

SECOND QUARTER 2017

MIAMI OFFICE MARKET REPORT



BLANCA[®]
COMMERCIAL REAL ESTATE, INC.

OVERVIEW

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

As we kick off the second half of 2017, Miami's office market fundamentals continue to sustain solid demand, and investor confidence remains strong. Year to date, over 1.15 million square feet of leasing activity has been recorded. Several new office developments are expected to break ground in the next 12 months.

Weighted average asking rents sustained modest increases across various submarkets. Class A space is significantly out pacing Class B product in rents, evidencing the continued demand for premier space and state-of-the-art on-site amenities. Proposed new office developments are also putting upward pressure on rents with new buildings quoting north of \$52 PSF on a gross basis, including projects outside of the urban core. The rent spread between Class A & B (currently a 47% rent spread) has more than doubled since 2012, giving landlords a unique opportunity to achieve significant upside when undertaking the right renovations and additional on-site amenities. Suburban submarkets many of which are shifting into urban micro markets have

also evolved into a highly coveted business destination for tenants looking to establish a presence in Miami or existing companies expanding their footprints, resulting in suburban office markets driving 85% of the positive net absorption so far, this year.

Year-over-year, there was 516,401 square feet of positive net absorption across the Miami office market with the four major office submarkets (Brickell, Downtown, Coral Gables, and Airport West Dade) contributing to 80% of the positive net absorption.

Based on continued increase in rents, announcements of new office developments, steady leasing momentum, along with steady job growth and influx of new businesses, we expect the second half of the year to achieve positive results and fuel demand as new office developments break ground.

Blanca Commercial Real Estate's Q2 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 (%)	Weighted Average	YOY Absorption
4 MAJOR SUBMARKETS					
Downtown	19	6,807,796	18.8%	\$41.66	3,741
Brickell	25	6,486,396	12.1%	\$45.61	73,513
Coral Gables	42	6,001,276	8.6%	\$39.22	232,249
Airport West	66	8,299,093	8.3%	\$30.27	102,843
SUBTOTAL	152	27,594,561	11.9%	\$39.82	412,346
Aventura	10	1,004,645	5.6%	\$47.84	-22,428
Biscayne Corridor	5	723,791	31.7%	\$41.42	2,392
Coconut Grove	7	825,679	1.9%	\$34.91	16,151
Coral Way	7	482,676	3.9%	\$26.13	402
Kendall	13	1,709,055	14.9%	\$35.36	-28,134
Medley	3	201,427	11.2%	\$21.86	31,443
Miami	3	389,211	3.1%	\$21.90	52,403
Miami Beach	12	1,241,933	4.9%	\$46.98	-2,750
Miami Lakes	10	592,428	19.5%	\$24.89	34,686
NE Dade	8	793,150	24.9%	\$22.67	22,244
South Dade	2	133,994	36.9%	\$21.76	-2,354
SUBTOTAL	80	8,097,989	12.8%	\$33.19	104,055
TOTAL	232	35,692,550	12.1%	\$38.23	516,401





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.



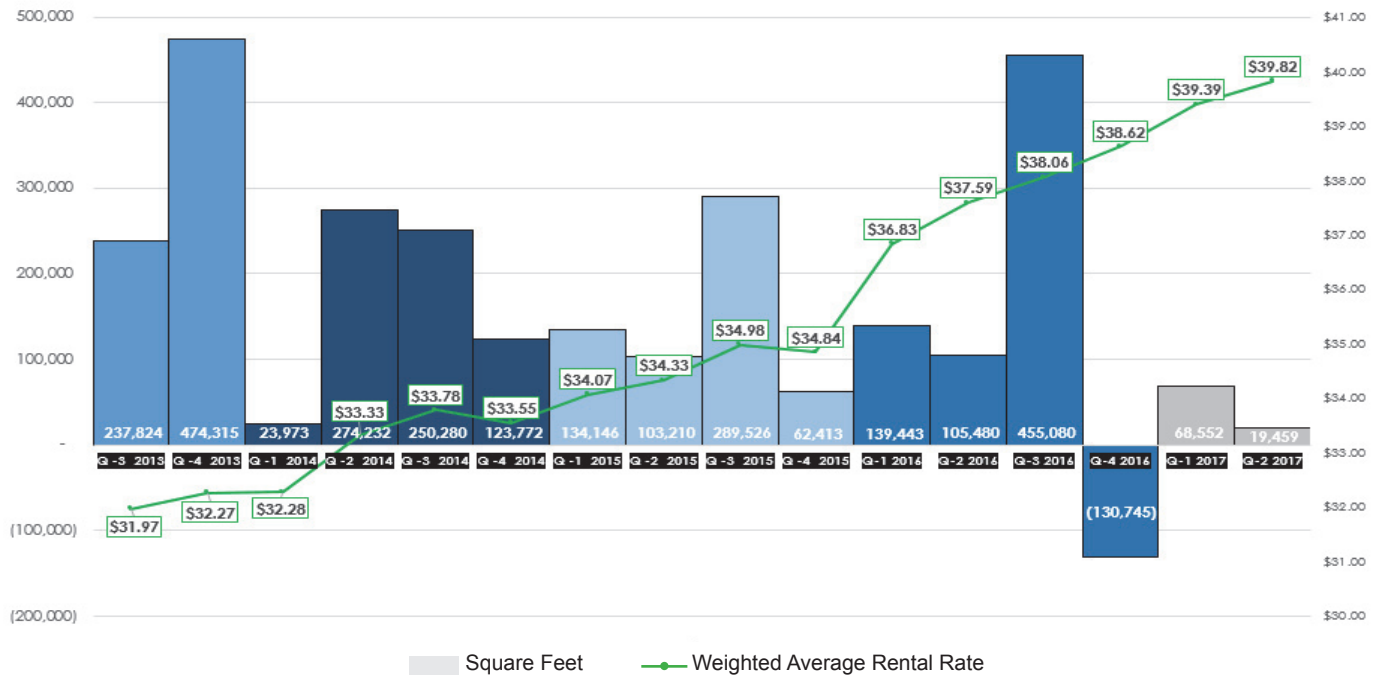
Of the approximate 27 million square feet of buildings individually tracked by Blanca Commercial Real Estate's research team, the buildings are divided among the submarkets and classes as such:

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



Q2-2017 CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON				
	Downtown	Brickell	Coral Gables	Airport West
Total SF Tracked:	6,807,796 SF	6,486,396 SF	6,001,276 SF	8,299,093 SF
Direct Available SF:	1,281,764	786,058 SF	518,597 SF	691,183 SF
Vacancy:	18.8% ▼ Vs. 2Q16 18.8%	12.1% ▲ Vs. 2Q16 11.5%	8.6% ▼ Vs. 2Q16 12.4%	8.3% ▼ Vs. 2Q16 9.5%
Direct Weighted Average Rates:	\$41.66 ▲ Vs. 2Q16 \$39.53	\$45.61 ▲ Vs. 2Q16 \$42.19	\$39.22 ▲ Vs. 2Q16 \$38.00	\$30.27 ▲ Vs. 2Q16 \$29.52

Q2 2017 YEAR OVER YEAR

CLASS A

- ▼ -6.2% Decrease in Average Vacancy Rate
- ▲ 6.7% Increase in Weighted Average Asking Rents
- + 254,176 SF Total Positive Net Absorption

CLASS B

- ▼ -10.5% Decrease in Average Vacancy Rate
- ▲ 3.5% Increase in Weighted Average Asking Rents
- + 158,170 SF Total Positive Net Absorption

EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

MID YEAR PERFORMANCE AT A GLANCE

As projected last quarter, leasing activity intensified across the four major office submarkets driving more than 1.15 million square feet of office lease transactions year to date. Although more than half of the deals have been renewals, new-to-market activity has increased since the previous quarter (8% increase). This upward trend is expected to continue over the course of the year, given Miami's strong appeal as an international business destination.

Year to date, new-to-market activity recorded over 160,000 square feet leased within the four major office submarkets. The Central Business District maintained steady momentum of renewal activity. Brickell, specifically, announced 15 new to market transactions; however, the average size of the spaces leased by new market entries in Brickell was approximately 3,300 square feet versus 4,500 square feet this time last year. New-to-submarket moves (in market relocations) and expansions were prevalent in the suburban markets, with Coral Gables and Airport West Dade totaling more the 380,000 square feet of deals. Both markets also picked up 70% of the new-to-market activity across the four major office submarkets, capturing an additional 105,000 square feet of net absorption.

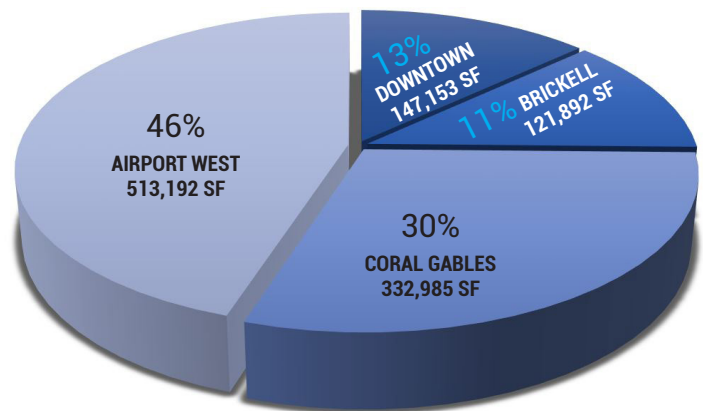
Significant new-to-market transactions this year include Boats Group (16,529 SF) in Brickell; Consentino (24,000 SF) and Lewis Brisbois Bisgaard (10,800 SF) in Coral Gables; and EBF Holdings, LLC (27,706) in Airport West Dade. Notable expansions in Airport West Dade were Amadeus North America (9,333 SF); Alcora (10,275 SF); and Lennar Corporation (11,310 SF). Coral Gables inked approximately 75,000 square feet of expansions of companies in the professional and financial services industries including Morgan Stanley; Morrison, Brown, Argiz & Farra; Dragados; and Professional Bank.

Year to date, Class A & B weighted average asking rents increased by 3.1% across the four major office submarkets. Despite minimal new net absorption, owners of Brickell and Downtown Class A assets remain bullish on high rents, with Brickell on a gross basis at \$53.27/RSF, followed by Downtown at \$46.69/RSF. Coral Gables and Airport West Dade product is also experiencing significant rent hikes with \$42.29 and \$34.09, respectively.

All in all, with limited new product delivered and underway this year, coupled with renewal activity dominating total leasing activity, we expect the Class A office market to hold steady with minor shifts in vacancy. Brickell (9.8%), Coral Gables (6.8%), and Airport West Dade (5.1%) are holding at single-digit vacancies, while Downtown (20%) has experienced an increase in vacancy; mainly due to Miami Tower now having approximately 85,000 square feet back on the market and Southeast Financial Center now marketing as direct availability the Wells Fargo Bank block of space that previously was available as sublease space.

We predict the second half of 2017 will hold steady as it relates to rents and vacancy, and leasing activity will escalate over the course of the year as current tenants in the market (990,000 square feet) finalize deals.

ABSORPTION BREAKDOWN IN THE FOUR MAJOR SUBMARKETS



EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

WHO IS MAKING MOVES?

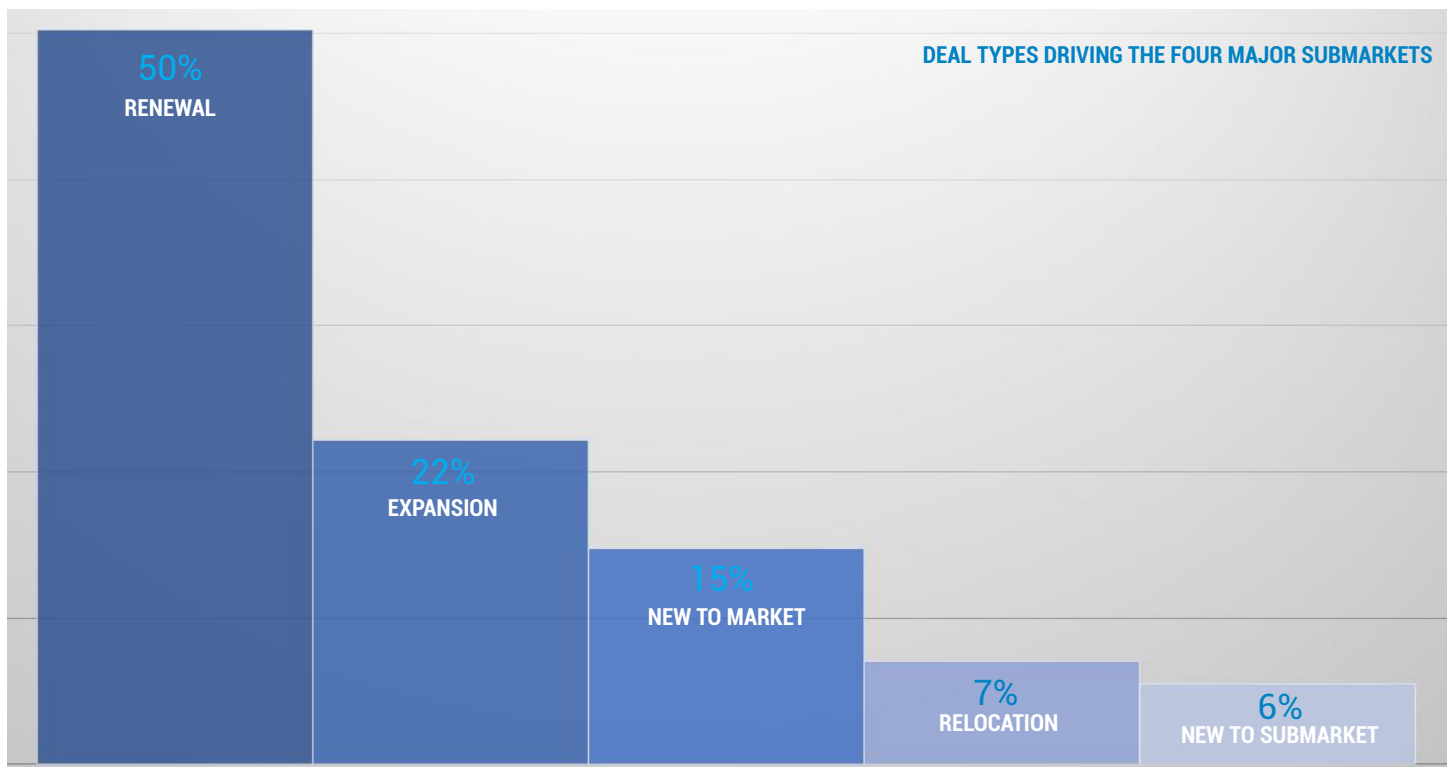
COMPLETED TRANSACTIONS BREAKDOWN

Based on current global economic conditions and political uncertainties, the demographics of leasing activity in Miami have shifted significantly over the past two years. New-to-market activity has decreased by 10% from this time last year and has dropped to more than half of what we recorded mid-year 2015. Troubled Latin American and European economies have made the largest dent but, given Miami's growing domestic appeal, U.S.-based, new-to-market entries are positively impacting the local office market.

Year to date, more than 75% of the new-to-market deals came from within the U.S., and nearly 50% relocated or expanded operations from California, New York, and Virginia. Florida-based companies, including EBF Holdings, Valor, and iSentium among others, have also gravitated to Miami this past year, specifically the four major office submarkets, a trend we will continue to see as companies look to diversify and expand internationally.

Notable local expansions of companies in the professional services and financial services sectors, as well as the evolution of technology within traditional industries like healthcare and manufacturing, resulted in nearly 250,000 square feet of office lease transactions. Renewals accounted for more than half of the activity, generating 560,000 square feet year to date. Uptick in renewal activity evidences the fact that local job growth is not the most impactful indicator of a company's growth, and the phenomenon is aligned with the fact that companies are evolving into more efficient business models to grow.

According to recent world reports published by Goldman Sachs and Morgan Stanley, Latin American economies are projected to grow by 1.5% over the next year. As a result, we expect international new-to-market activity to regain momentum over the course of the year.



EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

NEW AGE OF URBANIZATION:

SUBURBAN MARKETS IN HIGH DEMAND

This year, suburban markets have dominated the Miami office market. In addition to accounting for more than two thirds of the positive net absorption, these submarkets have captured more than 70% of the new-to-market activity.

Suburban markets have also reaped the benefits of significant investment in new mixed-use developments and revitalization of high-traffic areas. Coral Gables invested more the \$21.6 million in Miracle Mile and Giralda Streetscape renovation, creating a more pedestrian-friendly environment. The demand for premium space remains evident with the recent success of 2020 Salzedo, Coral Gables' newest office building, which is now enjoying 95% occupancy within five months of delivery. This year, the city also approved the plans for Agave Holdings' newest mixed-use development, The Plaza. The project will feature 415,000 square feet of office, 125,000 square feet of retail, residential rentals, and a hotel.

In Doral, urbanization is in full force, starting with the ongoing success of the Codina Group's Downtown Doral, a 120-acre master-planned community including office, retail, residential and a nationally ranked elementary school. The joint venture between Shoma Group and The Related Group, City Place Doral, continues to draw buzz and has achieved 95% occupancy this year. Doral's dynamic mixed-use projects, with ample retail and residential offerings, have fueled strong demand for office space in this vibrant community, with office buildings recording record rents and resulting in limited space available. Most recent evidence of success was the lease extension and expansion of Amadeus at One Park Square at Doral for a total of 115,000 square feet; also noted as the largest office lease transaction in 2017. Year to date, Airport West Dade had contributed to half of the total leasing activity within the four major office submarkets.

Emerging suburban markets are also capitalizing on new demand for office buildings that offer premier space, high walkability, and abundant on-site and nearby amenities. Kicking off the urbanization wave in Coconut Grove was

the announcement of the new CocoWalk which includes the delivery of One CocoWalk, owned by Federal Realty, Grass River Property, and Comras Company, in 2019. Terra Group, Optimum, and LointerHome also announced new office developments adding another 193,500 square feet to the Coconut Grove office market. Wynwood is also experiencing an evolution of new office and mixed-use development including CUBE Wynwd by RedSky Capital, a 88,925 square foot boutique office building with ground floor retail; and Goldman Properties' The Wynwood Garage featuring 30,000 square feet of office with retail on the first floor. Both scheduled for delivery in 2018. An additional 650,000+ square feet of office is proposed to begin construction in the next 12 to 24 months.

WHAT'S NEXT?

- Increase in new-to-market activity; by year-end an uptick in international new to market entries
- Continued modest upward pressure on rents
- Tenants right-sizing by adopting new operational efficiencies
- Developers and tenants favoring mixed-use, transit-oriented projects
- Landlords announcing strategic building renovations to enhance tenant experience

WHAT'S TRENDING



INCREASE IN NEW TO MARKET ACTIVITY



CONTINUED MODEST UPWARD PRESSURE ON RENTS



TENANTS RIGHT-SIZING BY ADOPTING NEW EFFICIENCIES



DEVELOPERS AND TENANTS FAVORING MIXED-USE



LANDLORDS STRATEGIC BUILDING RENOVATIONS

NEW DEVELOPMENTS

DOWNTOWN | BRICKELL | CORAL GABLES | WYNWOOD | COCONUT GROVE

NEW OFFICE DEVELOPMENT UNDER CONSTRUCTION (DELIVERY NEXT 12 MONTHS)



2 MIAMICENTRAL

700 MiamiCentral Ave
190,000 SF Class A Office
Developer: Brightline Development
Delivering 4Q 2017



3 MIAMICENTRAL

161 NW 6th St
90,000 SF of Class A office space
(and 35,000 SF of retail space)
Developer: Brightline Development
Delivering 3Q 2017



THE WYNWOOD GARAGE

2626 NW 3rd Ave
30,000 SF Class A Office
Construction begins 3Q 2017
Developer: Goldman Properties
Delivering 2018



GIRALDA PLACE

2222 Ponce de Leon Blvd
71,582 SF Class A Office
0% Pre-leased
Rates (F/S): \$48 PSF
Delivers 4Q 2017



800 WATERFORD

800 Waterford Way
246,085 SF Class A Office
Delivers August 2017



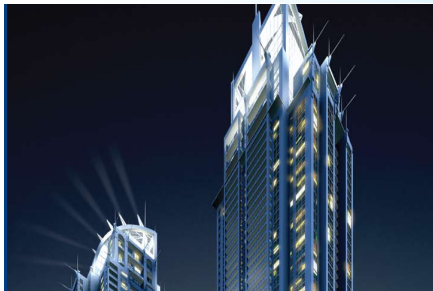
SUNSET OFFICE CTR.

1515 Sunset Dr
60,799 SF Class A Office
43% Pre-leased.
Rates (NNN): \$35-\$40 PSF
Delivers 3Q 2017

NEW DEVELOPMENTS

DOWNTOWN | BRICKELL | CORAL GABLES | WYNWOOD | COCONUT GROVE

NEW OFFICE DEVELOPMENT (CONSTRUCTION ANNOUNCED TO START NEXT 12 MONTHS)



MIAMI WORLD CENTER

(Mixed-use project)
1420-1438 S Miami Ave
600,000 SF Office
Developer: Hines
Proposed Construction Start Date
1Q 2018



CUBE WYNWD

222 NW 24th St
88,925 SF Class A Office
Construction begins 3Q 2017
Developer: Red Sky Capital
Delivering 2018



GATEWAY AT WYNWOOD

2916 N Miami Ave
184,800 SF Class A Office (and
33,750 SF of retail)
Developer: R&B Realty
Proposed Building



ONE COCOWALK

3001 Grand Avenue
79,930 SF Class A Office
Developers: Federal Realty
Investment Trust, Grass River
Property LLC, Comras Company
Delivering 2Q 2019



WYNWOOD 25

227 NW 24 Street
40,000 SF Office
Developer: Red Sky Capital and
Related Group
Broke ground July 2017



TERRA BUILDING

3310 Mary Street
75,000 SF Class A office
Developer: Terra Group
Construction begins 2Q 2017



27@ LINCOLN

3151 SW 27TH Avenue
68,000 SF Class A Office
Developer: LointerHome
Construction begins 1Q 2018



PLAZA CORAL GABLES

(Mediterranean Village)
2801 Ponce de Leon Blvd
415,000 SF Class A Office
Proposed building to begin
construction 4Q 2017
Delivers 4Q 2020 and 2Q 2021

SUBMARKET WATCH

Q2 2017 NOTABLE TRANSACTIONS

Harvard Maintenance
23,509 SF - Relocation
Miami Center
201 S. Biscayne Blvd.

I2 Labs
15,492 SF - Expansion
New World Tower
100 N. Biscayne Blvd.

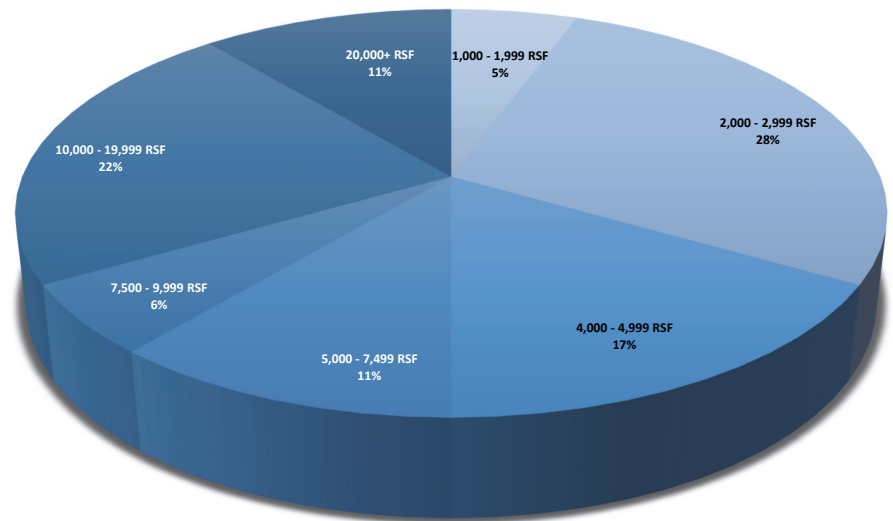
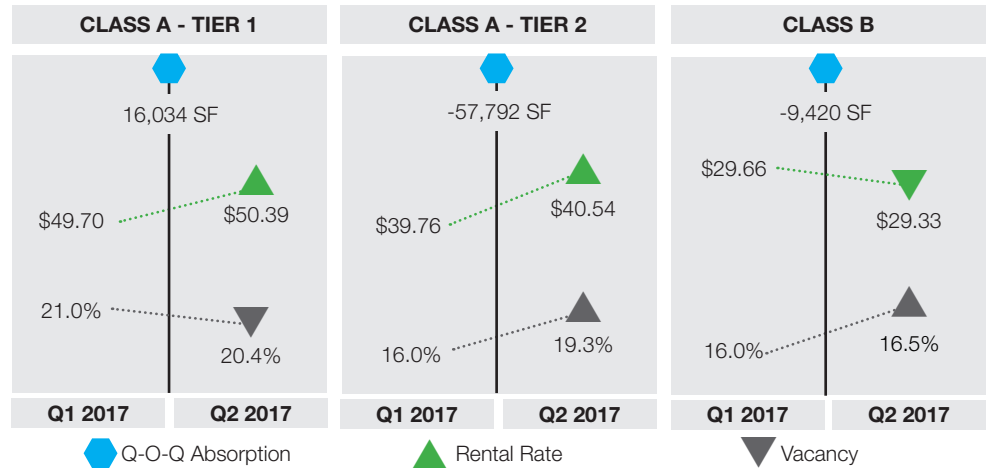
Wargo French
13,819 SF - Renewal
Miami Center
201 S. Biscayne Blvd.

Q2 2017 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

50.1% | > 5,000 SF

DOWNTOWN MARKET HIGHLIGHTS *Quarter-Over-Quarter*

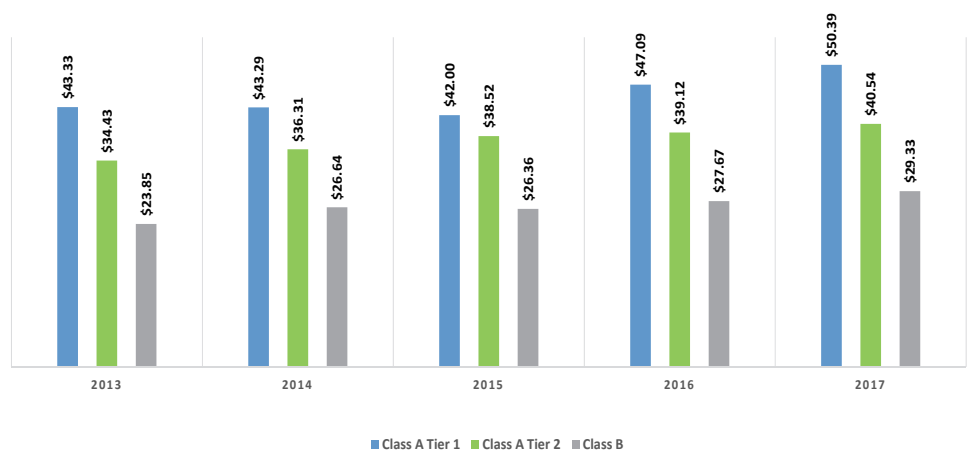


DOWNTOWN RENTAL RATES REFLECT A 14.5% INCREASE SINCE 2013

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2013	25.7%	16.1%	27.5%
2014	22.5%	16.9%	20.1%
2015	20.5%	15.6%	19.1%
2016	20.8%	19.7%	15.8%
2017	20.4%	19.3%	16.5%

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



SUBMARKET WATCH

Q2 2017 NOTABLE TRANSACTIONS

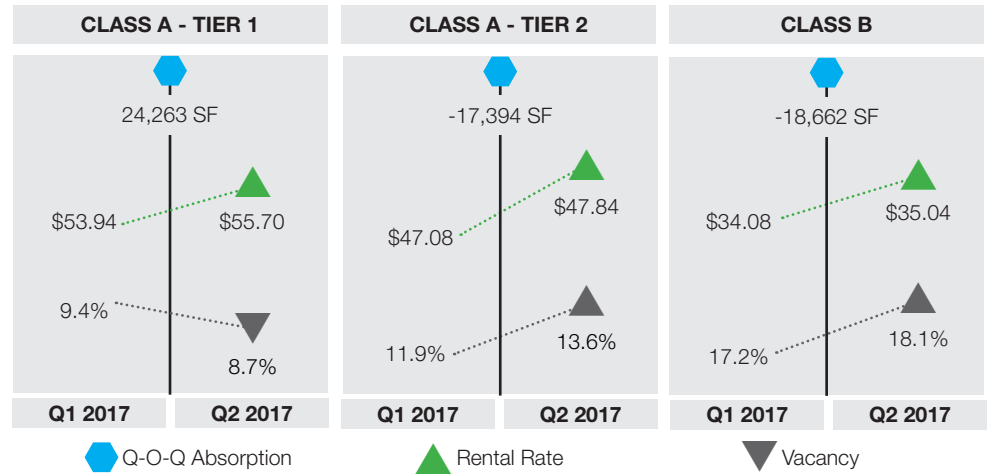
We Work

16,926 SF - New to Market
Brickell City Centre
78 SW 7th Street

Kaseya Corporation

8,504 SF - New to Market
701 Brickell
701 Brickell Avenue

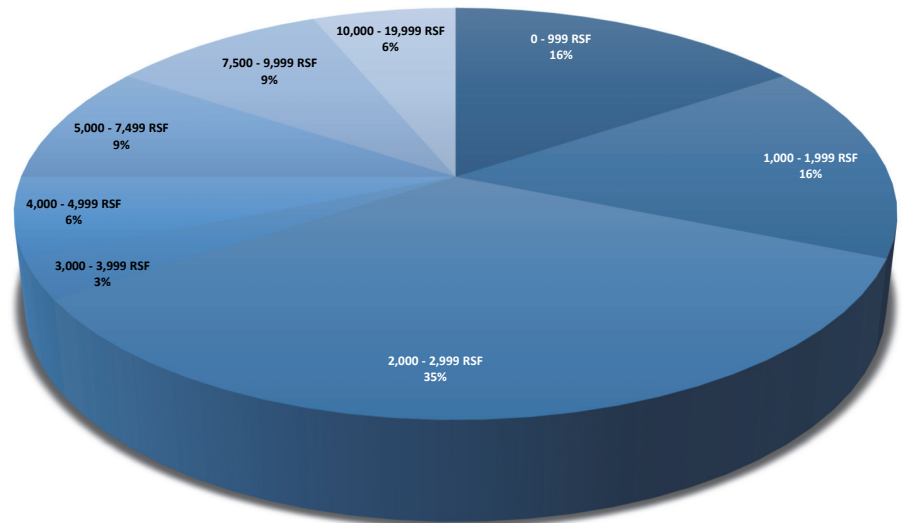
BRICKELL MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q2 2017 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

67% | < 5,000 SF

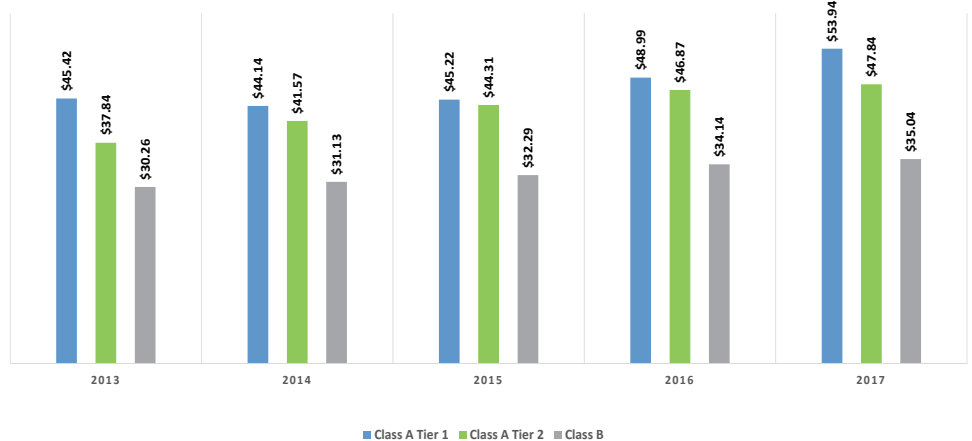


BRICKELL RENTAL RATES REFLECT AN 23% INCREASE SINCE 2013

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2013	19.2%	20.5%	18.1%
2014	16.4%	16.2%	16.2%
2015	13.2%	15.1%	17.2%
2016	8.5%	11.3%	17.4%
2017	8.7%	13.6%	18.1%

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



SUBMARKET WATCH

Q2 2017 NOTABLE TRANSACTIONS

US1 Insurance Services

17,351 SF - Renewal
SunTrust Plaza
201 Alhambra Circle

HKS Architects

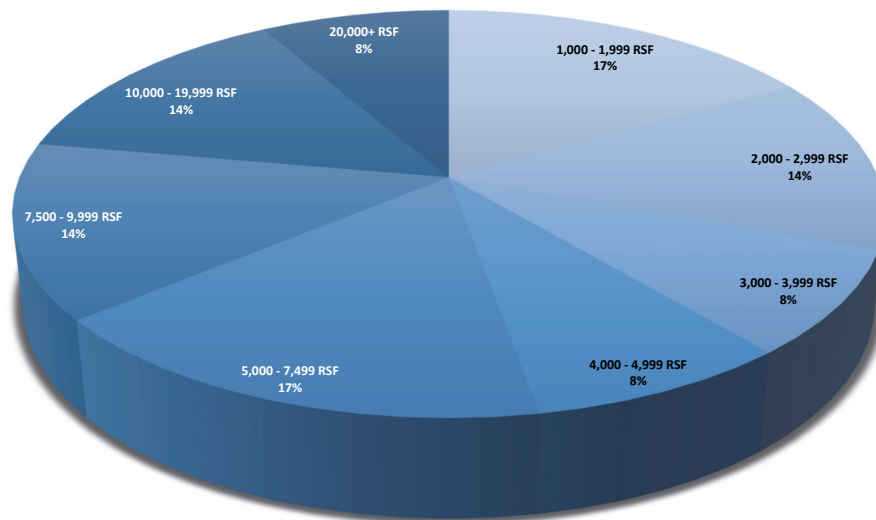
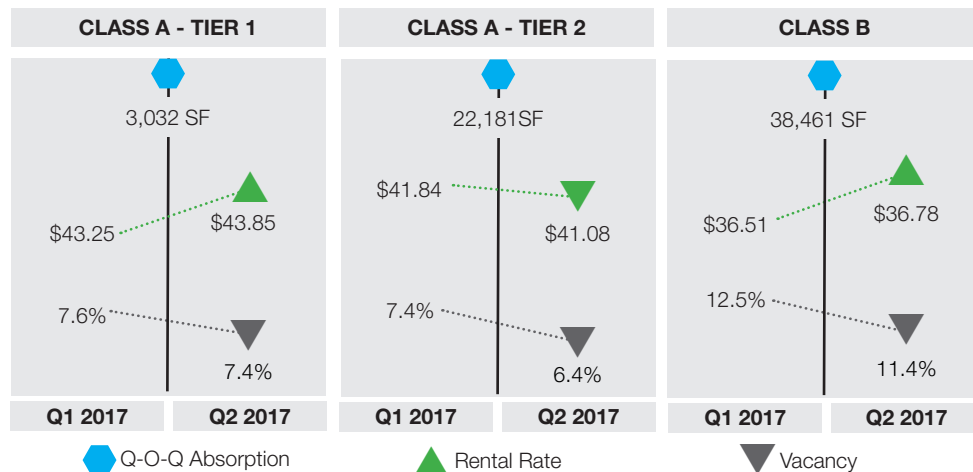
12,132 SF - Expansion
2020 Salzedo
2020 Salzedo Street

Q2 2017 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

53% | > 5,000 SF

CORAL GABLES MARKET HIGHLIGHTS *Quarter-Over-Quarter*



CORAL GABLES RENTAL RATES REFLECT A 12.7% INCREASE SINCE 2013

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2013	26.2%	26.4%	19.8%
2014	15.0%	19.9%	13.7%
2015	11.2%	17.0%	9.9%
2016	8.7%	12.7%	14.0%
2017	7.4%	6.4%	11.1%

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



SUBMARKET WATCH

Q2 2017 NOTABLE TRANSACTIONS

EBF Holdings LLC
27,706 SF - New to Market
Davenport
8200 NW 52ND Terrace

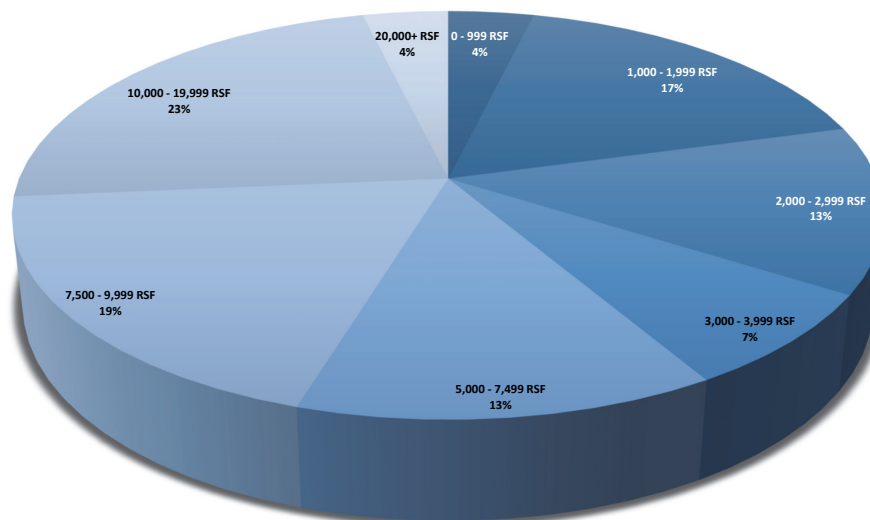
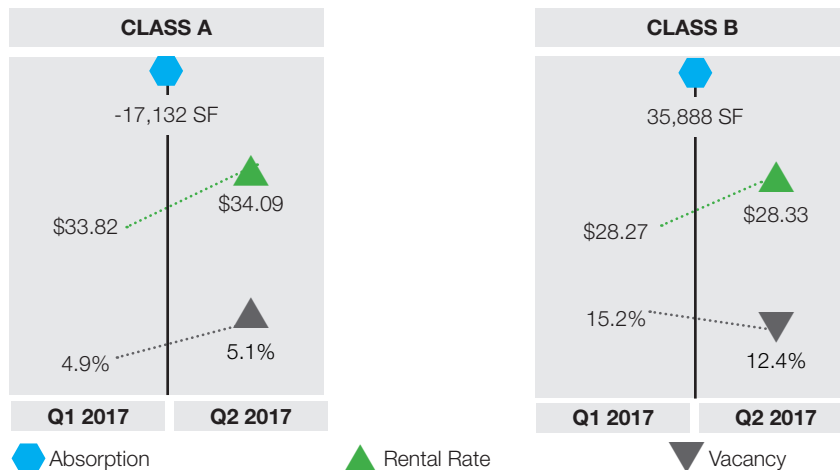
Cisco Systems
26,993 SF - Renewal
8400 NW 41st Street

Q2 2017 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

59% | > 5,000 SF

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

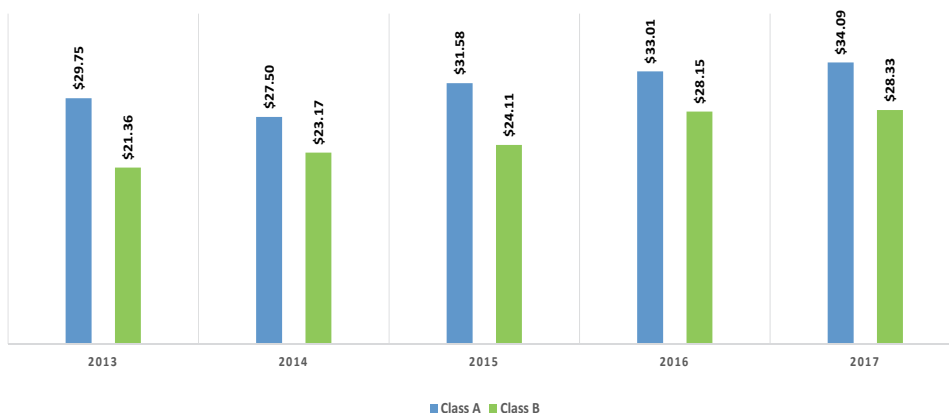


AIRPORT WEST DADE'S RENTAL RATES REFLECT A 15% INCREASE SINCE 2013

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class B
2013	11.3%	22.2%
2014	13.2%	21.9%
2015	9.0%	17.7%
2016	4.9%	15.2
2017	5.1%	12.4%

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



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.