

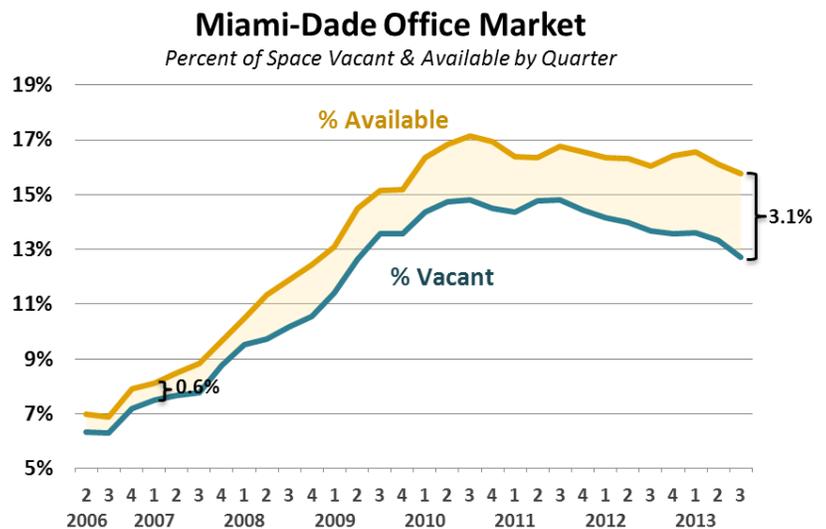
Robert D. Cruz, PhD, Chief Economist
 Robert Hesler, Sr. Economic Analyst

Commercial Real Estate Third Quarter 2013 Highlights

- The office market vacancy rate dropped 100 basis points (bps) to 12.7% in the 3rd quarter (Q3:13) from a year earlier. The average lease rate for office space dropped to \$28.33/SF from \$28.43 in the 3rd quarter of last year.
- On the demand side, the number of office workers grew 2.1% year-over-year to 233,300 workers.
- The industrial vacancy rate dropped 60 bps to 6.3% in the 3rd quarter compared to a year ago and the first quarter lease rate increased to \$8.97/SF from \$8.11/SF in the 3rd quarter of last year.
- Almost 500,000 square feet of industrial space was under construction in the 3rd quarter.
- The retail vacancy rate in shopping centers in Q3:13 remained flat from a year earlier, while lease rates in 3rd quarter decreased to \$24.73 from \$27.20 one year ago.
- The vacancy rate for stand-alone retail increased 10 bps to 4.1% and the 3rd quarter lease rate increased to \$31.66 from \$28.99 in the 3rd quarter of 2012.

Commercial Real Estate (3rd Quarter Data)

Office: Little movement is apparent in the Miami-Dade Office market. Vacancy rates continued modest but consistent improvements in Q3:13 since the fourth quarter of 2011, while lease rates (excluding concessions) continue with signs of stabilization after three years of negative trend. The average lease in Q3:13 was reported at \$28.33/SF, fluctuating in the last four quarters between \$28.31 (Q4:12) and \$28.55 (Q2:13). The average lease rate in 2010 was \$29.65/SF, and \$28.83 in 2011. The average third quarter lease rate for class A space was \$35.02, class B space,



\$25.28, and class C and F space, \$21.77.

Office vacancy saw its eighth consecutive quarter of decline, falling to 12.7% in the third quarter, down from 13.3% in the second quarter and a peak rate of 14.8% in the Q3:11. Gross absorption was 1.3 million square feet in the Q3:13, yet net absorption was just 327,000 SF as additional space became available. As a result, the percent of space available for lease has remained high, above 16% consistently, until the most recent quarter when it dipped below 16% for the first time since the fourth quarter of 2009, to 15.8%. The office sector continues with very little new construction (191,000 SF in Q3:13), down from 5.1 million square feet in the third quarter of 2007. Just 23,000 SF of new office was delivered in the quarter. The gap between the percent of space available and the percent vacant continues to remain high, at 3.1% in the third quarter of the year compared to just 0.6% at the peak of the boom in 2007. Occupied space is increasingly being listed as

available. Possibilities for this increase most likely include tenants indicating they will not be renewing or renewing for very short periods of time, perhaps even month to month, or managers uncertain about their tenants and advertising the space to hedge against losing the tenant. The rising gap between available and vacant space suggests continuing downward pressure on office lease rates and softness in the market.

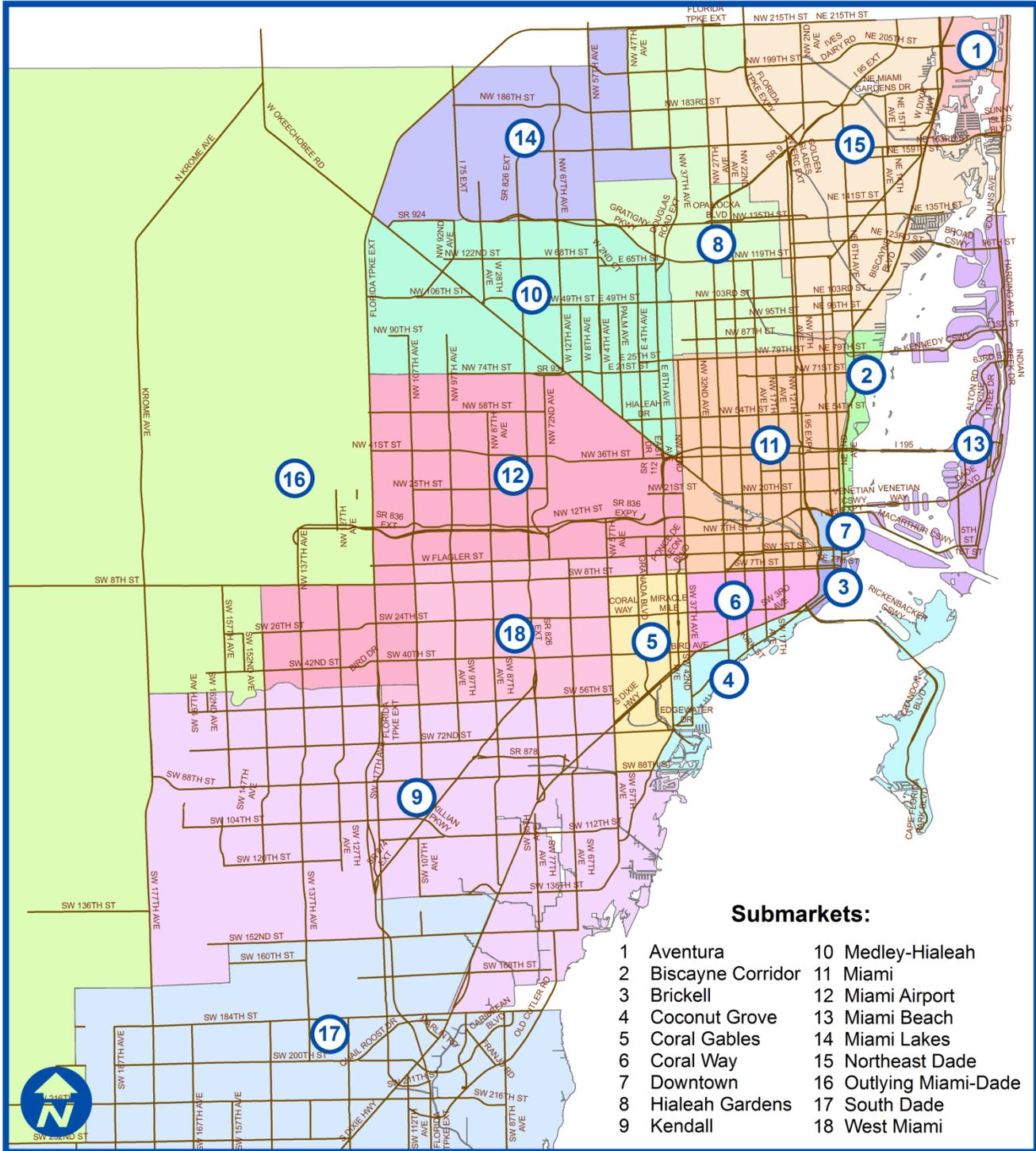
On the demand side, office job growth has accelerated over the last couple months, up to 2.4% in October compared to the same month last year, with 232,100 employees. This data comes from the BLS Payroll data and includes professional and business services, finance and information. The present level of office workers represents the highest number of office workers since the first half of 2008 at the onset of the "great recession."

Office Submarkets

	Year/Year % Change		Net Absorption (SF)	
	Lease Rate	Occup. Rate	2013 3Q	Last 4 Qtrs
Aventura	↑ 6.8%	↓ -3.7%	+ 6,888	+ 31,907
Biscayne	↑ 7.5%	↑ 1.4%	- (15,882)	+ 41,219
Brickell	↓ -1.5%	↑ 3.6%	+ 28,665	+ 218,482
Coconut Grove	↓ -3.1%	↓ -0.6%	- (34,126)	- (11,262)
Coral Gables	↑ 0.8%	↑ 3.0%	+ 82,685	+ 239,555
Coral Way	↓ -2.2%	↑ 0.8%	+ 10,211	+ 18,406
Downtown	↓ -2.0%	↓ -0.9%	+ 6,826	- (103,251)
Hialeah Gardens	↓ -1.1%	↑ 2.5%	+ 1,204	+ 9,152
Kendall	↑ 1.9%	↑ 1.0%	- (23,639)	+ 134,959
Medley-Hialeah	↓ -3.9%	↑ 2.2%	+ 66,850	+ 73,728
Miami	↑ 12.5%	↑ 0.9%	+ 55,254	- (106,279)
Miami Airport	↑ 2.2%	↑ 2.6%	+ 103,279	+ 146,699
Miami Beach	↑ 1.3%	↓ -0.9%	- (9,117)	- (37,027)
Miami Lakes	↓ -0.1%	↓ -0.4%	+ 23,762	- (10,082)
NE Miami-Dade	↑ 1.7%	↑ 0.8%	+ 46,565	+ 87,845
Outlying Areas	↓ -7.6%	→ 0.0%	~ -	~ -
S. Miami-Dade	↑ 0.6%	↓ -0.7%	- (10,906)	- (13,180)
West Miami	↓ -2.5%	↓ -0.5%	- (11,747)	- (16,834)

Data Source: Costar Group

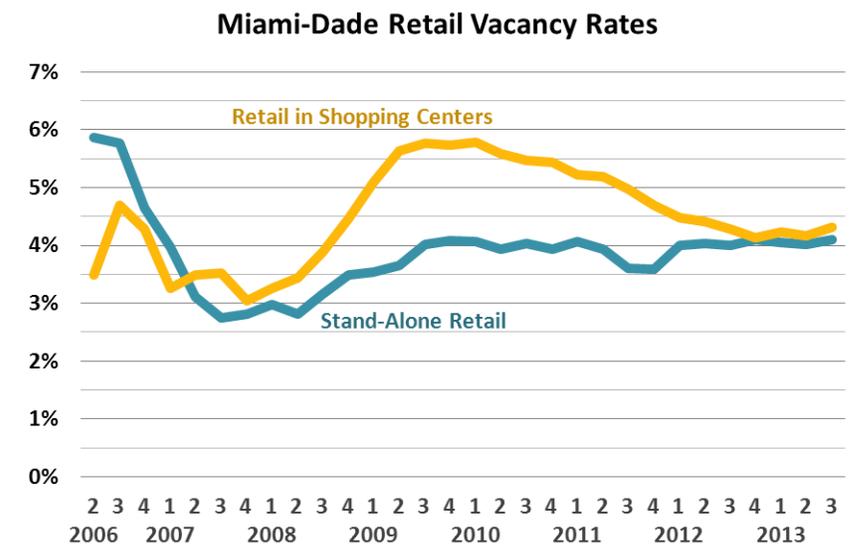
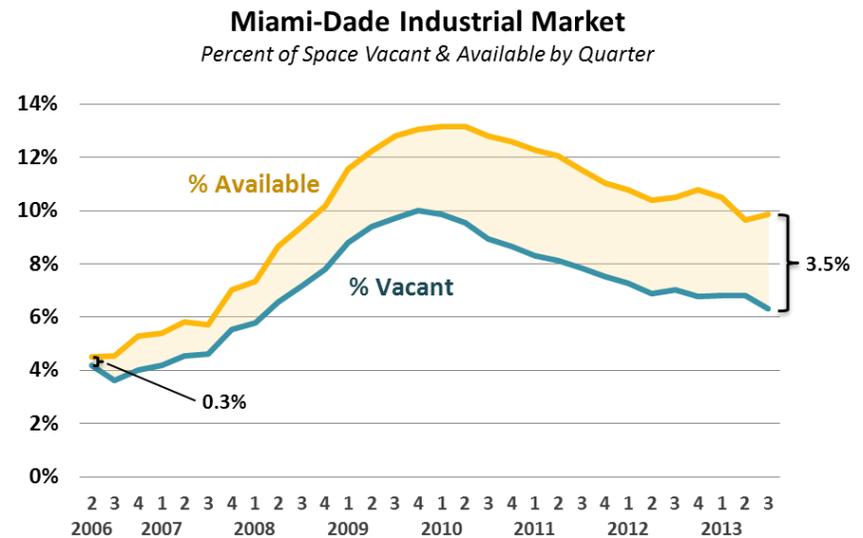
Miami-Dade County Office Real Estate Submarkets



Industrial Market: The industrial market has fared better than the office market. The vacancy rate, which had flattened out during the first half of the year at 6.8%, resumed its downward trend to 6.3% in the third Quarter. The rate is well below its peak in the fourth quarter 2009 of 10%. The lease rate has continued its steady climb over the last three years, increasing from \$7.44 in the first quarter of 2011 to \$8.97 (nnn) in the third quarter of this year. Net absorption shows that the demand side of the market remains strong. After declining in the third quarter of 2012 for the first time in three years, net absorption has average 675,000 square feet per quarter since then, surpassing 1,300,000 square feet in the third quarter of this year. 1,600,000 new square feet of industrial space has been added to the market over the last year while over 500,000 square feet still remain under construction.

With so much new space coming into the market it is not surprising that the available-to-vacancy rate gap for industrial space has remained in the 3.5% range. Even in the face of significant new construction the market continues to tighten.

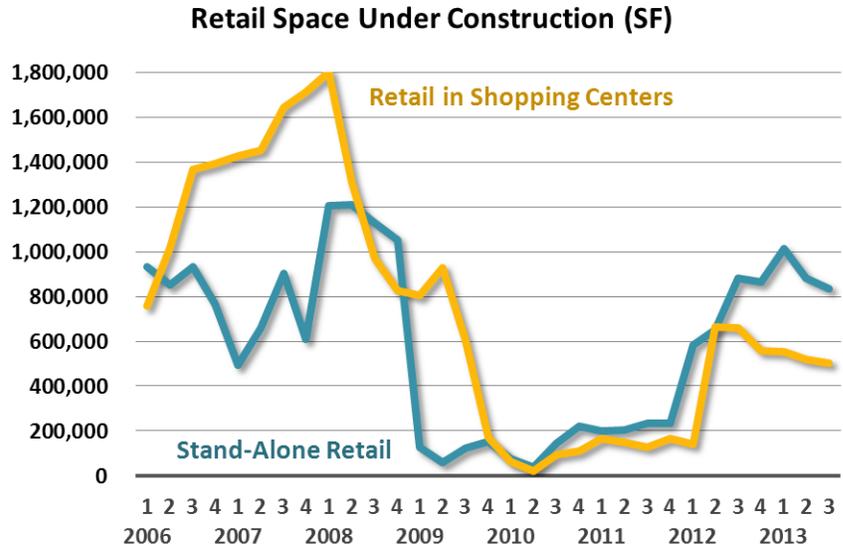
Retail: The market for **retail space in shopping centers** has taken a brief pause from recent steady improvement. The



vacancy rate increased again, up 10 basis points to 4.3% in the third quarter of 2013. This still remains among the lowest rates since the 3rd quarter of 2008. Lease rates dropped for the fourth consecutive quarter after nearly two years of improvement, to \$24.73/SF. This is 1% below the average rate in the third quarter of 2011. While roughly 500,000 SF of shopping center retail space is currently under construction, virtually no new space was delivered, and net absorption remains negative, over 78,000 SF.

Construction in shopping centers and stand-alone locations of new retail space had collapsed between 2008 and 2009. The 2nd quarter of 2012 saw new construction of shopping center space surge to nearly 676,000 SF and, since then, has steadily tapered off though still remains at about half a million square feet. CitiCentre in the Brickell area accounted for 520,000 SF of that total and will be completed in 2015. The center is reported to be 100% preleased.

The market for **stand-alone retail space** also continued to generate heat from 2011 through the first quarter of this year and has since begun to taper off a bit. The vacancy rate has remained consistently in the 4% range. This rate has remained in this



same range since the first quarter of 2007. At the same time the average lease rate, however, continues to climb, increasing to \$31.66/SF, 36% above the low of \$23.26/SF set in the second quarter of 2011. Delivery of new space has remained very low, less than 20,000 SF in the third quarter, with net absorption of -79,000 square feet. New construction during the quarter totaled 837,000 SF.

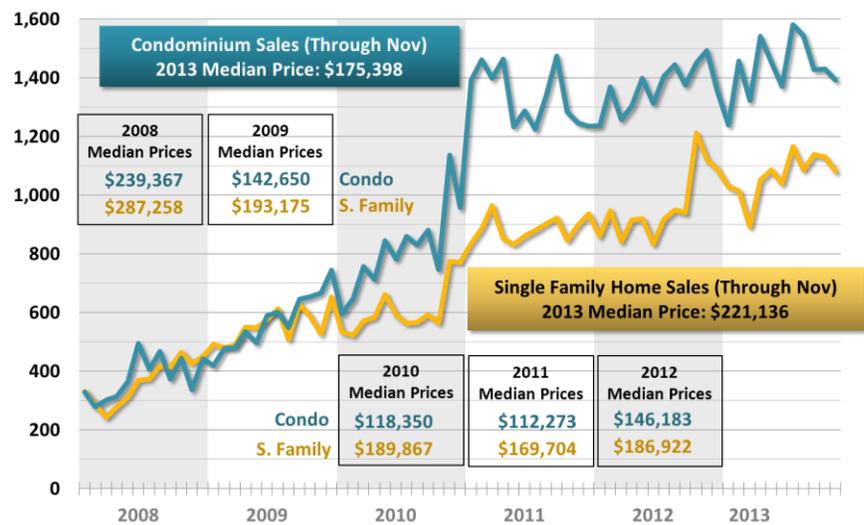
Residential Real Estate 4th Quarter Highlights

- Existing single family home sales declined 3.5% from November of 2012 to 1,081 sales while the median sales price increased 19% over last year to \$232,500.
- Condo sales decreased in November 6.7% year-over-year to 1,392 and the median sales price increased from last year 14% to \$180,000.
- The September Case-Shiller Home Price index increased 14.3% from last September.
- Miami-Dade foreclosures were up 67% over the third quarter of last year while Lis Pendens dropped 71% over the same period.

Residential Real Estate

Home Sales: According to the Miami Association of Realtors seasonally adjusted sales of single family homes in Miami-Dade County declined slightly, -4.3%, from October to November with 1,082 sales after seasonal adjustment. This was down about -3.5% from sales recorded last November. Cash remains king as about 47% of the November sales were cash sales compared to 45% last year. Traditional sales were up 13% over last year and accounted for 63% of all sales with a median sales price of \$300,000. Foreclosure sales accounted for 20% of the total, down 8% from a year ago and saw a median sales price of \$159,900. The remaining 17% of the sales were short sales, down

Miami-Dade Home Sales and Median Price



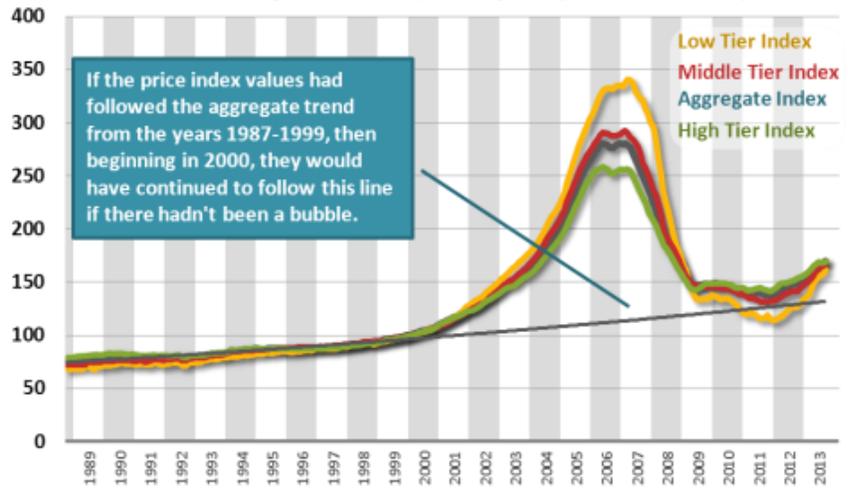
32% from last November with a median sales price of \$163,000. Overall the median sales price of a single family home sold in November, increased 19% year-over-year to \$232,500, and has averaged \$221,100 year-to-date, 18% higher than the 2012 average.

The Florida Realtors Association first began reporting sales and price data on the condominium market in 2005, mid-bubble, so to speak. As of the most recent data from November, county sales

totalled 1,274, 3% below last November. Cash sales made up 77% of the total. Traditional sales were 66% of the total with a median price of \$240,000. 34% of all condo sales were REO's or short sales with a median price below \$120,000. The overall median sales price in November was up nearly 14% from last year at \$180,000. While many homeowners pine for bubble prices to return, the reality is that the housing market has returned very close to normal pre-bubble functioning in terms of the aggregate price and sales volume and a sustainable growth rate as indicated by the price index data. The mix of sales between cash as well as REO and short sales should remain a concern.

S & P Case-Shiller Housing Price Index: The Case Shiller Index divides the Miami-Fort Lauderdale housing market into 3 tiers by value. The lowest tier, values of less than \$166,000, saw the price index grow in March over 21% above a year earlier to 141.5. As Figure 6 shows, prices in the tier remain about 20% below the trend price determined as if the bubble had never occurred. The index for the highest tier, homes valued at \$286,000 and above, jumped 9% from a year earlier to 162 in

Case-Shiller Index - Deviation from the Long Term Trend* of Each Housing Price Tier (Through September, 2013)

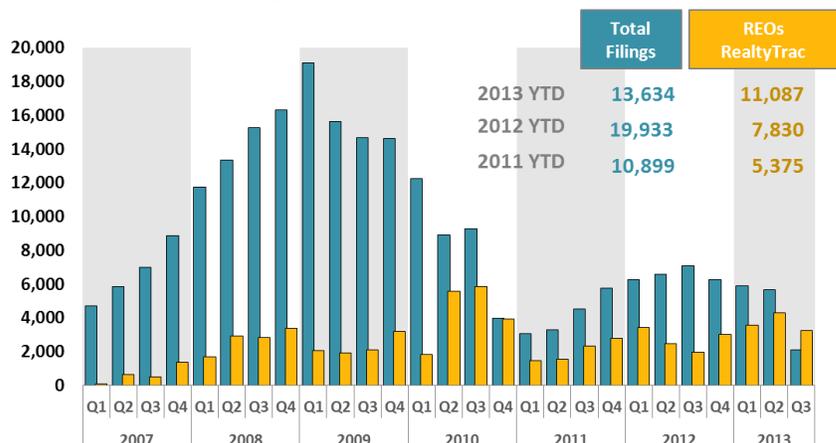


* Long run trend based on data from Jan 1987 through December 1999.
Data Source: S&P Case-Shiller; R.E.R Economic Policy & Analysis.

March. This price level leaves the values about 11% above the trend. The middle tier index increased about 13% from a year ago to 144.2. It now sits about 2% above the historic trend. Overall, the aggregate index for all housing in the market grew 10% from November of last year to 153 and sits about 4% above the long run trend line extended, as if the bubble had never happened.

Foreclosures: While clearly some distress remains in the market as evidenced by the foreclosure and Lis Pendens data, the fundamentals of the South Florida housing market seem to have

Miami-Dade Foreclosures Filings and REO's (completions)



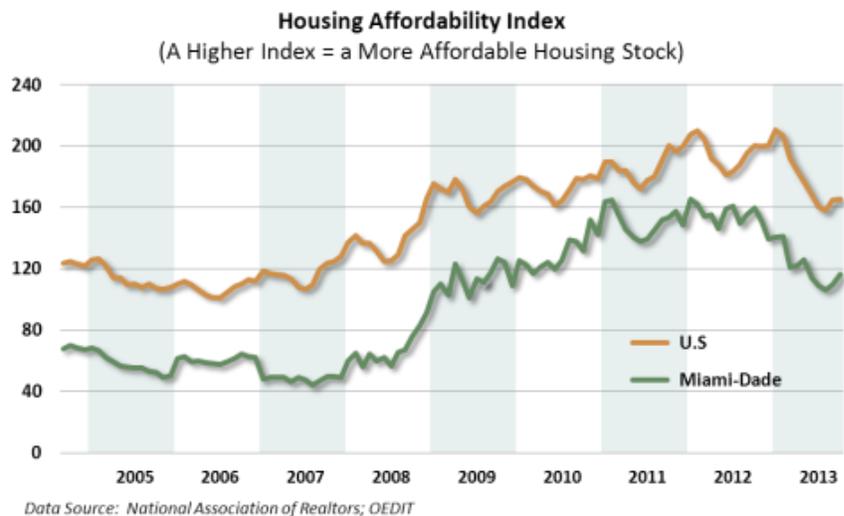
Data Sources: Miami-Dade Clerk of Courts, RealtyTrac.

recaptured historic levels and activity. All the same, Lis Pendens (initial foreclosure filings) in the first three quarters of 2013 were down nearly 32% from the same time period last year to 13,634 filings. For the same three quarters, 2012 saw 19,933 Lis Pendens filed in Miami-Dade, about 27 filings per 1,000 homes. 2011 saw a reduction in Lis Pendens due to paperwork issues and the current rate per thousand homes is about 24% higher than in 2011. Foreclosure completions (REO's) in the first three quarters of this year totaled 11,087, 42% higher than the same period a year ago. This is a rate of about 15 REO's per 1,000 homes. There were about 7,830 REO's in first three quarters of 2012, a rate of 10.5 per thousand homes.

Looking forward it seems likely that filings and foreclosures will remain slightly above historic levels since according to Zillow Real Estate Research, nearly 30% of Miami-Dade mortgages are under water (down from 34% in the 2nd quarter) and an additional 13% are 80%-100% loan-to-value (same as in the 2nd quarter). The

average negative equity amount was \$98,242 per home. With this many troubled mortgages combined with increases in prices, it may be increasingly worthwhile for banks to foreclose.

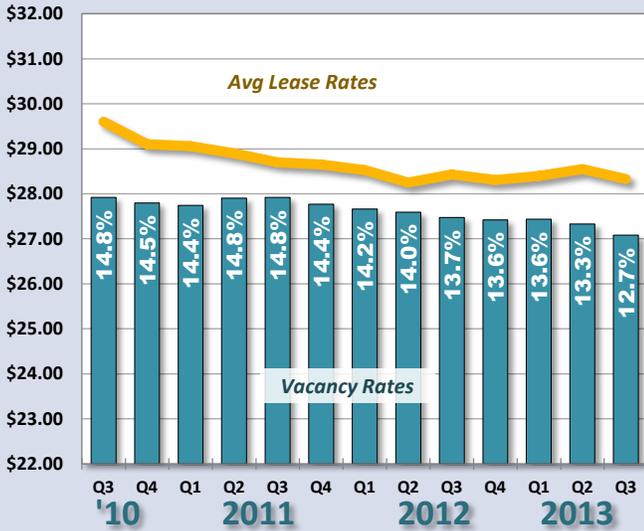
Housing Affordability: One positive outcome of the recent housing market collapse has been the dramatic improvement in the affordability of housing in Miami-Dade County. The housing affordability index is a measure of how affordable a typical house in Miami-Dade County is to the typical family. When the income of the typical family increases faster than the value of the typical home, the index increases. This can be seen from about August of 2007 when the Miami-Dade index stood at 44. As home prices and interest rates declined steadily over the ensuing five years the affordability index increased until it peaked in January of 2012 at about 166. Since then, the improving housing market means that home prices are increasing and interest rates have stabilized. Therefore the affordability index has declined to 116 in October after a brief uptick where we saw homes values and interest rates drop slightly leading to a small bump in affordability. The County trend very closely follows the national figure though homes are consistently far less affordably in Miami-Dade County than nationally.



Miami-Dade County Commercial Real Estate

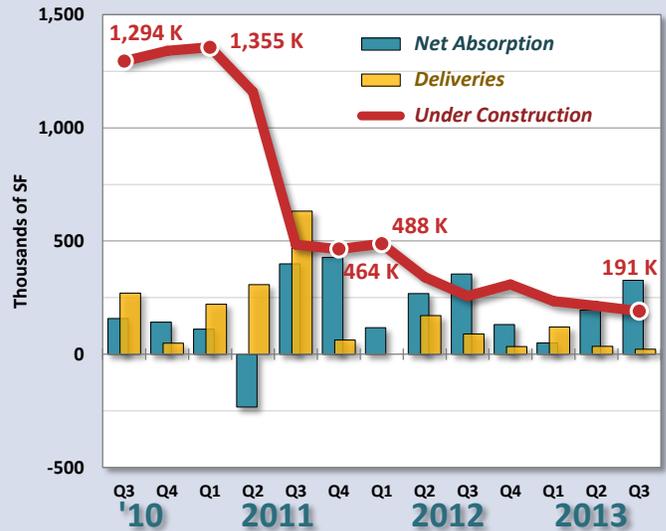


Miami-Dade Office Market Vacancy & Lease Rates



Data Source: Costar

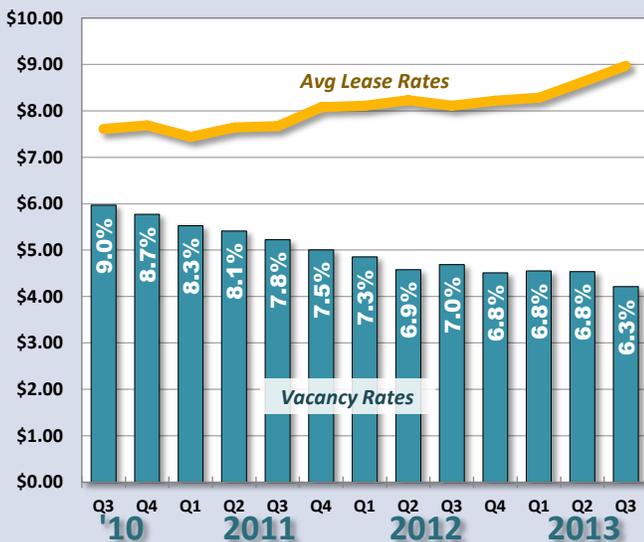
Miami-Dade Office Market Absorptions & Deliveries



Data Source: Costar

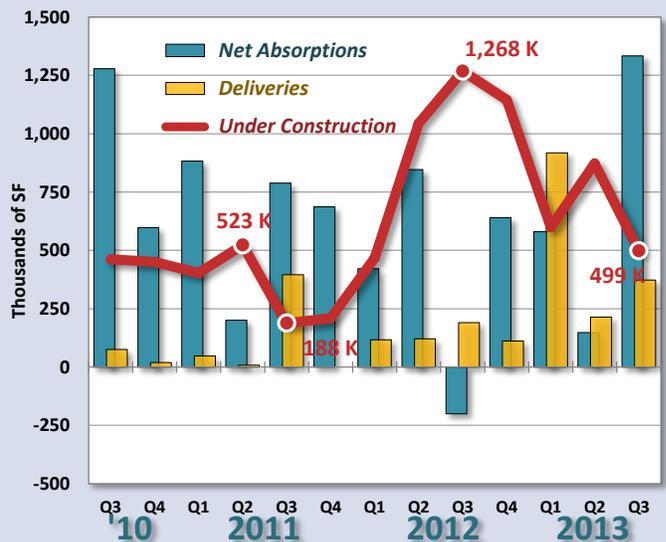
Square Feet (SF) are in '000s		2010	2011	2011	2012				2013		
				4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Office Market	Rentable Building Area (SF)	98,679	99,262	99,610	99,434	99,556	99,616	99,620	99,720	99,643	99,302
	Vacancy Rate	14.6%	14.6%	14.4%	14.2%	14.0%	13.7%	13.6%	13.6%	13.3%	12.7%
	Available %	16.8%	16.5%	16.5%	16.3%	16.3%	16.1%	16.4%	16.6%	16.1%	15.8%
	Net Absorption (SF)	659	705	428	118	268	355	131	50	196	327
	RBA Deliveries (SF)	2,193	1,223	62	0	170	90	34	120	35	23
	Average Lease Rate (/fs)	\$29.63	\$28.83	\$28.65	\$28.53	\$28.25	\$28.43	\$28.31	\$28.40	\$28.55	\$28.33

Miami-Dade Industrial Market Vacancy & Lease Rates



Data Source: Costar

Miami-Dade Industrial Market Absorptions & Deliveries



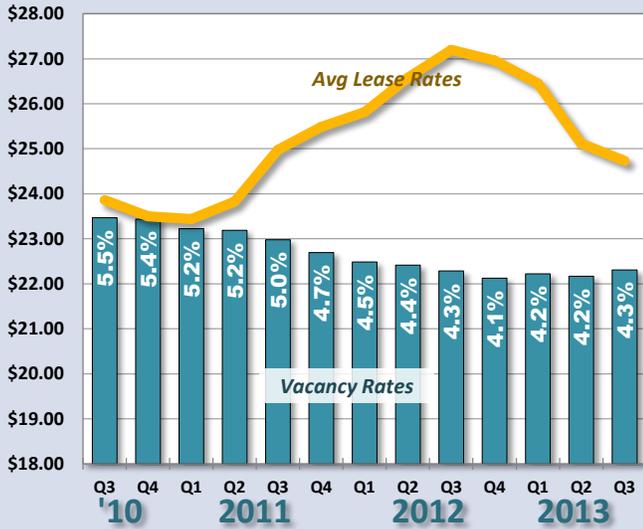
Data Source: Costar

Square Feet (SF) are in '000s		2010	2011	2011	2012				2013		
				4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Industrial Market	Rentable Building Area (SF)	228,082	227,971	227,960	227,855	227,749	227,923	227,977	228,737	228,843	229,084
	Vacancy Rate	9.3%	7.9%	7.5%	7.3%	6.9%	7.0%	6.8%	6.8%	6.8%	6.3%
	Available %	12.9%	11.7%	11.0%	10.8%	10.4%	10.5%	10.8%	10.5%	9.6%	9.9%
	Net Absorption (SF)	3,278	2,559	687	422	846	(200)	640	580	148	1,334
	RBA Deliveries (SF)	625	451	0	117	121	190	111	918	214	373
	Average Lease Rate (nnn)	\$7.73	\$7.71	\$8.08	\$8.11	\$8.23	\$8.11	\$8.22	\$8.28	\$8.62	\$8.97

Miami-Dade County Commercial Real Estate (Cont'd)

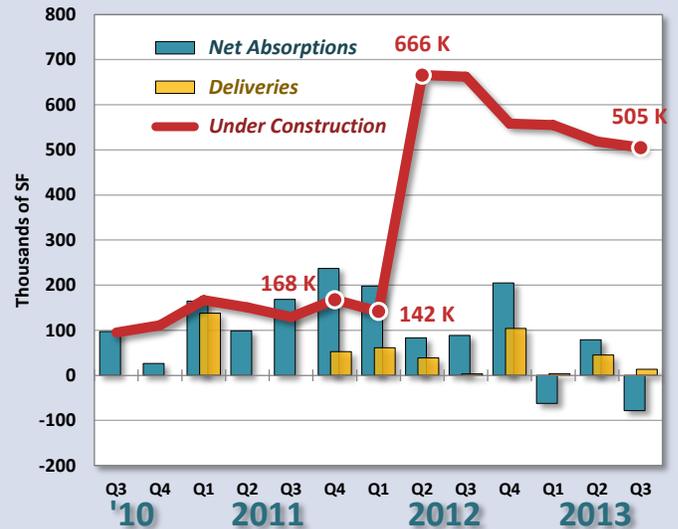


Miami-Dade Retail in Centers - Vacancy & Lease Rates



Data Source: Costar

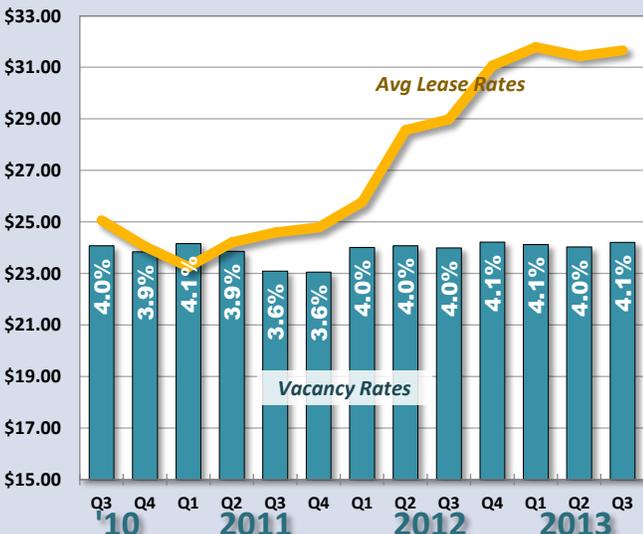
Miami-Dade Retail in Centers - Absorptions & Deliveries



Data Source: Costar

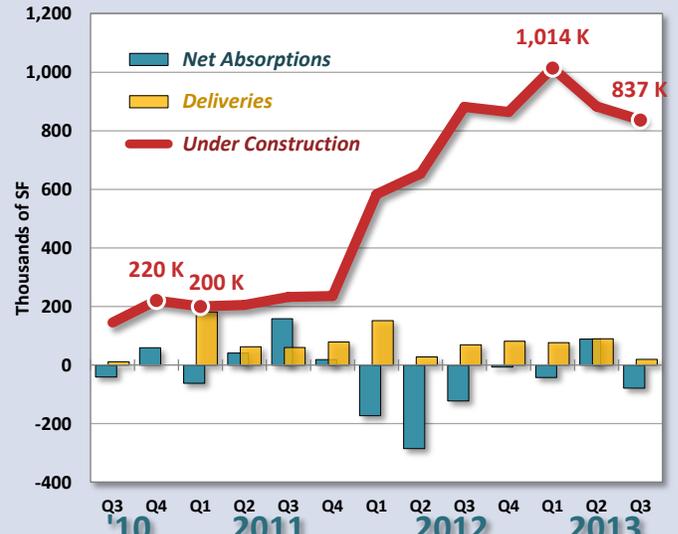
Square Feet (SF) are in '000s		2010	2011	2011 4Q	2012				2013		
					1Q	2Q	3Q	4Q	1Q	2Q	3Q
Retail in Centers	Rentable Building Area (SF)	65,789	65,929	66,004	66,065	66,103	66,106	66,210	66,214	66,259	66,272
	Vacancy Rate	5.6%	5.0%	4.7%	4.5%	4.4%	4.3%	4.1%	4.2%	4.2%	4.3%
	Available %	6.6%	6.5%	6.6%	6.2%	6.0%	5.9%	6.0%	6.0%	5.8%	6.0%
	Net Absorption (SF)	380	669	237	198	83	88	205	(62)	79	(78)
	RBA Deliveries (SF)	191	191	53	61	38	3	104	4	45	13
	Average Lease Rate (nnn)	\$23.93	\$24.43	\$25.49	\$25.82	\$26.58	\$27.20	\$26.96	\$26.45	\$25.12	\$24.73

Miami-Dade Retail Not in Ctrs - Vacancy & Lease Rates



Data Source: Costar

Miami-Dade Retail Not in Ctrs - Absorptions & Deliveries



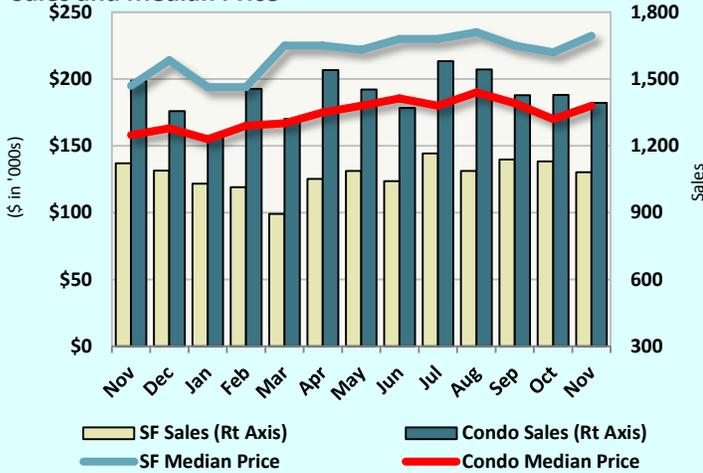
Data Source: Costar

Square Feet (SF) are in '000s		2010	2011	2011 4Q	2012				2013		
					1Q	2Q	3Q	4Q	1Q	2Q	3Q
Retail Not in Ctrs	Rentable Building Area (SF)	55,778	55,775	55,757	55,825	55,545	55,396	55,446	55,379	55,413	55,379
	Vacancy Rate	4.0%	3.8%	3.6%	4.0%	4.0%	4.0%	4.1%	4.1%	4.0%	4.1%
	Available %	5.2%	5.1%	4.9%	5.0%	5.1%	5.5%	5.5%	5.4%	5.3%	5.5%
	Net Absorption (SF)	147	157	19	(173)	(285)	(122)	(7)	(42)	89	(79)
	RBA Deliveries (SF)	172	383	79	152	28	69	82	77	90	20
	Average Lease Rate (nnn)	\$24.68	\$24.21	\$24.79	\$25.78	\$28.57	\$28.99	\$31.07	\$31.79	\$31.44	\$31.66

Miami-Dade County Housing Market

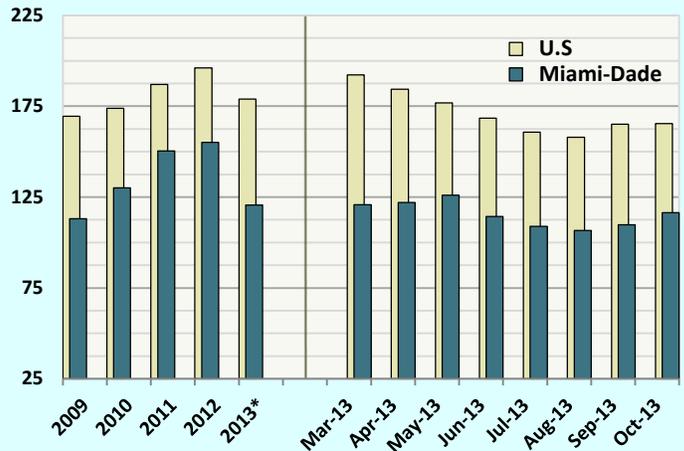


Existing Homes Sales: Seasonally Adjusted Sales and Median Price



Data Source: Florida Realtors.

Housing Affordability Index*



* 2013 data is Year-to-Date.

Miami-Dade Existing Home Sales

	Nov-13	% Chg from Oct-13	% Chg from Nov-12
Single Family Sales	1,081	-4.3%	-3.5%
Med. Sales Price	\$232,500	5.7%	19.2%
Condo Sales	1,392	-2.6%	-6.7%
Med. Sales Price	\$180,000	5.9%	13.9%

Data Source: FloridaRealtors.org

Housing Affordability* (based on Single Family Home Sales)

	Oct-13 (p)	% Chg from Sep-13 (p)	% Chg from Oct-12
Miami-Dade County			
Affordability Index	116.4	6.1%	-27.3%
US			
Affordability Index	165.4	0.2%	-17.6%

Data Source: National Association of Realtors; EDIT.

* The index is a ratio of monthly median income over the P & I payment on a 30 yr fixed rate mortgage. A higher index means more affordable.

Housing Price Indices & Comparisons (2000=100)

Case-Shiller*	Sep-13	% Chg from Aug-13	% Chg from Sep-12
Miami MSA			
Low Tier (< \$182,868)	160.6	1.8%	27.6%
Middle Tier	168.0	1.4%	19.1%
High Tier (> \$314,548)	170.2	0.8%	11.1%
Aggregate Index	169.5	1.1%	14.3%
US 20 City Composite Index	162.2	1.0%	13.3%
Federal Housing Finance Agency**	2013:3Q	% Chg from 2013:2Q	% Chg from 2012:3Q
Miami HPI	175.0	2.0%	12.6%
Broward HPI	164.4	3.8%	10.4%
Florida HPI	148.3	2.3%	8.4%

* Existing homes paired sales, seasonally adjusted.

** All transactions quarterly index, not seasonally adjusted.

Data Source: Standard & Poors; Federal Housing Finance Agency

Miami-Dade Foreclosures & Filings (Not seasonally adjusted)

	2013:Q3	% Chg from 2013:Q2	% Chg from 2012:Q3
REO Foreclosures	3,238	4,287	66.6%
Lis Pendens	2,086	5,663	-70.6%

Data Sources: Miami-Dade Clerk of Courts, RealtyTrac.

30-Year Fixed Mortgage Rates

	Oct-13	Sep-13	Chg from Oct-12
Miami-Dade	4.36	4.67	0.62
US	4.41	4.73	0.69

Data Source: HSH Associates, Inc.

Building Permits (Units)

	Oct-13	% Chg from Sep-13	% Chg from Oct-12
Miami-Dade County			
3 Mo. Trailing Avg	623	24.1%	121.4%
US			
Units (000s)	85.6	0.9%	14.5%

Data Source: US Census Bureau.

Note: All numbers are seasonally adjusted unless otherwise indicated.

For additional information visit our website at:

<http://www.miamidade.gov/business/economic-development.asp>

Dr. Robert D. Cruz, Chief Economist (305) 375-1879

Mr. Robert Hesler, Sr. Economic Analyst (305) 375-4811

Released Dec 2013