RESEARCH

4Q13
MIAMI OFFICE MARKET

Newmark Grubb Knight Frank

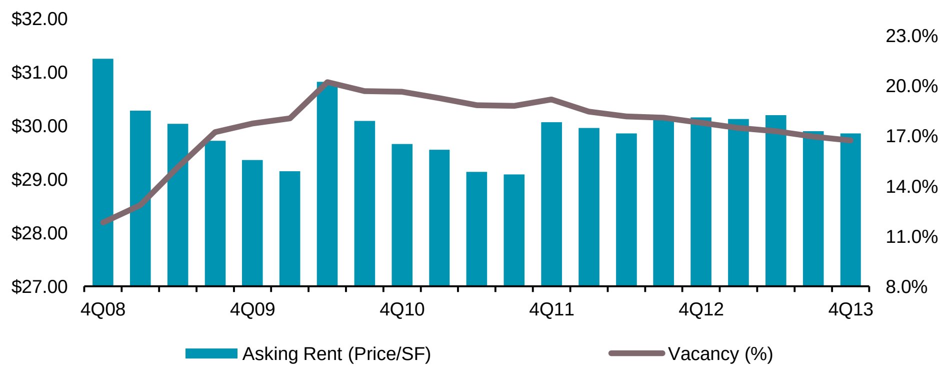
2013: A TALE BETWEEN TWO OFFICE CLASSES

The Miami office market experienced another year of déjà vu. Small quarterly gains chipped away at the vacancy rate bringing it to its lowest level since the second quarter of 2009. Demand outpaced supply for the 15th consecutive quarter while vacancy rates dropped 110 basis points from one year ago. This was a slight slow-down from the 140 basis point drop in vacancy during 2012.

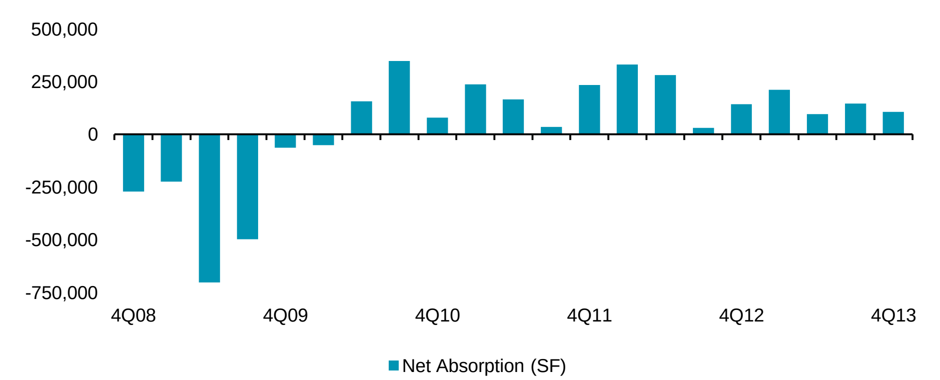
Higher-end offices dominated space needs for the year with Class A space recording over 474,000 square feet of year-to-date positive absorption, while Class C followed suit with over 159,000 square feet absorbed in 2013. Class B space saw vacant inventory surpass space needs with 85,900 square feet of negative absorption posted for the year. A flight-to-quality of companies from lower-tier spaces coupled with small expansions from existing tenants aided the 260 basis point drop in Class A vacancy to 17.9% from last year at this time. However, there hasn't been enough growth to the small business sector to significantly impact the lower-tier Class B and Class C office sectors.

Asking rent averages dropped $0.18 from the $30.04/SF full service gross rate seen during this time last year. The continued removal of higher-end space allowed lower-end rates to impact the weighted average more. Class A space saw a $0.56 drop from the $36.81/SF full service gross rate posted during fourth quarter of 2012. Class B space experienced a year-over-year

Asking Rent and Vacancy



Absorption



Key Indicators

Total Inventory (SF)			46,798,833
	4Q13	3Q13	4Q12
Asking Rent (Price/SF)	$29.86	$29.90	$30.04
Vacancy Rate (%)	16.7%	17.0%	17.8%
Under Construction (SF)	0	0	0
	4Q13	3Q13	YTD
Net Absorption (SF)	105,628	145,102	557,599
Deliveries (SF)	0	0	0

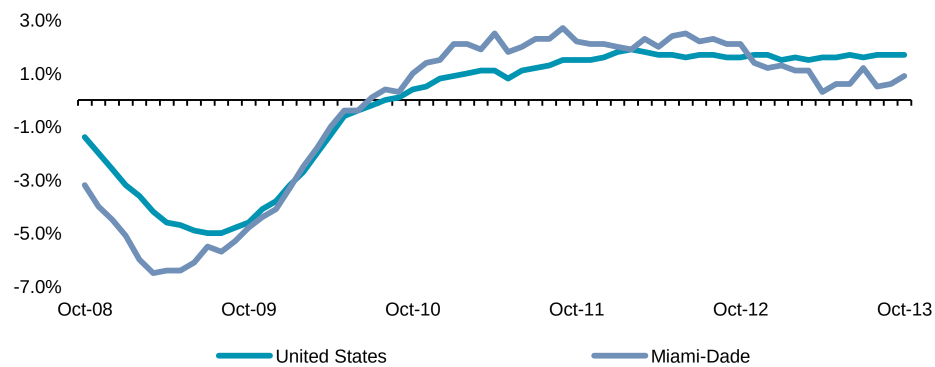
decrease of $0.65 from $28.42/SF full service gross. The markets' rent corrections were not caused from landlords lowering quoted rates, but more of a disparity between transaction and occupancy activity between class levels.

Investment sales didn't see any major growth change in 2013 with 20.0 million square feet of office space exchanging hands that totaled $534 million. This is on par with the 22.5 million square feet sold in 2012 that totaled over $444 million. The majority of office buildings being traded remained lower-end Class B and C product as investment companies' hold on to higher-end well leveraged properties. The sale of 444 Brickell Avenue and 99 SE 5th Street during the fourth quarter marked another sale in the CBD in which the buyer plans to demolish older office buildings and convert them to residential.

Looking ahead, 2014 should be a stronger year for the office sector. Growing ties to the Latin American financial sector coupled with strong development in the multifamily sector should translate into increased office needs. Asking rents will likely remain steady over the next 12 to 18 months.

Payroll Employment

Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, millions

Select Lease Transactions

Tenant	Building	Submarket	Square Feet
FedEx	701 Waterford - 701 Waterford Way	Airport West	74,100
Shutts & Bowen LLP	Southeast Financial Center - 200 S. Biscayne	Downtown	69,155
White & Case LLP	Southeast Financial Center - 200 S. Biscayne	Downtown	57,954
TotalBank	Miami Tower - 100 SE 2nd St	Downtown	55,066
West Coast University	9250 Doral - 9250 NW 36th St	Airport West	39,793
Squire, Sanders & Dempsey	Southeast Financial Center - 200 S. Biscayne	Downtown	30,019
Hencorp	Brickell Office Plaza - 777 Brickell Ave	Brickell	20,400

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
444 Brickell Ave.	Brickell	200,000	$68,939,266	Sold for land value
99 SE 5th St.	Brickell	100,000	$35,060,734	Sold for land value
1275 W. 47th Pl.	East Airport/Hialeah	66,310	$7,150,000	$108

Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
CBD Total	**13,634,545**	**-**	**18.8%**	**110,573**	**283,058**	**$41.71**	**$28.61**	**$35.27**
Brickell Avenue	6,417,363	-	16.4%	119,282	243,512	$42.19	$32.36	$38.27
Downtown Miami	7,217,182	-	21.0%	-8,709	39,546	$41.32	$26.81	$33.51
Airport West	11,544,602	-	15.8%	23,986	138,398	$28.00	$24.46	$24.56
Biscayne Corridor	1,694,599	-	42.5%	-6,389	-20,542	-	$30.86	$30.09
Coconut Grove	655,803	-	17.8%	-7,866	-17,832	-	$31.79	$30.22
Coral Gables	5,885,935	-	15.2%	-10,553	49,039	$36.65	$30.10	$34.18
Coral Way	822,959	-	7.6%	-2,821	-10,989	-	$27.09	$24.52
East Airport/Hialeah	693,179	-	11.9%	-51,110	-48,919	-	$22.03	$19.52
Kendall/South Dade	4,331,148	-	11.9%	38,433	92,910	$35.89	$26.12	$26.21
Miami Beach	2,131,494	-	10.1%	17,788	40,752	$36.30	$33.22	$33.34
Miami Lakes	1,806,918	-	18.2%	-21,335	7,624	$25.07	$22.74	$22.70
Northeast Dade	3,036,451	-	15.8%	16,172	33,277	$33.81	$26.15	$23.37
South Miami	561,200	-	3.7%	-1,250	10,823	$26.00	$34.00	$20.98
Suburban Total	**33,164,288**	**-**	**15.9%**	**-4,945**	**274,541**	**$32.12**	**$27.46**	**$27.13**
Totals	**46,798,833**	**-**	**16.7%**	**105,628**	**557,599**	**$36.25**	**$27.77**	**$29.86**

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Glossary of Terms

Absorption
A measure of the change in occupied space

Availability
Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries
The total RBA of properties added to the inventory once construction has been completed

Direct Space
Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity
The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy
Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)
A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space
Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction
Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy
Space not physically occupied by a tenant, regardless of the lease status or availability of space

Weighted Average Rent
The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.