

Tampa Bay

Tampa's Office Market Continued to Evolve During 2019, and is Well Positioned to Further Transform in 2020

Fueled by continued steady business expansion, strong in-migration, vigorous employment growth, and solid consumer confidence, Tampa's office market is heading into 2020 in excellent shape. High-profile mixed-use projects are planned or underway within key submarkets, including within the urban cores of both downtown Tampa and downtown St Petersburg, and there are multiple transportation projects planned that will help to ease congestion. On the investment sales side, interest rates have moderated after the yield curve inversion during the third quarter and the pace of job growth in Tampa continues to outpace both the state of Florida and the nation as a whole.

Leasing activity was solid during the fourth quarter, with 14 deals over 10,000 sf taking place, and office investment was brisk with \$245.7 million in total sales volume. Net absorption was solid by the year's end, due in part to the delivery of the fully leased MetWest Three building in Westshore. Rental rate growth has been strong, increasing by 5.2% in the trailing 12-month period ending with the fourth quarter of 2019, and class A rents accelerating by 5.7% during the same period. Moving into what will likely be a contentious election year punctuated by geopolitical issues overseas, the Tampa office market appears well positioned to weather any short-term headwinds. Investment sales and leasing activity are expected to remain healthy in 2020 and both population and employment growth are projected to persist at a healthy rate.



1.3 million SF
of speculative class
A construction is
underway in six
office projects
throughout Tampa,
up from 250,000 sf
at year-end 2018.

Office Market Snapshot

- In addition to the high-profile office developments already underway in the Tampa market, another key project broke ground during the fourth quarter. The much-anticipated 9-story, 270,000 sf SkyCenter One building is under construction at Tampa International Airport in the Westshore submarket. Developed by Kansas City-based VanTrust Real Estate, the project is part of a \$2 billion expansion of the airport and The Hillsborough County Aviation Authority will be occupying three floors upon completion. CAE USA, a leading training and simulation company doing business in the defense market, is also underway on a new U.S. headquarters building at the airport.
- The Westshore area continues to grow through the creative reuse of underutilized or long vacant properties. The former Sears box at the Westshore Mall is the subject of a proposed mixed-use redevelopment that would consist of three 12-story towers fronting Westshore Blvd that could include up to 380,000 sf of office space. Also noteworthy is Wood Partners' rezoning request for the long dark Tiger Direct building in order to construct a 285-unit apartment development. Finally, the 300,000-sf Austin Center office park was 'reborn' as Westshore City Center during 2019, with a pending \$10 million renovation planned.
- The Federal Reserve cited global developments as the rationale for further reducing its policy rate by 25 basis points to a target range of 1.50% to 1.75% in October, after which Fed Chairman Jerome Powell signaled that he felt monetary policy was in a good place as trade tensions were easing and Brexit was coming under control.
- Governor Ron DeSantis announced during the fourth quarter that the state would contribute \$1.4 billion to rebuild the Westshore Blvd interchange in 2023. Construction is expected to take 4-5 years.
- Late in the fourth quarter, a division of Jacksonville-based Fanatics, Inc. signed a 92,000-sf lease to backfill half of the building left vacant in the Westshore area by Laser Spine Institute's abrupt shutdown earlier in the year. The company will be consolidating its Tampa operations into the building during 2020.
- Red Apple Group, which is controlled by New York billionaire John Catsimatidis, is moving forward on a planned 45-story, 300-unit luxury condo tower with 225-room hotel and 20,000 sf of office space on a 2.3-acre site on Central Avenue in downtown St. Petersburg following approval by the city's development review commission. Work is scheduled to begin in the spring of 2020 and construction costs are estimated at \$300 million.

41.2 MSF

Total office inventory in the
Tampa Bay office market

487,330 SF

Direct Y-T-D net absorption
as of 4Q-2019

10.81%

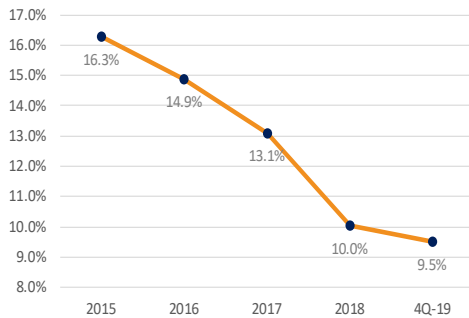
Overall Vacancy

\$30.30/SF/FS

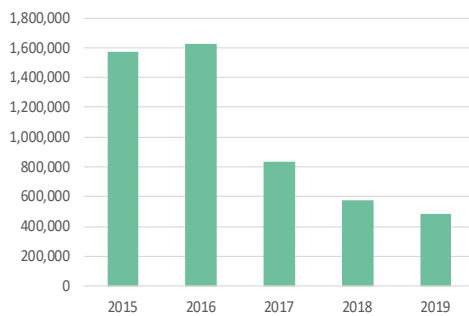
Average rental rate for
class A space

Statistical Snapshot

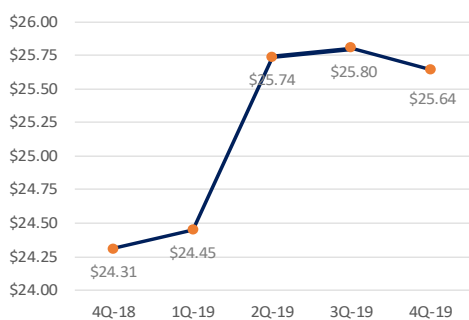
Vacancy Rate



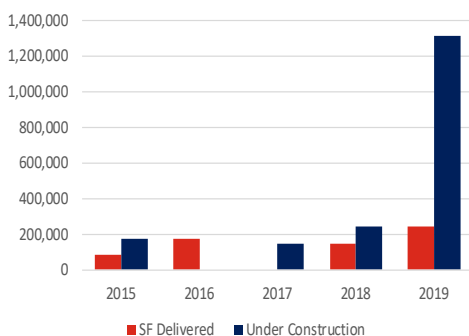
YTD Net Absorption (SF)



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



Construction Pipeline



Tampa Bay Office Market At A Glance

Demographics & Economy



Jobs in the professional and business services sector have increased by 6,500 over the T-12 months ending November 2019 in Tampa



2.1%
average annual economic growth will outperform the U.S. overall

22 million

State demographers are projecting that Florida's population will surpass 22 million by 2022



3.2%

NOV-2018



2.7%

NOV-2019

Y-O-Y change in Tampa Bay's unemployment rate

Development

\$3

BILLION MIXED-USE

development project underway in Downtown Tampa

1001 Water Street, the first class A office tower to break ground, is underway with a planned 3Q-2021 delivery



A 25-story mixed use tower to include Tampa's first Moxy hotel will break ground later in 2020 adjacent to the Heights Union project in Seminole Heights



The University of South Florida's Morsani College of Medicine has officially opened in downtown Tampa's thriving Channelside area



High-profile office projects are underway in the urban core, Westshore, and Northwest Tampa areas



1.3 MM
square feet currently under construction in Tampa Bay

Market Influencers



\$881 million

in total office sales volume during the T-12 months ending 4Q19



5.2%

average rental rate increase over the T-12 months ending 4Q-2019



8.5%

Growth in Tampa Bay's labor force over the last 5 years due in large part to strong population growth, business expansion, and a lower cost of living

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



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	22,244,646	1,569,626	195,174	\$30.30	92.94%	7.06%	0.88%	7.93%	1,311,845	313,722
Class B	18,962,250	2,354,544	333,818	\$22.54	87.58%	12.42%	1.76%	14.18%	0	173,608
Total	41,206,896	3,924,170	528,992	\$25.64	90.48%	9.52%	1.28%	10.81%	1,311,845	487,330
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	417,972	5,665	\$25.78	84.77%	15.23%	0.21%	15.44%	0	(46,405)
Class B	4,017,708	607,788	220,590	\$21.33	84.87%	15.13%	5.49%	20.62%	0	62,067
Total	6,761,909	1,025,760	226,255	\$23.14	84.83%	15.17%	3.35%	18.52%	0	15,662
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	71,380	13,624	\$27.96	94.59%	5.41%	1.03%	6.44%	115,000	(55,944)
Class B	2,934,774	327,244	46,597	\$23.04	88.85%	11.15%	1.59%	12.74%	0	63,141
Total	4,253,954	398,624	60,221	\$23.92	90.63%	9.37%	1.42%	10.79%	115,000	7,197
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	12,098	0	\$32.66	95.66%	4.34%	0.00%	4.34%	0	434
Total	327,073	12,098	0	\$32.66	96.30%	3.70%	0.00%	3.70%	0	434
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	350,697	42,347	\$32.24	93.39%	6.61%	0.80%	7.41%	405,000	11,699
Class B	936,746	27,889	15,242	\$24.59	97.02%	2.98%	1.63%	4.60%	0	32,710
Total	6,242,919	378,586	57,589	\$31.68	93.94%	6.06%	0.92%	6.99%	405,000	44,409
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	7,772,003	445,579	97,402	\$36.31	94.27%	5.73%	1.25%	6.99%	791,845	232,892
Class B	4,684,948	601,936	50,489	\$27.00	87.15%	12.85%	1.08%	13.93%	0	(53,156)
Total	12,456,951	1,047,515	147,891	\$30.96	91.59%	8.41%	1.19%	9.60%	791,845	179,736
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	25,216	2,502	\$24.21	96.79%	3.21%	0.32%	3.53%	0	56,477
Class B	1,139,511	219,643	0	\$20.98	80.72%	19.28%	0.00%	19.28%	0	18,924
Total	1,925,271	244,859	2,502	\$21.32	87.28%	12.72%	0.13%	12.85%	0	75,401
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	90,399	22,963	\$25.57	94.76%	5.24%	1.33%	6.56%	0	42,126
Class B	1,869,563	272,295	0	\$19.51	85.44%	14.56%	0.00%	14.56%	0	(3,613)
Total	3,596,369	362,694	22,963	\$21.02	89.91%	10.09%	0.64%	10.72%	0	38,513
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	13,380	0	\$20.00	85.84%	14.16%	0.00%	14.16%	0	(12,130)
Class B	895,904	170,544	0	\$17.94	80.96%	19.04%	0.00%	19.04%	0	3,260
Total	990,374	183,924	0	\$18.09	81.43%	18.57%	0.00%	18.57%	0	(8,870)
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	79,527	4,724	\$20.86	91.80%	8.20%	0.49%	8.68%	0	55,244
Class B	990,770	47,186	900	\$21.16	95.24%	4.76%	0.09%	4.85%	0	22,352
Total	1,960,845	126,713	5,624	\$20.97	93.54%	6.46%	0.29%	6.75%	0	77,596
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	50,469	0	\$16.29	91.92%	8.08%	0.00%	8.08%	0	12,453
Total	624,292	50,469	0	\$16.29	91.92%	8.08%	0.00%	8.08%	0	12,453
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	75,476	5,947	\$32.54	94.89%	5.11%	0.40%	5.51%	0	29,763
Class B	589,011	17,452	0	\$24.39	97.04%	2.96%	0.00%	2.96%	0	15,036
Total	2,066,939	92,928	5,947	\$31.01	95.50%	4.50%	0.29%	4.78%	0	44,799
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	426,173	48,294	\$32.29	93.72%	6.28%	0.71%	6.99%	405,000	41,462
Class B	1,525,757	45,341	15,242	\$24.51	97.03%	2.97%	1.00%	3.97%	0	47,746
Total	8,309,858	471,514	63,536	\$31.55	94.33%	5.67%	0.76%	6.44%	405,000	89,208
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	15,460,545	1,143,453	146,880	\$29.56	92.60%	7.40%	0.95%	8.35%	906,845	272,260
Class B	17,436,493	2,309,203	318,576	\$22.50	86.76%	13.24%	1.83%	15.07%	0	125,862
Total	32,897,038	3,452,656	465,456	\$24.84	89.50%	10.50%	1.41%	11.91%	906,845	398,122

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.

There is a total of 1.3 million sf of speculative class A construction underway in Tampa Bay, up from 250,000 sf at the close of 2018, with preleasing activity in each project.

Leading Indicators (Y-O-Y 4Q-2018 to 4Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
↔	↘	↗	↗	↗
10.81%	487,330 SF	\$25.64	1,311,845 SF	1.50 MM

Significant Fourth Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
WellCare	Renaissance Center VII	New	115,000	Northwest Tampa
Fanatics Brands	5332 Avion Park Dr	New	92,000	Westshore
Truist	Park Tower	Renewal	51,513	Tampa CBD
US Imaging	Woodland Corporate Center	New	42,680	Northwest Tampa
Health Insurance Innovations	LakePointe One	New	31,043	Westshore
BKS	Corporate Center II	Sublease	29,913	Westshore
Wow Business	Park Tower	Renewal	19,000	Tampa CBD
Quiet Professionals, LLC	Island Center	New	18,533	Westshore
KnowBe4*	Sabal Park - Atrium Building	Renewal	15,438	I-75 Corridor
HMS	Woodland Corporate Center	Sublease	14,258	Northwest Tampa
Scotlynn	Lakeside at Tampa Bay Park	New	14,144	Westshore
Fintech	LakePointe One	New	13,561	Westshore
Federal Bureau of Investigation	Offices at Park Place	Renewal	12,134	Bayside
Stoler Russell Keener Verona P.A.	Tampa City Center	Sublease	10,700	Tampa CBD

* Avison Young handled this transaction

Significant Fourth Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
5-Bldg Partners Group Portfolio*	758,974	\$156,600,000	\$206	NA	JV Partners Group AG/Parkway	Multiple
501 E Kennedy Blvd	296,082	\$67,350,000	\$227	NA	JV Partners Group AG/Parkway	Tampa CBD
Westshore Corporate Center	176,566	**	NA	NA	JV Partners Group AG/Parkway	Westshore
Cypress Center I	152,758	**	NA	NA	JV Partners Group AG/Parkway	Westshore
Cypress Center II	50,697	**	NA	NA	JV Partners Group AG/Parkway	Westshore
Cypress Center III	82,871	**	NA	NA	JV Partners Group AG/Parkway	Westshore
Meridian Concourse Center***	150,633	\$15,382,000	\$102	8.50%	Albany Road Real Estate Partners	Gateway
REO Center	76,414	\$10,700,000	\$140	NA	Partners Group	Westshore

*This acquisition was purchased by a joint venture led by Switzerland-based Partners Group AG. ** Individual sale prices for these assets were not available.

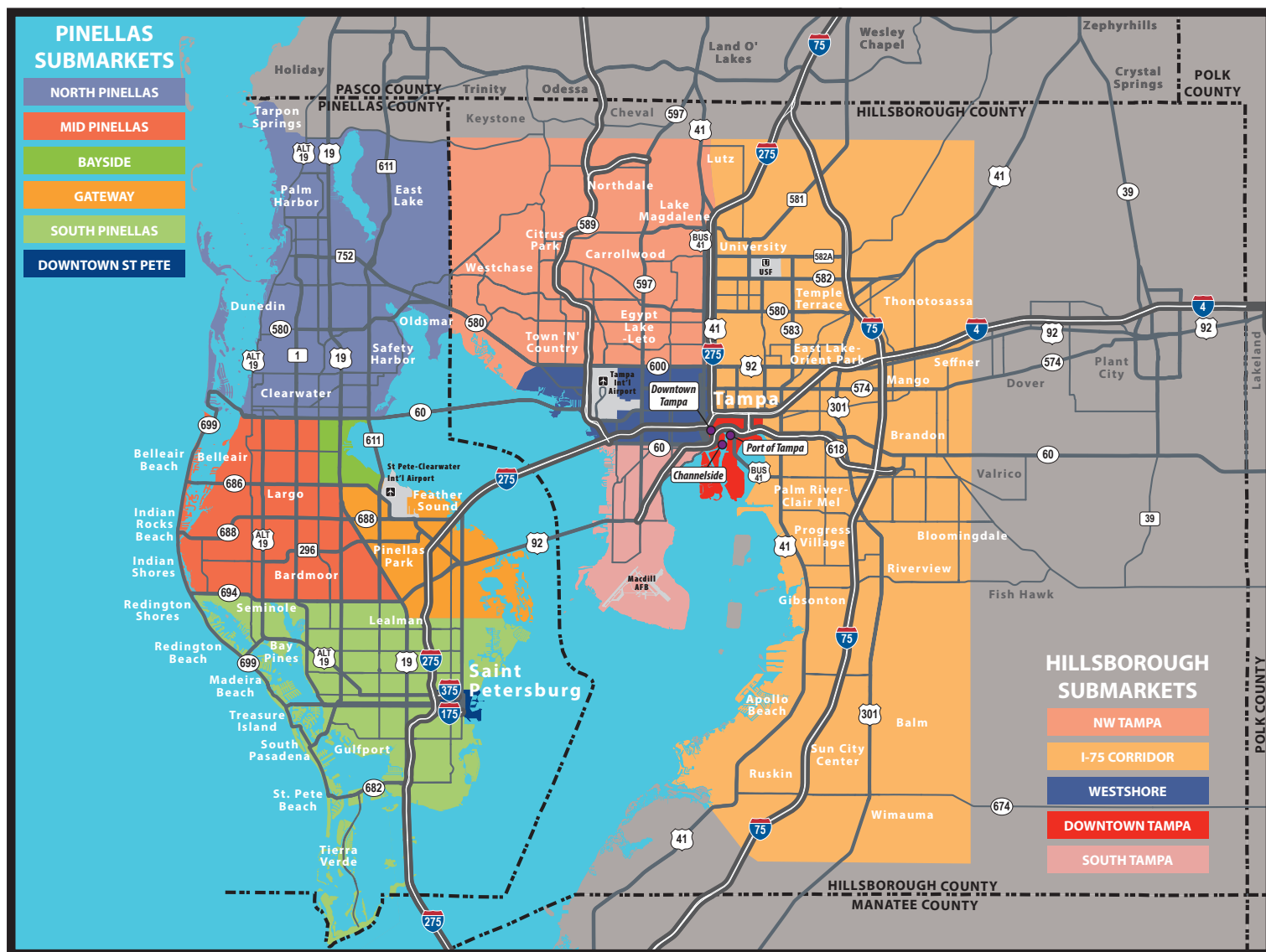
***Avison Young handled this transaction.



501 E Kennedy Blvd

5-Property Portfolio Changes Hands in Tampa in Massive \$157 Million Deal

In one of the largest investment sales transactions of 2019, Switzerland-based Partners Group partnered with Orlando-based Parkway Property Investors to acquire a 5-building office portfolio totaling nearly 760,000 sf for \$156.6 million, or \$206 per sf. Located in the urban core and in the Westshore submarket, the properties were collectively 91% occupied at the time of the sale and are comprised of both class A and value-add class B space. The portfolio was sold by a joint venture partnership of New York-based Angelo Gordon and Commercial Florida Realty Partners.



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