MID-YEAR 2014

BROWARD OFFICE REPORT

Direct Vacancy Rates		
1H14	YE13	1H13
14.16%	14.95%	15.36%
Sublet Vacancy		
1H14	YE13	1H13
0.42%	0.85%	0.62%
Overall Vacancy		
1H14	YE13	1H13
14.58%	15.80%	15.98%
Weighted Average Direct Lease Rate		
1H14	YE13	1H13
$ 15.95	$ 16.61	$ 16.60

2014 Begins with Slowly Increasing Gains

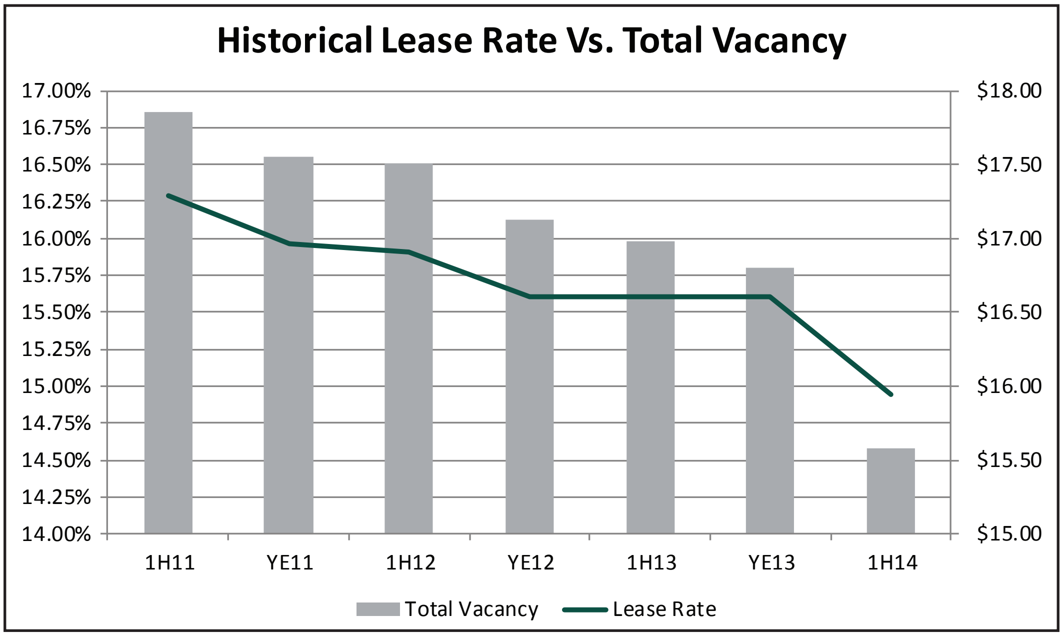
The first half of 2014 saw a greater amount of positive net absorption, 222,629 square feet, than all of 2013, which was 186,431 square feet. This indicates that the recovery in the Broward office market is continuing and actually speeding up at a modest pace. Overall vacancy decreased to 14.58% from 15.80% at the end of 2013 with an especially strong reduction in sublet vacancy which moved to 0.42% from 0.85%. Average asking direct lease rates declined slightly to $15.95 per square foot from $16.61; however, this was largely driven by a few relatively high vacancy submarkets, Cypress Creek and Northwest Broward. By contrast, the very strong submarket of Southwest Broward saw an over two dollar per square increase from the start of the year. Overall, the numbers indicate a strengthening market for office space demand with certain sub-markets taking a commanding lead in the recovery.

These results are consistent with local economic indicators which show an ever increasing employment base (despite a small uptick in unemployment to 5.7% in July according to the Bureau of Labor Statistics) with continual gains in key office user sectors including Professional and Business Services (2.4% annual growth), Information (1.6% annual growth), and Financial Activities (0.4% annu-al growth). Assuming job creation in these sectors continue, as is expected, the Broward office market should continue to improve and absorb vacant space for the foreseeable future.

The best performing submarkets in the first half of the year included Southwest Broward and Pompano Beach which absorbed a modest 101,331 and 101,149 square feet respectively. The only submarket to lose was Plantation with negative 87,244 square feet net absorption.

Noteworthy lease transactions in the first half of 2014 included Centene Management leasing 42,678 square feet in the Sawgrass Plaza in Sawgrass; Charter Schools USA leasing 40,092 in Radice Corporate Center in Cypress Creek; and Progressive Insurance renewing with partial expansion of 26,993 in Commercial Place in Ft. Lauderdale.

"Overall, the numbers indicate a strengthening market for office space demand with certain sub-markets taking a commanding lead in the recovery"



COMMERCIAL FLORIDA
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Broward By The Numbers

CBD / Downtown Ft. Lauderdale	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	YTD Absorption	Weighted Average Direct Lease Rate
Class A	4,371,750	666,711	15.34%	0.09%	15.43%	78,490	$ 21.05
Class B	1,321,273	178,367	13.50%	0.00%	13.50%	-32,883	$ 16.86
Downtown Ft. Lauderdale Total	5,693,023	845,078	14.84%	0.07%	14.91%	45,607	$ 20.17

Cypress Creek	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	YTD Absorption	Weighted Average Direct Lease Rate
Class A	2,653,019	379,891	14.32%	0.48%	14.80%	11,417	$ 16.52
Class B	4,566,471	984,292	21.55%	0.31%	21.87%	50,712	$ 10.45
Cypress Creek Total	7,219,490	1,364,183	18.90%	0.37%	19.27%	62,129	$ 12.25

Plantation	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	YTD Absorption	Weighted Average Direct Lease Rate
Class A	1,763,724	128,471	7.28%	3.58%	10.87%	-685	$ 20.28
Class B	1,516,138	249,170	16.43%	0.31%	16.75%	-86,559	$ 17.67
Plantation Total	3,279,862	377,641	11.51%	2.07%	13.58%	-87,244	$ 18.56

Northwest Broward	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	YTD Absorption	Weighted Average Direct Lease Rate
Class A & B	1,582,824	374,500	23.66%	0.25%	23.91%	-343	$ 15.44
Northwest Broward Total	1,582,824	374,500	23.66%	0.25%	23.91%	-343	$ 15.44

Southwest Broward	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	YTD Absorption	Weighted Average Direct Lease Rate
Class A	4,291,345	407,772	9.50%	0.03%	9.53%	79,974	$ 18.68
Class B	3,403,235	240,288	7.06%	0.01%	7.07%	21,357	$ 17.49
Southwest Broward Total	7,694,580	648,060	8.42%	0.02%	8.44%	101,331	$ 18.24

Pompano Deerfield	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	YTD Absorption	Weighted Average Direct Lease Rate
Class A & B	2,606,079	365,878	14.04%	0.55%	14.59%	101,149	$ 13.74
Pompano Total	2,606,079	365,878	14.04%	0.55%	14.59%	101,149	$ 13.74

Overall Market	Total RSF	Direct Vacant	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	YTD Absorption	Weighted Average Direct Lease Rate
Overall Market Total	28,075,858	3,975,340	14.16%	0.42%	14.58%	222,629	$ 15.95

Special Focus: Development Ahead! Will Office Be Next?

Broward County is poised to see a lot of new construction, especially of housing units and retail space, in the next couple of years as the development industry resumes activities in earnest. According to the Sun Sentinel, there are over 4,067 residential units in some stage of the development pipeline in Downtown Ft. Lauderdale alone; this is highly significant as this market currently has only approximately 8,200 residents meaning it could double its own population!

Other major projects reported include Sheridan Station, a commercial mixed-use development including office space and 1,050 residential units in Hollywood just off Sheridan Street and I-95; Pine Island Marketplace, a new Walmart anchored center near the new 1,600 home development called Monterra in Cooper City; and the Pembroke Pines City Center, which broke ground with plans for 1,365 residential units, 350 hotel rooms, 120,000 square feet of office, and another 265,000 square feet of retail/commercial uses. These are just a few examples and more projects are expected to seek approval in 2014.

Will this continue? Likely yes according to many sources including the 2014 Urban Land Institute Emerging Trends survey which ranked South Florida as the 8th best major market in the United States for real estate prospects including development. This is national trend and Broward County is likely to get a decent share given its strong macroeconomic fundamentals.

Will significant office development start in 2014? Not likely as there is still significant vacancy in most submarkets. However, Downtown at 14.91% vacancy and especially Southwest Broward at 8.44% may lead the way first as early as 2015 if absorption continues and accelerates.

BROWARD OFFICE REPORT

Noteworthy Leasing Transactions

TENANT	BUILDING	SUBMARKET	LEASED SQ. FT.	TENANT BROKER	LANDLORD BROKER
Centene Management	Sawgrass Plaza	Sawgrass	42,678	Cassidy Turley	Taylor & Mathis
Charter Schools USA	Radice Corporate Center	Cypress Creek	40,092	NGKF	Cushman & Wakefield
Progressive Insurance	Commercial Place	Fort Lauderdale	26,993	Cresa Partners	Stiles Corporation
Iterim Healthcare Inc.	1600-1601 Sawgrass Corp Pky	Sawgrass	24,972	NGKF	Taylor & Mathis
Signature Consultants	Broward Trade Center	Cypress Creek	20,400	Commercial Florida Realty	Liberty Property Trust
Harris Corporation	100 Sawgrass Corp Pky	Sawgrass	19,720	DTZ Rockwood	Duke
Lewis Brisbois et. al.	110 Tower	Fort Lauderdale	14,873	Cassidy Turley	Cushman & Wakefield
Maersk	Huntington Centre II	Southwest Broward	12,912	Colliers International	Taylor & Mathis
HDR Engineering Inc.	Commercial Place	Fort Lauderdale	10,540	JLL	Stiles Corporation

Noteworthy Sales Transactions

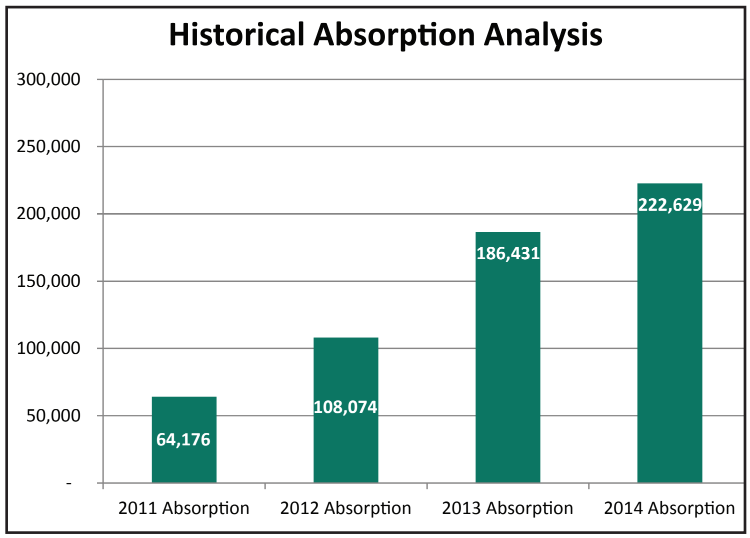
Buyer	Seller	Building	Submarket	Total SF	Sales Price / Price per SF
RREEF America REIT II, Inc	Las Olas LLC	Las Olas Centre	Fort Lauderdale	469,353	$204,000,000 ($435)
TA Associates Realty	VV USA City	200 East Broward	Fort Lauderdale	225,650	$66,400,000 ($294)
CNL Commercial Real Estate	Invesco Real Estate	Sawgrass Lake Center	Sawgrass	239,273	$45,200,000 ($189)
Brookwood Financial Partners	Beacon Associates	Comerica Tower	Fort Lauderdale	163,265	$32,000,000 ($196)

Capital Market Overview

The resurgence of debt and equity capital willing to lend and invest in commercial real estate, including office properties has continued throughout 2014 with no signs of relenting as fundamentals continue to improve.

Nationally, office cap rates re-mained low as transaction volumes increased according to appraisal firm Integra Realty Resources. As interest rates remain low, this trend is likely to continue as more and more investors are factoring increasing rental rates and thus in-creasing net operating income into their forecasts.

Locally, several transaction have closed that suggest the same is true for the Broward office market. According to the South Florida Business Journal, Downtown Ft. Lauderdale's Comerica Tower was purchased by Brookwood Financial Partners for $32.5 million or approximately $196 per square foot for the 11-story class B office tower. This represents a 56% price increase from it's last sale in 2010 when locally based Beacon Associates acquired it with substantially higher vacancies than today. Also in the first part of 2014, Orlando based CNL Commercial Real estate acquired the 568,182 square foot Sawgrass Lakes Center mixed-use complex (office component 239,373 square feet) for $45.2 million. CNL cited strong improvement and growth in the Broward office market as chief motiva-tions in making this acquisition.



Final Thoughts and Expectations

Overall vacancy in the Broward office market has dipped below 15% for the first time in a very long time. While still far from calling this a "tight" leasing market, the winds are starting to move where landlords could take real control of the market. Rent spikes could start occurring very soon, especially in very tight sub-markets such as Southwest Broward. This is not surprising as South Florida is expected to add a lot of new residents over the next several years and this will only serve to fuel demand to businesses that need office space in addition to those moving to take an office based job (such as in a corporate relocation). Whether the lessee or lessor, it is advisable to consider this trend carefully in leasing decisions made in the rest of 2014.

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