

MIAMI OFFICE MARKET REPORT

SECOND QUARTER 2016

MIAMI OFFICE MARKET STATS

The Miami office market has over 37 million square feet of Class A & B space in buildings over 50,000 square feet. The first half of this year closed with average asking rents of \$33.43 per square foot and over 437,000 square feet of positive direct net absorption, year-over-year. Average asking rents have increased by almost 18 percent across the four major office submarkets and vacancy rates have decreased by 37 percent during the last 3 years. Limited new inventory is slated for delivery during the next two years with new product on the horizon specifically in walkable neighborhoods connected to amenities and mass transit. Now underway is All Aboard Florida's MiamiCentral project which includes Two and Three MiamiCentral in Downtown Miami set for completion during the first half of 2017. The project has attracted significant leasing with notable companies such as EY, Venevision (Cisneros) and Regus. Other new projects include 2020 Salzedo in Coral Gables slated for delivery Fall of this year and 800 Waterford in Airport West Dade scheduled for completion in August of 2017.





Submarket	Buildings	Inventory (SF)	Vacancy	Average Asking Rates (Gross \$/SF)	YOY Absorption
4 MAJOR SUBMARKETS					
Downtown	19	6,707,083	19.2%	\$34.02	-38,093
Brickell	24	6,334,444	11.5%	\$41.99	316,767
Coral Gables	40	5,618,544	12.2%	\$37.09	6,060
Airport West	66	8,341,998	9.6%	\$29.35	183,682
SUBTOTAL	149	27,002,069	13.1%	\$35.61	468,416
Aventura	11	1,141,024	5.4%	\$46.30	3,157
Biscayne Corridor	7	911,913	29.8%	\$39.83	31,045
Coconut Grove	8	1,030,099	7.7%	\$34.70	-9,263
Coral Way	8	574,772	5.6%	\$29.33	-9,778
Kendall	25	2,710,059	17.9%	\$34.12	-40,882
Medley	4	351,307	56.3%	\$24.01	-4,404
Miami	3	387,117	24.1%	\$41.80	-6,158
Miami Beach	15	1,533,537	9.8%	\$39.96	19,999
Miami Lakes	15	976,037	34.8%	\$23.69	-614
NE Dade	11	1,068,361	28.5%	\$24.42	-15,718
South Dade	2	135,000	26.8%	\$23.86	2,134
SUBTOTAL	109	10,819,226	22.4%	\$32.91	-30,482
TOTAL	258	37,821,295	19.9%	\$33.63	437,934

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.



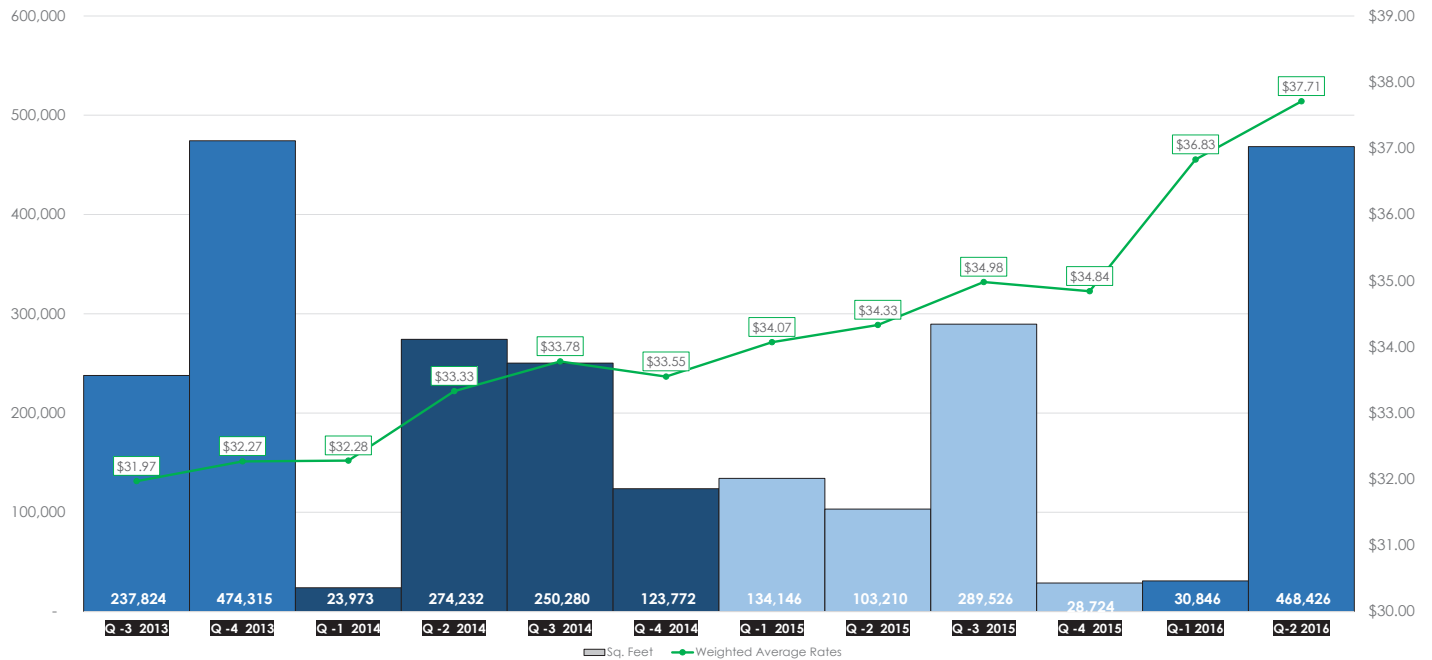
Of the approximate 27 million square feet of buildings individually tracked by Blanca Commercial Real Estate's research team, the buildings are divided among the submarkets and classes as such:

BUILDING CLASS:		A	B	A + B
	Downtown	6	13	19
	Brickell	12	12	24
	Coral Gables	18	22	40
	Airport West	28	38	66
TOTAL NUMBER OF BUILDINGS :		64	85	149

4 MAJOR SUBMARKETS OVERVIEW

CLASS A + B Buildings | > 50,000 SF

Miami Office Major Submarkets | Absorption & Direct Weighted Average Asking Rates | Q3-2012 to Q2-2016 in RSF



OVERALL MARKET STATS

Q2-2016 YEAR OVER YEAR COMPARISON

	Downtown	Brickell	Coral Gables	Airport West
Total SF Tracked:	6,707,083 SF	6,334,444 SF	5,564,493 SF	8,341,948 SF
Direct Available SF:	1,289,140 SF	727,291 SF	687,584 SF	794,026 SF
Vacancy:	19.2% ▲ Vs. 2Q15 18.8%	11.5% ▼ Vs. 2Q15 14.4%	12.4% ▼ Vs. 2Q15 12.5%	9.5% ▼ Vs. 2Q15 11.9%
Direct Weighted Average Rates:	\$39.43 ▲ Vs. 2Q15 \$36.12	\$42.19 ▲ Vs. 2Q15 \$40.61	\$38.40 ▲ Vs. 2Q15 \$37.02	\$29.57 ▲ Vs. 2Q15 \$27.04

EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

The second quarter set a strong pace for the second half of 2016, driven by the continued health of the market fundamentals. Among other indicators, average year-over-year office rents increased almost 10% and there continues to be limited new office building deliveries in the horizon over the next 24 months across the four major office submarkets. In addition, overall vacancy will continue to tighten as companies expand their footprints and new-to-market companies continue to flock to all submarkets to establish a presence in Miami.

STRONG LEASING ACTIVITY

Miami-Dade's four major office submarkets continued 16 consecutive quarters of positive net absorption, with total Class A and B year-over-year absorption for Q2 at 468,426 square feet. As we projected last quarter, the positive trend continues with strong uptick in leasing activity resulting in 115,570 square feet of positive net absorption quarter-over-quarter. Although Coral Gables and Downtown submarkets experienced some slowdown this past year, in Q2 they recovered to capture approximately 152,000 square feet of positive net absorption.

Year over year, Brickell won approximately 70% of the four major office submarkets' total positive net absorption, mostly driven by significant leasing activity at 1111 Brickell, 600 Brickell, and 1221 Brickell. For the high absorption, the submarket can thank new-to-market companies setting up shop in Miami's urban core as well existing companies, predominately in the professional services and legal industries, expanding their workforces and footprints.

The only new inventory expected to deliver during the next 18 months across Miami's four major office submarkets are Two MiamiCentral and Three MiamiCentral in Downtown Miami, 800 Waterford in Airport West, and 2020 Salzedo in Coral Gables. With Brickell driving over 70% of the positive net absorption year over year, the Downtown market is well poised to experience brisk leasing activity through 2018.

VACANCY DIPS AND RENTAL RATES SKYROCKET

Driven by strong leasing demand and declining vacancy, overall weighted average rates continue to increase across the four major office submarkets. With Brickell and Airport West Dade now enjoying single-digit vacancy for Class A space, the submarkets' rate increases in Q2 were 7.6% and 4.4% respectively. Notable lease transactions from new-to-market companies at Flagler Station, Doral Concourse, and The Landing at MIA drove a 7% drop in vacancy in the Airport West Dade submarket.

Year-over-year, Class A and B overall direct weighted average asking rental rates have increased 3% in Brickell; 4% in Coral Gables; and 9% in Airport West Dade. Downtown Miami submarket set the pace with a 9.2% increase, due primarily to assets trading and major investment by owners in property renovations. These include recent trades of Courthouse Tower, 200 Southeast First, and the renovations at SunTrust International and Citi Group Center.

Q2-2016 YEAR OVER YEAR

CLASS A

- ▼ **18.7%** decrease in Average Vacancy Rate
- ▲ **10.6%** Increase in Weighted Average Asking Rents
- + **446,251 SF** Total Positive Net Absorption

CLASS B

- ▼ **1.7%** Decrease in Average Vacancy Rate
- ▲ **10.6%** Increase in Weighted Average Asking Rents
- + **22,175 SF** Total Positive Net Absorption

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.

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OUT-OF-MARKET INVESTORS DRIVING URBAN CORE MOMENTUM

We anticipate that Miami's strong market fundamentals will continue to attract out-of-market investors. Miami's appeal lies partly in its significant population growth, increased investment in transportation infrastructure, global connectivity, diversity, and business friendly environment, which will help sustain vibrant leasing activity, specifically in the urban core.

Coming out of the gate into the second half of the year, the Downtown submarket still boasts a large rent spread between Class A and B, almost a \$17 per square foot difference – presenting a compelling opportunity for out-of-market investors to upgrade their investments and achieve significant ROI. Recently traded Class B buildings are already increasing rents at an average of \$5 to \$7 per square foot and have attracted tenants from all industry

sectors, specifically companies striving to attract and retain top talent. As for Brickell, despite the rapidly increasing asking rental rates now exceeding \$50 per square foot for Class A space, the submarket continues to be the preferred business destination for new-to-market companies seeking to establish a presence in South Florida. Tenants are increasingly attracted to the proximity to mass transit and an amenity-rich environment which is offered in the urban core. In addition, other submarkets such as Coconut Grove, Coral Gables and the Biscayne Corridor that offer a strong amenity base and easy access to expressways will continue to outperform other markets that do not offer this.

Moving forward, expect to see continued leasing activity driving lower vacancy rates and modest rent growth throughout the four major office submarkets and evolving suburban markets, with record high rates in Class A Tier 1 Brickell assets setting the pace.



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.

SUBMARKET WATCH

Q2 2016 NOTABLE TRANSACTIONS

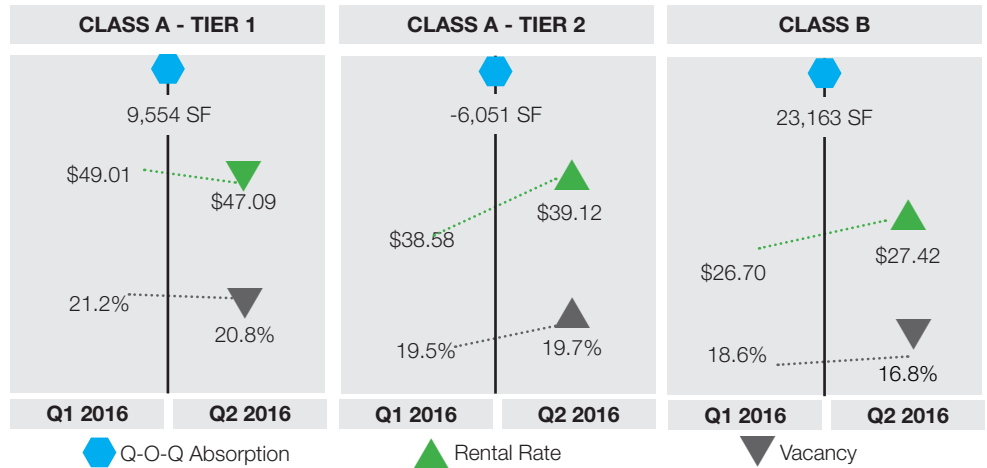
K&L Gates

33,000 SF - Renewal
Southeast Financial Center
200 S. Biscayne Blvd.

Stroock & Stroock & Lavan

19,342 SF - Renewal
Southeast Financial Center
200 S. Biscayne Blvd.

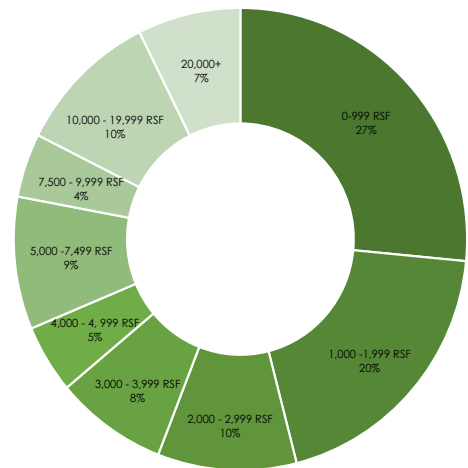
DOWNTOWN MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q2 2016 SNAPSHOT

ANALYSIS OF AVAILABLE SPACES

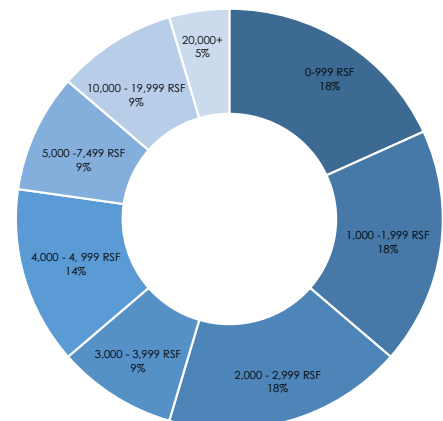
56% | < 3,000 SF



Q2 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

54% | < 3,000 SF



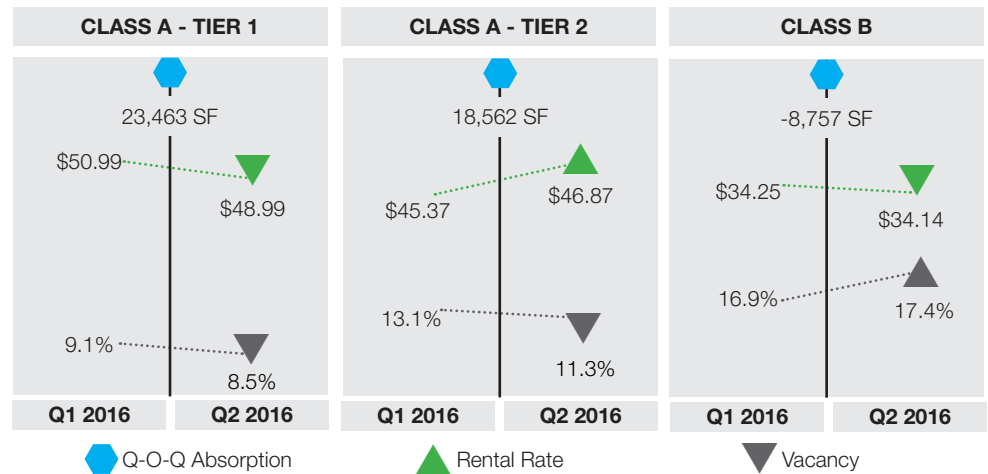
SUBMARKET WATCH

Q2 2016 NOTABLE TRANSACTIONS

Banco do Brasil
16,535 SF - In Market Relo.
1221 Brickell
1221 Brickell Ave.

DeSimone Consulting Engineers
7,552 SF - Renewal
800 Brickell
800 Brickell Ave.

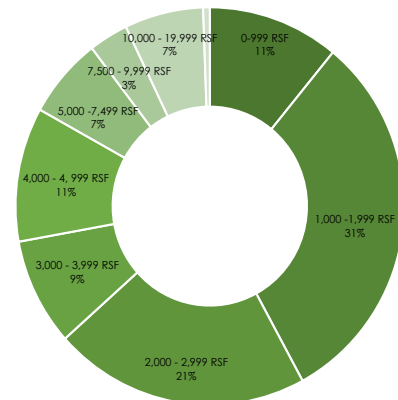
BRICKELL MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q2 2016 SNAPSHOT

ANALYSIS OF AVAILABLE SPACES

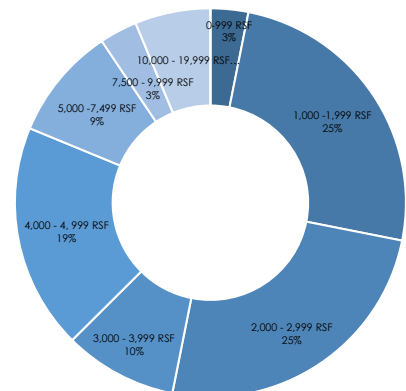
63% | < 3,000 SF



Q2 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

53% | < 3,000 SF



SUBMARKET WATCH

Q2 2016 NOTABLE TRANSACTIONS

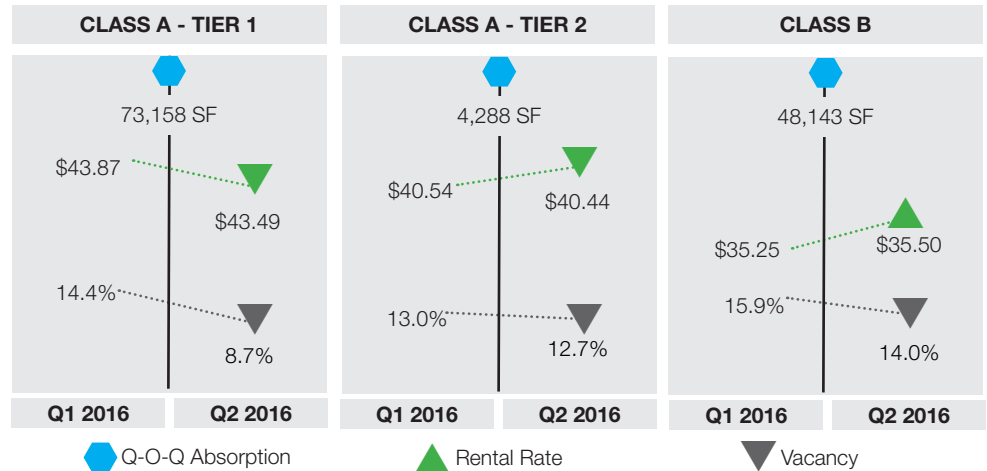
Millicom International Services

22,280 SF - Expansion
396 Alhambra
396 Alhambra Circle

Lott & Fischer, PL

11,300 SF - In Market Relo.
255 Aragon Ave.
255 Aragon Ave.

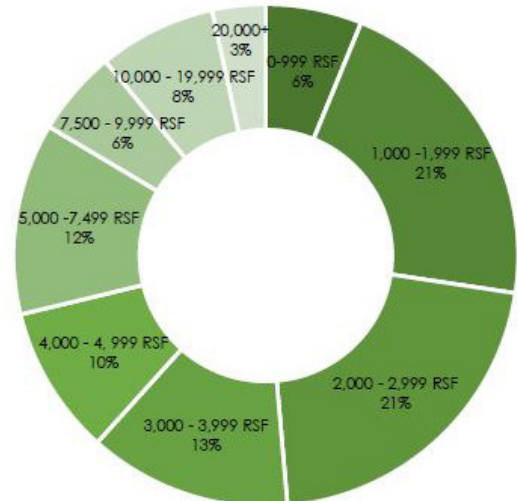
CORAL GABLES MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q2 2016 SNAPSHOT

ANALYSIS OF AVAILABLE SPACES

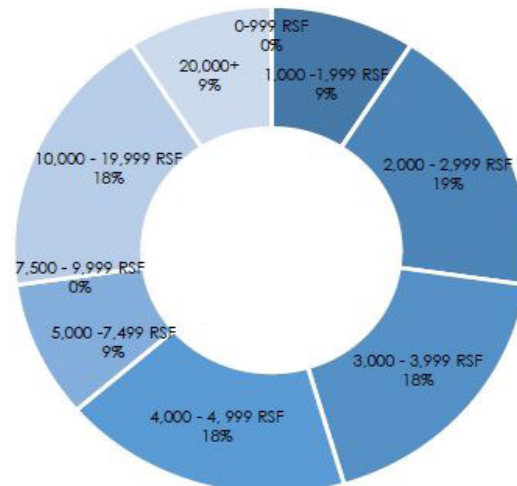
49% | < 3,000 SF



Q2 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

27% | < 3,000 SF



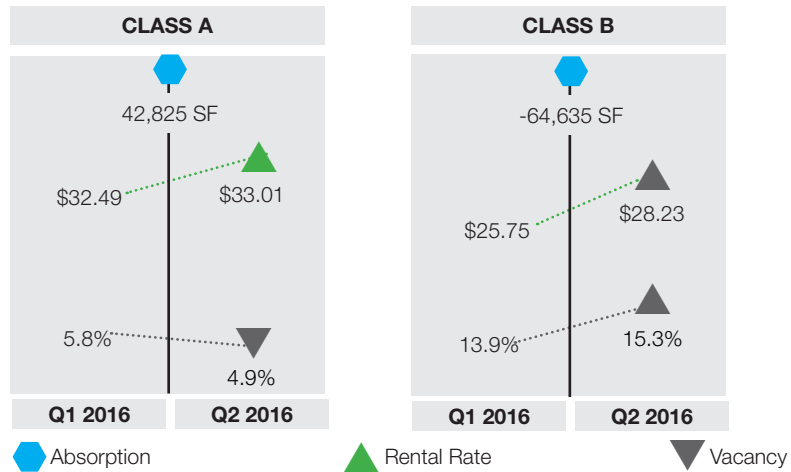
SUBMARKET WATCH

Q2 2016 NOTABLE TRANSACTIONS

CVS Pharmacy, Inc.
24,732 SF - New to Market
Flagler Station
9725 NW 117 Ave.

Zim American
6,987 SF - New
Airport Corporate Center
7600 NW Corporate Center Dr.

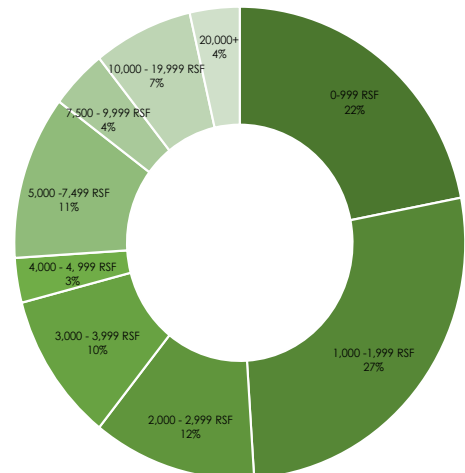
AIRPORT WEST DADE MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q2 2016 SNAPSHOT

ANALYSIS OF AVAILABLE SPACES

60% | < 3,000 SF



Q2 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

31% | < 3,000 SF

