

MIAMI OFFICE MARKET REPORT

FIRST QUARTER 2016

MIAMI OFFICE MARKET STATS

The Miami office market has over 37 million square feet of Class A & B space with average asking rates of \$33.06 per square foot and over 455,000 square feet of positive direct absorption, year-over-year.

Blanca Commercial Real Estate's Q1 research analyzed activity and trends in the four major office submarkets that drive the greater Miami-Dade County office market: Downtown, Brickell, Coral Gables and Airport West Dade. Combined, these four submarkets comprise approximately 27 million square feet of Class A and Class B office space.

Submarket	Buildings	Inventory (SF)	Vacancy	Average Asking Rates (Gross \$/SF)	YOY Absorption
4 MAJOR SUBMARKETS					
Downtown	19	6,868,253	19.7%	\$32.93	-56,919
Brickell	24	6,333,093	12.0%	\$41.90	288,422
Coral Gables	39	5,516,360	12.4%	\$37.31	44,174
Airport West	66	8,264,416	9.9%	\$26.91	196,838
SUBTOTAL	148	26,982,122	13.5%	\$34.76	472,515
Aventura	9	981,879	4.7%	\$45.64	14,604
Biscayne Corridor	7	913,513	30.1%	\$39.69	28,784
Coconut Grove	8	1,030,099	8.0%	\$34.11	-60,160
Coral Way	6	457,273	4.7%	\$29.44	-6,010
Kendall	24	2,712,331	18.3%	\$33.51	-14,925
Medley	5	417,695	47.5%	\$24.60	-4,279
Miami	3	387,117	22.5%	\$36.41	1,107
Miami Beach	15	1,628,203	11.1%	\$39.89	24,887
Miami Lakes	17	1,082,448	35.9%	\$23.72	-51,567
NE Dade	11	1,021,361	20.3%	\$25.98	49,777
South Dade	2	135,000	27.8%	\$23.86	756
SUBTOTAL	107	10,766,919	21.0%	\$32.44	-17,026
TOTAL	255	37,749,041	19.0%	\$33.06	455,489

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

EXECUTIVE SUMMARY

DOWNTOWN | BRICKELL | CORAL GABLES | AIRPORT WEST DADE

The Miami commercial real estate space came out of the gate strong in the first quarter of 2016, enjoying the fifteenth consecutive quarter of positive net absorption, plus rising rents with significant year-over-year growth. With the first quarter showing strength and the local economic fundamentals solid, we expect the rest of 2016 to continue this positive trend.

POSITIVE ABSORPTION CONTINUES

The continued positive absorption was most notable in the Airport West Dade market, a favorable location for companies in need of large spaces and plentiful parking. Most notable is Flagler Station's leasing activity this quarter. This office park of about 390,000 square feet is now almost 100% leased, with major Q1 deals including a renewal for State Farm. This market also welcomed the new-to-market Volvo Group North America and a 150,000 square-foot new lease for Burger King's headquarters, both executed for space in Waterford at Blue Lagoon.

In Brickell and Downtown, positive absorption was driven by professional-services firms and out-of-market companies establishing or expanding their footprints in the urban core. While Coral Gables' absorption has been slightly down year-over-year, rents have risen due to limited product and many building trades, notably including 355 Alhambra. Rents also have risen due to heightened leasing activity year-over-year.

OWNER CONFIDENCE REWARDS DOWNTOWN OFFICE MARKET

During Q1, we watched with great interest an unusual phenomenon in the Downtown market: while vacancy rose by 0.7% year-over-year, direct weighted average rates rose an astonishing 12% in the first quarter – bucking traditional wisdom and signaling a promising year for the Downtown office market. This anomaly reflects owner confidence in a market with strong fundamentals, high trading activity, organic growth by tenants in the market, and demand from multinational companies seeking a presence in the urban core. Continued growth in the population of young professionals in Miami's urban core is expected to continue fueling leasing momentum by companies looking to attract and retain talent.

VACANCY RATES PLUMMET

With the exception of Downtown, vacancy rates dropped year-over-year in every submarket – notably in Airport West Dade where, as a result of high positive absorption, the vacancy rate dropped by 4.7%. In Brickell, vacancy rates have steadily declined – Class A Tier One office space vacancy has reached single digits at 9%, a level not seen in seven years. This signals an increasingly tightening office market which, coupled with the limited new supply that is expected through 2020, will drive investor interest for well-located office buildings – particularly for assets that offer upside potential as leases roll over during this time period.

Q1-2016 YEAR OVER YEAR

CLASS A

- ▼ **13.6%** Decrease in Average Vacancy Rate
- ▲ **8.2%** Increase in Weighted Average Asking Rents
- + **314,285** SF Total Positive Net Absorption

CLASS B

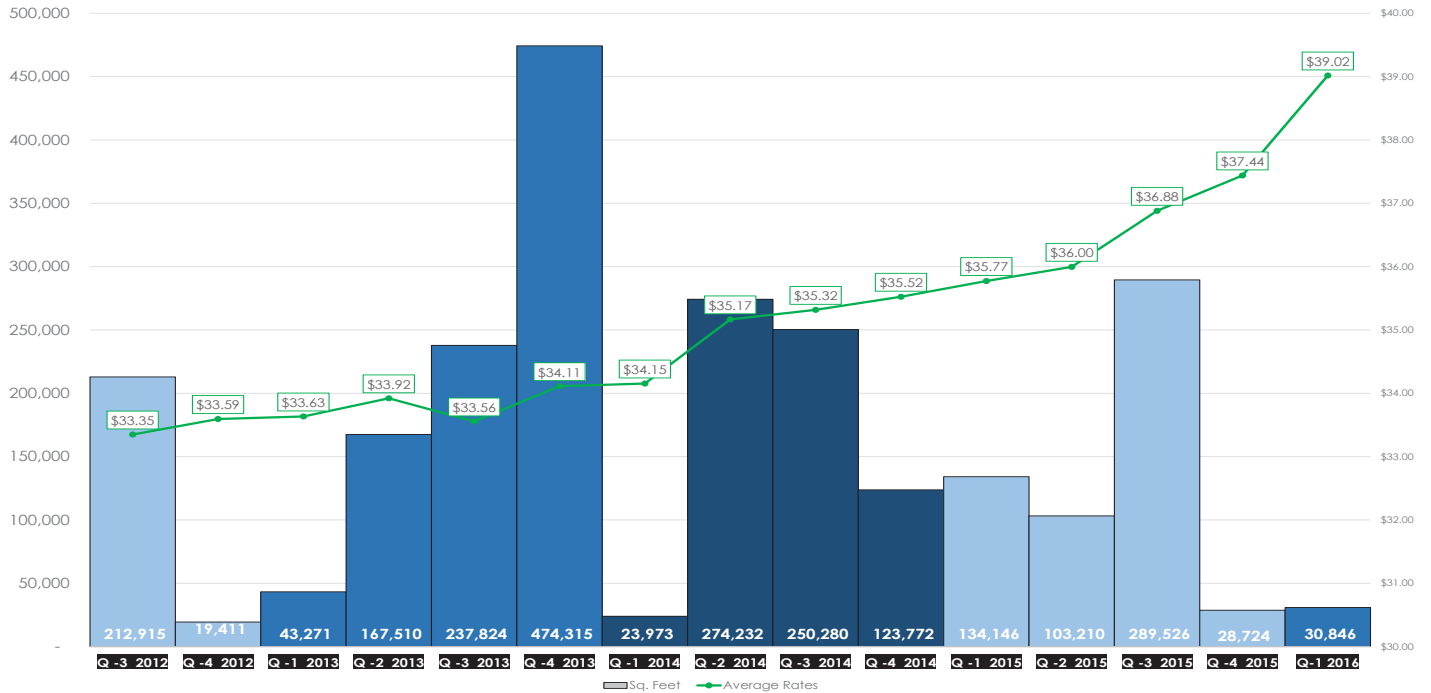
- ▼ **16.2%** Decrease in Average Vacancy Rate
- ▲ **4.6%** Increase in Weighted Average Asking Rents
- + **138,021** SF Total Positive Net Absorption

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.

4 MAJOR SUBMARKETS OVERVIEW

CLASS A + B Buildings | > 50,000 SF

Miami Office Major Submarkets | Absorption & Direct Weighted Average Asking Rates | Q3-2012 to Q1-2016 in RSF



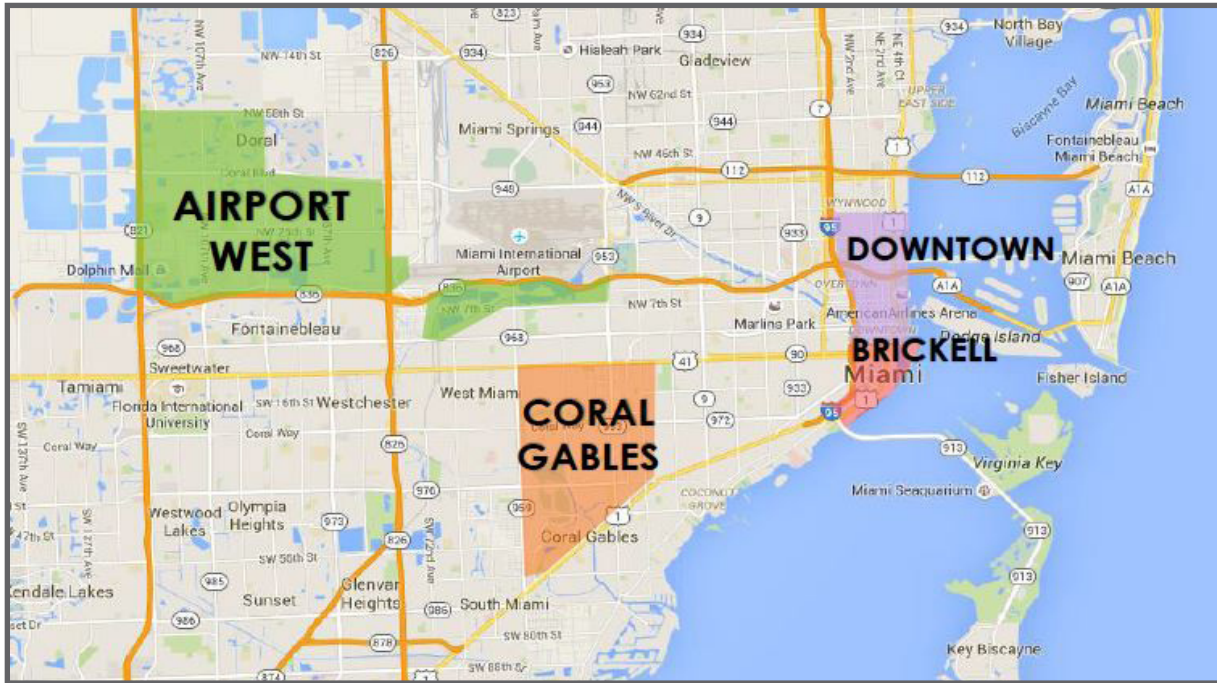
OVERALL MARKET STATS

Q1-2016 YEAR OVER YEAR COMPARISON





	Downtown	Brickell	Coral Gables	Airport West
Total SF Tracked:	6,686,253 SF	6,333,093 SF	5,516,360 SF	8,264,416 SF
Direct Available SF:	1,315,806 SF	760,559 SF	682,492 SF	818,900 SF
Vacancy:	19.7% ▲ Vs. 1Q15 19.0%	12.0% ▼ Vs. 1Q15 14.8%	12.4% ▼ Vs. 1Q15 12.7%	9.9% ▼ Vs. 4Q14 12.4%
Direct Weighted Average Rates:	\$39.78 ▲ Vs. 1Q15 \$35.54	\$43.22 ▲ Vs. 1Q15 \$38.32	\$38.87 ▲ Vs. 1Q15 \$36.89	\$28.19 ▲ Vs. 1Q15 \$27.77

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	17	22	39
	Airport West	28	38	66
TOTAL NUMBER OF BUILDINGS :		63	85	148

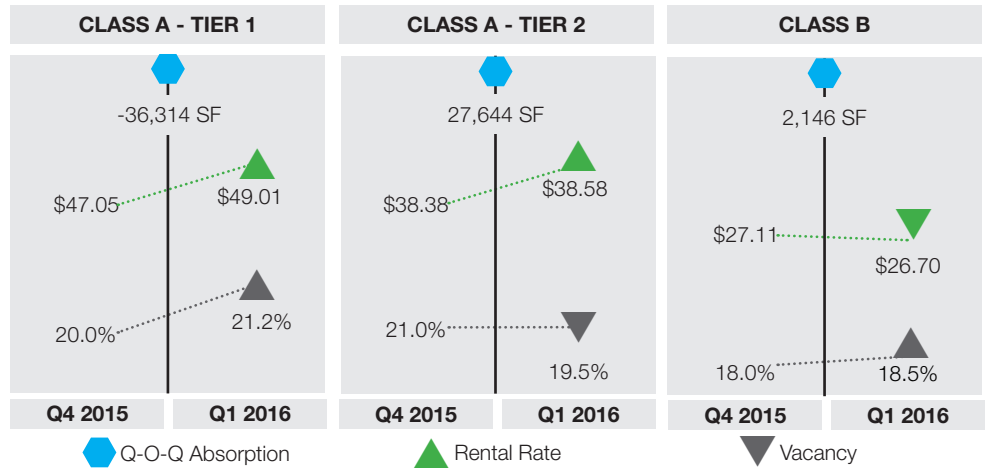
SUBMARKET WATCH

Q1 2016 NOTABLE TRANSACTIONS

Crystal Cruises
40,000 SF - NTM
The Shrine Building
1401 Biscayne Blvd.

David M. Garvin, PA
3,177 SF - Renewal
Southeast Financial Center
200 S. Biscayne Blvd.

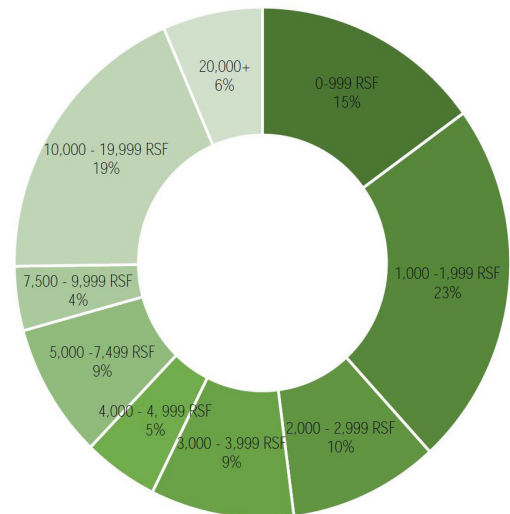
DOWNTOWN MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q1 2016 SNAPSHOT

ANALYSIS OF AVAILABLE SPACES

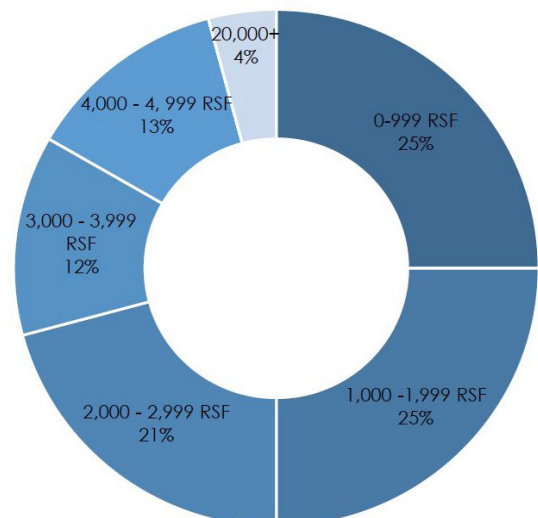
57% | < 4,000 SF



Q1 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

83% | < 4,000 SF



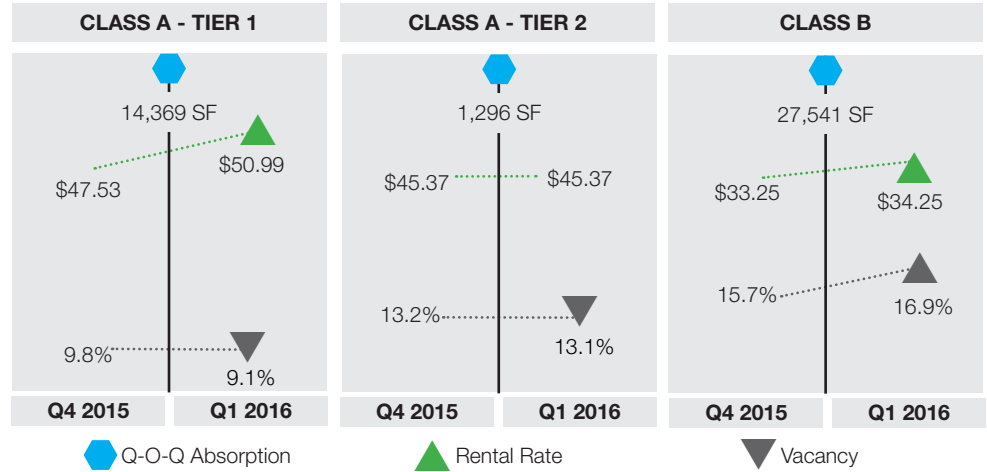
SUBMARKET WATCH

Q1 2016 NOTABLE TRANSACTIONS

Sitel
21,319 SF - NTM
Brickell World Plaza
600 Brickell Ave.

Coty
12,000 SF - Renewal
Brickell Office Plaza
777 Brickell Ave.

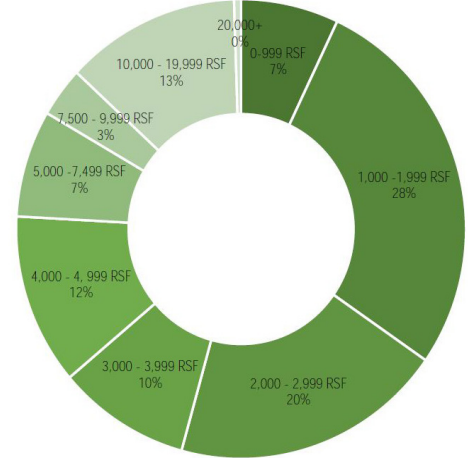
BRICKELL MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q1 2016 SNAPSHOT

ANALYSIS OF AVAILABLE SPACES

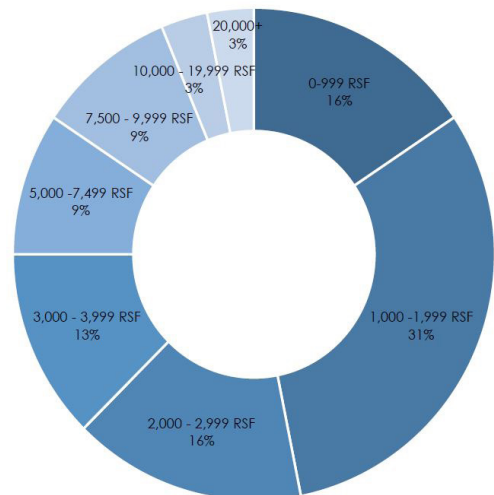
65% | < 4,000 SF



Q1 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

63% | < 3,000 SF



SUBMARKET WATCH

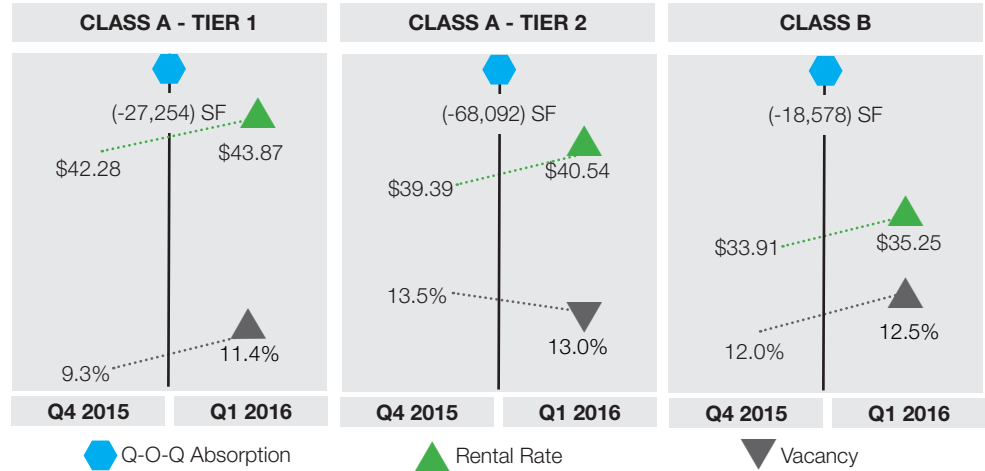
Q1 2016 NOTABLE TRANSACTIONS

Beacon Health Strategies
17,217 SF - Renewal
The Alhambra
2 Alhambra Plaza

DLD Lawyers
12,661 SF - In Market Relocation
Douglas Entrance
800 S. Douglas Rd.

Retail Outsource
10,016 SF - In Market Relocation
Douglas Entrance
800 S. Douglas Rd.

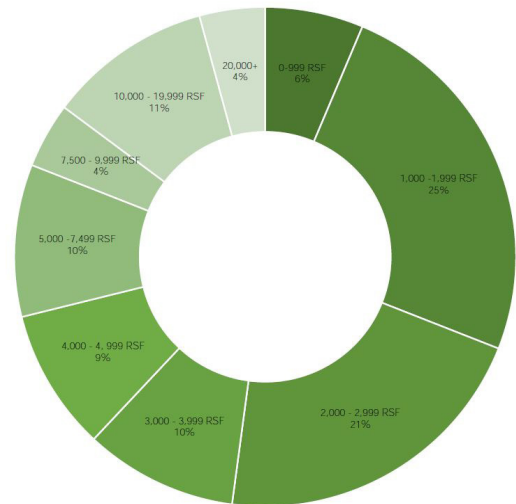
CORAL GABLES MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q1 2016 SNAPSHOT

ANALYSIS OF AVAILABLE SPACES

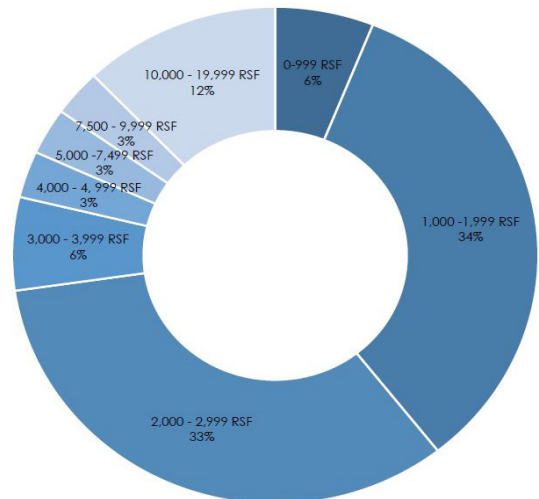
62% | < 4,000 SF



Q1 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

79% | < 4,000 SF



SUBMARKET WATCH

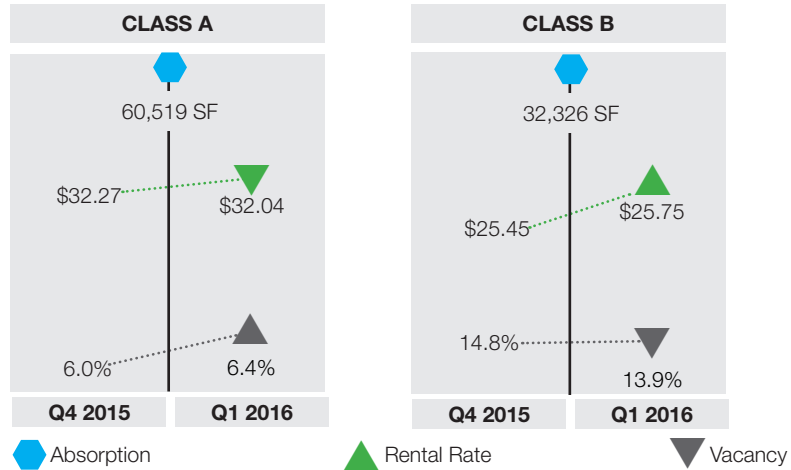
Q1 2016 NOTABLE TRANSACTIONS

State Farm
61,507 SF - Renewal
Flagler Station
9725 NW 117 Ave.

Humana
60,511 SF - In Market
Relocation
6101 Waterford
6101 Blue Lagoon Dr.

Volvo Group North America
8,110 SF - NTM
5835 Blue Lagoon
5835 Blue Lagoon Dr.

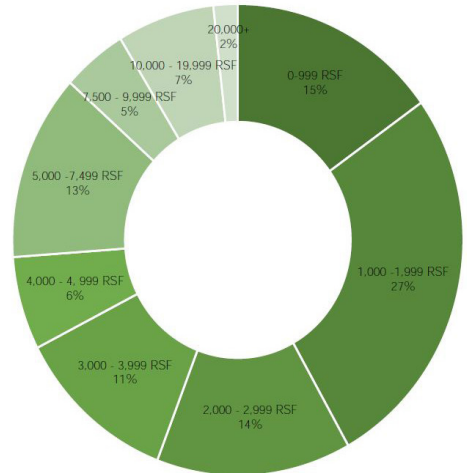
AIRPORT WEST DADE MARKET HIGHLIGHTS *Quarter-Over-Quarter*



Q1 2016 SNAPSHOT

ANALYSIS OF AVAILABLE SPACES

67% | < 4,000 SF



Q1 2016 SNAPSHOT

COMPLETED TRANSACTIONS SPACE ANALYSIS

70% | < 4,000 SF

