

Miami Downtown Development Authority

Office Tenant Trends in Downtown Miami: *A Look at Patterns of Business Industry Demand*

2018



Office Tenant Trends in Downtown Miami:

A Look at Patterns of Business Industry Demand

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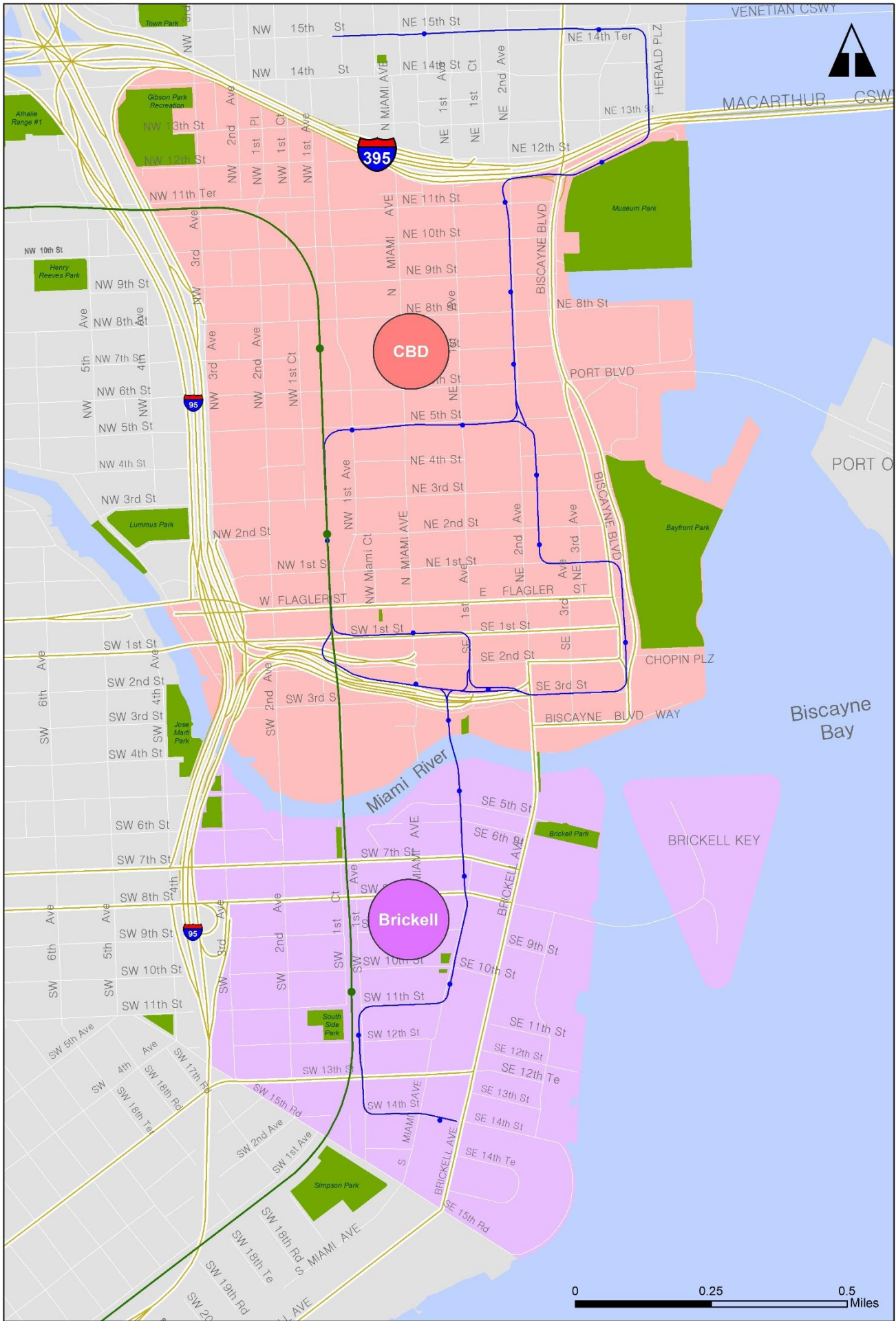
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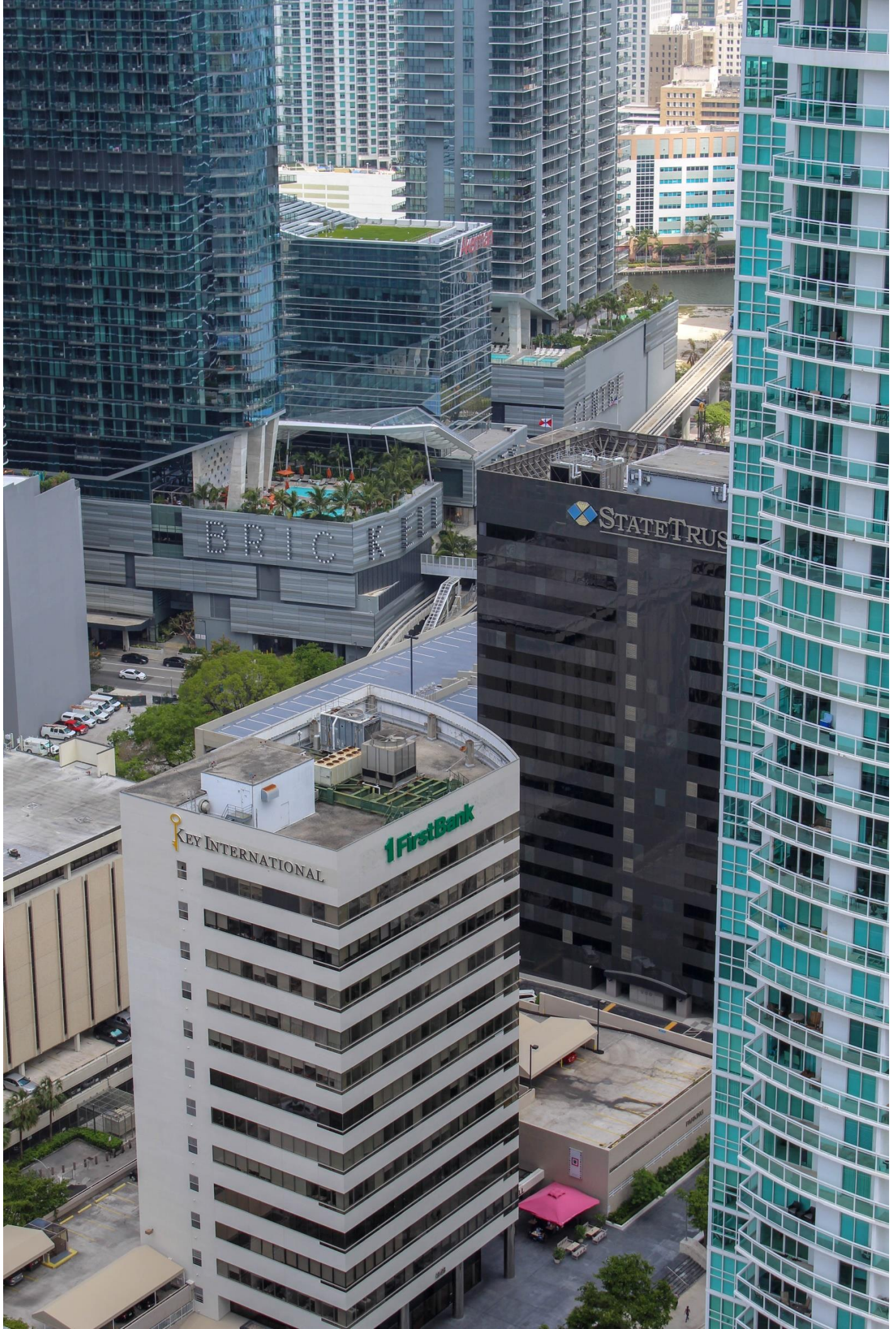
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Source: Miami-Dade County I.D., Miami DDA
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Executive Summary

Greater Downtown Miami is the epicenter of the Americas. With its proximity to Latin America and the Caribbean and its significance in the United States' 6th-largest metropolitan area, Greater Downtown Miami is the economic gateway of the Americas. With a daytime population of over a quarter million people, Greater Downtown Miami is the busiest and densest location in the entire Miami metro area. The majority of Greater Downtown Miami's labor force works in offices, and dozens of large, multinational firms have offices in Downtown Miami. This report looks at the commercial office market in Downtown Miami over the last 5 years from 2013 through Q1 2018. This report explores leasing trends, office touring, major tenants, and pricing. These points provide insight as to the nature of Downtown Miami's economy with regard to major players, major industries, and upcoming demand for space in the market. Below are some key findings:

Financial services and banks are among the largest office users in Downtown Miami:

- Downtown Miami has the highest concentration of banks and financial institutions outside of Manhattan
- 60 international banks are in Downtown Miami
- 100 alternative investment firms are in Downtown Miami
- 4 of the world's largest accounting firms have a Downtown Miami presence

Law firms are consistently the largest office users in Downtown Miami:

- 6 international law firms with revenues of at least \$1B are in Downtown Miami
- Most law firms in Downtown Miami either have large offices (20,000+ SF) or mid-size offices (7,000 - 10,000 SF)

Downtown Miami's market has high retention and successfully attracts new users:

- 89% of Miami's existing downtown office users stay in place
- 58% of Miami's new-to-market firms chose Downtown Miami over every other Miami suburb
- Over 700,000 SF of office space was signed by new-to-market firms in Downtown Miami since 2013
- The dominating industries in Downtown Miami's new-to-office market are: financial services, tech, and leisure & hospitality

Touring for Office Space in Downtown Miami is up 350% from 2013:

- In addition to Amazon's 500,000 SF tour for HQ2, another 171,000 SF of tech firms are touring Miami for their office space needs
- 62% of all Miami market tours occur in Downtown Miami

Many multinational firms have some type of headquarters in Downtown Miami:

- 5 companies have their main headquarters downtown
- 7 firms have their Latin American regional headquarters downtown
- 3 multinational firms have their United States headquarters downtown

Downtown Miami's offices are affordable in comparison to other large urban cores:

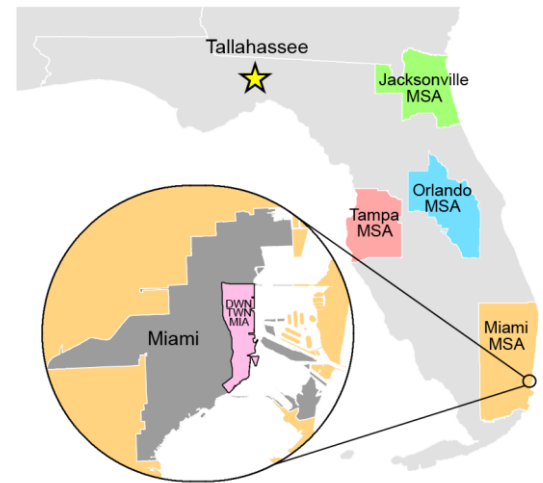
- Class A rental rates in Downtown Miami are \$33 PSF cheaper than NYC's Midtown South Market
- Downtown Miami's Class A rental rates are lower than those in Boston, New York, San Francisco, Seattle, and Washington, DC

Greater Downtown Miami

Greater Downtown Miami is not only the City of Miami’s urban core, but it is also the densest location in the entire Miami-Fort Lauderdale-West Palm Beach, FL MSA (metropolitan statistical area, or metro area for short). With a daytime population over a quarter million people, Greater Downtown is the economic powerhouse of the Miami metro area. When you consider the Miami metro area accounts for 30% of the entire state’s population and the State of Florida is the 3rd most populous in the nation, Greater Downtown’s significance becomes clear quite quickly.

Greater Downtown Miami is not only the economic powerhouse of the Miami metro area, but it is also the urban core of a truly international city. Many international governments and global firms have a presence in Downtown Miami. In fact, 28 nations have Consulate Generals (19) or Honorary Consulate Generals (9) in Downtown Miami. To name a few, Argentina, Canada, France, Germany, Japan, Turkey, and the United Kingdom have Consulate Generals posted in Downtown Miami. Along with these consular offices, Downtown Miami is home to 6 bi-national chambers of commerce: British American Business Council; Italy-America Chamber of Commerce Southeast; Trinidad & Tobago South Florida Chamber of Commerce; German-American Business Chamber of South Florida; French-American Chamber of Commerce; and the US-Mexico Chamber of Commerce, Inter-American Chapter. There are an additional 47 nations represented by either Consulate Generals or Honorary Consulate Generals outside of Downtown Miami but within the Miami metro area. Miami is truly a world-class city with international representatives, organizations, and businesses residing and working in its urban core.

With Greater Downtown’s proximity to Latin America and the Caribbean, many large international firms have a presence. A handful of these firms even have a regional or divisional headquarters in Downtown Miami. According to WorldCity’s *Who’s Here The 2017 Multinational Director*, 213 multinational corporations have offices in the CBD or Brickell. These firms represent each continent and span across several different industries. While there’s a healthy mix of industries operating in Downtown Miami, financial services organizations, banks, and law firms are the largest employers with regard to total office space leased. Finance and professional services are 2 of Downtown Miami’s top employment industries (2018 Greater Downtown Demographics), which explains why banks, financial institutions, and law firms occupy the most office space in Downtown Miami’s office market.



International Governments Represented in Downtown Miami

Country	Consular Type
Antigua & Barbuda	Consulate General
Argentina	Consulate General
Bahamas	Consulate General
Belgium	Honorary Consulate
Canada	Consulate General
Chile	Consulate General
Dominican Republic	Consulate General
Estonia	Honorary Consulate
France	Consulate General
Georgia	Honorary Consulate
Germany	Consulate General
Guatemala	Consulate General
Haiti	Consulate General
Israel	Consulate General
Jamaica	Consulate General
Japan	Consulate General
Malta	Honorary Consulate
Mexico	Consulate General
Moldova	Honorary Consulate
Netherlands	Consulate General
Paraguay	Consulate General
Philippines	Honorary Consulate
South Korea	Honorary Consulate
Senegal	Honorary Consulate
Trinidad & Tobago	Consulate General
Tunisia	Honorary Consulate
Turkey	Consulate General
United Kingdom	Consulate General

Downtown Miami: A Sample of The Biggest Names Here

60 international banks
100 alternative investment firms



6 international law firms with
\$1B or more in revenue



4 largest accounting firms
2 largest public relations firms
and many other large firms



Downtown Miami: Regional & Divisional HQs

5 Main HQs



7 LatAm HQs



3 USA HQs



Who's Here: Downtown Miami Tenants by Office Sizes, 2013 - 2017

Law firms, financial services organizations, and banks were Downtown Miami's largest office users from 2013 through 2017. Downtown Miami has a diverse range of leases executed both by size and industry. Leases range in size from just under 5,000 SF to over 100,000 SF. The average office lease from 2013 through Q1 2018 in Downtown Miami was 8,000 SF. Mid-sized leases are construed to be between 5,000 and 11,000 SF. Small leases are construed as less than 5,000 SF. Most larger leases are 20,000 SF or greater.

In 2016, Akerman LLP, a Miami-based law firm with over 700 attorneys, signed a lease for 110,000 SF in Three Brickell City Centre. Three Brickell City Centre is Class-A office space that was delivered to the market in 2016 as part of the Brickell City Centre development. Akerman's lease was so large it accounted for 82% of the entire Three Brickell City Centre building. In 2017, Holland & Knight, an international law firm based in Miami, and Bank of America & Merrill Lynch both signed leases greater than 100,000 SF in 2017.

2017 Leases 100,000 SF or Greater



2017 Financial Services Leases 20,000 SF or Greater



2017 Financial Services Leases 5,000 – 11,000 SF



Who's Here: Downtown Miami Tenants by Office Sizes, 2018

Law firms, financial services organizations, and banks were Downtown Miami's largest office users from 2013 through 2017. In Q1 of 2018, media and entertainment and retail trade were the largest office users with 50,000 SF signed between just two organizations (one from each industry). French luxury retailer LVMH (Moët Hennessy Louis Vuitton SE) signed a 30,000 SF lease at the start of 2018. FIFA's (Federation Internationale de Football Association) CONCACAF (Confederation of North, Central American, and Caribbean Association Football) signed a 20,000 SF lease in Q1 of 2018. These two organizations combined accounted for 26% of all Q1 2018 leases.

Largest Leases of Q1 2018



Retail trade and media and entertainment may have been the largest industries signing office leases in Q1 2018, but financial services and banks also executed leases at the same time. Many firms signed mid-sized leases (2,400 – 5,700 SF). While not as large as COCNACAF or LVMH in terms of space leased, these financial services firms are large with respect to their economic output. For example, BlackRock, a global investment management corporation, had \$6.28 trillion in assets under management as of December 31st 2017. MS Amlin, an insurer based in the United Kingdom, recorded £3.5 billion in gross written premiums in 2016. Such large financial services firms signing leases in Q1 2018 signals confidence in Downtown Miami as a market necessary for continued growth and success.

Q1 2018 Financial Services Leases 2,400 – 5,700 SF



While this report explores transactions from 2013 through Q1 2018, two major tenants signed leases in Downtown Miami in Q2 of 2018. Viacom Inc., a media and entertainment firm, signed a lease for 24,000 SF at 3 MiamiCentral, a recently delivered Class-A office space part of MiamiCentral Station, which provides access to Brightline, South Florida's new high-speed passenger rail system. Viacom intends to use the space for their MTV Latin America HQ. It's unknown if this is a new-to-market tenant or not. Additionally, Duane Morris LLP, an international law firm based in Philadelphia, signed a lease for over 23,000 SF of penthouse space at the Citigroup Center in Downtown Miami. Duane Morris was already a tenant of Downtown Miami.

Major Q2 2018 Leases



Who's Here: Downtown Miami Bank Tenants by Office Size

Financial services and banking are two of the largest office user types in Downtown Miami. Below is a handful of banks utilizing office spaces between 5,000 and 11,000 SF.

2017 Downtown Miami Bank Leases 5,000 – 11,000 SF



Nine of these tenants are international banks, three represent American global banking entities and South Florida's TotalBank was purchased last year by City National Bank from Banco Santander of Spain. City National Bank has consistently ranked in the top 50 of all large U.S. banks. Below is a sample of major tenants in Downtown Miami with 7,000 SF or more.

2017 Downtown Miami Bank Leases 7,000 SF or Greater



Who's Here: Sample of Tenants Who Signed Leases Since 2013

The majority of Downtown Miami's office tenants signing office leases since 2013 are globally and nationally recognized names.



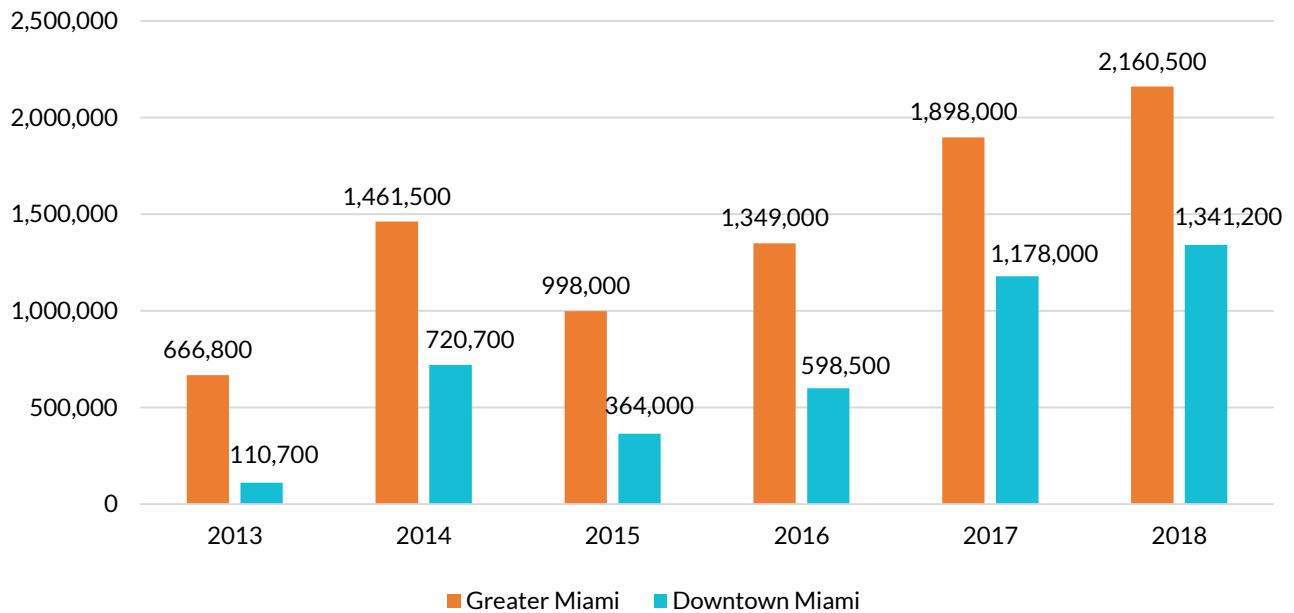
Touring Downtown Miami: Who's Looking



Touring office space in Downtown Miami is up **350%** since 2013.

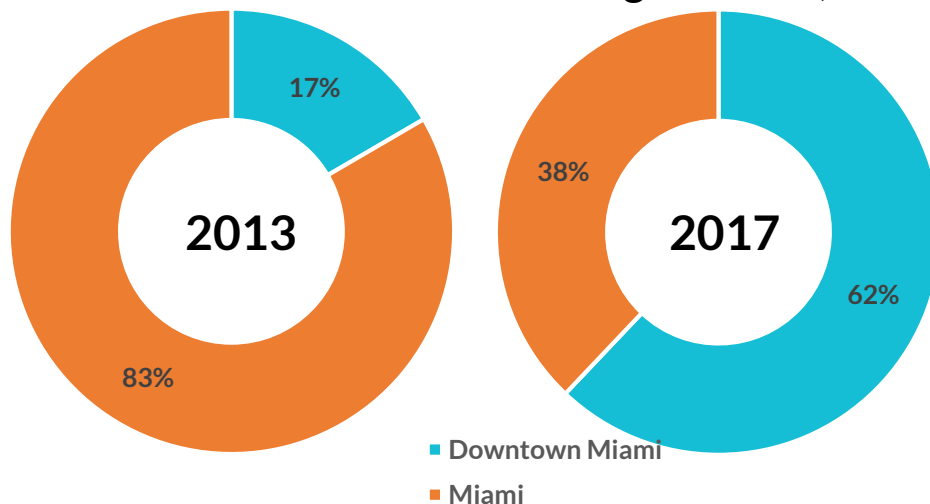
Touring in the Greater Miami office market has steadily increased every year since 2015. From 2013 to 2014, touring in Greater Miami increased by 119% and then fell from 2014 to 2015 by -32%. From 2015 to 2018, touring in Greater Miami increased by 116%. From 2013 to 2018, touring in Greater Miami increased by 224%. Touring offices in Downtown Miami has increased even more. From 2013 to 2018, touring in Downtown Miami increased by 350%.

Tenant Tours - Office Space Requirements in the Market 2013 - 1Q 2018



Downtown Miami has captured a significant market share of Miami's total tours. In 2013, Downtown Miami only accounted for 17% of all of Miami's tours. In 2017 and Q1 2018, Downtown Miami accounted for 62% of all of Miami's tours.

Downtown Miami's Share of Touring in Miami, 2013 vs 2017



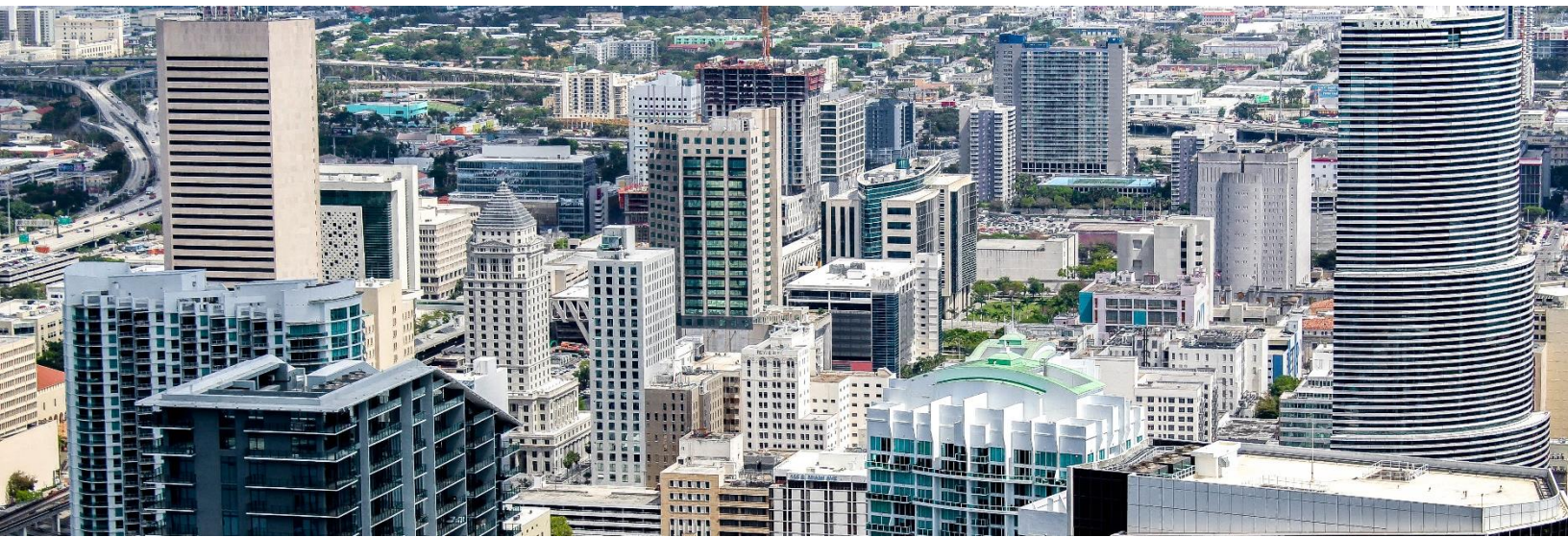
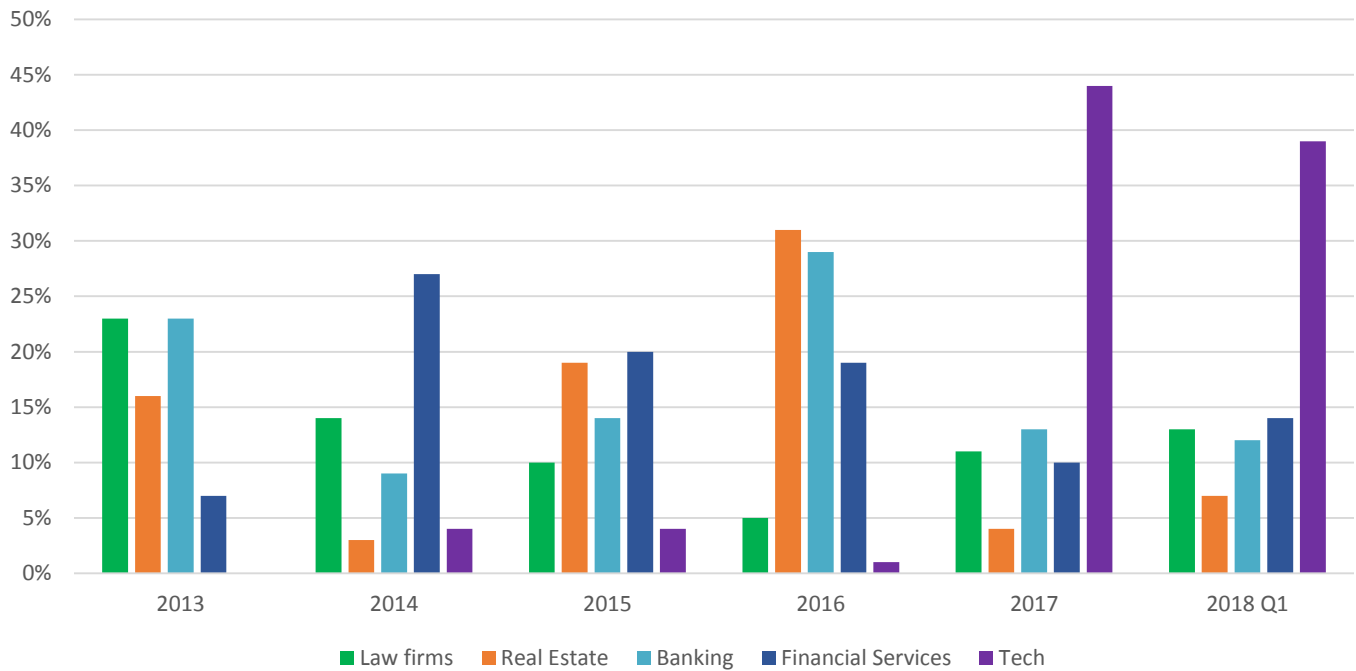
Touring Downtown Miami: Who's Looking by Industry

The base of office users who have been touring for a downtown location since 2013 indicates a diversified set of business industries as most of the major economic sectors were represented.

Financial services, banks, law firms, and real estate firms have done the most touring of Downtown Miami from 2013 through 2016. In late 2017 and early 2018, Amazon's tour of Downtown Miami for HQ2 (500,000 SF of office space) shows a major shift from financial services and banks to tech.

While not as large as Amazon, law firms, financial services firms, real estate firms, and banks maintained consistent touring of the Downtown Miami office market.

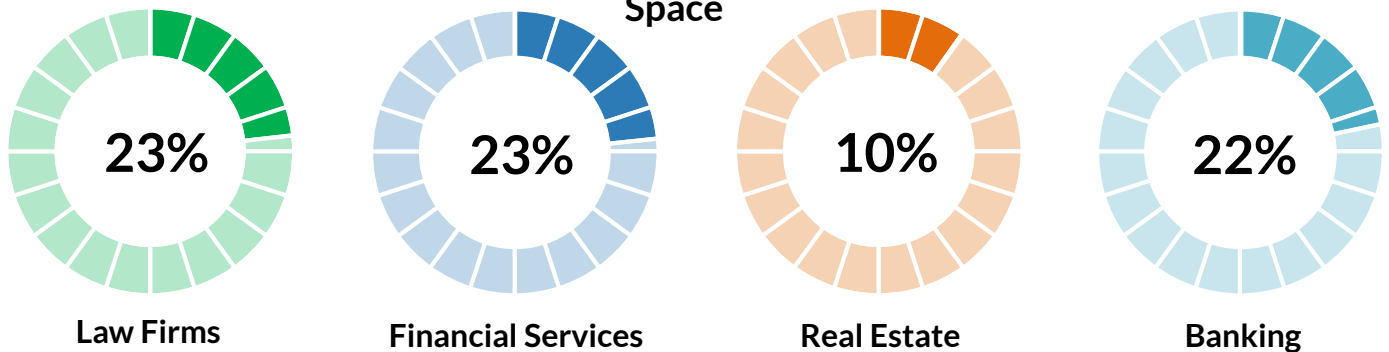
Downtown Miami's Top Industries Touring the Market for Office Space as a % of Total Market Share



Touring Downtown Miami: Who's Looking by Industry

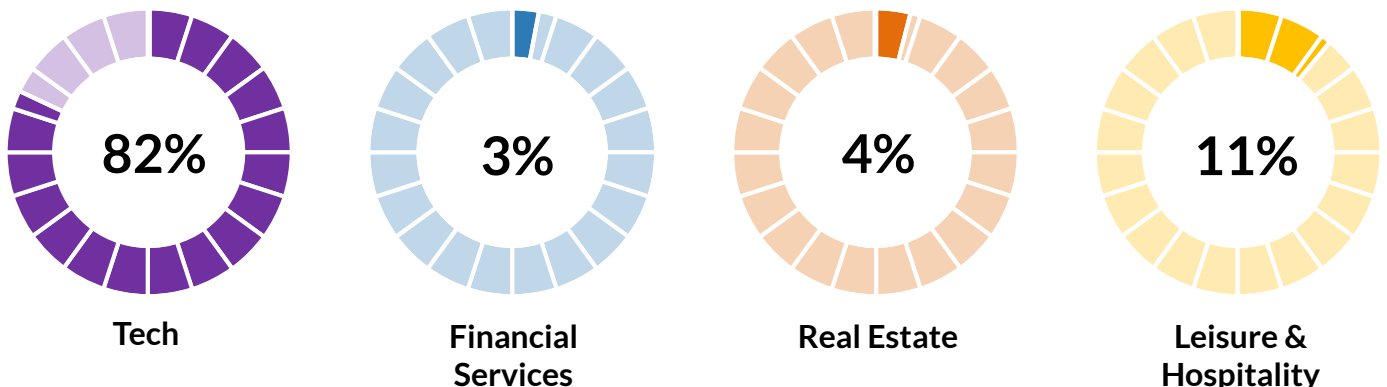
Tenants currently utilize 733,000 SF of office space in Downtown Miami, and they are looking to renew, expand, or relocate their offices within Miami's urban core. The largest office users by industry are financial services, law firms, and banking. Financial services comprise 171,000 SF. Law firms account for 170,200 SF. Banking totals 159,000 SF. Real estate is the 4th largest industry with 72,000 SF of upcoming demand. Media and entertainment is 5th with 42,000 SF. These 5 industries combined are the prime support services for most business providers. Reflecting a diversified economy, all of the major employment sectors are represented among Miami's existing office tenants looking to retain and/or expand their presence in Downtown Miami.

Downtown Miami's Top Industries by Share of Upcoming Demand for Office Space



With Amazon's tour of Downtown Miami for HQ2, tech dominates current touring activity for new-to-market users. While not typical of a Miami office space tour in terms of size, this is a substantial requirement for any US market. The next largest segment of office users looking to open a new Downtown Miami office is leisure and hospitality with 70,000 SF in tours. Much of Greater Miami and Downtown Miami's new and planned development activity incorporates hotel and entertainment uses. In addition with Miami's Port located in Downtown Miami, cruise lines and other related port services are attracted to this location. Real estate, among Miami's prime economic drivers, has 25,000 SF of new firms touring for office spaces in downtown. Financial services is seeing 17,000 SF of new providers looking to enter the Downtown Miami office market.

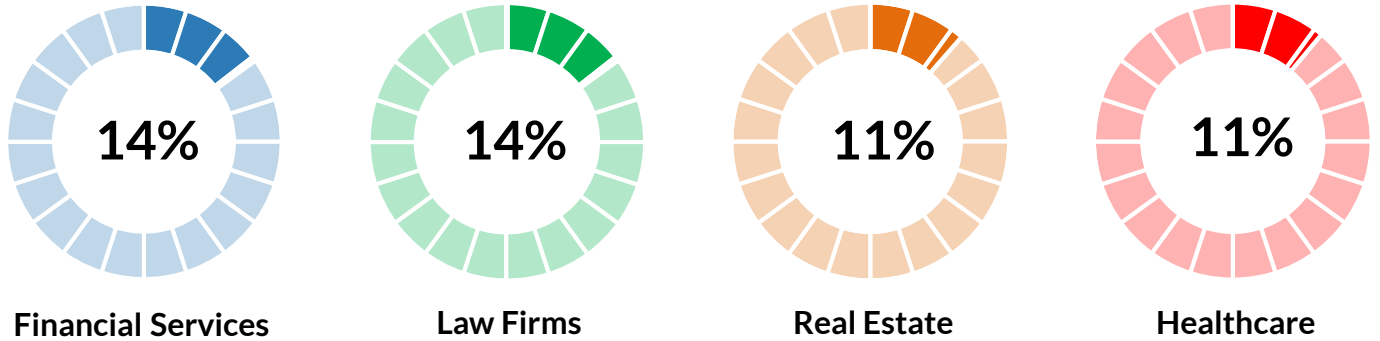
Downtown Miami's Top Industries by Share of Upcoming Demand for New-to-Market Office Space



Greater Miami's Leasing Trends

Since 2013, 15.0 million square feet (SF) of office space was leased in the Greater Miami market spread out among a diversified employment base. Leading the charge for the market as a whole were financial services and law firms – the same chief industries that dominate leasing activity within the CBD urban core.

Greater Miami's Top Industries by Share of General Leasing Volume



Share of Greater Miami Office Leases Signed by Industry, 2013 – Q1 2018

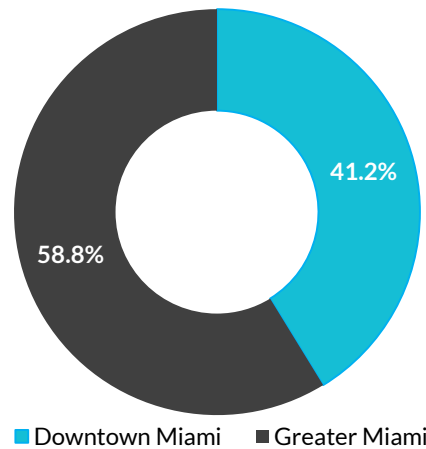
Industry	Share
Financial Services	14.49%
Law Firms	14.40%
Real Estate	11.43%
Healthcare	11.07%
Business Services	7.50%
Technology	6.97%
Banking	5.65%
Media & Entertainment	5.22%
Retail Trade	5.12%
Transportation & Utilities	4.98%
Government	3.14%
Leisure & Hospitality	2.76%
Manufacturing	2.50%
Education	2.16%
Other	0.98%
Wholesale Trade	0.64%
Personal Services	0.56%
Construction	0.36%
Other Services	0.07%
Business Services	0.02%

Source: Cushman & Wakefield

Greater Miami's Leasing Trends

Downtown Miami's office market, which spans roughly 2-square miles, accounts for over 41% of the entire Greater Miami office market. Greater Miami's seven other suburban markets (Airport, Aventura, Gables, Grove, Kendall, Miami Lakes, and South Miami) combined account for just under 59%. Downtown Miami's density, amenities, and agglomerating economies make it an attractive market for office users.

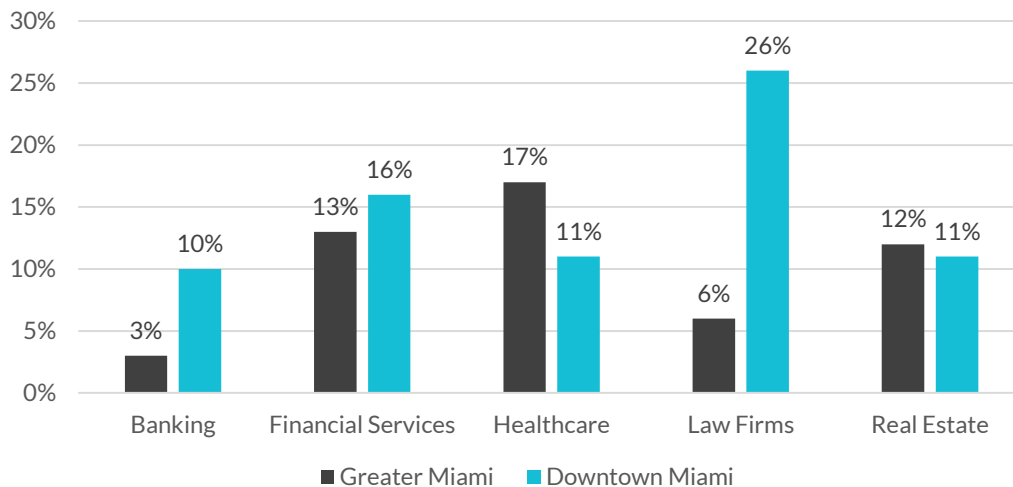
**Downtown Miami v Greater Miami Suburban Markets
SF Executed & Dominant Industry Sectors
2013-1Q 2018**



Source: Cushman & Wakefield

Downtown Miami's office market is different from Greater Miami's suburban markets. Downtown Miami's office leases are dominated by law firms, whereas healthcare is the dominant industry leasing office space in the suburbs. While the dominant industry differs, both the suburbs and downtown have a noticeable presence of financial services and real estate.

**Comparison of Dominant Industries in Suburbs vs
CBD by Share of Total SF Executed**

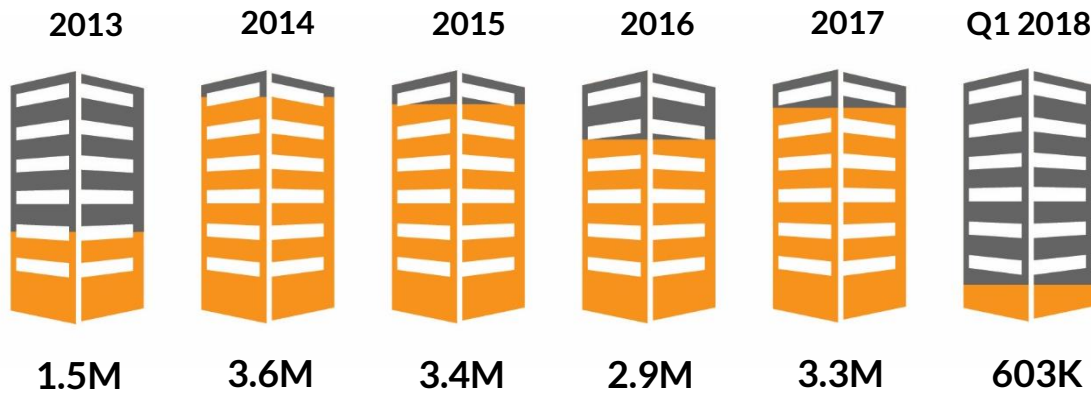


Source: Cushman & Wakefield

Greater Miami's Leasing Trends

In terms of leasing, Greater Miami's commercial office market has remained steady after a major increase in executed leases from 2013 to 2014. The average annual square footage of total office leases executed from 2013 to 2017 was 2,919,000. From 2013 to Q1 2018, the total space of all office leases executed is 15,324,503 SQFT.

Total SF Executed Annually, 2013 - 2018



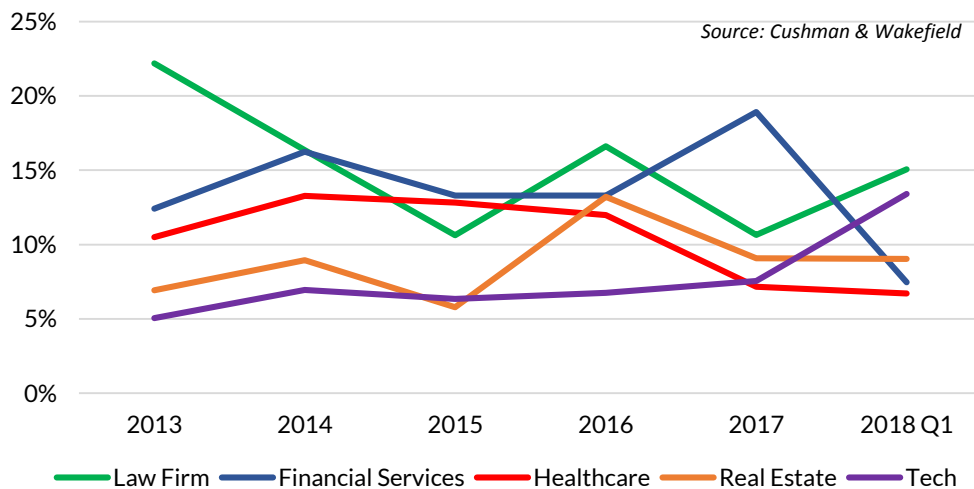
Among Greater Miami's most abundant and consistent office tenants signing leases have been those in the legal and finance industries. These are also among the largest inhabitants of office space. Within Greater Miami's urban core, these two combined sectors occupy over 3.0 million SF of office space in Downtown and Brickell Avenue office buildings.

For each year, Miami law firms have ranked among the top business sectors taking office space. With the exception of the first three months of 2018, the financial sector has also remained among the annual top ranking industries executing leases market wide.

Q1 2018 Points to the Rise of Tech Office Users – With the Region Ripe with Entrepreneurs & Start-Ups

- The Kauffman Foundation's 2017 Index of Startup Activity ranked South Florida first in the nation
- Outside of the top five, the next five largest metros for the number of tech sector business establishments included the Miami-Ft. Lauderdale-West Palm Beach MSA (*CompTIA's Cyberstates 2018*)

Greater Miami's Share of Total Office Leases Signed by Top Industry Sectors, 2013-2018 Q1



Downtown Miami's Leasing Trends

The bread and butter of the CBD's office market base is dominated by finance, banking and law firms (*Financial Services includes a variety of sectors such as accountants, hedge funds, wealth advisors, insurance companies etc.*). Of note is the strong presence of real estate related office users - due in large part to professional services and support firms related to the prolific construction and planned development activity – occurring both in the urban core and throughout Miami.

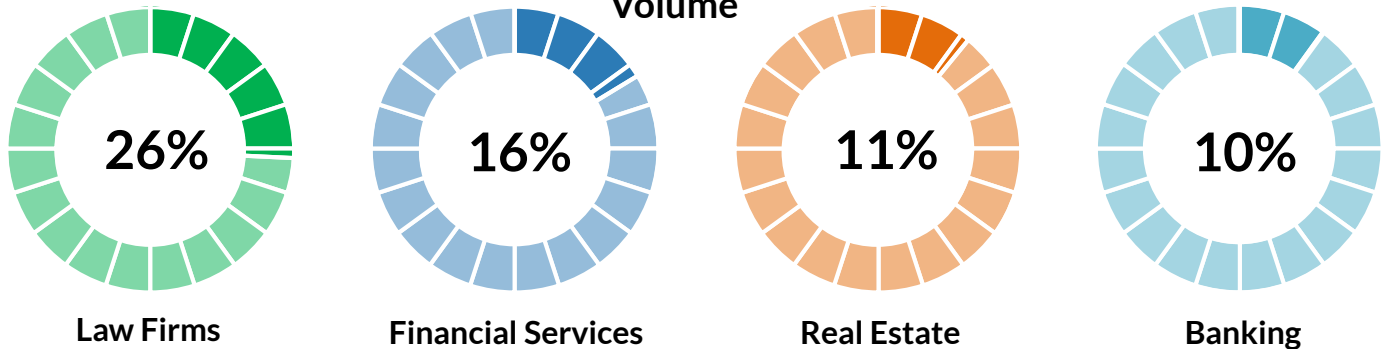
Office leasing categorized under the real estate industry banner also includes the increasing emergence of office space leased by co-working/executive suites operators. A snapshot of their Downtown and Brickell Avenue presence shows approximately 340,000 SF of signed leases (2013-1Q 2018) along with one 97,000 SF building which was purchased. Two of the most active co-working/executive suites firms in Miami's urban core are WeWork and Regus (Spaces). These entities typically attract small start-ups, entrepreneurs and tech-related firms.

Top ranking US city for co-working space: Miami

Besting Manhattan, co-working comprises 3.0% of Miami-Dade's total commercial space (with 59 co-working sites)

Source: Yardi Matrix/Miami Herald

Downtown Miami's Top Industries by Share of General Leasing Volume



Share of Greater Miami Office Leases Signed by Industry, 2013 – Q1 2018

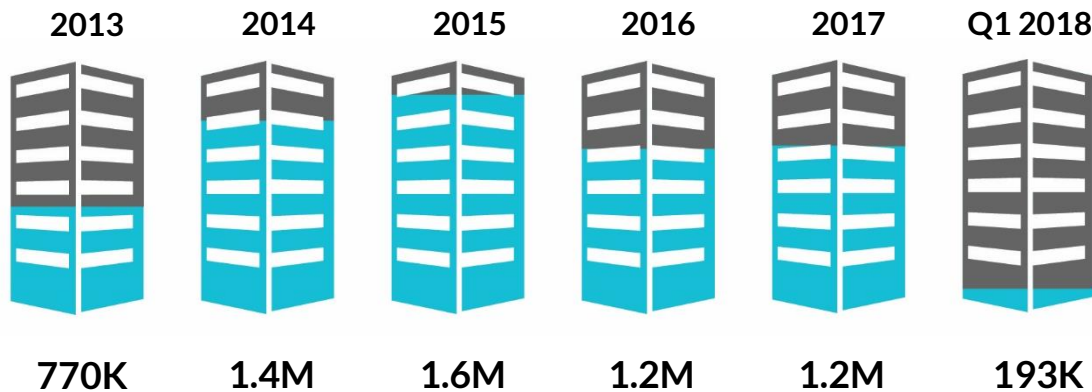
Industry	Share	Industry	Share
Law Firms	25.76%	Education	2.25%
Financial Services	16.29%	Transportation & Utilities	2.01%
Real Estate	10.92%	Healthcare	1.99%
Banking	9.97%	Manufacturing	0.87%
Business Services	7.98%	Other	0.85%
Technology	6.43%	Construction Services	0.55%
Government	3.96%	Personal Services	0.52%
Media & Entertainment	3.61%	Wholesale Trade	0.46%
Retail Trade	3.12%	Other Services	0.16%
Leisure & Hospitality	2.29%		

Source: Cushman & Wakefield

Downtown Miami's Leasing Trends

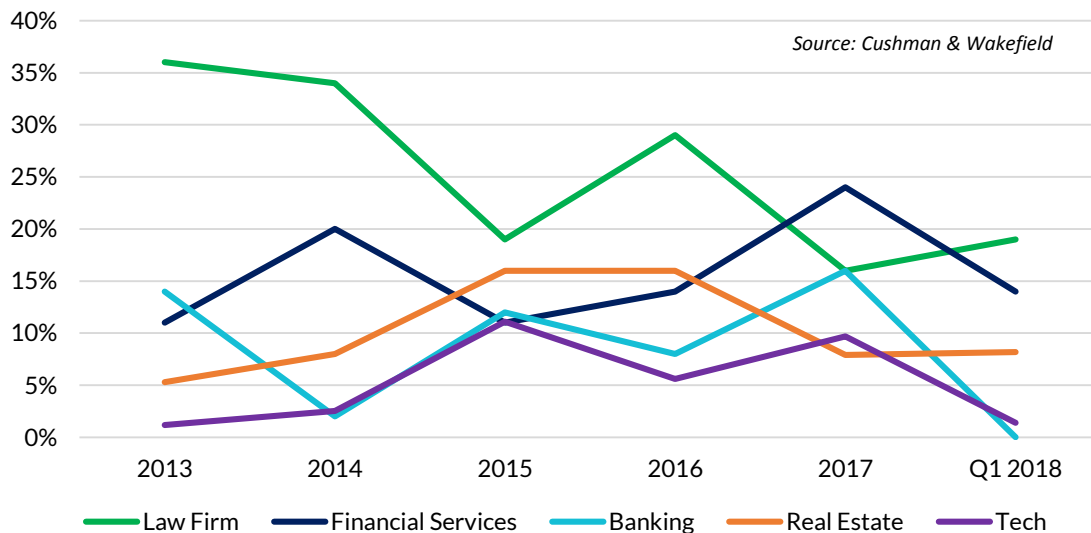
In terms of total square footage leased, Downtown Miami's office leasing has fluctuated with the economy over the last 5 years. From 2013 to Q1 2018, over 6.3 million SF of office space has been leased in downtown. The majority of downtown Miami's office market (89%) stays in place; only 11% of the leases executed over the past 5 years were new-to-market. Most existing office users either renew, expand, or relocate within downtown Miami.

Total SF Executed Annually, 2013 - 2018



Law firms, financial services organizations, banks, and real estate firms comprise the largest shares of total SF leased from 2013 through 2017. In Q1 2018, media and entertainment and retail trade joined law firms in the top three for leasing by SF. With leases signed by CONCACAF and YMCA, media and entertainment dominated total SF leased with 25% of all signed leases in Q1 2018.

Downtown Miami's Share of Total Office Leases Signed by Top Industry Sectors



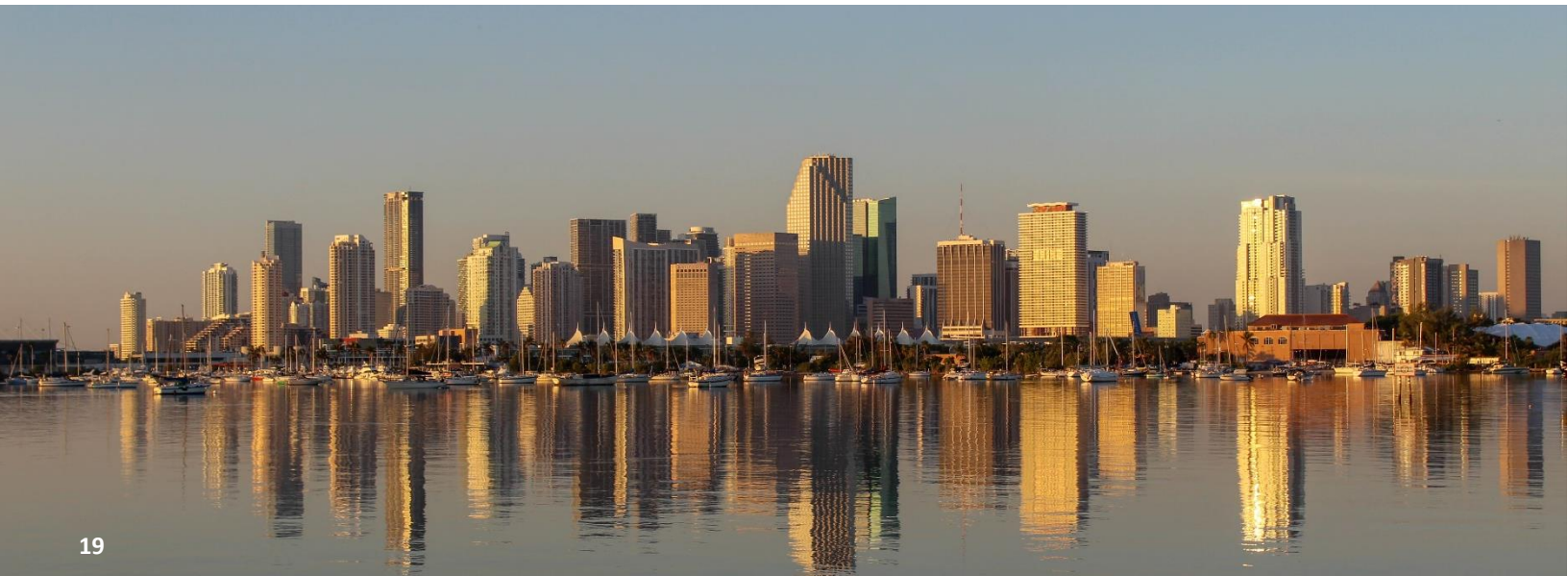
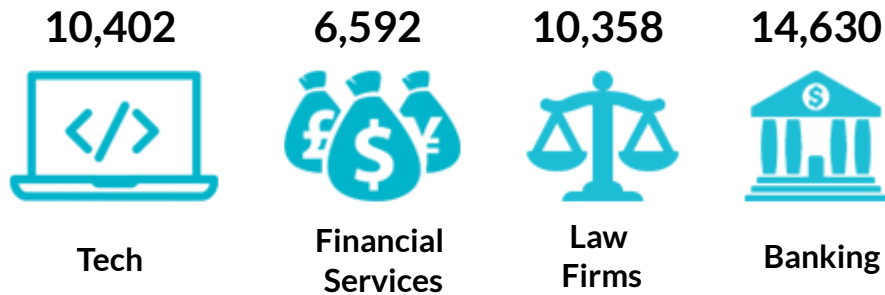
Downtown Miami's Leasing Trends

Over the past 5 years, law firms and financial services organizations have been the most consistent office users in Downtown Miami. With the exception of 2014, banking has also been a consistent industry in leasing office space. Law firms tend to be the largest office users in terms of office sizes. In 2013, 5 law firms executed leases for a combined 216,000 SF, and in 2014, just one law firm signed a lease for 110,000 SF.

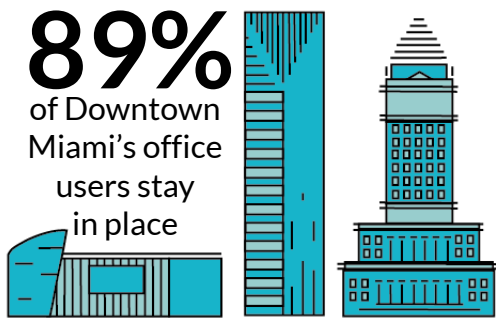
While not as large as law firms, financial services organizations also tend to lease larger offices. In 2017, 34 financial services firms signed leases totaling 274,000 SF.

Media and entertainment and retail trade leases became prominent in Q1 2018 with the signing of leases by LVMH (retail trade) and CONCACAF (media and entertainment). LVMH signed a lease of 30,000 SF and CONCACAF signed a lease of 20,000 SF.

Average Lease Size of Downtown Miami's Top Office Users (SF)



Downtown Miami's Leasing Trends



From 2013 to Q1 2018, 89% of Downtown Miami's office tenants remained in the market by either renewing, expanding, or relocating within the CBD. The remaining 11% of all leases signed in that same time period came from new-to-market tenants. Downtown Miami's ability to retain its office users speaks to the nature of the downtown market. With a health mix of retail, residential, office, and entertainment options, office tenants have many reasons to remain in Downtown Miami.

From 2013 to Q1 2018, over 6.3 MSF of office space was leased out. The average annual of all Downtown Miami leases signed is 1.2 MSF. Of these transactions, 27% were leases signed for office spaces of 7,000 SF. 51% of all leases signed from 2013 to Q1 2018 fell in the 8,000 – 9,000 SF range. The remaining 22% of leases were for office spaces greater than 10,000 SF. The average office lease in Downtown Miami is 8,426 SF.



Law firms and financial services lead the Downtown Miami market in leases signed in the 7,000 – 10,500 SF range. These two industries combined account for nearly half (47%) of all leases in that size range. Law firms comprise 25% of all 7,000 – 10,500 SF range leases. Financial services organizations account for 22%. Retail trade and businesses services each account for 7% of all leases in the 7,000 to 10,500 SF range. Tech, banking, and real estate each account for 6% of leases in this size range as well.

Share of Downtown Miami Office Leases in 7k – 10.5k SF Range by Industry, 2013 – Q1 2018

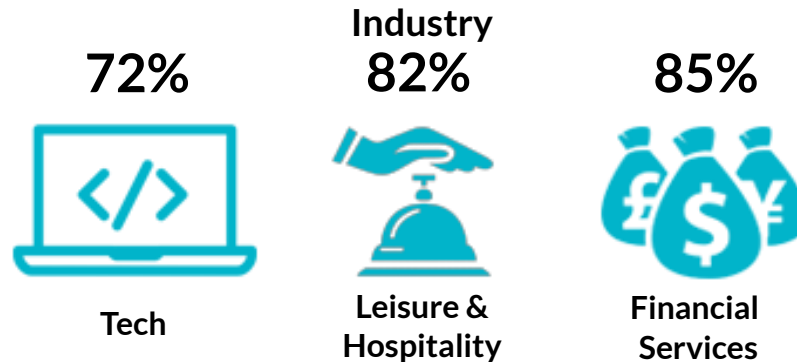
Industry	Share	Industry	Share
Law Firms	24.58%	Manufacturing	2.87%
Financial Services	22.48%	Transportation & Utilities	2.42%
Retail Trade	7.50%	Construction	2.31%
Business Services	7.39%	Other Services	1.47%
Tech	6.35%	Other	1.43%
Banking	6.32%	Media & Entertainment	1.28%
Real Estate	5.89%	Education	1.18%
Healthcare	5.49%	Leisure & Hospitality	1.03%

Source: Cushman & Wakefield

Greater Miami's New-to-Market

A look at new tenants opening their first office(s) in the Greater Miami market place reveals a somewhat different industry sector makeup and a strong preference for an urban core (CBD) location. In fact, 58% of Greater Miami's total new-to-market businesses since 2013 have located their offices in Downtown Miami. Of all industries, Downtown Miami captured the greatest shares of new-to-market tech, leisure and hospitality, and finance businesses. 72% of all new-to-market tech firms located in Downtown Miami. 82% of all new-to-market leisure and hospitality firms signed leases in Downtown Miami. 85% of all new-to-market finance firms opened their offices in Downtown Miami. Since 2013, over 708,000 SF of office spaces for new businesses opened in Downtown Miami

Downtown Miami's Share of New-to-Market Leases Signed by Industry



Share of Greater Miami's New-to-Market Office Leases Signed by Industry, 2013 – Q1 2018

Industry	Share
Technology	19.3%
Leisure & Hospitality	12.7%
Financial Services	11.7%
Real Estate	9.7%
Healthcare	9.6%
Business Services	9.2%
Retail Trade	7.4%
Media & Entertainment	5.8%
Law Firms	4.7%
Transportation & Utilities	4.4%
Manufacturing	2.8%
Education	0.7%
Construction	0.6%
Banking	0.5%
Other	0.4%
Personal Services	0.2%
Wholesale Trade	0.1%

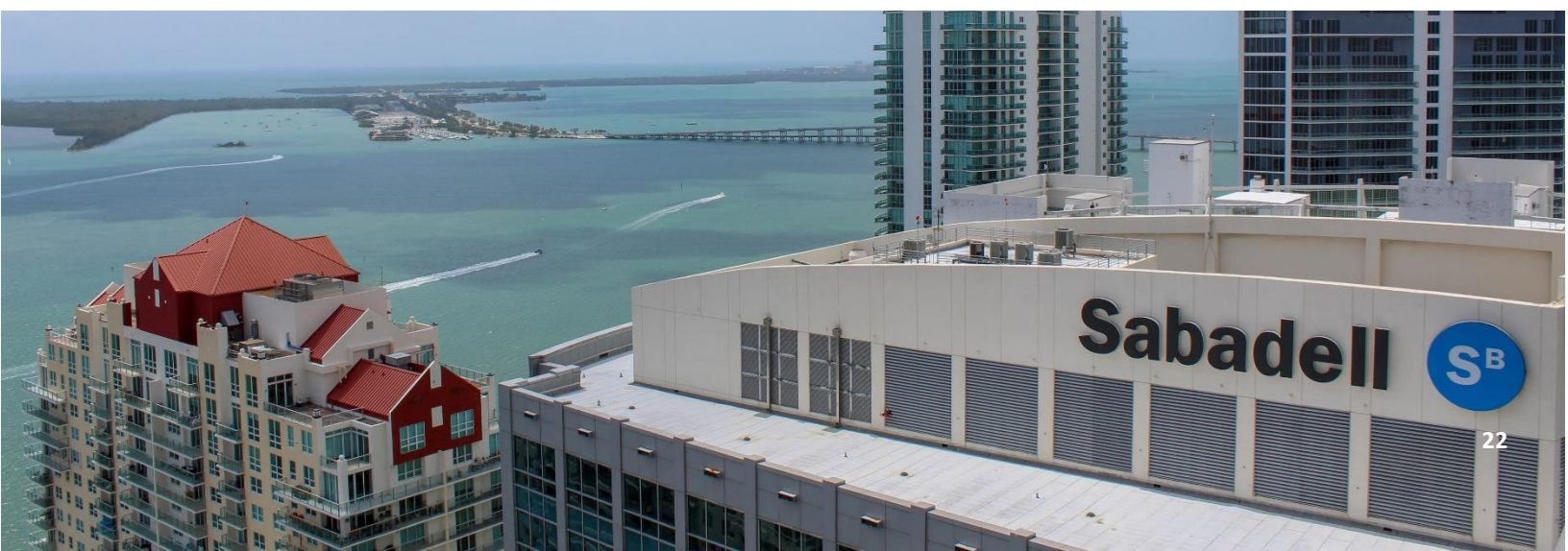
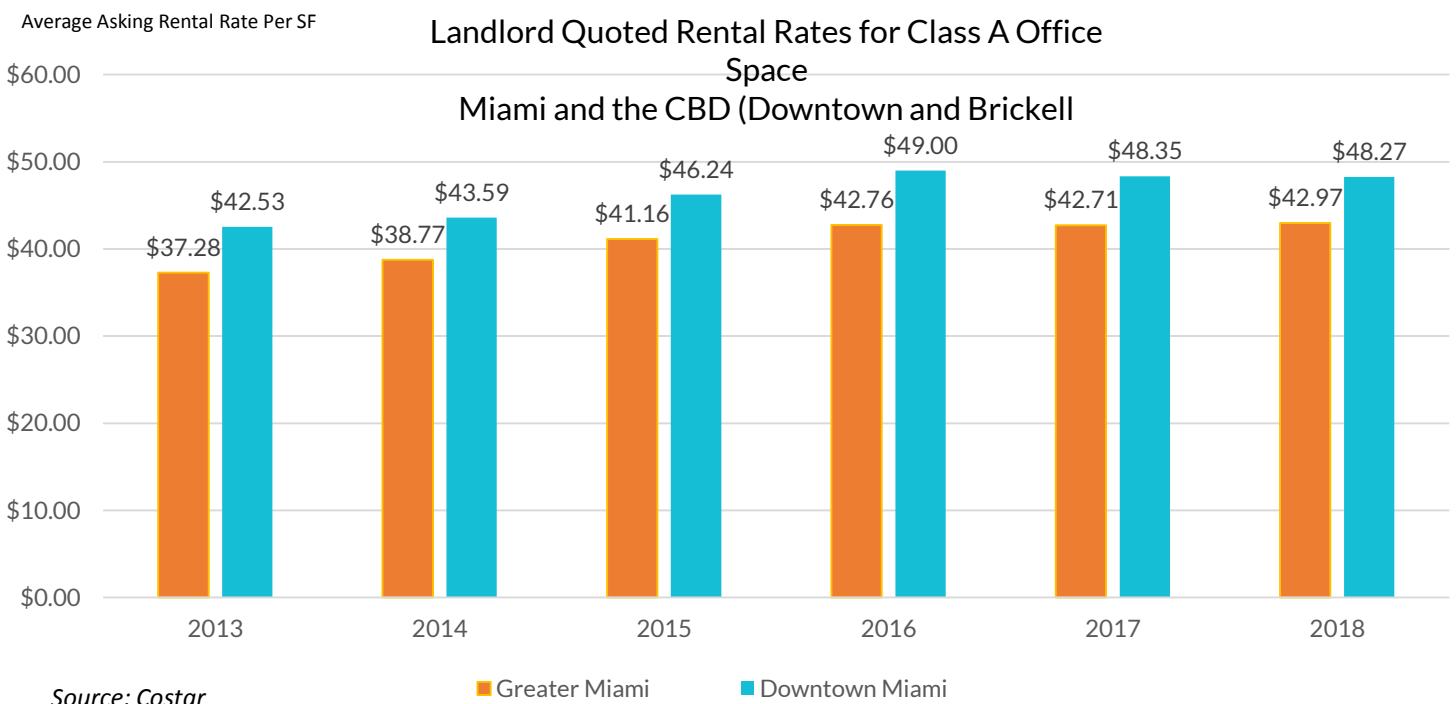
Source: Cushman & Wakefield

Downtown Miami Office Market Pricing

Both Downtown Miami and Greater Miami's larger office markets are seeing a steady increase in rental rates. Both Class A and Class B office space is marked a decade high in average quoted rates. Class A office space in Downtown Miami is \$10 more per square foot on average than Miami's suburban markets.

Within Downtown Miami, Brickell's Class A market holds the highest rental rates with a quoted rate of \$52.94 PSF. The CBD's Class A office pricing has remained in the \$46 PSF range over the last 2 quarters.

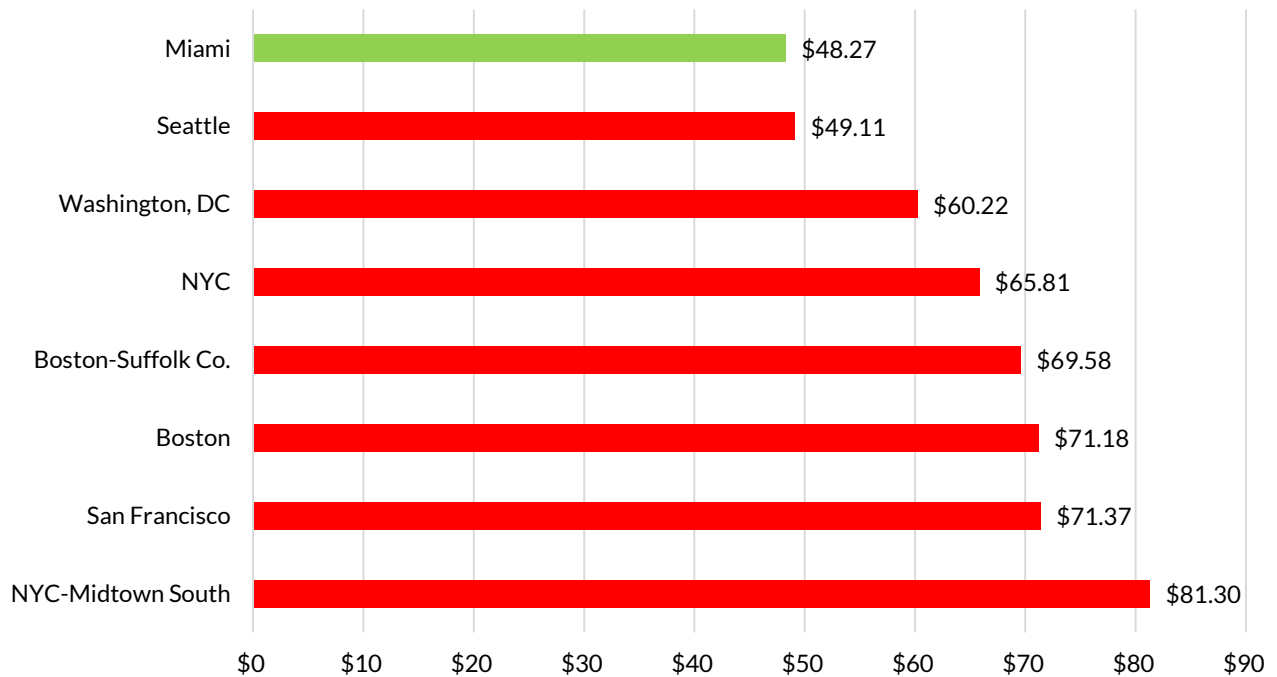
Prime office spaces are the most expensive and can reach up to \$68 PSF. Prime office space is usually found on higher floors with unobstructed views. Depending on the individual building, high floors with unobstructed water views and full floor availabilities, the prime or most desirable office space in all markets typically exceed the overall average quote.



Downtown Miami Office Market Pricing

Downtown Miami’s office market is a bargain compared to other major urban office markets. Class-A office space in Miami is nearly half the dollar per square foot of Class-A office in New York City’s Midtown South. Downtown Miami’s affordable Class-A price points make it an attractive alternative to other urban centers across the nation.

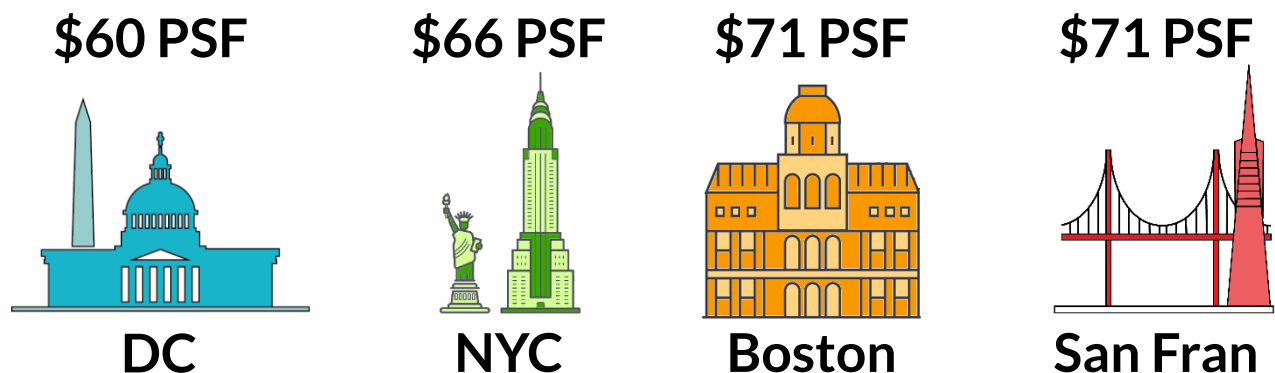
Average Class-A Urban Office Space Quoted Price PSF



Source: CoStar

Downtown Miami offers a sophisticated, amenity-rich waterfront setting with global market access to firms here and located around the world. The city’s real estate pricing for office space is particularly attractive with substantially lower costs than that offered along the Eastern Seaboard as well as two key west coast urban core markets. In addition to Downtown Miami’s affordable Class-A office market, firms can benefit from lower property tax rates and Florida’s absence of the state income tax. Downtown Miami expects a continuation of attracting firms, especially in financial services, given the new tax bill which has a cap on the deduction for state and local taxes.

Class-A Rental Rates are Cheaper than Other Major Urban Cores



Office Market Trends: RBA & Absorption

Downtown Miami's office market comprises of over 22 million SF. Downtown Miami's office market has grown very little over the last five years adding only 1.0% additional RBA to the area. Class-A office space has grown the most with a 4.6% increase in RBA in Downtown from 2013 to 2018 YTD.

Class-A office space has also grown faster than Class-B and overall office space in Greater Miami (Miami-Dade County) and the Miami MSA (metropolitan statistical area, or metro area). Greater Miami saw a 4.4% increase in Class-A RBA and the Miami metro area saw a 5.1% increase in Class-A RBA over the last five years.

Total RBA, 2013 – 2018 YTD (In Thousands)									
Year	Downtown Miami			Miami-Dade County			Miami MSA		
	All	Class-A	Class-B	All	Class-A	Class-B	All	Class-A	Class-B
2013	21,915	10,540	9,518	105,244	28,476	51,179	230,586	60,295	113,711
2014	22,237	10,540	9,840	105,459	28,476	51,512	231,276	60,775	114,082
2015	21,627	10,540	9,236	104,644	28,542	50,694	230,489	61,095	113,306
2016	21,909	10,806	9,270	104,866	29,019	80,766	231,181	62,054	113,557
2017	22,128	11,026	9,270	105,449	29,735	50,766	232,441	63,359	113,739
2018 YTD	22,322	11,220	9,270	106,482	30,678	50,887	233,786	64,503	113,989
5-Yr Change	1.0%	4.6%	-2.6%	0.2%	4.4%	-0.8%	0.8%	5.1%	0.0%

Source: CoStar

Absorption of Class-A office space in Downtown Miami has steadily decreased from 277,846 SF in 2013 to 72,250 SF in 2017. The 5-year average absorption of Class-A office space in Downtown Miami is 182,661 SF. Overall office space absorption in Downtown Miami has performed better increasing from -138,059 SF in 2013 to 60,765 SF in 2017 with a 5-year average absorption of 279,571 SF.

Class-A and overall office space has in Greater Miami (Miami-Dade County) has fluctuated over the past five years with regard to absorption. Greater Miami saw the least absorption in 2016 but an increase in 2017. The Miami MSA's office market has seen steady absorption for both Class-A and all other office space over the last five years. The 5-year average absorption of Class-A office space is nearly 1.4M SF for the Miami metro area. Greater Miami's Class-A absorption has a 5-year average of 573K SF.

Total Annual Net Absorption									
Year	Downtown Miami			Miami-Dade County			Miami MSA		
	All	Class-A	Class B	All	Class-A	Class-B	All	Class-A	Class B
2013	(138,059)	277,846	(445,285)	676,935	761,761	(170,319)	1,077,903	1,298,952	(324,913)
2014	608,297	227,018	391,338	1,602,364	774,546	875,047	3,691,991	2,206,194	1,586,052
2015	228,093	196,958	49,772	1,480,286	830,054	640,905	2,822,594	1,070,127	1,760,624
2016	105,029	120,332	(20,806)	618,007	173,503	430,239	2,902,417	1,159,988	1,457,765
2017	60,765	72,250	(1,185)	1,122,221	604,506	538,577	2,594,335	1,565,342	1,259,001
2018 YTD	203,959	158,300	(56,817)	427,613	374,253	(52,292)	(95,650)	678,153	(979,445)
5-Yr Avg	279,571	182,661	86,369	1,083,118	573,182	513,770	2,587,012	1,358,667	1,198,637

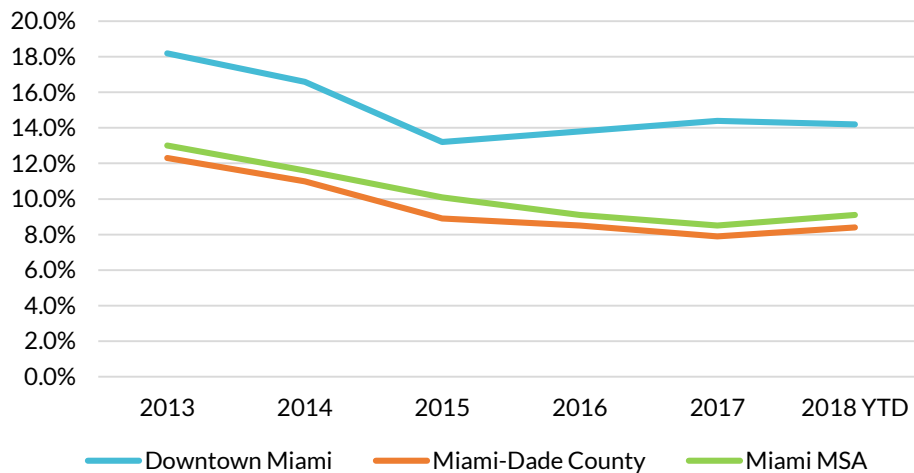
Source: CoStar

Office Market Trends: Vacancy

Vacancy rates remain higher in Downtown Miami than the rest of Greater Miami (Miami-Dade County) and the larger metropolitan area (Miami Metropolitan Statistical Area (MSA)). Vacancy rates have been declining in Greater Miami and Metro Miami the last five years. Unfortunately, Downtown Miami's vacancy troughed in 2015 at 13% and has slowly increased the last two years to 14%.

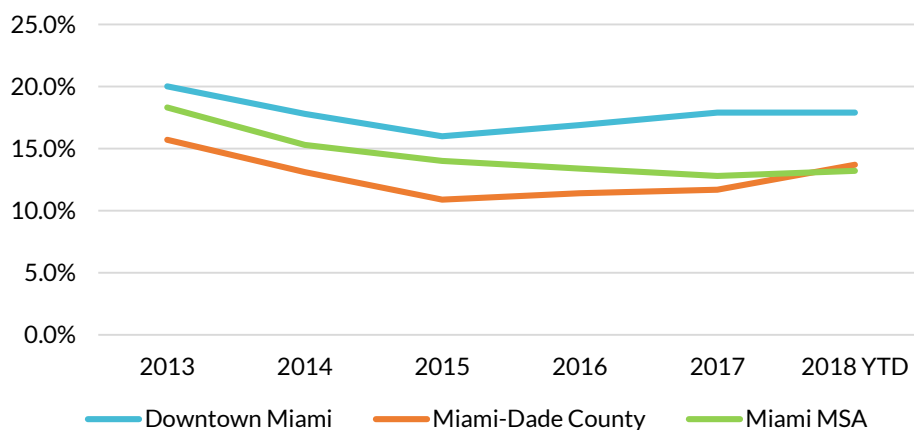
Class-A vacancy rates are higher than overall vacancy rates at all levels of geography in South Florida. Greater Miami and Downtown Miami's Class-A markets saw decreases in vacancy from 2013 to 2015 and upticks in vacancy from 2015 to 2017. Metro Miami's Class-A office market overall has seen a steady decrease in Class-A vacancy, though it appears to be plateauing around 13%. Downtown Miami's annual vacancy rate for Class-A office space was 18% in 2017, down 2% from 2013.

Annual Office Vacancy Rates, 2013-2018 YTD



Source: CoStar


Annual Class-A Office Vacancy Rates, 2013-2018 YTD



Source: CoStar

Office Building Owners & Investors

Total sales of Downtown Miami office buildings since 2010. **\$1.6B**



CBD office properties have been acquired by a variety of well-recognized global, national, and regional investors. While several are new to this market, longtime Downtown Miami real estate investors include LaSalle Investment Management, Gaedeke Group, and Parkway Properties.

Attesting to investor confidence in this location, Parkway Properties just made their second acquisition: With KKR (a global investment firm) as a partner, the entity just purchased Prudential's 1111 Brickell (formerly Sabadell Financial Center) as announced on June 14, 2018. The sale price of nearly \$249 million was second only to the 2016 sale of Southeast Financial Center – the largest premier office building in Florida and among the nation's top trophy towers.

Coming back to Greater Miami's CBD, was Sumitomo – the previous owner of Citigroup Center (which they sold in 2008) and now the current owner of Miami Tower (purchased in 2016).

Recent office building sales indicate rising CBD values:

- 1111 Brickell – 2018 sale price up by 35% from 2013's \$184 million
- SunTrust International Center – 2018 sale price up by 54% from 2011's \$82.5 million
- 1221 Brickell – 2017 sale price up by 39% from 2006's \$111.6 million
- Southeast Financial Center – 2016 sale price by 183% from 2008's \$182.5 million
- Miami Tower – 2016 sale price up by 109% from 2010's \$105.5 million

Buyer/Owner	Submarket Name	Office Building Size (SF)	Office Building Name	Sale Date	Sale Price	Price Per SF
Kohlberg Kravis Roberts (KKR)	Brickell	522,892	Sabadell Financial Center	6/14/2018	\$248,500,000	\$475.24
PCCP (NY & CA-Based RE Investment Mgr)	Downtown Miami	449,076	SunTrust International Center	5/11/2018	\$127,000,000	\$283.00
Rockpoint Group LLC	Brickell	408,649	1221 Brickell	4/24/2017	\$155,000,000	\$379.30
Ponte Gadea USA, Inc. -Spanish billionaire and Zara fashion brand founder, Amancio Ortega (Ponte Gadea USA)	Downtown Miami	1,225,000	Southeast Financial Center	12/1/2016	\$516,600,000	\$421.71
Sumitomo Corporation of Americas	Downtown Miami	631,672	Miami Tower	5/19/2016	\$220,000,000	\$348.28
Gaedeke Group	Brickell	268,000	Brickell Arch (formerly Espirito Santo Plaza)	9/11/2015	\$142,000,000	\$529.85
Parkway Properties, Inc.	Brickell	222,469	Courvoisier Centre II	4/10/2014	\$84,347,799	\$379.14
Parkway Properties, Inc.	Brickell	120,531	Courvoisier Centre I	4/10/2014	\$45,698,612	\$379.14
PGIM, Inc.	Brickell	522,892	Sabadell Financial Center	4/10/2013	\$184,000,000	\$351.89
Crocker Partners, LLC	Brickell	290,000	Brickell City Tower	3/8/2013	\$70,000,000	\$241.38
Crocker Partners, LLC	Downtown Miami	449,076	SunTrust International Center	8/5/2011	\$54,793,407	\$122.01
LaSalle Investment Management Inc.	Downtown Miami	631,672	Miami Tower	12/17/2010	\$105,500,000	\$167.02

Source: CoStar

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Sources & Important Notes

Survey Information: The primary source stems from quarterly surveying with local office landlords of the competitive 19 Class A office buildings and a handful of relevant Class B office buildings. Landlord representatives of these buildings include global, national and local firms; existing building owners and investors also include international, national, regional and local entities. This report also encompasses surveying of tenant representative brokers (from global, national and local firms) conducting business in the Miami office market.

Other Sources:

CoStar

Cushman & Wakefield's *Miami Occupier and Pricing Trends* reports

CRE Sources

Miami Downtown Development Authority

Miami Herald

Miami Today

South Florida Business Journal

The Real Deal

WorldCity Who's Here: The 2017 Multinational Directory

Office Market Statistics: Survey includes activity and rental rate pricing based on selected competitive office buildings for lease comprising 30,000+ SF, excluding medical, government, owner-occupied and most office condo product.

Office Markets: For purposes of this survey, Miami's office market includes nine submarkets. Brickell and Downtown comprise the CBD while the Suburban sector includes Aventura, Coconut Grove, Coral Gables, Kendall, Airport West, Miami Beach and Miami Lakes.



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