

MarketWatch: Miami-Dade

OFFICE MARKET TRENDS FIRST QUARTER 2013



Miami Office Market Makes a Dent in Overall Vacancy

Leasing Activity Driven by Legal Sector

Improving market fundamentals have had a direct effect on vacancies in the Miami multi-tenant office market, which recorded 20.9% in the first quarter of 2013, an improvement of 150 basis points from the previous year. Overall, Class B product is outperforming Class A inventory in terms of vacancy averages, currently at 20.4% and 21.2%, respectively. However, Class A leasing activity was slightly stronger in the first quarter, adding nearly 150,000 square feet of occupancy versus 113,000 square feet of Class B space, indicating that the gap between Class A and B vacancies is closing.

Such is the case of most recovering markets, the pace of growth in Miami rests upon job creation. After several years of inflated unemployment, South Florida's jobless rate fell across all three counties in February 2013 to 7.9%. Compared to February of last year, the number of employed South Florida residents is up by 60,590 workers, buoyed by the professional and business services sector. In particular, office leasing activity in the first quarter was heavily dominated by law firms, including moves by Astigarraga Davis and Association Law Group. Metro-wide, the most active tenants in the market continue to stem from the financial, technology and legal sectors. Northern Trust Bank inked a 60,000 square foot deal at Brickell World Plaza, representing the largest office deal of the year thus far. Since delivering in 2011, this deal brings the newfangled Brickell office tower to 40% leased. International companies, particularly with Latin American influences, continue to invest in South Florida. Mondelez International will occupy 15,600 square feet at 396 Alhambra, which will serve as the Latin American headquarters.

Several tenants in the market, such as Jones Day (25,000-foot-requirement) and Fowler White Burnett (40,000-square-foot requirement) are expected to close in the near term. As such, leasing activity is poised for improvement, supported by growth in several economic indicators crucial to job creation, such as improvements in the housing sector and local government agencies ability to provide valuable business incentives.

TRANSACTION HIGHLIGHTS

Notable Lease Deals

Completed between 1/1/13 and 3/31/13


| Tenant | Building | Lease SF | Comments |
|--------------------------------|---------------------------|----------|-------------------------------|
| Northern Trust | Brickell World Plaza | 64,000 | Brings property to 40% leased |
| Bupa Worldwide | Palmetto Bay Village | 28,000 | Signed 5-year lease term |
| Morrison, Brown, Argiz & Farra | 1450 Brickell | 28,000 | Signed 5-year lease term |
| Astigarraga Davis | Brickell Bay Office Tower | 16,000 | Relocation from 701 Brickell |

Notable Office Building Sales

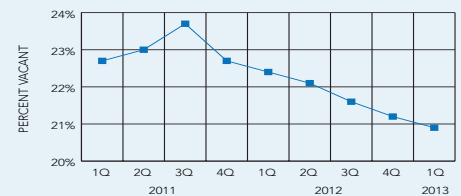
Completed between 1/1/13 and 3/31/13


| Building | Total SF | Price | Price PSF | Comments |
|-------------------------|----------|--------------|-----------|-------------------------------------|
| Brickell Bayview Centre | 285,595 | \$70,000,000 | \$245 | 89% leased at time of sale |
| 301 Arthur Godfrey Road | 36,947 | \$15,125,000 | \$409 | Fully leased; anchored by HSBC Bank |
| 2300 W 84th Street | 60,000 | \$5,100,000 | \$85 | Vacant at time of sale |

Market Trends

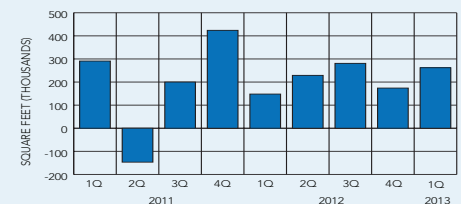
Vacancy Rate **20.9%**  3-Month Trend


Miami vacancies improve to 20.9% thanks to more than 260,000 square feet of occupancy gains to kick off the year.



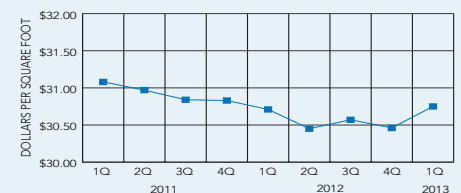
Absorption **261,873 SF** 


Increased leasing activity has resulted in 10 of the last 11 quarters posting more than 100,000 square feet of absorption—a sure sign that a full market recovery is in progress.



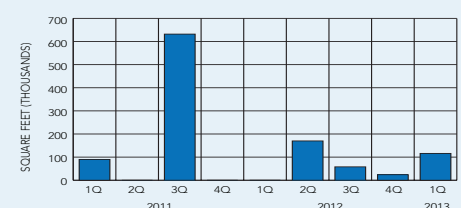
Rental Rates **\$30.75 PSF** 

Average rental rates appear to be bottoming, with Miami's first quarter rate of \$30.75 per square foot representing the first year-over-year increase in rates since the fourth quarter of 2008.



New Deliveries **116,271 SF** 

The 116,000-square-foot Aventura Optima Plaza project delivered in the first quarter becoming Aventura's first new office construction in nearly five years.



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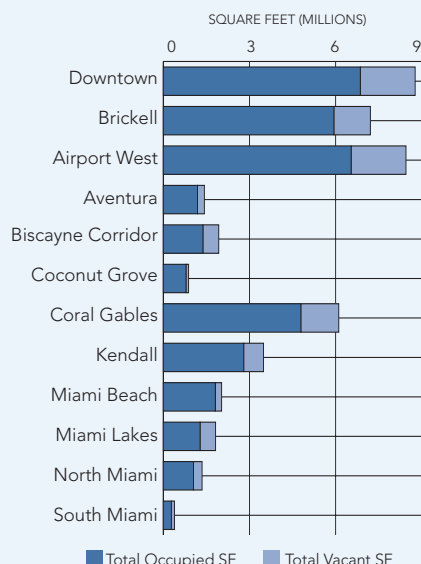
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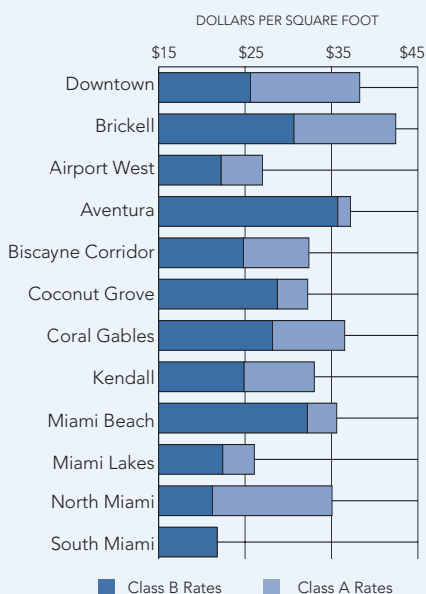
TRANSWESTERN

Submarkets at a Glance

Size Comparison



Average Rental Rates



Methodology

The information in this report is the result of Transwestern's ongoing analysis of Miami-Dade's key for-lease office properties. We compile our quarterly statistics based on a defined inventory of Class A and B multi-tenant office buildings of approximately 20,000 square feet or more in size.

Economic Conditions

- According to Miami-Dade County's Regulatory and Economic Resource Department, the number of employed Miami-Dade residents has grown by an average of 3,400 jobs per month since October 2009, bolstered by robust employment gains in the professional and business services sector.
- Several infrastructure improvements, including the implementation of High Occupancy Toll (HOT) lanes on I-95, the potential expansion of the Dolphin Expressway in west Dade County, the Miami Intermodal Centre, Port of Miami dredging, and the Port of Miami tunnel project are all expected to improve connectivity among all forms of transportation throughout the metropolitan region.
- There are currently three suburban office projects slated for completion in 2013 that will add 162,000 square feet of inventory to the market.

Rental Rates and Concessions

- Overall, Miami's average rental rates are at \$30.75 per square foot. On average, Class A asking rents have improved by \$0.22 per square foot in the past four quarters, while Class B rates saw a minimal increase of \$0.05.
- While concessions in Miami's office market remain favorable, the amount of free rent and tenant allowances offered by landlords are beginning to shrink in select areas.

Vacancy and Absorption

- Thanks to seven straight quarters of positive absorption gains, Class A vacancy is currently at 21.2%, plunging 340 basis points since the second quarter of 2011. The Class B sector remains slightly lower at 20.4% vacant.
- Leading all other Miami submarkets, the Brickell CBD ushered in 105,760 square feet of absorption in the first quarter, tightening overall vacancy to below 18%.
- Total Miami vacant space amounted to 9.1 million square feet at the close of the quarter, consisting of 3.2 million square feet in the urban markets of Downtown and Brickell and nearly 6 million square feet within the 10 suburban submarkets. But while the urban corridor contains nearly half the amount vacant space, plenty of opportunity still exists for large space users. Of the 23 office buildings in Miami-Dade that contain at least 50,000 square feet of available contiguous space, nine of them are located within the two urban submarkets.

Leasing Activity

- Law firms dominated the first quarter in terms of leasing activity, with moves by:
 - Association Law Group took 10,000 square feet at 1200 Brickell
 - Lydecker Diaz signed a 9,000 square foot expansion at 1221 Brickell
 - Allen, Dyer, Doppelt, Milbrath & Gilchrist relocated to 1221 Brickell
 - Weil, Gotshal & Manges renewed its 24,381 square feet at Espirito Santo Plaza
 - Astigarraga Davis signed 16,000 square feet at Brickell Bay Office Tower
 - Jones Day law firm is expected to fulfill a 25,000 square foot space requirement in Downtown
 - Brickell's Fowler, White, Burnett is also in the CBD market for 40,000 square feet

Investments

- The sale of Brickell Bayview Centre for a price of \$70 million, or \$245 per square foot, was well below the building's prior sale in 2007 for \$81.9 million. The 286,000-square-foot office tower was most recently acquired by a joint venture between Banyon Street Capital and Crocker Partners.
- Prudential Real Estate Investors is finalizing the purchase of Sabadell Financial Center located at 1111 Brickell. The 30-story, 523,000 square foot tower last sold in 2002 for \$132 million.

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CURRENT STATISTICS

| Submarket | | Total Inventory SF | Direct SF Vacant | Direct Vacancy Rate | Sublease SF | Total SF Vacant | Overall Vacancy Rate | 1Q2013 Net Absorption | YTD Net Absorption | SF Under Construction | Average Quoted Rental Rate PSF (full service) |
|---------------------------|-------------|--------------------|------------------|---------------------|-------------|-----------------|----------------------|-----------------------|--------------------|-----------------------|---|
| URBAN SUBMARKETS | | | | | | | | | | | |
| Downtown | Class A | 4,861,770 | 1,008,177 | 20.7% | 21,670 | 1,029,847 | 21.2% | -1,927 | -1,927 | 0 | \$38.27 |
| | Class B | 3,905,998 | 879,993 | 22.5% | 0 | 879,993 | 22.5% | 18,436 | 18,436 | 0 | \$25.62 |
| | Overall | 8,767,768 | 1,888,170 | 21.5% | 21,670 | 1,909,840 | 21.8% | 16,509 | 16,509 | 0 | \$32.50 |
| Brickell | Class A | 4,590,806 | 939,798 | 20.5% | 31,668 | 971,466 | 21.2% | 84,791 | 84,791 | 0 | \$42.44 |
| | Class B | 2,621,011 | 301,987 | 11.5% | 326 | 302,313 | 11.5% | 20,969 | 20,969 | 0 | \$30.64 |
| | Overall | 7,211,817 | 1,241,785 | 17.2% | 31,994 | 1,273,779 | 17.7% | 105,760 | 105,760 | 0 | \$39.08 |
| URBAN SUBMARKETS TOTAL | | | | | | | | | | | |
| CBD | Class A | 9,452,576 | 1,947,975 | 20.6% | 53,338 | 2,001,313 | 21.2% | 82,864 | 82,864 | 0 | \$40.30 |
| | Class B | 6,527,009 | 1,181,980 | 18.1% | 326 | 1,182,306 | 18.1% | 39,405 | 39,405 | 0 | \$27.64 |
| | Overall | 15,979,585 | 3,129,955 | 19.6% | 53,664 | 3,183,619 | 19.9% | 122,269 | 122,269 | 0 | \$35.12 |
| SUBURBAN SUBMARKETS | | | | | | | | | | | |
| Airport West | Class A | 4,206,839 | 721,891 | 17.2% | 18,774 | 740,665 | 17.6% | 48,656 | 48,656 | 0 | \$27.02 |
| | Class B | 4,250,851 | 1,109,209 | 26.1% | 64,889 | 1,174,098 | 27.6% | 16,224 | 16,224 | 80,000 | \$22.22 |
| | Overall | 8,457,690 | 1,831,100 | 21.7% | 83,663 | 1,914,763 | 22.6% | 64,880 | 64,880 | 80,000 | \$24.16 |
| Aventura | Class A | 967,624 | 191,578 | 19.8% | 0 | 191,578 | 19.8% | 2,142 | 2,142 | 0 | \$37.20 |
| | Class B | 460,482 | 44,974 | 9.8% | 0 | 44,974 | 9.8% | -5,790 | -5,790 | 0 | \$35.72 |
| | Overall | 1,428,106 | 236,552 | 16.6% | 0 | 236,552 | 16.6% | -3,648 | -3,648 | 0 | \$36.96 |
| Biscayne Corridor | Class A | 699,000 | 246,925 | 35.3% | 0 | 246,925 | 35.3% | 0 | 0 | 0 | \$32.39 |
| | Class B | 1,232,082 | 305,042 | 24.8% | 0 | 305,042 | 24.8% | -13,105 | -13,105 | 0 | \$24.81 |
| | Overall | 1,931,082 | 551,967 | 28.6% | 0 | 551,967 | 28.6% | -13,105 | -13,105 | 0 | \$29.40 |
| Coconut Grove | Class A | 515,216 | 38,513 | 7.5% | 8,206 | 46,719 | 9.1% | 11,667 | 11,667 | 0 | \$32.25 |
| | Class B | 368,034 | 42,412 | 11.5% | 0 | 42,412 | 11.5% | -5,714 | -5,714 | 0 | \$28.73 |
| | Overall | 883,250 | 80,925 | 9.2% | 8,206 | 89,131 | 10.1% | 5,953 | 5,953 | 0 | \$31.38 |
| Coral Gables | Class A | 4,354,831 | 1,061,023 | 24.4% | 18,855 | 1,079,878 | 24.8% | 2,629 | 2,629 | 0 | \$36.53 |
| | Class B | 1,760,473 | 242,782 | 13.8% | 0 | 242,782 | 13.8% | 16,846 | 16,846 | 0 | \$28.17 |
| | Overall | 6,115,304 | 1,303,805 | 21.3% | 18,855 | 1,322,660 | 21.6% | 19,475 | 19,475 | 0 | \$34.34 |
| Kendall | Class A | 1,412,264 | 300,697 | 21.3% | 500 | 301,197 | 21.3% | -5,699 | -5,699 | 51,000 | \$33.01 |
| | Class B | 2,076,853 | 382,209 | 18.4% | 6,488 | 388,697 | 18.7% | 6,164 | 6,164 | 31,063 | \$24.87 |
| | Overall | 3,489,117 | 682,906 | 19.6% | 6,988 | 689,894 | 19.8% | 465 | 465 | 82,063 | \$28.57 |
| Miami Beach | Class A | 865,175 | 60,501 | 7.0% | 0 | 60,501 | 7.0% | 512 | 512 | 0 | \$35.61 |
| | Class B | 1,161,381 | 157,931 | 13.6% | 0 | 157,931 | 13.6% | 5,092 | 5,092 | 0 | \$32.20 |
| | Overall | 2,026,556 | 218,432 | 10.8% | 0 | 218,432 | 10.8% | 5,604 | 5,604 | 0 | \$33.19 |
| Miami Lakes | Class A | 416,748 | 140,700 | 33.8% | 0 | 140,700 | 33.8% | -2,030 | -2,030 | 0 | \$26.07 |
| | Class B | 1,397,566 | 395,281 | 28.3% | 0 | 395,281 | 28.3% | 16,353 | 16,353 | 0 | \$22.41 |
| | Overall | 1,814,314 | 535,981 | 29.5% | 0 | 535,981 | 29.5% | 14,323 | 14,323 | 0 | \$23.32 |
| North Miami | Class A | 160,000 | 88,197 | 55.1% | 0 | 88,197 | 55.1% | 8,000 | 8,000 | 0 | \$35.07 |
| | Class B | 1,189,991 | 210,460 | 17.7% | 0 | 210,460 | 17.7% | 36,841 | 36,841 | 0 | \$21.22 |
| | Overall | 1,349,991 | 298,657 | 22.1% | 0 | 298,657 | 22.1% | 44,841 | 44,841 | 0 | \$24.14 |
| South Miami | Class A | 0 | 0 | 0.0% | 0 | 0 | 0.0% | 0 | 0 | 0 | - |
| | Class B | 383,355 | 106,095 | 27.7% | 0 | 106,095 | 27.7% | 816 | 816 | 0 | \$21.77 |
| | Overall | 383,355 | 106,095 | 27.7% | 0 | 106,095 | 27.7% | 816 | 816 | 0 | \$21.30 |
| SUBURBAN SUBMARKETS TOTAL | | | | | | | | | | | |
| Suburban | Class A | 13,597,697 | 2,850,025 | 21.0% | 46,335 | 2,896,360 | 21.3% | 65,877 | 65,877 | 51,000 | \$32.50 |
| | Class B | 14,281,068 | 2,996,395 | 21.0% | 71,377 | 3,067,772 | 21.5% | 73,727 | 73,727 | 111,063 | \$24.90 |
| | Overall | 27,878,765 | 5,846,420 | 21.0% | 117,712 | 5,964,132 | 21.4% | 139,604 | 139,604 | 162,063 | \$28.14 |
| MIAMI-DADE TOTAL | | | | | | | | | | | |
| TOTAL | Class A | 23,050,273 | 4,798,000 | 20.8% | 99,673 | 4,897,673 | 21.2% | 148,741 | 148,741 | 51,000 | \$35.85 |
| | Class B | 20,808,077 | 4,178,375 | 20.1% | 71,703 | 4,250,078 | 20.4% | 113,132 | 113,132 | 111,063 | \$25.04 |
| | Class A & B | 43,858,350 | 8,976,375 | 20.5% | 171,376 | 9,147,751 | 20.9% | 261,873 | 261,873 | 162,063 | \$30.75 |

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Miami-Dade Office Submarkets



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Market Highlights

The Miami-Dade MSA is considered to be a true international city. It is a key global business center for the US, with only New York and Washington, DC having more international banking operations. And as the "Gateway to Latin America and the Caribbean" the city is the uncontested leader for doing business in these growing markets. As such, more than 1,000 multi-national companies have offices in Miami-Dade.

A worldwide tourist destination, more than 11 million visitors come to Miami-Dade each year. Despite a sluggish economy, the area actually saw a 3.5% increase in tourism over the past year, proof of Miami-Dade's attractiveness even during an economic downturn.

Thanks to an increasingly diversified economy, Miami-Dade's labor market has traditionally enjoyed low unemployment rates and has led Florida in terms of job growth. Key economic sectors continue to be finance, wholesale trade, construction, and tourism, but over the last decade there has been considerable growth in the information technology and health care industries.

While the area has been impacted by the national recession and housing market collapse, the long-term outlook for Miami-Dade remains very positive.

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