

MARKET REPORT

Office

Tampa-St. Petersburg Metro Area

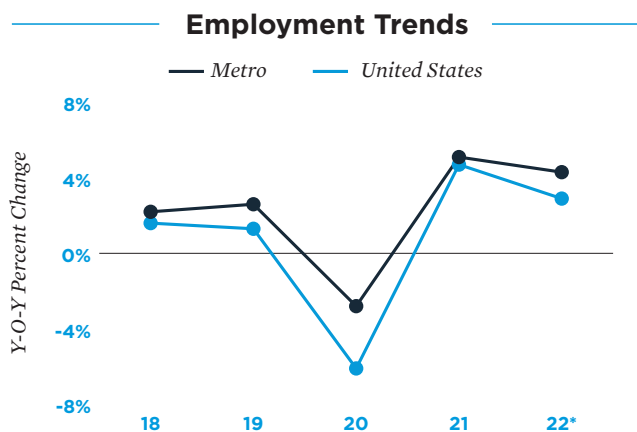
IPA
INSTITUTIONAL
PROPERTY
ADVISORS

4Q/22

Corporate Move-Ins and a Cautious Return to In-Person Work Revive Office Demand

Growing employers keep Tampa afloat through uncertainty. Multiple Fortune 500 companies call Tampa home, such as Publix, Jabil Inc. and The Mosaic Company, forming a strong core for office use. In addition, the metro has seen a bevy of new companies move in from the Northeast, such as the pharmaceutical giant Pfizer, which opened a new global capabilities hub in Tampa Heights last year. With Johnson & Johnson and Amgen both possessing nearby office locations, Central Tampa may attract additional biotech companies to the region. Pandemic-era migration trends have aided this movement, as firms look south for growing talent pools and lower operational costs. Availability in Tampa rose by only two-thirds of the national increase in 2020 and 2021, and the metro is expected to log its first vacancy decline this year since the onset of the pandemic.

Employee preferences impact office leasing. Suburban Tampa offices may have an edge in bringing workers back to in-person operations, leveraging shorter commute incentives. This dynamic is motivating some firms to occupy space in growing submarkets outside the CBD, specifically Sarasota-Bradenton. Here, tenants absorbed a net of over 500,000 square feet during the past year. This activity reduced vacancy to 5.0 percent, the lowest rate among all Florida submarkets with at least 5 million square feet of stock. While suburban offices may have the near-term advantage, demand is improving in the CBD. Central Tampa vacancy fell 150 basis points over the past year, following positive absorption across all property tiers.



* Forecast
Sources: BLS; CoStar Group, Inc.

Office 2022 Outlook



62,000

JOBS

will be created

EMPLOYMENT:

About 22,000 traditional office-using jobs will be created in 2022, making Tampa one of the fastest-growing markets in these fields. The employment base at large is being bolstered by leisure and hospitality, with 14,400 jobs added in the first eight months.



500,000

SQ. FT.

will be completed

CONSTRUCTION:

After nearly 2.8 million square feet was added over the past two years, development slows during 2022. Material and labor costs, along with an uncertain return to office, have heightened overbuilding concerns.



30

BASIS POINT

decrease in vacancy

VACANCY:

Vacancy has held in the low- to high-12 percent band since late 2020, even after nearly 2.2 million square feet was finalized during this span. A second year of positive net absorption will compress vacancy to 12.3 percent.



5.1%

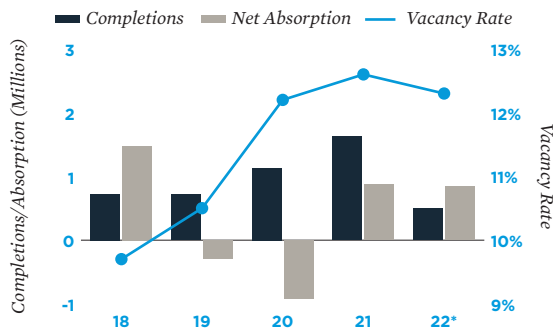
INCREASE

in asking rent

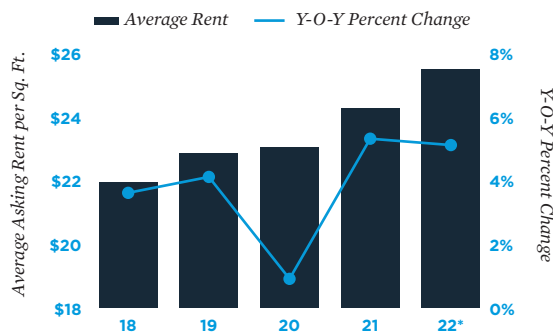
RENT:

The average asking rent will continue to climb, elevating to \$25.50 per square foot by the end of 2022. Spearheaded by comparable advances in the CBD and suburbs, Tampa will continue to report rent growth above pre-pandemic rates.

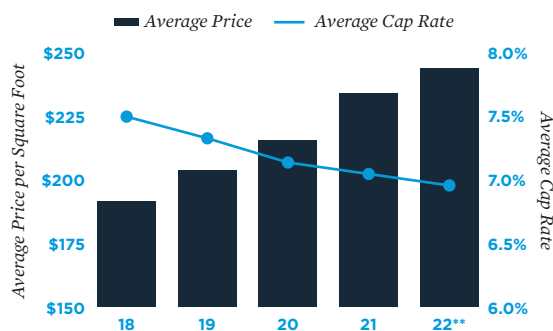
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

Tampa Office:

David Bradley Vice President, Regional Manager

201 North Franklin St, Suite 1100

Tampa, FL 33602

Tel: (813) 387-4700 | david.bradley@marcusmillichap.com

Prepared and edited by:

Kyle Chang

Research Associate | Research Services

For information on national office trends, contact:

John Chang

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | john.chang@ipausa.com

Price: \$250

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

© Marcus & Millichap 2022 | www.ipausa.com

2Q 2022 - 12-Month Period



CONSTRUCTION

742,000 sq. ft. completed

- Supply additions in Central Tampa accounted for more than half of the space finalized over the past 12 months ended in June, with the bulk of remaining square footage delivered in the I-75 Corridor.
- Over 180,000 square feet of medical office space finalized in the four quarters ending in June, with another 300,000 square feet underway.



VACANCY

30 basis point decrease in vacancy Y-O-Y

- Tenants absorbed a net of 1 million square feet over the last 12 months ending in June, allowing Tampa's vacancy rate to gradually trend down, after peaking at 12.9 percent one year ago.
- At the onset of July, suburban office vacancy stood at 11.7 percent, 330 basis points below its central business district counterpart.



RENT

4.7% increase in the average asking rent Y-O-Y

- Driven by a growing corporate tenant roster and a bustling job market, the metro's average asking rent climbed to a record mark of \$24.82 per square foot in the second quarter.
- Suburban office space is noting a faster pace of asking rent growth, due in part to a preference shift away from long commutes for in-office workers.

Investment Highlights

- Class C trades accounted for more than half of all transactions in Central Tampa during the past year ending in September, while Class A trading has been relatively unchanged from 2021. This activity suggests investors may be shifting their focus toward lower-cost spaces to capitalize on growing demand, and the upside potential older buildings can provide through property renovations and re-tenanting. Additionally, the submarket's Class B/C vacancy rate of 10 percent halves the Class A measure, which has allowed rent growth to be more robust in the more-economical segments.
- Sarasota-Bradenton recorded an uptick in transactions during the last 12 months ending in the third quarter, with investors attracted to the suburban submarket's expanding population and recently strong asking rent growth. Properties here will continue to catch investors' eyes, as the locale represents an attractive area for companies that intend to entice workers back into offices with reasonable commute times.
- Entering the third quarter, Tampa had the second-lowest average sale price per square foot among the six major Florida metros, while also keeping a stable mean cap rate in the low-7 percent range over the last three years. This makes the metro desirable for investors seeking upside.