



FIRST QUARTER 2019
MIAMI OFFICE MARKET REPORT



BLANCA
Licensed Real Estate Broker

MIAMI OFFICE MARKET HIGHLIGHTS

At the close of the first quarter of 2019, Miami's office market demonstrated positive momentum across the board. Market rents and net absorption increased at a healthy rate, companies continued to open new offices in the Miami market, and there was an up-tick in expansion activity by existing firms including co-working. With approximately 1.5 million square feet of tenants active in the Miami office market for lease transactions, we expect that the demand for Miami office space will drive positive net absorption and keep pace with additions of new supply (520,000 SF of additional supply expected to deliver by year end).

MARKET FUNDAMENTALS - RENT | VACANCY | ABSORPTION

The weighted average asking rent increased by 3.5%, to \$40.29 FS across Miami's urban and suburban Class A & B office submarkets, which total approximately 36.6 million square feet. The rent spread between Class A & B office product widened by 5.0% translating to a \$11.94 gap as new office deliveries drove Class A rental rates to new records. Coral Gables and the Miami (Wynwood/Design District) submarkets experienced the most significant increases in Class A rates, now at \$45.56 (a 4.3% increase) and \$57.44 (a 5.5% increase), respectively.

Across Miami-Dade, the direct vacancy rate remained stable at 14.4%. Coral Gables Class A buildings achieved the lowest vacancy rate across the submarkets at a 6.5% direct vacancy, decreasing 60 basis points from the previous year. Coral Gables is undergoing a

renaissance period with a wave of new mixed-use projects (office, retail, and multi-family) underway including The Plaza Coral Gables, Paseo de la Riviera, and Gables Station. The city of Coral Gables recently completed a \$20 million improvement project to enhance the pedestrian experience and make Coral Gables a live, work, and play destination, which is driving demand for office space within the submarket.

After a year of negative Class A & B net absorption, we have entered a period of positive net absorption in Miami-Dade's office market. More tenants are leasing space than giving up space. This is in spite of "right-sizing" and the relocation of large corporate users such as HSBC Bank USA in Brickell (28,000 SF downsize), Progressive's relocation from Miami Airport to Broward (21,000 SF), and The Agency for Health Care Administration in Miami Airport (12,000 SF downsize).

More than 300,000 SF of positive net year-over-year absorption within Class A buildings was driven by new lease transactions in Downtown, Coral Gables, and the Miami (Wynwood/Design District) submarkets. Tenants' focus on flight to quality, continued growth by co-working companies, and expansion of firms within key industry sectors including financial services/wealth management, legal services, and professional services resulted in positive net absorption. Examples include WeWork leasing 30,000 SF at The Wynwood Garage (September 2019 occupancy), City National Bank's expansion of 48,000 SF at Miami Tower, and Spaces (Regus) expansion by 19,000 SF at 2 MiamiCentral.



CORAL GABLES RENAISSANCE

The Plaza Coral Gables

174 Apartments, 242 Hotel Rooms, 161,000 SF of Retail, and 450,000 SF of Office

Paseo de la Riviera

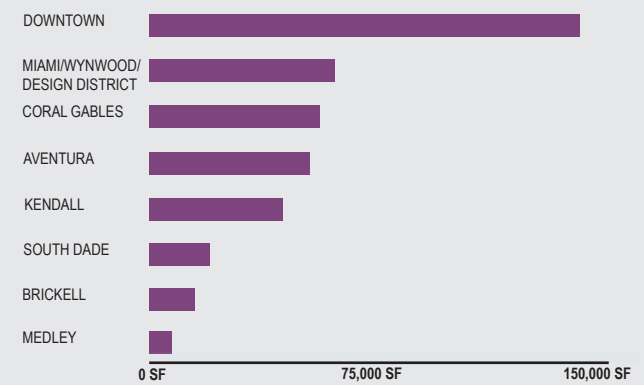
204 Apartments, 245 Hotel Rooms, and 30,000 SF of Retail

Gables Station

500 Apartments, 66 Hotel Rooms, and 120,000 SF of Retail

Miracle Mile and Giralda Streetscape Project

MIAMI-DADE SUBMARKETS POSITIVE NET Y-O-Y ABSORPTION



MIAMI OFFICE MARKET HIGHLIGHTS

NEW SUPPLY

While there were no new office deliveries during the first quarter of 2019, approximately 740,000 square feet of new supply delivered over the course of 2018 (7 buildings; 73% leased). Additionally, 1.6 million square feet of new office space is underway and expected to deliver within the next 24 months across Miami-Dade. Construction activity is not as high as the previous cycle (2008-2010) in large part due to costs significantly rising over the past five years and achievable rents not until recently supporting the total project cost (a 5.9% year-over-year increase according to Turner Construction's Building Cost Index). However, there is a robust pipeline of new projects underway with an additional 3.6 million square feet of office space proposed.

1.6 Million
SQUARE FEET OF NEW OFFICES
EXPECTED TO DELIVER IN 24
MONTHS

Of the 1.6 million square feet of new office supply scheduled to deliver in the next 24 months, approximately 41% will be in Coconut Grove and Wynwood (700,000 SF). Coconut Grove, an established niche submarket, has not seen new Class A office product in over 30 years; the wave of new construction is 71% pre-leased upon delivery and is expected to gain near full occupancy within months of delivery. The neighborhood's proximity to executive housing and walkability to various dining, entertainment, and hospitality venues is driving the demand.

Similarly, Wynwood is establishing its own office presence with the first traditional office deliveries in the area including Cube Wynwood and The Wynwood Garage (52.0% leased by co-working). Other new developments slated for delivery by the end of 2020 include Wynwood 25 Annex (56,000 SF), 545Wyn (285,000 SF), and The Oasis (20,000 SF). Companies choosing to make Wynwood their home are primarily within the creative industries including media, entertainment, and technology.

LEASING ACTIVITY

As of the end of the first quarter of 2019, there were more than 2.9 million square feet of year-over-year completed lease transactions. Of this leasing activity, 1.0 million square feet was comprised of lease renewals (41%); 800,000 square feet was from firms relocating within and across submarkets (32%); 220,000 square feet was from new-to-market activity (8%). Of the firms relocating, over half (56%) of the tenants upgraded from Class B or Class A Tier II product into top tier buildings and newly delivered office space. Evidencing the continued desire for quality office space, law firms including Carlton Fields (from Miami Tower to 50,000 SF at 2 MiamiCentral), Sequor Law (from Brickell Bay Office Tower to 12,000 SF at 1111 Brickell), and Alvarez & Diaz-Silveira (from Brickell Bay Office Tower to 5,500 SF at 355 Alhambra) have signed to lease space in top-tier buildings.

The leasing of additional space by existing companies accounted for approximately 17% of total year-over-year activity (489,000 SF); expansion activity is 45% greater than the first quarter of the previous year driven primarily by co-working expansion (259,000 SF). Notably, co-working giant WeWork revealed they will be leasing an additional 160,000 SF at a new development site, 830 Brickell (830 Brickell Plz), slated to begin construction in the coming months. Industries with traditionally smaller offices in Miami, including wealth management, media/technology, and professional

4.4%
ANNUAL JOB GROWTH IN
PROFESSIONAL SERVICES

services, are increasing their footprints to keep pace with business growth and increased headcount. Employment in professional services (including financial and legal) in Miami has increased by 4.4%, year-over-year, according to the Bureau of Labor Statistics (compared to the national average of 2.8%); leasing of additional space by existing firms include Ernst & Young's (2 MiamiCentral 3,000 SF), Alcora Corp. (One Park Square 7,000 SF), and Gresham Smith & Partners (The Alhambra 2,100 SF).

SELECT NEW OFFICE DEVELOPMENTS TO DELIVER IN 2019

THE OASIS



2319 N Miami Ave

PRINT HOUSE



2509 N Miami Ave

THE OPTIMUM



3480 Main Hwy

WYNWOOD 25 ANNEX



215-219 NW 24th St

MARY STREET



3310 Mary St

MILTON TOWER



16690 Collins Ave

WHAT WE ARE SEEING

CO-WORKING

Co-working, counting the newly announced deals, will occupy 1.2 million square feet of office space in Miami, accounting for 3.4% of total Class A & B office inventory; Miami-Dade continues to lead as the metro-area with the highest share of co-working per total office space. The entrepreneurial spirit and uniquely smaller tenant size, on average 6,900 SF (median size of 2,800 SF), is prevalent across Miami and has enabled co-working to flourish across the area.

New-to-market tenant activity continues to be seen from start-up firms in addition to mature companies relocating or expanding from both domestic and international locations. The expansion of co-working has allowed new companies to assess the success of their businesses in the Miami office market before moving into private office space. Firms including Dropit, Polsinelli Law Firm, DaGrosa Capital Partners, and Cloudbanter began their Miami office presence in co-working.



SPEC SUITE PROGRAMS

In efforts to attract ready-to-move-in companies, landlords are adapting to the new marketplace by engaging in spec-suite programs. Speculative suites offer tenants immediate access to plug-and-play spaces. Spec-suites are often built by landlords with premier finishes and fixtures. By offering built-out space, landlords are providing more efficiency to the office market with little to no wait-time for occupancy by tenants.

At the close of the 1st quarter of 2019, there were approximately 160,000 square feet of spec-suites available across more than 50 spaces in the four major submarkets (Brickell, Downtown, Coral Gables, and Miami Airport) accounting for 3.8% of direct Class A & B inventory. The spec-suites in Miami's office market range in size from 1,100 to 14,000 SF (3,200 SF on average) with average asking rental rates between \$33.00 to

\$55.00 FS (\$43.70 FS average). Downtown Miami has the highest concentration of spec-suites, accounting for 52.0% of the total spec-suite availability. Numerous office buildings across Miami's four major submarkets have engaged in the spec-suite programs including Southeast Financial Center, Citigroup Center, Courthouse Tower at 44 W Flagler, 1111 Brickell, and select buildings at Waterford at Blue Lagoon.

NEW TO MARKET VIA CO-WORKING

Dropit | Application based auction/deal platform from New Zealand started in WeWork at Brickell City Centre and within five months expanded into a private 1,500 SF office at Latitude One in Brickell

DaGrosa Capital Partners | Start-up investment management firm opened its doors at Regus in Coral Gables

Cloudbanter | Data technology company from Longon opened its second location and first in the U.S. at Regus in Downtown Miami

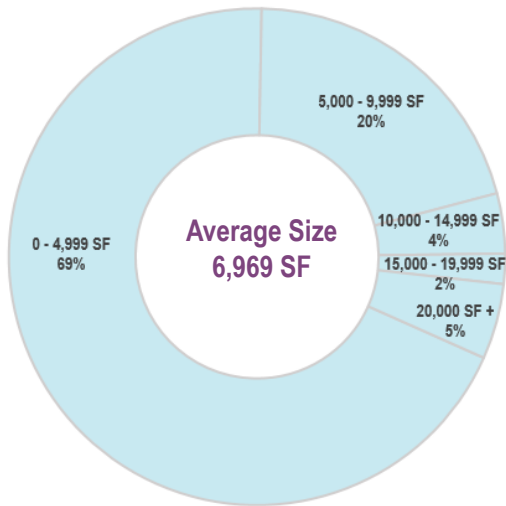
Polsinelli Law Firm | National legal services firm opened their first Miami location at Regus in Downtown Miami and is currently looking to expand into private office space



BY THE NUMBERS (QUARTER-OVER-QUARTER)

	CLASS A	CLASS B
RENTAL RATE	\$53.58	\$37.07
VACANCY RATE	8.7%	17.6%
NET ABSORPTION	-14,284 SF	-8,130 SF

1Q 2019 YEAR-OVER-YEAR COMPLETED TRANSACTIONS | SPACE ANALYSIS



YEAR-OVER-YEAR HIGHLIGHTS

- Class A & B rate increased 4.5% from the previous year to \$47.32 FS
- Direct vacancy remained unchanged in Class A buildings at 8.7% while Class B direct vacancy decreased slightly to 10.8%, previously 11.0%
- Class A Tier I drove positive net absorption of 17,300 SF
- 40% of leasing activity in Class A Tier I were expansions and new to market
- With no new deliveries expected within the next 24 months, limited availability should continue to drive modest rent growth

NOTABLE TRANSACTIONS: WEWORK

160,000 SF In Market Expansion
830 Brickell | 830 Brickell Plaza

HSBC BANK

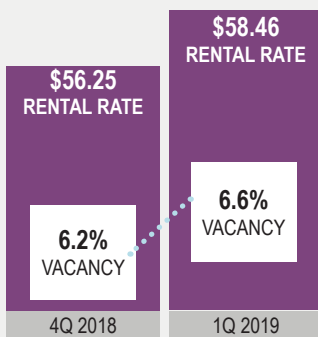
47,145 SF Renewal
Four Seasons Office Tower | 1441 Brickell Ave

INDUSTRIOUS

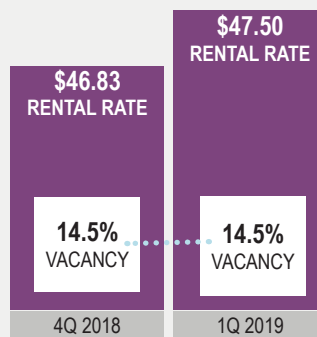
45,393 SF New to Market
1111 Brickell | 1111 Brickell Ave

BRICKELL SNAPSHOT (QUARTER-OVER-QUARTER) Rental Rate | Vacancy | Absorption

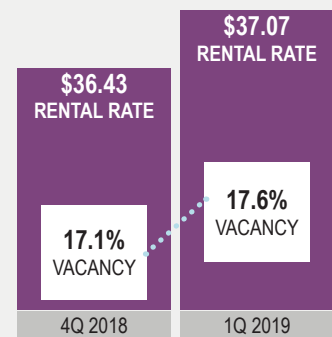
CLASS A TIER I ABSORPTION: -13,573 SF



CLASS A TIER II ABSORPTION: -711 SF

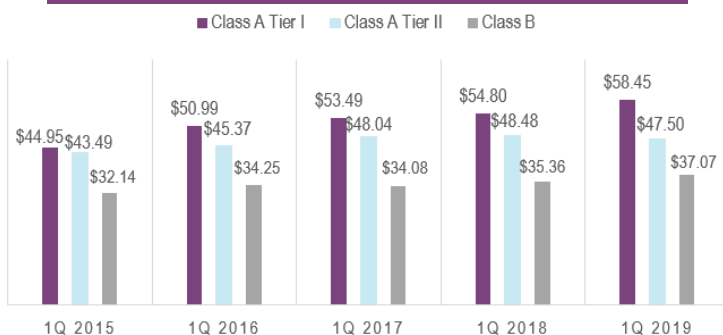


CLASS B ABSORPTION: -8,130 SF

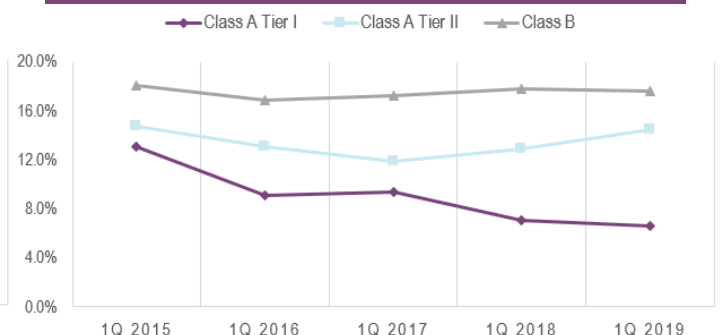


HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

1Q 2019 YEAR-OVER-YEAR WEIGHTED AVERAGE RATES | CLASS A & B > 50,000 SF



1Q 2019 YEAR-OVER-YEAR DIRECT VACANCY RATES | CLASS A & B > 50,000 SF



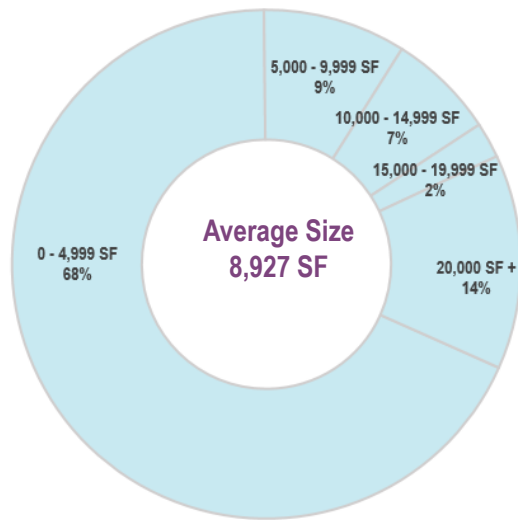
BY THE NUMBERS (QUARTER-OVER-QUARTER)

	CLASS A	CLASS B
RENTAL RATE	\$48.62	\$29.81
VACANCY RATE	23.4%	22.4%
NET ABSORPTION	48,670 SF	1,935 SF

YEAR-OVER-YEAR HIGHLIGHTS

- Weighted average asking rates have maintained to a Class A & B rate of \$43.20 FS
- Downtown has seen an up-tick in repositioned office buildings including Courthouse Tower at 44 W Flagler and 100 Biscayne
- Buildings with recently completed or ongoing renovations have seen rates increase by 7.4% on average since announcing renovations
- +/- 200,000 SF of positive net absorption in Class A buildings
- Positive net absorption was driven by 90,000 SF of companies relocating from other submarkets including Miami Beach, Brickell, and Coconut Grove

1Q 2019 YEAR-OVER-YEAR COMPLETED TRANSACTIONS | SPACE ANALYSIS



NOTABLE TRANSACTIONS:

CITY NATIONAL BANK

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

BUCHANAN INGERSOLL & ROONEY

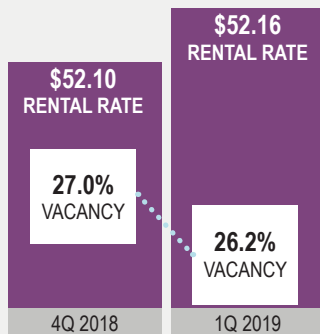
14,742 SF In Market Relocation
One Biscayne Tower | 2 S Biscayne Blvd

POLSINELLI LAW FIRM

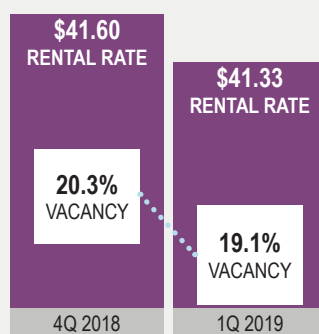
5,640 SF New to Market
Citigroup Center | 201 S Biscayne Blvd

DOWNTOWN SNAPSHOT (QUARTER-OVER-QUARTER) Rental Rate | Vacancy | Absorption

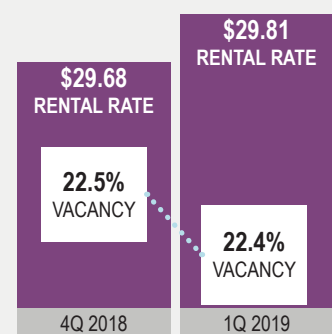
CLASS A TIER I ABSORPTION: 24,687 SF



CLASS A TIER II ABSORPTION: 23,983 SF

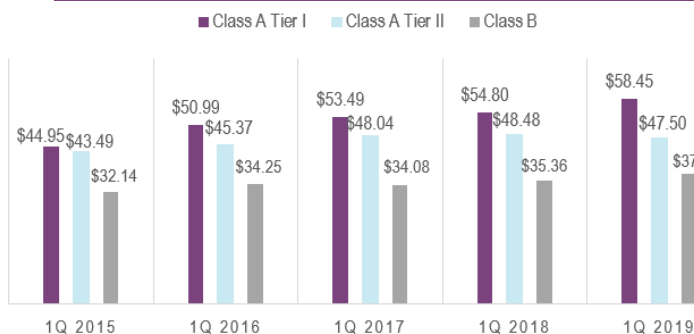


CLASS B ABSORPTION: 1,935 SF

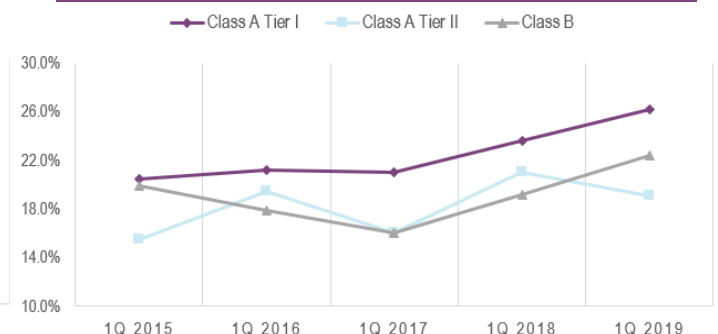


HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

1Q 2019 YEAR-OVER-YEAR WEIGHTED AVERAGE RATES | CLASS A & B > 50,000 SF



1Q 2019 YEAR-OVER-YEAR DIRECT VACANCY RATES | CLASS A & B > 50,000 SF



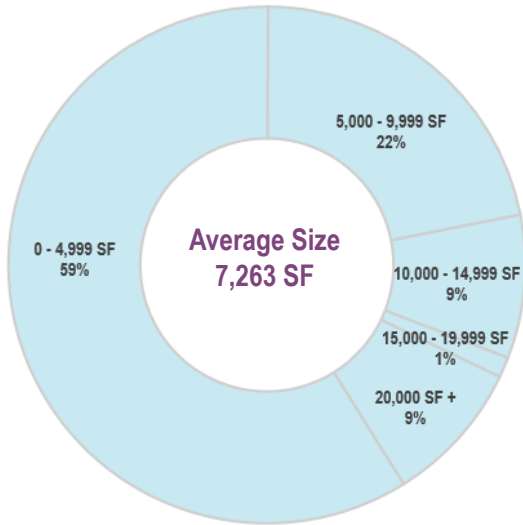
BY THE NUMBERS (QUARTER-OVER-QUARTER)

	CLASS A	CLASS B
RENTAL RATE	\$45.66	\$38.07
VACANCY RATE	6.5%	14.9%
NET ABSORPTION	53,959 SF	4,771 SF

YEAR-OVER-YEAR HIGHLIGHTS

- Class A Tier I buildings experienced the highest rental rate increase across the four major submarkets by 6.9%
- Class A buildings enjoyed 6.5% direct vacancy, decreasing by 8.5%
- +/- 137,000 SF of positive net absorption in Class A buildings
- Nearly 480,000 SF of Class A & B leasing activity (28% expansions, 27% new to submarket, and 34% renewals)
- The Plaza Coral Gables will deliver 450,000 SF of new office product within the next 24 months

1Q 2019 YEAR-OVER-YEAR COMPLETED TRANSACTIONS | SPACE ANALYSIS



NOTABLE TRANSACTIONS: WEWORK

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

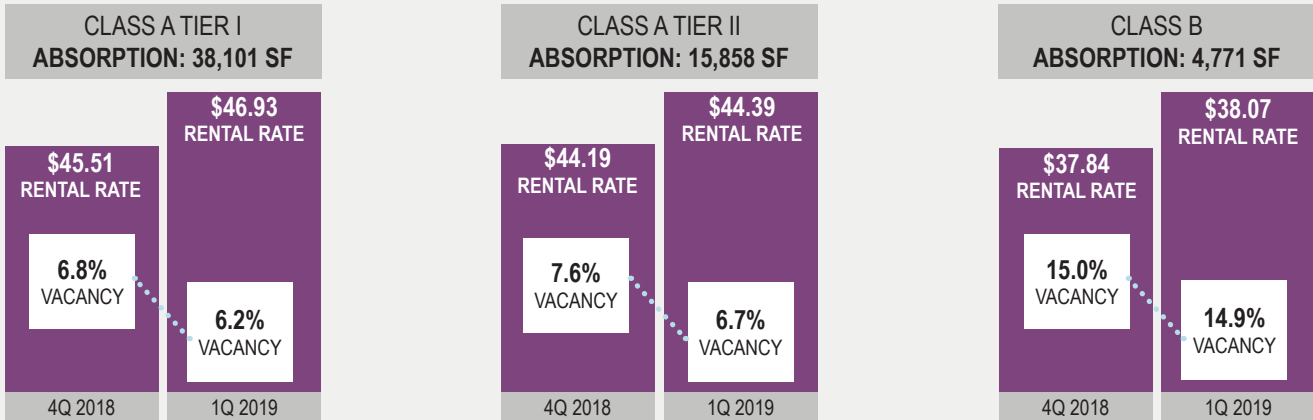
UNIVERSITY OF ST AUGUSTINE

55,000 SF New to Submarket
800 S Douglas | 800 S Douglas Rd

REDMAS DIGITAL ADVERTISING

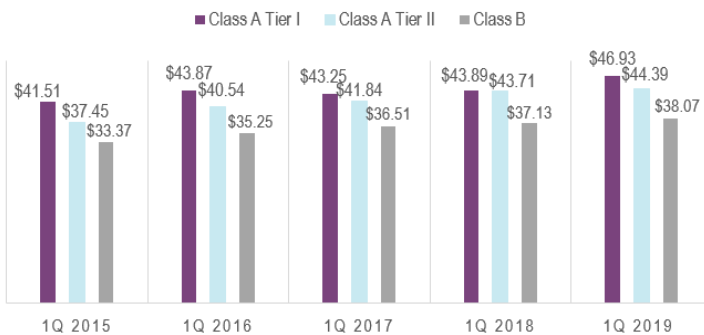
13,011 SF In Market Relocation
Alhambra Towers | 121 Alhambra Plz

CORAL GABLES SNAPSHOT (QUARTER-OVER-QUARTER) Rental Rate | Vacancy | Absorption

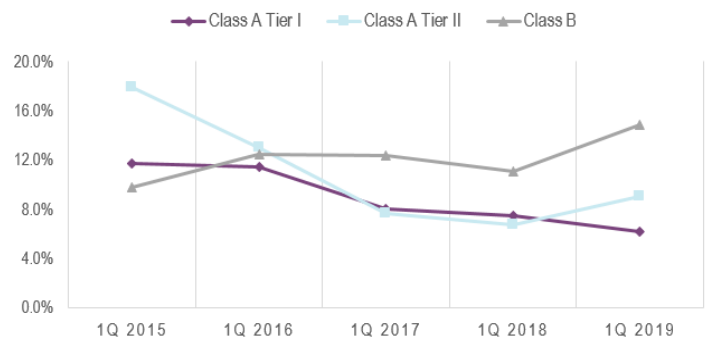


HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

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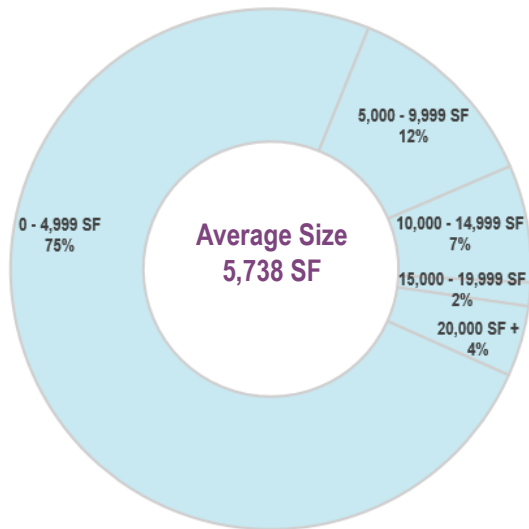
SUBMARKET WATCH

MIAMI AIRPORT 1Q 2019

BY THE NUMBERS (QUARTER-OVER-QUARTER)

	CLASS A	CLASS B
RENTAL RATE	\$36.70	\$30.59
VACANCY RATE	14.6%	14.6%
NET ABSORPTION	9,282 SF	-4,427 SF

1Q 2019 YEAR-OVER-YEAR COMPLETED TRANSACTIONS | SPACE ANALYSIS



YEAR-OVER-YEAR HIGHLIGHTS

- Class A rate stabilized while Class B increased 4.0%
- The direct vacancy rate for Class A & B space increased due to the downsize of large corporate users
- Burger King relocated and downsized 70,000 SF, Florida Blue downsized 38,500 SF, and Agency for Healthcare downsized 12,000 SF
- After more than four consecutive quarters, Class A & B recorded 4,800 SF of positive net absorption year-to-date

NOTABLE TRANSACTIONS: WORLD FUEL SERVICES

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

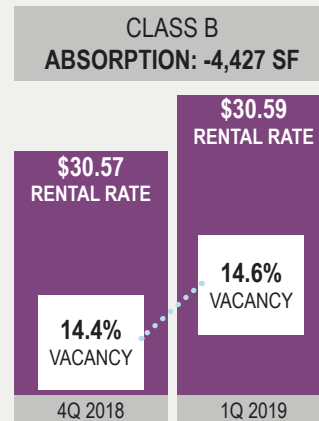
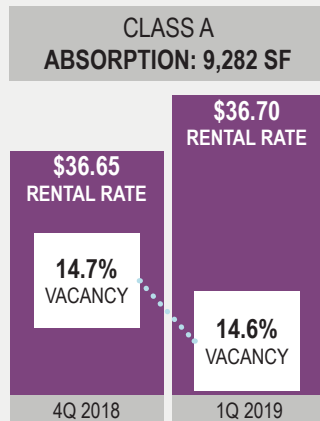
CABLE & WIRELESS

26,261 SF New to Submarket
The Landing at MIA | 7600 Corporate Center Dr

GUIDEWELL-SANITAS

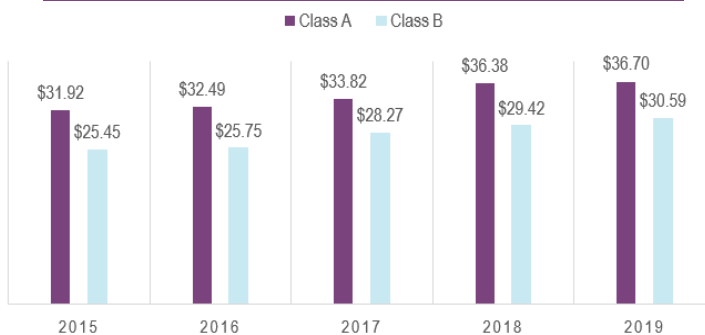
21,038 SF In Market Relocation
Westside Plaza I | 8400 NW 33rd St

MIAMI AIRPORT SNAPSHOT (QUARTER-OVER-QUARTER) Rental Rate | Vacancy | Absorption

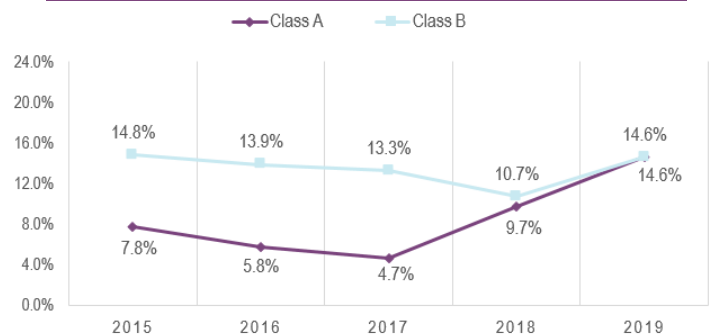


HISTORICAL HIGHLIGHTS Historical Performance Year-Over-Year

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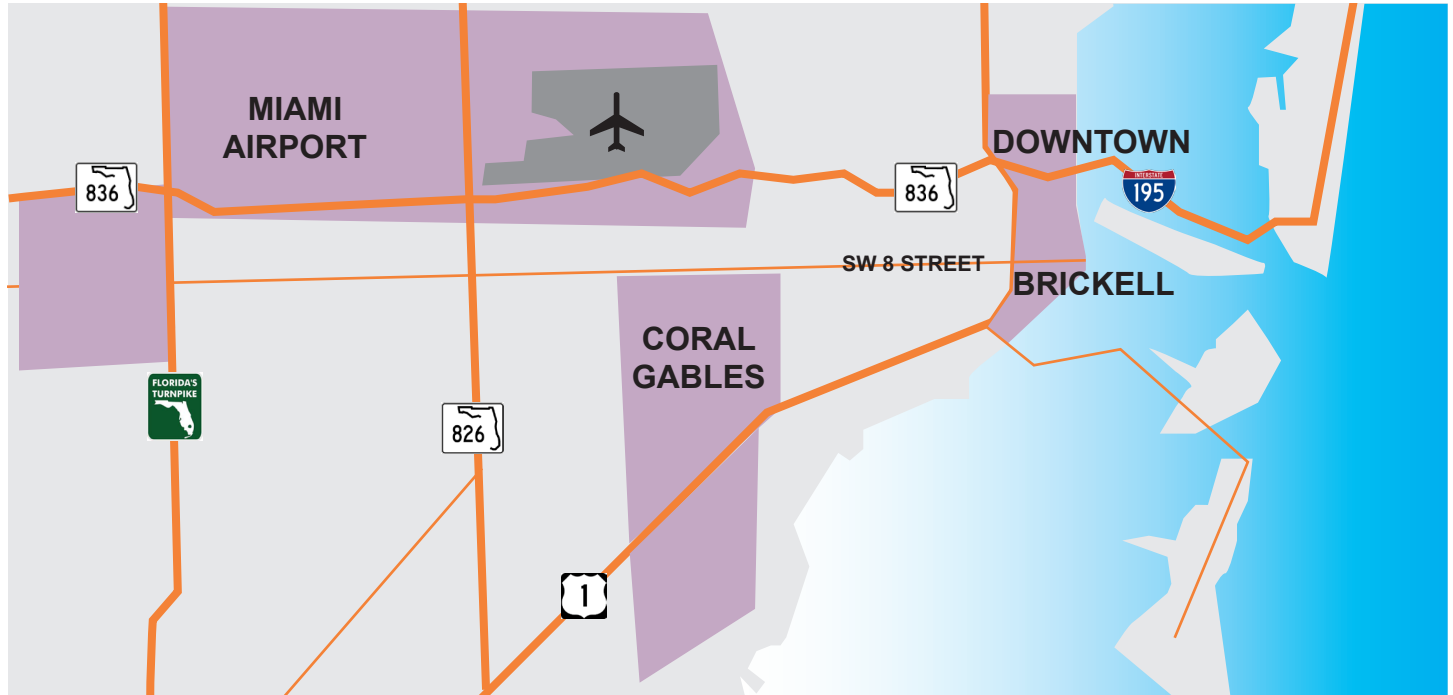


1Q 2019 YEAR-OVER-YEAR DIRECT VACANCY RATES | CLASS A & B > 50,000 SF



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 28.2 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	14	11	25
Coral Gables	21	24	45
Miami Airport	30	38	68
TOTAL NUMBER OF BUILDINGS :	74	85	159

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

	1Q 2019 CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Miami Airport
Total SF Tracked:	7,049,112 SF	6,455,133 SF	5,998,306 SF	8,705,135 SF
Direct Available SF:	1,625,925 SF	695,518 SF	615,960 SF	1,267,618 SF
Vacancy:	23.1% ▲ Vs. 1Q18 21.8%	10.8% ▼ Vs. 1Q18 11.0%	10.3% ▲ Vs. 1Q18 9.2%	14.6% ▲ Vs. 1Q18 10.2%
Direct Weighted Average Rates:	\$43.22 ▲ Vs. 1Q18 \$42.64	\$47.32 ▲ Vs. 1Q18 \$45.28	\$40.57 ▲ Vs. 1Q18 \$39.78	\$34.10 ▲ Vs. 1Q18 \$33.16

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	23.1%	\$43.22	50,605
Brickell	25	6,455,133	10.8%	\$47.32	-22,414
Coral Gables	45	5,998,306	10.3%	\$40.57	58,730
Miami Airport	68	8,705,135	14.6%	\$34.10	4,855
SubTotal	159	28,207,686	14.9%	\$40.76	91,776
Aventura	10	1,080,981	9.2%	\$47.77	85,171
Biscayne Corridor	5	901,305	28.4%	\$34.52	-2,669
Coconut Grove	7	884,258	4.1%	\$39.74	9,183
Coral Way	7	482,676	4.8%	\$32.50	476
Kendall	13	1,712,665	10.2%	\$35.76	36,868
Medley	3	185,856	5.2%	\$24.00	5,243
Miami (Wynwood/Design District)	7	699,999	14.7%	\$57.44	58,140
Miami Beach	11	1,126,756	12.9%	\$51.68	-2,069
Miami Lakes	10	587,577	17.4%	\$27.59	-3,082
NE Dade	7	651,296	17.0%	\$25.99	-811
South Dade	2	133,994	21.8%	\$23.83	22,094
SubTotal	82	8,447,343	12.9%	\$38.62	208,544
TOTAL	241	36,655,029	14.4%	\$40.32	300,320

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

BLANCA COMMERCIAL REAL ESTATE

ABOUT US

We are Florida's leading independently owned commercial real estate services firm, known for customizing solutions that drive success for our clients while giving back generously to the community and industry we serve. Founded in 2009, Blanca Commercial Real Estate has advised clients and executed in the leasing and sales of approximately 12 million square feet of transactions in addition to maintaining a 30% market share of all office lease transactions signed in Miami since 2016.

Our vision is to deliver outstanding results for our clients by leveraging our superior market intelligence, data-driven research, carefully customized strategies, and excellence in service. Our differentiators, including our client-first approach and our passion, have attributed to our phenomenal growth and continued success on behalf of our clients.

Our services include tenant representation, landlord representation, investment sales, property management, and consulting services including new office and mixed-use developments.

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