



FIRST QUARTER 2018  
**MIAMI OFFICE MARKET REPORT**



BLANCA  
Licensed Real Estate Broker

# EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | MIAMI AIRPORT

As of first quarter 2018, favorable local and national economic conditions, coupled with Miami's continued global appeal, helped sustain the success of Miami's vibrant office market. The latest data demonstrate the continued decline of Miami-Dade County's unemployment rate (currently at 4.7%) with more than 30,000 jobs added over the past year. The county also recorded 4.5% GDP growth, signaling a positive outlook for companies with an established presence in Miami. Year-over-year, robust leasing activity and steady increase in rents evidence the demand for premium Class A office space, a trend we can expect to continue this year.

Year-over-year, the Miami Class A office market closed more than 1.8 million square feet of office lease transactions, and is outperforming last year's performance at the end of Q1 (1.7 million square feet). Although leasing activity has achieved significant improvements, year-over-year net-absorption has lagged (26,781 square feet) mainly due to significant space now available on a direct basis in Downtown Miami (mainly the large block of space previously leased by Wells Fargo at Southeast Financial Center). Suburban markets continue to outpace the CBD, capturing 65% of the total leasing activity this past year.

While new-to-market activity has been declining since 2012, recent activity demonstrates a positive trend with almost 224,000 square feet (year-over-year) of new deals entering the Miami market. Year-to-date, approximately 45,000 square feet of new-to-market deals have translated into an estimated 200 jobs.

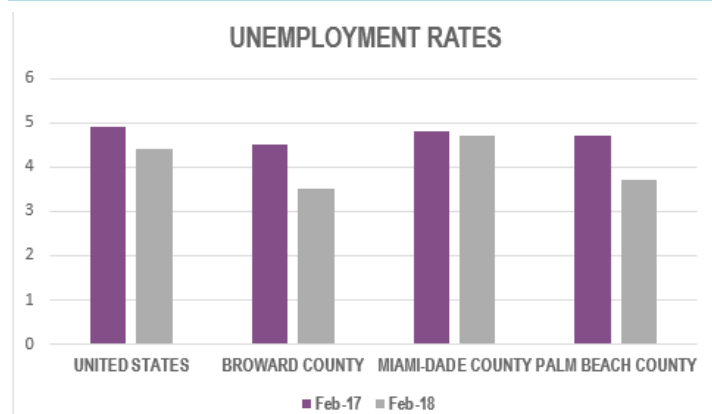
Rents for Class A and B space have reached approximately \$40 per square foot. Over the past five years, Class A rents have increased 22% and are expected to continue a steady upward trend. Newly renovated Class A Tier 2 and Class B office product has been repositioned to benefit from strong tenant demand, focused on flight to quality, thereby achieving significant increase in rents.

In 2018, about 518,486 square feet of new office product will be delivered: 2 MiamiCentral (190,000 square feet); Wynwood Garage (30,000 square feet); CUBE Wynwd (80,000 square feet); Sunset Office Center (60,799 SF); Giralda Place West Tower (71,582 SF); and 2850 Oak Avenue (76,680 SF). However, we expect significant pre-leasing activity across the board given the demand for premier

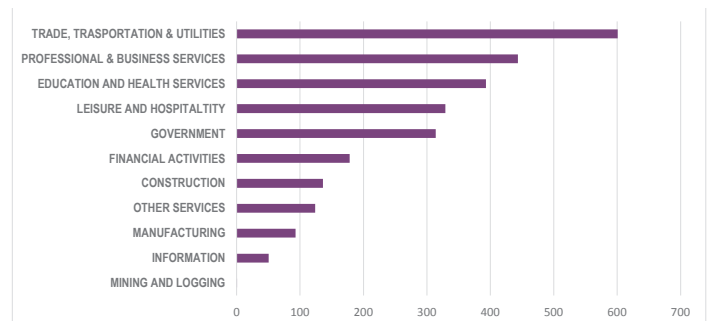
Class A product remains robust. Highly populated suburban markets with abundant amenities and single-digit vacancies, such as Aventura and Coconut Grove, have more than 350,000 square feet of office space delivering in the next 18 to 24 months. The evolution of new office submarkets like Wynwood, with its growing residential and vibrant amenity base, now able to offer Class A office product, poised to attract a new wave of companies looking to establish their offices in a creative and culturally driven office market.

With the first quarter showing local economic stability, a significant number of tenants (more than 900,000 square feet) in the market, and limited new supply, we expect solid performance in the office sector this year.

## UNEMPLOYMENT RATES: USA vs. SOUTH FLORIDA COUNTIES



## FEBRUARY 2018 MIAMI AREA EMPLOYMENT (NUMBER IN THOUSANDS)



# QUICK STATS

## MIAMI OFFICE SUBMARKETS

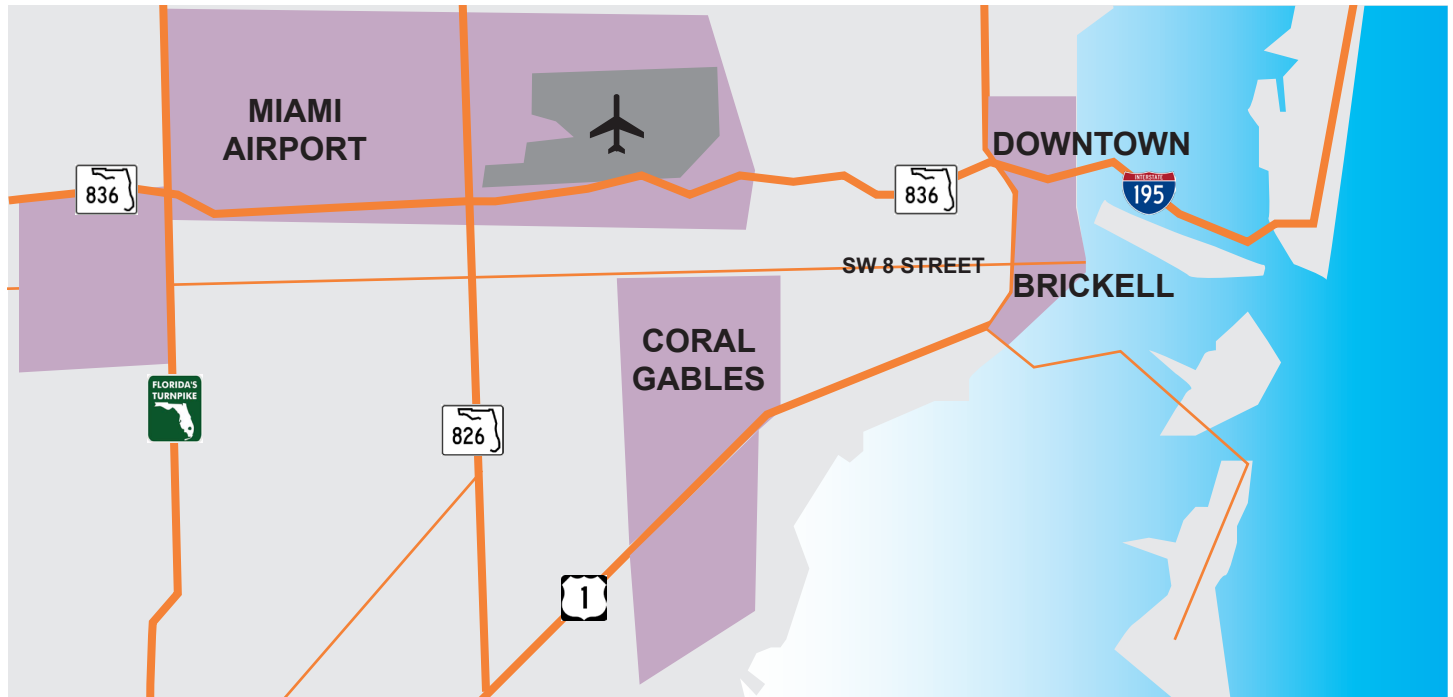
Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rental Rate (\$/SF)	YOY Absorption
4 Major Submarkets					
Downtown	20	6,905,068	21.4%	\$42.59	-154,629
Brickell	25	6,486,622	11.0%	\$45.41	61,141
Coral Gables	42	5,712,279	9.0%	\$39.62	45,381
Miami Airport	67	8,545,178	9.7%	\$33.11	84,630
<b>SubTotal</b>	<b>154</b>	<b>27,649,147</b>	<b>12.8%</b>	<b>\$40.51</b>	<b>36,523</b>
Aventura	9	1,004,645	9.6%	\$47.41	-44,296
Biscayne Corridor	5	723,791	29.6%	\$36.24	-5,909
Coconut Grove	7	829,284	3.0%	\$36.51	-2,830
Coral Way	7	482,676	2.7%	\$28.68	10,364
Kendall	13	1,709,390	12.5%	\$34.53	27,663
Medley	3	185,856	10.1%	\$22.96	31,666
Miami	3	389,211	1.7%	-	-4,004
Miami Beach	11	1,126,756	13.2%	\$47.77	-51,464
Miami Lakes	10	592,771	15.5%	\$26.84	21,797
NE Dade	8	793,150	24.9%	\$22.87	-643
South Dade	2	133,994	31.0%	\$22.09	7,914
<b>SubTotal</b>	<b>78</b>	<b>7,971,524</b>	<b>13.4%</b>	<b>\$34.35</b>	<b>-9,742</b>
<b>TOTAL</b>	<b>232</b>	<b>35,620,671</b>	<b>12.9%</b>	<b>\$39.08</b>	<b>26,781</b>

Multi-tenant, Class A&B Buildings >50,000 SF

# QUICK STATS

DOWNTOWN | BRICKELL | CORAL GABLES | MIAMI AIRPORT

Miami's four major office submarkets account for 72% of total Class A and B office inventory and consist of Downtown, Brickell, Coral Gables and Miami Airport.



Of the approximate 27 million square feet of buildings individually tracked by Blanca Commercial Real Estate's research team, the buildings are divided among the submarkets and classes as such:

BUILDING CLASS:	A	B	A + B
Downtown	7	13	20
Brickell	13	12	25
Coral Gables	19	23	42
Miami Airport	29	38	67
<b>TOTAL NUMBER OF BUILDINGS :</b>	<b>68</b>	<b>86</b>	<b>154</b>

Note: Buildings tracked by Blanca Commercial Real Estate research team are 50,000 SF or greater.

	Q1-2018   CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Miami Airport
Total SF Tracked:	6,905,068 SF	6,486,622 SF	5,712,279 SF	8,545,178 SF
Direct Available SF:	1,480,667 SF	713,124 SF	516,273 SF	824,911 SF
Vacancy:	21.4% ▲ Vs. 1Q17 18.1%	11.0% ▼ Vs. 1Q17 11.9%	9.0% ▼ Vs. 1Q17 9.9%	9.7% ▲ Vs. 1Q17 8.0%
Direct Weighted Average Rates:	\$42.59 ▲ Vs. 1Q17 \$41.51	\$44.82 ▼ Vs. 1Q17 \$44.86	\$39.62 ▲ Vs. 1Q17 \$39.17	\$33.11 ▲ Vs. 1Q17 \$30.51

# OVERVIEW

DOWNTOWN | BRICKELL | CORAL GABLES | MIAMI AIRPORT

## FIRST QUARTER AT A GLANCE

### FOUR MAJOR OFFICE SUBMARKETS

The four major office submarkets – Brickell, Downtown, Coral Gables and Miami Airport – continue to drive the success of the Miami office market, recording more than 2.6 million square feet of office lease transactions year-over-year. Uptick in new-to-market activity and expansions contributed 604,738 square feet of positive net absorption within the four major office submarkets.

#### Leasing Activity Snapshot

In the first quarter, Brickell came out of the gate strong with a 3.4% increase in activity over the same time last year, translating into 61,000 square feet of positive net-absorption of Class A and B space. Recent deals include: Rumberger, Kirk & Caldwell (19,651 square feet) renewal at Brickell City Tower, JP Morgan (17,224 square feet) expansion at 1450 Brickell, and Alvarez & Marsal (12,520 square feet) relocation to 600 Brickell.

Miami Airport continues to outpace the other major office submarkets, recording 84,630 square feet of positive net absorption. Major deals contributing to the year-over-year net-absorption are EBF Holdings (27,706 square feet) and the in-market expansion of Interamerican Medical Center (17,476 square feet). Other major deals this quarter include significant subleases by Cano Health (30,526 square foot expansion), and a new-to-market entry by Alliance Laundry Systems (13,397 square feet).

#### Rent Growth

Year-over-year, rents remained strong and trending upward with Miami Airport achieving record setting rents north of \$36 per square foot. Over the course of the past five years, these submarkets experienced a 17.7% increase in Class A product. Brickell rents remain top-of-market with Class A reaching top rents within the Miami market (\$52.65 PSF) and Class B showing strong annual growth as well (6.9%).

Class A Tier 2 and Class B office rents have experienced strong growth over the last two years and in some areas are outpacing Class A average rents. Significant examples that evidence the trend are Courthouse Tower (52%), 150 Alhambra (24%), 777 Brickell (17%) and Brickell City Tower (14%); all of which have undertaken major renovations of common areas and created new on-site amenities.

#### Supply

Overall, vacancy experienced a steady decline year-over-year. Coral Gables Class A and B had the most significant drop in vacancy followed by Brickell (9.1% and 8% decrease, respectively). Vacancy rate in Downtown remains above 20%. We expect Downtown leasing activity to improve this year driven by the deliveries of 2 and 3 MiamiCentral.

The only new office delivery within the four major office submarkets, 2 MiamiCentral (190,000 square feet), has already reached 58% occupancy as a result of substantial, consistent pre-leasing. Major tenants include Cisneros, Regus and EY, further evidencing the tenants' desire to be connected to mass transit and abundant on-site amenities. Brightline passenger rail service, connecting the tri-county region, will begin service out of MiamiCentral this year.

#### RENOVATIONS DRIVING RENT GROWTH



150 ALHAMBRA, CORAL GABLES (24% RENT INCREASE)



BRICKELL CITY TOWER, BRICKELL (14% RENT INCREASE)

# OVERVIEW

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## ECONOMIC FUNDAMENTALS IMPACTING OFFICE

In 2018, the U.S. economic outlook is healthy, according to key market indicators. National GDP has grown by 2.9% and is forecasted to hold pace through 2018. Unemployment rate is trending downward and is adding significant job numbers. The end of the first quarter, recorded 616,000 jobs. Healthcare and manufacturing industries are leading the charge and we expect their performance to sustain steady growth over the course of the year.

Miami's international flare and strong local economy will positively impact the office market over the next year. Recent global reports indicate that Miami's GDP performance is doubling the average GDP growth rate of other major metropolitan cities (4.5% vs. 2.8%). Additionally, Miami-Dade County contributes to almost 40% of the state's total GDP. Favorable Florida tax incentives and no state income tax continue to be one of the top reasons for the influx of out-of-market investment into Miami, a trend that notably impacts the Miami office market.

As a result, companies are optimistic and are projecting strong financials. The reduced corporate tax rate will also alleviate cash flow and improve the bottom line for many companies. These factors may drive businesses to add employees to support growth and expand their footprints into different markets.

Locally, employment growth within key industries, such as legal and financial services, has resulted in significant leasing activity year-over-year (686,546 square feet) and accounted for 33% of total leasing. The healthcare industry has recorded more than 250,816 square feet (11%) of deals and is projected to continue its solid growth trajectory, locally and nationally. The technology industry is now gaining ground and has completed nearly 200,000 square feet of deals, recording 9% of total deals. Major transactions within this sector include the expansion of Amadeus, Cisco Systems and Facebook.

Notable first-quarter transactions that evidence the local job growth trend include expansions by JP Morgan, Cano Health and Tech Data. Companies entering the market include: Conway Mackenzie (5,600 SF); Adam Moskowitz PA (4,300 SF); and Red Creek Financial (4,100 SF). Global luxury brands expanding and recommitting to the Miami market include LVMH (31,000 SF) and Alcora Corporation (5,880 SF).

The Miami office market is also showing strength at a national level with Class A and B rents increasing rapidly. Since 2013, Miami rents have increased by 22% as compared to the national average of 15.7%.

We expect Miami's consistent population growth, healthy activity of new development, solid employment trends and ongoing foreign and domestic investment into the local economy to drive its continued success within the office market this year.



Brightline passenger rail service, connecting the tri-county region, will begin service out of MiamiCentral this year.

## BY THE NUMBERS: LEASING ACTIVITY KEY INDUSTRIES

**686,546<sup>SF</sup>**  
(33% OF CLOSED DEALS)  
LEGAL AND  
FINANCIAL SERVICES

**250,816<sup>SF</sup>**  
(11% OF CLOSED DEALS)  
HEALTHCARE

**200,000<sup>SF</sup>**  
(9% OF CLOSED DEALS)  
TECHNOLOGY

# OVERVIEW

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## EMERGING URBAN OFFICE SUBMARKETS

With Miami's evolving infrastructure and evident demand, a new wave of commercial real estate development has risen. The recent success of the suburban market and lack of new office supply in smaller or non-traditional office markets has resulted in the urbanization of these submarkets. Evidencing this trend is the evolution of Coconut Grove and Wynwood. As these markets deliver quality office product, enhance retail offerings and find unique ways to connect to public transit, more companies will follow suit.



ONE COCOWALK, COCONUT GROVE

### Coconut Grove Highlights

Coconut Grove is experiencing a renaissance. Over the past few years, new restaurants have established themselves within the area and new residential towers like One Park Grove and Bay Colony have broken ground, further establishing the Grove as an ideal option with luxury and executive residential offerings. Last year, Federal Realty, Grassriver and Comras announced new plans for the iconic Cocowalk and unveiled One Cocowalk, the newest office building to hit the market (79,921 SF). With vacancy just under 3% for Class A and B office buildings greater than 50,000 SF and no new office deliveries since 1989, the Grove is well-positioned to attract top companies and further activate and enhance its existing retail. In addition to One

Cocowalk, more than 195,180 square feet of new office space is expected to deliver in the next 24 months. Major office projects include: Terra Building, 27@Lincoln and Optimum.

Today, the Grove is home to several notable companies including: Kaufman Rossin; Sapient; Healthsun; Regus; Buro; and Wells Fargo Advisors, among others. With a vibrant amenity base, unique outdoor areas surrounded by water, and top food and beverage concepts, we expect office demand to be strong and also capture an influx from other office submarkets that lack walkability and suffer from traffic congestion. New office developments are seeing strong interest from a diverse subset of companies and will achieve significant pre-leasing as the project nears delivery in 2019.



## BY THE NUMBERS: COCONUT GROVE OFFICE MARKET

**195,180 SF**  
TOTAL SF OF NEW OFFICE  
SPACE EXPECTED TO DELIVER  
IN THE NEXT 24 MONTHS

**3.0 %**  
Q1 2018 VACANCY FOR CLASS  
A AND B BUILDINGS GREATER  
THAN 50,000 SF

**\$36.51 PSF**  
Q1 2018 WEIGHT AVERAGE  
ASKING RENTAL RATE FOR  
CLASS A AND B BUILDINGS

# OVERVIEW

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## Wynwood Highlights



CUBE WYNWD

Over the past 10 years, the Wynwood market has evolved into a globally recognized brand and an ideal destination for commercial real estate investment and development. Traditionally known for Art Basel and for being one of the world's largest open-air street installations, Wynwood is now emerging as a top retail, entertainment and F&B destination. Today, Wynwood has more than 100 galleries, retail stores and top restaurants. It's central Miami location and creative environment has already attracted more than 400 companies to establish offices in the area and that number is growing. Its vibrant technology and entrepreneurship ecosystem has helped Wynwood evolve into a viable office destination for creative and traditional office users.

With more than 5,000 residential units (existing and underway) in Wynwood and nearby neighborhoods, the area is experiencing a wave of urbanization. Office tenants today are looking for locations that are well-positioned to attract and retain top talent while offering true live, work, play environments. Wynwood offers office users an accessible and central location, walkability, abundant amenities and a diverse array of residential offerings. Additionally, companies are looking for unique ways to differentiate themselves and refresh their brands to better align with today's new workforce and client base. Wynwood's strong play factor, vibrant culture, and art are helping companies align themselves with a new and exciting standard in office.



THE WYNWOOD GARAGE

There is currently 178,925 square feet of new office expected to deliver in the next 24 months. Major office projects include: CUBE Wynwd, Wynwood 25 Annex and The Wynwood Garage.

## LATEST TRENDS IN OFFICE SPACE:



INCREASE IN NEW-TO-MARKET ACTIVITY



RESURGENCE OF NEW SUBURBAN MARKETS  
LIKE COCONUT GROVE & WYNWOOD



YEAR-OVER-YEAR LEASING ACTIVITY  
WILL KEEP STEADY MOMENTUM



MAJOR RENOVATIONS OF EXISTING PRODUCT,  
FOCUSED ON ENHANCING COMMON AREAS  
AND ADDING ON-SITE AMENITIES



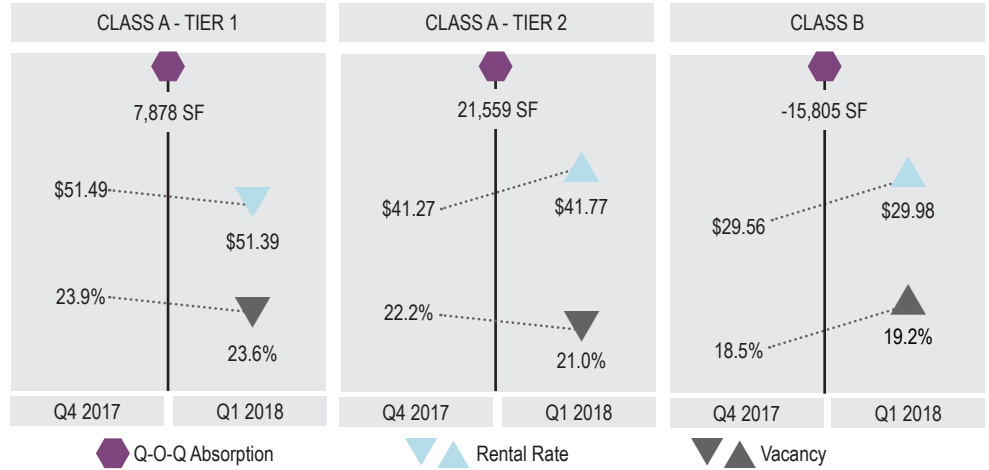
# SUBMARKET WATCH

## Q1 2018 NOTABLE TRANSACTIONS

LVMH  
24,500 SF - Renewal  
New World Tower  
100 N. Biscayne Blvd.

CONCACAF  
17,224 SF - New to Submarket /  
Relocation  
Three MiamiCentral  
161 NW 6th Street

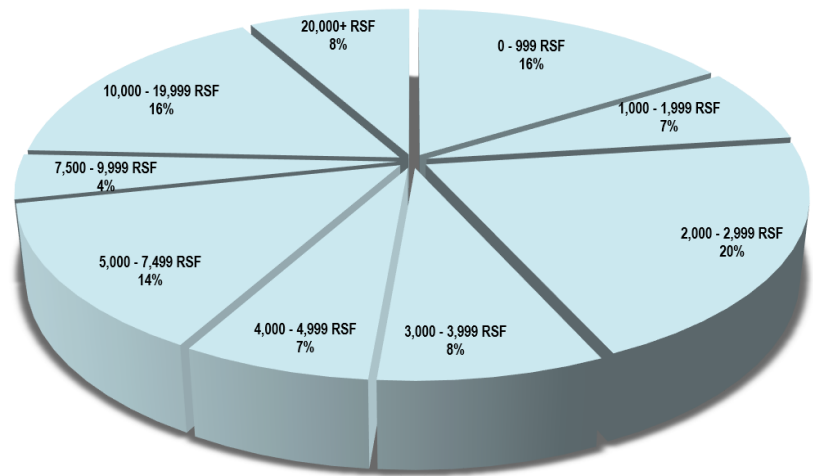
## DOWNTOWN MARKET HIGHLIGHTS Quarter-Over-Quarter



## Q1 2018 SNAPSHOT

COMPLETED TRANSACTIONS  
SPACE ANALYSIS

58% | < 5,000 SF



DOWNTOWN RENTAL RATES  
REFLECT A 19.4% INCREASE  
SINCE 2013

Historical Vacancy Rates Year-Over-Year

	Class A Tier 1	Class A Tier 2	Class B
2014	25.6%	18.8%	20.2%
2015	20.5%	15.5%	19.9%
2016	21.2%	19.5%	17.9%
2017	21.0%	16.0%	16.0%
2018	23.6%	21.0%	19.2%
	7.9% ▼	11.9% ▲	5.2% ▼

## DOWNTOWN MARKET HIGHLIGHTS Historical Performance Year-Over-Year



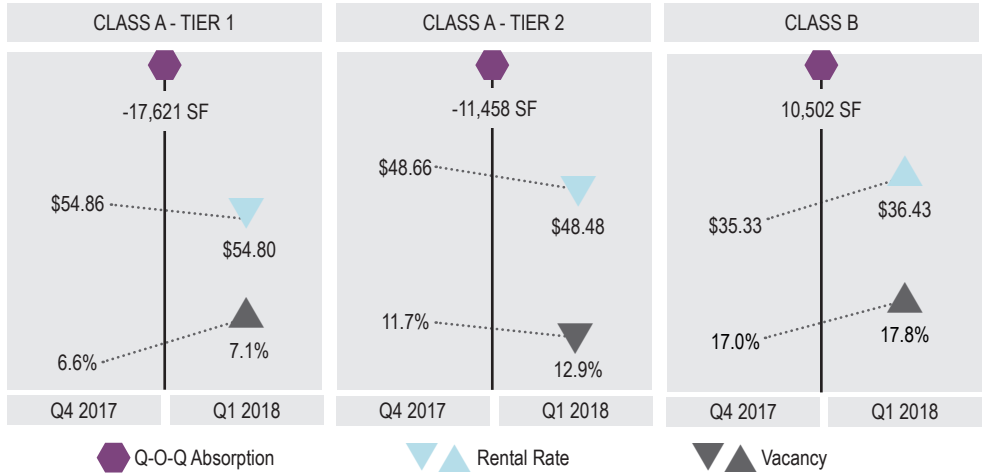
# SUBMARKET WATCH

## Q1 2018 NOTABLE TRANSACTIONS

JP Morgan Chase  
17,111 SF - Expansion  
1450 Brickell  
1450 Brickell Avenue

Wavemaker  
6,000 - Renewal  
Courvoisier Centre II  
601 Brickell Key Drive

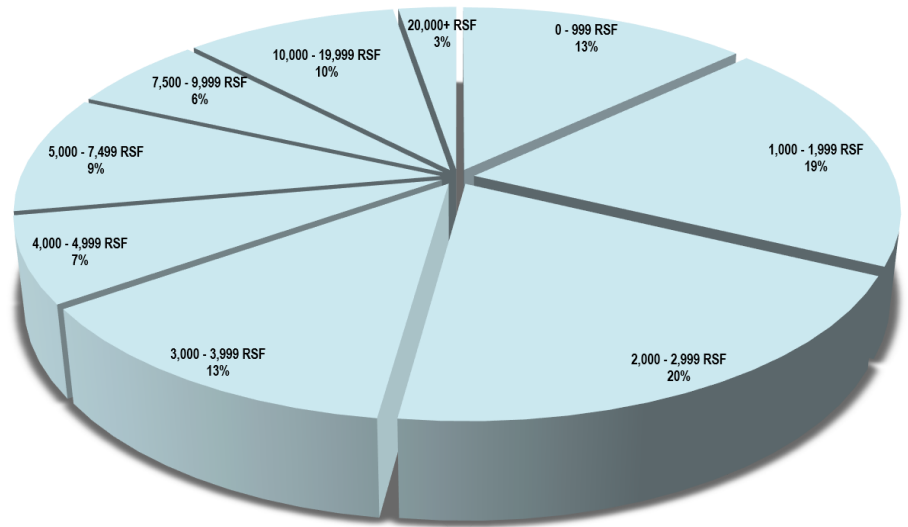
## BRICKELL MARKET HIGHLIGHTS Quarter-Over-Quarter



## Q1 2018 SNAPSHOT

COMPLETED TRANSACTIONS  
SPACE ANALYSIS

72% | < 5,000 SF



BRICKELL RENTAL RATES  
REFLECT A 22.4% INCREASE  
SINCE 2013

Historical Vacancy Rates Year-Over-Year

	Class A Tier 1	Class A Tier 2	Class B
2014	16.1%	15.2%	18.7%
2015	13.1%	14.7%	18.1%
2016	9.1%	13.1%	16.9%
2017	9.4%	11.9%	17.1%
2018	7.1%	12.9%	17.8%
	44.8% ▼	26.1% ▼	13.4% ▼

## BRICKELL MARKET HIGHLIGHTS Historical Performance Year-Over-Year



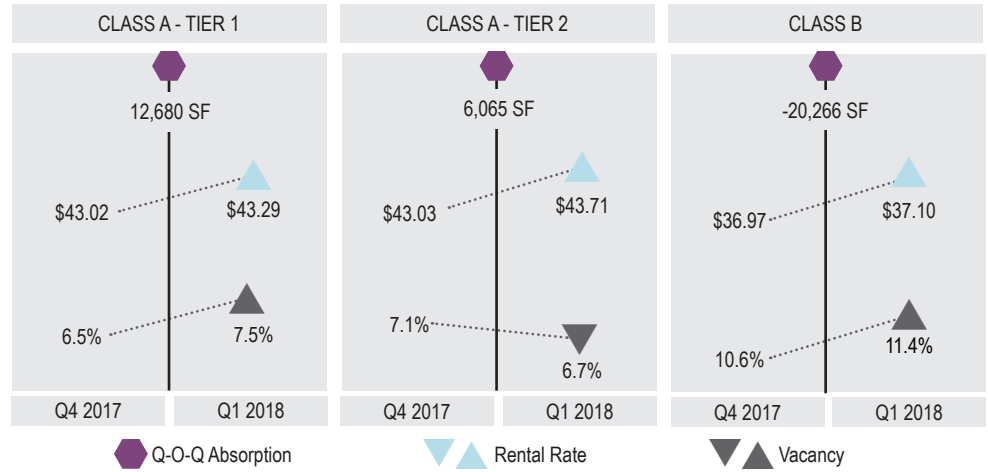
# SUBMARKET WATCH

## Q1 2018 NOTABLE TRANSACTIONS

Early Earning Coalition of Miami-Dade/Monroe  
 16,000 SF - In-Market Expansion  
 2555 Ponce  
 2555 Ponce de Leon

Katz Barron  
 11,350 SF - New to Submarket / Relocation  
 901 Ponce  
 901 Ponce de Leon

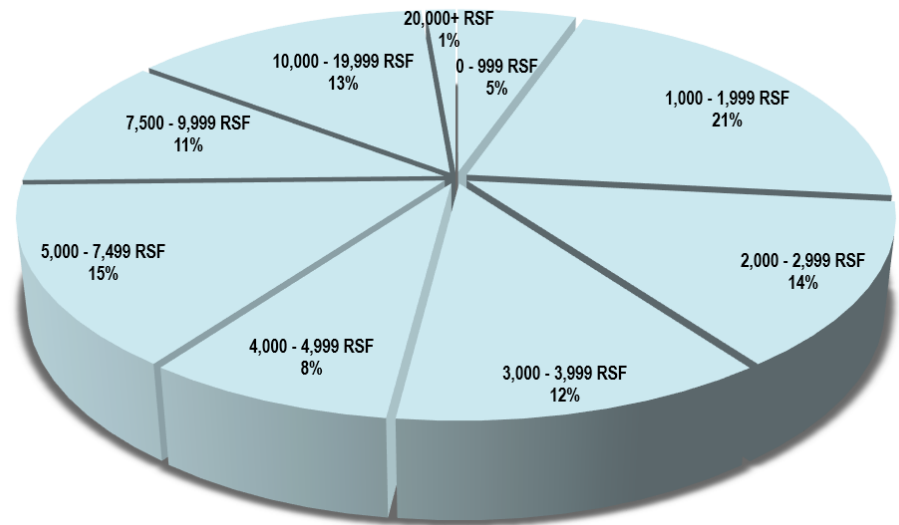
## CORAL GABLES MARKET HIGHLIGHTS Quarter-Over-Quarter



## Q1 2018 SNAPSHOT

COMPLETED TRANSACTIONS  
 SPACE ANALYSIS

61% | < 5,000 SF

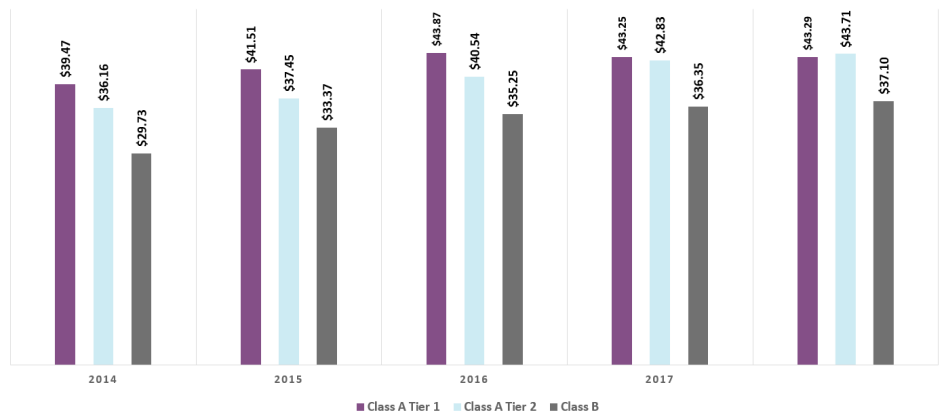


## CORAL GABLES RENTAL RATES REFLECT A 16% INCREASE SINCE 2013

Historical Vacancy Rates Year-Over-Year

	Class A Tier 1	Class A Tier 2	Class B
2014	18.5%	25.8%	14.1%
2015	11.7%	17.9%	9.8%
2016	11.4%	13.0%	12.5%
2017	7.6%	7.7%	12.4%
2018	7.5%	6.7%	11.4%
	64.4% ▼	73.0% ▼	28.8% ▼

## CORAL GABLES MARKET HIGHLIGHTS Historical Performance Year-Over-Year



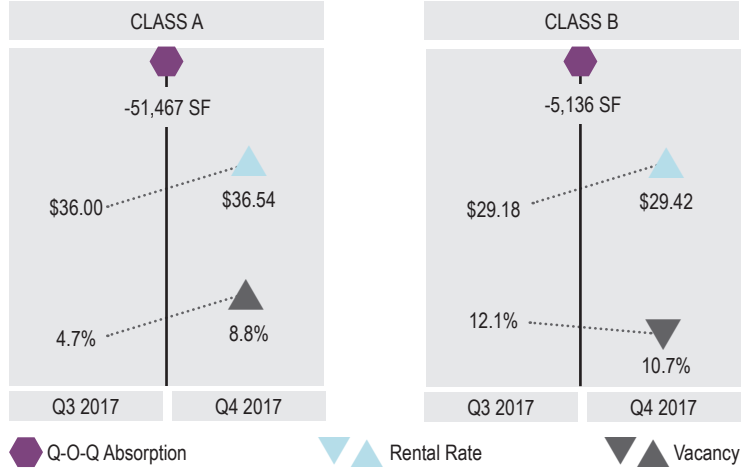
# SUBMARKET WATCH

## Q1 2018 NOTABLE TRANSACTIONS

Cano Health Medical Services  
30,526 SF - In Market Expansion  
Offices at Flagler Station - 1200  
9725 NW 117 Avenue

Carnival Cruise Lines  
18,076 SF - Renewal / Expansion  
Doral Court  
8600 NW 36 Street

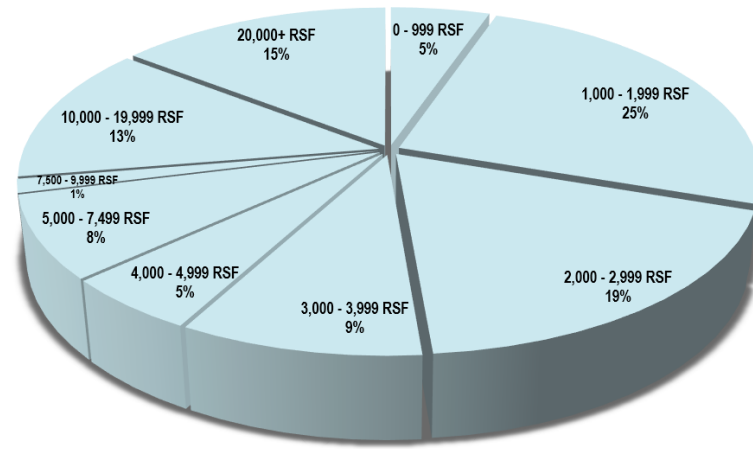
## MIAMI AIRPORT MARKET HIGHLIGHTS Quarter-Over-Quarter



## Q1 2018 SNAPSHOT

COMPLETED TRANSACTIONS  
SPACE ANALYSIS

63% | > 5,000 SF

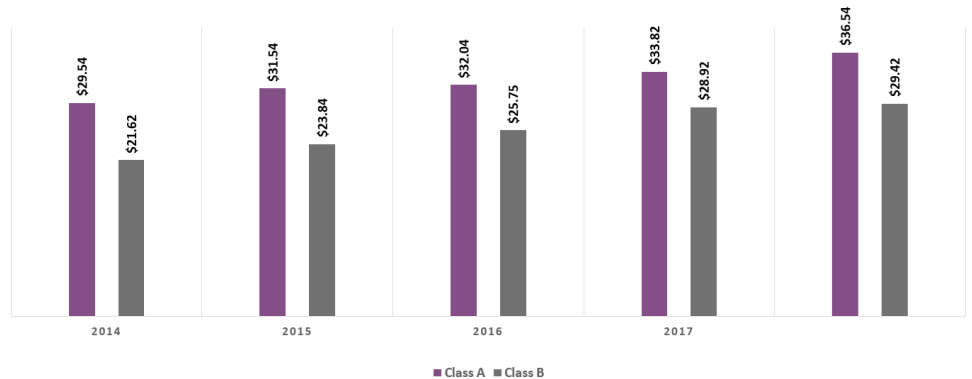


## AIRPORT WEST DADE'S RENTAL RATES REFLECT A 23.7% INCREASE SINCE 2013

Historical Vacancy Rates Year-Over-Year

	Class A	Class B
2014	13.0%	23.1%
2015	10.3%	17.9%
2016	6.4%	13.9%
2017	4.7%	12.1%
2018	8.8%	10.7%
Change	-37.3% ▼	-66.3% ▼

## AIRPORT WEST MARKET HIGHLIGHTS Historical Performance Year-Over-Year



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