

THIRD QUARTER 2017

MIAMI OFFICE MARKET REPORT



OVERVIEW

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

As we approach the end of 2017, leasing activity continues to increase across the Miami-Dade County office market. As a result, the third quarter recorded over 630,000 square feet of leasing activity, translating into more than 217,000 square feet of positive net absorption, quarter-over-quarter. This significant uptick in total leasing activity (20% more than previous quarter) is fueled by expansions, in-market relocations and increased influx of domestic and international companies. Among other market fundamentals, occupancy continues to hold steady across Miami's office submarkets, with overall Class A and B occupancy at 88%. Upward pressure on rents remains evident with Miami's average asking rental rates

just over \$38 PSF. Strong demand for newly developed office product is in full force, a trend we expect to continue as tenants seek premier Class A space that is well located and designed offering easy convenient access connected to transit and unique amenities.

With companies continuing to hire new talent and invest in an enhanced Miami presence, limited new office inventory and continued leasing velocity, all major office submarkets, specifically new Class A space and newly renovated product, should achieve notable positive net absorption through the end of 2017 and over the course of 2018.

Blanca Commercial Real Estate's Q3 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	6,809,616	19.0%	\$41.38	-83,097
Brickell	25	6,486,396	11.1%	\$45.15	-27,826
Coral Gables	42	5,707,159	7.7%	\$39.39	209,296
Airport West	67	8,545,178	9.3%	\$32.33	141,387
SUBTOTAL	153	27,548,349	11.8%	\$39.74	239,760
Aventura	10	1,004,645	6.7%	\$48.79	-11,977
Biscayne Corridor	5	723,791	31.6%	\$36.55	36,002
Coconut Grove	7	829,284	2.0%	\$35.17	-3,344
Coral Way	7	482,676	2.5%	\$26.75	4,946
Kendall	13	1,709,055	14.1%	\$35.06	-24,945
Medley	3	185,856	10.0%	\$22.34	4,098
Miami	3	389,211	4.8%	\$21.90	71,024
Miami Beach	12	1,208,857	6.4%	\$46.22	-16,356
Miami Lakes	10	592,428	19.5%	\$25.31	-6,809
NE Dade	8	793,150	25.3%	\$22.46	-16,309
South Dade	2	133,994	36.9%	\$21.54	-881
SUBTOTAL	80	8,052,947	13.0%	\$32.41	35,449
TOTAL	233	35,601,296	12.1%	\$37.96	275,209





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	29	38	67
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

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MIAMI'S MAJOR OFFICE SUBMARKET SNAPSHOT

Miami's four major office submarkets – Brickell, Downtown, Coral Gables, and Airport West Dade – drove most of the leasing activity and captured nearly 90% of the positive net absorption. Year-over-year, Coral Gables and Airport West Dade continue to dominate and contributed to more than 386,000 square feet of positive net absorption. The third quarter marked the highest net absorption since 3Q 2016. Overall, Class A and B rents within the major four office submarkets have achieved top asking rates of nearly \$40 PSF and vacancy has remained consistent, now at 11.8%. Despite increasing rents, Class A space is outpacing Class B at a rate not previously seen, with top buildings recording 114% more activity than Class B. We expect to see this trend evolve and drive the success of new office development over the course of the next 12 months to 24 months.

In Q3, positive net absorption was recorded by all the major office submarkets except for Downtown, which sits steady at 19% vacancy. Airport West Dade captured 101,119 SF, Coral Gables showed consistency with 63,915 SF, and Brickell regained momentum with 64,800 SF of positive net absorption. As a result, Coral Gables and Airport West Dade are enjoying single-digit vacancies of 7.7% and 9.3%, respectively, for Class A and Class B space.

Class A buildings in all major office submarkets are achieving top rents, with Brickell currently at \$53.01 PSF; Downtown at \$47.12; Coral Gables at \$43.12; and Airport West Dade increasing to \$35.14 PSF. Average year-over-year rent increases are showing more than 4% growth, a notable improvement over the previous year.

	Q3-2017 CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Airport West
Total SF Tracked:	6,809,616 SF	6,486,396 SF	5,707,159 SF	8,545,178 SF
Direct Available SF:	1,294,179 SF	721,177 SF	439,150 SF	791,156 SF
Vacancy:	19.0% ▲ Vs. 3Q16 18.1%	11.1% ▲ Vs. 3Q16 10.7%	7.7% ▼ Vs. 3Q16 10.5%	9.3% ▲ Vs. 3Q16 8.3%
Direct Weighted Average Rates:	\$41.38 ▲ Vs. 3Q16 \$39.16	\$44.51 ▲ Vs. 3Q16 \$43.46	\$39.39 ▲ Vs. 3Q16 \$39.36	\$32.33 ▲ Vs. 3Q16 \$30.10



EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

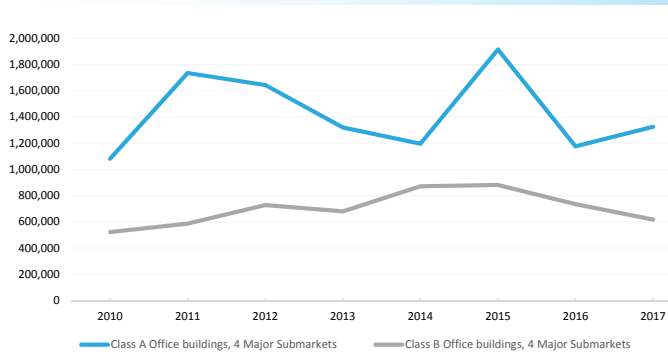
LEASING ACTIVITY AT A GLANCE

Year-to-date, the four major office submarkets closed nearly 2 million square feet of office lease transactions, a 10% increase over 2016. Although leasing momentum is gaining strength, net absorption has not been significantly impacted since activity has been heavily influenced by the consistent job growth of local companies. Today, renewals account for 46% of the total leasing activity, up from last year, when they accounted for 10%. Although new-to-market entries have kept a steady pace, they are still lagging last year's numbers by 15%. Given recent recovery of key markets in Latin America and Europe, we expect these numbers to drastically improve as we move into 2018.

Evidencing the positive impact of Miami's local economy on the office market, approximately 527,000 square feet of deals involved expansions and in-market relocations year-to-date, compared to less than 250,000 SF by 3Q 2016. The majority of the expansions took place in top Class A office buildings across the four major office submarkets, and in-market relocations revealed a trend of tenants making a "flight to quality." Major in-market moves and expansions were influenced by companies choosing to establish their footprints in premier trophy assets as well as newly delivered office product. Notable deals that support this trend include: Atkins (26,014 SF), previously

located at a Class B building, moved to 800 Waterford; Boston Consulting Group (18,880 SF) relocated and expanded at 1450 Brickell; HKS Architects moved from 201 Alhambra Circle to 2020 Salzedo. New-to-submarket deals were captured predominately by new office developments with Cargill (10,288 SF) leaving Coral Gables and signing a lease at 800 Waterford in Airport West Dade; and Ilumno (9,294 SF) moving to 2020 Salzedo in Coral Gables from Southeast Financial Center.

While key industries continue to be professional, legal, and financial services companies, there has been solid activity by media and technology companies this year, which directly aligns with those industries also experiencing the highest job growth rates in Miami-Dade County. We can expect these companies to have a significant impact given their current interest in the market and several of which have already established a presence within co-working spaces and will likely outgrow their space over the next two years to three years. Past examples include Facebook, Google and Uber, all of which entered the market through a co-working environment. Companies such as Spotify at WeWork, The New Tropic at CIC Miami and Twitter at Quest are positioned to further solidify the trend.

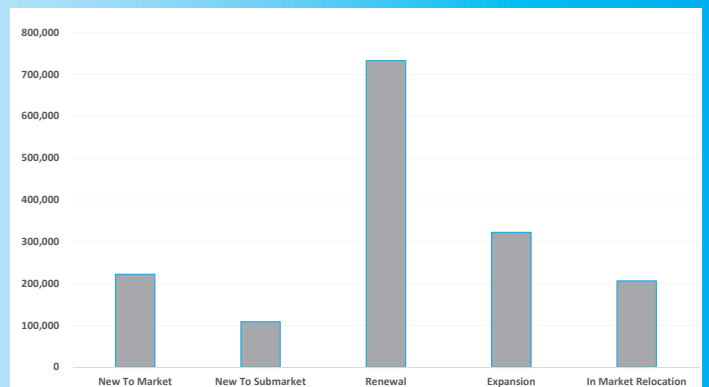


Total Leasing Activity By Type

This significant uptick in activity (20% more than previous quarter) is fueled by expansions, in market relocations and increased influx of both domestic and international companies.

Total Leasing Activity by Building Class

Class A space is out-pacing Class B at a rate not previously seen with top buildings recording 62% more activity than Class B.



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TRENDS TO WATCH

As we approach year-end, expect to see increased new to market activity, companies moving into higher quality buildings offering abundant on-site amenities and high walkability, continued rent growth throughout the four major office submarkets, and substantial pre-leasing of new product. We can expect the few new office buildings set for delivery over the next 12 months in these

submarkets to achieve solid pre-leasing; buildings such

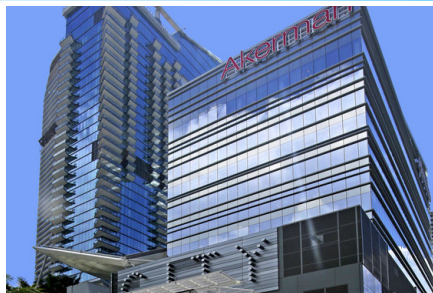
as Two and Three MiamiCentral are at 60% prior to TCO, 800 Waterford delivered with 45% occupancy and 2020 Salzedo is 95% leased within 6 months of delivery. Given current office market fundamentals, healthy rollover the next 12 to 24 months, and continued appeal of Miami's vibrant economy, we forecast a strong finish in 2017 with solid rent growth and strong leasing activity.

NEWEST OFFICE DELIVERIES



TWO BRICKELL CITY CENTRE

78 SW 7th Street
132,280 SF Class A Office
Developer: Swire Properties
Delivered: 2016
Significant Tenants:
WeWork
McKinsey & Co.



THREE BRICKELL CITY CENTRE

98 SE 7th Street
134,552 SF of Class A Office
Developer: Swire Properties
Delivered: 2016
Significant Tenants:
Akerman LLP



2020 SALZEDO

2020 SALZEDO
56,000 SF Class A Office
Developer: Codina CG
Delivered: 2016
Significant Tenants:
Codina Partners
Illumio
HKS Architects



2 MIAMICENTRAL

700 MiamiCentral Ave
190,000 SF Class A Office
Developer: Brightline Development
Delivering: 4Q 2017
Significant Tenants:
Venevision (Cisneros)
EY
Regus



3 MIAMICENTRAL

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



800 WATERFORD

800 Waterford Way
246,085 SF Class A Office
Developer: TH Realty & Allianz
Delivers August 2017
Significant Tenants:
Atkins
Cargill

SUBMARKET WATCH

Q3 2017 NOTABLE TRANSACTIONS

BDO

22,386 SF - New To Submarket Consolidation
Miami Tower
100 SE 2nd Street

JLL

14,500 SF - Relocation/Consol.
Southeast Financial Center
200 S. Biscayne Blvd.

Bulltack Financial

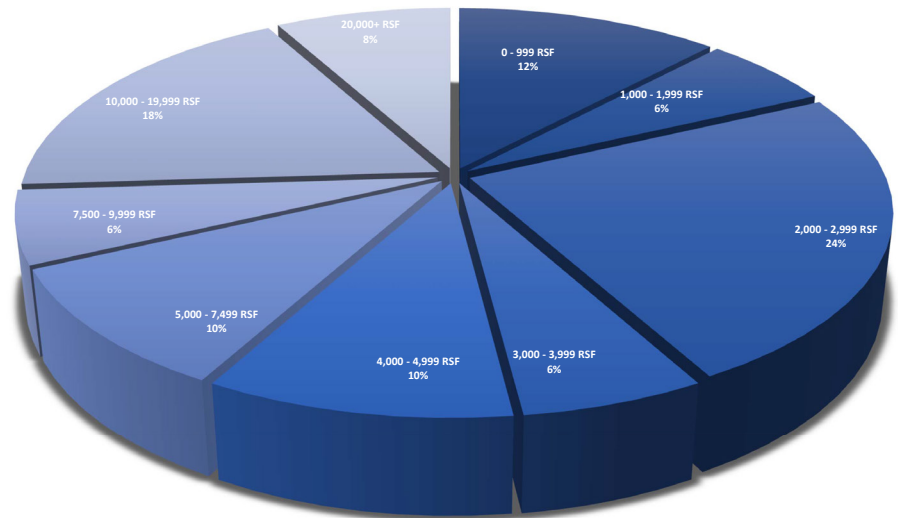
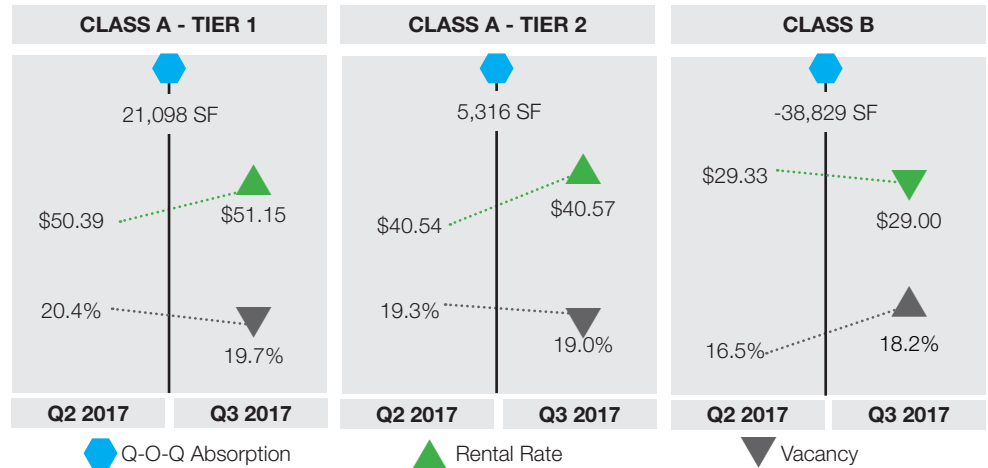
12,000 SF - In Mkt Relocation
Wells Fargo Center
333 Avenue of the Americas

Q3 2017 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

58% | > 5,000 SF

DOWNTOWN MARKET HIGHLIGHTS *Quarter-Over-Quarter*



DOWNTOWN RENTAL RATES REFLECT A 19.5% INCREASE SINCE 2013

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2013	25.3%	18.2%	26.4%
2014	20.2%	15.7%	19.3%
2015	20.6%	20.2%	16.8%
2016	19.7%	15.6%	18.0%
2017	19.7%	19.0%	18.2%

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



SUBMARKET WATCH

Q3 2017 NOTABLE TRANSACTIONS

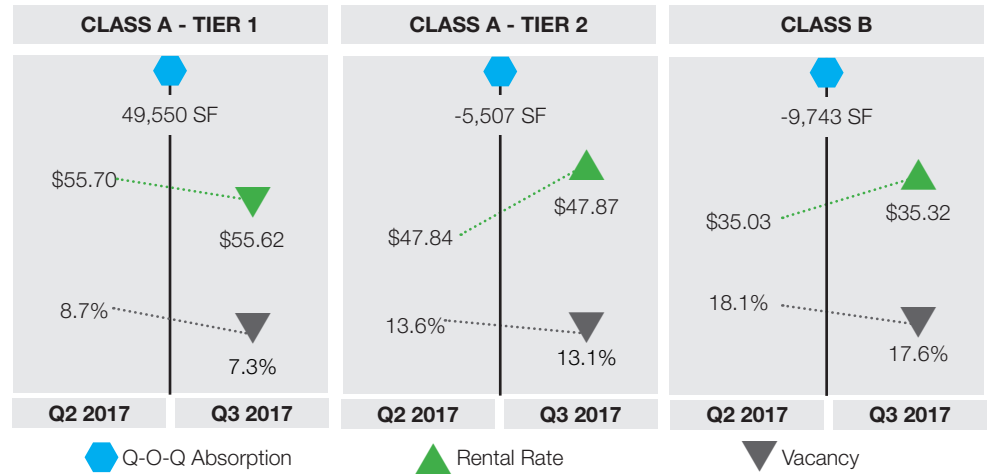
Sony

30,000 SF - Renewal
Courvoisier Center II
601 Brickell Key Drive

Boston Consulting Group

18,880 SF - In Mkt. Expansion
1450 Brickell
1450 Brickell Avenue

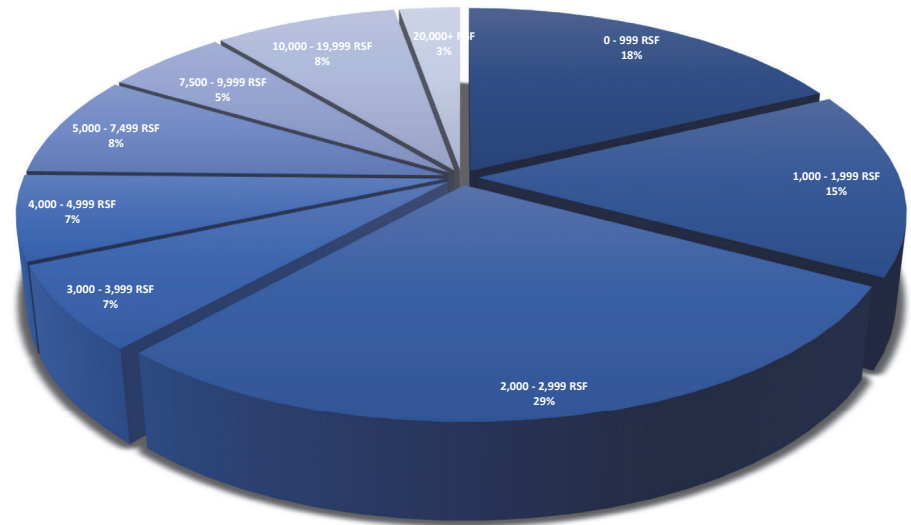
BRICKELL MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q3 2017 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

76% | < 5,000 SF



BRICKELL RENTAL RATES REFLECT A 25% INCREASE SINCE 2013

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

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2013	15.1%	18.5%	21.6%
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%



SUBMARKET WATCH

Q3 2017 NOTABLE TRANSACTIONS

WeWork

31,605 SF - New to Submarket
2222 Ponce
2222 Ponce De Leon Blvd.

Perkins & Will

13,500 SF - In Market Relocation
2800 Ponce De Leon Blvd.

Nostro Jones

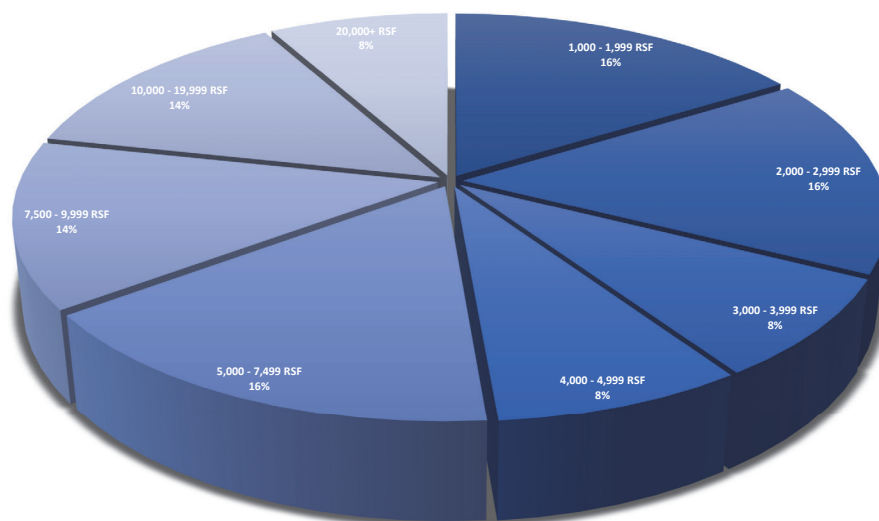
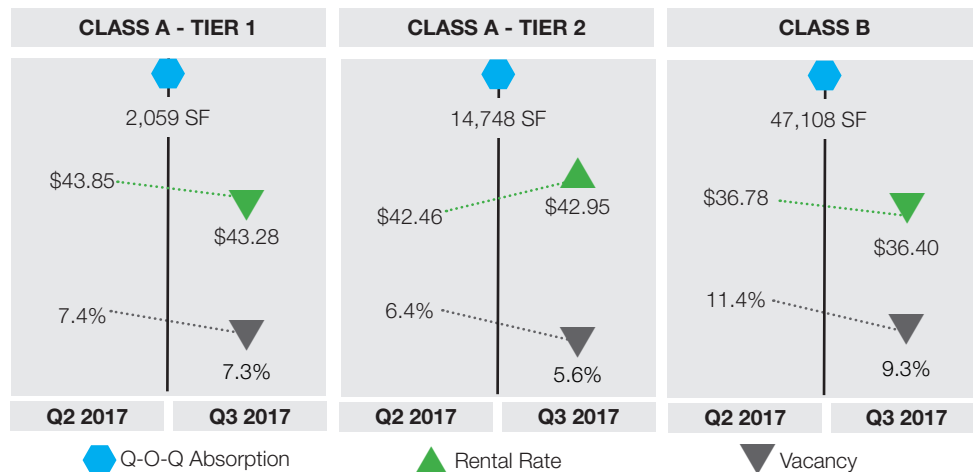
9,901 SF - New to Submarket
2525 Ponce
2525 Ponce De Leon Blvd.

Q3 2017 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

48% | > 5,000 SF

CORAL GABLES MARKET HIGHLIGHTS *Quarter-Over-Quarter*

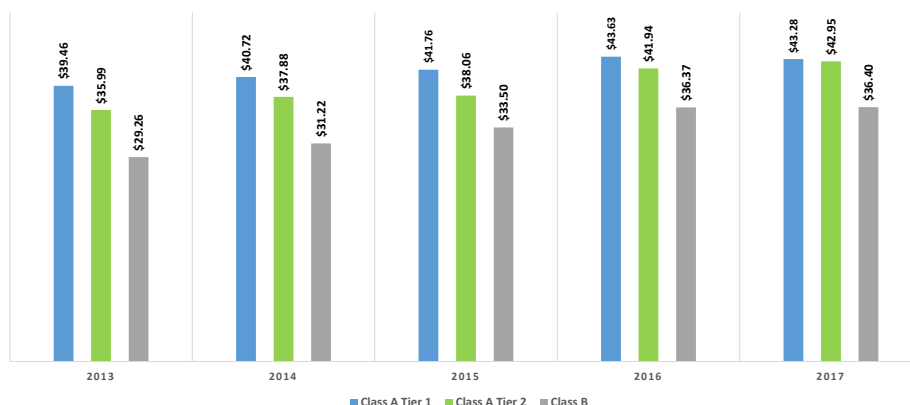


CORAL GABLES RENTAL RATES REFLECT A 16.2% INCREASE SINCE 2013

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2013	18.7%	30.3%	15.8%
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%	9.3%

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



SUBMARKET WATCH

Q3 2017 NOTABLE TRANSACTIONS

Amadeus North America

114,928 SF - Renewal
One Park Square
3470 NW 82nd Avenue

Atkins Engineers

26,014 SF - In Mk. Relocation
Contraction
800 Waterford
800 Waterford Way

Subway Latin America

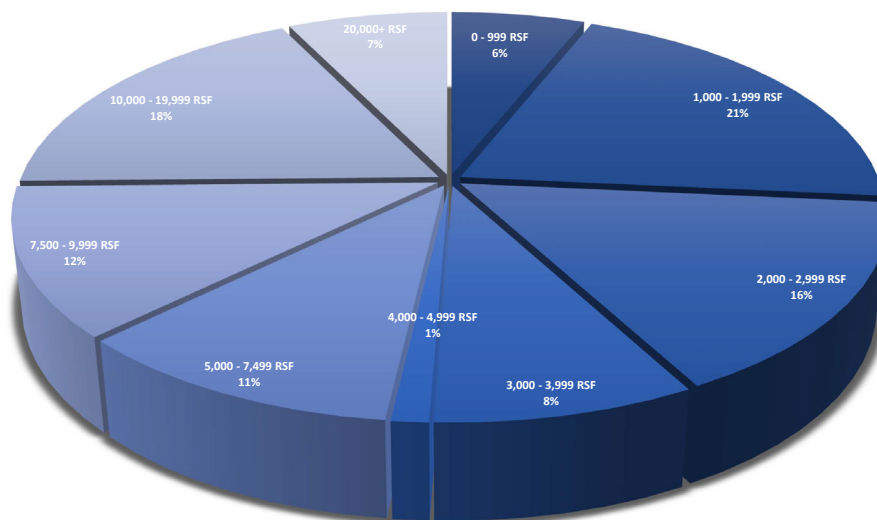
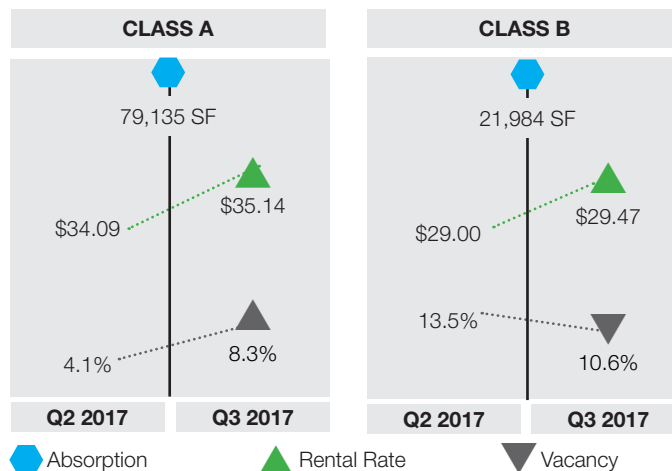
21,111 SF - In Market Relocation
Doral Concourse
8400 NW 36 Street

Q3 2017 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

52% | > 5,000 SF

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

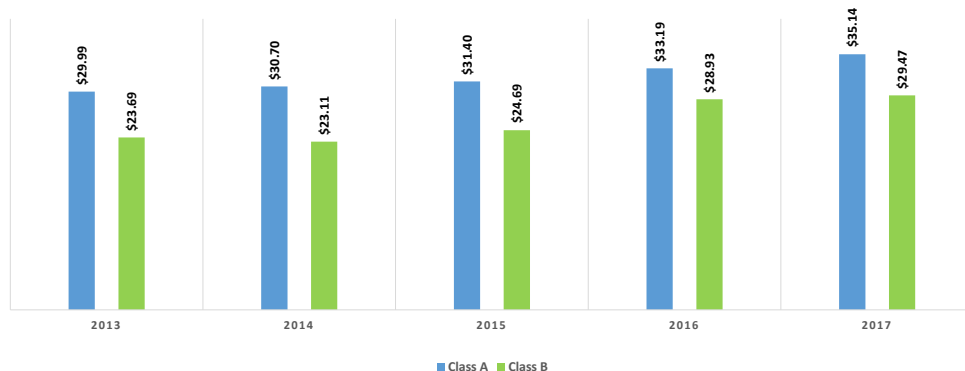


AIRPORT WEST DADE'S RENTAL RATES REFLECT A 17% INCREASE SINCE 2013

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class B
2013	13.8%	23.2%
2014	11.0%	19.9%
2015	6.0%	15.6%
2016	4.1%	13.5%
2017	8.3%	10.6%

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



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