



SECOND QUARTER 2018  
**MIAMI OFFICE MARKET REPORT**



BLANCA  
Licensed Real Estate Broker

# EXECUTIVE SUMMARY

## OVERVIEW OF MIAMI OFFICE MARKET

Miami's office market fundamentals remain steady as we close the first half of 2018. Leasing momentum and rents demonstrated consistent demand over the past year. Major new office deliveries added approximately 600,000 square feet of Class A inventory and approximately 550,000 square feet is expected to deliver within the next 12 months.

Year-over-year, 3.1 million square feet of office lease transactions were completed across the Miami office market with the four major submarkets (Brickell, Downtown, Coral Gables, and Miami Airport) contributing to 80% of the deal flow.

Rents achieved slight increases across various submarkets, and we expect modest rent growth through year-end as new inventory delivers and demand for Class A space holds steady. Weighted average asking rents reached \$39.40 per-square-foot, a 2% increase over the previous year.

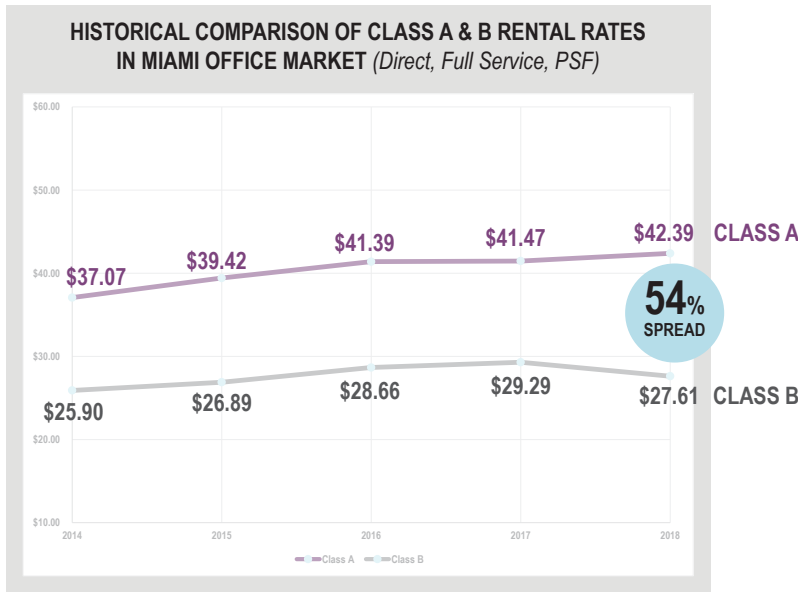
Last year, rent spreads between Class A & B were on the rise, creating the opportunity for landlords to unlock the full potential of their assets and achieve significant ROI through strategic property improvements and amenities. Leveraging this opportunity, several owners have successfully repositioned assets and increased rents (\$3 to \$5 PSF) driving a 7% reduction in rent gap.

New office developments are also setting new rent thresholds across several of Miami's office submarkets. Representative of this trend was the recent delivery of 2 MiamiCentral (60% pre-leased) with asking rents north of \$50 PSF in Downtown. Office projects under construction in emerging submarkets such as Wynwood and Coconut Grove, are quoting \$50 to \$61 PSF on a gross basis.

The most notable building sale, year-to-date, was 1111 Brickell in the financial district (\$475 PSF), purchased by a joint venture between KKR and Parkway. The ownership also announced a \$10 million renovation scheduled to commence this year. Newly repositioned assets that are expected to trade before year-end, include: The Landing at MIA, Brickell City Tower and Citigroup Center.

With both local and institutional owners making significant investments in Miami, and a substantial uptick in tenant demand, we expect the second half of the year to achieve positive results and outperform the first half of the year.

**3M<sub>SF</sub>**  
COMPLETED  
TRANSACTIONS Y-O-Y  
MIAMI OFFICE MARKET



**WHAT'S NEXT**

- INCREASE IN NEW-TO-MARKET ACTIVITY
- CONTINUED FLIGHT TO QUALITY
- RENOVATIONS OF CLASS A TIER 2 AND CLASS B OFFICE BUILDINGS

# SNAPSHOT

## 4 MAJOR OFFICE SUBMARKETS: DOWNTOWN | BRICKELL | CORAL GABLES | MIAMI AIRPORT

The four major office submarkets continue to drive Miami's office market by capturing most of the deal activity while steadily increasing rents, now at \$40.68 PSF for Class A & B space. Overall, inventory remains steady with vacancy at 14.2%. Year-over-year, only Downtown added new office inventory with the delivery of 2 and 3 MiamiCentral (280,000 square feet).

More than 2.3 million square feet of office lease transactions were completed year-over-year within the four major office submarkets, representing almost 80% of total leasing activity. Miami Airport contributed to 31% of the total lease transactions. Downtown followed, capturing 27% of the total deals and driving 50,000 square feet of positive net absorption for Class A space. Although leasing momentum has been consistent, the major office submarkets experienced negative year-over-year absorption. Tenants have continued to "right size" and adopt new workplace standards at their current locations. When electing to relocate tenants have been driven by flight to quality and as a result there have been significant moves across submarkets. Recent examples include Atlantic Pacific and Cisneros upcoming relocations to Downtown from Coconut Grove and Coral Gables, respectively.

Class A & B weighted average asking rents increased by 1.4%. Class A also outperformed Class B product in rent growth, with Miami Airport leading the pace and recording a 10.5% increase (\$37.68 PSF). Downtown Class A achieved \$48.29 PSF, almost a 4% annual increase and a 20% increase since 2015. While Brickell rents experienced a slight decrease (-1.4% year over year), it continues to set the bar with Class A rents at \$52.52. Coral Gables Class A is now at \$43.68 with new office developments setting a new rent threshold north of \$50 PSF.

All in all, with limited new product scheduled to deliver this year, coupled with 1.2 million square feet of deals in the four major submarkets, we expect improved net absorption than realized in the previous six months and modest increases in rents.



**95%  
LEASED**

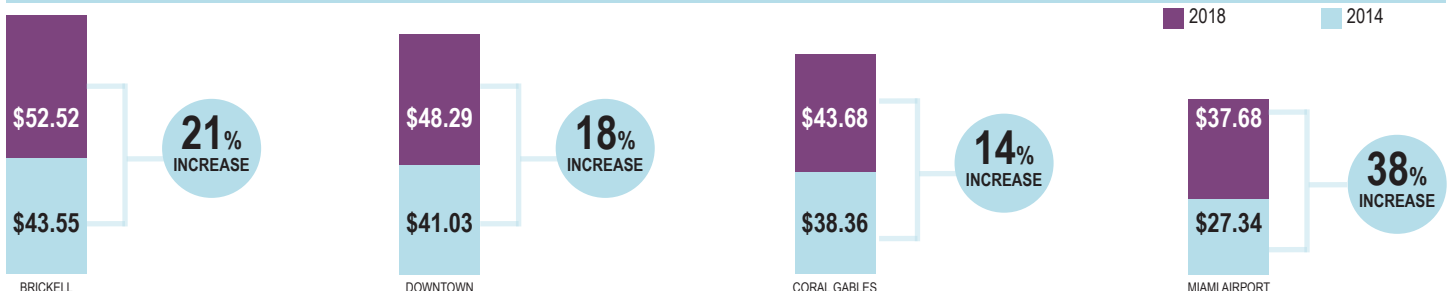
**3 MIAMICENTRAL**  
ATLANTIC PACIFIC  
BRIGHTLINE  
CONCACAF  
HNTB  
MTV LATIN AMERICA



**60%  
LEASED**

**2 MIAMICENTRAL**  
CISNEROS  
ERNST & YOUNG  
REGUS  
FECI

### COMPARATIVE ANALYSIS OF RENTAL RATE INCREASE SINCE 2014 (CLASS A)



# SNAPSHOT

DOWNTOWN | BRICKELL | CORAL GABLES | MIAMI AIRPORT

## YTD DEAL ACTIVITY | WHO IS MAKING MOVES?

Year-to-date, approximately 90% of the deals were renewals, in-market relocations, and new-to-submarket moves with a key driver being flight-to-quality. New-to-market activity remained steady but is expected to intensify over the course of the year as evidenced by 77,108 square feet of new market deals completed year-to-date.

Miami's substantial job growth (3.5% unemployment) and strong local economy continue to propel the uptick in renewal and expansion activity among local companies. While professional, legal, and financial services still dominate the share of deals within the Miami office market, real estate/construction, healthcare, and media are keeping a notable pace in activity. Year-to-date, key deals aligned with these industries include:

### DEALS

MTV Latin America - Media - 23,664 SF  
Roger's Memorial Health - Healthcare - 11,688 SF  
Katz Barron - Legal - 11,350 SF  
Invex - Financial Services - 8,800 SF  
Atlantic Pacific - Real Estate - 6,100 SF

According to a recent report by the Kauffman Foundation, Miami ranked first in startup activity within the U.S., representative of Miami's standing as an entrepreneurial community (76% of tenants occupy less than 5,000 square feet). Startup companies are choosing to make Miami home because of the vibrant culture, economic strength, and young talent flocking to the city.

- Kian Tech, a technical support startup company based in Dubai, leased 1,125 SF at 1221 Brickell.
- The Succession Group, a financial services startup, renewed their 1,390 SF space at 2121 Ponce.
- Red Creek Asset Management, an entrepreneurial mortgage managing company, established their 4,117 SF office at Wells Fargo Center.

The pipeline of new-to-market prospects has grown significantly post federal tax reform. Companies across industries including technology and financial services, ranging from 5,000 to 50,000 square feet, are actively committed to establishing their headquarters or satellite offices in Miami. Evidencing industry demand, more than 25% of completed transactions were by companies within the financial services sector.

Recent studies also show an increasing number of residents relocating from New York, Washington D.C., Boston, Chicago, and Los Angeles. Consistent with this demand, companies from these cities are establishing a presence in Miami. Year-to-date, new-to-market entries contributed almost 80,000 square feet of deals. Although it was half of what was recorded at the same time last year, given the growing pipeline of new tenants, we expect to record increased numbers by year-end. Notable new-to-market leases included:

### DEALS

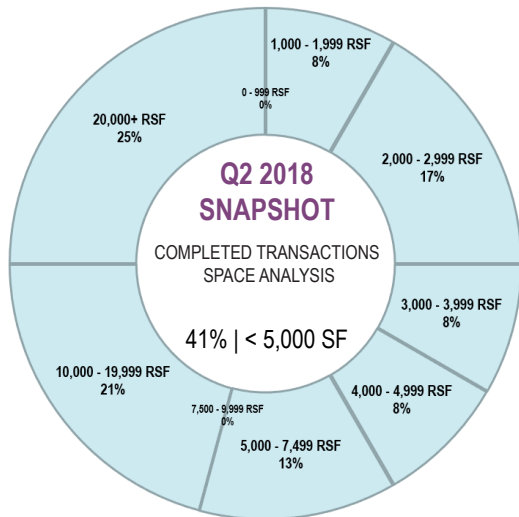
iSquared Capital from New York - 18,873 SF  
Conway MacKenzie from New York - 5,701 SF  
Akaz Capital from Kuwait - 5,109 SF  
International Planning Group from Boston - 3,330  
Western Digital from California - 2,059 SF  
HP Capital from California - 486 SF

Over the course of the year, expect to see an increase in domestic new-to-market entries seeking the favorable business and tax environment Florida has to offer, its appeal to top talent, and local tenants aligning their brands with quality office space.

### BY THE NUMBERS (QUARTER-OVER-QUARTER)

(DOWNTOWN CLASS A TIER 1 & 2 AND CLASS B)

- \$48.29 AVERAGE RENTAL RATE CLASS A (TIER 1 AND 2)
- \$30.15 AVERAGE RENTAL RATE CLASS B
- 24.6% VACANCY RATE CLASS A BUILDINGS
- 20.7% VACANCY RATE CLASS B BUILDINGS
- 14,818 SF OVERALL DOWNTOWN POSITIVE ABSORPTION



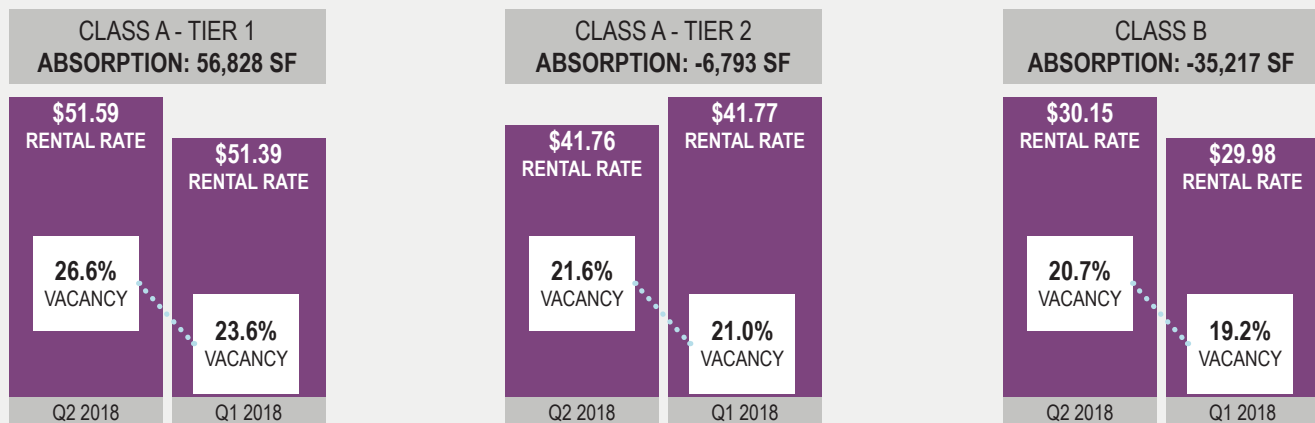
### IN BRIEF (QUARTER-OVER-QUARTER)

- Downtown outperformed Miami's major submarkets, quarter-over-quarter, with nearly 50,000 square feet of positive net absorption in Class A buildings
- The delivery of 2 MiamiCentral added 190,000 square feet of Class A office space for tenants continuing to seek amenity rich and dynamic environments
- 58% of deals completed Downtown were larger than 10,000 square feet

**NOTABLE TRANSACTIONS: MTV NETWORKS LATIN AMERICA**  
23,664 SF New-to-Submarket Relocation  
3 MiamiCentral | 161 NW 6th Street

**DUANE MORRIS**  
23,128 SF In-Market Relocation  
Citigroup Center | 201 S. Biscayne Blvd.

### DOWNTOWN SNAPSHOT (QUARTER-OVER-QUARTER) Absorption . Rental Rate . Vacancy



### HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

Vacancy Rates Year-Over-Year			
	Class A Tier 1	Class A Tier 2	Class B
2014	22.5%	16.9%	20.1%
2015	20.5%	15.6%	19.1%
2016	20.8%	19.5%	16.8%
2017	20.4%	19.3%	16.5%
2018	26.6%	21.6%	20.7%



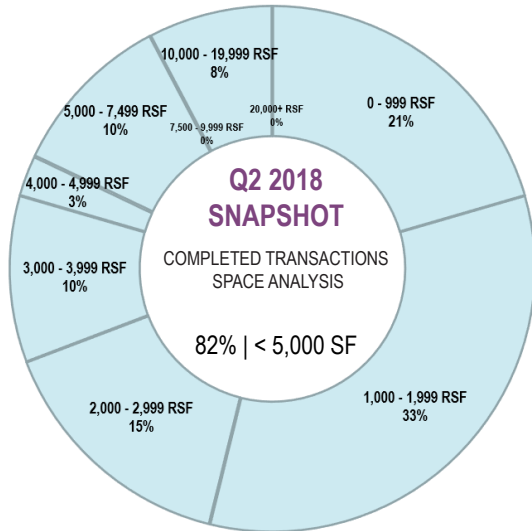
**DOWNTOWN RENTAL RATES REFLECT AN OVERALL 14.9% INCREASE SINCE 2014**

Rental Rates Year-Over-Year			
	Class A Tier 1	Class A Tier 2	Class B
2014	\$43.29	\$36.31	\$26.64
2015	\$42.00	\$38.52	\$26.36
2016	\$47.09	\$39.12	\$27.42
2017	\$50.39	\$40.54	\$29.33
2018	\$51.59	\$41.76	\$30.15

### BY THE NUMBERS (QUARTER-OVER-QUARTER)

(BRICKELL CLASS A TIER 1 & 2 AND CLASS B)

- \$52.52 AVERAGE RENTAL RATE CLASS A (TIER 1 AND 2)
- \$36.33 AVERAGE RENTAL RATE CLASS B
- 9.2% VACANCY RATE CLASS A BUILDINGS
- 17.9% VACANCY RATE CLASS B BUILDINGS
- -43,079 SF OVERALL BRICKELL ABSORPTION



### IN BRIEF (QUARTER-OVER-QUARTER)

- Brickell continues to achieve top rents with Class A weighted average asking rents at \$52.52 per square foot; significantly, 1450 Brickell is leading Class A rents at \$65 per square foot
- More than 130,000 square feet of leasing activity was recorded in Brickell for the first half of 2018

### NOTABLE TRANSACTIONS:

#### ISQUARED CAPITAL

18,873 SF New-to-Market  
600 Brickell | 600 Brickell Avenue

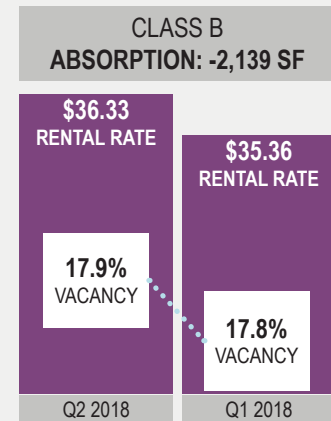
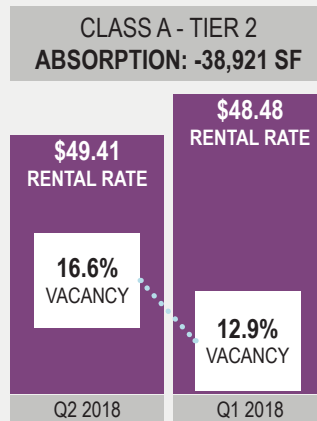
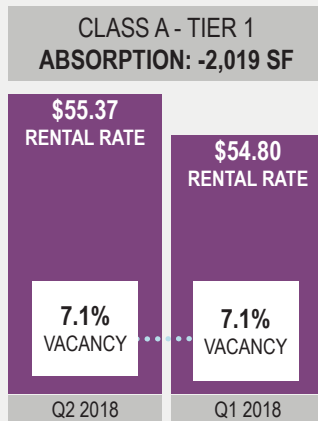
#### AVINODE

7,075 SF Renewal/Expansion  
444 Brickell | 444 Brickell Avenue

#### AKAZ

5,109 SF New-to-Market  
1450 Brickell | 1450 Brickell Avenue

### BRICKELL SNAPSHOT (QUARTER-OVER-QUARTER) Absorption . Rental Rate . Vacancy



### HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

Vacancy Rates Year-Over-Year			
	Class A Tier 1	Class A Tier 2	Class B
2014	14.3%	13.5%	17.3%
2015	9%	13.2%	18.4%
2016	8.7%	11.7%	17.7%
2017	6.6%	11.7%	17.0%
2018	7.1%	16.6%	17.9%



**BRICKELL CLASS A RENTAL RATES REFLECT AN OVERALL 20.6% INCREASE SINCE 2014**

Rental Rates Year-Over-Year			
	Class A Tier 1	Class A Tier 2	Class B
2014	\$44.14	\$41.57	\$31.13
2015	\$45.22	\$44.31	\$32.29
2016	\$48.99	\$46.87	\$34.14
2017	\$55.70	\$47.84	\$35.03
2018	\$55.37	\$49.41	\$36.33

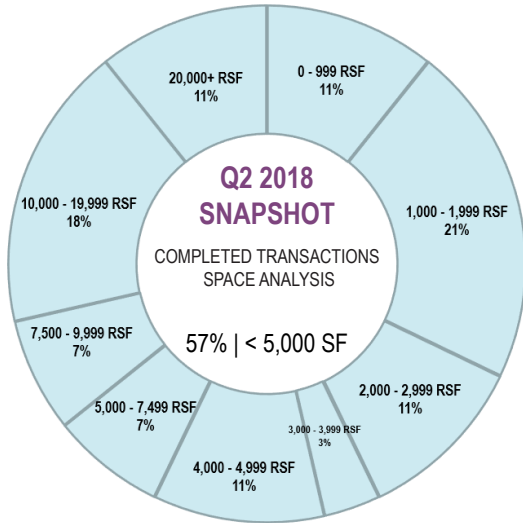
# SUBMARKET WATCH

CORAL GABLES . 2Q 2018

## BY THE NUMBERS (QUARTER-OVER-QUARTER)

(CORAL GABLES CLASS A TIER 1 & 2 AND CLASS B)

- \$43.68 AVERAGE RENTAL RATE CLASS A (TIER 1 AND 2)
- \$37.05 AVERAGE RENTAL RATE CLASS B
- 7.7% VACANCY RATE CLASS A BUILDINGS
- 14.9% VACANCY RATE CLASS B BUILDINGS
- -116,740 OVERALL CORAL GABLES ABSORPTION



## IN BRIEF (QUARTER-OVER-QUARTER)

- 20% of Coral Gables Class B buildings are undergoing renovations
- Over 100,000 square feet of completed transactions were recorded in Coral Gables for the second quarter of 2018

### NOTABLE TRANSACTIONS:

#### OLE MEDIA SERVICES

32,790 SF Renewal & Expansion  
2525 Ponce | 2525 Ponce de Leon Blvd

#### QUINTERO BROCHE ATTORNEYS

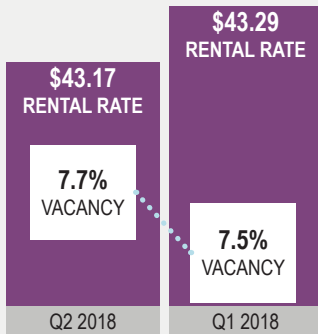
9,612 SF Renewal  
75 Valencia | 75 Valencia Ave

#### WILL ALBORNOZ

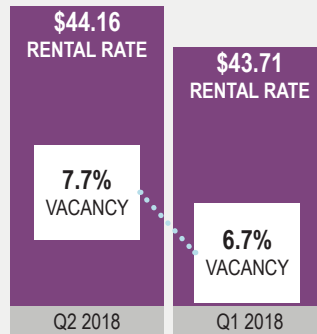
1,544 SF Renewal  
901 Ponce | 901 Ponce de Leon Blvd

## CORAL GABLES SNAPSHOT (QUARTER-OVER-QUARTER) Absorption . Rental Rate . Vacancy

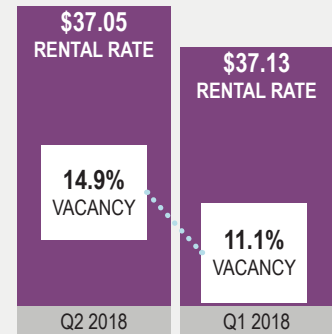
### CLASS A - TIER 1 ABSORPTION: -2,933 SF



### CLASS A - TIER 2 ABSORPTION: -15,730 SF



### CLASS B ABSORPTION: -98,077 SF



## HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

### Vacancy Rates Year-Over-Year

	Class A Tier 1	Class A Tier 2	Class B
2014	15.8%	22.4%	13.4%
2015	11.2%	17.0%	9.9%
2016	8.7%	12.7%	14.0%
2017	8.2%	6.5%	11.1%
2018	7.7%	7.7%	14.9%



**CORAL GABLES CLASS A RENTAL RATES REFLECT AN OVERALL 13.9% INCREASE SINCE 2014**

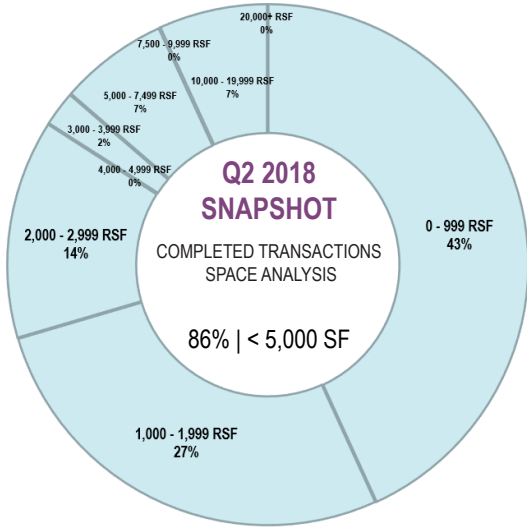
### Rental Rates Year-Over-Year

	Class A Tier 1	Class A Tier 2	Class B
2014	\$40.66	\$37.15	\$30.44
2015	\$40.80	\$37.17	\$33.70
2016	\$43.49	\$40.44	\$35.50
2017	\$43.77	\$42.46	\$36.54
2018	\$43.17	\$44.16	\$37.05

### BY THE NUMBERS (QUARTER-OVER-QUARTER)

(MIAMI AIRPORT CLASS A AND CLASS B)

- \$37.68 AVERAGE RENTAL RATE CLASS A
- \$29.52 AVERAGE RENTAL RATE CLASS B
- 9.0% VACANCY RATE CLASS A BUILDINGS
- 12.7% VACANCY RATE CLASS B BUILDINGS
- -81,842 SF OVERALL MIAMI AIRPORT ABSORPTION



### IN BRIEF (QUARTER-OVER-QUARTER)

- Weighted asking rental rates have increased 3.1% within Class A buildings, quarter-over-quarter
- Nearly 130,000 square feet of deals have been completed since 2017 for buildings that have announced or are undergoing renovations
- Miami Airport experienced the lowest Class A and B direct vacancy rate of 10.6%
- Flight to quality trend is evidenced by in market relocations to 800 Waterford, delivered in 2017

### NOTABLE TRANSACTIONS:

#### ROGER'S MEMORIAL HEALTH

11,688 SF Expansion  
5805 Waterford | 5805 Blue Lagoon Drive

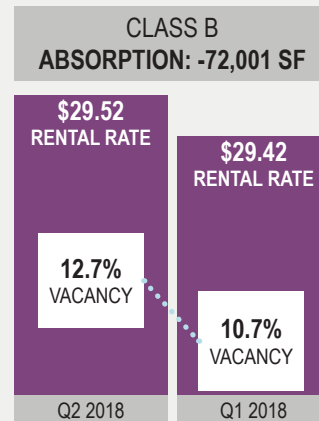
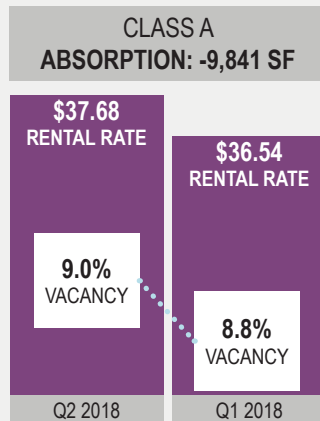
#### ALCORA

7,052 SF Expansion  
One Park Square | 3740 NW 82 Avenue

#### THE DANISH BREWERY GROUP

1,462 SF In-Market Relocation  
Doral Park Center | 3905 NW 107 Avenue

### MIAMI AIRPORT SNAPSHOT (QUARTER-OVER-QUARTER) Absorption . Rental Rate . Vacancy



### HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

Vacancy Rates Year-Over-Year		
	Class A	Class B
2014	11.3%	21.0%
2015	9.0%	17.9%
2016	4.9%	15.5%
2017	5.1%	11.2%
2018	9.0%	12.7%



**MIAMI AIRPORT CLASS A RENTAL RATES REFLECT AN OVERALL 37.8% INCREASE SINCE 2014**

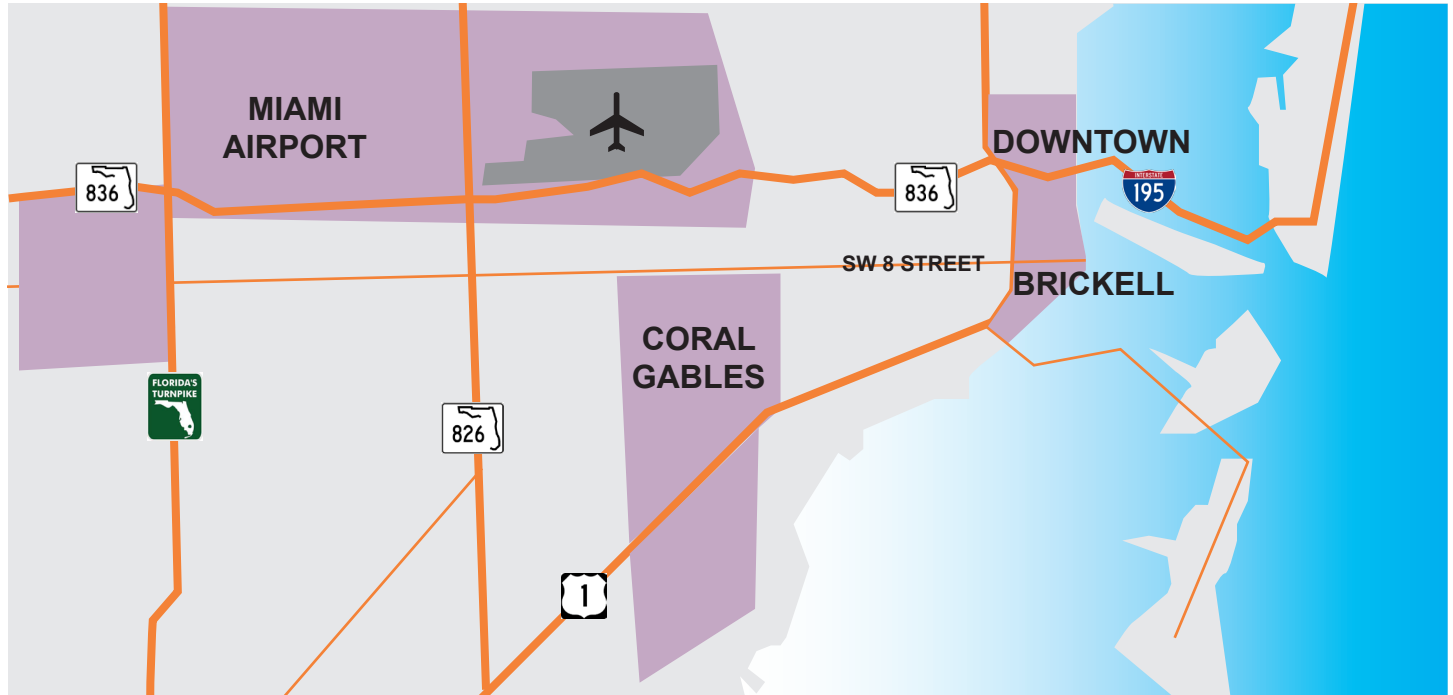
Rental Rates Year-Over-Year		
	Class A	Class B
2014	\$27.34	\$22.95
2015	\$31.49	\$24.11
2016	\$33.01	\$28.24
2017	\$34.58	\$29.00
2018	\$37.68	\$29.52



# 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.



BUILDING CLASS:	A	B	A + B
Downtown	8	13	21
Brickell	13	12	25
Coral Gables	19	23	42
Miami Airport	29	38	67
<b>TOTAL NUMBER OF BUILDINGS :</b>	<b>69</b>	<b>86</b>	<b>155</b>

Of the approximately 28 million square feet of buildings in Miami-Dade individually tracked by Blanca Commercial Real Estate's research team, the buildings are divided among the four major submarkets and classes as such:

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

	Q2 2018   CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Miami Airport
Total SF Tracked:	7,083,072 SF	6,494,622 SF	5,712,279 SF	8,545,972 SF
Direct Available SF:	1,656,432 SF	756,203 SF	627,180 SF	906,753 SF
Vacancy:	23.4% ▲ Vs. 2Q17 18.8%	11.6% ▼ Vs. 2Q17 12.1%	11.0% ▲ Vs. 2Q17 9.0%	10.6% ▲ Vs. 2Q17 7.8%
Direct Weighted Average Rates:	\$43.17 ▲ Vs. 2Q17 \$41.66	\$44.96 ▲ Vs. 2Q17 \$45.61	\$39.40 ▲ Vs. 2Q17 \$39.22	\$33.46 ▲ Vs. 2Q17 \$30.27

# QUICK STATS

## MIAMI OFFICE SUBMARKETS

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rental Rate (\$/SF)	YOY Absorption
4 Major Submarkets					
Downtown	21	7,083,072	23.4%	\$43.17	-88,633
Brickell	25	6,494,622	11.6%	\$44.96	29,774
Coral Gables	42	5,712,279	11.0%	\$39.40	-114,184
Miami Airport	67	8,545,972	10.6%	\$33.46	-14,478
<b>SubTotal</b>	<b>155</b>	<b>27,835,945</b>	<b>14.2%</b>	<b>\$40.68</b>	<b>-187,521</b>
Aventura	9	1,006,645	10.2%	\$46.59	-40,891
Biscayne Corridor	5	725,271	33.3%	\$36.11	-12,565
Coconut Grove	7	884,258	4.6%	\$39.35	-24,422
Coral Way	7	482,676	4.7%	\$31.28	-3,668
Kendall	13	1,709,390	14.3%	\$35.38	8,603
Medley	3	185,856	11.9%	\$33.17	-4,753
Miami	3	389,211	2.4%	-	2,849
Miami Beach	11	1,140,756	15.2%	\$49.76	-65,368
Miami Lakes	10	592,771	17.8%	\$27.23	9,950
NE Dade	8	793,150	31.0%	\$23.46	-39,995
South Dade	2	133,994	23.8%	\$21.96	17,567
<b>SubTotal</b>	<b>78</b>	<b>8,043,978</b>	<b>15.4%</b>	<b>\$35.07</b>	<b>-153,273</b>
<b>TOTAL</b>	<b>233</b>	<b>35,879,923</b>	<b>14.5%</b>	<b>\$39.34</b>	<b>-340,794</b>

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

# DISCLAIMER

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This research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate. This research does not constitute a recommendation to make a specific business decision, nor take into account particular objectives, financial situations, or needs of individual clients. Recipients of this report should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek additional professional advice, including tax advice. The price and value of space for lease referred to in this research fluctuates. Past performance, rental, and vacancy rates is not a guide to future performance, rental and vacancy rates and the listed asking rental rates are not guaranteed.