

TAMPA OFFICE MARKET

Yardi® Matrix

Market Analysis

First Quarter 2019

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Low Vacancy Draws Investor Interest



Tampa's solid market fundamentals and pro-business climate continue to draw investor interest and company relocations, as the metro is in the expansion phase of the real estate cycle. Healthy office demand, continued positive absorption and a limited supply of new development have shaped a favorable environment for landlords, who are well positioned to hike up asking rates. As of December, Tampa had 386,000 office-using jobs, with professional and business services leading growth (5,400 jobs, up 2.0%).

Construction activity has lost steam, with some 786,000 square feet underway as of March, accounting for 1.3% of total stock. However, developers seem optimistic, as another 7.7 million square feet is in the planning and permitting stages. Tampa's Central Business District and Westshore are highly sought after, as companies look for quality space in core submarkets. Only two projects broke ground in 2018—MetWest Three is set to deliver 250,000 square feet in late 2019 and Masonite International Corp.'s new headquarters in Ybor City will add 56,000 square feet to the metro's existing inventory.

Office vacancy continues to contract in the metro (11.2% as of March), paving the way for increased rental rates and steady investor interest. Investment activity was moderate in 2018 (\$736.3 million in December). Institutional investors and private buyers closed the bulk of office transactions, followed by REITs. With acquisition yields for top-tier assets hovering in the 6.5% to 7% range, Tampa is in line with expanding secondary markets such as Orlando and San Antonio.