Market Review & Outlook

Review: Tenants Faced Higher Costs

South Florida's recovery continued to gain momentum in 2015. Office-using employment rose by 3.0% in Miami-Dade County. Sustained demand for space has pushed Class A availability rates lower in Coral Gables and Brickell as well as in West Miami/Airport, supporting steady rental rate appreciation in these areas. Downtown Miami still offers tenants more availability.

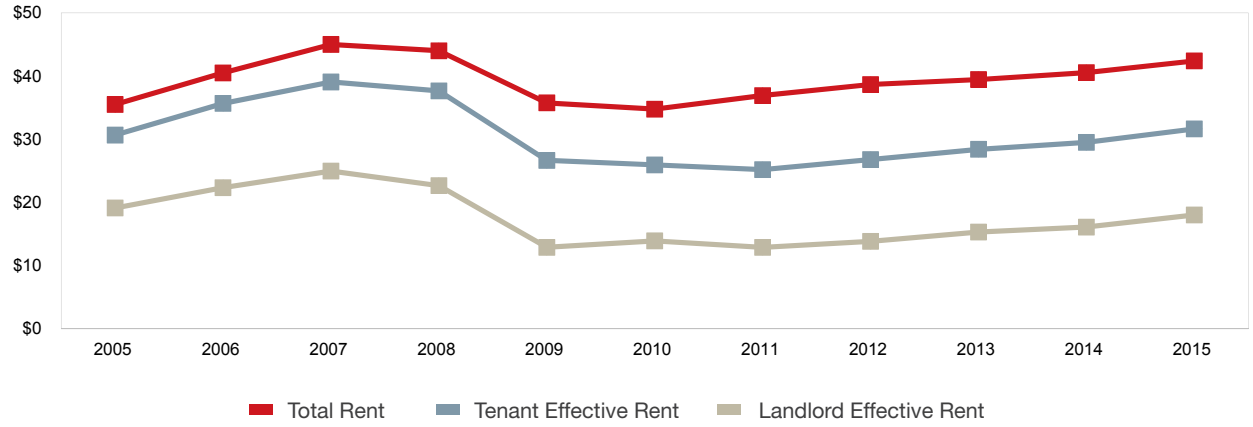
	2015	% Change
Net Rent	$25.90	6.8
Operating Expenses	8.20	1.2
Real Estate Taxes	5.25	1.9
Tenant Electricity	3.05	0.0
Total Rent	42.40	4.6
Amortized Concessions	-10.76	-2.5
Tenant Effective Rent	**31.64**	**7.2**
Landlord Effective Rent	**18.03**	**11.9**

Outlook: Steady Rent Growth Expected

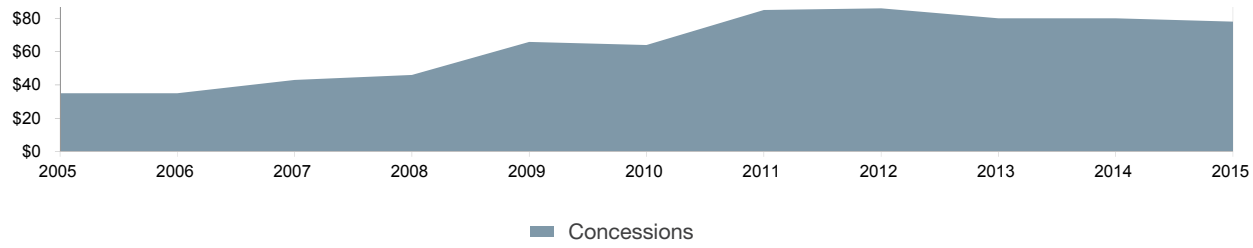
Tenants will encounter additional rental rate growth in 2016, particularly for buildings in amenity-rich Coral Gables and view space in Brickell. New construction is still very limited and asking rent for upper floors is exceeding $50.00/sf in select buildings. Tenants will have to explore suburban locations to find remaining value-plays in this market.

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Rent Trends



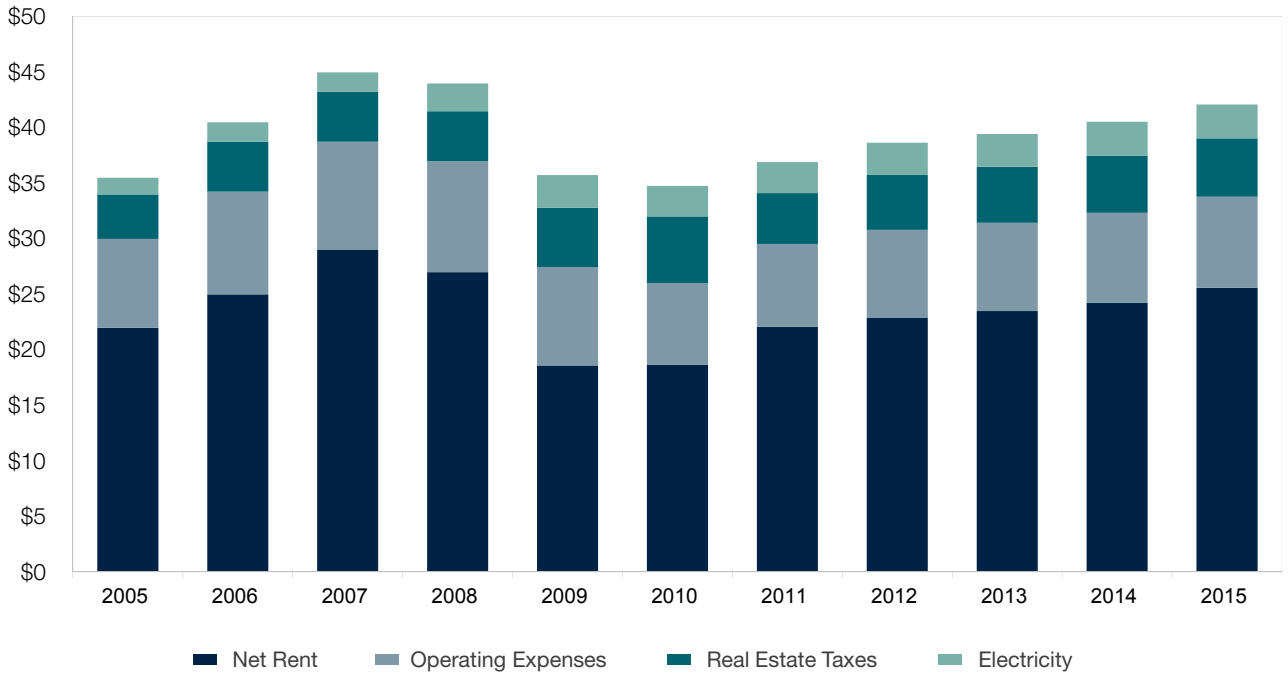
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Total Rent	$35.50	$40.50	$45.00	$44.00	$35.75	$34.77	$36.92	$38.66	$39.45	$40.55	$42.40	4.6%	4.0%	1.8%
Tenant Effective Rent	$30.67	$35.67	$39.07	$37.65	$26.66	$25.94	$25.19	$26.79	$28.41	$29.51	$31.64	7.2%	4.0%	0.3%
Landlord Effective Rent	$19.13	$22.35	$24.97	$22.66	$12.91	$13.92	$12.89	$13.85	$15.32	$16.11	$18.03	11.9%	5.3%	-0.6%



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Concessions	$35.00	$35.00	$37.50	$42.50	$65.85	$63.98	$85.00	$86.00	$80.00	$80.00	$78.00	-2.5%	4.0%	8.3%
Concessions/Rent Ratio*	13.6%	11.9%	13.2%	14.4%	25.4%	25.4%	31.8%	30.7%	28.0%	27.2%	25.4%	-1.8		

* Equals amortized concessions as a percentage of total rent.

Total rent rose for the fifth straight year, registering a 4.6% annual increase from $40.55 to $42.40. Net rent grew by 6.8% from $24.25 to $25.90. Operating expenses (+1.2%) and real estate taxes (+1.9%) rose but tenant electric was flat. Concessions inched lower to $78.00 and declined as a percentage of total rent. Tenant effective rent averaged $31.64, a 7.2% year-on-year increase. Landlord effective rent rose by 11.9% to $18.03.



												Average Annual Change		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2014-2015	2010-2015	2005-2015
Net Rent	$22.00	$25.00	$29.00	$27.00	$18.60	$18.65	$22.09	$22.91	$23.50	$24.25	$25.90	6.8%	6.8%	1.6%
Operating Expenses	$8.00	$9.25	$9.75	$10.00	$8.84	$7.35	$7.45	$7.90	$7.95	$8.10	$8.20	1.2%	2.2%	0.2%
Real Estate Taxes	$4.00	$4.50	$4.50	$4.50	$5.36	$6.02	$4.58	$4.95	$5.05	$5.15	$5.25	1.9%	-2.7%	2.8%
Electricity	$1.50	$1.75	$1.75	$2.50	$2.95	$2.75	$2.80	$2.90	$2.95	$3.05	$3.05	0.0%	2.1%	7.4%
Total Rent	**$35.50**	**$40.50**	**$45.00**	**$44.00**	**$35.75**	**$34.77**	**$36.92**	**$38.66**	**$39.45**	**$40.55**	**$42.40**	**4.6%**	**4.0%**	**1.8%**

Lease Terms/Concessions

Review: Concessions Dip Slightly

Landlords in Coral Gables and premier Brickell properties curbed concessions a bit during 2015. Nevertheless, creditworthy tenants were still able to secure relatively high tenant improvement allowances and free rent periods.

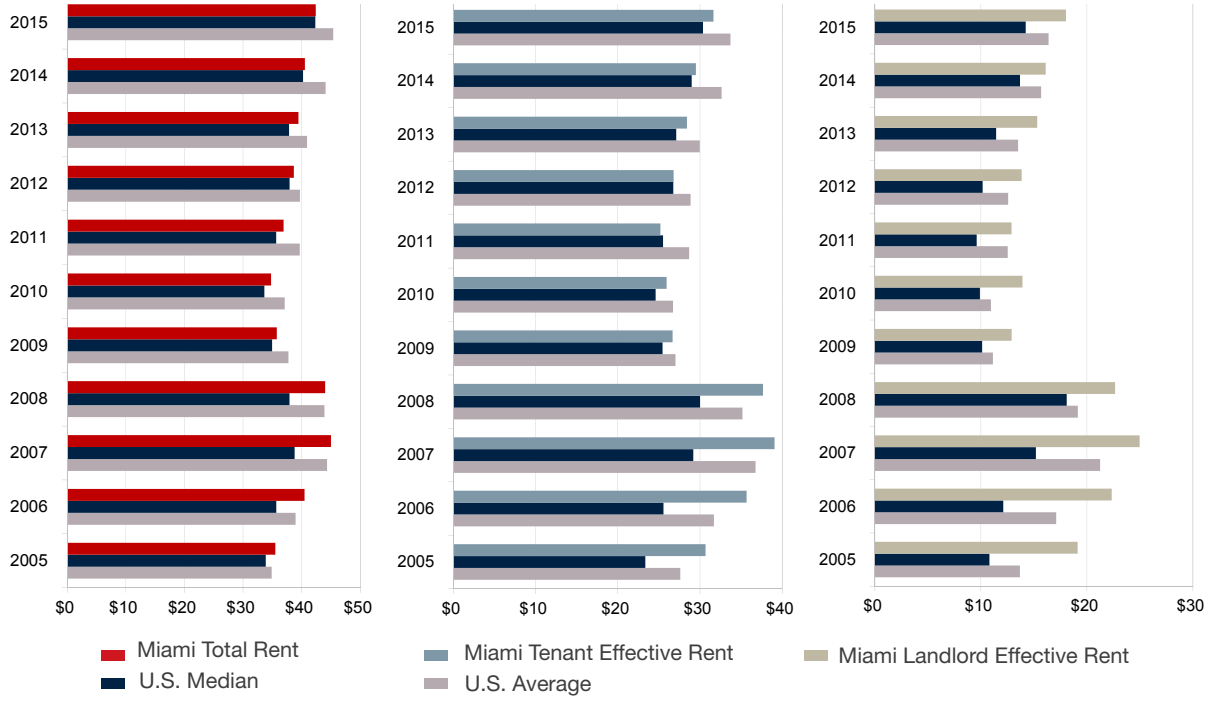
Leases Under 50,000 sf	
Average Term:	5-7 years
Free Rent:	6-8 months
Tenant Improvements:	$45.00-$55.00/sf
Parking	1.0 to 1.5 spaces/1,000 sf

Leases Over 50,000 sf	
Average Term:	7-10 years
Free Rent:	6-10 months
Tenant Improvements:	$50.00-$60.00/sf
Parking	1.5 to 2.5 spaces/1,000 sf

Outlook: Additional Decline in Concessions

Tenants can expect slightly higher effective rent and an additional reduction in concessions during 2016 as more landlords achieve higher occupancy. Elevated construction costs will further erode the value of improvement allowances.

Local & U.S. Historical Rent Trends



Total Rent^

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Miami	$35.50	$40.50	$45.00	$44.00	$35.75	$34.77	$36.92	$38.66	$39.45	$40.55	$42.40
U.S Median	$33.88	$35.66	$38.79	$37.92	$34.95	$33.63	$35.65	$37.93	$37.85	$40.24	$42.32
U.S Average	$34.87	$38.96	$44.33	$43.88	$37.75	$37.11	$39.68	$39.70	$40.92	$44.07	$45.38

Tenant Effective Rent

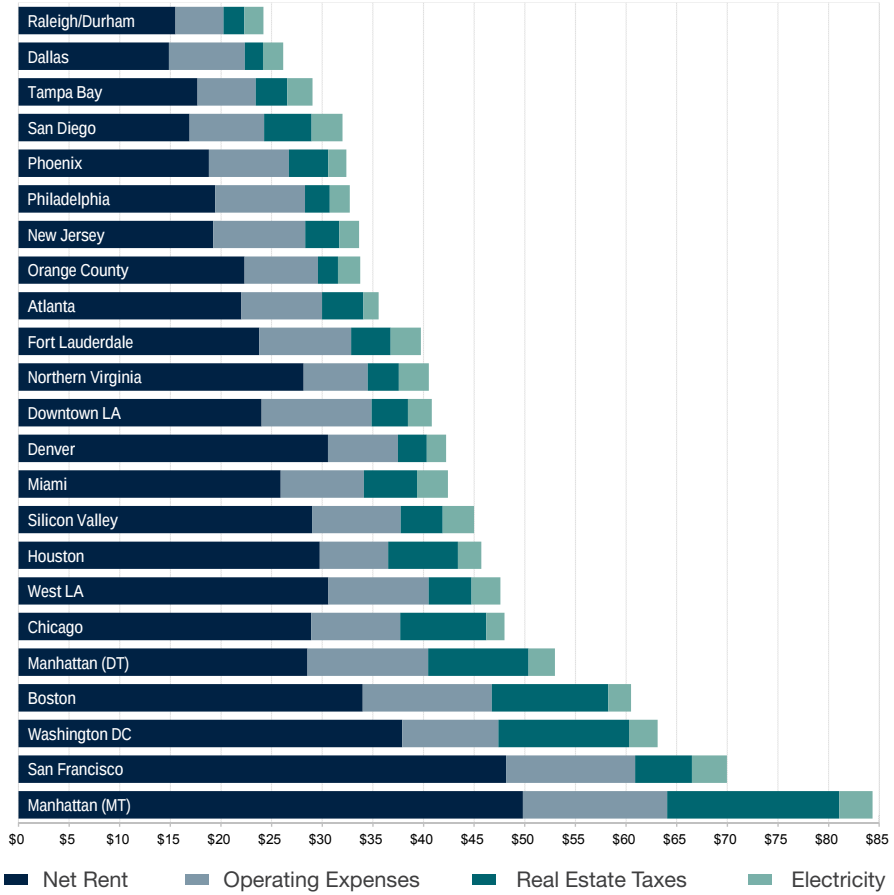
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Miami	$30.67	$35.67	$39.07	$37.65	$26.66	$25.94	$25.19	$26.79	$28.41	$29.51	$31.64
U.S Median	$23.34	$25.55	$29.18	$30.01	$25.45	$24.61	$25.51	$26.75	$27.11	$28.99	$30.36
U.S Average	$27.60	$31.70	$36.76	$35.16	$27.02	$26.72	$28.68	$28.85	$29.98	$32.63	$33.70

Landlord Effective Rent

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Miami	$19.13	$22.35	$24.97	$22.66	$12.91	$13.92	$12.89	$13.85	$15.32	$16.11	$18.03
U.S Median	$10.80	$12.11	$15.19	$18.10	$10.12	$9.90	$9.60	$10.16	$11.44	$13.69	$14.23
U.S Average	$13.68	$17.11	$21.24	$19.15	$11.13	$10.94	$12.54	$12.57	$13.51	$15.68	$16.39

^ All rents are unweighted. See National SERI for weighted averages.

Rent Components



Since 1995, the Savills Effective Rent Index (SERI) has been providing the real estate industry's only comprehensive, in-depth study of effective rental rate trends for prime Class A office properties in the nation's major Central Business Districts (CBDs) and selected suburban markets. Using actual completed transaction data as its source, the SERI report offers "real world" numbers that reflect negotiated terms, including lease concessions and operating expense information. All numbers in this report are based on larger long-term direct leases signed in higher-caliber Class A properties located in Brickell, Coral Gables and Downtown Miami.

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Glossary

Concessions: Includes the tenant improvement allowance plus the value of the rental rate abatement. Amortized concessions are amortized over the average market lease term, using beginning-of-period payments.

Landlord Effective Rent: An estimate of rent received from a tenant less related expenses.

Net Rent: The gross rental rate exclusive of the tenant's proportionate share of real estate taxes, operating expenses and tenant electricity.

Operating Expenses: Includes (1) heating, ventilation and air conditioning (HVAC); (2) maintenance; (3) common area utilities and electricity; (4) cleaning; and (5) all other non-capital costs associated with the operation of a building.

Real Estate Taxes: Local real estate taxes exclusive of special assessments and other one-time charges.

Tenant Effective Rent: An estimate of the actual cost of occupancy for the tenant. The calculation is the total rent minus amortized lease concessions.

Tenant Electricity: Payments made by the tenant, whether to the landlord or public utility, or by the landlord as a general building expense, for the electrical power utilized within a tenant's premises, exclusive of building HVAC.

Total Rent: The sum of the four rental rate components: net rent, operating expenses, real estate taxes and electricity.

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