

Savills Studley Report Tampa Bay office sector

Q2 2018



SUMMARY

Market Highlights

LEASING RISES

Tenants leased 4 million square feet (msf) during the last four quarters, a 19.1% jump compared to a year ago and 21% above the market's long-term annual average.

AVAILABILITY FALLS

Following a quarter with little change, Tampa Bay's overall availability rate decreased by 50 basis points to 14.7% in the quarter, and has fallen by 160 basis points year-on-year. Despite a slight uptick in the Class A rate to 12.6%, tenants seeking larger blocks of quality product have limited options. Conditions are the

most challenging they have been since the peak of the last cycle in 2008.

JUMP IN RENT

The overall average asking rent posted a 4.2% quarter-on-quarter increase to \$23.77. The average Class A asking rent rose by 2.9% to \$28.98 and has spiked by 7.9% compared to mid-year 2017.

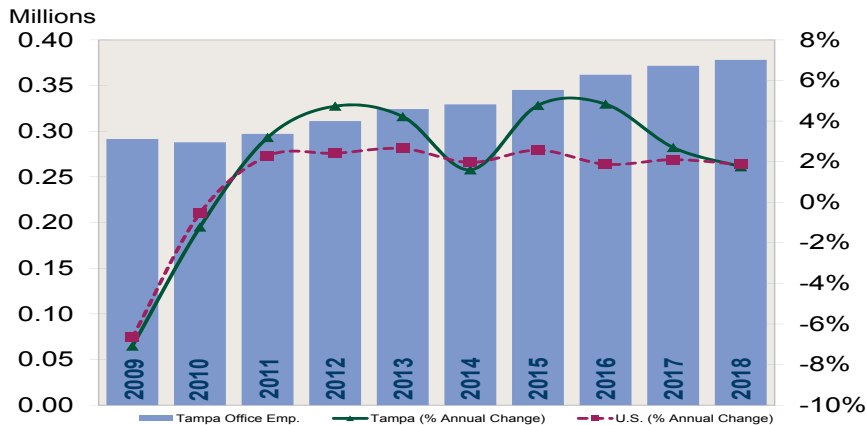
SALES DOWN

Office property sales during the last six months (through May 2018) totaled \$367 million, a 45% decrease compared to the previous six-month total of \$672 million.

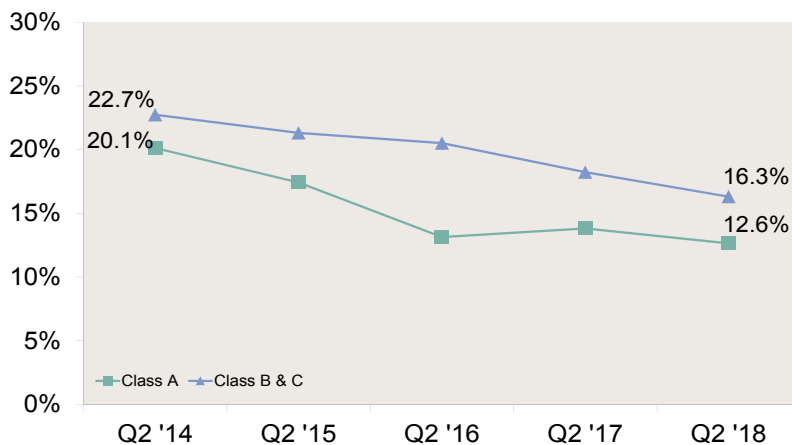
"Availability across the region fell to its lowest point since year-end 2008. Long awaited new development activity is gearing up with projects in Downtown Tampa, Westshore and South Tampa. All promise to increase the options that tenants have to consider."

Cheri M. O'Neil,
Senior Vice President

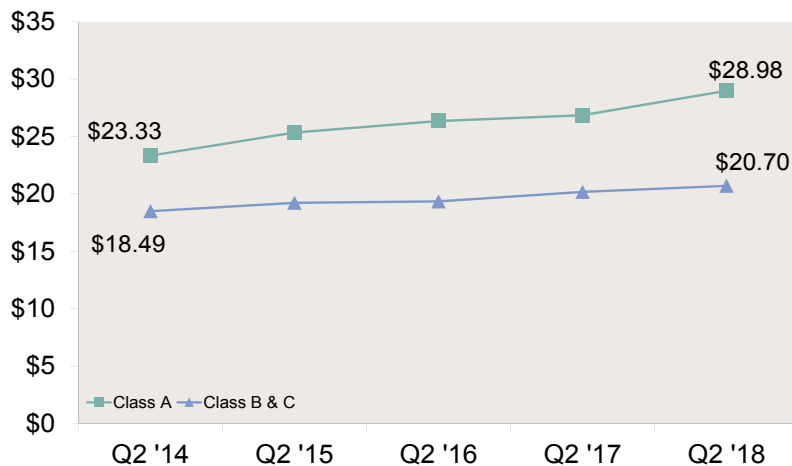
Office-Using Employment Trends

Source: Bureau of Labor Statistics^A

Availability Rate Trends



Asking Rent Trends (\$/sf)



Market Confidence Remains Elevated

The Tampa Bay region hit some new high points at mid-year and confidence is high. The overall availability rate fell to 14.7% in the quarter, the lowest mark since year-end 2008 and a big drop from the peak mark of 24.3% in late 2012. The steady decline in the last several years has come from a combination of controlled construction activity and steady payroll expansion. Job growth in Tampa Bay has been sustained – over the last 12 months overall employment has jumped by 3.1% – compared to a national growth rate of 1.8%. The region's unemployment rate fell to 3.2%, well below the national rate of 3.9%. Many area employers face the challenge of finding qualified candidates. Tampa Bay was second to Orlando in terms of job growth in Florida. It may have been held back by labor supply, the region was top in the state for job openings with 44,000 positions with more than 14,000 in STEM fields.

Healthcare continues to drive area payroll expansion and demand for office space. Humana announced that it will add 100 full-time employees in Tampa at Netpark (5701 E. Hillsborough Avenue). The healthcare company is bolstering its staff of telesales specialists. Another Tampa Bay-based giant, WellCare Health Plans will be growing following an acquisition. The company announced it will buy Meridian, a Michigan-based company, giving WellCare 1.1 million more healthcare plan members.

Acquisitions and Relocations Drive Growth

The Mosaic Group announced plans to move its corporate headquarters to the region. The Minnesota-based mining company already employs 3,000 people in Florida as well as another 3,000 contractors. It acquired a Brazilian mining firm in Florida back in 2014.

The region's financial sector is seeing some modest growth. Following major infrastructure improvement plans in Carillon, Raymond James announced that it will add 650 jobs in St. Petersburg. Already the largest private employer in St. Petersburg, the wealth advisory firm now owns more than 1.2 msf and has over 4,400 employees on the massive campus. The company has grown from five employees originally in 1962 to its current levels. Road improvements are intended to address rush hour delays. Also, private equity firm Directed Capital announced plans to move into a full-floor, 13,460 sf space at Morgan

Stanley Tower in Downtown St. Petersburg. The company is doubling its size in the relocation from a nearby building. A company spokesperson noted that the new facility will help them in the recruitment and retention of staff.

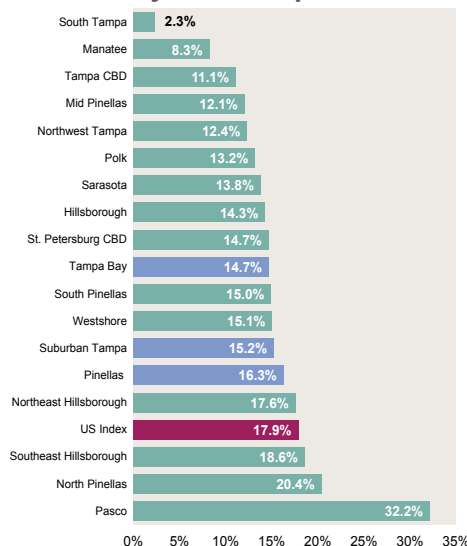
Competitive Product to Emerge Soon

Conditions remain tight. The market's largest announced developments are 18 to 24 months from delivering. Highwoods Properties' recent rezoning request to the city, an indication that it is ready to jump into the construction fray, was no surprise. The rezoning will enable them to add a new seven-story, 207,966-sf sister building to Bay Center I on the Westshore waterfront. In addition to the construction of the new building, Highwoods also wants to expand the parking garage. Speculation is building that the developer must have a tenant in hand. Additionally the Jacobson family is marketing the development of a new 102,355-sf, eight-story building in South Tampa across from the Crown Building at 3825 Henderson Boulevard. Pricing for the new deliveries will likely reach the low \$40/sf range (full service).

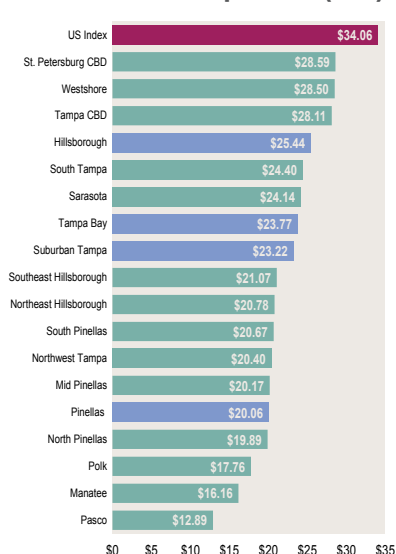
Similarly, another developer in Westshore is assembling land to increase the size of its project. Bromley Cos. recently acquired a critical parcel of nearly one acre adjacent to its 22-acre Midtown project located at North Dale Mabry Highway and West Cypress Street. The New York-based developer paid \$10.5 million for the parcel known as the Circle K store property – a hefty price for a prime piece of the developer's overall plan. The parcel will eventually house a Whole Foods Market as well as a five-story parking garage and 71 surface parking spaces for the grocery store. Bromley Companies recently secured a key rezoning approval from the Tampa City Council for its 1.8-msf mixed-use project. Bromley also signed agreements with residential developer Crescent Communities, who will lead the multi-family work on NOVEL Midtown Tampa.

St. Petersburg business leaders are eager to make sure that with all of the attention on these Westshore developments, as well as Downtown Tampa's future growth in the 9 msf Water Street project backed by Jeff Vinik, and the impressive Riverwalk project, that they do not lose out in the competition for businesses. Controlled construction in St. Petersburg has contributed to a sub-15.0% availability rate. St. Petersburg has merely 1.2 msf of Class A inventory, with

Availability Rate Comparison



Rental Rate Comparison (\$/sf)



Major Transactions

Tenant	Sq Feet	Address	Market Area
Humana	77,050	5701 E Hillsborough Ave	Northeast Hillsborough
Baycare	73,511	3503 E Frontage Road	Westshore
Greenway Health	28,713	4030 W Boy Scout Blvd	Westshore
Newport Group	27,818	3201 34th Street S	South Pinellas
Accxx Communications	21,000	4035 Tampa Rd	North Pinellas
Chapters Health	14,205	4200 W Cypress St	Westshore
Warren Averett	13,657	400 N Ashley Dr	Tampa CBD
Directed Capital	13,460	150 2nd Ave N	St. Petersburg CBD
Webstaurant	11,452	7702 Woodland Center Blvd	Northwest Tampa
Attorney General Office	10,643	3507 E Frontage Rd	Westshore
Sum of Leases	291,509	Sum of 2nd Quarter Leasing	826,729 SF

less than 300,000 sf available for lease.

City officials are ready to increase this stock and are focused on attracting corporate tenants. The perception of local residents and community groups is that Downtown St. Petersburg is already a very livable, thriving city rich with culture and entertainment, but municipal leaders are optimistic about increasing commercial growth to also support a work environment.

Demand for developable sites in suburban locations is rising. A Miami-based investor paid \$21.8 million (\$120.32/sf) for Lakeview Center. The 181,180-sf building is located about 1.5 miles from the Florida State Fairgrounds in Southeast Hillsborough. The seller spent \$3 million on renovations in recent years. The 19.3-acre site is entitled for another 190,000 sf of future development, which could be a boon in a submarket with no imminent developments in play. The seller bought the property for \$13.7 million in 2014.

Looking Forward

The area's appetite for well-located office, residential and retail space continues. The seemingly unwavering demand is behind many exciting projects outside of the office realm. This includes the \$750 million Westshore-Marina District, a mixed-used project in South Tampa by Fort Lauderdale-based master developer BTI Partners, as well as New York-based RD Management's plans to transform the vacant University Mall in Northeast Hillsborough into a new multi-story, open air development. Rebranded as Uptown, the complex will include retail, entertainment, hospitality, education, medical office and residential uses. The long list of emerging projects – Water Street, Midtown and Riverwalk and the aforementioned – all illustrate a continued confidence and commitment by major players in the future growth of the region.

Map	Submarket	Total	Leasing Activity	Available SF			Availability Rate			Asking Rents Per SF		
		SF (1000's)	Last 12 Months	This Quarter	% Change from Last Qtr.	Year Ago	This Quarter	pp Change from Last Qtr. ⁽¹⁾	Year Ago	This Quarter	% Change from Last Qtr.	Year Ago
1	Tampa CBD	6,467	509	719	-9.9%	1,073	11.1%	-1.2%	16.5%	\$28.11	1.2%	\$26.64
	Tampa CBD - Class A	3,890	397	404	-12.9%	570	10.4%	-1.5%	14.6%	\$30.61	2.1%	\$29.63
2	Westshore	12,859	1,447	1,938	9.1%	2,003	15.1%	1.0%	15.9%	\$28.50	3.7%	\$25.92
	Westshore - Class A	7,324	852	1,106	20.3%	1,019	15.1%	2.1%	14.4%	\$32.74	2.6%	\$29.28
3	Southeast Hillsborough	3,524	191	655	25.3%	984	18.6%	3.8%	13.7%	\$21.07	13.7%	\$18.11
	Southeast Hillsborough - Class A	1,085	68	80	6.0%	483	7.4%	0.4%	5.7%	\$25.10	1.1%	\$22.57
4	Northeast Hillsborough	4,275	149	752	-25.5%	421	17.6%	-6.0%	17.9%	\$20.78	1.8%	\$19.97
	Northeast Hillsborough - Class A	2,109	66	200	-21.8%	767	9.5%	-2.7%	12.8%	\$25.32	-2.0%	\$24.81
5	Northwest Tampa	3,795	607	469	-10.7%	497	12.4%	-1.6%	18.0%	\$20.40	8.2%	\$18.45
	Northwest Tampa - Class A	1,385	333	69	-18.8%	677	5.0%	-1.1%	5.7%	\$25.18	7.2%	\$21.96
6	South Tampa	946	73	22	-55.8%	599	2.3%	-3.0%	5.0%	\$24.40	-15.6%	\$21.39
	South Tampa - Class A	111	29	0	N/A	48	0.0%	-19.9%	0.0%	N/A	N/A	N/A
7	St. Petersburg CBD	2,251	146	330	4.8%	48	14.7%	0.7%	13.3%	\$28.59	5.3%	\$25.35
	St. Petersburg - Class A	1,224	125	279	8.8%	4,970	22.8%	1.8%	17.9%	\$28.83	1.2%	\$27.12
8	Mid Pinellas	3,881	172	469	-14.6%	2,971	12.1%	-2.3%	17.5%	\$20.17	1.7%	\$21.91
	Mid Pinellas - Class A	1,170	74	55	70.2%	667	4.7%	1.9%	17.7%	\$23.22	12.2%	\$25.01
9	North Pinellas	4,364	276	890	4.6%	460	20.4%	0.4%	18.9%	\$19.89	1.2%	\$19.70
	North Pinellas - Class A	1,646	99	263	-1.3%	802	16.0%	-0.2%	13.5%	\$23.07	6.9%	\$21.14
10	South Pinellas	1,073	125	160	-13.6%	579	15.0%	-2.7%	14.1%	\$20.67	4.3%	\$16.76
	South Pinellas - Class A	316	N/A	N/A	N/A	148	N/A	N/A	0.0%	N/A	N/A	N/A
11	Manatee	1,109	44	92	-16.8%	148	8.3%	-1.5%	11.3%	\$16.16	-1.7%	\$17.49
	Manatee - Class A	136	0	0	N/A	1,723	0.0%	0.0%	0.0%	N/A	N/A	N/A
12	Pasco	649	29	209	0.6%	1,293	32.2%	0.2%	32.4%	\$12.89	-0.8%	\$15.26
	Pasco - Class A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	Polk	1,403	25	185	0.7%	81	13.2%	0.1%	16.8%	\$17.76	6.5%	\$17.67
	Polk - Class A	258	10	58	1.0%	128	22.5%	0.2%	33.0%	\$20.55	-0.2%	\$20.53
14	Sarasota	4,020	200	556	-0.9%	128	13.8%	-0.1%	16.0%	\$24.14	14.6%	\$23.95
	Sarasota - Class A	1,359	54	212	12.6%	210	15.6%	1.8%	20.1%	\$25.62	30.1%	\$25.90
1-6	Hillsborough Total	31,866	2,976	4,555	-2.7%	4,970	14.3%	-0.5%	15.7%	\$25.44	4.2%	\$23.67
	Hillsborough Total - Class A	15,904	1,744	1,859	2.1%	1,999	11.7%	0.1%	12.8%	\$30.68	2.2%	\$28.39
8-10	Pinellas Total	9,318	573	1,520	-4.2%	1,723	16.3%	-1.1%	18.9%	\$20.06	1.7%	\$20.21
	Pinellas Total - Class A	3,132	228	374	5.4%	429	11.9%	0.6%	13.7%	\$23.67	4.7%	\$23.01
2-14	Suburban Tampa Total	44,149	446	6,728	-1.7%	7,013	15.2%	-0.4%	16.1%	\$23.22	6.4%	\$21.54
	Suburban Tampa Total - Class A	18,123	189	2,378	7.4%	2,364	13.1%	0.7%	13.2%	\$28.65	3.9%	\$25.92
1-14	Tampa Bay Region Total	50,616	3,995	7,447	-2.6%	8,185	14.7%	-0.5%	16.3%	\$23.77	4.2%	\$22.60
	Tampa Bay Region Total - Class A	22,013	2,161	2,782	3.9%	3,005	12.6%	0.3%	13.8%	\$28.98	2.9%	\$26.85

Please contact us for further information

Savills Studley

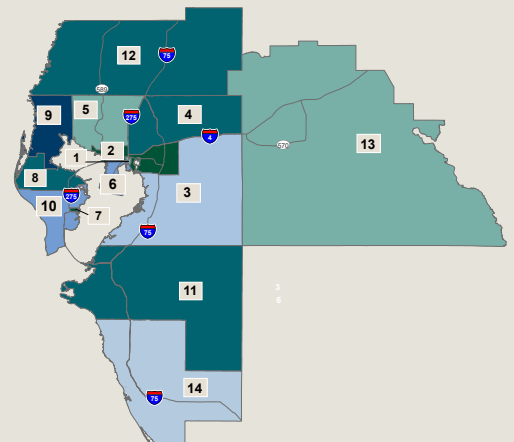
4830 West Kennedy Blvd.
Suite 700
Tampa, FL 33609
(813) 675-7070

Branch Manager

Cheri M. O'Neil, CPM, CCIM
Senior Vice President
coneil@savills-studley.com

Corporate Research Contact

Amy Novak
Marketing & Research Manager
anovak@savills-studley.com



(1) Percentage point change for availability rates.

Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf.

Statistics are calculated using both direct and sublease information.

Short-term sublet spaces (terms under two years) were excluded.

^Unless otherwise noted, source for data is Savills Studley.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Statistics compiled with the support of The CoStar Group.

Copyright © 2018 Savills Studley