



Tampa Bay has a strong first quarter, but the market is bracing for COVID-19 impact

The novel coronavirus pandemic has caused widespread disruption to lives and businesses all across Tampa Bay. Prior to any COVID-19 related effects, the quarter ended on stable footing, but dynamics could change as clarity around ongoing impact of the pandemic unfolds. Overall availability in Tampa Bay ended the first quarter at 15.3% identical to the prior quarter's availability and a year-over-year increase of 0.9%. With a robust number of new buildings under construction, Tampa's overall Class A asking rents held firm at just under \$31.00 per square feet (psf). As the market prepares for the impact of the rapidly changing circumstances, it is expected that availability will continue to increase with right-sizing, downsizing, and closures sure to come from a crisis of this scale.

Leasing down slightly, new construction to deliver soon

Office demand in Tampa Bay dropped slightly in the first quarter with occupiers leasing 1.1 million square feet (msf), a 14.2% decrease from last quarter. However, several large tenants were active, including Florida Blue signing a 49,509-sf lease at 2203 N Lois Avenue and Industrious taking 44,000 sf at 615 Channelside Drive, now known as Sparkman Wharf. Sparkman Wharf is an exciting redevelopment project within Water Street Tampa. The Westshore Class A sector remained strong in the first quarter with a 5.6% decrease in available space. The same held true for the Tampa CBD Class A submarket with a huge 16.7% drop in availability from the fourth quarter. Tampa tenants may seek opportunities in older buildings as owners try to fill the large vacancies left behind in the tenant flight to quality, particularly now entering a period of economic uncertainty.

Even amidst uncertainty, tenant opportunity persists

As the world navigates the uncertain and constantly evolving pandemic impact, some positives can come out of this situation. Although a massive threat to the global economy, COVID-19 may create some unexpected opportunities for tenants now, and in the aftermath. Tampa Bay has experienced steadily increasing rental rates over the last decade and is just now seeing the first new construction in 25 years in its two biggest submarkets. Going forward, owners will likely be more apt to lower rental rates, increase tenant concessions, and offer more favorable lease terms to ensure they attract and keep building occupiers.

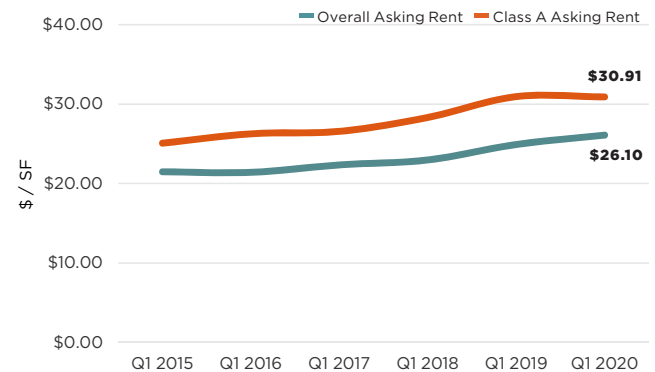
Outlook

- Despite world events, development continues to be active, especially at the Water Street, Midtown Tampa, University of South Florida Research Park and Tampa International Airport projects
- Uncertainty lingers as the impacts from COVID-19 continue to evolve, and the resulting effects on business operations is likely to spur changes to physical workspace
- Tenants looking to restructure leases or downsize should anticipate more favorable conditions as both direct vacancy and sublease options are expected to rise

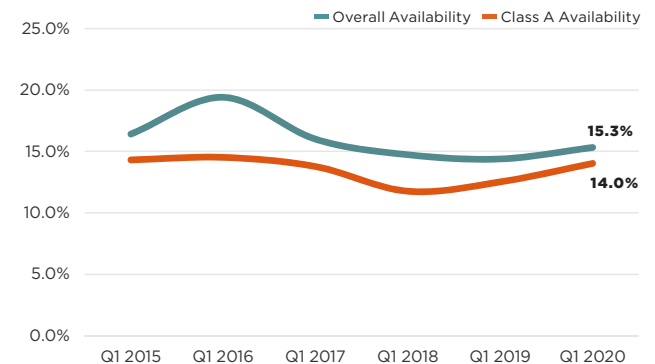
KEY STATISTICS

| | Q1 2019 | Q1 2020 | y-o-y Change |
|----------------------------|----------|-----------------|--------------|
| Inventory | 50.8 MSF | 51.1 MSF | ▲ |
| Availability Rate | 14.4% | 15.3% | ▲ |
| Asking Rental Rate | \$24.92 | \$26.10 | ▲ |
| Class A Asking Rental Rate | \$30.95 | \$30.91 | ▼ |
| Quarterly Leasing Activity | 1.1 MSF | 1.1 MSF | ◀▶ |

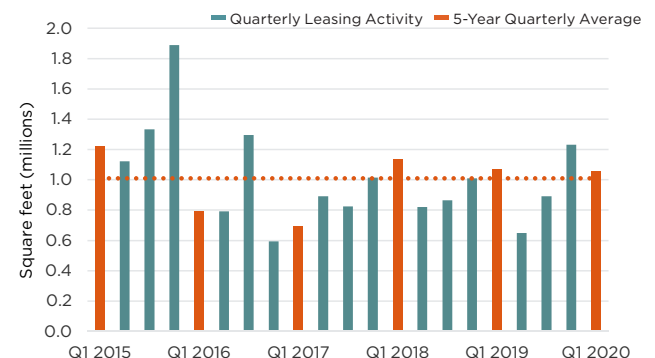
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

7 of 10

of major transactions were new locations

42.6%

of large transactions occurred in the Tampa CBD submarket

48.9%

Healthcare represented 48.9% of major transactions

| Tenant | Square feet | Address | Transaction type | Submarket | Industry |
|-----------------------------------|-------------|-----------------------------------|------------------|-----------------|--------------------|
| Zelis Healthcare | 55,000 | 570 Carillon Parkway | New Location | Mid Pinellas | Healthcare |
| Florida Blue | 49,509 | 2203 N Lois Avenue | Relocation | Westshore | Healthcare |
| Industrious | 44,000 | 615 Channelside Drive | New Location | Tampa CBD | Coworking |
| Datis HR Cloud, Inc | 19,618 | 100 S Ashley Drive | New Location | Tampa CBD | TAMI |
| Wow Business | 19,000 | 400 N Tampa Street | Renewal | Tampa CBD | TAMI |
| HMS | 14,258 | 4631 Woodland Corporate Boulevard | New Location | Northwest Tampa | Healthcare |
| Stoler Russell Keener Verona P.A. | 10,700 | 201 N Franklin Street | New Location | Tampa CBD | Legal Services |
| Keller Williams on the Water | 10,379 | 1549 Ringling Boulevard | New Location | Sarasota | Real Estate |
| Chessler Holdings | 10,198 | 50 Central Avenue | New Location | Sarasota | Financial Services |
| Anthony & Partners | 10,001 | 100 N Tampa Street | Relocation | Tampa CBD | Legal Services |

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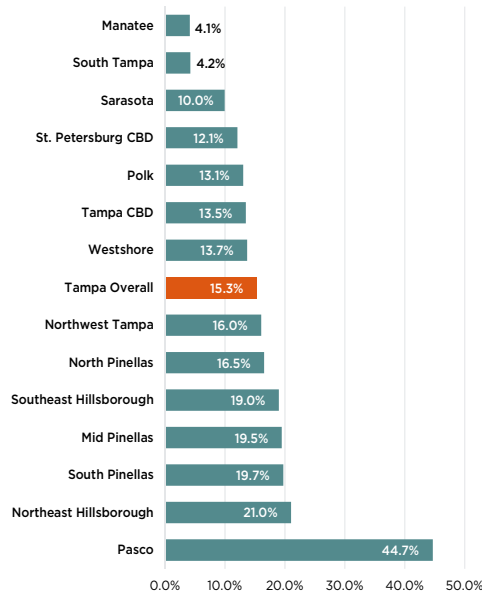
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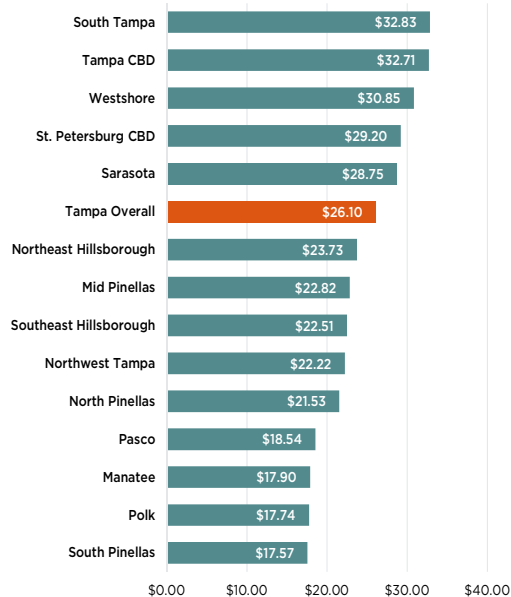
AVAILABILITY RATE COMPARISON

Tampa Bay Submarkets



RENTAL RATE COMPARISON (\$/SF)

Tampa Bay Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills research.

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