

FIRST QUARTER 2017

# MIAMI OFFICE MARKET REPORT



# MIAMI OFFICE MARKET STATS

**B**lanca Commercial Real Estate's Q1 2017 research analyzed the four major office submarkets that drive the greater Miami-Dade County market: Downtown, Brickell, Coral Gables and Airport West. All told, these four submarkets comprise approximately 27 million square feet of Class A and B office space in buildings greater than 50,000 square feet.

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Average Asking Rates (Gross \$/SF)	YOY Absorption
<b>4 MAJOR SUBMARKETS</b>					
Downtown	19	6,807,796	18.1%	\$35.20	92,220
Brickell	25	6,481,990	11.9%	\$43.18	118,574
Coral Gables	42	6,001,760	9.7%	\$39.99	164,219
Airport West	66	8,299,093	8.6%	\$29.77	67,839
<b>SUBTOTAL</b>	<b>152</b>	<b>27,590,639</b>	<b>12.1%</b>	<b>\$37.04</b>	<b>442,852</b>
Aventura	11	1,114,645	6.4%	\$47.60	-47,949
Biscayne Corridor	5	723,791	29.3%	\$36.00	10,291
Coconut Grove	7	825,679	2.6%	\$35.06	35,858
Coral Way	6	439,225	5.3%	\$27.22	-6,610
Kendall	13	1,709,055	13.6%	\$32.04	-9,370
Medley	3	201,427	27.6%	\$22.27	2,794
Miami	3	387,117	0.7%	-	55,545
Miami Beach	13	1,288,733	4.2%	\$45.66	25,444
Miami Lakes	10	592,428	19.2%	\$24.00	48,357
NE Dade	9	846,748	24.9%	\$22.23	-7,850
South Dade	2	133,994	36.9%	\$20.40	871
<b>SUBTOTAL</b>	<b>82</b>	<b>8,262,842</b>	<b>15.5%</b>	<b>\$31.25</b>	<b>107,381</b>
<b>TOTAL</b>	<b>234</b>	<b>35,853,481</b>	<b>14.6%</b>	<b>\$32.90</b>	<b>550,233</b>





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

# SUBMARKETS

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



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	6	13	19
	Brickell	13	12	25
	Coral Gables	19	23	42
	Airport West	28	38	66
TOTAL NUMBER OF BUILDINGS :		66	86	152

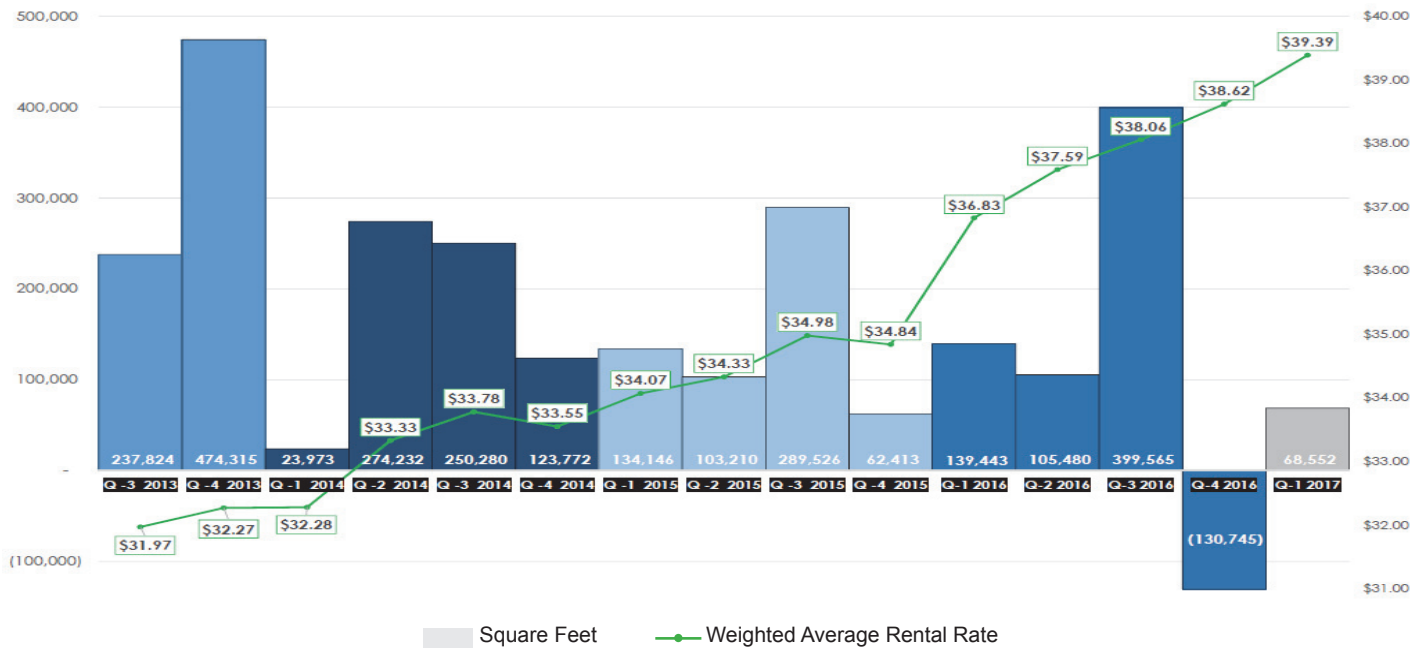
Note: Buildings tracked by Blanca Commercial Real Estate research team are 50,000 SF or greater.

# 4 MAJOR SUBMARKETS OVERVIEW

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

## CLASS A + B BUILDINGS | > 50,000 SF

Miami's Office Major Submarkets | Absorption & Direct Weighted Average Asking Rates | Q1-2013 to Q1-2017 in RSF



Q1-2017   CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON				
	Downtown	Brickell	Coral Gables	Airport West
Total SF Tracked:	6,807,796 SF	6,481,990 SF	6,001,760 SF	8,299,093 SF
Direct Available SF:	1,230,586 SF	774,265 SF	582,271 SF	709,939 SF
Vacancy:	18.1% ▼ Vs. 1Q16 19.8%	11.9% ▼ Vs. 1Q16 12.0%	9.7% ▼ Vs. 1Q16 12.5%	8.6% ▼ Vs. 1Q16 9.4%
Direct Weighted Average Rates:	\$41.51 ▲ Vs. 1Q16 \$39.78	\$44.86 ▲ Vs. 1Q16 \$43.22	\$39.13 ▲ Vs. 1Q16 \$38.87	\$29.95 ▲ Vs. 1Q16 \$28.19

### Q1 2017 YEAR OVER YEAR

#### CLASS A

- ▼ 14.0% Decrease in Average Vacancy Rate
- ▲ 4.6% Increase in Weighted Average Asking Rents
- + 402,488 SF Total Positive Net Absorption

#### CLASS B

- ▼ 6.6% Decrease in Average Vacancy Rate
- ▲ 6.8% Increase in Weighted Average Asking Rents
- + 40,364 SF Total Positive Net Absorption

# EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

**W**hile office market fundamentals remained stable during the first quarter of 2017, leasing momentum is expected to intensify across the four major office submarkets (Downtown, Brickell, Coral Gables and Airport West Dade) as we approach mid-year. Weighted average asking rents continue an upward trend and supply remains steady with no major office deliveries year to date.

Year-over-year, Class A tenants drove more than 400,000 square feet of positive net absorption. Leasing momentum has remained solid over the past year, with approximately 1.6 million square feet of completed deals registered. Net absorption, typically driven by new entries and expansion activity, was not as robust as registered during the first quarter of 2016. However, net absorption shows notable improvement from the previous quarter (4Q 2016). Year to date, there was more than 460,000 square feet of leasing activity, evidencing that in-market tenant renewal activity prevailed in light of the limited new office supply across the four major submarkets.

Based on the improvement we are seeing over the previous quarter, the high number of tenants (approximately one million square feet) in the market, and the strong local economic fundamentals, we can expect solid performance in the office sector during the course of the year.

## WHAT WE KNOW: FIRST QUARTER OFFICE STATS AT A GLANCE (QUARTER OVER QUARTER)

Modest new-to-market activity and expansions contributed 68,552 square feet of positive net absorption, quarter over quarter, within the four major office submarkets. 70% of the completed transactions were renewals and in-market relocations. Coral Gables came out of the gate strong in 2017, recording 114,636 square feet of positive net absorption. This is a result of a significant new-to-market deal, Consentino at 355 Alhambra, and in-market expansions by Kimley-Horn and Morgan Stanley. Airport West Dade and Brickell experienced little change in availability of space, and the Downtown submarket is now marketing new blocks of space, resulting in negative absorption in the first few months of the year.

Quarter-over-quarter, Class A & B weighted average asking rents increased by 2% across the four major office submarkets. Class A kicked off the year achieving record annual average rents since post-recession recovery, with Brickell at \$51.57, followed by Downtown at \$44.86, Coral Gables at \$43.45 and Airport West at \$33.69.

Overall, vacancy remained at a standstill, with little change quarter over quarter. Brickell (9.9%), Coral Gables (7.5%), and Airport West Dade (4.7%) are holding steady at single-digit vacancies, while Downtown (19.1%) has experienced a slight increase in vacancy.

## ECONOMIC FACTORS & JOB GROWTH TRENDS

Miami's strong market fundamentals and employment growth has propelled the success of the office market. The unemployment rate (currently at 5.1%) continues to decline. Moreover, it is decreasing faster than the national average: 3% vs. 1.5% on a national level.

Employment growth by industry continues to support the trend of existing companies expanding their footprints in Miami. According to the U.S. Bureau of Labor Statistics, Miami-Dade County is outpacing U.S. job growth in the areas of professional services (4.6%), trade/international (2.3%), real estate construction (6.2%) and financial services (3.6%). Over the past year, more than 65% of the completed transactions were driven by companies within these industries.

Manufacturing, technology and communications also made a mark within the four major office submarkets, a trend we expect to continue through 2017.

Notable first-quarter transactions that evidence the local job growth trend include financial services firms expanding, such as Morgan Stanley (11,976 SF); new firms entering the market and expanding, such as Robinson Cole (7,012 SF) and PCM, Inc. (16,000 SF); manufacturing companies recommitting to the Miami market, such as Hasbro (10,816 SF) and Toyota (8,839 SF); and marketing-communications firms expanding locally, such as Boats Group (16,529 SF) and Roar Media (5,250 SF).

# EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

The Miami office market is also showing strength at a national level with rents increasing rapidly, while markets across the U.S. are showing modest year-over-year increases. Since 2014, Miami rents have increased by 3.8% as compared to the national average of 2.5%. The four major office submarkets have recorded a 4.4% increase.

Further supporting the office market's strong fundamentals, Miami's vacancy rate declined by 15% since 2014, while from a national standpoint, there was a slight 1% change.

We expect Miami's international appeal and the ongoing foreign and domestic investment into the local economy to drive its continued success within the office market this year.

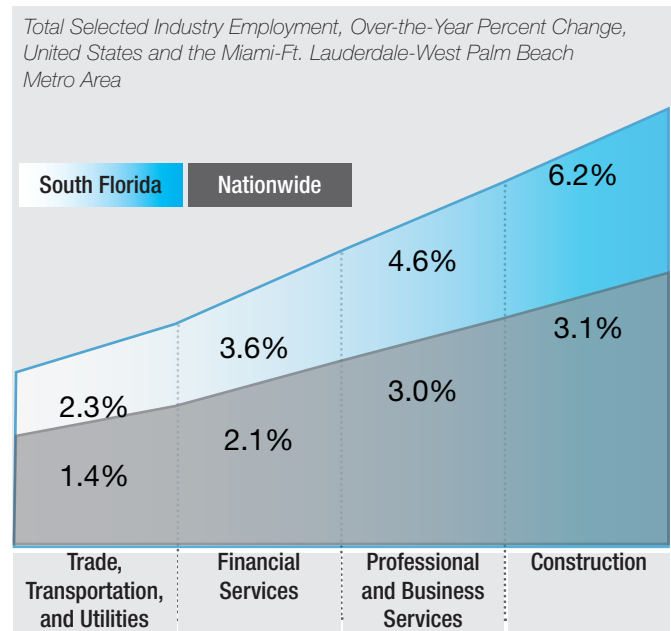
## THE TENANT'S PERSPECTIVE

With rental rates reaching new heights, entrepreneurial businesses continuously evolving and a new generation influencing business decisions, tenants are adopting more efficient space plans with average square footage per employee dropping to less than 200 square feet. In addition, they are seeking office environments that offer tenants a unique experience and direct access to on-site amenities. Proximity to public transit, nearby varied shopping and dining, as well as ample residential offerings, are also at the top of the list.

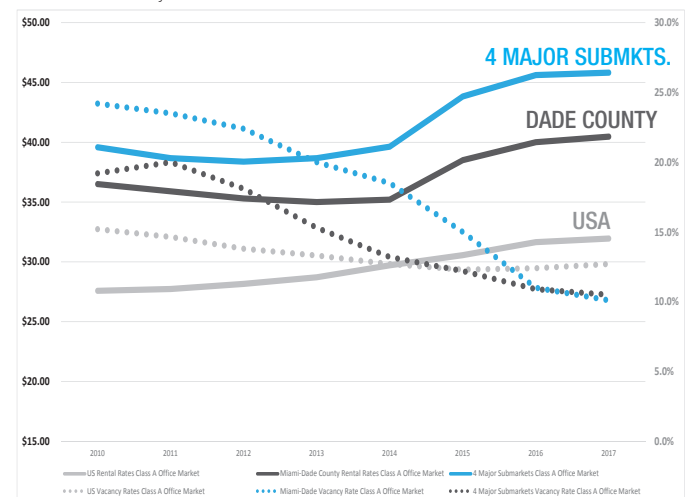
As a result, landlords are investing to create new tenant experiences within their buildings. The latest trends include rooftop terraces, shared tenant lounges with coffee and water service, state-of-the-art fitness centers, tenant mobile applications, valet parking service and high-tech conferencing centers. In addition, tenant programs that include concierge-style services and events that facilitate networking opportunities have also gained popularity.

## WHAT'S TRENDING?

- Steady, modest growth in office rents
- Continued popularity of co-working spaces
- Tenants right-sizing to adopt new office design standards
- Landlords creating shared amenities and enhanced tenant programs
- Developers focused on mixed-use transit oriented projects



*National Average Rental Rate and Vacancy Rates vs. Miami Dade County and the Four Major Submarkets 2000- 2017*



WHAT'S TRENDING

STEADY MODEST GROWTH IN OFFICE RENTS

CONTINUED POPULARITY OF CO-WORKING SPACES

TENANTS RIGHT-SIZING TO NEW OFFICE STANDARDS

LANDLORDS OFFERING NEW SHARED AMENITIES

DEVELOPERS FOCUSED ON MIXED-USE TRANSIT ORIENTED PROJECTS

# SUBMARKET WATCH

## Q1 2017 NOTABLE TRANSACTIONS

**Esquire Deposition Services**  
4,129 SF - Renewal  
Courthouse Tower  
44 West Flagler Street

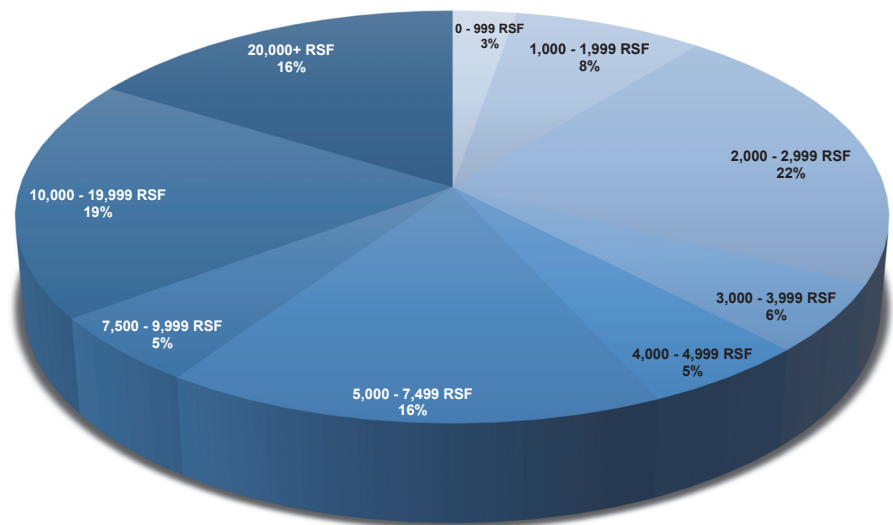
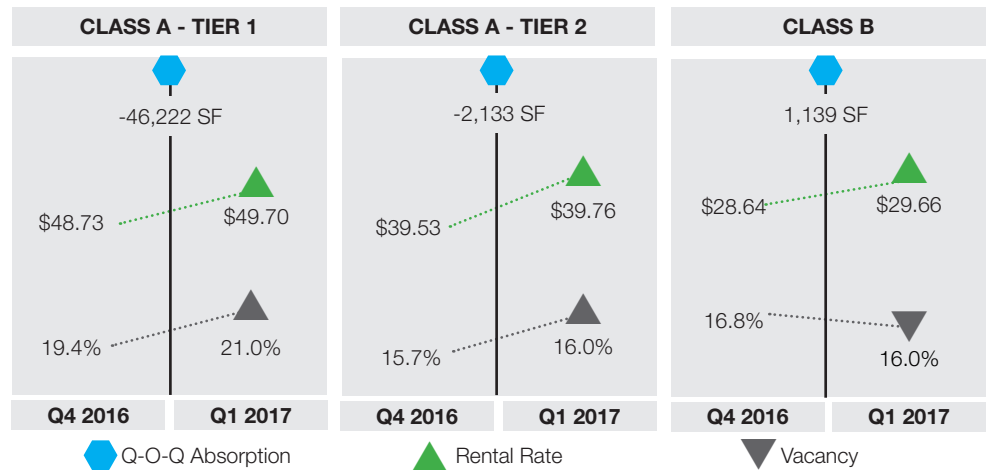
**First Choice Reporting**  
2,911 SF - Renewal  
Courthouse Tower  
44 West Flagler Street

## Q1 2017 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

56% | > 5,000 SF

## DOWNTOWN MARKET HIGHLIGHTS *Quarter-Over-Quarter*

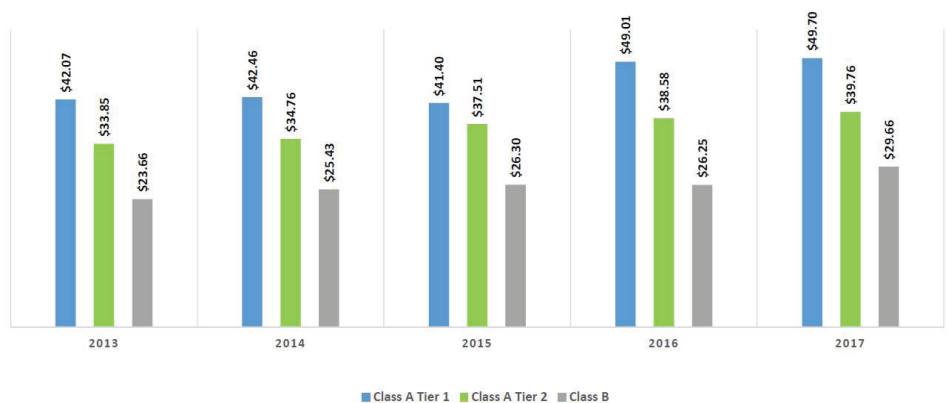


## DOWNTOWN RENTAL RATES REFLECT A 17.7% INCREASE SINCE 2013

### Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2013	28.4%	19.9%	28.6%
2014	25.6%	18.8%	20.1%
2015	20.5%	15.5%	19.9%
2016	21.2%	19.5%	18.2%
2017	21.0%	16.0%	16.0%

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



# SUBMARKET WATCH

## Q1 2017 NOTABLE TRANSACTIONS

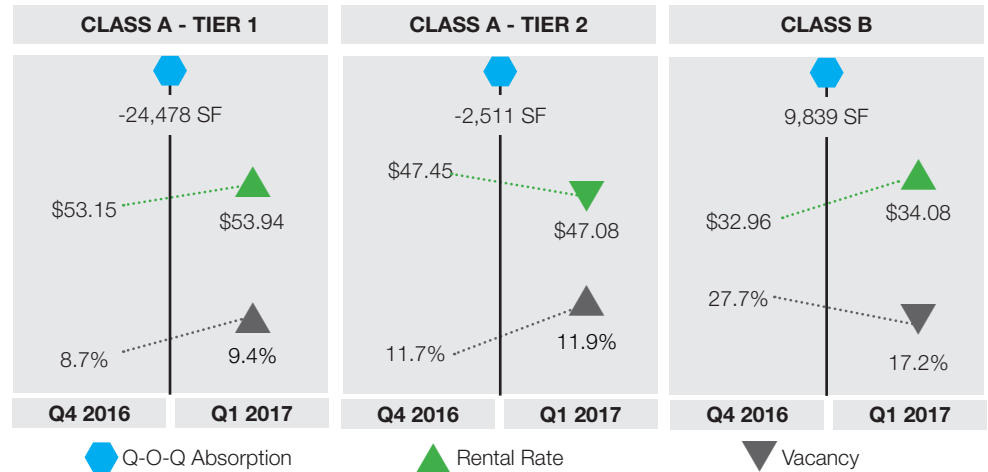
### Boats Group

16,529 SF - New to Market  
1221 Brickell  
1221 Brickell Avenue

### Robinson & Co.

7,012 SF - Renewal  
Brickell Office Plaza  
777 Brickell Avenue

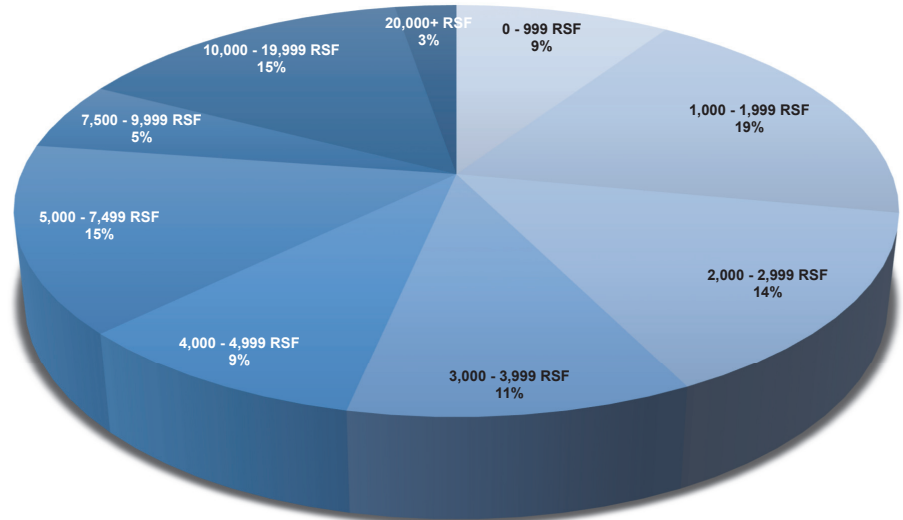
## BRICKELL MARKET HIGHLIGHTS *Quarter-Over-Quarter*



## Q1 2017 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

53% | < 4,000 SF



## BRICKELL RENTAL RATES REFLECT AN 23% INCREASE SINCE 2013

### Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2013	20.2%	17.9%	18.3%
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%	17.2%

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





# SUBMARKET WATCH

## Q1 2017 NOTABLE TRANSACTIONS

### Raymond James

27,116 SF - New to Submarket  
BAC Colonnade  
2333 Ponce de Leon Boulevard

### Consentino

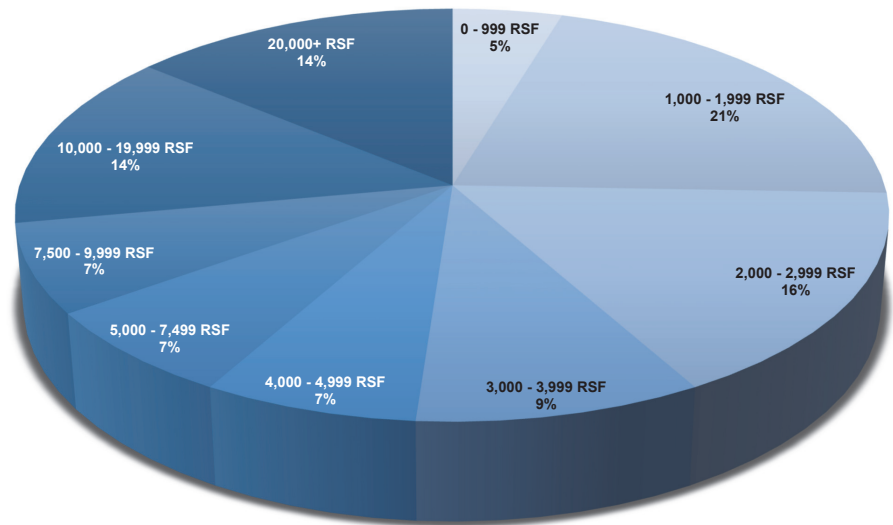
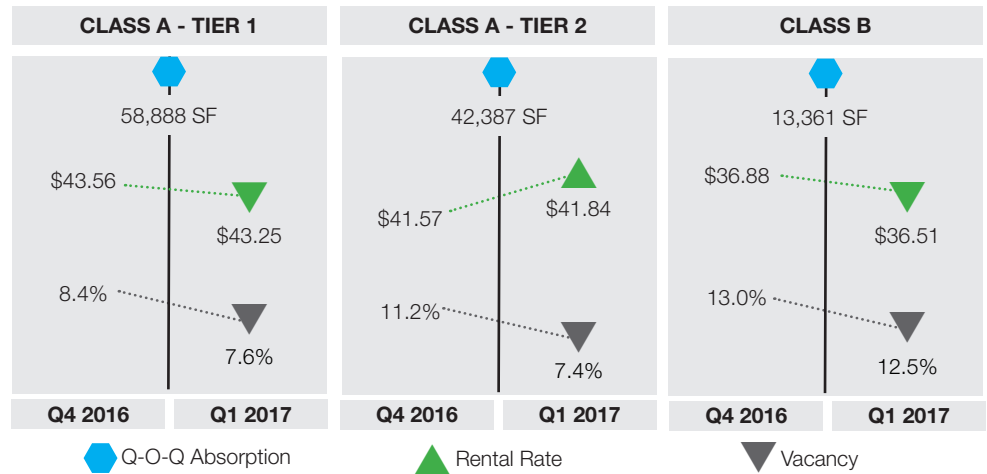
24,000 SF - New to Market  
355 Alhambra  
355 Alhambra Circle

## Q1 2017 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

51% | < 4,000 SF

## CORAL GABLES MARKET HIGHLIGHTS *Quarter-Over-Quarter*

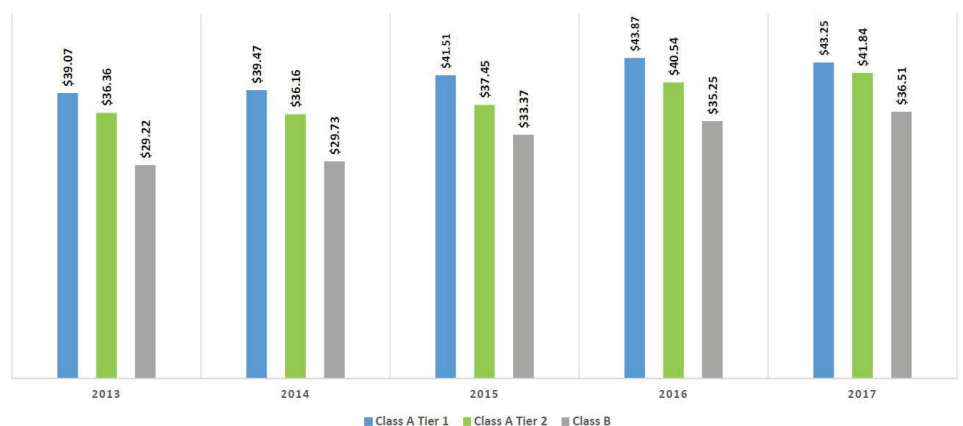


## CORAL GABLES RENTAL RATES REFLECT A 12.8% INCREASE SINCE 2013

### Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2013	19.8%	31.3%	21.7%
2014	18.3%	25.7%	14.1%
2015	11.6%	17.8%	9.8%
2016	11.6%	13.0%	12.5%
2017	7.6%	7.4%	12.5%

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



# SUBMARKET WATCH

## Q1 2017 NOTABLE TRANSACTIONS

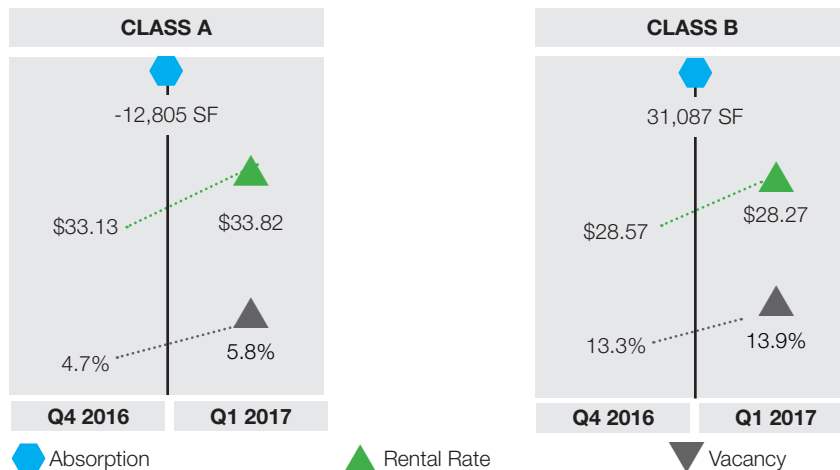
### Level 3 Communications

11,974 SF - Renewal (Downsize)  
701 Waterford  
701 Waterford Way

### Hasbro

10,816 SF - Renewal  
5200 Waterford  
5200 Blue Lagoon Drive

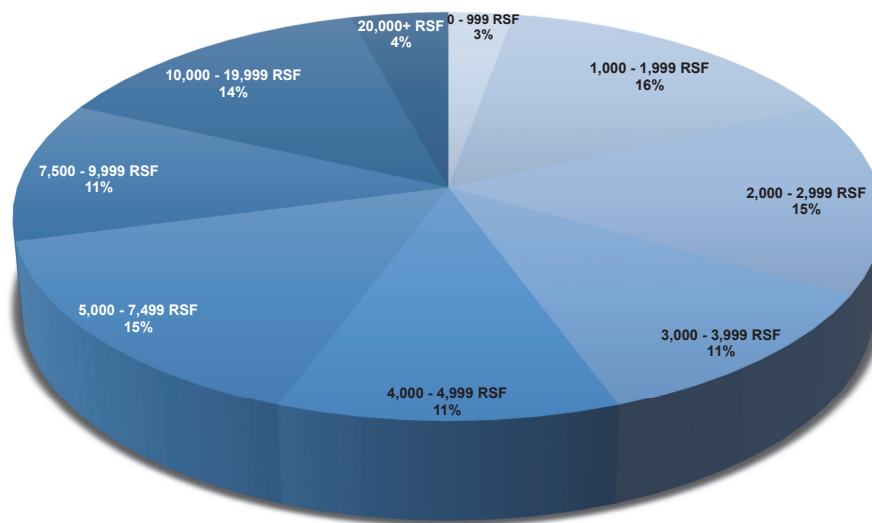
## AIRPORT WEST DADE MARKET HIGHLIGHTS *Quarter-Over-Quarter*



## Q1 2017 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

44% | < 4,000 SF



## AIRPORT WEST DADE'S RENTAL RATES REFLECT AN 44% INCREASE SINCE 2013

### Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class B
2013	12.5%	24.9%
2014	13.2%	21.9%
2015	10.3%	17.9%
2016	5.8%	13.9%
2017	4.7%	13.3%

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



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