

MIAMI OFFICE MARKET REPORT

THIRD QUARTER 2016

MIAMI OFFICE MARKET STATS

The Miami office market has over 37 million square feet of Class A and B space in buildings of over 50,000 square feet. At the close of the third quarter, average rent stood strong at \$33.06 per RSF and vacancy maintained a downward trend decreasing to 17.8%. The bulk of the leasing activity continues to be driven by the four major office submarkets: Downtown, Brickell, Coral Gables and Airport West Dade, which accounted for 90% of the year-over-year direct positive net absorption. The latest office development to hit the market, 2020 Salzedo in Coral Gables, is now ready for occupancy and home to Codina Group's new 23,000 square-foot headquarters. The next development to deliver in Fall 2017, 800 Waterford in Airport West Dade, already has inked a deal with Atkins for a full floor totaling 26,014 SF. Two and Three MiamiCentral in Downtown have achieved significant pre-leasing of almost 60% and 25% respectively and are on pace to be delivered in 2017. Emerging amenity-rich urban neighborhoods for commercial real estate, including Wynwood and Coconut Grove, will begin to make significant impact and capture new-to-market tenants as new office developments are delivered in the next 18 to 36 months.





Submarket	Buildings	Inventory (SF)	Vacancy	Average Asking Rates (Gross)	YOY Absorption
4 MAJOR SUBMARKETS					
Downtown	19	6,707,524	18.2%	\$34.90	61,875
Brickell	25	6,464,616	10.7%	\$43.14	407,707
Coral Gables	40	5,580,411	10.8%	\$38.49	129,502
Airport West	66	8,263,217	8.9%	\$29.73	115,795
SUBTOTAL	150	27,015,768	12.1%	\$36.56	714,879
Aventura	10	1,072,199	5.7%	\$46.55	-1,074
Biscayne Corridor	6	861,425	26.9%	\$40.01	22,092
Coconut Grove	7	871,870	1.5%	\$33.25	36,248
Coral Way	5	406,650	5.7%	\$29.95	-6,338
Kendall	25	2,762,044	20.3%	\$33.45	-134,102
Medley	3	220,705	40.5%	\$21.45	7,788
Miami	3	387,117	23.2%	\$32.03	-2,700
Miami Beach	16	1,712,900	7.8%	\$41.13	26,184
Miami Lakes	14	830,288	25.4%	\$23.87	6,272
NE Dade	11	1,133,880	24.7%	\$26.13	112,064
South Dade	2	133,994	36.2%	\$21.77	-486
SUBTOTAL	102	10,393,072	19.8%	\$31.78	65,948
TOTAL	252	37,408,840	17.8%	\$33.06	780,827

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:

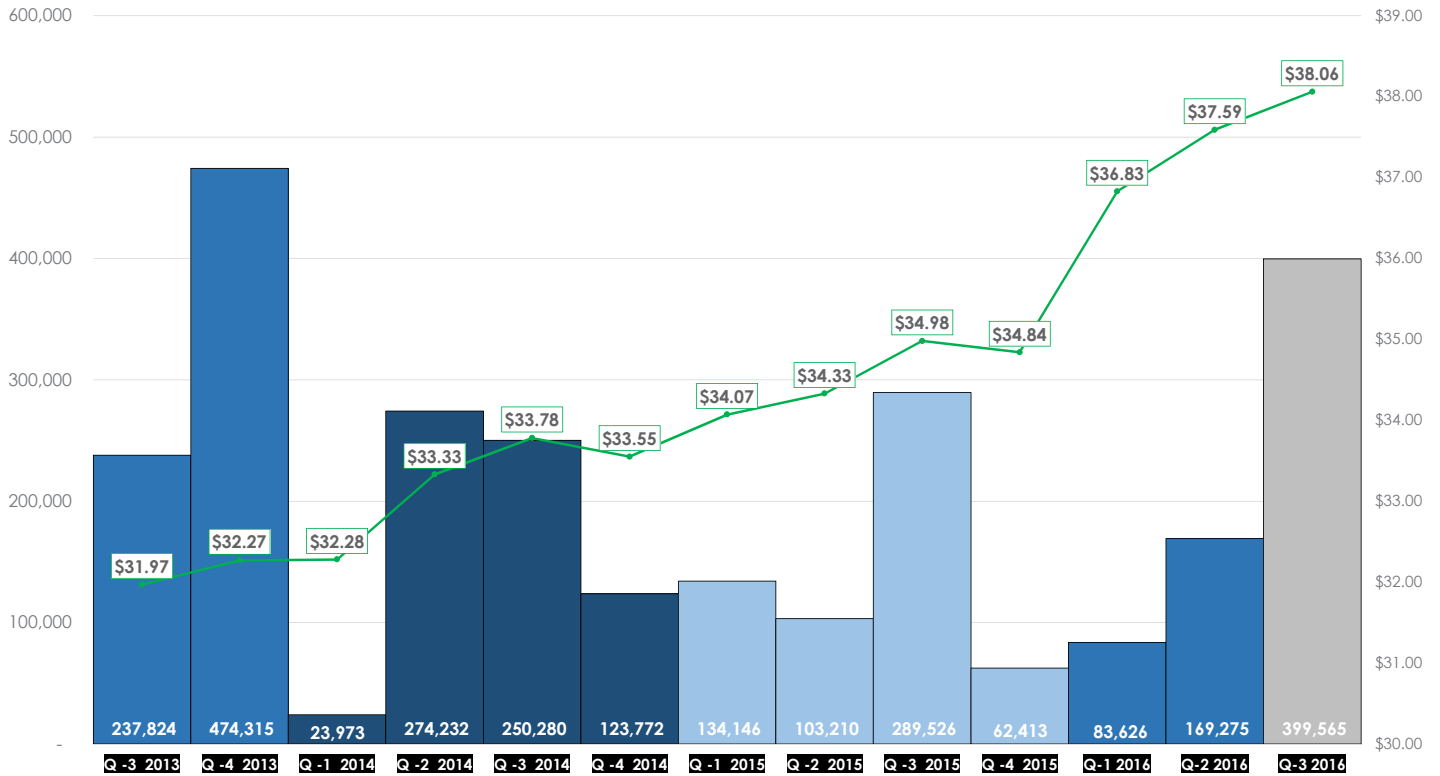
BUILDING CLASS:		A	B	A + B
	Downtown	6	13	19
	Brickell	13	12	25
	Coral Gables	18	22	40
	Airport West	28	38	66
TOTAL NUMBER OF BUILDINGS :		65	85	150

4 MAJOR SUBMARKETS OVERVIEW

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

CLASS A + B Buildings | > 50,000 SF

Miami Office Major Submarkets | Absorption & Direct Weighted Average Asking Rates | Q3-2013 to Q3-2016 in RSF



OVERALL MARKET STATS

	Q3-2016 YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Airport West
Total SF Tracked:	6,707,524 SF	6,464,616 SF	5,580,411 SF	8,263,217 SF
Direct Available SF:	1,221,210 SF	693,351 SF	602,363 SF	732,941 SF
Vacancy:	18.2% ▼ Vs. 3Q15 19.3%	10.7% ▼ Vs. 3Q15 13.4%	10.8% ▼ Vs. 3Q15 12.8%	8.9% ▼ Vs. 3Q15 10.2%
Direct Weighted Average Rates:	\$39.55 ▲ Vs. 3Q15 \$36.12	\$43.46 ▲ Vs. 3Q15 \$41.04	\$39.12 ▲ Vs. 3Q15 \$37.16	\$29.59 ▲ Vs. 3Q15 \$27.22

EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

The third quarter kept up with the positive pace set by the first half of 2016 fueled by continued expansion and in migration of companies both domestic and international across various business sectors. Among other indicators, average year-over-year office rents increased almost 10% and vacancy continues to decrease steadily, now down to single digits across most major submarkets for Class A space. With limited new office space expected to deliver over the next three years, Miami's major office submarkets are well poised to remain in a landlord-friendly environment.

URBAN CORE LEADS WITH MARKET ACTIVITY

Miami-Dade's four major office submarkets continued 17 consecutive quarters of positive net absorption, with total Class A and B quarter-over-quarter absorption for Q3 at 399,565 square feet. Evidencing the trend of new-to-market companies flocking to Brickell, the submarket recorded nearly 120,000 square feet of positive net absorption since the previous quarter accounting for more than one third of the total net absorption. In Q3, Downtown Class A recorded nearly 104,185 SF of positive net absorption, signaling the strength and quick recovery of Miami's urban core. The launch next year from MiamiCentral of the Brightline passenger rail connecting South Florida's major urban cores and the renovation of Flagler Street will keep the momentum going.

Year over year, Brickell captured most of the four major office submarkets' total positive net absorption with 407,701 square feet. Two and Three Brickell City Centre delivered this year with nearly 200,000 square feet committed/pre-leased to Akerman (110,000 SF), McKinsey (17,000 SF), and WeWork (65,000 SF). Two and Three MiamiCentral currently underway for delivery in 2017, also secured this year significant pre-leasing (60% and 25%, respectively) with premier tenants such as Cisneros, EY, Regus drawn to the regional connectivity and rich amenity base the project will offer.

RENTS ON THE RISE

Driven by strong leasing demand and landlord's strong confidence in Miami, overall weighted average rates continue to increase across the four major office submarkets. Vacancy in Brickell and Coral Gables is down to approximately 10% for

each market and rates have increased 8% and 5% year over year, respectively.

Brickell Class Tier 1 hit record high rates with direct weighted average rents of \$50.18 and trophy buildings like 1450 Brickell securing tenants at rents north of \$60 per square foot.

Although Downtown vacancy rates are still at 18%, it is expected to capture significant absorption going forward given the major investments currently underway by both public and private sector. Newly renovated Downtown Class A Tier 2 buildings are driving solid rent growth with a 5% increase in direct weighted average rents since third quarter of last year.

As we projected last quarter, recently traded Downtown Class B buildings whose owners have announced and are launching major renovations have achieved significant rent increases, with buildings like Courthouse Tower boasting 38% rent growth since Brickman purchased the building last year.

POSITIVE OUTLOOK FOR YEAR-END

Miami's economic strength and population growth will continue to drive the diversification of investment in the local office market. With out-of-state investors purchasing buildings that yield high ROI potential as well as local and new-to-market companies seeing value in calling Miami home, we expect vibrant market activity through the end of the year and rolling into early 2017.

As we approach the new year, expect to see lower vacancy rates, less concessions and continued rent growth throughout the four major office submarkets especially for quality assets connected to mass transit and a vibrant amenity base. We can expect the few new office buildings set for delivery over the next 12 months in these submarkets to achieve solid pre-leasing. New office projects in emerging neighborhoods like Coconut Grove, Wynwood, and Design District as well as established urban neighborhoods such as Coral Gables will attract companies that innovate and seek quality office environments within walkable, amenity-rich neighborhoods connected to or in proximity to mass transit.

Q3-2016 YEAR OVER YEAR

CLASS A

- ▼ **21.0%** decrease in Average Vacancy Rate
- ▲ **6.3%** Increase in Weighted Average Asking Rents
- +
- 679,404** SF Total Positive Net Absorption

CLASS B

- ▼ **2.2%** Decrease in Average Vacancy Rate
- ▲ **6.5%** Increase in Weighted Average Asking Rents
- +
- 35,474** SF Total Positive Net Absorption

SUBMARKET WATCH

Q3 2016 NOTABLE TRANSACTIONS

Zyscovich Architects
25,500 SF Renewal
 New World Tower
 100 N Biscayne Blvd.

Western Union
13,500 SF Renewal
 Wells Fargo Center
 333 Avenue of the Americas

Q3 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

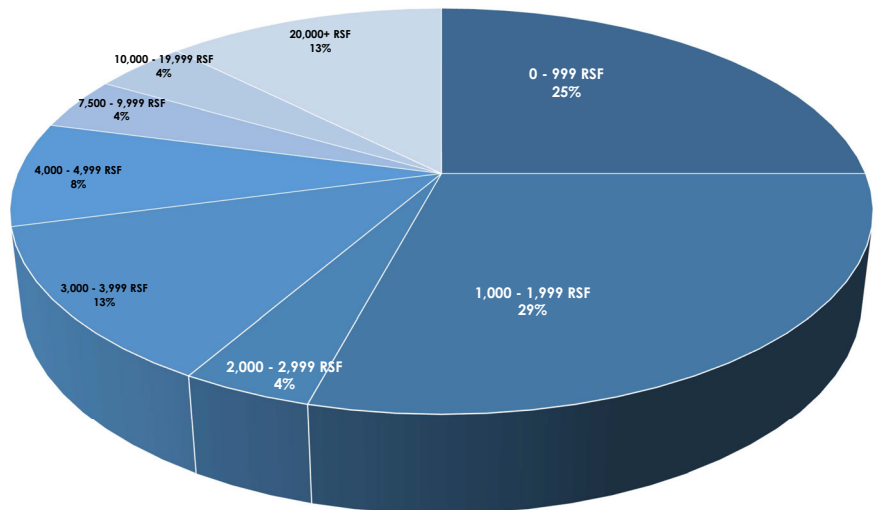
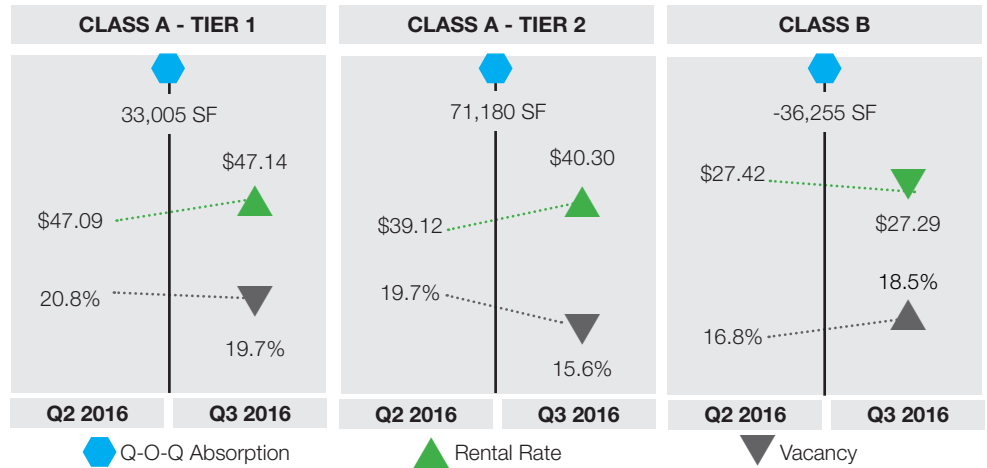
58% | < 3,000 SF

DOWNTOWN RENTAL RATES REFLECT AN 11% INCREASE SINCE 2014

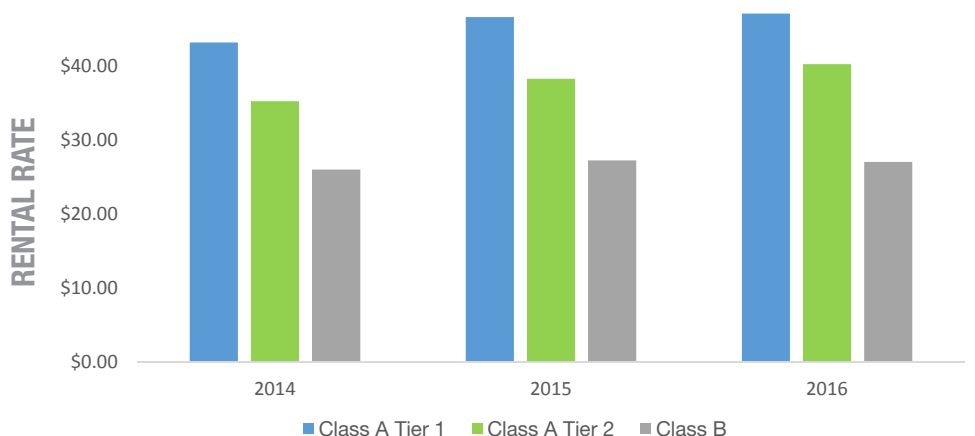
Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2014	20.22%	15.69%	19.27%
2015	20.6%	20.2%	16.8%
2016	19.7%	15.6%	18.5%

DOWNTOWN MARKET HIGHLIGHTS *Quarter-Over-Quarter*



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



SUBMARKET WATCH

Q3 2016 NOTABLE TRANSACTIONS

WeWork

8,653 SF - New to Market
 Courvoisier Centre II
 Two Brickell City Centre

Beta Capital Wealth Management

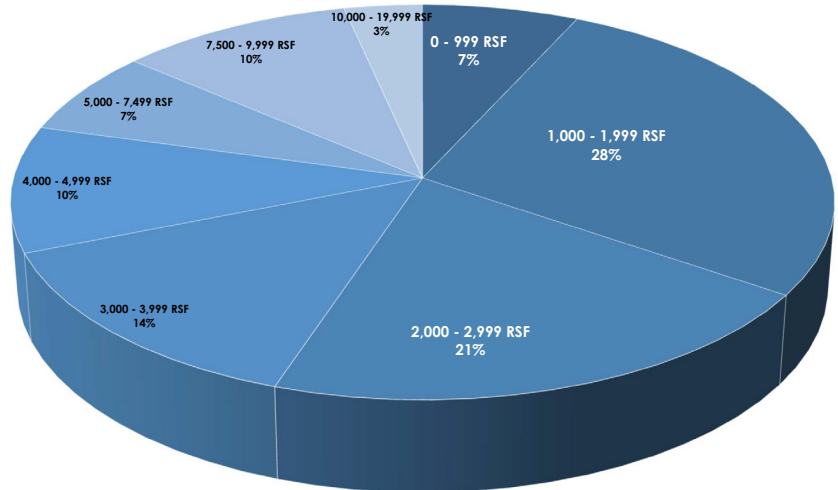
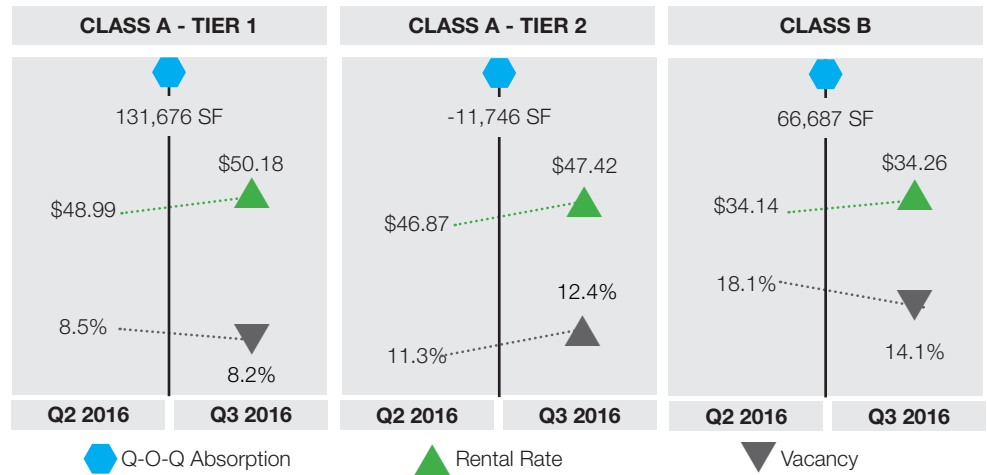
8,653 SF - New to Market
 777 Brickell
 777 Brickell Ave.

Q3 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

56% | < 3,000 SF

BRICKELL MARKET HIGHLIGHTS *Quarter-Over-Quarter*

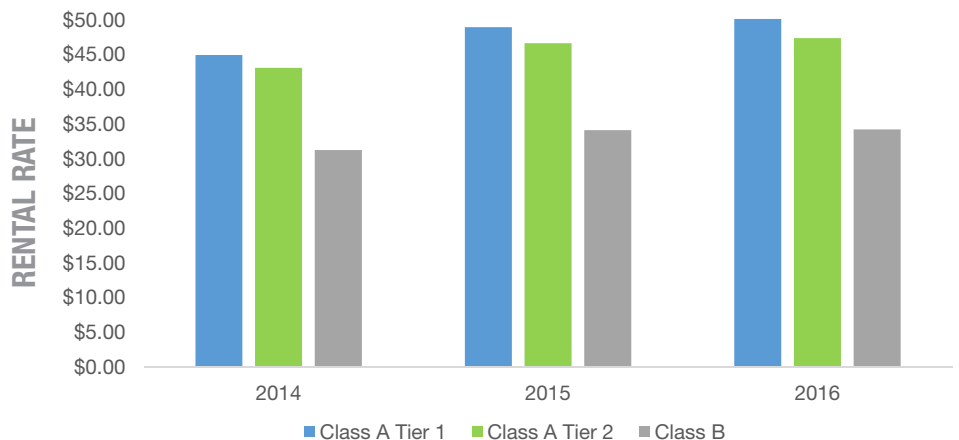


BRICKELL RENTAL RATES REFLECT A 10% INCREASE SINCE 2014

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2014	14.2%	18.1%	16.1%
2015	10.6%	14.6%	17.7%
2016	8.2%	12.4%	14.9%

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



SUBMARKET WATCH

Q3 2016 NOTABLE TRANSACTIONS

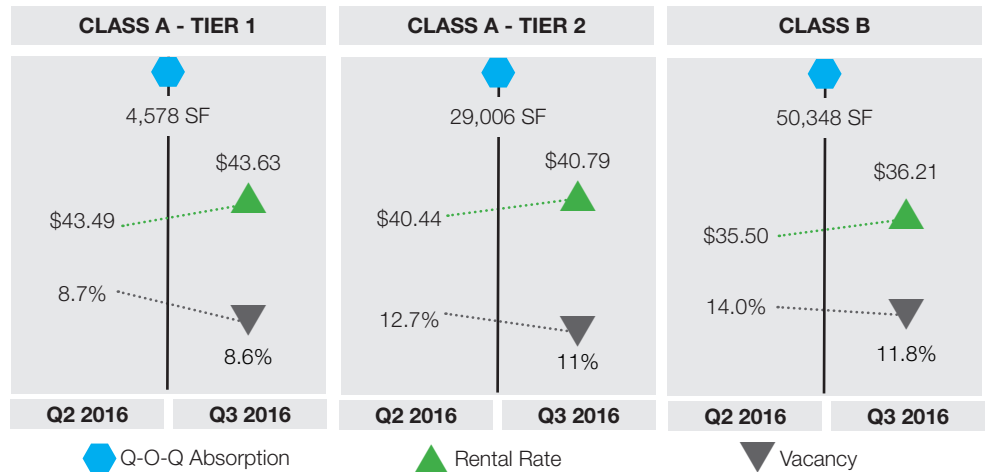
Millicom International Services

22,280 SF - Extension
396 Alhambra
396 Alhambra Circle

Lott & Fischer, PL

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

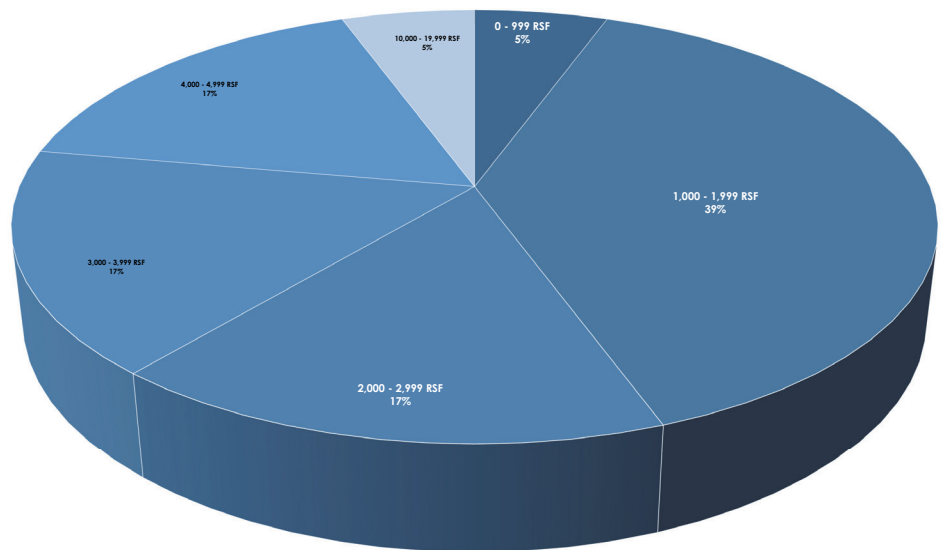
CORAL GABLES MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q3 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

61% | < 3,000 SF

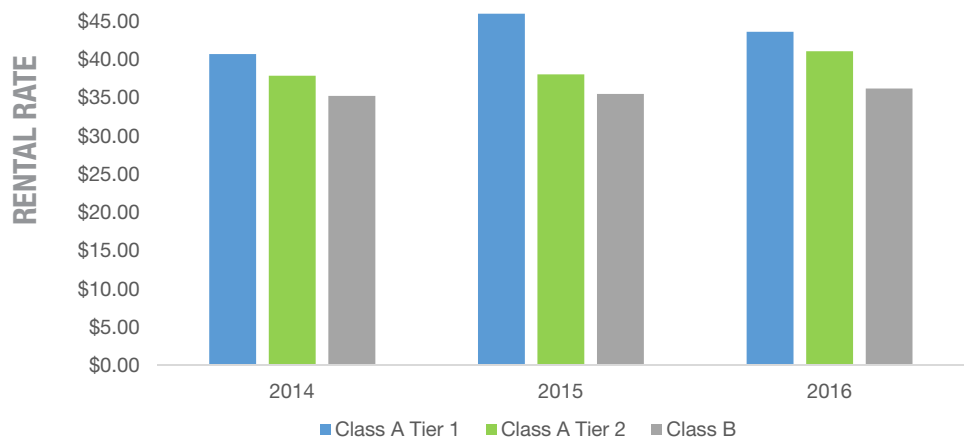


CORAL GABLES RENTAL RATES REFLECT A 9% INCREASE SINCE 2014

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2014	14.29%	20.53%	13.2%
2015	11.3%	16.5%	11.2%
2016	8.6%	11.0%	11.8%

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



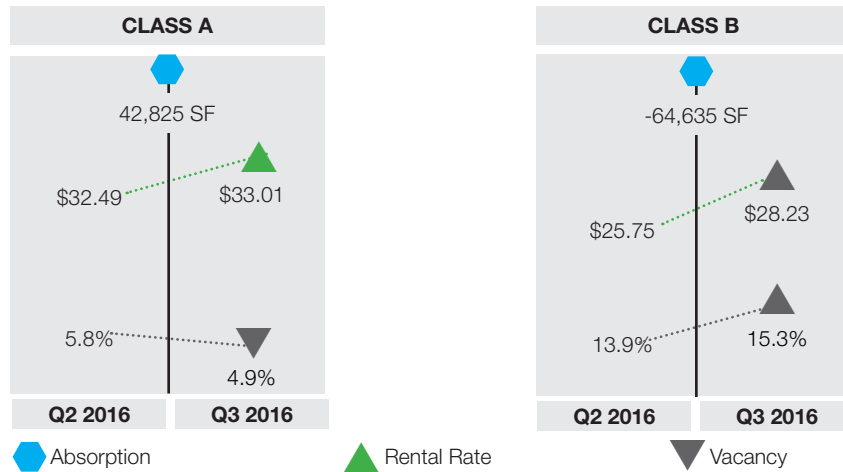
SUBMARKET WATCH

Q3 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.

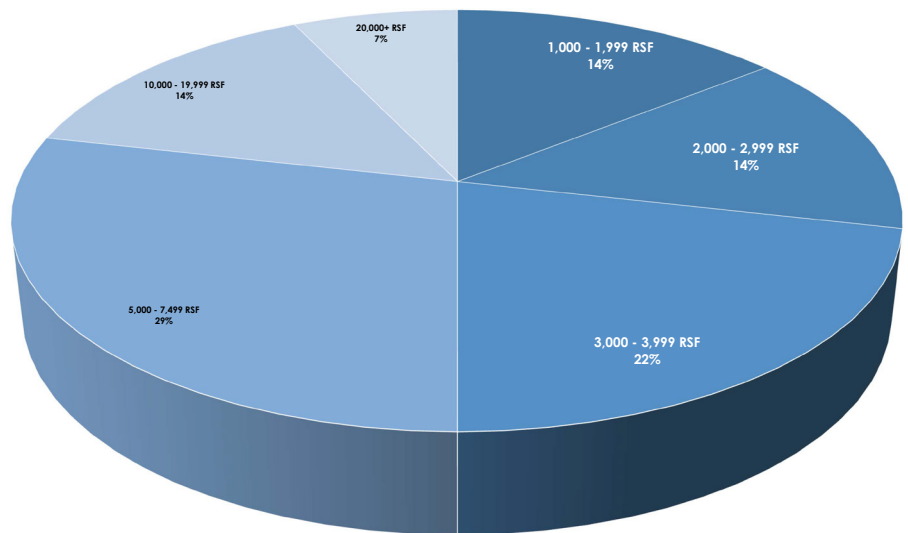
AIRPORT WEST DADE MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q3 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

50% | < 3,000 SF



AIRPORT WEST DADE'S RENTAL RATES REFLECT A 10% INCREASE SINCE 2014

Historical Vacancy Rates *Year-Over-Year*

	Class A Tier 1	Class A Tier 2	Class B
2014	10.9%	19.9%	11.32%
2015	6.0%	15.6%	11.2%
2016	4.1%	14.8%	11.8%

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

