

# MIAMI OFFICE MARKET REPORT

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

FOURTH QUARTER 2015



# EXECUTIVE SUMMARY

**B**lanca Commercial Real Estate's Q4 2015 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.

While 2015 saw absorption levels that were consistent with 2014, the past year was marked by significant activity on the investment sales front. In December 2015 alone, major office building trades involving top-tier institutional investors yielded more than \$544.35 million in transaction value.

These investors are drawn to the market's steady flow of leasing activity and a relatively stable supply of available office space. Average year-over-year rents are trending upward in all four submarkets that we track, total inventory remains largely flat, and overall vacancy rates are trending downward for the most part.

## NEW-TO-MARKET LEASING IS CONSTANT

Tenants absorbed approximately 560,000 square feet of Class A and B office space in 2015, which was in line with the previous year. All told, about 86% of all completed deals involved tenants requiring less than 10,000 square feet, underscoring the prevalence of small and mid-sized users in the Miami-Dade market.

Roughly 25% of all leases involved new-to-market users establishing their presence in Miami, which is a positive sign for the local economy heading into 2016. The largest such transaction was WeWork's 97,000 square foot lease of The Security building in Downtown Miami, which will serve as the company's first co-working space in the urban core. Other new-to-market tenants that

completed leases in Q4 include Insight Global, North Finance Global Services, and Mariva Capital Markets.

Although tenant renewals and expansions dominated leasing activity in 2016, Miami based companies continue to demonstrate strong performance and optimism. Significant transactions of companies already present in the market included, Quirch Foods' 35,000 square foot lease to relocate its headquarters office to the Bacardi building in Coral Gables, the accounting firm MBAF's lease of an additional 10,000 square feet at the Miami Green Building, GEICO's lease of 10,000 square feet at 2600 Douglas Road, and Ortega Juneau Construction's 8,000 square foot lease at 5775 Blue Lagoon Drive.

## FAVORABLE ECONOMIC AND DEMOGRAPHIC INDICATORS

Florida surpassed New York to become the second most populous state in the country last year, with the Miami metro area being the State's fastest-growing region. Miami-Dade County's population grew by 21,000 to 2.6 million and this trend line is expected to continue as a cross section of Baby Boomers, retirees, millennials and foreign nationals take up residence here.

Many of these transplants are drawn to the promise of economic opportunity. Miami-Dade County experienced year-over-year job growth across a number of core industries, including hospitality, professional services, transportation, retail, wholesale trade, education and health. And Technology is emerging as a strong industry. Miami-Dade added 14,700 non-farm jobs between October 2014 and October 2015, improving the seasonally-adjusted unemployment rate to 5.8% in Q4 2015, down from 6.4% in Q4 2014.

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 appropri-

# RISING TRANSIT DEMAND

**M**iami's fast-growing population is shifting renewed emphasis to mass transit solutions in both the public and private sectors. Transit-oriented commercial development, which has been a mainstay of urban planning in other major cities, is now gaining traction in Miami as demand for well-connected real estate rises among residents and companies.

The largest such development is Miami Central, now under construction in downtown Miami. This transformative mixed-use project is leading in the creation of a new downtown core. The project's first phase offers 280,000 square feet of Class A office space in two towers, 220,000 square feet of food and beverage, entertainment and shopping, and more than 800 apartments atop an intermodal rail station connecting Tri-Rail, Metrorail, Metromover and the Brightline. All Aboard Florida's express train travel service that will connect the major cities of south and central Florida along a 235-mile route running regular passenger rail service between Miami and Orlando.

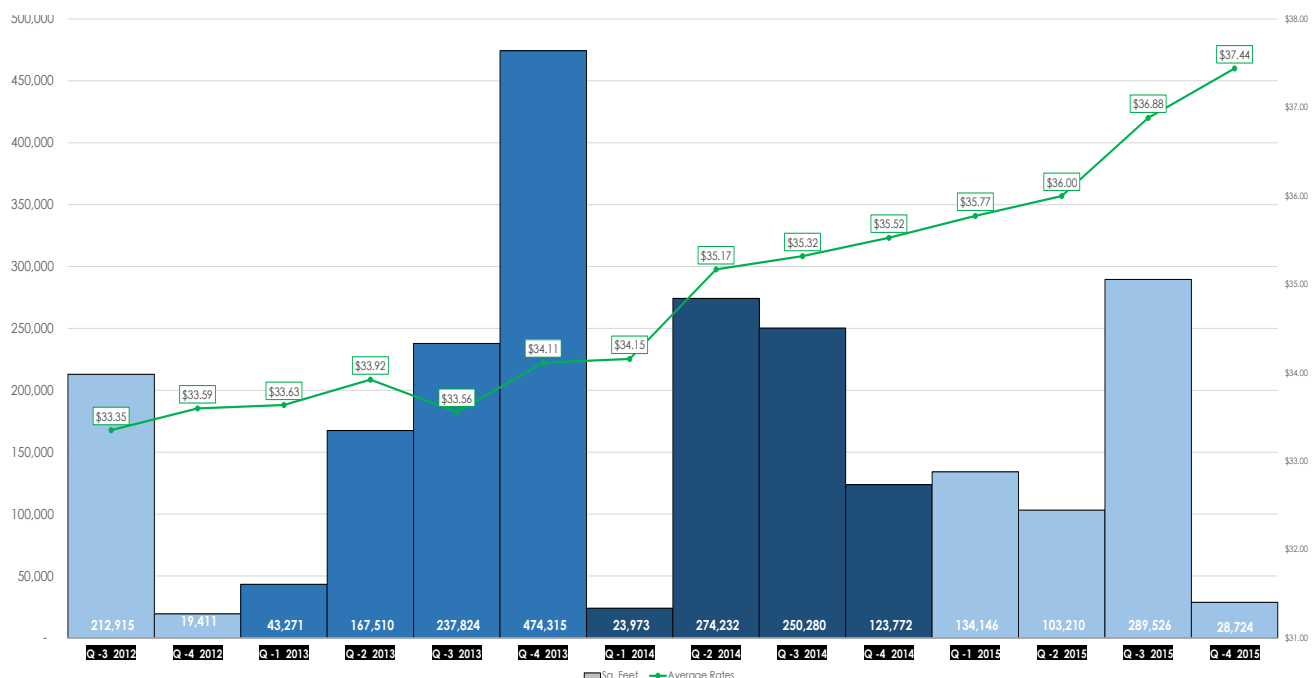
Other major developments underway or set to break ground in the urban core include Miami Worldcenter and Brickell City Centre which will deliver two new office buildings, one of which will be anchored by law firm Akerman in Q1 2016.

## POSITIVE ABSORPTION AND STABLE SUPPLY PUTS UPWARD PRESSURE ON RENTS

Per square foot rental rates for Class A and B space ticked upward across all four submarkets in Q4, with average rates in the Brickell Financial District rising from \$40.15 to \$41.70; Downtown rents up from \$36.23 last year to \$38.72 this year; Airport West up from \$26.41 to \$28.18; and Coral Gables up nominally from \$36.14 to \$37.47 in Q4 2015. Best-in-class Tier 1 Class A office towers are achieving rents, in some cases, well over \$50 per square foot for premium space setting a new mark for quality space in the market.

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

Miami Office Major Submarkets | Absorption & Direct Weighted Average Asking Rates | Q3-2012 to Q4-2015 in RSF



# CONSISTENT OFFICE DEMAND

Occupancy levels continue to improve in three of the four submarkets, with only Downtown seeing a slight rise in year-over-year availability of direct space – from 19% to approximately 20%, due primarily to Akerman’s imminent relocation from SunTrust International Center to Brickell City Centre. Airport West experienced the most significant drop in vacancy, from 14.4% in Q4 2014 to 10.9% in Q4 2015 as a result of major tenant expansions such as NCL’s at The Landings.

Although several large blocks of space greater than 30,000 square feet are available for lease, creating opportunities for large users to relocate and expand, absorption of these available spaces should continue in the absence of new inventory coming online. In fact, no new large-scale office towers are expected to break ground before 2018.

## Q4-2015 YEAR OVER YEAR

### CLASS A

- ▼ **13.5%** Decrease in Average Vacancy Rate
- ▲ **5.3%** Increase in Weighted Average Asking Rents
- + **365,684** SF Total Positive Net Absorption

### CLASS B

- ▼ **15.4%** Decrease in Average Vacancy Rate
- ▲ **5.6%** Increase in Weighted Average Asking Rents
- + **189,922** SF Total Positive Net Absorption

## OVERALL MARKET STATS

	Q4-2015 YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Airport West
<b>Total SF Tracked:</b>	6,662,496 SF	6,184,084 SF	5,460,835 SF	8,286,606 SF
<b>Direct Available SF:</b>	1,309,282 SF	748,830 SF	645,662 SF	901,826 SF
<b>Vacancy:</b>	19.7% ▲ Vs. 4Q14 19.0%	12.1% ▼ Vs. 4Q14 15.0%	11.8% ▼ Vs. 4Q14 13.9%	10.9% ▼ Vs. 4Q14 14.4%
<b>Direct Weighted Average Rates:</b>	\$38.72 ▲ Vs. 4Q14 \$36.23	\$41.70 ▲ Vs. 4Q14 \$40.15	\$37.47 ▲ Vs. 4Q14 \$36.14	\$28.18 ▲ Vs. 4Q14 \$26.41

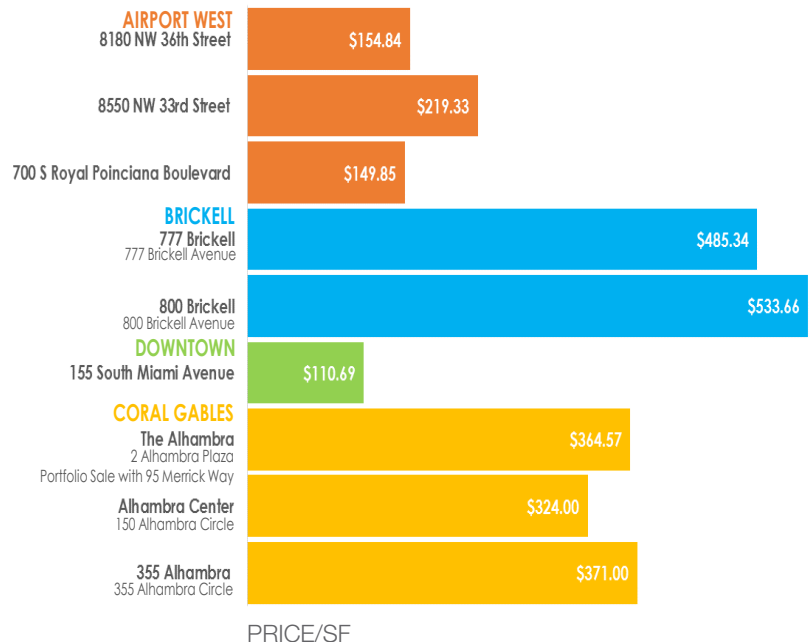
# THE BOTTOM LINE

## INVESTOR DEMAND FOR OFFICE BUILDINGS STRENGTHENS

Rising rents, falling vacancy rates and high barriers to entry for new office development are fueling investor demand for existing office properties validated by the robust sales activity during the past year of assets in Miami-Dade's submarkets.

Strong institutional-grade and foreign investor activity is expected to persist in Miami given among other factors Miami's international appeal, barriers to entry ease of domestic and international travel, arts and cultural appeal, and soon statewide connectivity via state of the art passenger rail.

## 2015 CLASS A & B SALES COMPS



## AN EMPHASIS ON EFFICIENCY IN 2016

A spike in sublease activity in the second half of 2015 was the result of M&A activity and consolidation as well as companies' commitment to pursue more efficient operations. This is consistent with the growing focus on business efficiency we are experiencing across sectors in the professional services realm. Miami's growing crop of entrepreneurial firms and early-stage companies, which tend to have limited financial resources at their disposal, are also gravitating toward spaces that offer greater efficiency.

At the same time, companies are prioritizing offices in urban submarkets offering access to public transit, close proximity to housing and shorter commute times – another sign of this shift toward efficiency.

## UPCOMING DELIVERIES FOR 2016/2017: 878,333 SF



**800 Waterford**  
800 Waterford Way  
246,085 SF



**Two Brickell City Centre**  
78 SW 7th Street  
129,676 SF



**Three Brickell City Centre**  
98 SE 7th Street  
134,552 SF



**Two MiamiCentral**  
604 NW 1st Avenue  
187,000 SF



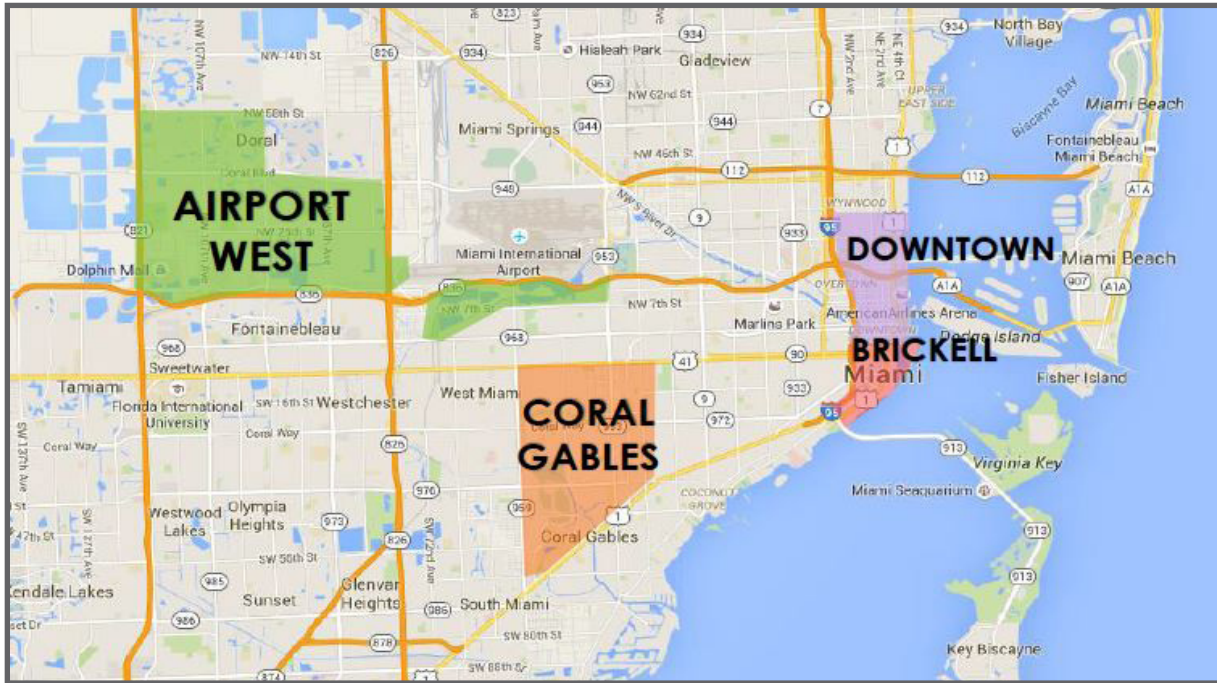
**Three MiamiCentral**  
160 NW 7th Street  
125,000 SF







**2020 Salzedo**  
2020 Salzedo Street  
56,020 SF

# SUBMARKETS

**Miami is comprised of 4 major office submarkets:  
Downtown, Brickell, Coral Gables & Airport West.**



**Of the approximate 27 million square feet of buildings tracked,  
the buildings are divided among the submarkets and classes as such:**

BUILDING CLASS:		A	B	A + B
	Downtown	6	13	19
	Brickell	11	12	23
	Coral Gables	17	22	39
	Airport West	28	38	66
<b>TOTAL NUMBER OF BUILDINGS :</b>		<b>62</b>	<b>85</b>	<b>147</b>



# SUBMARKET WATCH

## Q4 2015 NOTABLE TRANSACTIONS

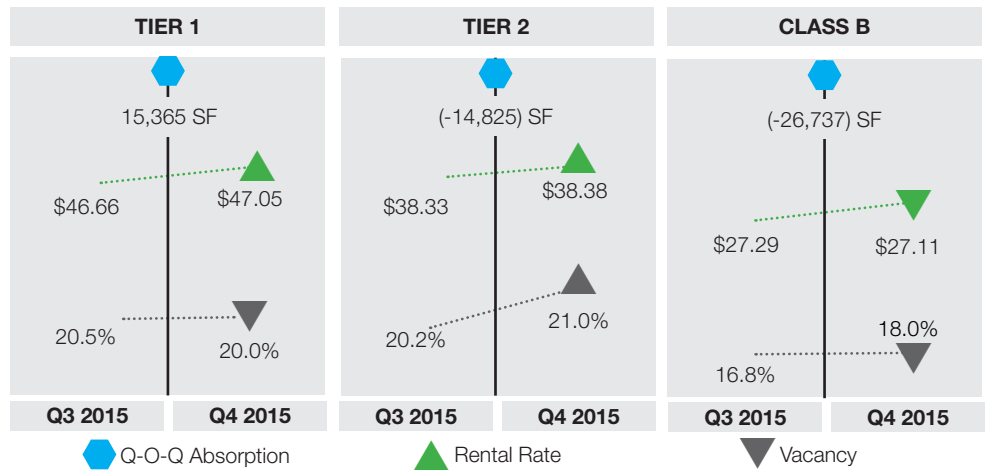
### Luks Santaniello Petrillo & Jones

5,631 SF - Renewal  
Chase Bank Building  
150 SE 2nd Ave.

### Insight Global

9,538 SF - New to Market  
Wells Fargo Center  
333 SE 2nd Ave.

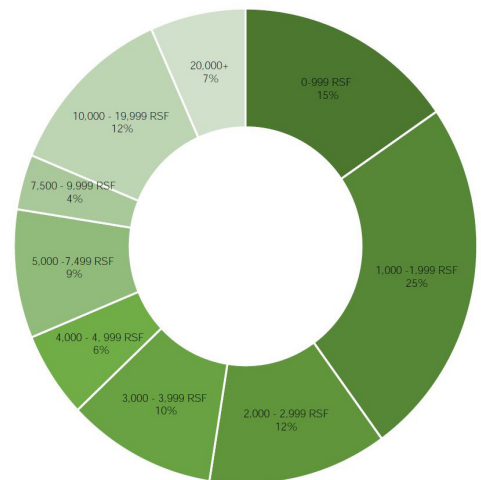
## DOWNTOWN MARKET HIGHLIGHTS



## Q4 2015 SNAPSHOT

### ANALYSIS OF AVAILABLE SPACES

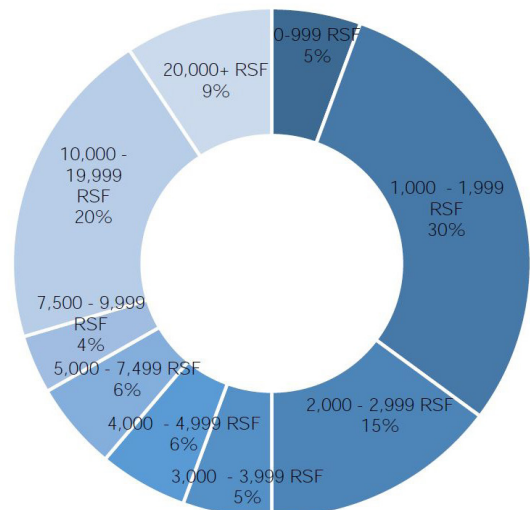
62% | < 4,000 SF



## 2015 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

55% | < 4,000 SF



# SUBMARKET WATCH

## Q4 2015 NOTABLE TRANSACTIONS

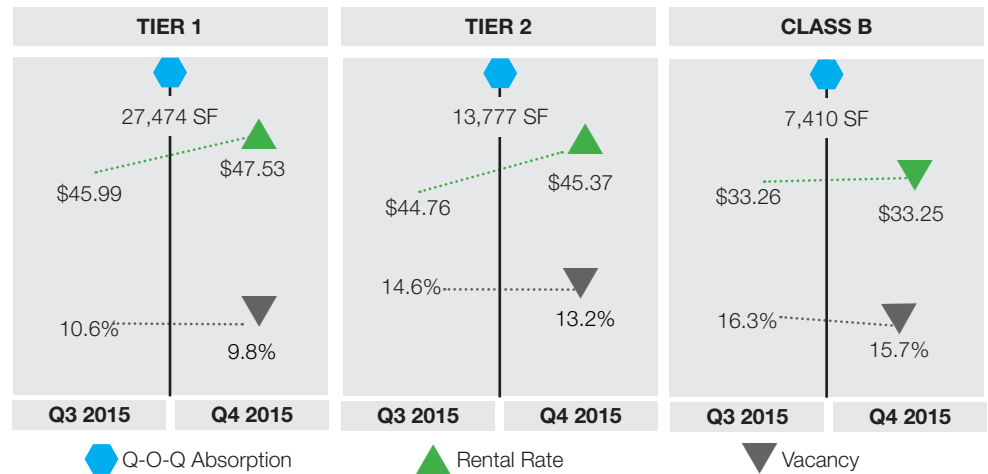
### EFG Capital

39,052 SF - Renewal  
701 Brickell Ave.

### Revlon

12,407 SF - New to Submarket  
1111 Brickell Ave.

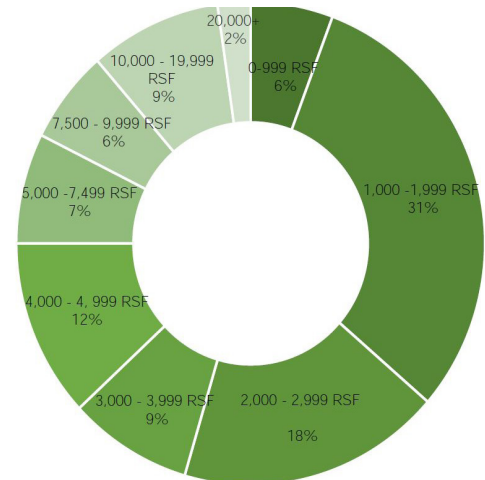
## BRICKELL MARKET HIGHLIGHTS



## Q4 2015 SNAPSHOT

### ANALYSIS OF AVAILABLE SPACES

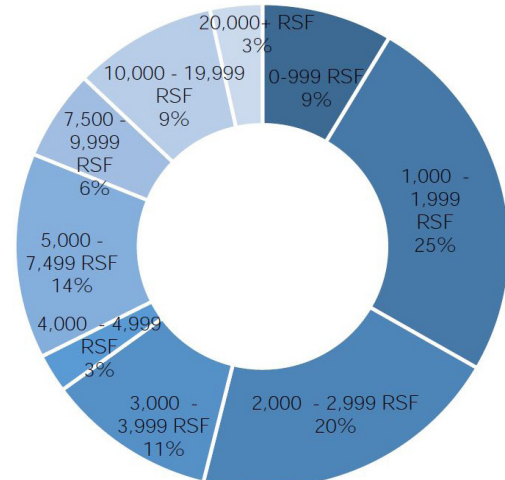
64% | < 3,000 SF



## 2015 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

65% | < 3,000 SF





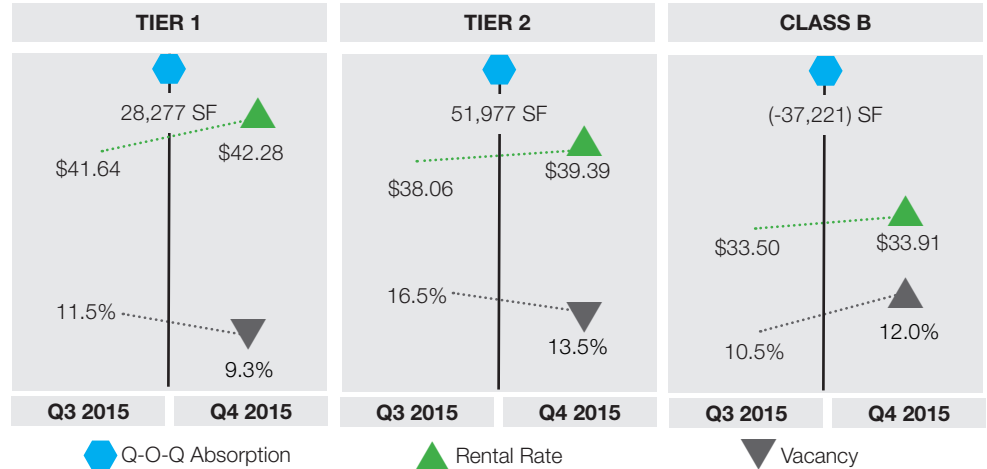
# SUBMARKET WATCH

## Q4 2015 NOTABLE TRANSACTIONS

**AMC Networks International**  
16,700 SF - In Market  
2020 Ponce de Leon Blvd.

**GEICO**  
10,000 SF - In Market Relocation  
2600 S. Douglas Rd.

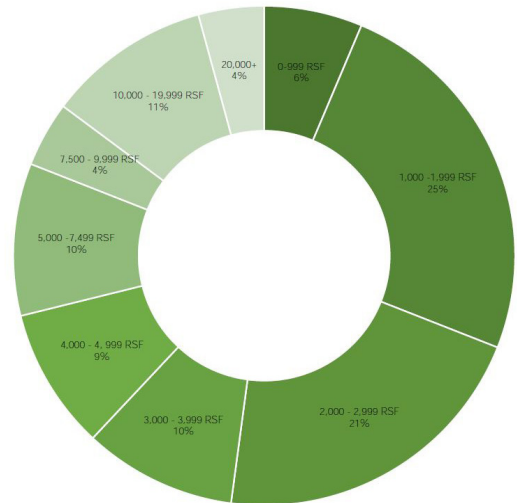
## CORAL GABLES MARKET HIGHLIGHTS



## Q4 2015 SNAPSHOT

### ANALYSIS OF AVAILABLE SPACES

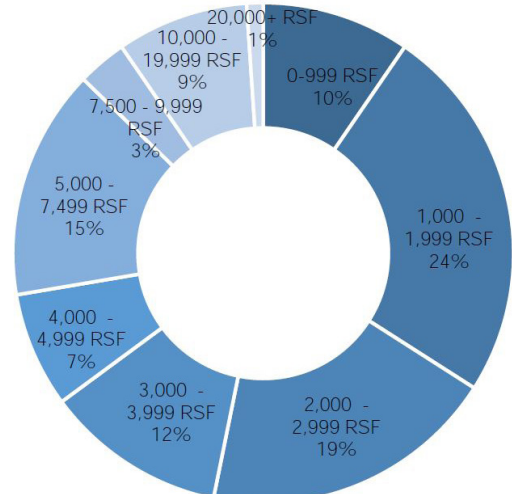
62% | < 4,000 SF



## 2015 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

65% | < 4,000 SF



# SUBMARKET WATCH

## Q4 2015 NOTABLE TRANSACTIONS

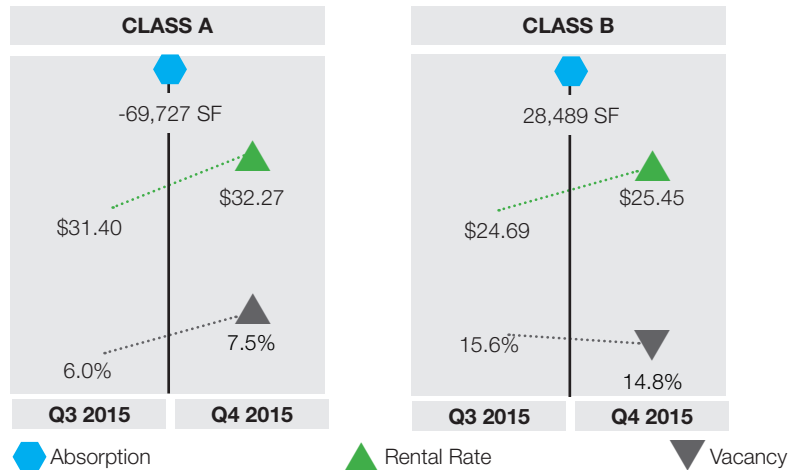
### National General Management Corp.

29,256 SF - Renewal/Expansion  
6161 Waterford  
6161 Blue Lagoon Dr.

### Visit Us

5,976 SF - In Market Relocation  
8200 Doral  
8200 NW 41st St.

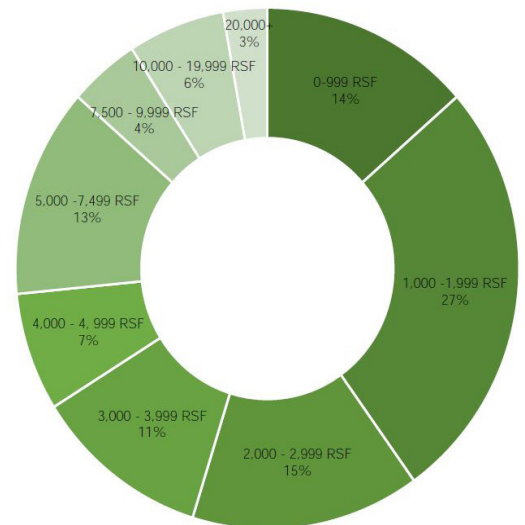
## AIRPORT WEST DADE MARKET HIGHLIGHTS



## Q4 SNAPSHOT 2015

### ANALYSIS OF AVAILABLE SPACES

67% | < 4,000 SF



## 2015 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

55% | < 4,000 SF

