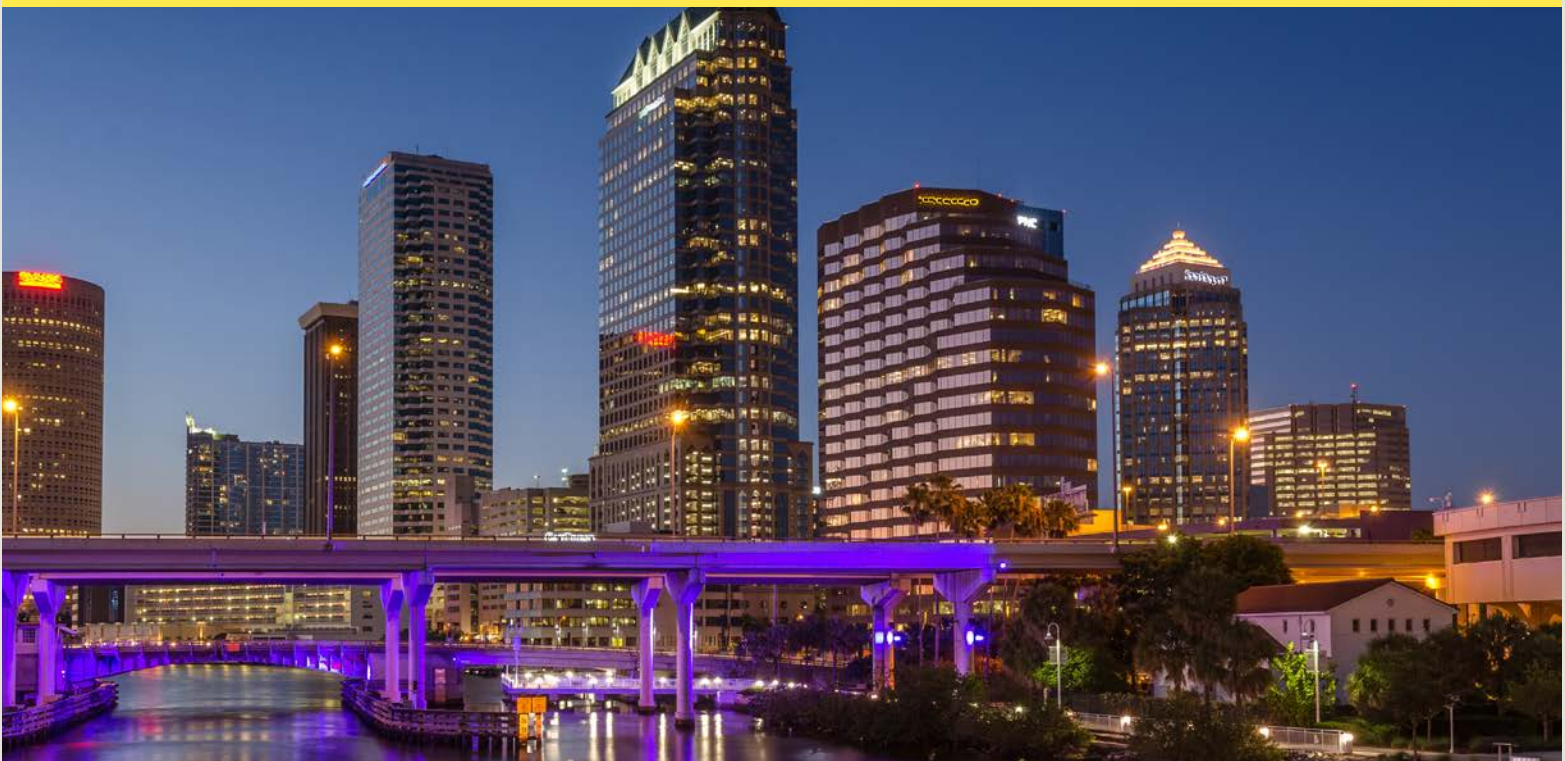


Savills Studley Report Tampa Bay office sector

Q3 2017



SUMMARY

Market Highlights

LEASING STAYS ON TRACK

Quarterly leasing in Tampa Bay remained on a steady track, totaling just over 900,000 sf. Tenants have leased 3.3 msf in the last four quarters, just below the long-term average of 3.4 msf leased each year.

AVAILABILITY FALLS AGAIN

Tampa Bay's overall availability rate decreased by 140 basis points, from 15.1% to 13.7% in the third quarter. The Class A rate dropped by 130 basis points from 12.8% to 11.5%.

RENT INCREASES SLIGHTLY

Tenants faced slightly higher asking rent during the third quarter. The overall average rent in the region rose by 0.7% to \$22.60 and has jumped by 4.4% year-on-year. The Class A rent increased by 2.2% to \$27.44 and has spiked by 5.8% from a year ago.

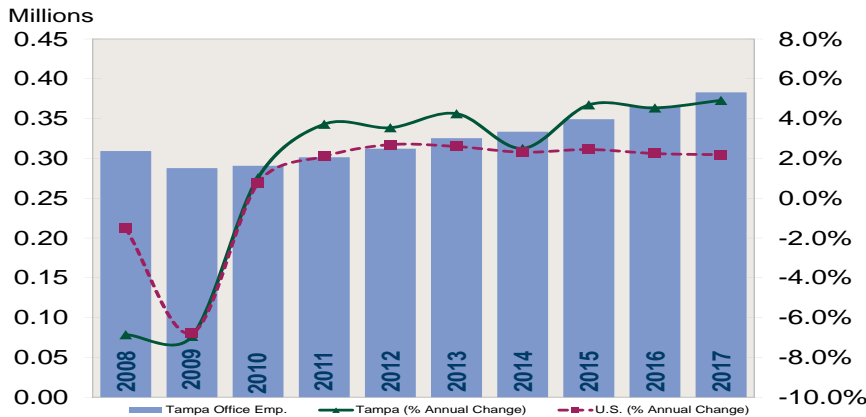
SALES INCREASE

Year-to-date office property sales totaled \$509 million through July, an increase of 20.4% from the \$422.68 million during the same period last year.

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"Tenants pursuing quality office space will need to start their search early. Sustained payroll expansion and steady leasing continue to deplete space options. The diminishing availability for larger occupiers is particularly acute."

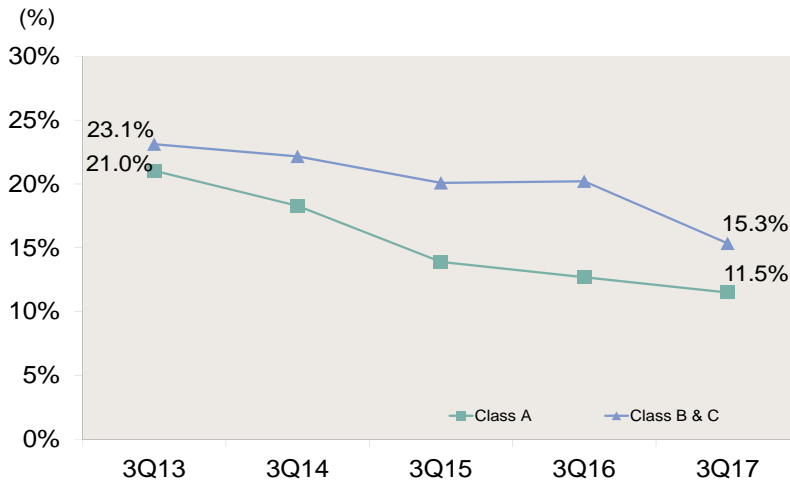
Cheri M. O'Neil,
Senior Vice President

Office-Using Employment Trends

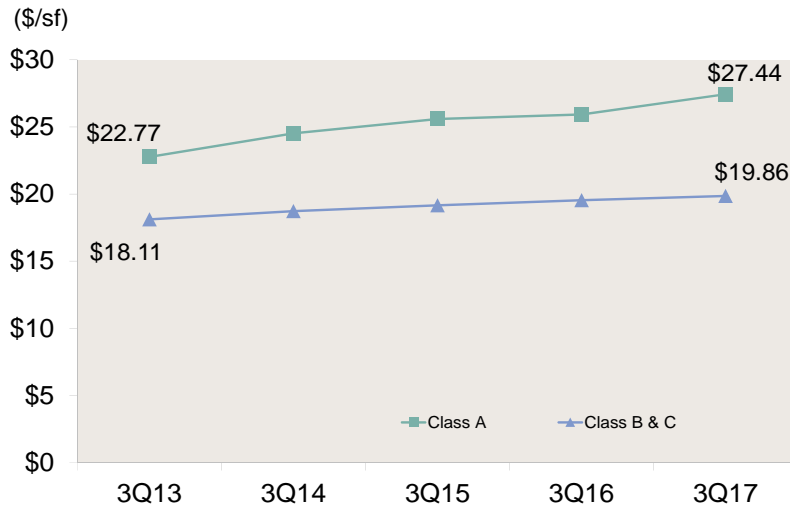


Source: Bureau of Labor Statistics

Availability Rate Trends



Asking Rent Trends



Steady Hiring & Leasing Depleting Availability

Tampa Bay is among a handful of markets that are still bucking the moderation trend seen in many U.S. office markets – hiring and leasing activity have been sustained so far in 2017. Through July, Tampa Bay has added more than 18,000 office-using jobs, a year-on-year increase of 5.0%. In comparison, during the same period the U.S. has registered a 2.1% growth rate. Leasing activity in Tampa Bay has also held up quite well, exceeding 900,000 sf three times in the last five quarters. Sustained leasing and hiring has depleted available quality space options in both Westshore and Tampa Bay's CBD.

The region is benefitting from corporate relocations - both big and small. Madison, Mississippi-based Think Anew, for example, a tech support provider for health care companies, recently opened a new location in Tampa Bay – its first in Florida. They attributed their choice of Tampa to the flow of new talent coming out of local colleges and universities. The firm has eight employees currently and plans to add 19. Small businesses remain the bedrock of U.S. business, some eventually blossom into much bigger companies. Tampa is also benefitting from more substantial expansion plans. Recently, USAA announced that it will construct a 240,000-sf building to house another 1,000 employees, pushing its overall future headcount to as many as 4,500 employees.

Stable Leasing

Leasing activity rose slightly in the quarter and exceeded the market's quarterly average by 12.2%. Tenants continue to spread to multiple submarkets beyond the core Westshore and Downtown Tampa locations. Healthcare and related service providers remains a key source of demand. EmCare took 93,069 sf at Bay Vista Pavilion at 5380 Tech Data Drive in Clearwater. The provider of physician practice management services is expanding significantly in their relocation from a nearby location in Clearwater. In Southeast Hillsborough, United Healthcare added 60,000 sf at 10201 Windhorst Road for a call center. The building has a rare parking ratio of 9.5 spaces per 1,000/sf.

A couple of mid-sized leases were completed in Westshore. HDR Inc. leased 29,970 sf at 4830 W Kennedy Boulevard. Just a short distance away, at 5426 W. Bay Center, Microsoft renewed for 22,233 sf. Pegasus TSI signed a 16,541 sf lease at 3505 E Frontage Road. Finally, Harrison-Davis, Inc. inked a 12,065 sf lease at 4200 W Cypress Street. Quarterly leasing volume in Westshore's Class A sector spiked by 71% from just over 100,000 sf to 172,875 sf. Despite very few large leases, activity in Tampa's CBD held steady, reaching

130,000 sf, right on track with the typical quarterly pace.

Dwindling Space Options in Core Submarkets

This sustained leasing is quite remarkable considering how sharply space has tightened in both the CBD and Westshore. The Class A availability rate in Westshore decreased by 200 basis points to 12.0% in the third quarter, falling to its lowest mark since 2007. Similarly the Class A rate in the Tampa Bay CBD dove by 310 basis points to 13.1%.

The space shortage is particularly acute for tenants looking for mid-sized and larger blocks of quality Class A space. The number of buildings with a contiguous block of Class A space over 50,000 sf in Tampa Bay's CBD plummeted to five such properties. In turn, renewals have become more prevalent of late. As space tightens, some landlords are getting creative in an effort to keep larger tenants in need of more space from relocating. This occasionally includes restacking tenants to clear a block.

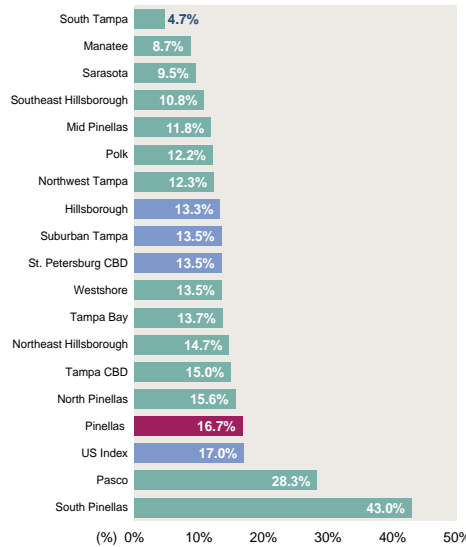
Relo Market

Tenants requiring quality space in Westshore or Downtown Tampa must get out in this market early. It will take quite some time for new product to alleviate the space crunch. Last quarter, AAA signed a huge lease in Northwest Tampa at Vision Properties' Renaissance Park, in a building whose construction began as spec. Other opportunities for additional large users are likely 12- 18 months out. Downtown Tampa will have a significant amount of space (nearly 3.0 msf) delivering, but not until late 2018 or after. As this new supply delivers, Tampa Bay's office market will see the most dramatic relocation activity in years. There are likely to be three sets of relocations - the first two are companies moving to new product and businesses filling the vacant space they leave behind.

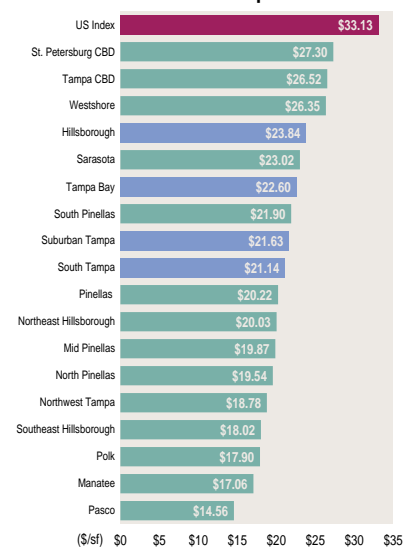
The third group of tenants, one that may not be that noticeable, is already starting to relocate. This involves the movement of tenants at a handful of properties to be taken down as part of the Riverwalk Tower redevelopment. The CapTrust building at 102 W. Whiting Street is slated to be demolished later this year, so CapTrust Advisors is moving to a 10,500 sf space at Park Tower (400 N Tampa Street). The investment firm has been at the 47,000-sf building for nearly 20 years.

A few retail tenants at Channelside Bay Plaza are also having to move as the demolition of the Southwest wing of the plaza unfolds, including stores that opened as recently as 2015. The demolition will clear the way for a new plaza and waterfront park. The first phase of 12 buildings will not start to deliver

Availability Rate Comparison



Rental Rate Comparison



Major Transactions

Tenant	Sq Feet	Address	Market Area
EmCare	93,069	5380 Tech Data Dr	North Pinellas
United Healthcare	60,000	10210 Windhorst Rd	Southeast Hillsborough
Cott Beverages	59,792	5519 W Idlewild Ave	Northwest Tampa
HDR Inc	29,970	4830 W Kennedy Blvd	Westshore
Microsoft	22,233	5426 Bay Center Dr	Westshore
The Bank of Tampa	18,938	601 Bayshore Blvd	South Tampa
Pegasus TSI	16,541	3505 E Frontage Rd	Westshore
Harrison-Davis	12,065	4200 W Cypress St	Westshore
Accounting Fulfillment Services	11,786	800 Carillon Pky	Mid Pinellas
CapTrust Advisors	10,594	400 N Tampa St	Tampa CBD
Sum of Leases	334,988	Sum of 3rd Quarter Leasing	942,854 SF

until 2018, but a plaza and park will help draw foot traffic well before stores and offices are completed.

New Product to Test Limits

The first set of tenants to sign leases in these buildings are likely to secure the best deals, but the asking rent will surely test the willingness of area tenants to pay record rent. Some top floors at premier buildings are commanding low to mid-\$30.00/sf rent. Parking fees add on to the cost of space in the CBD and Westshore as well. The rent required to make new construction feasible exceeds \$35/sf. Rent approaching the \$40/sf mark will certainly test limits in the region. In other markets, the influx of tenants from higher-cost markets, as well as an extensive densification trend has helped boost demand for highly efficient and amenitized space. New product has also met the increased demands for more open and collaborative space. The delivery of new buildings pressures landlords in existing properties to adapt as well – updating lobbies and common areas, making them wi-fi enabled and adding shared amenities such as

collaboration areas.

Looking Forward

Sustained leasing and shrinking availability across multiple property types continue to provide optimism about the health of the Tampa Bay region. Of note, the region's status as a destination for medical students received a significant boost thanks to a \$200 million donation from the Patel Family Foundation. The foundation gave \$50 million to private Fort Lauderdale-based Nova Southeastern to fund startup costs for the College of Osteopathic Medicine. Patel also will spend about \$150 million to redevelop property he bought last year that was the site of the now-shuttered Clearwater Christian College. Nova Southeastern University will consolidate its existing Tampa operations into the new 27-acre site, which will house a 325,000-square-foot medical education complex. This will make the Tampa Bay area one of just a handful of metro areas with more than one medical school, ultimately boosting the already growing workforce of highly trained and educated graduates in Tampa Bay.

Map	Submarket	Total	Leasing Activity	Available SF			Availability Rate			Asking Rents Per SF		
		SF (1000's)	Last 12 Months	This Quarter	% Change from Last Qtr.	Year Ago	This Quarter	pp Change from Last Qtr. (1)	Year Ago	This Quarter	% Change from Last Qtr.	Year Ago
1	Tampa CBD	6,638	418	995	-8.1%	1,151	15.0%	-1.9%	17.9%	\$26.52	-0.4%	\$25.23
	Tampa CBD - Class A	3,893	321	511	-10.4%	642	13.1%	-3.1%	15.8%	\$29.51	-0.4%	\$28.13
2	Westshore	13,359	1,087	1,809	-9.9%	1,960	13.5%	-0.5%	15.8%	\$26.35	1.8%	\$24.83
	Westshore - Class A	7,454	663	895	-12.1%	1,058	12.0%	-2.0%	14.3%	\$30.14	3.0%	\$28.64
3	Southeast Hillsborough	3,808	271	413	-2.8%	902	10.8%	-5.0%	16.4%	\$18.02	-0.5%	\$19.71
	Southeast Hillsborough- Class A	1,389	90	53	-15.1%	634	3.8%	0.1%	10.8%	\$22.89	1.4%	\$21.25
4	Northeast Hillsborough	5,061	270	744	1.9%	545	14.7%	1.3%	10.8%	\$20.03	2.6%	\$19.89
	Northeast Hillsborough - Class A	2,974	185	253	-6.3%	593	8.5%	0.6%	6.2%	\$25.24	1.7%	\$23.91
5	Northwest Tampa	4,074	570	503	-25.7%	348	12.3%	-7.1%	22.8%	\$18.78	1.8%	\$19.36
	Northwest Tampa - Class A	1,573	191	64	-18.4%	692	4.1%	-10.5%	7.2%	\$23.95	9.1%	\$23.63
6	South Tampa	950	32	44	-6.6%	462	4.7%	2.4%	3.7%	\$21.14	-1.2%	\$22.03
	South Tampa - Class A	112	19	0	N/A	210	0.0%	0.0%	0.0%	N/A	N/A	N/A
7	St. Petersburg CBD	2,208	98	298	5.9%	210	13.5%	4.4%	9.4%	\$27.30	7.7%	\$24.35
	St. Petersburg - Class A	1,041	71	256	16.7%	5,240	24.5%	10.1%	10.5%	\$28.78	6.1%	\$25.51
8	Mid Pinellas	4,106	130	486	-28.0%	2,974	11.8%	-4.8%	19.0%	\$19.87	-8.6%	\$19.43
	Mid Pinellas - Class A	1,468	51	30	-85.6%	748	2.0%	-12.2%	7.1%	\$20.93	-16.3%	\$24.29
9	North Pinellas	4,875	196	763	-4.1%	576	15.6%	-5.0%	23.5%	\$19.54	-0.9%	\$19.81
	North Pinellas - Class A	1,727	39	285	28.0%	1,006	16.5%	1.4%	13.6%	\$21.40	1.2%	\$20.96
10	South Pinellas	973	32	418	65.3%	767	43.0%	17.6%	27.8%	\$21.90	26.4%	\$16.67
	South Pinellas - Class A	150	N/A	N/A	N/A	230	N/A	N/A	0.0%	N/A	N/A	N/A
11	Manatee	1,287	35	112	-12.7%	230	8.7%	-4.7%	16.3%	\$17.06	-2.4%	\$16.85
	Manatee - Class A	132	0	0	N/A	1,984	0.0%	-5.4%	10.8%	N/A	N/A	N/A
12	Pasco	791	33	224	6.8%	1,573	28.3%	0.3%	22.2%	\$14.56	-4.6%	\$15.95
	Pasco - Class A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	Polk	1,458	12	177	-14.4%	42	12.2%	1.1%	12.1%	\$17.90	1.3%	\$16.42
	Polk - Class A	345	0	69	-19.5%	197	19.9%	-1.7%	20.7%	\$20.95	2.1%	\$19.62
14	Sarasota	5,001	104	474	-17.6%	197	9.5%	-2.4%	13.3%	\$23.02	-2.7%	\$21.72
	Sarasota - Class A	1,567	21	161	-20.0%	201	10.2%	-4.0%	11.5%	\$24.95	-3.7%	\$24.37
1-6	Hillsborough Total	33,890	2,647	4,509	-9.3%	5,240	13.3%	-1.7%	16.0%	\$23.84	0.7%	\$23.03
	Hillsborough Total - Class A	17,394	1,469	1,776	-11.2%	2,265	10.2%	-2.4%	12.2%	\$28.68	1.0%	\$27.21
7-10	Pinellas Total	9,954	358	1,667	-3.2%	1,984	16.7%	-2.7%	22.1%	\$20.22	0.0%	\$19.39
	Pinellas Total - Class A	3,345	91	479	11.6%	411	14.3%	0.3%	10.1%	\$23.54	2.3%	\$22.35
2-14	Suburban Tampa Total	47,951	283	6,466	-7.8%	7,488	13.5%	-1.7%	16.4%	\$21.63	0.4%	\$20.91
	Suburban Tampa Total - Class A	19,932	92	2,229	-5.7%	2,437	11.2%	-1.3%	11.2%	\$26.62	2.7%	\$25.21
1-14	Tampa Bay Region Total	54,590	3,288	7,461	-7.8%	8,639	13.7%	-1.4%	16.0%	\$22.60	0.7%	\$21.65
	Tampa Bay Region Total - Class A	23,825	1,652	2,740	-6.6%	3,079	11.5%	-1.3%	12.7%	\$27.44	2.2%	\$25.93

Please contact us for further information

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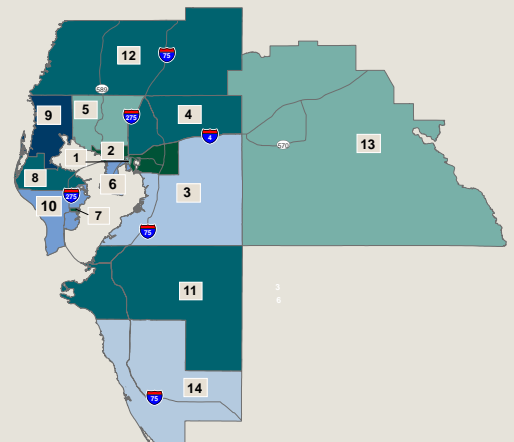
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(1) Percentage point change for availability rates.
Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf.
Statistics are calculated using both direct and sublease information.
Short-term sublet spaces (terms under two years) were excluded.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Statistics compiled with the support of The CoStar Group.
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