1Q25

Tampa Office Market Overview

Market Observations

Economy

- The unemployment rate rose by 32 basis points year over year to 3.6%, yet remains below the five-year average of 4.3%, signaling continued labor market resilience.
- The pace of job growth has moderated to 0.7% year over year, reflecting a notable deceleration from recent peaks. Employment gains remain subdued relative to pre-pandemic norms—by comparison, annual growth as of year-end 2019 stood at a robust 2.6%.
- Seven of the ten major employment sectors posted job gains over the past year, led by the mining and construction industry, which recorded a robust 4.2% increase.
- As of February 2025, office-using employment in the market declined by 1.5% from its all-time peak, totaling 459,482 jobs. Despite the recent pullback, the sector remains 14.8% above 2019 levels, underscoring its long-term growth trajectory.

Leasing Market Fundamentals

- Annual full-service asking rental rates reached a new high at $28.53/SF, reflecting a 0.1% decrease year over year at the end of the first quarter of 2025.
- The vacancy rate edged higher to 15.4%, rising by 30 basis points both quarter over quarter and year over year, driven by move outs in the Gateway and Westshore submarkets.
- The development pipeline continues to contract, with 428,929 square feet currently under construction—representing just 0.7% of total market inventory.
- Leasing activity totaled 1.8 MSF for the quarter, marking the strongest first-quarter performance in over 15 years. Volume surpassed the 16-year first-quarter average of 1.3 MSF by 43.9% and rose 7.3% compared to first quarter of 2024.

Major Transactions

- The largest lease of the quarter was executed by Fisher Investments, signing a new 322,000-SF lease at Renaissance Center II, III, and IV in the NW Hillsborough submarket—more than doubling its office footprint.
- Large leases signed were primarily in the Westshore, NW Hillsborough, and the East Tampa submarkets, accounting for four of the five largest deals signed.
- New leases accounted for three of the five largest transactions of the quarter, signaling continued demand and tenant interest in securing office space within the market.
- The sizable leases executed this quarter are expected to provide a meaningful boost to net absorption in the coming quarters, as tenants take occupancy and begin to backfill large blocks of space.

Outlook

- With few expected rate cuts and looming economic uncertainty, tenant interest in long-term space planning is expected to build gradually throughout 2025 as decisions finalize and deferred requirements slowly return to the market.
- Large block activity signals absorption tailwinds, underscoring confidence in the market, with major occupiers making long-term investments in their office presence.
- Tenants are still expected to shed unused or underutilized space in lower-quality assets and lease footprints in higher-quality assets.
- In the near term, vacancy rates are projected to trend downward slightly, as new deliveries remain muted in the market and key move-ins materialize throughout the year.

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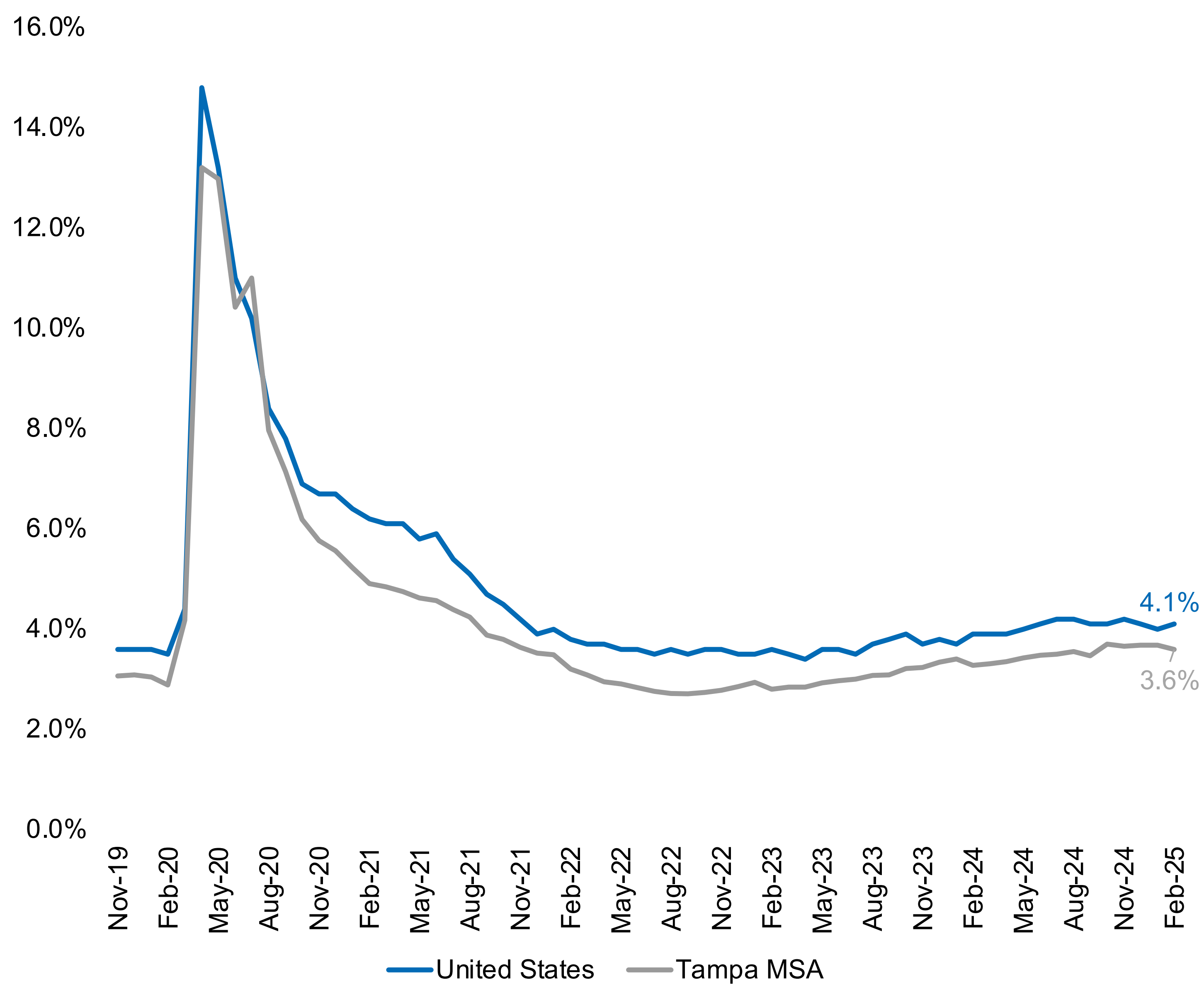
Economy

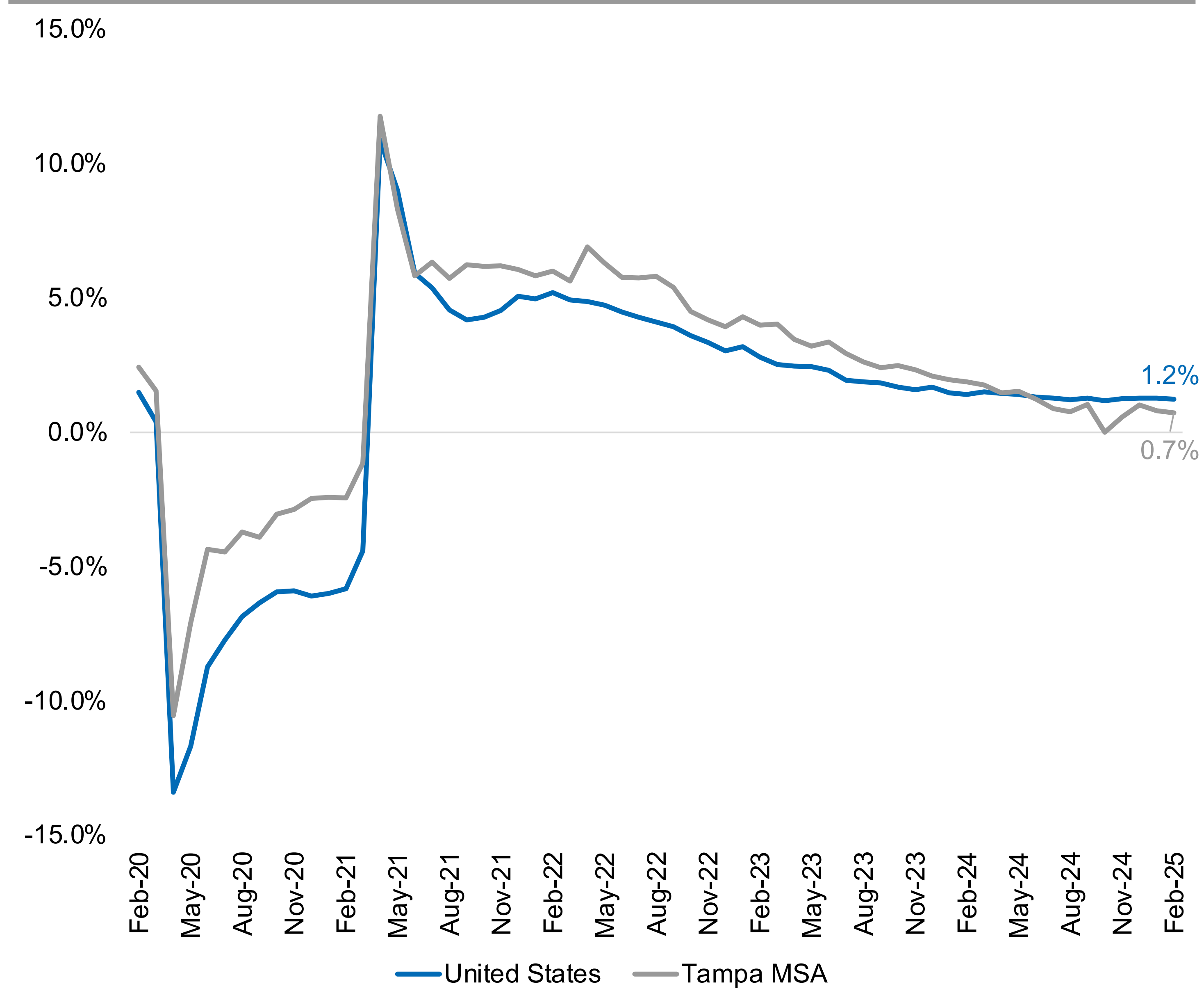
Metro Employment Growth Begins to Trail the Nation

Tampa has historically maintained an unemployment rate below the national average, while consistently outperforming in year-over-year employment growth. However, ongoing economic headwinds have begun to affect the local labor market. Over the past year, Tampa's unemployment rate has risen by 32 basis points, while employment growth has decelerated by 114 basis points. Notably, as of June 2024, the region's employment growth fell below the national average for the first time since the post-pandemic recovery, driven by a contraction in the business and professional, and information sector.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

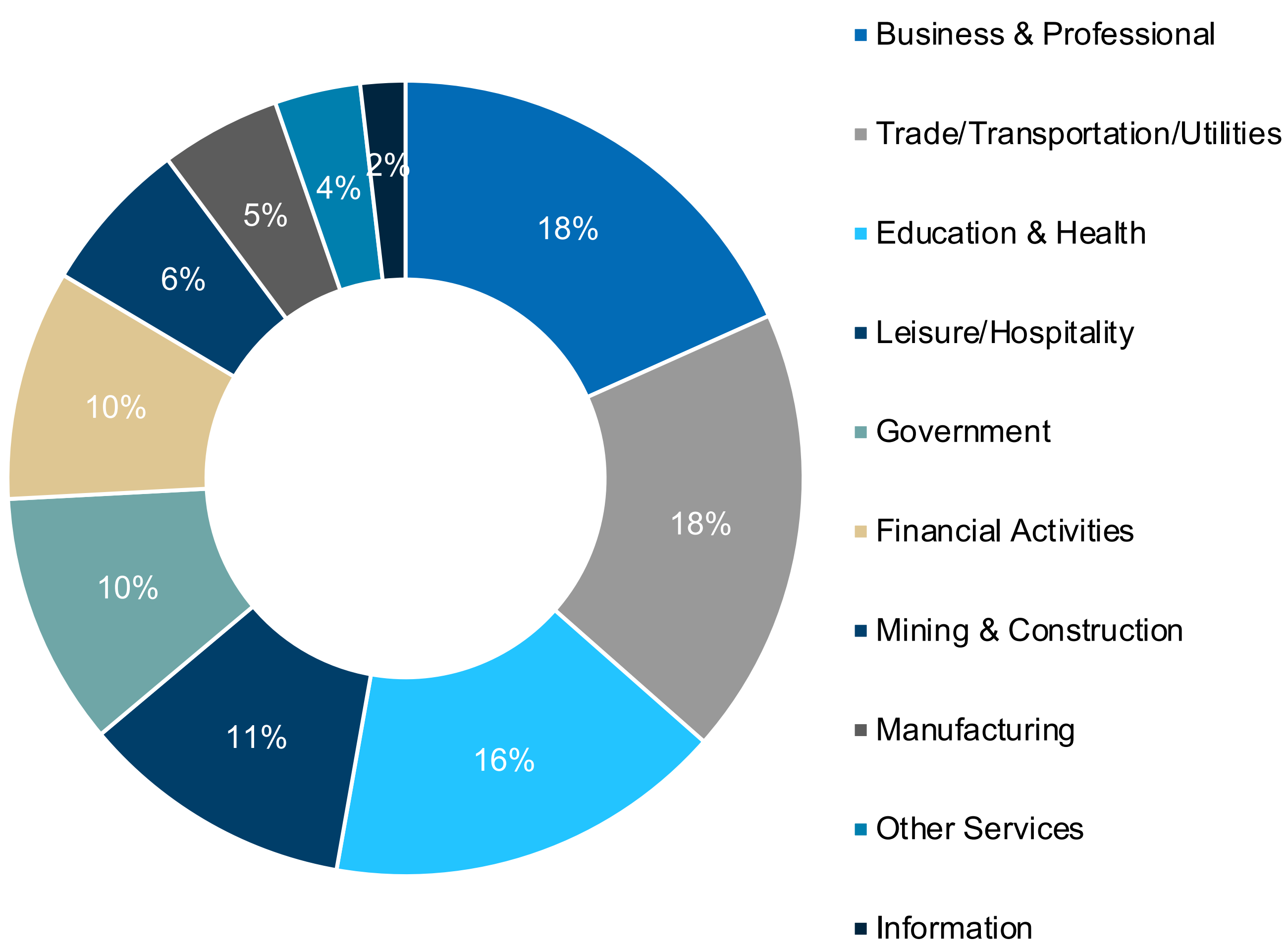


Source: U.S. Bureau of Labor Statistics, Tampa MSA

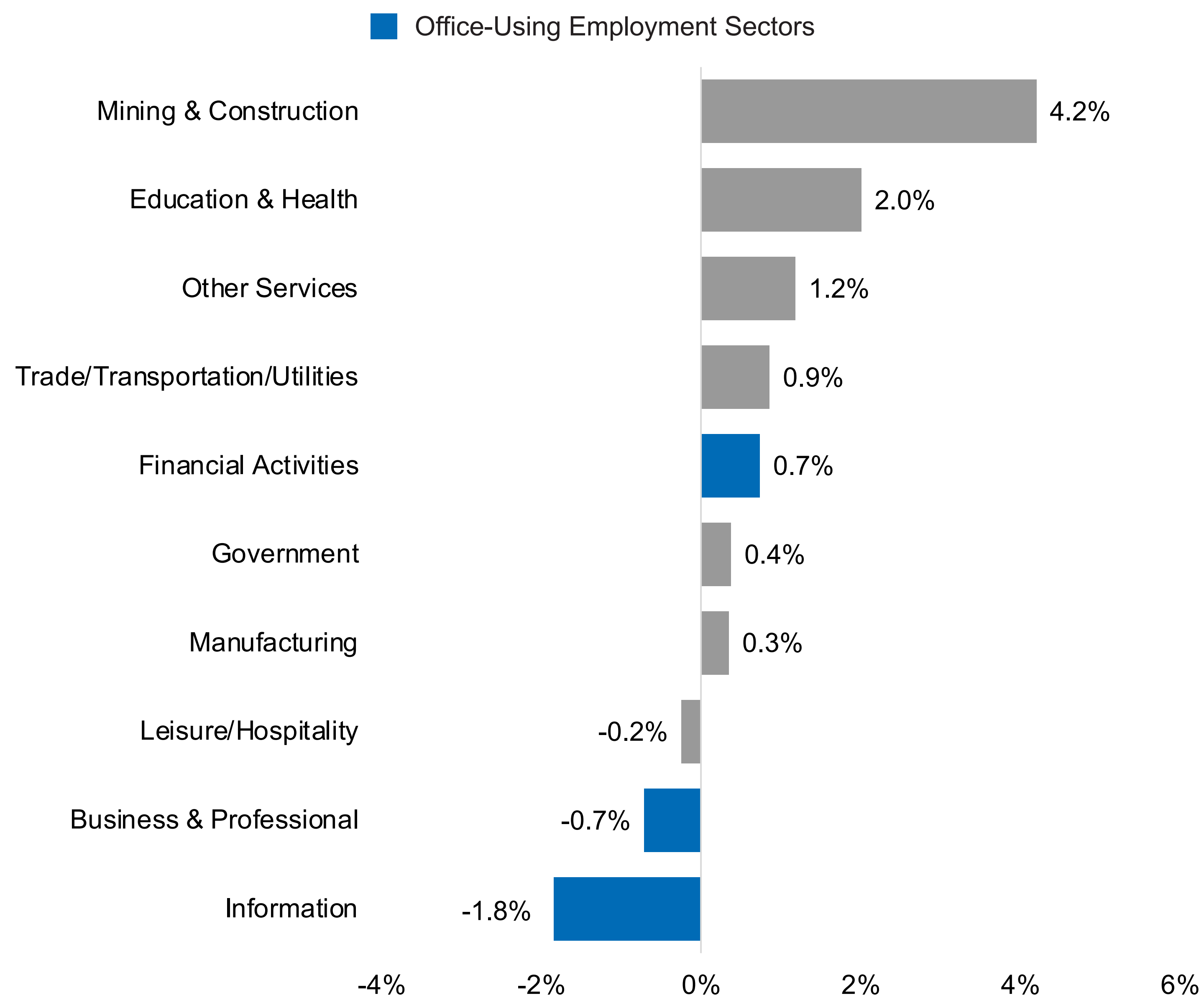
Office-Sector Employment Mixed As Two Industries Report Yearly Declines

Tampa's two largest employment sectors collectively represent 36.5% of the metro's job base, with business and professional services, the primary office-using sector, accounting for the largest share at 18.3%. Over the past 12 months, only one of the three key office-using sectors recorded employment growth, while the remaining two experienced year-over-year declines ranging from 0.7% to 1.8%.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

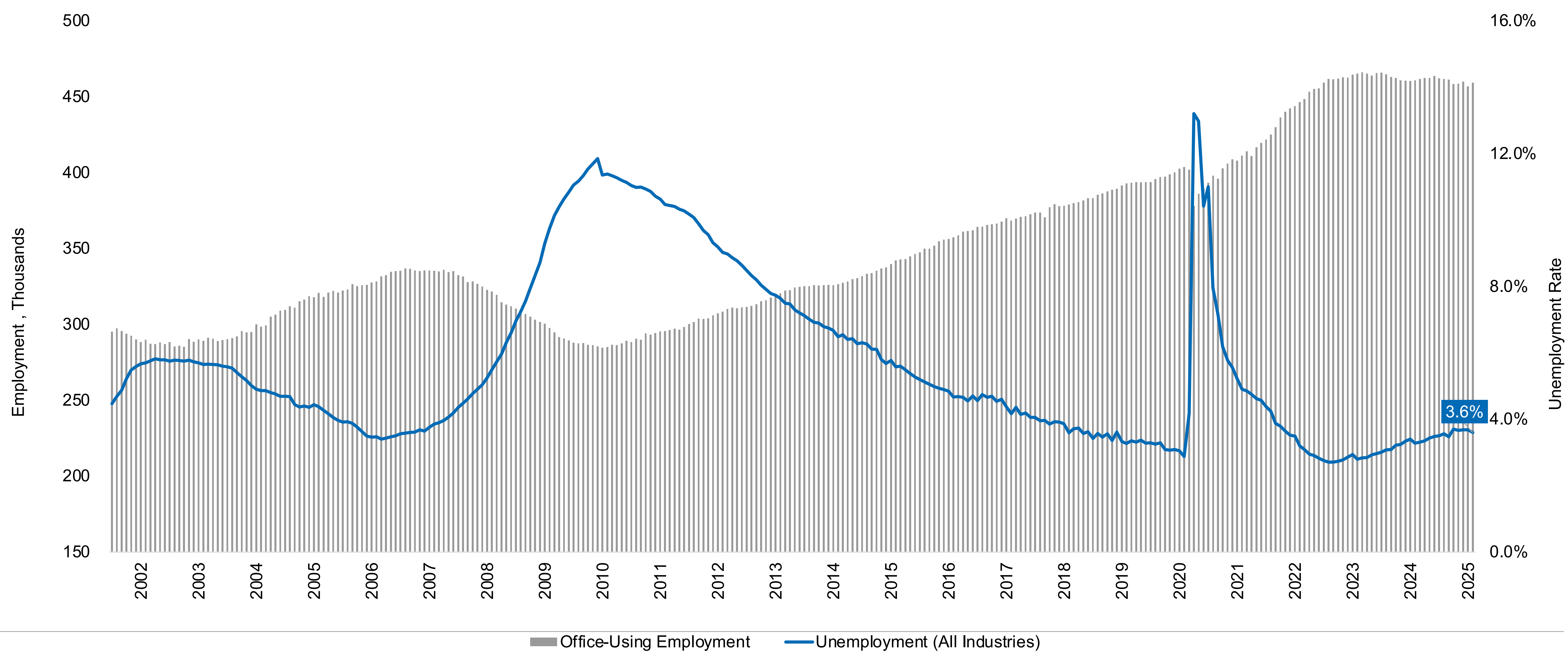


Source: U.S. Bureau of Labor Statistics, Tampa MSA

Office-Using Employment Holds Near Peak Despite Modest Year-Over-Year Decline

Office-using employment in the Tampa market declined by 0.3% year over year, totaling 459,482 employees in February 2025, remaining approximately 1.5% below the metro's peak recorded in March 2023. The unemployment rate currently stands at 3.6%, modestly above the 2019 pre-pandemic average of 3.3%. Despite recent softening, the relative strength of Tampa's office-using sectors has helped keep unemployment levels near historical norms.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Tampa MSA

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

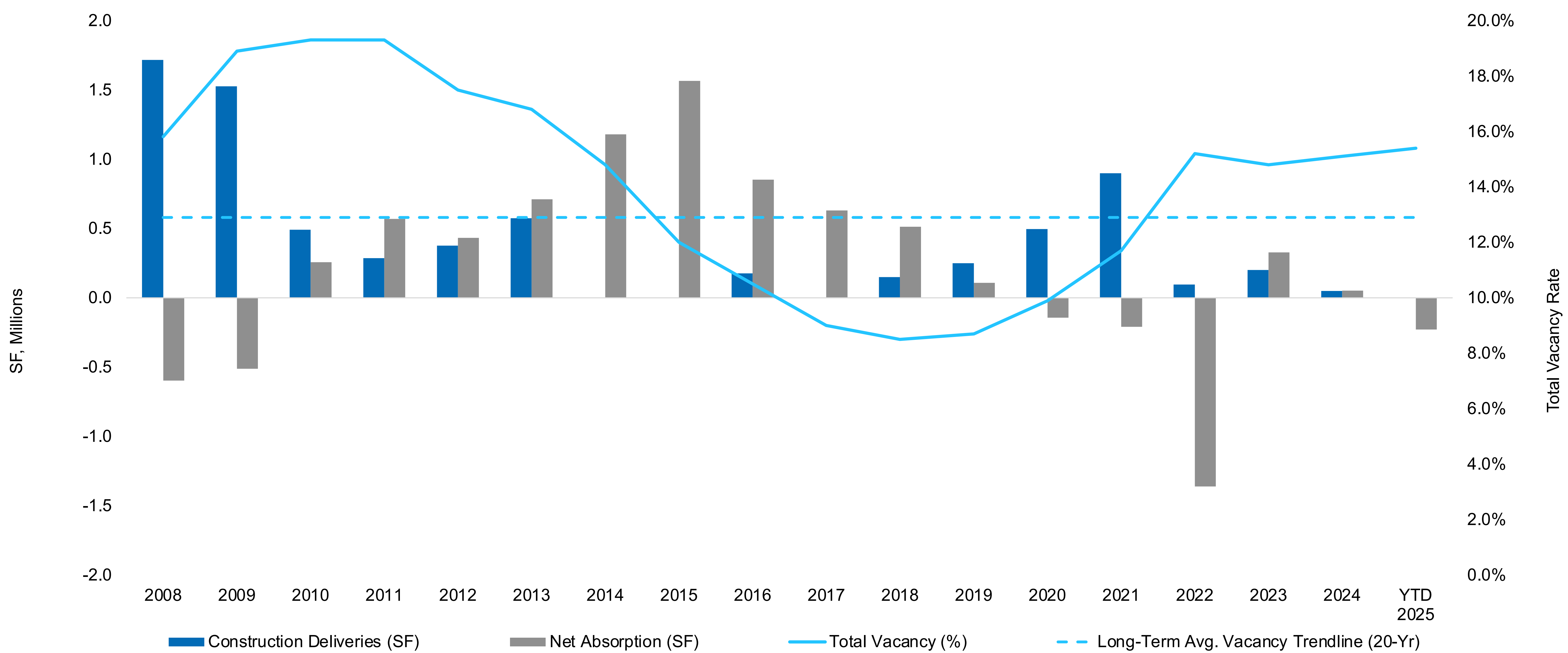
1Q25

Leasing Market Fundamentals

Space Givebacks Drive Vacancy Higher, Pushing Absorption into Negative Territory

Tampa's office vacancy rate rose 30 basis points both quarter over quarter and year over year, reaching 15.4% in the first quarter of 2025. Since the pandemic, tenant demand has softened, and the market has largely absorbed its pre-pandemic development pipeline, with few new deliveries entering the inventory. As a result, vacancy levels have remained elevated but relatively stable since mid-2022. The limited post-pandemic construction activity has helped the market avoid the sharp vacancy spikes observed during the 2011 to 2012 period following the global financial crisis.

Historical Construction Deliveries, Net Absorption, and Vacancy

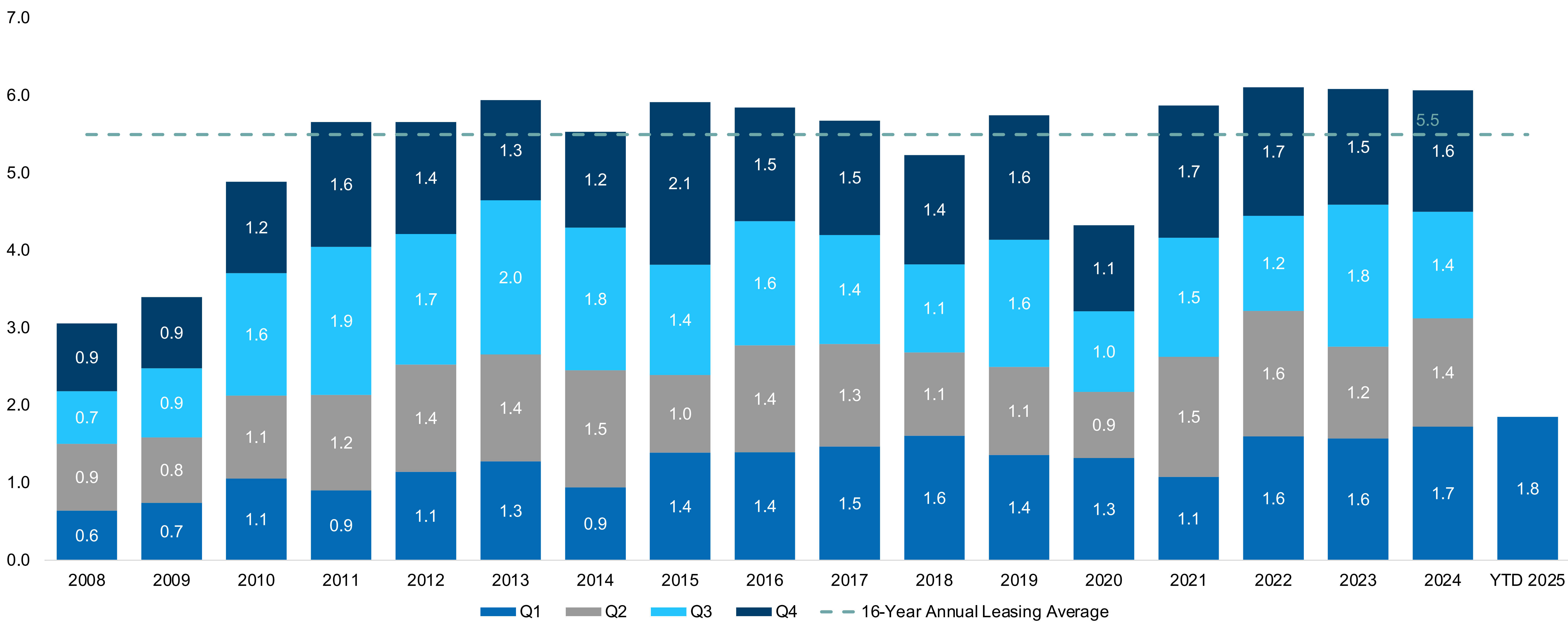


Source: Newmark Research, CoStar

Steady Leasing Momentum Marks Solid Start to 2025

Leasing activity in the first quarter of 2025 reached 1.8 MSF, outperforming the 16-year first-quarter average of 1.3 MSF and positioning the market for a potential fourth consecutive year of 6.0 MSF or more in total leasing volume. This sustained performance highlights Tampa's leasing stability in a post-pandemic environment, with current activity levels exceeding the pre-2020 average of 5.7 MSF from 2013 to 2019. Notably, the average deal size climbed to 6,582 SF, marking a year-over-year increase of 1,912 SF, indicating that while many tenants continue to optimize space, demand for larger blocks remains present.

Total Leasing Activity (msf)

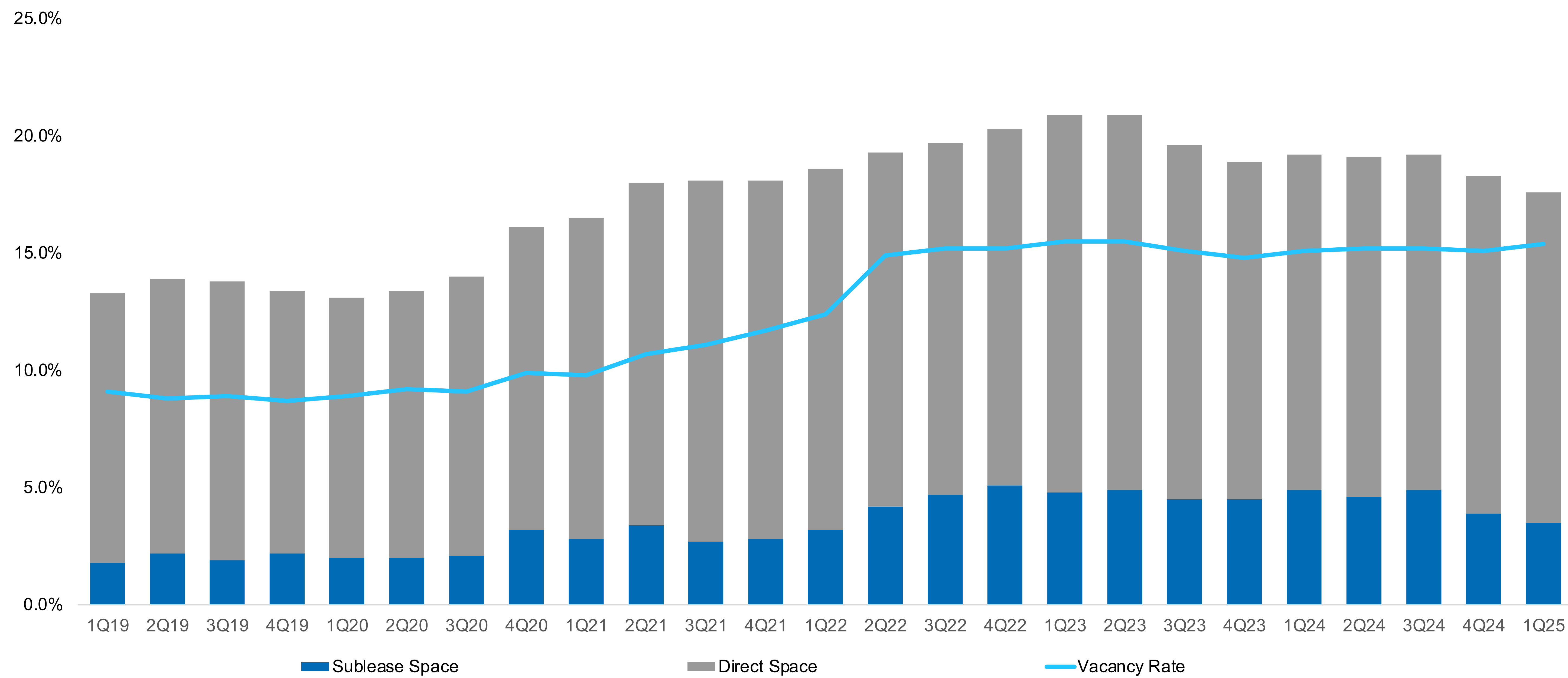


Source: Newmark Research, CoStar

Availability Decreases but Remains Elevated

Sublease availability remained elevated at 3.5% in the first quarter of 2025, though it declined by 160 basis points from its peak in the fourth quarter of 2022. Direct availability also fell modestly, decreasing 30 basis points quarter over quarter, while the overall vacancy rate rose by 30 basis points both quarter over quarter and year over year. The increase in vacancy, despite lower availability, reflects the transition of previously listed space, particularly subleases, into vacant inventory as lease expirations and tenant exits materialized.

Available Space as Percent of Overall Market

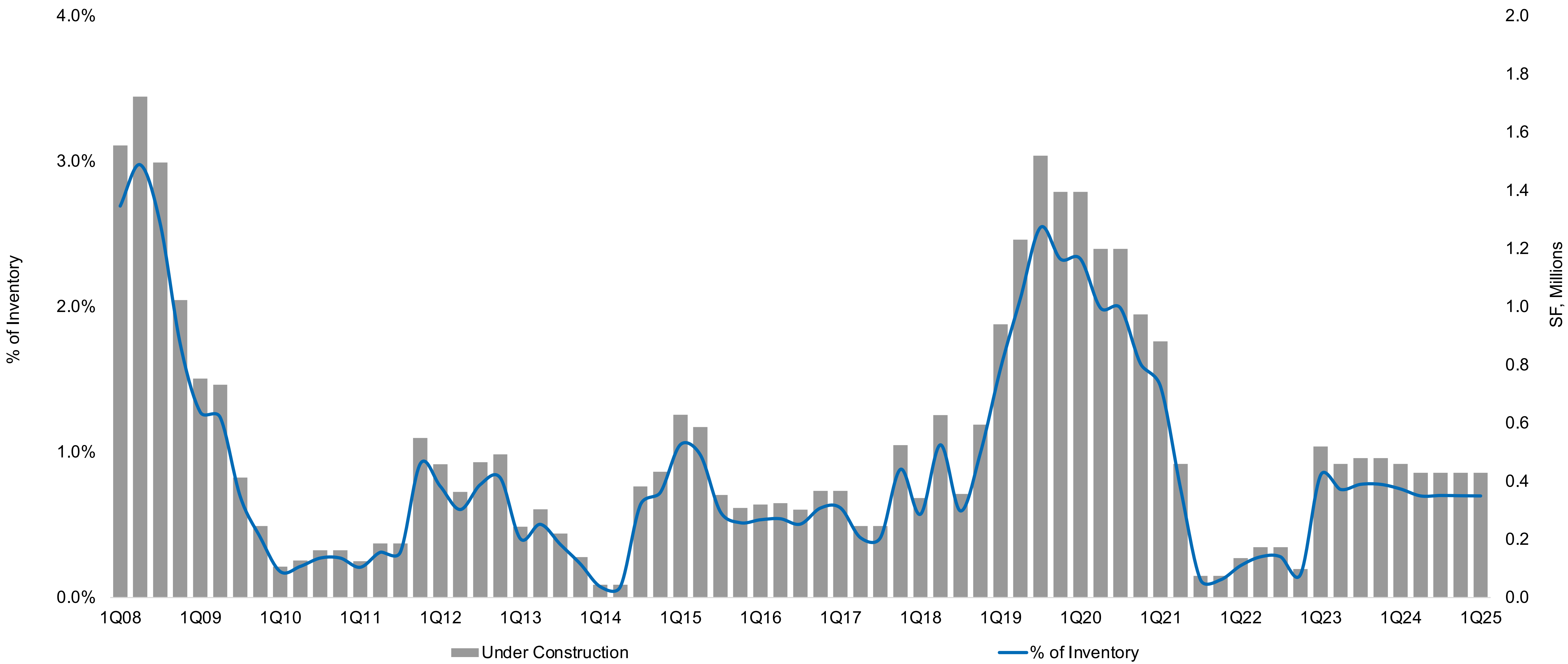


Source: Newmark Research, CoStar

Construction Activity Remains Muted

After gaining momentum in early 2023, construction activity has remained steady, with 428,929-SF underway as of the first quarter of 2025, representing just 0.7% of total inventory. This measured development pace signals limited risk of near-term oversupply and reflects the market's cautious approach to new construction.

Office Under Construction and % of Inventory

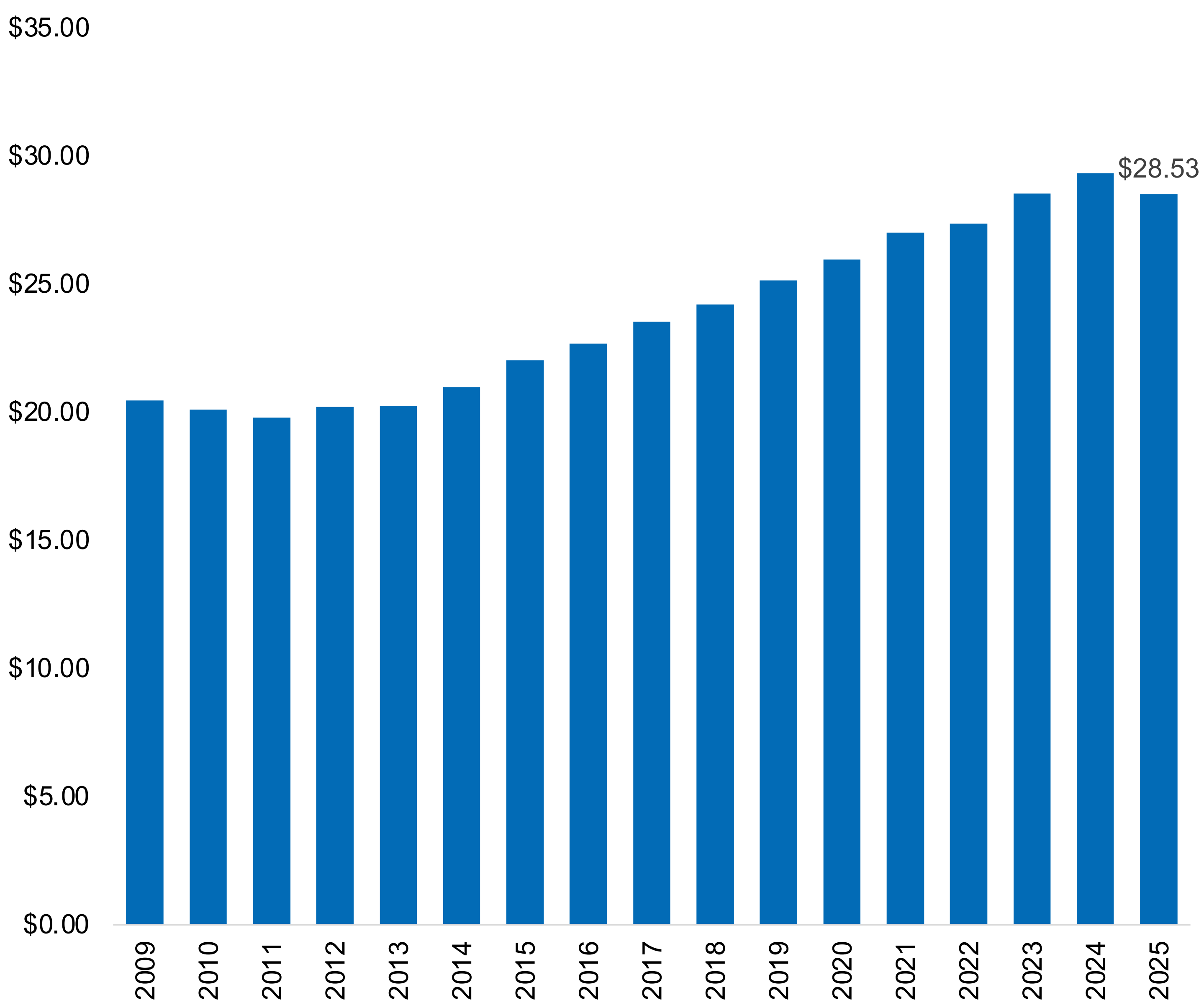


Source: Newmark Research, CoStar

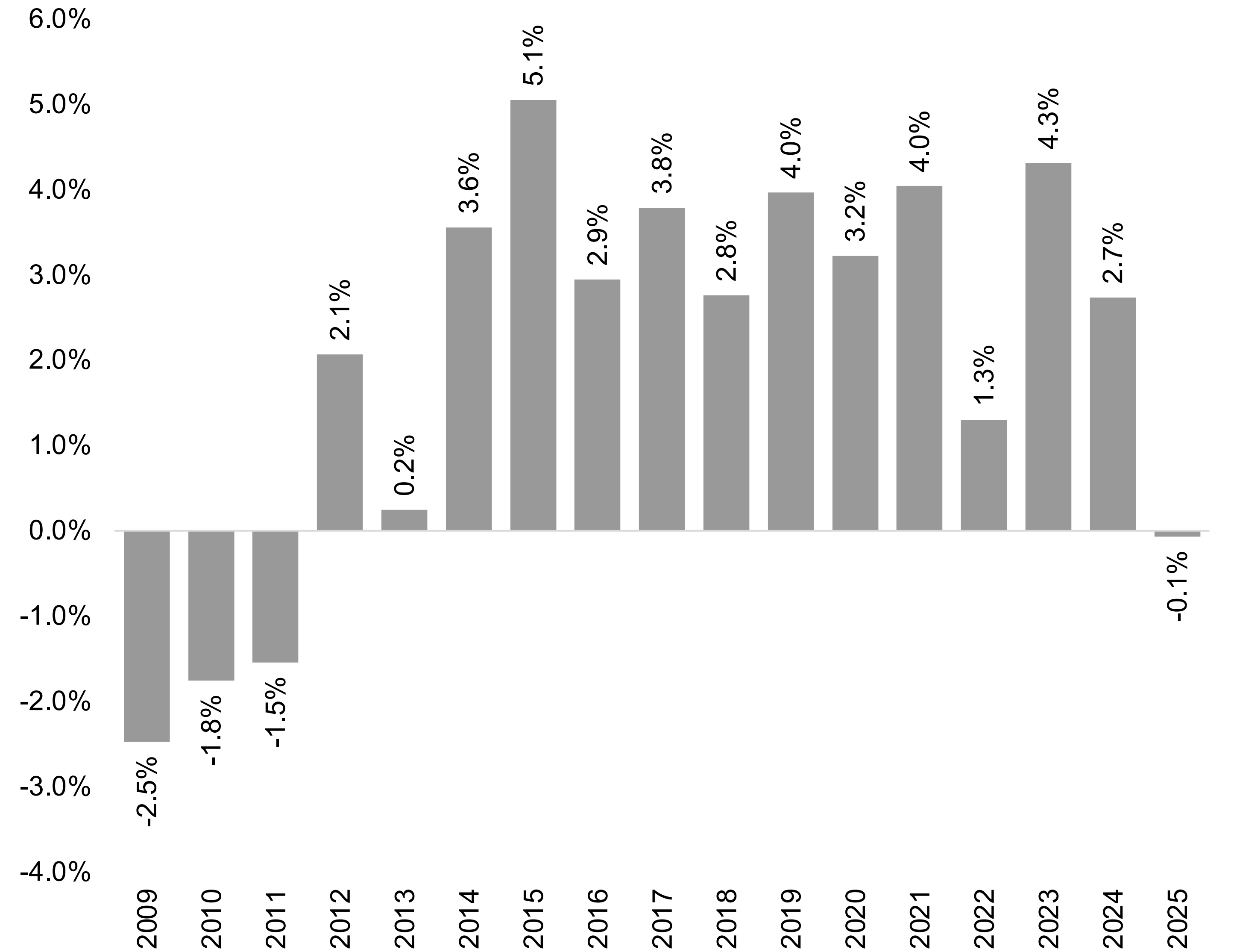
Rents Hold Steady as Growth Slows

The combined asking rents averaged $28.53/SF in the first quarter of 2025, reflecting a modest 0.1% year-over-year decline. While headline rates have held steady, landlords are increasingly relying on enhanced concession packages to attract tenants and maintain face rents amid softer demand.

Office Combined Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

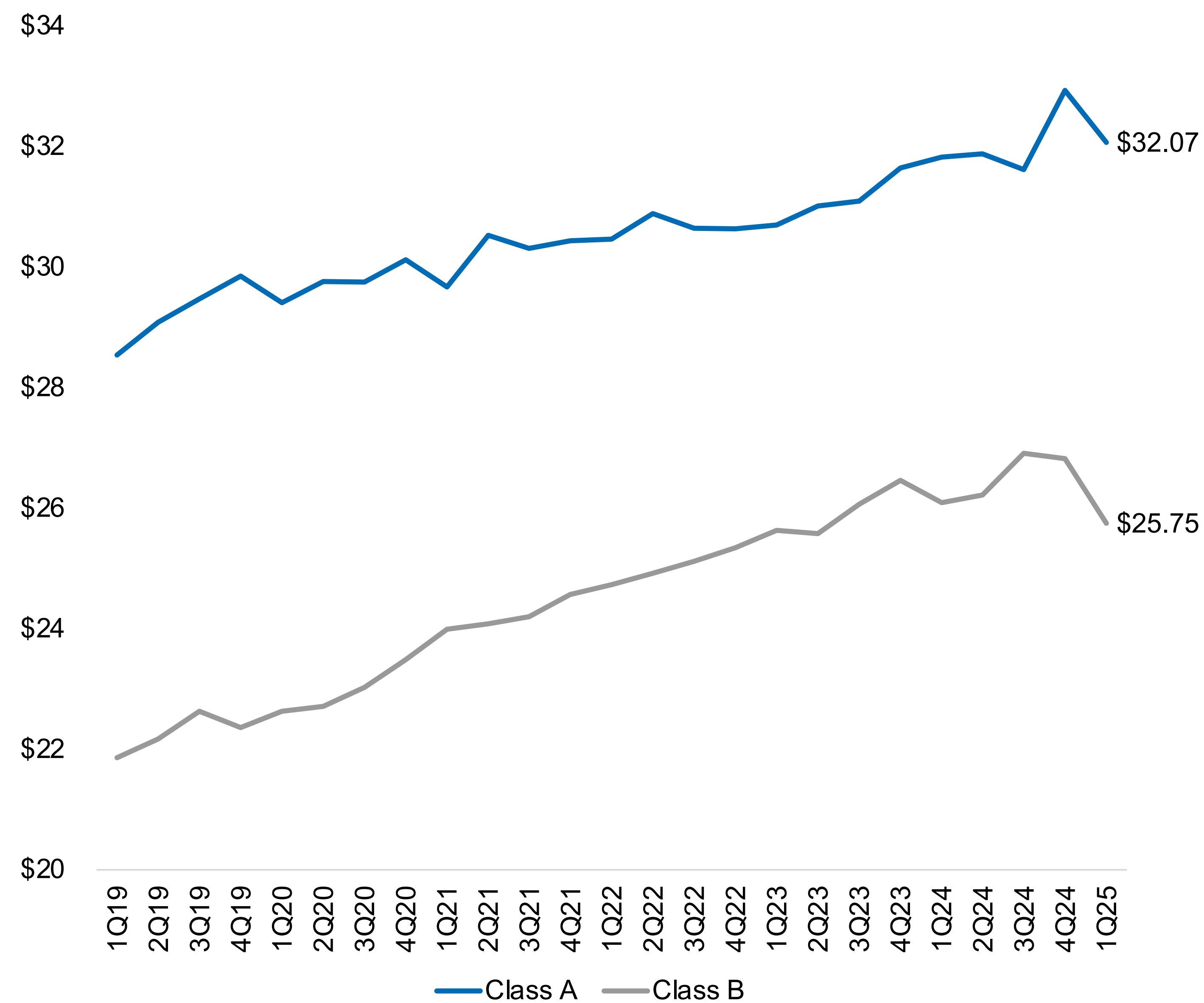


Source: Newmark Research, CoStar

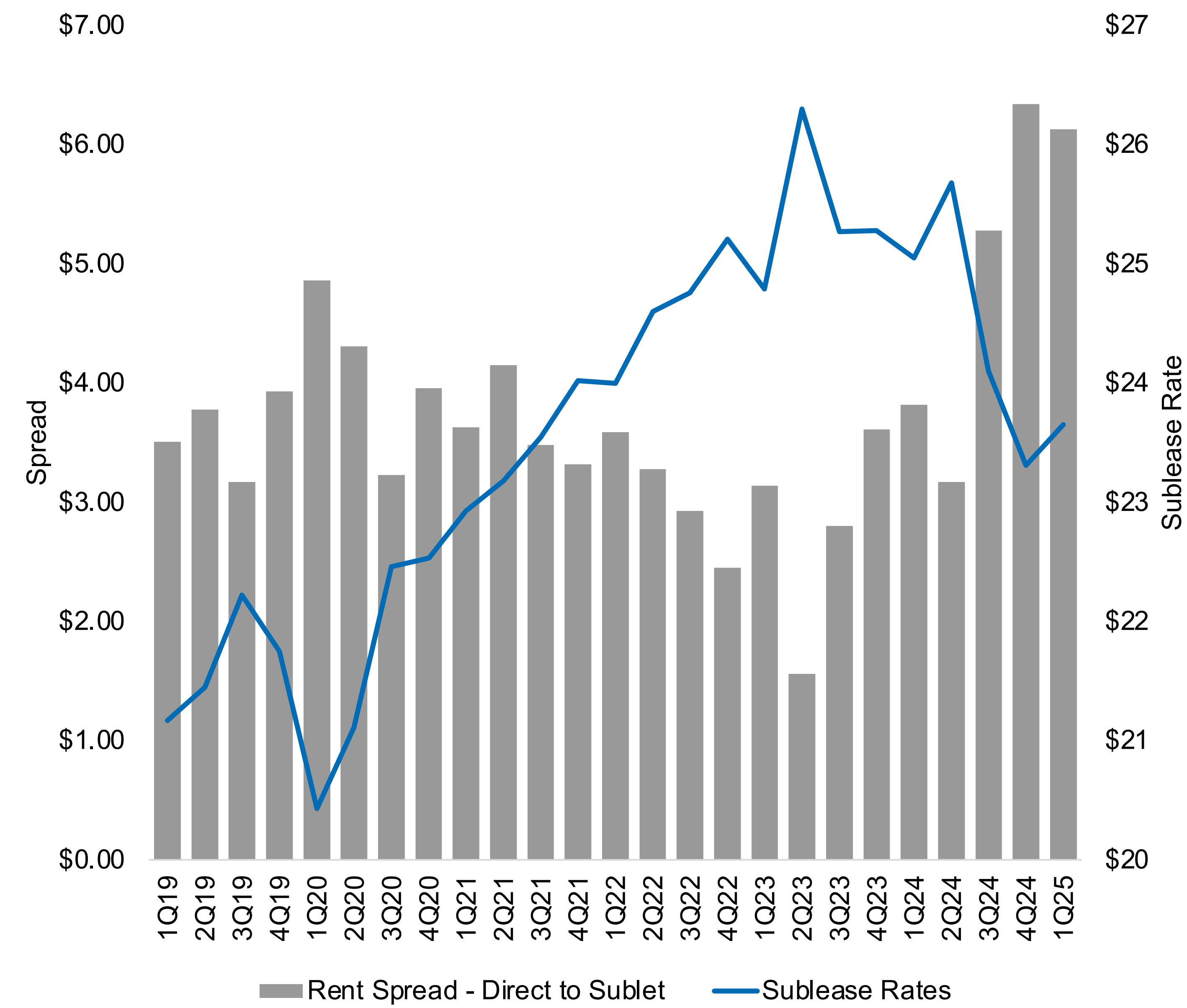
Rent Spread Increases Modestly, Highlighting Preference for Higher-Quality Space

In the first quarter of 2025, Class A asking rents averaged $32.07/SF, while Class B rents trailed at $25.75/SF, resulting in a rent difference of $6.32/SF. This spread has contracted by 15.6% since 2019 but has widened by 10.3% year over year, underscoring the bifurcation between asset classes. The sustained premium on higher-quality space is likely to encourage tenants to prioritize amenities and efficiencies, trading up to Class A assets. Meanwhile, sublease rents averaged $23.65/SF, up 1.5% quarter over quarter but down 5.6% from the prior year.

Class A and Class B Combined Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Flight-to-Quality Leasing Activity Continues

Flight to quality remains a trend in the market. As of the end of the first quarter of 2025, Class A space accounted for 61.9% of the market's leasing activity by SF but only 45.9% of the market's deal volume. Average leases signed in Class A space were 8,869 SF and continue to remain larger than the average market deal size of 6,582 SF.

Notable 1Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Fisher Investments	Renaissance II, III & IV	NW Hillsborough	Direct New	322,000
The financial management firm, Fisher Investments, signed a major lease at Renaissance Center, securing all of Buildings II and III, along with 74,000 SF in Building IV. The deal more than doubles the firm's Tampa footprint, marking the largest office lease in the market in recent years, with occupancy scheduled for late 2025 through early 2026.				
Geico Insurance	Corporate Oaks I, II, & III	Westshore	Direct New	184,145
Geico signed a full-building lease across all three properties at Corporate Oaks, with occupancy expected by August 2025. This expansion brings the company's footprint to five locations across the Tampa market, reinforcing its long-term commitment to the region.				
Moffitt Cancer Center	3000 University Center	East Tampa	Renewal	132,981
Moffitt Cancer Center renewed its lease at 3000 University Center Drive, committing to the full building through December 2034. The institution has maintained its presence at the property since 2020, reaffirming its long-term investment in the Tampa market.				
Foot Locker	570 Carillon	Gateway	Direct New	110,998
Foot Locker, a multinational apparel retailer, signed a long-term lease through November 2038 and is expected to take occupancy in December 2025, securing approximately 44% of the building. This marks the company's second office location within the Tampa market, signaling ongoing expansion in the region.				
JPMorgan Chase & Co	Fountain Square	Westshore	Renewal	104,365
J.P. Morgan Chase & Co. renewed its lease at 4915 Independence Parkway, maintaining its occupancy across the second, third, and fourth floors. The firm has been a long-term tenant at the property since November 2016.				

Source: Newmark Research, CoStar

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