

### Overall Economic Fundamentals Remains Strong and the Search for Yield Continues

The U.S. economic expansion has endured for 10 straight years as of July 2019, marking the longest period of economic growth on record. Record amounts of institutional capital and private equity have fueled a steady climb in investment sales and office-using employment has reached an all-time high. Strong data on U.S. consumer spending also resulted in upgraded estimates for economic growth during the second quarter, with economists at JPMorgan Chase raising their projections from 1% to 1.75%. That's a far cry from a year ago, when economists were predicting a coming recession in 2019, although this party can't last forever. Lenders and developers have remained more disciplined during this cycle, even as investors replete with capital are pushing property prices higher and higher, narrowing opportunities for yield. In the meantime, the Federal Reserve ("Fed") is holding the federal funds target range steady until late July, when it is anticipated that Fed Chair Jerome Powell could make the case for a 0.25-point interest rate cut to keep fundamentals in check.

Leasing activity was relatively brisk during the second quarter, with nine deals over 10,000 sf taking place. While net absorption is unremarkable at 51,843 sf, that is directly attributable to the impact of 176,000 sf of class A space being vacated by Laser Spine Institute in a single building in Westshore. Rental rate growth has been impressive, increasing by 9.4% in the trailing 12-month period ending with the second quarter of 2019.



**Class A rents continue to set a record high in Westshore at \$36.20 per sf with further room to grow during 2019**

### Office Market Snapshot

- A recent survey of U.S. investor sentiment by law firm Akerman LLP found that real estate executives and investors remain optimistic about the market and are more bullish in 2019 than they were in the previous year.
- The planned \$72 million, class A Midtown One office building is moving closer to construction as part of the much-anticipated \$500 million, 1.8 million sf Midtown Tampa development of Westshore, with groundbreaking expected in the fourth quarter of 2019. Highwoods Properties recently partnered with developer The Bromley Companies, acquiring an 80% stake in the joint venture, and the building is scheduled to deliver in early 2021.
- Research from data aggregator CoStar has Tampa tied with Sacramento, Ca. as the 8th best market in the U.S. for office rent growth. Among the top 10 markets, Tampa has the lowest percentage of total office space under construction.
- There were two significant office closings announced during the second quarter, impacting a total of 347 workers. Virginia-based tech company Iron Bow Technologies announced the permanent closure of its office in Woodland Corporate Center, and global investment management firm T. Rowe Price said it would be closing its operations center in June due to consumer preference for customer service moving online. The closure was first announced in May 2018.
- The Renaissance Center development in Northwest Tampa, which is currently 100% occupied, is growing again with Renaissance Center VII now under construction on Henderson Rd. The 115,000 sf, class A building is scheduled for delivery in mid-2020 and there has been no pre-leasing activity as of yet.
- Driven by the promise of job growth in the urban core, Sarasota-based Ascentia Development Group is planning a 34-story condominium tower in Downtown Tampa on Ashley Drive, with anticipated pricing between \$600,000 and \$2 million per residence. Upon completion the tower would be one of the tallest buildings in Tampa and is expected to break ground in 2020. Currently, the tallest building downtown is the prominent class A, 42-story 100 N Tampa St, which is quietly being marketed for sale.

## 40.9 MSF

Total office inventory in the Tampa Bay office market

## 51,843 SF

Direct Y-T-D net absorption as of 2Q-2019

## 11.28%

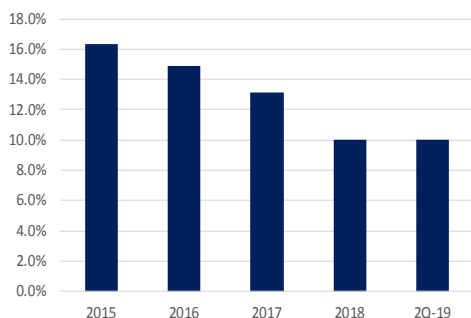
Overall Vacancy

## \$30.34/SF/FS

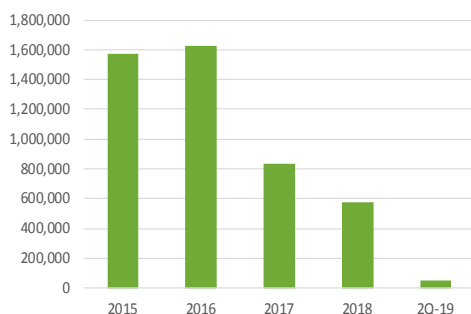
Average rental rate for class A space

## Statistical Snapshot

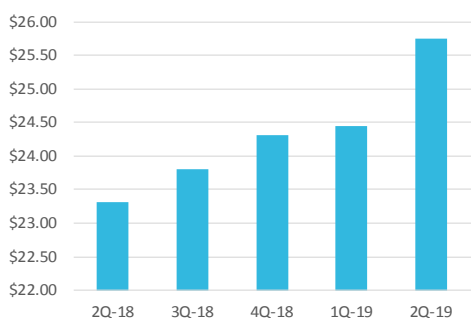
### Vacancy Rate



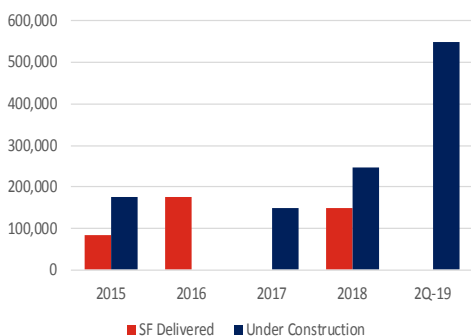
### YTD Net Absorption (SF)



### 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

**14,486**

increase in total non-farm employment since 2Q-2018

**54,000**  
new professional and business services jobs added in Florida during 2018

**3.3%**  
MAY-2018  
change in Tampa Bay's unemployment rate



**3.1%**  
MAY-2019

### Development

#### 50-AC Water Street Tampa Project

**\$3 BILLION MIXED-USE**  
development project underway in Downtown Tampa  
Rental rates for class A office space are reportedly between \$50.00-\$59.00 on a full-service gross basis



#### Tampa International Airport

**\$971 MILLION IN**  
UPGRADES RECENTLY COMPLETED



60,000-sf lease reportedly being negotiated at the Midtown One building breaking ground in late 2019



**663K**  
square feet currently under construction in Westshore

### Market Influencers



**\$662 million**  
in total office sales volume during the T-12 months ending 2Q19



**9.4%**  
average rental rate increase over the trailing 12-months ending 2Q-2019



**\$40.00 psf**  
New high water mark for premium class A office space in the Westshore submarket

Tampa was recently named the 3rd fastest growing city in Florida by the U.S. Census Bureau



# Tampa Bay Office Market Report

## Second Quarter 2019

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	1,647,824	207,165	\$30.34	92.51%	7.49%	0.94%	8.43%	662,691	(12,167)
Class B	18,962,250	2,470,469	296,592	\$22.67	86.97%	13.03%	1.56%	14.59%	0	64,010
<b>Total</b>	<b>40,959,205</b>	<b>4,118,293</b>	<b>503,757</b>	<b>\$25.74</b>	<b>89.95%</b>	<b>10.05%</b>	<b>1.23%</b>	<b>11.28%</b>	<b>662,691</b>	<b>51,843</b>

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	330,943	5,665	\$25.58	87.94%	12.06%	0.21%	12.27%	0	40,624
Class B	4,017,708	731,271	196,582	\$23.55	81.80%	18.20%	4.89%	23.09%	0	(61,416)
<b>Total</b>	<b>6,761,909</b>	<b>1,062,214</b>	<b>202,247</b>	<b>\$24.18</b>	<b>84.29%</b>	<b>15.71%</b>	<b>2.99%</b>	<b>18.70%</b>	<b>0</b>	<b>(20,792)</b>

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	21,287	0	\$24.37	98.39%	1.61%	0.00%	1.61%	115,000	(5,851)
Class B	2,934,774	296,292	38,657	\$21.13	89.90%	10.10%	1.32%	11.41%	0	94,093
<b>Total</b>	<b>4,253,954</b>	<b>317,579</b>	<b>38,657</b>	<b>\$21.35</b>	<b>92.53%</b>	<b>7.47%</b>	<b>0.91%</b>	<b>8.37%</b>	<b>115,000</b>	<b>88,242</b>

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	6,346	0	\$22.50	97.73%	2.27%	0.00%	2.27%	0	6,186
<b>Total</b>	<b>327,073</b>	<b>6,346</b>	<b>0</b>	<b>\$22.50</b>	<b>98.06%</b>	<b>1.94%</b>	<b>0.00%</b>	<b>1.94%</b>	<b>0</b>	<b>6,186</b>

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	305,200	59,841	\$31.11	94.25%	5.75%	1.13%	6.88%	0	57,196
Class B	936,746	24,084	13,794	\$23.19	97.43%	2.57%	1.47%	4.04%	0	36,515
<b>Total</b>	<b>6,242,919</b>	<b>329,284</b>	<b>73,635</b>	<b>\$30.53</b>	<b>94.73%</b>	<b>5.27%</b>	<b>1.18%</b>	<b>6.45%</b>	<b>0</b>	<b>93,711</b>

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	593,218	90,547	\$36.20	92.12%	7.88%	1.20%	9.09%	547,691	(162,438)
Class B	4,684,948	583,154	46,659	\$26.82	87.55%	12.45%	1.00%	13.44%	0	(34,374)
<b>Total</b>	<b>12,209,260</b>	<b>1,176,372</b>	<b>137,206</b>	<b>\$31.55</b>	<b>90.36%</b>	<b>9.64%</b>	<b>1.12%</b>	<b>10.76%</b>	<b>547,691</b>	<b>(196,812)</b>

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	98,097	2,937	\$24.59	87.52%	12.48%	0.37%	12.86%	0	(16,404)
Class B	1,139,511	230,870	0	\$21.02	79.74%	20.26%	0.00%	20.26%	0	7,697
<b>Total</b>	<b>1,925,271</b>	<b>328,967</b>	<b>2,937</b>	<b>\$22.08</b>	<b>82.91%</b>	<b>17.09%</b>	<b>0.15%</b>	<b>17.24%</b>	<b>0</b>	<b>(8,707)</b>

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	112,716	22,963	\$25.72	93.47%	6.53%	1.33%	7.86%	0	19,809
Class B	1,869,563	282,818	0	\$19.20	84.87%	15.13%	0.00%	15.13%	0	(14,136)
<b>Total</b>	<b>3,596,369</b>	<b>395,534</b>	<b>22,963</b>	<b>\$21.06</b>	<b>89.00%</b>	<b>11.00%</b>	<b>0.64%</b>	<b>11.64%</b>	<b>0</b>	<b>5,673</b>

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	181,464	0	\$18.05	79.75%	20.25%	0.00%	20.25%	0	(1,333)
<b>Total</b>	<b>990,374</b>	<b>182,714</b>	<b>0</b>	<b>\$18.06</b>	<b>81.55%</b>	<b>18.45%</b>	<b>0.00%</b>	<b>18.45%</b>	<b>0</b>	<b>(1,333)</b>

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	105,641	6,338	\$20.18	89.11%	10.89%	0.65%	11.54%	0	29,130
Class B	990,770	50,250	900	\$20.59	94.93%	5.07%	0.09%	5.16%	0	19,288
<b>Total</b>	<b>1,960,845</b>	<b>155,891</b>	<b>7,238</b>	<b>\$20.31</b>	<b>92.05%</b>	<b>7.95%</b>	<b>0.37%</b>	<b>8.32%</b>	<b>0</b>	<b>48,418</b>

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	54,062	0	\$16.67	91.34%	8.66%	0.00%	8.66%	0	8,860
<b>Total</b>	<b>624,292</b>	<b>54,062</b>	<b>0</b>	<b>\$16.67</b>	<b>91.34%</b>	<b>8.66%</b>	<b>0.00%</b>	<b>8.66%</b>	<b>0</b>	<b>8,860</b>

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	79,472	18,874	\$32.45	94.62%	5.38%	1.28%	6.65%	0	25,767
Class B	589,011	29,858	0	\$22.97	94.93%	5.07%	0.00%	5.07%	0	2,630
<b>Total</b>	<b>2,066,939</b>	<b>109,330</b>	<b>18,874</b>	<b>\$29.86</b>	<b>94.71%</b>	<b>5.29%</b>	<b>0.91%</b>	<b>6.20%</b>	<b>0</b>	<b>28,397</b>

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	384,672	78,715	\$31.39	94.33%	5.67%	1.16%	6.83%	0	82,963
Class B	1,525,757	53,942	13,794	\$23.07	96.46%	3.54%	0.90%	4.44%	0	39,145
<b>Total</b>	<b>8,309,858</b>	<b>438,614</b>	<b>92,509</b>	<b>\$30.36</b>	<b>94.72%</b>	<b>5.28%</b>	<b>1.11%</b>	<b>6.39%</b>	<b>0</b>	<b>122,108</b>

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	1,263,152	128,450	\$30.03	91.70%	8.30%	0.84%	9.15%	662,691	(95,130)
Class B	17,436,493	2,416,527	282,798	\$22.66	86.14%	13.86%	1.62%	15.48%	0	24,865
<b>Total</b>	<b>32,649,347</b>	<b>3,679,679</b>	<b>411,248</b>	<b>\$25.19</b>	<b>88.73%</b>	<b>11.27%</b>	<b>1.26%</b>	<b>12.53%</b>	<b>662,691</b>	<b>(70,265)</b>

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.

Research from data aggregator CoStar has Tampa tied with Sacramento, Ca. as the 8th best market in the U.S. for office rent growth. Among the top 10 markets, Tampa has the lowest percentage of total office space under construction.

### Leading Indicators (Y-O-Y 2Q-2018 to 2Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
				
11.28%	51,843 SF	\$25.74	662,691 SF	1.49 MM

### Significant Second Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Reliaquest	Highwoods Bay Center 1	New	39,609	Westshore
Arthur Rutenberg Homes*	ICOT Center	New	20,400	Gateway
Comprehensive Health	Woodland Corporate Center	New	18,391	Northwest Tampa
M2Gen	President's Plaza II	Sublease	17,091	Westshore
Certegy	Bayside Center II	New	16,067	Bayside
Direct Components, Inc.	Beaumont Business Center 10	New	14,493	Northwest Tampa
Imperial Press	Highland Oaks IV	New	11,956	I-75 Corridor
KnowBe4*	The Atrium Building	New	11,897	I-75 Corridor
National Louis University*	Sunforest II	Renewal	9,179	Westshore
Kraft Heinz Food Company*	Grand Central	New	8,454	Tampa CBD
ClearChoice Management Services	Baypoint Commerce Center	New	7,926	Gateway
Hillsborough Water Department	Park at Bay Plaza 2	New	6,152	I-75 Corridor
Benefit Hub	MetWest One	Expansion	6,102	Westshore
FMI Corporation*	Meridian Two	New	5,036	Westshore

\* Avison Young handled this transaction

### Significant Second Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
Concourse Center	296,694	\$53,313,000	\$180	6.50%	Dilweg Companies	Westshore
Westshore Center	215,523	\$52,050,000	\$242	5.80%	America's Capital Partners	Westshore



Westshore Center



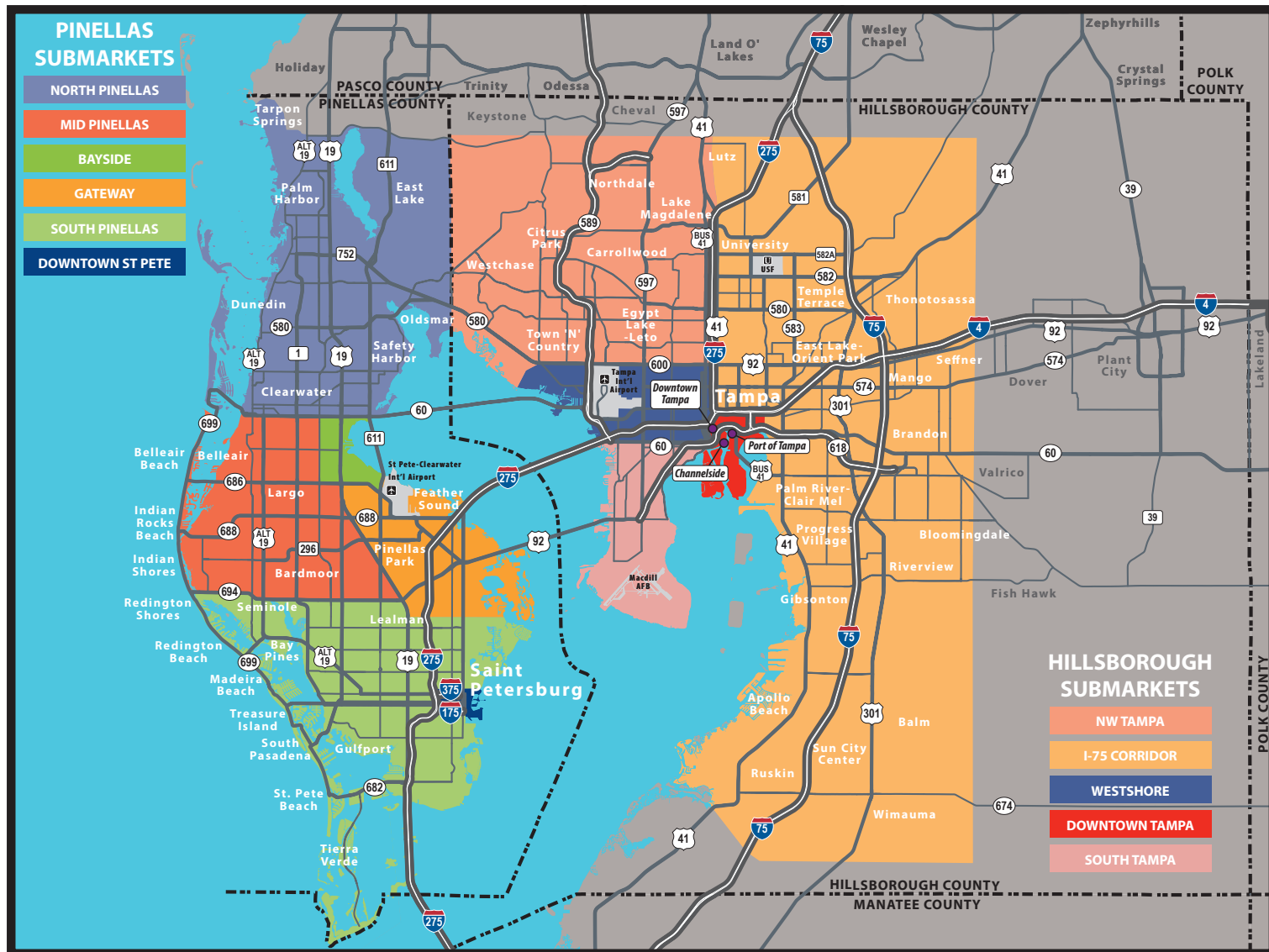
Concourse Center

### Two Notable Properties Traded Hands in Westshore During 2Q-2019

America's Capital Partners finalized its purchase of Westshore Center during the second quarter, purchasing the class A property for \$12 million more than it sold for previously in 2015 when it was acquired by The Roseview Group and PM Realty Group. Also in Westshore, the four-building class B Concourse Center office complex was sold to Durham, N.C.-based The Dilweg Companies, which had previously purchased Orion Center in the Rocky Point area, along with several buildings in the I-75 Corridor.

# Tampa Bay Office Market Report

## Second Quarter 2019



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