CENTRAL FLORIDA OFFICE MARKET REPORT

1Q 2017

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1Q OFFICE MARKET

Orlando Office - A Different Question of Sustainability

Sustainability is defined as " the ability to be supported, upheld, or confirmed." It is used today mostly in an ecological sense where it can mean "the quality of not being harmful to the environment or depleting natural resources, and thereby supporting long-term ecological balance."

Sustainability in the Orlando Office Market is an important question - but not for the reason that you might think. The question that I ask is whether the successes that we've seen in the Office community through the last several years can be sustained. As the saying goes, the tide rises all boats - and that saying holds true for most of the submarkets in Orlando as virtually all markets saw an increase in productivity in 2016 (ie: vacancy decreases; rental rate increases; landlord sentiment is favorable; tenant incentives on the decline, etc.).

Statistically speaking, Orlando maintained very good signs of a "healthy" office market. Overall vacancy held firm and sits at 10.4% (it was 10 .2% at the end of 2016). Net absorption is very healthy with over 209,000 square feet of positive absorption having occurred in the market. All of the major submarkets in Orlando continue to show strong numbers, and we're seeing dirt move on several projects that will bring some much needed inventory to the market (ie: Kirkman Point in SW Orlando; Lake Mary-Colonial TownCenter). It has also been reported that Lincoln Property is within weeks of putting a shovel in the dirt for Tremont Plaza - a new, mixed-use development in Downtown Orlando that will bring over 200,000 square feet of office space to this submarket that has not seen any major additions since 1999/2000 (the GAI building excluded).

Several other public/private projects either have opened or are set to begin construction that will enhance our amenity platform. Orlando City Soccer has opened their Downtown stadium, a truly remarkable venue. The NFL brought their annual Pro-Bowl celebration to the revitalized Orlando Citrus Bowl (just can't seem to bring myself to call it Camping World Stadium yet). The NCAA basketball tournament held its first 2-rounds at the Amway Center. UCF and Valencia College announced their groundbreaking for May of this year, which will be the catalyst movement for Creative Village to change, forever, the development of Downtown Orlando with this west-side activity.

A lot of positive news for Orlando, that is for sure. However, in the cyclical world of commercial real estate that we live in, what will be the viewpoint of the market as we move through 2017? Will the new administration in Washington, DC have a positive effect on the business culture? Will companies look for continued expansion? Will Landlords continue to squeeze the incentives out of deals? Will Tenants be bullish on long-term leases, or will they require shorter terms to maintain flexibility? Will the purchase of office space continue to be an absolutely viable option for users of office space? These, among other questions will be worth following this year.

1Q 2017 Office Market Statistics

55,336,264	TOTAL SF
10.39%	VACANCY
209,833	SF ABSORPTION
459,000	SF UNDER CONSTRUCTION
$19.99	AVG. ASKING BASE RENT/SF
0	SF DELIVERED
$93,561,500	BUILDING SALES VOLUME
$141.87	AVG. SALE PRICE/SF

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1Q 2017 Central Florida Office Market Stats

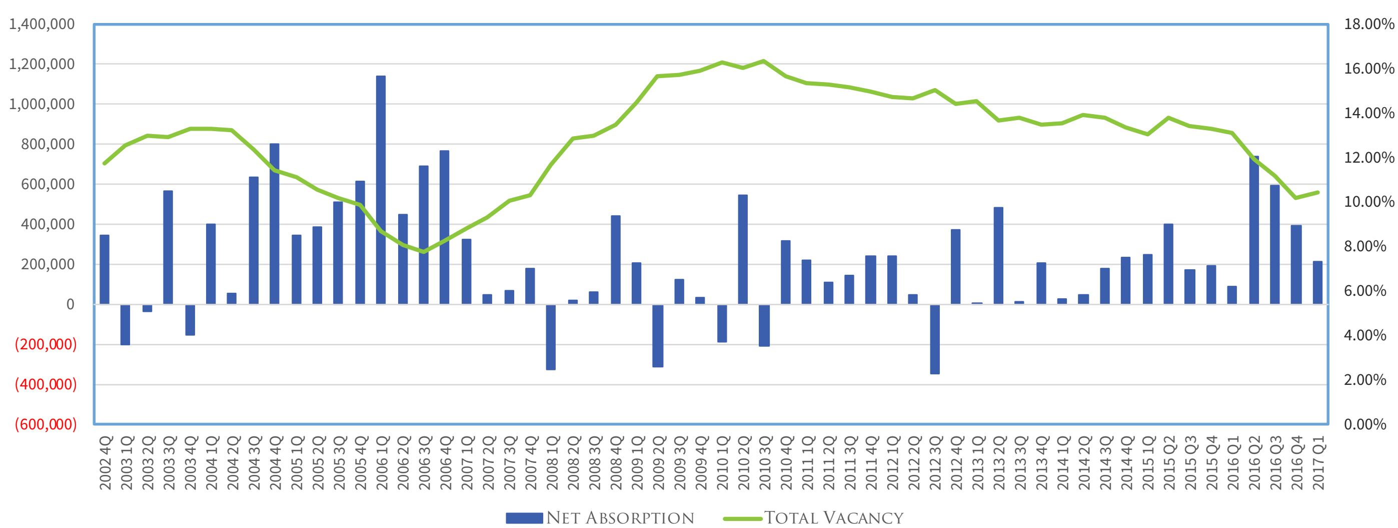
	# of Bldgs	Total SF	Total Vacancy	Avg Asking Base Rent	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
2017 Q1	1,234	55,336,264	10.4%	$19.99	209,833	1,197,684	2	459,000	0	0
2016 Q4	1,237	51,998,118	10.2%	$20.25	394,350	1,726,056	2	459,000	0	0
2016 Q3	1,235	55,202,040	11.1%	$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

1Q 2017 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	8,983,722	13.1%	$24.68	(42,655)	116,461	0	0	0	0
Maitland Ctr	98	6,775,075	10.2%	$18.65	177,276	275,635	0	0	0	0
SE Orlando	78	2,851,522	5.8%	$18.77	24,142	45,098	0	0	0	0
SW Orlando	225	10,856,599	9.6%	$17.81	(29,766)	9,109	1	134,000	0	0
University / East	151	6,493,779	10.7%	$16.15	(9,868)	9,964	0	0	0	0
NW Orlando	140	3,756,121	7.2%	$17.60	(873)	18,574	0	0	0	0
Winter Park	79	2,379,034	4.6%	$25.06	16,033	14,406	0	0	0	0
Lake Mary / Heathrow	77	5,671,537	12.0%	$21.49	148,434	146,807	0	0	0	0
Seminole Outlying	199	5,134,601	15.9%	$17.36	(61,414)	(29,062)	1	325,000	0	0
Celebration	17	950,942	6.1%	$22.62	(9,016)	(2,443)	0	0	0	0
Kissimmee / St. Cloud	64	1,483,332	2.8%	$19.66	(2,460)	(366)	0	0	0	0

Absorption vs. Vacancy

Previous 15 Years



1Q 2017 Office Notable Lease Transactions

Property Address	*City*	*Submarket*	*Tenant*	*Landlord*	*Lease Size*
1064 Greenwood Blvd*	Lake Mary	Lake Mary	Netcracker Technology Corporation	BRE/COH FL, LLC	8,670
207 W Gore St*	Orlando	Downtown	Orlando Health, Inc.	Clarington Commons	14,572
150 N Orange Ave	Orlando	Downtown	AECOM	Altus Group Ltd	35,466
2400 Maitland Center Pkwy	Maitland	Maitland Center	DPR Construction	ACP/URS 2400 Maitland LLC	7,392

1Q 2017 Office Notable Sale Transactions

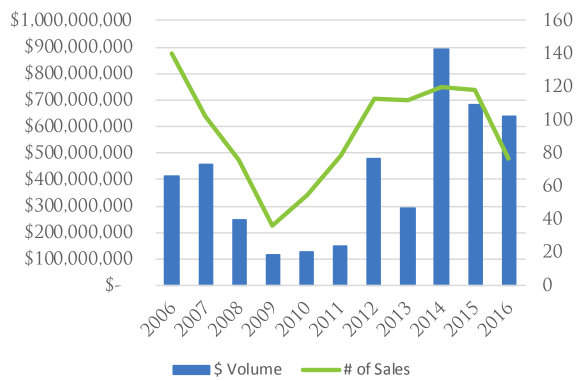
Property Address	*City*	*Submarket*	*Buyer*	*Seller*	*Sale Price*	*Sale Date*	*Bldg Size*	*Price Per SF*
1 South Orange Ave	Orlando	Downtown	One Orange Development, LLC	One South Orange Ltd	$15,500,600	1/12/2017	76,995	$201.32
550 International Pkwy	Lake Mary	Lake Mary	JPMorgan Chase Bank, N.A.	Acquiport Lake Mary 550 LLC	$19,095,400	1/12/2017	119,276	$160.09
600 Business Center Dr	Lake Mary	Lake Mary	JPMorgan Chase Bank, N.A.	Acquiport Lake Mary 600 LLC	$18,904,700	1/12/2017	130,189	$145.21
429 S Keller Rd	Maitland	Maitland	Keller Sands Point LLC	Keller Road LLC	$6,250,000	1/17/2017	59,798	$104.52
12601 Research Parkway	Orlando	Southeast	Research Equity LLC	DSCI Real Property Holdings LLC	$4,000,000	2/24/2017	40,805	$98.03

*Cite Partners Transactions

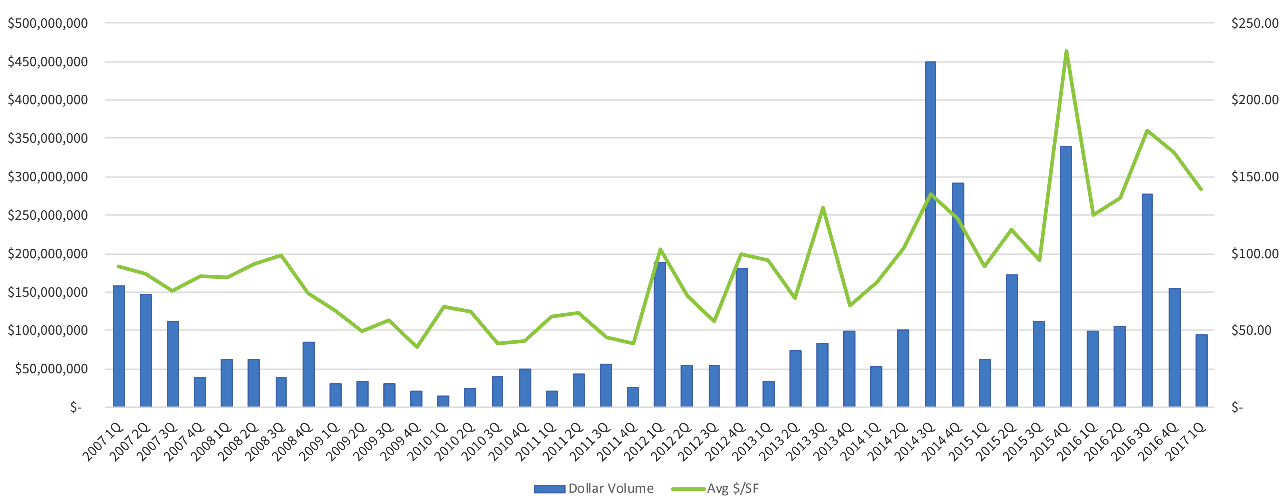
1Q 2017 Office Building Sale Stats

	# of Sales	*YTD # of Sales*	*$ Volume*	*YTD Volume*	*Square Feet*	*Avg $ / SF*
2017 1Q	20	20	$93,561,500	$93,561,500	659,482	$141.87
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



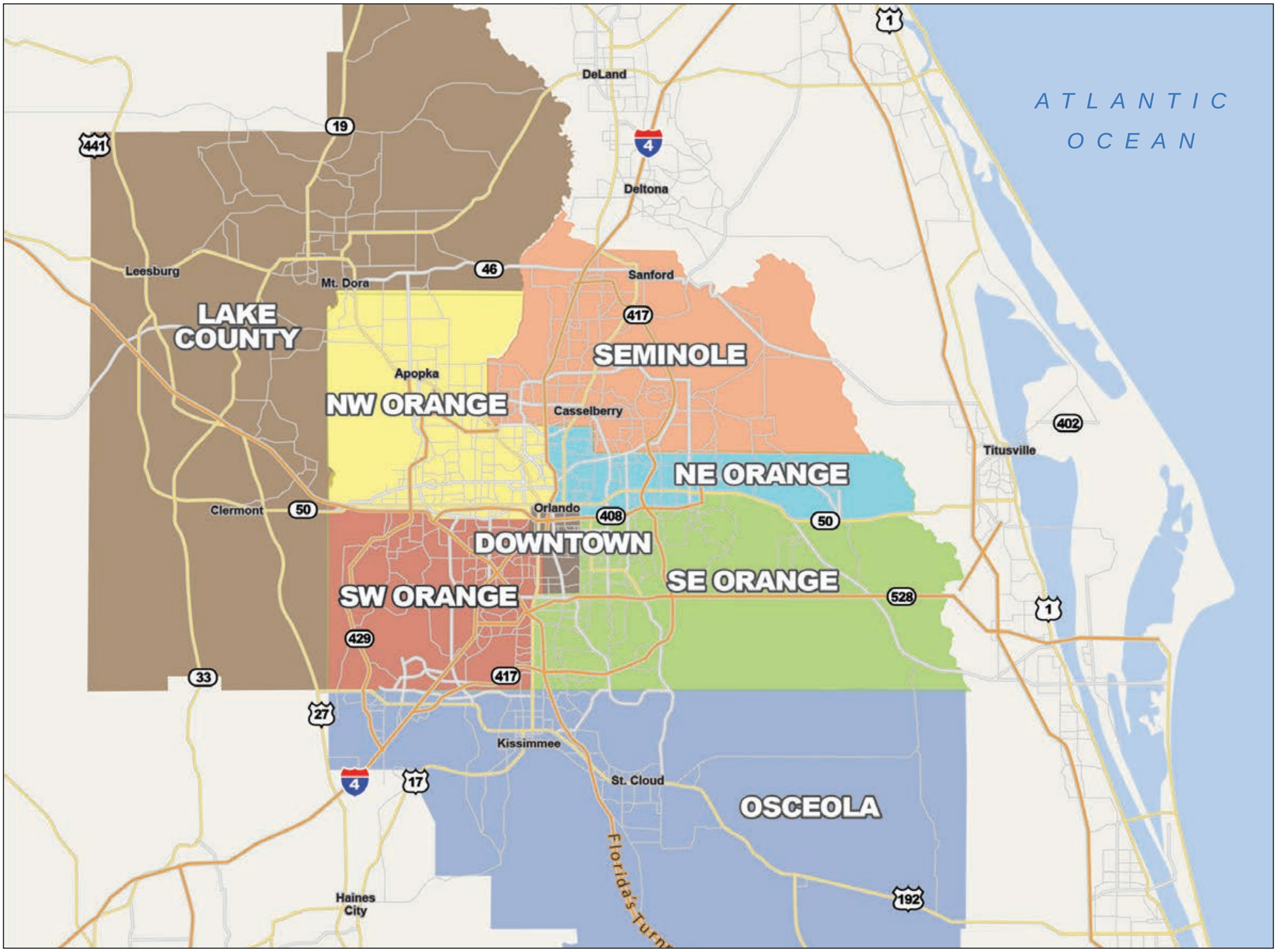
QUARTERLY TRENDS

Should I Buy or Should I Lease - There has been a strong push by office users to concentrate their focus on buying a building to occupy as opposed to leasing. The main driver behind that push has been their bankers urging them to do so based upon the bank's appetite for owner-occupied loans and the favorable financing terms associated with a purchase. When considering 10-20% down, an interest rate in the mid-4's fixed for 5+ years, a 20+ year amortization, and tax benefits associated with ownership, coupled with rising rental rates and less concessions from landlords, it is hard to argue with this logic.

Staying on Par – Central Florida Office Building Sales Volume in the first quarter of 2017 totaled $94M which was a relatively small decrease of $4M from the same quarter in 2016. At the same time, the average price per square foot year over year increased by just over $15.00 per square foot. This trend lines up with a popular sentiment that the office market in 2017 is expected to be fairly similar to what we witnessed in 2016. We'll see how the rest of the year shakes out.

Downtown Amenities – Downtown Orlando has been generating quite a bit of buzz with several projects bringing new eateries and entertainment to the area. The new Orlando City Soccer Stadium aside (not to mention a 5-0 start in the new stadium), several local breweries and fast-casual restaurants got underway in the CBD in an area starving for new places to eat lunch or meet up with friends for happy hour. These amenities are vital for companies looking to attract and retain quality talent.

Open for Business - The shift from traditional office space to open areas fostering collaboration has continued into the new year. While this "open concept" is popular and can be more functional, we have also heard from groups and individuals who dislike this shift in office layouts. As this trend continues to evolve, it is apparent that proper space planning when utilizing an open concept is vital to ensuring employee happiness. A balance of private "heads down" rooms, white noise, and "huddle rooms" for break-out sessions, are necessary to making sure office space is versatile and functional.



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