

Miami-Dade County



Market Facts

55.5 MSFTotal inventory in the
Miami-Dade County office market**430,408 SF**Direct net absorption
for Q1 2017**10.73%**

Overall Vacancy

\$41.65 PSFAverage asking lease rate for
class A space in Miami-Dade
County on a full-service basis

Strong Market Fundamentals Foster Development Opportunity

Regional Economic Activity

According to the Bureau of Labor Statistics, Miami-Dade County had a non-seasonally adjusted unemployment rate of 5.1% as of February 2017, which is on par with the county's rate one year prior. This is due in part to the strength of the population growth in the South Florida market. According to population estimates recently published by the U.S. Census Bureau, the Miami-Fort Lauderdale metro area is ranked in the top five fastest growing metropolitan areas by population in the country behind Atlanta, New York City, Dallas-Fort Worth and Houston, respectively.

Miami Perceived as a Global Competitor

The Miami-Dade County office market ended the first quarter of 2017 with an overall vacancy rate of 10.73%, which represents a 45 pps drop over the prior

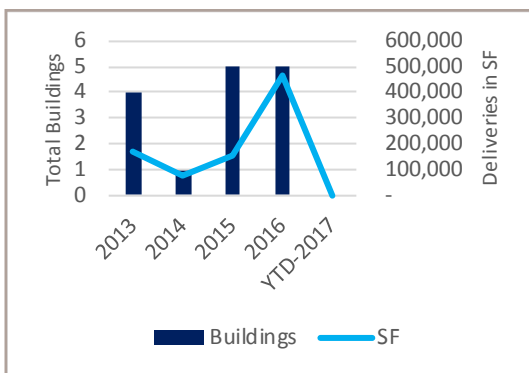
quarter. Net absorption was positive with approximately 430,000 sf of class A and B space absorbed, representing nearly 40% of all net absorption recorded in 2016. A significant amount of this absorption occurred in Downtown Miami.

As the market remains capable of absorbing space, lease rates continue to climb - approaching \$53 per sf in the most sought-after urban areas. These rates are high compared to major cities throughout the country such as Atlanta or Dallas, but low compared to global gateway cities such as New York, Chicago or San Francisco. The competitiveness of the market is appealing to international clients, especially those who wish to position themselves in close proximity to the strengthening Latin America markets, and it has prompted developers to take action in an attempt to meet rising demand.

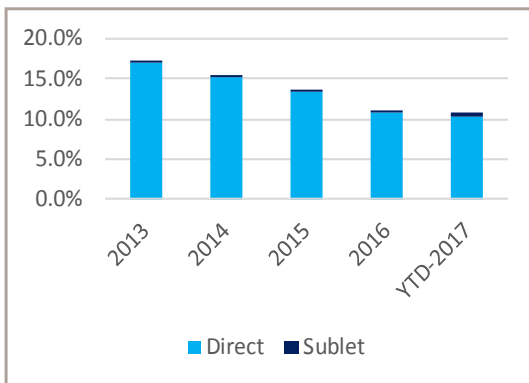
Coconut Grove has emerged as one of South Florida's strongest office markets and most walkable urban neighborhoods.

Miami-Dade Office Snapshot

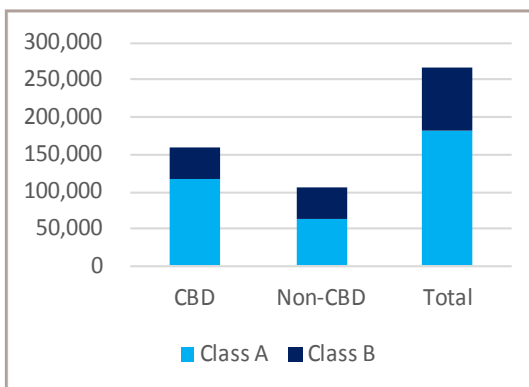
Total Deliveries



Vacancy Rate



YTD Net Absorption (SF)



New Redevelopment Activity in Coconut Grove

Coconut Grove is one of Miami-Dade County's strongest office markets. Although the small submarket consists of just over 1 million sf of class A and B office space, it absorbed over 30,000 sf 2016. In the first quarter of 2017 alone, the submarket has nearly matched that number with 29,747 sf of positive net absorption. Coconut Grove is now near capacity with 97% of all space leased. Due to these tightening conditions, developers are responding with plans to convert a 1980's-era parking garage into a contemporary mixed-use building.

Developed by Terra Group in partnership with Mayfair Real Estate Advisors, "Mary Street" will transform a four-story parking garage into street level retail and 75,000 sf of class A office space, all while retaining three levels of public parking. Mary Street will be the first class A office space delivery in Coconut Grove in 30 years. This new development is likely the beginning of a wave of design-driven infill developments that capitalize upon Coconut Grove's strong residential demographics and status as one of South Florida's most walkable urban neighborhoods.

Federal Reserve Raises Key Interest Rate Among Concern

The Federal Reserve's Open Market Committee recently voted to increase the benchmark interest rate by 25 bps, raising the federal funds target rate to a range of 0.75 percent to 1.00 percent. The Federal Reserve is considering plans to increase rates twice more

in 2017 and has forecasted three more rate hikes in 2018. However, this has not been determined and any additional influence by the Federal Reserve will likely depend on how the national economy responds in the coming months.

Although the average national unemployment rate remains stable at 4.7%, the share of adults between the ages of 25 and 54 who remain unemployed has not fallen below pre-recession levels, let alone levels achieved in the late 1990s. Janet Yellen, chairwoman of the Federal Reserve, has responded to these concerns by stating that waiting too long to raise rates could potentially require a rapid increase down the road, potentially disrupting financial markets. This bodes well for Miami-Dade, which relies heavily on strong economic performance in the trade, transportation and tourism sectors.

Looking Ahead

As the market approaches a near historic low in total vacancy, lease rates have reached new heights - approaching \$53 per sf in the most competitive areas. This trend is likely to continue as the market further tightens, especially in Miami's more suburban areas where development opportunities are emerging. These new projects coming out of the ground will alleviate upward pressure on lease rates and will help to satisfy the high demand for quality space. The most notable areas experiencing this pent-up demand are Coral Gables and Aventura, both of which have over 200,000 sf of active construction and above average occupancy rates.

Airport / Doral										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,318,657	385,486	1,813	\$33.17	92.75%	7.25%	0.03%	7.28%	246,085	(53,284)
Class B	7,772,868	753,128	19,679	\$26.51	90.31%	9.69%	0.25%	9.94%	0	94,467
Total	13,091,525	1,138,614	21,492	\$28.76	91.30%	8.70%	0.16%	8.86%	246,085	41,183

Aventura										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	797,761	64,579	0	\$50.57	91.90%	8.10%	0.00%	8.10%	230,000	9,984
Class B	420,747	11,261	120	\$43.85	97.32%	2.68%	0.03%	2.70%	0	(6,156)
Total	1,218,508	75,840	120	\$49.57	93.78%	6.22%	0.01%	6.23%	230,000	3,828

Biscayne Corridor										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	897,682	135,748	0	\$41.00	84.88%	15.12%	0.00%	15.12%	61,906	0
Class B	988,720	39,300	2,600	\$38.23	96.03%	3.97%	0.26%	4.24%	0	11,212
Total	1,886,402	175,048	2,600	\$40.38	90.72%	9.28%	0.14%	9.42%	61,906	11,212

Brickell										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	4,876,518	430,588	63,082	\$48.79	91.17%	8.83%	1.29%	10.12%	0	10,970
Class B	3,150,734	362,340	13,921	\$33.50	88.50%	11.50%	0.44%	11.94%	0	6,731
Total	8,027,252	792,928	77,003	\$41.80	90.12%	9.88%	0.96%	10.84%	0	17,701

Coconut Grove										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	458,177	4,022	2,891	\$34.00	99.12%	0.88%	0.63%	1.51%	0	1,134
Class B	636,205	29,753	0	\$33.92	95.32%	4.68%	0.00%	4.68%	0	28,613
Total	1,094,382	33,775	2,891	\$33.93	96.91%	3.09%	0.26%	3.35%	0	29,747

Coral Gables										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	3,709,706	340,417	15,213	\$40.21	90.82%	9.18%	0.41%	9.59%	127,608	94,573
Class B	2,036,593	183,737	0	\$36.48	90.98%	9.02%	0.00%	9.02%	96,767	(36,723)
Total	5,746,299	524,154	15,213	\$38.90	90.88%	9.12%	0.26%	9.39%	224,375	57,850

Downtown Miami										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	4,891,159	818,379	11,414	\$45.34	83.27%	16.73%	0.23%	16.97%	318,000	106,255
Class B	3,464,640	601,859	11,000	\$27.20	82.63%	17.37%	0.32%	17.69%	0	36,313
Total	8,355,799	1,420,238	22,414	\$37.65	83.00%	17.00%	0.27%	17.27%	318,000	142,568

Kendall										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,335,652	193,260	2,292	\$38.11	85.53%	14.47%	0.17%	14.64%	0	1,791
Class B	3,083,392	180,478	0	\$27.57	94.15%	5.85%	0.00%	5.85%	0	12,446
Total	4,419,044	373,738	2,292	\$33.02	91.54%	8.46%	0.05%	8.51%	0	14,237

South Gables / South Miami										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,047,705	150,722	13,289	\$37.19	85.61%	14.39%	1.27%	15.65%	60,799	(3,848)
Class B	1,836,409	108,262	1,351	\$23.50	94.10%	5.90%	0.07%	5.97%	0	4,139
Total	2,884,114	258,984	14,640	\$31.47	91.02%	8.98%	0.51%	9.49%	60,799	291

Medley / Hialeah										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	625,360	6,847	0	\$28.30	98.91%	1.09%	0.00%	1.09%	0	30,504
Class B	948,724	49,201	0	\$21.87	94.81%	5.19%	0.00%	5.19%	0	35,721
Total	1,574,084	56,048	0	\$22.66	96.44%	3.56%	0.00%	3.56%	0	66,225

Miami Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	843,228	46,306	12,512	\$41.74	94.51%	5.49%	1.48%	6.98%	0	(27,547)
Class B	1,958,503	102,296	200	\$37.34	94.78%	5.22%	0.01%	5.23%	0	(15,996)
Total	2,801,731	148,602	12,712	\$38.71	94.70%	5.30%	0.45%	5.76%	0	(43,543)

Miami Lakes										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	417,048	81,884	0	\$27.44	80.37%	19.63%	0.00%	19.63%	0	10,512
Class B	1,739,122	302,239	0	\$23.32	82.62%	17.38%	0.00%	17.38%	50,280	72,056
Total	2,156,170	384,123	0	\$24.20	82.18%	17.82%	0.00%	17.82%	50,280	82,568

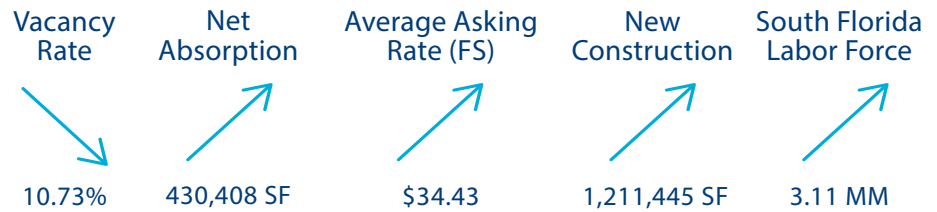
Northeast Dade										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	165,000	0	4,990	\$0.00	100.00%	0.00%	3.02%	3.02%	0	0
Class B	1,586,556	295,667	475	\$27.05	81.36%	18.64%	0.03%	18.67%	20,000	14,065
Total	1,751,556	295,667	5,465	\$27.05	83.12%	16.88%	0.31%	17.19%	20,000	14,065

South Dade										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	454,723	96,446	2,371	\$23.72	78.79%	21.21%	0.52%	21.73%	0	(7,524)
Total	454,723	96,446	2,371	\$23.72	78.79%	21.21%	0.52%	21.73%	0	(7,524)

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in the Miami-Dade MSA that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

As the market approaches a near historic low in total vacancy, lease rates have begun to reach new heights.

Leading Indicators (Y-O-Y 1Q-2016 to 1Q-2017)



Miami-Dade County Total

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	25,383,653	2,658,238	127,496	\$41.65	89.53%	10.47%	0.50%	10.97%	1,044,398	181,044
Class B	30,077,936	3,115,967	51,717	\$28.22	89.64%	10.36%	0.17%	10.53%	167,047	249,364
Total	55,461,589	5,774,205	179,213	\$34.43	89.59%	10.41%	0.32%	10.73%	1,211,445	430,408

CBD

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	9,767,677	1,248,967	74,496	\$46.53	87.21%	12.79%	0.76%	13.55%	318,000	117,225
Class B	6,615,374	964,199	24,921	\$29.57	85.42%	14.58%	0.38%	14.95%	0	43,044
Total	16,383,051	2,213,166	99,417	\$39.14	86.49%	13.51%	0.61%	14.12%	318,000	160,269

Non-CBD

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	15,615,976	1,409,271	53,000	\$37.32	90.98%	9.02%	0.34%	9.36%	726,398	63,819
Class B	23,462,562	2,151,768	26,796	\$27.62	90.83%	9.17%	0.11%	9.29%	167,047	206,320
Total	39,078,538	3,561,039	79,796	\$31.51	90.89%	9.11%	0.20%	9.32%	893,445	270,139

Significant First Quarter 2017 Lease Transactions - Sorted by SF

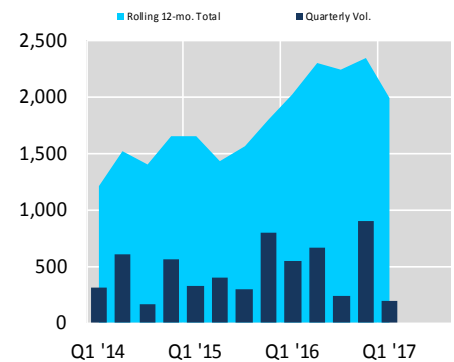
Tenant	Property	Type	SF	Submarket
Bayview Financial	4425 Ponce de Leon Blvd	Renewal	88,047	Coral Gables
University of St. Augustine	Douglas Entrance - West	New Lease	53,400	Coral Gables
Cosentino North America	355 Alhambra	New Lease	23,923	Coral Gables
Kimley-Horn	355 Alhambra	New Lease	16,677	Coral Gables
PCM	9250 W Flagler St	New Lease	16,000	Airport / Doral
Hasbro	5200 Blue Lagoon Dr	Renewal	10,816	Airport / Doral
Pillsbury Winthrop Shaw Pittman	Brickell World Plaza	Expansion	10,000	Brickell
Symex America	One Park Square in Dora	New Lease	10,000	Airport / Doral
Amadeus North America	One Park Square in Dora	Expansion	9,333	Airport / Doral
State Farm Insurance	1000 Waterford	New Lease	8,252	Airport / Doral



Debtor Controlled Office Sale Could Inspire Future Development

Investment sales through the first quarter have been comprised primarily of private investment, accounting for 77% of the capital flow, followed by users, accounting for 19% and public listed/REITs for 4%. There were no cross-border capital purchases in the first quarter, however, in the first three months of 2017, over \$190 million in total volume traded hands at an average price per square foot of \$242. Although the total volume and average price per square foot was down compared to the prior quarter, this observation takes into account the \$516 million sale of Southeast Financial Center that occurred in November of 2016.

The most significant sale of the quarter was the sale of 1428 Brickell for \$263 per sf. The building was acquired by Ytech International Realty, in a debtor controlled sale. Although the Miami-based investment and development firm acquired the building for \$26.5 million, total consideration for the sale was closer to \$50 million or approximately \$496 per sf. Future development plans for the site are unconfirmed but the site is zoned for up to 80 stories and 825,000 sf of mixed-use space. Other notable sales for the quarter included the City National Bank Building for \$24.6 million, or \$303 per sf, and Sheridan Center for \$17.9 million, or \$263 per sf.



Significant First Quarter 2017 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
1428 Brickell	100,762	\$26,500,000	\$263	Ytech International Realty	Brickell
City National Bank Building	81,252	\$24,585,000	\$303	Pacific Star Capital	Miami Beach
Sheridan Center	67,793	\$17,850,016	\$263	Gold Coast Beverages	Miami Beach
The Mapfre Building	77,257	\$13,135,400	\$170	Arawak Properties	Airport / Doral
Park Centre	58,618	\$8,500,000	\$145	Amos Argentini	Northeast Dade
5820 Waterford at Blue Lagoon	31,052	\$7,700,000	\$248	Private Exchange Group / Immigration Group	Airport / Doral
Golden Glades Building 4 - 7	50,889	\$6,510,000	\$128	Niznick Lab Corp	Northeast Dade

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