

Savills Studley Report South Florida office sector

Q2 2018



SUMMARY

Market Highlights

STEADY TRACK FOR LEASING

Transaction volume totaled 6.6 million square feet (msf) during the last four quarters, on par with the 6.5 msf leased during the prior four quarters.

AVAILABILITY FLAT

South Florida's overall availability rate was unchanged, remaining at 17.2%. The Class A availability rate increased by 10 basis points to 18.9%.

RENT RISES

The overall average asking rent in South Florida rose by 1.7% to \$33.18 during the quarter, and by 5.9% year-on-year. The Class A rent also jumped, rising by 0.3% in the quarter to \$37.54 and has increased by 5.6% year-on-year.

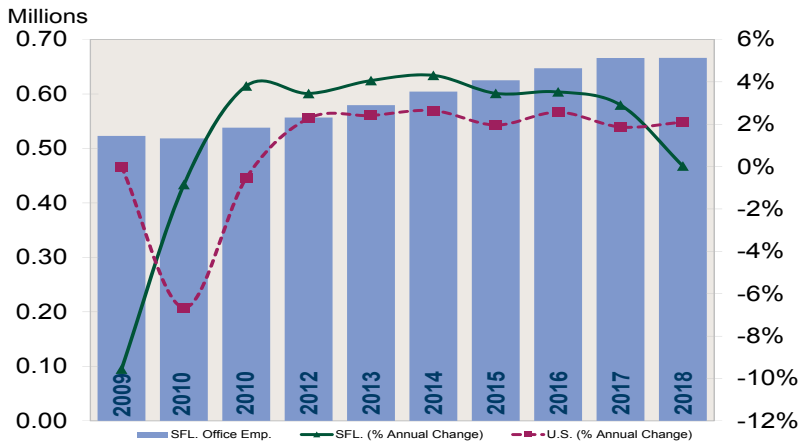
SALES DOWN

Office property sales during the last six months (through May 2018) totaled \$1.2 billion, a 14% decrease compared to the previous six-month total of \$1.4 billion.

"South Florida's growing tech startup ecosystem and expanding coworking sector are growing hand in hand. Similarly, the region's first wave of transit-oriented developments is gaining traction."

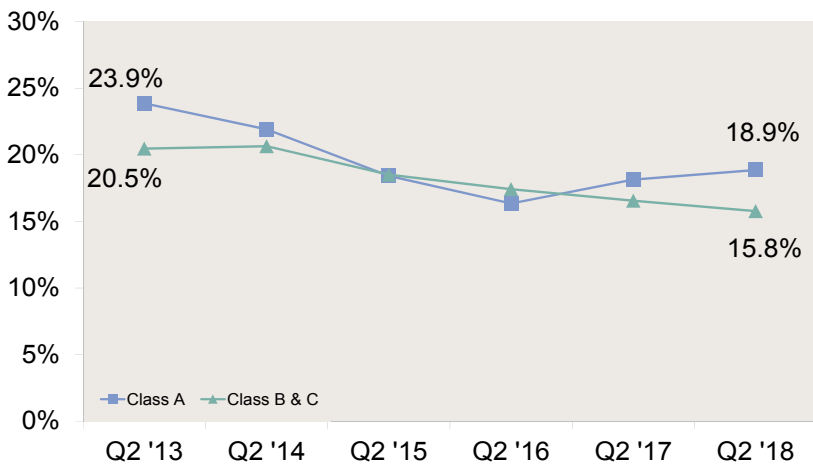
Bob Orban,
Senior Vice President

Office-Using Employment Trends

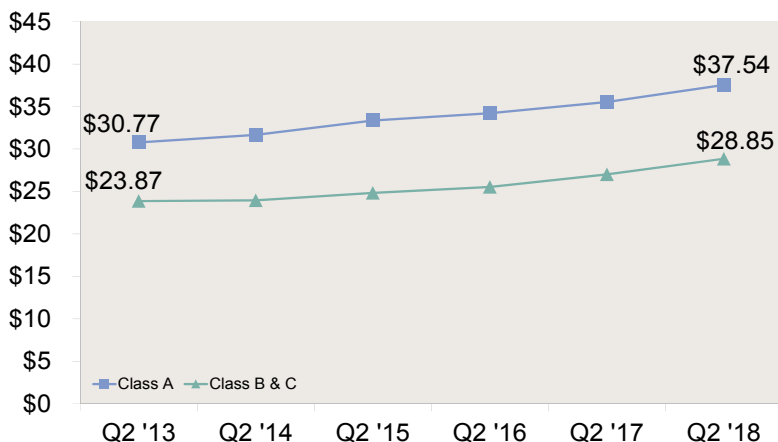


Source: Bureau of Labor Statistics^

Availability Rate Trends



Asking Rent Trends (\$/sf)



Miami – Coworking Mecca?

The phrase “tech scene” may not be the first thing that comes to mind when mentioning Miami Beach, but innovators are appearing up and down the beach at an impressive pace of late. The Venture City, a venture capital fund and startup accelerator with offices in San Francisco, Madrid, Sydney and Miami Beach (1111 building), is among the groups supporting local entrepreneurs. This includes some unexpected innovations that tap into unique features of South Florida’s culture, geography and climate. Airborne Response, for example, which started in 2016, employs drones and unmanned aircraft that are useful for disaster response, security and mapping.

Tech still remains a small percentage of Miami’s employment base, though. Moody’s estimates that high-tech employment accounts for 2.4% of the region’s base, compared to 4.8% nationally. Finance and real estate are still core sectors. Additionally as in many metro areas, education and healthcare make up a growing part, comprising 15.7% of Miami’s employment base.

Coworking Surge

It is also a bit of a surprise to find that on a percentage basis, Miami has perhaps the highest concentration of coworking space in the nation. A recent study from Yardi indicates that as a percentage of its overall building stock, Miami is the top U.S. city for coworking – nearly 3% of all space in Miami-Dade is taken up by 59 co-working sites totaling 1.4 msf. By comparison, in Manhattan there is nearly 7.0 msf of coworking space, but this makes up only about 2.0% of the market.

Supplementing demand from healthcare and professional/business services, the coworking sector has emerged in many major markets as the top industry in terms of space absorption over the last 18 to 24 months. WeWork opened a 31,000-sf location at 2222 Ponce de Leon Blvd earlier this year. This is its fifth workspace in South Florida. The six-floor space can accommodate up to 550 members. Some tenants at WeWork are able to secure several months of free rent followed by several months of highly discounted rent. These incentives, coupled with amenities and unique services, have lured some smaller tenants from other coworking or executive suites.

Smaller Buildings Underway

Office construction has been kept under control throughout this cycle. Controlled development, combined with relatively steady demand has pushed availability rates steadily lower. Availability rates dipped in Broward, with slight increases in Miami Dade and Palm Beach. Since 2010, 6.7 msf of new speculative office development delivered, 85.9% of the construction has been leased. Nearly all of the construction has been in Miami-Dade (5.0 msf), with much smaller amounts in Broward (710,000 sf) and Palm Beach County (1.0 msf).

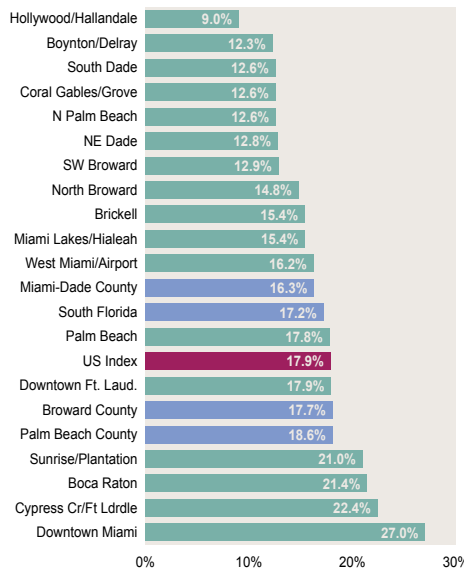
Construction activity is starting to heat up, though. A flurry of smaller boutique style buildings are underway. Most developers continue to hedge their bets, building mixed-use properties or smaller boutique properties. Chicago developer Sterling Bay's 545 wyn, for example, is a 10-story building planned at 537 NW 26th Street in Wynwood. The building would include 245,000 sf of office space, 25,000 sf of ground level retail and a 459-space parking garage. New York-based R&B Realty, is poised to start work on The Gateway at Wynwood. The 420,000-sf building located at 2916 N. Miami Avenue will have 200,000 sf of office space, a 8,500 sf private rooftop deck, five floors of covered parking and prime ground-level retail space.

Ambitious Projects Seeking Anchor Tenants

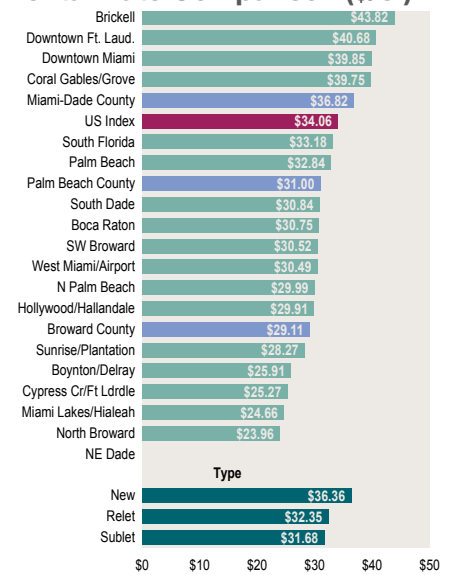
South Florida has rarely lacked for ambitious massive proposals. Some ultimately never get off the ground. As Miami made its bid for HQ2, several of the biggest projects have been in the spotlight recently. The Magic City Innovation District recently secured its first round of financing from Bank of the Ozarks. The development team includes local developer Metro 1, private equity firm Dragon Global private equity and Canadian billionaire Guy LaLiberte. The group filed an application with the city in January to redevelop a 17-acre section of Little Haiti into a walkable technology, arts and entertainment innovation district. The ambitious plans call for 2,490 apartments, 1.76 msf of office space, 313,000 sf of retail space, 432 hotel rooms and 5,547 parking spaces.

Miami and 19 other cities hope to win Amazon. One option in Miami for the Seattle-based giant would be Overtown/Park West. Miami Worldcenter, the Miami Innovation District and RNG Overtown would combine their separate projects. Miami Worldcenter covers 27 acres on the

Availability Rate Comparison



Rental Rate Comparison (\$/sf)



Major Transactions

Tenant	Sq Feet	Address	Market Area
Company Confidential	77,006	1613 NW 136th Ave	Sunrise/Plantation
Company TBD	72,047	4700 Exchange Ct	Boca Raton
Cigna	49,868	1571 Sawgrass Corporate Pky	Sunrise/Plantation
Granite Telecommunications, LLC.	43,223	444 W Railroad Ave	Palm Beach
Carefree Insurance	37,209	13621 NW 12th St	Sunrise/Plantation
Ole Media Services	32,790	2525 Ponce De Leon Blvd	Coral Gables/Grove
City of Boynton Beach	25,000	3301 Quantum Blvd	Boynton/Delray
Patriot National	21,161	5900 N Andrews Ave	Cypress Creek/Fort Lauderdale
Rissman Barrett	14,559	6451 N Federal Hwy	Cypress Creek/Fort Lauderdale
American Express	10,795	1801 NW 66th Ave	Sunrise/Plantation
Sum of Top 10 Leases	383,658		

north edge of Downtown. The developer has an agreement in place with Hines to construct a 500,000-sf to 600,000-sf tower on the site – now all it needs is an anchor tenant. The developer has already broken ground on \$1.2 billion in condos, apartments and 360,000 sf of retail. Park West, Simkin's project on 10.4 acres between NE First Avenue and NW First has not started construction yet. The developer has unveiled plans for 8.7 msf of office space. Finally Mitchell Newman's Ring Equity and RNG Overtown hold about five acres in the middle of Simkins' site.

Development activity in Palm Beach County has been the most restrained among the three counties. In West Palm Beach, the last new building constructed was Related Companies and Crocker Partners' City Place Tower in 2008. Jeff Greene's two-tower project—One West Palm—received city approvals two years ago, and appears ready to move forward. Additionally, Related is planning 360 Rosemary, a 18-story building near CityPlace that would include

295,000 sf of Class A office space adjacent to the new Brightline Station.

Some of the most innovative buildings underway are owned facilities. In Palm Beach Gardens, United Technologies Corp. recently opened the 224,000 sf Center for Intelligent Buildings at 13995 Pasteur Boulevard. The new headquarters for its UTC Climate, Controls and Security division serves both as office space and product showcase. Internal mechanical systems such as HVAC and elevators are exposed so visitors and clients can see how they work. Visitors can also see home automation technology in operation. Employees can use UTC's My Way app to pass through security and adjust lighting and climate control. Like many other large companies in such a specialized sector, UTC struggles to find qualified engineers and employees, it recently made a \$500,000 donation to construct a new Boys & Girls Club of Palm Beach County Teen Center in Belle Glade that will offer technology training.

Submarket	Total	Leasing Activity	Available SF			Availability Rate			Asking Rents Per SF		
	SF (1000's)	Last 12 Months	This Quarter	% Change from Last Qtr.	Year Ago	This Quarter	pp Change from Last Qtr. (1)	Year Ago	This Quarter	% Change from Last Qtr.	Year Ago
Miami Lakes/Hialeah	2,902	152	448	-3.2%	431	15.4%	-0.2%	14.6%	\$24.66	0.8%	\$22.74
Miami Lakes/Hialeah - Class A	703	27	185	0.9%	122	26.3%	0.2%	17.4%	\$27.08	-0.7%	\$25.82
West Miami/Airport	10,568	902	1,717	0.2%	1,594	16.2%	0.0%	15.1%	\$30.49	1.8%	\$27.40
West Miami/Airport - Class A	5,480	311	1,041	-0.1%	694	19.0%	0.0%	12.7%	\$32.93	2.1%	\$30.71
Downtown Miami	8,125	317	2,197	3.6%	2,118	27.0%	0.9%	26.2%	\$39.85	2.1%	\$38.53
Downtown Miami - Class A	5,293	231	1,450	0.9%	1,399	27.4%	0.2%	26.4%	\$44.11	0.6%	\$43.87
Brickell	7,377	349	1,136	-3.4%	1,126	15.4%	-0.5%	15.3%	\$43.82	2.0%	\$43.26
Brickell - Class A	4,897	204	745	5.3%	715	15.2%	0.8%	14.6%	\$48.43	1.1%	\$49.95
Coral Gables/Grove	9,069	502	1,140	12.6%	928	12.6%	1.2%	10.5%	\$39.75	2.8%	\$37.91
Coral Gables/Grove - Class A	4,823	322	600	1.3%	576	12.4%	0.4%	11.7%	\$41.44	0.1%	\$40.64
North Broward	3,276	241	485	-7.2%	507	14.8%	-1.4%	15.8%	\$23.96	0.9%	\$23.49
North Broward - Class A	787	77	80	-53.0%	146	10.2%	-11.5%	18.5%	\$27.67	1.1%	\$25.65
Cypress Creek/Fort Lauderdale	8,062	650	1,807	-3.2%	2,045	22.4%	-0.7%	25.3%	\$25.27	0.8%	\$24.55
Cypress Creek/Fort Lauderdale - Class A	2,378	351	574	-4.6%	698	24.2%	-1.2%	29.4%	\$27.25	2.2%	\$26.64
Sunrise/Plantation	6,600	526	1,386	-15.9%	1,570	21.0%	-3.6%	23.4%	\$28.27	4.7%	\$25.02
Sunrise/Plantation - Class A	4,070	172	1,039	0.5%	1,045	25.5%	0.8%	25.0%	\$30.98	2.3%	\$27.31
Downtown Fort Lauderdale	5,596	452	1,004	5.3%	1,006	17.9%	0.9%	18.0%	\$40.68	-1.2%	\$35.42
Downtown Fort Lauderdale - Class A	4,235	381	816	4.6%	831	19.3%	0.9%	19.6%	\$43.01	-0.7%	\$36.35
Southwest Broward	3,867	90	497	66.5%	351	12.9%	4.9%	9.3%	\$30.52	1.5%	\$28.94
Southwest Broward - Class A	2,426	74	305	13.1%	316	12.6%	1.5%	13.0%	\$30.53	-0.2%	\$29.16
North Palm Beach	4,113	252	518	10.8%	469	12.6%	1.1%	11.5%	\$29.99	2.0%	\$28.88
North Palm Beach - Class A	1,374	114	202	16.0%	188	14.7%	2.0%	13.7%	\$32.05	2.5%	\$30.85
Palm Beach	6,876	460	1,224	-0.6%	1,165	17.8%	0.2%	16.6%	\$32.84	-0.8%	\$31.84
Palm Beach - Class A	2,728	161	489	-3.7%	461	17.9%	0.0%	16.2%	\$38.92	-2.0%	\$36.35
Boynton/Delray	2,229	140	274	-10.6%	775	12.3%	-1.5%	34.8%	\$25.91	-0.3%	\$25.04
Boynton/Delray - Class A	330	17	50	8.2%	38	15.2%	1.1%	11.5%	\$24.23	-0.7%	\$23.63
Boca Raton	11,243	937	2,408	10.4%	2,298	21.4%	1.5%	20.9%	\$30.75	0.7%	\$30.40
Boca Raton - Class A	5,712	618	1,319	10.6%	1,362	23.1%	2.2%	23.8%	\$33.52	-0.1%	\$31.86
Miami-Dade County Total	50,218	2,664	8,186	2.7%	7,581	16.3%	0.4%	15.1%	\$36.82	2.2%	\$35.04
Miami-Dade County Total - Class A	24,998	1,224	4,404	1.1%	3,883	17.6%	0.3%	15.5%	\$41.73	0.5%	\$41.59
Broward County Total	29,881	2,116	5,403	-2.7%	5,771	18.1%	-0.5%	19.3%	\$29.11	1.7%	\$27.24
Broward County Total - Class A	14,251	1,078	2,851	-1.9%	3,087	20.0%	-0.2%	21.5%	\$32.88	1.3%	\$30.20
Palm Beach County Total	24,461	1,788	4,424	5.7%	4,707	18.1%	0.8%	19.4%	\$31.00	0.4%	\$30.33
Palm Beach County Total - Class A	10,144	908	2,060	7.2%	2,048	20.3%	1.6%	20.0%	\$34.48	-0.4%	\$32.61
South Florida Total	104,561	6,568	18,014	0.0%	18,059	17.2%	0.0%	17.3%	\$33.18	1.7%	\$31.33
South Florida Total - Class A	49,394	3,211	9,316	0.0%	9,018	18.9%	0.1%	18.1%	\$37.54	0.3%	\$35.54

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(1) Percentage point change for availability rates.
 Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf.
 Statistics are calculated using both direct and sublease information.
 Short-term sublet spaces (terms under two years) were excluded.
 ^Unless otherwise noted, source for data is Savills Studley.
 The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Statistics compiled with the support of The CoStar Group.
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