

TAMPA OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Tampa Bay MSA Employment*	1.34M	1.36M	▲
Tampa (Hillsborough) Unemployment*	3.6%	2.9%	▲
U.S. Unemployment	4.1%	3.7%	▼

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

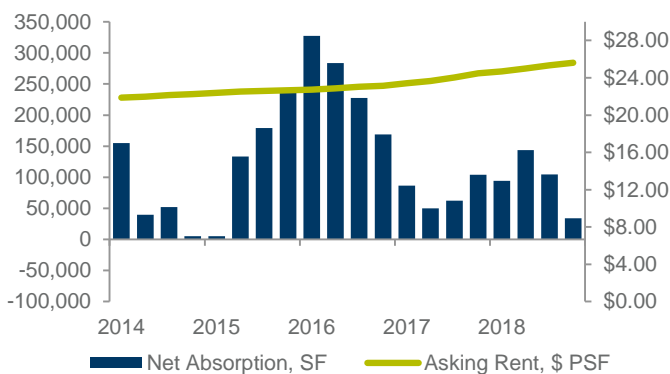
Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	11.7%	11.9%	▲
YTD Net Absorption (sf)	550k	136k	▲
Under Construction (sf)	150k	580k	▲
Average Asking Rent*	\$24.88	\$26.07	▲

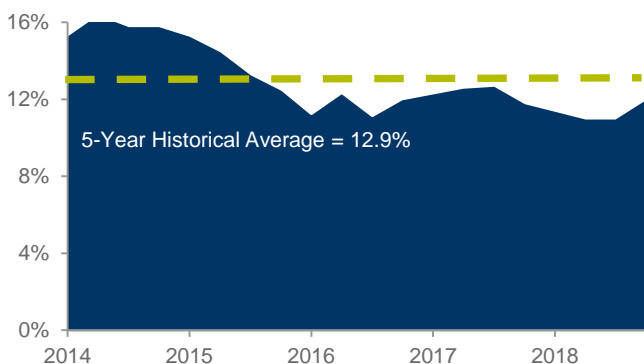
*Rental rates reflect gross asking \$psf/year.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Tampa Bay economy accelerated over the past year, adding +23,500 jobs for an annual growth rate of 1.7%. As of November 2018, the unemployment rate in Tampa/Hillsborough County fell by -70 basis points (bps) over the past twelve months to 2.9%. The Professional and Business Services as well as the Financial Activities sectors, had the second highest annual job growth rate when compared to all other Florida metro areas adding +5,600 and +3,500 jobs, respectively.

Market Overview

The overall vacancy rate for office in Hillsborough County closed out 2018 at 11.9%, a slight increase of +20 bps when compared to this time last year. The CBD submarket saw the most occupancy gains, ending the fourth quarter at 9.9%, a -390 bps drop from year-end 2017. In contrast, the I-75 corridor experienced a +50 bps increase from year-end 2017 and up +510 bps when compared to the third quarter of 2018. This large increase was due to Express Scripts and Zenith vacating over 250,000 square feet (sf) at NetPark.

Full Service overall rents increased by +4.8% year-over-year to \$26.09 per square foot (psf). Class A overall rents closed out the year up +2.1% at \$29.58. Class A assets were bolstered by gains in the CBD and Westshore submarkets which saw increases of +8.3% and +6.0%, respectively. At \$33.35 psf, Westshore has the highest level of Class A asking rent in Hillsborough County history. Decreasing vacancies as well as strong tenant demand raised confidence by landlords across submarkets and asset classes to increase rents and the sentiment should continue through 2019.

Overall absorption in the market ended the year positively despite several large sublease and direct spaces hitting the market throughout the year. Class A space drove the market with over +100,000 sf absorbed by year-end. The CBD saw nearly +250,000 sf of absorption at the close of 2018, over three times 2017 figures. Leasing activity remained strong through the end of the year and provided a strong pipeline through year end and well into 2019. To date, over 2.4 million square feet (msf) was leased, with suburban markets making up the bulk of the transactions, totaling nearly 2.0 msf. Early this year T. Rowe Price announced that they would be closing the office in Corporate Center II in mid-2019. As a testament to the strength of the market and desire for Class A space, that availability in Corporate Center II has been largely leased by BKS, who will occupy over 60,000-sf starting in mid-2019.

MARKETBEAT

Tampa

Office Q4 2018



2018 saw a flurry of new construction announcements, development updates, and pre-leasing activity. SoHo Capital's Heights Union started construction on a 150,051-sf building in a mixed-used development including a food and event hall called Armature Works. In the third quarter, it landed 75,000 sf of pre-leasing activity in AxoGen. SPP's Water Street started construction on the 180,000-sf office portion on Sparkman Wharf, a multi-billion dollar mixed-used project backed by Lightning owner Jeff Vinik and Bill Gates. The retail component with food vendors, open space, and bier garden opened in December. Sparkman Wharf and Heights Union are expected to deliver in the first half of 2020. MetWest Three was also under construction, the 250,000 sf building in Westshore predominately preleased by PwC. With over 580,000 sf currently under construction, Hillsborough County had at the end of the year the most office construction activity since 2008 when there was nearly 600,000 sf under construction.

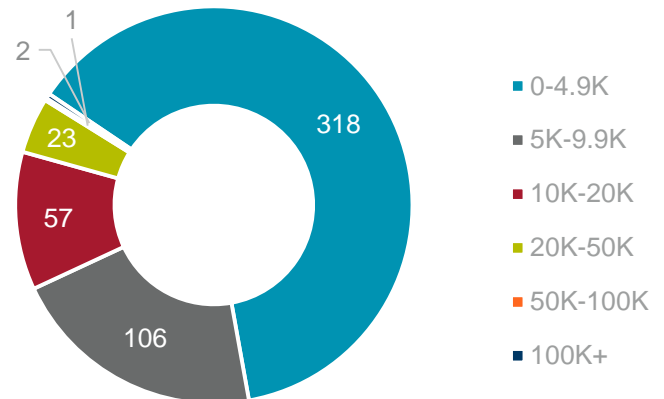
At \$33.35 psf, Westshore has the highest level of Class A asking rent in Hillsborough County history.

Office sales activity steadily decreased over the past three years, closing out 2018 with only 2.7 msf sold, nearly half the 5.4 msf sold in 2016. Notable sales for the year include Tampa City Center, the 750,000 sf Class A tower in the CBD, which sold for \$110,000,000, or \$147 psf. In addition, the Collection at Sabal Park sold in the I-75 corridor for nearly \$53 million, or \$121 psf. Sale activity cooled in 2018 due to the lack of institutional grade assets available on the market. The burst of sales from 2014 to 2017 saw nearly 19.0 msf traded. However, Cushman & Wakefield anticipates sales activity to increase in 2019 as those assets bought pre-2018 will have adequate occupancy and cash flow to incentivize sellers and investors alike.

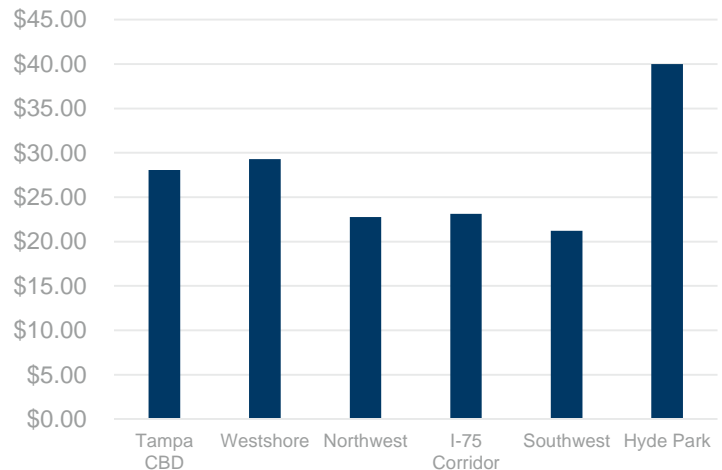
Market Highlights

- The Tampa/Hillsborough County office market posted strong market fundamentals through the end of 2018 .
- Rents trending upwards, sustained leasing activity, and positive absorption.
- Cushman & Wakefield anticipates rents to push north of current levels with Class A leading the charge.

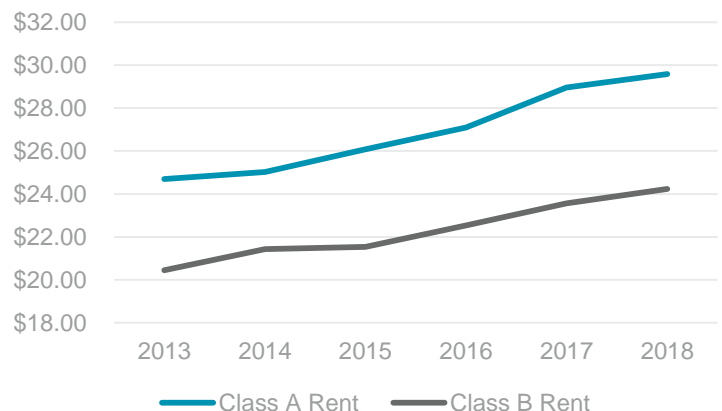
Availability by Size Segment
OVERALL VACANCIES IN ONE SUITE



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)*
Tampa CBD	6,017,990	12,948	556,083	9.5%	99,348	249,936	393,776	180,000	\$28.07	\$32.26
Westshore	12,594,881	178,360	1,200,920	11.0%	158,696	66,787	1,273,081	250,000	\$29.28	\$33.35
Northwest	4,273,183	22,444	439,553	10.8%	-13,016	133,741	200,991	0	\$22.75	\$24.28
I-75 Corridor	7,405,990	105,717	1,156,921	17.0%	-318,518	-332,884	390,874	0	\$23.12	\$24.35
Southwest	361,242	0	25,593	7.1%	4,586	3,450	31,895	0	\$21.21	N/A
Hyde Park	335,456	0	4,764	1.4%	1,329	8,466	18,544	0	\$40.00	N/A
Ybor City	192,517	12,493	0	6.5%	0	6,695	96,787	150,051	N/A	N/A
Non CBD	25,163,269	319,014	2,827,751	12.5%	-166,923	-113,745	2,012,172	400,051	\$25.72	\$29.09
TAMPA TOTALS	31,181,259	331,962	3,383,834	11.9%	-67,575	136,191	2,405,948	580,051	\$26.07	\$29.58

*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	254,223	1,305,413	9.9%	27,549	105,014	1,292,901	580,051	150,000	\$30.47
Class B	11,941,446	75,872	1,777,211	15.5%	-91,205	-17,056	952,628	0	0	\$24.24
Class C	3,424,630	1,867	301,210	8.8%	-3,919	48,233	160,419	0	0	\$19.78

Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4401 N Himes Avenue	102,965	The Art Institute of Tampa Bay	Renewal*	Westshore
4301 W Boy Scout Blvd.	101,139	Greenway Health	Renewal*/Expansion	Westshore
6302 E MLK Blvd.	81,134	Convergys	Renewal*	I-75 Corridor
5701 E Hillsborough Ave	77,050	WiPRo	New	I-75 Corridor

*Renewal – Not included in Leasing Activity Statistics.

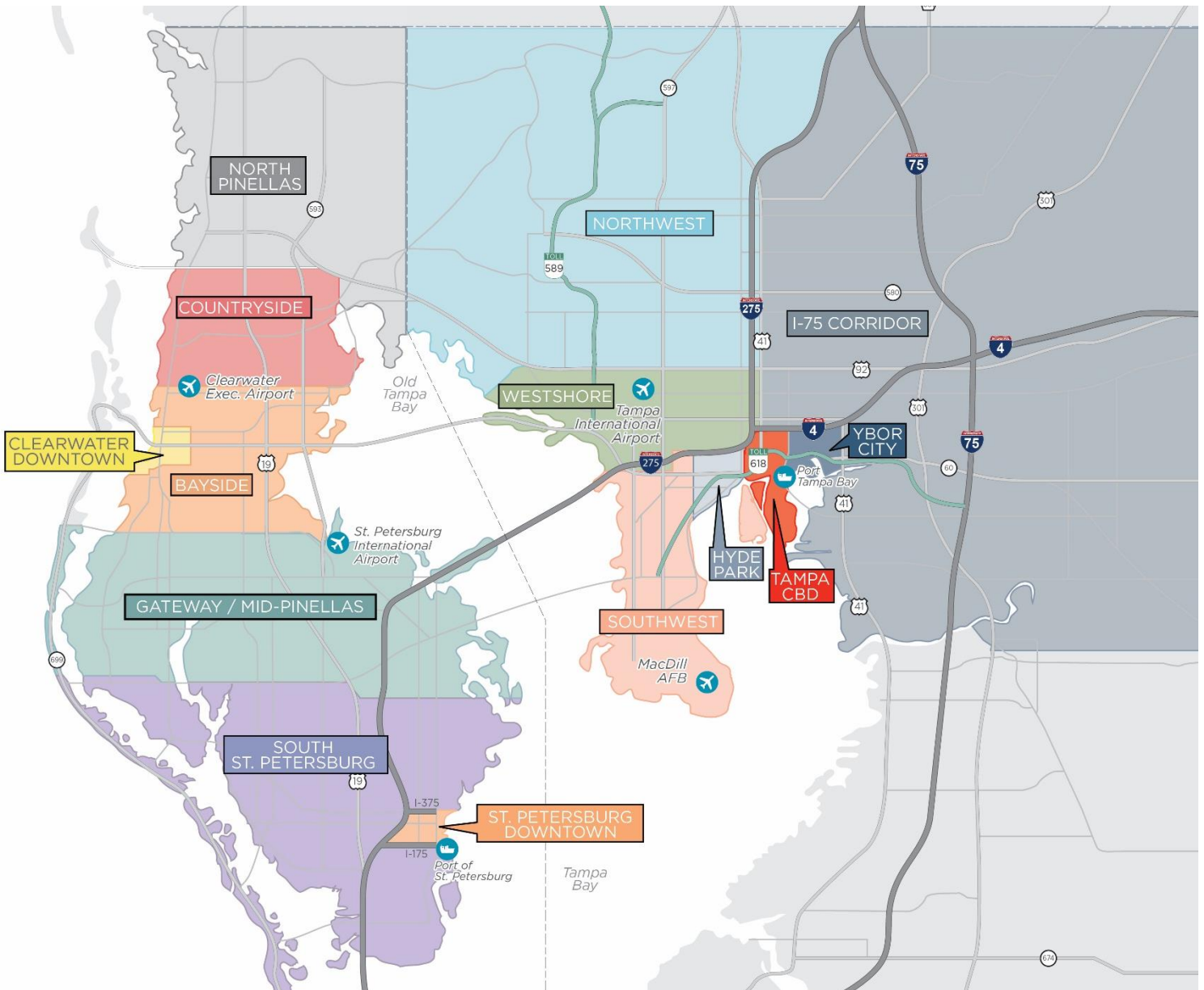
Key Sales Transactions 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
201 N Franklin St.	749,035	Shidler Group/Banyan Street Capital	\$110,000,000/\$147	Tampa CBD
The Collection at Sabal Park (Portfolio)	437,572	IP Capital Partners/Priam Capital	\$52,787,000/\$120	I-75 Corridor
3611 Queen Palm Dr.	97,527	Bridge Investment Group/Real Estate Value Advisors	\$15,225,000/\$156	I-75 Corridor
12750 Citrus Park Ln.	76,397	CPI Ryan/AZFD Fairfield	\$18,500,000/\$242	Northwest

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