

St. Petersburg, Florida

OFFICE MARKET

2020 OUTLOOK



Presented by:



John Milsaps
Tampa Medical Real Estate Specialist



SVN | CERTIFIED SPECIALIST
OFFICE

John.Milsaps@SVN.com
TampaCRE.com
813-597-6600

10150 Highland Manor Dr, Suite 150
Tampa, FL 33610



Developed in Collaboration with:

edc St. Petersburg Area
ECONOMIC DEVELOPMENT
CORPORATION

Greater St. Petersburg Area Economic
Development Corporation
StPeteEDC.com
(727) 767-0209
Jpdubueque@stpeteedc.com
@StPeteEDC

EXECUTIVE SUMMARY

St. Petersburg is on a roll. From its low cost-of-living and high quality of life to its growing population and active economic development landscape, St. Pete is emerging as a dynamic and growing city.

The city's unique combination of factors is contributing to a growth opportunity that is attracting new residents and companies from across the country. In turn, the thriving business landscape is creating a sustained demand for office properties at the city and MSA level and fueling economic growth.

ECONOMIC SNAPSHOT

EMPLOYMENT

Employment in the Tampa/St. Petersburg/Clearwater MSA is solid. The region's civilian labor force has been steadily increasing as the area continues to attract talent from across the state and country.

- Employment in the region has increased from 1,499.3 (in thousands) in June of 2019 to 1,530.3 (P) in October.
- Unemployment in the region has been decreasing at a steady pace to 2.9% in October, well below the national average of 3.6%.

Contributing to the city's strong employment base is its key position as an anchor to the Florida High Tech Corridor.

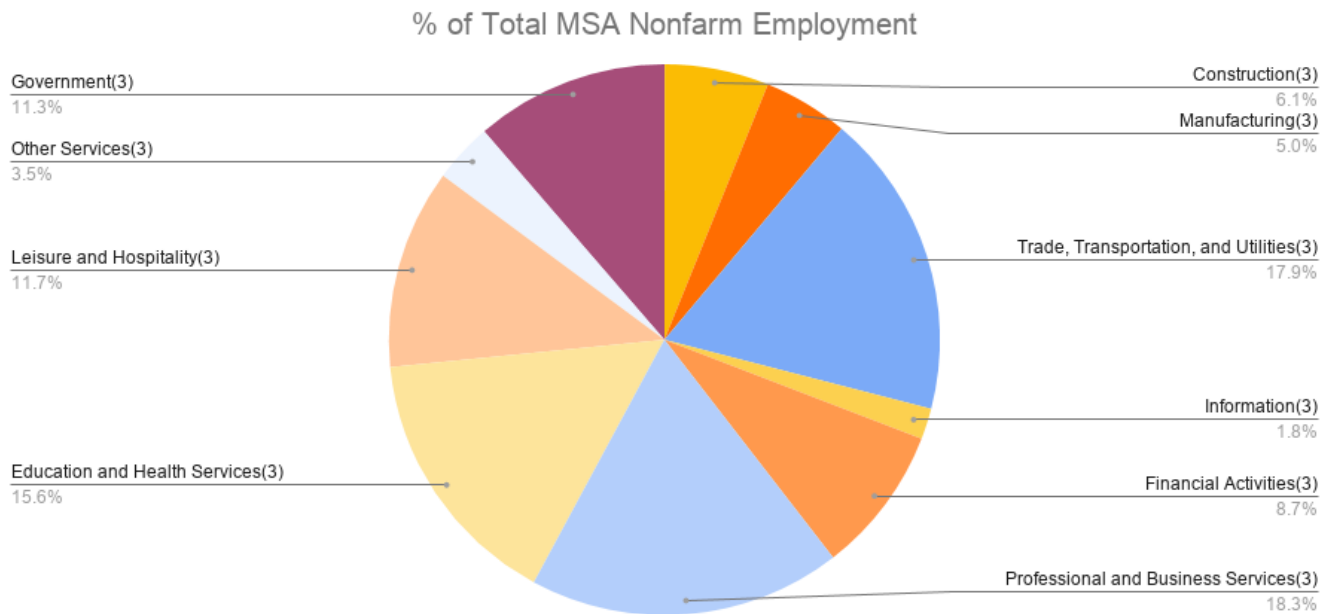
The Corridor, which ranks as one of the top six high-tech employment centers in the nation, comprises of more than half of the state's high-tech firms. The industries with the highest employment levels, by percent of total nonfarm employment, were:

- 18.35% Professional & Business Services
- 17.92% Trade, Transportation, & Utilities
- 15.56% Education & Health Services
- 11.73% Leisure & Hospitality
- 11.35% Government

The area's solid professional and business services employment has helped support the MSA's strong and steady demand for office properties across the market's major cities.

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TAMPA EMPLOYMENT BY INDUSTRY IN THOUSANDS



Data Source: Bureau of Labor Statistics

TOP EMPLOYMENT INDUSTRIES

Healthcare & Social Assistance	21,103
Retail Trade	13,443
Professional, Scientific, & Technical Services	12,930
Hospitality (<i>Food & Lodging</i>)	11,482
Finance & Insurance	8,777
Manufacturing	8,392
Construction	6,613

Data Source: ACS 1-Year Estimates (2017) via City of St. Petersburg (2019)

St. Petersburg ranked No. 20 Overall, No. 25 for saving money, No. 30 for eating healthy, & No. 49 for exercise.

TRAVEL + LEISURE: The 25 Best American Cities to Live In if You Want to Keep Your New Year's Resolutions

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TALENT

The city's high quality of life, growing economy, and positioning in Florida's High-Tech Corridor are contributing to its growing talent pool and attracting companies from across the country. Further enhancing the Tampa/St. Pete/Clearwater area's attraction are:

- Approximately, 546,000 higher education students within a 100-mile radius.
- 91 colleges and universities within a 100-mile radius.
- The largest and fastest growing tech hub in Florida, and the second fastest in the nation.
- An anchor position in the Florida High-Tech Corridor, one of the top six high-tech employment centers in the nation, comprising of more than half of the state's high-tech firms (Top employers include: Jabil Circuit, HSN, Nielsen, Marxent, FIS, Tech Data, iQor, The Penny Hoarder, etc.)

COST OF LIVING

The Cost of Living Index for the Tampa/St. Pete/Clearwater MSA has a 3-year Average Index of 91.7. The 2018 Annual Average was 89.1, down from 94.8 in 2017. The MSA has the lowest cost of living index in comparison to peer markets such as Charlotte, Austin, and Phoenix, among others.

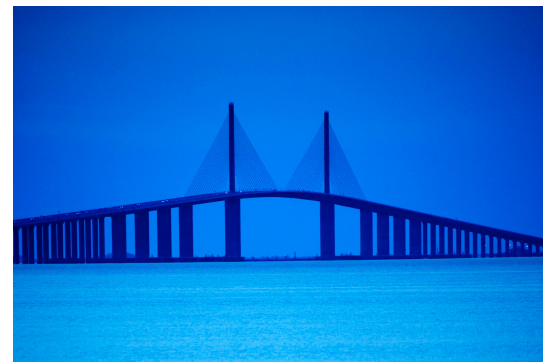
In addition to the city's low cost of living, its low labor costs, favorable corporate tax policies, and pro-business leadership are attracting companies from around the country. The region's average annual salary of \$46,619 makes talent affordable, particularly in comparison to the national average wage of \$55,338 (Source: St. Pete EDC).

On an hourly basis, workers in the Tampa/St. Petersburg/Clearwater MSA had an average (mean) hourly wage of \$22.95 in May 2018, about eight percent below the

national average of \$24.98, according to the U.S. Bureau of Labor Statistics.

For the labor force, lower wages are offset by lower expenses. According to payscale.com, St. Petersburg's living expenses are generally lower than the national average, by approximately 7%, including:

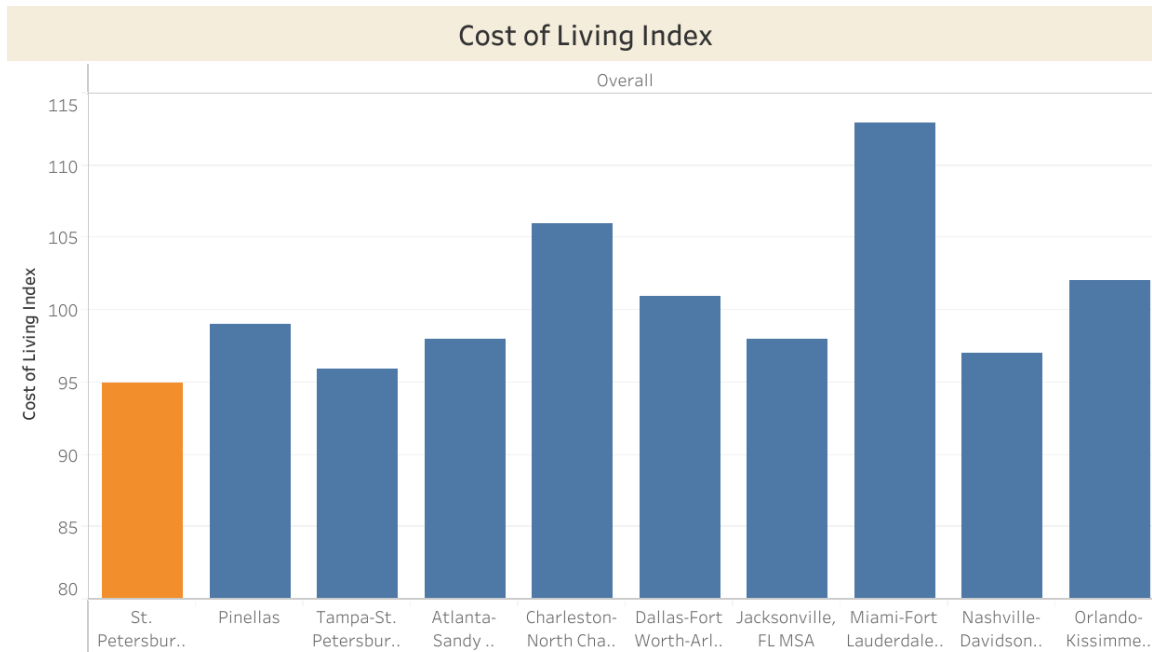
- Housing expenses: -29%
- Transportation expenses: +6%
- Healthcare: -2%
- Food & grocery: +-0%



Photos Credit: St. Petersburg Area EDC

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EMPLOYMENT BY INDUSTRY IN THOUSANDS



The cost of living indices are based on a US average of 100. An amount below 100 means the area is cheaper than the US average. An amount above 100 means the area is more expensive than the US average.

Source: <http://www.bestplaces.net>

QUALITY OF LIFE

St. Petersburg offers a high quality of life. From low cost of living and walkability to low commute times and a burgeoning social and arts scene, St. Pete's high quality of life factors are contributing to its growth.

- St. Petersburg is the 5th largest city in the 3rd largest state. The city's annual growth rate has tripled since 2010 and its population has grown over 8.5% since the 2010 census.
- With an impressive Walk Score of 97 out of 100, St. Pete has distinguished itself as having one of the Southeast's most walkable downtowns.



Photos Credit: St. Petersburg Area EDC

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- The city boasts seven miles of preserved downtown waterfront – the third largest in North America, only after Vancouver and Chicago.
- The city's average commute time of 24.1 minutes is less than that of the Tampa-St. Pete region and of most of its peer cities.
- The city also offers 225+ parks and the largest network of cycling and pedestrian trails in the Southeast. Plus:
 - 69 miles of BlueWays paddling trails
 - Six dog parks and 17 dog-friendly restaurants
 - 1,000+ city-sponsored events annually
 - Nine nature preserves and wilderness areas
- The arts landscape in the St. Pete area is emerging with its own unique character. The city's new Warehouse Arts District is home to makers, an array of galleries, and performance companies. The area has also become a hotbed for outdoor theater, gallery events, art festivals, and thanks to Florida's great year-round weather, a selection of outdoor activities.
- To further enhance the metro's growth and evolution, the city just launched it's latest initiative, StPete2050. StPete2050 is a city-wide discussion and collaboration to envision St. Pete 30 years from now. The goal of the visioning process is to provide all community members and stakeholders the opportunity to lend their input on the future of the city for continued growth and innovation.



Photos Credit: St. Petersburg Area EDC



St. Pete was 2019's 9th Best City for Veterans

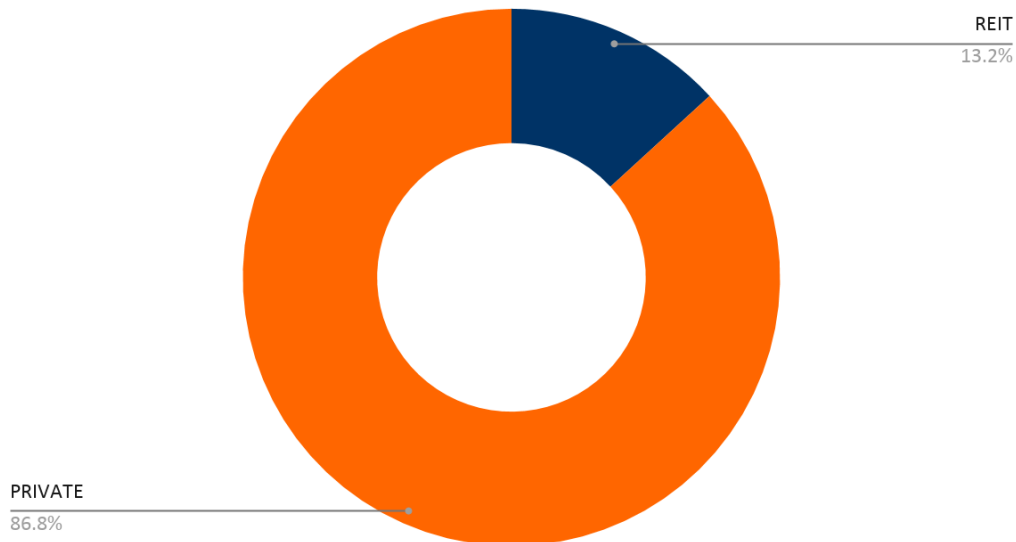
WALLETHUB: 2019 Best & Worst Places for Veterans to Live

OFFICE MARKET SNAPSHOT

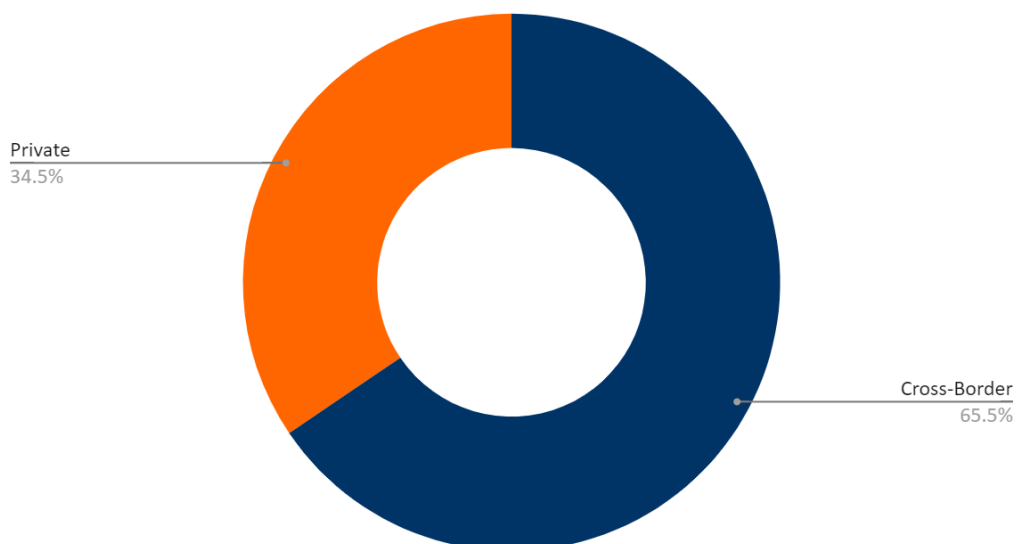
ST. PETERSBURG CENTRAL BUSINESS DISTRICT | ALL PROPERTY TYPES

Office property trading volume in the city's Central Business District for the January through November 2019 period was approximately, \$164,233,820. Buying into the market was dominated by Cross-Border and Private Buyers, while selling was led by REITs and Private Investors during the period. Canadian (Cross-Border) investors owned the majority of the acquisitions through Q3 with 65.5% of the volume.

SELLER PROFILE



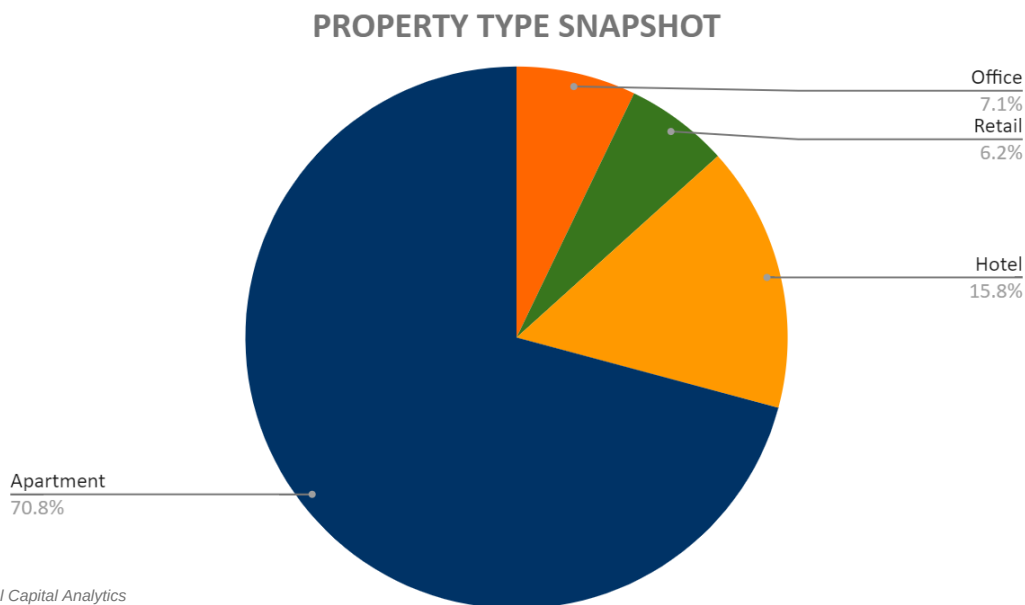
BUYER PROFILE



Data Source: Real Capital Analytics

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Approximately 70.83% of the CBD trading volume was transacted in apartment properties followed by hotel properties, which accounted for approximately 15.85% through Q3. The property activity is reflective of the city's growing population, demand for residential dwellings, and the reported 2,500 new multifamily rental units that are currently under construction.



OFFICE OVERVIEW MARKETWIDE

Office property transaction volume for the city of St. Petersburg, including St. Pete beach, was \$102,637,300 for the January through November 2019 period.

The largest office transaction in the city was for \$36,800,000 for a multi-story office building campus located at 570 Carillon Parkway. The property was sold by Transamerica to New York City-based The Feil Organization in March of 2019. The 245,000-square-foot building has a large atrium lobby, cafeteria, and fitness center. After the sale, Transamerica executed a leaseback for 52,000 square feet.

By property type, total transaction volume was as follows:

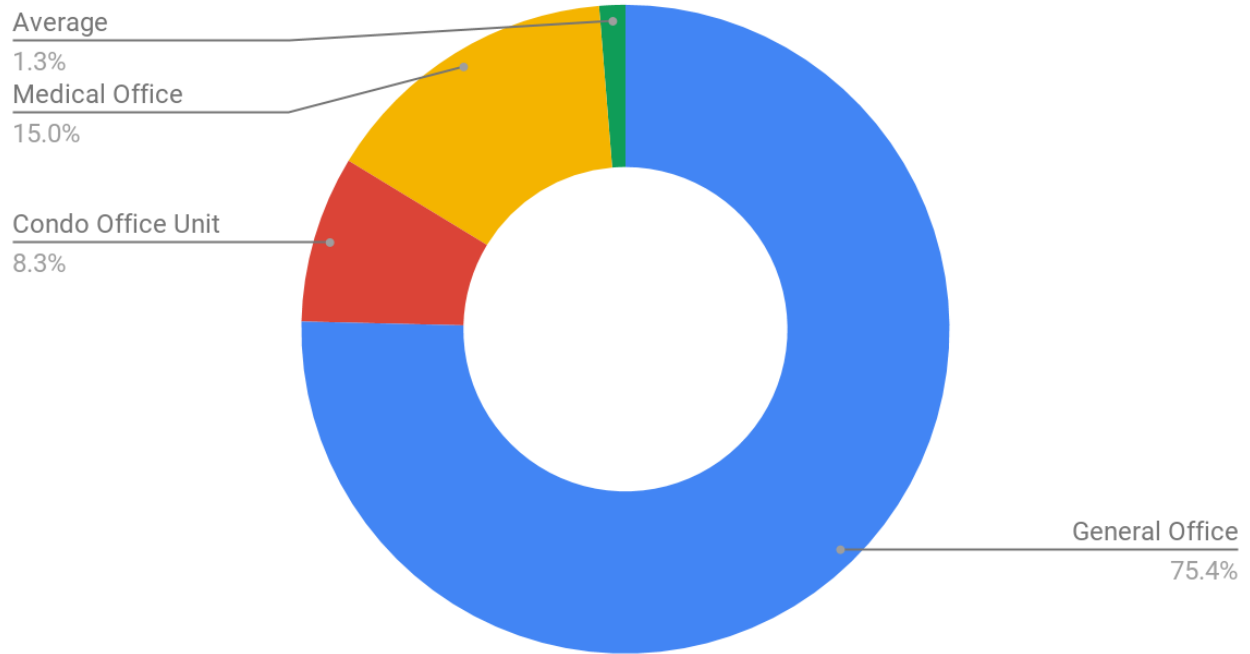
- General Office: \$29,582,200
- Condo Office: \$1,546,500
- Medical Office: \$71,508,600

Average Sales Price by Property Type:

- Overall: \$1,350,491
- General Offices: \$1,478,972
- Medical Offices: \$1,418,664
- Condo Office Unit: \$720,542

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Market Share by Office Property Type



Data Source: Real Capital Analytics



Photos Credit: St. Petersburg Area EDC



Contact John Milsaps to explore your options and consult on the best short- and long-term strategies for your office investment property and/or portfolio.

DEVELOPMENT & PERMITTING

Development in the city is strong. Recent office and medical developments of note include:

- Jabil, a high-tech-based manufacturing solutions provider, recently completed the first phase of a \$67 million expansion of its global headquarters in the city.
- In 2018, Johns Hopkins All Children's Hospital completed its new \$85 million, 225,000 square-foot research facility at 5th Street S and 6th Avenue. The facility, which employs approximately 200 faculty, educators, researchers, and physicians will allow the hospital to lead the U.S. in the discovery and translational research for better care and health for children.
- The proposed location will offer co-working space, space for an anchor tenant, business coaching, peer advisory groups, and a variety of business events.
- Echelon City Center is a 20.5 acre mixed-use, pedestrian-friendly urban live/work/play development in the Carillon Parkway. Complete with dining, entertainment, hotel, and retail together with residential and office components, the development will offer:
 - 172,000 – 190,000 SF Retail Development
 - 500,000 – 600,000 SF Office Development
 - 120 – Key Limited Service Hotel
 - 1,500 – 1,700 Residential Units
- The City of St. Petersburg and HKS Architects developed a conceptual master plan for the redevelopment of the 85-acre Tropicana Field Site. The plan was further refined to include two scenarios: one featuring a new ballpark and one excluding the ballpark. The plan also includes a research facility and tech campus, entertainment options, housing opportunities, along with retail, office, hotel and conference space.

In a move that further strengthens the area's reputation as an innovation hub, the federal government has invested \$7.5 million to build the 45,000-square-foot Tampa Bay Innovation Center. An additional \$4.5 million is being provided by the county and the Florida Job Growth Grant Fund.

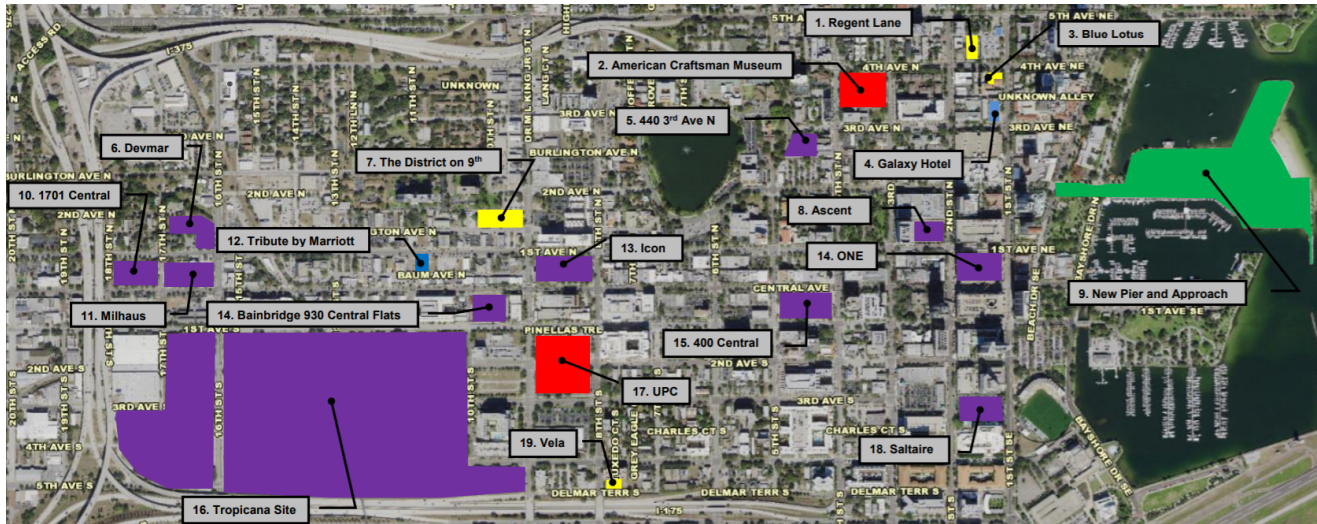
- The planned \$12 million business incubator will be situated at 4th Street South and 11th Avenue South in the city's Innovation District.



Photos Credit: St. Petersburg Area EDC

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DOWNTOWN DEVELOPMENT PROJECTS SNAPSHOT | JULY 2019



1. Regent Lane – 145 4th Avenue North
Development Type: New construction
Status: Under construction
4-story building: 20-townhomes

2. American Craftsman Museum – 333 3rd Avenue North
Development Type: New construction
Status: Under construction
172,000 sq. ft. museum

3. Blue Lotus – 116 4th Avenue North
Development Type: New construction
Status: Pending site plan approval
23-story building: 29 Condos

4. Galaxy Hotel – 316 1st Street North
Development Type: New construction
Status: Under construction
11-story building: 100-room hotel

5. 440 3rd Avenue North
Development Type: New construction
Status: Site Plan Approval
21-story building: 270-apartments, 10,890 sq. ft. commercial space

6. Devmar – 116 16th Street North
Development Type: New construction
Status: Permit review
11-story building: 211-apartments, 7,707 sq. ft. commercial space

7. The District on 9th – 931 Arlington Avenue North
Development Type: New construction
Status: Under construction
3-story buildings: 34 townhomes

8. Ascent – 225 1st Avenue North
Development Type: New construction
Status: Pending site plan approval
36-story building: 172 hotel rooms, 354 apts, 6,000 SF commercial space

9. New Pier & Approach - 800 2nd Street Northeast
Development Type: New Construction
Status: Under Construction
Mixed-use public destination complex

10. 1701 Central – 1701 Central Avenue
Development Type: New construction
Status: Pending CRA approval
5-story building: 243 apartments, 5,000 sq. ft. commercial space

11. Milhaus – 1601 1st Avenue North
Development Type: New construction
Status: Permit review
6-story building: 251 apartments, 12,141 sq. ft. commercial space

12. Tribute by Marriott – 1050 1st Avenue North
Development Type: New construction
Status: Site Plan Approval
11 story building: 139 hotel rooms, 3,500 sq. ft. commercial space

13. ICON – 801 Central Avenue
Development Type: New construction
Status: Under construction
7 and 15 story building: 377 apts, 34,722 SF commercial space

14. One – 25 2nd Street North
Development Type: New construction
Status: Under construction
41-story building: 243 Condos and 13-story building: 170-room hotel

15. 400 Central – 400 Central Avenue
Development Type: New construction
Status: Planning stage
Multi-story building: 500 dwelling units, 200 hotel rooms and commercial space

16. Tropicana Site – 200 16th Street South
Development Type: Redevelopment of 86 acres
Status: Concept Plan
Complete 9-million sq. ft. mixed-use development & new stadium

17. UPC – 800 2nd Avenue South
Development Type: New construction
Status: Conceptual Plan Development
Office and Hotel

18. Saltaire – 333 1st Street South
Development Type: New construction
Status: Site plan approval
35-story building: 197 Condos and 9,681 sq. ft.

19. Vela – 424 8th Street North
Development Type: New construction
Status: Permit review
7-story building: 20-Condos

Source: City of St. Petersburg

CONCLUSION

St. Pete is a rapidly emerging city with an evolving and growing office and commercial real estate market at the macro and micro levels.

Now is the time for you to review your portfolio and property holdings to evaluate where you stand, the potential changes in value your property has experienced, the remaining potential upside, and/or if it is time to sell or trade your property.

Many existing property owners will find their office property has increased in value, potentially hitting a relative peak, and may want to sell it and exchange for a property with greater upside potential, or execute a sale-leaseback.

If it is not the right time to sell for you, a new tenant mix may be in order.

A market report with a broker opinion of value will help you determine your position.

CONTACT ME TO EXPLORE YOUR OPTIONS AND CONSULT ON THE BEST SHORT- AND LONG-TERM STRATEGIES FOR YOUR INVESTMENT PROPERTY AND/OR PORTFOLIO.



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