

MARKETBEAT OFFICE SNAPSHOT



ORLANDO, FLORIDA

A Cushman & Wakefield Research Publication

Q1 2014



ECONOMIC OVERVIEW

The Orlando metro area had an unemployment rate of 6.0% in March 2014, a slight increase from the 5.8% at yearend 2013. Over the past twelve months, Orlando added 33,300 new jobs in all major industries and led the state in over-the-year gains in several sectors including construction, hospitality and information services. Due to the strong tourism base of Orlando's economy, the leisure and hospitality sector created the most jobs, at 9,500, followed closely by trade/transportation with 8,200 positions. Even as general economic indicators remained muted over the first quarter of the year, Orlando's office market saw further tightening in the vacancy rate with a strong potential for rental growth through the rest of 2014.

VACANCY CONTINUES DOWNWARD TREND

The overall vacancy rate for Orlando ended the first quarter at 17.3%, down half a percentage point from the final quarter of 2013 and a full percentage point lower from this time last year. Most notably, this trend played out within the CBD, as the vacancy rate dropped during the past twelve months from 16.8% to 13.2%. The drop in available space in the CBD's class A buildings was even steeper, falling from 16.7% in the first quarter of 2013 to just 12.5% at the close of the most recent quarter.

Overall absorption during the first three months of the year came in at negative 46,896 square feet (sf). This contrasts with the positive absorption that the market recorded in the fourth quarter of 2013. Class A and C space both experienced increases in vacancy during the quarter while class B space posted healthy positive numbers, mainly in the Maitland and University/Research Park submarkets. During the first quarter, the CBD was the most active submarket with strong positive gains in both class A and class B space.

Over the past year asking rental rates declined while vacancy tightened as premium space was leased or taken off the market and landlords did not prematurely raise asking rents despite a significant increase in demand. This started to change during the first quarter, as several landlords began to increase their rents. This trend should quicken over the next few quarters and be reflected in rental growth through the rest of 2014.

SUBURBAN OFFICE SALES DOMINATE

First quarter office sales totaled 635,214 sf with all sales occurring in the suburban submarkets. Total sales volume dropped a slight 1.6% from the activity registered in the first quarter of 2013. Of the total square footage traded, approximately 92.0% were investor sales with only two user sales, totaling 51,000 sf, sold during the quarter.

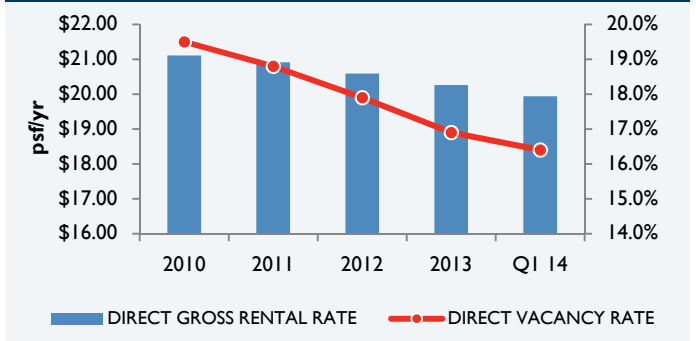
OUTLOOK

The Orlando office market will continue to show improvement as the overall economy gradually picks up steam. The lack of robust economic growth is reflected in the incremental positive improvement in the office market's fundamentals. As vacancy continues to tighten and new development remains constrained, asking rents will start to rise over the course of 2014. Building on sustained job gains being recorded in the Orlando metro area, Cushman & Wakefield anticipates solid growth in the office sector in the near future.

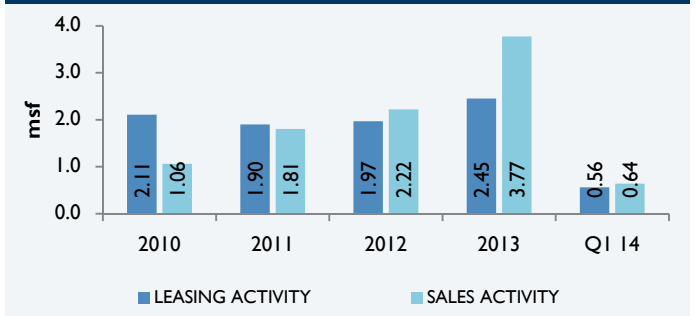
STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	18.3%	17.3%	1.0pp	▼
Direct Asking Rents (psf/yr)	\$20.60	\$19.94	-3.2%	▲
YTD Leasing Activity (sf)	413,391	556,059	34.5%	▲

DIRECT RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



ORLANDO, FL

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	7,213,799	13.2%	12.5%	169,264	0	0	112,506	101,069	\$23.66	\$25.21
Maitland	5,789,657	24.3%	22.4%	140,690	0	0	(55,134)	(45,362)	\$18.82	\$19.62
Altamonte	1,728,271	18.4%	18.4%	24,294	0	0	15,637	15,637	\$15.87	\$19.42
Longwood	790,994	22.1%	22.1%	7,172	0	0	2,312	2,312	\$16.82	N/A
Lee Road	1,013,349	16.9%	16.9%	15,029	0	0	(26,489)	(26,489)	\$15.43	N/A
University/Research	3,852,537	14.2%	13.3%	28,006	0	0	1,131	(1,784)	\$20.83	\$22.67
436 Corridor	2,004,431	23.2%	23.2%	18,852	0	0	(26,753)	(26,753)	\$16.14	N/A
Winter Park	1,560,374	7.3%	6.7%	5,675	0	0	(7,402)	(12,850)	\$23.49	\$24.00
Airport/Lake Nona	851,593	15.4%	15.4%	80,358	0	0	(19,229)	(19,229)	\$22.39	\$22.50
Tourist Corridor	5,454,188	20.6%	18.7%	37,597	0	0	26,205	(15,507)	\$19.39	\$22.37
Lake Mary/Heathrow	4,498,296	16.4%	16.1%	22,706	220,000	0	(8,387)	(19,003)	\$21.81	\$22.05
Millenia/Metrowest	2,296,677	11.4%	11.4%	6,416	0	0	1,063	1,063	\$21.41	\$24.82
SUBURBAN	29,840,367	18.3%	17.5%	386,795	220,000	0	(97,046)	(147,965)	\$19.25	\$21.52
TOTAL	37,054,166	17.3%	16.4%	556,059	220,000	0	15,460	(46,896)	\$19.93	\$22.26

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
6272 Lee Vista Boulevard *	Airport/Lake Nona	CuraScript, Inc.	A	78,449
495 North Keller Road *	Maitland	UnitedHealth Group	A	37,744
150 North Orange Avenue	CBD	KEL	B	37,088
975 North Keller Road	Maitland	MedTech College	B	20,602
955 North Keller Road	Maitland	NCR	B	19,108
1900 Summit Tower Boulevard	Maitland	Mattamy Homes	A	10,321
12605 Challenger Parkway	University/Research	Alion Science & Tech. Corp.	B	8,359
109 East Church Street *	CBD	Rush Marshall Jones & Kelly, P.A.	B	8,290
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
851 Trafalgar Court	Maitland	Crocker Partners LLC	\$14,850,000 / \$85	174,000
215 Celebration Place	Tourist Corridor	TerraCap Management, LLC	\$17,877,000 / \$142	125,974
300 Primera Boulevard	Lake Mary/Heathrow	Banyan Street Capital	\$13,700,000 / 112	122,056
7680 Universal Boulevard	Millenia/Metrowest	Atrium Universal, LLC	\$7,650,000 / \$72	106,611
1277 Semoran Boulevard	436 Corridor	Metro Eastwest LLC	\$2,765,000 / \$138	20,092
2611 Technology Drive	Millenia/Metrowest	Discovery Educations Properties	\$2,300,000 / \$74	30,952
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
1201 Heathrow Park Lane, Lake Mary **	Lake Mary/Heathrow	Verizon Communications	Q2 2014	220,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

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