

FIGURES | TAMPA OFFICE | Q1 2024

Active office requirements grow but some intend to consolidate space

▲ 20.5%
Vacancy Rate

▼ (129,497)
SF Net Absorption

▼ 176,389
SF Under Construction

▲ 12,485
SF Deliveries

▲ \$31.14
Full-Service / Lease Rate

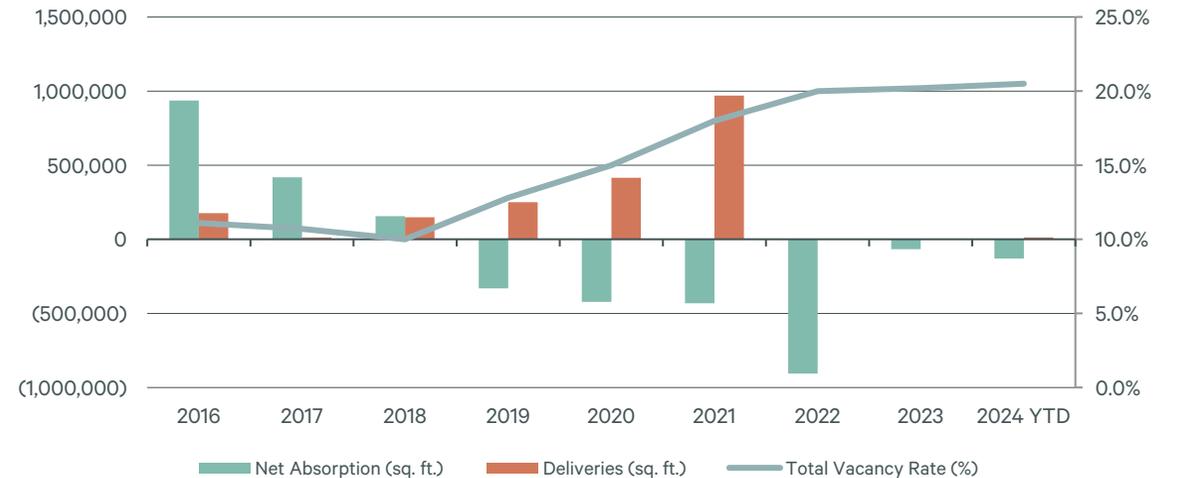
Note: Arrows indicate change from previous year.

OVERVIEW

- Total vacancy increased just 30 basis points this quarter, but it was enough to push the market to a post Great-Recession high. Although the pace has slowed, corporate consolidation remains a popular tactic among firms.
- Midtown East remains scheduled for a 2025 delivery and The Central in Downtown St. Pete is working towards breaking ground on the 125,000 square foot office component this year.
- Average asking rent growth remains very modest, up just 2.9% year over year and a long way from keeping up with operating expense increases.

While the pace of consolidation in Tampa has slowed from the period immediately following the 2020 pandemic, there remains firms who are looking to employ that strategy this year. Often these firms are looking to downsize and upgrade to higher quality space, and while there isn't much space remaining in the latest office deliveries, we finally have some clarity on the next speculative office project to get started. A ceremonial groundbreaking for "The Central" was held in February with a tentative delivery in the spring of 2026. The 125,000 square foot office tower will be the first to be delivered in Downtown St. Petersburg in over three decades. New branding around the new HQ for Grow Financial at GasWorx is now marketing around 45,000 square feet of leaseable space to be delivered on a similar timeline.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

A handful of planned, mid-to-large sized move ins within Northwest Tampa this quarter helped that submarket stand out as one of the largest contributors to positive absorption, but this is far from a lasting trend. Suburban locales continue to grapple with some of the highest vacancy rates in the market, particularly when considering active sublease listings. Again this quarter, negative sublease absorption outpaced space listed directly by Landlord's, largely due to the 124,000 square foot 24/7 InTouch facility in North Pinellas that was put up for sublease.

Additional large tenant in market requirements have come to light to start the year, with multiple firms intending consolidation of large, existing Tampa footprints. We are actively tracking 20 requirements over 50,000 square feet which has bolstered total requirements to 2.6 million square feet.

VACANCY

Total vacancy increased slightly to 20.5% this quarter, a new post-Great Recession high. Negative net absorption totaling -129,497 square feet mirrors what we saw in the closing quarter of 2023 but was largely driven by Class B spaces. Additional planned consolidation by some Tampa firms could bring more upward pressure over the course of the year, but impacts from new construction remain very low. Midtown East won't deliver new, leasable space until 2025 and has already seen some preleasing.

PRICING

Most asking rate adjustments over the course of the quarter were increases, but average rates are up just 1.4% on the quarter and 2.9% year over year. Minimal asking rate movement has not been enough to counteract bloated operating expenses due to increased tax and insurance costs.

FIGURE 2: Statistical Snapshot Q1 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/FSG)
CBD	8,882,535	11.9%	14.0%	17,961	17,961	44,434	\$41.17
Tampa CBD	6,967,628	12.5%	14.6%	7,182	7,182	0	\$41.80
St Pete CBD	1,914,907	9.8%	11.9%	10,779	10,779	44,434	\$36.87
Hillsborough Suburbs	26,421,254	16.4%	22.6%	25,410	25,410	131,955	\$30.74
Westshore	13,075,068	14.9%	18.0%	(120,934)	(120,934)	131,955	\$34.95
Northwest Tampa	4,366,281	10.1%	28.1%	169,728	169,728	0	\$25.17
Southwest Tampa	607,439	5.9%	5.9%	1,716	1,716	0	\$26.90
Northeast Tampa	4,820,942	26.3%	32.6%	(11,279)	(11,279)	0	\$25.96
East Tampa	3,183,471	20.0%	24.8%	(13,821)	(13,821)	0	\$25.76
Southeast Tampa	368,053	1.3%	1.3%	0	0	0	\$26.00
Pinellas Suburbs	8,653,834	17.8%	20.7%	(172,868)	(172,868)	0	\$25.05
North Pinellas	3,218,134	15.0%	18.9%	(141,996)	(141,996)	0	\$23.54
Mid-Pinellas/Gateway	5,183,741	19.9%	22.4%	(30,021)	(30,021)	0	\$25.77
Southwest St Pete	172,857	2.8%	2.8%	(851)	(851)	0	\$18.98
Southeast St Pete	79,102	23.4%	23.4%	0	0	0	\$30.00
Suburban Total	35,075,088	16.7%	22.1%	(147,458)	(147,458)	131,955	\$29.15
Tampa Total	43,957,623	15.8%	20.5%	(129,497)	(129,497)	176,389	\$31.14
Class A	23,655,992	15.8%	20.9%	116,009	116,009	176,389	\$34.99
Class B	20,301,631	15.7%	20.0%	(245,506)	(245,506)	0	\$25.75

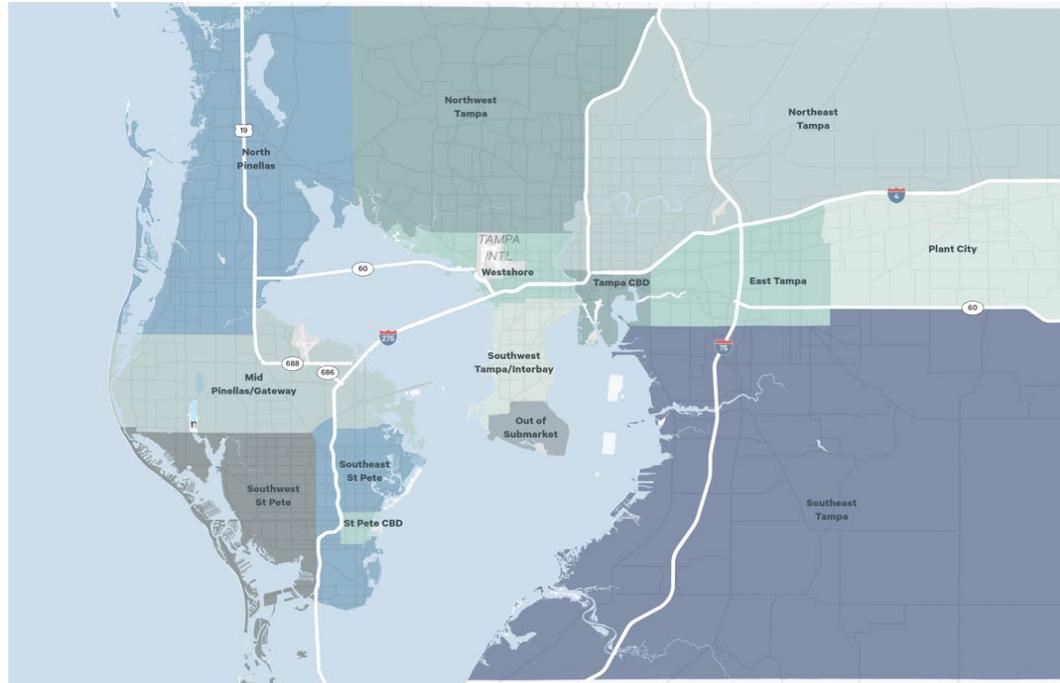
FIGURE 3: Class A Statistical Snapshot Q1 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2024 Direct Net Absorption (Sq. Ft.)	Q1 2024 Sublet Net Absorption (Sq. Ft.)	Q1 2024 Total Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Avg. Asking Rate (\$/SF/FSG)
Tampa CBD	5,118,630	14.1%	16.9%	25,686	(14,292)	11,394	11,394	\$44.81
St Pete CBD	1,235,047	12.7%	15.9%	(18,385)	31,481	13,096	13,096	\$37.88
Westshore	7,936,122	14.5%	17.3%	29,251	(34,943)	(5,692)	(5,692)	\$39.40
Northwest Tampa	1,274,614	5.9%	34.3%	(5,301)	77,803	72,502	72,502	\$27.72
Southwest Tampa	83,511	0.0%	0.0%	0	0	0	0	\$50.00
Northeast Tampa	2,142,532	24.6%	38.0%	(3,073)	0	(3,073)	(3,073)	\$29.21
East Tampa	1,496,263	19.7%	27.0%	7,955	1,536	9,491	9,491	\$27.19
Southeast Tampa	119,729	0.0%	0.0%	0	0	0	0	N/A
North Pinellas	1,397,129	16.3%	16.3%	(20,606)	0	(20,606)	(20,606)	\$25.06
Mid-Pin./Gateway	2,852,415	20.8%	22.0%	69,641	(30,744)	38,897	38,897	\$27.00
Southwest St Pete	-	-	-	-	-	-	-	-
Southeast St Pete	-	-	-	-	-	-	-	-
Class A Total	23,655,992	15.8%	20.9%	85,168	30,841	116,009	116,009	\$34.99

FIGURE 4: Class B Statistical Snapshot Q1 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2024 Direct Net Absorption (Sq. Ft.)	Q1 2024 Sublet Net Absorption (Sq. Ft.)	Q1 2024 Total Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Avg. Asking Rate (\$/SF/FSG)
Tampa CBD	1,848,998	8.1%	8.2%	(4,212)	0	(4,212)	(4,212)	\$32.54
St Pete CBD	679,860	4.6%	4.6%	(2,317)	0	(2,317)	(2,317)	\$31.55
Westshore	5,138,946	15.5%	18.9%	(117,347)	2,105	(115,242)	(115,242)	\$29.98
Northwest Tampa	3,091,667	11.8%	25.5%	63,334	33,892	97,226	97,226	\$24.04
Southwest Tampa	523,928	6.8%	6.8%	1,716	0	1,716	1,716	\$32.12
Northeast Tampa	2,678,410	27.7%	28.2%	(5,589)	(2,617)	(8,206)	(8,206)	\$22.96
East Tampa	1,687,208	20.3%	22.8%	17,224	(40,536)	(23,312)	(23,312)	\$23.58
Southeast Tampa	248,324	1.9%	1.9%	0	0	0	0	\$26.00
North Pinellas	1,821,005	14.1%	20.9%	(13,586)	(107,804)	(121,390)	(121,390)	\$22.69
Mid-Pin./Gateway	2,331,326	18.9%	22.8%	(60,234)	(8,684)	(68,918)	(68,918)	\$23.72
Southwest St Pete	172,857	2.8%	2.8%	(851)	0	(851)	(851)	\$18.66
Southeast St Pete	79,102	23.4%	23.4%	0	0	0	0	\$30.00
Class B Total	20,301,631	15.7%	20.0%	(121,862)	(123,644)	(245,506)	(245,506)	\$25.75

Market Area Overview



ECONOMIC OUTLOOK

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declined to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

Survey Criteria: Includes all competitive Class A and B office buildings 10,000 sq. ft. and greater in size in Hillsborough and Pinellas Counties. Excludes: owner-occupied, government and medical buildings.

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