

FIGURES | TAMPA OFFICE | Q2 2024

Amplified capital markets activity and stable fundamentals

▲ 20.5%
Vacancy Rate

▼ (40,668)
SF Net Absorption

▼ 176,389
SF Under Construction

▶ 0
SF Deliveries

▲ \$31.18
Full-Service / Lease Rate

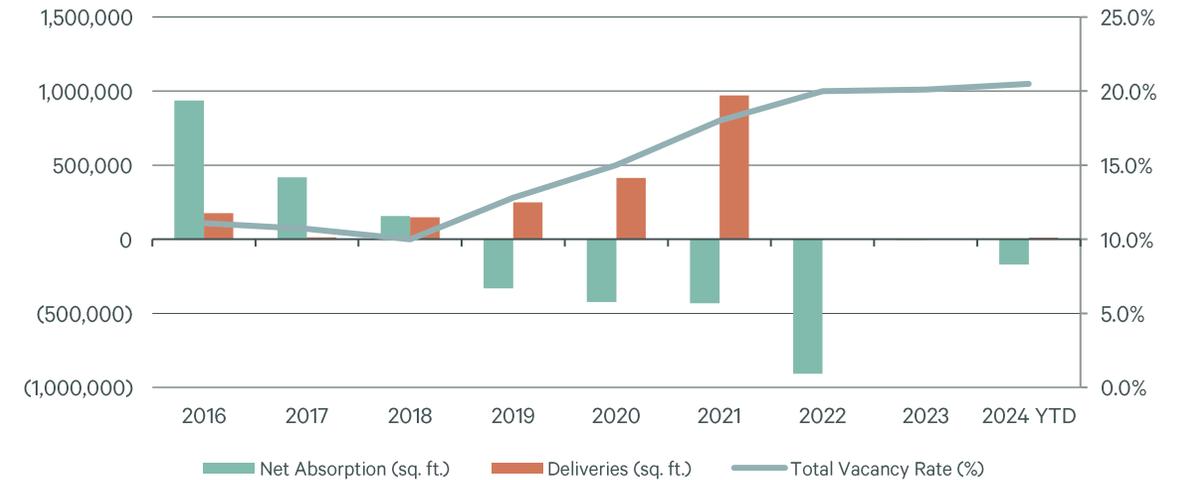
Note: Arrows indicate change from previous year.

OVERVIEW

- Total vacancy remained steady in the second quarter, showing signs of stability after a spell of rising vacancy levels in the past two quarters.
- Midtown East remained on track for an early 2025 delivery as the project topped out in the current quarter. The St Pete CBD’s “Halcyon at The Central” project should break ground in the third quarter.
- Modest average asking rent growth continued, expanding just 2.2% year-over-year. Top of market average rents displayed resilience, registering a 4.5% year-over-year increase.

The choice by many firms to continue right-sizing their office footprints remains a prevalent theme within Tampa’s office market. In many cases, this strategy has worked in unison with the flight to quality trend we’ve observed for the better part of the post-COVID era to consistently diminish the availability of prime office space. The stable fundamentals and steady demand for space were front and center as investment groups made moves to acquire two of the markets most recognizable assets, 100 North Tampa and NetPark —the buildings sold for \$153M and \$45M, respectively. Both serve as important data points for Tampa’s office market given the headline news around the national office sectors lackluster performance.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Absorption levels over the second quarter were subdued as a handful of large move-outs again outpaced move-ins. Most notable among these was The Art Institutes 41,000 square foot exit from its campus in the Parkside building at Tampa Bay Park as the school put the space up for sublease, adding to a list of Class B sublease opportunities across the market. Perhaps surprisingly, the standout submarket in terms of net absorption was Mid-Pinellas/Gateway, as it capitalized on some mid-sized occupancies that allowed it to register its best quarterly net absorption total since Q2 2019.

A replenished tenants in the market pipeline has now accrued nearly 2.8M square feet of office requirements, growing by 200,000 square feet since Q1 2024. The rising figure should bode well for leasing efforts in the remainder of 2024 and into 2025.

VACANCY

Given the minimal level of net absorption this quarter total vacancy remained levelled at 20.5%. The figure is still elevated in relative terms, but encouragingly the rising trend observed since the end of last year was reigned in. Future tenant movement is currently projected to total roughly 300,000 square feet by years end, accounting for both pending move-ins and move-outs. This should help counteract additional consolidation by firms and alleviate some of the vacancy pressure in the market.

PRICING

Given the lack of new product and the dwindling of premium spaces average asking rates were up just 0.1% on the quarter and 2.2% year-over-year. This modest growth may be the norm until the delivery of new product in 2025, whose forecasted rates will be in the \$60's, giving landlords a new benchmark to follow.

FIGURE 2: Statistical Snapshot Q2 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/FSG)
CBD	8,843,535	12.3%	14.1%	(8,873)	10,177	44,434	\$41.00
Tampa CBD	6,967,628	12.5%	14.5%	2,213	11,772	0	\$42.13
St Pete CBD	1,914,907	11.4%	12.5%	(11,086)	(1,595)	44,434	\$37.63
Hillsborough Suburbs	26,335,529	16.4%	22.7%	(79,006)	(56,546)	131,955	\$30.70
Westshore	13,075,068	14.7%	18.0%	25,454	(93,061)	131,955	\$35.59
Northwest Tampa	4,366,281	10.4%	28.6%	(21,592)	148,136	0	\$24.50
Southwest Tampa	607,439	5.8%	5.8%	860	2,576	0	\$41.36
Northeast Tampa	4,735,217	26.4%	32.3%	(63,164)	(79,812)	0	\$25.90
East Tampa	3,183,471	20.5%	25.4%	(20,564)	(34,385)	0	\$25.68
Southeast Tampa	368,053	1.3%	1.3%	0	0	0	\$26.00
Pinellas Suburbs	8,653,834	17.5%	20.2%	47,211	(123,085)	0	\$25.14
North Pinellas	3,218,134	15.9%	19.7%	(15,231)	(154,655)	0	\$23.79
Mid-Pinellas/Gateway	5,183,741	19.1%	21.3%	50,815	20,794	0	\$26.05
Southwest St Pete	172,857	2.1%	2.1%	1,123	272	0	\$16.96
Southeast St Pete	79,102	10.2%	10.2%	10,504	10,504	0	N/A
Suburban Total	34,989,363	16.7%	22.1%	(31,795)	(179,631)	131,955	\$29.15
Tampa Total	43,832,898	15.8%	20.5%	(40,668)	(169,454)	176,389	\$31.18
Class A	23,655,992	16.0%	21.0%	(45,569)	75,321	176,389	\$34.87
Class B	20,176,906	15.5%	19.9%	4,901	(244,775)	0	\$26.07

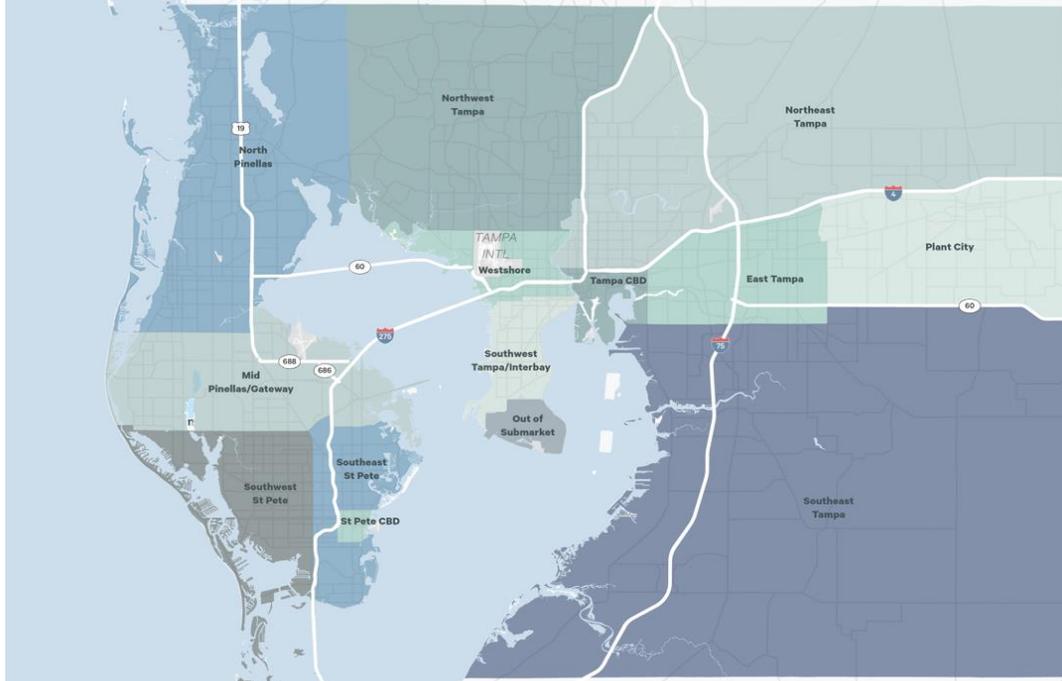
FIGURE 3: Class A Statistical Snapshot Q2 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 2024 Direct Net Absorption (Sq. Ft.)	Q2 2024 Sublet Net Absorption (Sq. Ft.)	Q2 2024 Total Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Avg. Asking Rate (\$/SF/FSG)
Tampa CBD	5,118,630	14.2%	16.8%	(5,013)	(2,094)	(7,107)	4,287	\$44.39
St Pete CBD	1,235,047	15.2%	16.9%	(29,740)	17,812	(11,928)	(120)	\$37.87
Westshore	7,936,122	13.7%	16.3%	55,216	15,598	70,814	67,541	\$39.84
Northwest Tampa	1,274,614	6.2%	37.8%	(2,590)	(41,213)	(43,803)	28,699	\$28.57
Southwest Tampa	83,511	0.0%	0.0%	0	0	0	0	\$50.00
Northeast Tampa	2,142,532	26.5%	38.9%	(42,226)	23,407	(18,819)	(21,892)	\$29.43
East Tampa	1,496,263	20.9%	28.2%	(18,187)	0	(18,187)	(8,696)	\$27.30
Southeast Tampa	119,729	0.0%	0.0%	0	0	0	0	N/A
North Pinellas	1,397,129	17.8%	17.8%	(25,631)	0	(25,631)	(42,487)	\$24.94
Mid-Pin./Gateway	2,852,415	20.3%	21.6%	9,092	0	9,092	47,989	\$27.29
Southwest St Pete	-	-	-	-	-	-	-	-
Southeast St Pete	-	-	-	-	-	-	-	-
Class A Total	23,655,992	16.0%	21.0%	(59,079)	13,510	(45,569)	75,321	\$34.87

FIGURE 4: Class B Statistical Snapshot Q2 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 2024 Direct Net Absorption (Sq. Ft.)	Q2 2024 Sublet Net Absorption (Sq. Ft.)	Q2 2024 Total Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Avg. Asking Rate (\$/SF/FSG)
Tampa CBD	1,809,998	7.9%	7.9%	6,651	2,669	9,320	7,485	\$34.66
St Pete CBD	679,860	4.5%	4.5%	842	0	842	(1,475)	\$35.91
Westshore	5,138,946	16.3%	20.6%	(40,064)	(5,296)	(45,360)	(160,602)	\$29.58
Northwest Tampa	3,091,667	12.1%	24.8%	(10,070)	32,281	22,211	119,437	\$23.67
Southwest Tampa	523,928	6.7%	6.7%	860	0	860	2,576	\$31.20
Northeast Tampa	2,592,685	26.3%	26.9%	(44,345)	0	(44,345)	(57,920)	\$22.86
East Tampa	1,687,208	20.2%	23.0%	2,505	(4,882)	(2,377)	(25,689)	\$23.68
Southeast Tampa	248,324	1.9%	1.9%	0	0	0	0	\$26.00
North Pinellas	1,821,005	14.4%	21.2%	10,400	0	10,400	(112,168)	\$22.22
Mid-Pin./Gateway	2,331,326	17.6%	21.0%	30,532	11,191	41,723	(27,195)	\$23.61
Southwest St Pete	172,857	2.1%	2.1%	1,123	0	1,123	272	\$16.96
Southeast St Pete	79,102	10.2%	10.2%	10,504	0	10,504	10,504	N/A
Class B Total	20,176,906	15.5%	19.9%	(31,062)	35,963	4,901	(244,775)	\$26.07

Market Area Overview



ECONOMIC OUTLOOK

Following a year of expectation-busting growth, which has given us interest rates higher for much longer, it seems we will get a “soft landing” in 2024. Last year’s expansion was almost certainly driven by fiscal stimulus that far exceeded other western countries. Today, stimulus effects are fading, and higher interest rates continue to bite. There is evidence of this on the consumer front, wherein delinquency rates are trending upward, and credit growth is quickly slowing. The latter signals that consumption—a key driver of GDP growth in recent quarters—is poised to slow further. This partly explains why we believe growth will settle at the mid-1% range this year.

A more severe contraction in consumption would require the labor market to contract. Presently, conditions are merely softening. Both job openings and hours worked are falling. Also, most of the job growth is clustered in sectors that are immune to higher interest rates and receive at least some public funding, such as education, healthcare and government jobs. Leisure & hospitality has been a growth sector, but these cooling trends are evident here too.

A soft landing in consumption and hiring point to further disinflation. Labor-intensive service costs are poised to soften and falling rents across the Sun Belt suggest weaker housing inflation is on the horizon. Fed rate cuts are downstream of disinflation, and a most welcome outcome within the commercial real estate space where higher financing costs and devaluations are triggering distress. The prospect of a rate cut this fall will at least help ease rate volatility, put cap rates on a slight downward trajectory, and generate more common ground between buyers and sellers in coming quarters.

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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