

# StudleyReport

STUDLEY OFFICE MARKET AND SPACEDATA REPORT

## MARKET HIGHLIGHTS

### AVAILABILITY RATE UP BY ONE POINT

South Florida's overall availability rate (22.9%) rose by 1.0 pp from last quarter and 0.9 pp from last year. The Class A rate, 27.2%, also jumped for the quarter (+1.7 pp) and the the year (+0.8 pp).

### RENTS RISE FOR THE QUARTER

Overall rent (\$28.54) posted a quarterly gain of 0.7% but an annual decline of 0.5%. Class A rent, \$32.55, rose by 1.3% for the quarter but fell by 2.7% for the year.

### JUMP IN QUARTERLY LEASING

Overall leasing totaled 1.8 msf, an increase of 65.4% from the previous quarter and of 30.3% from a year ago. Trailing four-quarter volume reached 5.7 msf, up for the quarter (+9.0%) as well as slightly for the year (+0.7%).

### FEWER LARGE BLOCKS

In Miami-Dade County, the number of large contiguous blocks of space (50,000 sf or more) fell to 16 from 17 last quarter and 19 last year. The number of such blocks in Palm Beach County also dropped to 16, down from 19 last quarter and 17 during the year-ago period. In Broward County, the number of large blocks dove to nine, down from 16 last quarter and 14 last year.

## Despite Continued Correction, Some Improvement

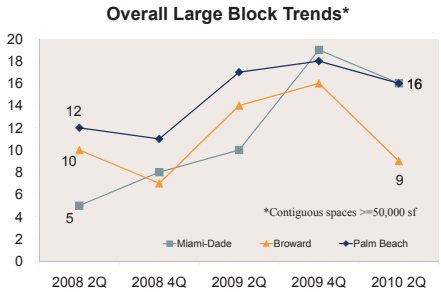
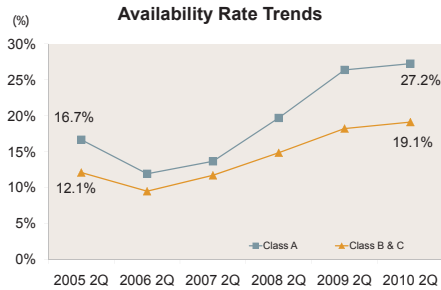
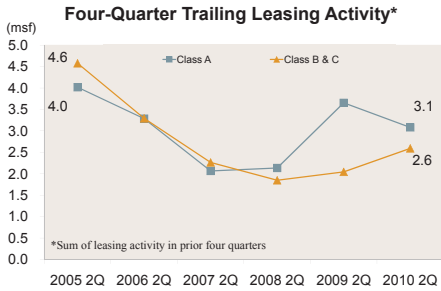
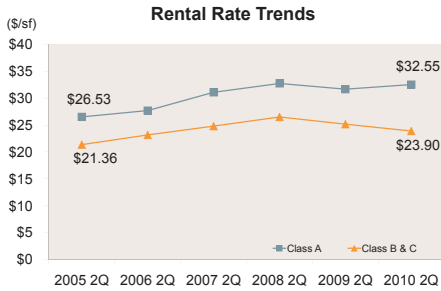
Although the overall numbers may not show it, South Florida's office market registered modest signs of improvement during the second quarter. Area businesses are feeling more confident that they have pushed through the worst stretch of the recession and think the economy is on the mend – although at a slower pace than desired. The more positive outlook is evidenced by an increase in quality leasing activity – leases in higher-caliber Class A properties, more deals involving relocations and more renewals that include expansions. This shift is far from being marketwide and only a few properties can hold the line on rents and concessions due to a recent boost in leasing. The increased willingness of firms to make aggressive moves, while encouraging to building owners, also helps tenants; in contrast to a few quarters ago, landlords cannot be as certain that companies will almost always pick renewal over relocation. This is forcing landlords to compete to retain existing tenants or to recruit new ones. With few signs that a robust recovery is imminent, and because of the ample supply of space, tenants should continue to enjoy favorable terms for quite some time.

The national economy hit a rough patch during May and June – the Greek debt crisis took a bite out of Wall Street earnings, and consumer income and spending remained handcuffed by weak employment and wage growth. In South Florida, office-using employment increased slightly in February and April but then decreased by more than 2,000 jobs in May, with declines in all office-using sectors. South Florida is one of the only major U.S. markets that has not yet recovered any of the office-using jobs lost during the recession. Between January of 2007 and May of 2010, the region shed 98,413 office-using positions. Employment in the financial sector has retreated to 1998 levels. Professional/business services has held up much better, with modest gains in a few months during 2010.

Leasing activity offered the greatest cause for optimism. Total deal volume reached 1.8 msf – the highest mark since midyear 2005. The increase in Class A leasing and the larger number of leases involving relocations and expansions underscore a growing sense of optimism on the part of businesses. Downtown Fort Lauderdale, Coral Gables and West Miami/Airport stood out as submarkets with strong leasing activity. Recent transactions in these submarkets include Holland & Knight moving into 14,734 sf at 515 East Las Olas Boulevard in Downtown Fort Lauderdale and American Welding Society relocating into 63,021 sf at 8669 N.W. 36th Street in West Miami/Airport. However, it speaks volumes about the state of the market as a whole that two of the

MIAMI-DADE TRANSACTION BAROMETER				BROWARD TRANSACTION BAROMETER				PALM BEACH TRANSACTION BAROMETER						
	One Qtr		One Qtr			One Qtr		One Qtr			One Qtr		One Qtr	
	CBD	Change	Suburban	Change		CBD	Change	Suburban	Change		CBD	Change	Suburban	Change
Average Term:	10 yrs	◀	7 yrs	◀	Average Term:	7 yrs	◀	5 yrs	◀	Average Term:	7 yrs	◀	5 yrs	◀
Concessions:					Concessions:					Concessions:				
Free Rent	12 months	▲	6 months	◀	Free Rent	8 months	▲	5 months	▲	Free Rent	12 months	◀	7 months	◀
Tenant Improvements	\$50.00/sf	◀	\$35.00/sf	◀	Tenant Improvements	\$40.00/sf	▲	\$25.00/sf	▲	Tenant Improvements	\$40.00/sf	▲	\$30.00/sf	◀
Parking	1.5 spaces/1,000 sf	◀	3.5 spaces/1,000 sf	◀	Parking	2 spaces/1,000 sf	◀	4 spaces/1,000 sf	◀	Parking	2 spaces/1,000 sf	◀	4 spaces/1,000 sf	◀
Outlook:	Concessions continue to be relatively stable as rental rates remain somewhat unchanged. Increased activity is mostly the result of early renewals.				Outlook:	Increasing vacancy in the Downtown Fort Lauderdale market and continued downsizing of existing tenants will increase opportunities for relocation into the downtown market.				Outlook:	Moderate increase in space demand and leasing activity. Landlord concessions and large blocks of available space are on the rise as rental rates continue to decrease.			

▲ Up ▼ Down ◀▶ Unchanged



“tightest” submarkets, West Miami/Airport and Coral Gables, still have Class A availability rates of 19.0% and 21.4%, respectively.

Coral Gables’ availability rate has increased over the last year, and the second quarter Class A rate was the highest it has been in more than six years. Properties such as Alhambra Plaza and Columbus Center have been forced to lower rents to the low \$30s – two to three years ago, these properties were commanding rents in the mid-\$40s. Landlords in the Gables are displaying some of the same flexibility seen in softer submarkets such as Downtown Miami and Brickell. They are offering extended free rent periods, compensation for relocation costs and extensive tenant improvement allowances. Some are shortening the lease term, hoping that the submarket’s rents will make a quick rebound in two to three years. Meanwhile, banks continue to flock to the Gables; in the second quarter, BAC Florida Bank signed an early renewal for its 40,857-sf lease at 2333 Ponce De Leon. The Consulate General of Barbados and Accent Marketing also signed leases of 12,934 sf and 12,620 sf, respectively.

The decline in rents in this traditionally higher-priced submarket is drawing some smaller to mid-sized companies from suburban areas. Rumors of searches for substantial blocks of space by other banks such as Gibraltar Private Bank & Trust and TotalBank are generating some buzz as well.

The strong leasing activity was isolated largely to the aforementioned handful of submarkets, and in general South Florida’s office market continued its correction during the second quarter as the overall availability rate jumped by a full percentage point and effective rents continued their decline. As companies gravitate toward Coral Gables and high-caliber Class A buildings in West Miami/Airport and Downtown Fort Lauderdale, properties in other space classes have had a particularly challenging time retaining tenants. During 2008 and 2009, most firms were avoiding major decisions and leasing was restricted primarily to renewals. Now that companies feel more confident, Class B and C properties, particularly in submarkets where tenants face more difficult commutes or that offer fewer amenities, are in a weaker position. Companies that were pushed out to these submarkets during peak markets have begun a certain amount of reverse flow.

Landlords with the funds to do so are attempting to stay competitive by upgrading their space. Downtown Fort Lauderdale’s 110 Tower, which lost its lead tenant, AutoNation, last year, has started a multi-stage renovation that initially includes a reworking of the building’s mechanical systems. Owner Genesis Capital Partners also plans to renovate the lobby, the exterior entrance and tenant common areas. Since AutoNation left, the owner has filled about 50,000 sf of the 150,000 sf that the company vacated. That still leaves this property with an availability rate of 39%. Many buildings in South Florida are in just as vulnerable a position. The entire region has 463 buildings with an availability rate of greater than 25%, 37 of which are completely empty.

While landlords are under a great deal of pressure to retain existing tenants and attract new ones, tenants are experiencing little urgency given the ample range of options. Nevertheless, it behooves space users to start their search early. The lender may delay approval of leases, particularly if the deal involves a hefty concession package. Besides

## MAJOR TRANSACTIONS

Tenant	Sq Feet	Address	Market Area
Broadspire Services	64,241	1391 NW 136th Avenue	Sunrise/Plantation
American Welding Society	63,021	8669 NW 36th treet	West Miami/Airport
Hunton & Williams	63,000	1111 Brickell Avenue	Brickell
FedEx Express Latin America and Caribbean	59,925	701 Waterford Way	West Miami/Airport
Microsoft Corporation	56,049	6750 North Andrews Avenue	Cypress Creek
NationalHealth, Inc.	50,094	13621 NW 12th Street	Sunrise/Plantation
BAC Florida Bank	40,857	2333 Ponce De Leon Boulevard	Coral Gables/Grove
H.I.G. Capital	38,661	1450 Brickell Avenue	Brickell
Barclays Bank PLC	24,000	1111 Brickell Avenue	Brickell
Hospital Physician Partners	21,879	300 South Park Road	Hollywood/Hallandale
Miami Childrens Hospital	20,197	701 Waterford Way	West Miami/Airport
Quest Workspaces	18,899	1395 Brickell Avenue	Brickell
Custom Play	16,362	190 Congress Park Drive	Palm Beach
Acendant Commercial Insurance	15,000	5835 Blue Lagoon Drive	West Miami/Airport
Consulate General of Barbados	12,934	2121 Ponce De Leon Boulevard	Coral Gables/Grove
<b>Sum of Top 15 Leases</b>	<b>565,119</b>	<b>Sum of 2nd Quarter Leasing Activity</b>	<b>1.8 MSF</b>

including protective clauses in leases, tenants must perform their own due diligence on the financial structure of a property.

Sales activity in South Florida has been limited to debt purchases, distressed sales and owner-user purchases. Property owners forced to sell under duress have been paying a stiff penalty. Pebb Enterprises, for example, recently acquired the 89,503-sf Boca Corporate Plaza for \$8.55 million, about half of the \$16.1 million paid in 1998. The building was only 30% occupied at the time of sale.

### Availability Rate Spikes By One Point

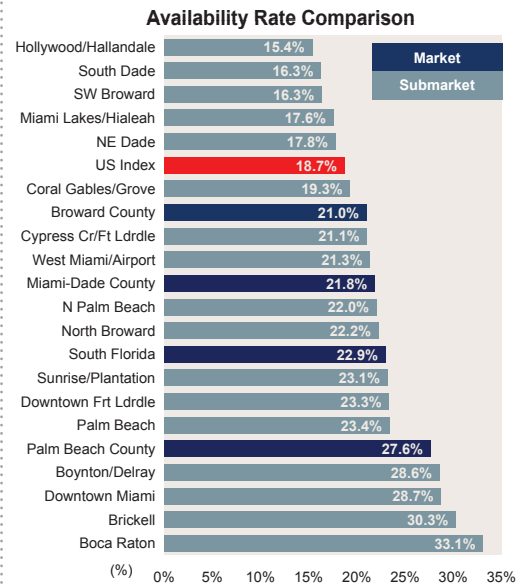
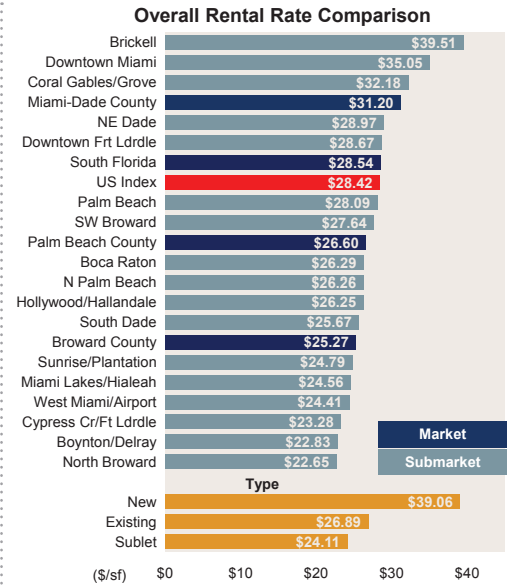
After falling by 0.7 pp in the first quarter, availability rates reversed trends in the second quarter – jumping by 1.0 pp overall and spiking by 1.7 pp in Class A properties. The regional Class A rate rose to 27.2% as Miami-Dade County's Class A rate surged by 2.8 pp to 26.5%, and Palm Beach County's jumped by 1.0 pp to 30.4%.

### Leasing Improves

Four-quarter trailing leasing (the sum of all leasing during the most recent four quarters) increased by 7.8% in the quarter to 5.7 msf, but was still 19.6% below the market's long-term average. Palm Beach County continued to underperform – with 552,404 sf of Class A space leased during the last four quarters, trailing leasing was 30.9% below its historical pace. In contrast, trailing Class A leasing in Miami-Dade County (1.5 msf) was only 6.9% below its historical pace and volume in Broward County (1.2 msf) was 1.2% above its average.

### Rents Flat

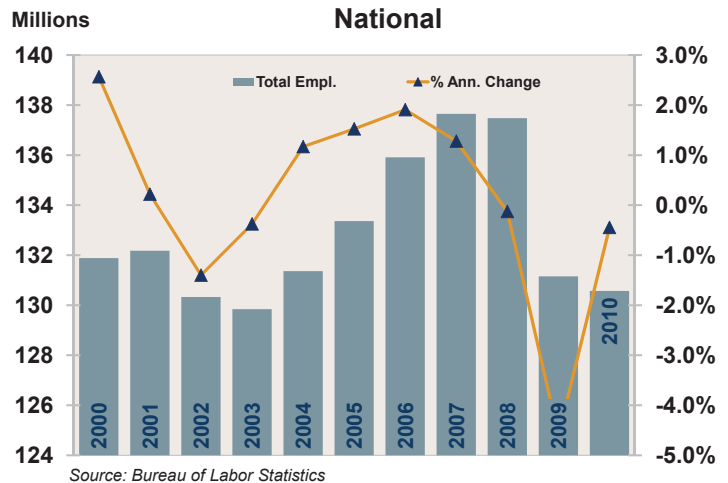
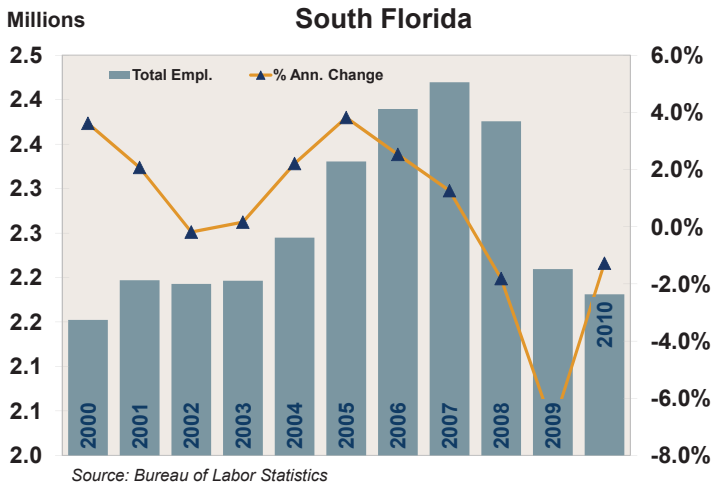
Class A rent continued to fall most steeply in Palm Beach County, declining by 2.5% during the second quarter to \$30.61. Class A rent was essentially unchanged in Broward County, slipping by 0.5% to \$27.41. Face rents for Class A space in Miami-Dade County rose by 1.8% to \$36.20 due to the addition of several blocks of higher-priced new space.



### ABOUT OUR FIRM

**Studley** is the only global tenant advisory firm with a pure tenant representative delivery platform. Founded in 1954, Studley pioneered this conflict-free business model. Today, with 19 offices nationwide and an international presence through its London office and AOS Studley throughout Europe, Studley provides strategic real estate consulting services to top-tier corporations, law firms, nonprofits, government agencies and institutions of higher education. Information about Studley is available at [www.studley.com](http://www.studley.com).

### EMPLOYMENT TRENDS



**MARKET SNAPSHOT: 2Q 2010**

SUBMARKET	TOTAL	LEASING ACTIVITY			VACANT AVAILABLE				AVAILABILITY RATE				ASKING RENTS PER SF			
		Inventory SF (1,000's)	Last 12 Mos	5 Yr Average	This Qtr	% Change from Last Qtr	Yr Ago	5 Yrs Ago	This Qtr	pp Change from Last Qtr <sup>(1)</sup>	Yr Ago	5 Yrs Ago	This Qtr	% Change from Last Qtr	Yr Ago	5 Yrs Ago
<b>Miami Lakes/Hialeah</b>	3,539	76	98	621	-3.1%	674	243	17.6%	-0.6%	19.1%	8.3%	\$24.56	1.6%	\$25.18	\$19.20	
Miami Lakes/Hialeah - Class A	885	39	25	314	-3.3%	323	39	35.4%	-1.2%	36.5%	11.5%	\$26.09	0.6%	\$27.63	\$20.92	
<b>West Miami/Airport</b>	10,885	1,014	673	2,324	1.2%	2,270	1,720	21.3%	0.2%	21.1%	15.8%	\$24.41	-0.9%	\$25.76	\$21.17	
West Miami/Airport - Class A	5,072	623	359	966	-4.3%	1,089	797	19.0%	-0.9%	21.9%	17.8%	\$28.34	-0.2%	\$28.18	\$23.22	
<b>Downtown Miami</b>	7,000	156	320	2,011	0.9%	1,997	821	28.7%	0.2%	28.5%	12.3%	\$35.05	-2.0%	\$33.99	\$25.12	
Downtown Miami - Class A	5,027	91	195	1,549	0.2%	1,613	490	30.8%	0.1%	34.5%	12.8%	\$38.75	-1.6%	\$36.68	\$29.72	
<b>Brickell</b>	6,967	459	372	2,108	40.5%	2,097	976	30.3%	8.7%	30.1%	17.1%	\$39.51	3.1%	\$35.42	\$28.91	
Brickell - Class A	4,100	329	228	1,524	66.8%	1,507	503	37.2%	14.9%	36.8%	15.5%	\$41.86	0.1%	\$36.83	\$32.14	
<b>Coral Gables/Grove</b>	8,412	417	379	1,623	0.1%	1,495	900	19.3%	0.0%	17.8%	10.9%	\$32.18	-1.5%	\$34.51	\$27.78	
Coral Gables/Grove - Class A	4,180	250	223	896	-0.4%	823	499	21.4%	-0.1%	19.7%	13.8%	\$34.55	-1.9%	\$38.22	\$29.99	
<b>North Broward</b>	4,200	277	169	933	-4.9%	923	426	22.2%	-1.1%	22.0%	9.8%	\$22.65	-0.3%	\$24.12	\$20.89	
North Broward - Class A	928	137	55	291	-7.1%	334	104	31.3%	-2.4%	36.0%	14.5%	\$26.37	0.5%	\$27.91	\$23.33	
<b>Cypress Creek/Fort Lauderdale</b>	8,559	609	493	1,802	0.9%	1,741	1,787	21.1%	0.2%	20.3%	20.6%	\$23.28	-0.5%	\$23.08	\$20.54	
Cypress Creek/Fort Lauderdale - Class A	2,992	181	176	761	-8.9%	636	645	25.4%	-2.5%	21.3%	24.1%	\$25.18	-0.9%	\$25.09	\$22.66	
<b>Sunrise/Plantation</b>	6,926	540	478	1,603	5.5%	1,490	941	23.1%	1.2%	21.9%	15.3%	\$24.79	-0.7%	\$24.60	\$22.74	
Sunrise/Plantation - Class A	4,500	387	333	1,252	8.6%	1,136	580	27.8%	2.2%	25.9%	16.5%	\$26.82	-1.7%	\$25.93	\$25.11	
<b>Downtown Fort Lauderdale</b>	6,032	337	347	1,408	10.1%	1,215	1,056	23.3%	2.1%	20.2%	18.3%	\$28.67	-0.5%	\$28.70	\$26.98	
Downtown Fort Lauderdale - Class A	4,479	317	283	1,125	10.6%	938	920	25.1%	2.4%	20.9%	22.1%	\$29.23	-0.6%	\$29.09	\$26.88	
<b>Southwest Broward</b>	3,411	136	207	557	-2.2%	570	469	16.3%	-0.4%	16.7%	13.3%	\$27.64	-1.3%	\$28.65	\$24.54	
Southwest Broward - Class A	2,136	102	133	489	-1.4%	480	268	22.9%	-0.3%	22.5%	14.5%	\$28.26	-1.0%	\$29.16	\$25.46	
<b>North Palm Beach</b>	4,675	125	194	1,030	2.8%	1,071	586	22.0%	0.6%	23.1%	12.1%	\$26.26	-1.8%	\$26.00	\$24.64	
North Palm Beach - Class A	1,775	17	85	461	-0.2%	481	232	26.0%	-0.1%	27.6%	16.8%	\$29.72	-0.2%	\$27.65	\$27.16	
<b>Palm Beach</b>	7,277	386	346	1,701	2.4%	1,643	1,016	23.4%	0.6%	22.6%	14.2%	\$28.09	-3.9%	\$28.68	\$24.10	
Palm Beach - Class A	3,083	217	145	676	-0.8%	681	350	21.9%	-0.2%	22.1%	14.1%	\$32.29	-3.4%	\$31.54	\$29.77	
<b>Boynton/Delray</b>	1,950	109	141	557	-4.7%	574	170	28.6%	-1.4%	29.4%	8.8%	\$22.83	0.2%	\$23.35	\$21.34	
Boynton/Delray - Class A	304	46	22	71	-3.3%	99	51	23.3%	-0.8%	32.6%	16.0%	\$20.78	-0.1%	\$24.10	\$20.48	
<b>Boca Raton</b>	11,169	558	734	3,693	7.5%	3,297	1,684	33.1%	2.3%	29.5%	15.5%	\$26.29	0.4%	\$27.19	\$24.40	
Boca Raton - Class A	7,192	273	504	2,551	8.0%	2,246	1,088	35.5%	1.7%	32.1%	16.7%	\$26.91	0.7%	\$27.66	\$24.57	
<b>MIAMI-DADE TOTAL</b>	49,364	2,482	2,203	10,782	7.0%	10,483	5,953	21.8%	1.4%	21.5%	12.8%	\$31.20	1.7%	\$31.04	\$24.90	
MIAMI-DADE TOTAL - Class A	22,698	1,426	1,148	6,020	11.8%	5,990	2,715	26.5%	2.8%	27.1%	15.0%	\$36.20	1.8%	\$34.77	\$28.37	
<b>BROWARD COUNTY TOTAL</b>	32,459	2,076	1,831	6,815	2.4%	6,310	4,897	21.0%	0.5%	19.5%	15.8%	\$25.27	-0.4%	\$25.48	\$23.00	
BROWARD COUNTY TOTAL - Class A	15,514	1,164	1,008	3,992	2.4%	3,585	2,568	25.7%	0.6%	23.3%	19.4%	\$27.41	-0.5%	\$27.34	\$25.13	
<b>PALM BEACH COUNTY TOTAL</b>	25,274	1,177	1,415	6,980	4.5%	6,584	3,456	27.6%	1.0%	26.3%	13.9%	\$26.60	-2.5%	\$27.14	\$24.23	
PALM BEACH COUNTY TOTAL - Class A	12,355	552	756	3,759	5.0%	3,506	1,721	30.4%	1.0%	28.9%	16.1%	\$30.61	-2.5%	\$29.52	\$25.83	
<b>SOUTH FLORIDA TOTAL</b>	107,097	5,735	5,449	24,578	5.0%	23,376	14,306	22.9%	1.0%	22.0%	14.0%	\$28.54	0.7%	\$28.68	\$24.07	
SOUTH FLORIDA TOTAL - Class A	50,566	3,143	2,912	13,770	7.1%	13,082	7,005	27.2%	1.7%	26.4%	16.7%	\$32.55	1.3%	\$31.70	\$26.53	

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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.