Regional availability drops slightly over the quarter, still sees an annual increase

Overall availability in Tampa Bay ticked down 50 basis points over the quarter to 15.4%, but is still 140 basis points higher than it was in Q4 2018. Of the core submarkets, the Westshore submarket saw significant tightening in availability, declining 90 basis points over the quarter for both overall and Class A space to 13.4% and 12.4%, respectively. Similarly, the Tampa CBD submarket availability rate dropped 60 basis points overall over the quarter to 14.6%, but held fairly flat in Class A product, now at 18.9%.

Asking rents continue upward trend
Asking rents continue to rise across the Tampa Bay region, with overall asking rents increasing 1.6% quarter over quarter to $26.20 per square foot (psf). Class A rent growth was more muted, increasing by just 0.8% over the quarter to $31.71 psf. Asking rents in Tampa's Central Business District (CBD) grew by 1.5% to $34.89 psf, with Tampa CBD Class A rents showing just a slight uptick from $36.71 psf to $36.90 psf. Rents in the Westshore submarket followed similar trends, seeing an increase of 2.9% in overall rents to $31.43 psf, and a 2.7% increase in Class A rents to $35.53 psf.

Leasing activity steady and ending the year strong; investors attracted to region’s solid fundamentals

The fourth quarter reported 1.2 million square feet (msf) of leasing activity for the region — an increase of 38.0% compared to third quarter. Total leasing activity has been remarkably steady over the past two years with an annual total of 3.8 msf seen in both 2018 and 2019. Overall, leasing activity for the quarter centered around the Northeast Hillsborough submarket (235,901 sf), and the Westshore submarket (329,675 sf). Notable transactions executed included T-Mobile's lease of 140,360 sf at Netpark in Northeast Hillsborough and WellCare’s expansion into an additional 115,000 sf in the region — in an entire newly-constructed building at one of the healthcare giant’s existing campuses. Several portfolio sales occurred over the quarter, demonstrating continued investor attraction to Tampa’s solid fundamentals. Notably, Swiss-based Partners Group and Parkway Property investors jointly acquired five diverse office buildings (Class A and B from Tampa CBD and Westshore submarkets) with an overall occupancy rate of 91.0%.

Outlook

- Steady growth in asking rents is expected to continue as Tampa’s availability shows signs of leveling off with the fourth quarter
- Excitement is palpable as brand-new Class A office product, at both the massive Water Street project, Midtown Tampa, and other projects, will begin to deliver mid-2020 into 2021
- Investors will continue to seek out opportunities throughout the market as demand remains steady across the market
MAJOR TRANSACTIONS

47.9% of major transactions were new locations

34.4% of large transactions occurred in the Northeast Hillsborough submarket

41.6% TAMI represented 41.6% of major transactions

Tenant | Square feet | Address | Transaction type | Submarket | Industry
--- | --- | --- | --- | --- | ---
T-Mobile | 140,360 | 5701 E Hillsborough Avenue | Relocation | Northeast Hillsborough | TAMI
WellCare Health Plans | 115,000 | 8746 Henderson Road | New Location | Northwest Tampa | Healthcare
MetLife | 29,461 | 18205 Crane Nest Drive | Renewal | Northeast Hillsborough | Financial Services
BB&T | 51,513 | 400 N Tampa Street | Renewal | Tampa CBD | Financial Services
U.S. Imaging | 42,680 | 4502 Woodland Corporate Boulevard | New Location | Northwest Tampa | Healthcare
Health Insurance Innovations | 310,43 | 3109 W Dr Martin Luther King Boulevard | New Location | Westshore | Healthcare
Insight Enterprises | 29,395 | 3051 N Rocky Point Drive W | New Location | Westshore | TAMI
Knology Data Center Services | 19,000 | 400 N Tampa Street | New Location | Tampa CBD | TAMI
Quiet Professionals, LLC | 18,533 | 2701 N Rocky Point Drive | New Location | Westshore | Professional Services
Nextech | 16,879 | 4221 W Boy Scout Boulevard | Expansion | Westshore | TAMI

Source: Savills Research

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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