



YEAR END 2018
MIAMI OFFICE MARKET REPORT



B L A N C A
Licensed Real Estate Broker

EXECUTIVE SUMMARY

MIAMI OFFICE MARKET HIGHLIGHTS

As 2018 came to an end, the Miami office market experienced increased tenant demand over the previous quarters. Market fundamentals, however, remained consistent. Year-over-year, leasing momentum kept up pace, and new-to-market activity increased slightly. Leasing activity was driven by continued demand for walkable environments and quality office space in buildings designed to deliver enhanced user experiences and to attract and retain talent. New development projects captured global co-working concepts and quality tenants seeking locations that improved commute times, provided easy access to a broad amenity base, and offered varied residential housing options. We expect Miami's appeal as a growing, global city to support leasing momentum and continued investment in office product through 2019.

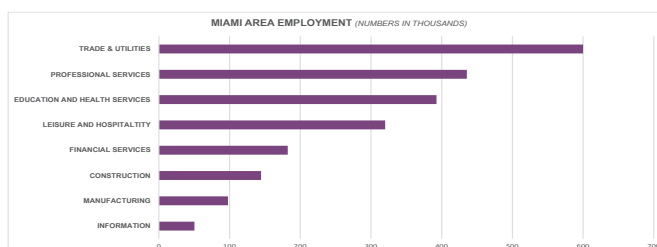
ECONOMIC HIGHLIGHTS

Miami's key economic indicators were strong in 2018 and drove significant impact within the office market. Boasting one of the largest economies in the U.S., the Miami-Metro area contributed more than 30% of the state's total GDP (\$120 billion) and ranked among the top five metro economies in the nation. With a business friendly environment, the availability of direct flights from Miami International Airport to domestic and international destinations, strong trade, and a diversified economy, Miami is noted as a gateway to the Americas making the city a magnet for entrepreneurs and companies seeking to expand their global reach. We, therefore, expect to see increased new-to-market leasing activity across the Miami office market in 2019.

Miami's unemployment rate decreased by 28% to 3.2% as compared to the national average of 3.9% in 2018. As a result, according to the Bureau of Labor Statistics, Miami ranked second in the U.S. for highest year-over-year job growth (4.2% vs. national average of 1.7%) which contributed to the overall solid performance of the office market. Industries demonstrating the most significant

4.2%
ANNUAL JOB GROWTH IN
MIAMI-DADE COUNTY

2018 MIAMI AREA EMPLOYMENT (NUMBER IN THOUSANDS)



job growth include construction, manufacturing, professional services, and financial services. Additionally, the county's economic development agency, The Beacon Council, reported that major job growth is expected to continue in the technology, real estate, healthcare, and creative industries (most prominently, media and entertainment).

LEASING ACTIVITY

Year-over-year, there was 2.8 million square feet of leasing activity across the Miami office market. Most of the transactions were renewals, expansions, and moves within submarkets (71% of total activity) with financial services, professional services, real estate firms, and the expansion of co-working concepts representing 39% of the total lease transaction volume in 2018.

As we projected in mid-2018, new-to-market activity increased by 34%, driven by 200,000 SF leased by co-working companies entering the market and expansion of existing co-working concepts and 154,000 SF leased to companies in the financial services, healthcare, and technology sectors.

The four major office submarkets captured 75% of completed transactions. More than 40% of the completed transactions in Brickell were new-to-market deals (+/- 62,000 SF, excluding co-working), most of which were in the financial services and technology sectors. Coral Gables led with expansion activity, recording 40% of total in-market expansions. Miami Airport captured more than 30% of total leasing activity, driven by renewals and extensions, but available inventory of space also increased due to major corporations right-sizing and additional M&A activity.

NEW-TO-MARKET DEALS SIGNED IN 2018

Industrious | 1111 Brickell (45,393 SF)

iSquared Capital | 600 Brickell (23,620 SF)

Roger's Memorial Health | Waterford (11,688 SF)

Evolent Health | Downtown Doral (10,000 SF)

Conway McKenzie | 600 Brickell (5,700 SF)

EXECUTIVE SUMMARY

MIAMI OFFICE MARKET HIGHLIGHTS

RENTS

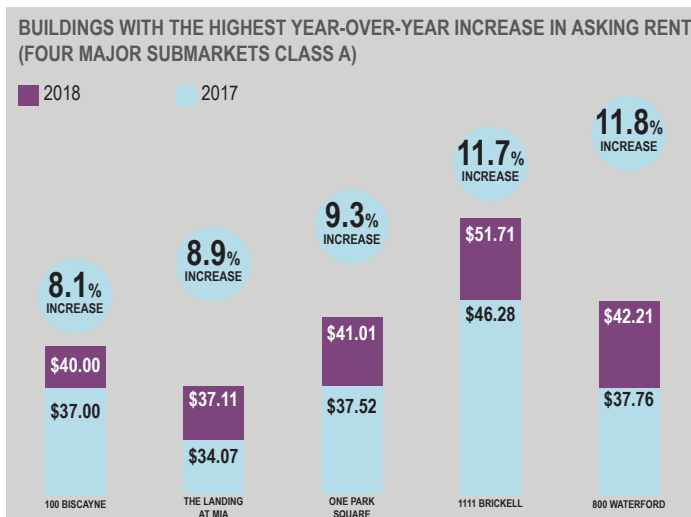
At year-end, overall direct weighted average asking rents remained stable across the board for Class A and B space; currently at \$40.24 PSF. Year-over-year, rents experienced modest increases compared to previous years. Miami rents continue to outperform and grow at a faster than average pace versus other major U.S. office markets (5.0% vs. 1.6% rent growth).

The upward pressure on rents is driven by new deliveries in emerging office submarkets, building trades, and newly repositioned office buildings.

The four major office submarkets have historically driven rent growth within the Miami market, but held steady as the year ended (-0.3%). Coral Gables Class A recorded a substantial rent growth of 5.5% and Brickell Class B office space led with a 5.9% spike in rents. Those spikes, in great part resulted from owners seeking to unlock the full potential of their assets through thoughtful renovations that were completed in 2018.

New office deliveries in Wynwood, Design District, Coconut Grove, and other evolving submarkets are being offered for lease at \$55.00 PSF to \$65.00 PSF, significantly placing upward pressure on overall market rents. We expect this dynamic will continue through 2020 as new office product delivers in submarkets such as Coconut Grove, Aventura, Wynwood, and Coral Gables.

Given the existing market dynamics and key drivers of rent growth, we expect rent increases in submarkets outside of Downtown and Brickell, while submarkets with limited premium space will maintain current rents.



SUPPLY

As projected last quarter, quarter-over-quarter leasing velocity increased towards the end of the year and drove positive net absorption in the urban core and growing office submarkets including Wynwood and the Design District submarkets (239,000+ SF).

In 2018, there was just over 600,000 SF of new office space added to the Miami market. Of this, 483,000 SF were under lease to quality tenants within a year of delivery. Prior to TCO, the leasing success of newly delivered buildings further evidences the flight-to-quality that prevails in Miami, a trend that will remain evident

as new projects currently under construction deliver through 2020. During 2019, more than 300,000 SF of new supply is expected to deliver by the end of the fourth quarter; of which more than 100,000 SF has been pre-leased. Limited new supply and consistent deal activity will drive positive net absorption across various submarkets the first half of 2019.

5.0% vs. 1.6%
Miami Office Rent Growth
 vs.
US Office Rent Growth

SELECT NEW OFFICE DELIVERIES

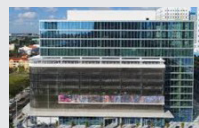
2018 NEW OFFICE DELIVERIES LEASING PERCENTAGE (Within 12 Months of TCO)

100% LEASED



GIRALDA PLAZA

95% LEASED



3 MIAMICENTRAL

95% LEASED



CANAL PARK OFFICE

2019 NEW OFFICE DELIVERIES PRE-LEASING PERCENTAGE

100% LEASED



OPTIMUM

100% LEASED



TERRA BUILDING

0% LEASED



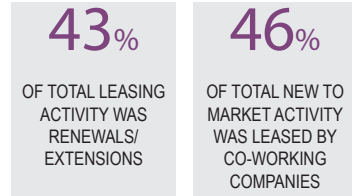
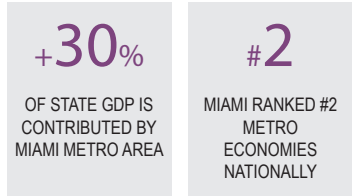
WYNWOOD 25 ANNEX

YEAR IN REVIEW

2018 MIAMI OFFICE MARKET HIGHLIGHTS

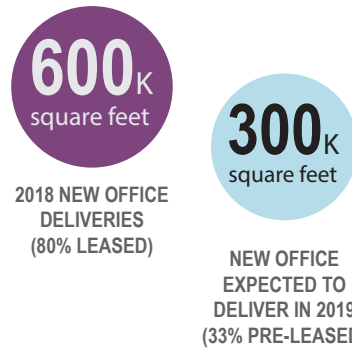
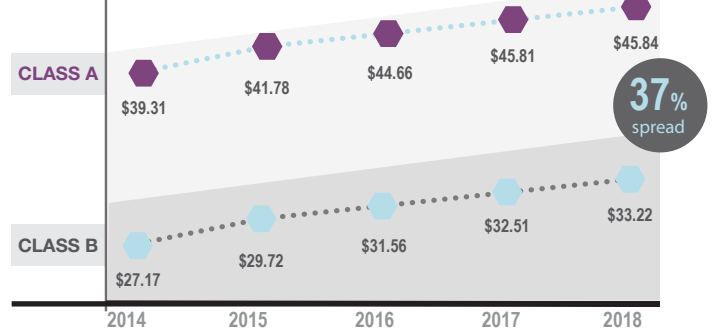
ECONOMIC HIGHLIGHTS: Miami currently boasts one of the largest economies in the U.S.

LEASING ACTIVITY: 2.8 million square feet of leasing activity across the Miami office market.



RENTS: Miami-Dade rents increased by 5% year-over-year vs. the national average of 2%

HISTORICAL COMPARISON OF CLASS A & B RENTAL RATES IN MIAMI OFFICE MARKET (Direct, Full Service, PSF)

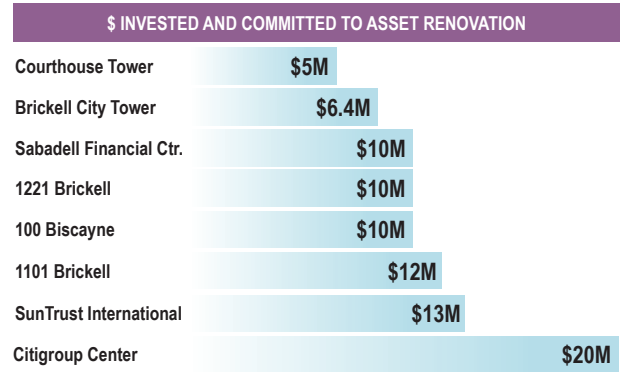
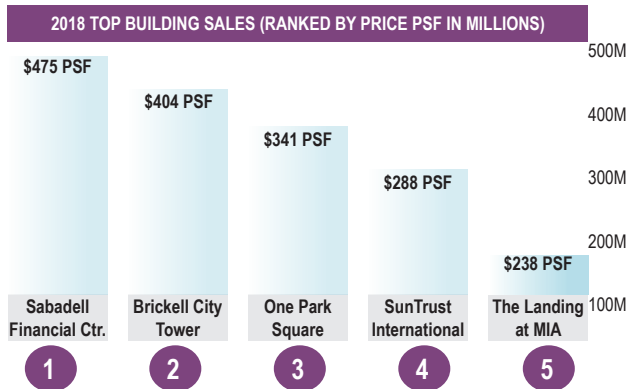


EVOLVING OFFICE MARKETS

1. WYNWOOD
2. DESIGN DISTRICT
3. COCONUT GROVE
4. AVENTURA

TOP PERFORMERS

BRICKELL	DOWNTOWN	MIAMI AIRPORT
HIGHEST RENT GROWTH IN THE FOUR MAJOR SUBMARKETS	HIGHEST POSITIVE NET ABSORPTION CLASS A & B (27% OF DEALS NEW TO MARKET AND NEW TO SUBMARKET)	HIGHEST LEASING ACTIVITY
3.1%	67,052 SF	640,000 SF



co-working

2.8% of total Class A and B inventory is occupied by co-working companies

20% of 2018 new office delivery was occupied by co-working

right-sizing

26% Average reduction in occupancy of large companies that right-sized in 2018

occupancy

5,000 SF Average deal size in Miami-Dade

151 SF Per employee is the average size of an office

TRENDS TO WATCH:

- DIRECT WEIGHTED AVERAGE RENTS WILL HOLD STEADY
- STABLE MARKET METRICS
- SLIGHT UP-TICK IN NEW-TO-MARKET ACTIVITY
- CONTINUED EXPANSION OF CO-WORKING SPACES

OFFICE TRENDS

FREQUENTLY ASKED QUESTIONS

CO-WORKING

How is co-working impacting the Miami office market?

- Co-working currently represents 3.1% of the total Class A inventory and 2.4% of total Class B inventory in Miami (approximately 800,000 SF). WeWork leads in market share (40% of co-working space in Miami-Dade) and reportedly has 93% occupancy. Additionally, co-working operators signed to lease more than 100,000 SF in newly delivered office developments including Giralda Place, 2 MiamiCentral, and Cube Wynwd (20% of inventory).

Will co-working activity continue in 2019?

- Given Miami's vibrant and growing entrepreneurial ecosystem and average employee count of multinational companies operating out of Miami, we expect co-working concepts to continue to expand their footprint in Miami over the course of 2019. According to recent studies such as the Kauffman Index and Inc. Miami tops national rankings for start-up activity and new entrepreneurs. Popular co-working concepts like Industrious, WeWork, Spaces (Regus), and Venture X are confident in Miami and signed leases in 2018.

TENANT PERSPECTIVE

What are the key considerations for a tenant's office space needs?

- Corporate tenants continue to make decisions on the basis of total occupancy costs, measured on the basis of average annual occupancy costs on a cash and book basis. They consider such measures as headcount per square foot and whether additions to their portfolios of leased space is accretive or dilutive to the overall portfolio of space. Tenants also seek office space that aligns with their brand vision and the factors that allow them to attract and retain top talent. Key drivers in decision making include amenities, average commute time, proximity or inclusion of gym and fitness solutions, outdoor collaboration spaces, and lifestyle-focused services.

Design trends are shifting. What trends are tenants adopting in their space?

- Tenants are focused on gaining maximum space efficiencies while driving collaboration among teams through the adoption of innovative design concepts. The evolution of technology has also played a role in how much space is needed, with employers often offering remote work options, further eliminating the need for dedicated offices. Open spaces and huddle rooms are also the new norm and is a trend we expect will continue. However, current studies show tenants still desire private offices to provide a quiet place to work as may be needed.

REPOSITIONING OFFICE BUILDINGS



What is typically included in renovation plans?

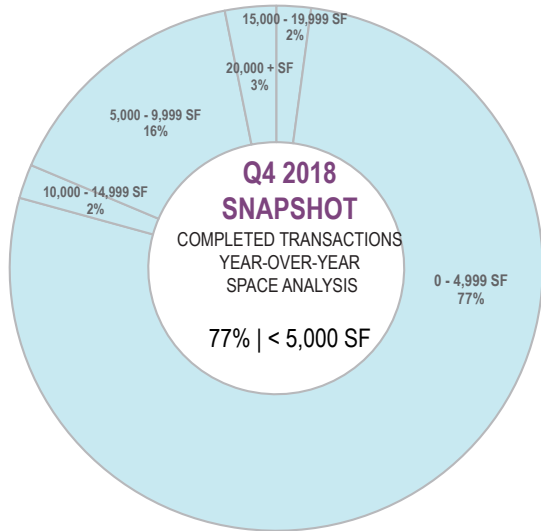
- In addition to modern finishes in common areas, the creation of amenity decks and outdoor areas are key. Owners are creating indoor and outdoor spaces that are Wi-Fi connected and designed to drive collaboration. As employers seek to attract and retain talent across a broad demographic and diverse population, landlords are focused on creating office environments that deliver unique experiences, quality of light, and outdoor and indoor amenity spaces.



BY THE NUMBERS (QUARTER-OVER-QUARTER)

(BRICKELL CLASS A TIER I & II AND CLASS B)

- \$52.89 AVERAGE RENTAL RATE CLASS A (TIER 1 AND 2)
- \$37.42 AVERAGE RENTAL RATE CLASS B
- 8.0% VACANCY RATE CLASS A BUILDINGS
- 16.7% VACANCY RATE CLASS B BUILDINGS
- 24,786 SF OVERALL BRICKELL ABSORPTION



YEAR-OVER-YEAR

- Brickell captured 56% (106,000 SF) of new to market lease transactions across the four major office submarkets
- Constrained supply with no deliveries scheduled in the next 24 months

QUARTER-OVER-QUARTER

- Class A & B direct vacancy decreased 3.7% to a rate of 10.4%
- Class A Tier I drove positive absorption of 35,000 SF

NOTABLE TRANSACTIONS: INDUSTRIOUS

45,393 SF New to Market
1111 Brickell | 1111 Brickell Avenue

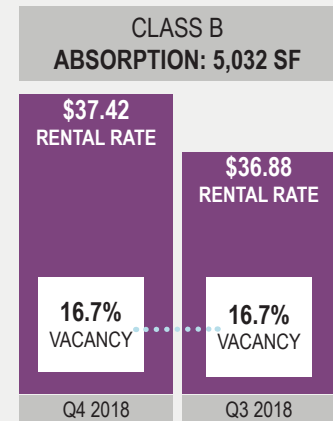
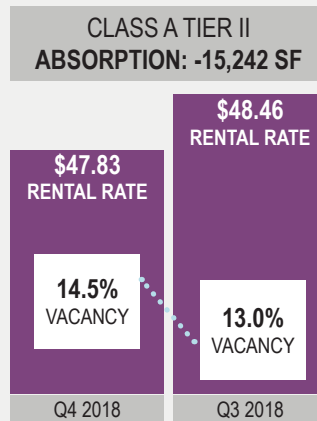
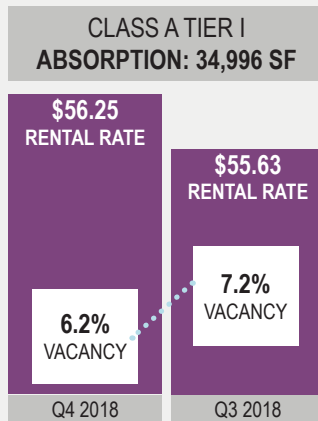
BRICKELL BANK

37,600 SF Renewal
Brickell Arch | 1395 Brickell Ave

SUNTRUST

20,061 SF Renewal & Downsize
Brickell Office Plaza | 777 Brickell Ave

BRICKELL SNAPSHOT (QUARTER-OVER-QUARTER) Rental Rate . Vacancy



HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

Year	Vacancy Rates Year-Over-Year		
	Class A Tier 1	Class A Tier 2	Class B
2014	14.3%	13.5%	17.3%
2015	9.8%	13.2%	18.4%
2016	8.7%	11.7%	17.7%
2017	6.6%	11.7%	17.0%
2018	6.2%	14.5%	16.7%



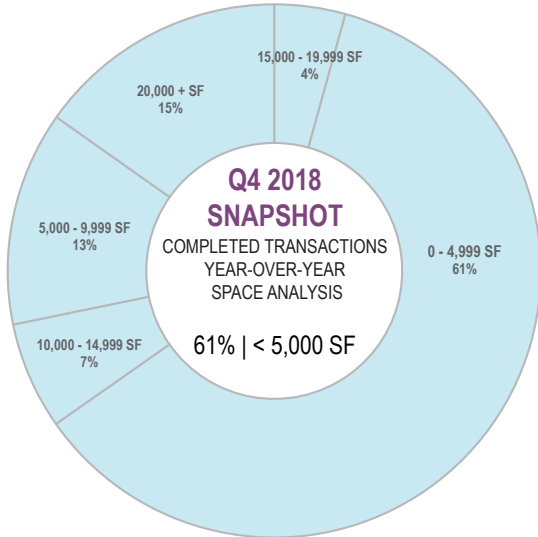
BRICKELL CLASS A RENTAL RATES REFLECT AN OVERALL 19% INCREASE SINCE 2014

Year	Rental Rates Year-Over-Year		
	Class A Tier 1	Class A Tier 2	Class B
2014	\$44.83	\$43.30	\$31.63
2015	\$47.53	\$45.73	\$32.26
2016	\$50.15	\$47.45	\$32.96
2017	\$54.86	\$48.66	35.33
2018	\$56.25	\$47.83	\$37.42

BY THE NUMBERS (QUARTER-OVER-QUARTER)

(DOWNTOWN CLASS A TIER 1 & 2 AND CLASS B)

- \$48.60 AVERAGE RENTAL RATE CLASS A (TIER 1 AND 2)
- \$29.68 AVERAGE RENTAL RATE CLASS B
- 24.3% VACANCY RATE CLASS A BUILDINGS
- 22.5% VACANCY RATE CLASS B BUILDINGS
- 41,863 SF OVERALL DOWNTOWN OF POSITIVE NET ABSORPTION



YEAR-OVER-YEAR

- Continued modest increase of 2.3% in Class A rent; 1.2% increase in Class B
- Class A buildings experienced 147,000 SF of positive net absorption
- Approximately 380,000 SF in completed lease transactions; 45% were relocations from other submarkets and in market moves

QUARTER-OVER-QUARTER

- Class A & B direct vacancy decreased slightly to 23.8%
- Class A Tier I reached a new rent threshold at \$52.10 FS

NOTABLE TRANSACTIONS:

CITY NATIONAL BANK

105,000 SF Extension & Expansion
Miami Tower | 100 SE 2nd St

CARLTON FIELDS

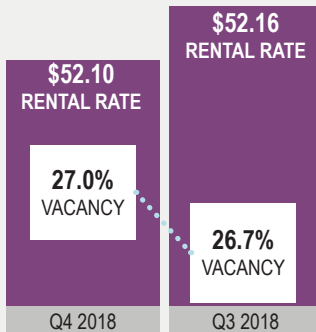
49,893 SF In Market Relocation
2 MiamiCentral | 700 NW MiamiCentral Ave

UBS FINANCIAL SERVICES

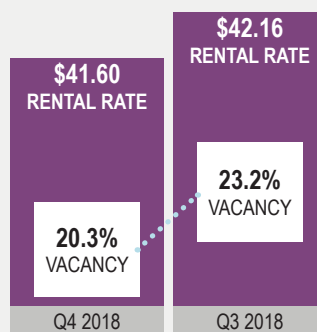
36,698 SF Renewal
Miami Tower | 100 SE 2nd St

DOWNTOWN SNAPSHOT (QUARTER-OVER-QUARTER) Rental Rate . Vacancy

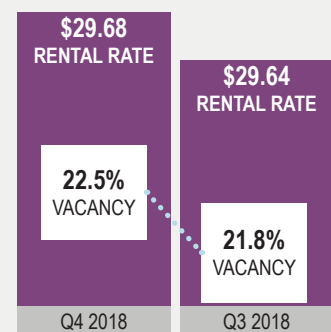
CLASS A TIER I ABSORPTION: -8,430 SF



CLASS A TIER II ABSORPTION: 57,852 SF



CLASS B ABSORPTION: -7,559 SF



HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

Vacancy Rates Year-Over-Year			
	Class A Tier 1	Class A Tier 2	Class B
2014	20.0%	16.5%	19.9%
2015	20.0%	21.0%	18.1%
2016	19.4%	15.7%	15.5%
2017	23.9%	22.2%	18.5%
2018	27.0%	20.3%	22.5%



DOWNTOWN RENTAL RATES REFLECT AN OVERALL 19.5% INCREASE SINCE 2014

Rental Rates Year-Over-Year			
	Class A Tier 1	Class A Tier 2	Class B
2014	\$43.98	\$36.09	\$26.18
2015	\$47.05	\$38.38	\$27.11
2016	\$48.73	\$39.53	\$28.64
2017	\$51.49	\$41.27	\$29.36
2018	\$52.10	\$41.60	\$29.68

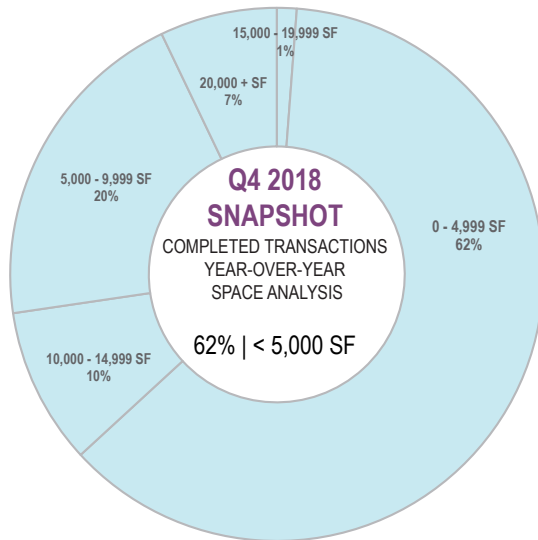
SUBMARKET WATCH

CORAL GABLES . 4Q 2018

BY THE NUMBERS (QUARTER-OVER-QUARTER)

(CORAL GABLES CLASS A TIER 1 & 2 AND CLASS B)

- \$45.07 AVERAGE RENTAL RATE CLASS A (TIER 1 AND 2)
- \$37.74 AVERAGE RENTAL RATE CLASS B
- 7.8% VACANCY RATE CLASS A BUILDINGS
- 15.0% VACANCY RATE CLASS B BUILDINGS
- 115,514 SF OVERALL CORAL GABLES POSITIVE NET ABSORPTION



YEAR-OVER-YEAR

- Steady increase of 5.5% in Class A rent; 3.0% increase in Class B
- 43% of the completed leases were in-market expansions

QUARTER-OVER-QUARTER

- Class A & B direct vacancy decreased to 11.1%, previously 12.1%
- 115,000 SF of positive net absorption; 66% of which was from Class A Tier I

NOTABLE TRANSACTIONS: WEWORK

55,786 SF In Market Expansion
Giralda Place | 255 Giralda Ave

OLE MEDIA SERVICES

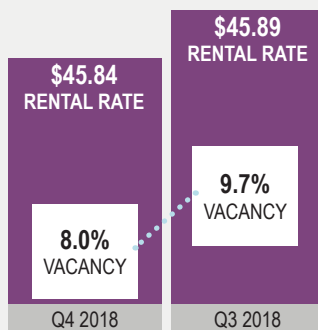
32,790 SF Renewal & Expansion
2525 Ponce | 2525 Ponce De Leon Blvd

AMERICAN TOWER

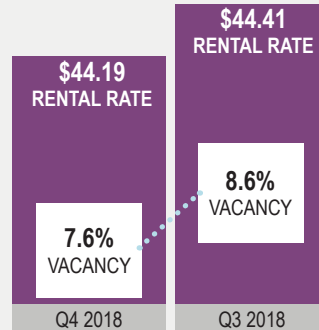
13,000 SF New to Submarket
121 Alhambra Towers | 121 Alhambra Plz

CORAL GABLES SNAPSHOT (QUARTER-OVER-QUARTER) Rental Rate . Vacancy

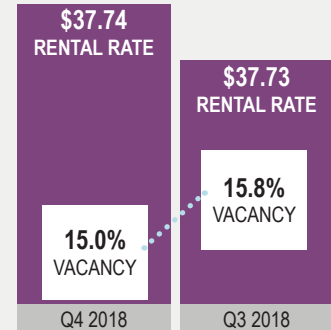
CLASS A TIER I ABSORPTION: 76,650 SF



CLASS A TIER II ABSORPTION: 16,142 SF



CLASS B ABSORPTION: 22,722 SF



HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

Vacancy Rates Year-Over-Year			
	Class A Tier 1	Class A Tier 2	Class B
2014	9.8%	19.4%	12.3%
2015	9.3%	13.5%	12.0%
2016	8.7%	10.2%	12.9%
2017	6.5%	7.1%	10.6%
2018	8.0%	7.6%	15.0%



**CORAL GABLES CLASS A
RENTAL RATES REFLECT AN
OVERALL 16.5% INCREASE
SINCE 2014**

Rental Rates Year-Over-Year			
	Class A Tier 1	Class A Tier 2	Class B
2014	\$40.83	\$37.87	\$32.38
2015	\$42.28	\$39.39	\$33.91
2016	\$43.53	\$42.31	\$36.72
2017	\$43.02	\$43.03	\$36.97
2018	\$45.84	\$44.19	\$37.74

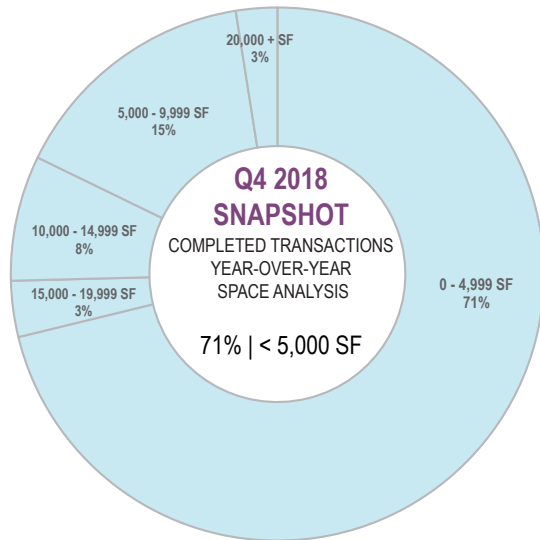
SUBMARKET WATCH

MIAMI AIRPORT . 4Q 2018

BY THE NUMBERS (QUARTER-OVER-QUARTER)

(MIAMI AIRPORT CLASS A AND CLASS B)

- \$36.59 AVERAGE RENTAL RATE CLASS A
- \$30.57 AVERAGE RENTAL RATE CLASS B
- 14.0% VACANCY RATE CLASS A BUILDINGS
- 14.4% VACANCY RATE CLASS B BUILDINGS
- -126,684 SF OVERALL MIAMI AIRPORT ABSORPTION



YEAR-OVER-YEAR HIGHLIGHTS

- 640,000 SF of lease transactions capturing 30% of deals across the four major submarkets; 60% were renewals and expansions
- Negative 425,000 SF of net absorption due to large move outs, contractions, and consolidations
 - FEMA moved out of 93,000 SF, Burger King downsized by 70,000 SF, and Florida Blue downsized by 38,400 SF

QUARTER-OVER-QUARTER

- Class A & B rent remained stable at \$33.98

NOTABLE TRANSACTIONS:

WORLD FUEL SERVICES

133,333 SF Renewal & Downsize
Doral Costa Office Park | 9800 NW 41st St

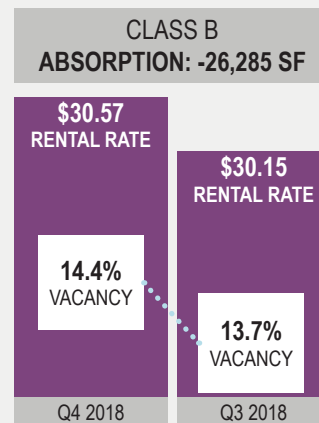
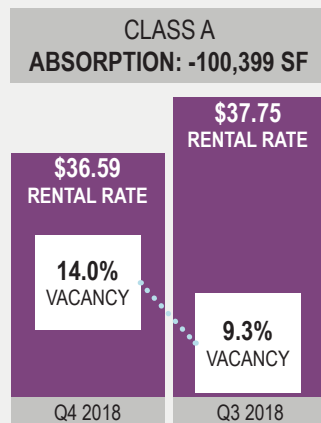
GUIDEWELL-SANITAS

21,038 SF In Market Relocation
Westside Plaza I | 8400 NW 33rd St

SOLIS HEALTH PLANS

19,500 SF Renewal
9250 Doral | 9250 NW 36th St

MIAMI AIRPORT SNAPSHOT (QUARTER-OVER-QUARTER) Rental Rate . Vacancy



HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

Vacancy Rates Year-Over-Year		
	Class A	Class B
2014	11.0%	18.4%
2015	7.8%	14.8%
2016	4.4%	13.7%
2017	8.3%	10.6%
2018	14.0%	14.4%



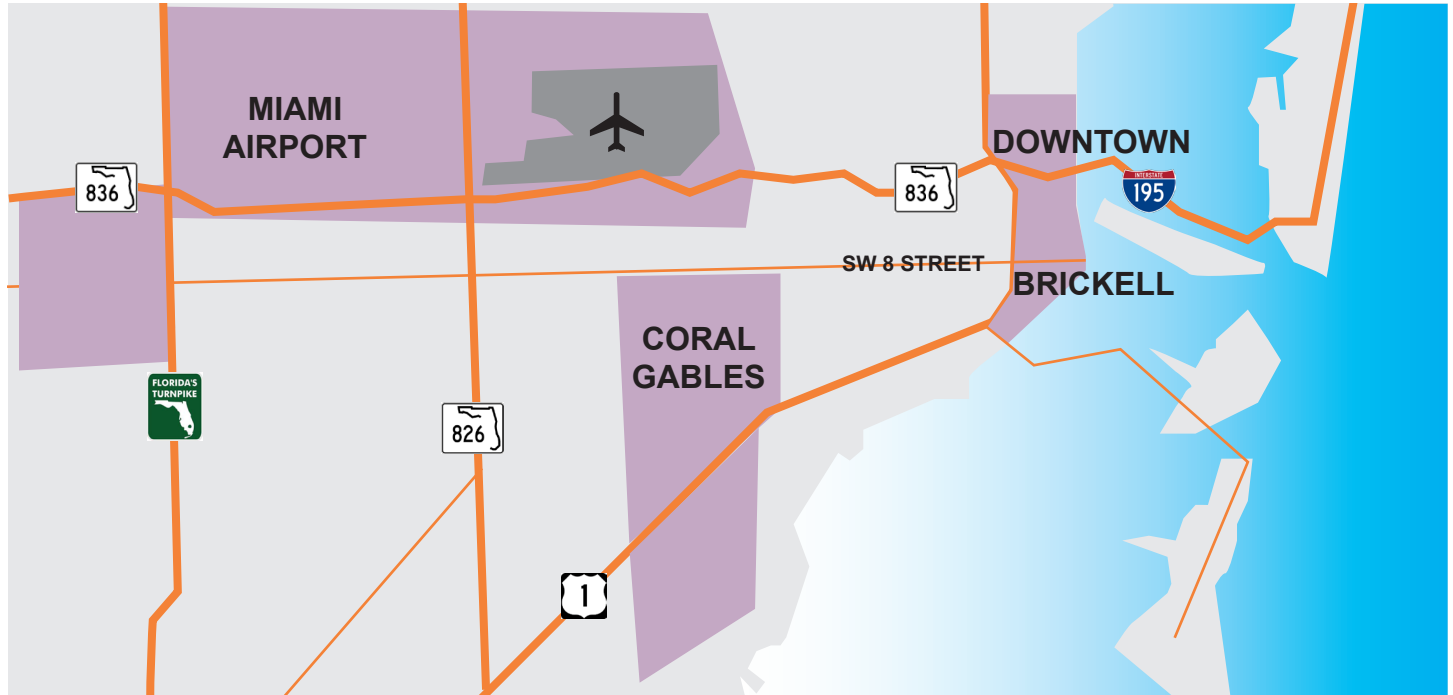
**MIAMI AIRPORT CLASS A
RENTAL RATES REFLECT AN
OVERALL 21% INCREASE
SINCE 2014**

Rental Rates Year-Over-Year		
	Class A	Class B
2014	\$30.29	\$23.30
2015	\$31.92	\$25.45
2016	\$33.39	\$29.17
2017	\$36.00	\$29.96
2018	\$36.59	\$30.15

QUICK STATS

DOWNTOWN | BRICKELL | CORAL GABLES | MIAMI AIRPORT

Miami's four major office submarkets account for 77% of total Class A and B office inventory and consist of Downtown, Brickell, Coral Gables and Miami Airport.



Of the approximately 28 million square feet in Miami-Dade's four major submarkets individually tracked by Blanca Commercial Real Estate's research team, total space inventory is divided among the four major submarkets and classes as such:

BUILDING CLASS:	A	B	A + B
Downtown	9	12	21
Brickell	13	12	25
Coral Gables	21	24	45
Miami Airport	30	38	68
TOTAL NUMBER OF BUILDINGS :	73	86	159

Note: Buildings tracked by Blanca Commercial Real Estate research team are 50,000 SF or greater.

	4Q 2018 CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Miami Airport
Total SF Tracked:	7,049,112 SF	6,454,618 SF	5,998,306 SF	8,705,135 SF
Direct Available SF:	1,676,530 SF	674,363 SF	664,062 SF	1,237,046 SF
Vacancy:	23.8% ▲ Vs. 4Q17 21.3%	10.4% ▲ Vs. 4Q17 10.3%	11.1% ▲ Vs. 4Q17 8.4%	14.2% ▲ Vs. 4Q17 7.8%
Direct Weighted Average Rates:	\$43.30 ▲ Vs. 4Q17 \$42.63	\$46.04 ▲ Vs. 4Q17 \$44.66	\$40.48 ▲ Vs. 4Q17 \$39.35	\$33.98 ▲ Vs. 4Q17 \$33.36

QUICK STATS

MIAMI OFFICE SUBMARKETS

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rental Rate (\$/SF)	QOQ Absorption
4 Major Submarkets					
Downtown	21	7,049,112	23.8%	\$43.30	41,863
Brickell	25	6,454,618	10.4%	\$46.04	24,786
Coral Gables	45	5,998,306	11.1%	\$40.48	115,514
Miami Airport	68	8,705,135	14.2%	\$33.98	-126,684
SubTotal	159	28,207,171	15.1%	\$40.58	55,479
Aventura	10	1,080,981	10.7%	\$48.07	48,000
Biscayne Corridor	5	725,271	34.9%	\$36.07	-1,553
Coconut Grove	7	884,258	5.2%	\$39.58	-27,456
Coral Way	7	482,676	4.9%	\$30.76	377
Kendall	13	1,709,390	12.3%	\$35.52	19,750
Medley	3	185,856	5.1%	\$24.00	5,392
Miami	7	699,999	14.7%	\$56.46	59,740
Miami Beach	11	1,126,057	14.7%	\$51.18	10,989
Miami Lakes	10	587,577	18.6%	\$29.21	12,207
NE Dade	7	653,150	16.8%	\$25.88	-14,518
South Dade	2	133,994	26.8%	\$23.88	15,336
SubTotal	82	8,269,189	14.3%	\$39.01	128,264
TOTAL	241	36,476,360	14.9%	\$40.24	-94,755

Multi-tenant, Class A & B Buildings > 50,000 SF

DISCLAIMER

This research is for our clients only, and is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate. This research does not constitute a recommendation to make a specific business decision, nor take into account particular objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek additional professional advice, including tax advice. The price and value of space for lease referred to in this research fluctuates. Past performance, rental, and vacancy rates are not a guide to future performance, rental and vacancy rates. And the listed asking rental rates are not guaranteed.