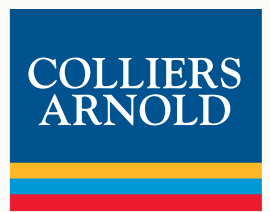




# Market Overview

TAMPA BAY

OFFICE | FOURTH QUARTER | 2009



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# Insights on the Market

OFFICE | FOURTH QUARTER | 2009

## Increased Activity In Spite of Rising Vacancy

The office real estate market in Tampa Bay continued to experience challenging conditions during the fourth quarter of 2009. Throughout the past year absorption remained in the red, vacancy gradually increased and lease rates continued to slip each quarter. Landlords worked hard to attract tenants and increase occupancy levels and as a result, the number of leasing transactions grew. The second half of 2009 experienced a 39 percent increase in overall lease transactions when compared to the first half of 2009. More than 475 transactions occurred in the second half compared to 342 in the first half. The total square footage associated with the transactions reached 1.7 million square feet, the highest since the second half of 2008. With many leases expected to expire in 2010 and 2011, expect to see this trend continue.

Even with the recent rise in lease transactions, net absorption remained negative, representing the seventh consecutive quarter of contraction. The negative absorption is due in part to tenants relocating into smaller, more financially feasible spaces.

The Tampa Bay office market is currently experiencing a 15.9 percent vacancy rate, a half point increase from the previous quarter. With vacancy still increasing, competition remains high amongst landlords with available space, causing full service asking lease rates to fall to an average of \$20.44 per square foot. Based on available information, asking rental rates have declined approximately five percent since the fourth quarter of 2008. In the fourth quarter of 2009, the number of sale transactions decreased slightly from previous quarters, although the dollar volume associated with these transactions increased greatly. Over \$87 million worth of office property traded hands in the fourth quarter, up significantly from the previous quarter volume of \$40 million. The Tampa Bay office market has not experienced this level of dollar volume activity since the fourth quarter of 2008. The bottom of the market downturn may be nearing, but even when the generalized "bottom" is said to have happened, many hurdles will have to be overcome before sustainable growth returns.

## Trends

- Vacancy rates continued to increase, up from 14.3 percent in the first quarter of 2009 to the current average of 15.9 percent.
- The second half of 2009 experienced a 39 percent increase in overall lease transactions when compared to the first half of 2009.
- The number of sales transactions decreased slightly from the previous quarter, but the dollar volume increased to \$87 million from \$40 million.

## TAMPA BAY OFFICE SERVICE GROUP

**Jim Allen**

jallen@colliersarnold.com

**Mary Clare Codd, SIOR**

mcodd@colliersarnold.com

**Melanie Jackson**

mjackson@colliersarnold.com

**Josh Pardue**

jpardue@colliersarnold.com

**Jeff Tolrud, CCIM**

jtolrud@colliersarnold.com

**Ron Sparks, MAI, MBA, RICS**

rsparks@colliersarnold.com

**David Box, MCR**

dbox@colliersarnold.com

**Alan Feldshue**

afeldshue@colliersarnold.com

**Christopher Leonard, CCIM**

cleonard@colliersarnold.com

**Camille Renshaw, CCIM**

crenshaw@colliersarnold.com

**James Ullrich, CPA**

jullrich@colliersarnold.com

**Alan Lane, MAI**

alane@colliersarnold.com

**Claire Calzon**

ccalzon@colliersarnold.com

**John Gerlach, CCIM**

jgerlach@colliersarnold.com

**James Parker, CCIM**

jparker@colliersarnold.com

**James Stuckey, MCR**

jstuckey@colliersarnold.com

**Carol Warren, CCIM**

cwarren@colliersarnold.com

**Kimberly Lamb, CPM**

klamb@colliersarnold.com



## MARKET INDICATORS

**TAMPA BAY INVENTORY**  
80,774,646 Sq. Ft.

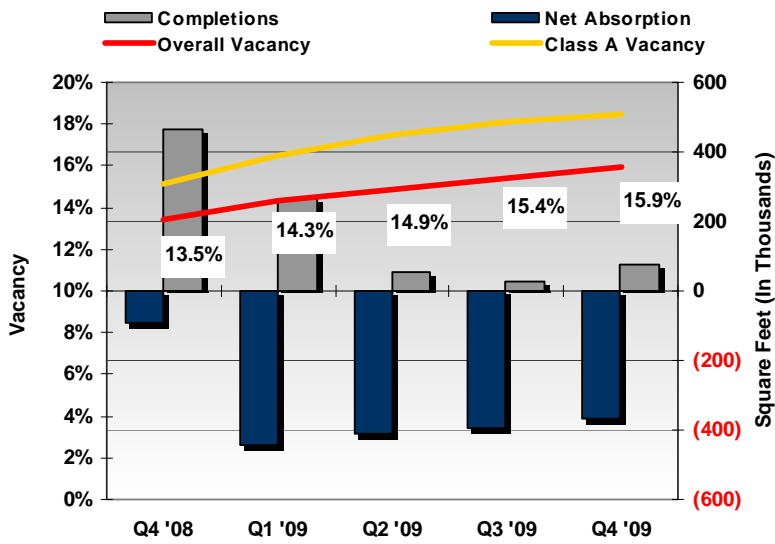
	Q4	Q1*
<b>OVERALL VACANCY</b> 15.9%	↑	↑
<b>DIRECT VACANCY</b> 15.1%	↑	↑
<b>ABSORPTION</b> (366,300) s.f.	↑	↑
<b>CONSTRUCTION</b> 88,000 s.f.	↓	↓
<b>NEW SUPPLY</b> 73,173 s.f.	↑	↓
<b>OVERALL DIRECT AVG ASKING RATE</b> \$20.44	↓	↓
<b>CLASS A DIRECT AVG ASKING RATE</b> \$24.19	↓	↓

\*Projected, relative to prior period  
Note: Directional arrows compare current quarter to previous quarter historically adjusted figures.

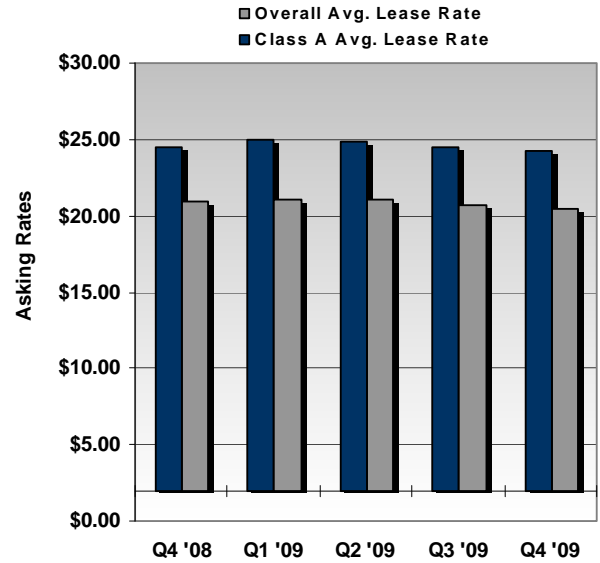
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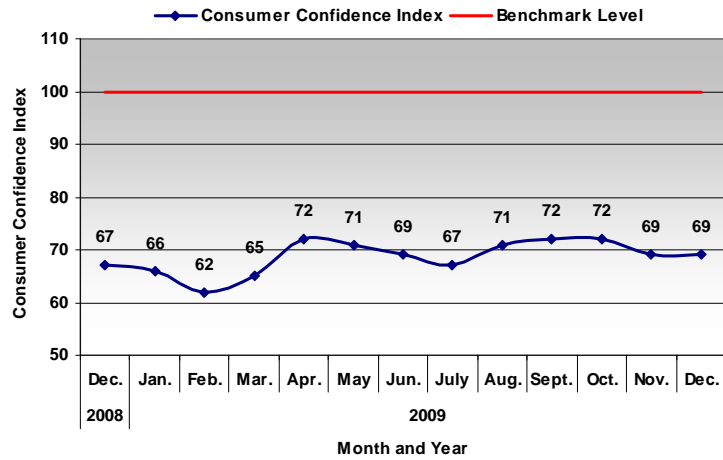
OVERALL OFFICE MARKET STATISTICS



RENTAL RATES BY BUILDING CLASS

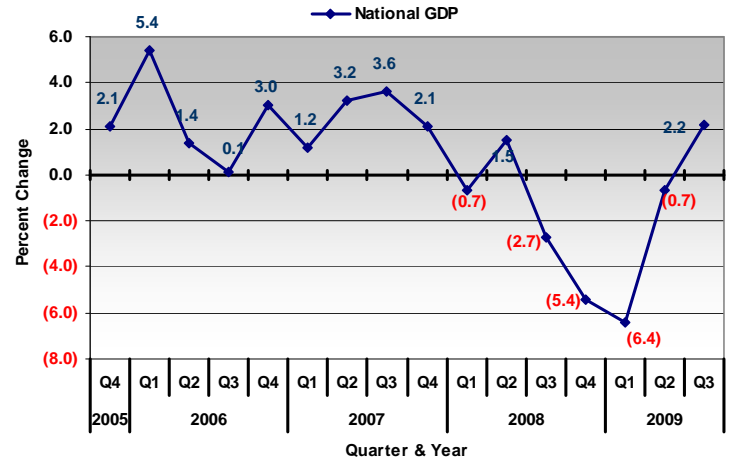


FLORIDA CONSUMER CONFIDENCE INDEX



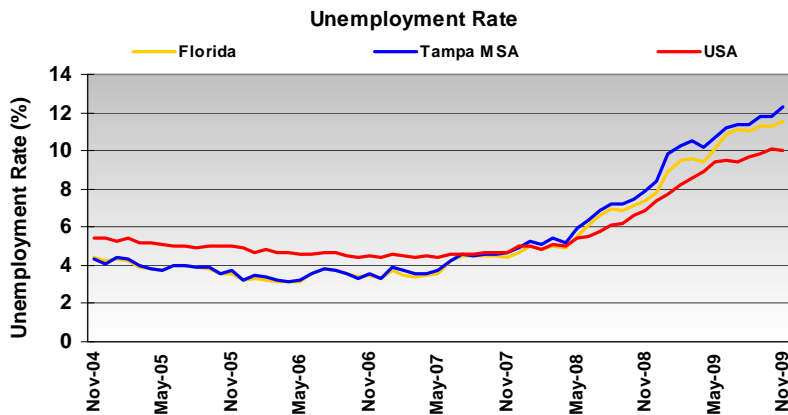
Source: Bureau of Economic and Business Research

NATIONAL GDP



Source: Bureau of Economic Analysis - U.S. Department of Commerce

UNEMPLOYMENT SNAPSHOT

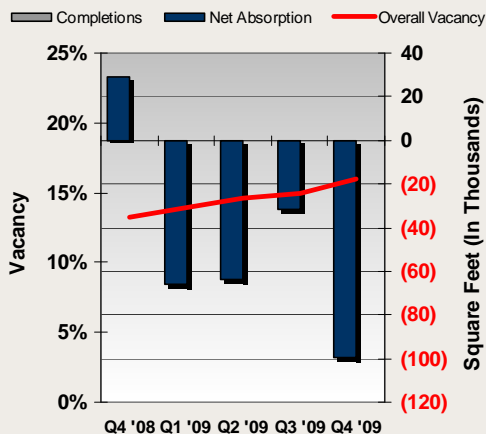


Source: Florida Research and Economic Database

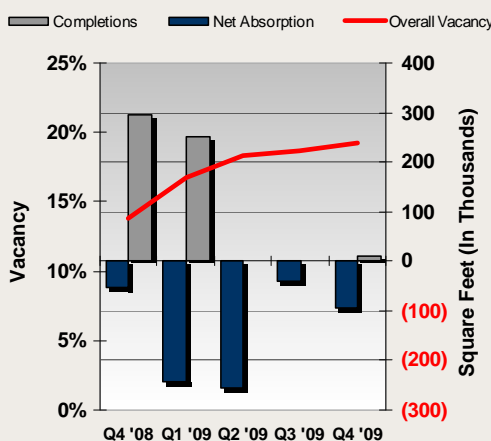
The unemployment rate for the Tampa Bay MSA was 12.3% for November 2009. This compares to the published rate of 7.9% for November 2008. The State of Florida rate was 11.5% for November 2009 which compares to 7.4% for November 2008. Both the local and state rates are higher than the national rate which now stands at 10.0%. The national rate in November 2008 was 6.9%. The detailed snapshot for the Tampa Bay area shows a net loss of 73,286 jobs from November 2008 to November 2009. All reported rates are non-seasonally adjusted.

SUBMARKET TRENDS

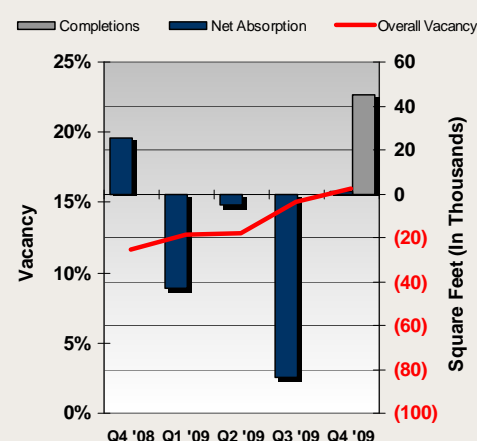
TAMPA CBD



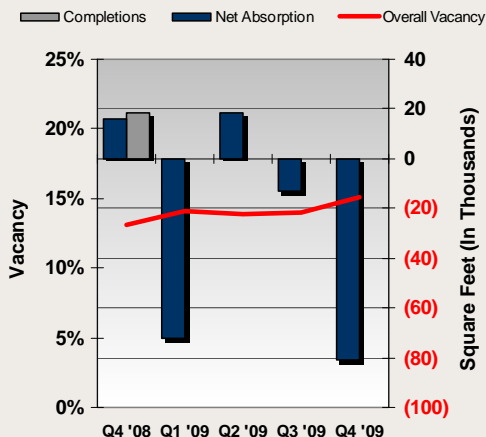
WESTSHORE



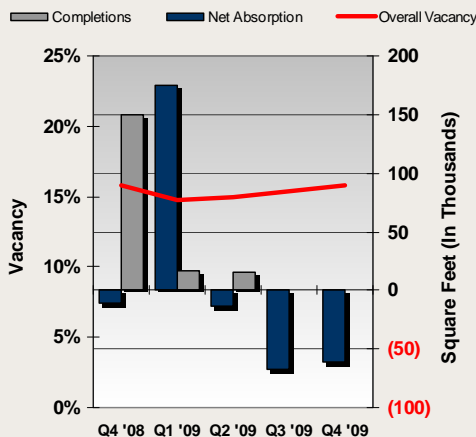
ST. PETERSBURG CBD



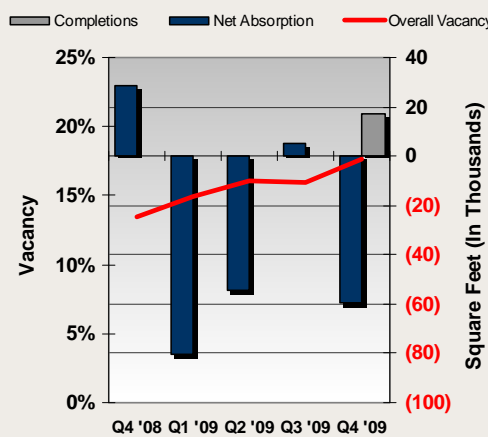
GATEWAY



I-75 CORRIDOR



NORTH PINELLAS



SUBMARKET OVERVIEW

Rising vacancy driven by negative absorption was found in nearly all submarkets during the fourth quarter. The I-75 Corridor continued to experience the most stable conditions with vacancy marginally increasing to 15.8 percent from 15.4 percent in the previous quarter.

The Westshore submarket experienced two substantial sales during the fourth quarter. Concorde Companies EOLA Capital purchased the 247,000 square foot class A building at 4301 W Boy Scout Road for \$25 million or \$101.21 per square foot. Highwoods Properties purchased the 220,579 square foot class A building at 4200 W Cypress Street for \$22,250,000 or \$100.87 per square foot.

The only building under construction can be found in the I-75 Corridor submarket that will include 88,000 square feet of class A space at completion. Park West, at 45,000 square feet, completed construction in the St. Petersburg CBD submarket. Harbor Oaks Professional Center, at 17,423 square feet, located in the North Pinellas submarket and Bruce B. Downs Professional Center, at 10,750 square feet, located in the Westshore submarket also completed construction during the fourth quarter.

Humana Medical Plan, Inc. renewed their 170,051 square foot lease within the Netpark Tampa Bay building along Hillsborough Avenue. ALLTEL also renewed their 73,030 square foot lease and HSBC Mortgage Services, Inc. signed a new lease and took occupancy in 66,380 square foot space within the same building.

## TAMPA BAY MARKET STATISTICS

Property Class	Bldgs.	Total Inventory S.F.	Direct Vac. %	Total Vac. %	Net Absorp. Current Qtr. S.F.	Net Absorp. YTD S.F.	New Completions S.F.	Under Construc. S.F.	Avg. Direct Asking Rate Full Service
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## HIGHLIGHTED OFFICE SUBMARKETS

## Tampa CBD

A	13	4,836,653	18.9%	20.3%	-86,369	-216,679	0	0	\$22.88
B, C	76	4,584,612	11.4%	11.5%	-13,121	-43,727	0	0	\$18.20
Overall	89	9,421,265	15.3%	16.0%	-99,490	-260,406	0	0	\$21.13

## Westshore

A	38	7,487,396	22.2%	24.3%	-91,303	-332,934	0	0	\$27.40
B, C	201	8,215,179	13.6%	14.6%	-4,254	-301,986	10,750	0	\$21.11
Overall	239	15,702,575	17.7%	19.2%	-95,557	-634,920	10,750	0	\$24.57

## I-75 Corridor

A	44	6,902,800	13.5%	14.3%	68,514	92,989	0	88,000	\$23.34
B, C	268	8,842,289	16.4%	17.0%	-129,041	-59,049	0	0	\$18.03
Overall	312	15,745,089	15.1%	15.8%	-60,527	33,940	0	88,000	\$20.11

## North Pinellas

A	12	1,101,160	20.0%	20.6%	-6,867	-52,573	0	0	\$19.46
B, C	161	4,140,848	16.4%	16.8%	-52,523	-136,139	17,423	0	\$17.69
Overall	173	5,242,008	17.2%	17.6%	-59,390	-188,712	17,423	0	\$18.16

## Gateway

A	23	3,028,982	8.8%	10.6%	40,232	-48,083	0	0	\$22.22
B, C	112	4,496,502	17.0%	18.1%	-120,873	-99,351	0	0	\$17.83
Overall	135	7,525,484	13.7%	15.1%	-80,641	-147,434	0	0	\$19.14

## St. Petersburg CBD

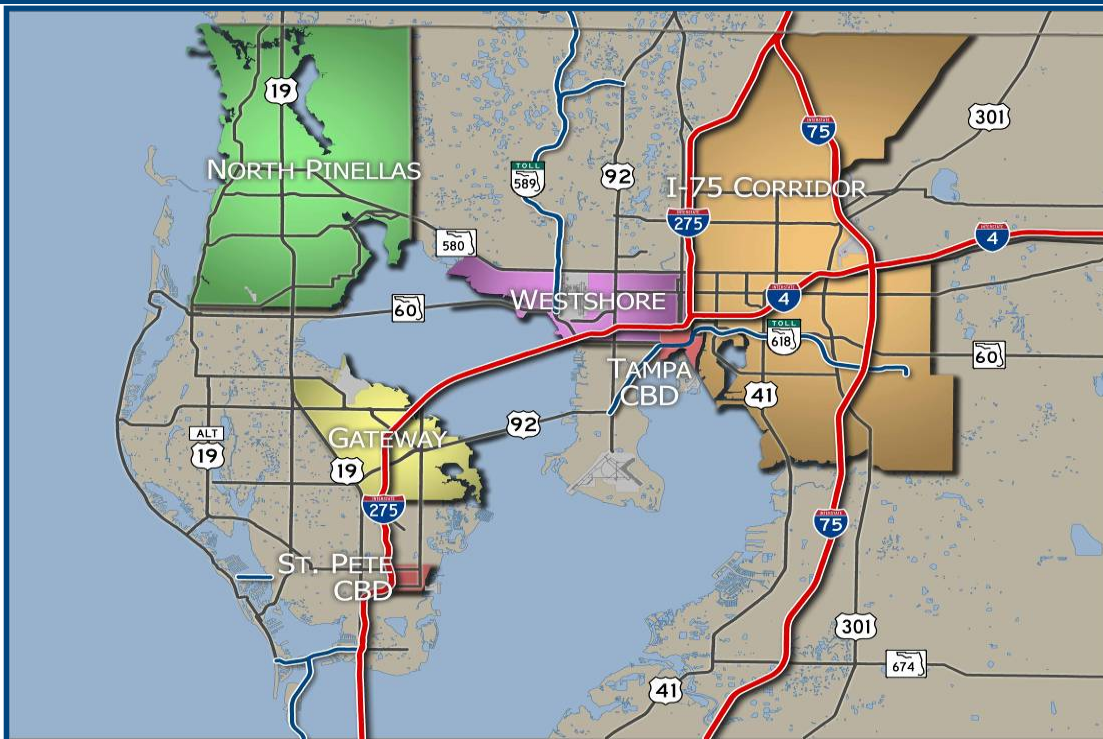
A	9	1,673,961	20.2%	23.5%	16,584	-78,922	45,000	0	\$24.97
B, C	57	2,235,751	10.4%	10.4%	-15,464	-52,183	0	0	\$19.77
Overall	66	3,909,712	14.6%	16.0%	1,120	-131,105	45,000	0	\$23.30

Qtr. & Year	Bldgs.	Total Inventory S.F.	Direct Vac. %	Total Vac. %	Net Absorp. Current Qtr. S.F.	Net Absorp. YTD S.F.	New Completions S.F.	Under Construc. S.F.	Overall Avg. Direct Asking Rate F.S.	Class A Avg. Direct Asking Rate F.S.
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## TAMPA BAY OVERALL OFFICE MARKET

2009 4Q	1,776	80,774,646	15.1%	15.9%	-366,300	-1,618,003	73,173	88,000	\$20.44	\$24.19
2009 3Q	1,772	80,667,536	14.4%	15.4%	-395,801	-1,251,703	25,662	161,173	\$20.90	\$24.51
2009 2Q	1,771	80,641,874	14.0%	14.9%	-410,082	-855,902	55,000	169,412	\$21.18	\$24.92
2009 1Q	1,767	80,586,874	13.3%	14.3%	-445,820	-445,820	267,340	213,662	\$21.32	\$25.21
2008 4Q	1,765	80,319,534	12.5%	13.5%	-94,312	-639,800	465,892	410,340	\$21.40	\$25.45
2008 3Q	1,759	79,838,642	11.6%	12.8%	-301,157	-545,488	240,400	891,232	\$20.98	\$25.40
2008 2Q	1,754	79,523,578	10.9%	12.1%	-88,143	-244,331	143,197	1,169,296	\$21.06	\$25.01
2008 1Q	1,749	79,380,381	10.6%	11.8%	-156,188	-156,188	643,894	1,206,003	\$21.25	\$24.40
2007 4Q	1,737	78,815,090	10.1%	11.0%	14,152	243,335	291,356	1,720,954	\$21.19	\$24.14

## TAMPA BAY OFFICE HIGHLIGHTED SUBMARKETS



## FOURTH QUARTER 2009 TRANSACTION HIGHLIGHTS

## SALES ACTIVITY

BLDG NAME/ PROPERTY ADDRESS	PROPERTY CLASS	BUYER NAME	SIZE (SF)	SALES PRICE	SALES PRICE/SF	SUB- MARKET
4200 W Cypress Street	A	Highwoods Properties, Inc.	220,579	\$22,250,000	\$100.87	Westshore
Corporate Center Four 4301 W Boy Scout Road	A	Concorde Companies EOLA Capital	247,000	\$25,000,000	\$101.21	Westshore
1602 N 15 <sup>th</sup> Street	A	Hillsborough Community College	52,000	\$6,500,000	\$125.00	I-75 Corridor

## LEASING ACTIVITY

BLDG NAME/ PROPERTY ADDRESS	PROPERTY CLASS	TENANT NAME	SIZE (SF)	LEASE TYPE	SUB-MARKET
Netpark Tampa Bay 5701 E Hillsborough Ave.	B	Humana Medical Plan, Inc.	170,051	RENEWAL	NE Tampa
Bayview Pavilion 15550 Lightwave Drive	A	N/A	28,896	New/Direct	Bayside
Thompson Center Waters 5463 W Waters Ave.	B	Scientific Research Corporation	17,028	New/Direct	NW Tampa
Park Tower 400 N Tampa St.	B	D4, LLC	2,178	New/Direct	Tampa CBD
Netpark Tampa Bay 5701 E Hillsborough Ave.	B	ALLTEL	73,030	RENEWAL	NE Tampa
NetPark Tampa Bay 5701 E Hillsborough Ave.	B	HSBC Mortgage Services	66,380	New/Direct	NE Tampa

FOR OTHER LOCAL REPORTS VISIT – <http://www.colliers.com/Markets/TampaBay/MarketReports/>

FOR NATIONAL REPORTS VISIT – <http://www.colliers.com/Corporate/MarketReports/>

This Colliers Arnold market report includes owner and non-owner occupied office space 10,000 s.f. and greater in Hillsborough and Pinellas Counties. Directional arrows compare current quarter numbers to previous quarter numbers. Arrows show change when there is a 10 cent or more change in lease rate or 0.5% or more change in vacancy rate. Due to continual updates and refinements in the historical database, some of the data in this report may not match data published in previous reports. Sources: CoStar Property and Colliers Arnold. Colliers Arnold is a member firm of Colliers International - a worldwide affiliation of independently owned and operated companies with over 294 offices throughout more than 61 countries. Questions should be directed to Colliers Arnold Research at 813/221-2290 or e-mail: [research@colliersarnold.com](mailto:research@colliersarnold.com). Report written by Daniel Rice, 407-843-1723 or e-mail: [drice@colliersarnold.com](mailto:drice@colliersarnold.com). Information contained herein has been obtained from sources deemed reliable but not guaranteed. No representation is made as to the accuracy thereof. Data as of 1/07/2010.

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## COLLIERS ARNOLD SERVICES

## GIS &amp; RESEARCH

## Matthew Dolan

[mdolan@colliersarnold.com](mailto:mdolan@colliersarnold.com)

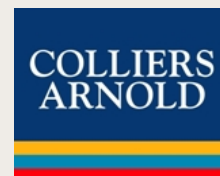
## Daniel Rice

[drice@colliersarnold.com](mailto:drice@colliersarnold.com)

## MARKETING

## Elizabeth Cross

[ecross@colliersarnold.com](mailto:ecross@colliersarnold.com)



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