Market Review & Outlook

Review: Rents Push Higher, Particularly in CBD

Corporate relocations, coupled with expansion among local firms, have boosted hiring and leasing in the Tampa Bay region. The cost of leasing space in the top-tier buildings in the Tampa CBD and Westshore posted its sharpest increase in several years as landlords achieved higher occupancy.

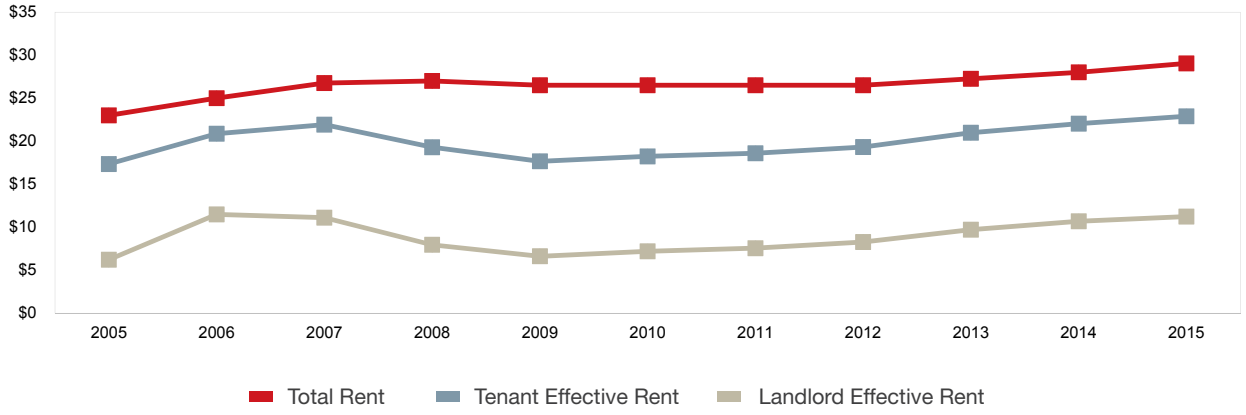
	2015	% Change
Net Rent	$17.69	5.0
Operating Expenses	5.75	1.8
Real Estate Taxes	3.10	3.3
Tenant Electricity	2.50	0.0
Total Rent	29.04	3.7
Amortized Concessions	-6.14	2.9
Tenant Effective Rent	**22.90**	**3.9**
Landlord Effective Rent	**11.24**	**5.2**

Outlook: Another Year of Rental Rate Growth

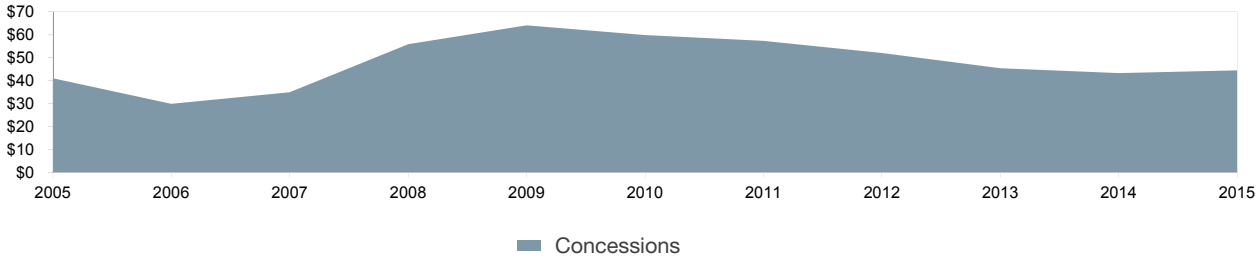
Tampa Bay appears to be poised for sustained demand and further declines in availability during 2016. Another year of 5.0% rental rate growth is likely.

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Rent Trends



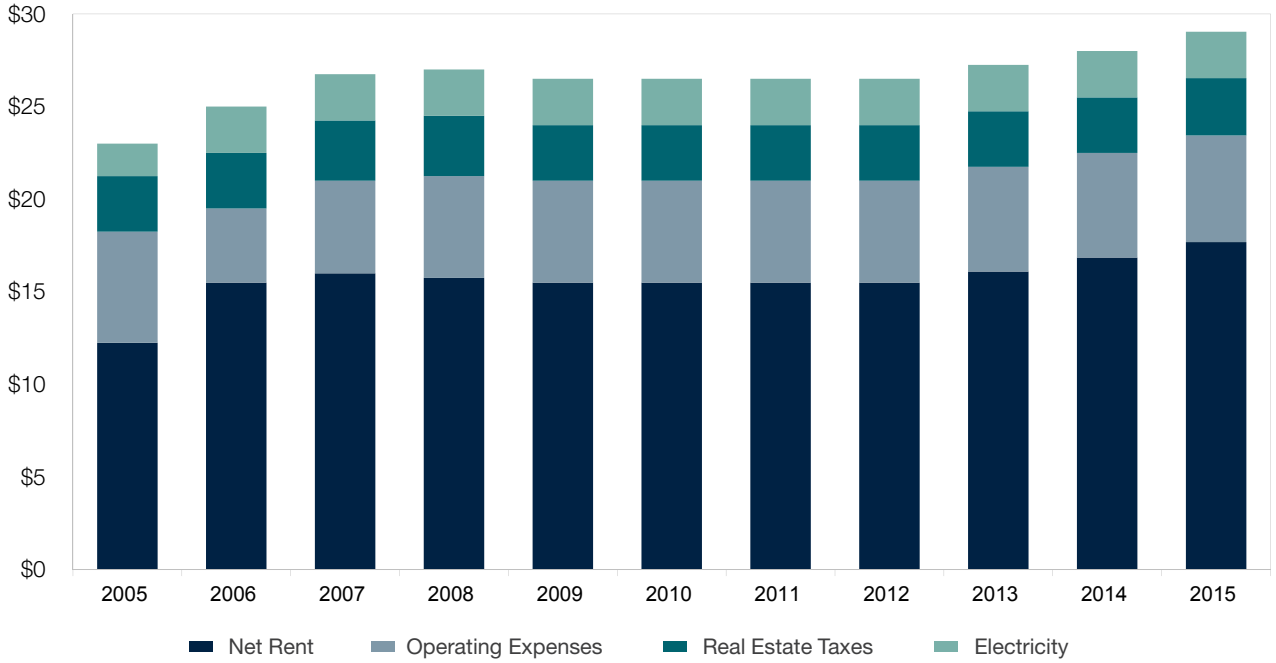
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Total Rent	$23.00	$25.00	$26.75	$27.00	$26.50	$26.50	$26.50	$26.50	$27.25	$28.00	$29.04	3.7%	1.8%	2.4%
Tenant Effective Rent	$17.34	$20.86	$21.92	$19.29	$17.65	$18.23	$18.59	$19.31	$20.98	$22.03	$22.90	3.9%	4.7%	2.8%
Landlord Effective Rent	$6.22	$11.48	$11.10	$7.94	$6.61	$7.19	$7.55	$8.27	$9.71	$10.68	$11.24	5.2%	9.3%	6.1%



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Concessions	$41.00	$30.00	$35.00	$55.88	$64.12	$59.92	$57.29	$52.08	$45.46	$43.25	$44.52	2.9%	-5.8%	0.8%
Concessions/Rent Ratio*	24.6%	16.6%	18.1%	28.6%	33.4%	31.2%	29.8%	27.1%	23.0%	21.3%	21.2%	-0.1		

* Equals amortized concessions as a percentage of total rent.

Total rent rose by 3.7% to $29.04, its biggest annual increase since 2007. Net rent increased for the third consecutive year, rising by 5.0% from $16.85 to $17.69. Operating expenses and real estate taxes posted increases, but tenant electric was unchanged. While Class A buildings that traded during the year experienced a whopping 29% average increase in real estate taxes, the Class A market averaged a mere 3.3% increase. Generally, landlord concession packages remained unchanged relative to rent. Tenant effective rent averaged $22.90, a year-on-year increase of 3.9%. Landlord effective rent jumped by 5.2% to $11.24.



												Average Annual Change		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2014-2015	2010-2015	2005-2015
Net Rent	$12.25	$15.50	$16.00	$15.75	$15.50	$15.50	$15.50	$15.50	$16.10	$16.85	$17.69	5.0%	2.7%	3.7%
Operating Expenses	$6.00	$4.00	$5.00	$5.50	$5.50	$5.50	$5.50	$5.50	$5.65	$5.65	$5.75	1.8%	0.9%	-0.4%
Real Estate Taxes	$3.00	$3.00	$3.25	$3.25	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00	$3.10	3.3%	0.7%	0.3%
Electricity	$1.75	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	0.0%	0.0%	3.6%
Total Rent	**$23.00**	**$25.00**	**$26.75**	**$27.00**	**$26.50**	**$26.50**	**$26.50**	**$26.50**	**$27.25**	**$28.00**	**$29.04**	**3.7%**	**1.8%**	**2.4%**

Lease Terms/Concessions

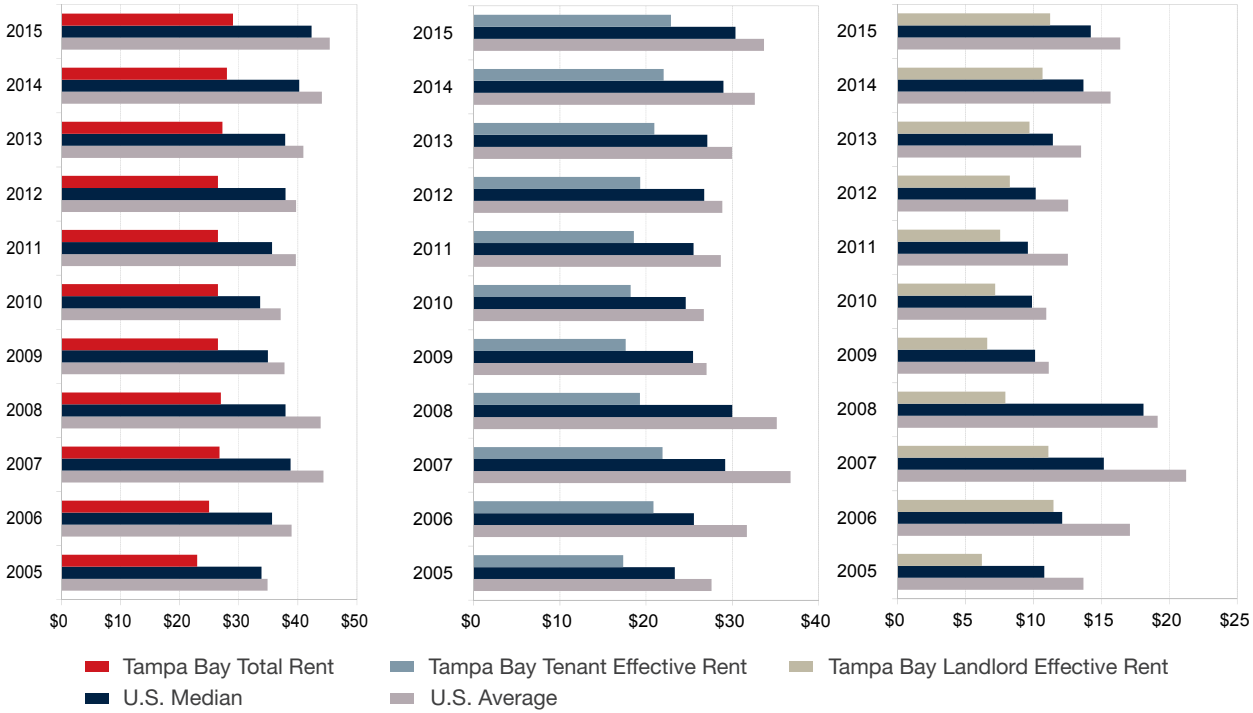
Review: Concession Packages Decline
Landlords continued to offer the same concession packages as they strove to push landlord effective rent higher and boost real estate values.

Leases Under 50,000 sf	
Average Term:	5-7 years
Free Rent:	4-6 months
Tenant Improvements:	$30.00-$35.00/sf
Parking:	1 space/1,000 sf

Leases Over 50,000 sf	
Average Term:	7-10 years
Free Rent:	7-9 months
Tenant Improvements:	$35.00-$45.00/sf
Parking:	1 space/1,000 sf

Outlook: Additional Effective Rent Increases
With the supply of bigger blocks of quality space somewhat limited and new properties a couple of years from delivering, tenants will encounter at least another year of rising occupancy costs.

Local & U.S. Historical Rent Trends



Total Rent^

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tampa Bay	$23.00	$25.00	$26.75	$27.00	$26.50	$26.50	$26.50	$26.50	$27.25	$28.00	$29.04
U.S Median	$33.88	$35.66	$38.79	$37.92	$34.95	$33.63	$35.65	$37.93	$37.85	$40.24	$42.32
U.S Average	$34.87	$38.96	$44.33	$43.88	$37.75	$37.11	$39.68	$39.70	$40.92	$44.07	$45.38

Tenant Effective Rent

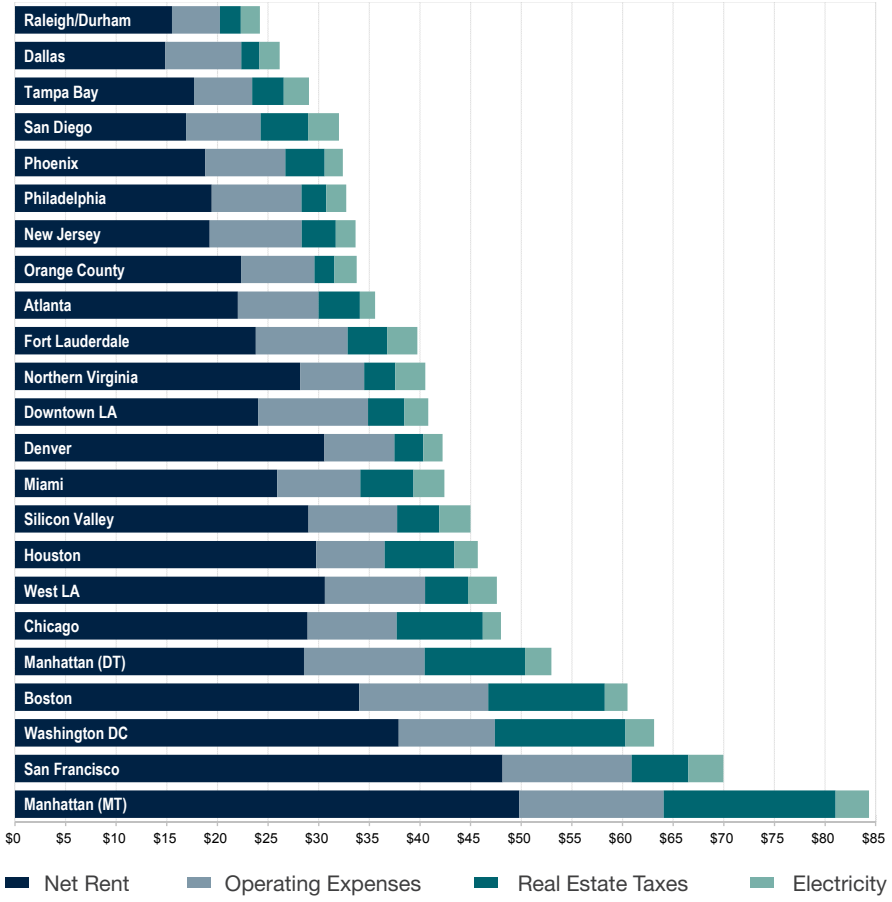
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tampa Bay	$17.34	$20.86	$21.92	$19.29	$17.65	$18.23	$18.59	$19.31	$20.98	$22.03	$22.90
U.S Median	$23.34	$25.55	$29.18	$30.01	$25.45	$24.61	$25.51	$26.75	$27.11	$28.99	$30.36
U.S Average	$27.60	$31.70	$36.76	$35.16	$27.02	$26.72	$28.68	$28.85	$29.98	$32.63	$33.70

Landlord Effective Rent

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tampa Bay	$6.22	$11.48	$11.10	$7.94	$6.61	$7.19	$7.55	$8.27	$9.71	$10.68	$11.24
U.S Median	$10.80	$12.11	$15.19	$18.10	$10.12	$9.90	$9.60	$10.16	$11.44	$13.69	$14.23
U.S Average	$13.68	$17.11	$21.24	$19.15	$11.13	$10.94	$12.54	$12.57	$13.51	$15.68	$16.39

^ All rents are unweighted. See National SERI for weighted averages.

Rent Components



Since 1995, the Savills Effective Rent Index (SERI) has been providing the real estate industry's only comprehensive, in-depth study of effective rental rate trends for prime Class A office properties in the nation's major Central Business Districts (CBDs) and selected suburban markets. Using actual completed transaction data as its source, the SERI report offers "real world" numbers that reflect negotiated terms, including lease concessions and operating expense information. All numbers in this report are based on larger long-term direct leases signed in the highest-caliber Class A properties located in Tampa Bay.

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Glossary

Concessions: Includes the tenant improvement allowance plus the value of the rental rate abatement. Amortized concessions are amortized over the average market lease term, using beginning-of-period payments.

Landlord Effective Rent: An estimate of rent received from a tenant less related expenses.

Net Rent: The gross rental rate exclusive of the tenant's proportionate share of real estate taxes, operating expenses and tenant electricity.

Operating Expenses: Includes (1) heating, ventilation and air conditioning (HVAC); (2) maintenance; (3) common area utilities and electricity; (4) cleaning; and (5) all other non-capital costs associated with the operation of a building.

Real Estate Taxes: Local real estate taxes exclusive of special assessments and other one-time charges.

Tenant Effective Rent: An estimate of the actual cost of occupancy for the tenant. The calculation is the total rent minus amortized lease concessions.

Tenant Electricity: Payments made by the tenant, whether to the landlord or public utility, or by the landlord as a general building expense, for the electrical power utilized within a tenant's premises, exclusive of building HVAC.

Total Rent: The sum of the four rental rate components: net rent, operating expenses, real estate taxes and electricity.

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