,283	\$19.40	302,850	73.09%	26.91%	0.00%	26.91%	0	74,717
North Pinellas Total	2,095,358	\$19.98	424,787	79.73%	20.27%	0.15%	20.42%	0	71,367

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	805,141	\$17.84	247,333	69.28%	30.72%	0.02%	30.74%	0	5,043
South Pinellas Total	805,141	\$17.84	247,333	69.28%	30.72%	0.02%	30.74%	0	5,043

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	1,380,754	\$25.50	49,840	96.39%	3.61%	0.22%	3.82%	0	21,274
Class B	713,481	\$22.60	51,710	92.75%	7.25%	0.00%	7.25%	0	(1,446)
St Petersburg CBD Total	2,094,235	\$24.02	101,550	95.15%	4.85%	0.14%	4.99%	0	19,828

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.

Providing that the national labor market remains strong, a continued sustained economic expansion is expected. Should that occur, by 2019 the U.S. expansion will be twice the average length in the modern era.

Leading Indicators



Significant 2016 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Qtr Leased	Submarket
Humana	Netpark Tampa Bay	Renewal	216,663	1Q16	I-75 Corridor
USAO-GSA	Park Tower	Renewal	108,007	4Q16	Tampa CBD
Centene*	Sunforest I	New Lease	99,514	1Q16	Westshore
Carlton Fields	Corporate Center Three	Renewal	88,833	3Q16	Westshore
Greenway Health	Corporate Center Four	Renewal	86,150	2Q16	Westshore
Citigroup	Corporate Center Two	New Lease	74,670	1Q16	I-75 Corridor
General Dynamics	Roosevelt Technology Center	Renewal	67,259	3Q16	Gateway
Progressive Insurance	Westshore Corporate Center	Renewal/Expansion	55,113	3Q16	Westshore
Sypris Electronics	University Business Center IV	New Lease	49,386	2Q16	I-75 Corridor
World Triathlon Corp	Lakeside Building	New Lease	49,356	4Q16	Westshore
Tribridge	One Urban Centre	Renewal/Expansion	44,557	3Q16	Westshore
WellCare	Tampa International Bus Ctr C	New Lease	35,200	4Q16	NW Tampa
Amscot	Westshore Corporate Center	Renewal	32,993	3Q16	Westshore
Alorica*	Presidents Plaza II	Renewal/Expansion	31,314	3Q16	Westshore
Lennar Homes	Westshore Square	Renewal	30,812	3Q16	Westshore
World Triathlon Corp.	Lakeside at Tampa Bay Park	New Lease	30,789	3Q16	Westshore
Adheris, LLC	Two Urban Centre	Renewal	29,995	1Q16	Westshore
Regus	Corporate Center One	Renewal	28,286	2Q16	Westshore
Reliaquest	One Harbour Place	New Lease	23,581	3Q16	Tampa CBD
Jacobs Technology	Lincoln Center	Renewal	23,527	3Q16	Westshore
Wellmed	Westshore 500	Expansion	17,500	2Q16	Westshore
ADP	Cypress Center I	New Lease	17,499	3Q16	Westshore
Fleetmatics	Corporate Center Two	New Lease	17,051	3Q16	Westshore
Jagged Peak	Waterford Plaza	Expansion	16,891	4Q16	Westshore
American Express	Cypress Center I	New Lease	15,860	4Q16	Westshore
Clearwater Housing Authority	Corporate Square	New Lease	15,345	1Q16	North Pinellas
Powercord	First Central Tower	New Lease	15,296	4Q16	St Pete CBD
TLC Corp	Two Urban Centre	New Lease	14,760	2Q16	Westshore
GEICO Auto Insurance	Meridian Three	New Lease	14,030	1Q16	Westshore

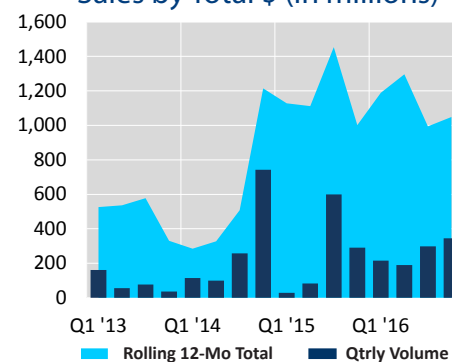
* Avison Young handled this transaction



Office Investment Activity Accelerated During Q4

Investment interest activity rose significantly during the final quarter of 2016 with several noteworthy office buildings trading hands. Sixty-three office building sales over \$2.5 million were concluded during 2016 accounting for 7.1 million sf and sales volume of just over \$1 billion. The largest sale completed during 2016 occurred when Citigroup, Inc. acquired its massive 92-acre Tampa service center in the Sabal Park area from an affiliate of Zurich Alternative Asset Management. The six-building campus is home to 5,600 employees and the \$116 million transaction represents one of the largest single tenant office building sales ever recorded in Florida, equating to a price of \$171 per sf. Also significant was the sale of Park Tower in Tampa's downtown core to City Office REIT, which had previously acquired Carillon Point in the Gateway area earlier in the year.

Sales by Total \$ (in millions)



Significant 2016 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Qtr Sold	Submarket
Citibank Center	676,740	\$116,000,000	\$171	N/A	Citigroup	4Q16	I-75 Corridor
Renaissance Park	529,618	\$108,000,000	\$204	8.30%	Vision Properties	1Q16	Northwest Tampa
Park Tower	472,462	\$79,800,000	\$169	N/A	City Office REIT	4Q16	Tampa CBD
Hidden River I-III	424,460	\$72,999,957	\$174	6.0%	Farley White Interests	3Q16	I-75 Corridor
Carillon Park	312,543	\$52,000,000	\$166	N/A	Raymond James & Associates	4Q16	Gateway
501 E Kennedy Blvd	295,706	\$42,000,000	\$142	3.90%	Angelo Gordon	1Q16	Tampa CBD
Corporate Oaks	187,299	\$32,000,000	\$171	7.94%	Next Gen Net Lease Management	2Q16	Westshore
Airport Executive Center	253,927	\$29,200,000	\$115	N/A	IP Capital Partners	4Q16	Westshore
Riverside at Telecom Park	181,154	\$27,400,000	\$151	8.30%	Cardinal Point Management	2Q16	I-75 Corridor
Carillon Point	123,639	\$26,250,000	\$212	8.30%	City Office REIT	2Q16	Gateway
Sabal Pavilion I	123,408	\$21,500,000	\$174	8.44%	Drake Pacer Tampa Acquisition LLC	2Q16	I-75 Corridor
Northdale Executive Ctr I/II	142,277	\$20,400,000	\$143	N/A	iStorage	4Q16	Northwest Tampa
Tampa Bay Times Bldg	250,000	\$19,000,000	\$76	N/A	Denholtz Associates JV Convergent Capital Partners	2Q16	St Pete CBD
Kennedy Square	90,214	\$13,915,088	\$154	N/A	West Second Street Associates	3Q16	Westshore
Tampa Oaks II	104,129	\$12,944,000	\$124	6.60%	Terracap Management Corp	1Q16	I-75 Corridor
Westwood Center	126,636	\$12,600,000	\$99	N/A	IP Capital Partners	1Q16	Westshore

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