



THIRD QUARTER 2018
MIAMI OFFICE MARKET REPORT



B L A N C A
Licensed Real Estate Broker

EXECUTIVE SUMMARY

MIAMI OFFICE MARKET HIGHLIGHTS

As we approach year-end, investor confidence remains strong and Miami's office market fundamentals continue to demonstrate stability. Year-over-year, leasing velocity has maintained its momentum with lease renewals and new-to-market activity resulting in a consistent upward trajectory of weighted average asking rents. Office supply has held steady, with only slight increases in vacancy rates across various submarkets. Given Miami's local economic growth and current leasing activity, we expect the office market to also demonstrate consistent demand over the course of the next six months.

RENTS

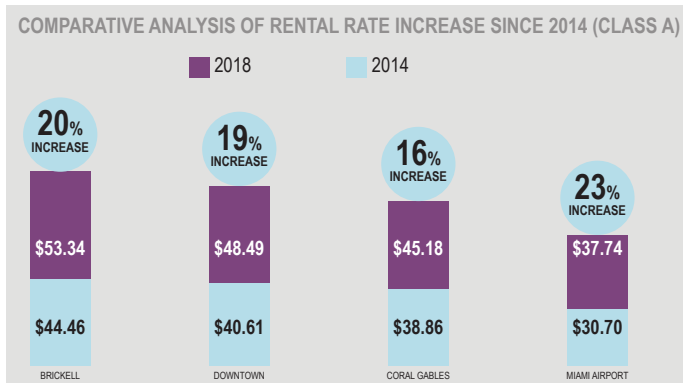
Rents have recorded substantial increases across the board, an average of 5.5% growth over the course of the past year. The upward pressure on rents is driven by new deliveries, building trades, and newly repositioned office buildings. Overall, Miami-Dade Class A & B direct weighted average asking rents are at \$40.12 PSF, a level we expect to endure through the beginning of 2019.

The four major office submarkets (Brickell, Downtown, Coral Gables and Miami Airport) are reaching new rent thresholds, currently at \$41.16 for Class A and B space.

Rent spreads between Class A and B are widening (currently a \$14 spread), providing a unique opportunity for investors to achieve substantial ROI by implementing the right renovations to attract and retain tenants.

The evolution of suburban submarkets with a growing amenity base, coupled with tenants' desire for premier office space, is driving significant growth in rents; Miami Airport Class A experienced the most significant increase of 7.4%. Coral Gables Class A product followed with a 5.0% increase in rents.

Based on Miami's current market dynamics and year-over-year performance, we expect rents to achieve modest increases in select submarkets outside of the urban core, while Brickell and Downtown rents sustain. *All rents reflect direct weighted average asking rates



VACANCY

With rents on a steady growth trend, companies have adapted to a landlord's market by carefully analyzing their real estate strategy and adopting the latest in space efficiency trends. As a result, major corporations have streamlined and consolidated their operations which has impacted availability of space, creating slight increases in vacancy.

Representative of this trend is Florida Blue's in-market relocation to Doral Court reducing by 11,368 SF, Miami-Dade Department of Health consolidating satellite offices into existing locations across the county leaving 19,711 SF of space, and Progressive moving out of Miami-Dade to Broward leaving behind 20,920 SF.

Right sizing, flight to quality, submarket relocations, and consolidations have contributed to an increase in vacancy across various office submarkets. Coral Gables and Miami Airport Class B experienced the most significant impact with nearly 280,000 square feet of negative year-over-year net absorption.

SUPPLY

Over the course of the past year, approximately 650,000 square feet of new office space delivered and approximately an additional 450,000 square feet, that will account for 2.1% of the Class A office market, is expected to deliver by the end of 2019.

New office deliveries have been a beneficiary of the flight to quality trend and have captured notable tenants from various submarkets. Today, the latest office deliveries have reached over 60% leased within a year of delivery. Examples include: 3 MiamiCentral, home to the Brightline, HNTB, MTV Latin America, and CONCACAF (100% leased); 800 Waterford has secured top companies including First Bank, Atkins, and Schenker USA (64% leased).

650,000 SF
NEW OFFICE DELIVERIES
(FOUR MAJOR OFFICE
SUBMARKETS)

450,000 SF
OFFICE PRODUCT TO
DELIVER 2019

Emerging and evolving office submarkets like Coconut Grove and Wynwood are not only experiencing a wave of new office developments but are also benefiting from companies' desire to elevate their brands and gain

efficiencies in their spaces. Longtime tenant in the Grove, Kaufman Rossin, inked a 65,000 square foot space at the new Terra Building. CUBE Wynwd is scheduled to deliver by year-end and secured a deal with Spaces (Regus) this year, bringing the building to 33% pre-leased.

EXECUTIVE SUMMARY

MIAMI OFFICE MARKET HIGHLIGHTS

LEASING ACTIVITY

According to a recent study by the Miami Urban Future Initiative (“MUFI”) and FIU, Miami has the eighth highest rate of business growth in the United States; a 2% growth which is more than double that of the national average. Year-over-year, 2.8 million square feet of office lease transactions were completed across the Miami office market. Representative of local company trends, renewals, expansions, contractions, and relocations within the market have contributed to 84% of the deal activity. Increasing demand from new-to-market entries is evident, contributing to 15% of the total activity. Nearly 20% of the deals touring the Miami office market are new-to-market companies.

The four major office submarkets captured 81% of completed transactions. Brickell is outpacing the market in rent prices, while also recording the most leasing activity (32%) closing approximately 560,000 square feet of transactions further proving tenants’ desire to align themselves with a Brickell address. Miami Airport followed with 482,629 square feet of completed deals.

Consistent with Miami’s job growth in key industries including financial, legal and professional services, 64% of leases year-over-year were recorded by companies within this industry profile. Recent deals include: iSquared Capital at 600 Brickell (18,873 SF new to market); Fortress at 3 MiamiCentral (11,812 SF new to market); and Rumberger, Kirk, & Caldwell at Brickell City Tower (19,651 Renewal).

QUICK STATS



Although Miami has one of the highest employment growth rates on a national level (3.5% annually), it ranks last in business establishment size with the average business having an average of only 11 employees. Evidencing this trend, 64% of the completed transactions were under 4,000 square feet.

Current benchmarking data demonstrates the strength of tech and start-up companies in Miami with \$1.3 billion in venture capital investment this year. Miami’s strong economic indicators and continued investment will facilitate growth of local companies in key industries and propel an up-tick in new-to-market activity. With more than 1.2 million square feet of tenants touring the market and significant rollover, we expect to record substantial activity through the next few quarters.

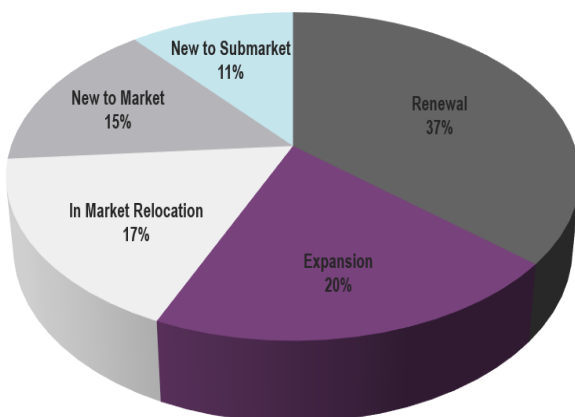
TRENDS TO WATCH

- Direct weighted average rents will hold steady
- Supply will remain stable
- Slight up-tick in new-to-market activity and outside overall investment into Miami
- Continued expansion and success of co-working spaces

COMPLETED TRANSACTIONS BY TYPE

57% OF DEALS

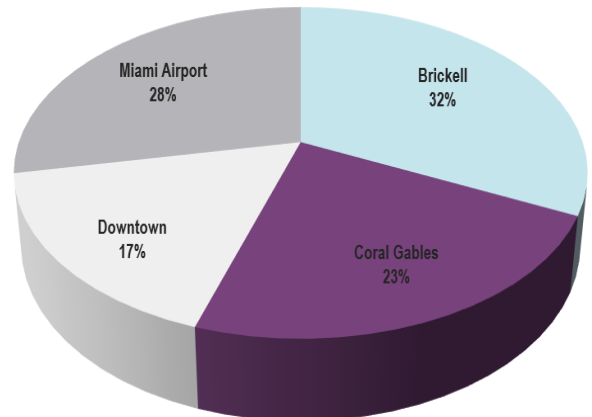
RENEWALS & EXPANSIONS



COMPLETED TRANSACTIONS BY SUBMARKET

32% OF DEALS

IN BRICKELL SUBMARKET



INVESTMENT IN MIAMI

NEW-TO-MARKET

Given Miami's global competitive edge and its influx of a domestic and foreign-born talent pool, Miami ranks among the top 10 cities within the United States for global economies. Its global connectivity attracts both domestic and foreign companies to establish a presence in Miami.

Year-over-year, new-to-market companies contributed 212,000 square feet of completed deals. Given the growing pipeline (approximately 330,000 SF) of new-to-market tenants actively touring the market, we expect to record increased positive absorption by mid next year. Additionally, the rise of co-working spaces within the Miami market will also serve as a magnet to new companies exploring the opportunity to enter the market.

Migration of hedge funds, private equity companies, and other sectors within the financial services industry is quickly becoming evident. While their initial Miami office headcount starts small, driving office space needs of approximately 1,000 to 4,500 square feet on average, we predict that it will translate into growth and additional capital for companies to expand within our market.

CO-WORKING

While Miami has long been a breeding ground for small businesses, the economic value of these businesses has historically lagged that of other entrepreneurial hubs. Today, the fundamentals are turning in Miami's favor. According to the MUFI entrepreneurship study, Miami metro has quickly strengthened its entrepreneurial ecosystem. The latest study by the Kaufman Foundation, ranks Miami as the number one city in start-up activity.

Representative of Miami's standing as an entrepreneurial community, co-working concepts like WeWork and Spaces (Regus) have made a significant impact in Miami's office market. Co-working spaces represent nearly 500,000 square feet of office

within Miami's four major office submarkets (2.6% of total Class A inventory). Additionally, we expect another 100,000 square feet of new office developments scheduled to deliver over the next 12 months to be leased by co-working space; Spaces opening at Cube Wynwd and WeWork opening at 2222 Ponce East Tower in Coral Gables.

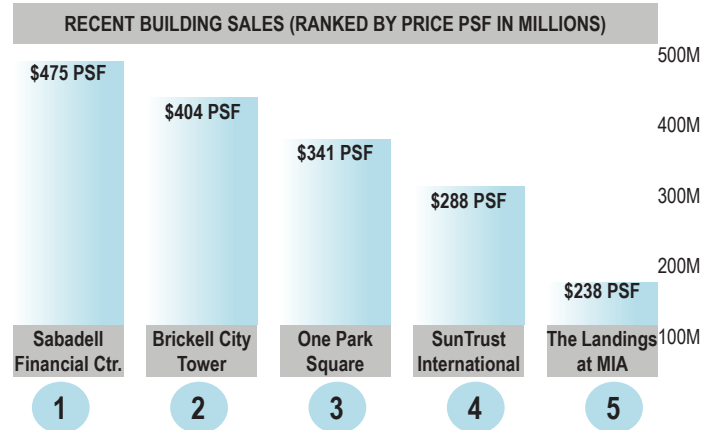
500,000 SF
LEASED BY CO-WORKING
(MIAMI CLASS A
INVENTORY)

WEWORK AT A GLANCE

- Represents 45% of Miami's co-working space.
- 93% reported occupancy
- 4,400 member businesses
- Top industries: professional services, technology, and media

BUILDING TRADES

Investor confidence in Miami's commercial real estate assets remains strong. Year-over-year, there have been several notable building trades totaling more than \$830 million of investment from both international and domestic institutional investors.



QUICK STATS

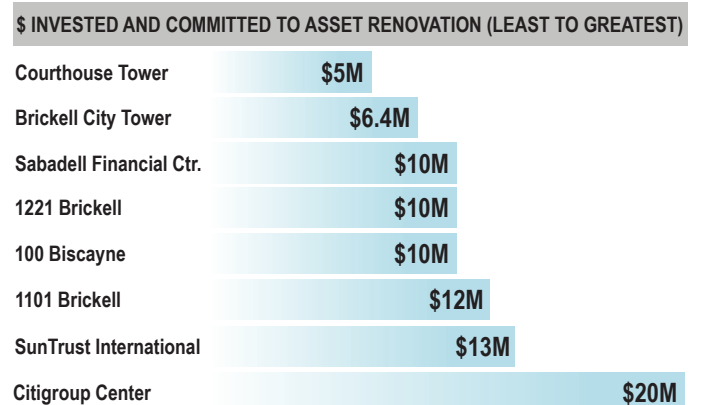
\$830+ MILLION
YEAR-TO-DATE OFFICE BUILDING SALES

\$100+ MILLION
INVESTED IN BUILDING RENOVATIONS

50+ COMPANIES
NEW-TO-MARKET

REPOSITIONING OF BUILDINGS

As buildings trade hands and companies continue to express interest in premier office spaces offering diverse on-site amenities and services, landlords have launched strategic renovations geared towards attracting and retaining tenants. This year, owners across various Miami office submarkets have announced renovations totaling nearly \$100 million.



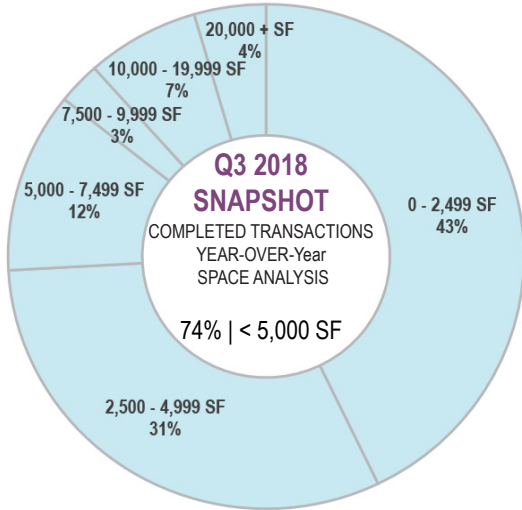
SUBMARKET WATCH

BRICKELL . 3Q 2018

BY THE NUMBERS (QUARTER-OVER-QUARTER)

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

- \$53.34 AVERAGE RENTAL RATE CLASS A (TIER 1 AND 2)
- \$36.87 AVERAGE RENTAL RATE CLASS B
- 8.7% VACANCY RATE CLASS A BUILDINGS
- 16.9% VACANCY RATE CLASS B BUILDINGS
- 43,304 SF OVERALL BRICKELL ABSORPTION



IN BRIEF (QUARTER-OVER-QUARTER)

- Brickell Class A Tier I rents continue to drive the office market in rent thresholds with weighted average asking rents of \$55.75
- Brickell has the lowest direct vacancy rate within the four major submarkets of 11.0% for Class A & B buildings
- 43,304 square feet of positive net absorption within Class A & B buildings
- 53% of the completed deals were within Class A buildings; 63% of the Class A transactions were renewals

NOTABLE TRANSACTIONS:

SUNTRUST

20,061 SF Renewal & Downsize
Brickell Office Plaza | 777 Brickell Avenue

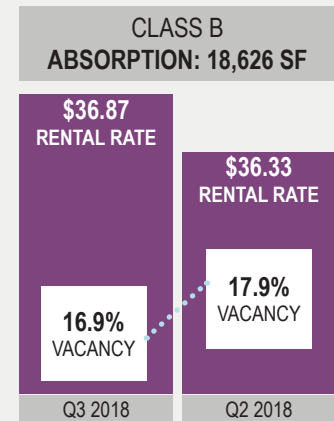
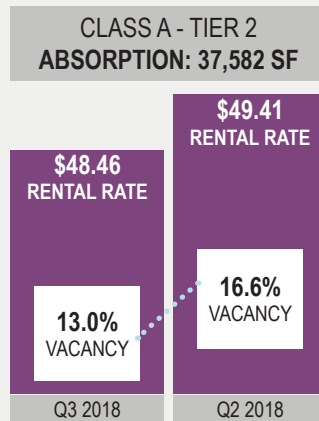
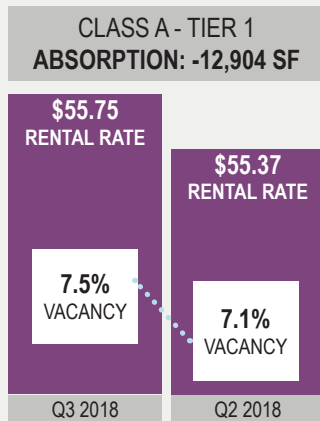
INVESTORS TRUST

7,883 SF Renewal
1450 Brickell | 1450 Brickell Avenue

MELTWATER

7,805 SF New To Submarket
Brickell City Tower | 80 SW 8th St

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



HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

Year	Vacancy Rates Year-Over-Year		
	Class A Tier 1	Class A Tier 2	Class B
2014	14.2%	18.1%	16.1%
2015	10.6%	14.6%	16.3%
2016	8.2%	12.4%	14.9%
2017	7.3%	13.1%	17.6%
2018	7.5%	13.0%	16.9%



BRICKELL CLASS A RENTAL RATES REFLECT AN OVERALL 20.0% INCREASE SINCE 2014

Year	Rental Rates Year-Over-Year		
	Class A Tier 1	Class A Tier 2	Class B
2014	\$44.98	\$43.12	\$31.27
2015	\$45.99	\$44.76	\$33.26
2016	\$50.18	\$47.42	\$34.26
2017	\$55.62	\$47.87	\$35.32
2018	\$55.75	\$48.46	\$36.87

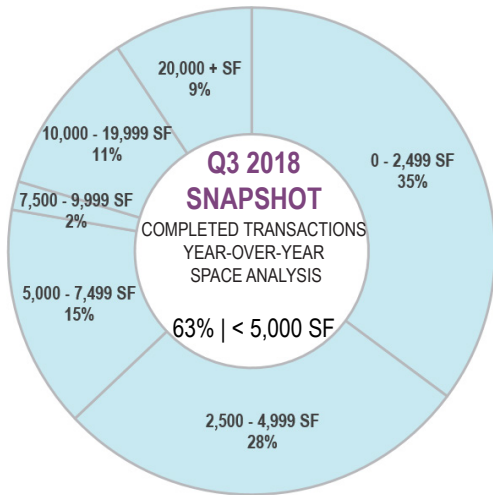
SUBMARKET WATCH

DOWNTOWN . 3Q 2018

BY THE NUMBERS (QUARTER-OVER-QUARTER)

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

- \$48.49 AVERAGE RENTAL RATE CLASS A (TIER 1 AND 2)
- \$29.64 AVERAGE RENTAL RATE CLASS B
- 25.3% VACANCY RATE CLASS A BUILDINGS
- 21.8% VACANCY RATE CLASS B BUILDINGS
- (61,961) SF OVERALL DOWNTOWN OF NEGATIVE NET ABSORPTION



IN BRIEF (QUARTER-OVER-QUARTER)

- Class A Tier 2 rents had the highest increase of 2.5% within the Downtown submarket; currently at \$42.16, previously \$41.15
- Downtown has the largest Class A & B rent gap within the four major submarkets with a spread of \$18.85
- Direct vacancy across Class A & B buildings remained steady at 24.3%; slight increase in vacancy due to new office deliveries including 2 and 3 MiamiCentral
- 150,566 square feet of leasing activity; 86% of the completed leases were in Class A buildings, 50% of which were New-to-Submarket

NOTABLE TRANSACTIONS: VIACOM (MTV LATIN AMERICA)

23,664 SF New To Submarket
3 MiamiCentral | 161 NW 6th St

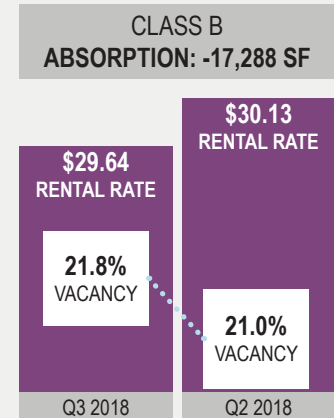
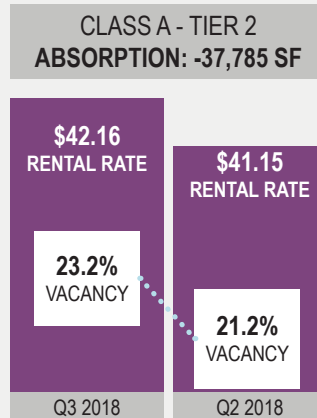
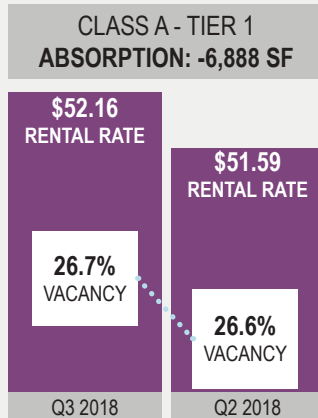
DUANE MORRIS

23,128 SF In Market Relocation
Citigroup Center | 201 S Biscayne Blvd

CHARTWELL LAW

10,048 SF In Market Relocation
Miami Tower | 100 SE 2nd St

DOWNTOWN SNAPSHOT (QUARTER-OVER-QUARTER) 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	20.2%	15.7%	19.3%
2015	20.6%	20.2%	16.8%
2016	19.7%	15.6%	18.0%
2017	19.7%	20.6%	16.9%
2018	26.7%	23.2%	21.8%



DOWNTOWN RENTAL RATES REFLECT AN OVERALL 19.4% INCREASE SINCE 2014

Rental Rates Year-Over-Year			
	Class A Tier 1	Class A Tier 2	Class B
2014	\$43.23	\$35.29	\$26.05
2015	\$46.66	\$38.33	\$27.29
2016	\$47.14	\$40.30	\$27.09
2017	\$51.15	\$40.57	\$29.00
2018	\$52.16	\$42.16	\$29.64

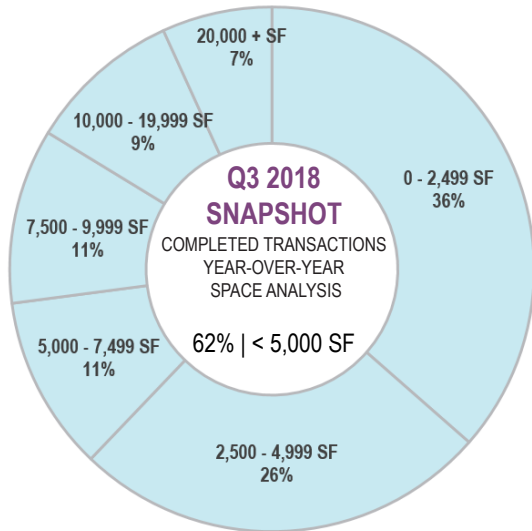
SUBMARKET WATCH

CORAL GABLES . 3Q 2018

BY THE NUMBERS (QUARTER-OVER-QUARTER)

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

- \$45.18 AVERAGE RENTAL RATE CLASS A (TIER 1 AND 2)
- \$37.73 AVERAGE RENTAL RATE CLASS B
- 9.2% VACANCY RATE CLASS A BUILDINGS
- 15.8% VACANCY RATE CLASS B BUILDINGS
- -19,616 OVERALL CORAL GABLES ABSORPTION



IN BRIEF (QUARTER-OVER-QUARTER)

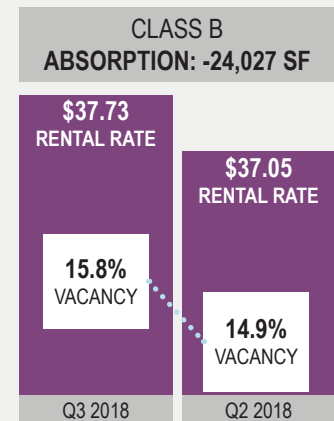
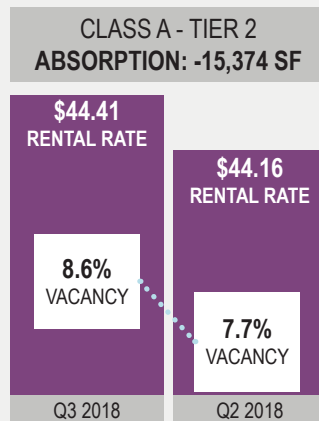
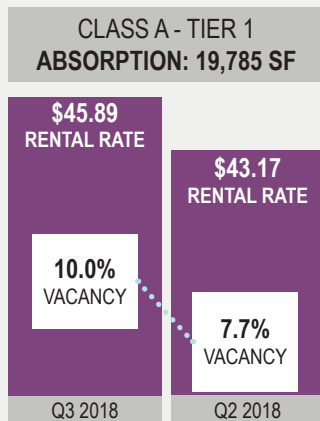
- Class A Tier I saw a 6.3% increase in weighted average asking rents; the delivery of 2222 Ponce de Leon, Giralda Plaza West Tower, contributed to this increase with asking rates of \$48-\$50
- Class A & B direct vacancy increased to 12.2%, previously 11.4%
- Class A continues to outperform Class B with positive absorption of 19,785 SF within Class A Tier I buildings

NOTABLE TRANSACTIONS: OLE MEDIA SERVICES
32,790 SF Renewal & Expansion
2525 Ponce | 2525 Ponce de Leon Blvd

PRESCIENT
11,272 SF Renewal
2600 Douglas | 2600 S Douglas Rd

QUINTERO BROCHE ATTORNEYS
9,612 Renewal & Expansion
Gables Square | 75 Valencia Ave

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



HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

Year	Vacancy Rates Year-Over-Year		
	Class A Tier 1	Class A Tier 2	Class B
2014	14.3%	20.5%	13.3%
2015	11.3%	16.5%	10.5%
2016	8.6%	10.0%	11.8%
2017	7.3%	5.6%	9.5%
2018	10.0%	8.6%	15.8%



CORAL GABLES CLASS A RENTAL RATES REFLECT AN OVERALL 16.3% INCREASE SINCE 2014

Year	Rental Rates Year-Over-Year		
	Class A Tier 1	Class A Tier 2	Class B
2014	\$40.72	\$37.88	\$31.22
2015	\$41.76	\$38.96	\$33.50
2016	\$43.63	\$41.94	\$36.37
2017	43.28	\$42.95	\$36.40
2018	\$45.89	\$44.41	\$37.73

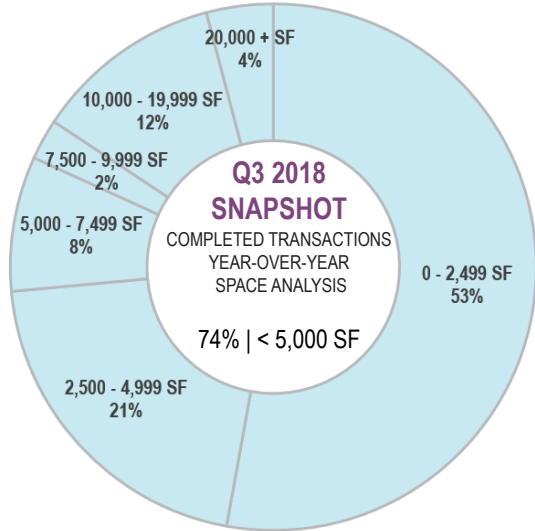
SUBMARKET WATCH

MIAMI AIRPORT . 3Q 2018

BY THE NUMBERS (QUARTER-OVER-QUARTER)

(MIAMI AIRPORT CLASS A AND CLASS B)

- \$37.74 AVERAGE RENTAL RATE CLASS A
- \$30.15 AVERAGE RENTAL RATE CLASS B
- 9.2% VACANCY RATE CLASS A BUILDINGS
- 13.7% VACANCY RATE CLASS B BUILDINGS
- -50,096 SF OVERALL MIAMI AIRPORT ABSORPTION



IN BRIEF (QUARTER-OVER-QUARTER)

- Class A weighted average asking rents continue a steady increase, currently at \$37.74, the highest rate historically recorded within the Miami Airport submarket
- Class A & B direct vacancy held steady at 11.2%
- Class A & B recorded 50,096 SF of negative absorption as a result of major corporations streamlining their real estate by significant consolidation of spaces

NOTABLE TRANSACTIONS:

VENTURE X

14,076 SF New To Market
Spokane Building | 8350 NW 52nd Ter

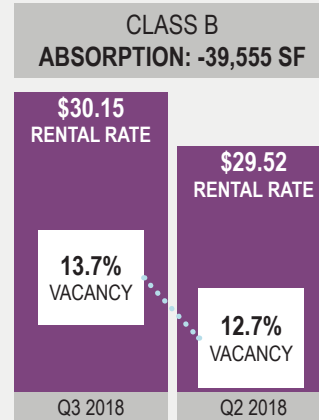
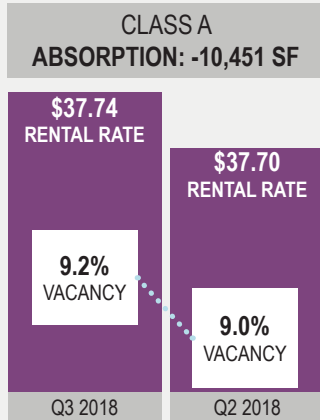
ROGER'S MEMORIAL HEALTH

11,688 SF New To Market
5805 Waterford | 5805 Blue Lagoon Dr

GANNETT FLEMING

10,006 SF In-Market Relocation
800 Waterford | 800 Waterford Way

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



HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

	Class A	Class B
2014	11.0%	19.9%
2015	6.0%	15.6%
2016	4.1%	13.5%
2017	8.3%	10.5%
2018	9.2%	13.7%



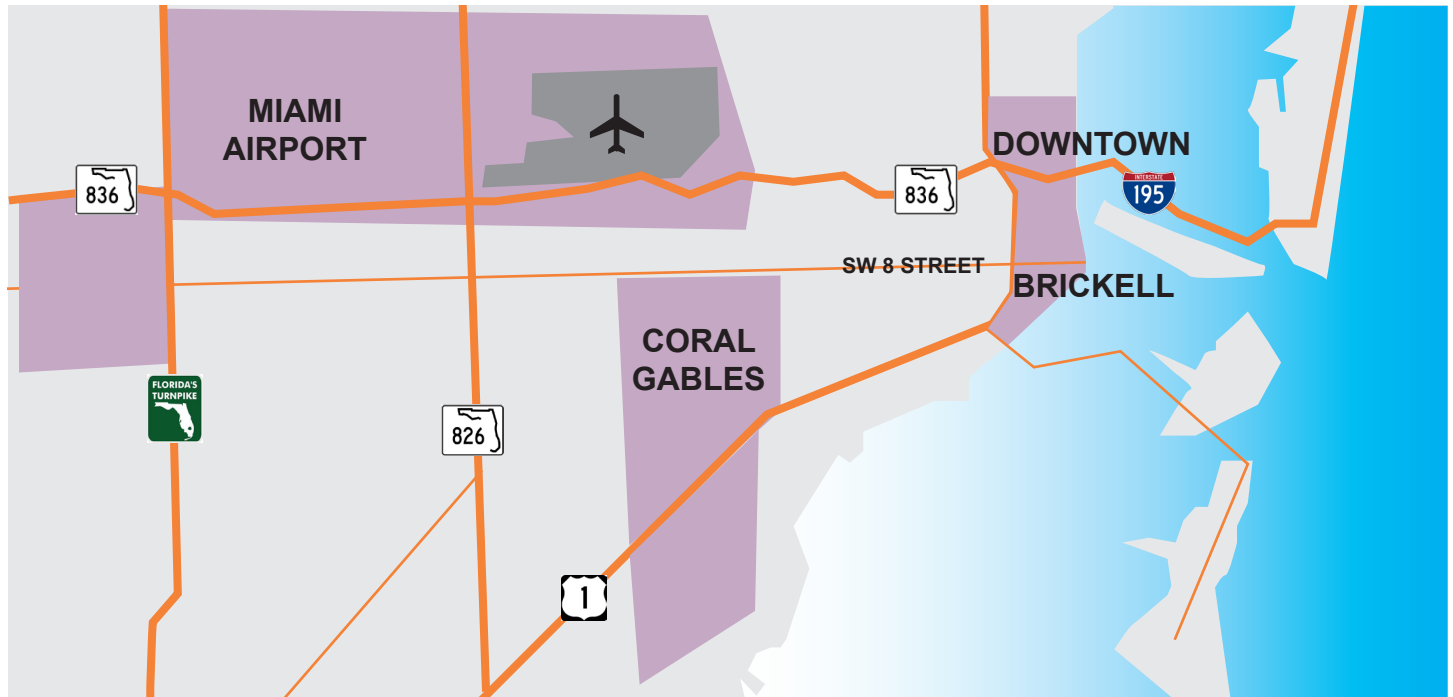
MIAMI AIRPORT CLASS A RENTAL RATES REFLECT AN OVERALL 22.9% INCREASE SINCE 2014

	Class A	Class B
2014	\$30.70	\$23.11
2015	\$31.40	\$24.69
2016	\$33.19	\$28.93
2017	\$35.14	\$29.47
2018	\$37.74	\$30.15

QUICK STATS

DOWNTOWN | BRICKELL | CORAL GABLES | MIAMI AIRPORT

Miami's four major office submarkets account for 78% 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	9	12	21
Brickell	13	12	25
Coral Gables	20	23	43
Miami Airport	29	38	67
TOTAL NUMBER OF BUILDINGS :	71	85	155

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.

	Q3 2018 CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Miami Airport
Total SF Tracked:	7,084,685 SF	6,488,684 SF	5,760,998 SF	8,556,113 SF
Direct Available SF:	1,718,393 SF	712,899 SF	704,496 SF	955,230 SF
Vacancy:	24.3% ▲ Vs. 3Q17 19.0%	11.0% ▼ Vs. 3Q17 11.1%	12.2% ▲ Vs. 3Q17 7.8%	11.2% ▲ Vs. 3Q17 9.3%
Direct Weighted Average Rates:	\$43.43 ▲ Vs. 3Q17 \$41.38	\$46.25 ▲ Vs. 3Q17 \$45.15	\$40.63 ▲ Vs. 3Q17 \$39.19	\$33.69 ▲ Vs. 3Q17 \$32.34

QUICK STATS

MIAMI OFFICE SUBMARKETS

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rental Rate (\$/SF)	QOQ Absorption
4 Major Submarkets					
Downtown	21	7,084,685	24.3%	\$43.43	-61,961
Brickell	25	6,488,684	11.0%	\$46.25	43,304
Coral Gables	43	5,760,998	12.2%	\$40.63	-19,616
Miami Airport	67	8,556,113	11.2%	\$33.69	-50,096
SubTotal	156	27,890,480	14.7%	\$41.16	-88,369
Aventura	9	1,006,645	8.9%	\$46.41	12,694
Biscayne Corridor	5	725,271	34.7%	\$36.13	-9,686
Coconut Grove	7	884,258	5.4%	\$39.41	-29,894
Coral Way	7	482,676	5.0%	\$31.34	-1,475
Kendall	13	1,709,390	14.7%	\$36.28	-13,437
Medley	3	185,856	11.9%	\$33.17	-7,257
Miami	3	389,211	0.6%	\$54.45	16,500
Miami Beach	11	1,140,756	15.5%	\$49.60	-14,627
Miami Lakes	10	589,577	17.7%	\$29.36	11,151
NE Dade	8	793,150	29.7%	\$29.28	10,427
South Dade	2	133,994	23.9%	\$24.02	19,218
SubTotal	78	8,040,764	15.4%	\$36.66	-6,386
TOTAL	234	35,931,244	14.8%	\$40.12	-94,755

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

DISCLAIMER

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.