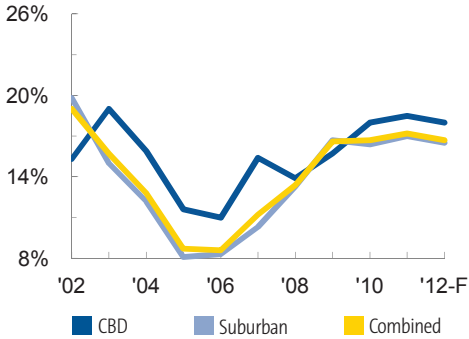
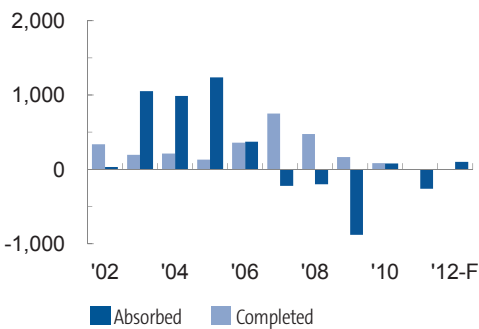


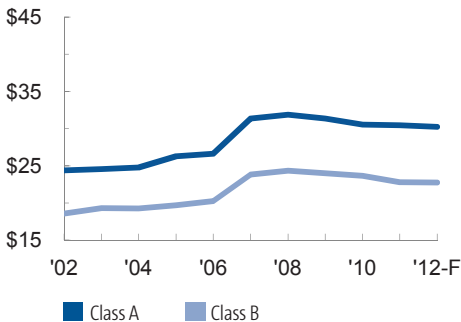
**Vacancy Rate**



**Completions vs. Absorption**  
(in Thousands of SF)



**Asking Rental Rates**  
(\$/SF/Yr. Full Service)



# Residential Downturn Residuals Still Impacting Market

2011 began and ended with promising signs of continued improvements as economic growth appeared to be gaining momentum. However, midyear experienced the national budget debate, downgrading of the United States' credit rating and concerns over the global impacts from the debt crisis in the European Union, which sparked discussions of a possible double-dip recession. Resulting in a significant national slow down as growth came to a standstill and companies reverted back to their guarded approach with expanding operations and hiring.

National employment growth for the first half of last year totaled a timid 165,000. This held the nation's unemployment rate around 9.1 percent from January till June during 2010. Third quarter finished with reports of increased consumer demand and began to ease worries of another economic slowdown. This spurred gains in confidence as healthier job creation was recorded during the second half of 2011. Broward County experienced steady employment growth throughout the year. After rising to 10.5 percent in January of last year, the unemployment rate dropped 160 basis points to close out the year below 9.0 percent. Broward County recorded the lowest unemployment for South Florida; reaching single digit unemployment for the first time in over two and a half years. Unfortunately, steady gains in employment have not yet translated into increased demand for office space.

## 2011 REVIEW

Broward County expected to see market corrections as the office sector braced itself for significant events to take place in 2011. The closure of the Law Offices of David Stern in

(CONTINUED ON PAGE 2)

## KEY TRANSACTIONS FOR 2011

|   |   |  |   |
|---|---|--|---|
| <p><b>JP Morgan Asset Management</b><br/>purchased<br/>365,454 SF at<br/>Bank of America Plaza<br/>Fort Lauderdale, FL<br/>from Shorenstein Realty Services</p> | <p><b>Ivy Realty Services</b><br/>purchased<br/>332,568 SF at<br/>1 East Broward<br/>Boulevard<br/>Fort Lauderdale, FL<br/>from Wells Fargo</p> | <p><b>State Farm Insurance</b><br/>leased<br/>50,000 SF at<br/>Westpoint Centre<br/>in Tamarac, FL<br/>from CBRE</p> | <p><b>University of Miami</b><br/>leased<br/>46,256 SF<br/>at Crossroads<br/>Business Park<br/>in Plantation, FL<br/>from Duke Realty</p> |
|---|---|--|---|

## OFFICE MARKET REVIEW AND FORECAST

|                     | 2010    | 2011      | 2012 Forecast |
|---------------------|---------|-----------|---------------|
| Vacancy Rate        | 18.0%   | 18.5%     | 18.0%         |
| Class A Rental Rate | \$30.54 | \$30.47   | \$30.25       |
| Class B Rental Rate | \$23.65 | \$22.80   | \$22.75       |
| Net Absorption      | 79,715  | (257,914) | 100,000       |
| Space Completed     | 86,000  | -         | -             |

**(CONTINUED FROM PAGE 1)**

Plantation was a direct result from the foreclosure “robo-signing” scandal that peaked at the beginning of last year. Ben-Ezra and Katz Law Firm, another foreclosure firm, closed its doors in the second half of last year. In downtown Fort Lauderdale, Adorno and Yoss Law Firm shut their doors in third quarter while Ruden McClosky downsized by half in the fourth quarter. Many of the county’s top legal firms had a challenging year. Other companies to give back large blocks of space included Kaplan University, AT&T and Sun-Sentinel. The combination of office closures and downsizes contributed to over 400,000 square feet of returned vacant inventory in 2011.

Overall vacancy increased by 50 basis points from the 16.7 percent rate recorded at the end of 2010. Despite improved leasing activity, the amount of space returned to the market allowed supply to outpace demand. Yet all is not doom and gloom as Broward County recorded the lowest vacancy in the region. Ample space opportunities compelled landlords from raising quoted rental rates. The direct average weighted asking rate continued its downward climb with a \$0.49 drop from the \$27.12 per square foot full service gross rate quoted last year at this time.

Grubb and Ellis reported 2.3 million square feet of leasing activity for the county last year. This was slightly down from the 2.7 million square feet recorded for 2010. Class A space led the market with 970,000 square feet of leased deals while Class B space followed suit with 931,000 square feet of activity. Class C space came in a distant third with 398,000 square feet of deals recorded but was the only property type to see an increase from the previous year. This rise shows a continued focus on cost containment while signaling more local small businesses are beginning to lease space. The majority of lease deals being seen in the market are renewals, relocations and expansions from businesses already occupying space in the market. Fox Sports moved from the Sawgrass submarket when they tripled their office space by moving into 35,000 square feet at Broward Financial Centre in downtown.

**(CONTINUED ON PAGE 3)**

**(CONTINUED FROM PAGE 2)**

Bressler, Amery and Ross also decided to relocate from the Southwest Submarket when they leased 16,600 square feet and will moved to New River Center in the central business district. Sales activity rose in 2011 as buyers appear to be showing stronger interest in well leveraged trophy assets. Approximately 1.9 million square feet totaling over 330 million dollars of investment activity took place in 2011. This remained consistent with the 1.6 million square feet of sales that took place in 2010. Strong interest in Class A properties dominated as the 365,000 square foot Bank of America Plaza in downtown sold for \$163.5 million dollars. The 95 percent leased asset was purchased by JP Morgan for \$400.00 per square foot from Shorenstein Realty. This is a striking difference from the sale price of similarly classed troubled asset building across the street. One Financial Plaza, a 276,572 square foot facility, sold for \$44.0 million dollars. Crocker Partners purchased the 68 percent office building that was in delinquency for \$159.09 per square foot, a significant difference from the \$235 per square foot price the building sold for in 2007.

**2012 FORECAST**

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The office sector should see more stabilization through 2012 with slight decreases in vacancy. No major tenants are expected to downsize or close offices in the near future. Leasing activity should remain consistent as the majority of expected demand will come from tenants already in the market. Quoted asking rents will see little shift, but discounted rents will continue depending on the size and credit worthiness of the tenant along with the term. Tenant concessions such as free rent and tenant improvement dollars will remain the dominant tools owners continue to use in order to entice new prospects while keeping existing tenants in their space. Despite past adversities to risk, REITS, institutional investors and private equity fund investors have come off the sidelines to take advantage of foreclosed properties, decreased pricing and add high-end commercial product to their inventory. If improvements in the investment markets continue to gain traction we could see interest also shift to Class B tier properties.

The office sector tends to follow the industrial and retail sectors in the real estate cycle. Since the commercial markets tend to trail the economic cycle by at least six months, we may not begin to see a clearer picture of the future until the first half of 2013. There are many unknown variables that could impact the speed of recovery over the next 12 months. The possible recession in Europe, continued U.S. debt debate and political uncertainty with the upcoming 2012 elections could all hinder the choices businesses decide in 2012. However, with the lowest vacancy rates in South Florida, Broward County's office market is well positioned for when resurgence begins to gain steam.

# Office Trends Report—Fourth Quarter 2011

## Broward County, FL

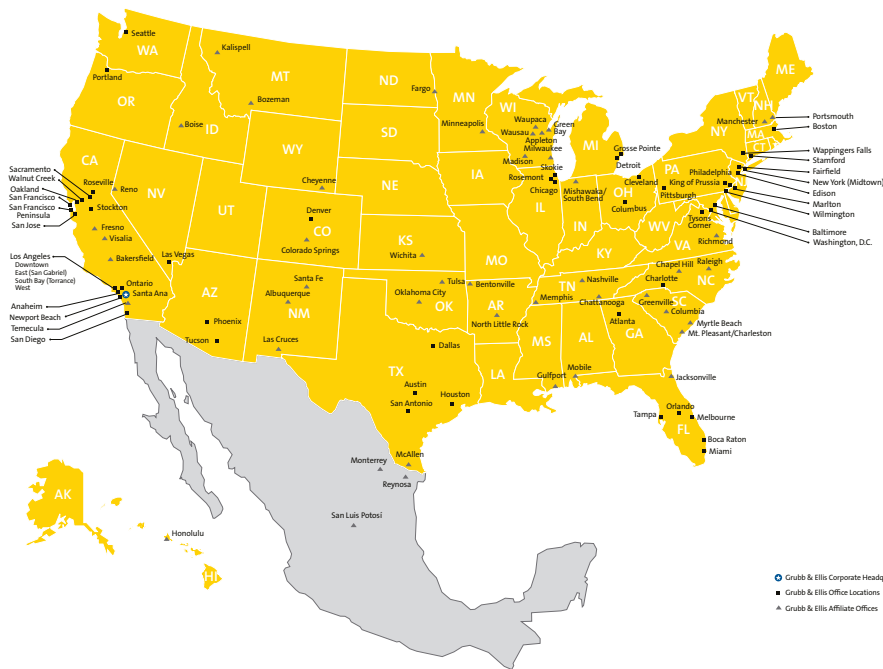


| By Submarket             | Total SF          | Vacant SF        | Vacant %     | Available %  | NET ABSORPTION   |                  | Under Construction SF | ASKING RENT    |                |
|--------------------------|-------------------|------------------|--------------|--------------|------------------|------------------|-----------------------|----------------|----------------|
|                          |                   |                  |              |              | Current          | Year To Date     |                       | Class A        | Class B        |
| Ft. Lauderdale CBD       | 5,569,387         | 1,032,772        | 18.5%        | 22.2%        | 32,812           | (32,870)         | -                     | \$33.52        | \$25.87        |
| <b>CBD Total</b>         | <b>5,569,387</b>  | <b>1,032,772</b> | <b>18.5%</b> | <b>22.2%</b> | <b>32,812</b>    | <b>(32,870)</b>  | -                     | <b>\$33.52</b> | <b>\$25.87</b> |
| Commercial Boulevard     | 1,986,644         | 203,106          | 10.2%        | 18.7%        | (14,191)         | 34,933           | -                     | \$24.92        | \$23.17        |
| Cypress Creek            | 4,827,296         | 886,974          | 18.4%        | 23.9%        | (49,810)         | (96,245)         | -                     | \$28.10        | \$21.64        |
| Ft. Lauderdale Suburban  | 3,150,609         | 663,280          | 21.1%        | 24.4%        | (95,348)         | (203,807)        | -                     | \$26.75        | \$22.96        |
| Hallandale               | 748,382           | 78,453           | 10.5%        | 12.3%        | 520              | 62,904           | -                     | -              | \$28.04        |
| Hollywood                | 2,624,118         | 397,065          | 15.1%        | 17.3%        | 13,155           | (708)            | -                     | \$30.29        | \$24.32        |
| NW Broward/Coral Springs | 1,924,570         | 422,814          | 22.0%        | 22.9%        | 20,967           | (10,829)         | -                     | \$28.25        | \$24.23        |
| Plantation               | 3,877,842         | 660,291          | 17.0%        | 19.3%        | (16,857)         | (158,145)        | -                     | \$31.49        | \$21.56        |
| Pompano Beach            | 2,824,916         | 515,661          | 18.3%        | 23.0%        | 6,575            | 13,210           | -                     | \$26.60        | \$20.11        |
| Sawgrass Park            | 2,684,240         | 382,735          | 14.3%        | 17.1%        | (18,251)         | 161,720          | -                     | \$28.89        | \$25.81        |
| SW Broward               | 3,398,912         | 553,247          | 16.3%        | 17.6%        | (34,553)         | (28,077)         | -                     | \$32.50        | \$27.85        |
| <b>Suburban Total</b>    | <b>28,047,529</b> | <b>4,763,626</b> | <b>17.0%</b> | <b>20.5%</b> | <b>(187,793)</b> | <b>(225,044)</b> | -                     | <b>\$29.23</b> | <b>\$22.61</b> |
| <b>Totals</b>            | <b>33,616,916</b> | <b>5,796,398</b> | <b>17.2%</b> | <b>20.7%</b> | <b>(154,981)</b> | <b>(257,914)</b> | -                     | <b>\$30.47</b> | <b>\$22.80</b> |

| By Class      | Total SF          | Vacant SF        | Vacant %     | Available %  | Current          | Year To Date     | Under Construction SF | AVAILABLE FOR SUBLEASE |                |
|---------------|-------------------|------------------|--------------|--------------|------------------|------------------|-----------------------|------------------------|----------------|
|               |                   |                  |              |              |                  |                  |                       | CBD                    | Suburban       |
| Class A       | 15,258,626        | 3,325,730        | 21.8%        | 24.6%        | (33,097)         | (227,610)        | -                     | 11,841                 | 226,759        |
| Class B       | 13,728,947        | 2,075,326        | 15.1%        | 19.5%        | (119,447)        | 26,709           | -                     | 6,158                  | 111,993        |
| Class C       | 4,629,343         | 395,342          | 8.5%         | 11.9%        | (2,437)          | (57,013)         | -                     | -                      | 76,742         |
| <b>Totals</b> | <b>33,616,916</b> | <b>5,796,398</b> | <b>17.2%</b> | <b>20.7%</b> | <b>(154,981)</b> | <b>(257,914)</b> | -                     | <b>17,999</b>          | <b>415,494</b> |

### Grubb & Ellis Office Locations

as of 4th Quarter 2011



### OFFICE TERMS AND DEFINITIONS

**Total SF:** Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

**Office Building Classifications:** Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

**Vacancy and Availability:** The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where

all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

*\* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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