

CENTRAL FLORIDA OFFICE MARKET REPORT

3Q 2017

3Q 2017 OFFICE MARKET

Change - A Good Thing or A Bad Thing?.....Depends on Where You Sit

We have always been told that change is inevitable. The older I get, the truer that statement becomes. My firm, Cite Partners, has relocated our office to a new location at 100 East Pine Street. This change of address, for us, also brings with it a change of how our office operates. Like many companies, we have designed our new office in an open-concept. One that allows our teams to better function as a team; a layout that allows us to collaborate wholly as an office; and a layout that paves the way into the next chapter of our company's history, full steam ahead.

Change is also something that we're seeing in today's market. Tenants that are coming to the end of their lease terms in 2017 are seeing a drastically different office market from 3-5 years ago when they signed those lease agreements. Lease rates are up; parking costs are up and available parking spaces are dwindling; tenant improvement costs are up due to construction demands with allowances from Landlords not covering the full cost of the tenant build out (meaning more out of pocket expense for the tenants); and quality choices within the marketplace are tougher to come by as the market tightens.

For buyers in the office market, they, too, are seeing change. Prices are up; available properties to purchase with any quality are hard to come by. The one exception here is that lenders remain aggressive in their lending practices to attract owner-occupiers. This has kept the sales activity in the office market busy as well.

We are seeing significant change around us in Orlando as well. The expansion of Interstate 4 continues; the demolition of the former Orlando Police Department's Headquarters is almost complete and will be replaced by the Orlando Magic's SED (sports & entertainment district) project; construction has started on Lincoln Property's new office tower at the corner of Garland and South Street; the former University Club site continues to come out of the ground and tops-off completion; to name a few.

Change is inevitable and it is all around us. Are you ready for it? Are you able to make the appropriate decisions to keep up with the change? Do you have the necessary information in front of you to help you cope with the changes that are all around you? Our Central Florida Office team at Cite Partners is ready to assist when needed.

3Q 2017 Office Market Statistics

55,093,288

TOTAL SF

9.76%

VACANCY

193,246

SF ABSORPTION

824,296

SF UNDER
CONSTRUCTION

\$20.00

AVG. ASKING
BASE RENT/SF

0

SF DELIVERED

\$203,765,520

BUILDING SALES
VOLUME

\$174.17

AVG. SALE PRICE/SF

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3Q 2017 Central Florida Office Market Stats

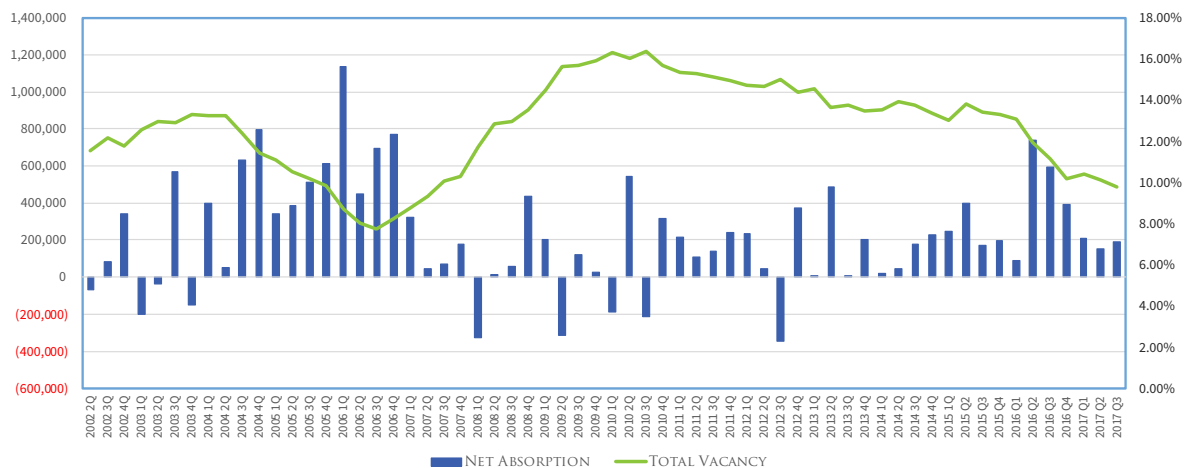
	# of Bldgs	Total SF	Total Vacancy	Avg Asking Base Rent	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
2017 Q3	1,231	55,093,288	9.8%	\$19.90	193,246	555,882	6	824,296	0	0
2017 Q2	1,234	55,282,870	10.1%	\$20.05	152,803	756,986	3	469,500	0	0
2017 Q1	1,234	55,336,264	10.4%	\$19.99	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

3Q 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	105	8,868,094	11.6%	\$22.24	30,611	71,339	1	217,000	0	0
Maitland Ctr	98	6,737,254	9.5%	\$18.83	(11,296)	44,157	0	0	0	0
SE Orlando	78	2,824,165	5.5%	\$18.64	19,235	7,947	0	0	0	0
SW Orlando	225	10,850,870	9.0%	\$19.31	10,472	119,067	1	134,000	0	0
University / East	151	6,505,563	10.8%	\$16.70	51,581	(17,155)	0	0	0	0
NW Orlando	140	3,756,121	6.1%	\$16.97	43,056	42,183	0	0	0	0
Winter Park	79	2,379,034	4.4%	\$26.45	7,267	5,034	0	0	0	0
Lake Mary / Heathrow	76	5,642,318	8.9%	\$21.34	32,417	111,309	2	137,796	0	0
Seminole Outlying	198	5,101,667	18.5%	\$17.37	46,119	(32,868)	2	335,500	0	0
Celebration	17	950,942	8.0%	\$21.25	(1,475)	(18,234)	0	0	0	0
Kissimmee / St. Cloud	64	1,483,332	2.6%	\$19.69	4,082	1,622	0	0	0	0

Absorption vs. Vacancy

Previous 15 Years



3Q 2017 Office Notable Lease Transactions

Property Address	City	Submarket	Tenant	Landlord	Lease Size
7103-7129 University Blvd*	Winter Park	Winter Park	Zel Tech Training Solutions LLC	Five Pak University Boulevard LLC	20,800
250 International Pkwy	Lake Mary	Lake Mary	Merrill Lynch	CPA Heathrow Office LLC	11,878
3051 Quadrangle Blvd	Orlando	University/Research Park	Siemens	IBSREP II UCC I LLC	18,340
901 N Lake Destiny Rd	Maitland	Maitland	Hospital Business Operations	SCRE II Tower Destiny LP	19,587
7141 S Kirkman Rd	Orlando	SWOrange	Lockheed Martin	Megastron Development LLC	33,500

3Q 2017 Office Notable Sale Transactions

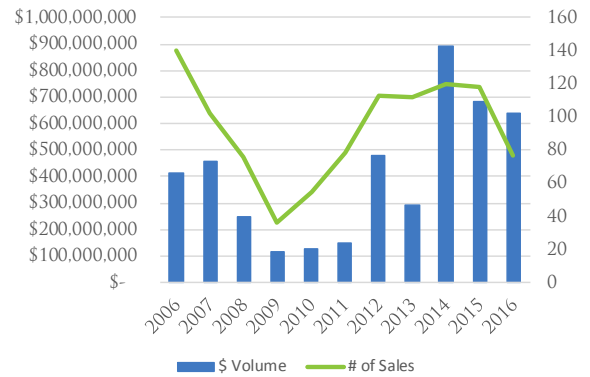
Property Address	City	Submarket	Buyer	Seller	Sale Price	Sale Date	Bldg Size	Price Per SF
1778 N Park Ave	Winter Park	Winter Park	Shin Real Estate LLC	Pengar LTD	\$1,654,000	8/25/2017	9,665	\$171.13
253 N Orlando Ave	Maitland	Maitland	Maitland Orlando Avenue Partners LLC	Immo Maitland LLC	\$2,850,000	8/1/2017	12,360	\$230.58
1743 Park Center Dr	Orlando	SWOrlando	1743 Park Center LLC	Westchester South Investments	\$3,900,000	8/4/2017	36,282	\$107.49
2405, 2599, 2600 Lucien Way	Maitland	Maitland	Eatonville LLC	Highwoods DLF LLC	\$51,400,100	7/31/2017	306,892	\$167.49
300, 801, 901, 1001 Heathrow Park Lane 1000 Business Center Drive	Lake Mary	Lake Mary	HR Office Owner, LP	DRA/CLP Heathrow Orlando LLC	\$134,000,000	7/11/2017	708,939	\$189.01

*Cite Partners Transactions

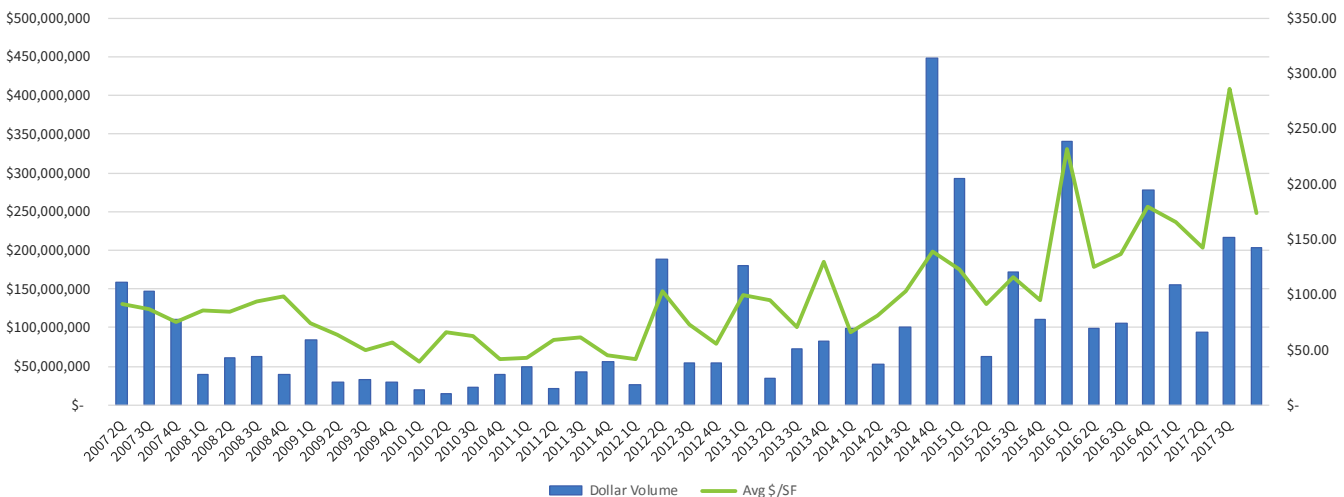
3Q 2017 Office Building Sale Stats

	# of Sales	YTD # of Sales	\$ Volume	YTD Volume	Square Feet	Avg \$ / SF
2017 3Q	22	50	\$203,765,520	\$513,766,020	1,169,919	\$174.17
2017 2Q	8	28	\$216,439,000	\$310,000,500	755,448	\$286.50
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

BUILDING SALES \$ Volume vs. # of Sales



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



QUARTERLY TRENDS



New Office Space

For the first time since 2011, a new office development is underway in downtown Orlando. Church Street Plaza broke ground on the \$81M mixed-use project in September and will deliver 217,000 SF of new Class A office space to the market by 3Q 2019.



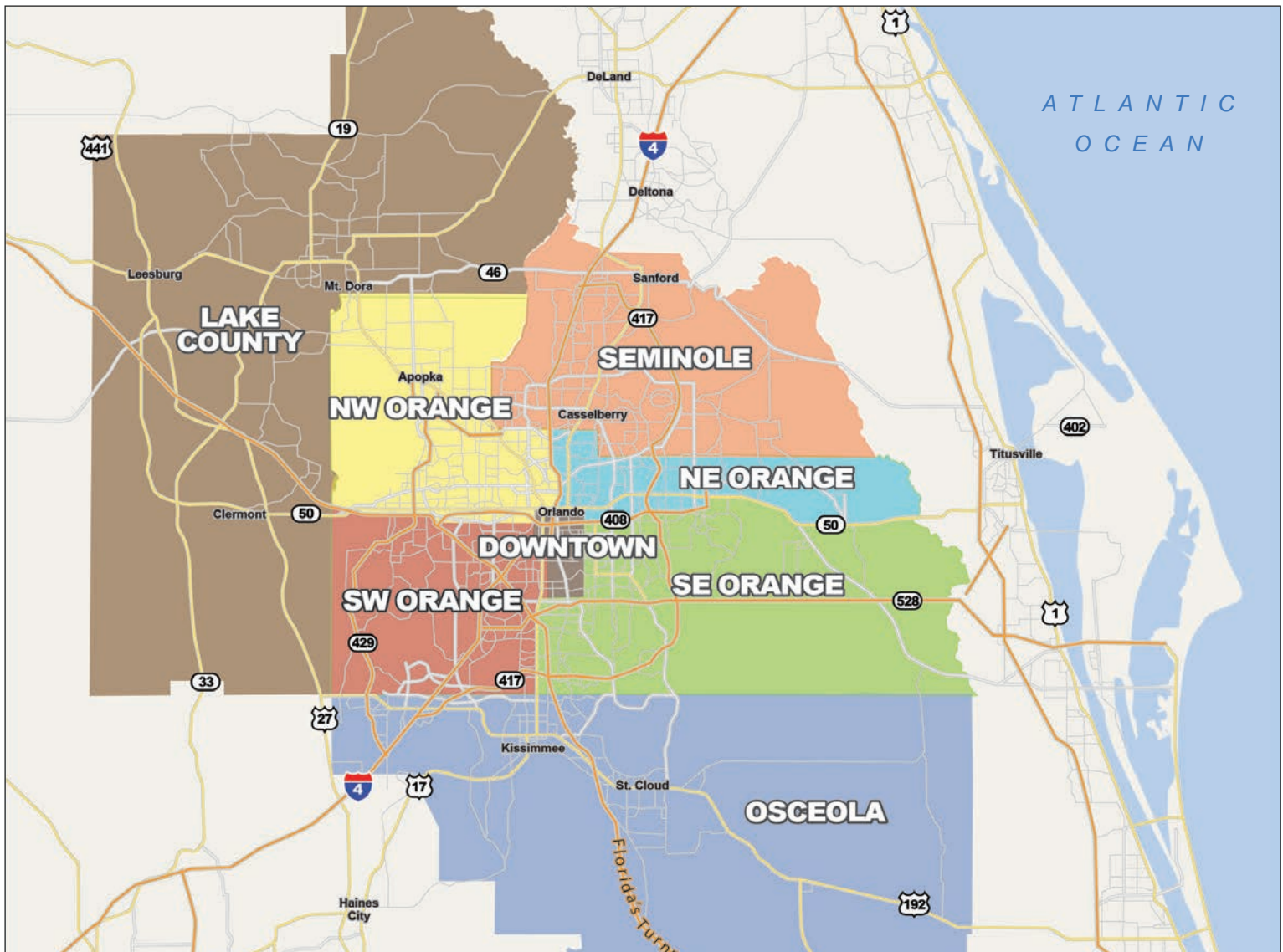
Vacancy Trends

Tenant demand in Central Florida remained strong and without any significant space being delivered, vacancy rates continued their downward trend. Downtown Orlando fell to 10.7% and the Maitland submarket dipped to 9.5%, both at their lowest levels since 2007.



Help Wanted

Orlando continues to lead Florida in office-using hiring evidenced by Orange County's unemployment rate in August at 3.7% while the U.S. unemployment rate was 4.4%. As companies grow and hire new employees, they are seeking additional office space which should lead to additional speculative development and positive net absorption in the interim.



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