

2016 YEAR-END

# MIAMI OFFICE MARKET REPORT



# MIAMI OFFICE MARKET STATS

**B**lanca Commercial Real Estate's Q4 2016 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)	Vacancy	Average Asking Rates (Gross \$/SF)	YOY Absorption
<b>4 MAJOR SUBMARKETS</b>					
Downtown	19	6,728,218	17.2%	\$34.34	134,922
Brickell	25	6,481,990	11.7%	\$43.09	308,792
Coral Gables	41	5,645,853	11.3%	\$38.77	34,370
Airport West	66	8,283,873	9.1%	\$29.49	99,454
<b>SUBTOTAL</b>	<b>151</b>	<b>27,139,934</b>	<b>12.3%</b>	<b>\$36.42</b>	<b>577,538</b>
Aventura	9	975,024	4.3%	\$46.18	-25,643
Biscayne Corridor	5	723,791	28.8%	\$35.36	17,471
Coconut Grove	7	871,870	2.1%	\$33.92	26,618
Coral Way	6	439,225	5.3%	\$27.22	-6,306
Kendall	13	1,709,055	14.1%	\$31.78	-52,036
Medley	3	201,427	28.0%	\$22.27	4,421
Miami	4	387,117	0.7%	-	55,545
Miami Beach	13	1,288,733	4.2%	\$43.84	14,462
Miami Lakes	10	592,428	20.2%	\$23.90	3,418
NE Dade	9	846,748	25.1%	\$22.23	55,734
South Dade	2	133,994	36.3%	\$21.75	3,005
<b>SUBTOTAL</b>	<b>81</b>	<b>8,169,412</b>	<b>15.4%</b>	<b>\$30.84</b>	<b>96,689</b>
<b>TOTAL</b>	<b>232</b>	<b>35,309,346</b>	<b>14.6%</b>	<b>\$32.44</b>	<b>674,227</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	18	23	41
	Airport West	28	38	66
<b>TOTAL NUMBER OF BUILDINGS :</b>		<b>65</b>	<b>86</b>	<b>151</b>

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 | Q3-2013 to Q3-2016 in RSF



Q4-2016   CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON				
	Downtown	Brickell	Coral Gables	Airport West
Total SF Tracked:	6,728,218 SF	6,481,990 SF	5,645,853 SF	8,283,873 SF
Direct Available SF:	1,168,662 SF	757,115 SF	638,482 SF	756,341 SF
Vacancy:	17.2% ▼ Vs. 4Q15 19.4%	11.7% ▼ Vs. 4Q15 12.9%	11.3% ▼ Vs. 4Q15 12.0%	9.1% ▼ Vs. 4Q15 10.3%
Direct Weighted Average Rates:	\$40.67 ▲ Vs. 4Q15 \$38.72	\$43.67 ▲ Vs. 4Q15 \$40.75	\$39.48 ▲ Vs. 4Q15 \$37.47	\$29.71 ▲ Vs. 4Q15 \$28.18

## Q4 2016 YEAR OVER YEAR

### CLASS A

- ▼ 15.92% Decrease in Average Vacancy Rate
- ▲ 7.3% Increase in Weighted Average Asking Rents
- + 563,640 SF Total Positive Net Absorption

### CLASS B

- ▼ 3.8% Decrease in Average Vacancy Rate
- ▲ 7.1% Increase in Weighted Average Asking Rents
- + 13,898 SF Total Positive Net Absorption

# EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

The past year was marked by continued heightened activity on the investment sales front and strong leasing activity by companies entering the Miami market. New to submarket moves and significant expansions of businesses in the professional services and legal industry also made a positive impact in 2016. Third quarter alone recorded the highest positive net absorption, quarter over quarter, since 2013 and the year closed with 563,686 square feet of positive net absorption across the four major office submarkets.

This activity reflects Miami's continued appeal for companies to expand and establish a presence given the city's international flare, multi-cultural and multi-lingual workforce, significant investment by public and private sector in mass transit projects, and increasing focus on innovation and entrepreneurship. Average year-over-year rents continued to trend upward and vacancy rates downward, reaching single digits for Class A space within the four major office submarkets, with limited inventory of office in the pipeline.

## NEW-TO-MARKET ACTIVITY REMAINS STEADY AND SUBMARKET MOVES DOMINATE

Tenants absorbed approximately 564,000 square feet of Class A and B office space in 2016. Although we experienced robust leasing activity throughout the year, more than 80% of the total positive net absorption took place in the second and third quarter. Average deal size remains in the 1,500 to 5,000 square foot range which is representative of small-to medium-size businesses remaining the strongest sector within the Miami market.

More than 35% of the lease transactions closed in 2016, across the four major office submarkets, involved new companies establishing their presence in Miami, which is a positive sign heading into 2017. Notable new-to-market transactions include Sitel, Volvo Group North America, Plurall Offices, CVS, Klein Law Group and Piquet Law Firm. Evidencing the trend of Miami's urban core as the preferred business address for companies entering the market, nearly 50% of the new-to-market transactions were completed in buildings boasting the Brickell Avenue address. Companies and entrepreneurs continue to flock to Miami because of its access to a rapidly growing talent pool, no state income tax, varied residential offerings and its position as a gateway to the Americas.

Although tenant renewals and expansions have traditionally dominated the total leasing activity within the market, 2016 experienced a strong spike in companies moving across submarkets such as: McKinsey's 24,000-square foot lease at Two Brickell City Centre from Downtown, The Office of the Attorney General inked a 42,000-square foot deal with its move from Brickell to Suntrust International in Downtown, Sonnedix's move from its office in Brickell to its 11,000-square foot lease at 220 Alhambra in Coral Gables and law firm, AXS Law Group, being one of the first law firms to relocate their headquarters to Wynwood from their existing office in Miami Beach. We also continue to see interest from companies moving from traditional office environments to walkable, highly connected, and evolving markets like Downtown, Coral Gables, Design District, Coconut Grove, and Wynwood, a trend we expect to continue well into 2017.

## 2016 SIGNIFICANT BUILDING DELIVERIES

<b>1</b>	 <b>TWO BRICKELL CITY CENTRE</b>  78 SW 7th Street Downtown Miami  Class A Office Building  Total Building SF: 132,280 SF	<b>2</b>	 <b>THREE BRICKELL CITY CENTRE</b>  98 SW 7th Street Downtown Miami  Class A Office Building  Total Building SF: 134,552 SF	<b>3</b>	 <b>2020 SALZEDO</b>  2020 Salzedo Street Coral Gables  Class A Office Building  Total Building SF: 56,026 SF
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# EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

## VACANCY DROPS AND BUILDING TRADES PUT UPWARD PRESSURE ON RENTS

Weighted average asking rents for Class A and B space continued an upward trend across the four major office submarkets in Q4, recording a 7% increase year over year (approximately 19% since 2013). Class A rents have experienced significant spikes with Brickell rising from \$46.90 to \$51.57; Downtown from \$43.47 to \$45.57; Airport West from \$31.92 to \$33.13; and Coral Gables from \$40.38 to \$42.31 in Q4 2016. Trophy assets are setting a new mark for quality space in the market. 1450 Brickell is setting the pace with recently signed leases achieving record rates of \$62 per square foot.

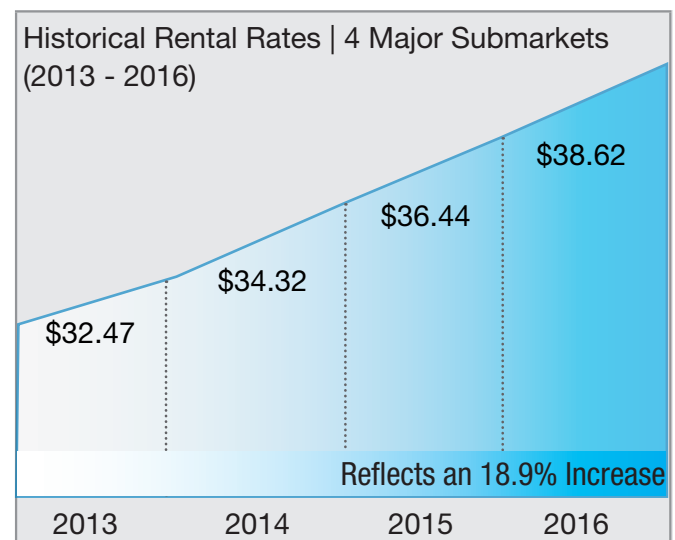
Vacancy maintained a steady decline, with Class A Tier 1 space dipping to single digits: Brickell at 8.7%; Coral Gables' at 8.7%; Airport West Dade at 4.4% vacancy as of 4Q 2016. Although Downtown vacancy in Class A space remains at 17.9%, it has experienced solid recovery from the previous year vacancy and dropping by approximately 25% since 2013.

This past year, building trading activity remained strong, also a contributing factor to rising rents. More than 3.9 million square feet of office traded within the four major office submarkets. Average post-sale rent increases for Class A buildings averaged 5% to 6% and Class B buildings pushed rents more than 10%. After the new ownership announced common area renovations and new amenities being offered to tenants, Courthouse Tower achieved an increase in weighted average asking rents of 43%. We expect to see this type of activity continue through the first half of 2017.

## SIGNIFICANT BUILDING SALES

Significant building sales generated a lot of buzz in 2016, with Downtown Miami and its surrounding neighborhoods attracting the most activity. Early in the year, Brickman Associates purchased Courthouse Tower and 200 Southeast First for \$27 million and \$33 million, respectively. Sumitomo snagged Miami Tower for \$348 per square foot and shortly after, East End Capital bought New World Tower for \$270 per square foot. In 4Q 2016, Southeast Financial Center sold for \$516 million (\$432.36 PSF).

The significant trading activity in our urban core is a direct result of strong real estate fundamentals - a tight office market, significant barriers to entry, steady increase of rents, and limited new inventory scheduled for delivery in the next 36 months. As a result, we believe that both domestic and foreign investors will continue to invest in the urban core and other emerging neighborhoods across Miami.



## SELECT SIGNIFICANT BUILDING SALES OF 2016

<b>1</b> 	<b>SOUTHEAST FIN. CTR.</b>  Sale Price: \$516.6 M \$432.36 PSF  Sale Date: 12/1/2016	<b>2</b> 	<b>MIAMI TOWER</b>  Sale Price: \$220.0 M \$348.28 PSF  Sale Date: 5/19/2016	<b>3</b> 	<b>2121 PONCE</b>  Sale Price: \$57.5 M \$348.81 PSF  Sale Date: 6/6/2016
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# EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

## IMPACTFUL ECONOMIC AND DEMOGRAPHIC FACTORS

Vibrant population growth of young professionals and Miami's appeal as a growing global and entrepreneurial city continues to fuel office demand. Miami-Dade County's population has grown 8% in the last five years, making it the seventh largest county in the U.S. In 2016, more than 20,000 jobs were added in the County, predominately in the construction, real estate, professional services, and financial services industry. This economic growth has fueled expansion activity in the office market and should hold steady in 2017.

Miami's focus on cultivating innovation and entrepreneurship has also positively impacted the office market. In the last two years, new co-working spaces have represented over 350,000 square feet of completed lease transactions and have welcomed a new wave of technology companies setting up shop in Miami including Uber, Flatbook, and the expansion of Facebook and Google, Skyscanner, and Kairos, to name a few.

Last year, millennials also became the nation's largest demographic in the workforce and have sparked new trends in office space. As millennials take leadership roles in companies that have traditionally established themselves in traditional office environments, those companies are now seeking the next modern and urban office space. Tenants now choose buildings for their connectivity to mass transit, walkability to ample and varied residential, retail, restaurants, and entertainment offerings. In addition, unique amenities such as Wi-Fi connected common areas, tenant lounges, fitness centers, bike racks, and concierge services are also key drivers.

In 2017, we expect companies to adopt new standards in office design that attract and retain millennial talent and position their companies for growth.

## A NEW STANDARD: TRANSIT-ORIENTED DEVELOPMENTS

Miami's fast-growing population and traffic woes is also shifting renewed emphasis to mass transit solutions. This past year, transit-oriented development has risen to the spotlight and is the new standard for office development. Slated for delivery in fall 2017, MiamiCentral is not only redefining regional business connectivity but is also setting a new bar for what tenants look for in office space. The mixed-use project will deliver 280,000 square feet of office - of which is already 60% pre-leased - several new food and beverage concepts at CentralFare, and more than 800 multi-family rental units. Last year, other transit oriented developments were announced or broke ground, including Miami Worldcenter (no planned office component) and SOMI station (180,000 square feet of office is proposed but will not break ground until 50% pre-leasing is achieved).

As the tenant demand for access, walkability, and sustainability increases, expect to see an increase in this type of office development in neighborhoods outside of the traditional urban core.

## TRENDS TO WATCH 2017

- Steady, modest growth in office rents
- Declining available office supply
- New transit oriented developments, with office components, in traditionally urban and suburban office markets
- Tenants right-sizing to adopt new office design standards
- Increased moves between submarkets and new to market companies positively impacting net absorption
- New development of office product in non-traditional office submarkets like Wynwood, Coconut Grove, and South Miami

### TRENDS



STEADY MODEST  
GROWTH IN OFFICE RENTS



DECLINE IN  
VACANCY



TRANSIT-ORIENTED  
DEVELOPMENTS



TENANTS  
RIGHT-SIZING



INCREASED MOVES  
BETWEEN SUBMARKETS



NON-TRADITIONAL  
OFFICE SUBMARKETS

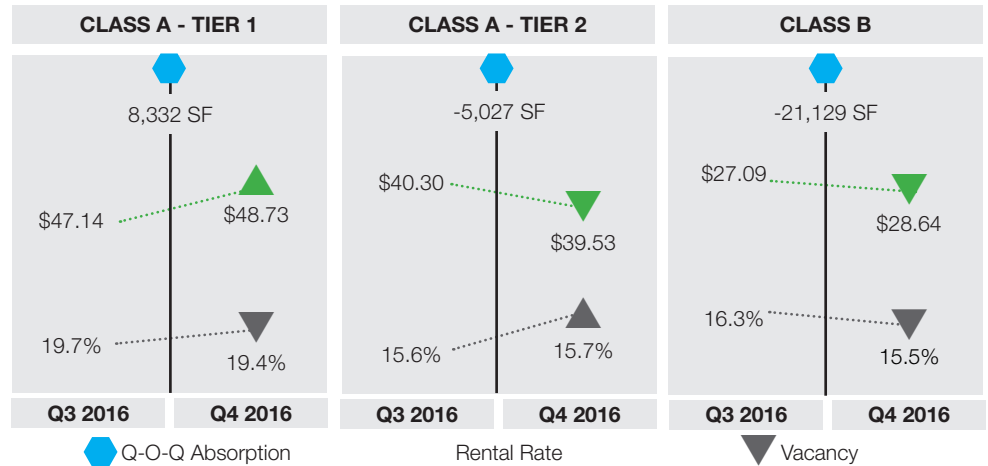
# SUBMARKET WATCH

## 2016 NOTABLE TRANSACTIONS

**Wells Fargo Advisors**  
54,160 SF - Expansion  
96,000 SF - Renewal  
Wells Fargo Center  
333 Avenue of the Americas

**Crystal Cruises**  
40,000 SF - New to Market  
The Shrine Building  
1401 Biscayne Blvd.

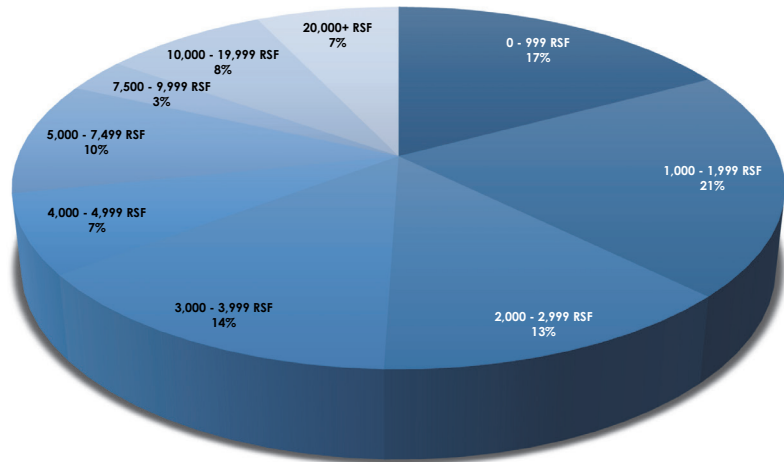
## DOWNTOWN MARKET HIGHLIGHTS *Quarter-Over-Quarter*



## Q4 2016 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

51% | < 3,000 SF

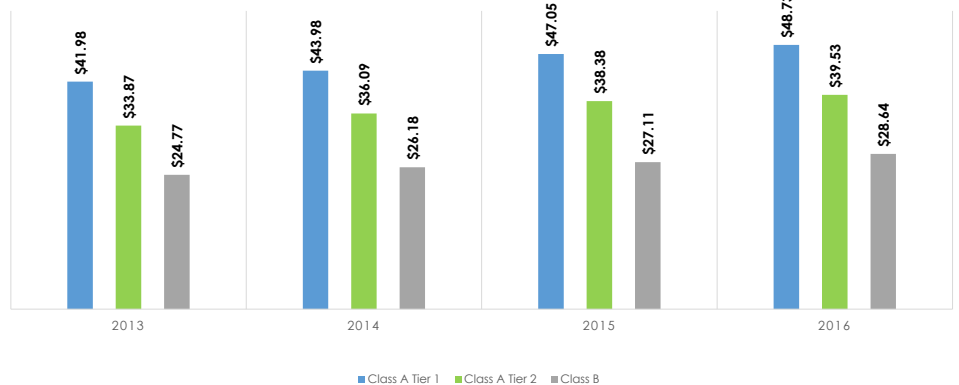


## DOWNTOWN RENTAL RATES REFLECT A 16% INCREASE SINCE 2013

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

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

	Class A Tier 1	Class A Tier 2	Class B
2013	25.6%	17.6%	20.8%
2014	20.0%	16.5%	19.9%
2015	20.0%	21.0%	17.2%
2016	19.4%	15.7%	15.5%





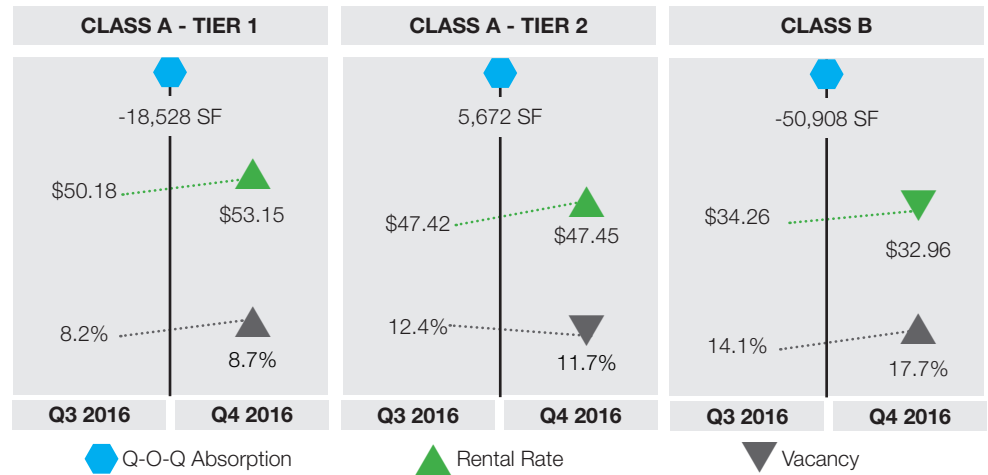
# SUBMARKET WATCH

## 2016 NOTABLE TRANSACTIONS

**Plurall Offices LLC**  
12,617 SF - New to Market  
800 Brickell  
800 Brickell Ave.

**McKinsey & Co.**  
17,000 SF - New to Submarket  
Two Brickell City Centre  
78 SW 7th Street

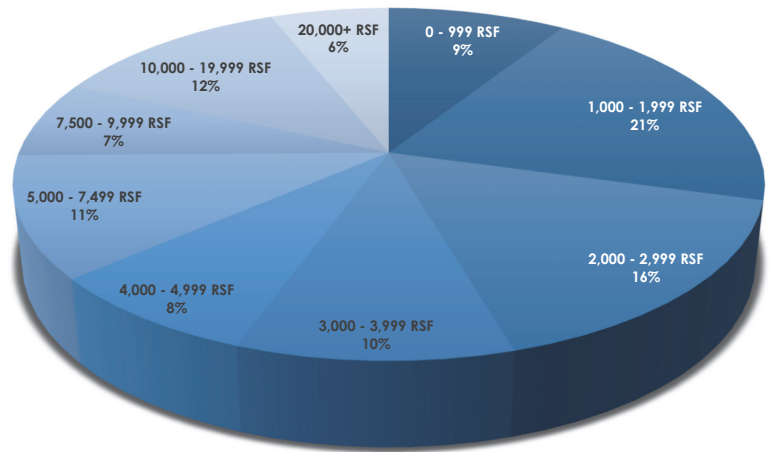
## BRICKELL MARKET HIGHLIGHTS *Quarter-Over-Quarter*



## Q4 2016 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

46% | < 3,000 SF

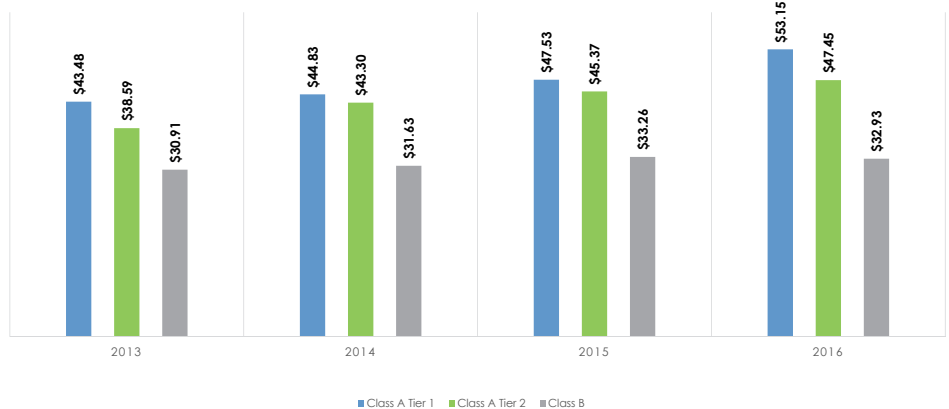


## BRICKELL RENTAL RATES REFLECT AN 18% INCREASE SINCE 2013

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

	Class A Tier 1	Class A Tier 2	Class B
2013	13.4%	17.4%	20.8%
2014	14.3%	13.5%	17.3%
2015	9.8%	13.2%	18.4%
2016	8.7%	11.7%	17.7%

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



# SUBMARKET WATCH

## 2016 NOTABLE TRANSACTIONS

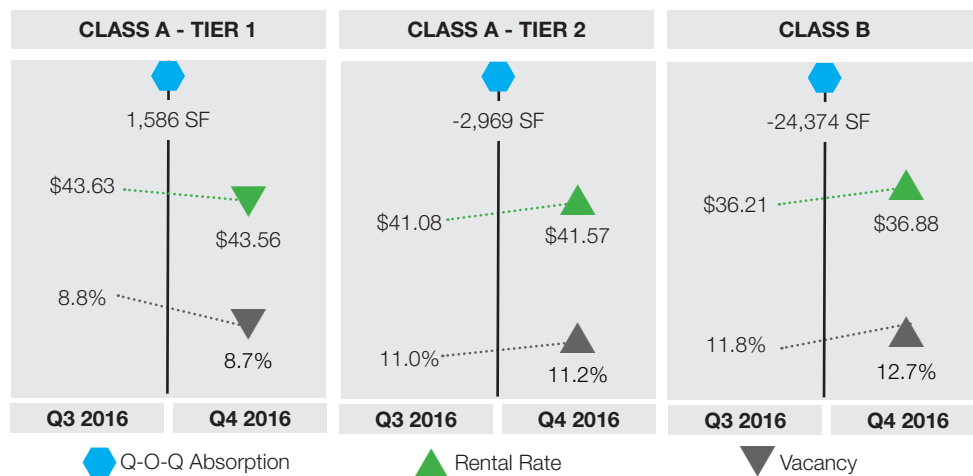
### Millicom Int'l Services

22,280 SF - Expansion/Extension  
396 Alhambra  
396 Alhambra Circle

### Kimley-Horn

15,500 SF - In Market Relocation  
355 Alhambra  
355 Alhambra Circle

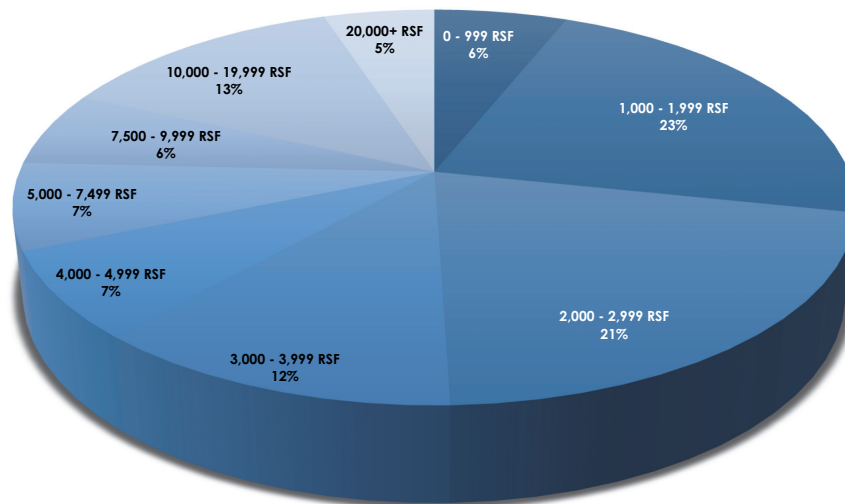
## CORAL GABLES MARKET HIGHLIGHTS *Quarter-Over-Quarter*



## Q4 2016 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

50% | < 3,000 SF

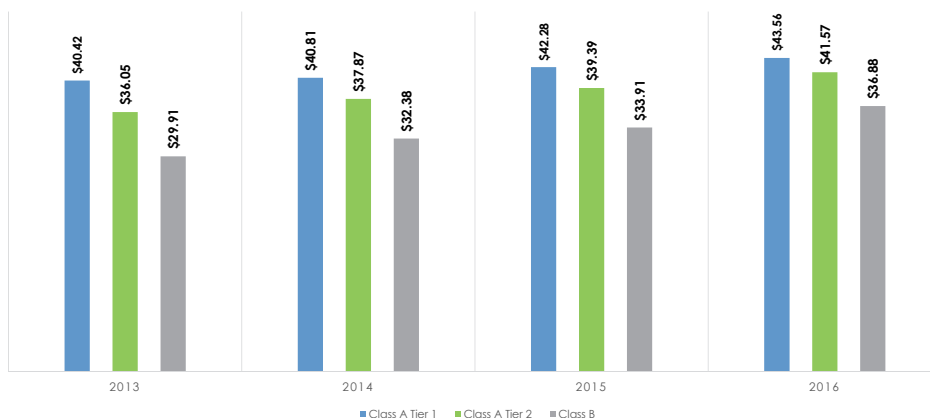


## CORAL GABLES RENTAL RATES REFLECT A 14% INCREASE SINCE 2013

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

	Class A Tier 1	Class A Tier 2	Class B
2013	18.3%	26.3%	12.6%
2014	9.9%	19.3%	12.3%
2015	10.0%	13.5%	12.0%
2016	8.7%	11.2%	12.7%

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



# SUBMARKET WATCH

## 2016 NOTABLE TRANSACTIONS

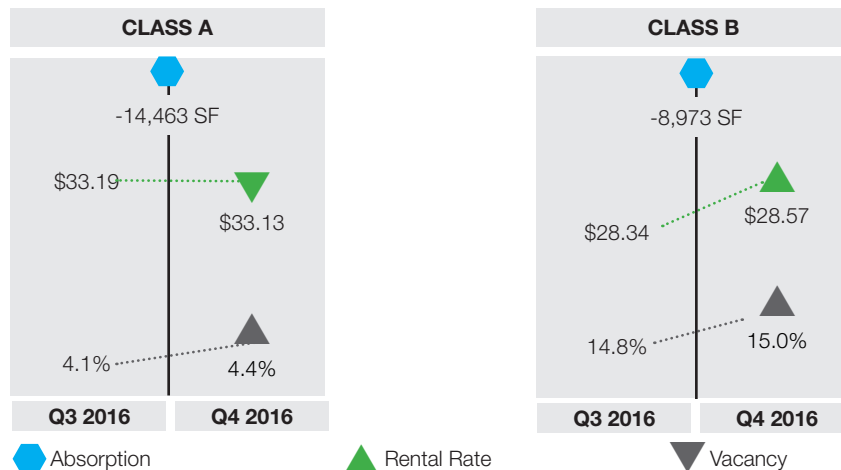
### Atkins

26,000 SF - In Market Relocation  
800 Waterford  
800 Blue Lagoon Dr.

### CVS Pharmacy Inc.

24,732 SF - New to Market  
Flagler Station  
9725 NW 117 Avenue

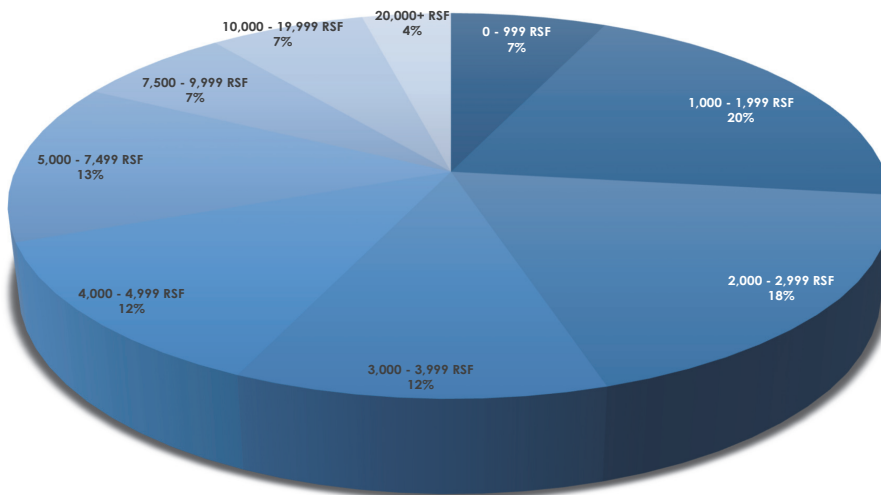
## AIRPORT WEST DADE MARKET HIGHLIGHTS *Quarter-Over-Quarter*



## Q4 2016 SNAPSHOT

### COMPLETED TRANSACTIONS SPACE ANALYSIS

45% | < 3,000 SF



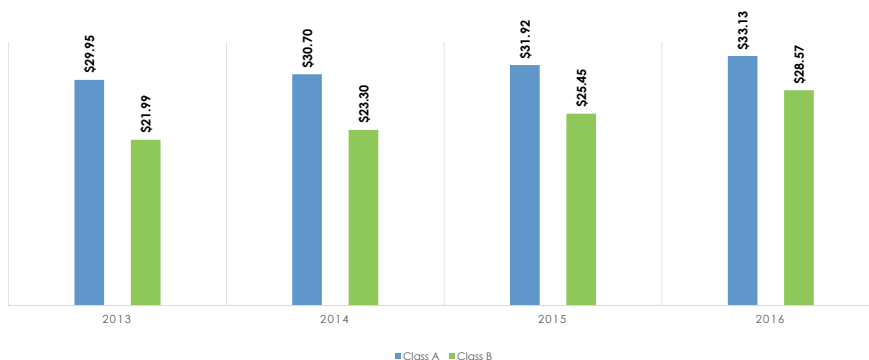
## AIRPORT WEST DADE'S RENTAL RATES REFLECT AN 18% INCREASE SINCE 2013

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

	Class A Tier 1	Class B
2013	14.9%	26.9%
2014	11.0%	18.4%
2015	6.8%	14.8%
2016	4.4%	15.0%

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

### AIRPORT WEST DADE



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