

All of Florida's markets have continued to show improvement over the course of 2017 and 2018. Vacancy rates have continued to decline and unemployment was 3.8 percent in June 2018, down 0.4 percentage point from a year ago. Over the course of the last year, 180,000 jobs have been created in the state. The industry gaining the most jobs was professional and business services. St. John's and Okaloosa counties lead with the lowest unemployment rate of 2.6 percent, and Hendry and Sumter counties with the highest unemployment rate of 5.0%. Florida is seeing the most activity in the professional and business services (39,200 added jobs), leisure and hospitality sector (37,000 added jobs), and construction (31,300 added jobs).

Office Sales

Office sale transaction volume showed a steady increase from the bottom of the crash in 2009 to 2016. With fewer value add opportunities available, sales volume has started to decrease. In 2016, there were 2,361 total office transactions in the state of Florida, and in 2017 there were 2,002 total transactions. Of the total transactions in 2017, 1,584 were office buildings under 10,000 square feet and 418 were office buildings over 10,000 square feet. The markets have averaged a sales price of \$141 price per square foot, a level not seen since 2008. Cap rates appear to be leveling off. To date, there have been 1,207 office transactions in 2018. Tampa has seen nearly \$5 billion in sales volume since 2014 alone.

The largest transactions to take place in the first half of 2018 occurred in Miami and Tampa. Sabadell Financial Center, a 522,892 square foot office building, located on Brickell Avenue in Miami, sold for \$248,500,000 or \$475.24 price per square foot. The sale was 88% occupied at the time of sale, and a cap rate of 4.8% was reported. Urban Center 1 and 2, two office buildings located in Westshore submarket of Tampa, sold for a total of \$143,100,000 or \$261.11 price per square foot. Another notable transaction of 2018 is the sale of the SunTrust International Center in the downtown Miami submarket. The 449,076 square

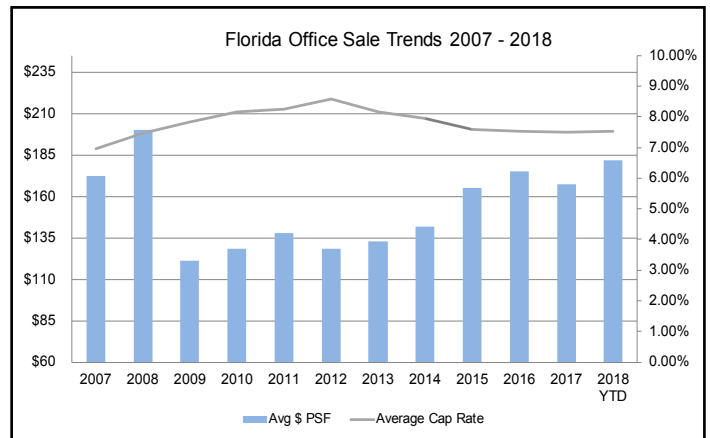
Office Leasing

The average gross rent for the state of Florida is \$24.15 per square foot. The highest rents are being paid in Miami with an average of \$35.64 across all classes and \$43.13 for Class A space. The lowest rents are being paid in Sebring with an average of \$14.45. The average gross rent is currently at \$22.52 in Tampa and \$22.73 in Orlando. Tampa has been one of the nation's leading annual rent growth metros due to a strong demand and tightening vacancy from lack of construction. We expect that average rents will slightly increase and hover around an average of \$24.50 over the next several quarters.

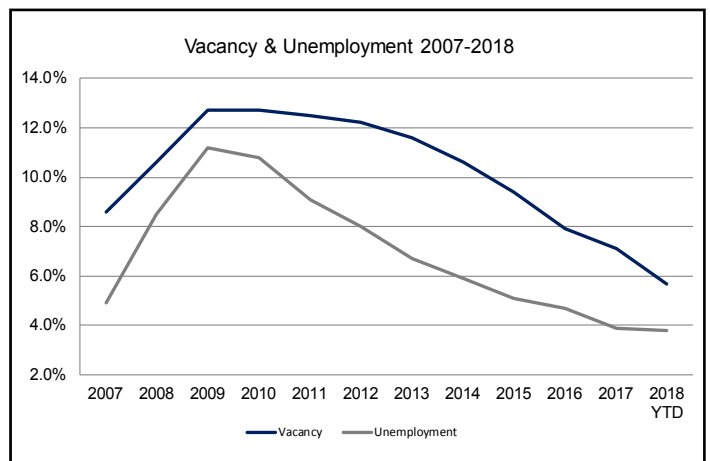
Average vacancy in Florida is currently at 7.5%. The highest vacancy rate is Palm Beach at 10.0%, and the lowest is The Villages at 3.1%. The vacancy rates in Florida's largest markets are Miami 8.6%, Tampa 7.5%, and Orlando 6.9%. Vacancy levels in Tampa are expected to remain relatively flat, as there has been a combination of growth in job sectors, as well as limited supply coupled with limited development. Overall, we expect vacancy in Florida to continue to decline as employment improves.

Office Trends

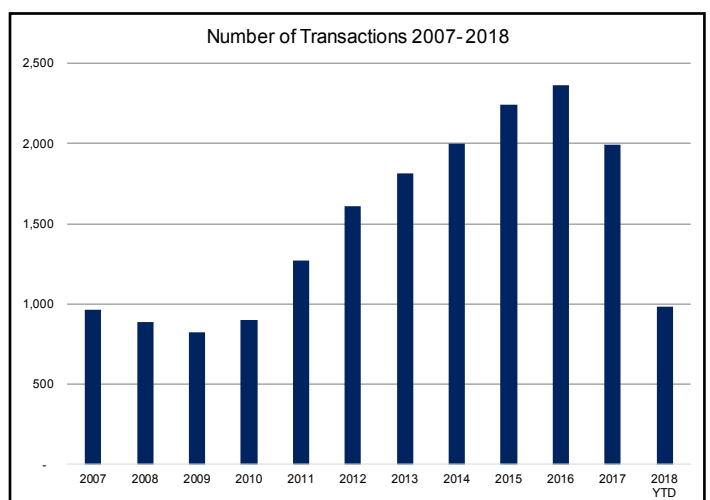
Office space designs are being developed to accommodate the new trend of less work space per employee. Over the past few years, businesses have worked towards a more open floor plan to create a collaborative work space. Millennials are emerging in the professional work force, and their priorities of lower costs, networking opportunities, and smaller lease commitments support the current trend. According to a recent CBRE Florida office market report, many firms are occupying 25% less than what has historically been observed. The average space allocated per employee in the U.S. has fallen 25% from 283 square feet in 2000, to 212 square feet at the end of 2017. These changes in space efficiency typically varies by industry. Tenants in more rapidly growing sectors are focused on expanding operations and leasing amenity-rich offices to help recruit talent. Tenants within revenue-challenged sectors are more focused on cutting costs by economizing their office space.



Source: CoStar Analytics



Source: CoStar Analytics, Bureau of Economic and Business Research



Source: CoStar Analytics

Inventory, By Market and Age	Total RSF	Vacancy	% of Total
Tampa			
< 1960	10,831,117	5.0%	9.1%
1960's	6,434,600	4.2%	5.4%
1970's	15,413,933	9.5%	13.0%
1980's	39,984,732	9.9%	33.6%
1990's	16,364,762	7.1%	13.8%
2000's	25,447,430	5.4%	21.4%
2010-Present	4,524,617	4.4%	3.8%
Total	119,001,191	6.5%	
Orlando			
< 1960	7,623,432	5.1%	8.4%
1960's	4,823,589	4.8%	5.3%
1970's	8,261,854	5.4%	9.1%
1980's	26,874,349	9.2%	29.5%
1990's	13,552,202	6.1%	14.9%
2000's	25,695,284	5.8%	28.2%
2010-Present	4,141,789	13.0%	4.6%
Total	90,972,499	7.1%	
Sarasota/Bradenton			
< 1960	2,513,781	4.4%	10.2%
1960's	1,474,317	3.9%	6.0%
1970's	2,605,378	5.0%	10.5%
1980's	6,889,249	6.1%	27.9%
1990's	3,149,234	6.5%	12.7%
2000's	7,632,668	5.1%	30.9%
2010-Present	450,927	10.4%	1.8%
Total	24,715,554	5.9%	
Fort Myers			
< 1960	1,159,574	8.0%	5.9%
1960's	1,014,795	4.2%	5.2%
1970's	1,947,038	8.5%	10.0%
1980's	3,872,682	8.6%	19.9%
1990's	4,231,332	8.0%	21.7%
2000's	6,086,756	7.4%	31.2%
2010-Present	1,181,550	3.2%	6.1%
Total/Average	19,493,727	6.8%	
Naples			
< 1960	58,795	0.0%	0.6%
1960's	169,046	3.7%	1.8%
1970's	707,530	7.4%	7.7%
1980's	1,896,924	10.7%	20.6%
1990's	2,080,786	5.3%	22.6%
2000's	3,976,704	5.7%	43.2%
2010-Present	318,707	15.4%	3.5%
Total/Average	9,208,492	6.9%	
Tallahassee			
< 1960	2,565,005	3.9%	11.5%
1960's	1,478,900	2.3%	6.6%
1970's	3,867,996	5.3%	17.3%
1980's	5,555,333	5.0%	24.8%
1990's	4,258,585	2.2%	19.0%
2000's	3,602,597	4.7%	16.1%
2010-Present	1,072,333	7.4%	4.8%
Total	22,400,749	4.4%	

Source: CoStar Analytics

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Construction and Deliveries

Some notable projects currently under construction include the Church Street Plaza, located in the Downtown Orlando Submarket, which will be a 28 story building with 200,000 square feet of office space, 180+ hotel rooms, ground floor retail, and a 10 story parking garage. This project is expected to be delivered in June 2019, and the building is currently 94.0% pre leased. It is uncommon to see a large new construction project move forward without being at least 50% pre-leased. Another notable project under construction is the 230,000 square foot USF Morsani College of Medicine located in Tampa, Florida. Expected delivery date is June 2020. The largest delivery we saw in 2017 was the American Express building in Sunrise, Florida. This Class A, single tenant building was delivered in February 2017 and totals 400,000 square feet. The largest delivery we have seen in 2018 was Town Center One, located in Jacksonville and totaling 160,000 square feet. The five-story building is 71.1% leased.

Miami, Tampa, and Orlando are the three markets with the most construction activity. Orlando has 23 buildings and 1,297,610 square feet under construction, Tampa has 25 buildings and 1,034,150 square feet under construction, and Miami has 32 buildings and 2,293,201 square feet under construction. The average pre-leasing for the projects in the Tampa and Orlando markets are around 76.8%.

Overall, construction has been minimal over the last few years, and is expected to remain that way in the near future. Some markets, including Tampa, Jacksonville, and Orlando, have pipelines that will bring a significant influx of space in the coming years. The low construction, paired with a high demand stemming from job and population growth, has compressed vacancies.

Notable 2017 & 2018 Construction & Deliveries

Building	Market	SF Total	% Occupied	Status
Church Street Plaza	Orlando	484,500	76%	Jun-19
Renaissance Center VIII	Tampa	270,000	N/A	Feb-19
USAA Crosstown Phase 2	Tampa	240,000	N/A	Jul-19
USF Morsani College of Medicine	Tampa	230,000	100%	Jun-20
Corporate Center V - International Plaza	Tampa	180,000	0%	May-20
Renaissance Center VII	Tampa	160,000	N/A	Jun-19
Town Center	Orlando	155,000	43%	Oct-18
Renaissance Center VI	Tampa	148,000	N/A	Mar-18
Kirkman Point II	Orlando	134,000	25%	2017
9333 South John Young Parkway	Orlando	125,000	100%	Jun-18
The Heights	Tampa	125,000	0%	Sep-18
Tampa General Hospital Healthplex	Tampa	122,000	0%	2017
The Edison at Primera	Orlando	115,000	0%	Aug-18

Source: CoStar Analytics

Major 2017 & 2018 Sales Transactions

Building	Market	Sale Price	SF	\$/SF
One Progress Plaza	Tampa	\$65,750,000	295,200	\$222.73
State Farm Regional Office	Orlando	\$56,700,000	432,251	\$131.17
Heathrow 600	Orlando	\$38,000,000	125,155	\$303.62
Mease Countryside	Tampa	\$37,674,714	145,000	\$259.83
Sarasota City Center	Tampa	\$36,500,000	245,293	\$148.80
CentrepoinTE	Tampa	\$35,700,000	163,378	\$218.51
Siemens Westinghouse	Orlando	\$34,806,787	257,000	\$135.43
Eisenhower I	Tampa	\$31,400,000	130,000	\$241.54
Maitland Colonnades	Orlando	\$31,250,000	260,000	\$120.19
HD Supply	Orlando	\$28,000,000	195,000	\$143.59
Keller Center	Orlando	\$27,900,000	159,675	\$174.73
Florida Medical Clinic	Tampa	\$26,205,500	74,800	\$350.34
Sarasota Commerce Center	Tampa	\$23,500,000	157,751	\$148.97

Source: CoStar Analytics

Office, By Market	2013	2014	2015	2016	2017	2018 YTD
Tampa						
Existing Inventory RSF	120,059,281	120,340,490	120,760,321	121,004,956	121,209,437	121,424,346
Vacancy Rate %	13.1%	11.8%	10.0%	8.7%	7.5%	7.1%
Net Space Added	763,942	281,209	419,831	244,635	204,481	214,909
Net Absorption RSF	1,992,950	1,850,752	2,584,622	1,630,976	1,639,806	(74,184)
Avg Rental Rate \$RSF	\$18.36	\$19.03	\$20.02	\$21.22	\$22.06	\$22.40
Avg Sale Price \$RSF	\$141.92	\$148.80	\$161.54	\$175.27	\$186.26	\$188.45
# Of Transactions	475	525	594	660	630	259
Orlando						
Existing Inventory RSF	90,575,020	91,160,378	91,551,743	92,083,139	92,593,333	92,841,910
Vacancy Rate %	11.7%	11.5%	10.2%	7.8%	7.0%	7.0%
Net Space Added	450,321	585,358	391,365	531,396	510,194	248,577
Net Absorption RSF	1,138,749	660,522	1,553,943	2,681,952	1,318,289	76,303
Avg Rental Rate \$RSF	\$18.63	\$19.33	\$20.45	\$21.36	\$22.39	\$22.58
Avg Sale Price \$RSF	\$140.10	\$146.05	\$153.87	\$166.31	\$177.12	\$180.72
# Of Transactions	474	478	400	532	440	238
Sarasota/Bradenton						
Existing Inventory RSF	25,206,103	25,239,949	25,353,192	25,344,697	25,459,940	25,454,798
Vacancy Rate %	10.1%	8.8%	7.8%	5.7%	5.4%	5.4%
Net Space Added	31,474	33,846	113,243	(8,495)	115,243	(5,142)
Net Absorption RSF	446,481	333,048	393,824	555,826	172,260	(87,679)
Avg Rental Rate \$RSF	\$17.80	\$18.37	\$19.55	\$20.07	\$20.87	\$21.24
Avg Sale Price \$RSF	\$142.49	\$153.00	\$168.47	\$180.72	\$181.96	\$186.30
# Of Transactions	208	173	165	158	155	78
Ft. Myers						
Existing Inventory RSF	19,420,006	19,443,307	19,904,709	20,027,226	20,140,872	20,165,062
Vacancy Rate %	13.9%	12.6%	10.7%	8.2%	6.6%	7.0%
Net Space Added	11,969	23,301	461,402	122,517	113,646	24,190
Net Absorption RSF	497,294	256,121	784,376	596,305	388,171	(195,356)
Avg Rental Rate \$RSF	\$14.58	\$15.24	\$15.63	\$16.78	\$17.27	\$17.38
Avg Sale Price \$RSF	\$107.51	\$117.63	\$130.56	\$144.58	\$155.96	\$158.41
# Of Transactions	201	147	175	140	133	56
Naples						
Existing Inventory RSF	9,379,463	9,367,003	9,394,803	9,406,153	9,500,903	9,515,217
Vacancy Rate %	10.2%	9.9%	7.9%	6.7%	6.0%	6.4%
Net Space Added	0	(12,460)	27,800	11,350	94,750	14,314
Net Absorption RSF	159,893	15,321	70,191	118,974	86,831	(1,149)
Avg Rental Rate \$RSF	\$20.29	\$22.39	\$24.42	\$25.97	\$25.90	\$25.93
Avg Sale Price \$RSF	\$162.48	\$192.03	\$225.07	\$250.71	\$255.06	\$257.40
# Of Transactions	103	54	91	101	74	29
Tallahassee						
Existing Inventory RSF	22,669,144	22,706,894	22,731,284	22,744,034	22,890,009	22,890,009
Vacancy Rate %	7.7%	6.9%	7.2%	4.3%	3.9%	4.1%
Net Space Added	30,185	37,750	24,390	12,750	145,975	0
Net Absorption RSF	22,584	218,179	(55,514)	678,193	247,076	(143,200)
Avg Rental Rate \$RSF	\$14.39	\$15.43	\$15.73	\$16.80	\$16.94	\$16.95
Avg Sale Price \$RSF	\$110.41	\$118.45	\$124.42	\$135.05	\$139.53	\$141.07
# Of Transactions	85	99	131	94	99	54

Source: CoStar Analytics

BESHEARS & ASSOCIATES | A commercial appraisal firm with offices in Tampa and Orlando. In addition to covering apartments, office, industrial, land, and retail, we have specialty practices in gas stations, self-storage, hotels and mobile home parks. Our staff of 10 appraisers with over 150 years of combined experience complete over 500 appraisals annually in Florida and Georgia.

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