

TAMPA BAY | OFFICE

Fourth Quarter 2020

Activity Begins to Return as 2020 Concludes

Executive Summary

The Tampa Bay office market faced one of the most unique and challenging years in recent memory. With the backdrop of a global pandemic, as well as a heated and contentious political environment, the local markets felt the impacts throughout 2020. Overall leasing activity fell nearly 36% to 3.6 million square feet in 2020 compared to the average yearly leasing activity of 5.6 million square feet. Similarly, investment activity declined by nearly 60% in 2020 to a total of \$388 million of total volume compared to an average year that experiences over \$780 million in transaction volume. Vacancy increased to 11.9% from 10.9% in the previous quarter and 10.7% from this period one year ago. Sublease space available in the market grew, nearly double the amount from the fourth quarter of 2019.

Although the year in total under-performed, the fourth quarter showed a hint of optimism returning to Tampa Bay. Investment volume in the fourth quarter increased 182% compared to the previous quarter, and 312% from the low in the second quarter of 2020. Private capital continues to be the primary driver of office investment activity, acquiring a mixture of suburban and downtown assets in the fourth quarter.

As the overall US economy grapples with the struggling employment data, the fourth quarter posted stabilizing unemployment results for greater Tampa Bay, albeit still well above the normal averages. Tampa Bay's unemployment trends are expected to remain elevated until a vaccine is fully distributed. The leisure and hospitality industry continues to feel the impacts greater than other sectors. The local unemployment rate is down from the peak of 13.2% in March of 2020 to today's current average of 5.7%. The Tampa Bay MSA has recovered faster than both the US and state of Florida, but still remains more than double the amount of the all-time low of 2.7 % experienced in November of 2019.

Market Highlights

- Available sublease space accounts for nearly 18% of the overall space available in the market, up from approximately 13% at the start of the year.
- Investment activity has increased, with 23 buildings over 10,000 SF trading hands, nearly double the average that has occurred since the pandemic began. Sales volume jumped to \$198 million during the fourth quarter, up from \$70 million in the previous quarter and the all-time low of \$48 million in the second quarter of 2020.

Summary Statistics

Q4 2020 Office Market	Tampa Bay, FL
Vacancy Rate	11.9%
Change from Q4 2019 (Percent)	1.2%
Absorption (Square Feet)	-398,563
New Completions (Square Feet)	300,000
Under Construction (Square Feet)	384,000

Asking Rents

Per Square Foot Per Year

Downtown Tampa Class A	\$32.32
Suburban Class A	\$29.06

Note: Colliers tracks all office buildings ≥10,000 square feet, except for medical and government-owned-and-occupied buildings.

*Number includes total square footage of some mixed-use buildings that contain office space.

Market Indicators

Relative to Prior Period	Q4 2020	Q1 2021*
VACANCY	↑	↔
NET ABSORPTION	—	—
CONSTRUCTION	↓	↔
OVERALL RENTAL RATE	↓	↔
CLASS A RENTAL RATE	↓	↔

Note: Construction is the change in Under Construction.
*Projected.

Leasing Activity, Vacancy & Absorption

At the end of the fourth quarter, overall vacancy averaged 11.9%, a noticeable increase from the 10.7% average experienced in the fourth quarter of 2019. Nearly all submarkets, both suburban and downtown, have felt the impacts of the pandemic causing vacancy to increase throughout 2020. During the fourth quarter, only the Tampa CBD and North Pinellas submarkets registered positive absorption, albeit minimal. Net absorption for the fourth quarter was -398,963 square feet, the largest in recent history. Year-to-date, absorption dropped to a negative 428,808 square feet, the worst performance on a yearly basis since the Great Recession.

Although the pandemic has resulted in increased vacancy and falling absorption, landlords of Class B & C product have remained nearly unmoved with their asking lease rates. Class A rates at the end of the year began to show signs of a decline with the most recent average at \$30.40 per square foot full service, down from the previous quarter average of \$31.41 per square foot. Overall rates (inclusive of A, B and C product) averaging \$25.05 per square foot full service, nearly flat for the past five consecutive quarters.

Investment Activity

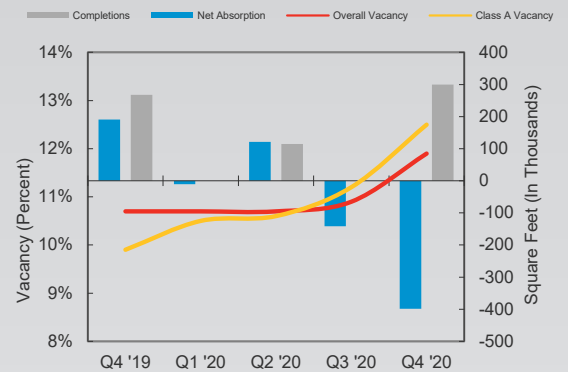
As the year ended, investment activity began to show signs of life again. Overall activity, based on the number of transactions, increased to 23 buildings trading hands in the fourth quarter of buildings over 10,000 square feet. The local market typically experiences 30 to 35 transactions a quarter. Although activity has increased, overall investor appetite for office product has remained cautious due to the lack of employee occupancy of tenant spaces and uncertainty around office utilization in the future.

Like previous quarters in 2020, private equity firms were the primary driver of activity that occurred during the quarter. The largest transaction that occurred was the sale of Bay Vista Office Park in Clearwater, FL. The property was purchased by Fortress Investment Group out of New York for \$72.5 million. Other notable transactions include the sale of Tampa Commons, a 253,922 SF office building located at 1 N. Dale Mabry Hwy. that sold for \$56.5 million. Atlanta Property Group sold the building to Bridge Investment Group, a private equity group out of Sandy, UT. The building was 84.1% occupied at the time of sale.

In Clearwater, Hold-Thyssen sold the 104,840 square foot ICOT building located at 13925 N. 58th St. for \$10 million, or \$95.38 per square foot. The buyer, FSC Industrial V DST, purchased the building at 92.4% occupancy on December 22nd.

The largest portfolio sale of the quarter, Bayfront Health Systems sold an 11-building, 763,135 square foot portfolio to Orlando Health for a transaction price of \$63.17 million with assets located throughout St. Petersburg, Largo and Pinellas Park.

Completions, Absorption and Vacancy Rates

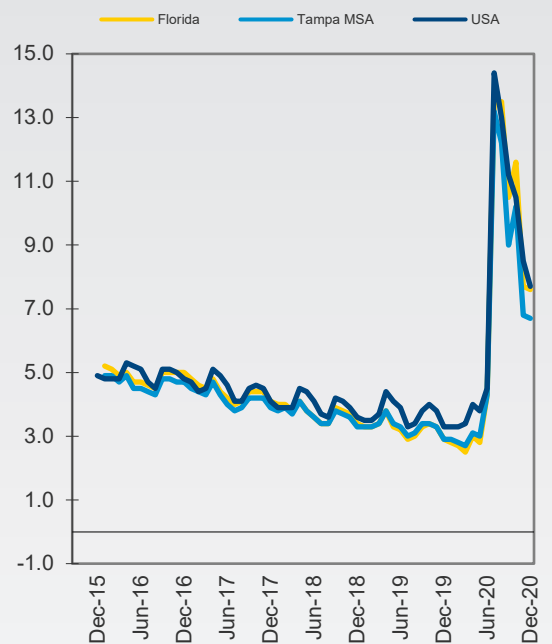


Vacancy Rate Shows a Noticeable Increase

Tampa Bay's total vacancy increased to 11.9% from the 10.7% average experienced in the fourth quarter of 2019.

Source: Colliers International, CoStar

Unemployment Trends



The Tampa Bay MSA unemployment rate posted 5.6% in October 2020. The State of Florida posted 6.3% ahead of the national US average of 6.9%.

Source: US Bureau of Labor Statistics

SUBMARKET BREAKDOWN

Prop. Type	Bldgs.	Total Inventory SF	Direct Vac. %	Total Vac. %	Net Absorp. Current Qtr. SF	Net Absorp. YTD SF	New Completions SF	Under Construc. SF	Avg. Direct Asking Rate Full Service
TAMPA CBD									
A	19	6,098,273	13.7%	15.4%	60,429	-75,939	300,000	384,000	\$33.71
B, C	55	2,151,510	4.0%	4.0%	9,425	-44,574	0	0	\$20.75
Overall	74	8,249,783	11.1%	12.4%	69,854	-120,513	300,000	384,000	\$32.32
WESTSHORE									
A	42	8,168,788	10.2%	12.4%	-13,478	-116,284	0	0	\$35.01
B, C	170	7,488,083	11.9%	12.8%	-89,268	-65,314	0	0	\$26.55
Overall	212	15,656,871	11.0%	12.6%	-102,746	-181,598	0	0	\$30.56
I-75 CORRIDOR									
A	36	4,433,217	12.4%	14.4%	-48,036	-173,880	0	0	\$25.29
B, C	251	8,432,742	10.9%	12.6%	-10,657	359,655	0	0	\$17.71
Overall	287	12,865,959	11.4%	13.2%	-58,693	185,775	0	0	\$21.14
NORTH PINELLAS									
A	17	948,227	4.2%	4.2%	10,536	20,937	0	0	\$21.70
B, C	123	2,845,050	11.6%	12.1%	13,292	-60,740	0	0	\$18.20
Overall	140	3,793,277	9.7%	10.1%	23,828	-39,803	0	0	\$18.87
GATEWAY									
A	17	1,825,237	12.0%	13.8%	-75,199	-130,434	0	0	\$25.77
B, C	104	3,513,192	10.9%	11.0%	9,719	69,312	0	0	\$18.34
Overall	121	5,338,429	11.3%	12.0%	-65,480	-61,122	0	0	\$21.23
ST. PETERSBURG CBD									
A	9	1,790,962	4.9%	6.1%	-717	32,713	0	0	\$32.86
B, C	43	1,594,642	7.1%	7.1%	-19,523	-42,035	0	0	\$25.72
Overall	52	3,385,604	5.9%	6.6%	-20,240	-9,322	0	0	\$29.53

TAMPA BAY OVERALL OFFICE MARKET

Qtr. & Year	Bldgs.	Total Inventory S.F.	"Direct Vac. %"	"Total Vac. %"	"Net Absorp. Current Qtr. S.F."	"Net Absorp. YTD S.F."	New Completions S.F.	Under Construc. S.F.	Overall Avg. Direct Asking Rate F.S.	Class A Avg. Direct Asking Rate F.S.
2020 Q4	1,522	68,365,964	10.8%	11.9%	-398,563	-428,808	300,000	384,000	\$25.05	\$30.40
2020 Q3	1,520	68,065,964	9.8%	10.9%	-141,331	-30,245	0	684,000	\$25.16	\$31.41
2020 Q2	1,520	68,065,964	9.3%	10.7%	121,584	111,086	114,807	684,000	\$25.00	\$31.58
2020 Q1	1,519	67,951,157	9.4%	10.7%	-10,498	-10,498	0	798,807	\$25.16	\$31.59
2019 Q4	1,519	67,951,157	9.5%	10.7%	190,391	290,597	267,691	798,807	\$24.99	\$31.45

SALES ACTIVITY

PROPERTY ADDRESS	CLASS	BUYER NAME	SIZE (SF)	SALES PRICE	SUBMARKET
1 N. Dale Mabry Highway - Tampa Commons	A	Bridge Investment Group	254,808±	\$56,500,000 (\$221.74/SF)	Westshore
13925 N. 58 th Street - Melitta	B	FSC Industrial V DST	104,840±	\$10,000,000 (\$95.38/SF)	Gateway
26750 US Highway 19 N. - Plymouth Plaza	B	BEX Realty	53,723±	\$5,800,000 (\$107.96/SF)	North Pinellas

LEASING ACTIVITY

PROPERTY ADDRESS	CLASS	TENANT NAME	SIZE (SF)	LEASE TYPE	SUBMARKET
16400 SR-54	B	Sanander Consumer Finance	120,000±	Direct	Pasco
5414 Beaumont Center Boulevard	B	Empath Health	26,966±	Direct	I-75
1309 N. Ward Street	B	ADT Home Security	15,808±	Direct	Westshore



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Comprising
18,000
professionals



Revenue
\$3.5B
(US\$)



Managing
2.0B
(square feet)



Established in
413 offices
& **68** countries



Transaction value
\$129B
(US\$)

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