

Continued Strong Economic and Leasing Fundamentals Expected in 2019

Although 2018 ended with stock market volatility, economic uncertainty and a government shutdown, the outlook for 2019 looks bright and the underlying economic fundamentals that drove growth through most of 2018 remain in place and are expected to drive continued growth this year. Florida added more than 207,000 private sector jobs in 2018 (54,000 of which were in the office-using professional and business services sector) growing by 2.7%, well above the U.S. private sector job growth rate of 2.1%. As of February 2019, 22 out of 24 metro areas in the state had year-over-year job gains, with the Tampa Bay MSA growing by over 5,000 jobs. Additionally, Governor DeSantis recently announced that Tampa Bay ranked first in the state in December 2018 with regard to job demand, specifically for high-wage STEM (science, technology, engineer and mathematics) jobs.

Leasing activity has been brisk so far this year with five deals greater than 20,000 sf closing during the first quarter, and additional speculative development is on the horizon. Overall asking rental rates have grown by 5.1% in the trailing 12-month period ending with the first quarter of 2019, with class A rates growing by 4.8%. With respect to overall submarket size, the most noteworthy rent growth occurred in the Tampa CBD (up 7.1%), followed by the I-75 Corridor (up 6.3%) and Westshore (up 5.7%). Class A rent growth has been strongest in the St Pete CBD (up 7.5%), followed by Westshore (up 6.4%).



Class A rents have
set a record high in
Westshore at

\$33.54 per sf

with further room to
grow during 2019

Office Market Snapshot

- Large blocks of trophy class A space became scarcer during the first quarter when PwC exercised their option to expand into another 79,908 sf in MetWest Three, under construction in Westshore and planned for delivery during the third quarter, leaving that building with no space available. That said, an entire class A building suddenly became available when Laser Spine Institute abruptly ceased operations in early March. As a result of its closing, a custom-built 176,000-sf class A building in Avion Park near Tampa International Airport will now be on the market, however its current configuration as medical and ambulatory surgery space will require significant renovation in order to accommodate a pure office user.
- Three additional class A projects are planned in the sought-after Westshore area during 2019, including the 1.8 million sf, \$500 million Midtown Tampa mixed-use development, which will be built in a single phase beginning in the second quarter of 2019. 750,000 sf of class A office space is planned at the project. Also on the drawing board is a 100,000-sf mixed-use building on Frontage Road called Skyview Plaza planned for four floors of office above 138 hotel rooms, and the much anticipated 270,000-sf Skycenter building at Tampa International Airport.
- Coworking company WeWork made a considerable commitment to the Tampa market this quarter after signing two significant lease deals totaling 110,000 sf, even as its fast expansion led to nearly \$2 billion in global losses. The company leased 50,000 sf at the new Heights Union office building underway in Westshore, and 60,000 sf in Downtown Tampa where it secured naming rights at 501 E Kennedy Blvd.
- The Federal Reserve ('Fed') reversed course from its median interest rate forecast in 2018 where it had implied the likelihood of two additional interest rate hikes during 2019. The Fed decided to leave the target range for the Federal Funds rate unchanged between 2.25 and 2.5 percent, where it has been since December in a move widely expected by economists. While U.S. economic growth remains strong, external risks remain including the fate of Brexit, US-China trade relations, and tensions at the southern border.

40.9 MSF

Total office inventory in the
Tampa Bay office market

66,982 SF

Direct Y-T-D net absorption
as of 1Q-2019

11.25%

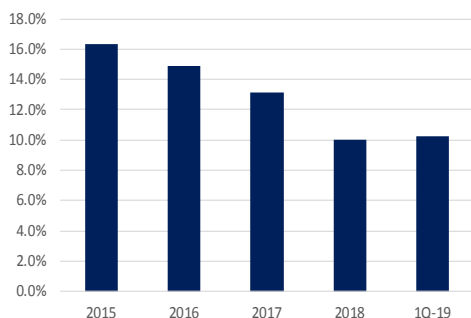
Overall Vacancy

\$28.89/SF/FS

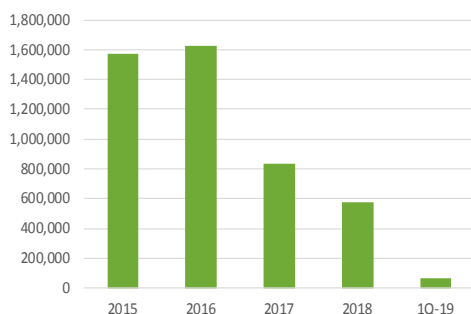
Average rental rate for
class A space

Statistical Snapshot

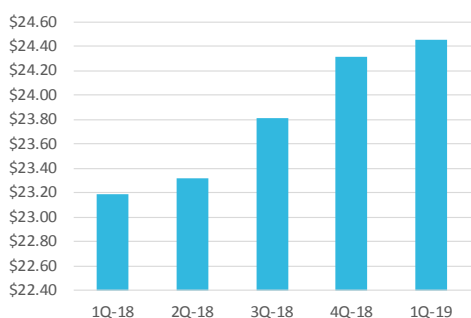
Vacancy Rate



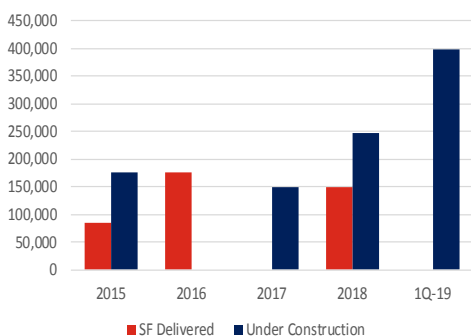
YTD Net Absorption (SF)



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



Construction Pipeline



Tampa Bay Office Market At A Glance

Demographics & Economy



126.1 million

Number of visitors to Florida during 2018, breaking a record for the 8th year in a row

5,032

increase in total non-farm employment since 1Q-2018

54,000

new professional and business services jobs added in Florida during 2018

3.6%

FEB-2018

change in Tampa Bay's unemployment rate



3.4%

FEB-2019

Development

50-AC Water Street Tampa Project

\$3 BILLION MIXED-USE

development project underway in Downtown Tampa

Groundbreaking expected soon on the first new trophy office towers in Tampa's urban core in 26 years



Tampa International Airport

\$971

MILLION IN UPGRADES RECENTLY COMPLETED



Dual flag Aloft and Element hotel planned for the \$500 million Midtown project in Westshore



398K

square feet currently under construction in Westshore

Market Influencers



\$716 million

in total office sales volume during the T-12 months ending 1Q19



5.1%

average rental rate increase over the trailing 12-months ending 1Q-2019



\$40.00 psf

Asking full-service rent for new Class A office space planned at Midtown and Water Street Tampa

Tampa was recently named "The Most Livable City" in the United States by the U.S. Conference of Mayors



Tampa Bay MSA										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	21,996,955	1,586,509	242,681	\$28.89	92.79%	7.21%	1.10%	8.32%	397,691	49,148
Class B	18,962,250	2,598,469	179,854	\$21.74	86.30%	13.70%	0.95%	14.65%	0	17,834
Total	40,959,205	4,184,978	422,535	\$24.45	89.78%	10.22%	1.03%	11.25%	397,691	66,982

HILLSBOROUGH COUNTY										
I-75 Corridor										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	2,744,201	365,416	3,818	\$25.66	86.68%	13.32%	0.14%	13.46%	0	6,151
Class B	4,017,708	691,968	83,129	\$21.48	82.78%	17.22%	2.07%	19.29%	0	(22,113)
Total	6,761,909	1,057,384	86,947	\$22.92	84.36%	15.64%	1.29%	16.92%	0	(15,962)

Northwest Tampa										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,319,180	17,848	4,704	\$24.95	98.65%	1.35%	0.36%	1.71%	0	(2,412)
Class B	2,934,774	391,331	15,577	\$21.49	86.67%	13.33%	0.53%	13.87%	0	(946)
Total	4,253,954	409,179	20,281	\$21.64	90.38%	9.62%	0.48%	10.10%	0	(3,358)

South Tampa										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	48,050	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Class B	279,023	9,332	0	\$22.50	96.66%	3.34%	0.00%	3.34%	0	3,200
Total	327,073	9,332	0	\$22.50	97.15%	2.85%	0.00%	2.85%	0	3,200

Tampa CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,306,173	293,358	40,493	\$30.75	94.47%	5.53%	0.76%	6.29%	0	69,038
Class B	936,746	25,962	12,296	\$22.84	97.23%	2.77%	1.31%	4.08%	0	34,637
Total	6,242,919	319,320	52,789	\$30.11	94.89%	5.11%	0.85%	5.96%	0	103,675

Westshore										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	7,524,312	465,323	146,720	\$33.54	93.82%	6.18%	1.95%	8.13%	397,691	(34,543)
Class B	4,684,948	541,697	66,174	\$26.06	88.44%	11.56%	1.41%	12.97%	0	7,083
Total	12,209,260	1,007,020	212,894	\$29.52	91.75%	8.25%	1.74%	9.99%	397,691	(27,460)

PINELLAS COUNTY										
Bayside										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	785,760	98,481	8,548	\$24.72	87.47%	12.53%	1.09%	13.62%	0	(16,788)
Class B	1,139,511	245,992	0	\$21.28	78.41%	21.59%	0.00%	21.59%	0	(7,425)
Total	1,925,271	344,473	8,548	\$22.27	82.11%	17.89%	0.44%	18.34%	0	(24,213)

Gateway										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,726,806	123,368	13,598	\$25.78	92.74%	7.26%	0.79%	8.05%	0	7,157
Class B	1,869,563	297,808	0	\$19.11	84.07%	15.93%	0.00%	15.93%	0	(29,126)
Total	3,596,369	423,176	13,598	\$21.08	88.23%	11.77%	0.38%	12.14%	0	(21,969)

Mid Pinellas										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	94,470	1,250	0	\$20.00	98.68%	1.32%	0.00%	1.32%	0	0
Class B	895,904	183,202	0	\$18.17	79.55%	20.45%	0.00%	20.45%	0	(3,071)
Total	990,374	184,452	0	\$18.18	81.38%	18.62%	0.00%	18.62%	0	(3,071)

North Pinellas										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	970,075	117,133	6,338	\$20.65	87.93%	12.07%	0.65%	12.73%	0	17,638
Class B	990,770	114,949	900	\$19.40	88.40%	11.60%	0.09%	11.69%	0	29,709
Total	1,960,845	232,082	7,238	\$20.03	88.16%	11.84%	0.37%	12.20%	0	47,347

South Pinellas										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	624,292	64,557	0	\$16.26	89.66%	10.34%	0.00%	10.34%	0	5,069
Total	624,292	64,557	0	\$16.26	89.66%	10.34%	0.00%	10.34%	0	5,069

St Petersburg CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Direct Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,477,928	102,332	18,462	\$32.04	93.08%	6.92%	1.25%	8.17%	0	2,907
Class B	589,011	31,671	1,778	\$23.64	94.62%	5.38%	0.30%	5.68%	0	817
Total	2,066,939	134,003	20,240	\$30.05	93.52%	6.48%	0.98%	7.46%	0	3,724

CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	6,784,101	395,690	58,955	\$31.08	94.17%	5.83%	0.87%	6.70%	0	71,945
Class B	1,525,757	57,633	14,074	\$23.28	96.22%	3.78%	0.92%	4.70%	0	35,454
Total	8,309,858	453,323	73,029	\$30.09	94.54%	5.46%	0.88%	6.33%	0	107,399

Non-CBD / Suburban										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	15,212,854	1,190,819	183,726	\$28.16	92.17%	7.83%	1.21%	9.04%	397,691	(22,797)
Class B	17,436,493	2,540,836	165,780	\$21.70	85.43%	14.57%	0.95%	15.52%	0	(17,620)
Total	32,649,347	3,731,655	349,506	\$23.76	88.57%	11.43%	1.07%	12.50%	397,691	(40,417)

Reporting Methodology: This report includes all office buildings and parks 20,000 SF and greater in the Tampa Bay MSA that are not government owned. All rents are reported on a full-service gross basis and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but not guaranteed.

Florida added 207,300 private sector jobs in 2018 (54,000 of which were in the office-using professional and business services sector) growing by 2.7%, well above the U.S. private sector job growth rate of 2.1%.

Leading Indicators (Y-O-Y 1Q-2018 to 1Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
11.25%	66,982 SF	\$24.31	397,691 SF	1.48 MM

Significant First Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
PwC	MetWest Three	New	79,908	Westshore
WeWork	501 E Kennedy Blvd	New	60,000	Tampa CBD
WeWork	Heights Union	New	50,000	Westshore
TCM Bank	Concourse Center I	New	22,521	Westshore
Early Learning Coalition of Hillsborough Co.	Interstate Corporate Center	New	21,918	I-75 Corridor
Dynasty Financial Partners	200 Central Avenue	New	12,387	St Pete CBD
Morgan & Morgan	111 2nd Ave NE	New	11,146	St Pete CBD
Accounting Associates Indeed	600 Cleveland St	New	9,479	North Pinellas
Public Defender	Park Tower	New	8,380	Tampa CBD
Holland & Knight LLP	100 North Tampa	New	8,194	Tampa CBD
Guardian Life Insurance	Tower Place	New	6,711	Westshore
Florida Hospital	Hidden River Corporate Center III	New	6,151	I-75 Corridor
Benefit Hub	MetWest One	Expansion	6,102	Westshore

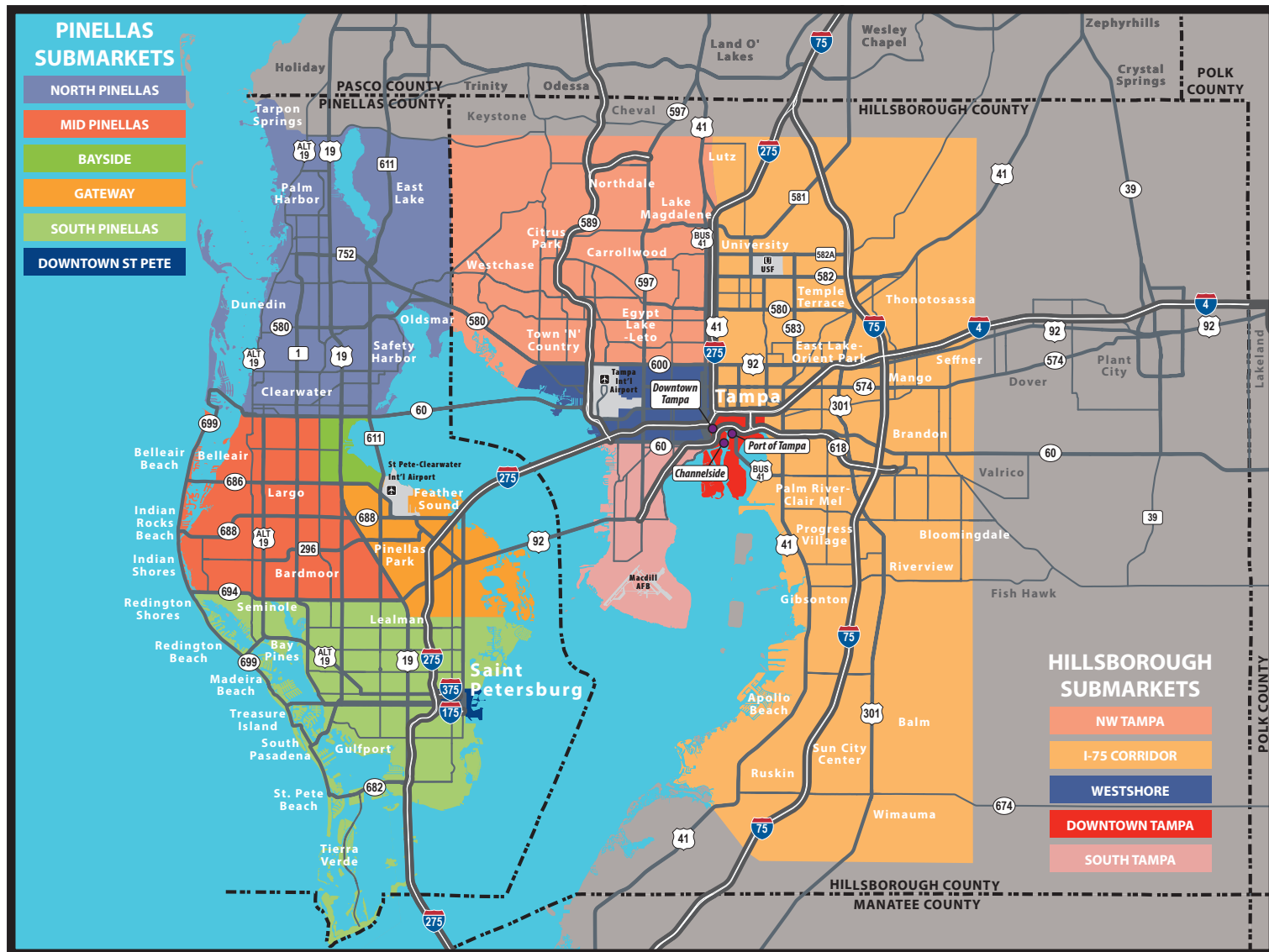
Significant First Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
Austin Center (5 bldg portfolio)	307,172	\$28,957,500	\$94		Ally Capital Group	Westshore
Waters Edge Office Center	35,451	\$4,700,000	\$133		2963 Gulf to Bay LLC	Bayside



Westshore's First Office Park Sold for \$28.9 million

While the first quarter of 2019 was largely a quiet one with regard to investment sales, a prominently located property traded hands in the Westshore business district. Tampa-based Ally Capital Partners acquired the 300,000-sf, five-building Austin Center office park in January for \$28.9 million, or \$94 per sf. The 10.5-acre site was long considered a prime redevelopment play by business leaders, but the new owner's immediate plans are to renovate and reposition the property to be more competitive in the highly sought-after Westshore area.



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