

MARKETVIEW

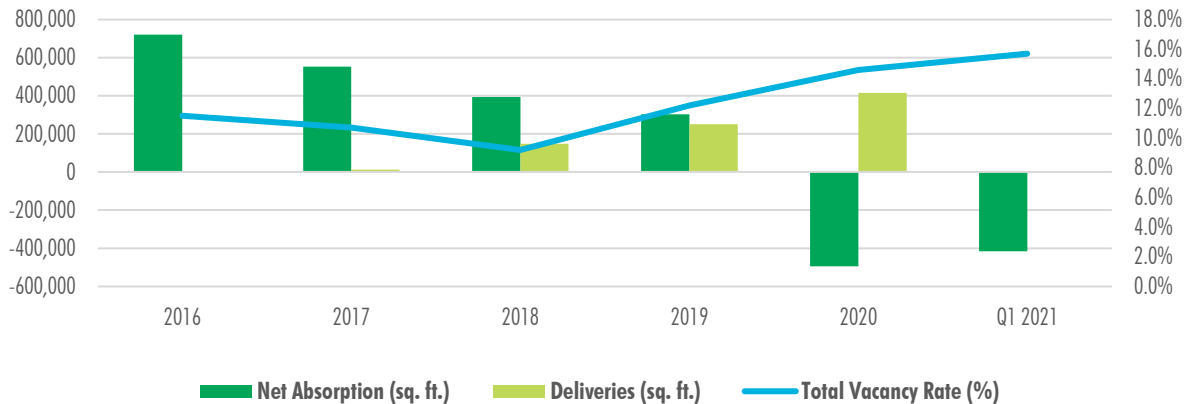
Q1 2021

Tampa Office

Market vacancy bumps to just above 10-year average

▶ Inventory 39,777,917
▶ New Deliveries 0
▶ Under Const. 999,387
▲ Total Vacancy 15.7%
▼ Net Absorption (415,501)
▲ Lease Rate \$27.90

Historical Absorption, Deliveries and Vacancy



- Westshore office projects at Midtown and the airport total 494,387 sq. ft. and are on track for 2<sup>nd</sup> quarter delivery, with current availability of 335,000 sq. ft.
- Negative absorption this quarter increased overall vacancy to 15.7%, but the sublease portion of that rate decreased 30 basis points to 2.1%.
- Average asking rates are seeing very little movement, up just \$0.06 over last quarter with over 97% of owners making no adjustments to posted rates.

OVERVIEW

Unlike 2020, when a prolific activation of the sublease market was the main culprit behind negative absorption, this quarter that metric was driven by direct move outs and give backs that worked to increase market vacancy to 15.7% - up 110 basis points QoQ and 320 basis points YoY. In fact, sublease vacancy is down from it's 2020 Q4 peak due to leasing activity, termination and natural expiration, yet the -415,501 sq. ft. observed this quarter already represents 84% of negative absorption seen over the entire course of 2020. Upcoming large move ins by Heritage Insurance, Industrious and Pfizer will hedge against further negative absorption this year.

**DEMAND**

It’s important to note that negative absorption this quarter was a product of over 20 move outs greater than 10,000 sq. ft. - being met by only a handful of move ins of that same size - rather than one or two major market movers. It was also again strongly influenced by the class A market, especially core office submarkets like Westshore, Mid Pinellas/Gateway and the Tampa CBD where cost savings from contraction can be more significant. This has resulted in class A vacancy rates surpassing class B for the first time since 2012 after having converged by the end of 2020.

That said, nearly 1.8 million sq. ft. of tenant in market requirements promises additional activity in upcoming quarters, with over one third representing new to market or expansionary needs.

**PRICING**

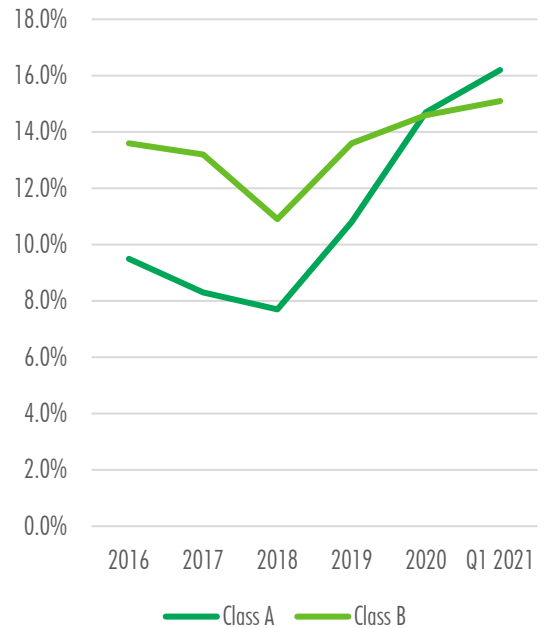
Average asking rates have essentially fully leveled off with less than 3% of building owners making any rental rate adjustments this quarter. This has resulted in QoQ growth of just 0.2% and YoY growth of 3.3%.

**OUTLOOK**

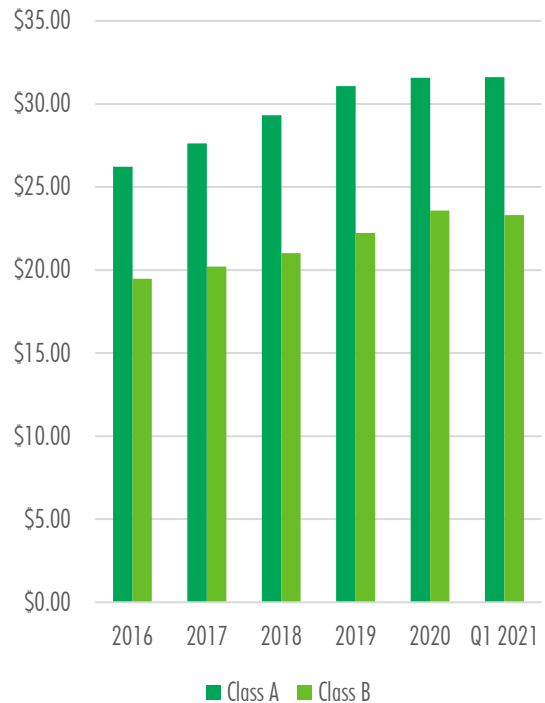
The outlook for the United States economy is becoming very positive as COVID-19 vaccines are deployed at a rapid pace. At the close of the first quarter over a quarter of Americans have received at least one dose of the vaccine. The rate of daily vaccinations has accelerated to 2.5 million, making societal and economic normalization possible by mid-year.

A reopening of the economy would support near 7% GDP growth this year—the strongest pace seen since the early 1980s. This expansion is poised to be broad-based, with personal consumption being a critical factor.

Vacancy Rate



Avg. Asking Rates (\$/sq. ft. full service)



**OUTLOOK (CONT.)**

As social distancing measures subside much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 30% below pre-COVID levels, compared to 5% for total employment (excluding leisure and hospitality). Overall, the U.S. economy is estimated to create upward of 7 million total new jobs in 2021. This burst of activity will push inflation above the Federal Reserve's traditional 2% target but this is likely to be transitory as 18 million workers remain on the sidelines and the wall of fiscal stimulus represents a one-time jolt rather than a constant flow of dollars.

## Q1 2021 Statistical Snapshot

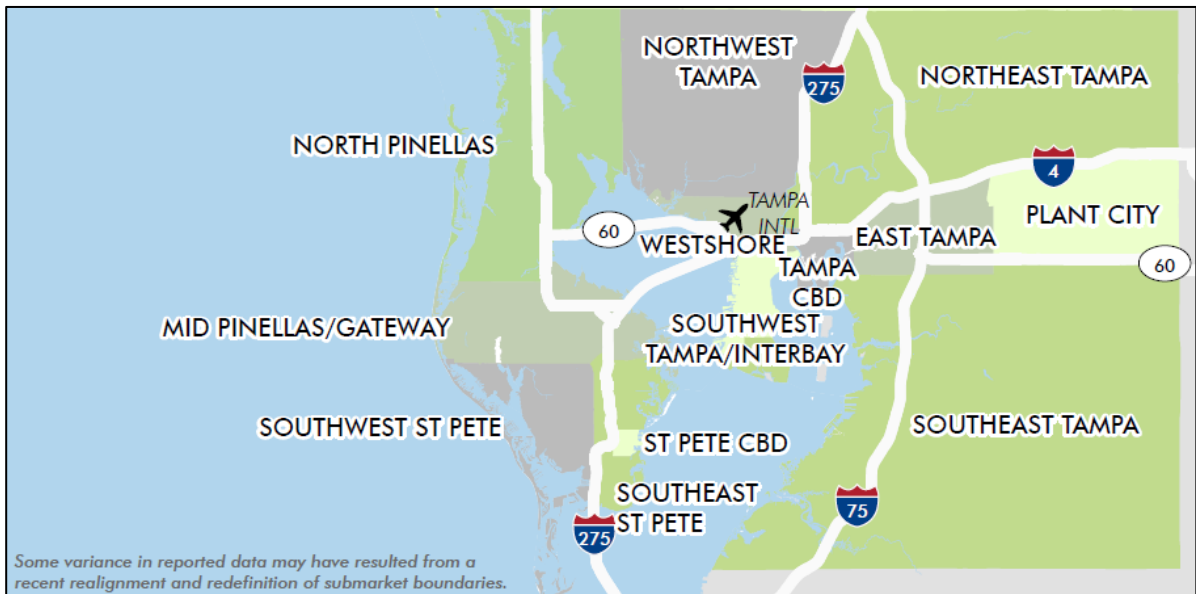
Submarket	Total Inventory	Direct Vacancy (%)	Total Vacancy (%)	Q1 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Gross Avg. Asking Lease Rates (\$/Sq. Ft.)
<b>Tampa CBD</b>	<b>6,605,182</b>	<b>12.9%</b>	<b>15.0%</b>	<b>(56,505)</b>	<b>(56,505)</b>	<b>385,000</b>	<b>\$32.79</b>
Class A	4,635,046	15.2%	17.8%	(26,190)	(26,190)	385,000	\$34.28
Class B	1,970,136	7.6%	8.4%	(30,315)	(30,315)	0	\$27.29
<b>St Pete CBD</b>	<b>1,934,907</b>	<b>7.7%</b>	<b>8.8%</b>	<b>(1,922)</b>	<b>(1,922)</b>	<b>0</b>	<b>\$30.71</b>
Class A	1,235,047	8.7%	10.4%	(886)	(886)	0	\$32.80
Class B	699,860	6.0%	6.0%	(1,036)	(1,036)	0	\$23.85
<b>CBD Total</b>	<b>8,540,089</b>	<b>11.7%</b>	<b>13.6%</b>	<b>(58,427)</b>	<b>(58,427)</b>	<b>385,000</b>	<b>\$32.44</b>
<b>Westshore</b>	<b>12,315,901</b>	<b>13.8%</b>	<b>16.2%</b>	<b>(124,002)</b>	<b>(124,002)</b>	<b>494,387</b>	<b>\$32.75</b>
Class A	7,326,702	11.6%	15.3%	(113,443)	(113,443)	494,387	\$36.09
Class B	4,989,199	16.9%	17.7%	(10,559)	(10,559)	0	\$27.90
<b>Northwest Tampa</b>	<b>3,906,682</b>	<b>12.2%</b>	<b>18.3%</b>	<b>(70,720)</b>	<b>(70,720)</b>	<b>0</b>	<b>\$23.14</b>
Class A	1,271,992	7.9%	17.7%	(45,394)	(45,394)	0	\$27.17
Class B	2,634,690	14.4%	18.6%	(25,326)	(25,326)	0	\$21.92
<b>Southwest Tampa</b>	<b>603,971</b>	<b>8.2%</b>	<b>9.2%</b>	<b>(1,800)</b>	<b>(1,800)</b>	<b>0</b>	<b>\$25.65</b>
Class A	83,511	0.0%	7.0%	0	0	0	N/A
Class B	520,460	9.6%	9.6%	(1,800)	(1,800)	0	\$25.65
<b>Northeast Tampa</b>	<b>3,973,088</b>	<b>17.5%</b>	<b>18.1%</b>	<b>(45,663)</b>	<b>(45,663)</b>	<b>120,000</b>	<b>\$23.86</b>
Class A	1,708,552	21.3%	22.1%	(35,543)	(35,543)	120,000	\$27.17
Class B	2,264,536	14.6%	15.1%	(10,120)	(10,120)	0	\$18.70
<b>East Tampa</b>	<b>2,516,616</b>	<b>16.3%</b>	<b>17.7%</b>	<b>(5,653)</b>	<b>(5,653)</b>	<b>0</b>	<b>\$22.28</b>
Class A	1,284,941	17.4%	20.2%	0	0	0	\$26.61
Class B	1,231,675	15.1%	15.1%	(5,653)	(5,653)	0	\$20.56
<b>Southeast Tampa</b>	<b>248,324</b>	<b>1.1%</b>	<b>3.7%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$25.00</b>
Class A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Class B	248,324	1.1%	3.7%	0	0	0	\$25.00
<b>Hillsborough Suburbs</b>	<b>23,564,582</b>	<b>14.1%</b>	<b>16.7%</b>	<b>(247,838)</b>	<b>(247,838)</b>	<b>614,387</b>	<b>\$28.15</b>

## Q1 2021 Statistical Snapshot (cont.)

Submarket	Total Inventory	Direct Vacancy (%)	Total Vacancy (%)	Q1 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Gross Avg. Asking Lease Rates (\$/Sq. Ft.)
<b>North Pinellas</b>	<b>3,208,312</b>	<b>13.0%</b>	<b>13.4%</b>	<b>(39,611)</b>	<b>(39,611)</b>	<b>0</b>	<b>\$21.30</b>
Class A	1,397,129	8.5%	8.7%	(27,745)	(27,745)	0	\$23.56
Class B	1,811,183	16.6%	17.0%	(11,866)	(11,866)	0	\$19.96
<b>Mid Pinellas/Gateway</b>	<b>4,212,975</b>	<b>14.8%</b>	<b>16.1%</b>	<b>(70,626)</b>	<b>(70,626)</b>	<b>0</b>	<b>\$23.80</b>
Class A	2,004,841	15.4%	16.7%	(71,033)	(71,033)	0	\$25.51
Class B	2,208,134	14.3%	15.7%	407	407	0	\$21.93
<b>Southwest St Pete</b>	<b>172,857</b>	<b>12.4%</b>	<b>12.4%</b>	<b>1,001</b>	<b>1,001</b>	<b>0</b>	<b>\$16.70</b>
Class A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Class B	172,857	12.4%	12.4%	1,001	1,001	0	\$16.70
<b>Southeast St Pete</b>	<b>79,102</b>	<b>1.7%</b>	<b>1.7%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>
Class A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Class B	79,102	1.7%	1.7%	0	0	0	N/A
<b>Pinellas Suburbs</b>	<b>7,673,246</b>	<b>13.9%</b>	<b>14.8%</b>	<b>(109,236)</b>	<b>(109,236)</b>	<b>0</b>	<b>\$22.62</b>
<b>Overall Tampa</b>	<b>39,777,917</b>	<b>13.6%</b>	<b>15.7%</b>	<b>(415,501)</b>	<b>(415,501)</b>	<b>999,387</b>	<b>\$27.90</b>
<b>Class A</b>	<b>20,947,761</b>	<b>13.3%</b>	<b>16.2%</b>	<b>(320,234)</b>	<b>(320,234)</b>	<b>999,387</b>	<b>\$31.61</b>
<b>Class B</b>	<b>18,830,156</b>	<b>13.9%</b>	<b>15.1%</b>	<b>(95,267)</b>	<b>(95,267)</b>	<b>0</b>	<b>\$23.30</b>

## Q1 2021 Notable Leases

Submarket	Property	Tenant	Lease Type	Class	Transaction (Sq. Ft.)
Mid Pinellas/Gateway	100 Carillon Pkwy	Confidential	New Lease	A	80,114
Northwest Tampa	Westlake Corporate Center I	CareCentrix	Renewal/Downsize	A	33,301
Mid Pinellas/Gateway	Pasco Building	CrossBorder Solutions	New Lease	A	31,322
Mid Pinellas/Gateway	Bay Vista Gardens II	TeamViewer	Renewal	B	18,200
Northeast Tampa	6302 Corporate Center	Tampa Bay Workforce Alliance	New Lease	B	11,181

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Market Coverage: Includes all competitive Class A and B office buildings 10,000 sq. ft. and greater in size in Hillsborough and Pinellas Counties. Excludes: single occupancy, government and medical buildings.

Note: Tracked inventory was audited to reflect prevailing perception of the market. Class C product was removed from the tracked set, and Class changes were implemented where necessary to better capture current status. All changes are reflected historically in the data and analysis but cannot be compared to previously released Research reports.

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