

MARKETBEAT

Tampa

Office Q2 2018



TAMPA OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Tampa Bay MSA Employment*	1.32M	1.35M	▲
Tampa (Hillsborough) Unemployment*	3.7%	3.2%	■
U.S. Unemployment	4.3%	3.8%	▼

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

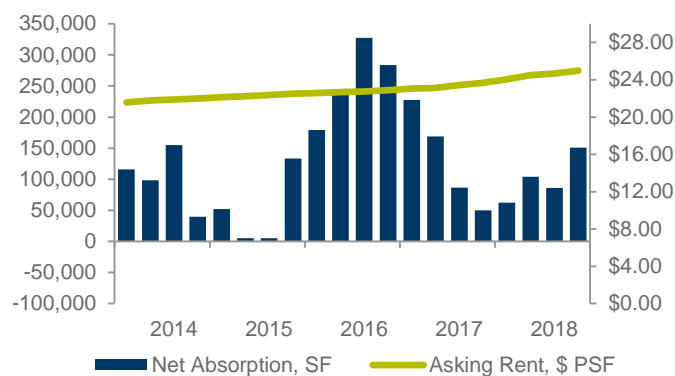
Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	12.5%	10.9%	▼
YTD Net Absorption (sf)	83k	252k	▲
Under Construction (sf)	150k	250k	▲
Average Asking Rent*	\$24.14	\$25.39	▲

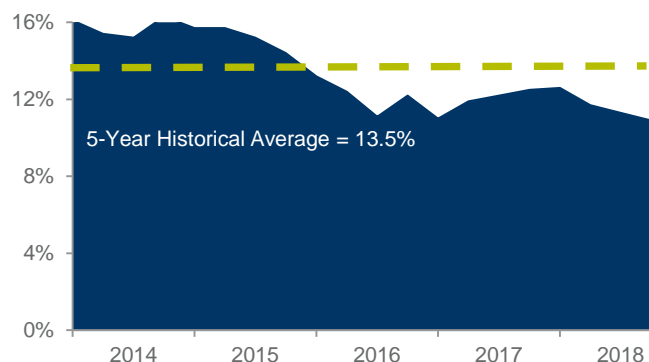
*Rental rates reflect gross asking \$psf/year.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Tampa Bay economy surged over the past year, adding +30,400 jobs for an annual growth rate of 2.3%. The unemployment rate in Tampa/Hillsborough County fell by -50 basis points (bps) over the past twelve months to 3.2%. The Financial Activities sector, which added 8,900 for an annual increase of +7.7%, had the highest annual job growth rate when compared to all other Florida metro areas.

Market Overview

The overall vacancy rate for office in Hillsborough County fell over the past twelve months by -160 bps to 10.9%, the lowest vacancy rate since year-end 2006. For Class A space, tenant demand and absorption pushed overall vacancy rates to 7.8%, the lowest Class A overall vacancy rate in over 20 years. In the CBD, the overall vacancy rate saw a -240 bps drop to 11.3% which pushed occupancy to its highest point in nine quarters.

Full service overall rents increased by +5.2% year-over-year to \$25.39 per square foot (psf), with overall rates in Class A up +5.1% to \$29.91 psf. The second quarter of 2018 had direct Class A rents that averaged over \$30.00 psf in Tampa/Hillsborough history. Class A rates were bolstered by gains in the CBD and Westshore submarkets which saw year-over-year increases of +5.4% and +5.5%, respectively. Decreasing vacancies, strong tenant demand, and investments in common area improvements raised confidence by CBD and Westshore landlords to increase asking rents which should continue through the rest of 2018.

Leasing activity remained strong in the first six months and provided a strong pipeline for future absorption through the end of the year. To date, 1.3 million square feet (msf) was leased, with suburban submarkets making up the bulk of transactions and only 13.5% in the CBD. Overall absorption in the market was up through the second quarter, totaling over +252,000 sf, approximately three times the absorption figures through the first half of 2017.

New office construction took off in the second quarter. A 150,000-square-foot (sf) build-to-suit office project for AAA was delivered in the Northwest submarket while PwC and landlord MetLife broke ground on a 250,000-sf speculative office building in Westshore. Increased tenant demand and improving market fundamentals continue to push developers to announce several new traditional office or mixed-used projects in the region that could catapult Tampa to the forefront of new office construction in the state.

Outlook

The Tampa/Hillsborough County office market posted strong market fundamentals through the first half of 2018 with rents trending upwards on shrinking vacancies. Cushman & Wakefield anticipates rents to continue to push north and for Class A space to possibly average in the \$33.00 to \$35.00 psf range within the next eight-to-twelve months, making financing for additional new construction more viable.

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CUSHMAN & WAKEFIELD

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	19,525	662,279	11.3%	27,167	87,393	174,800	0	\$27.43	\$31.11
Westshore	12,584,413	196,847	1,169,332	10.9%	-56,221	-153,785	787,249	250,000	\$27.83	\$31.98
Northwest	4,273,183	35,244	374,808	9.6%	171,961	179,220	74,787	0	\$22.33	\$23.94
I-75 Corridor	7,405,990	3,818	893,539	12.1%	58,961	120,556	221,423	0	\$21.73	\$24.94
Southwest	361,242	725	22,524	6.4%	-655	4,231	19,882	0	\$21.39	\$0.00
Hyde Park	335,456	0	5,075	1.5%	9,745	10,728	15,310	0	\$26.00	\$0.00
Ybor City	192,517	12,493	2,599	7.8%	4,096	4,096	9,294	0	\$24.00	\$0.00
Non CBD	25,152,801	249,127	2,467,877	10.8%	187,887	165,046	1,127,945	250,000	\$24.89	\$29.51
TAMPA TOTALS	31,170,791	268,652	3,130,156	10.9%	215,054	252,439	1,302,745	250,000	\$25.39	\$29.91

*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	202,841	1,031,541	7.8%	102,161	193,178	630,443	250,000	150,000	\$30.22
Class B	11,941,446	65,086	1,751,296	15.2%	56,607	(7,275)	561,155	0	0	\$23.99
Class C	3,414,162	725	347,319	10.2%	56,286	66,536	111,147	0	0	\$17.46

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
18205 Crane Nest Drive	60,794	MetLife	Renewal*	I-75 Corridor
4030 West Boy Scout Boulevard	55,456	Atkins North America	Renewal*	Westshore
4221 West Boy Scout Boulevard	30,006	Nex-Tech	New	Westshore
4301 Anchor Plaza Parkway	24,903	Connectwise	Renewal*	Westshore

*Renewal – Not included in Leasing Activity Statistics.

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3611 Queen Palm Drive	97,527	Bridge Investment Group/Real Estate Value Advisors	\$15,225,000/\$156	I-75 Corridor
405 North Reo Street	76,414	TA Realty/America's Capital Partners	\$9,500,000/\$124	Westshore

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