

MARKETBEAT

Pinellas County

Office Q2 2019



PINELLAS COUNTY OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Tampa Bay MSA Employment*	1.34M	1.37M	▲
Pinellas County Unemployment*	3.2%	2.9%	■
U.S. Unemployment	3.9%	3.6%	▼

*Numbers above are monthly figures, May 2019, FL Dept. Economic OPP.

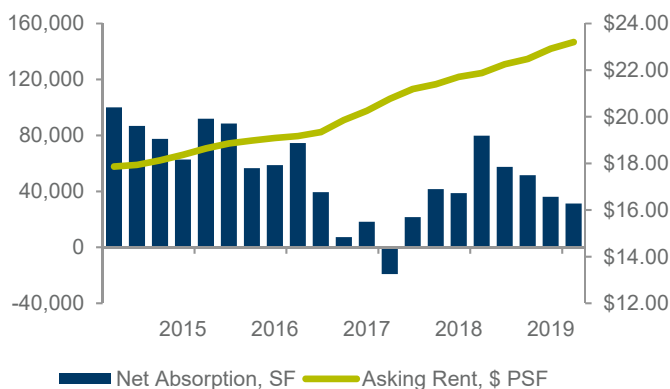
Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	11.7%	10.3%	▼
YTD Net Absorption (sf)	225k	144k	■
Under Construction (sf)	0	0	■
Average Asking Rent*	\$21.97	\$23.11	▲

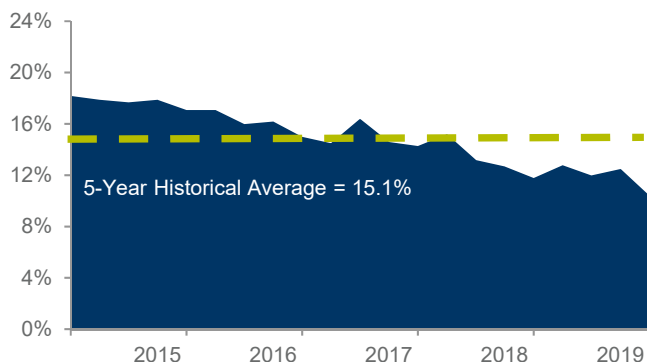
*Rental rates reflect gross asking \$psf/year.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The latest employment report showed the unemployment rate in Pinellas County fell by 30 basis points (bps) over the past twelve months to 2.9%. Tampa Bay's economy, which includes Pinellas County, accelerated over the past year, adding 22,140 jobs for an annual growth rate of 2.0%. The Professional & Business Services sector had the second highest annual job growth rate when compared to all other Florida metro areas adding 8,200 jobs, an increase of 3.4% year-over-year (YOY). In addition, Financial Activities added another 4,300 jobs for an annual increase of 3.7%.

Market Overview

The overall vacancy rate for office in the County fell 140 bps year-over-year to 10.3%, the lowest vacancy level in over 20 years. Class B experienced significant occupancy gains over the past twelve months, ending the second quarter at 11.4%, a post-recession low and down 230 bps YOY. In addition, the Class A vacancy rate closed out the second quarter at 10.3%, the lowest Class A vacancy rate in three years. St. Petersburg CBD contributed the most to Class A occupancy gains which experienced a 720 bps drop YOY to 9.1%. Pinellas County suburban markets recorded the lowest vacancy rate in the past three quarters, closing out second quarter at 10.7%.

Overall rents increased by 5.2% YOY to \$23.11 per square foot (psf) full service. Class A assets experienced an 6.1% increase in asking rents, soaring to \$26.04 psf. Gains in the suburban markets outpaced annual gains in the CBD, increasing 9.3% to \$22.14 psf. Class A suburban rents rose to \$24.54 psf, a 12.7% increase YOY. The Gateway/Mid-Pinellas submarket led the County in rental gains in both the overall and Class A markets, up 12.2% and 13.5% respectively to \$23.38 psf and \$26.59 psf. The CBD experienced notable rent gains as well, increasing 7.0% overall to \$30.84. In addition, Class A rents increased by 7.4% to \$31.58 psf, the highest average Class A asking rent for the CBD on record. Decreasing vacancies, no new construction, as well as strong tenant demand raised confidence for landlords across the County to increase rents.

The County posted strong leasing activity through mid-year 2019 and provided a robust pipeline of tenants taking space through the rest of the year. To date, approximately 249,000-sf was leased. The bulk of the activity took place in suburban submarkets with nearly 179,000-sf leased. The CBD experienced substantial leasing activity with over 70,000-sf leased, an improvement when compared to this time last year when 62,000-sf was leased. Overall absorption year-to-date (YTD) totaled approximately +144,000 sf. Absorption was bolstered by occupancy gains in the CBD which accounted for over +86,000-sf of absorption YTD. Much of the absorption was attributed to L3 occupying nearly 60,000-sf in 490 First Avenue in the second quarter.

Pinellas County remained attractive to many companies because of its high amenity factors, strong talent pool and competitive rental rates compared to other markets in Tampa Bay. While demand pushed asking rents higher, rent levels have not reached a point that warrants new speculative construction based on elevated construction costs.

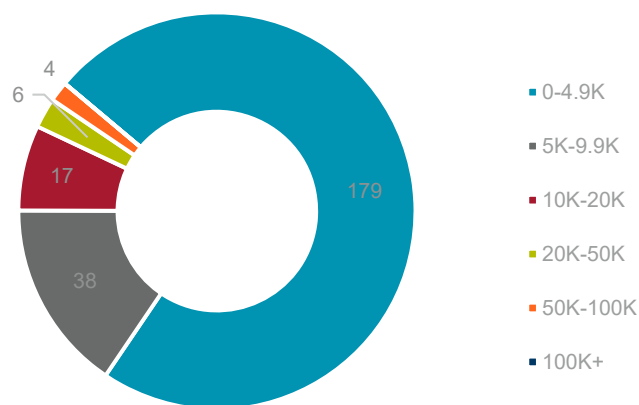
Full service overall rents increased to \$23.11 psf – the second highest average asking rate in market history.

Office market fundamentals in Pinellas County closed out the first six months of the year trending positive on persistent tenant demand and upward pressure on rising occupancies. Looking to the future, tenant interest from expanding new and existing technology and business services firms should remain high and will lead to more significant growth in the office market through the end of 2019.

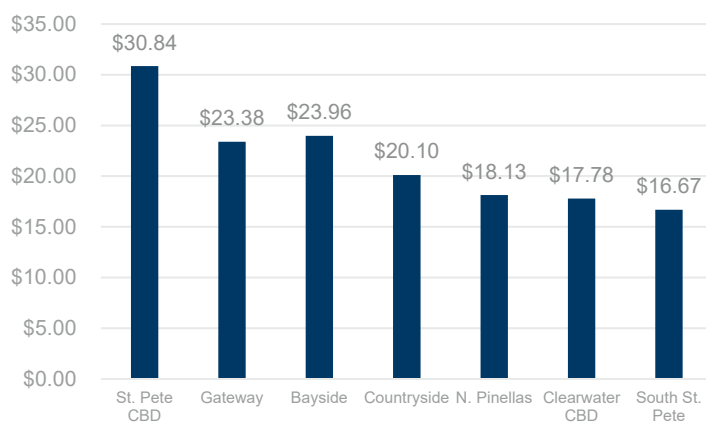
Market Highlights

- Office market fundamentals in Pinellas County, including higher rent and occupancies, closed out mid-year 2019 trending positive.
- Tenant interest from expanding technology and business services firms should remain high and lead to more significant leasing.
- Rising rents could push some developers to move forward with new speculative office projects, potentially as part of larger mixed-use developments.

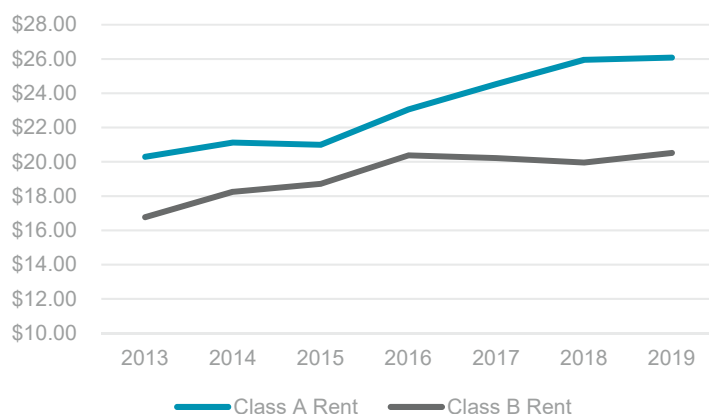
Availability by Size Segment
OVERALL VACANCIES IN ONE SUITE



Full Service Asking Rents by Submarket



CLASS A & B Asking Rent Trend



MARKETBEAT

Pinellas County

Office Q2 2019



CUSHMAN & WAKEFIELD

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
St. Petersburg CBD	2,038,302	18,039	126,910	7.1%	90,916	86,495	70,198	0	\$30.84	\$31.58
Gateway/Mid-Pinellas	4,638,753	16,087	588,674	13.0%	30,731	15,514	83,173	0	\$23.38	\$26.59
Bayside	1,361,809	2,937	170,696	12.8%	2,851	-33,584	37,756	0	\$23.96	\$24.65
Countryside	1,187,937	6,338	141,620	12.5%	-9,809	-2,108	8,454	0	\$20.10	\$20.97
North Pinellas	1,147,836	900	34,225	3.1%	17,226	45,798	19,869	0	\$18.13	\$23.83
Clearwater Downtown	688,070	0	44,251	6.4%	11,906	22,369	21,090	0	\$17.78	\$18.00
South St. Petersburg	824,969	1,200	70,882	8.7%	952	9,893	8,406	0	\$16.67	N/A
Non CBD	9,849,374	27,462	1,050,348	10.9%	53,857	57,882	178,748	0	\$22.14	\$24.54
PINELLAS COUNTY TOTALS	11,887,676	45,501	1,177,258	10.3%	144,773	144,377	248,946	0	\$23.11	\$26.04

*Rental rates reflect gross asking \$psf/year.

**Does not include renewals.

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT AVERAGE ASKING RENT*
Class A	6,021,583	44,301	574,871	10.3%	161,074	154,486	158,468	0	0	\$26.08
Class B	5,063,591	1,200	575,445	11.4%	-13,375	-7,183	86,273	0	0	\$20.52
Class C	802,502	0	26,942	3.4%	-2,926	-2,926	4,205	0	0	\$17.83

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
17757 North U.S. Highway 19	64,107	Insurance Administrative Solutions	Expansion/Renewal*	Bayside
200 Central Avenue	8,911	Reynolds Tobacco Company	New	St. Petersburg CBD
805 Executive Center Drive West	7,926	ClearChoice Management Services	New	St. Petersburg CBD

*Renewal – Not included in Leasing Activity Statistics.

Key Sales Transactions Q2 2019

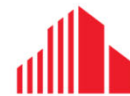
PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
----------	----	--------------	---------------	-----------

THERE WERE NO SIGNIFICANT TRANSACTIONS IN THE SECOND QUARTER

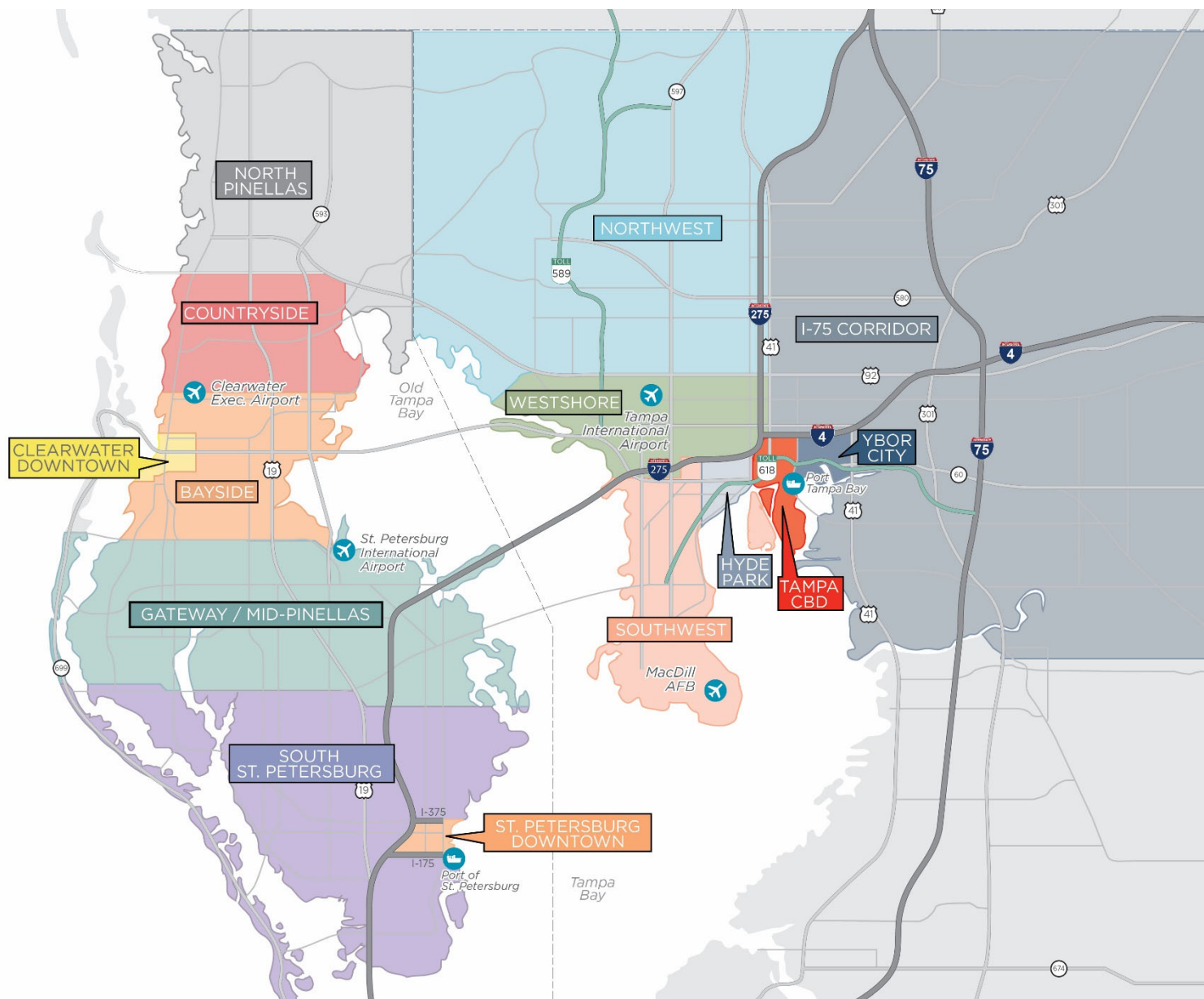
MARKETBEAT

Pinellas County

Office Q2 2019



CUSHMAN &
WAKEFIELD



Cushman & Wakefield of Florida, LLC
One Tampa City Center
Tampa, FL 33602

For more information, contact
Chris Owen
Director, Florida Research
Tel: +1 407 541 4417
chris.owen@cushwake.com

Michelle McMurray
Senior Analyst
Tel: +1 813 204 5373
michelle.mcmurray@cushwake.com

Jason McCormick
Analyst
Tel: +1 813 462 4211
jason.mccormick@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 51,000 employees in approximately 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without warranty or representations as to its accuracy.

cushmanwakefield.com