



Though relatively resilient, Tampa office market begins to show signs of slowdown

Although the Tampa Bay office market has not the same fallout that many other markets have since the onset of the global pandemic, some signs indicate that the market is slowing down. Class A sublease space increased by 10.1% quarter over quarter and a similar 4.5% uptick was seen in Class B/C sublet space. Though not yet dramatic, this upward trend will likely continue as decisions at the executive level, whether to maintain existing space or seek sublease relief, take time to put into action. Availability of Class A product jumped from 14.0% last quarter to 16.7% due to both space additions and new projects nearing delivery. Overall market availability increased from 15.3% to 16.6%. Cautious optimism remains, though many expect the next two quarters to be more telling of the pandemic's true impact than the past two quarters.

Leasing volume remains strong despite pandemic challenges

Leasing activity rebounded to the same level seen in Q1 with 1.1 million square feet (msf) leased over the quarter. Many large deals that began pre-COVID-19 were completed. In fact, several occupiers seeking more than 100,000 square feet (sf) signed large leases, including Maximus, with its 147,111-sf new lease at 5701 East Hillsborough Avenue; the FBI, which extended 137,023 sf at 5525 West Gray Street; and Ford Motor Company which renewed 120,500 sf at 3620 Queen Palm Drive. Short-term extensions accounted for the majority of activity aside from these leases and many forecast a slower end to the year.

Asking rents hold firm, even as market begins to slow

Despite these signs of a changing market, Tampa Bay landlords are holding firm on rents. New construction projects continue to ask top-of-market pricing, keeping overall asking rates elevated. Class A asking rents increased 1.0% over the quarter, now at \$31.22 per square foot (psf). Downtown Tampa Class A rents jumped by 3.0% from to \$37.25 psf in Q3. St. Petersburg Central Business District saw a similar 4.1% rise in the Class A sector, now at \$32.19 psf. Westshore Class A rates dipped 0.8%, however, from \$35.72 psf to \$35.44 psf quarter-over-quarter, which may lend further evidence to the market softening. Landlords are aggressively competing for credit-worthy tenants by offering extensive concession packages and increased flexibility, even as they remain steadfast on advertised rates.

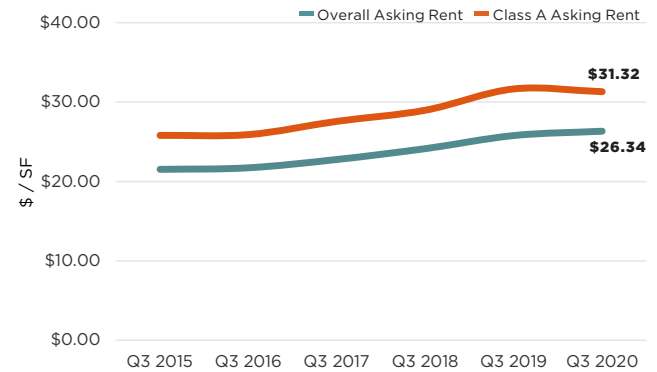
Outlook

- Businesses continue to evaluate real estate needs and landlords are stabilizing their rent rolls with short-term extensions and early renewals of sizable tenancies
- Landlords marketing message are shifting in awareness of the climate, with many touting virtual tours, social-distancing friendly spaces and private offices
- Tampa Bay's foundation of continued population and economic growth, along with historically solid market fundamentals should support a quicker rebound than many other markets

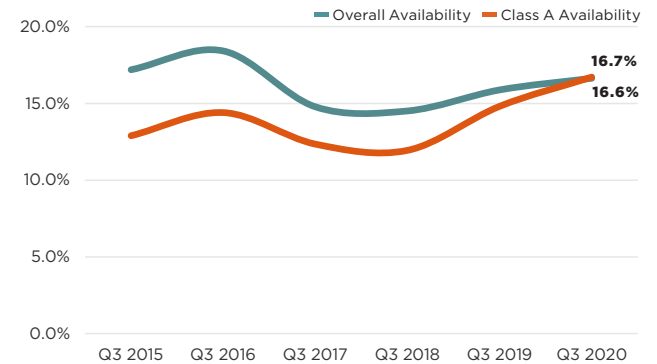
KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	50.9 MSF	51.7 MSF	▲
Availability Rate	15.9%	16.6%	▲
Asking Rental Rate	\$25.79	\$26.34	▲
Class A Asking Rental Rate	\$31.66	\$31.22	▼
Quarterly Leasing Activity	0.9 MSF	1.1 MSF	▲

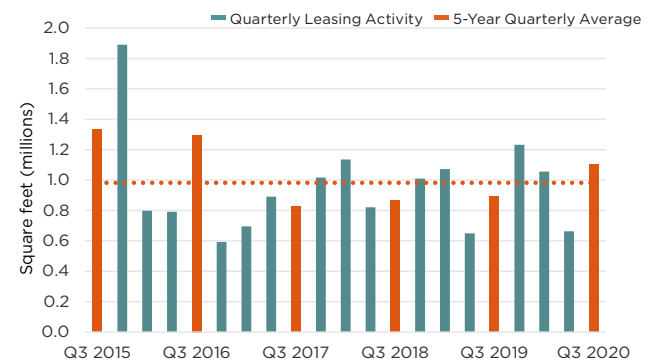
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

42.8%

of major transactions were new locations by square footage

29.3%

of large transactions occurred in the Southeast Hillsborough submarket by square footage

42.4%

Financial Services represented 42.4% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Maximus	147,111	5701 E Hillsborough Avenue	New Location	Northeast Hillsborough	Professional Services
FBI	137,023	5525 W Gray Street	Renewal	Westshore	Government
Ford Motor Credit Corporation	120,500	3620 Queen Palm Drive	Extension	Southeast Hillsborough	Financial Services
HCI Group, Inc	60,000	3802 Coconut Palm Drive	New Location	Southeast Hillsborough	Financial Services
USI Insurance Services	41,121	2502 N Rocky Point Drive	Renewal	Westshore	Financial Services
White & Case LLP	37,500	111 W Oak Avenue	New Location	Tampa CBD	Legal Services
Liberty Mutual	20,774	12906 Tampa Oaks Boulevard	Renewal	Northeast Hillsborough	Financial Services
Hercules Sealing Products	19,288	420 Park Place Boulevard	New Location	North Pinellas	Retail
Chubb	18,844	5100 W Lemon Street	Renewal	Westshore	Financial Services
Milliman	14,538	3000 Bayport Drive	Renewal	Westshore	Professional Services

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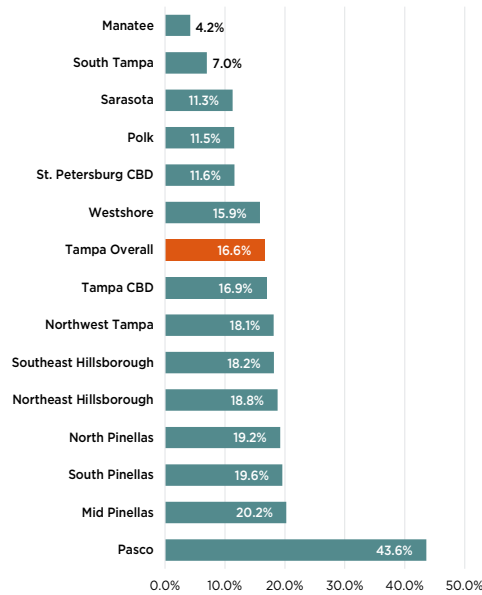
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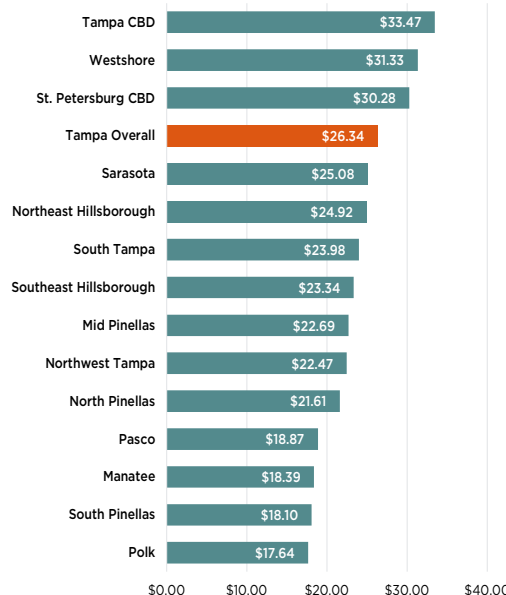
AVAILABILITY RATE COMPARISON

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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