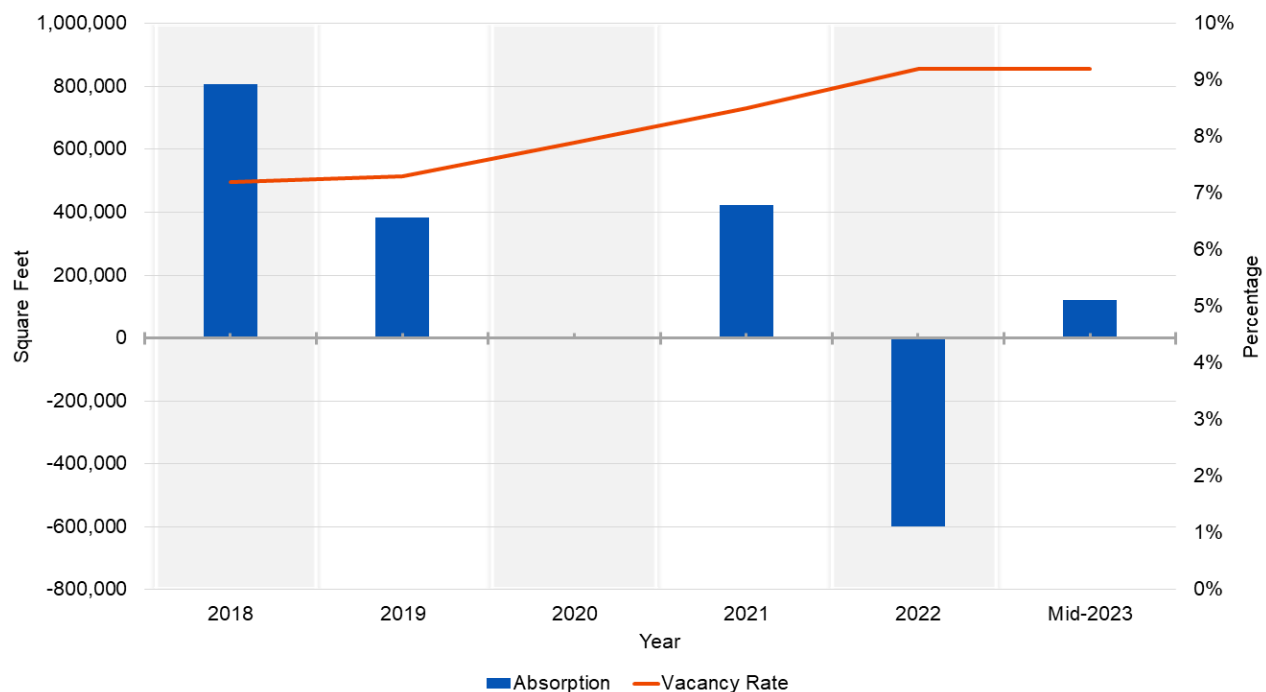


## COSTAR INSIGHT

# Tampa's Office Market Could Be Turning a Corner

Cautious Optimism Follows Two Consecutive Quarters of Positive Demand

## Tampa Office Demand Rebounded Through First Half of 2023



Source: CoStar, July 2023



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Last year was a tough one for the office market in Tampa, Florida, mostly due to more tenants moving out of their office spaces than moving in, also known as negative absorption.

Tampa's office market experienced negative absorption in three of the four quarters in 2022, as a large number of companies across the market vacated their spaces and put hundreds of thousands of square feet of sublease space on the market.

Office vacancy was steadily increasing beginning in mid-2019, and peaked at 9.4% in the third quarter of 2023. However, vacancy has remained relatively unchanged for much of the past year, hovering between 9% and 9.5%.

The office vacancy has plateaued in large part due to positive office demand over the first six months of 2023. The [Tampa office market](#) recorded 120,000 square feet of positive net absorption in the first half of 2023, a significant turnaround from the 435,000 square feet of negative absorption in the first six months of 2022.

The bulk of tenant move-ins have occurred in Tampa's sought-after office areas of Westshore and downtown Tampa. Those areas offer the highest concentration of high-end four- and five-star office buildings and recently built buildings in the Tampa region.

This quality subset has been most in demand over the past several years as employers have sought out onsite amenities and higher-end office space to entice employees back into the office. This is evidenced by four- and five-star office buildings realizing a trailing 12-month absorption rate of 170,000 square feet.

One of the best examples has been Strategic Property Partners' [Thousand & One](#) in downtown Tampa. The five-star office tower, built in 2021, is now 80% leased. A significant number of its tenants occupied their spaces in the first quarter of 2023, namely cybersecurity company ReliaQuest, which leased 140,000 square feet in the building.

Sublease space in well-located four- and five-star buildings has also performed exceptionally well. This has been particularly true for PricewaterhouseCoopers' space in [MetWest Three](#) near the Tampa International Airport. PricewaterhouseCoopers leased the entire 250,000-square-foot building in 2019 and put roughly 160,000 square feet back on the sublease market in mid-2021.

It took about a year, in large part due to the shell condition of many of the floors, but 132,000 square feet of that space has been leased by the likes of financial services giant

Morgan Stanley, as well as Mad Mobile and Spot Freight, both of which took occupancy in the first quarter of 2023.

Several office tenants have also announced expansions in the market, bucking the trend of downsizing that persisted throughout 2022.

Law firm Johnson Pope leased 33,175 square feet at [Rivergate Tower](#) in downtown Tampa, expanding from its 20,025-square-foot space in Truist Place.

Bradley, another law firm, announced it will relocate from its 20,000-square-foot office at [100 N. Tampa](#) and nearly double its footprint in a new 37,000-square-foot space in Thousand & One.

In Westshore, Skybridge Resources leased almost 22,000 square feet in [Meridian One](#), nearly tripling in size.

However, the recent success of Tampa's core office areas is unlikely to offset anticipated move-outs in its secondary and tertiary parts of town, as areas such as the northeastern portion of Hillsborough County continue to struggle to maintain their current tenant base. That area leads the region in tenant move-outs, with 340,000 square feet in negative absorption over the past year.

This divergence in Tampa's office market is likely to grow wider in the coming quarters with the core areas capturing the lion's share of office demand and outer-suburban areas continuing to struggle.

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