

FIGURES | TAMPA OFFICE | Q4 2022

Growing uncertainty muddies the market but fundamentals remain stable

▲ 20.5%
Vacancy Rate

▲ -98,596
SF Net Absorption

▼ 57,060
SF Under Construction

▼ 0
SF Deliveries

▼ \$29.91
Full-Service / Lease Rate

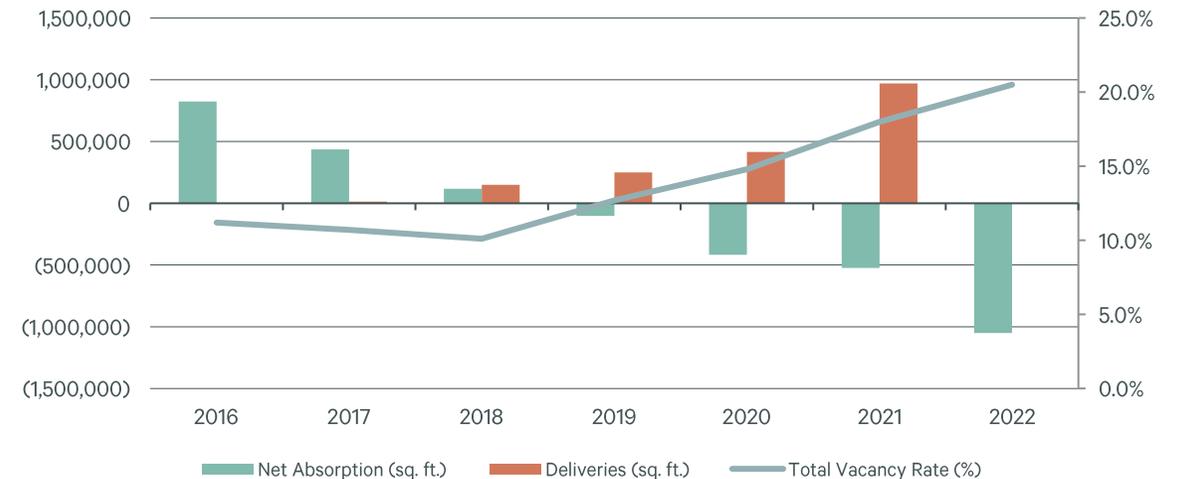
Note: Arrows indicate change from previous year.

OVERVIEW

- Although macro economic uncertainty looms heading into the new year, an important gauge of future demand - tenant in market activity - remained steady during the fourth quarter with total requirements of 1.9 million square feet.
- In contrast to previous quarters, negative net absorption of -98,596 square feet was driven by large moveouts and downsizes, not the sublease market. Deviating from the trend observed over the better part of 2022.
- Slowdowns in asking rate adjustments coupled with diminishing availabilities within new construction resulted in muted rental rate growth during the fourth quarter.

The last three months of 2022 closed out an eventful year for Tampa’s office market. An emptied construction pipeline put the markets appetite for new construction on display as virtually all new projects stabilized, exhibiting that the “flight to quality” was well underway. The strong performance of these projects also gave a vote of confidence to the next round of construction, as the second office tower at Midtown Tampa is slated to kick off in early 2023 and the attention of prospective firms downtown looks to justify phase two construction at Heights Union and Water Street. Although headline vacancy remains elevated, a closer look revealed that this is largely due to the market responding to an evolution in the way firms aim to utilize space, often rightsizing in the process.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

In contrast to previous quarters, it was not the Tampa CBD or Westshore that led net absorption in the last three months of the year. Instead, East Tampa led the pack as FEMA made a short term committed to just over 120,000 square feet. Looking ahead, demand for office space remains as over 1.9 million square feet of active tenant requirements still fill the pipeline, a figure that is mostly in line with the average over the past two years. At first glance the net absorption numbers for 2022 look worrisome, however, these numbers are heavily skewed by the sublease market which accounts for over 80% of the negative 1 million square feet recorded for the year.

VACANCY

Total vacancy saw a slight increase over the previous quarter, rising by 20 bps. It's worth mentioning that this increase is below the rate of growth experienced over the past two years and represents the smallest margin of growth in 2022. Minimal sublease additions coupled with active leasing of sublease space during the fourth quarter undoubtedly helped this metric. Therefore, the rise in *total* vacancy can be attributed to recent downsizes by Citi, Kforce, Progressive Insurance and others. Despite this, direct vacancy is only up 30 bps from this time last year.

PRICING

The pace of asking rate adjustments have slowed drastically over the course of 2022 compared to 2021, with very minimal movement recorded in the fourth quarter as well. As availabilities within new construction diminished so too did the upward pull of their asking rents. Overall average asking rates fell year-over-year by 3.3%, as Tampa's largest submarkets, the CBD and Westshore, dipped 4.2% and 2.3%, respectively.

FIGURE 2: Statistical Snapshot Q4 2022

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2022 Net Absorption (Sq. Ft.)	2022 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/FSG)
CBD	8,899,359	13.6%	15.1%	(47,817)	13,141	57,060	\$38.18
Tampa CBD	6,964,452	15.2%	16.2%	(45,836)	46,386	12,060	\$38.96
St Pete CBD	1,934,907	7.8%	11.1%	(1,981)	(33,245)	45,000	\$33.29
Hillsborough Suburbs	26,941,762	15.9%	22.9%	(61,563)	(791,421)	0	\$29.52
Westshore	13,313,025	14.7%	18.5%	(66,845)	92,057	0	\$34.24
Northwest Tampa	4,366,203	12.4%	34.5%	(13,418)	(549,479)	0	\$23.67
Southwest Tampa	603,971	1.9%	1.9%	(1,402)	12,325	0	\$25.15
Northeast Tampa	4,820,942	20.2%	25.8%	(124,484)	(186,871)	0	\$25.90
East Tampa	3,469,568	22.8%	26.8%	144,586	(149,920)	0	\$24.69
Southeast Tampa	368,053	2.9%	2.9%	0	(9,533)	0	\$22.00
Pinellas Suburbs	8,832,739	16.9%	18.5%	10,784	(272,649)	0	\$24.19
North Pinellas	3,348,039	13.4%	13.4%	27,158	23,796	0	\$23.15
Mid-Pinellas/Gateway	5,232,741	19.4%	22.0%	(1,435)	(278,447)	0	\$24.79
Southwest St Pete	172,857	8.4%	8.4%	(4,435)	(7,494)	0	\$20.87
Southeast St Pete	79,102	23.4%	23.4%	(10,504)	(10,504)	0	N/A
Suburban Total	35,774,501	16.1%	21.8%	(50,779)	(1,064,070)	0	\$28.21
Tampa Total	44,673,860	15.6%	20.5%	(98,596)	(1,050,929)	57,060	\$29.91
Class A	23,942,089	16.1%	22.1%	32,736	(520,503)	45,000	\$33.87
Class B	20,731,771	15.1%	18.6%	(131,332)	(530,426)	12,060	\$24.50

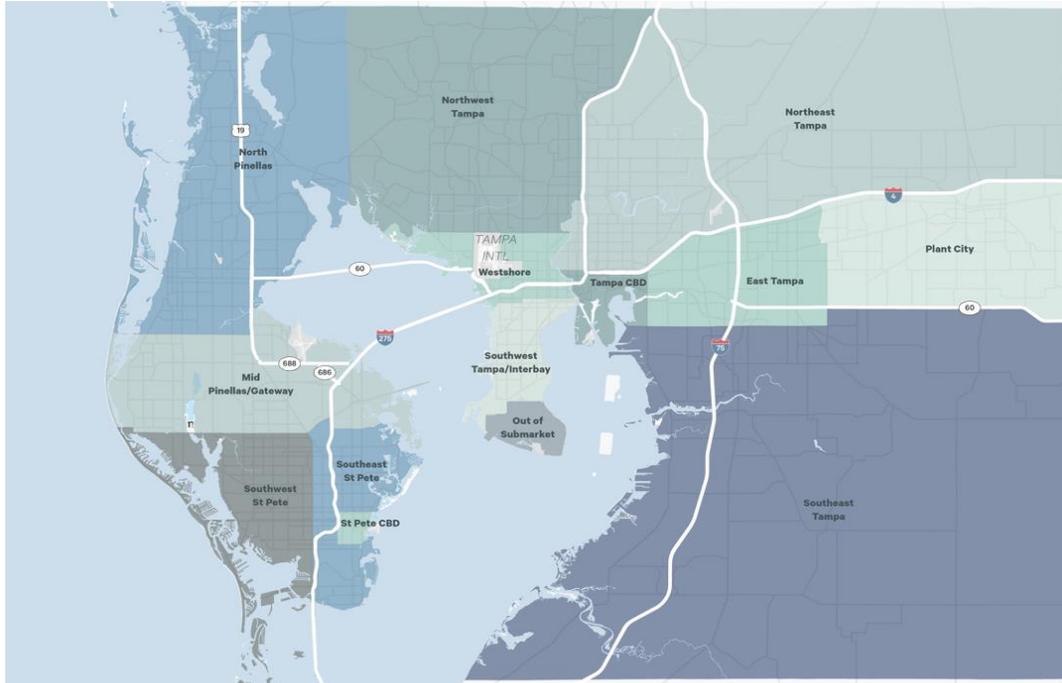
FIGURE 3: Class A Statistical Snapshot Q4 2022

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2022 Direct Net Absorption (Sq. Ft.)	Q4 2022 Sublet Net Absorption (Sq. Ft.)	Q4 2022 Total Net Absorption (Sq. Ft.)	2022 Net Absorption (Sq. Ft.)	Avg. Asking Rate (\$/SF/FSG)
Tampa CBD	5,118,630	17.9%	19.1%	(66,733)	11,930	(54,803)	38,321	\$41.17
St Pete CBD	1,235,047	10.9%	16.0%	8,489	(16,470)	(7,981)	(58,058)	\$34.37
Westshore	7,936,122	15.4%	19.7%	(41,041)	12,021	(29,020)	81,551	\$37.86
Northwest Tampa	1,274,614	5.6%	46.5%	(3,798)	0	(3,798)	(248,805)	\$29.23
Southwest Tampa	83,511	0.0%	0.0%	0	0	0	0	N/A
Northeast Tampa	2,142,532	22.9%	35.0%	3,033	(5,402)	(2,369)	(89,362)	\$29.99
East Tampa	1,782,360	19.9%	27.7%	133,825	0	133,825	(137,289)	\$26.34
Southeast Tampa	119,729	0.0%	0.0%	0	0	0	0	N/A
North Pinellas	1,397,129	10.6%	10.6%	3,630	0	3,630	5,495	\$24.70
Mid-Pin./Gateway	2,852,415	17.9%	19.6%	(6,748)	0	(6,748)	(112,356)	\$26.01
Southwest St Pete	-	-	-	-	-	-	-	-
Southeast St Pete	-	-	-	-	-	-	-	-
Class A Total	23,942,089	16.1%	22.1%	30,657	2,079	32,736	(520,503)	\$33.87

FIGURE 4: Class B Statistical Snapshot Q4 2022

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2022 Direct Net Absorption (Sq. Ft.)	Q4 2022 Sublet Net Absorption (Sq. Ft.)	Q4 2022 Total Net Absorption (Sq. Ft.)	2022 Net Absorption (Sq. Ft.)	Avg. Asking Rate (\$/SF/FSG)
Tampa CBD	1,845,822	7.6%	8.0%	6,186	2,781	8,967	8,065	\$28.80
St Pete CBD	699,860	2.4%	2.4%	6,000	0	6,000	24,813	\$25.96
Westshore	5,376,903	13.6%	16.8%	(31,545)	(6,280)	(37,825)	10,506	\$28.62
Northwest Tampa	3,091,589	15.1%	29.5%	(33,418)	23,798	(9,620)	(300,674)	\$22.70
Southwest Tampa	520,460	2.2%	2.2%	(1,402)	0	(1,402)	12,325	\$25.15
Northeast Tampa	2,678,410	18.0%	18.5%	(122,115)	0	(122,115)	(97,509)	\$21.52
East Tampa	1,687,208	25.8%	25.8%	10,761	0	10,761	(12,631)	\$20.98
Southeast Tampa	248,324	4.3%	4.3%	0	0	0	(9,533)	\$22.00
North Pinellas	1,950,910	15.3%	15.3%	23,528	0	23,528	18,301	\$22.09
Mid-Pin./Gateway	2,380,326	21.3%	24.8%	(16,836)	22,149	5,313	(166,091)	\$23.18
Southwest St Pete	172,857	8.4%	8.4%	(4,435)	0	(4,435)	(7,494)	\$20.87
Southeast St Pete	79,102	23.4%	23.4%	(10,504)	0	(10,504)	(10,504)	N/A
Class B Total	20,731,771	15.1%	18.6%	(173,780)	42,448	(131,332)	(530,426)	\$24.50

Market Area Overview



ECONOMIC OUTLOOK

Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, and higher interest rates, which are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in 1H 2023.

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.

Contact

Mike DiBlasi

Managing Director
+1 813 273 8400
mike.diblas@cbre.com

Marc L. Miller

Associate Field Research Director
+1 305 381 6428
marc.miller1@cbre.com

Kyle Koller

Field Research Manager
+1 813 273 8422
kyle.koller@cbre.com

Juan Rodriguez Acosta

Field Research Analyst
+1 813 273 8456
juan.rodriguezacosta@cbre.com