

## Office sales activity gathering momentum in early 2014

### Economy

Florida opened the year as one of the top three states with the largest over-the-year job increases, reaching nearly 193,000 and an unemployment rate of 6.1 percent – down from 7.8 percent. Miami's unemployment declined significantly during the same period, dropping 2.6 percentage points to the current 6.9 percent. This ranked Miami among the nation's three (out of 34) employment centers with the largest declines in over-the-year jobless rate, each decreasing equally by the same 2.6 percentage point rate. All of the city's employment sectors, with the exception of government, posted job gains over the 12-month period. The top industry increases occurred in construction (7.6 percent), manufacturing (5.9 percent) and boding well for the office sector, professional and business services (4.0 percent.).

### Market conditions

Miami's Class A segment has posted a relatively steady reduction in vacancy since mid-year 2010, declining from over 22.0 percent to the current direct rate of 16.6 percent. Leasing activity in general continues to be captured by Class A buildings where two-thirds of the city's total transactions have occurred (2013 to Q1 2014). On the Class B front, the needle has not moved much with vacancy fluctuating in the 17.0 to 18.0 percent range.

Current vacancy levels remain equal for both the CBD and Suburban markets at 17.0 percent. On the pricing front, six of the nine submarkets remain in the rising / peak market cycle of the office property clock. Positive momentum continues in the CBD with its true urban living and amenity-rich environment being enhanced. Within the suburbs, two extremely large transactions were executed during first quarter - both of which were healthcare entities. Additional growth sectors throughout Miami are financial, insurance, legal and increasingly technology / information.

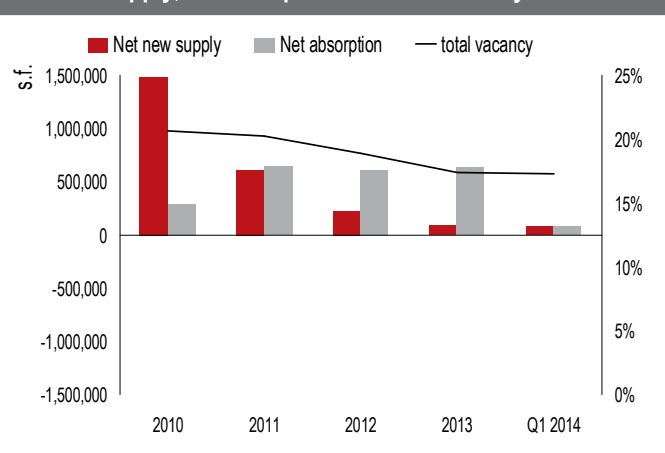
### Outlook

A steady pace of tightening market fundamentals is boosting investor confidence for both CBD and Suburban office product, with several transactions either completed this quarter or under contract. The largest trade occurred in Suburban Coral Gables for its largest institutional asset, Douglas Entrance. This is a five-building, 461,000-square-foot office development comprised of both Class A and Class B product. The new owner is Miami-based Banyan Street Capital who purchased the complex for \$100.7 million or \$213 per square foot.

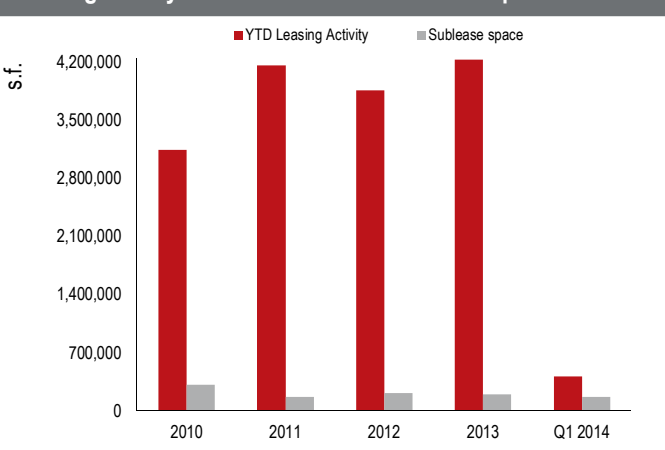
Within the CBD, the 125,388-square-foot Chase Bank Building traded for \$24 million or \$191 per square foot. The seller (Integra Real Estate) acquired the property through foreclosure in mid-year 2012; another CBD asset is expected to close by next quarter.

Key market indicators		12-month forecast	
Supply	Supply	▶	35,688,822 sf
	Direct vacancy rate	▼	16.9%
	Total vacancy rate	▼	17.3%
	Under construction (% preleased)	▶	128,580 sf (0.0%)
Demand	Leasing activity 12 mo. % change	▲	-51.5%
	YTD net absorption	▲	80,000 sf
Pricing	12-month overall rent % change	▲	1.6%
	Class A overall asking rent	▲	\$35.40 psf
	Class B overall asking rent	▲	\$25.57 psf

### Net new supply, net absorption and total vacancy



### Leasing activity vs. sublease vacant available space

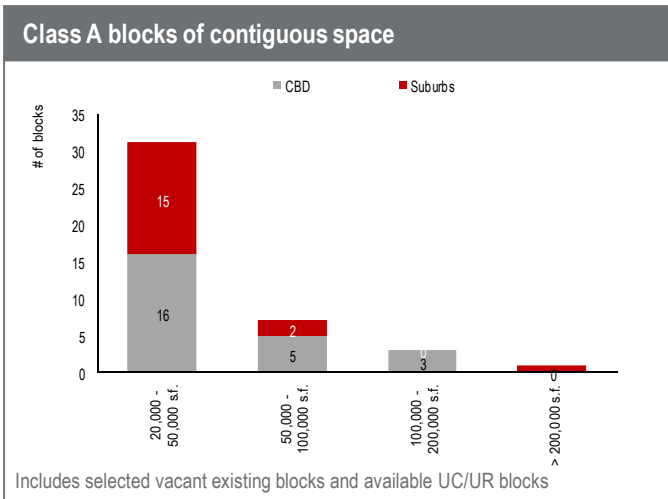
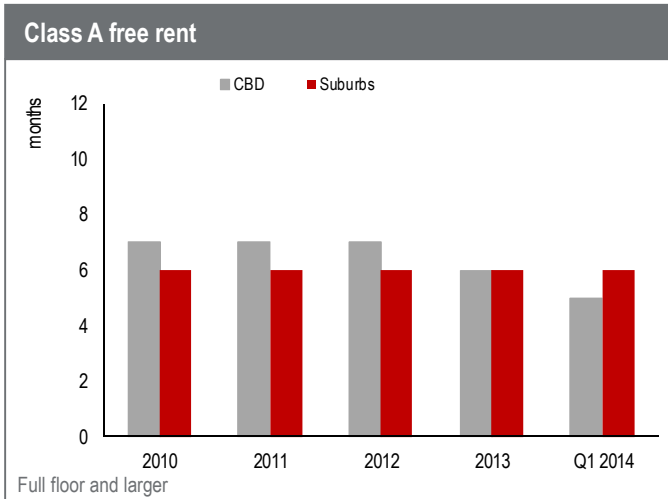
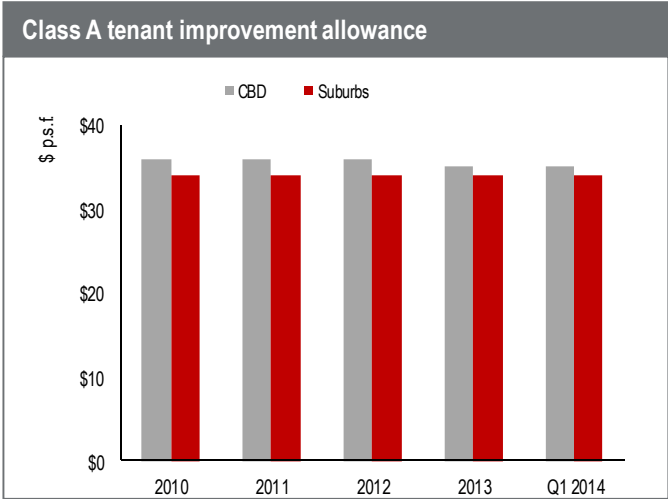
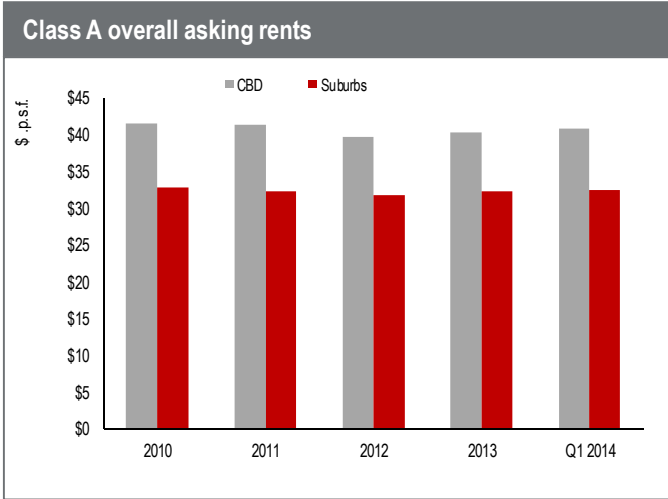


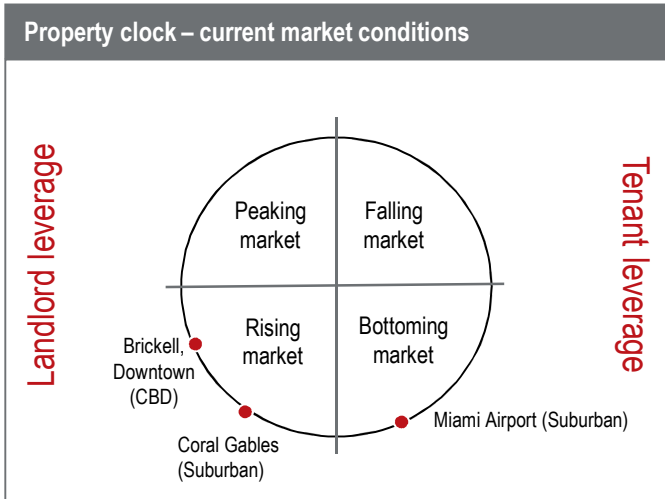
**Tenant perspective**

Within the CBD, the hub of the Miami's Trophy office product, landlords are staying the course for incremental rate hikes with the gap between asking and strike rates continuing to narrow. Look to on-going pressure on reduction of abatement concessions. For large users looking at high floors with unobstructed views, most of the prime, large contiguous spaces have been spoken for in the urban core's premiere towers.

**Landlord perspective**

CBD Landlords now face a shortage of near term (2014-2017) rolling leases. As such they will have to rely on new tenants entering the market or significant expansion activity. The good news is first quarter's witnessing of a flurry of new to market, albeit smaller, tenants touring – both in the CBD and the Suburbs. Several are potential out of state, corporate relocations citing the area's and Florida's favorable tax climate or executives with homes and boats in place looking to seize upon Miami's growing business expansion opportunities.





**Submarket leverage – market history and forecast**

Submarket*	2013	2014	2015	2016	2017
Brickell - CBD	Tenant-favorable	Tenant-favorable	Balanced	Landlord-favorable	Landlord-favorable
Downtown - CBD	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced	Landlord-favorable
Coral Gables - Suburban	Tenant-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced
Miami Airport - Suburban	Tenant-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable

\*Major markets



**Completed lease transactions**

Tenant	Address	Submarket	SF	Type
Blue Cross and Blue Shield of Florida	Westside Plaza	Miami Airport – Suburban	103,000	Renewal
Miami Children's Hospital	Waterford	Miami Airport – Suburban	79,000	Relocation
Arnstein & Lehr Law Firm	Southeast Financial Center	Downtown - CBD	27,000	Renewal/Exp
Femwell Group Health	Village of Merrick Park	Coral Gables – Suburban	10,000	New
Bryan Cave Law Firm	Southeast Financial Center	Downtown - CBD	9,900	New
G4S	Waterford	Miami Airport – Suburban	7,500	Renewal
Brothers Property Corp.	Two Alhambra	Coral Gables – Suburban	7,000	Renewal
Fox Rothschild Law Firm	Southeast Financial Center	Downtown - CBD	6,100	New
Ascendo Resources	Two Alhambra	Coral Gables – Suburban	6,000	Renewal/Exp
MyUS.com	Courvoisier Centre	Brickell - CBD	4,700	New

**Completed sale transactions**

Address	Submarket	Buyer / Seller	SF	\$ p.s.f.
Douglas Entrance	Coral Gables – Suburban	Banyan Street Capital / Pearlmark Real Estate Partners	461,000	\$221*
Chase Bank Building	Downtown - CBD	S2 Development / Integra Solutions	124,000	\$192*
2990 Ponce	Coral Gables – Suburban	TA Associates Realty	58,000	\$440

\*Approximate

Methodology: Inventory includes all Class A and Class B office properties > 30,000 square feet, excluding most condo and all medical, government owned and owner-occupied buildings



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