

INVESTMENT FORECAST

Office
Tampa-St. Petersburg Metro Area

IPA
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ADVISORS

2024

Exceptionally Tight Conditions Downtown and in Eastbound Suburbs Accentuate Metro Strength

Tampa ranks among U.S. leaders in several metrics. The market entered this year on the heels of significant momentum. Local single-tenant vacancy was tied for the fifth lowest among major U.S. markets in 2023, while multi-tenant rent growth ranked as the second-fastest nationally. Population gains, which drove this progress, have taken a mild step back, however, amid a pandemic-era surge in Tampa's cost of living. The residual aftereffects of interest rate hikes on business expansion also play a role in net absorption dipping to about half of the five-year average. Nevertheless, softer tenant demand will be offset by modest construction as Tampa ties for the slowest supply growth in the Sun Belt. Metro vacancy will hold within the 10 tightest major U.S. markets this year as a result, nourishing a top five pace of rent growth. Central Tampa, the I-75 Corridor, East Hillsborough County and Polk County lead the charge with collective vacancy of 2 percent at 2024's onset. An influx of young adults downtown, household creation in east suburbs and reduced flood risk inland all aid tenant demand here.

Buyers with diverse risk profiles tuning in. Recent natural disasters have ramped up insurance costs in Florida, likely weighing on investment going forward. Buyers looking to avoid the direct threats of hurricanes, however, could gravitate inland where exceptionally tight vacancy backed by ongoing household creation supports a bullish outlook. Assets proximate to Interstate 4 and State Road 60 are among the most coveted here. Meanwhile, investors with an appetite for urban core retail could favor locations with steadier foot traffic, particularly near the University of South Florida or Tampa International Airport. West of here, oceanfront areas like St. Pete Beach command steep entry costs and natural disaster risk but benefit from robust tourism spending.

2024 MARKET FORECAST

+1.1%



EMPLOYMENT: Metro employment grows at the slowest pace among major Florida markets this year, but matches the national rate. The 17,000-role addition is half of the trailing-decade mean.

530,000
sq. ft.



CONSTRUCTION: Completions in 2024 measure as the smallest annual total in at least 18 years. Over 90 percent of the new space is either in Pasco County, Pinellas or the I-75 Corridor.

-10 bps



VACANCY: Retail vacancy moves down to 3.4 percent, mitigating the 10-basis-point lift recorded last year. This ties with 2022's decade-plus low and trails only Miami-Dade in the state of Florida.

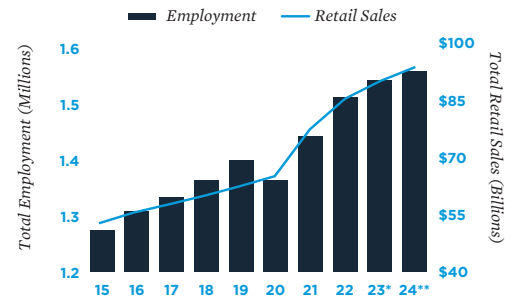
+4.1%



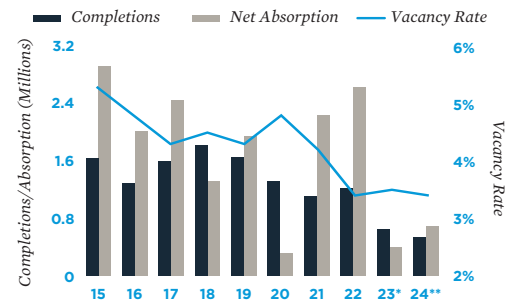
RENT: After two straight annual gains of at least 8 percent, the pace of growth slides, yet Tampa still leads the state. On average, the metro's asking rate climbs to \$21.90 per square foot.

INVESTMENT: Sarasota-Bradenton accounted for almost half of Tampa's vacant multi-tenant stock at the onset of 2024. A lack of available space in nearby areas may direct tenants here, potentially creating upside.

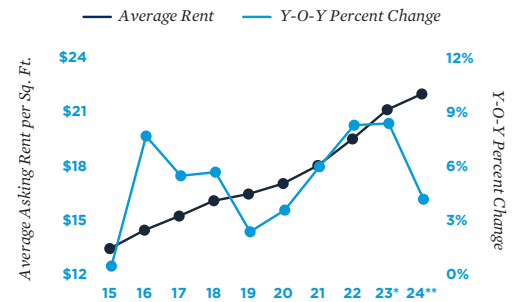
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 3/ 2024. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. 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.