

CENTRAL FLORIDA OFFICE MARKET REPORT

Q3 2016

WHAT IS THE “FUTURE” OF THE OFFICE MARKET

As the workforce turns younger, there is a movement within the office environment to move towards a collaborative, open approach in the design of office spaces. Employers need to have a space that not only allows them to attract the best talent available, but also to retain that talent which they already have. Office space that provides a sense of place and an environment which helps to foster employees with a sense of meaning to their job. Amenities are also important for employers to be able to provide for a happy and healthier workforce.

We really can't go any further without talking about connectivity. Recent studies have ranked connectivity as the 3rd most important factor that Tenants consider when choosing an office space. The only factors ahead of connectivity are price and location. And the connectivity does not simply mean within the office building. Landlords that can provide for common areas within the building and areas outside of the building, but still maintain secure and strong connectivity, will have a leg up in the race for new tenants and the retention of existing tenants.

Here's the problem, in my opinion. The office market in Orlando consists of office buildings that, for the most part, are no younger than 10-15 years old. Spaces are being retrofitted to provide for the environment that is being sought by the millennials - today's largest percentage of the workforce - and the upcoming generation Z (those born after 1995). But in an office market that continues to improve, like Orlando, and shift to a Landlord's market...will Landlords be willing to spend tenant improvement dollars to transform those older spaces into more current, hip, “cool” spaces? Will Landlords be willing to shift their traditional modeling of lease transactions and allow for more flexible lease terms? Likewise, will companies be willing to invest in their space above and beyond what makes sense to a Landlord knowing that creating an enjoyable work environment will increase employee productivity recouping that investment and then some?

As today's workforces grow, statistics are showing that companies are not drastically increasing their real estate footprint. It will be interesting to see how building owners in our Central Florida Office Market work to offer spaces that are attractive to new tenants; what new features can they bring to their buildings to retain existing tenants; and how will they use, or enhance, technology as an amenity for their properties.

3Q 2016 Office Market Statistics

55,202,040
TOTAL SF

11.1%
VACANCY

593,501
SF ABSORPTION

470,500
SF UNDER
CONSTRUCTION

\$20.79
AVG. ASKING
BASE RENT/SF

0
SF DELIVERED

\$278,094,700
BUILDING SALES
VOLUME

\$179.79
AVG. SALE PRICE/SF

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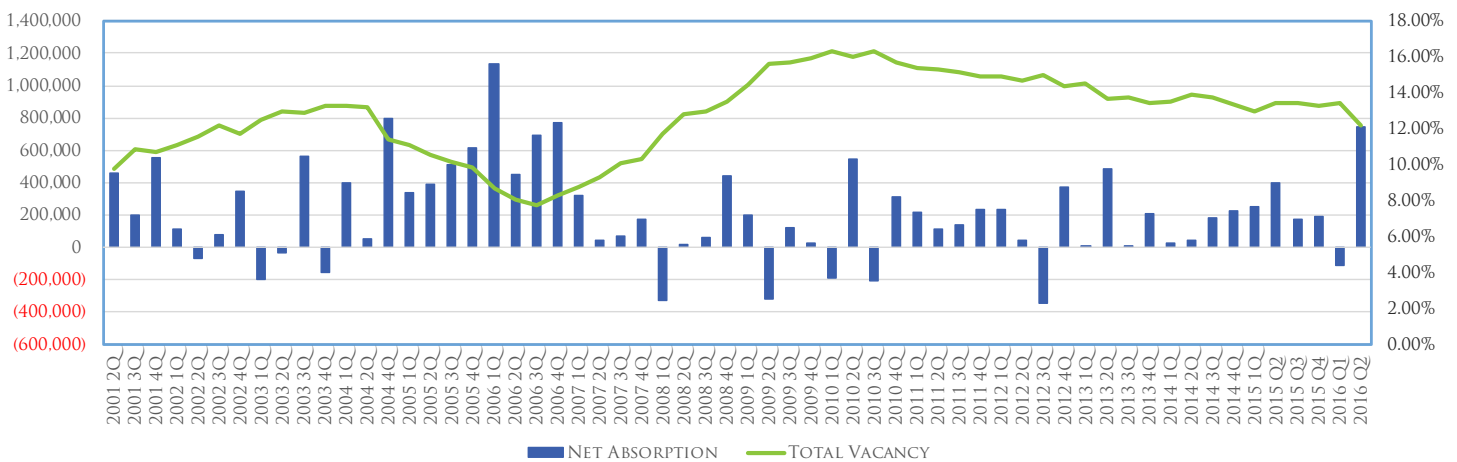
3Q 2016 Central Florida Office Market Stats

	# OF BLDGS	TOTAL SF	TOTAL VACANCY	AVG ASKING BASE RENT	NET ABSORPTION	YTD ABSORPTION	# U/C	UNDER CONSTRUCTION	# DELIVERED	DELIVERED
2016 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

3Q 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	105	8,961,951	13.0%	\$24.98	61,201	123,716	0	0	0	0
MAITLAND CTR	99	6,802,030	13.1%	\$18.25	278,439	459,588	0	0	0	0
SE ORLANDO	78	2,852,858	9.9%	\$16.72	41,984	12,180	0	0	0	0
SW ORLANDO	225	10,804,541	11.4%	\$19.47	60,144	221,804	0	0	0	0
UNIVERSITY / EAST	151	6,474,874	10.7%	\$18.92	86,466	209,901	0	0	0	0
NW ORLANDO	142	3,805,011	6.7%	\$17.58	(7,167)	1,333	0	0	0	0
WINTER PARK	79	2,379,034	5.5%	\$23.40	(12,603)	33,590	0	0	0	0
LAKE MARY / HEATHROW	76	5,537,318	12.2%	\$22.39	22,780	118,901	1	135,000	0	0
SEMINOLE OUTLYING	198	5,139,029	15.1%	\$18.90	64,126	151,645	2	335,500	0	0
CELEBRATION	17	950,942	6.5%	\$23.95	(6,490)	(4,778)	0	0	0	0
KISSIMEE / ST. CLOUD	65	1,494,452	2.8%	\$24.17	4,621	3,826	0	0	0	0

Absorption vs. Vacancy
Previous 15 Years



3Q 2016 Office Notable Lease Transactions

Property Address	City	Submarket	Tenant	Landlord	Lease Size
8403 S South Park Cir	Orlando	Orange SW	JetBlue	Cpt Southpark Center I LLC	20,388
111 N Magnolia Ave	Orlando	Downtown	Avyd Inc.	Lincoln Orlando Holdings LLC	15,803
1000 Legion Pl	Orlando	Downtown	Bogin, Munns & Munns, PA	PKY Fund Orlando I LLC	21,834
3438 Lawton Road	Orlando	East Colonial	Womans Care of Florida	Dra Crt Orlando Central Center LLC	25,172
250 N Orange Ave	Orlando	Downtown	First Green Bank	Sentinel Capital North Orange LLC	4,100

3Q 2016 Office Notable Sale Transactions

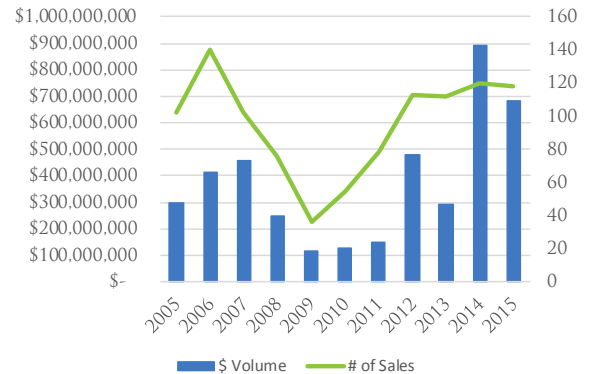
Property Address	City	Submarket	Buyer	Seller	Sale Price	Sale Date	Bldg Size	Price Per SF
2507 Edgewater Dr*	Orlando	Orange DT	Sun Charm Ranch Inc	Spring Turtle Properties Ltd	\$1,300,000	8/18/2016	5,873	\$221.35
756 Lake Baldwin Lane	Orlando	Orange East Colonial	Elim Baptist Ministries Inc	RBM Holdings Inc	\$900,000	9/22/2016	5,504	\$163.51
1560 N Orange Ave	Winter Park	Winter Park	WP Station Tower LLC	CD90 Mercantile Plaza Ltd.	\$15,000,000	8/31/2016	139,647	\$107.41
450 S Orange Ave	Orlando	Orlando DT	Piedmont-CNL Towers Orlando Owner LLC	CNL Plaza LLC	\$167,868,600	8/1/2016	620,436	\$270.56
3051 Technology Parkway	Orlando	Research Park	CIO Technology Point I & II LLC	G&V Technology Point LLC	\$16,000,000	7/12/2016	60,828	\$263.03
7251 University Blvd	Winter Park	Orange NE	Mohawk University LP	University Boulevard Medical Center Inc	\$8,620,000	7/8/2016	36,389	\$263.88

*Cite Partners Transactions

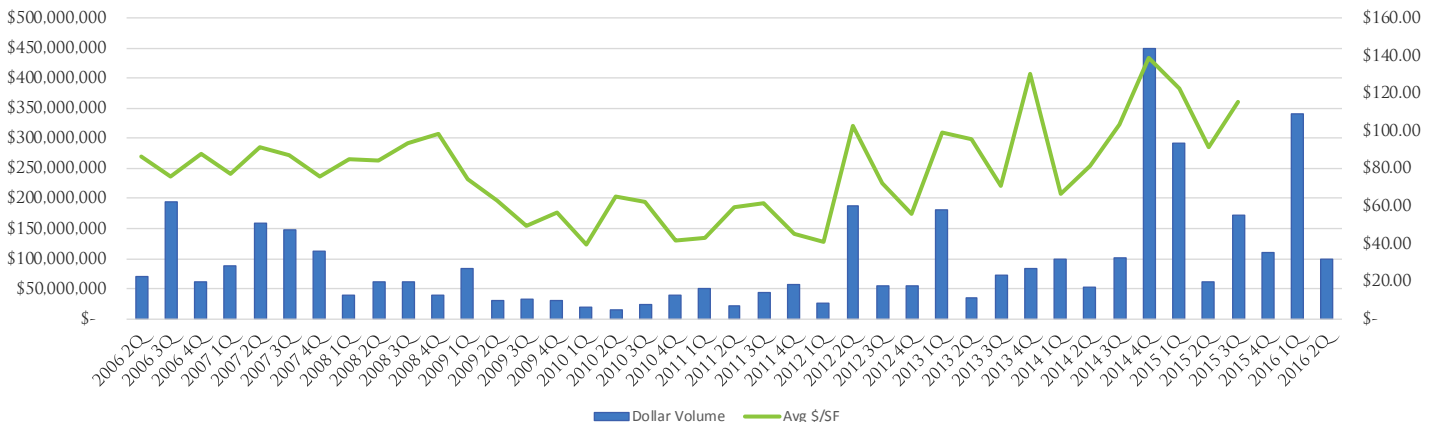
3Q 2016 Office Building Sale Stats

	# OF SALES	YTD # OF SALES	\$ VOLUME	YTD VOLUME	SQUARE FEET	AVG \$ / SF
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
2013 3Q	24	70	\$82,826,028	\$189,909,628	637,094	\$130.01
2013 2Q	30	46	\$72,968,700	\$107,083,600	1,028,412	\$70.95

BUILDING SALES
\$ Volume vs. # of Sales



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



QUARTERLY TRENDS



Urbanization Trend – Baby boomers and Millennials continue to base their office leases and job applications based on access to amenities, shopping, entertainment, and also healthcare. With this, suburban cities are conforming by creating mixed-use development and public transportation options such as the Maitland and Lake Mary mixed-use projects currently under construction. The SunRail also continues to expand and extend hours of operation. New office development around these SunRail stops are steadily increasing due to ease of transportation for both employees and clients.



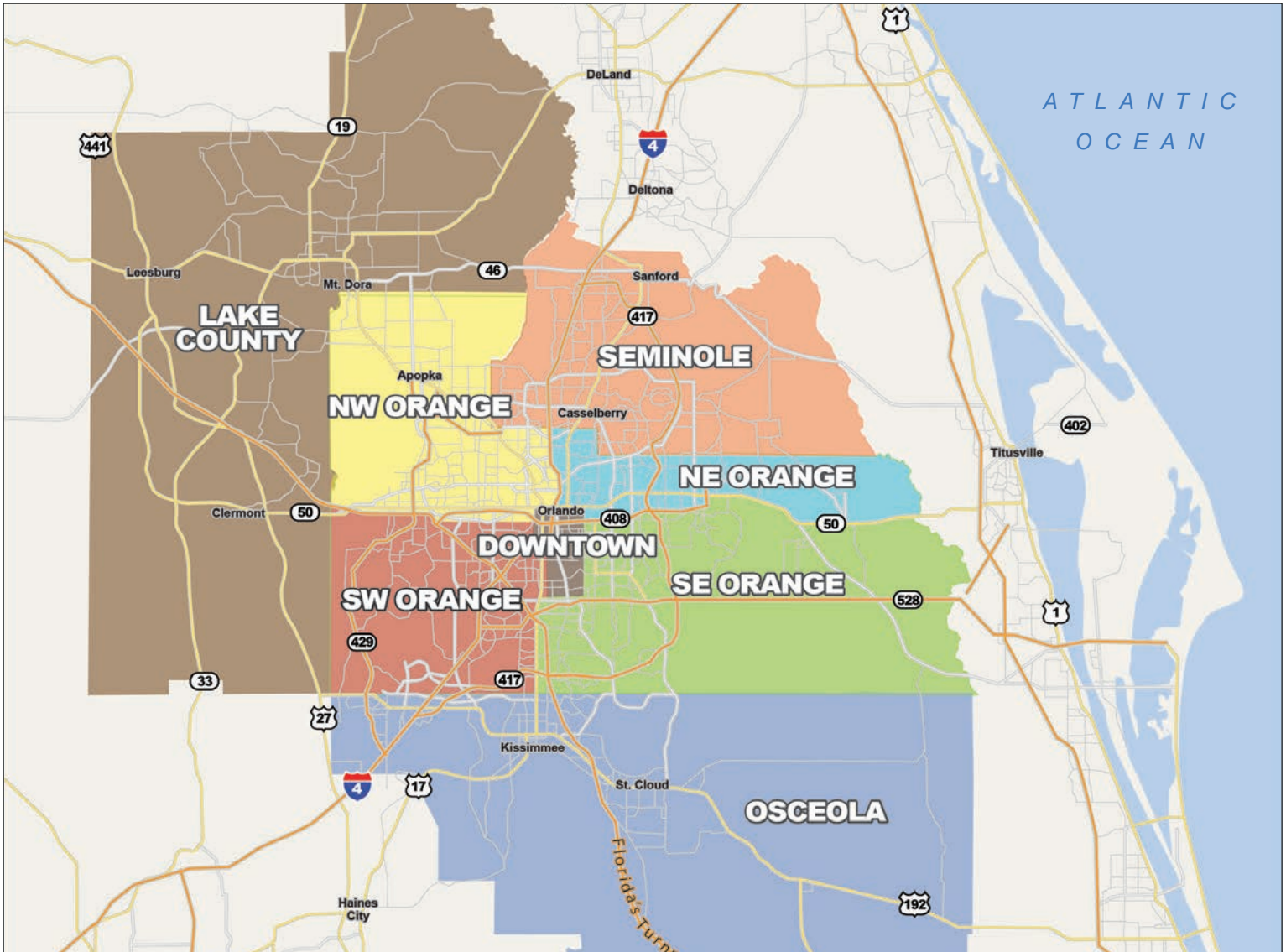
War for Talent – Dovetailing off of the urbanization trend is the increased effort by employers to locate in an area where workers want to live, work, and play.....as well as designing an office environment that can be used as a recruiting tool in an environment where the demand for skilled workers becomes increasingly competitive. Open plans with space for collaboration, modern furniture, and lounge areas are a few of the characteristics becoming more and more apparent in office space.



Continuing Decline in Vacancy Rates - The overall Orlando vacancy rate for office space declined 1.1% quarter over quarter from 12.2% last quarter to 11.1% for this quarter. This is nothing new when looking back at the past several years; however, as the rate continues to go down coupled with the fact that new office construction starts are few and far between and non-existent in downtown to date, the implications of the diminishing supply of space will be magnified.



Blurring Lines Between Work and Personal Life - Worker happiness and health has become a major focus for employers and one of the biggest components of that is the ability to have a flexible workplace. For an employee that means having connectivity at home, in all areas of an office space, in the lobby of an office building, and outdoors. The days of a 9-5 workday sitting in the same office are nearing an end as mobile phones and laptops allow for access to information anytime and anywhere.



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