MID-YEAR 2013

BROWARD OFFICE REPORT

George Sacks
gsacks@commfla.com

Peter D. Reed
preed@commfla.com

COMMERCIAL FLORIDA REALTY SERVICES, LLC

561-338-9950

www.commfla.com

4800 N. Federal Highway | Suite D300 | Boca Raton, Florida 33431

Commercial Florida Realty Services is pleased to announce its mid-year 2013 Office Market Reports for the Broward and Palm Beach County markets.

During the mid 90's, Commercial Florida differentiated itself from its competition by providing proprietary and sophisticated market research information and analysis. These market reports were sought after and well regarded by developers, tenants, as well as private and institutional owners of office properties. While times have changed with the arrival of Co-Star and other online property information sources, the need for intuitive interpretation of market information to determine both current conditions and trends has not.

Commercial Florida's primary objective is real estate value creation through quality real estate services and property solutions with the highest level of professionalism, personal service and commitment to assist our clients in making the best possible real estate decisions in this competitive and volatile business environment.

We look forward to your comments and suggestions and hope that you will not only find these reports useful, but that you will turn to Commercial Florida for all your South Florida office property needs.

Commercial Florida remains encouraged with the increase in transaction velocity in the first half of the 2013. However, we remain cautiously optimistic that it will sustain itself long enough to have a meaningful impact on occupancy, rental rates and ultimately values.

George Sacks
Principal

Peter Reed
Principal

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Direct Vacancy Rates		
1H13	YE12	1H12
15.36%	15.43%	15.76%

Sublet Vacancy		
1H13	YE12	1H12
0.62%	0.70%	0.75%

Overall Vacancy		
1H13	YE12	1H12
15.98%	16.13%	16.51%

Weighted Average Direct Lease Rate		
1H13	YE12	1H12
$ 16.60	$ 16.60	$ 16.91

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Market Remains Even as 2013 Moves On

As we pass the halfway mark of 2013, we find the Broward County office market to be essentially in the same condition it was at the start of the year; stable with slow improvement. Year to date net absorption was a positive 100,216 square feet which is just slightly less than the county had for all of 2012. Overall vacancy has declined slightly from the start of 2013 to 15.98% from 16.13% as average asking lease rates stay fixed at $16.60 per square foot. Overall, we believe the market is stronger than it appears as we see strengthening in Class A asking lease rates in several submarkets; this is normally a sign of increased competition for quality spaces.

The best performing submarket was Pompano/Deerfield Beach with a positive 129,336 square feet absorption followed by Downtown Ft. Lauderdale at 68,860 square feet and Southwest Broward at 49,632 square feet. The worst performing submarket was Cypress Creek at negative 170,855 square feet with nearly all of the loss, 158,441 square feet, coming from Class B space in the submarket. Plantation and Northwest Broward were essentially flat during the first half of 2013. The Central Business District/Downtown Ft. Lauderdale remains the priciest market at an average of $19.34 per square foot with Plantation being the priciest suburban market at $19.26 per square foot.

Significant leasing transactions included Carnival Cruise Line renewing a 63,000 square feet lease at 3400 Lakeside Drive in the Southwest Broward submarket; Becker & Poliakoff P.A. taking 46,347 sq. ft. at 1 E Broward Blvd. in Downtown Ft. Lauderdale; General Dynamics Itronix leasing 43,911 at 1000 Sawgrass Corporate Parkway in the Sawgrass district; and Fifth Third Bank leasing 21,000 square feet at 200 E Las Olas Blvd. in Downtown Ft. Lauderdale.

Significant sale transactions included Romagnole Investment Properties acquiring the 51,426 square foot 1100 Building in the Southwest Broward submarket from Beacon Investment Properties for $12,000,000 which is a healthy $233.35 per square foot. Additionally, Atid Investments LLC purchased the 86,000 square foot Citibank building from Nivcab, Inc. in the Downtown Ft. Lauderdale market for $10,400,000 or a more modest $120.93 per square foot.

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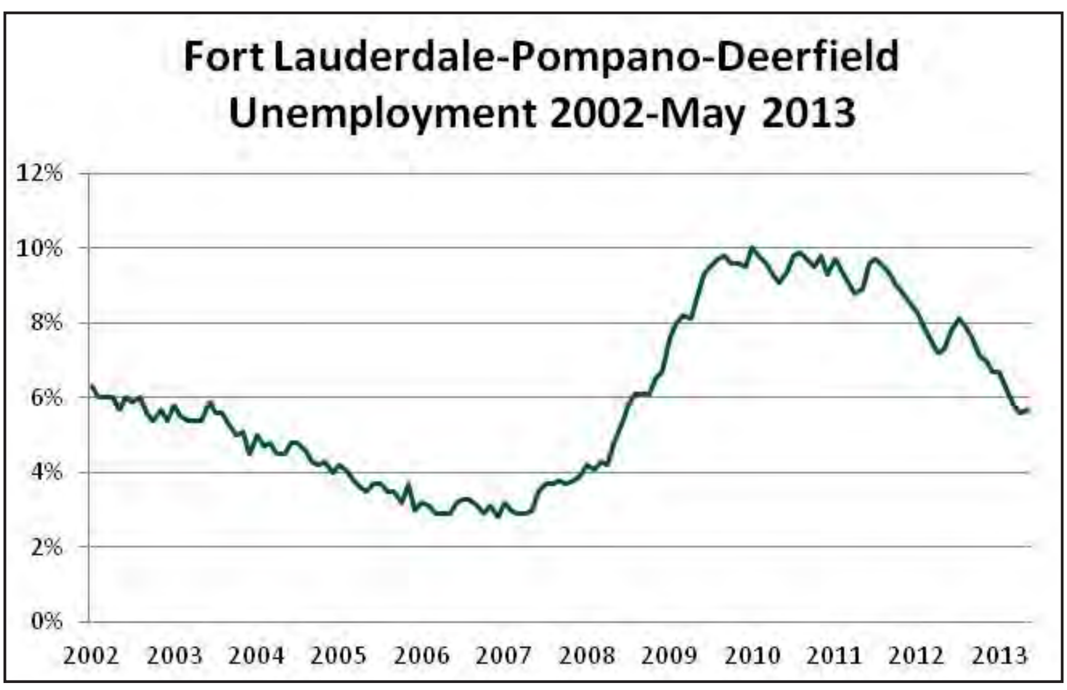
Broward Economic Focus

The first half of 2013 delivered excellent improvements in the employment situation within Broward County across the board. The County's unemployment has fallen to 5.7% from 6.7% at the end of 2012 according to the Bureau of Labor Statistics; a rate significantly below the national average. This trend represents meaningful gains in the number of persons actually employed (approximately 25,000 new jobs) and reductions in those unemployed (9,000 fewer approximately), all while the total labor force grew!

Perhaps most remarkable is that every single sector covered by the U.S. Bureau of Labor Statistics is showing positive annualized growth as of June 2013. The fastest growing sector is still construction at 8.6% annualized; we cannot emphasize enough the importance of this as a leading indicator of future economic growth. Manufacturing is growing at 5.1% annualized but represents a relatively small portion of Broward's labor force. The third fastest sector is financial activities at 3.3%; perhaps the best news in awhile for the Broward office market! Leisure and hospitality and trade, transportation, and utilities also are performing well at 2.7% and 2.6% annualized growth respectively. Education and health services is only growing at 0.1% making it the weakest sector.

Office space demand is largely a function of office using employment, as stated above one of the key office using sectors, financial activities, is showing great growth as of today. The other office using sectors information and professional and business services are growing at 1.1% and 0.6% respectively. Taking all the information into consideration, we conclude that the future potential for growth in demand for Broward County office space to be quite high. While the numbers do not reflect it yet, we could be on the verge of a leasing boom if these trends continue. The overall health of South Florida and Florida in general is quite strong and seems only to be getting stronger. We wish we could say the same for the nation as a whole, however interest rates and federal deficits have slowed the overall velocity of growth. We can confidently say that Florida and specifically Broward County are likely to outperform the nation. This could make our office markets outperformers as well.



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Submarket Highlight: Downtown Ft. Lauderdale

Downtown Ft. Lauderdale, Broward County's Central Business District, experienced 68,860 square feet of positive net absorption in the first half of 2013 as overall vacancy fell to 18.23% from 19.51% at the end of 2012. This move represents a significant trend reversal from 2012 which ended with a negative 22,107 square foot loss. As should be expected with strengthening markets, average asking lease rates rose from $19.05 per square foot to $19.34. Much of this lease rate rise came from the Class B sector which moved from $17.75 per square foot at year's end to $18.92 today; by contrast, Class A went from $19.30 to $19.40 per square foot. It is worth noting that only 152,461 square feet of Class B space remains vacant downtown (as compared to 844,884 square feet of Class A space), thus it is quite logical to expect faster rate rises in the Class B space as more leasing deals transact.

Of course some areas of downtown, such as Las Olas are nearly leased out of Class A space as these areas are in high demand. In fact, two firms recently relocated to ground floor Class A spaces in this area. One was Fanatics Mounted Memories who leased 15,295 square feet in the Plaza at Las Olas and One Sotheby's International Realty who leased 1,905 square feet. Both of these buildings are nearly 100% full after these lease signings according to GlobeSt.com.

The most significant move into the CBD during the first half of 2013 was by the law firm Becker & Poliakoff who is relocating their headquarters from a Stirling Road location in Hollywood. The firm leased 46,347 square feet in the top three floors of the Wells Fargo Building at 1 East Broward owned by Ivy Realty. It was reported in the South Florida Business Journal that Ivy Realty spent millions in capital improvements on the building originally opened in 1984 as part of the deal.

Another building undergoing significant improvement and leasing momentum is 110 Tower, a now LEED Gold certified 391,473 square foot tower originally constructed in 1988. According to GlobeSt.com, the owners are spending over $15 million on exterior and interior upgrades. The building has recently benefited from 12,200 square feet in new leases from two law firms and one technology firm. These type of renovations are likely going to be key in determining which buildings receive the bulk of new leases as the recovery moves forward. We predict landlords will be more willing to invest in renovations and tenant improvements in older buildings to stay competitive, especially as Class B rents continue to rise.

The overall health and vibrancy of Downtown Ft. Lauderdale is also improving as new development resumes across the real estate spectrum. The South Florida Business Journal reports that about 1,500 residential units are under review by city officials who would like to increase total residential units Downtown by up to 5,000. A lot of development is occurring around the New River, including a 249 unit luxury apartment complex called the New River Yacht Club owned by The Related Group. Additionally, a major new development called Marina Lofts is being proposed for the south side of the New River; this project which includes nearly 1,000 residential units could become a catalyst for further major new development downtown. This project could potentially create a south downtown district with strong interlinks, similar to the Brickell area of downtown Miami.

Broward By The Numbers

CBD / Downtown Ft. Lauderdale	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Mid-Year Absorption	Weighted Average Direct Lease Rate
Class A	4,371,750	971,128	23.07%	0.86%	23.93%	2,658	$ 19.12
Class B	1,321,273	167,291	14.10%	1.44%	15.54%	-11,984	$ 17.15
Downtown Ft. Lauderdale Total	5,693,023	1,138,419	20.00%	0.99%	20.99%	-9,326	$ 18.83

Cypress Creek	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Mid-Year Absorption	Weighted Average Direct Lease Rate
Class A	2,653,019	416,760	15.71%	0.59%	16.30%	79,339	$ 15.99
Class B	4,566,471	738,084	16.16%	0.11%	16.27%	3,588	$ 14.18
Cypress Creek Total	7,219,490	1,154,844	16.00%	0.29%	16.28%	82,927	$ 14.89

Plantation	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Mid-Year Absorption	Weighted Average Direct Lease Rate
Class A	1,763,724	305,383	17.31%	3.23%	20.55%	16	$ 19.62
Class B	1,516,138	98,721	6.51%	0.00%	6.51%	2,863	$ 19.21
Plantation Total	3,279,862	404,104	12.32%	1.74%	14.06%	2,879	$ 19.52

Northwest Broward	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Mid-Year Absorption	Weighted Average Direct Lease Rate
Class A & B	1,582,824	352,952	22.30%	0.16%	22.46%	-34,795	$ 18.25
Northwest Broward Total	1,582,824	352,952	22.30%	0.16%	22.46%	-34,795	$ 18.25

Southwest Broward	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Mid-Year Absorption	Weighted Average Direct Lease Rate
Class A	4,291,345	611,202	14.24%	0.41%	14.65%	54,230	$ 18.30
Class B	3,403,235	253,640	7.45%	1.45%	8.91%	33,511	$ 16.25
Southwest Broward Total	7,694,580	864,842	11.24%	0.87%	12.11%	87,741	$ 17.70

Pompano Deerfield	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Mid-Year Absorption	Weighted Average Direct Lease Rate
Class A & B	2,606,079	509,121	19.54%	0.25%	19.79%	-29,028	$ 12.84
Pompano Total	2,606,079	509,121	19.54%	0.25%	19.79%	-29,028	$ 12.84

Overall Market	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Mid-Year Absorption	Weighted Average Direct Lease Rate
Overall Market Total	28,075,858	4,424,282	15.76%	0.75%	16.51%	100,398	$ 16.91

Downtown Ft. Lauderdale Focus (Continued)

Further, heavy investments into transportation infrastructure are being planned or approved that affect Downtown Ft. Lauderdale; these include a street car project called The Wave, the construction of an All Aboard Florida rail stop near the CBD that will offer high speed rail to Orlando and Miami, and the potential expansion of Tri-Rail commuter trains to these same rails owned by Florida East Coast Railroad.

This type of intense development and transportation investment will make the CBD vastly more attractive to businesses seeking office space. There has been a nationwide movement of both residents and businesses who prefer walkable, urban environments when they are safe, well connected with transportation linkages, and have great ambiance and feel. We cannot imagine a more ideal location that meets those requirements than Downtown Ft. Lauderdale. Miami invested heavily in the Metrorail and People Mover systems, today it is easy to see the benefits.

We believe it is very conceivable that a similar transition can occur in Downtown Ft. Lauderdale over the next ten to twenty years. The area is already being marketed by residential Realtors and Developers as a suitable alternative to the hectic, congested and pricey Miami market. Even some international buyers, who naturally desire Miami given the worldwide prestige it enjoys, are seeing the logic and choosing Ft. Lauderdale over Miami, even when price is not a dominant factor.

This view of Downtown Ft. Lauderdale as a comparable substitute to Miami could have dramatic implications for the office market. The need for new development could be quite strong as the CBD only has 5,693,023 square feet of office space (Class A being overly dominant at 4,371,750). This is relatively small for a major urban downtown core. Luckily, there are many vacant or re-developable sites in Downtown Ft. Lauderdale for investors to build upon to meet future demand when it comes.

Noteworthy Leasing Transactions					
Tenant	Building	Submarket	Leased Sq. Ft.	Tenant Broker	Landlord Broker
Carnival Cruise Lines	3400 Lakeside Drive	SW Broward	63,000	Cushman & Wakefield	Liberty Property Trust
Becker & Poliakoff P.A.	1 E Broward Blvd	Downtown Ft. Lauderdale	46,347	-	CBRE
General Dynamics Itronix	1000 Sawgrass Corporate Pky	Sawgrass	43,911	-	Duke Realty
Sheridan Healthcorp, Inc.	1613 NW 136th Ave	Sawgrass	36,300	-	Stiles Realty
Fifth Third Bank	200 E Las Olas Blvd	Downtown Ft. Lauderdale	21,000	-	CBRE
Business Financial Services	3301 N University Dr.	NW Broward	16,776	Newmark Grubb Knight Frank	Avison Young
Fanatics	333-337 E Las Olas Blvd	Downtown Ft. Lauderdale	15,295	Panton & Company, Inc.	Stiles Realty
Selling Source	1601 NW 136th Ave	Sawgrass	14,256	-	Stiles Realty

Noteworthy Sales Transactions					
Buyer	Seller	Building	Submarket	Total SF	Sales Price / Price per SF
Romagnole Investment Properties	Beacon Investment Properties	1100 Building	SW Broward	51,426	$12,000,000 ($233.35)
Atid Investments, LLC	Nivcab, Inc.	Citibank	Fort Lauderdale	86,000	$10,400,000 ($120.93)

Capital Market Overview

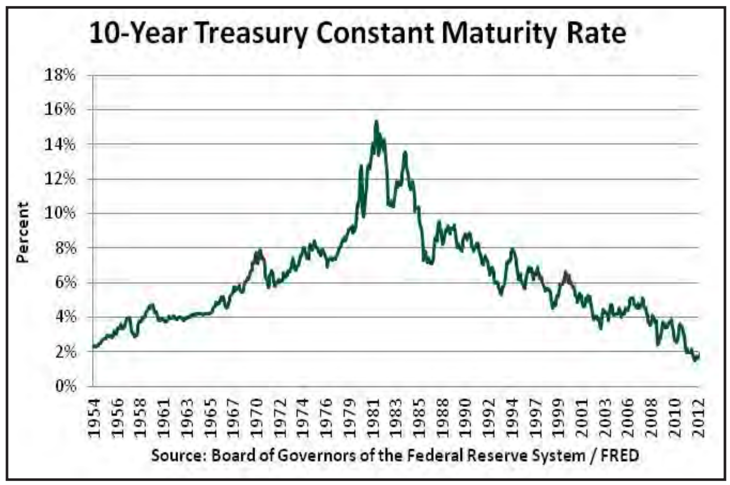
The biggest issue facing capital markets today is the recent and somewhat sudden rise in interest rates as the market begins to anticipate the end of the Fed's "quantitative easing" program. Interestingly, there has yet to be seen a major impact in transactions of office properties on a nationwide basis.

According to Real Capital Analytics, the first half of 2013 saw total office building transaction volume of $38.4 billion representing a 22% increase from the same period a year ago. So far pricing has been holding steady, however, cap rates are likely to rise somewhat over the rest of 2013 especially if interest rates continue their rise.

Further, Real Capital Analytics is reporting a significant shift in activity to suburban properties and secondary markets away from Central Business District and major market deals. In fact, growth in suburban sales rose 34% versus only 14% for CBD sales year over year; additionally, prices have been rising faster for suburban properties relative to CBD ones as well.

Many institutional real estate investors believe the office market is moving into a very advantageous part of the cycle where growth in fundamentals and net operating incomes could be seen over the next several years. We believe this will cause a shift in demand from highly priced sectors, such as multifamily, to relatively more attractive ones such as office and industrial. Still pricing could be impacted by further sudden movements in interest rates, thus buyers still should exercise measured caution.

The broader debt and equity markets have also begun to exhibit a much higher level of volatility due to the interest rate rise.



This could further push asset allocations towards real estate, especially when long term debt can be secured at still relatively low rates.

These trends could play well for most of Broward County which could gain more attention relative to Miami or other major metropolitan areas. Also, Florida has the advantage of having a healthy state government with a relatively healthy level of pension obligations. Given the fear and uncertainty the recent Detroit bankruptcy has created, we suspect real estate investors and businesses in general may choose to shy away from states and cities with high level of default risk (such as California and Illinois for example).

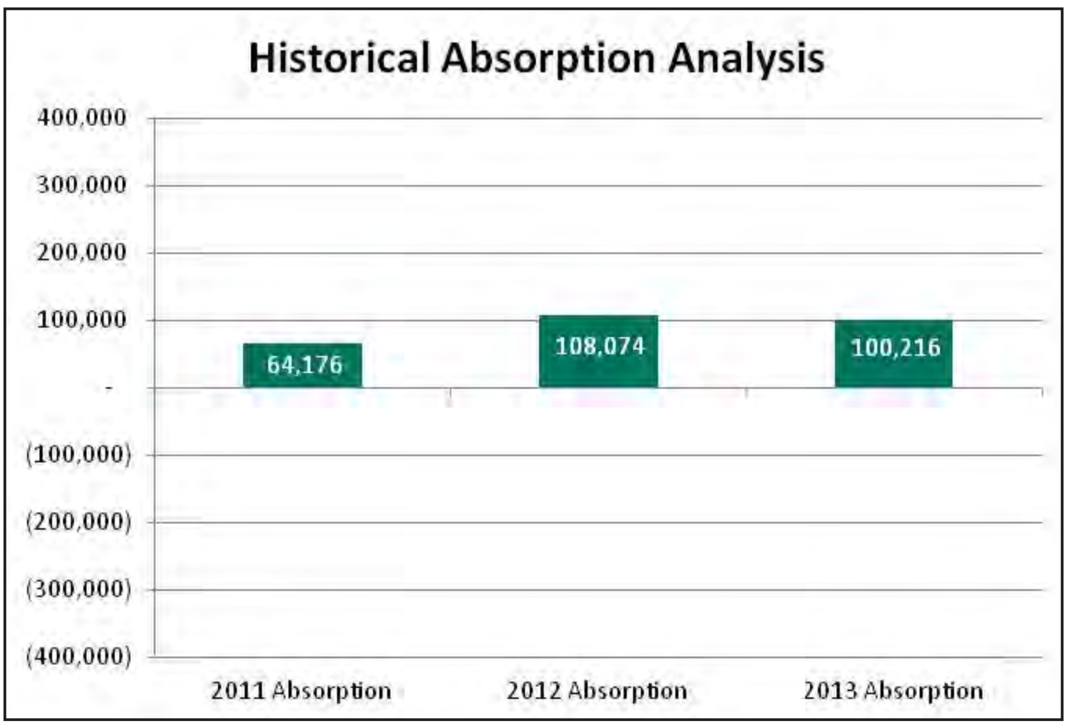
Closing Thoughts and Future Expectations

As you may recall from our Year End 2012 report, we speculated that events such as Hurricane Sandy could help spur northeastern based firms to relocate to Florida as the negative stigma we have always had regarding storms is reduced on a relative basis. While we cannot say for sure, we may have been proven right in the May 2013 announcement of Hertz Rental Car moving its corporate headquarters from New Jersey to Estero, FL (Ft. Myers).

This deal is a major win for the Sunshine State. The move was coordinated with state and local officials offering a massive $19 million economic benefit package in hopes of getting at least 700 jobs paying over $100,000 into the state. This will hopefully be a catalyst for more large corporations to relocate their headquarters and significant operations to South Florida and Broward County in particular.

If you have lived or visited South Florida for any length of time, you must be aware of our reputation for being the prime retirement zone for those moving from the northeast (specifically New York). Great weather, low taxes, and just overall quality of life make the retirement decision an easy one.

Moving the company, pre-retirement, is likely to be the new trend as accountants explain the overall tax benefits to corporate leaders and employees. What does this mean for office space? Many of these firms will demand custom build-to-suit headquarter facilities (as was the case for Hertz) in areas with good schools and quality housing. Vendors and customers may likely move or set up satellite operations in nearby space to continue to provide services to their large corporate clients. These multiplier type effects can boost not only the demand for office space, but all areas of local real estate and the economy. We believe moves such as these could be a dominate driver of growth for the next ten years and beyond.



For more information and for all your leasing and brokerage needs please contact:

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