

Office Trends Report Pinellas County

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North Pinellas

Vacancy in North Pinellas is up a little over 1% in the past year, mostly because of new construction coming available in the last quarter of 2006. Since then rates have remained relatively constant, and have actually lost two tenths of a percent since then. Rental rates have also shown little movement, gaining just two cents over the last quarter. North-Pinellas has a relatively high amount of total RBA, and has shown itself to be a stable market over time, and with no new construction nor demolition planned in the near future, there should be little change.

Bayside

Vacancy rates have gone up over the last quarter, but have not quite matched the 10 year high of 16.4% one year ago. Rates are at 16.2%, which is up a full percent from last quarter. The increase in rates appears to just be a product of leases coming due and tenants not staying in the area. The absorption is negative but only modestly so, 18,597 square feet. As new construction is completed we should see tenants being drawn back to the area in higher quality buildings. Rents have increased dramatically over the last year, from \$18.52/sf to \$21.47/sf. Many buildings in the area are going through improvements, leading to more expensive space, and at the same time landlords and tenants have reported increases in expenses from insurance and taxes.

Gateway

Pinellas' largest office market saw a slight increase in vacancy over the quarter (from 15.0% to 15.5%) but over the last year vacancy is down from 15.7%. New construction is coming on line in this submarket as well as in Bayside, so we might see a spike next quarter as new space is added to the market, but once that gets filled vacancy should return to a landlord's market. Rental rates have actually dropped a little from last quarter, down to \$21.50/sf from \$21.61/sf, but they are up from a year ago, when rates were at \$20.63. Some of that increase in rents over the last year can be attributed to a more than \$2.00/sf rise in sublet rents, along with an increase in sublease space available.

South-Pinellas

There wasn't much activity in South-Pinellas over the last quarter. Vacancy was down from 19.7% to 19.4% (down from 20.3% last year). There was a slight positive absorption of 2,694 square feet, and rental rates notched up just a single cent, from \$15.91/sf to \$15.92/sf. Some changes are on the horizon, however, as the Raytheon building in Tyrone is put on the market, the office space there (which could be as much as 200,000 square feet) could increase the vacancy in the area, and affect the average rental rate.

Mid-Pinellas:

Vacancy has shot up over the last quarter in Mid-Pinellas, from 13.7% (which is about what vacancy was one year ago to 17.3% now. There is relatively little office space in Mid-Pinellas (only Clearwater CBD has less), so this change doesn't equate to much in terms of square footage, and is mainly attributed to almost 30,000 square feet of space becoming available in two buildings in Largo. Absorption was down quite a bit (relative to total size) over all this quarter, with the market gaining 54,195 square feet. Rental rates have remained fairly constant, moving up from \$14.58/sf a year ago to finish the last quarter at \$14.79sf. These rates are much lower than anywhere else in the county, except for South-Pinellas. Both regions lack any class A space to drive up those rents.

Clearwater Central Business District

Downtown Clearwater has seen an increase in vacancy to 20.3% from 18.0% last quarter and 18.3% last year. Rents have actually gone up in the area, from \$17.55/sf last year to \$18.38, but this is more a function of rising expenses than new demand.

St. Petersburg Central Business District

Major changes in a couple of large buildings in downtown St. Petersburg have sent vacancy rates rising sharply in the submarket. Rates are up to 15.7%, almost 5% more than they were last quarter, and more than 10% more than where they were a year ago. Over the last quarter over 100,000 square feet has become available at First Central Tower, accounting for all but 20,000 square feet of that quarterly increase. For the year, the availability of 135,000 square feet at 100 Bay Central -- when Progress Energy vacated to move into their new headquarters -- made up most of the increase along with First Central Tower. Despite this increase in vacancy, rental rates continue to rise, up to \$24.45/sf on average. That's only a gain of \$0.24, but since last year rates have come up almost \$4.00. The quality of space available, and previous tightness of the market led to that increase, though rates should not decrease too much if at all over the next quarter, despite the sudden increase in available space.

Average Vacancy

	3rd Q '07	2nd Q '07	3rd Q '06	Quarter Change	Year Change	Quarter Absorption	12-Month Absorption
Bayside	16.2%	15.2%	16.4%	1.0%	(0.2%)	(18,597)	4,043
Clearwater CBD	20.3%	18.0%	18.3%	2.3%	2.0%	(18,798)	16,068
Gateway	15.5%	15.0%	15.7%	0.5%	(0.2%)	(22,973)	6,151
Mid-Pinellas	17.3%	13.7%	13.8%	3.6%	3.5%	(54,195)	(52,123)
North-Pinellas	10.2%	10.6%	9.0%	(0.4%)	1.2%	9,266	(29,970)
South-Pinellas	19.4%	19.7%	20.3%	(0.3%)	(0.9%)	2,694	8,566
St. Petersburg CBD	15.7%	10.8%	5.4%	4.9%	10.3%	(129,328)	(265,859)
Pinellas	15.1%	13.5%	12.8%	1.6%	2.3%	(231,931)	(332,440)

Average Rental Rate (Per Square Foot)

	3rd Q '07	2nd Q '07	3rd Q '06	Quarter Change	12-Month Absorption
Bayside	\$21.47	\$20.96	\$18.52	\$0.51	\$2.95
Clearwater CBD	\$18.38	\$17.62	\$17.55	\$0.76	\$0.83
Gateway	\$21.50	\$21.61	\$20.63	(\$0.11)	\$0.87
Mid-Pinellas	\$14.79	\$14.81	\$14.58	(\$0.02)	\$0.21
North-Pinellas	\$20.14	\$20.12	\$20.39	\$0.02	(\$0.25)
South-Pinellas	\$15.92	\$15.91	\$15.40	\$0.01	\$0.52
St. Petersburg CBD	\$24.45	\$24.21	\$20.77	\$0.24	\$3.68
Pinellas	\$20.26	\$20.00	\$18.76	\$0.26	\$1.50