

Tampa Bay

Market fundamentals weakened further during the fourth quarter as new deals are beginning to pick up

While 2020 began as another year of promise, it quickly became a year of economic turmoil, of change, and of forced flexibility. The Covid-19 pandemic has marked a tipping point in the disruption of employment patterns and work styles, forcing companies to adopt solutions that would have normally taken years to reach. The future impact of the workplace strategies adopted during 2020 will not be known for some time, but it is widely expected that most companies will return to the office, albeit with a changed footprint.

Dynamics are beginning to shift

Tampa's office market weathered the storm that was 2020 for several successive quarters, but the dynamics began to change near the end of the year. Vacancy began to inch up, rising by 129 basis points (bps) during the trailing 3-month period ending with December, and the expected glut of sublease space is on its way. Tampa's central business district (CBD) has a concentration of banking and financial services institutions, and the recent merger of SunTrust Bank and BB&T into the newly formed Truist Financial has resulted in over 50,000 sf of surplus space in the urban core at a time when companies are identifying how to 'right size' their office footprints in light of expected new post-COVID realities. The merged bank will operate from SunTrust Financial Centre, essentially cutting its footprint in downtown Tampa in half and leaving a large block of availability at the newly renovated Park Tower. Also in the CBD, WeWork reneged on its plans to open a 50,000-sf location at the newly delivered Heights Union, however a division of Pfizer then leased 105,000

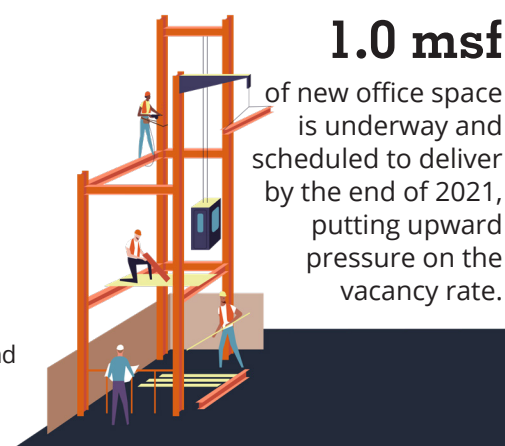
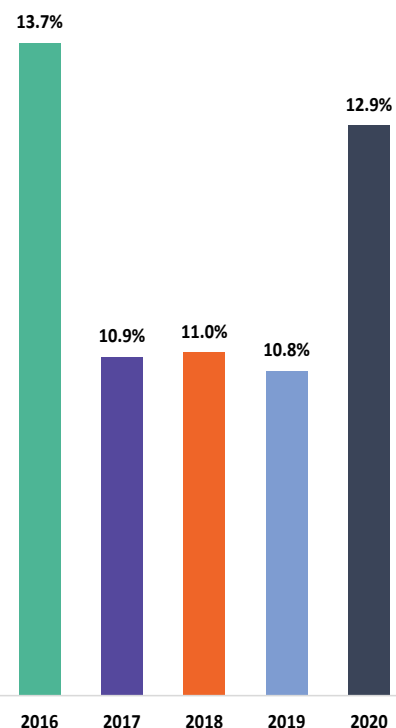
sf in the building. It should be noted that 1001 Water Street will deliver 380,000 sf of high rent, class A+ office space in the urban core's Channelside area in 3Q-2021.

Net absorption declined further during the fourth quarter, ending the year at -304,274 sf, with the greatest impact within class A space in Westshore where negative absorption was up 503% over the trailing 90-day period. With respect to submarket size, the vacancy rate rose most significantly over the previous quarter in the Tampa CBD (up 25.4%), Westshore (up 14.4%), and Bayside (up 7.1%) submarkets. Altogether, the overall vacancy rate has risen by 16.4% over the previous year. Also, while rents at year-end were up 2.8% over the previous quarter, it must be noted that they are asking rents, and new deals (which are picking up) at this point will be heavily negotiated.

Looking ahead toward 2021

With deal activity picking up toward the end of the year and more tenants willing to sign traditional term deals beyond the short-term renewals that dominated the conversation for two quarters, there is optimism that Tampa's office market will begin to approach a return to normal by the end of 2021. For now, sublease space is on the rise and rental rates have the potential to decelerate in the near-term. The fear that personified the beginning of the current pandemic continues to fade and with a contentious election cycle behind us and COVID-19 vaccine distribution in front of us, attention can now turn to promoting job growth and reversing the occupancy losses sustained during 2020.

Historical 5-Year Vacancy Trend



41.5 MSF

Total office inventory in the Tampa Bay office market

(304,274) SF

Direct Y-T-D net absorption as of 4Q-2020

12.93%

Overall Vacancy

\$32.00/SF/FS






Average rental rate for class A space

Market by the numbers

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	22,780,657	2,191,592	433,512	\$32.00	90.38%	9.62%	1.90%	11.52%	1,016,845	(166,214)
Class B	18,744,337	2,516,444	229,625	\$22.67	86.57%	13.43%	1.23%	14.65%	0	(138,060)
Total	41,524,994	4,708,036	663,137	\$27.01	88.66%	11.34%	1.60%	12.93%	1,016,845	(304,274)
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	380,810	35,150	\$26.42	86.12%	13.88%	1.28%	15.16%	120,000	37,162
Class B	3,992,708	445,766	135,756	\$21.57	88.84%	11.16%	3.40%	14.56%	0	167,803
Total	6,736,909	826,576	170,906	\$23.80	87.73%	12.27%	2.54%	14.81%	120,000	204,965
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	1,482,804	54,548	9,849	\$26.01	96.32%	3.68%	0.66%	4.34%	0	131,832
Class B	2,934,774	491,014	49,297	\$22.80	83.27%	16.73%	1.68%	18.41%	0	(163,770)
Total	4,417,578	545,562	59,146	\$23.12	87.65%	12.35%	1.34%	13.69%	0	(31,938)
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	35,723	0	\$22.14	87.20%	12.80%	0.00%	12.80%	0	(19,109)
Total	327,073	35,723	0	\$22.14	89.08%	10.92%	0.00%	10.92%	0	(19,109)
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	5,606,173	639,810	116,856	\$35.37	88.59%	11.41%	2.08%	13.50%	405,000	10,887
Class B	1,064,056	64,513	0	\$24.98	93.94%	6.06%	0.00%	6.06%	0	(36,624)
Total	6,670,229	704,323	116,856	\$34.42	89.44%	10.56%	1.75%	12.31%	405,000	(25,737)
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	696,355	217,714	\$36.00	91.04%	8.96%	2.80%	11.76%	491,845	(250,776)
Class B	4,674,536	577,158	40,261	\$27.17	87.65%	12.35%	0.86%	13.21%	0	25,421
Total	12,446,539	1,273,513	257,975	\$32.00	89.77%	10.23%	2.07%	12.30%	491,845	(225,355)
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	102,745	4,368	\$24.62	86.92%	13.08%	0.56%	13.63%	0	(43,266)
Class B	979,079	189,821	0	\$21.88	80.61%	19.39%	0.00%	19.39%	0	29,822
Total	1,764,839	292,566	4,368	\$22.84	83.42%	16.58%	0.25%	16.82%	0	(13,444)
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	161,947	32,039	\$25.93	90.62%	9.38%	1.86%	11.23%	0	(71,548)
Class B	1,822,154	297,083	3,411	\$19.93	83.70%	16.30%	0.19%	16.49%	0	(18,888)
Total	3,548,960	459,030	35,450	\$22.05	87.07%	12.93%	1.00%	13.93%	0	(90,436)
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	7,738	0	\$24.00	91.81%	8.19%	0.00%	8.19%	0	5,642
Class B	849,223	150,363	0	\$16.77	82.29%	17.71%	0.00%	17.71%	0	20,181
Total	943,693	158,101	0	\$17.12	83.25%	16.75%	0.00%	16.75%	0	25,823
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	75,035	0	\$21.03	92.27%	7.73%	0.00%	7.73%	0	4,492
Class B	925,717	134,719	900	\$20.95	85.45%	14.55%	0.10%	14.65%	0	(87,533)
Total	1,895,792	209,754	900	\$20.98	88.94%	11.06%	0.05%	11.11%	0	(83,041)
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	648,792	80,976	0	\$19.78	87.52%	12.48%	0.00%	12.48%	0	(23,507)
Total	648,792	80,976	0	\$19.78	87.52%	12.48%	0.00%	12.48%	0	(23,507)
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	1,550,315	72,604	17,536	\$33.78	95.32%	4.68%	1.13%	5.81%	0	9,361
Class B	574,275	49,308	0	\$23.23	91.41%	8.59%	0.00%	8.59%	0	(31,856)
Total	2,124,590	121,912	17,536	\$29.51	94.26%	5.74%	0.83%	6.56%	0	(22,495)
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	7,156,488	712,414	134,392	\$35.21	90.05%	9.95%	1.88%	11.83%	405,000	20,248
Class B	1,638,331	113,821	0	\$24.22	93.05%	6.95%	0.00%	6.95%	0	(68,480)
Total	8,794,819	826,235	134,392	\$33.70	90.61%	9.39%	1.53%	10.92%	405,000	(48,232)
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	15,624,169	1,479,178	299,120	\$30.45	90.53%	9.47%	1.91%	11.38%	611,845	(186,462)
Class B	17,106,006	2,402,623	229,625	\$22.60	85.95%	14.05%	1.34%	15.39%	0	(69,580)
Total	32,730,175	3,881,801	528,745	\$25.59	88.14%	11.86%	1.62%	13.48%	611,845	(256,042)

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.

Leading Indicators (Y-O-Y Q4-2019 to Q4-2020)

Market Inventory  41,524,994 SF	Vacancy Rate  12.93%	Net Absorption  -304,274 SF	Construction Pipeline  1,016,835 SF	Average Asking Rate  \$27.01 SF
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Significant Fourth Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Pfizer	Heights Union East	New	105,000	Tampa CBD
Ashley Furniture	6302 Corporate Center	New	41,849	I-75 Corridor
Empath Health	Meridian 589	New	26,966	Northwest Tampa
Old Republic Title Insurance Co.	Towers at Westshore	Renewal	21,348	Westshore
Infosys	Highland Oaks I	New	20,460	I-75 Corridor
Air Canada	Towers at Westshore	Renewal	13,720	Westshore
IEL	One Presidents Plaza	New	11,313	Westshore
CareerSource Tampa Bay	6302 Corporate Center	New	11,181	I-75 Corridor
South State Bank	Midtown One	New	9,949	Westshore
Rissman	1 North Dale Mabry	New	7,890	Westshore
JE Dunn*	SkyCenter One	New	7,661	Westshore

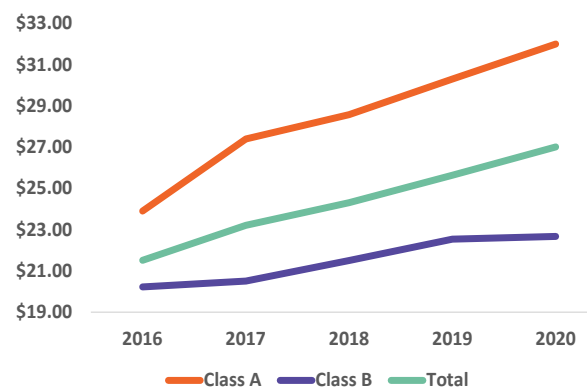
*Avison Young handled this transaction

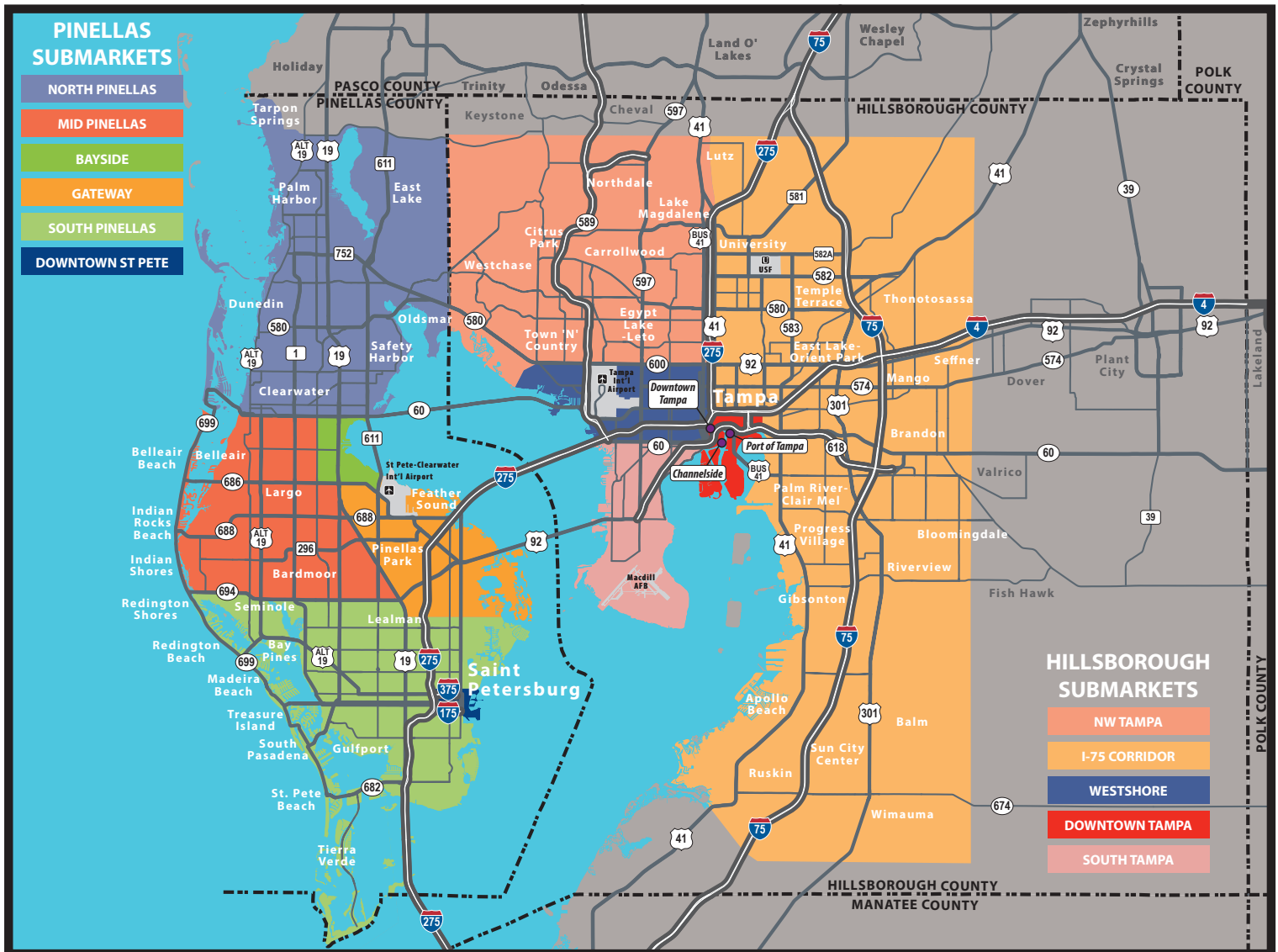
Significant Fourth Quarter 2020 Sales Transactions - Sorted by Price

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Submarket
Tampa Commons	254,808	\$56,500,000	\$222	NA	Bridge Investment Group	Westshore
13925 N 58th St	100,600	\$10,000,000	\$99	NA	FSC Industrial V DST	Bayside
Plymouth Plaza	53,723	\$5,800,000	\$108	6.00%	BEX Realty	North Pinellas

Asking rents accelerated during the fourth quarter, even as overall vacancy rose by 129 bps.

While downward momentum in rents was expected heading into 2021, the opposite has (surprisingly) occurred. Asking rents for class A space rose by 3.5% over the trailing 90-day period, with overall asking rents accelerating by 2.8%, partly due to the delivery of two buildings at Heights Union in Tampa's CBD where rents exceed \$42.00 per sf.





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