



FOURTH QUARTER 2017
YEAR-END MIAMI OFFICE MARKET REPORT



B L A N C A
Licensed Real Estate Broker

EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

Miami's office market fundamentals held strong as 2017 ended. During the course of the year, over 3.4 million square feet of leasing activity was recorded throughout Miami-Dade County, an 11% increase over the previous year and a 36% gain over the past five years. Existing tenants renewing and/or expanding their footprints represented more than two thirds of total leasing.

Year-over-year, there was 406,727 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 88% of the positive net absorption.

Weighted average asking rents experienced solid increases across various submarkets, specifically those holding single-digit vacancies and those with new office developments underway. As noted mid-year, Class A space continues to significantly out pace Class B product in leasing velocity and rents, further proving the demand for premier space offering ample amenities.

The rent spread between Class A and B (now up to a \$30 rent spread) continues to widen, giving landlords a unique opportunity to achieve significant upside when undertaking strategic renovations, incorporating on-site amenities and programs that enhance quality of life at the workplace and that create a sense of community.

In 2017, approximately 550,000 square feet of new office product were delivered. Major deliveries included 2020 Salzedo in Coral Gables, 800 Waterford in Airport West and Three MiamiCentral in Downtown Miami; all of which achieved significant leasing and executed deals with notable companies. Additionally, there is currently 1.5 million square feet of new office product under construction throughout various submarkets in Miami-Dade County scheduled to deliver over the course of the next 12 to 36 months.

Proposed new office developments are putting upward pressure on rents with most new buildings quoting north of \$52 per square foot on a gross basis. Miami's urbanization continues to spillover outside the urban core fueling new projects that offer a vibrant live, work, play environment designed to attract talent.

Despite new deliveries, vacancies continued to decline across the board most notably in Miami's suburban markets.

In 2017, suburban submarkets, many of which are experiencing a wave of urbanization, continued to dominate the Miami office market. Airport West and Coral Gables captured more than 55% of Miami's total leasing activity. Additionally, these submarkets also have evolved into highly coveted business destinations for tenants looking to establish a presence in Miami, capturing 50% of the new-to-market activity in 2017.

Given the steady leasing momentum leading into 2018, strong local economic fundamentals and limited new supply being delivered this year, we expect rents will continue to sustain modest increases and vacancies will continue on a downward trend.

2017 YEAR-END BY THE NUMBERS

3.4M SF

2017 LEASING ACTIVITY
IN MIAMI-DADE COUNTY

11% ▲

2017 TOTAL LEASING
ACTIVITY INCREASE OVER
THE PREVIOUS (2016)

406,727 SF

YEAR-OVER-YEAR
POSITIVE
NET ABSORPTION

\$30 PSF

UP TO \$30 PSF RENT SPREAD
BETWEEN CLASS A AND
CLASS B BUILDINGS

550,000 SF

TOTAL SF OF NEW
CONSTRUCTION
DELIVERED IN 2017

1.5M SF

NEW OFFICE PRODUCT
UNDER CONSTRUCTION

OVERVIEW

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

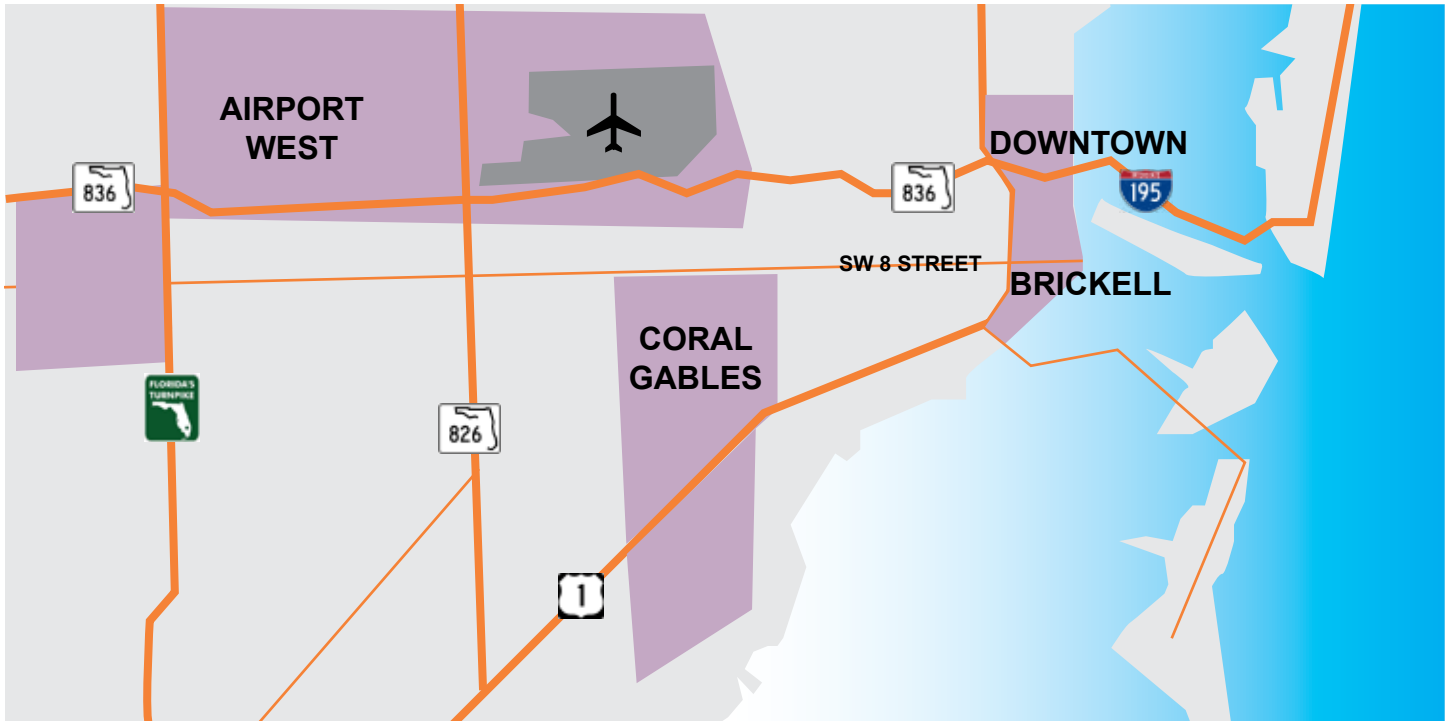
Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rental Rate (\$/SF)	YOY Absorption
4 Major Submarkets					
Downtown	20	6,905,068	21.5%	\$42.59	-232,862
Brickell	25	6,510,375	10.3%	\$44.66	83,572
Coral Gables	42	5,712,279	8.1%	\$39.73	219,211
Airport West	67	8,545,178	7.8%	\$33.37	291,111
SubTotal	154	27,672,900	11.9%	\$40.74	361,032
Aventura	9	1,004,645	10.4%	\$47.64	-52,644
Biscayne Corridor	5	723,791	27.5%	\$34.34	-20,740
Coconut Grove	7	829,238	1.6%	\$33.32	5,008
Coral Way	7	482,676	3.1%	\$28.44	8,277
Kendall	13	1,709,091	12.3%	\$34.88	31,327
Medley	3	185,856	9.1%	\$22.77	42,233
Miami	3	389,211	1.7%	-	83,024
Miami Beach	11	1,126,756	11.0%	\$43.66	-35,401
Miami Lakes	10	592,771	20.4%	\$25.57	-945
NE Dade	8	793,150	25.3%	\$22.46	-4,405
South Dade	2	133,994	43.7%	\$21.45	-10,039
SubTotal	78	7,971,225	13.4%	\$32.61	45,695
TOTAL	232	35,644,125	12.2%	\$38.74	406,727

Multi-tenant, Class A&B Buildings >50,000 SF

OVERVIEW

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Miami's major office submarkets account for 72% of total Class A and B office inventory and consist of Downtown, Brickell, Coral Gables and 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	7	13	20
Brickell	13	12	25
Coral Gables	19	23	42
Airport West	29	38	67
TOTAL NUMBER OF BUILDINGS :	68	86	154

Note: Buildings tracked by Blanca Commercial Real Estate research team are 50,000 SF or greater.

OVERVIEW

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YEAR-END PERFORMANCE AT A GLANCE FOUR MAJOR OFFICE SUBMARKETS

In 2017, leasing momentum intensified across the four major office submarkets resulting in a total of 2.8 million square feet of completed transactions (82% of total leasing activity), a 22% increase over the previous year. Year-over-year, there was 361,032 square feet of positive net absorption across these four submarkets, mainly driven by expansions, musical chairs among submarkets and new-to-market entries.

New-to-market activity slightly increased over the course of the year and we expect this trend to continue. Improving economic factors in several Latin American countries (Argentina, Brazil, Mexico, Colombia and Ecuador) and sustained growth of the US economy, coupled with Miami's continued global appeal, will yield higher net absorption from new-market entries in 2018.

Year-over-year, tenants renewing and expanding contributed to 58% of the total leasing activity within the four major office submarkets. Airport West and Coral Gables recorded about 180,000 square feet of new-to-market activity and also contributed to some of the most significant expansions in the market (342,000 SF). Tenants supporting this trend include: Schenker, Sony, Interamerican Medical Center, Kimley-Horn, Daikin, and Raymond James. Downtown maintained steady momentum of renewal activity, but experienced significant negative net absorption, primarily due to Wells Fargo Bank's lease of 131,634 square feet expiring at Southeast Financial Center therefore hitting the market for lease on a direct basis.

Brickell continues to hold true to its reputation of being a highly sought after business address. It is attracting notable tenants from Downtown, such as KPMG and Interaudi Bank. New-to-submarket moves (in market relocations) and expansions were prevalent this past year, totaling more the 90,000 square feet of deals.

Significant new-to-market transactions in 2017 included Boats Group (16,529 SF) and Manion, Gaynor & Manning (16,344 SF) in Brickell; Consentino (24,000 SF) in Coral Gables; EBF Holdings, LLC (27,706 SF) and PCM, Inc. (16,000 SF) in Airport West Dade.

Notable renewal and expansions in Airport West were: Amadeus North America at One Park Square in Doral (114,928 SF); Cisco Systems (26,993 SF) at 8200 Doral; Caterpillar (26,105 SF) at 701 Waterford Way and International Air Transport Association (26,105 SF) at 703 Waterford Way. Brickell completed the largest office lease transaction within the four major office submarkets with the renewal of Bank of America Merrill Lynch (150,000 SF) at 701 Brickell. Other significant renewals in the CBD included: Berkowitz Pollack Brant (36,447 SF) at Southeast Financial Center; Sony (30,000 SF) at Courvoisier Center and Mass Mutual (27,259 SF) at 1221 Brickell.

Coral Gables was the beneficiary of more than 100,000 square feet of expansions by companies in the professional and financial services industries, including Morgan Stanley; Raymond James; Morrison, Brown, Argiz & Farra; Dragados; and Professional Bank.

	Q4-2017 CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Airport West
Total SF Tracked:	6,905,068 SF	6,510,375 SF	5,712,279 SF	8,545,178 SF
Direct Available SF:	1,483,124 SF	673,543 SF	463,439 SF	664,832 SF
Vacancy:	21.5% ▲ Vs. 4Q16 17.2%	10.3% ▼ Vs. 4Q16 11.7%	8.1% ▼ Vs. 4Q16 11.1%	7.8% ▼ Vs. 4Q16 8.6%
Direct Weighted Average Rates:	\$42.59 ▲ Vs. 4Q16 \$40.67	\$44.71 ▲ Vs. 4Q16 \$42.42	\$39.73 ▲ Vs. 4Q16 \$39.52	\$33.37 ▲ Vs. 4Q16 \$30.37

OVERVIEW

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

Year-over-year, Class A and B weighted average asking rents increased by 5.5% across the four major office submarkets, a significant increase over the previous year. Since 2012, rents have increased by nearly 25% for Class A and B product and Class A rents have hit record setting heights. Rent growth has outpaced the national average (25% vs 18%) by 7% since 2012. Trophy building 1450 Brickell achieved rents north of \$62 PSF and Airport West Dade realized the most drastic increase in rents since 2012 (21% increase for Class A).

Class A Brickell rents on a gross basis stood at \$52.77 PSF year-end, and Downtown was at \$47.56 PSF. Coral Gables and Airport West also experienced significant rent growth at \$43.03 PSF and \$36.00 PSF, respectively.

Limited new product delivered in 2017 and an uptick in total leasing activity drove occupancy. Brickell vacancy decreased by 11.4%, Coral Gables by 26.9%, and Airport West Dade 9.2%.

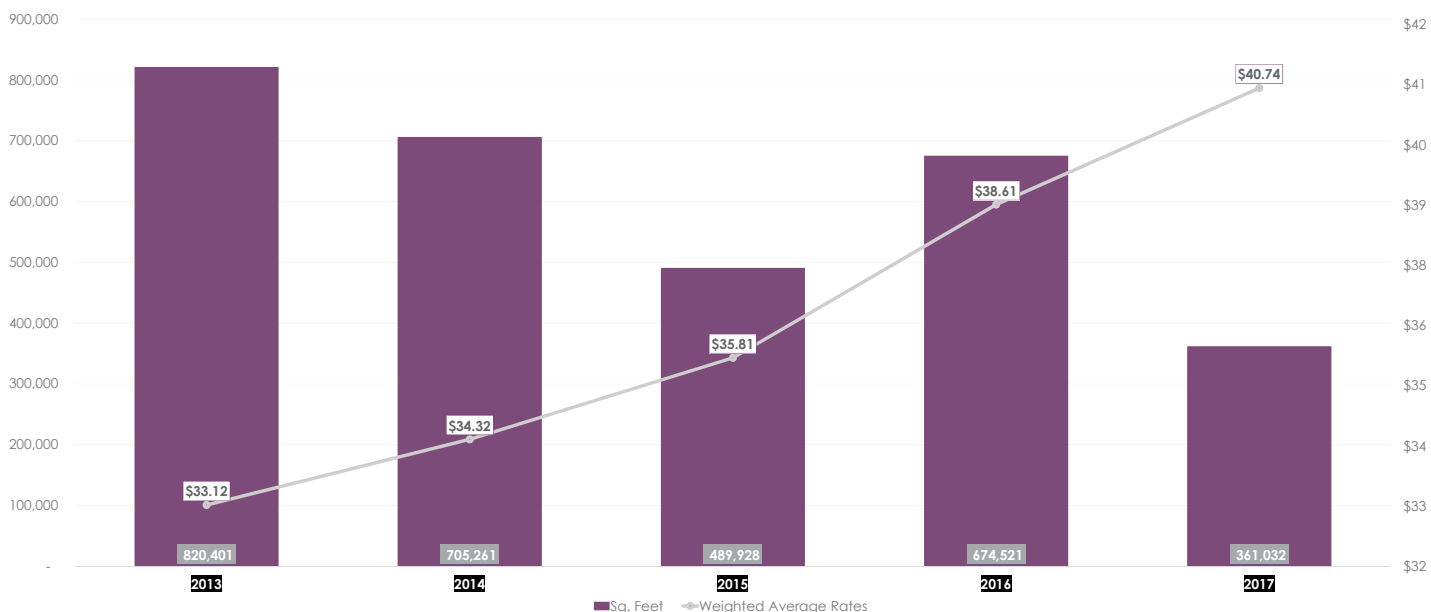
We predict the first half of 2018 will hold steady as it relates to rents and occupancy, with healthy leasing activity over the course of the year given significant roll over and 820,000 square feet of active deals in the market.

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TOP DEALS THAT CONTRIBUTED TO OVERALL POSITIVE NET ABSORPTION IN THE 4 MAJOR SUBMARKETS

1. WeWork
2. EBF Holdings, LLC
3. Cosentino
4. Consulting Group
5. Schenker USA
6. Sony Latin America
7. HNTB
8. Interamerican Medical Center
9. Boats Group (A subsidiary of Dominion Group)
10. Manion Gaynor & Manning

Q4-2017 | WEIGHTED AVERAGE RENTAL RATES AND NET ABSORPTION | CLASS A&B BUILDINGS GREATER THAN 50,000 SF



OVERVIEW

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THE SHIFTING PROFILE OF TENANTS MAKING MOVES

Key industries demonstrating significant employment growth include professional, financial and legal services, as well as evolving industries, such as technology and media, at a rate of 2.5% locally, which is double that of the 1.2% national growth rate. These developments translate into 62,000 new jobs within those sectors during the past two years. In 2017, these industries contributed to more than half of the total leasing activity and accounted for the majority of expansions, a trend we expect will continue in 2018.

Notable expansions of companies in the professional services, legal and financial services sectors, as well as the evolution of the technology and media industry, resulted in nearly 305,000 square feet of office lease transactions. Renewals within these industries accounted for more than half of the activity, generating 638,045 square feet in 2017.

Deals that support this growing trend include expansions by Morgan Stanley (11,976 SF), Cozen O'Connor (10,820 SF) and Amadeus North America (9,333 SF), Kimley-Horn (15,677 SF), and Raymond James (13,149 SF).

The continued success of co-working spaces, a trend evident across the U.S., made a significant impact on the Miami office market. On a national level, WeWork and Regus lease approximately 30 million square feet of office space. In 2017, WeWork and Regus signed 128,000 square feet of leases within Miami's four major office submarkets. We expect co-working companies will continue to make a splash in Miami given its growing entrepreneurial ecosystem. Today, these spaces are nearly 100% occupied.

Additionally, we project a rise in deal activity from foreign companies. According to recent economic outlook reports, Latin American and Caribbean economies are projected to grow by 2% over the next year. Top Latin American countries investing in Miami include: Brazil, Colombia, Chile, Honduras, and Peru.



The Lab in Wynwood

10 TOP CO-WORKING COMPANIES IN SOUTH FLORIDA

1. The Lab
2. Buro Coconut Gove
3. Miami Shared
4. Yo Miami Space Gallery & Studio
5. WeWork
6. Pipeline
7. Regus
8. TamboWorks
9. Made at the Citadel
10. Building.Co

OVERVIEW

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

FLIGHT TO QUALITY BY TENANTS

During the course of the past year, Class A assets dominated the market, capturing more than 33% of the total positive net absorption and 72% of the total leasing across Miami-Dade County. Further evidencing the trend of tenants making a flight to quality, major in-market moves, new-to-market entries and expansions were influenced by companies choosing to establish their footprints in premier trophy assets, as well as newly delivered office product.

In 2018, companies will continue to gravitate towards premier new office space, hyper-connected to amenities and public transit, to elevate their corporate brands and attract and retain talent. The launch of Brightline will bring more region-wide business crossover, particularly along the urban centers and fuel talent mobility across the region.

In addition to creative new amenity offerings within buildings, other significant key drivers will continue to be walkability, proximity to ample residential offerings food & beverage and varied retail. Tenant mix also will influence the real estate vetting and selection process, particularly for new developments, so projects offering more curated approaches to office leasing strategy will stand out.

NOTABLE OFFICE DELIVERIES



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



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



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

550,000 SF
TOTAL SF OF NEW
CONSTRUCTION
DELIVERED IN 2017

226,576 SF
2017 TOTAL SF OF COMPLETED
TRANSACTIONS IN NOTABLE
OFFICE DELIVERIES

OVERVIEW

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

LATEST TRENDS IN OFFICE SPACE: SENSE OF COMMUNITY

Given the increasing popularity and success of the co-working office environments and tenant demand for spaces designed to attract a diverse workforce, we will see landlords implement hospitality-driven service offerings and create shared amenities that establish a strong sense of community within buildings.

Tenant lounges, fitness centers, rooftop lounges, shared workspaces and unique programmed event and training spaces aimed at delivering a workplace lifestyle that appeals to a multi-generational workforce will continue to permeate new office project design and building renovations.

Enhancing existing buildings to drive value.

As a result of this trend, expect to see Class A Tier 2 and Class B buildings unveil new looks. Leading this change, Courthouse Tower's renovation of its building façade, new conference facility and fitness center and move-in-ready spec suites are delivering in 1Q 2018. 1221 Brickell recently announced renovations including a new façade, food and beverage space and a fitness center. Brickell City Tower completed its first phase of renovations in the Fall of 2017 and is expected to complete a new amenity floor and rooftop terrace by the end of Summer.



Completed renovations at Brickell City Tower

Placemaking is the new “must have” for office developments.

With 1.5 million square feet of office product under construction, developers are deploying unique strategies to create vibrant environments that attract a diverse array of companies, connect to public transit, engage tenants in creative ways and provide offerings that improve work-life balance. New developments in Wynwood such as CUBE Wynwd, The Wynwood Garage and Wynwood 25 – Annex offer tenants premium Class A office space in a creative and evolving urban community. Buildings will feature event space, ample retail and great walkability to abundant amenities. Mixed-use projects like MiamiCentral redefine mass transit connectivity in a vibrant live, work, play environment.

TRENDS TO WATCH



INCREASE IN NEW-TO-MARKET ENTRIES AND COMPANIES MOVING TO QUALITY BUILDINGS



INCREASE IN BUILDINGS WITH ABUNDANT, VARIED, ON-SITE AMENITIES



MODEST INCREASE IN RENT GROWTH



CONTINUED DECLINING VACANCY



Placemaking at Aventura Optima Plaza

OVERVIEW

UNDER CONSTRUCTION



2 MIAMICENTRAL
700 MiamiCentral Ave
190,000 SF Class A Office
Developer: Brightline Development
Delivering 2Q 2018



THE WYNWOOD GARAGE
2626 NW 3rd Ave
30,000 SF Class A Office
Developer: Goldman Properties
Delivering Fall 2018



CUBE WYNWD
222 NW 24th St
88,925 SF Class A Office
Developer: Red Sky Capital
Delivering 4Q 2018



ONE COCOWALK
3001 Grand Avenue
79,930 SF Class A Office
Developers: Federal Realty
Investment Trust, Grass River
Property LLC, Comras Company
Delivering 4Q 2019



TERRA BUILDING
3310 Mary Street
75,000 SF Class A office
Developer: Terra Group
Delivering 4Q 2018



WYNWOOD 25 ANNEX
227 NW 24 Street
40,000 SF Office
Developer: Red Sky Capital and
Related Group
Delivering 1Q 2019



PLAZA CORAL GABLES
(Mediterranean Village)
2801 Ponce de Leon Blvd
415,000 SF Class A Office
Developer: Agave Holdings
Delivering 4Q 2020 and 2Q 2021



OPTIMA NORTH
21500 Biscayne Blvd.
272,000 SF Class A Office
Developer: Brom Inmobiliaria
Delivering 1Q 2020

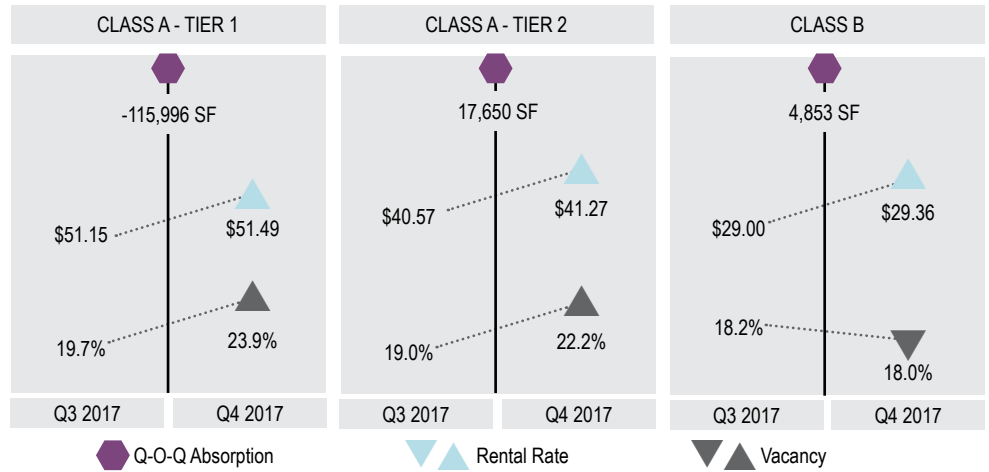
SUBMARKET WATCH

Q4 2017 NOTABLE TRANSACTIONS

Bulltick
12,000 SF - New to Submarket
Wells Fargo Center
333 Avenue of the Americas

HNTB
17,988 SF - New to Submarket
Three MiamiCentral
160 NW 7th Street

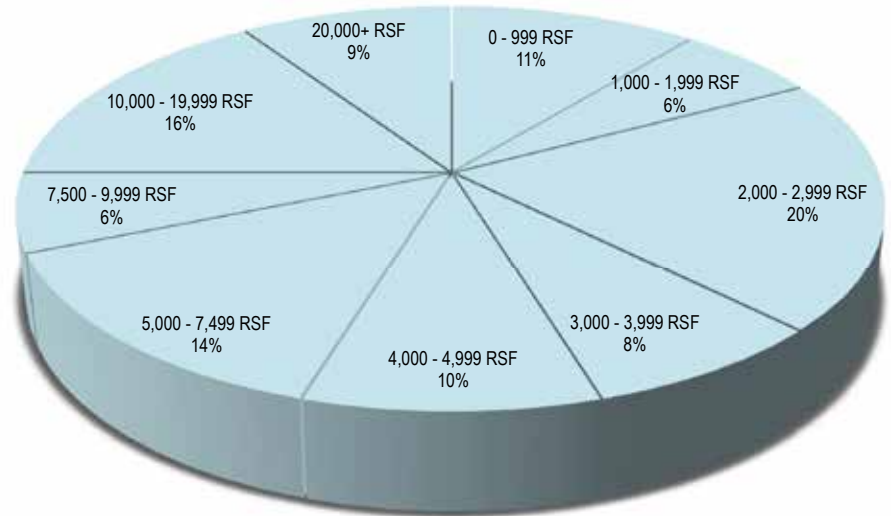
DOWNTOWN MARKET HIGHLIGHTS Quarter-Over-Quarter



Q4 2017 SNAPSHOT

COMPLETED TRANSACTIONS
SPACE ANALYSIS

55% | < 5,000 SF



DOWNTOWN RENTAL RATES REFLECT A 19.1% INCREASE SINCE 2013

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%	18.1%
2016	19.4%	15.7%	14.8%
2017	23.9%	22.2%	18.0%
	6.6% ▼	26.1% ▲	13.4% ▼

DOWNTOWN MARKET HIGHLIGHTS Historical Performance Year-Over-Year



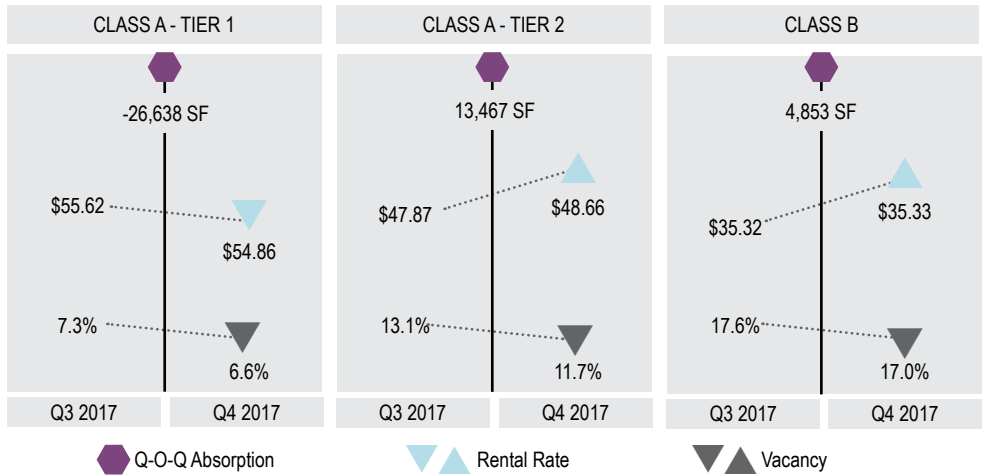
SUBMARKET WATCH

Q4 2017 NOTABLE TRANSACTIONS

Bank of America Merrill Lynch
150,000 SF - Renewal
701 Brickell
701 Brickell Avenue

KPMG 16,926 - In Market
Relocation
Two Brickell City Centre
78 SW 7th Street

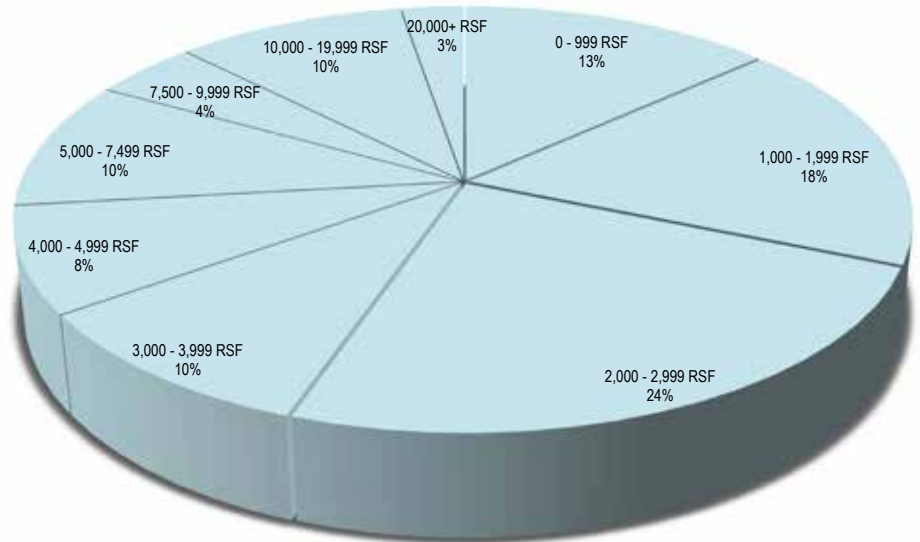
BRICKELL MARKET HIGHLIGHTS Quarter-Over-Quarter



Q4 2017 SNAPSHOT

COMPLETED TRANSACTIONS
SPACE ANALYSIS

73% | < 5,000 SF



BRICKELL RENTAL RATES
REFLECT A 24.7% 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	11.9%	17.4%	19.7%
2014	14.3%	13.5%	17.3%
2015	9.8%	13.2%	18.4%
2016	8.7%	11.7%	17.7%
2017	6.6%	11.7%	17.0%
	44.8% ▼	26.1% ▼	13.4% ▼



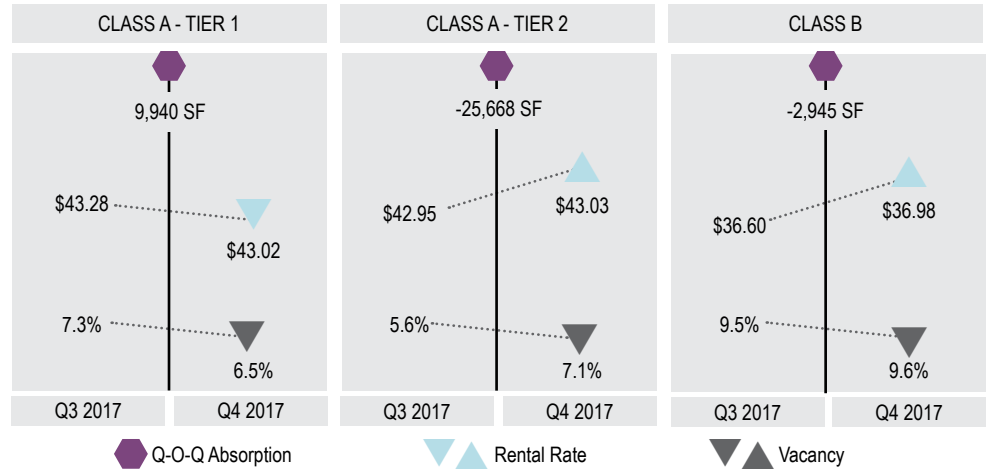
SUBMARKET WATCH

Q4 2017 NOTABLE TRANSACTIONS

Alvarez, Carbonnell, Cooke
13,048 SF - In Market Expansion
2121 Ponce
2121 Ponce De Leon Blvd.

Taylor Espino Vega & Touron
13,500 SF - In Market Relocation /
Consolidation
SunTrust Plaza
201 Alhambra Circle

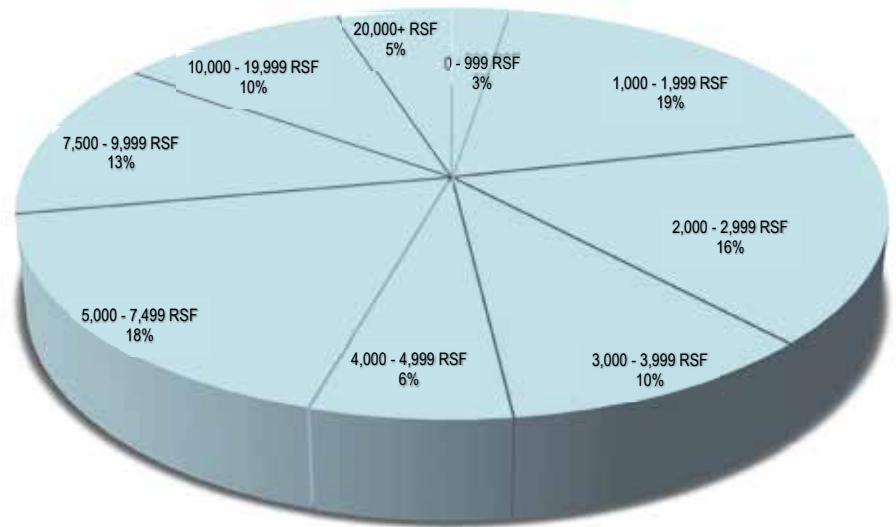
CORAL GABLES MARKET HIGHLIGHTS Quarter-Over-Quarter



Q4 2017 SNAPSHOT

COMPLETED TRANSACTIONS
SPACE ANALYSIS

51% | < 5,000 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%	13.5%
2014	9.8%	19.4%	12.3%
2015	9.3%	13.5%	12.0%
2016	8.7%	10.2%	12.9%
2017	6.5%	7.1%	9.6%
	64.4% ▼	73.0% ▼	28.8% ▼

CORAL GABLES MARKET HIGHLIGHTS Historical Performance Year-Over-Year



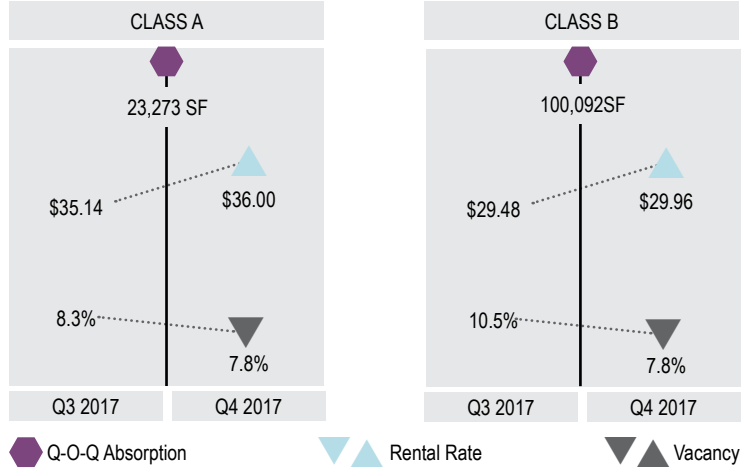
SUBMARKET WATCH

Q4 2017 NOTABLE TRANSACTIONS

Florida Blue
81,856 SF - In Market Relocation
Contraction
Doral Court
8600 NW 36 Street

International Air Transport Assoc.
26,014 SF - Renewal
703 Waterford
703 Waterford Way

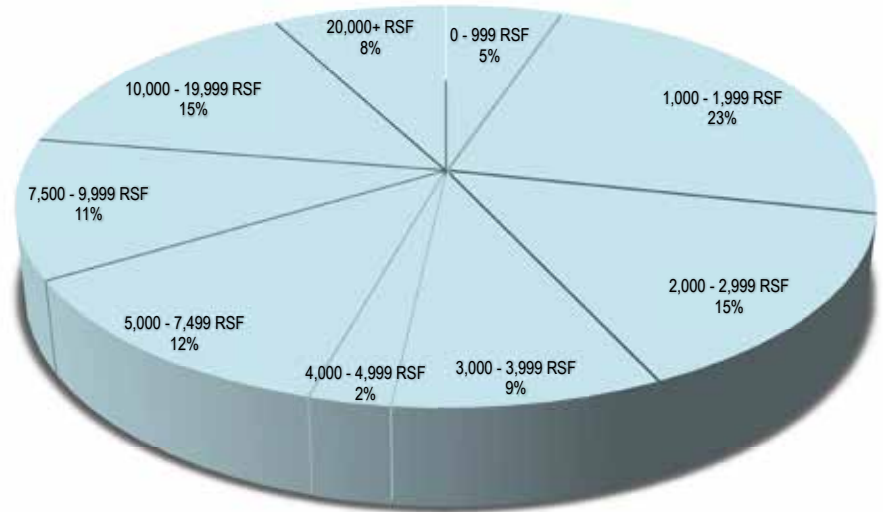
AIRPORT WEST DADE MARKET HIGHLIGHTS Quarter-Over-Quarter



Q4 2017 SNAPSHOT

COMPLETED TRANSACTIONS
SPACE ANALYSIS

54% | > 5,000 SF



AIRPORT WEST DADE'S
RENTAL RATES REFLECT A
20% INCREASE SINCE 2013

Historical Vacancy Rates Year-Over-Year

	Class A	Class B
2013	12.4%	23.1%
2014	11.0%	18.4%
2015	7.8%	14.8%
2016	4.4%	13.7%
2017	7.8%	7.8%
Change	-37.3% ▼	-66.3% ▼

AIRPORT WEST MARKET HIGHLIGHTS Historical Performance Year-Over-Year



DISCLAIMER

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