



1Q14 ORLANDO OFFICE MARKET

Newmark Grubb Knight Frank

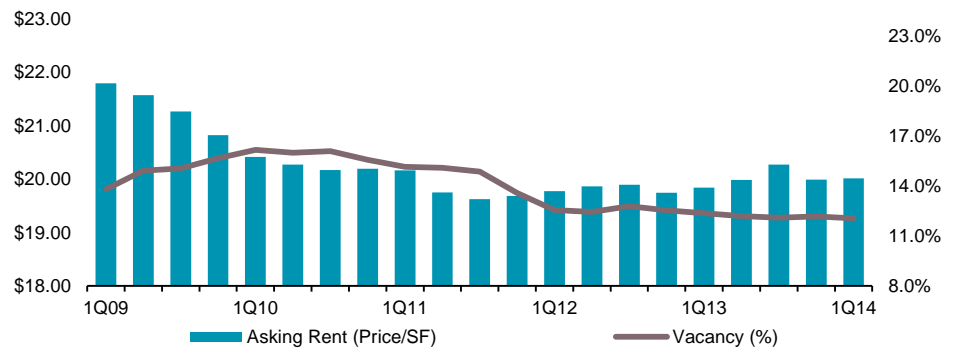
SLOW START STEADY ACTIVITY STABLE MARKET

Orlando's office sector experienced a 20 basis point decrease from the 12.2% vacancy rate recorded during fourth quarter of 2013. This can be attributed to the 65,000 square feet of positive net absorption in Class B inventory pushing vacancy down to 10.8%. Supply just outpaced demand in Class A space with 6,000 square feet of negative net absorption holding vacancy at 14.2%. Over the last year the market has seen a "flight-to-quality" from Class B office space to Class A. After 5 consecutive quarters of healthy occupations totaling over 800,000 square feet of positive net absorption and 300,000 square feet of recorded negative net absorption in Class B, could a change in space needs be brewing?

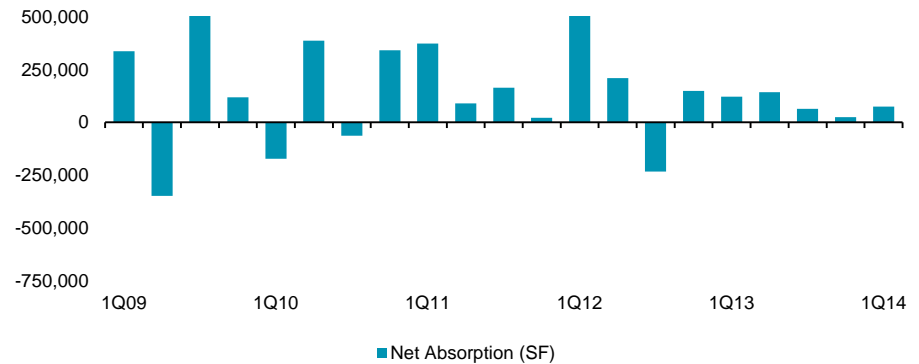
The office market recorded 146 lease deals totaling over 605,000 square feet during the first quarter. Class B space led the market with 81 transactions leasing over 358,000 square feet while Class A space followed suit with 39 transactions totaling over 193,000 square feet. Last year during the same period, the roles were reversed with 733,000 square feet of deal activity in Class A as Class B trailed with 521,000 square feet. In spite of demand shifts between the classes, asking rates have held steady for all property types.

The quoted average asking experienced a slight rise from one year ago with a \$0.16/SF from the \$19.84/SF full service gross recorded one year ago. Class A

Asking Rent and Vacancy



Absorption



Key Indicators			
Total Inventory (SF)	68,041,727		
	1Q14	4Q13	4Q12
Asking Rent (Price/SF)	\$20.01	\$19.99	\$19.84
Vacancy Rate (%)	12.0%	12.2%	12.3%
Under Construction (SF)	0	0	58,725
	1Q14	4Q13	YTD
Net Absorption (SF)	74,261	24,358	74,261
Deliveries (SF)	0	58,725	0



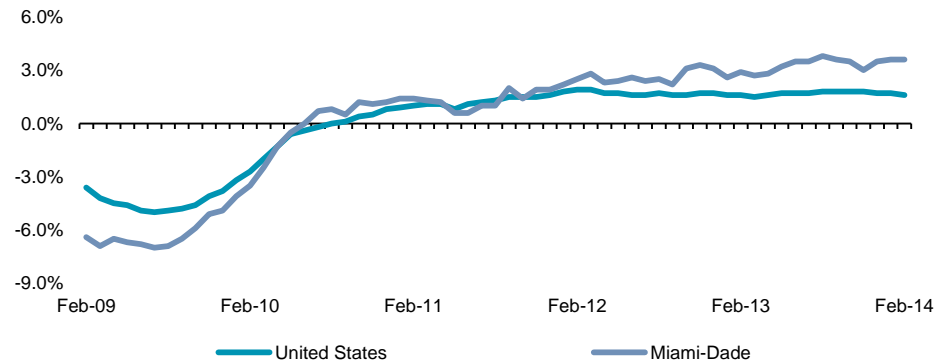
space increased \$0.20/SF from the \$22.31/SF rate while Class B space saw a \$0.35/SF increase from the \$19.15/SF full service gross rate during the same time period. The rise in Class B asking rates can be attributed to the addition of vacated space in existing buildings with slightly higher asking rents versus landlords increasing quoted rates.

Investment sales experienced an uptick compared to the 3 sales totaling 129,000 square feet for \$7.2 million last year. At the close of first quarter 2014 the market saw 6 sales totaling 584,438 square feet exchanging hands for \$61.7 million. Only one Class A asset sold during the quarter as owners hold on to higher-end properties until rent increases dictate higher sales prices.

Despite the slow rate of recent growth, the Orlando office market continues to have the lowest reported vacancy of all of Florida's major markets. Together, low vacancy and a lack of new development in the near future should shift the market in landlords' favor.

Payroll Employment

Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, millions



Select Lease Transactions

Tenant	Building	Submarket	Square Feet
United Health Group	Maitland Promenade II-495 N Keller Dr	Maitland/Maitland Center	37,744
KEL	Cornerstone Office-150 N Orange Ave	Orlando CBD	37,088
MedTech College	Maitland Springs I-975 Keller Rd	Maitland/Maitland Center	20,602
NCR	Maitland Springs III-955 Keller Rd	Maitland/Maitland Center	19,108

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
Maitland Center-851 Trafalgar Ct	Maitland/Maitland Center	174,048	\$14,850,000	\$85
Celebration Place IV-215 Celebration Pl	Celebration-Osceola County	125,974	\$17,877,000	\$142
Primera IV-300 Primera Blvd	North Orlando	122,056	\$13,700,000	\$112
Atrium Tower-7680 Universal Blvd	South Orlando	106,611	\$7,650,000	\$72
Lee Point-950 N Orlando Ave	Winter Park/Lee Road	34,685	\$4,950,000	\$143



Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
CBD Total	8,920,229	-	15.5%	10,928	10,928	\$24.63	\$21.82	\$22.98
436 Corridor/Baldwin Park	6,223,098	-	14.5%	-432	-432	\$26.70	\$18.09	\$18.38
Apopka	257,644	-	1.0%	-1,034	-1,034	-	\$21.00	\$21.00
Brevard County	7,277,058	-	7.0%	-12,119	-12,119	\$26.16	\$18.39	\$17.23
Kissimmee/Celebration	850,513	-	3.8%	-3,366	-3,366	-	\$18.82	\$18.82
Lake County/Clermont	951,823	-	10.5%	-	-	\$31.00	\$15.57	\$15.99
Maitland/Maitland Center	7,396,863	-	19.4%	14,273	14,273	\$19.05	\$17.23	\$18.05
MetroWest/Dr. Phillips	1,344,988	-	11.9%	-7,629	-7,629	\$26.66	\$20.61	\$25.88
North Orlando	7,336,246	-	14.1%	5,396	5,396	\$22.77	\$19.53	\$20.95
NW Orange County	82,719	-	2.6%	-	-	-	\$27.00	\$27.00
Orlando Airport/Lake Nona	1,205,694	-	13.6%	-18,903	-18,903	\$22.27	-	\$22.27
Orlando Central Park	3,187,681	-	20.0%	69,172	69,172	\$20.11	\$16.15	\$15.87
Osceola County	1,972,474	-	5.0%	-90	-90	\$23.10	\$21.43	\$22.51
South Orlando	10,337,915	-	8.3%	1,716	1,716	\$25.03	\$22.78	\$23.21
University/University Research	5,433,954	-	9.8%	10,994	10,994	\$21.19	\$24.20	\$23.01
W Seminole County	150,128	-	10.9%	-	-	\$17.25	-	\$17.25
West Colonial	1,836,794	-	3.6%	8,251	8,251	-	\$19.62	\$13.90
Winter Park/Lee Road	3,275,906	-	7.3%	-2,896	-2,896	\$32.25	\$23.19	\$22.12
Suburban Total	59,121,498	-	11.5%	63,333	63,333	\$22.09	\$19.29	\$19.59
Totals	68,041,727	-	12.0%	74,261	74,261	\$22.51	\$19.50	\$20.01



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Glossary of Terms**Absorption**

A measure of the change in occupied space

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries

The total RBA of properties added to the inventory once construction has been completed

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

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