



AVISON  
YOUNG

# Tampa Office Insight Report

Q3 2021

**AVANT**  
by AVISON YOUNG

# Key takeaways



## Economic conditions

- Tampa's unemployment rate is holding steady at **4.7%** due to steadily rising vaccination rates, healthy consumer confidence, and a strong local business base. The unemployment rate has rebounded markedly from a high of 13.9% in April 2020 due in part to in-migration to Tampa.
- Tampa MSA job losses have declined by 2.1% since the start of the pandemic, though office-using jobs are down by just **1.3%**. The job sector with the strongest job growth since the beginning of the pandemic is the professional and business services sector, which is up 5.0%.



## Recovery rate

- As of August 2021, the state of Florida had recovered 974,000 jobs, equivalent to **77%** of all job losses incurred due to the pandemic.
- The Biden administration's intention to begin allowing foreign nationals to travel from Europe, China, Brazil, and India as of this November will help propel the Tampa economy as the influx of travelers will serve to boost the still-recovering tourism and hospitality sector.



## Office demand

- Leasing activity through the third quarter is at **79.8%** of the total recorded in 2020 and remains steady heading into the final quarter of the year, which is historically the strongest.
- Five-year lease deals are once again becoming common, and occupiers requiring **20,000 sf** and over are more likely to sign **10-year** deals. Tenants are increasingly willing to extend deal terms in order to secure additional tenant improvement dollars.

# Key takeaways



## Office supply

- Total vacancy remains at a seven-year high, totaling **16.7%** after hovering in the 12% range pre-pandemic from 2017 through 2019 even as well over 600,000 sf of office space was delivered.
- The impact of sublease space is slowly lessening but it still totals over **928,000 sf** and comprises **13.1%** of total vacant space. The highest quality sublease spaces have been the quickest to lease in the current environment.



## Pricing trends

- Base rents have increased by **7.5%** peak to trough since the onset of the pandemic, growing to a current average of **\$28.24** per sf. While this represents a slight decline over the second quarter, it is directly attributable to the healthy leasing of class A space as tenants pursue a flight to quality.
- Tenant improvement allowances and free rent remain relatively unchanged over the last quarter, and attractive incentives are generally only available on larger deals.



## Capital markets

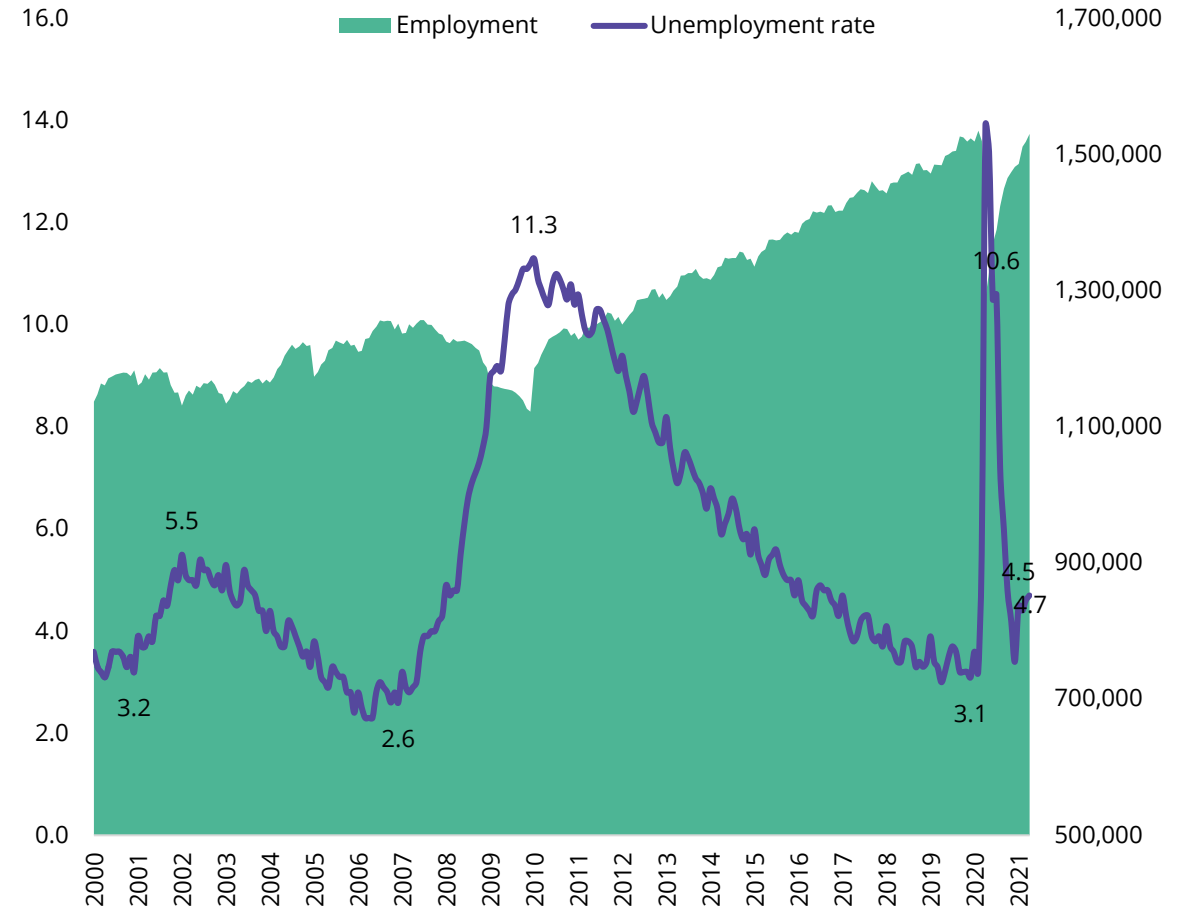
- Office investment activity has been steady in Tampa, with total transaction volume of **\$513.3 million** for the period from January 2020 through year-to-date 2021, although activity during the third quarter was relatively quiet compared to the previous quarter. The largest sale during the third quarter was Convergent Capital Partners' acquisition of 109 N Brush St in Tampa's CBD for \$7.95 million, or \$235 per sf.
- Tampa ranks in the **top 25 markets** in the U.S. for cross-border capital, with Canada accounting for the greatest office investment activity as of mid-year 2021.

# Employment and unemployment rate

# 4.7%

## Tampa unemployment rate as of July 2021

Historically tightened labor market conditions were halted by the pandemic with nearly 247,000 million job losses between February and April 2020, although steady vaccinations and business reopening efforts have enabled the economy to add 21.7% jobs since April 2020.



Note: Not seasonally adjusted data.  
Source: Bureau of Labor Statistics

# Office-using job gains and losses

# -1.3%

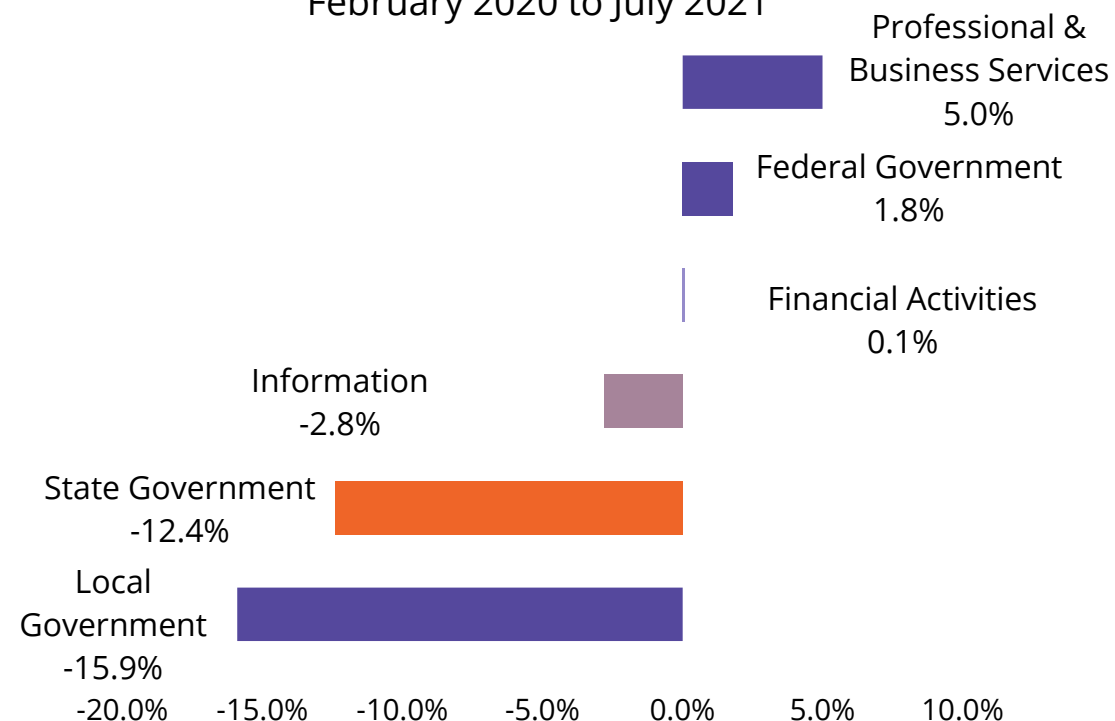
## Change in office-using employment during the pandemic

Tampa MSA job losses have declined by 2.1% since the start of the pandemic, though office-using jobs contracted by just 1.3%. This recession's impact on the office-using labor market has been less severe than the global financial crisis that ended in 2009.

[VIEW DASHBOARD](#)

## Total change in Tampa MSA\* job gains/(losses)

February 2020 to July 2021



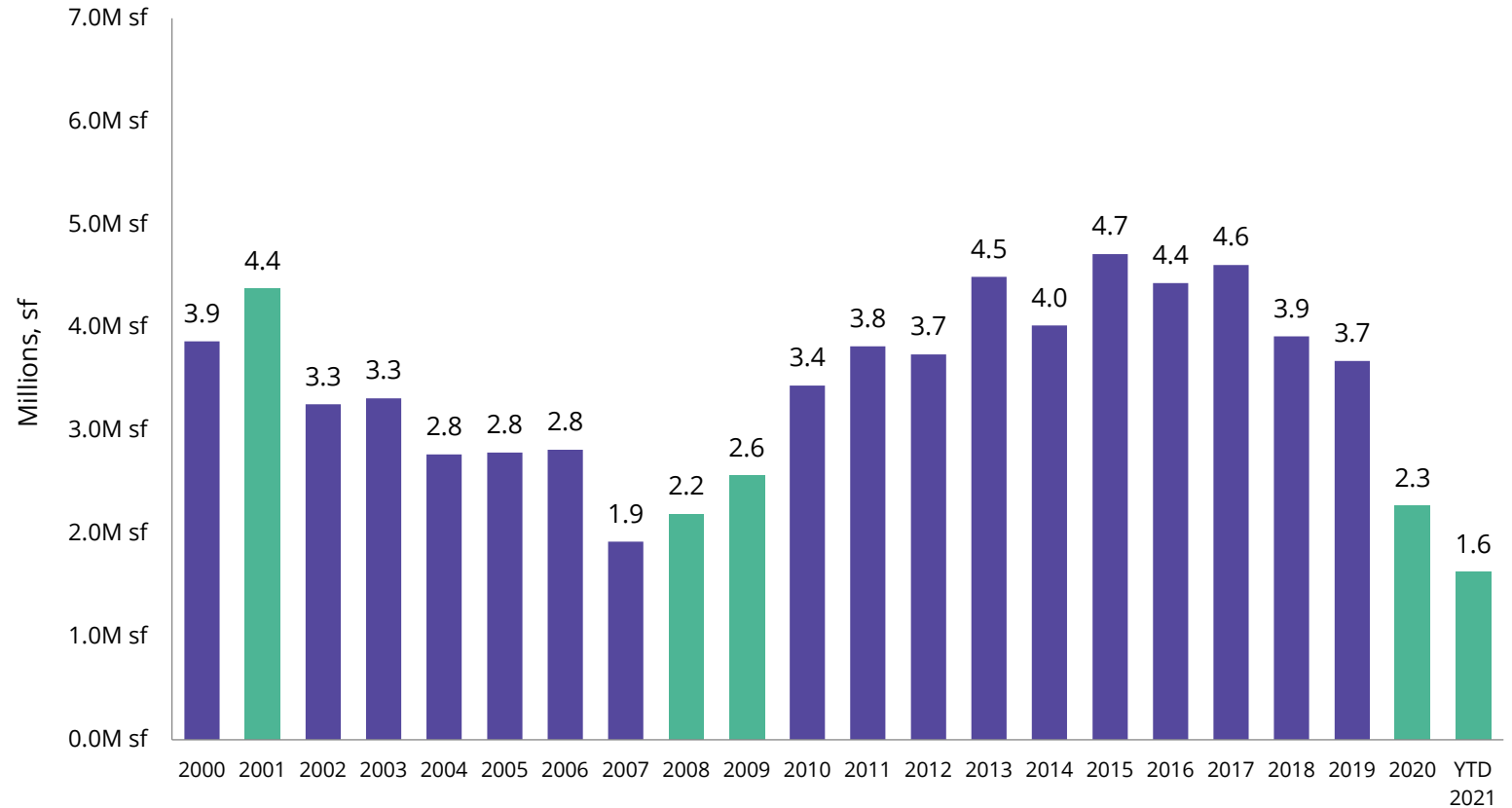
Note: Not seasonally adjusted data. \*Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Office leasing activity

**-28.2%**

**Year-to-date 2021  
leasing activity  
compared to 2020**

Leasing activity during the third quarter was roughly equivalent to all leasing that occurred during the first six months of the year, indicating a strong uptick in tenant interest as well as confidence in Tampa’s overall office market fundamentals.



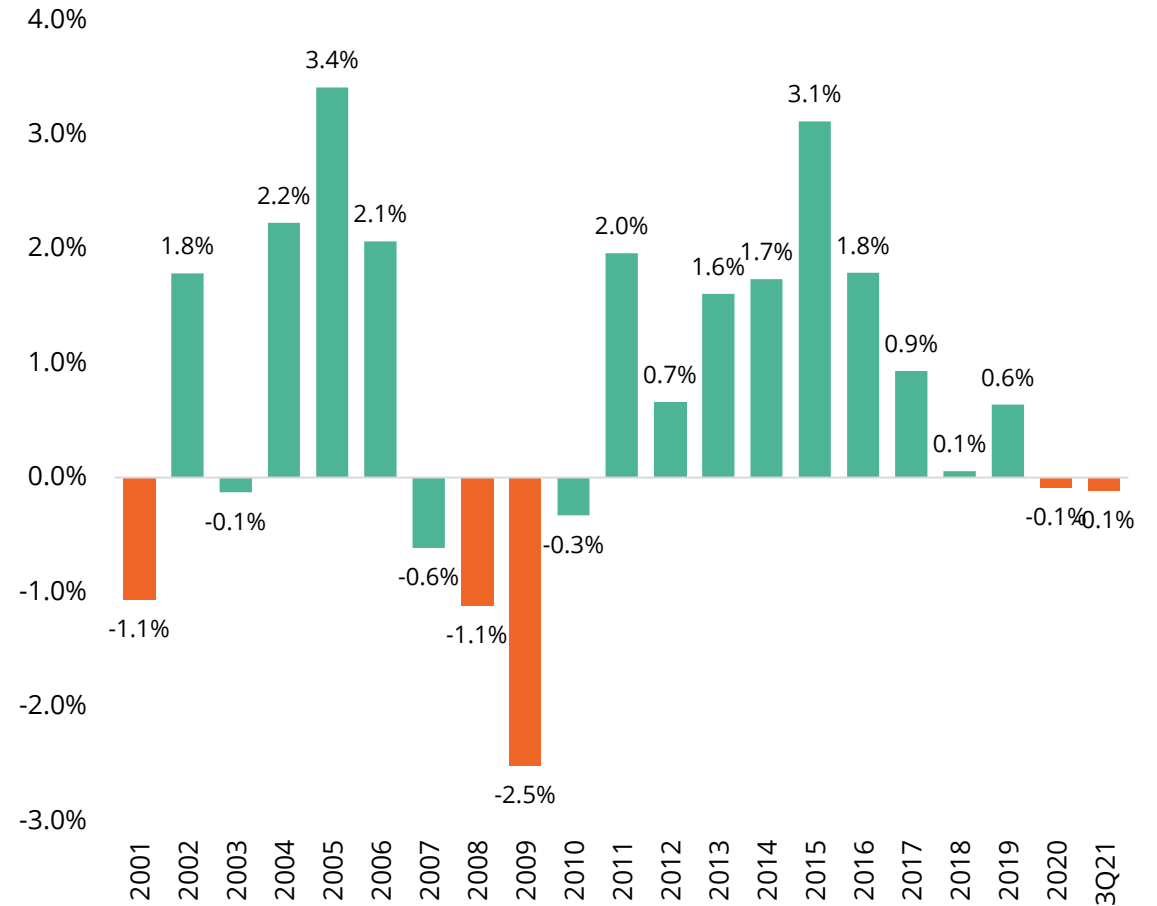
Source: AVANT by Avison Young

# Absorption

# -0.2%

**Net absorption as a percentage of inventory, 2020 through Q3 2021**

Negative absorption from 2020 to 3Q21 has totaled 90,174 sf, totaling -0.2% of the existing stock. This negative absorption has not yet reached the low of the global financial crisis (-2.5%), but has surpassed the level seen in the early 2000s recession (-1.8%).



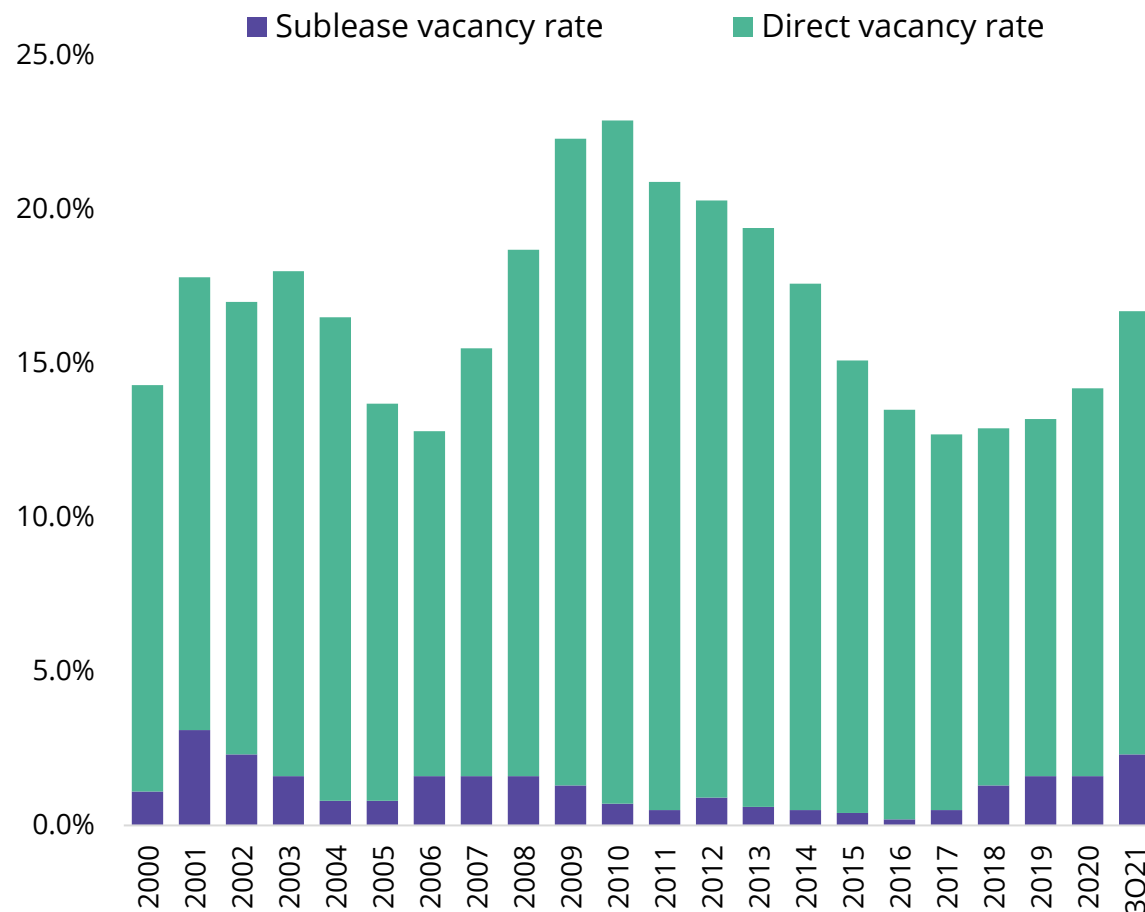
Source: AVANT by Avison Young

# Vacancy rate

# 16.7%

**Vacancy remains at the highest point since 2014**

The Q3 2021 vacancy rate rose by 80 basis points over the previous quarter and remains at the highest point in seven years, driven in large part by a marked increase in sublease space. Overall rents for the current quarter have increased by 1.8% year-over-year.



Source: AVANT by Avison Young

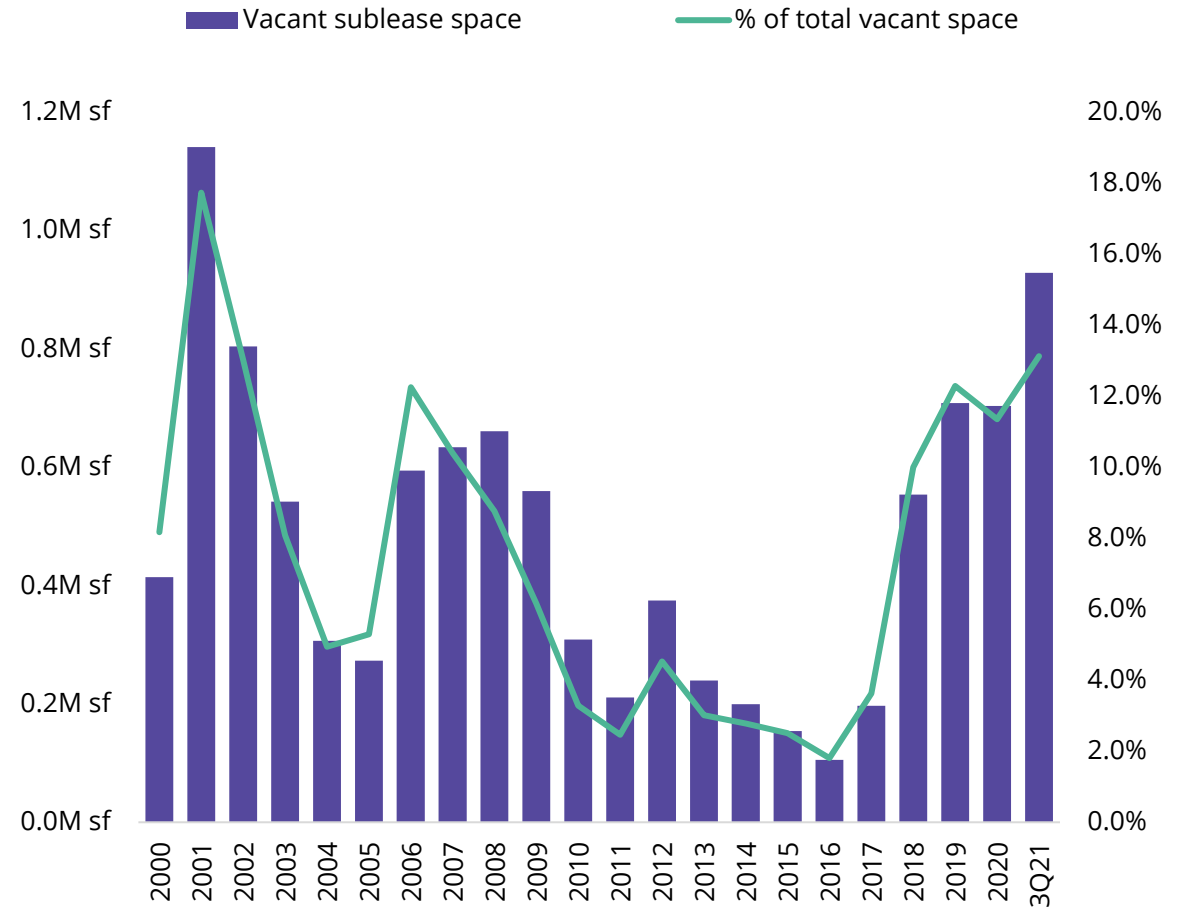


# Vacant sublease space

# 0.9 msf

**Sublease space is beginning to slowly decline**

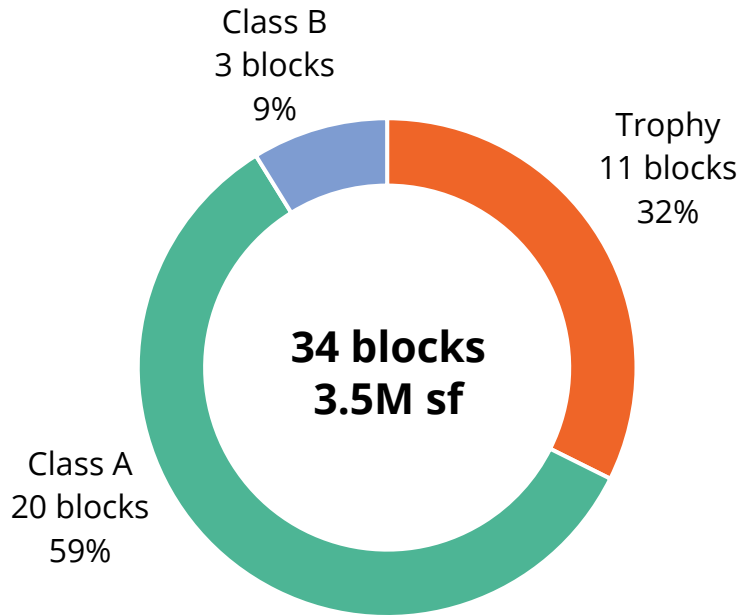
The share of sublease-to-total vacant space of 13.1% has surpassed the peak of 12.3% from the global financial crisis levels, though there is a precedent from 2001 due to the Dot-com Recession when the rate reached 18.2%.



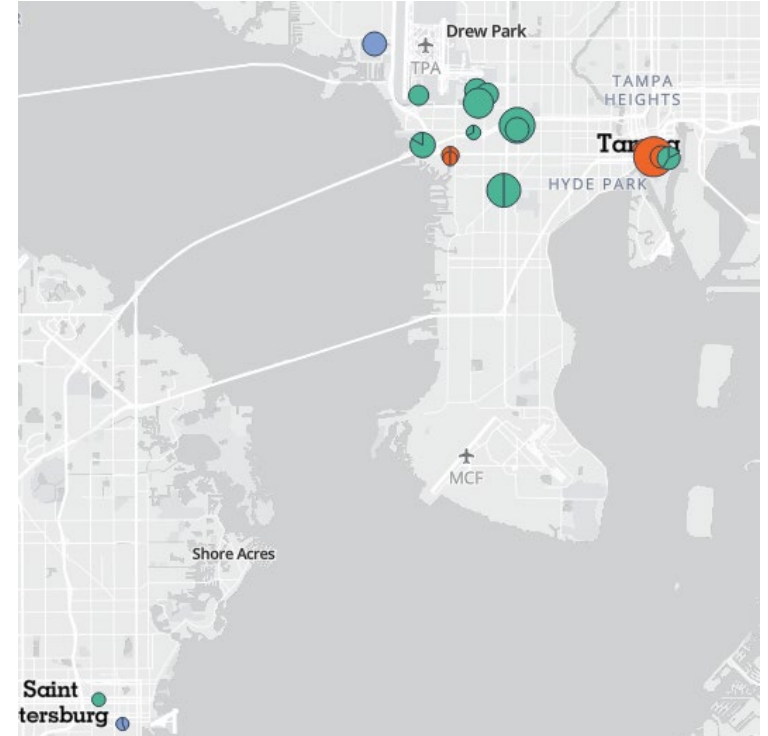
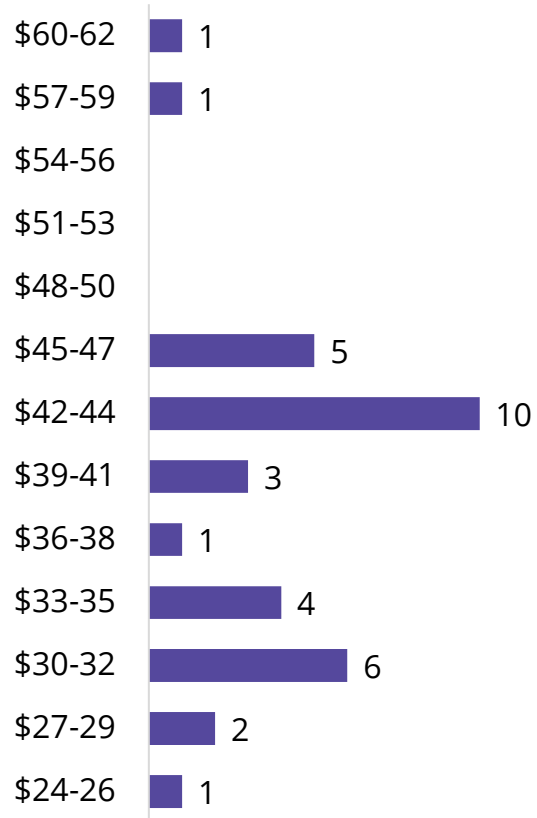
Source: AVANT by Avison Young

# Large block supply pipeline

## Building classification



## Asking rent per square foot



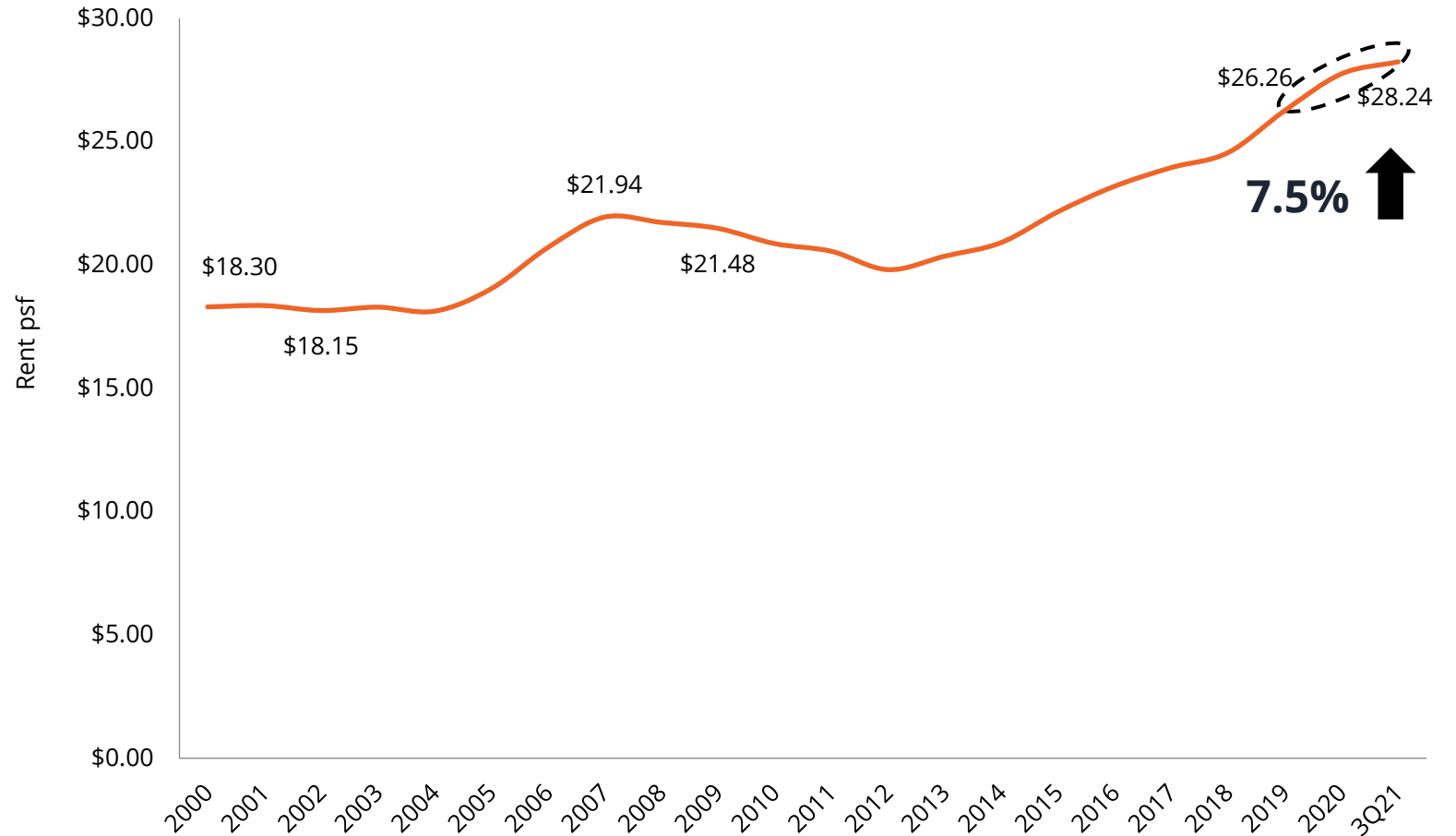
Source: AVANT by Avison Young

# Base rents

# 7.5%

**Peak-to-trough change in rents since the onset of the pandemic**

Base rents have increased notably since the onset of the pandemic and the resulting recession, which is the opposite of what occurred in the prior two recessions and is largely due to an increase in available class A space.



Source: AVANT by Avison Young

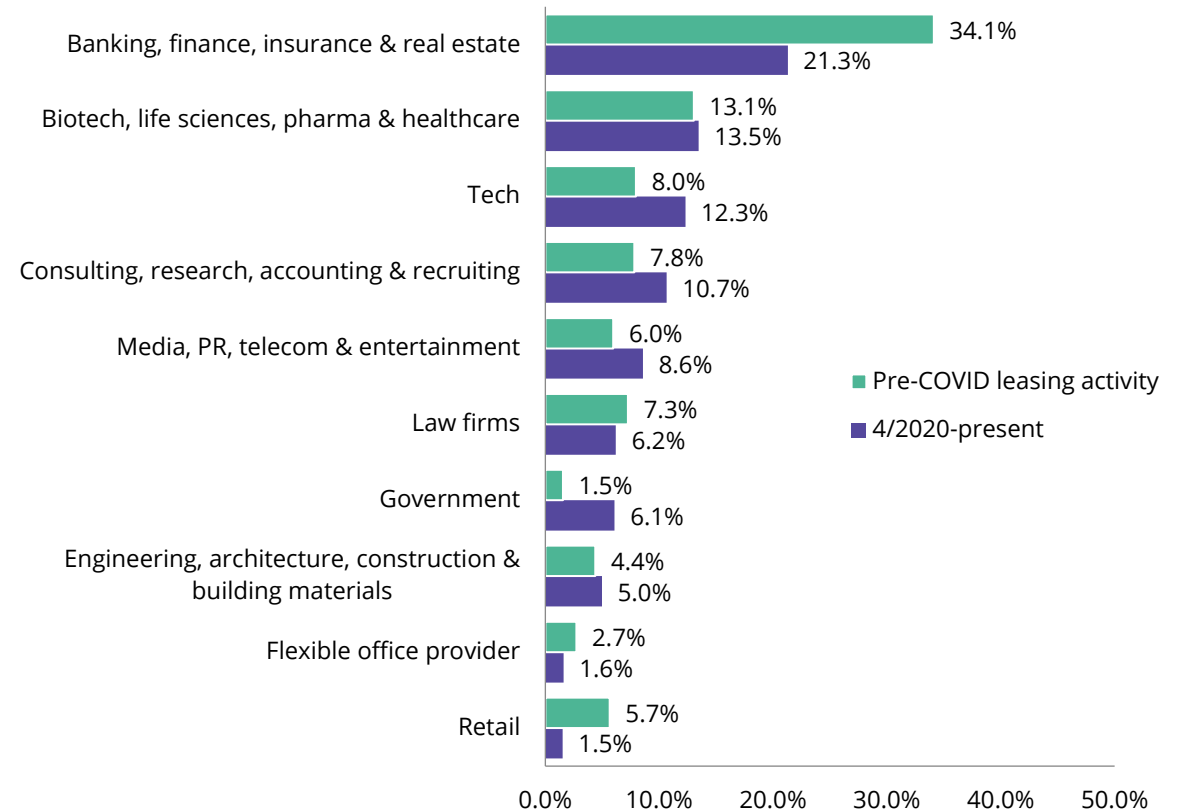
# Leasing activity trends

# 12.3%

**of post-COVID leasing activity was from tech tenants, up 430 bps from pre-COVID levels**

The largest new lease deal to date in 2021 was ReliaQuest’s lease of 120,000 sf at 1001 Water Street in the urban core. The cybersecurity company will move its headquarters to Water Street from nearby Harbour Island.

**Leasing activity**



Source: AVANT by Avison Young

# Tampa's construction pipeline

**24 properties**

proposed or under construction

**4.3 msf**

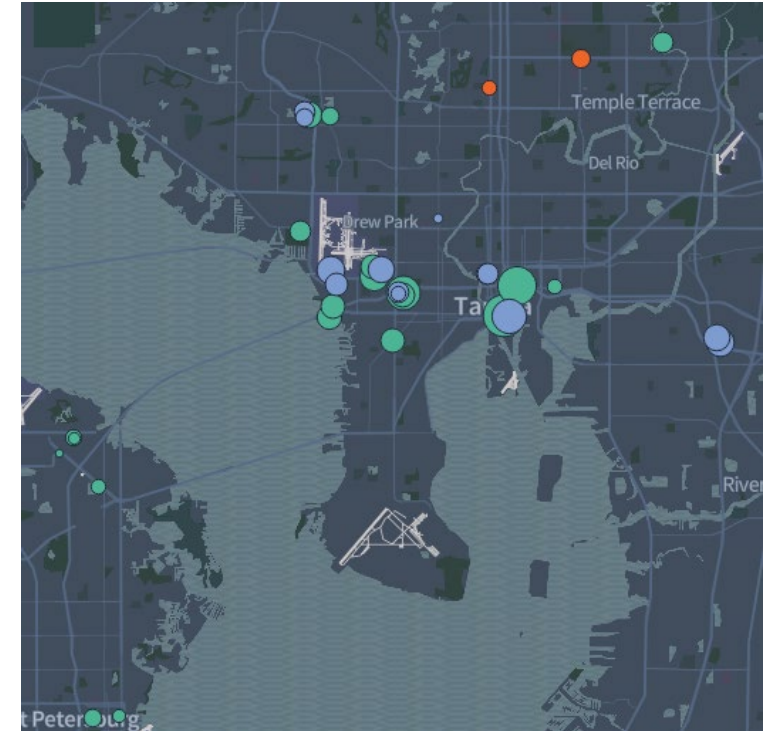
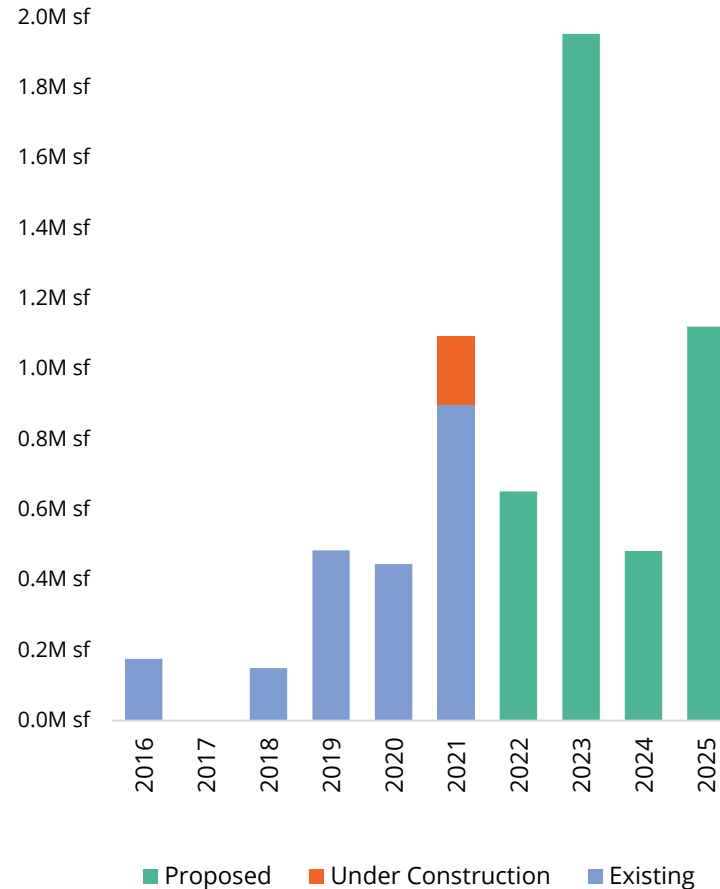
proposed or under construction

**8.7%**

share of office inventory

**2.2 msf**

new construction deliveries in Tampa since 2016



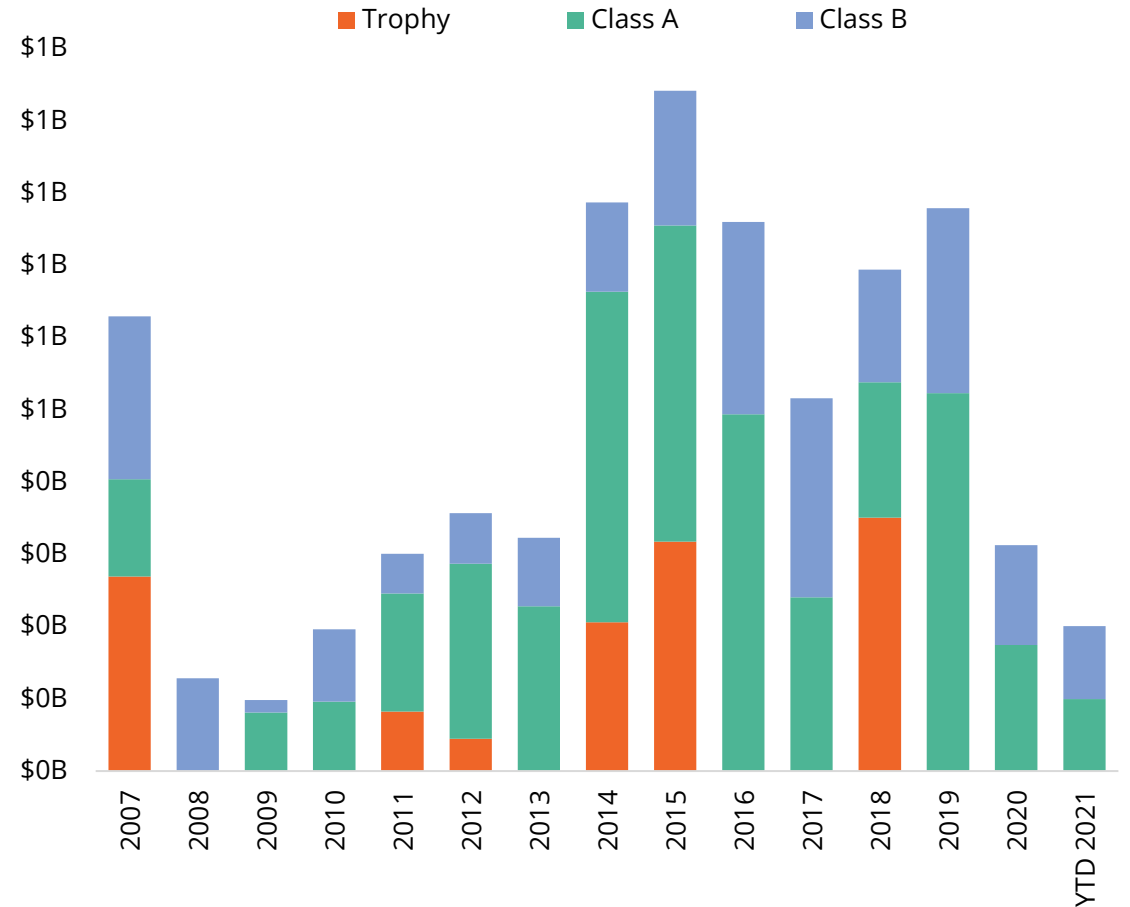
Source: AVANT by Avison Young

# Office investment dollar volume

**\$513.3M**

**Tampa office dollar volume  
2020 to present**

Office sales activity temporarily paused during the pandemic and, as a result, total sales volume from 2020 through year-to-date 2021 remains down 30.5% compared to the prior five-year average dollar volume.



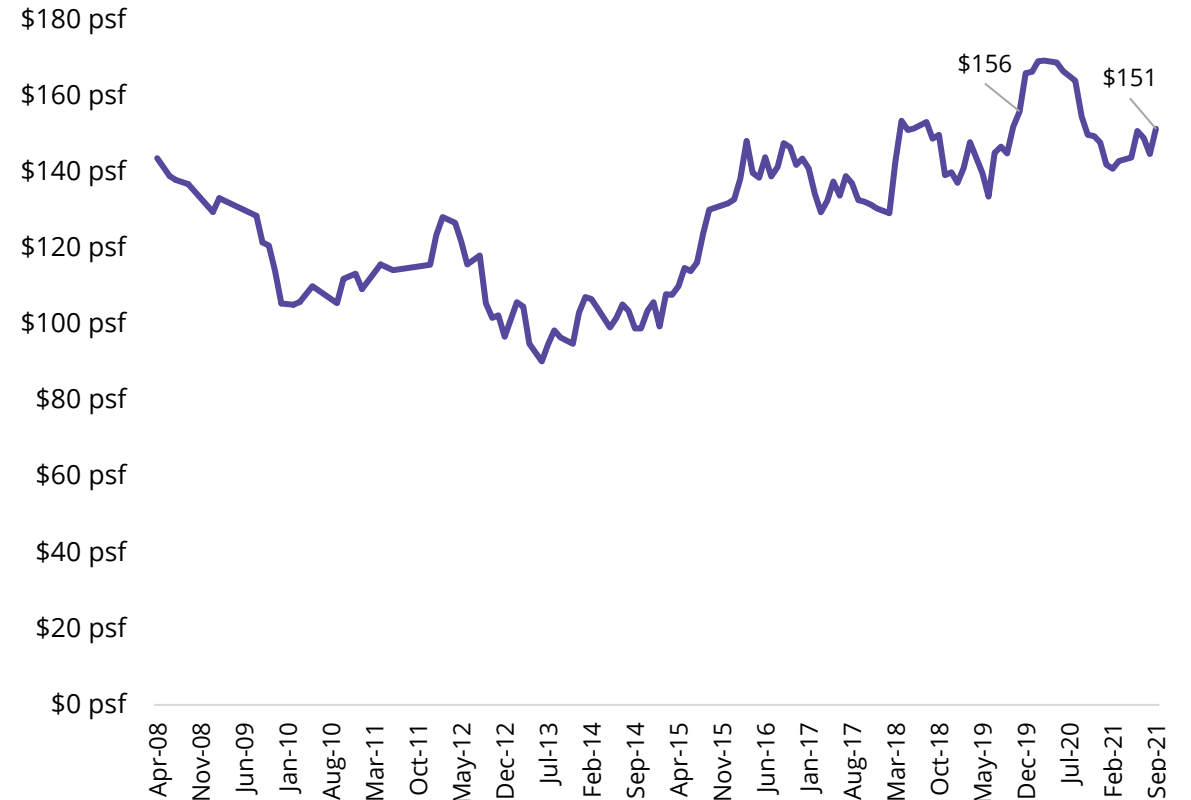
Source: AVANT by Avison Young,  
New York City Department of Finance, RCA

# Office asset pricing

**-2.9%**

## Tampa office pricing from November 2019 to present

Pricing has softened slightly in the post-pandemic period as investors have adopted more conservative underwriting approaches, decreasing from \$156 psf in November 2019 to \$151 psf in September 2021.



Source: AVANT by Avison Young  
New York City Department of Finance, RCA

# Looking forward



## Here's what we can expect

- As companies realign their hybrid workplace strategies, the trend of **hoteling has begun to emerge**, offering alternative officing arrangements for those workers largely working from home. With employees split on sharing workspaces due to concerns over germs, there will certainly be obstacles to overcome, but other than hoteling, office space plans have not yet begun to change in a meaningful way.
- There is increasing **demand for medical office space** given the necessary parking requirements, however there are few properties with any notable space available to meet that demand.
- **Office leasing demand is** incrementally rising as occupiers reevaluate future space needs, however tenants in spaces below 5,000 sf continue to have difficulty when attempting to downsize.
- Moving forward, an increasing number of institutional owners will begin incorporating **ESG initiatives** into their portfolios with a focus on improving overall wellness for occupiers, although the trend will likely be slow to adapt.
- There continues to be a **flight to quality**. With a steadily increasing number of office occupiers once again comfortable returning to the office, look for an uptick in the **demand for space** heading into 2022.





# Get in touch



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# Let's talk

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