



Tampa office market report

Q2 2023

**AVISON
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Tampa office market trends

460k sf

Office leasing activity experiences shifts in volume and size

Office leasing activity has experienced a temporary slowdown due to the banking crisis, resulting in the lowest quarterly leasing volume in over a decade, with 460,000 square feet (sf) leased. Total deal count has also slowed to levels reminiscent of the beginning of the pandemic. In the second quarter, companies prioritized cost-saving measures, including postponing real estate decisions until signs of economic optimism emerge. With the Federal Reserve's announcement of additional potential rate hikes, leasing activity is anticipated to remain subdued for the remainder of the year.

10.9 msf

Wave of available office space slowly decreasing

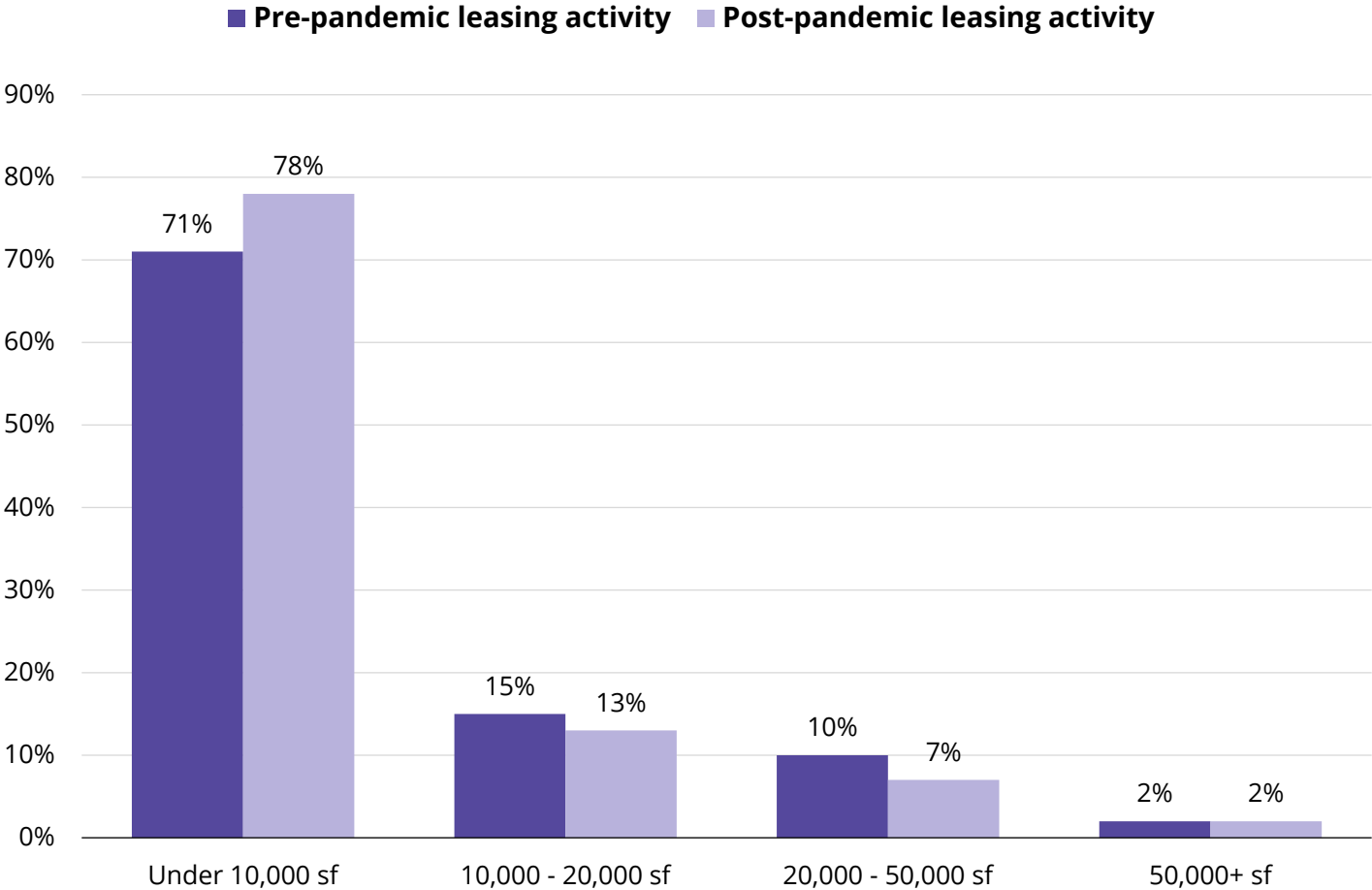
The available office space in Tampa has decreased from its peak of 11.9 million square feet (msf) in the third quarter of 2022 to 10.9 msf by the end of the second quarter. During the same period, sublease availability decreased by 0.9% and direct availability decreased by 1%. Notable deals that contributed to the reduction in available space include Skybridge Resources leasing 21,971 sf at Meridian One, and Draper Labs leasing 19,565 sf at 11208 Blue Heron Blvd. It is expected that companies are currently in a holding pattern regarding their office space, cautiously navigating the economic climate before making decisions about their space utilization.

\$195M

Investors see opportunity with Tampa office product

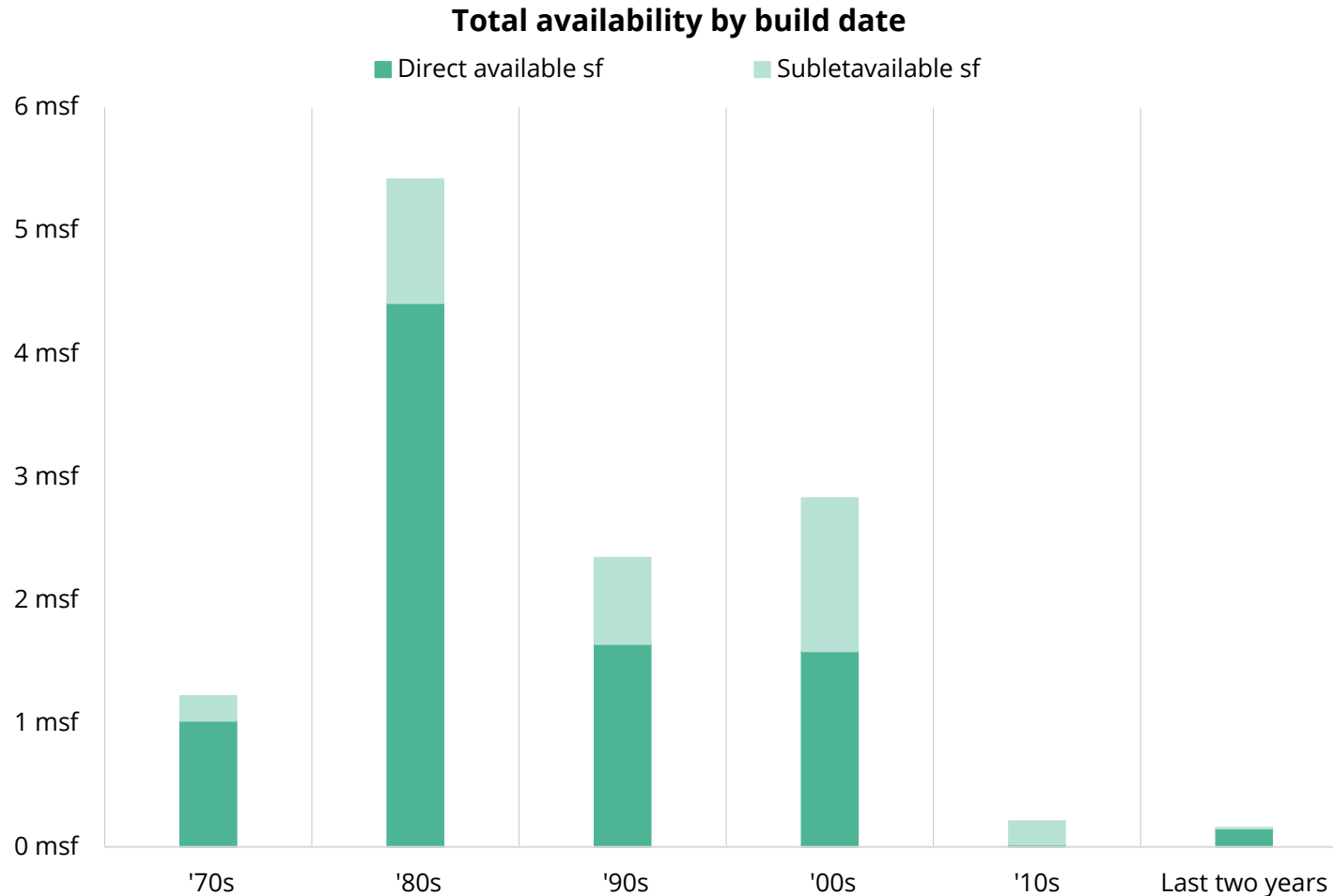
Tampa's capital markets experienced a surge in activity during the second quarter, primarily driven by the sale of Urban Centre 1 & 2. This notable transaction significantly boosted the sales volume in the market. In addition to this prominent deal, three other noteworthy office buildings were also traded, Independence I, One President's Plaza, and Lakeview Center. Urban Centre, originally purchased by Starwood Capital in 2018 for \$265 per square foot (psf), was sold at a loss of \$20 million, with a sale price of \$227 psf. The purchase of Lakeview Center included plans for the buyer to redevelop the site into industrial warehouses, taking advantage of its expansive 20-acre site situated along the I-4 corridor.

Leasing activity evolves with smaller footprints



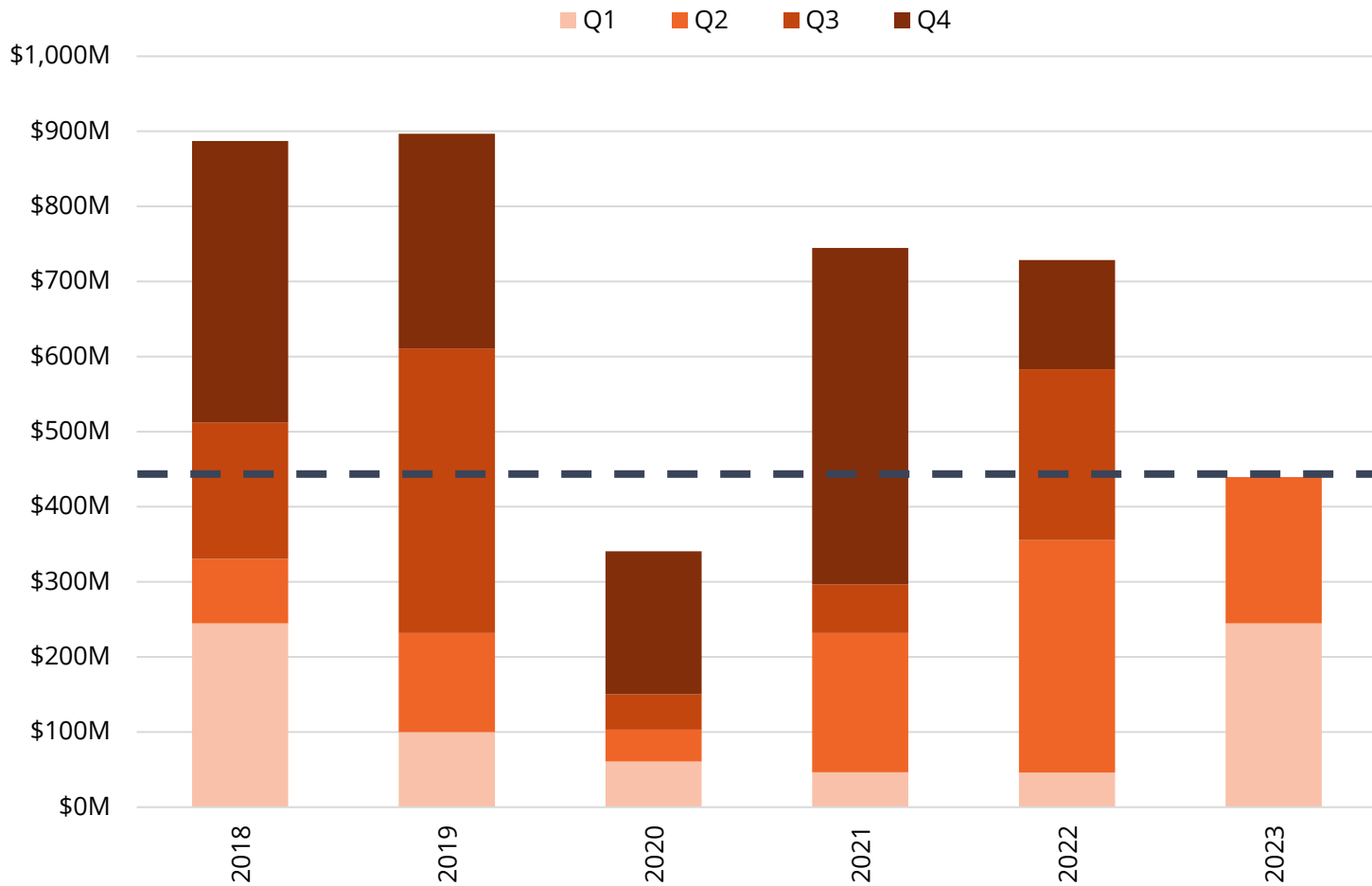
Following the pandemic, demand for smaller office footprints has increased by 7%. This trend is expected to continue as companies continue rightsizing office space.

Flight-to-quality trend is stronger than ever



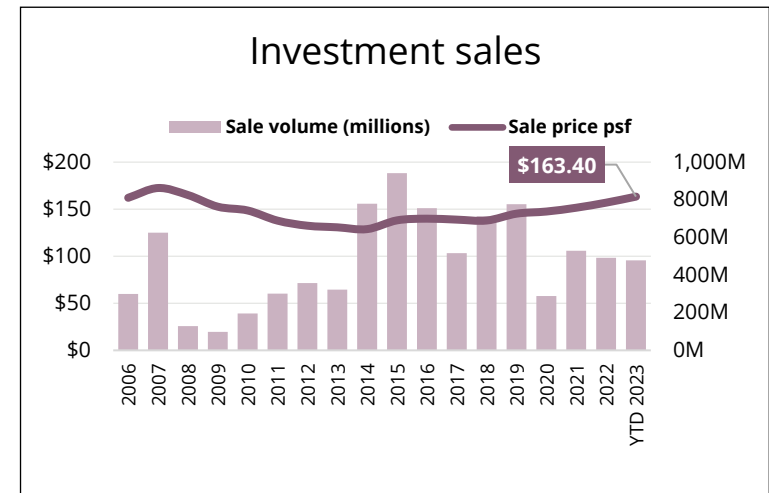
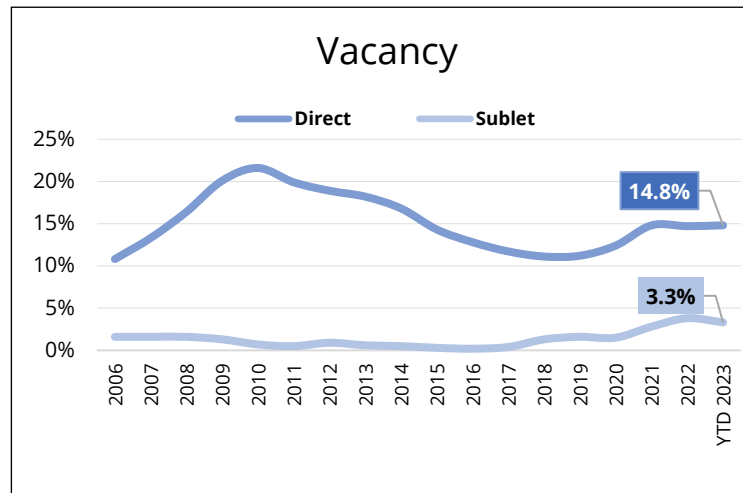
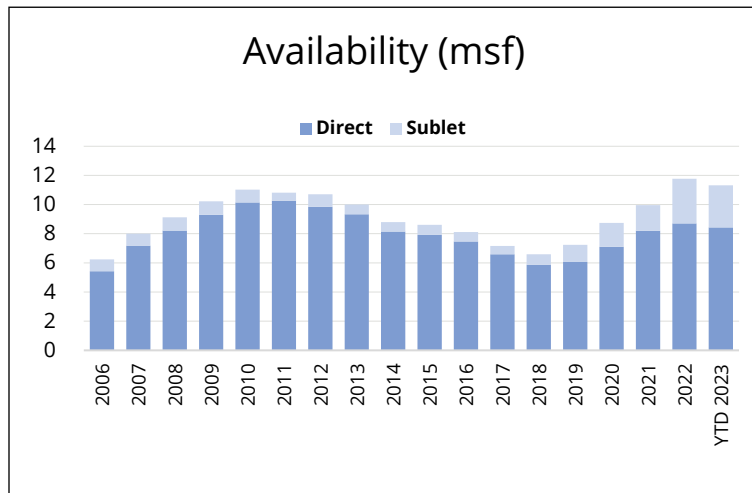
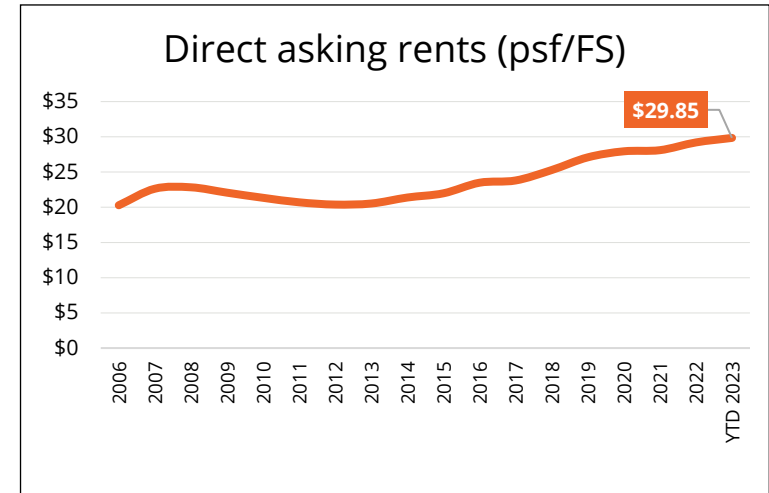
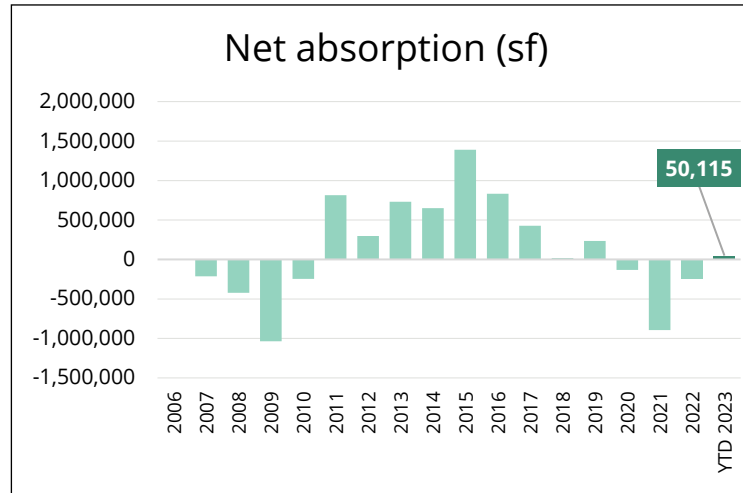
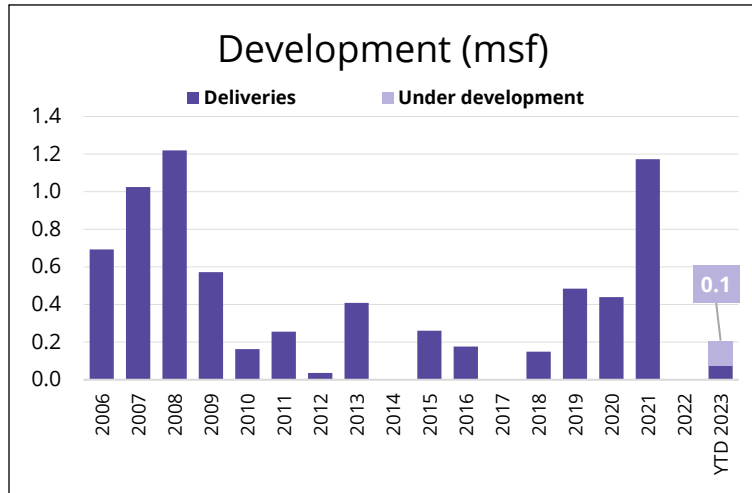
Newly constructed offices with amenities and modern finishes are in high demand, leaving office availability concentrated in older inventory as companies quickly occupy the newer spaces.

Capital markets activity exceeds expectations

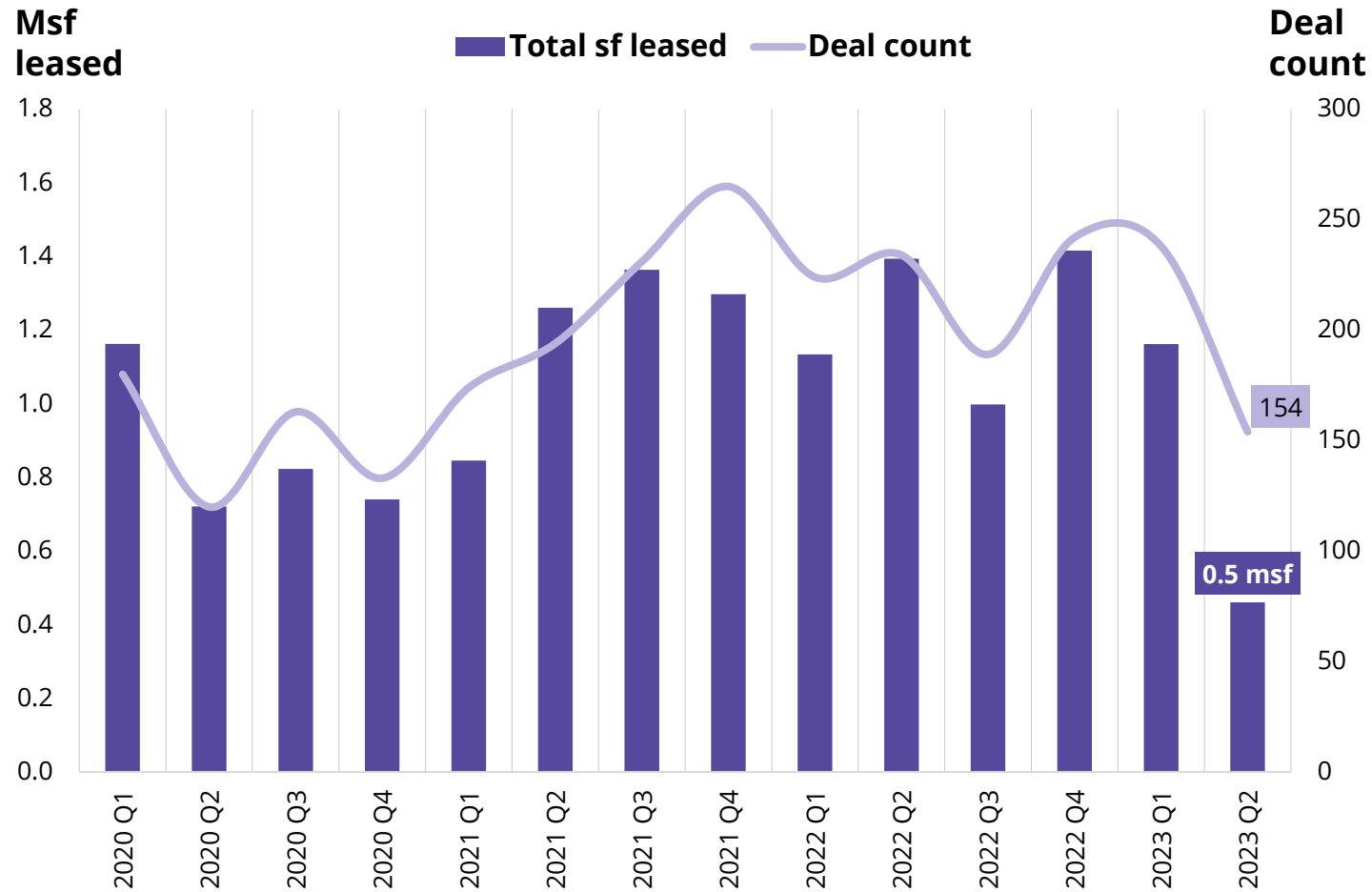


Tampa's office sales volume at the end of the second quarter surpassed the levels seen at the same point in the past five years, defying expectations for capital markets activity in the current economic climate.

Tampa office market indicators

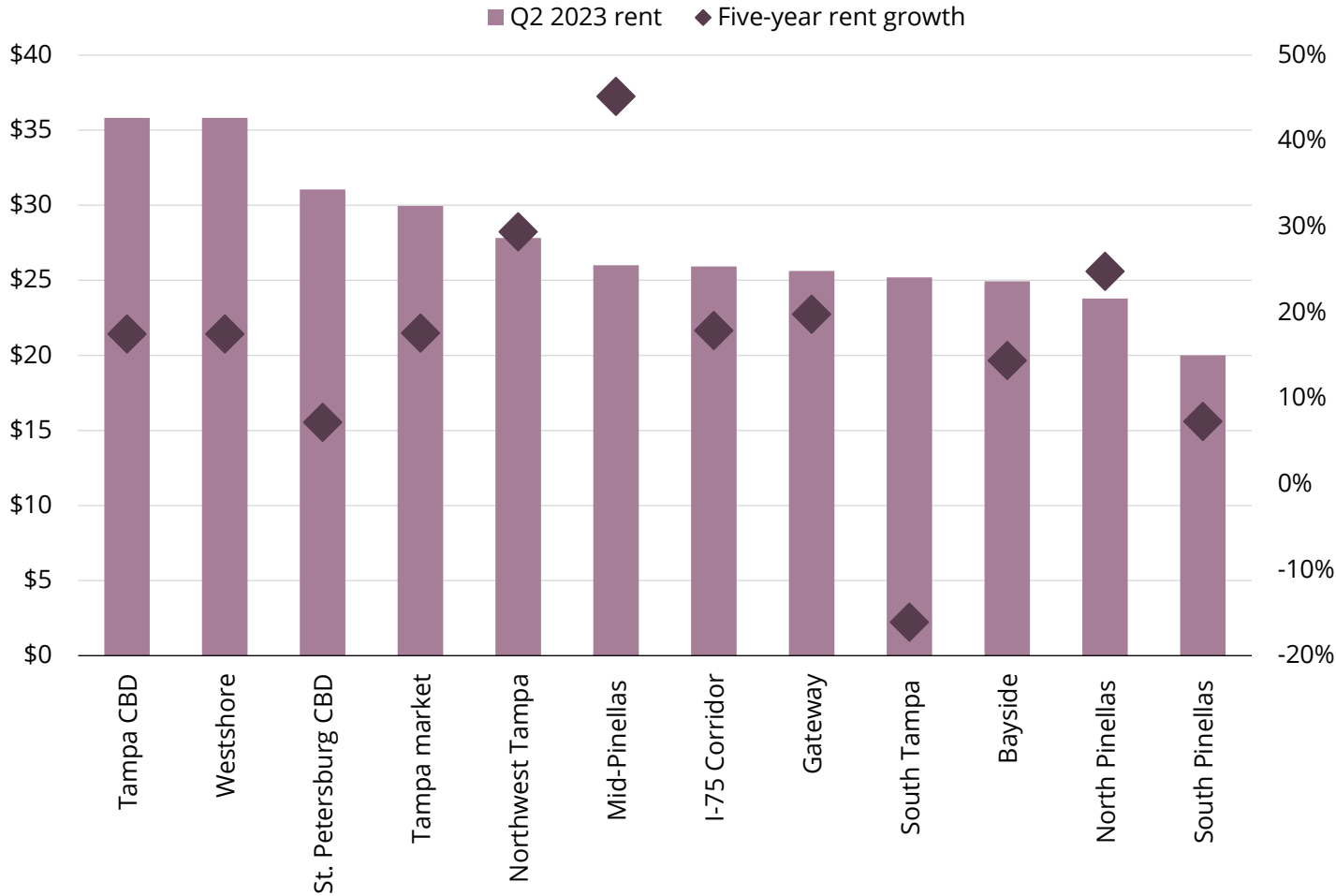


Leasing activity by quarter



Office demand has temporarily stalled as the 460,000-sf activity in the second quarter was the lowest reported since at least 2007.

Asking rent growth by submarket



Rent growth in the Westshore submarket has closely mirrored that of the CBD over the past five years, with rates increasing from the delivery of new inventory in the submarket.

Tampa office market stats

Recent leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
Skybridge Resources	4350 W. Cypress St.	May 2023	21,971	New	Direct	Westshore
Draper Labs	11208 Blue Heron Blvd.	May 2023	19,565	New	Direct	Gateway
Abacode	4030 W. Boy Scout Blvd.	May 2023	16,289	New	Direct	Westshore
McIntyre Thanasides	1228 E. 7th Ave.	April 2023	13,700	New	Direct	I-75 Corridor
Fidelity National Title Group	2203 N. Lois Ave.	April 2023	11,418	Renewal	Direct	Westshore
Vein Center Of Tampa Bay	3001 N. Rocky Point	May 2023	10,653	Renewal	Direct	Westshore

Recent sales activity

Buyer	Address	Sale date	Building Size (sf)	Sale price	Sale price psf	Seller
Ally Capital	Urban Centre	May 2023	540,498	123,000,000	\$227	Starwood Capital
Real Estate Value Advisors	4110 George Rd. - Independence Park I	May 2023	115,740	\$19,525,000	\$169	Highwoods Properties
Balogh Family Foundation	4902 Eisenhower Blvd.	May 2023	96,376	\$14,250,000	\$148	Carlisle Realty Holdings
Richland Capital	6700 Lakeview Center Dr.	April 2023	187,129	\$10,965,000	\$59	TriOut Advisory Group

Top projects under development

Property	Address	Delivery Date	Building Size (sf)	% Preleased	Developer	Submarket
Midtown East	3725 Midtown Dr.	Jan 2025	430,000	69%	Bromley Companies	Westshore

Tampa office market stats

By Submarket	Inventory (sf)	Total %	Vacancy		Net Absorption		SF Under Construction	Average Asking Rent		
			Class A	Class B	2Q23	YTD		Total	Class A	Class B
St Petersburg CBD	2,521,463	4.7%	3.6%	7.2%	-2,062	-3,480	-	\$31.05	\$32.06	\$28.12
Tampa CBD	7,282,182	11.3%	12%	7.8%	38,316	153,406	-	\$35.82	\$36.74	\$26.21
Urban Subtotal	9,803,645	9.6%	10.1%	7.5%	36,254	149,926	-	\$34.85	\$35.93	\$27.03

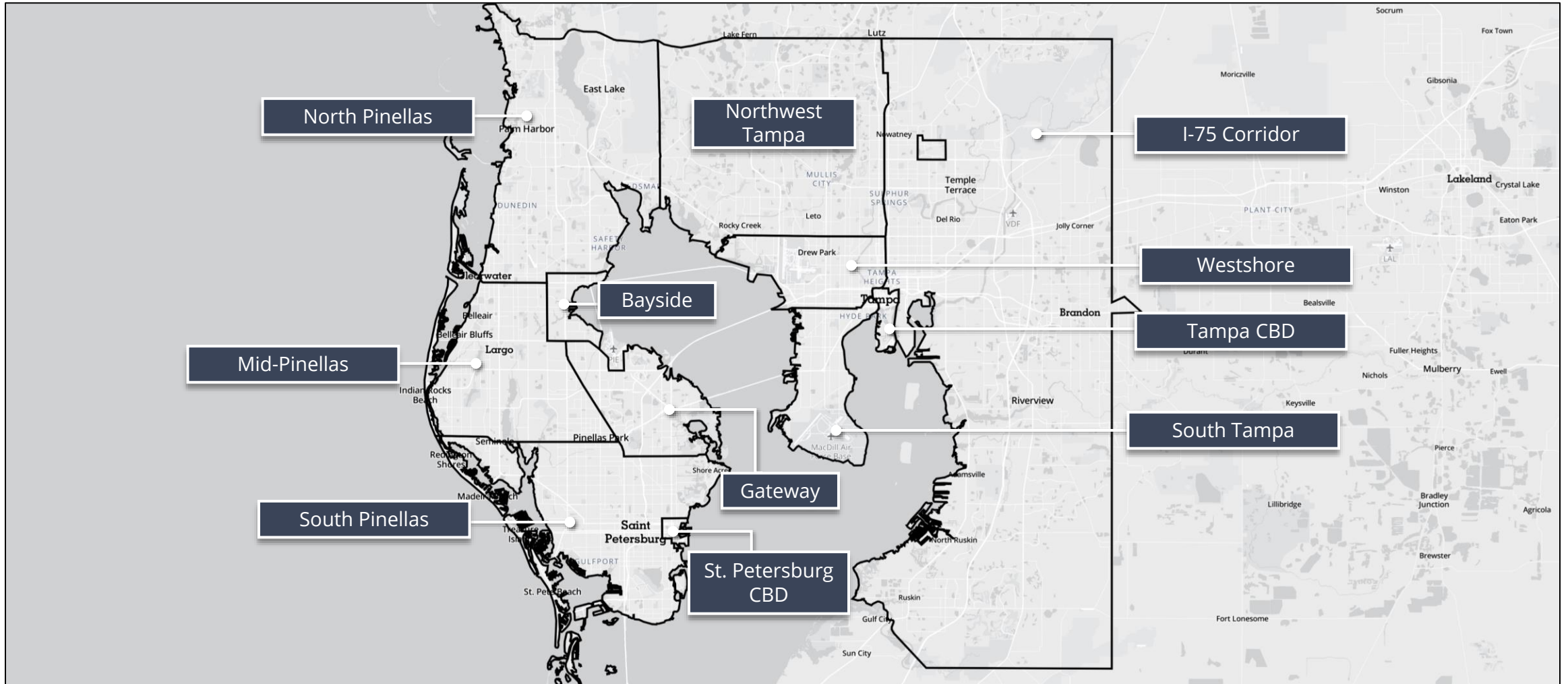
By Submarket	Inventory (sf)	Total %	Class A	Class B	2Q23	YTD	Construction	Total	Class A	Class B
Bayside	1,973,331	18.6%	22.1%	15.3%	-23,751	-59,636	-	\$24.94	\$25.11	\$24.67
Gateway	4,126,214	21.6%	14.8%	27.6%	9,374	-21,501	-	\$25.62	\$27.37	\$24.06
I-75 Corridor	8,580,278	29.1%	35.8%	23.6%	-72,767	-206,880	-	\$25.92	\$27.11	\$25.16
Mid-Pinellas	575,487	31%	14.4%	34.3%	-9,541	-18,819	-	\$26.00	\$26.00	-
North Pinellas	2,182,628	13.5%	11.4%	15.7%	-1,857	10,609	-	\$23.79	\$23.36	\$24.27
Northwest Tampa	4,681,350	18.8%	23.8%	16.5%	87,198	99,175	-	\$27.82	\$33.10	\$23.78
South Pinellas	761,357	6.6%	5.4%	6.8%	-6,204	5,079	-	\$20.01	\$27.00	\$19.49
South Tampa	498,289	3.1%	0%	3.8%	11,466	4,242	-	\$25.19	-	\$25.19
Westshore	13,491,113	17.3%	17%	17.8%	130,093	87,920	131,955	\$35.25	\$39.90	\$28.47
Suburban Subtotal	36,870,047	20.4%	21.1%	19.6%	124,011	-99,811	131,955	\$29.05	\$32.64	\$25.58
Market Total	46,673,692	18.1%	17.8%	18.5%	160,265	50,115	131,955	\$29.85	\$33.37	\$25.63

Tampa office market stats by class

By Class	Inventory (sf)	Vacancy	Q2 Absorption	YTD Absorption	SF Under Construction	Available Sublease
Class A	26,238,009	17.8%	134,179	56,430	131,955	1,868,361
Class B	20,435,683	18.5%	26,086	-6,315	-	1,027,424
Market Total	46,667,732	18.1%	160,265	50,115	131,955	2,841,873



Tampa submarket map



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

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

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