



## Taking Flight

By Kevin McQuaid | Commercial Real Estate Editor - Friday, February 16, 2018

An unlikely landlord is poised to deliver new office space to Tampa's Westshore business district in the years to come: Tampa International Airport.

As part of its \$2.6 billion master plan, Tampa International intends to add a new 270,000-square-foot office building that will compete with other Westshore buildings.

The proposed nine-story building also will be among the first new properties delivered in a decade if it debuts as expected in late 2020.

"Westshore is among the largest office markets in the state of Florida, with great demand and low vacancy, and yet there's been no new speculative construction to speak of since 2008," says Randy Forister, the airport's director of commercial real estate.

Under current plans, the Hillsborough County Aviation Authority, which is being forced to relocate because of other construction, will occupy roughly 100,000 square feet of the new Gateway Development building.

In all, the \$543 million second phase of the airport's master plan will include the development of the office space, a gas station and convenience store and a pair of hotels containing as many as 350 new rooms on 17 acres.

Airport officials hope to begin Phase II work sometime next year.

The Phase II work comes after the mid-February debut of expanded curbside passenger drop-offs and a 2.6 million-square-foot rental car facility. The Gateway Development offices will be constructed adjacent to the new rental car center, says airport spokesman Danny Valentine.

Five years ago, airport officials approved plans to enhance and expand the 3,300-acre airport property amid projections that passenger counts would double by 2031 to 14 million passengers annually.

Airport officials expect to select a developer for the \$122 million office building from among a trio of finalists this fall. The finalists include Dallas-based Lincoln Property Co.; VanTrust Real Estate LLC, of Jacksonville; and BTV Aviation Developers, in Orlando.

The developer will be responsible for constructing the building and leasing the balance of the space to tenants. Forister says the chosen developer will determine the rental rates for the speculative space there.

At least initially, the aviation authority plans to lease floors two, three and four in the new building, Forister says.

The airport's push comes as Class A office vacancy rates in Westshore are at a decade-long low point, at roughly 5%, says Clay Witherspoon, a principal and managing director of commercial real estate brokerage firm Avison Young's Tampa office, in Westshore.

He notes that there are currently three new office projects proposed for the Westshore area — including the airport's — that would, combined, add roughly 400,000 square feet of unleased space to the market.

But demand has exceeded supply for at least the past year.

In the final quarter of 2017 alone, Witherspoon says, the Westshore market absorbed 200,000 square feet of new leases, according to Avison Young research.

“New space has been long needed and the market has consistently been performing well,” Witherspoon says. “Even with three new projects coming out of the ground Westshore would be nowhere near the point of overbuilding, and it should be noted that each of the three has a substantial pre-leasing component or a major tenant already in place.”

The airport has hired engineering and consulting firm Stantec to do site development work and utility infrastructure for the new building, and design a connected atrium and pedestrian bridge from the building.

The company also has been tapped to provide more than \$42 million worth of tenant improvement work for the aviation authority's proposed space in the Gateway Development.

Although that cost, at \$425 per square foot, is more than double that of most Class A office interior expenses, Valentine and Forister say the space will contain unique technology required to run airport systems.

“It's not just office space; it'll contain our airport operations center, our network center, it'll serve to connect all of our systems,” Forister says. “We have to have the capability to essentially run the airport from that space, so there's a lot of technology and infrastructure that has to go into it.”

In addition to the tenant improvement costs, airport officials are setting aside roughly \$55 million for site development and to cover the costs of building the atrium and pedestrian bridge.

Ultimately, Valentine and Forister say the aviation authority would like to purchase the building to accommodate future growth.

“We plan to be a long-term holder,” Forister says. “The plan is as the authority grows, we'd grow in the building.”

But until then, he believes the space could be highly sought after by third-party tenants who value easy access to Tampa International's terminal.

“From this new building, you'll be able to walk on a connected pedestrian bridge to a train that would take you directly to the terminal,” Forister says. “No one else can provide that. So the connectivity to the future airport will be very unique.”