

Still Under Water, But Not So Deep

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Tampa Bay's office leasing activity still is under water. That's one way to look at it. The other way: Leasing activity, though negative, is far closer to the surface than it was after the first quarter of this year.

The region's net contraction over the last six months is less than half the amount lost in the first quarter alone.

(We're reporting for six months this time only because we had to miss the 2nd Quarter report when we closed our print magazine this summer. Going forward, we'll be updating on a quarterly basis.)

A few other takes on the Tampa Bay region as a whole:

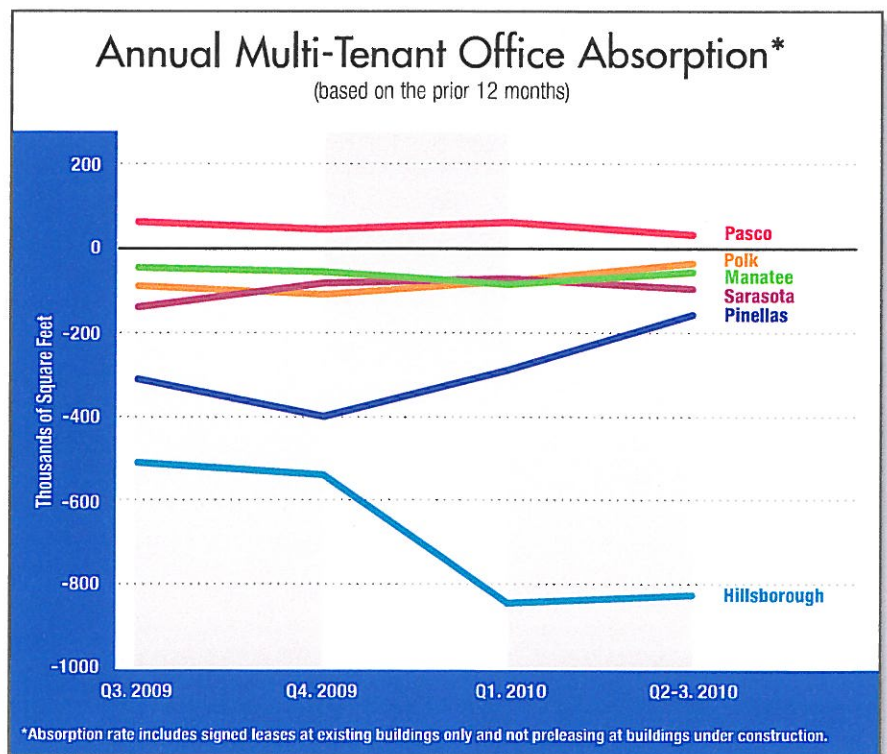
- The 12-month net loss remains over 1-million sf.
- There appears to be much intra-market movement as companies look for the best deal out there, especially moves from B-C space to A space.
- Lots of rent concessions are in the marketplace; six months free on a three-year lease is not uncommon.
- The only county with an annual net gain is Pasco. Among the other five counties, their annual losses improved this period compared with the first quarter, except for Sarasota.
- Tampa Bay's vacancy rate of 23.1% is the highest seen since 4Q-1992. (By comparison the lowest rate reported for

the region was 8.8% in 2Q-1998.) Pasco's 30.6% vacancy not only is the region's highest, it's also the highest the county has ever seen since January 1992, when we began tracking that county. Hillsborough's rate of 22.1% is that county's highest in 19 years.

Hillsborough

This largest office market of the region has now endured 10 consecutive quarterly losses. However, the loss absorbed this six months is only about 15 percent of the first quarter's loss. While this period's overall loss is 59,120 sf, the county's Class A space actually enjoyed a gain of 151,300 sf. While the county's overall vacancy is 22.1%, Class A space stands at 19.2% and Class B-C at 26.1%.

Westshore (Florida's largest suburban office market)



squeaked out a net gain for the first time in nine reporting periods. But only by a hair: 8,490 sf. Class A space, however, reported a gain of 111,200 sf for this six months. Westshore's 12-month contraction still registers at over a half-million sf, driven largely by Class A's negative 385,830 sf.

Downtown Tampa has now experienced 14 consecutive reporting periods of annualized losses – a record unmatched by any other significant submarket followed by the Maddux Report.

The I-75 Corridor this six months contracted by 9,290 sf, though that's about one-fifth the loss in the first quarter. Its Class A space, however, gained a net 59,560 sf for this period.

Pinellas

The region's second largest office market, Pinellas' 12-month loss this period – a negative 158,300 sf – is a bit more than one-half that reported in the first quarter alone. Class A space contributed to about one-fifth of this 12-month loss. The county's vacancy rate is 27.9% with Class A space at 26.2% and Class B-C at 29.8%.

Bayside and Gateway are the two submarkets still with substantial annual losses. Gateway, however, had a net gain this six-month period of 40,980 sf, all of it and more due to Class A space. You have to go back to 3Q-2007 to find a comparable gain in Gateway.

Sarasota

The I-75 Corridor had positive absorption this six months of 32,710 sf, reducing its annual loss by three-fourths. Much of the Corridor's gain came from an upswing in B-C space. Suburban & Venice dropped into annual loss territory. The county's vacancy rate is the lowest in the region at 18.1%; Class A space is 17.8% and Class B-C is 18.4%.

Multi-Tenant Office Market

	Existing Leasable Space (S.F.)	Existing Vacant Space (S.F.)	% Vacant	Total Space Under Construction	Net 6-Month Absorp.*	12-Month Absorp.*	Weighted Average Rents
Downtown	6.66-Mil	1.58-Mil	23.7%	0	-43,010	-148,990	\$21.79
Westshore	12.15-Mil	2.79-Mil	23.0%	0	8,490	-551,440	\$23.85
Southwest	413,010	67,745	16.4%	0	-9,140	-8,370	\$22.04
Northwest	2.92-Mil	418,800	14.4%	0	-27,410	-27,080	\$18.42
North Central	881,210	217,085	24.6%	0	21,240	-12,470	\$16.79
I-75 Parkway	8.07-Mil	1.79-Mil	22.2%	0	-9,290	-76,975	\$18.87
Hillsborough Total	31.09-Mil	6.86-Mil	22.1%	0	-59,120	-825,325	\$21.49
Clearwater/North	3.12-Mil	973,990	31.2%	0	-30,910	-3,890	\$17.27
Bayside	1.6-Mil	461,010	28.8%	0	-19,060	-44,900	\$17.69
Gateway and Mid	4.99-Mil	1.2-Mil	24.0%	0	40,980	-98,350	\$17.94
South	641,290	359,330	56.0%	0	-710	-3,340	\$15.04
St. Petersburg	2.28-Mil	523,750	23.0%	0	-12,125	-7,820	\$20.28
Pinellas Total	12.63-Mil	3.52-Mil	27.9%	0	-21,825	-158,300	\$17.99
Downtown	2.29-Mil	338,870	14.8%	0	-37,970	-31,340	\$20.53
I-75 Corridor	2.81-Mil	603,370	21.4%	0	32,710	-15,090	\$19.48
Suburban/Venice	1.74-Mil	295,320	16.9%	0	-20,760	-49,600	\$16.06
Sarasota Total	6.85-Mil	1.24-Mil	18.1%	0	-26,020	-96,030	\$18.95
Manatee	2.93-Mil	588,740	20.1%	0	-28,690	-26,300	\$18.03
Pasco	1.54-Mil	470,750	30.6%	0	-15,965	33,010	\$15.18
Polk	1.93-Mil	506,965	26.2%	0	-32,880	-35,260	\$14.40
REGION TOTAL	56.98-Mil	13.18-Mil	23.1%	0	-184,500	-1.14-Mil	\$19.85

Manatee

Has endured five consecutive periods of net losses; seven losses in the last 10. The average loss per period over the last 18 months has been 22,700 sf. Its vacancy rate of 20.1% is the region's second best.

Polk

Has been hit with six consecutive net losses, at an average of 21,400 sf per period. Prior to 1Q-2009, the county enjoyed 13 straight quarters of net gains.

Pasco

A net loss of 15,970 sf this period is the county's largest in four years and only the fourth loss reported during that four years. ■

Only multi-tenant office buildings are surveyed, a minimum of 25,000 sf in Hillsborough and Pinellas counties and 15,000 sf elsewhere. Survey charts may include sub-lease space, which is not in the analysis. For more information, contact research director Laurel S. McQueen as shown above.

Retail Rising?

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The region's retail leasing market improved the last three quarters of 2010. Net gains this period were seen in three of five counties covered, leading to the region's first gain in two years. Only Pinellas and Pasco experienced losses.

While all five counties continued to reflect an annualized loss, the size of those losses was reduced from the last report in May 2010. For the region, this period's annualized loss of 371,710 sf is a 30-percent improvement from May's report.

This period we are reporting on nine months of activity instead of six because we missed one cycle after our magazine closed last summer. As a result, annualized data for this reporting period is actually 15 months instead of 12. Going forward we will continue to report on the retail market twice a year, but adjusted to the first and second halves of the year instead of the schedule historically used in our magazine.

Published leasing rates rose slightly in Hillsborough and Pinellas while continuing to pull back significantly in Sarasota, Manatee and Pasco counties. Average pass-through charges held steady.

Hillsborough

- Hillsborough had its first positive performance in four reporting periods. And the largest gain (173,850 sf) since May 2007. Three of four sub markets reported gains this period.

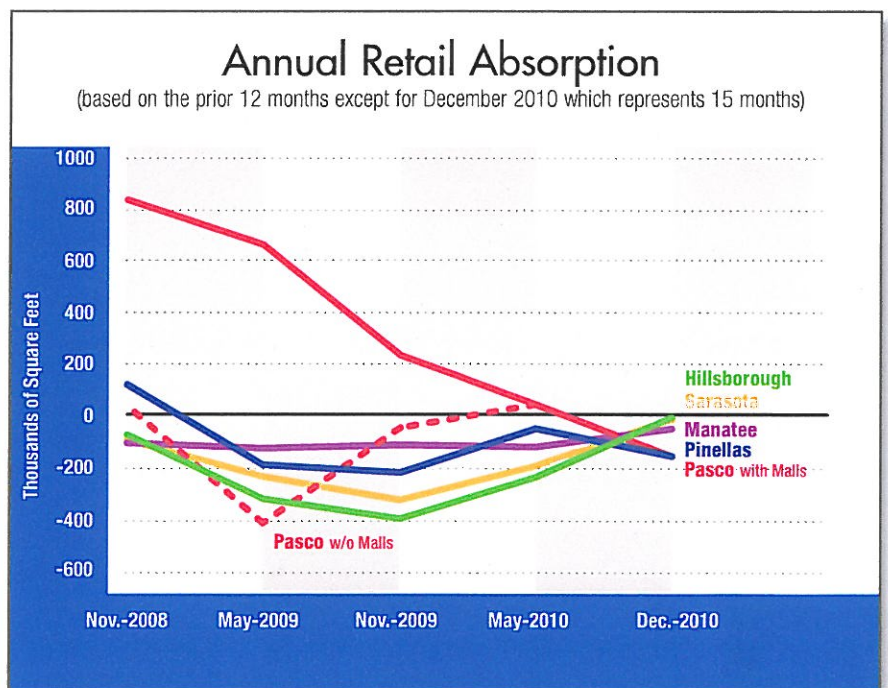
- Its annual rate (15 months) was a bare loss of 3,850 sf.
- The county's vacancy rate

clicked back by 0.1 percentage point, but in the Northeast market it dropped by 2.1 points.

- The Cypress opened in New Tampa anchored by Sweetbay and LA Fitness, with several inline stores leased as well.
- Empty anchor boxes were filled at Busch Plaza, the Walk at Highwoods Preserve and Walter's Crossing. And part of a big box was filled at Horizon Park.
- The South & East market experienced a net loss this period after adding an empty Albertson's to the big box list.

Pinellas

- Pinellas experienced a loss this nine-month period – its third in the last four reporting periods. Two of three submarkets had losses.
- Its annualized loss tripled to 154,245 sf.
- Vacant anchor boxes were leased at Park Plaza



and Crossroads.

- North Pinellas had multiple small move-outs with small move-ins at six locations.
- Mid Pinellas saw somewhat larger losses at four locations against small move-ins at nine locations.
- South Pinellas managed a gain this period with the leasing of a vacant Linens n' Things box at Crossroads. However, an empty Publix box at South Pasadena Shopping Center has now entered the vacancy figures.

Manatee

- Manatee enjoyed its first positive performance in six periods, with move-ins at nine locations exceeding move-outs at nine others.
- The vacancy rate dipped by 1.2 points.
- Average asking rents dropped \$.73 per sf.
- There was no change in the big box situation.

Sarasota

- Similarly, Sarasota reported its first gain in six periods. It had move-ins at 13 locations and move-outs at 14 others.
- Three centers had net gains of 20,000 sf or more.
- Average asking rents dropped by \$.95 per sf.
- Its vacancy rate of 12.7 percent is the region's second highest. There was no change in the big box vacancy rate.

Pasco

- Pasco's annual loss is its first in four years.
- Average asking rents dropped by \$1.50 per sf.
- The vacancy rate notched up by 0.7 point, and remains the region's highest at 16.9 percent.
- Part of a big box was filled at Embassy Crossing and half of a big box was leased at The Oaks.
- A new neighborhood center, Hays Town Center, is under construction on SR 52, scheduled for delivery first

Tampa Bay Retail Market

	Existing Leasable Space (S.F.)	Existing Vacant Space (S.F.)	% Vacant	Total Space Under Construction	Net 9-Month Absorp.	Annual Absorp.*	Weighted Average Rents	Weighted Average CAM
Northeast	4.63-mil.	743,340	16.1%	0	179,460	76,230	\$13.05	\$3.88
Northwest	9.08-mil.	574,030	6.3%	0	30,280	-33,650	\$15.27	\$4.79
Southeast	8.61-mil.	809,230	9.4%	0	-49,020	-41,210	\$17.04	\$4.38
Southwest	2.57-mil.	135,370	5.3%	0	13,130	-5,220	\$21.25	\$6.24
TOTAL Hillsborough	24.89-mil.	2.26-mil.	9.4%	0	173,850	-3,850	\$17.28	\$4.61
North	5.43-mil.	684,710	12.6%	0	-45,110	-97,050	\$17.73	\$5.33
Mid	6.58-mil.	526,460	8.0%	0	-72,700	-76,670	\$17.35	\$4.32
South	6.41-mil.	538,515	8.4%	0	18,190	19,475	\$18.22	\$4.59
TOTAL Pinellas	18.42-mil.	1.75-mil.	9.5%	0	-99,620	-154,245	\$17.75	\$4.67
MANATEE	5.85-mil.	527,045	9.0%	0	17,110	-48,265	\$15.10	\$5.12
SARASOTA	9.63-mil.	1.22-mil.	12.7%	0	27,480	-11,020	\$15.82	\$3.94
PASCO	9.14-mil.	1.56-mil.	16.9%	870,775	-61,120	-154,330	\$15.39	\$3.84
REGION	67.9-mil.	7.31-mil.	10.8%	870,775	57,700	-371,710	\$17.09	\$4.47

*Annual absorption represents 15 months this period only.

quarter 2011.

- Construction is still stopped at Cypress Creek Town Center. In August a federal judge revoked most of the Army Corps of Engineers' permit for the site.

Overall, the amount of empty big box space in the market shrank by 10 percent with five boxes and parts of three others being leased. This space is reflected in the analysis above, but we break it out separately because of the trend it reflects.

The chart below indicates the total big box space in each county and the number of spaces represented. Big boxes are defined as spaces of 30,000 sf or more. Parts of five of these boxes have been re-leased to smaller tenants. ■

Vacant Big Box Space in Shopping Centers

Hillsborough	526,740 sf	(12)	Pinellas	397,000 sf	(9)
Manatee	184,630 sf	(5)	Sarasota	462,400 sf	(11)
Pasco	391,320 sf	(11)			

To be included in the survey, shopping centers must be a minimum of 40,000 sf and have space for at least five tenants. For more information, contact research director Laurel S. McQueen as shown above.