Tampa office market report

Q4 2022

AVISON YOUNG

Tampa office market trends

+44.3%

Office visitor rates plateau as hybrid work is here for now

Halfway through the second part of 2022, the office recovery rate in Tampa began to plateau at around 45%. The trend of downsizing footprints to embrace a hybrid work model is heavily impacting the return-to-office effort. However, remote job postings in the U.S. have rapidly declined from representing over 20% of all LinkedIn job postings in March of 2022 to only 14% as of November 2022. As the labor market begins to tighten heading into 2023, companies are evaluating their return-to-office plans.

0 sf

New office developments remain in short supply

For the first time in five years, there were no office deliveries in 2022. Additionally, there are very few office developments in the pipeline for the new year. Only one office tower is expected to break ground in 2023: a 430,000-square-foot (sf) development at Midtown East, anchored with TECO, started construction mid-January. This will add 134,000 sf of class A office availability. A combination of rising interest rates paired with a low supply of available financing has made it nearly impossible for office developers to bring new products to market.

+22.5%

Office investment sales price per square foot surge

Tampa's office market has faced headwinds in 2022; however, the price per square foot (psf) of office investments continued to increase by 22.5% year-over-year to $201 psf. The overall sales volume was down 7.1% since 2021, totaling just under $500 million. The top three office sales of 2022 with the highest price per square foot were 5525 W Gray Street purchased for $487 psf, 100 S Ashley Street for $310 psf, and 4805 Independence Parkway acquired for $303 psf. Office sales in 2022 by classification resulted in trophy office investments averaging $310 psf, class A averaging $210 psf, and class B averaging $175 psf.

Tampa office market indicators

+3.9%

direct asking rents increased by 3.9% year-over-year to $29.21 psf (FS)

+74.5%

sublease availability increased significantly by 74.5% since 2021, totaling just over 3 million square feet (msf)

2.6%

Tampa's unemployment rate as of November 2022, reaching below pre-pandemic levels

-13.6%

office leasing activity decreased 13.6% year-over-year, resulting in 4.1 msf leased in 2022

-7.1%

investment sales volume in office properties is down 7.1% year-over-year

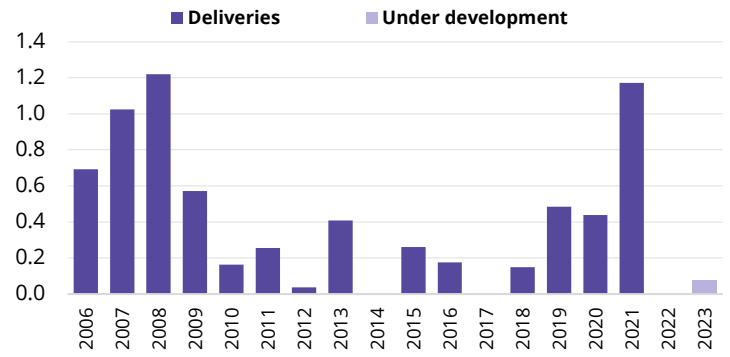
+71.8%

net absorption increased by 71.8% since the end of 2021, bringing 2022's total to 250,119 sf

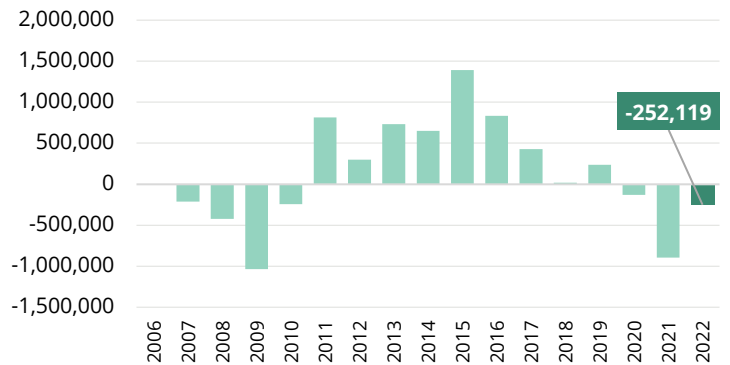
Source: AVANT by Avison Young, CoStar

Tampa office market indicators

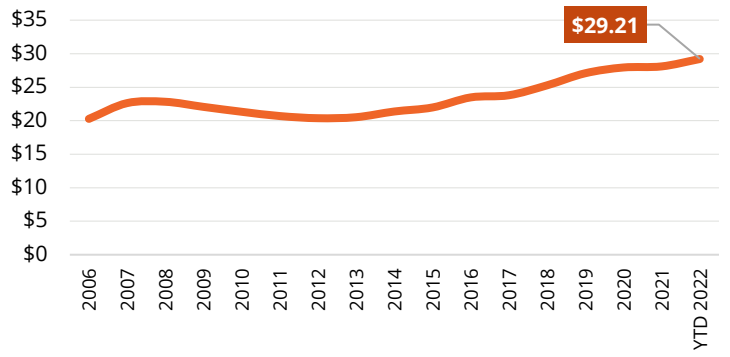
Development (msf)



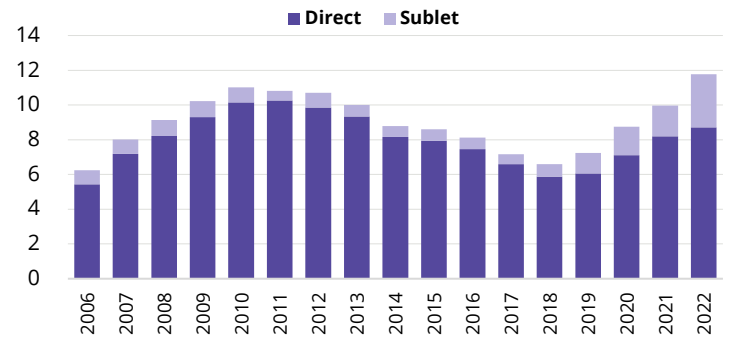
Net absorption (sf)



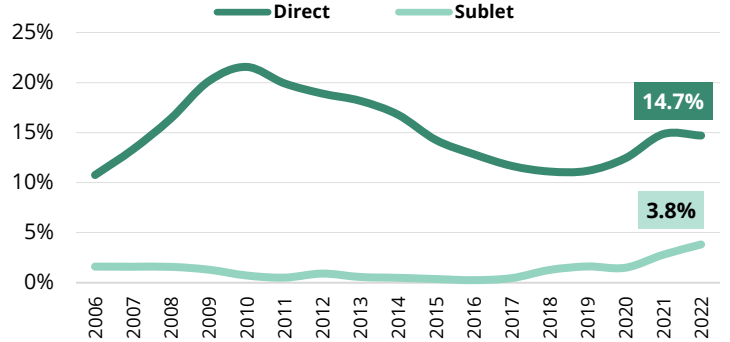
Direct asking rents (psf/FS)



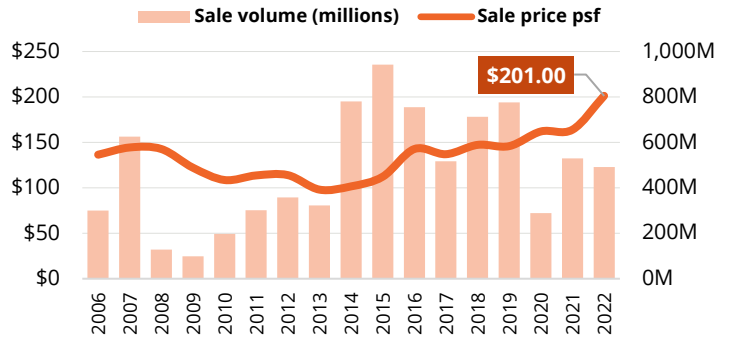
Availability (msf)



Vacancy



Investment sales



Source: AVANT by Avison Young, CoStar

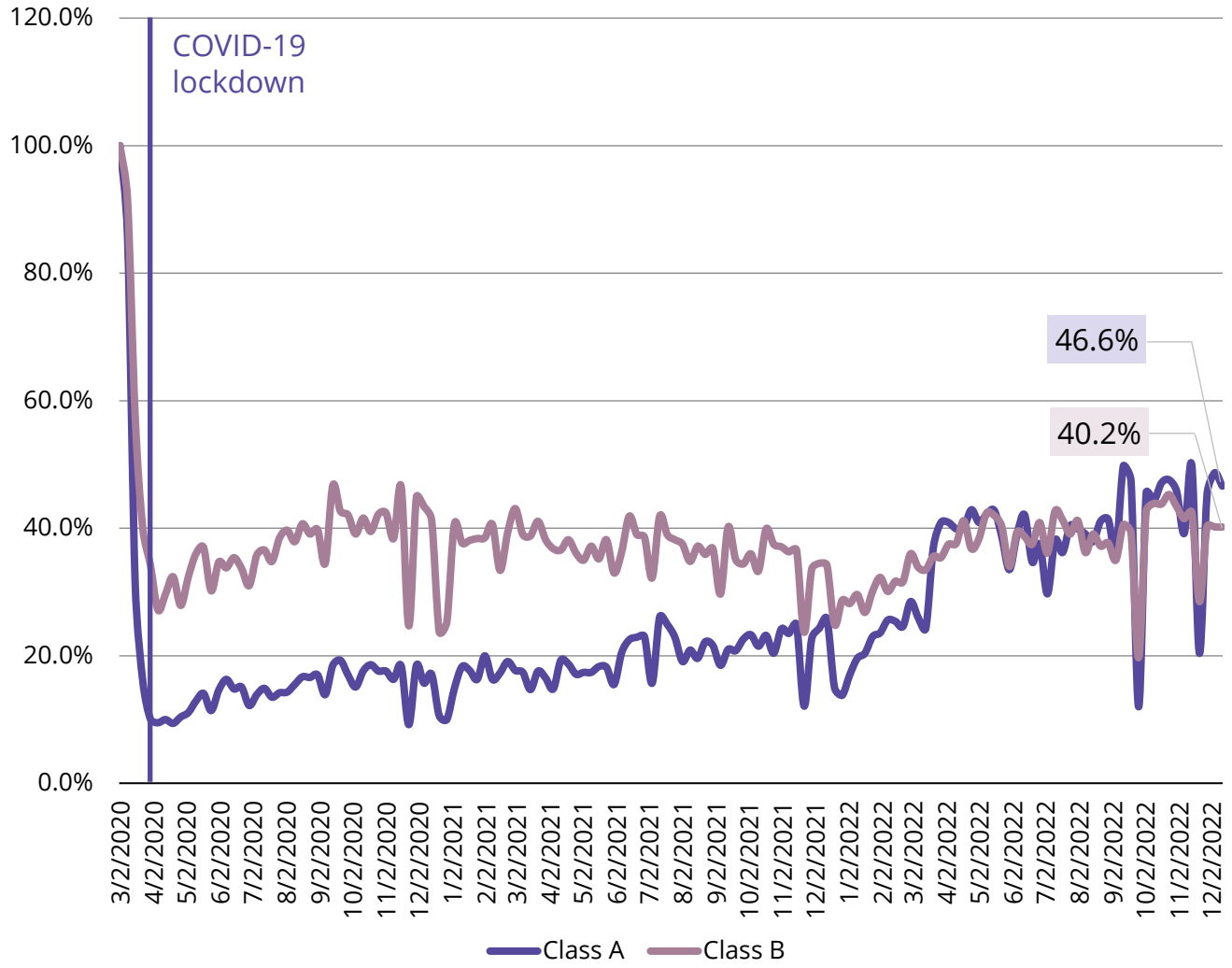
AVANT by AVISON YOUNG

Return-to-office rates by office class

46.6%

recovery in Tampa office visitor volumes within class A assets as of December 2022 compared to the week prior to lockdown

Visitor volumes at class A offices have consistently outpaced visitor volumes at other offices. Tampa's office recovery rate is trending alongside the U.S. recovery rate of 47.6%.



Note: Representative fully occupied offices. Weekdays only.
Source: AVANT by Avison Young, Orbital Insight

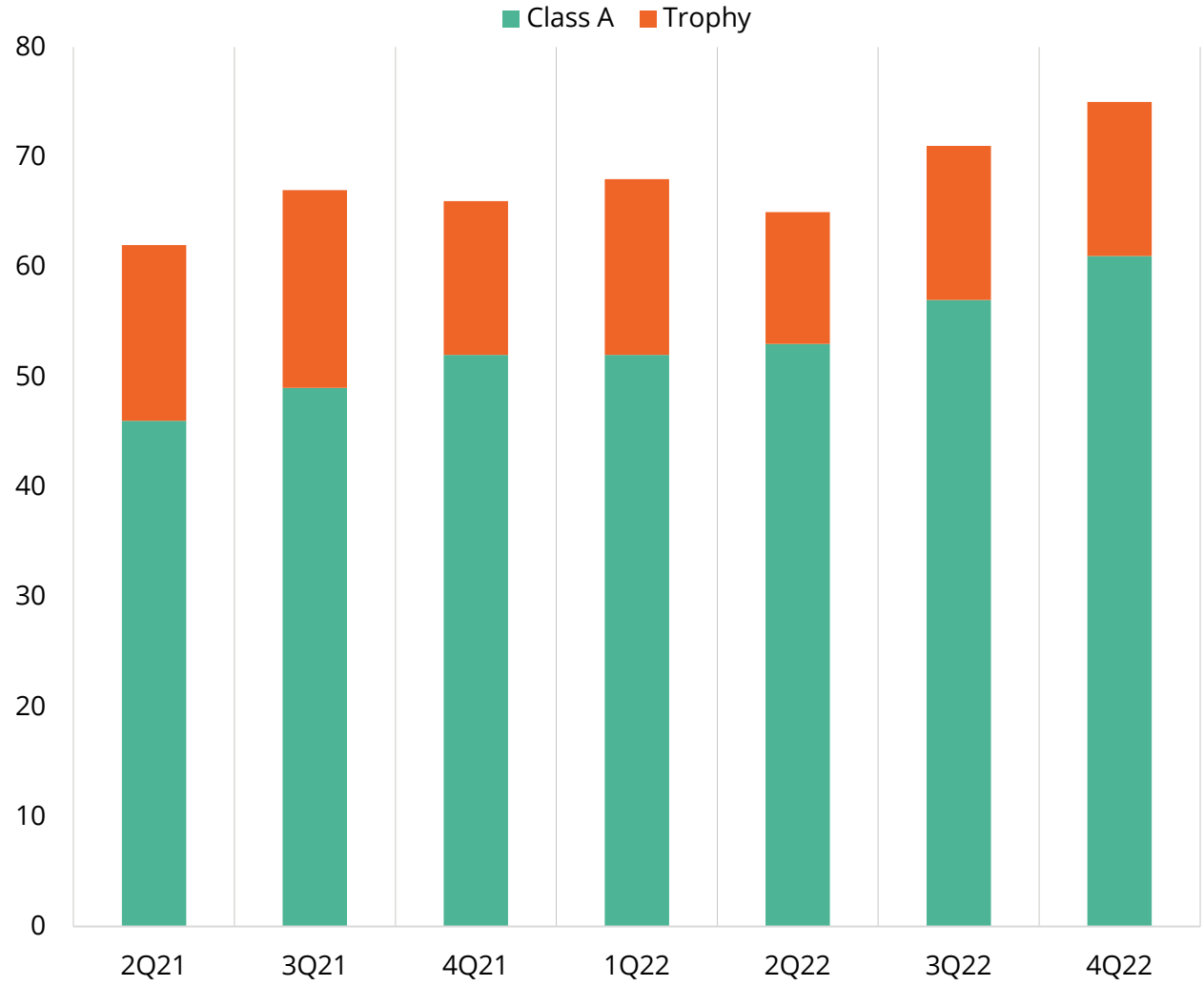
AVANT by AVISON YOUNG

Large block availabilities

+13.6%

increase of available large blocks of class A space in Tampa year-over-year

Large blocks of class A space continue to hit the market in Tampa due to several large subleases coming online. As a result, the number of available large blocks of class A or trophy space has increased by 13.6% since year-end 2021.



Note: Large blocks comprise of all contiguous available space of 20,000 sf or larger
Source: AVANT by Avison Young

AVANT by AVISON YOUNG

Office-using job gains and losses

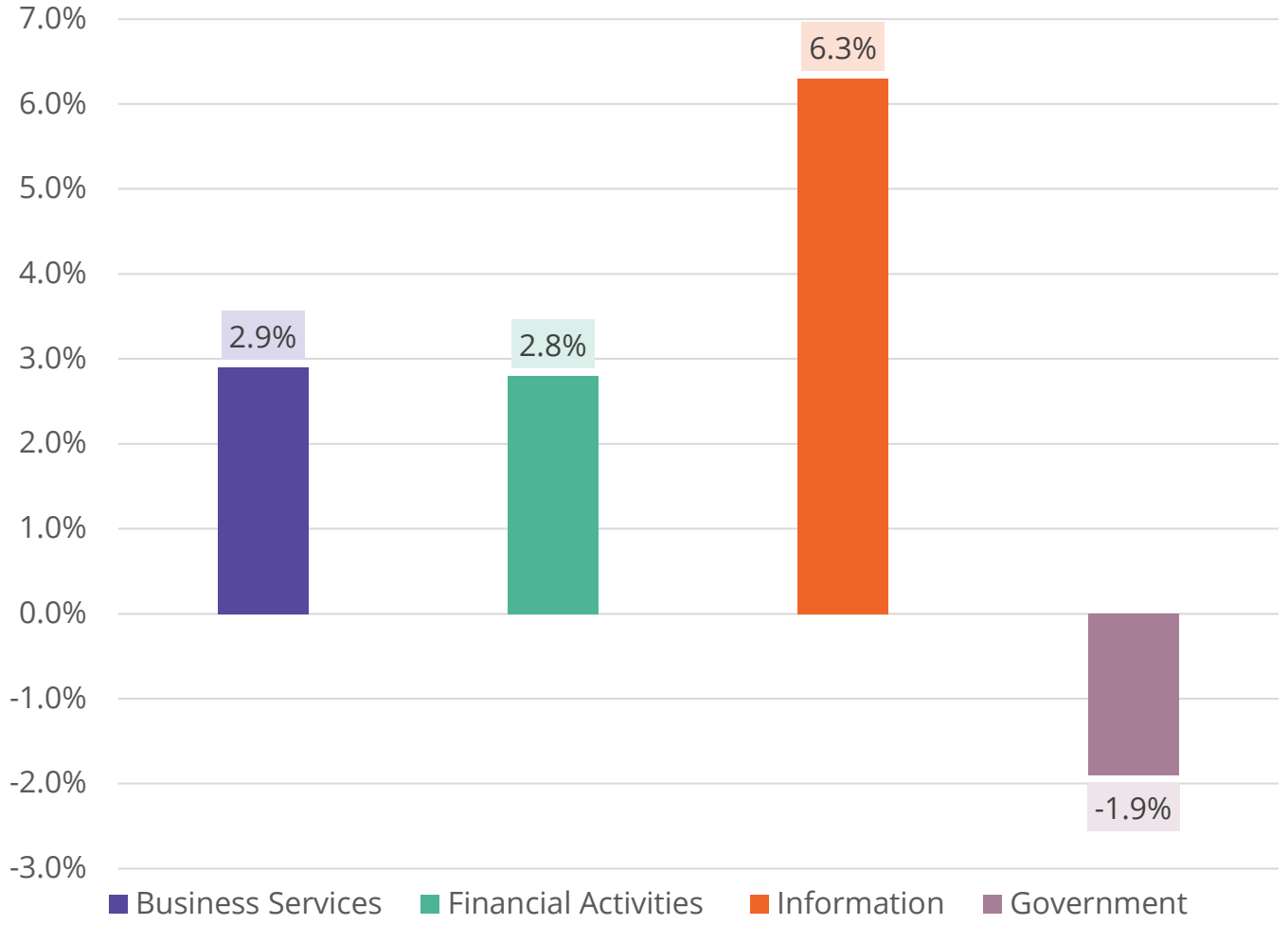
+2%

change in office-using employment year-over-year

Tampa MSA job gains increased by 4.4% year-over-year, with office-using jobs growing by just 2% during the same period. The information job sector led the way with a 6.3% increase in 2022, followed by business services with a 2.9% increase, and the financial sector with a 2.8% increase. Government employment was the only sector that experienced a decrease in employment through 2022.

Total change in Tampa job gains and losses

November 2021 to November 2022



Source: Bureau of Labor Statistics

AVANT by AVISON YOUNG

Tampa office market activity

Recent leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
Maximus	5701 E Hillsborough Ave.	Oct. 2022	147,111	Renewal	Direct	I-75 Corridor
FEMA	636 Grand Regency Blvd.	Nov. 2022	120,756	New	Direct	I-75 Corridor
ARMA	2701 N Rocky Point Dr.	Dec. 2022	25,451	Renewal	Direct	Westshore
JLL	401 E Jackson St.	Dec. 2022	19,728	New	Direct	Tampa CBD
HW Lochner	4300 W Cypress St.	Dec. 2022	16,806	New	Direct	Westshore
ConnectOn	4925 Independence Pkwy.	Dec. 2022	15,823	Renewal	Direct	Westshore

Recent sales activity

Buyer	Address	Sale date	Building Size (sf)	Sale price	Sale price psf	Seller
Webull Financial *	200 Carillon Pkwy.	Nov. 2022	157,755	$29,500,000	$187	Catalina Marketing
Nalbandian Properties	4805 Independence Pkwy.	Oct. 2022	79,500	$23,000,000	$289	Integrity Express Logistics
MicroLumen Enterprises	601 Brooker Creek	Oct. 2022	100,577	$16,250,000	$162	Harrod Properties

*Transaction was a sale-leaseback

Top projects under development

Property	Address	Delivery Date	Building Size (sf)	% Preleased	Developer	Submarket
10050 North Florida Avenue	10050 North Florida Ave.	March 2023	75,000	33.3%	Xenia	Northwest Tampa

Office market stats by submarket

By Submarket	Inventory (sf)	Vacancy			Net Absorption		SF Under	Average Asking Rent		
		Total %	Class A	Class B	4Q22	YTD	Construction	Total	Class A	Class B
St Petersburg CBD	2,521,463	4.6%	4.7%	4.2%	15,015	52,962	-	$30.88	$31.05	$29.28
Tampa CBD	7,169,148	13.8%	14.6%	10.5%	58,395	350,287	-	$32.89	$40.77	$25.51
Urban Subtotal	**9,690,611**	**11.4%**	**12.3%**	**8.4%**	**73,410**	**403,249**	**-**	**$36.67**	**$38.58**	**$25.99**

By Submarket	Inventory (sf)	Total %	Class A	Class B	4Q22	YTD	Construction	Total	Class A	Class B
Bayside	1,973,331	18.1%	22.6%	12.8%	38,982	16,217	-	$24.18	$24.84	$22.89
Gateway	4,077,214	23.8%	21.8%	25.9%	7,659	-223,794	-	$24.91	$25.23	$24.14
I-75 Corridor	8,580,278	27.1%	33.5%	21.8%	-179,571	-603,307	-	$25.54	$27.02	$24.47
Mid-Pinellas	638,487	27.1%	14.4%	29.3%	16,020	-58,620	-	$20.99	$26.00	$20.50
North Pinellas	2,283,205	13.3%	9.7%	16.8%	38,018	13,917	-	$23.60	$23.61	$23.59
Northwest Tampa	4,606,350	18.6%	19.5%	18.2%	-2,647	-155,130	75,000	$27.50	$32.51	$22.96
South Pinellas	750,884	7.4%	5.4%	7.6%	19,971	86,097	-	$18.10	$27.00	$17.47
South Tampa	498,289	4.8%	0.0%	4.8%	6,161	14,384	-	$25.34	-	$25.34
Westshore	13,964,008	18.1%	17.6%	18.9%	-81,129	254,868	0	$32.89	$36.02	$27.79
Suburban Subtotal	**37,372,046**	**20.3%**	**21.1%**	**19.4%**	**-136,536**	**-655,368**	**75,000**	**$27.84**	**$30.45**	**$24.81**
Market Total	**47,062,657**	**18.5%**	**18.6%**	**18.2%**	**-63,126**	**-252,119**	**75,000**	**$29.21**	**$32.28**	**$24.88**

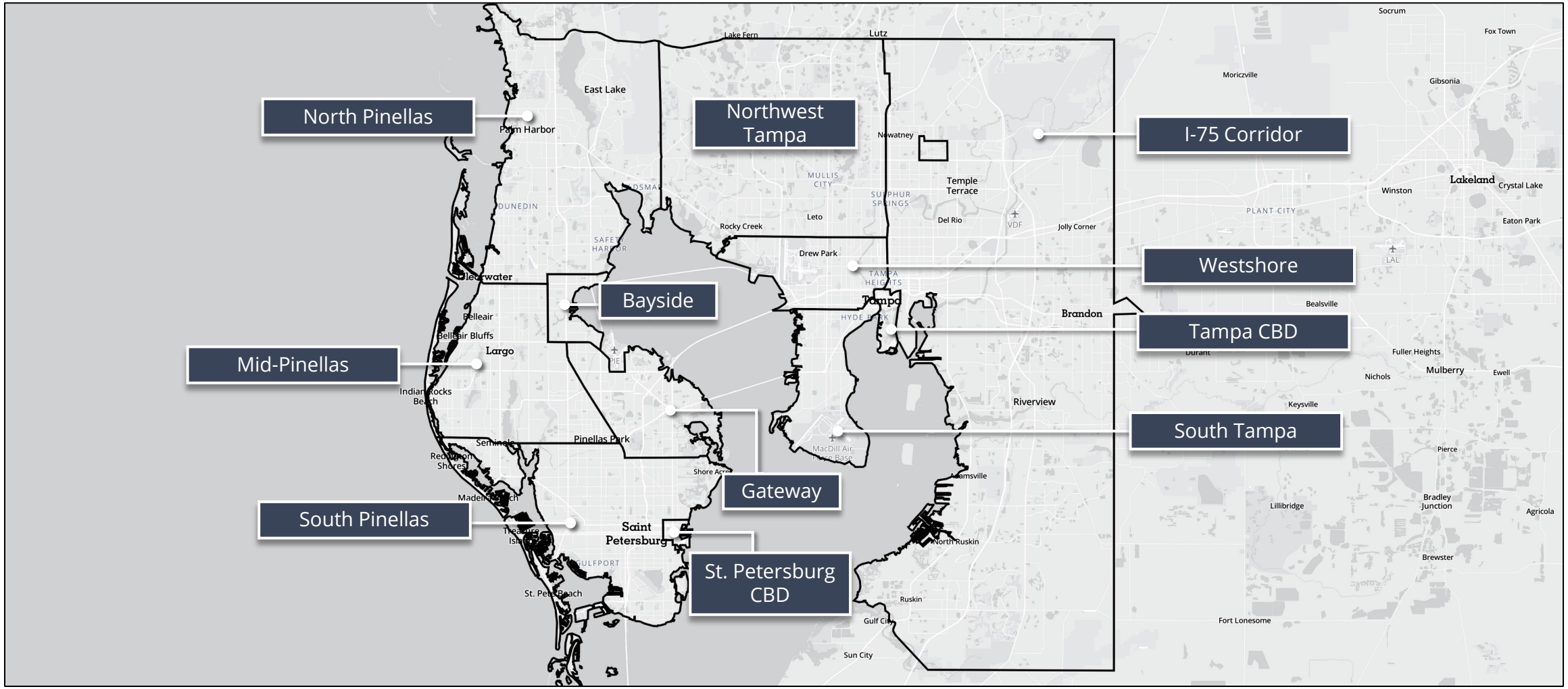
Tampa office market stats by class

By Class	Inventory (sf)	Vacancy	4Q Absorption	YTD Absorption	Construction	Available Sublease
Class A	26,370,044	18.6%	53,525	-83,036	75,000	2,051,986
Class B	20,692,613	18.2%	-116,651	-169,083	-	1,014,153
Market Total	**47,062,657**	**18.5%**	**-63,126**	**-252,119**	**75,000**	**3,066,139**

Source: AVANT by Avison Young, CoStar

AVANT by AVISON YOUNG

Tampa submarket map



Source: AVANT by Avison Young

AVANT by AVISON YOUNG

Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

Vitality Index

- **Visitor volumes:** based on extrapolated, anonymized cell phone pings provided by Orbital Insight at custom, geofenced locations, the Vitality Index tracks visitor volumes at representative areas of interest across markets and property types

For more market insights and information visit **avisonyoung.com**

Ken Lane
Principal and Managing Director
+1 813 444 0623
ken.lane@avisonyoung.com

Clay Witherspoon
Principal and Managing Director
+1 813 444 0626
clay.witherspoon@avisonyoung.com

Anne-Marie Ayers
Principal
+1 813 444 0620
annemarie.ayers@avisonyoung.com

Evie Linger
Florida Regional Lead, Innovation & Insight
+1 954 903 3714
evie.linger@avisonyoung.com

Jason Steele
Senior Insight Analyst
+1 813 314 7808
jason.steele@avisonyoung.com

AVISON YOUNG

© 2023 Avison Young. All rights reserved. E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young.