

MARKETBEAT

Tampa

Office Q3 2018



TAMPA OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Tampa Bay MSA Employment*	1.32M	1.35M	▲
Tampa (Hillsborough) Unemployment*	4.0%	3.5%	■
U.S. Unemployment	4.4%	3.9%	▼

*Numbers above are monthly figures, August 2018, FL Dept. Economic OPP.

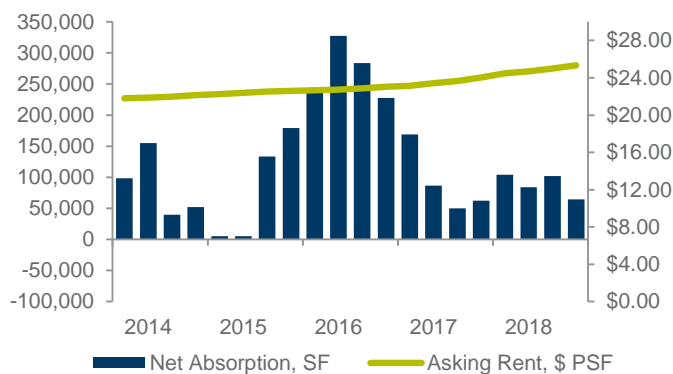
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	12.6%	10.9%	■
YTD Net Absorption (sf)	336k	278k	▲
Under Construction (sf)	150k	250k	▲
Average Asking Rent*	\$24.87	\$26.21	▲

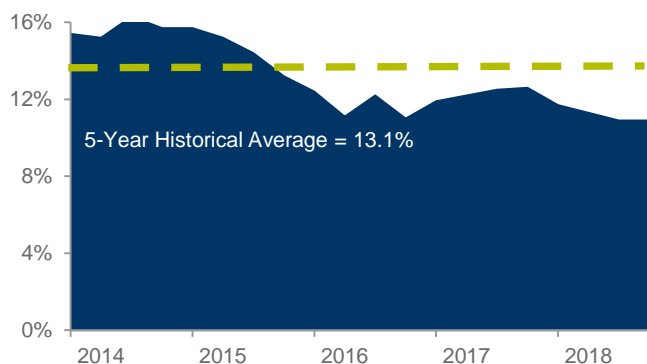
*Rental rates reflect gross asking \$psf/year.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Tampa Bay economy surged over the past year, adding +32,400 jobs for an annual growth rate of 2.3%. As of August 2018, the unemployment rate in Tampa/Hillsborough County fell by -50 basis points (bps) over the past twelve months to 3.5%. The Financial Activities sector, which added +4,900 for an annual increase of +7.7%, had the highest annual job growth rate when compared to all other Florida metro areas.

Market Overview

Full service overall rents increased by +5.4% year-over-year to \$26.21 per square foot (psf). Class A overall asking rents increased by +3.8% in 12 months, marking the first time Class A overall asking rents averaged over \$30.00 psf for the first time in the market's history. Class A assets were bolstered by gains in the CBD and Westshore submarkets which saw increases over the year of +5.6% and +3.2%, respectively. Decreasing vacancies as well as strong tenant demand raised confidence in office landlords to increase rents and the sentiment should continue through the rest of 2018 and into 2019.

The overall vacancy rate for office in Hillsborough County fell over the past twelve months by -170 bps to 10.9%, the lowest vacancy rate since year-end 2006. For Class A space, tenant demand and absorption pushed the overall vacancy rate down to 8.7%, the third quarter marks the fourth consecutive quarter with an overall vacancy rate below 9.0%. In the CBD, overall Class A vacancy saw a -250 bps drop to 8.0%, pushing occupancy to its highest point in ten quarters.

Leasing activity remained strong in the third quarter and provided a strong pipeline for future absorption through yearend and into early 2019. To date, 1.8 million square feet (msf) was leased, with suburban submarkets making up the bulk of transactions with only 14.0% in the CBD. Overall absorption in the market was up through the third quarter, totaling over +278,000 square feet (sf). Class A space saw the majority of positive absorption with nearly +200,000 sf occupied, nearly double the amount when compared to this time last year.

The third quarter saw a flurry of new construction announcements, development updates, and pre-leasing activity. SPP's Water Street announced a timeline for three speculative office buildings in the CBD, including Sparkman Wharf a mixed-used project which will include 180,000 sf of office space. SoHo Capital's Heights Union, a 150,051 sf proposed building in a mixed-used development in the Ybor City submarket landed 75,000 sf of pre-leasing activity in AxoGen. Both Sparkman Wharf and Heights Union are expected to start construction in the fourth quarter of 2018 with delivery in the first half of 2020.

Outlook

The Tampa/Hillsborough County office market posted strong market fundamentals through the third quarter of 2018 with rents trending upwards on decreases in vacancies. Cushman & Wakefield anticipates rents to continue to push north with Class A leading the charge, making financing for additional new construction more viable.

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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)*
Tampa CBD	6,017,990	15,088	659,819	11.2%	17,672	121,896	249,542	0	\$28.07	\$31.78
Westshore	12,573,501	232,478	1,251,249	11.8%	19,273	-134,945	976,011	250,000	\$28.23	\$32.51
Northwest	4,273,183	16,303	404,529	9.8%	-35,149	171,652	154,109	0	\$22.44	\$23.40
I-75 Corridor	7,405,990	40,521	735,358	10.5%	-3,565	111,057	274,105	0	\$22.85	\$24.92
Southwest	361,242	0	28,618	7.9%	-5,044	-1,138	23,614	0	\$20.79	N/A
Hyde Park	335,456	0	10,546	3.1%	-7,571	3,157	18,626	0	\$35.65	N/A
Ybor City	192,517	12,493	0	6.5%	2,599	6,695	84,294	0	\$24.00	N/A
Non CBD	25,141,889	301,795	2,430,300	10.9%	-29,457	156,478	1,530,759	250,000	\$25.74	\$29.83
TAMPA TOTALS	31,159,879	316,883	3,090,119	10.9%	-11,785	278,374	1,780,301	250,000	\$26.21	\$30.29

*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	15,815,183	226,268	1,145,061	8.7%	-51,744	199,946	940,628	250,000	150,000	\$30.58
Class B	11,941,446	87,879	1,664,149	14.7%	28,548	25,995	706,231	0	0	\$24.49
Class C	3,403,250	2,736	280,909	8.3%	11,411	52,433	133,442	0	0	\$19.20

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
N Tampa Street	75,000	AxoGen	Direct	Ybor City
5201 W Kennedy Blvd.	35,394	Delta Airlines	Renewal*	Westshore
5401 W Kennedy Blvd.	23,527	Jacob's Technology	Renewal*	Westshore
12653 Telecom Dr.	21,344	Open Text	Renewal*	I-75 Corridor

*Renewal – Not included in Leasing Activity Statistics.

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
The Collection at Sabal Park	435,038	IP Capital/Priam Capital	\$52,787,000/\$121	I-75 Corridor
Citrus Park Crossing	75,845	CPI Ryan/AZFD Fairfield	\$18,500,000/\$243	Northwest

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

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

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

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