

MARKETBEAT TAMPA

Office Q4 2019



CUSHMAN &
WAKEFIELD

13.8%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



-325K

YTD Net Absorption, SF



\$27.54

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

1.4M

Tampa Bay MSA
Employment

YoY
Chg



12-Mo.
Forecast



3.1%

Tampa Bay MSA
Unemployment Rate



3.6%

U.S.
Unemployment Rate



Source: BLS. Numbers above are monthly figures, FL
Dept. Economic OPP.

ECONOMY: Job Gains Lead to Historic Unemployment

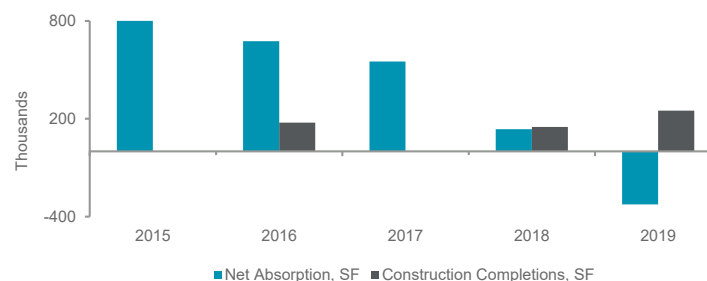
The unemployment rate in Tampa/Hillsborough County fell by 40 basis points (bps) over the past twelve months to 2.7%. Tampa Bay's economy accelerated over the past year, adding 30,800 jobs for an annual growth rate of 2.2%. Financial Activities had the second highest annual growth rate when compared to all other Florida metros, adding 1,600 jobs for an annual increase of 1.3%. The Professional & Business Services sector had the third highest annual job growth rate adding 6,500 jobs, an increase of 2.6% year-over-year (YOY).

SUPPLY: High Tenant Demand Drives New Construction in CBD

At the close of 2019, there was approximately 1.4 million square feet (msf) of office space under construction. The CBD led with 825,000 sf in activity, the highest level since the early 1990's. Most notably, 1001 Water Street was underway, a 380,000-sf free-standing office building located in Strategic Property Partners' (SPP) Water Street, a multi-billion dollar mixed-used project backed by Lightning owner Jeff Vinik and Bill Gates. It was the second office building under construction in the project, joining the 150,000-square foot (sf) office portion of the mixed-used development Sparkman Wharf. Also in the CBD, SoHo Capital's Heights Union included two 150,000 sf buildings in a mixed-used development with a food and event hall called Armature Works. Heights Union will be completed by mid-2020. Construction activity was strong in the suburban submarkets as well. The first phase of Midtown One, developed by The Bromley Company, got underway and will incorporate a mix of uses as well as a 152,000-sf speculative office building. VanTrust Real Estate started construction on SkyCenter One, a 270,000-sf office building located on-site at Tampa International Airport.

The overall office vacancy rate closed out 2019 at 13.8%, a 190 bps increase when compared to this time last year. This jump in vacancy was due to large direct and sublease spaces hitting the I-75 Corridor submarket throughout the year. The I-75 Corridor's vacancy rate ended the year at 21.1%, a significant YOY increase, and was primarily due to several large move outs. In contrast, the CBD submarket closed the year at 9.8%, marking the fifth consecutive quarter under 11.0%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





PRICING: Class A Assets Drive Rent Growth

Overall market rents increased by 5.6% YOY to \$27.54 per square foot (psf). Class A rents closed out the year up 6.4% to \$31.47 psf, marking the third consecutive quarter overall Class A rents have averaged over \$30.00 PSF. Class A rental rate gains were bolstered by the CBD and Westshore submarkets which rose by 4.7% to \$33.77 psf and 10.6% to \$36.87 psf, respectively. In fact, Class A asking rents in the CBD and Westshore rose to its highest level ever recorded in these submarkets.

DEMAND: Large Tenant Move Outs Skew 2019 Absorption

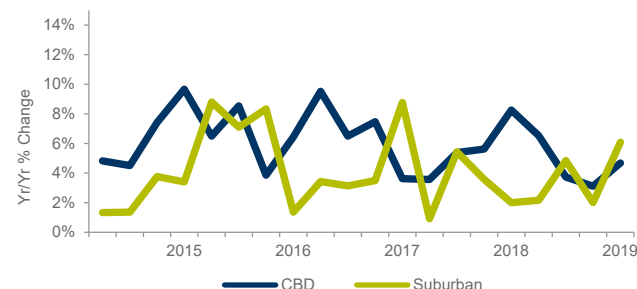
Hillsborough County's leasing activity remained strong in 2019 with 2.2 msf leased. The suburban markets made up the bulk of the transactions and accounted for 1.8 msf or 85% of the total leasing activity in the county. The fourth quarter of 2019 had several notable leases, which included Fanatics leasing 91,980 sf at the former Laser Spine Institute. Fisher Investments leased 74,742 sf at LakePointe One, a space that was previously occupied by PwC.

Tampa/Hillsborough County experienced +25,294 of positive absorption in the fourth quarter. The positive absorption can be attributed to PwC occupying 250,000 sf at the recently completed MetWest III. In 2019 overall absorption totaled -324,000 sf, the first year of negative absorption since 2010. In contrast, direct absorption for 2019 totaled +114,000 sf. The market was impacted by several large tenant move-outs throughout the year including Laser Spine, Coca-Cola, Nova Southeastern University, AT&T, and Mosaic. Cushman & Wakefield anticipates absorption to improve in 2020 as tenants occupy the large spaces available in the market.

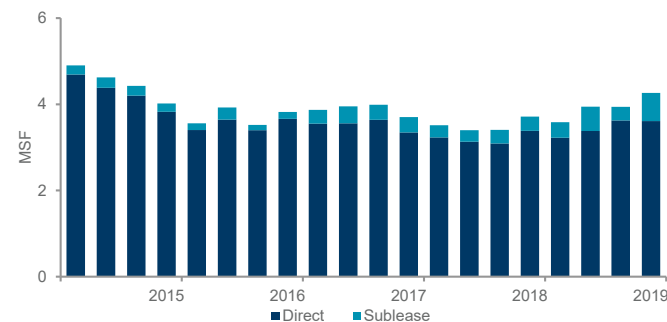
Outlook

- Tenants will densify and use their spaces more efficiently as rents continue to trend upwards.
- Construction deliveries in 2020 will provide Class A+ space options to tenants in the market.
- Cushman & Wakefield anticipates absorption to improve in 2020 as tenants occupy the large spaces available in the market.

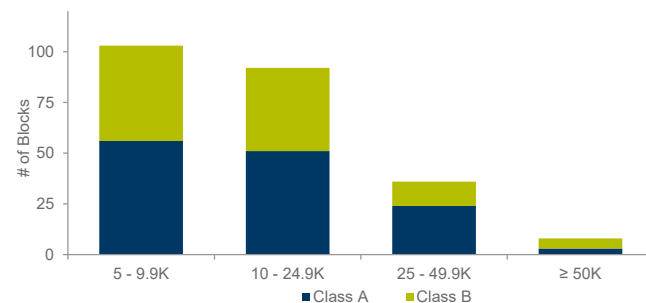
CLASS A ASKING RENT



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



BLOCKS OF CONTIGUOUS SPACE





MARKET STATISTICS

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 AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Tampa CBD	6,059,064	78,090	513,043	9.8%	9,505	24,699	336,553	825,051	\$31.02	\$33.77
Westshore	12,716,545	154,030	1,459,358	12.5%	105,071	104,791	1,048,025	422,000	\$31.85	\$36.87
Northwest	4,163,895	118,505	411,175	12.8%	-119,906	-187,565	316,672	115,000	\$23.96	\$26.40
I-75 Corridor	7,171,055	320,100	1,191,436	21.1%	25,707	-272,244	407,250	0	\$23.25	\$24.33
Southwest	343,578	0	19,408	5.6%	6,409	-7,737	24,551	0	\$19.75	\$0.00
Hyde Park	335,456	0	3,236	1.0%	-1,492	828	6,453	0	\$28.00	\$28.00
Ybor City	170,148	0	12,489	7.3%	0	12,493	12,493	0	\$0.00	\$0.00
Non CBD	24,900,677	592,635	3,124,134	14.7%	15,789	-349,434	1,815,444	537,000	\$26.96	\$30.86
TAMPA TOTALS	30,959,741	670,725	3,610,145	13.8%	25,294	-324,735	2,151,997	1,362,051	\$27.54	\$31.47

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	TENANT	SF	Type
8800 Hidden River	I-75 Corridor	CitiGroup	135,000	Renewal*
Highwoods Preserve VII	I-75 Corridor	MetLife	115,230	Renewal*
Renaissance Center VII	Northwest	Wellcare	115,000	New
NetPark	I-75 Corridor	T-Mobile	114,613	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS YTD 2019

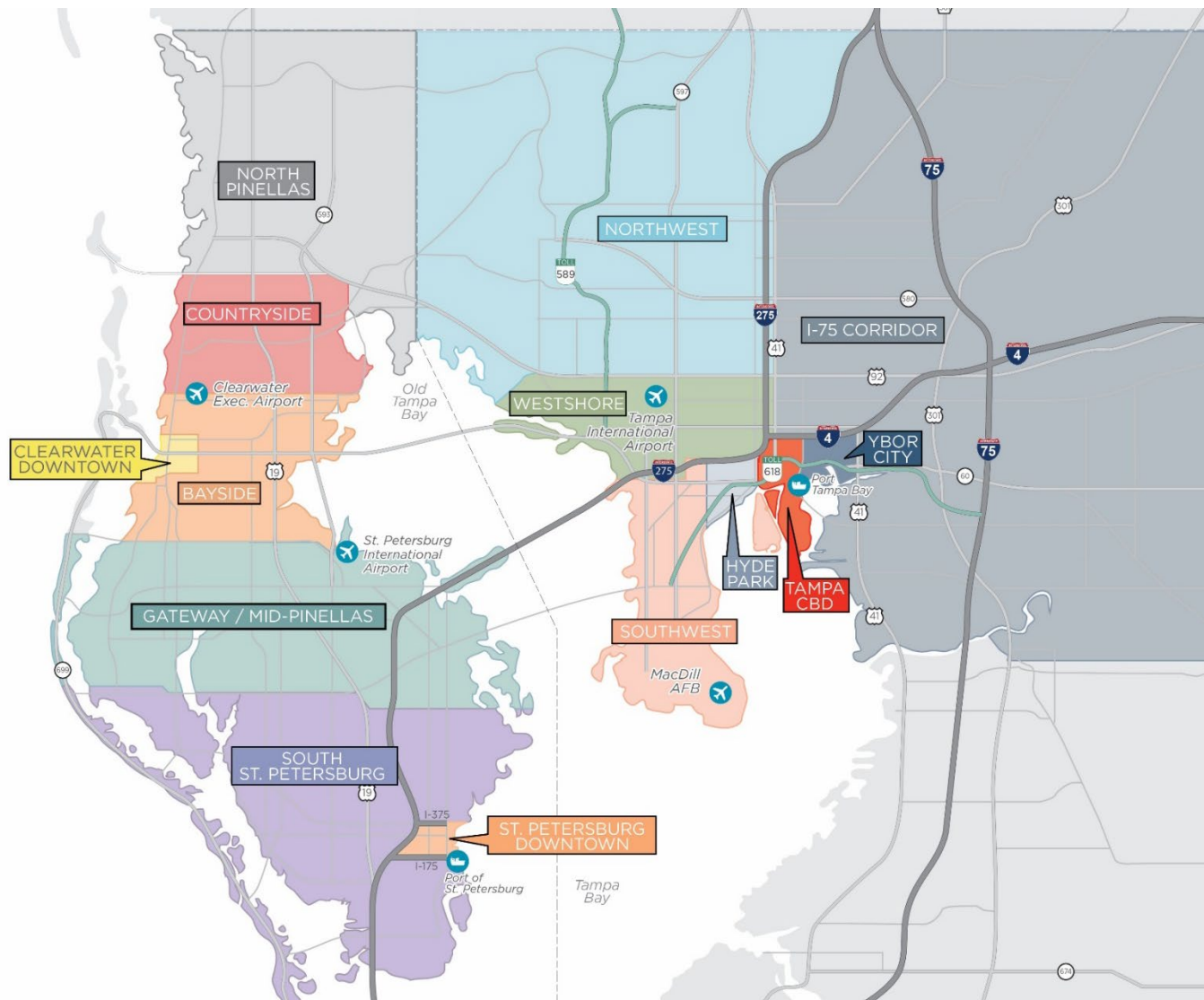
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
WeWork Place	CBD	Angelo, Gordon & Co./Parkway Property Investments	296,082	Portfolio Sale
Bayport Plaza	Westshore	GEM Realty Capital/TPF Equity REIT	264,718	\$95.4 M/\$360
Westshore Center	Westshore	Westshore Center Investors/America Capital Partners	216,410	\$52.0 M/\$240

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
MetWest Three	Westshore	PwC	250,000	MetLife



OFFICE SUBMARKETS

**JASON MCCORMICK**

Analyst – Tampa Bay

+1 813 462 4211

jason.mccormick@cushwake.com**MICHELLE MCMURRAY**

Associate Director – North & Central Florida Research

+1 813 204 5373

michelle.mcmurray@cushwake.com**A CUSHMAN & WAKEFIELD
RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 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.

©2020 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 any warranty or representations as to its accuracy.

cushmanwakefield.com