

MARKETBEAT OFFICE SNAPSHOT



ORLANDO, FLORIDA

A Cushman & Wakefield Research Publication

Q1 2015



ECONOMIC OVERVIEW

The unemployment rate in the Orlando area decreased to 5.4% in February 2015, down by nine-tenths of a percentage point from a year earlier and two-tenths of a percentage point lower than the state's rate of 5.6%. The

Orlando metro created over 46,200 jobs in the last twelve months with all major industries gaining jobs. Non-agricultural employment in Orlando has increased by 4.2% from a year ago, led mostly by gains in leisure/hospitality, professional/business services, transportation, and construction sectors.

POSITIVE START TO THE YEAR

For the first quarter, the Orlando metro started strong with most major fundamentals showing positive improvement. The overall vacancy rate fell by one full percentage point to 16.5%, the lowest rate since the third quarter of 2008. For direct space, vacancy is even tighter at 15.9%. Over the past twelve months, occupancies rose significantly in class A space, dropping the overall vacancy rate by 1.2 percentage points to 14.5%.

Direct asking rental rates had their fourth quarter in a row of gains, climbing \$0.74, or 3.7%. Eleven out of the twelve submarkets saw increases in rent over the past year with only Millenia/Metrowest experiencing a decline due to several blocks of premium space being leased. The market wide average for class A space in higher tier submarkets approached \$24.00 per square foot (psf) this past quarter, a level not seen since the last half of 2009.

Overall net absorption was positive due to strong levels of leasing activity throughout the market. Even though first quarter absorption was only 76,569 square feet (sf), traditionally the slowest quarter of every year, the elevated leasing activity indicates a strong pipeline going forward. 2015 marked the most active first quarter for positive absorption since 2011. The Maitland submarket posted the largest gains in absorption followed by the University/Research Park and CBD submarkets.

STRONG INTEREST IN INVESTMENT SALES

There were several significant sale transactions that closed in the first quarter. In the CBD, 500 North Orange Avenue, adjacent to one of the new SunRail commuter stations downtown sold for \$7 million, or \$58 psf. In the Tourist Corridor, there were three transactions. The largest was a portfolio deal of office, industrial and retail space comprising 286,569 sf in nine buildings that sold for a combined \$13.65 million, or \$48 psf.

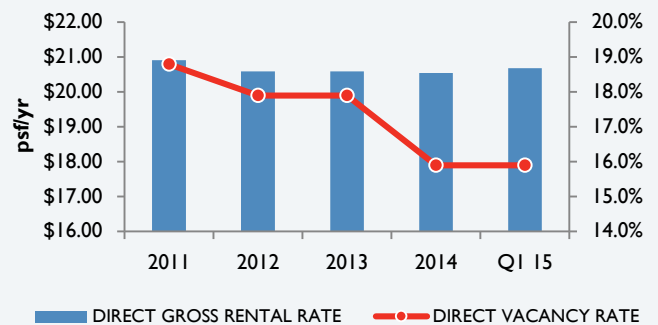
OUTLOOK

Orlando remains one of the top Southern cities for job creation and hiring demand. As such, the Orlando office market started off 2015 on a strong note with a solid pipeline of tenants taking possession of space for the next several quarters. Vacancies have continued to tighten while rental rates consistently rise quarter after quarter. New office construction has been constrained mostly by financing issues and not for a lack of demand. Several large-scale developments are waiting in the wings to break ground. Given the current quarter's performance, Cushman & Wakefield anticipates continued growth for Orlando's office sector.

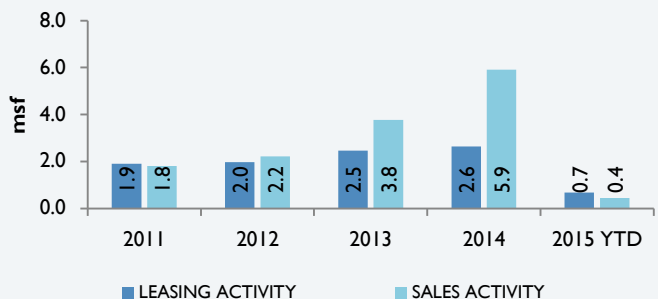
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.3%	16.5%	-4.6pp	▼
Direct Asking Rents (psf/yr)	\$19.94	\$20.68	+3.7%	▲
YTD Leasing Activity (sf)	585,832	681,846	+16.4%	▲

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	7,355,068	13.1%	12.4%	116,058	17,124	-	34,595	47,356	\$24.34	\$25.90
Maitland	5,736,624	21.0%	19.1%	155,059	0	-	107,311	101,674	\$19.55	\$21.25
Altamonte	1,755,711	24.6%	24.6%	10,627	0	-	(103,243)	(103,243)	\$16.39	\$19.35
Longwood	790,994	21.9%	21.9%	19,879	0	-	(1,123)	(1,123)	\$17.22	N/A
Lee Road	972,560	16.4%	16.4%	6,721	0	-	(8,666)	(8,666)	\$17.21	N/A
University/Research	3,855,257	10.3%	10.2%	82,144	0	-	78,539	82,171	\$22.74	\$23.61
436 Corridor	2,005,031	20.2%	20.2%	44,918	0	-	25,797	25,797	\$16.32	N/A
Winter Park	1,532,158	9.3%	9.0%	20,657	0	-	(27,337)	(30,337)	\$24.50	\$25.78
Airport/Lake Nona	851,593	16.6%	16.6%	952	72,450	-	(11,951)	(11,951)	\$22.73	\$22.31
Tourist Corridor	5,413,292	20.7%	19.8%	149,705	0	-	(27,975)	43,918	\$19.66	\$22.24
Lake Mary/Heathrow	4,494,158	15.5%	15.4%	39,570	0	-	(66,026)	(70,521)	\$21.73	\$22.53
Millenia/Metrowest	2,209,903	12.9%	12.7%	35,556	0	-	2,726	1,494	\$23.22	\$26.59
SUBURBAN	29,617,281	17.4%	16.8%	565,788	72,450	-	(31,948)	29,213	\$19.92	\$22.56
TOTAL	36,972,349	16.5%	15.9%	681,846	89,574	-	2,647	76,569	\$20.67	\$23.28

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
800 North Magnolia Avenue *	CBD	Wells Fargo	A	81,857
8415 South Park Circle	Tourist Corridor	Diamond Resorts	A	52,039
2301 Lucien Way	Maitland	Sprint Communications	A	44,787
8427 South Park Circle	Tourist Corridor	Expedia	A	17,783
200 South Orange Avenue	CBD	ubreakifix Company	A	17,592
SIGNIFICANT Q1 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
5900 Lake Ellenor Drive	Tourist Corridor	Cardinal Point Management LLC	\$5,900,000 / \$44	133,075
500 North Orange Avenue	CBD	WSSA Orlando LLC	\$7,000,000 / \$58	120,620
7700/7800 Southland Boulevard	Tourist Corridor	Surterre LLC (B Developments)	\$13,650,000 / \$116	117,596
47 East Robinson Street	CBD	47 Robinson Realty LLC	\$2,645,000 / \$78	33,720
5551 Vanguard Road	Tourist Corridor	5551 Vanguard Street LLC	\$6,500,000 / \$145	44,768
SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
6941 Lake Nona Boulevard	Airport/Lake Nona	N/A	Q3 2015	72,450
800 North Orange Avenue	CBD	Ustler Development	Q2 2015	17,124

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS