

On your mark...get set...stay!

Economy

The national moratorium on foreclosures created a clog in the pipeline of Fort Lauderdale's surplus inventory of distressed homes. The repercussion of which continued to obscure home values, halt sales and limit the availability of financing for buyers; prolonging the economic strain on the mortgage origination capital of South Florida. Despite continued job losses tied to housing and construction, growth within education, health services and tourism continued to help mitigate losses and decreased county unemployment in the fourth quarter.

Market conditions

Increased tenant activity spawned a renewed sense of optimism in the fourth quarter as users sought to take advantage of market conditions. The perception of a closing window of opportunity for tenants was brought about by diminishing reports of corporate downsizing, the absorption of sublet space and significant occurrences of users upgrading space.

Just as the quarter was coming to a close and all signs were pointed to stabilizing occupancy and net absorption, the market's housing-dependant economy once again created a costly gap in market supply. DJSP Enterprises, the Plantation-based foreclosure processing firm, was hit with allegations of fraudulent practices causing the company to rapidly downsize and vacate 148,000 square feet of the firm's 180,000 square feet of Class A space. 48,296 square feet formally hit the market late in the fourth quarter, causing a 330-basis point increase in the submarket's Class A vacancy. With another 100,000 square feet coming to the market, the outcome will push suburban occupancy below 80.0 percent for the first time since 2003.

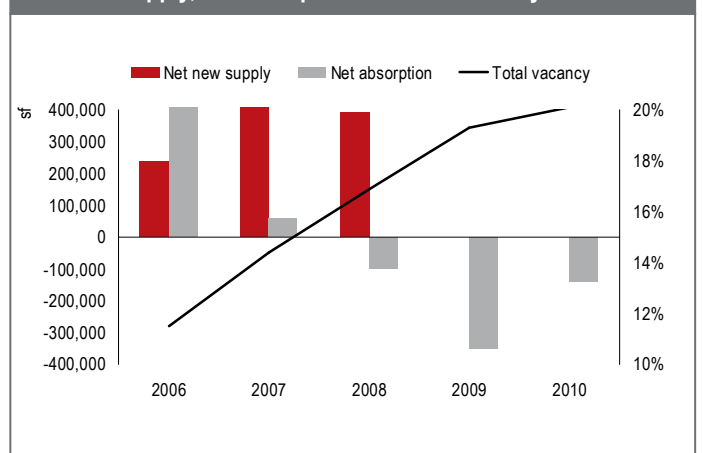
The fourth quarter brought more velocity in the capital markets. Stiles Realty sold their former headquarters at 300 Las Olas Place. The buyer was Franklin Templeton Investments, who signed a lease one year prior to occupy 90.0 percent of the property. Further, Duke Realty formally announced the pending purchase of Premier Realty's 5M square foot industrial / office portfolio. The portfolio includes the 390,000 square foot Crossroads Office Park in Plantation. With Duke's recent purchase of the adjacent Royal Palm buildings, they will soon own 850,000 square feet of Class A space in the market and will have inherited all of the troubled space occupied by DJSP Enterprises.

Outlook

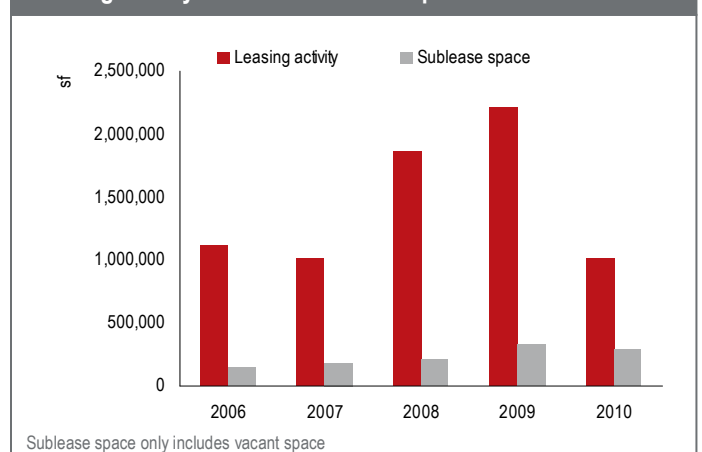
We see occupancy steadily stabilizing with recovery in-sight towards the latter half of 2011. Slow employment growth will keep leverage in the hands of tenants as landlords continue to aggressively compete for lateral moving, credit-worthy tenants. Broward County's prospect to offset lingering economic issues lies in its growing appeal as a less expensive alternative to Miami for companies involved in international trade. This growing migration trend combined with the absence of a construction pipeline will help balance supply and demand and invoke recovery.

Key market indicators			12-month forecast
Supply	Supply	17,847,560 sf	➡
	Direct vacancy rate	18.5%	▼
	Total vacancy rate	20.1%	▼
	Under construction (% preleased)	0 sf (0%)	➡
Demand	Leasing activity 12 mo. % change	-119.4%	▲
	YTD net absorption	(138,038) sf	▲
Pricing	12-month overall rent % change	.58%	▼
	Class A overall asking rent	\$29.96 psf	▼
	Class B overall asking rent	\$22.62 psf	▼

Net new supply, net absorption and total vacancy



Leasing activity vs. sublease vacant space



Tenant perspective

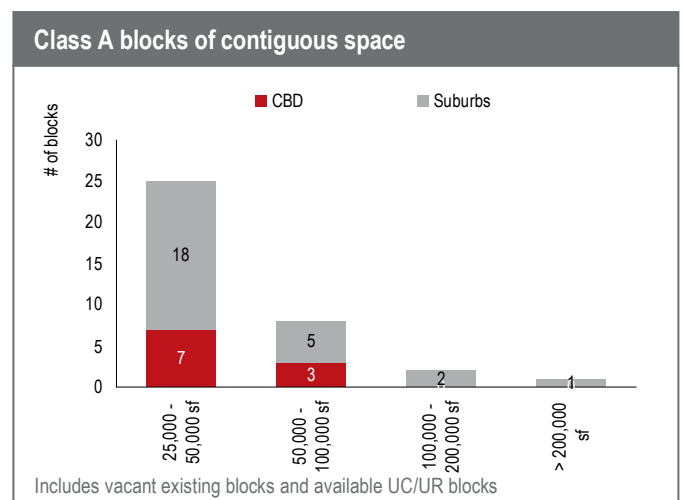
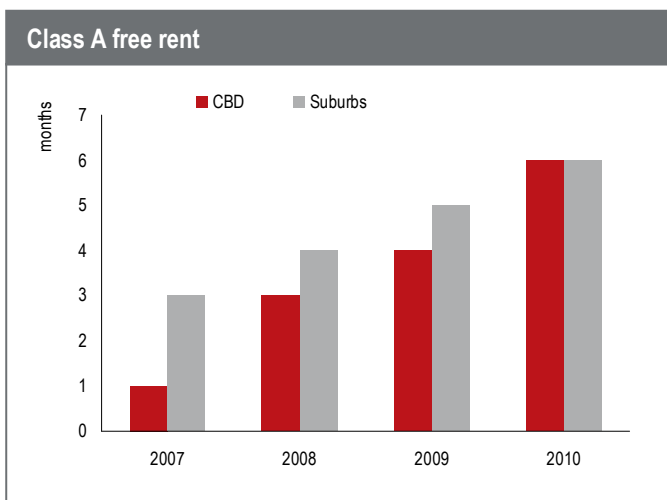
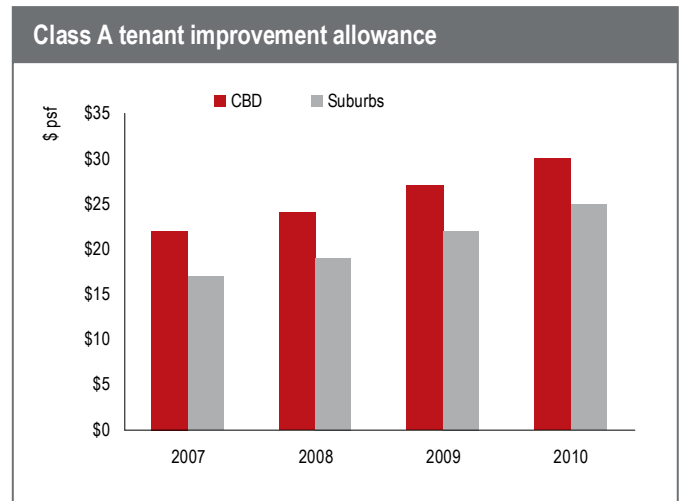
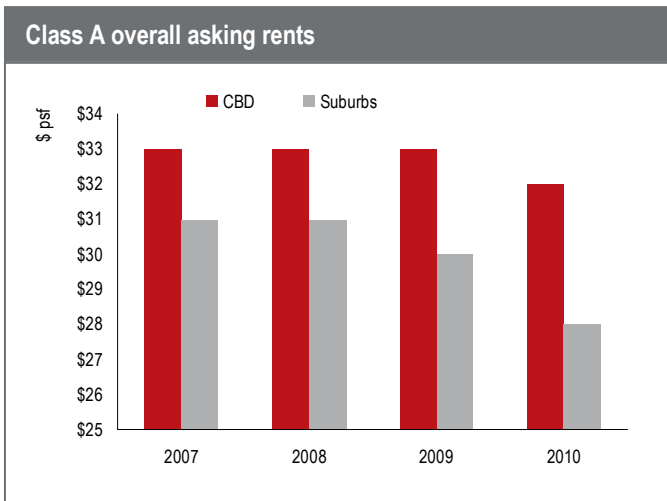
The combination of lingering economic challenges and the shallow, laterally migrating tenant pool continue to create leverage and opportunity for tenants. Because of the market's make-up of smaller users, large credit-worthy businesses remain in high demand producing heated landlord competition, often resulting in generous incentive packages.

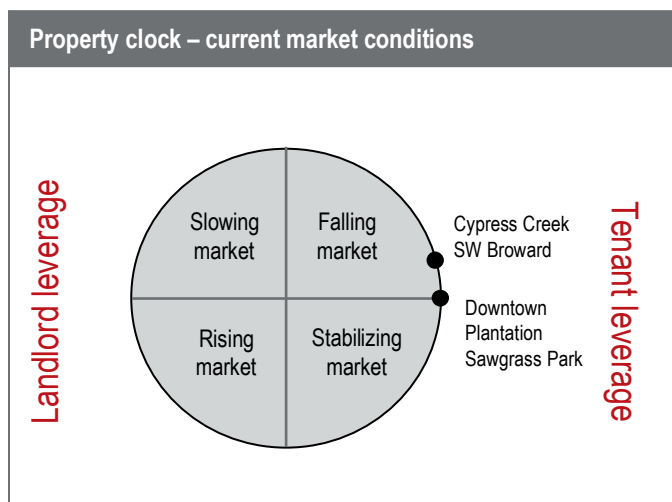
In prime locations such as the Las Olas corridor in the Central Business District, the absorption of sublet space and steadily increasing market occupancy will offer increasingly less control for tenants over the 12 months.

Landlord perspective

Competition for credit-worthy tenants remains red hot as tour activity has increased but the tenant pool remains shallow. Existing users continue to heavily "shop" the market prior to making a commitment causing the gap between asking and effective rents to continue to widen.

Asset owners are preparing for market recovery and investing in capital improvements such as common area renovations to enhance marketability. Many owners have successfully increased occupancy by building out speculative suites to cater to the market's smaller users.





Submarket leverage – market history and forecast

Submarket	2008	2009	2010	2011	2012
Downtown	Landlord-favorable	Balanced	Tenant-favorable	Tenant-favorable	Balanced
Cypress Creek	Landlord-favorable	Balanced	Tenant-favorable	Tenant-favorable	Tenant-favorable
Plantation	Landlord-favorable	Balanced	Tenant-favorable	Tenant-favorable	Balanced
Sawgrass Park	Landlord-favorable	Balanced	Tenant-favorable	Tenant-favorable	Balanced
Southwest Broward	Landlord-favorable	Balanced	Tenant-favorable	Tenant-favorable	Tenant-favorable

■ Landlord-favorable conditions
 ■ Balanced conditions
 ■ Tenant-favorable conditions

Completed lease transactions

Tenant	Address	Submarket	sf	Type
Paychex	Huntington Center	SW Broward	24,000	New
GSA – Soc. Security Admin	Broward Financial Center	Downtown	28,000	New
SAFco	Cypress Park West	Cypress Creek	8,700	New
PHH Vehicle Management	Lakeside	Plantation	5,000	New

Completed sale transactions

Address	Submarket	Buyer / Seller	sf	\$ psf
300 Las Olas Place	Downtown	Franklin Templeton Investments	102,000	\$286.00

Broward County methodology: Inventory includes all Class A & B office properties >= 30,000 square feet, excluding all condo, medical and government owned buildings, and owner occupied buildings



Real value in a changing world

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