

CENTRAL FLORIDA OFFICE MARKET REPORT

Q4 2016

4Q OFFICE MARKET

2016..what a year!! A lot happened around us in Central Florida; in the State of Florida; in the United States; heck, in the world. The office market, overall, had a very successful year. Vacancies continued to dwindle while rental rates increased. Office-user-sales continued to take a prominent position in the market as interest rates promoted cheap cost of funds for buyers. Investment sales in the area were brisk as more national, institutional buyers found their way into Orlando and other “secondary” markets like it. Positive signs are all around.

But, at the risk of sounding like a pessimist, there were several events locally, nationally, and globally that shook us all to the core and, if they continue, could be economic shifters for us all. Terrorist events globally like the attack in Paris and Lyon, France left us all wondering how there could be people with so much hate in their souls that they could perpetrate such an event. Then, on a clear and beautiful Sunday morning, we, here in Orlando, woke up to the incredibly tragic news of the Pulse Nightclub attack..that happened here in our own backyard..less than a mile from our Downtown Orlando CBD. Suddenly the focus of a local terrorist attack was upon us and our hometown from others around the world. It continues to be a surreal event that will forever be a black-mark on our home of Orlando.

We all endured the overly-lengthy political season that lasted will into the fall season. The outcome of the Presidential election was not what 99% of the experts predicted. There is always a bit of a shake-up during a Presidential election year, but this one has a bit of a different feeling. I don't think that anyone can predict what this cycle has in store for us with President-Elect Trump set to take office in late January 2017..but we all will have to wait to see how the Congress will interact with this incoming POTUS and his team. Will any “adjustments” to international policy; economic policy; judicial appointments; immigration policy..the whole bundle of activities that are to come from 1600 Pennsylvania Avenue over the next 4-years will certainly have an affect on our daily lives.

The bottom line is that it does not take much to shift our business climate from a feeling of extreme optimism to that of “what do we do now?”. It is not good to focus on the negatives that are present in our lives, but ignoring the potential of those same negative would also be a mistake. We have an incredible place that we call home here in Central Florida. 2016 showed us signs that others would agree!! Here's to keeping that positive feeling through 2017!!

4Q 2016 Office Market Statistics

51,998,118
TOTAL SF

10.18%
VACANCY

394,350
SF ABSORPTION

459,000
SF UNDER
CONSTRUCTION

\$20.25
AVG. ASKING
BASE RENT/SF

0
SF DELIVERED

\$155,137,000
BUILDING SALES
VOLUME

\$165.94
AVG. SALE PRICE/SF

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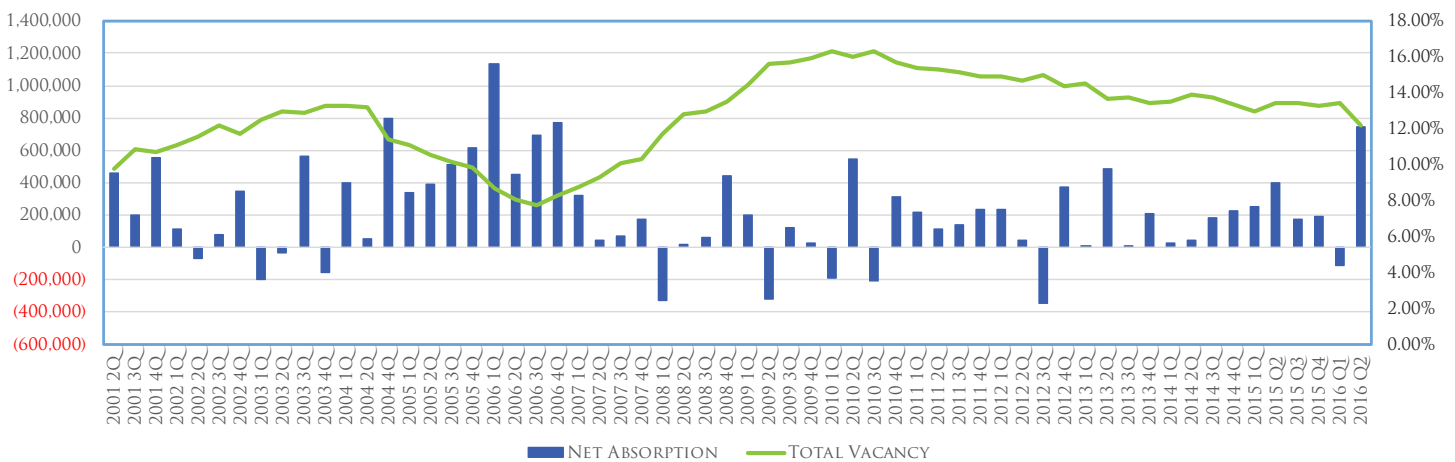
4Q 2016 Central Florida Office Market Stats

	# of Bldgs	Total SF	Total Vacancy	Avg Asking Base Rent	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
2016 Q4	1,237	51,998,118	10.2%	\$20.25	394,350	1,726,056	2	459,000	0	0
2016 Q3	1,235	55,202,040	11.1%	\$20.79	593,501	1,420,939	3	470,500	0	0
2016 Q2	1,234	55,164,250	11.9%	\$20.47	738,205	1,021,973	3	470,500	0	0
2016 Q1	1,236	55,439,614	13.1%	\$20.61	89,233	456,693	4	604,500	0	0
2015 Q4	1,198	54,565,101	13.3%	\$25.39	194,535	767,268	5	370,935	0	0
2015 Q3	1,193	54,427,299	13.4%	\$20.65	172,925	822,671	6	485,435	0	0
2015 Q2	1,193	54,427,299	13.8%	\$20.53	399,808	649,746	8	745,435	1	17,124
2015 1Q	1,462	67,137,262	13.0%	\$19.47	249,938	249,938	5	157,124	0	0
2014 4Q	1,462	67,137,262	13.3%	\$19.12	229,946	476,138	5	157,124	0	0
2014 3Q	1,464	67,209,664	13.8%	\$18.89	180,099	246,192	5	157,124	0	0
2014 2Q	1,464	67,209,664	13.9%	\$18.88	43,360	66,093	5	157,124	5	385,800
2014 1Q	1,459	66,823,864	13.5%	\$18.93	22,733	22,733	8	445,800	2	95,599

4Q 2016 Central Florida Office Submarket Breakdown

	# of Bldgs	Total SF	Total Vacancy	Rental Rate	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
DOWNTOWN	106	8,980,814	12.5%	\$24.87	159,116	220,317	0	0	0	0
MAITLAND CTR	99	6,802,021	12.8%	\$18.23	98,359	376,798	0	0	0	0
SE ORLANDO	78	2,852,796	6.5%	\$18.71	20,956	62,940	0	0	0	0
SW ORLANDO	225	10,789,599	10.2%	\$18.62	38,875	99,019	1	134,000	0	0
UNIVERSITY / EAST	151	6,492,596	10.2%	\$16.75	19,832	106,298	0	0	0	0
NW ORLANDO	140	3,749,741	6.8%	\$17.00	19,447	12,280	0	0	0	0
WINTER PARK	79	2,379,034	5.3%	\$24.64	(1,627)	(14,230)	0	0	0	0
LAKE MARY / HEATHROW	79	2,379,034	5.3%	\$24.64	(1,627)	21,153	0	0	0	0
SEMINOLE OUTLYING	199	5,138,209	14.7%	\$17.32	32,352	96,478	1	325,000	0	0
CELEBRATION	17	950,942	5.1%	\$22.21	6,573	83	0	0	0	0
KISSIMMEE / ST. CLOUD	64	1,483,332	2.7%	\$19.77	2,094	6,715	0	0	0	0

Absorption vs. Vacancy
Previous 15 Years



4Q 2016 Office Notable Lease Transactions

Property Address	City	Submarket	Tenant	Landlord	Lease Size
3438 Lawton Rd	Orlando	East Colonial	Women's Care of Florida	DRA CRT Orlando Central Center	25,172
1000 Legion Place	Orlando	Downtown	Bogin, Munns & Munns	PKY Fund Orlando I LLC	21,834
4323 Millenia Lakes Blvd	Orlando	SW Orange	Hilton	CPF Millenia Office LLC	7,860
70 W Gore St*	Orlando	Downtown	UCF College of Medicine	Montclare Medical Centre LLC	4,580
495 N Keller Rd	Maitland	Maitland Center	Amtrust	FDG Maitland Promenade LLC	18,885

4Q 2016 Office Notable Sale Transactions

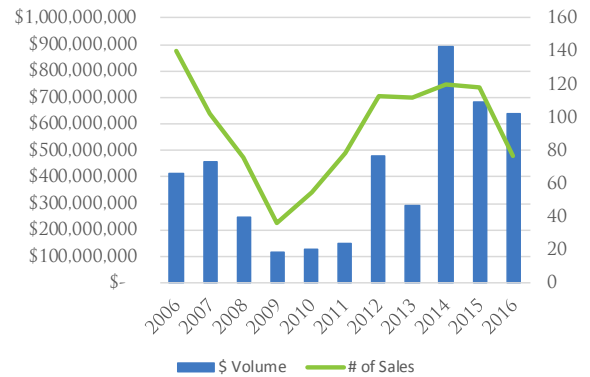
Property Address	City	Submarket	Buyer	Seller	Sale Price	Sale Date	Bldg Size	Price Per SF
615 Crescent Executive Ct.	Lake Mary	Lake Mary/Heathrow	Primera Towers (FL) Joint Venture	Banyan Street/ GAP Primera Owner LLC	\$130,000,000	10/31/2016	780,177	\$166.63
4798 New Broad St	Orlando	East Orlando	ORC Baldwin III LLC	Baldwin III LLC	\$8,500,000	11/14/2016	46,806	\$181.60
222 W Maitland Blvd	Maitland	Maitland Center	Penta Partners	222 W Maitland Blvd LLC	\$3,500,000	12/6/2016	16,045	\$218.14
33 E Pine St	Orlando	Downtown	S2R properties, LLC	Ellis/Pine Acquisition, LLC	\$950,000	10/18/2016	5,892	\$161.24
8390 ChampionsGate Blvd	Champions Gate	SW Orlando	GNJ Properties LLC	Vista Champion LP	\$7,275,000	10/31/2016	44,836	\$162.26

*Cite Partners Transactions

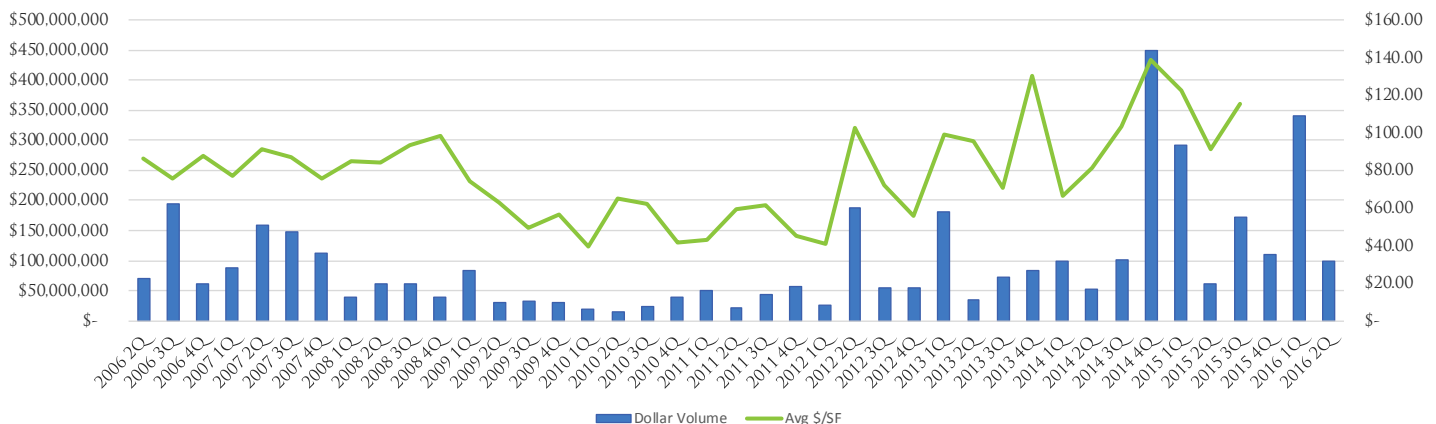
4Q 2016 Office Building Sale Stats

	# of Sales	YTD # of Sales	\$ Volume	YTD Volume	Square Feet	Avg \$ / SF
2016 4Q	12	77	\$155,137,000	\$636,998,900	934,926	\$165.94
2016 3Q	14	65	\$278,094,700	\$481,861,900	1,546,786	\$179.79
2016 2Q	29	51	\$105,423,900	\$203,767,200	775,135	\$136.01
2016 1Q	22	22	\$98,343,300	\$98,343,300	784,720	\$125.32
2015 4Q	17	118	\$340,209,000	\$684,931,400	1,469,282	\$231.55
2015 3Q	38	101	\$111,131,900	\$344,722,400	1,165,295	\$95.37
2015 2Q	38	63	\$171,509,500	\$233,590,500	1,484,502	\$115.53
2015 1Q	25	25	\$62,081,000	\$62,081,000	678,312	\$91.52
2014 4Q	36	120	\$292,192,200	\$894,560,441	2,383,192	\$122.61
2014 3Q	37	84	\$448,852,071	\$602,368,241	3,237,565	\$138.64
2014 2Q	29	47	\$101,248,900	\$153,516,170	980,073	\$103.31
2014 1Q	18	18	\$52,267,270	\$52,267,270	642,610	\$81.34
2013 4Q	42	112	\$99,456,040	\$289,365,668	1,497,213	\$66.43

BUILDING SALES \$ Volume vs. # of Sales



Building Sales Dollar Volume vs. Avg Price / SF Previous 10 Years



QUARTERLY TRENDS



Vacancy Rates - The overall Orlando office market saw another decrease in the vacancy rate compared to the previous quarter. While it was not as significant as the previous quarter over quarter decline from 12.2% to 11.1%, the 0.1% decrease to 11.0% at the end of the 4th quarter shows this declining trend continuing into the new year. A positive net absorption of 238,565 SF in 4Q led by Class A office space absorption of 161,831 SF for the quarter was the main driver for the decline. The overall net absorption for Class A space in Orlando in 2016 was just under 1M SF.



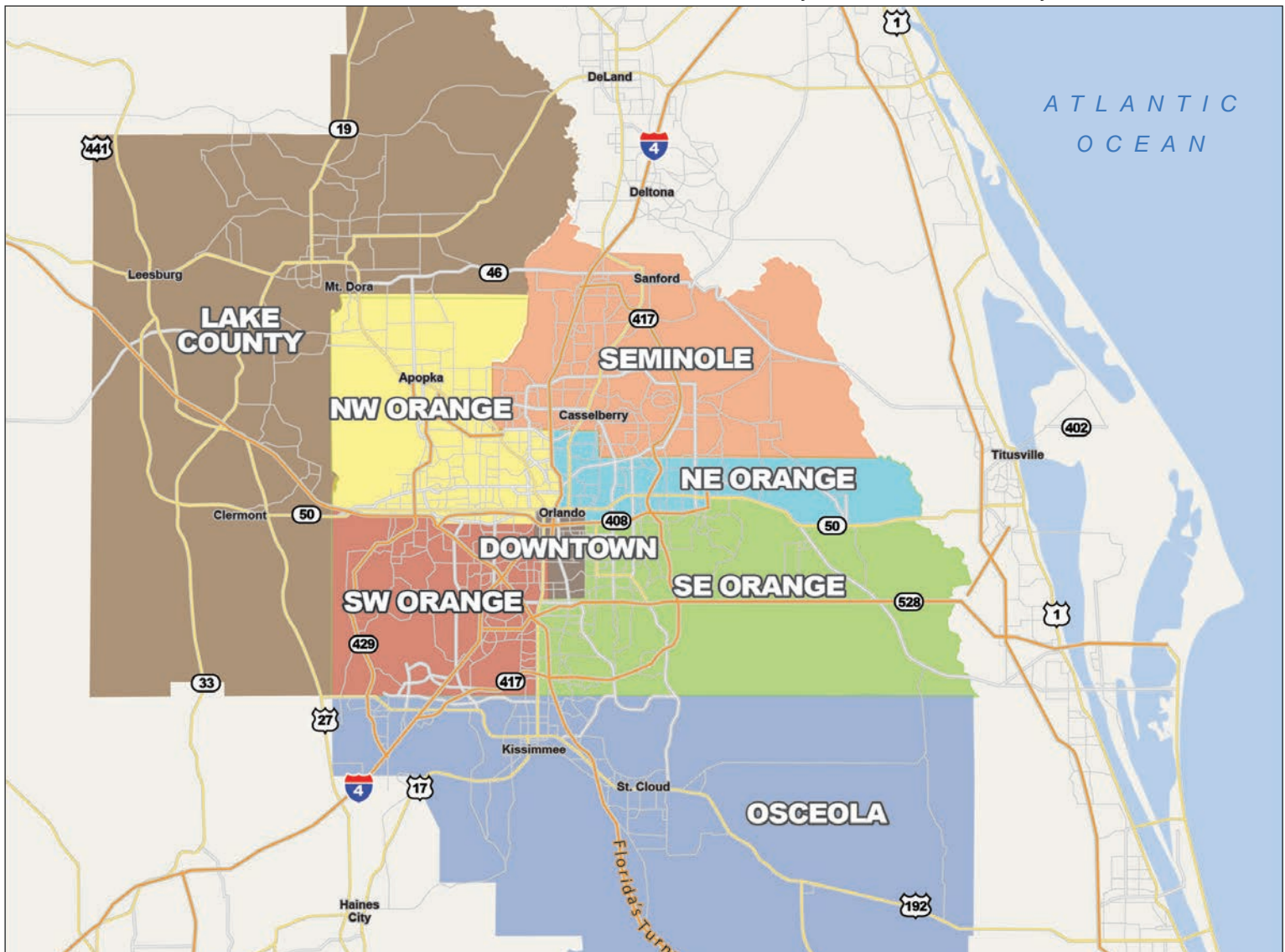
Unemployment Rate - The Orlando MSA unemployment rate dropped to 4.5% largely driven by tourism, real estate, retail, technology and health industries. This has had a direct effect on the demand for office space and an uptick in sale and leasing activity.



Roadway Construction - Nearly two years into the 21-mile roadway infrastructure makeover project dubbed I-4 Ultimate, and the anticipated completion date in 2021 seemingly a lifetime away for commuters, the effects of the construction is still weighing heavily in the minds of employers as they consider their options. In a competitive hiring environment, the ability to attract talented new employees often hinges on a company's location in terms of access to public transportation, amenities, ease of commute, and nearby housing. This leads a lot of groups to rule out suburban submarkets immediately where I-4 is the primary access road, such as Maitland Center... and to the contrary makes Downtown Orlando and suburban submarkets with several alternate access routes, such as Lake Mary with I-4, 417, and eventually 429, more attractive.



Cautious Optimism - Companies are growing and a trend that is very apparent is decision makers basing their location selection decision on how a given property affords them the opportunity to expand within. On the same token, those decision makers are being thoughtful about not committing to more space than they need at the present time in the event the tides of business change and their forecasts for hiring and growth are not realized.



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