

Tampa Office, Q1 2020

Tampa Office Market Remains Steady in Q1

▲ Total Vacancy
11.3%

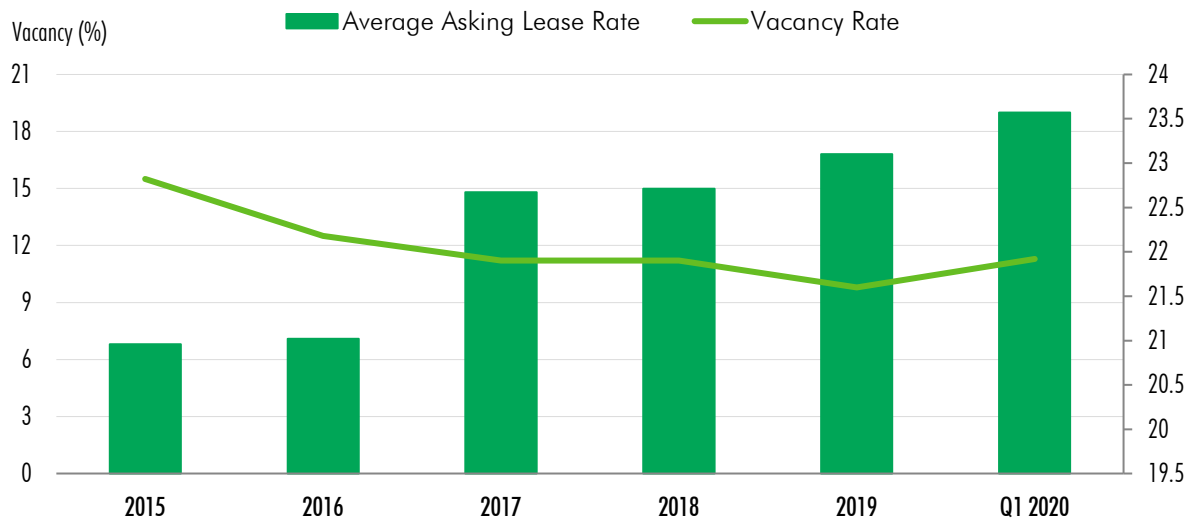
▲ Lease Rate
\$23.57 PSF

▼ Net Absorption
65,141 SF

▲ Under Construction
1,007,000 SF

*Arrows indicate change from previous year.

Figure 1: Average Asking Lease Rate –vs– Vacancy



Source: CBRE Research, Q1 2020.

- The average asking lease rate in Q1 2020 was \$23.57 per sq. ft., a 2% increase year-over-year.
- Total vacancy increased slightly year-over-year closing Q1 2020 out at 11.3%.
- Just over 1.0 million sq. ft. of construction is currently underway in the Tampa office market.
- The Tampa metro area continues to have job and population growth rates exceeding the national average.

DEVELOPMENT

Construction in Tampa has continued to stay steady as there is currently just over 1.0 million sq. ft. of construction underway across the market. This development activity is concentrated across three submarkets: Tampa CBD, Westshore, and Northwest Tampa. This number is expected to remain similar as a significant portion of new developments are expected to be completed in late 2020 or early 2021.

The Heights Union (300,000 sq. ft.) and 1001 Water St. (405,000 sq. ft.) are the first office developments to break ground in Tampa CBD since 2008 and are well on their way to meet their respective delivery dates of 2020 and 2021.

LEASING ACTIVITY

The Tampa office market saw total vacancy decrease slightly in Q1 2020 closing the quarter at 11.3%, just below Q4 2019. The Q1 2020 vacancy represents a 150-basis point (bps) uptick year-over-year from the record lows seen in Q1 2019. The tightest submarkets continue to be Southwest Tampa (3.0%), St Pete CBD (6.6%), and Tampa CBD (7.5%). Limited inventory has kept vacancy low in these submarkets.

First quarter absorption was positive, at 65,100 sq. ft. This is lower than the previous quarter as well as Q1 2019 due to a lack of new deliveries and the expected slow down in activity that is typically associated with the first quarter of the year. Submarkets that typically lead the way in leasing activity, namely Tampa CBD and Westshore, saw slight negative absorption this quarter. The most significant change in absorption came from the NW Tampa submarket due to a Q1 move in at Netpark where T-Mobile leased over 100,000 sq. ft.

Average asking lease rates have remained on an upward trajectory at \$23.57 per sq. ft., an increase of 1.5% from last quarter. Submarkets with the highest average rents were Westshore at \$29.94, Tampa CBD at \$29.90, and St. Pete CBD at \$29.28 per sq. ft.

Figure 2: Net Absorption - Absorption (000's SF)

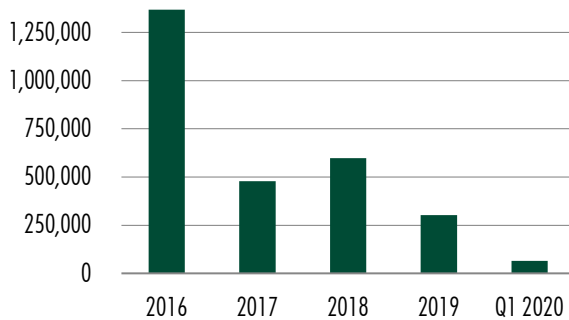
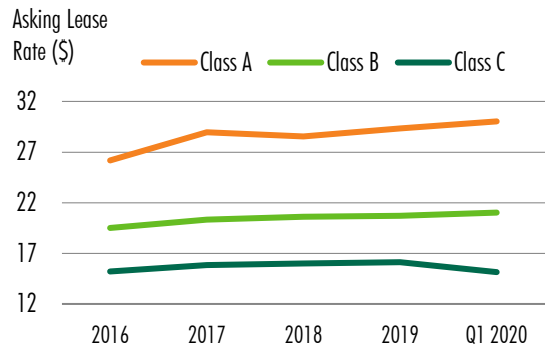


Figure 3: Average Asking Lease Rate



SALES ACTIVITY

The Tampa market has remained an attractive destination for commercial real estate investment. Coworking in the Tampa market continues to grow as Novel Coworking acquired the Synovus Bank Building, which is a 53,100 sq. ft. property in the North Pinellas submarket for \$6.9 million, or \$130 per sq. ft. Just outside of the Tampa market, Sarasota saw some of the largest Q1 office sales as it has continued to grow its presence in the region. Private capital made up the largest composition of buyers in Q1 (56%), followed by institutional investment, and then private equity.

OUTLOOK

The COVID-19 pandemic has forced some state governments to impose strict stay-at-home orders that are adversely affecting many industries. This is leading the U.S. economy into a recession that will result in very sharp declines in GDP for H1 2020 and in job losses, particularly in the retail, food & beverage and transportation sectors. Office-using employment may be less negatively affected than in recent recessions. But the unique nature of this downturn should result in an unusually swift recovery that could begin as early as Q3 2020. Assuming the coronavirus peaks this summer in the U.S.—mirroring China’s experience—the U.S. government’s fiscal and monetary stimulus will begin to bear fruit. This will be paired with pent-up private demand that could help the U.S. economy return to growth by year-end and drive stronger than previously expected growth in 2021.

Figure 2: Market Statistics

Submarket	Total Inventory (SF)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2020 Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/FSG/G/MG)
Tampa CBD	6,897,722	6.3	7.5	(39,272)	705,000	29.90
Westshore	12,864,404	8.6	9.6	(33,206)	152,000	29.94
SW Tampa	915,836	3.0	3.0	360	0	21.71
NW Tampa	5,139,870	12.0	12.8	(17,351)	150,000	19.87
Total I-75 Corridor	7,660,488	13.0	15.4	139,507	0	19.24
NE Tampa	3,997,145	11.5	15.6	116,527	0	20.53
E Tampa	3,239,555	15.2	15.8	22,980	0	18.21
SE Tampa	423,788	10.9	10.9	0	0	15.00
Overall Hillsborough	33,478,320	9.5	10.8	50,038	1,007,000	25.71
St Pete CBD	2,026,935	6.3	6.6	4,448	0	29.28
SE St Pete	1,394,971	15.5	15.6	(4,965)	0	17.69
SW St Pete	564,807	16.5	16.6	732	0	14.35
Mid-Pinellas	3,926,239	9.5	10.2	14,560	0	20.25
N Pinellas	5,062,856	14.9	15.8	0	0	18.24
Overall Pinellas	12,975,808	12.0	12.7	15,103	0	20.34
Total Suburban	39,556,406	10.9	12.0	104,413	302,000	26.81
Overall Tampa	46,454,128	10.2	11.3	65,141	1,007,000	23.57
Class A	20,310,376	7.7	9.0	(44,169)	1,007,000	30.03
Class B	19,116,109	12.7	14.0	112,231	0	21.04
Class C	7,027,643	10.9	10.9	(2,921)	0	15.16

Source: CBRE Research, Q1 2020.

Figure 3: Significant Q1 2020 Lease Transactions

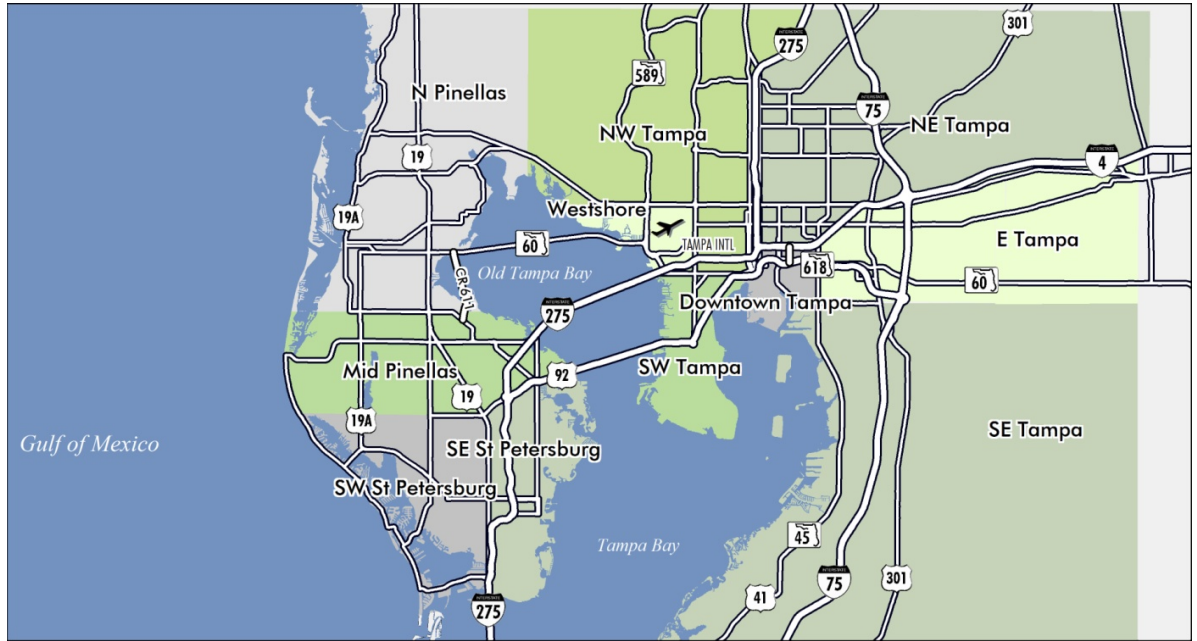
Submarket	Property	Tenant	Transaction (SF)
Mid-Pinellas	TransAmerica	Zelis Healthcare	55,000
Westshore	Airport Executive Center	Florida Blue	49,509
Tampa CBD	Sparkman Wharf	Industrious	44,000

Source: CBRE Research, Q1 2020.

Figure 4: Significant Q1 2020 Sale Transactions

Submarket	Property	Buyer	Seller	Building (SF)	Sale Price (\$)
Mid-Pinellas	Northside Square	Melrose Clearwater Holdings, LLC	Northside Square LLC	87,150	9,150,000
N Pinellas	Synovus Bank Building	Novel Coworking	Synovus Bank	53,106	6,900,000
Westshore	International Executive Center	The Paradise Group	RE/MAX Time Commercial	31,256	5,250,000

Source: CBRE Research, Q1 2020.



Market Coverage: Includes all competitive office buildings 10,000 sq. ft. and greater in size in Hillsborough and Pinellas counties.

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