

Y-O-Y Deal Volume was Down Slightly in Florida in 2017 but the Sky is Not Falling

A unique dichotomy presented at the close of 2017 as deal volume had fallen sharply over the previous year (down 17% since year-end 2016), however significant demand and attractive financing led to cap rate compression and relatively strong pricing. Although the overall volume was down from 2016's robust figures, \$5.6 billion is a relatively strong year when compared to the past 5 years average. As cap rate compression continued during 2017 the best assets in the market achieved pricing that met or exceeded the pre-recession peaks; however 2nd tier assets have struggled to grow at the same pace as investors have become more discriminating. 2018 could be a robust year for the office market as some owners have held off selling their assets in the midst of rising rental rates and increased leasing activity. The investment market is still flush with capital and eager to purchase office product based on the strong performance of the sector in recent years, shrinking unemployment numbers, limited new supply, and the relatively high cap rates as compared to the industrial, retail, and multifamily sectors.

Office Investment Influencers During 2017

- The strengthening U.S. economy has shown no signs of abatement, with a strong labor market continuing to fuel growth.
- The period between 2014 and 2015 was a record time for investment sales, due in large part due to the pent-up demand hangover from the last recession. At the close of 2017, deal volume was down 12% over the high water mark set in 2015 as there were simply fewer key properties available for sale, even as interest rates remain low and the financing market stays favorable.
- There has been an increase in the capital markets in the placement of debt through refinancing with some investors seeking new equity partners to free up capital for investment and to mitigate future risk.
- As widely anticipated, The Federal Reserve instituted a 25-bps interest rate hike in December, taking the fed funds target range to between 1.25% and 1.50%, with three additional hikes expected during 2018.
- The U.S. is still widely viewed as a safe haven for capital, and cross border investment in Florida's office market is expected to increase in 2018 over the tepid amount this past year. Foreign buyers from China, Germany, Canada and the Middle East will continue to target office investments in Florida, with particular interest in South Florida.

\$5.6 billion

total statewide office transaction volume during 2017

30.7 million

total sf sold during 2017

312

total office sales >\$2.5MM and >20,000 sf during 2017

\$169

avg price/sf for all office sales >20,000 sf closed during 2017

The investment market is still flush with capital and eager to purchase office product. In the Orlando market, year-over-year deal volume increased markedly by 41% in 2017.

South Florida

South Florida is home to a diverse investment landscape and is an attractive alternative to other saturated top-tier U.S. markets.

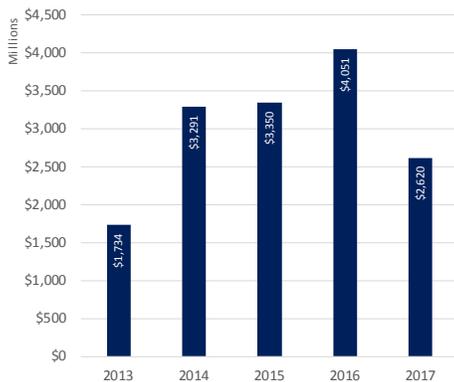
As the South Florida economy continues to flourish amid a growing population base and rising employment, new tax laws are likely to help spur future economic development. According to the Institute for Economic Competitiveness, South Florida's total employment is expected to grow at an average annualized rate of 2.2% through 2021. Naturally, these conditions have positively impacted the health of the South Florida office market which generated over \$2.6 billion of investment activity in 2017.

While many of these assets were acquired by private investors in Broward and Palm Beach County, the largest sale of the year took place in Miami's central business district. In April of 2017, Rockpoint Group purchased 1221 Brickell for \$155 million, or \$380 per sf.

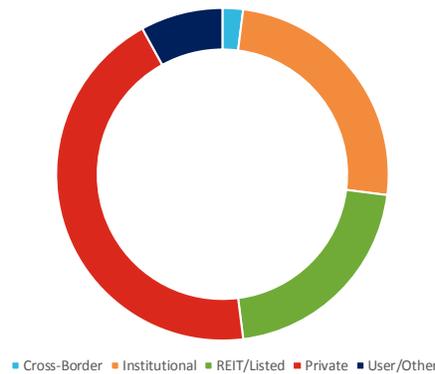
Transactions like the sale of 1221 Brickell serve to demonstrate national demand for core assets in markets such as South Florida. In response to limited return opportunity in key top-tier U.S. markets, investors are pursuing less competitive capitalization rates in areas unsaturated by institutional and foreign capital. Furthermore, the most active buyers are expected to be private capital and experienced local operators who are often in partnership with major real estate funds with institutional owners being predominately net sellers in the new year.

While headwinds from the late market cycle and interest rate concerns may develop a more challenging transaction environment, Avison Young anticipates that favorable economic conditions will result in an active sales market in 2018.

5-Yr Office Sales Volume Trend



Buyer Composition in 2017



Capital Flows in 2017



Significant 2017 Office Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
1221 Brickell	2Q-2017	408,000	\$155,000,000	\$380	Rockpoint Group	Brickell
Office Depot HQ	3Q-2017	630,000	\$132,050,000	\$210	Office Depot, Inc.	Boca Raton
Park Square at Doral	3Q-2017	281,623	\$96,100,000	\$341	TA Realty	Airport / Doral
One Financial Plaza	1Q-2017	300,046	\$86,750,000	\$289	Walton Street Capital	Downtown FTL
200 East Broward	4Q-2017	226,000	\$81,500,000	\$361	Banyan Street Capital	Downtown FTL
Golden Bear Plaza	3Q-2017	245,673	\$62,300,000	\$254	Alliance Partnership	NPG / PBG
Peninsula Executive Center	2Q-2017	187,784	\$59,750,000	\$318	C. Talanian Realty Co.	Boca Raton
7600 - 7700 West Sunrise Blvd	3Q-2017	215,744	\$56,600,000	\$262	Midtown Capital Partners	Plantation
Fountain Square	4Q-2017	241,000	\$54,500,000	\$226	Bridge Investment Group	Boca Raton
One Clearlake Centre	3Q-2017	215,104	\$42,300,000	\$197	Velocris / CREC	Downtown WPB

Tampa Bay

Deal volume down
22% over 2016
due in part to a
lack of available
investment
opportunity in the
urban core.

The Tampa-St. Petersburg-Clearwater MSA was ranked as one of the top 20 “U.S. Markets to Watch” for overall real estate prospects in the Emerging Trends in Real Estate® 2018 report published by PricewaterhouseCoopers and the Urban Land Institute. Many investors seeking opportunities in gateway markets are facing fierce competition and are being priced out of those markets due to their yield requirements, and are turning their attention to secondary markets.

There were several significant office transactions in Tampa Bay during 2017, along with a notable absence of activity in the urban core as most of the key product had already traded hands in recent years. Also noteworthy is that many office investment holdings that were purchased by private equity funds during the last economic cycle have begun to sell, including several assets

in a recent fund sold for TA Realty, and liquidity remains sound as lenders continue to exercise discretion.

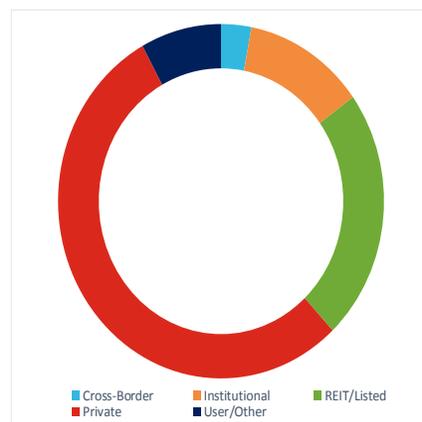
The largest transaction of the year involved a 7-building acquisition in the greater Tampa Bay area (five of which were located in Tampa) by The Dilweg Companies, a Durham, N.C.-based real estate investment firm. The firm's CEO pointed to the strong fundamentals of the Tampa metro area as the chief reason for their acquisition, and plans to reposition all of the assets.

Heading into 2018, the strengthening domestic economy, tightening monetary policy at the Federal Reserve, and expanding government spending are expected to lift both interest rates and the U.S. dollar during the coming year, which could help attract more foreign investment.

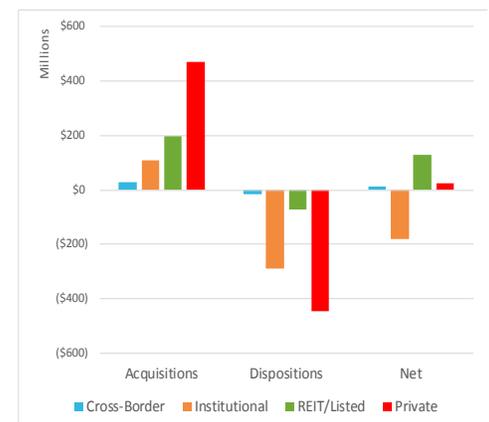
5-Yr Office Sales Volume Trend



Buyer Composition in 2017



Capital Flows in 2017



Significant 2017 Office Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Dilweg Property Portfolio (5 bldgs)	2Q-2017	597,994	\$78,900,000	\$132	The Dilweg Companies	I-75 Corridor/Westshore
Priatek Plaza*	2Q-2017	295,200	\$65,750,000	\$223	Third Lake Capital	St Petersburg CBD
Island Center	4Q-2017	249,797	\$57,375,000	\$230	Partners Group	Westshore
Waterford Plaza	4Q-2017	245,016	\$55,125,000	\$225	Partners Group	Westshore
Tampa International Business Center	4Q-2017	324,654	\$45,100,000	\$139	RE Value Advisors	Northwest Tampa
Centrepointe*	3Q-2017	161,900	\$35,700,000	\$221	Florida Dept of Transportation	Westshore
Bristol-Myers Squibb Building	1Q-2017	130,091	\$31,400,000	\$241	Gramercy REIT	Westshore
8800 Hidden River Parkway	3Q-2017	135,000	\$20,200,000	\$150	Farley White Management Company	I-75 Corridor
Meridian 589	1Q-2017	260,500	\$18,500,000	\$71	Meridian Dev JV Eightfold RE Capital	Northwest Tampa
Buschwood I & II	4Q-2017	171,905	\$16,500,000	\$96	Meridian Development	Northwest Tampa

*Avison Young was involved in this sale

Orlando

Total Y-O-Y deal volume grew by 41% in 2017, driven largely by several portfolio transactions in key submarkets.

Nationwide, investors remain cautious but optimistic as a widening bid-ask spread slows deal velocity, and discipline continues to be exercised on both the equity and the debt side. Office investment activity in Orlando was quite strong during 2017, with year-over-year deal volume rising 41% over 2016, driven in large part by a single major portfolio transaction in downtown Orlando.

As of year-end, the capital pool in this market remains relatively deep and is expected to remain healthy over the next couple of years. Even as the fast pace of job and population growth propels Orlando forward, investors anticipate slower growth in the overall economy, and will therefore continue to be prudent about their real estate investments and exercise a degree of caution.

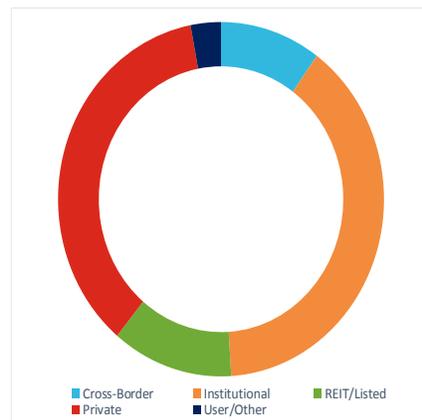
There were several significant portfolio transactions during 2017, however the biggest sale occurred in the urban core. California-based Southwest Value Partners became downtown Orlando's largest landlord at the close of the fourth quarter following its massive 1 million-sf purchase of a 3-building class A trophy office portfolio from Cousins for \$208.1 million.

Lenders continue to exercise discretion, favoring urban properties with high-credit tenant rosters over suburban assets in their underwriting, and urban assets continue to underwrite at lower cap rates (roughly 100 bps lower than suburban buildings). Moving forward, office investment activity is expected to remain brisk and office employment growth is projected to average 2.2% annually during 2018 and 2019.

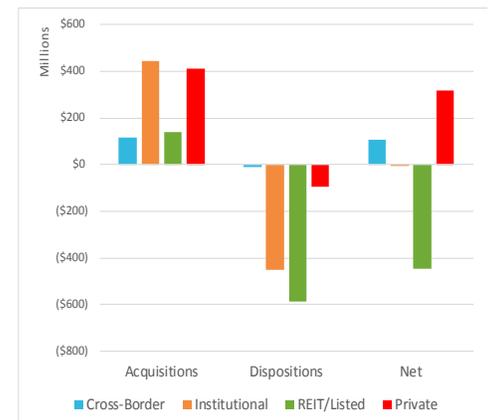
5-Yr Office Sales Volume Trend



Buyer Composition in 2017



Capital Flows in 2017



Significant 2017 Office Transactions Ranked by Sales Price

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Cousins Portfolio (3 bldgs)	4Q-2017	1,037,603	\$208,100,000	\$201	Southwest Value Partners	Downtown Orlando
DRA Portfolio Lake Mary (6 bldgs)	3Q-2017	795,694	\$151,100,000	\$190	Starwood Capital	Lake Mary/Heathrow
Colonial TownPark (4 bldgs)	2Q-2017	657,844	\$136,100,000	\$207	Brookdale Group	Lake Mary/Heathrow
Maitland Preserve (3 bldgs)	3Q-2017	306,119	\$51,400,000	\$168	Gladstone Commercial	Maitland
Maitland Promenade II	4Q-2017	230,366	\$40,300,000	\$175	Keppel KBS US REIT	Maitland
Maitland Colonnades	2Q-2017	260,000	\$31,250,000	\$120	TriGate Capital JV Tower Realty	Maitland
Suntech Commerce Park I/II	4Q-2017	224,501	\$19,687,500	\$88	Real Capital Solutions	Lake Mary/Heathrow
Two Resource Square	4Q-2017	123,658	\$19,100,000	\$154	University of Central FL	University/Research
550 International Parkway	1Q-2017	125,920	\$19,100,000	\$152	JP Morgan Chase Bank	Lake Mary/Heathrow
600 Business Center Drive	1Q-2017	128,152	\$18,900,000	\$148	JP Morgan Chase Bank	Lake Mary/Heathrow

Over 50% of all transaction volume during 2017 took place in the sought after Baymeadows submarket.

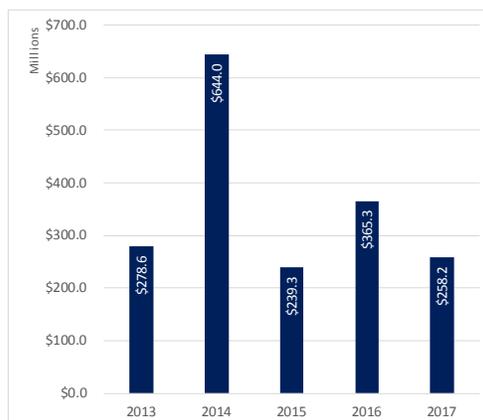
Investors largely perceive Jacksonville as a tertiary market that does not provide the same scale of opportunity as larger cities. That aside, investors eager to place capital and companies considering relocation continue to perceive the area positively, noting the area's overall quality of life, healthy job growth, and limited new construction. There is a lot of money chasing deals in Florida right now, particularly private equity and REITs, and Jacksonville is becoming increasingly attractive to investors who cannot achieve their desired yield in higher profile Florida markets like Miami, Orlando and Tampa.

During 2017, the majority of Jacksonville's office deal volume took place in the Northbank area of Downtown Jacksonville and in the high-growth I-95/9A Corridor. The largest deal of the year took place in the Baymeadows area of the

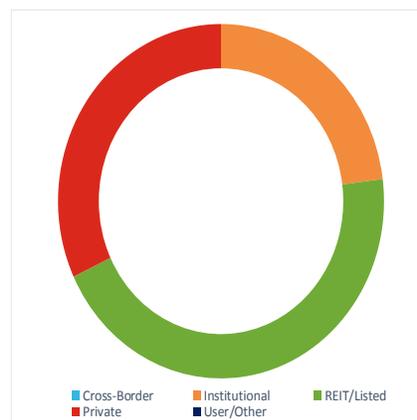
I-95/9A Corridor when Gramercy Property Trust ("Gramercy") completed the sale of five buildings in Gramercy Woods to New York-based Ladder Capital Corp. ("Ladder") for \$115 million. Bank of America remains the largest tenant in the park, accounting for 72% of all office space, and Aetna recently announced it will soon be relocating to Gramercy Woods from its current location on the Southbank. The Northbank area also captured notable interest in 2017, accounting for 5 of the area's top 10 office deals (as shown below).

Avison Young's expectations for 2018 largely mirror those for 2017 as the economy remains strong and employment growth persists. Healthy leasing activity and developer discipline will ensure that net absorption remains solid, particularly in the I-95/9A corridor submarkets, which will continue to attract investor capital.

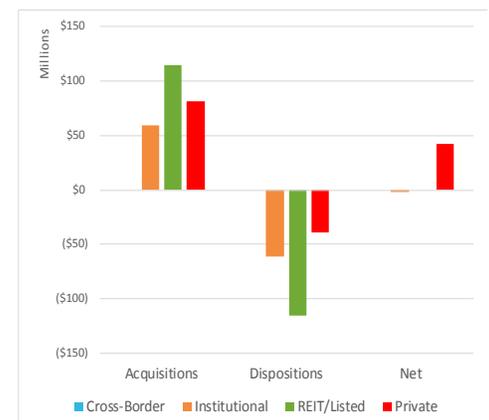
5-Yr Office Sales Volume Trend



Buyer Composition in 2017



Capital Flows in 2017



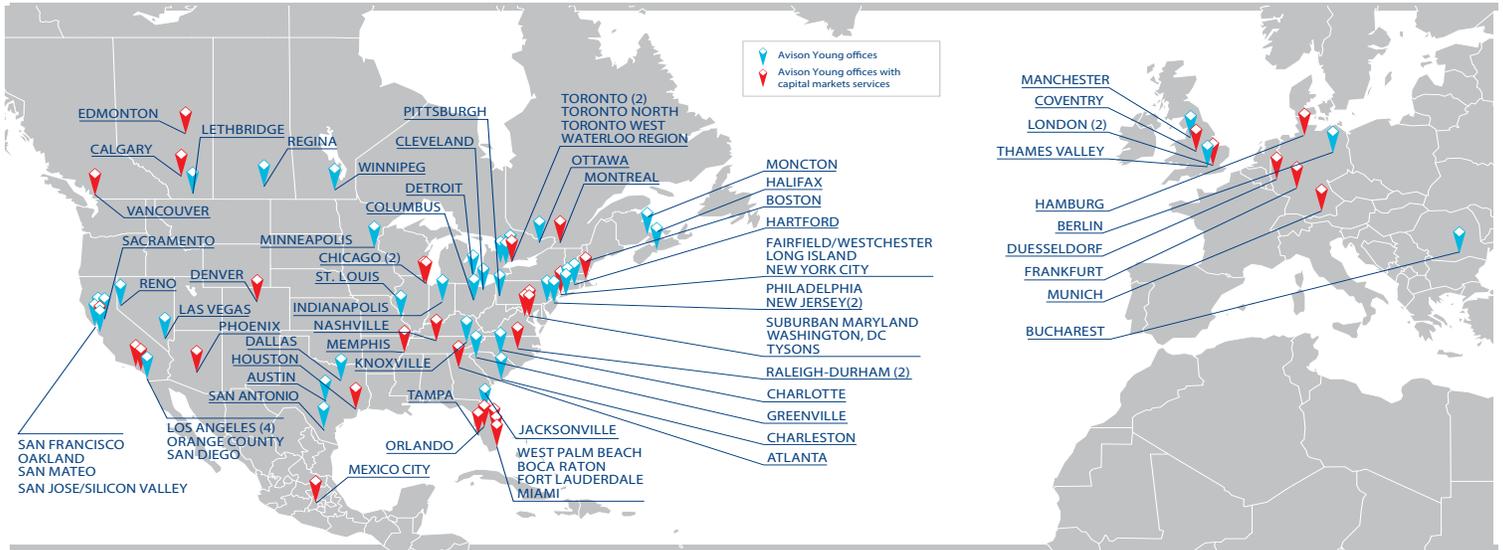
Significant 2017 Office Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Gramercy Woods (5 bldgs)	2Q-2017	854,000	\$115,000,000	\$135	Ladder Capital Corp	Baymeadows
8800 Baymeadows Way	2Q-2017	219,126	\$21,200,000	\$97	Continental Capital Partners, LLC	Baymeadows
9487 Regency Blvd	3Q-2017	112,060	\$20,100,000	\$179	CH Jacksonville FL Landlord LLC	Arlington
One Enterprise Center	2Q-2017	330,000	\$15,200,000	\$46	Rosencrans 2004 LLC	Downtown Northbank
Fleming Island Business Park	3Q-2017	120,191	\$10,500,000	\$87	Interra Capital Group	Clay County
4348 Southpoint Blvd	3Q-2017	46,469	\$4,900,000	\$105	Evergreen Jacksonville Offices	Southpoint
Elkins Building	3Q-2017	32,300	\$4,415,000	\$137	Southbelt Park LTD JV IGS	Downtown Northbank
The Herkimer Blvd	1Q-2017	29,000	\$3,600,000	\$124	Cambridge Harbor Office, LLC	Downtown Northbank
300 Adams St	4Q-2017	42,466	\$3,450,000	\$81	CRA Investments	Downtown Northbank
Dyal-Upchurch Building	4Q-2017	43,747	\$2,800,000	\$64	Ten-H Investments LLC	Downtown Northbank

A Growing, Multinational Presence

Founded: **1978**
 Total Real Estate Professionals: **2,600**
 Offices: **82**
 Brokerage Professionals: **1,100**
 Property Under Management: **100 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 82 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



Transaction Services

- Tenant representation, lease acquisition and disposition
- Investment acquisition and disposition for owners and occupiers
- Landlord representation— all property types—office, industrial, retail, build-to-suit, land and multi-family

Investment Management

- Acquisitions
- Asset management
- Portfolio strategy
- Capital repositioning

Consulting & Advisory Services

- Portfolio review and analysis
- Valuation and appraisal
- Benchmarking
- Transaction management
- Asset rationalization
- Mergers and acquisitions
- Workplace solutions
- Acquisitions and dispositions
- Property tax services

Debt Capital Services

- Permanent & construction
- Structured finance
- Portfolio mark to market
- Mezzanine & bridge

Management Services

- Project management
- Property and operations review
- Property/facility management
- Tenant relations
- Financial reporting
- Lease administration
- Operations consulting
- Asset management
- Portfolio management

Enterprise Solutions

- Integrated services coordination
- Transaction management
- Optimization strategies
- Portfolio lease administration
- Project coordination and reporting

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