

3Q23

Tampa Office Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate decreased by 16 basis points year over year to 2.9% but remained well below the five-year average of 4.2%.
- Although job growth pace has slowed compared with recent highs to 3.2% year over year, employment growth continues to significantly outpace pre-pandemic levels, with 2019 growth averaging only 2.5%.
- All sectors, except mining and logging, information and financial activities, reported employment growth, with education and health leading job gains at 9.6% over the past 12 months.
- Office-using jobs in the market slightly declined by 0.5% since the all-time historical high at 467,100 employees, but still reflecting a 17.1% growth since 2019.

Major Transactions

- The largest lease of the quarter was a sublease signed by Cirkul for 90,375 SF at Sabal Pavilion I.
- Large leases signed tend to be concentrated in either the East Tampa or Westshore submarkets.
- The bulk of the larger leases signed were either new leases or subleases, indicating there is appetite for office space in the market. This is also supported by declining availability in the market, with direct availability decreasing by 0.8% quarter over quarter and sublease availability declining by 0.3% quarter over quarter.

Leasing Market Fundamentals

- Annual full-service asking rental rates reached a new high at \$27.83/SF, a 1.3% increase year over year at the end of the third quarter of 2023.
- Vacancy rates remained relatively flat, decreasing by 30 basis points quarter over quarter and year over year to 14.7%.
- The under-construction pipeline continues to remain muted in the market, with 508,941 SF under construction at the end of the third quarter of 2023.
- Occupancy ended the quarter at 176,241 SF, pushing year-to-date net absorption to 181,610 SF.

Outlook

- The Tampa office market will likely see more muted growth this year, impacted by national economic headwinds. Office investment activity will remain slower in the near term due to elevated inflation and a steeper cost of debt.
- The closing rent spread between Class A and Class B assets will likely push more tenants to shed unused space and lease smaller footprints in higher-quality assets.
- In the near term, vacancy rates are projected to stay flat as demand is expected to remain relatively in balance with supply.

1. Economy
2. Leasing Market Fundamentals

3Q23

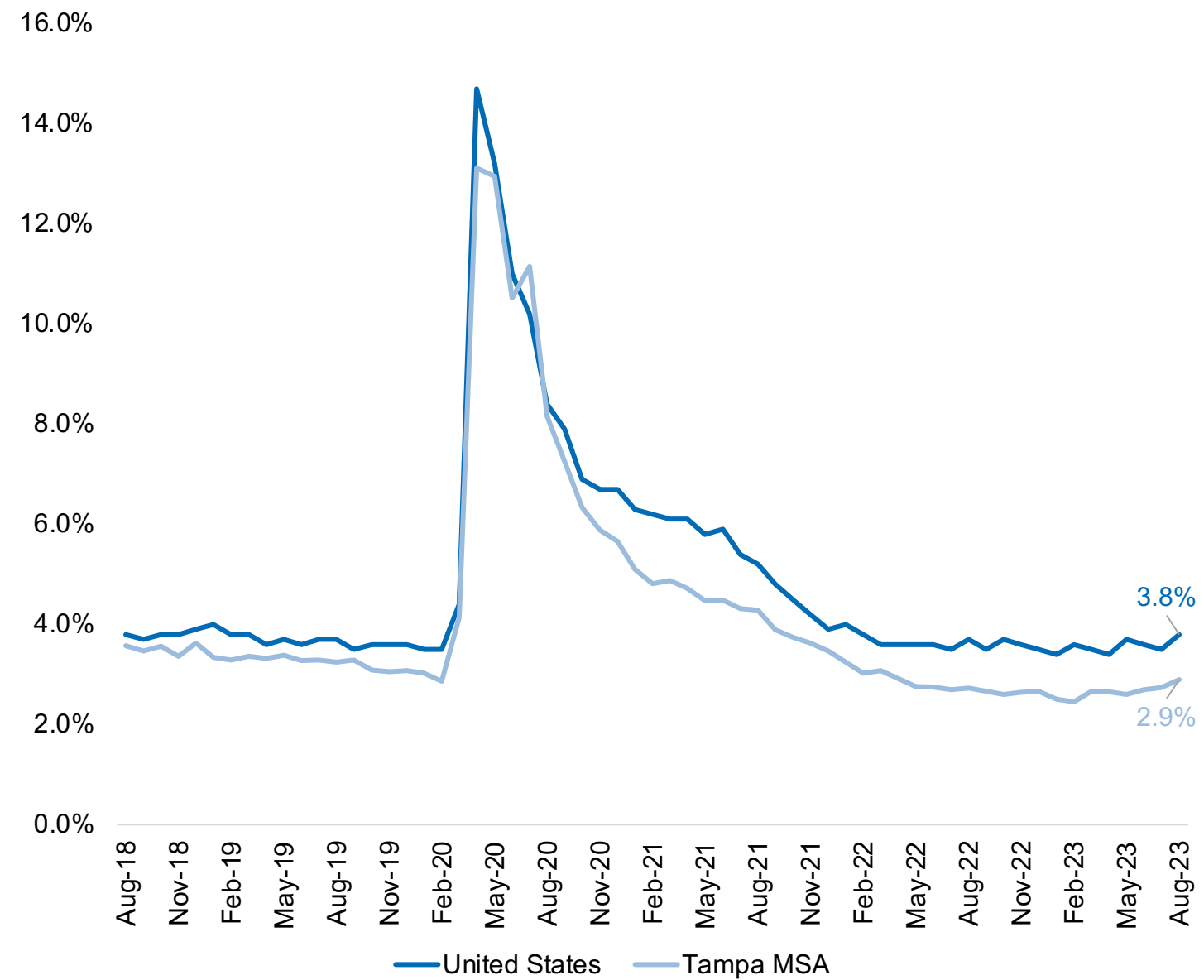
Economy



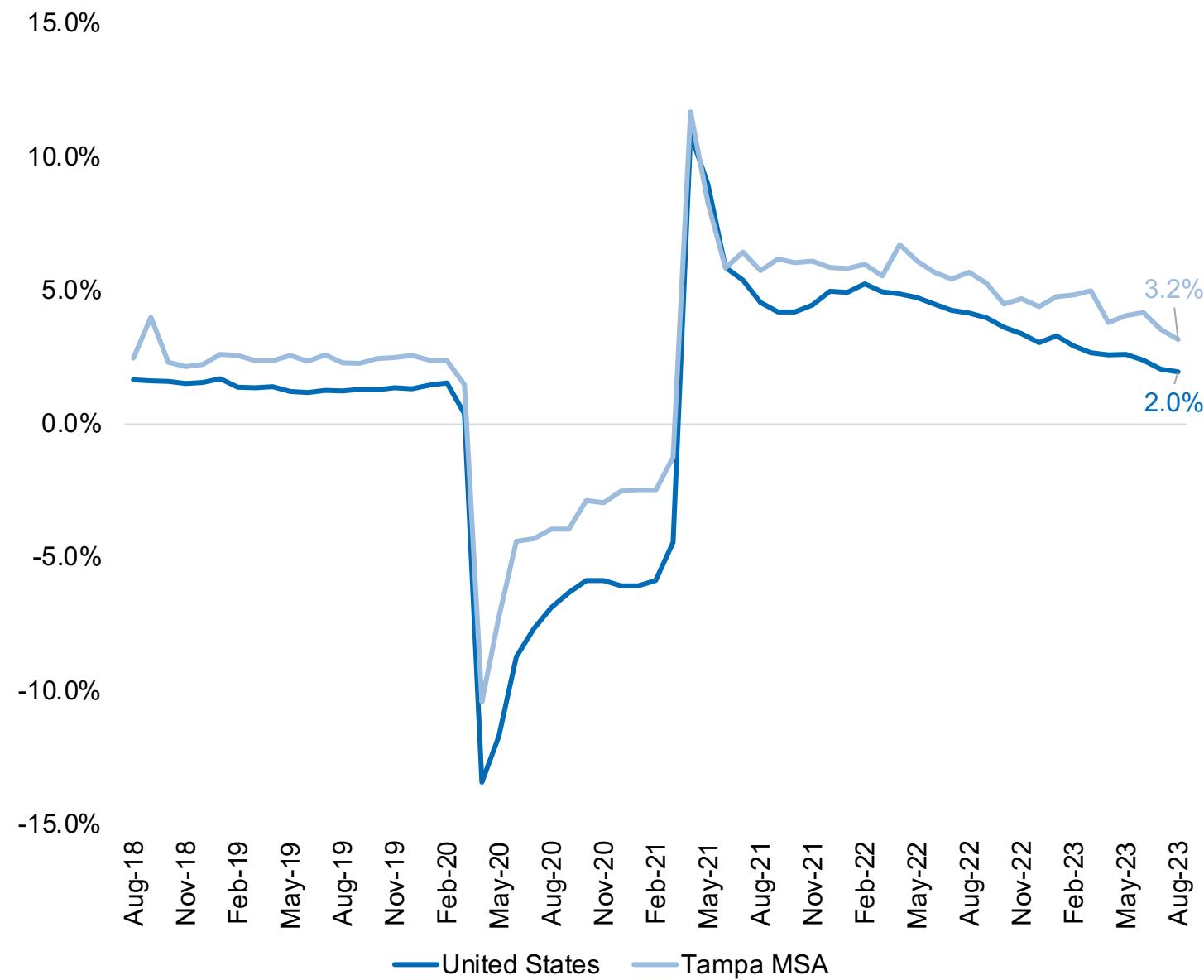
Metro Employment Trends Signal a Slowing Economy

The Tampa market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. Although the region’s unemployment rate decreased by 16 basis points year over year, national economic headwinds have pushed the employment year-over-year growth rate to slow by 252 basis points compared with the previous year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

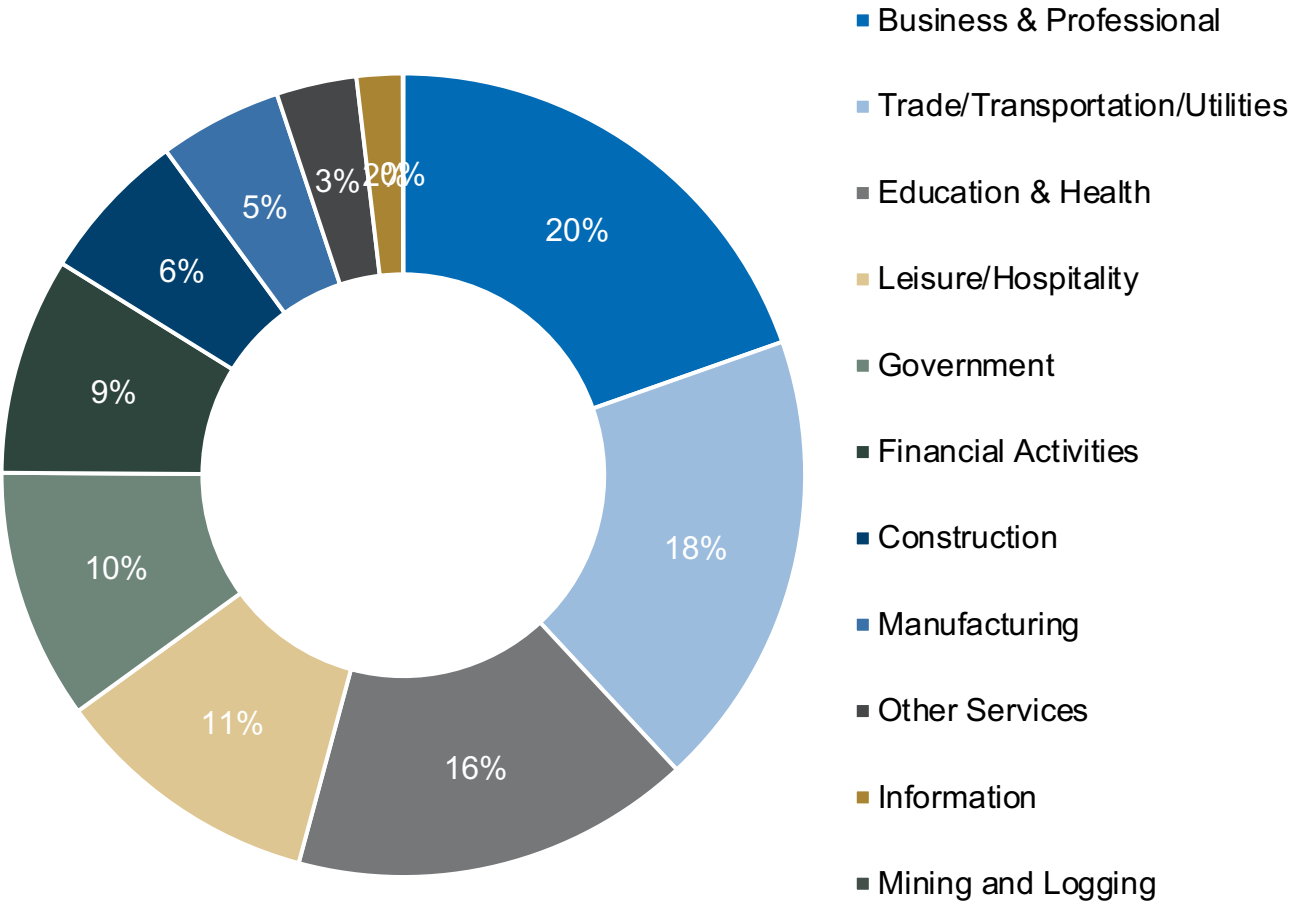


Source: U.S. Bureau of Labor Statistics, Tampa MSA

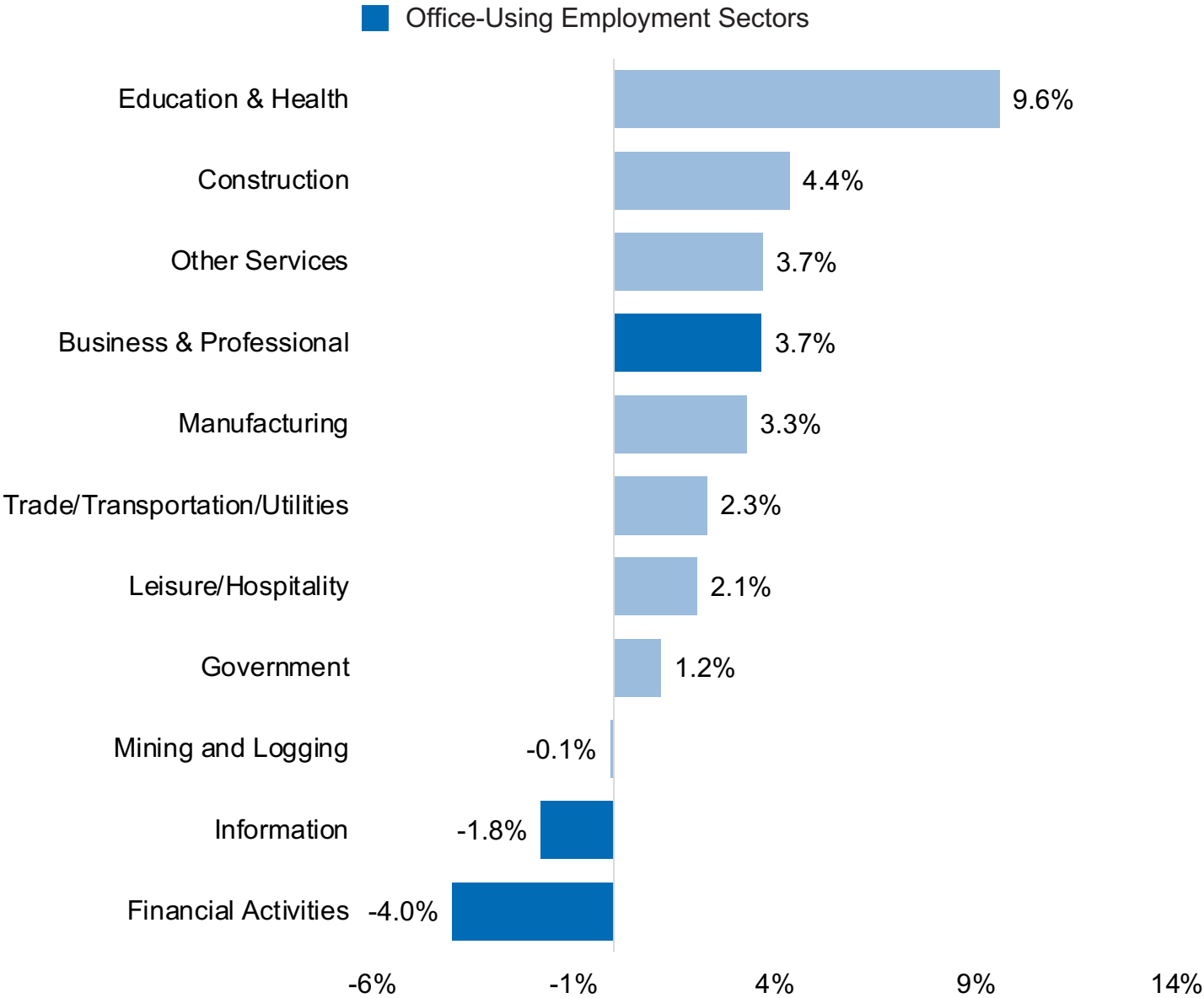
Employment Growth Continues in Largest Office Industry Sector

The Tampa market's top two employment industries account for 38.1% of market share. The office-using employment's business and profession sector is the largest industry sector in the metroplex at 19.6%. Only the largest office-using employment sector reported year-over-year growth at 3.7%, while both the information and financial activities sectors reflected declines of 1.8% and 4.0%, respectively.

Employment by Industry, August 2023



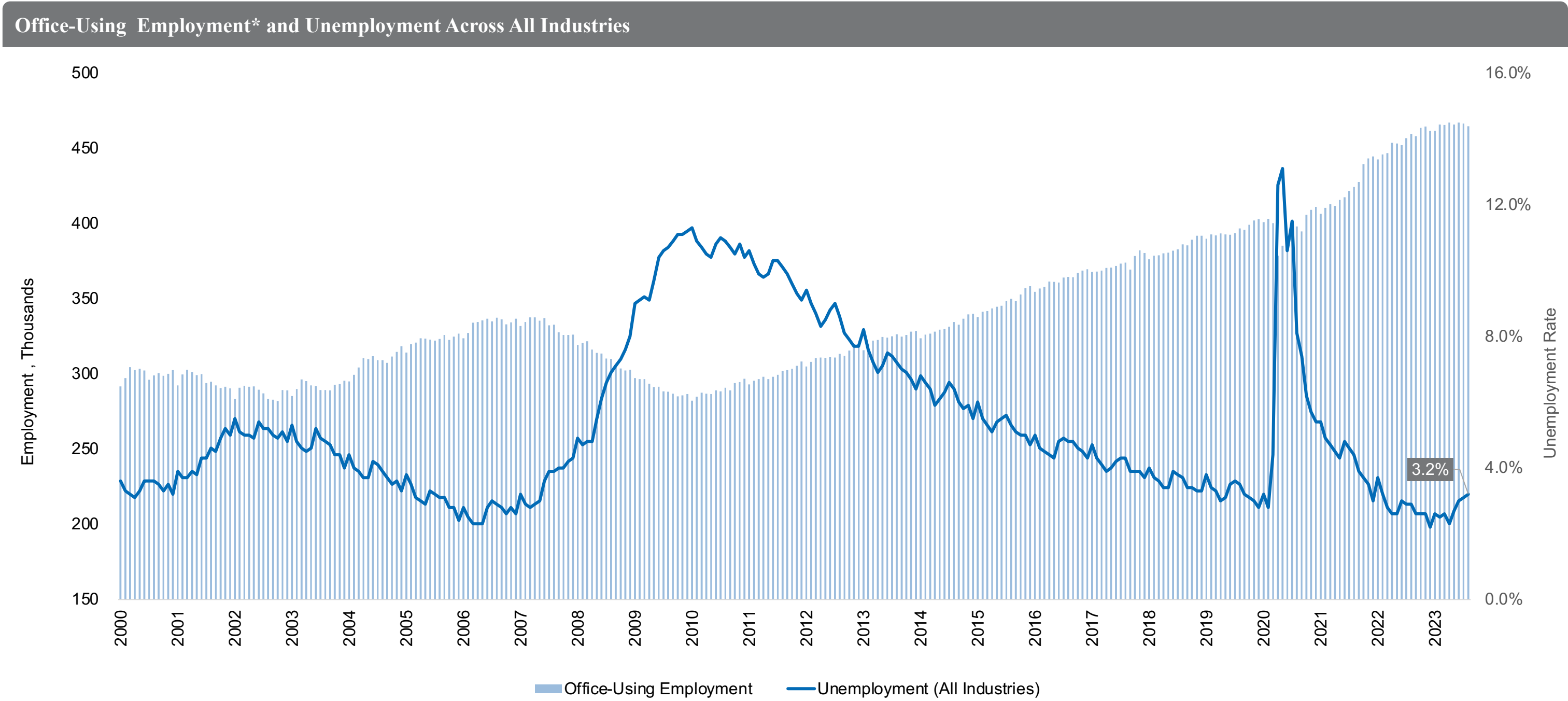
Employment Growth by Industry, 12-Month % Change, August 2023



Source: U.S. Bureau of Labor Statistics, Tampa MSA

Overall Office-Using Employment Eases from Historical High

Office-using employment in the Tampa market has eased by 0.5% since reaching the all-time high of 467,100 employees in April 2023. Currently, the non-seasonally adjusted unemployment rate is at 3.2%, below the 3.3% average levels reported in 2019, indicating that office-using industries are part of the contributing factor in lowering the unemployment rate in the market.



Source: U.S. Bureau of Labor Statistics, Tampa MSA
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

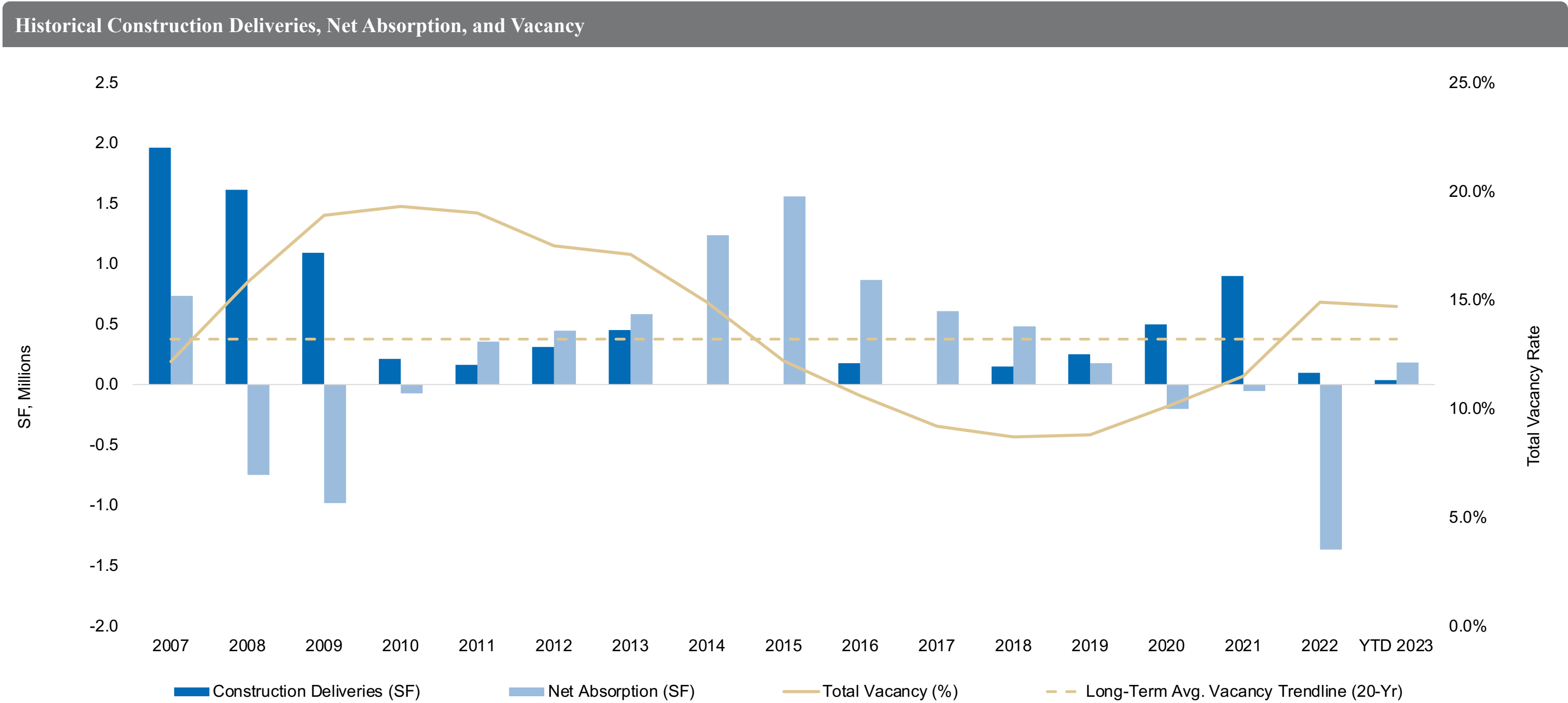
3Q23

Leasing Market Fundamentals



Year-to-Date Demand Remains Positive in 2023

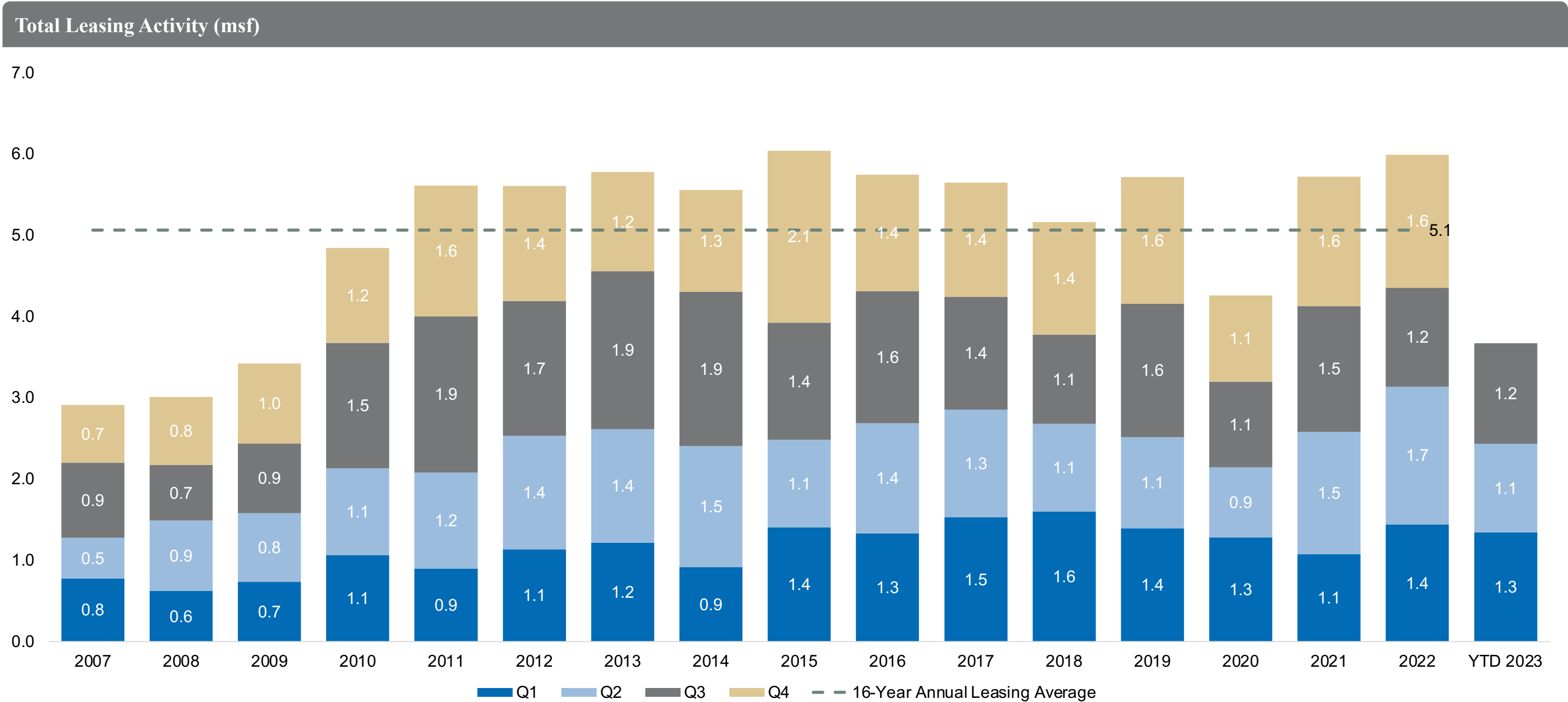
The Tampa office vacancy rate increased by 30 basis points year over year, to 14.7% in the third quarter of 2023. Since the pandemic, occupancies have slowed in the market, with minimal deliveries occurring. As a result, vacancy rates have remained elevated but steady since the pandemic. Overall net absorption continued to remain positive so far in 2023 as demand continues to outpace supply this year.



Source: Newmark Research, CoStar

Declining Deal Activity Results in Slowing Leasing Activity

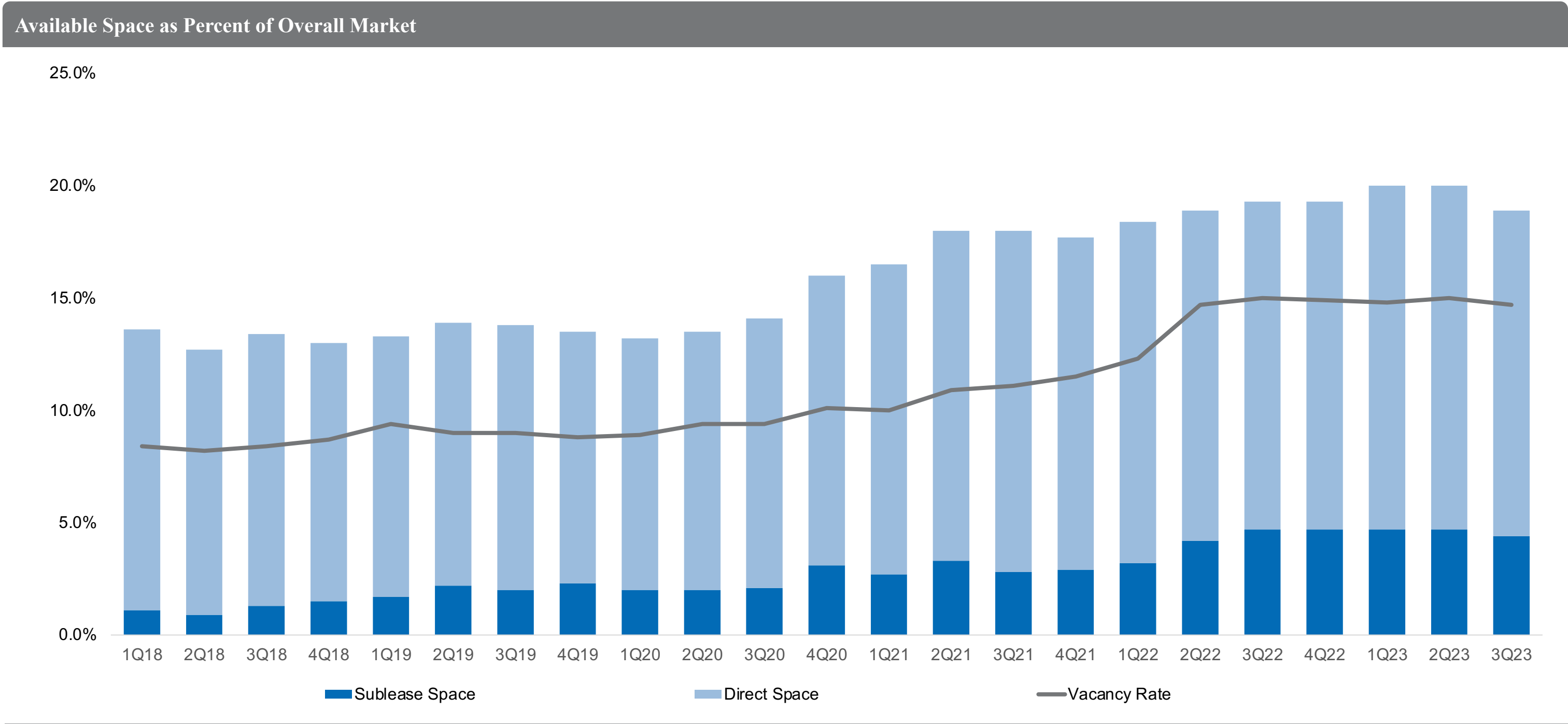
Year-to-date leasing activity in the market slowed to 3.7 MSF but still outperforms the first three quarters' yearly performance reported from 2007 to 2009. Since 2007, third-quarter leasing activity averaged 1.4 MSF, with the third quarter of 2023 below historical averages at 1.2 MSF. Deal size averaged 4,811 SF in the third quarter of 2023, an average of 1,057 SF more than the previous quarter and 478 SF less than a year ago. The slowing leasing activity pace is largely attributed to fewer deals being done, likely impacted by a more challenging debt liquidity environment preventing more deals from occurring as easily.



Source: Newmark Research, CoStar

Availability Decreases from Recent Highs

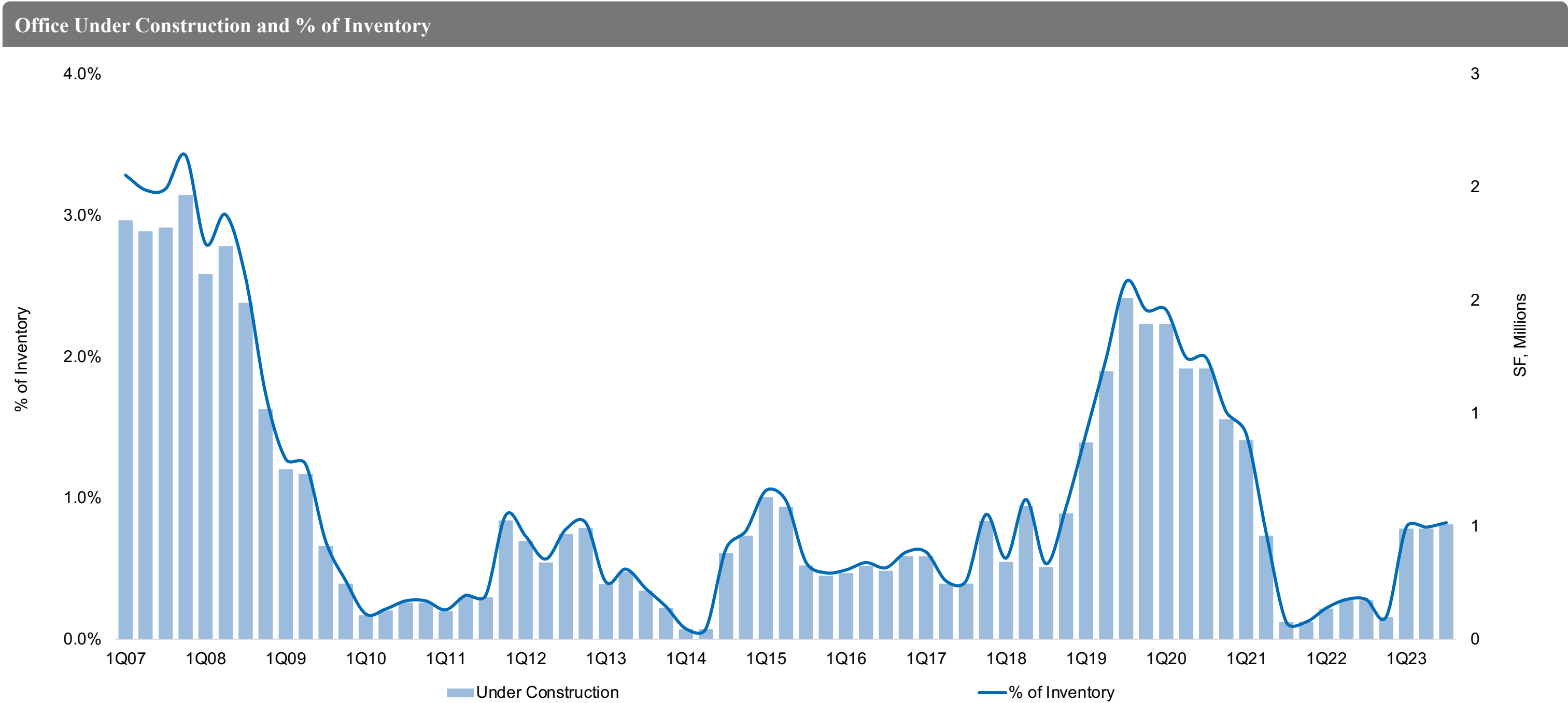
Sublease availability reflected the first signs of a decrease in the third quarter of 2023 following quarters of inching upward after the pandemic. Sublease availability in the market ended the quarter at 4.4%, declining by 30 basis points from levels reported over the past four quarters. Following a similar trajectory, direct availability also reflected a decrease following increases after the pandemic and ended the quarter at 14.5%, an 80-basis-point decrease quarter over quarter from the recent high. As a result, vacancies remain elevated but continue to flatten with a recent decrease to 14.7%.



Source: Newmark Research, CoStar

Construction Activity Remains Muted

Construction activity has remained relatively muted following the pandemic. As of the third quarter of 2023, the market had 508,941 SF under construction, accounting for 0.8% of the market’s inventory, indicating there is less risk of overbuilding.

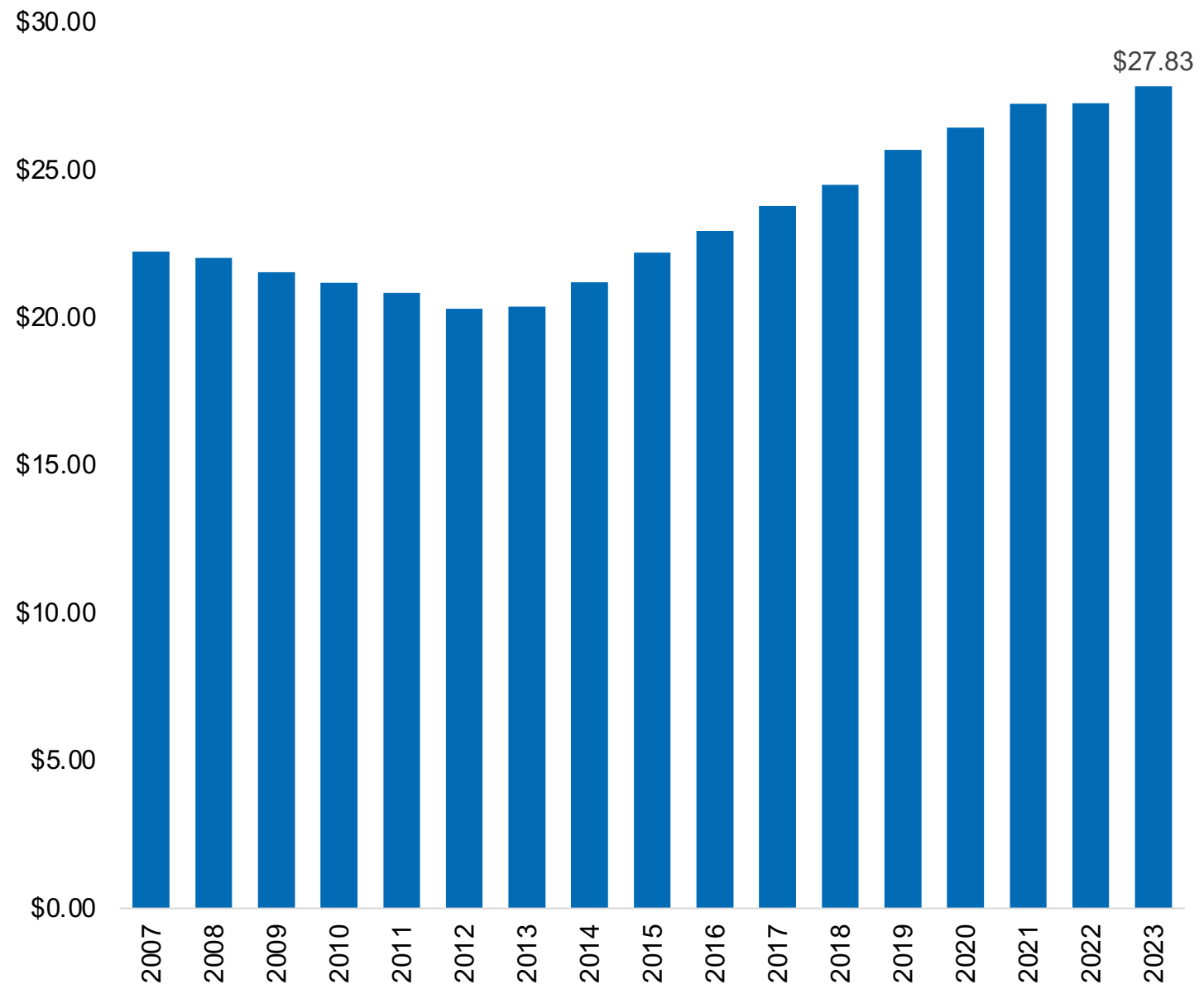


Source: Newmark Research, CoStar

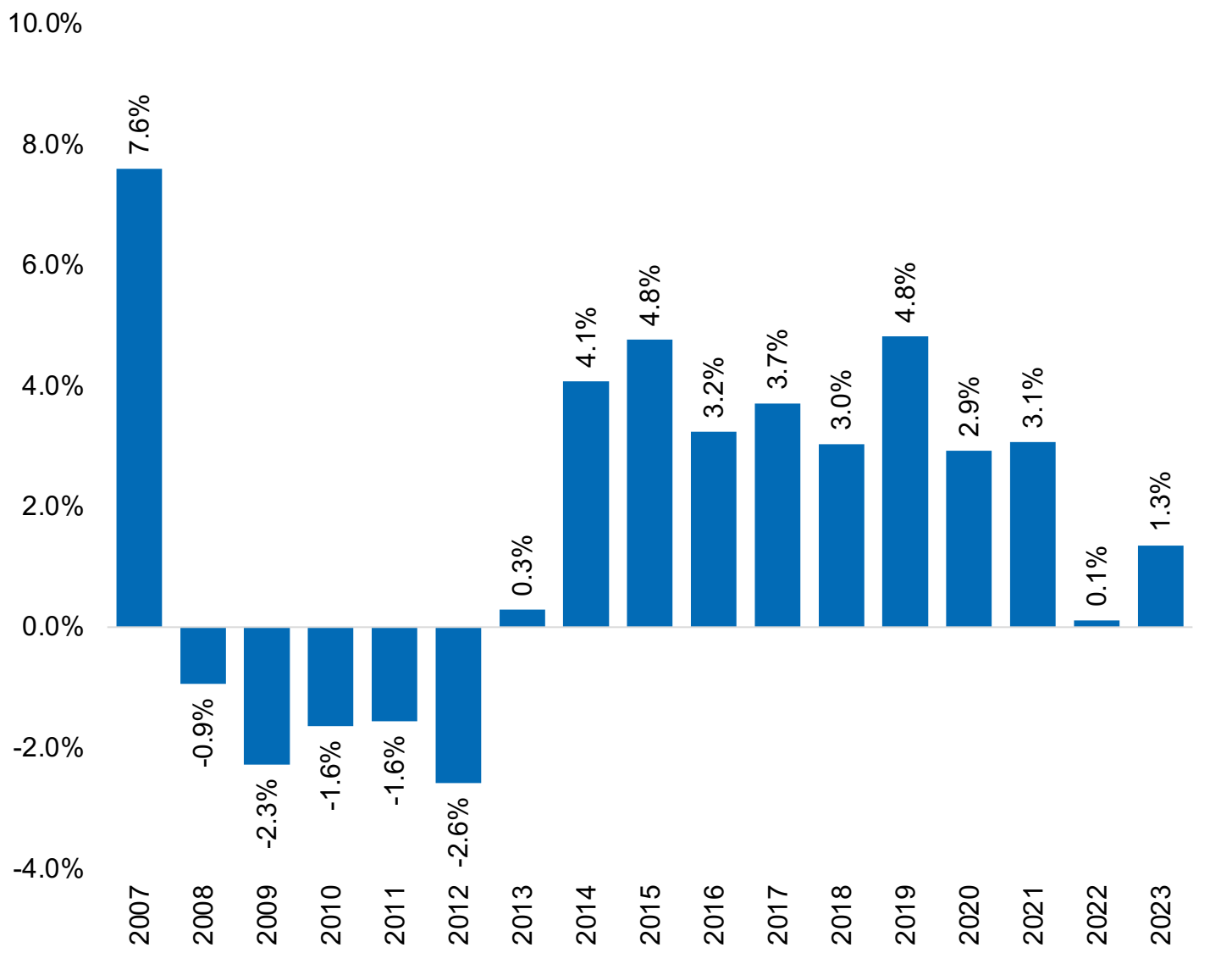
Rents Reach New High

Rents reached an all-time historical high in the third quarter of 2023 at \$27.83/SF, increasing by 1.3% year over year. Rental rates continue trending upwards due to rising operating expenses and inflation.

Office Average Asking Rent, \$/SF, FS



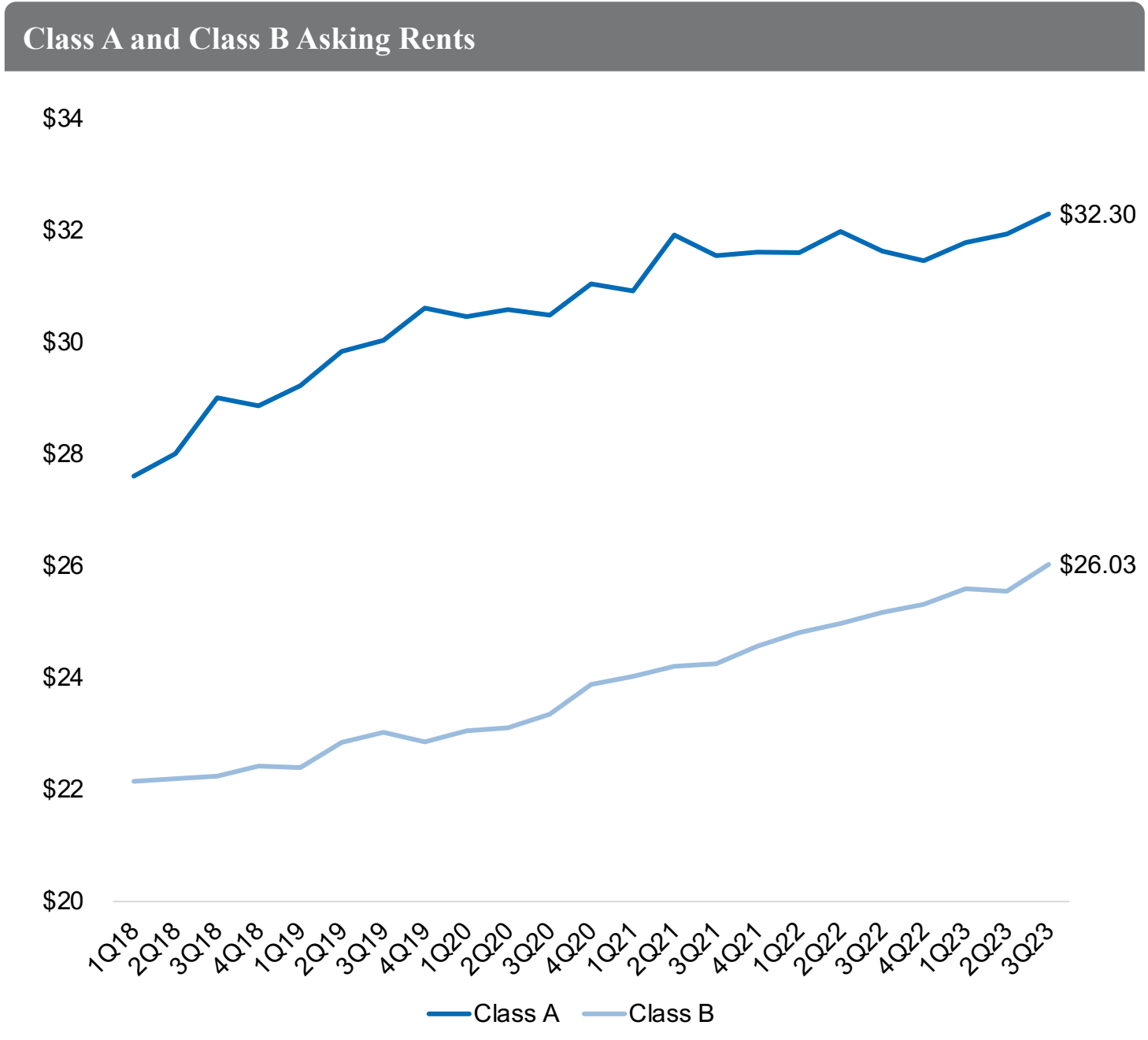
Year-over-Year Asking Rent Growth Rate



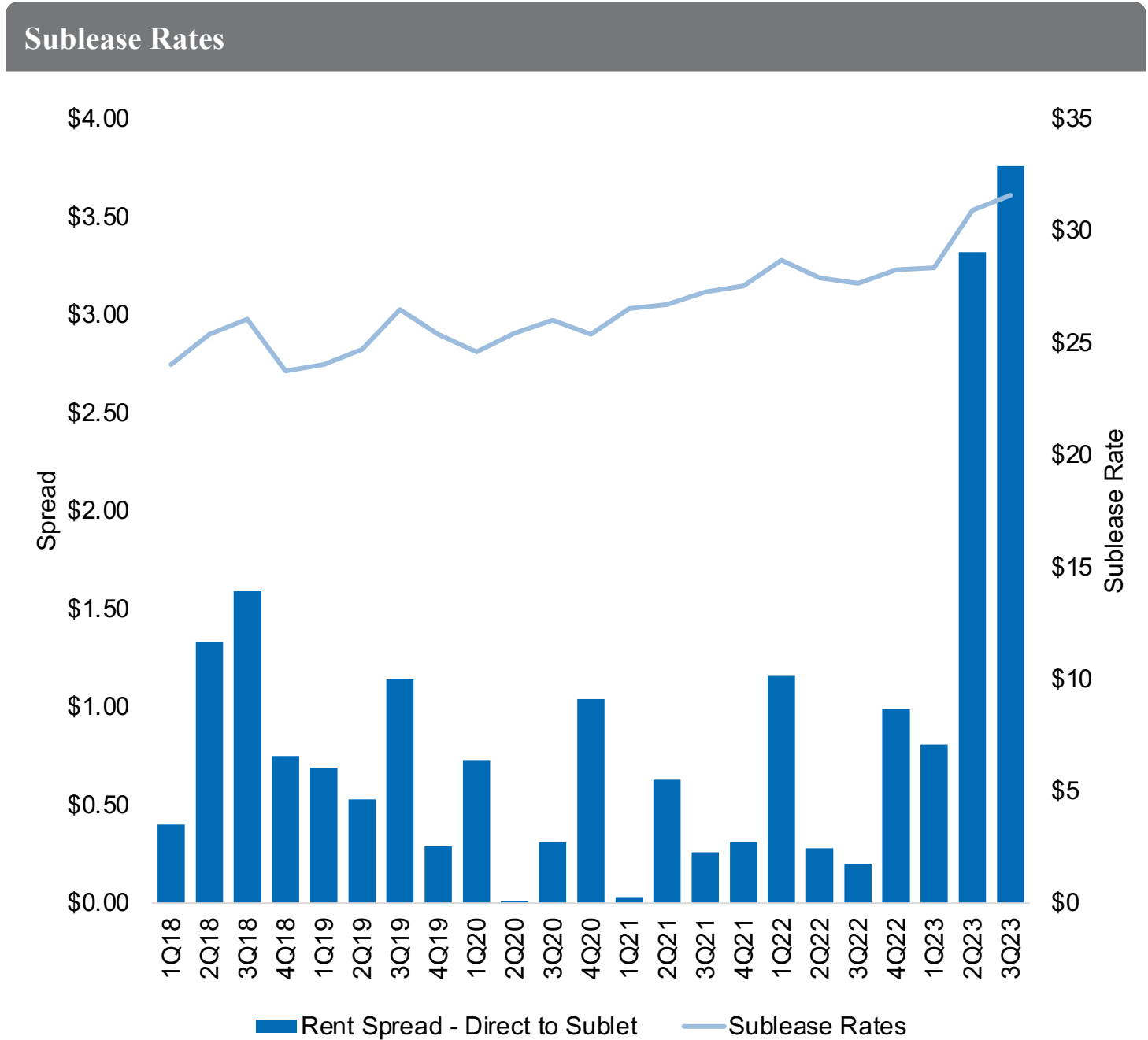
Source: Newmark Research, CoStar

Decreasing Rent Spread on Class A Assets

As of the end of the third quarter of 2023, Class A rents ended at \$32.30/SF, while Class B reported \$26.03/SF. Rent difference between the two assets are at \$6.27/SF, a 10.6% spread decrease since 2019. The closing rent spread between Class A and Class B assets will likely push more tenants to shed unused space and lease smaller footprints in higher-quality assets. Sublease rates have increased in recent quarters, with asking sublease rents increasing by 2.1% quarter over quarter.



Source: Newmark Research, CoStar



Flight-to-Quality Leasing Activity Continues

Despite slowing leasing activity, flight to quality remains a trend in the market due to the closing spread in rental rates on Class A spaces. As of the end of the third quarter of 2023, Class A space accounted for 58.3% of the market’s leasing activity by SF but only 38.9% of the market’s deal volume. Average leases signed in Class A space were 7,205 SF and continue to remain larger than the average market deal size of 4,811 SF.

Notable 3Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Cirkul	Sabal Pavilion I	East Tampa	Sublease	90,375
Cirkul,, a flavored drinking water company, signed the largest lease of the quarter, taking over a sublease at Sabal Pavilion I.				
Grow Financial Federal Credit Union	Gasworx Phase II (1301 E 4 th Ave)	East Tampa	Direct New	48,000
Grow Financial Federal Credit Union is the first tenant to lease a substantial portion of Gasworx, a redevelopment project, for its new headquarters.				
Johnson & Johnson	Corporate Center IV	Westshore	Sublease	32,723
Johnson & Johnson is downsizing and relocating from 90,000 SF at Hidden River Corporate Park to Corporate Center IV. The company will occupy a sublease space previously leased by Greenway Health.				
L'Oréal USA	Corporate Center I	Westshore	Sublease	32,599
L'Oréal USA, a cosmetics and beauty products manufacturer, signed a sublease at Corporate Center I for 32,599 SF.				
BBI Logistics	1 Urban Centre	Westshore	Direct New	32,402
BBI Logistics, a freight brokerage company headquartered in Ohio, signed a new lease for 32,402 SF at 1 Urban Centre.				

Source: Newmark Research, CoStar

Tampa Office Submarket Overview (Page 1 of 2)



Please reach out to your
Newmark business contact for this information

Tampa Office Submarket Overview (Page 2 of 2)



Please reach out to your
Newmark business contact for this information

Tampa Office Submarket Map



Please reach out to your
Newmark business contact for this information

For more information:

Ching-Ting Wang
Head of Southeast Research
ChingTing.Wang@nmrk.com

Kirsten Kempf
Senior Research Analyst
Kirsten.Kempf@nmrk.com

Tampa
4221 W Boy Scout Blvd
Suite 440
Tampa, FL 33607
t 813-639-1111

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK