



1Q14 TAMPA-ST. PETERSBURG OFFICE MARKET

Newmark Grubb Knight Frank

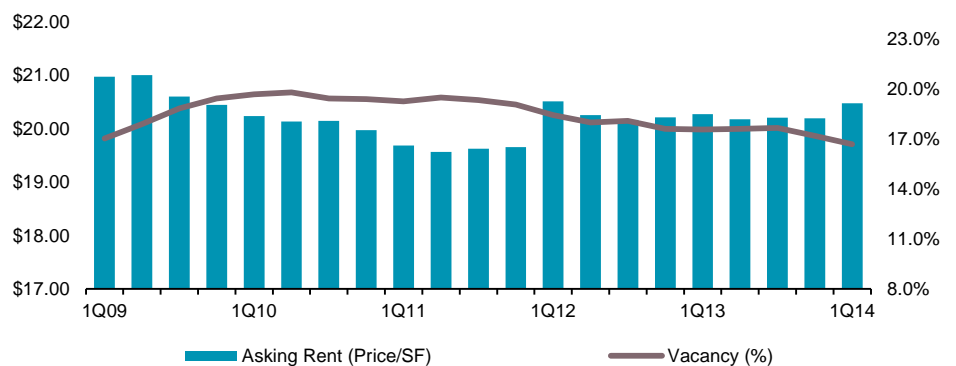
OFFICE IMPROVEMENT GAINING GROUND

After a slow mid-2013, Tampa's office market experienced two strong quarters with occupations pushing the overall vacancy rate down by 80 basis points from the 17.5% recorded one year ago. This is largely the result of strong demand for Class A office space in the first quarter of 2014, with 243,000 square feet of positive net absorption. Class B inventory saw a more modest 55,000 square feet, with vacancy still 60 basis points higher from one year ago as companies continued to upgrade in the quality of office space.

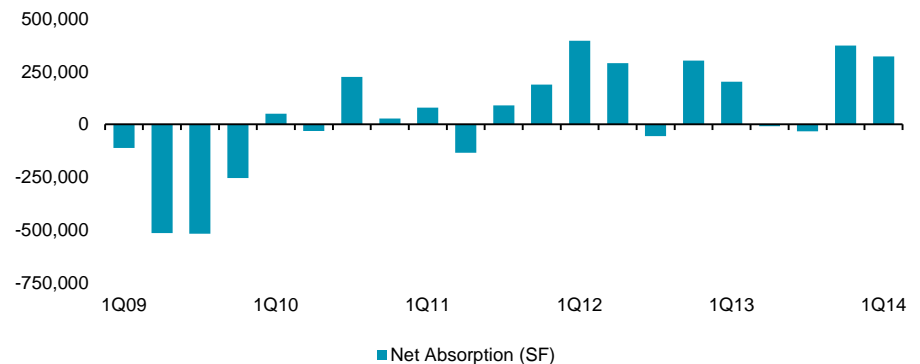
Leasing activity was reported at the half-million square feet mark at the close of first quarter. Class A office space comprised over 270,000 square feet while Class B followed closely behind with 211,000 square feet. Most deals continued to come from tenants already in the market in the form of expansions, renewals and relocations. Lower-end Class C space continued to feel the sting of slow growth with 20,000 square feet of deal activity recorded in the first quarter. The lack of momentum within the local small business sector hindered demand in the lower-tier space as conditions remained flat.

The quoted average rate pushed upward with a \$0.20/SF increase from the \$20.27/SF full-service gross rate quoted a year ago. Class A rates increased \$0.36/SF year-over-year from \$23.56/SF while Class B space saw a \$0.22/SF increase from the \$19.54/SF full service gross rate recorded one year ago. Asking

Asking Rent and Vacancy



Absorption



Key Indicators			
Total Inventory (SF)	64,184,143		
	1Q14	4Q13	1Q13
Asking Rent (Price/SF)	\$20.47	\$20.19	\$20.60
Vacancy Rate (%)	16.7%	17.2%	17.5%
Under Construction (SF)	0	76,000	0
	1Q14	4Q13	YTD
Net Absorption (SF)	321,857	372,997	321,857
Deliveries (SF)	0	76,000	0

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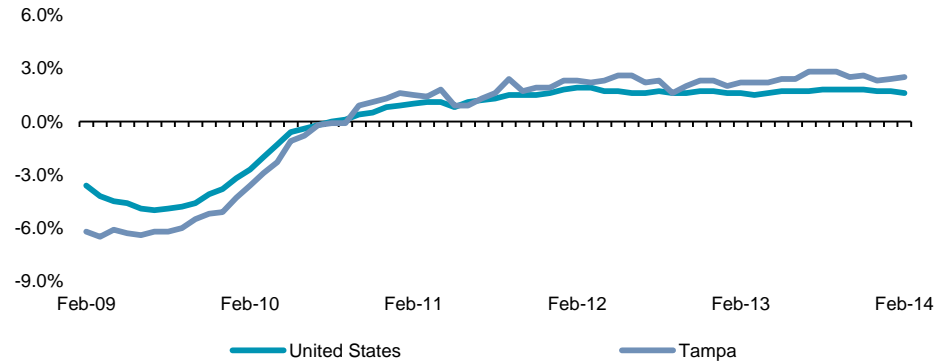
rates held steady since occupancy and vacant spaces shifts have greater impact on the direction of quarterly average rates.

Office sales saw a slight increase during first quarter with 11 sales totaling over 715,000 square feet that exchanged hands for \$78 million. This was an improvement from the five sales that totaled over 400,000 square feet for \$55 million one year earlier. One Class A sale took place while the remainder of transactions included Class B and C product. Investors held on to their Class A properties waiting for sale prices to rise as high-end occupancy continued to increase.

The market should see steady conditions with Class A vacancy rates falling below 15%. This could grow demand for higher-end space: As small to mid-size availabilities diminish, opportunities for smaller companies to upgrade in quality space could become more expensive. Minimal growth is projected for Class B and C space as Class A rates have not yet appreciated to the point that the A versus B delta is large enough to drive "flight to value" and create a trickle-down recovery to lower-end office product.

Payroll Employment

Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, millions



Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Masonite International Corp	201 N Franklin St	Tampa CBD	36,935
Southeastern College	Blue Heron-11208 Blue Heron Blvd N	St. Petersburg-Gateway	35,863
Integral Health Plan	Woodland Corp Center- 4631 Woodland Blvd	NW Hillsborough	27,882
Ernst & Young	201 N Franklin St	Tampa CBD	27,334
New York Life	3444 N Memorial Hwy	Westshore	21,595

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
501 E Kennedy Blvd	Tampa CBD	281,695	\$30,360,000	\$107
1 S School Ave	Sarasota	88,178	\$11,500,000	\$130
500 S Florida Ave	Polk County	72,453	\$6,550,000	\$90
3210 Corporex Dr	East Tampa	62,560	\$4,750,000	\$76
333 3 rd Ave N	St. Petersburg CBD	47,703	\$4,875,000	\$102



Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
CBD Total	11,164,575	-	14.4%	128,061	128,061	\$23.46	\$19.54	\$21.39
Clearwater CBD	1,047,799	-	11.6%	5,828	5,828	\$18.00	\$16.73	\$15.63
St. Petersburg CBD	2,973,491	-	18.2%	45,597	45,597	\$23.23	\$18.13	\$21.25
Tampa CBD	7,143,285	-	13.3%	76,636	76,636	\$24.03	\$20.21	\$22.05
Bayside	2,143,814	-	35.4%	-49,280	-49,280	\$19.83	\$16.66	\$17.11
East Tampa	9,168,932	-	18.0%	48,639	48,639	\$21.86	\$20.90	\$20.94
Gateway	4,241,926	-	16.7%	8,653	8,653	\$22.10	\$19.00	\$18.25
Manatee/Bradenton	2,259,605	-	15.2%	-22,750	-22,750	\$28.00	\$19.96	\$18.98
North Pinellas	3,913,467	-	25.3%	43,266	43,266	\$22.16	\$19.40	\$19.13
NW Hillsborough	4,863,523	-	17.5%	86,930	86,930	\$22.03	\$16.92	\$17.22
Pasco County	1,063,945	-	20.1%	10,608	10,608	\$19.00	\$17.05	\$15.84
Polk County	3,788,975	-	7.6%	-2,405	-2,405	\$21.15	\$19.88	\$17.95
S Pinellas	1,084,980	-	40.1%	8,752	8,752	-	\$19.20	\$18.53
S Tampa	1,038,410	-	5.4%	14,308	14,308	-	\$20.82	\$19.86
Sarasota	5,924,511	-	13.1%	-50,478	-50,478	\$23.46	\$22.55	\$22.23
SE Hillsborough	213,904	-	0.0%	-	-	-	-	-
Westshore	13,313,576	-	15.1%	97,553	97,553	\$26.84	\$22.15	\$24.35
Suburban Total	53,019,568	-	17.1%	193,796	193,796	\$24.06	\$19.78	\$20.33
Totals	64,184,143	-	16.7%	321,857	321,857	\$23.92	\$19.76	\$20.47



Tampa

100 North Tampa Street
Suite 2460
Tampa, FL 33602
813.639.1111

Eric Messer

Research Manager
561.893.6234
emesser@ngkf.com

Glossary of Terms

Absorption

A measure of the change in occupied space

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries

The total RBA of properties added to the inventory once construction has been completed

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

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