

Office Trends Report Pinellas County

January 2008



Grubb & Ellis|Commercial Florida
Office Services



THOMAS F. KENNEDY
Vice President
813.830.7892



SEAN M. KENNEDY
Associate
813.830.7536

North Pinellas

Vacancy has edged up a bit over 2007, which began at 10.2%. Despite the increase, North-Pinellas' vacancy of 10.8% is still the lowest of any submarket in Pinellas. Because of the insulated nature of the market tenants vacating buildings in the area are usually moving into another North-Pinellas building. Rental rates were up slightly over the last year, from \$19.68/sf to \$20.25/sf. There hasn't been a great deal of activity in the area, so that rate is primarily attributable to increases in expenses, primarily taxes. 2008 should see a continuing of this even progress, as no major projects are scheduled for completion in 2008.

Bayside

Vacancy rates have dropped sharply over the last quarter, down to 11.6% from 16.2%. Rates had been hovering around the 16% number for a while, starting the year at 15.9%. Recently large leases have been signed at a few buildings in the area, prompting the drop in vacancy. New product should be coming on the market over the next year, but it should be back-filled so any rise in vacancy should be small. Rents have increased dramatically over the last year, from \$18.74/sf to \$21.07/sf. Much of that increase comes from higher quality space being available, and with it higher asking rents. This trend should continue in 2008 as Bayside continues to be a hot market.

Gateway

Pinellas' largest office market saw a slight increase in vacancy over the quarter (from 15.6% to 17.5%) and over 2007 as a whole, which began at 13.2% vacancy. A great deal of this increase is caused by the completion of construction on a couple of major office buildings in Gateway. As those buildings fill up vacancy rates should decrease in 2008. Rental rates have actually dropped a little from last quarter, down to \$20.96/sf from \$21.80/sf, and are down from the beginning of the year, when rates were at \$21.63/sf. Much of this decrease comes as older buildings in the area experience more vacancy and are advertising lower rents. 2008 should bring little movement to rental rates as both the higher and lower end office buildings begin to fill up and the mid-priced buildings begin to experience vacancy.

South-Pinellas

There wasn't much activity in South-Pinellas over the last quarter. Vacancy was down from 19.4% to 18.7% (down from 20.0% to begin the year). Rental rates notched up just a single cent, from \$15.92/sf to \$15.93/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, as well as the rental rate, though it remains to be seen what is done with the property.

Mid-Pinellas:

Vacancy in Mid-Pinellas has been on a fairly consistent rise since 2005, and this past year was no different. Starting off the year with 13.6% unoccupied space, vacancy has jumped up to 17% at the end of the year. Some of this has to do with tenants leaving for other Pinellas submarkets, and newer buildings, and some of this has to do with many tenants switching from office to flex property in the area. Contrary to usual trends, rental rates have also been on the rise all year, starting at \$14.94/sf and ending at \$16.78/sf. Contributing to the rent increase has been the leasing of office condo developments as the original buyers move out to less expensive locations. Some of the office buildings have also converted their space to executive suites, which tend to be more expensive on a per square foot basis.

Clearwater Central Business District

Downtown Clearwater has seen a slight increase in vacancy since the beginning of the year, finishing 2007 at 18.4% and having started it at 17.9%. In the middle some spaces were rented out relatively cheaply giving a slight drop in vacancy during the middle of the year, but spaces have come on the market within the last two months to bring the vacancy back up. Rents in Clearwater CBD have continued their slight trend upwards, reaching \$18.54/sf. This is up a bit from last quarter's \$18.38/sf and a gain of more than \$1.00/sf from the start of the year, when average rental rates were at \$17.38/sf. 2008 should bring more of the same for Clearwater CBD as full service rents will trend upwards with expenses.

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 over the past year. Rates are up to 15.7%, almost 10% more than they were at the beginning of the year. Over the last year over 100,000 square feet has become available at First Central Tower, and 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 in vacancy. Despite this increase, rental rates continue to rise, up to \$24.20/sf on average. Rates began the year at \$23.35/sf. That increase is a function of the large amount of quality space that is available in downtown. There should not be much a decrease in rents, though we might see a small amount as some of the more expensive space is taken off the market and replaced with slightly older space. Downtown St. Petersburg should continue its growth as one of the hottest markets in the bay area in 2008.

Vacancy

	Year-end	Q3 '07	Year beginning	Quarter change	Year change
Pinellas Office	14.9%	14.8%	12.3%	0.1%	2.6%
Bayside	11.6	16.2	15.9	-4.6	-4.3
Clearwater CBD	18.4	15.5	17.9	2.9	0.5
Gateway	17.5	15.6	13.2	1.9	4.3
Mid Pinellas	17.0	17.2	13.6	-0.2	3.4
North Pinellas	10.8	10.0	10.2	0.8	0.6
St. Pete CBD	15.7	15.7	6.1	0.0	9.6
South Pinellas	18.7	19.4	20.0	-0.7	-1.3

Rental Rates

	Year-end	Q3 '07	Year beginning	Quarter change	Year change
Pinellas Office	\$ 20.14	\$ 20.39	\$ 19.37	\$ (0.25)	\$ 0.77
Bayside	\$ 21.07	\$ 21.47	\$ 18.74	\$ (0.40)	\$ 2.33
Clearwater CBD	\$ 18.54	\$ 18.38	\$ 17.38	\$ 0.16	\$ 1.16
Gateway	\$ 20.96	\$ 21.80	\$ 21.63	\$ (0.84)	\$ (0.67)
Mid Pinellas	\$ 16.78	\$ 14.79	\$ 14.94	\$ 1.99	\$ 1.84
North Pinellas	\$ 20.25	\$ 20.47	\$ 19.68	\$ (0.22)	\$ 0.57
St. Pete CBD	\$ 24.20	\$ 24.45	\$ 23.35	\$ (0.25)	\$ 0.85
South Pinellas	\$ 15.93	\$ 15.92	\$ 15.40	\$ 0.01	\$ 0.53