

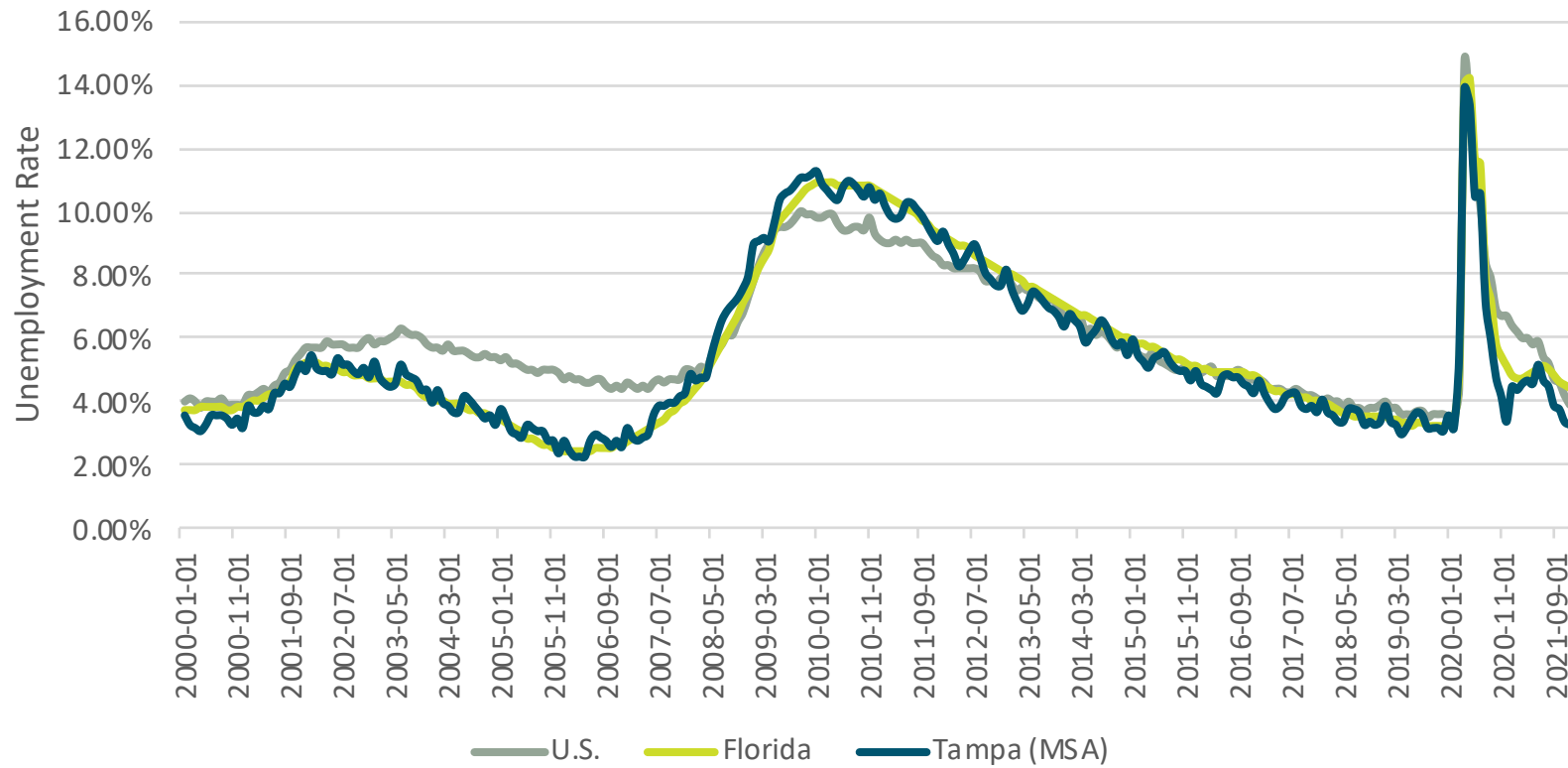
TAMPA

Q4-21 OFFICE REPORT

Market Overview

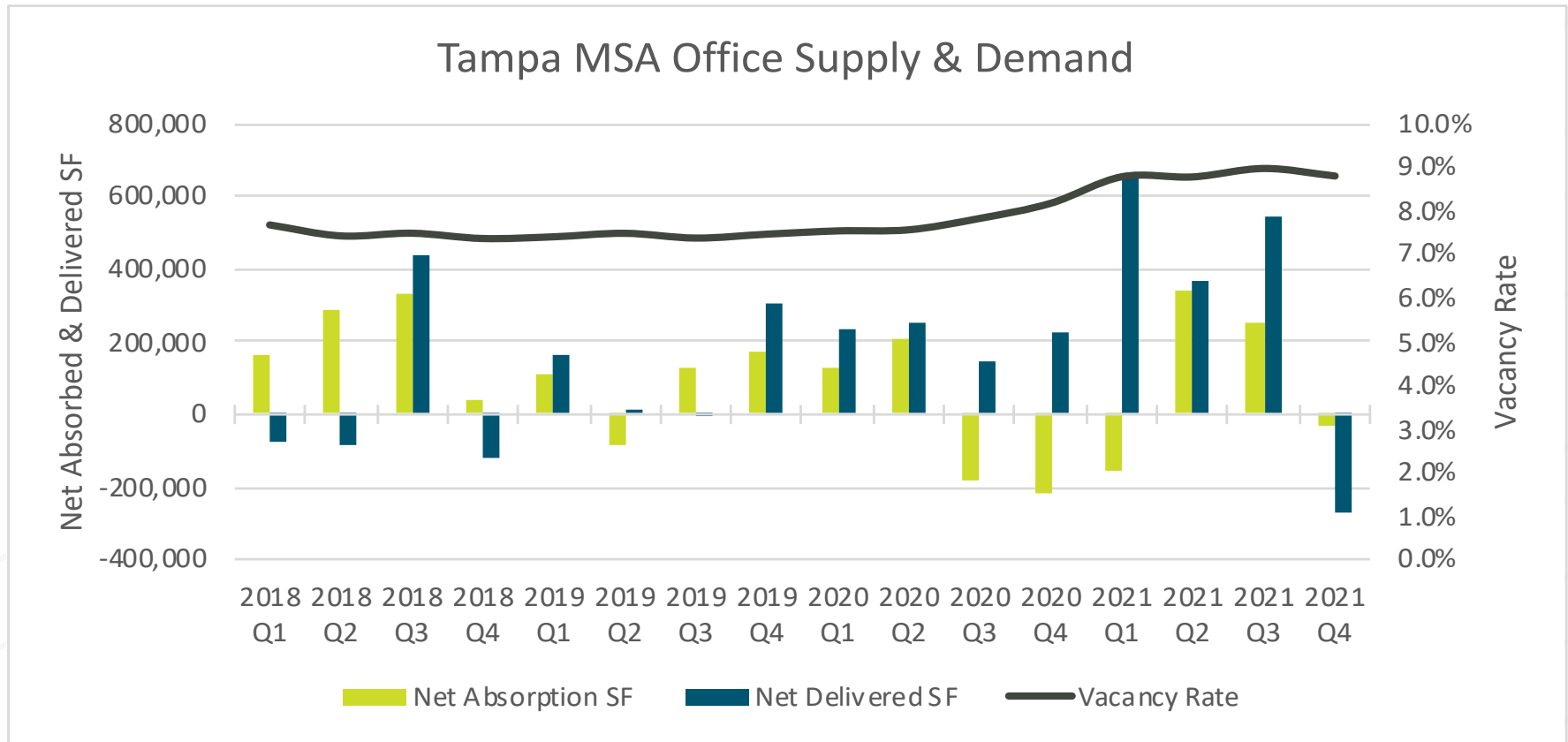
The Tampa Bay commercial real estate market is one of the hottest in the country and, despite pandemic-related pressures, the office sector is no exception. While there are still challenges and changes ahead, Tampa continues to attract people and companies from all over the country, which has led to significant increase in office market activity over the last year.

Tampa MSA Unemployment



Tampa MSA Unemployment

There has been a continual decrease in unemployment within the Tampa market. This change in the macro landscape is highlighted by a YoY decrease of 15.25% between Q4 2020 and Q4 2021. It is important to also note that Tampa outperformed both the state (4.40%) and national (3.90%) unemployment rates in December of 2021.

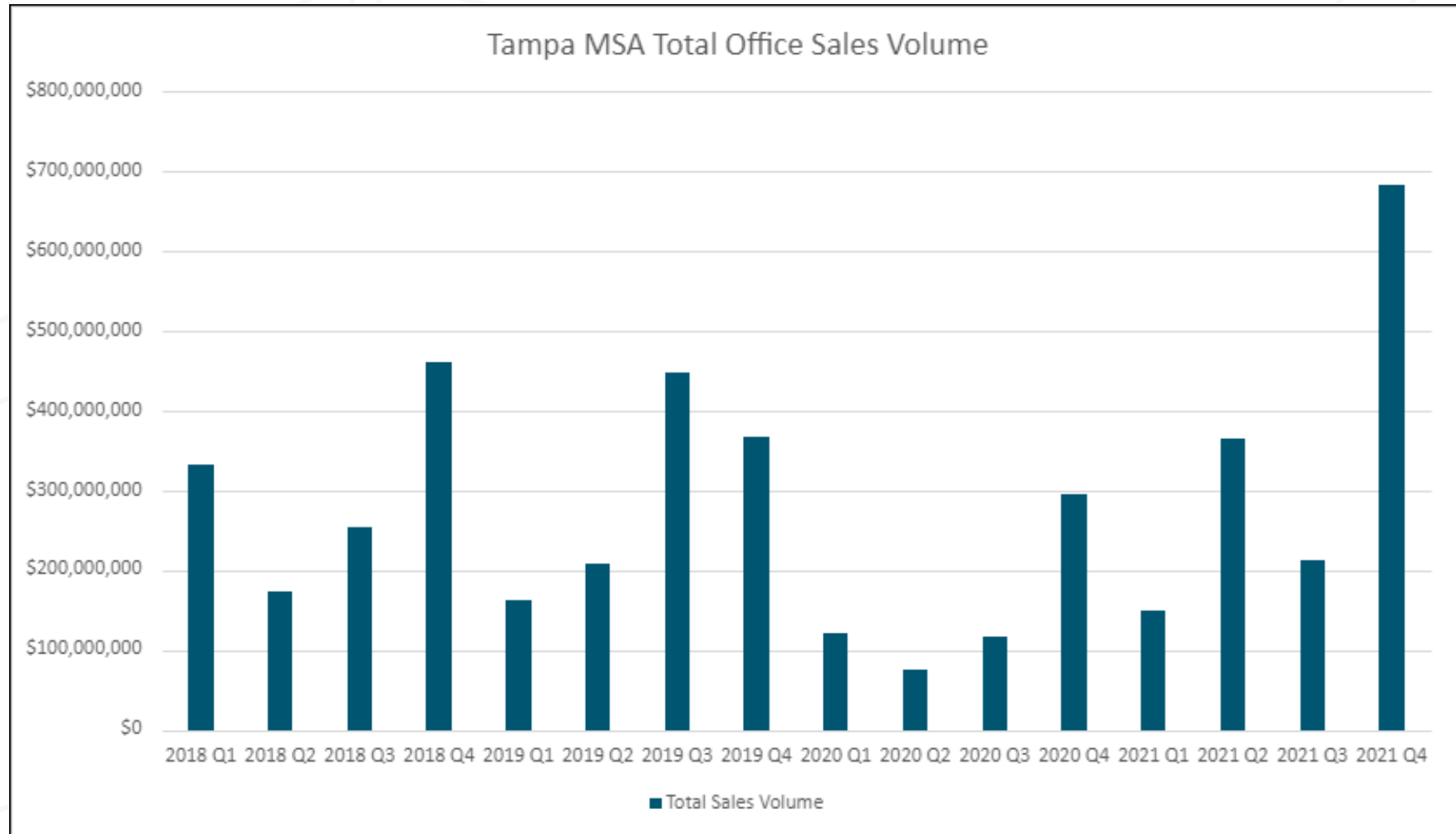


Tampa MSA Supply & Demand

Tampa MSA office supply and demand has seen typical fluctuations during the pandemic. In Q4 of 2021, Tampa sustained its first negative net absorption, nearly 31,000 SF, since Q1 2021. Additionally, Tampa saw its first net negative delivered SF since Q3 2019. With strong net absorptions in Q2 and Q3 2021, vacancy rates remained relatively unchanged with a minor 0.8% decrease YoY change by the end of Q4 2021.

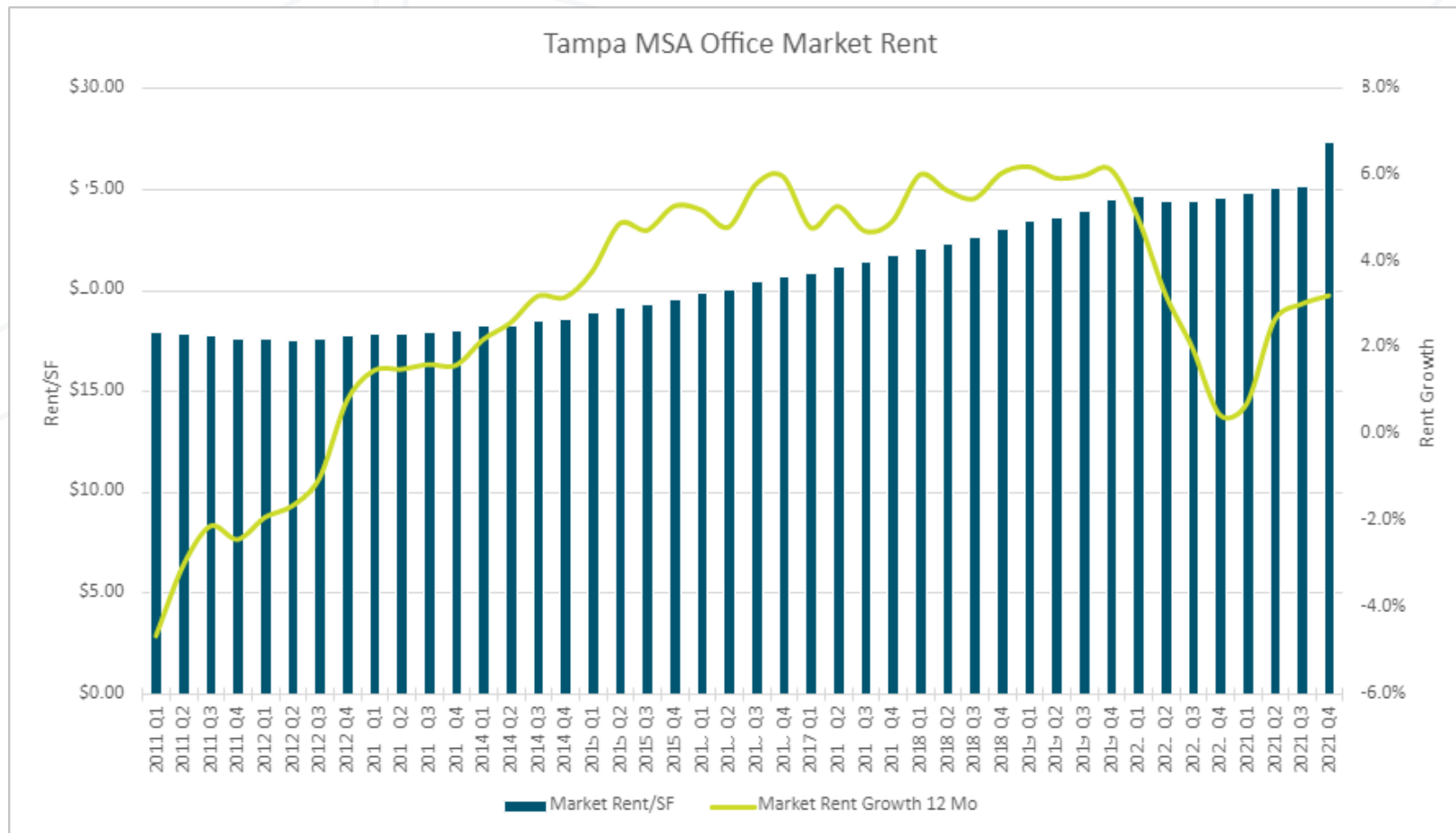
Tampa MSA Office Sales Volume

Office sales volume totaled \$682 million in Q4-21. In total, 2021 garnered \$1.4 billion in sales volume, marking an 18% increase compared to 2019's total volume and a 130% increase compared to 2020's total volume. This large influx of capital could potentially be indicative of investors taking advantage of favorable rates ahead of the Federal Reserve's widely anticipated interest rate hike while they still can.



Tampa MSA Office Market Rent

Given the market conditions imposed by the pandemic, market rents have only recently seen a significant rebound in Q2-21. Q4-21 mirrored the same YoY rent growth of Q-2 at 2.6%. Although CoStar is reporting \$27.37 per SF, which represents the highest average price we've seen within the Tampa market, brokers are seeing something different on the ground. Large firms such as JLL, CBRE, and Colliers are reporting \$29, \$30, and \$32 per square foot on average respectively. Internally at Franklin Street Research, we are seeing about \$29.67 per square foot on average with historical highs for new development in the \$43-\$55 per square foot range.



County Name	Population - Jan 2021	Population - Jan 2022	Percentage Change
Hernando	189,925	195,973	3.18%
Hillsborough	1,496,509	1,527,958	2.10%
Pasco	519,787	524,759	0.96%
Pinellas	936,814	935,428	-0.15%

Tampa MSA Office Statistics Q4-21								
Retail Product Type	Vacancy Rate	Mkt Rent/Sf.	Mkt Rent Growth 12 Mo	Inventory Sf.	Net Delivered SF	Net Absorp Sf.	Mkt Sale Price/Sf.	Mkt Cap Rate
Class A	13.89%	\$34.84	2.4%	36,057,332	28,800	103,972	\$231.09	7.2%
Class B	8.5%	\$30.56	3.9%	56,215,104	-263,916	-63,994	\$180.20	7.9%
Class C	3.7%	\$23.84	3.4%	34,670,461	-1,200	-57,388	\$179.57	7.9%

Conclusion

Overall, Tampa Bay's office market is performing well, and we expect that to continue throughout 2022. In the coming months, our experts will be watching the following trends that have trends that emerged post-pandemic:

Flight to higher quality buildings. Many of our Franklin Street brokers agree that there is a clear "flight to quality" taking place within the Class A space. Tenants are seeking out newer and more amenitized spaces within mixed-use developments that facilitate a work, play, live ecosystem. Many of the new office spaces in CBDs are located above ground-floor retail space or are combined with multifamily. Water Street in downtown Tampa and the Midtown Tampa project on North Dale Mabry Highway are both great examples of how this trend is evolving the demand for office space.

Relocate vs. Renovate. Class B and C spaces have their own unique challenges ahead of them. In effort to attract and retain talent, employers in lower quality properties are faced with a decision: relocate or renovate. Depending on the company, nature of the work, and how many of its employees are still working remotely, it may be more cost effective to move into a shared office space location. This allows the company to downsize its leasable space and still provide its employees a hybrid work environment.

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