

MARKET REPORT

Office
Tampa-St. Petersburg Metro Area

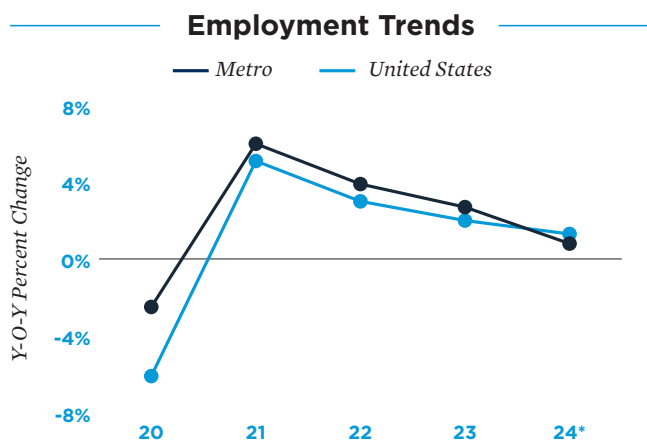
IPA
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ADVISORS

2Q/24

Spearheaded by Top-Tier Leasing Velocity, Tampa Remains Among Elite Group of Markets

Metro is home to Florida's lowest Class A vacancy rate. Often ranked among the best U.S. markets to start a business, Tampa's office sector recorded strong tenant demand over the past 12 months ending in March. During this stretch, tenants absorbed a net of almost 1.3 million square feet of space, the largest four-quarter total since 2018. Consistent leasing velocity for floor plans both under and over 25,000 square feet, along with a further pullback in delivery volume, was to credit. Among property classes, upper-tier demand was strongest, with roughly 800,000 square feet of Class A space absorbed over the past year. With its active pipeline well accounted for, Tampa is positioned to record the least near-term vacancy fluctuation among major Florida markets as tenants are steered to existing spaces or opt to renew leases.

Demand increasing in Tampa's largest office submarket. Roughly 70 percent of the Class A space absorbed over the past year was in Central Tampa, with Westshore the most desired neighborhood among tenants seeking spaces larger than 25,000 square feet. This leasing activity supported a 340-basis-point drop in local upper-tier vacancy. It also indicates tenants are willing to pay a premium for top-tier space, as the area's average asking rent reached a record mark in March. Moving forward, available existing Class A floor plans are likely to benefit from Central Tampa's pipeline, which included just 100,000 square feet of unaccounted for space as of May.



* Forecast

Sources: BLS; CoStar Group, Inc.

Office 2024 Outlook



**13,000
JOBS**

will be created

EMPLOYMENT:

Amid a tight labor market, Tampa added an impressive 7,000 jobs in April alone. Traditional office-using hiring played a role in this tally and will also contribute to this year's 0.8 percent rate of employment growth.



**580,000
SQ. FT.**

will be completed

CONSTRUCTION:

Delivery volume falls below the 600,000-square-foot mark for a third straight year. CAE's headquarters in Westshore and several midsize medical office buildings account for half the space added to stock in 2024.



**10
BASIS POINT**

increase in vacancy

VACANCY:

Tampa ranks among the nation's 10 least vacant major markets as net absorption nearly keeps pace with supply additions in 2024. At 12.4 percent, metro vacancy is on par with the year-end 2021 recording.



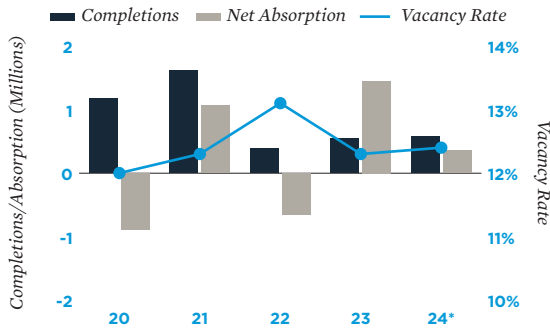
**0.8%
INCREASE**

in asking rent

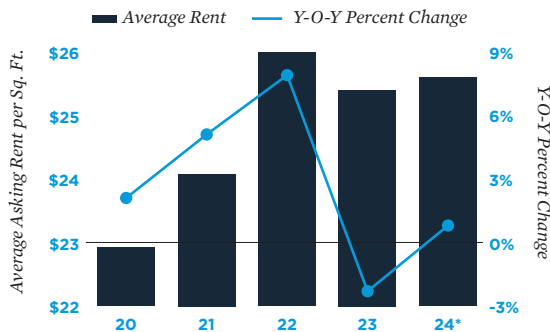
RENT:

Relatively consistent tenant demand across property tiers supports moderate rent growth. This raises Tampa's average marketed rate to \$25.60 per square foot, which is comparable to Fort Lauderdale.

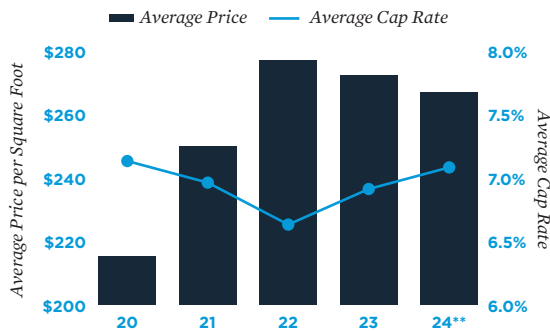
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

1Q 2024 - 12-Month Period



CONSTRUCTION

344,000 sq. ft. completed

- Developers completed just 15,000 square feet during the first quarter of 2024, the lowest total for a three-month period since April-June 2018.
- Projects in Sarasota-Bradenton accounted for half of the space delivered metrowide over the past 12 months ending in March. During this stretch, Tampa's total inventory increased by 0.3 percent.



VACANCY

80 basis point decrease in vacancy Y-O-Y

- Noteworthy net absorption over the past four quarters lowered local vacancy to 12.3 percent in March. Among major U.S. markets, only Nashville and Richmond recorded larger vacancy declines during the period.
- At 17.1 percent, the Class A tier entered April with its lowest vacancy since the fourth quarter of 2021, while Class B/C vacancy stood at 9.7 percent.



RENT

1.1% increase in the average asking rent Y-O-Y

- Tenant demand improving across property tiers enabled the metro's average asking rent to bump up to \$25.50 per square foot. This metric represents a \$3.60 per square foot discount to the national mean.
- After a 1.4 percent rise, the average Class B/C asking rate entered April at a record \$22.70 per square foot. Class A rent, meanwhile, rose 0.6 percent.

Investment Highlights

- Despite a year-over-year decline in sales during the 12-month span ending in March, deal flow in Tampa was elevated from a historical standpoint. When excluding 2018, the number of closings registered over this recent yearlong stretch eclipsed any annual total from 2008-2020. Tampa also stood out on the national stage, as just six markets noted more sales over the last 12 months, despite 22 metros having larger inventories.
- Mid-tier properties accounted for half of recent deal flow, with local Class B/C vacancy, which is more than 200 basis points below its long-term average, a likely attractant. Clearwater and suburbs of Tampa proper registered the most activity, with cap rates in the 7 and 8 percent range available in the latter areas. Pricing for Class B assets averaged \$270 per square foot over the past year, roughly in line with the metro's mean price point.
- A growing 65-year-old-plus cohort and long-term expectations for strong net in-migration fostered investor competition for medical office properties over the past year. Many of these listings were acquired for less than \$300 per square foot and at mid-6 to low-8 percent cap rates.

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: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; WalletHub