



Savills Studley Occupier Services – Agency Lease Liaison Meeting

November 16, 2015

Overview

-  Introductions: Who We Are
-  What's Driving Market Demand?
-  Major Market Overviews: Current Snapshot
-  Major Market Overviews: What's Next?
-  Public vs. Private Leasing: Why This Is Important

Who We Are

- History of Vertical Integration / Savills Studley as Tenant Broker
- Key Team Members
 - Mike Griffin, *Account Manager*
 - Jerry Thornbury, *Senior Transaction Manager*
 - Ann Duncan, *Executive Oversight*
 - Dan Hedrick (**Tallahassee-based**), *Transaction Manager and Project Coordinator*
 - Bobby Rohrlack, *Transaction Manager and Account Coordinator*
 - Randy Mills (**Tallahassee-based**), *Lead DEP State Lands Disposition Consultant*
 - Jess Johnson, *Lead Strategy Consultant*
 - Bryan Ezell, *Lead IT Consultant*
 -and more!

OVERVIEW ABOUT SAVILLS STUDLEY



Savills Studley is part of Savills plc, the premier global real estate provider listed on the London Stock Exchange

1855

Established

30,000+

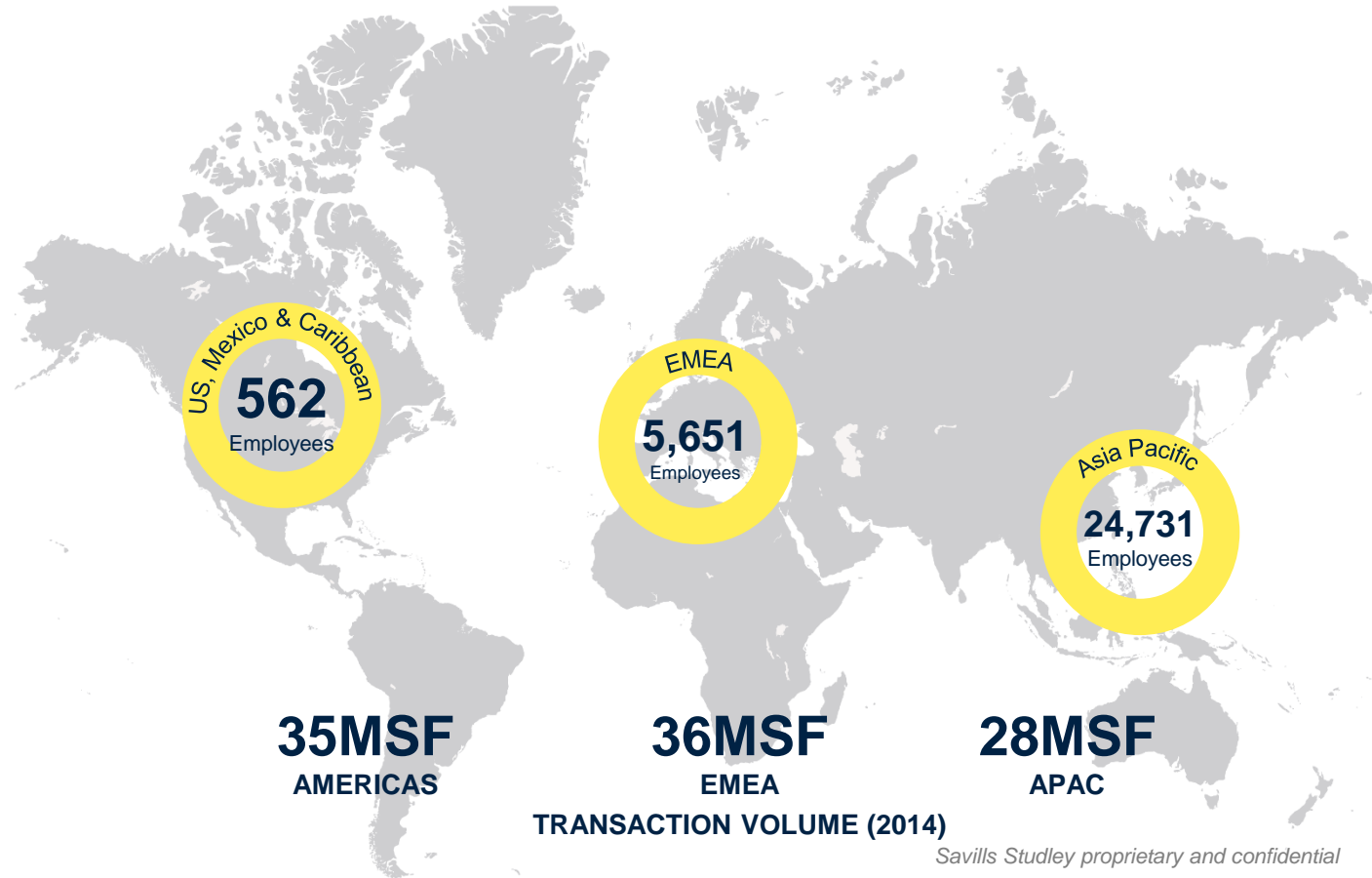
Employees

122+

Commercial Offices

63

Countries



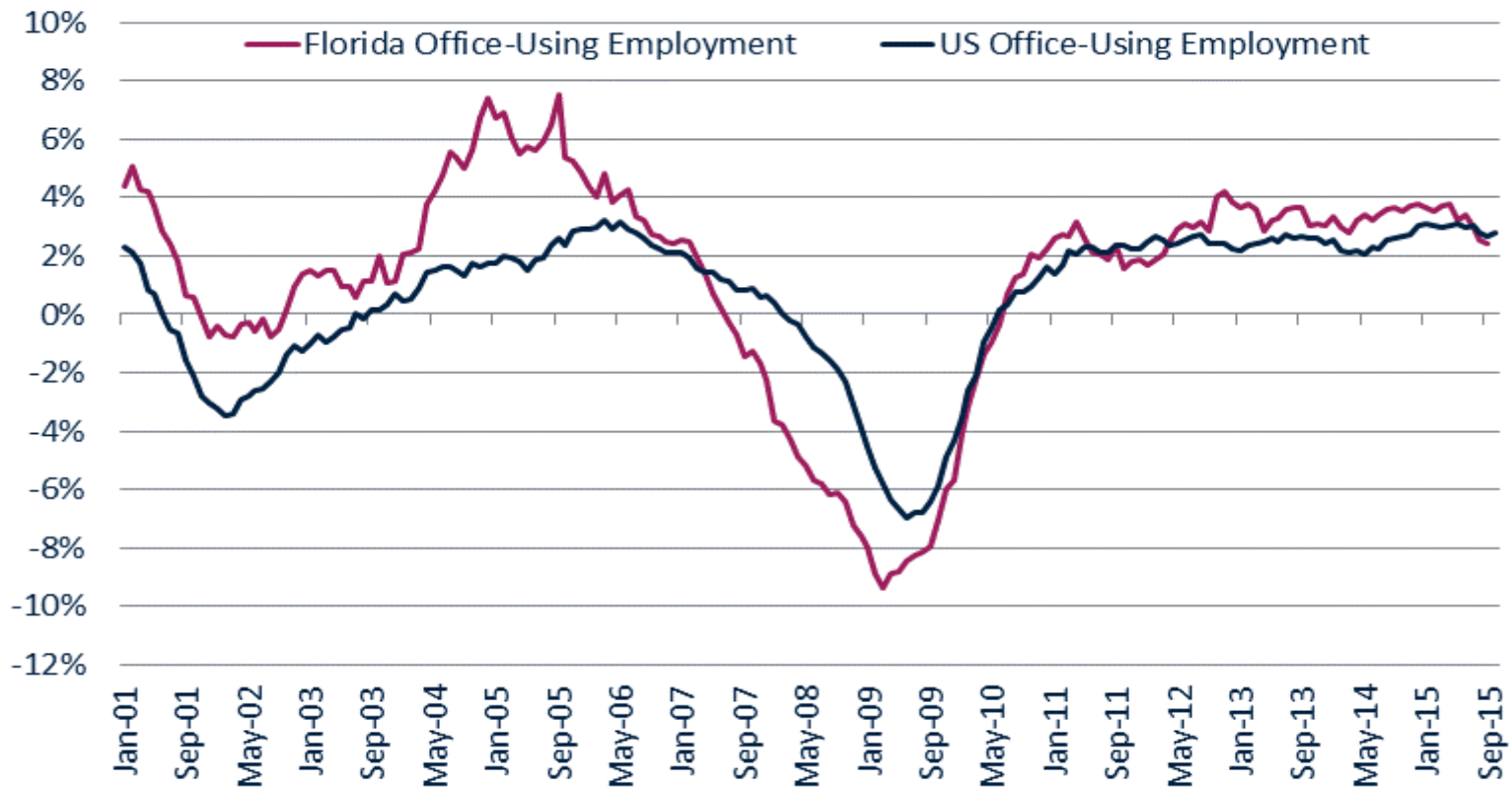
TRANSACTION VOLUME (2014)

Savills Studley proprietary and confidential

Driving Market Demand: Florida's Office Employment Growth Has Been Robust



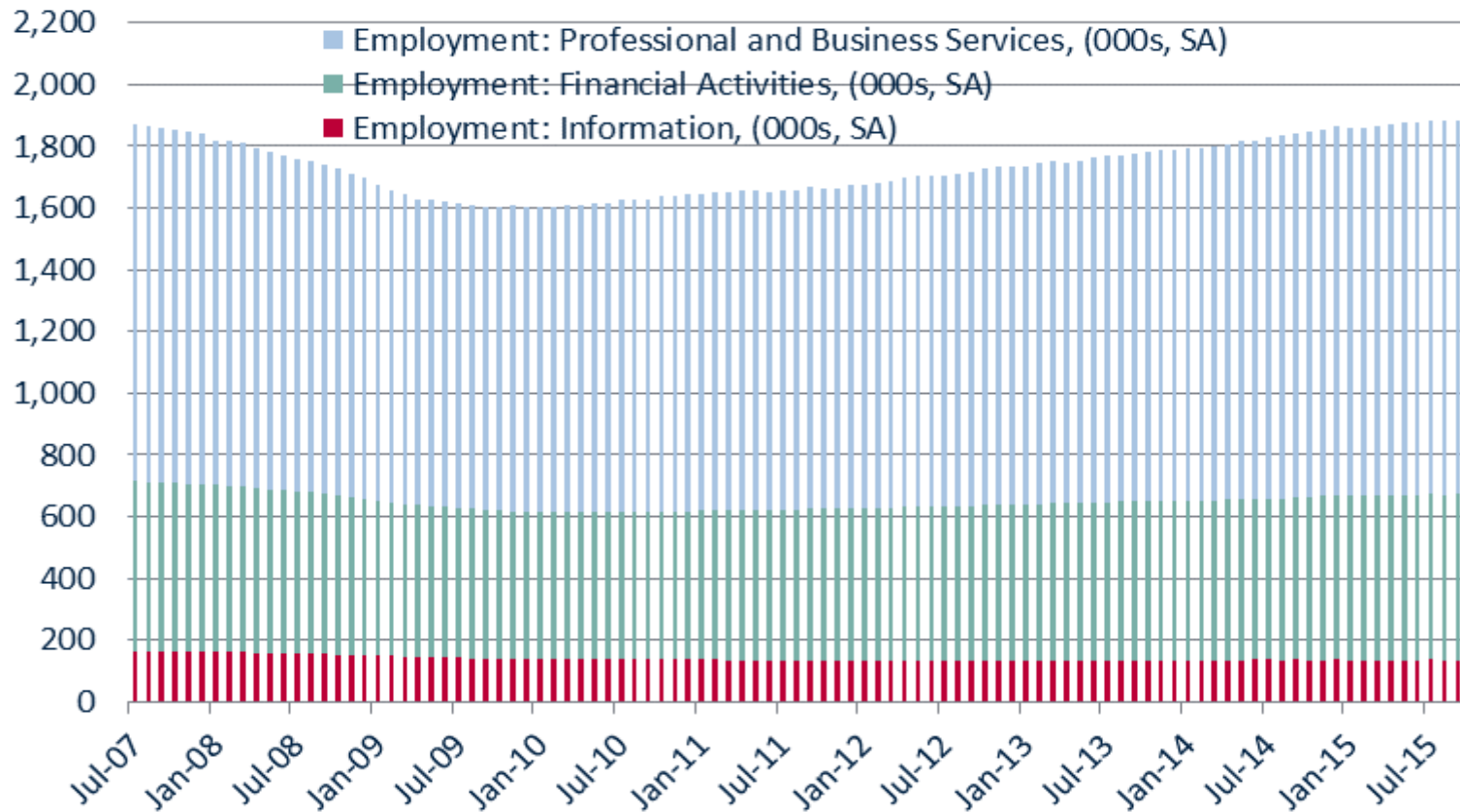
Office Employment Growth, YoY Percentage Change



Source: BLS

Professional and Business Services Accounts for the Bulk of Office Employment

Florida Office Employment by Sector



Source: BLS

Tallahassee Market Area

- The State currently leases more than 2 million square feet of office space in Tallahassee.
- As the State of Florida continues to improve the efficiency of its real estate portfolio, the Tallahassee market will be impacted, but as other industries expand and as the growth of research from multiple higher education institutions continues, the overall health of the market will likely improve.
- Property owners with the ability to provide up-front capital for tenant improvements will continue to set themselves apart from property owners who are unable to offer such incentives.
- Tallahassee’s unemployment rate is 5.3 percent which is lower than the overall unemployment rate for the State of Florida.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Tallahassee	20.2%	↑	\$17.95	↓	↓

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Tallahassee Market Area

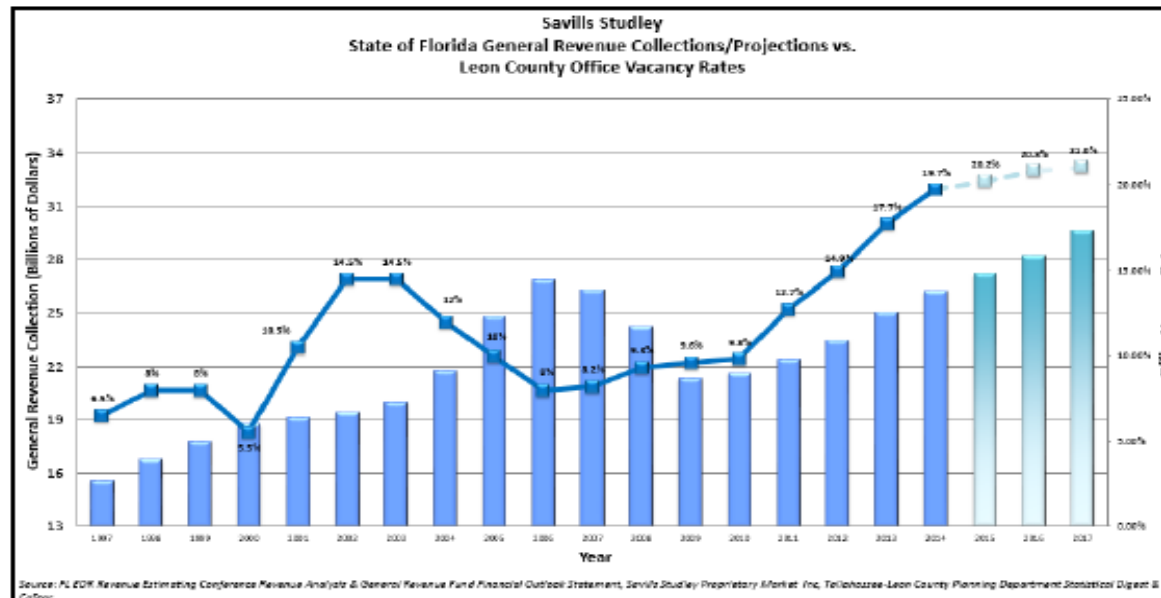
Savills Studley's 2015 Tallahassee Office Market Snapshot

Vacancy Rate Analysis		
Submarket	Vacancy Rate	Trend
Northeast	13.6%	↔
Southeast	24.7%	↑
Northwest	25.1%	↔
Southwest	21.2%	↑
Downtown	16.3%	↑

The Tallahassee Office Market has over 8 million square feet of space, consisting primarily of Class B & C options tracked in 5 submarkets. Tallahassee's largest tenant—the State of Florida—has experienced improved budgetary forecasts but continues to find ways to better utilize its owned facilities. As the State continues to implement its strategic real estate initiatives, the impacts on the office market will continue to be a significant driver of overall market conditions.

Consistent with last year after several years of stagnation, quoted full service rental rates have started to experience some increases as landlords become more confident in job growth and overall economic conditions. Landlords with the ability to provide up-front capital for tenant improvements will continue to set themselves apart from landlord's that are unable to offer such incentives.

Quoted Rental Rate Analysis		
Submarket	Rental Rate	Trend
Northeast	\$19.62/SF	↑
Southeast	\$16.30/SF	↓
Northwest	\$16.78/SF	↔
Southwest	\$15.40/SF	↓
Downtown	\$21.63/SF	↔



Greater Miami Market Area

- The State currently leases more than 400,000 square feet of office space in Miami.
- International trade and finance continue to boom in the Greater Miami area, a situation which has demanded new headquarters, regional offices and distribution centers. Additionally, tourism continues to pick up every quarter, with many of the tourists coming from overseas, particularly Latin America and Europe.
- With rental rates continuing to climb and availability continuing to diminish, Greater Miami has become an area of Florida in which office development is expected to increase.
- Miami's unemployment rate has decreased to 6.4 percent.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Greater Miami	11.2%	↓	\$35.30	↑	↓

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Tampa Bay Market Area

- The State currently leases more than 400,000 square feet in of office space in Tampa Bay.
- Investors continue to search for assets to purchase in Tampa. In downtown Tampa alone, more than \$1 billion worth of investment is expected, with the addition of several mixed-use projects including state funding for a new University of South Florida Morsani College of Medicine facility.
- Larger blocks of space is becoming rare in Tampa causing tenants to pursue alternate locations in the Tampa Bay area outside of the Westshore district and Downtown Tampa areas.
- The unemployment rate for Hillsborough county has decreased over the past year to 5.2 percent.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Tampa Bay	10.9%	↓	\$24.50	↑	↓

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Jacksonville Market Area

- The State currently leases more than 480,000 square feet of office space in Jacksonville.
- One of the greatest opportunities for new business development in Jacksonville can be found in the industrial sector. The Cecil Commerce Center is the largest industrial park in the Southeast and also has some of the largest amount of developable industrial parcels in Florida.
- Citizens relocation to downtown Jacksonville is one of the more significant transactions in this submarket in the last several years.
- Jacksonville’s unemployment rate has decreased to 5.9 percent over the past year.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Jacksonville	10.6%	↓	\$20.62	↑	↓

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Orlando Market Area

- The State currently leases more than 290,000 square feet of office space in Orlando.
- In addition to Orlando’s thriving tourism industry, several other industries have recently made significant investments in the Orlando market, creating over 1,100 new jobs.
- With the exception of a few existing options, tenants in search of larger blocks of space (over 80,000 square feet) will need to look toward build-to-suit opportunities because of the limited supply of space in the Orlando market.
- A thriving tourism industry has contributed to the decreasing unemployment rate, which now stands at 5.0 percent.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Orlando	11.0%	↓	\$21.64	↑	↓

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Fort Lauderdale Market Area

- The State currently leases more than 300,000 square feet of office space in the Fort Lauderdale area.
- The Broward County office market is one of the fastest growing markets in the state.
- Tenants can expect further rental rate growth in 2016 as tenants continue to impact the overall availability of space in Fort Lauderdale. Demand from industries such as law firms and banks should continue as the local economy improves.
- The unemployment rate currently sits at 5.1 percent, which has decreased since 2014.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Fort Lauderdale	11.5%	↓	\$28.58	↑	↓

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Palm Beach Market Area

- The State currently leases more than 240,000 square feet of office space in the Palm Beach area.
- The overall Palm Beach office market is less of a tenant's market compared to this time last year, and landlords continue to feel more confident as the market becomes tighter and rents continue to rise.
- There is also continued and increasing interest by institutional owners to make strategic acquisitions in the market.
- The strengthening economy has led to the current unemployment rate of 5.2 percent.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Palm Beach	13.5%		\$29.86		

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Southwest Florida (Fort Myers/Naples) Market Area

- The State currently leases more than 50,000 square feet of office space in the Ft Myers area.
- Southwest Florida’s office market has seen increased rental rates while rent concessions have trended downward.
- This market maintains high real estate taxes and insurance costs that property owners will pass through to their tenants in rental rates.
- The economy in the Southwest Florida area has improved considerably over the past few years. This has caused decreased unemployment rates in both Lee and Collier County to currently stand at 5.2 and 5.3 percent, respectively.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Southwest Florida	11.5%	↓	\$20.43	↑	↓

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Pensacola Market Area

- The State currently leases more than 160,000 square feet of office space in the Pensacola area.
- Though construction for new office buildings is not anticipated, Pensacola continues to redevelop some of its historic buildings and warehouses to convert to trendy office space in the downtown area.
- The impact of early State lease cancellations has been significant, resulting in diminished interest from potential Offerors.
- Increased tourism has led to a strengthening economy. In turn, the unemployment rate has decreased to 5.7 percent.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Pensacola	6.8%		\$19.86		

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Daytona Market Area

- The State currently leases more than 75,000 square feet of office space in the Daytona area.
- Although Daytona has long been known for its beautiful beaches and NASCAR, the recent emphasis on the diversification of the economy has continued to have a favorable impact on the commercial real estate market.
- One of the state’s largest projects—One Daytona—is being developed by the International Speedway Corporation and is expected to have a major impact on the area’s economy. The \$800-million-plus investment includes retail, dining, hotels and apartment locations and an additional 567,000 square feet of office space.
- The unemployment rate for Daytona has decreased over the past year to 5.8%.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Daytona	8.3%	↓	\$19.52	↑	↓

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Gainesville Market Area

- The State currently leases more than 80,000 square feet of office space in the Gainesville area.
- Gainesville’s real estate market has remained relatively steady – thanks largely to continued investments tied to UF – but has started to experience more rent growth while rent concessions have trended downward.
- According to the Gainesville’s Council for Economic Outreach, the city’s key industries for targeted additional job creation include advanced manufacturing, technology, life sciences, healthcare, logistics and agriculture.
- The unemployment rate has decreased over the past year to 5.0 percent.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Gainesville	10.6%	↓	\$19.86	↑	↓

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Panama City Market Area

- The State currently leases more than 80,000 square feet of office space in the Panama City area.
- Panama City is home to the only major airport built in the country in the last 20 years. This airport is expected to continue diversifying the economy as new industries beyond tourism and hospitality look to relocate to the area.
- Panama City/Bay County is also home to the largest number of State of Florida leased square feet in an area in which DMS does not have a FFP facility.
- The unemployment rate has decreased over the past year to 5.2 percent.

Market Area	Overall Vacancy Rate at Mid-Year 2015	Current Trend in Overall Vacancy	Average Asking Full Service Rental*	Current Trend in Asking Rental Rate	Current Trend in Unemployment Rate
Panama City	10.5%		\$21.06		

Source: Savills Studley Occupier Services and Costar

*Does not include turn-key build out

Major Market Overviews: What's Next?

Area	1-Year Historical Annualized Rent Growth**	5-Year Forecast Annualized Rent Growth **
Jacksonville	4.2%	3.3%
Downtown Miami	15.8%	4.0%
Orlando	3.0%	3.0%
Tampa	5.2%	3.2%

*Source: Savills Studley

**Source: REIS. All Classes

Public Sector versus Private Sector Leasing: *Why This Is Important*



State of Florida Leasing Requirements

- Termination Option
 - <5,000 SF: No reimbursement
 - >5,000 SF: Straight-line reimbursement available by applying to State Legislature
- Require landlord to pay for turn-key build out including data cabling
 - Cost of build out regularly goes over \$40/SF
- Energy Performance Analysis
- ADA Requirements written in lease
- Space measurement does not allow common area, restrooms, etc.
- Must use the State's lease

Private Sector Leasing Standards

- Termination Options uncommon
- Landlords propose rates based on tenant improvement allowances
 - Typical Allowance: \$12/SF on 5-year lease but many time less, especially in secondary markets
- Tenant is responsible for data cabling
- ADA requirements are handled during permitting. Most buildings are limited with the accessibility routes to bus stops
- Space measurements include common areas which factors 15-20% of a building
- Tenant typically required to use the landlord's lease document

Public Sector versus Private Sector Leasing: *Why This Is Important*

- “I see ‘For Lease’ signs up everywhere”
 - Lease signs can be deceiving as landlords utilize them for several reasons
- “They told me the rental rate was \$10.00/SF”
 - Rental rates are quoted differently in different markets and by different landlords
 - State rates are made up of the following:
 - NNN Rates
 - CAM/Operating Expenses
 - Utilities
 - Janitorial
 - Construction Pricing (More on this later)



Questions?

Sometimes the
questions are
complicated
and the
answers are
simple.

