

MARKETBEAT

Pinellas County

Office Q3 2019



PINELLAS COUNTY OFFICE

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Tampa Bay MSA Employment*	1.35M	1.37M	▲
Pinellas County Unemployment*	3.3%	3.3%	■
U.S. Unemployment	3.8%	3.7%	▲

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

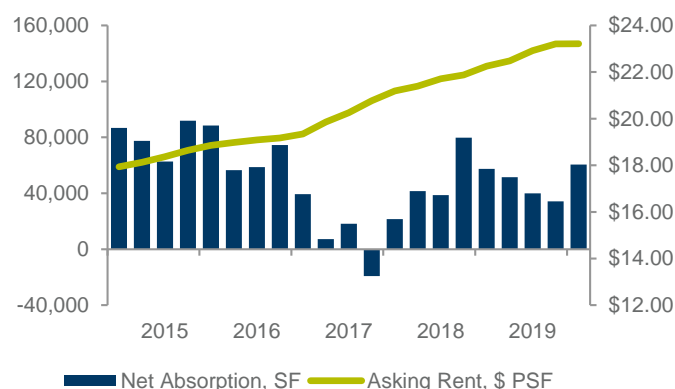
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	12.7%	10.1%	▼
YTD Net Absorption (sf)	162k	198k	■
Under Construction (sf)	0	0	■
Average Asking Rent*	\$22.97	\$23.00	▲

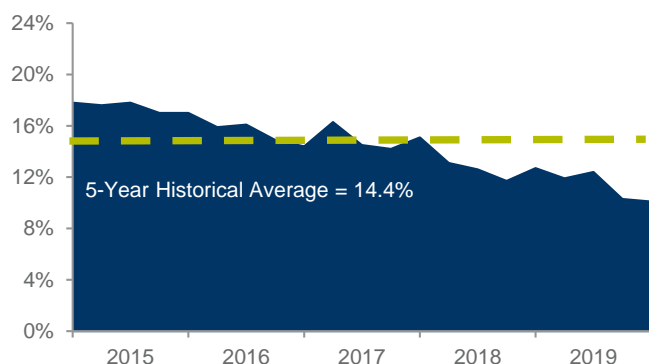
*Rental rates reflect gross asking \$psf/year.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in Pinellas County remained stable over the past twelve months at 3.3%. Tampa Bay's economy, which includes Pinellas County, accelerated over the past year, adding 21,700 jobs for an annual growth rate of 1.6%. Financial Activities had the highest annual growth rate when compared to all other Florida metros, adding another 3,400 jobs for an annual increase of 2.9%. The Professional & Business Services sector had the second highest annual job growth rate adding 6,000 jobs, an increase of 2.4% year-over-year (YOY).

Market Overview

Overall rents slightly increased YOY by only 0.1% to \$23.00 per square foot (psf) full service. Class B assets experienced a 6.6% increase in asking rents, soaring to \$20.51 psf. Gains in the Central Business District (CBD) outpaced annual gains in the suburban submarkets, increasing 6.0% to \$30.86 psf. Class A CBD rents rose to \$31.04 psf, a 5.2% increase YOY. The third quarter marked the fourth consecutive quarter Class A CBD asking rents averaged over \$30 psf. The suburban submarkets experienced notable rent gains as well, increasing 2.1% overall to \$22.14. In addition, suburban Class A asset rents increased by 1.2% to \$24.43 psf.

The overall vacancy rate in the County fell 261 basis points (bps) YOY to 10.1%, the lowest vacancy level in over 20 years. Class A experienced significant occupancy gains over the past twelve months, ending the third quarter at 10.4%, down 297 bps YOY. St. Petersburg CBD recorded substantial occupancy gains, decreasing to 8.0%, a 375 bps drop YOY, the lowest vacancy rate since mid-2016. Class A CBD assets saw a 440 bps YOY decrease in vacancy, closing out third quarter at 11.1%. Pinellas County suburban markets recorded the lowest vacancy rate since Cushman & Wakefield started tracking the market in 1999, down 237 bps YOY to 10.5%.

The County posted strong leasing activity through the third quarter of 2019 and provided a robust pipeline of tenants taking space through the rest of the year. To date, approximately 382,000 square feet (sf) was leased. The bulk of the activity took place in suburban submarkets with nearly 257,000 sf leased. The CBD experienced substantial leasing activity with over 125,000 sf leased, an improvement when compared to this time last year when 93,000 sf was leased. Overall absorption year-to-date (YTD) totaled approximately +198,000 sf. Absorption was bolstered by occupancy gains in the suburban submarkets, which accounted for over +132,000 sf of absorption YTD. At the close of the third quarter the CBD registered approximately +66,000 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 are approaching the point that would warrant new speculative construction based on elevated construction costs.

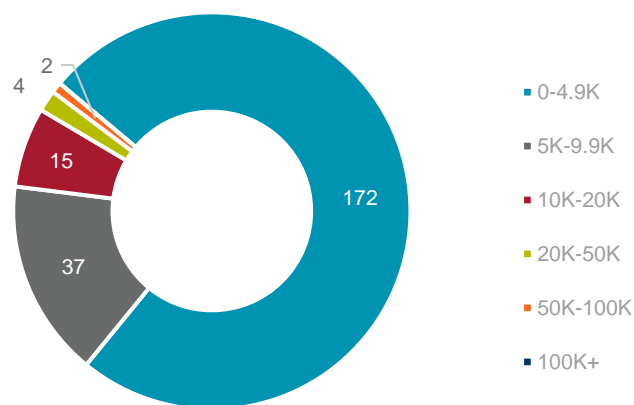
Pinellas County suburban markets recorded the lowest vacancy rate since Cushman & Wakefield started tracking the market in 1999.

Office market fundamentals in Pinellas County closed out the first nine 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 and into 2020.

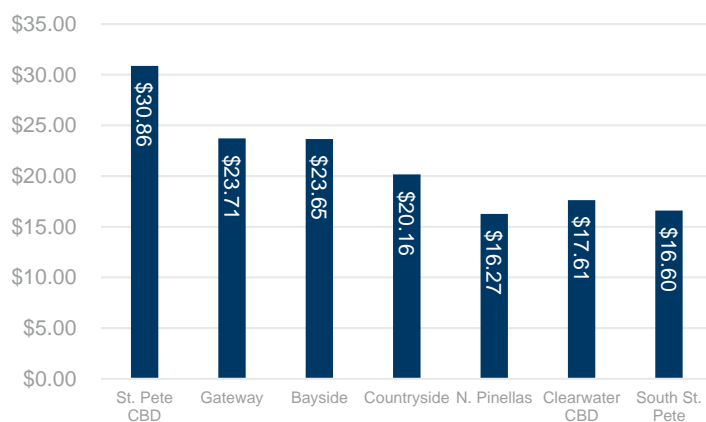
Market Highlights

- Office market fundamentals in Pinellas County, including higher rent and occupancies, closed out third quarter 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.

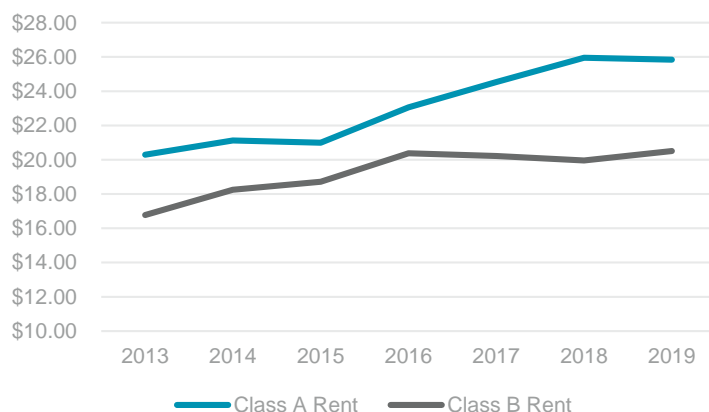
Availability by Size Segment
OVERALL VACANCIES IN ONE SUITE



Full Service Asking Rents by Submarket



CLASS A & B Asking Rent Trend



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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	33,335	130,375	8.0%	-29,636	65,673	125,344	0	\$30.86	\$31.04
Gateway/Mid-Pinellas	4,527,426	16,087	528,763	12.0%	37,642	60,064	90,986	0	\$23.71	\$26.39
Bayside	1,361,809	0	184,430	13.5%	20,407	-17,334	89,235	0	\$23.65	\$24.47
Countryside	1,187,937	6,338	131,606	11.6%	10,014	7,906	21,788	0	\$20.16	\$21.22
North Pinellas	1,147,836	900	30,085	2.7%	4,140	49,938	28,468	0	\$16.27	\$19.36
Clearwater Downtown	688,070	0	46,251	6.7%	-2,000	20,369	15,861	0	\$17.61	\$18.00
South St. Petersburg	730,180	0	70,121	9.6%	1,811	11,854	10,694	0	\$16.60	N/A
Non CBD	9,643,258	23,325	991,256	10.5%	72,014	132,797	257,032	0	\$22.14	\$24.43
PINELLAS COUNTY TOTALS	11,681,560	56,660	1,121,631	10.1%	42,378	198,470	382,376	0	\$23.00	\$25.77

*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	5,946,396	56,660	560,886	10.4%	15,460	177,019	270,773	0	0	\$25.84
Class B	4,968,802	0	542,827	10.9%	26,677	21,364	104,574	0	0	\$20.51
Class C	766,362	0	17,918	2.3%	241	87	7,029	0	0	\$17.93

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
300 South Park Place	27,413	Baycare	Direct	Bayside
490 First Avenue	19,276	Johnson Pope	Direct	St. Petersburg CBD
28100 US Highway 19 North	15,519	Wells Fargo Cleaning Services	Direct	Countryside

Key Sales Transactions Q3 2019

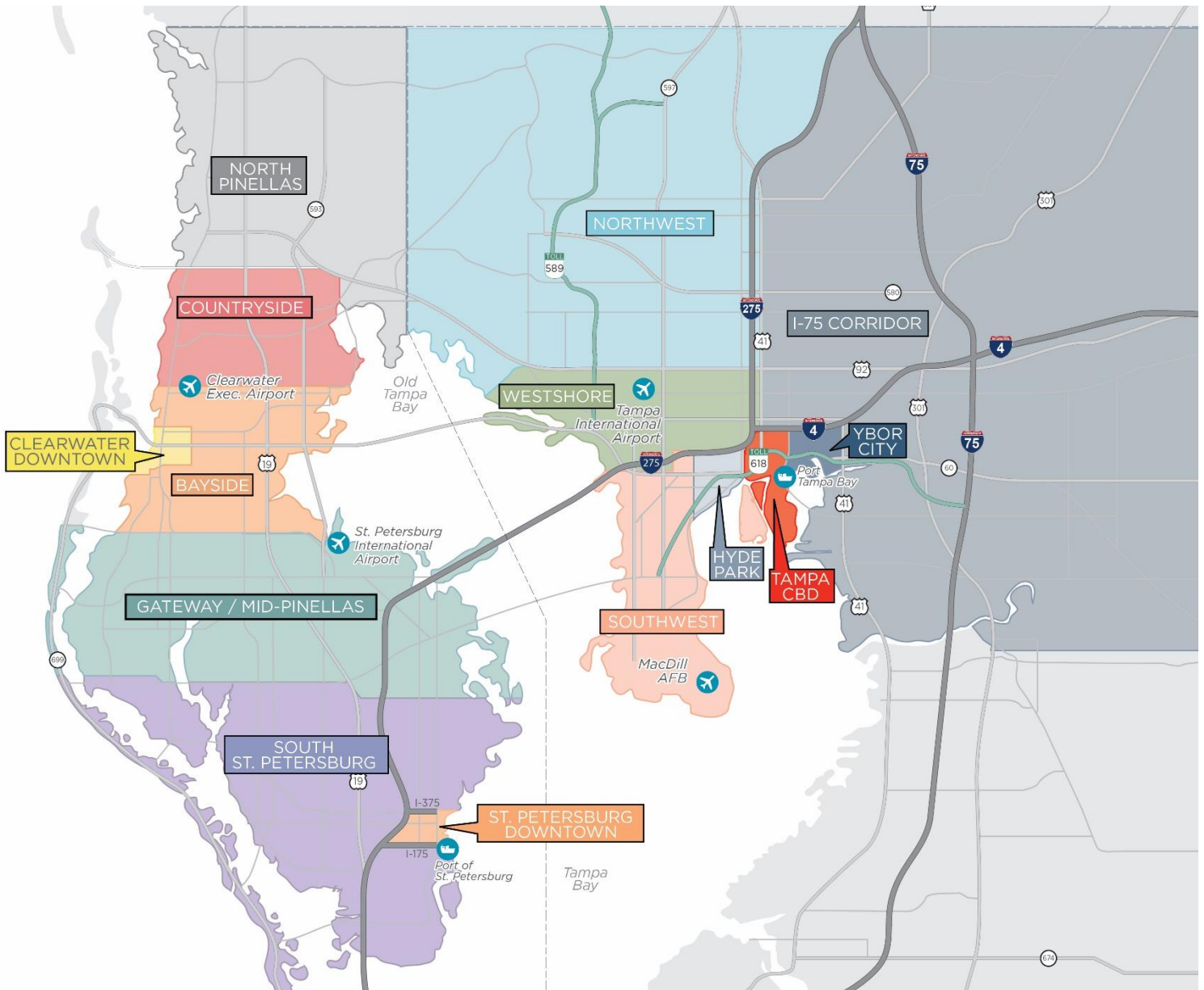
PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
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THERE WERE NO SIGNIFICANT TRANSACTIONS IN THE THIRD QUARTER

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