



MID-YEAR 2019
MIAMI OFFICE MARKET REPORT



B L A N C A
Licensed Real Estate Broker

MIAMI OFFICE MARKET HIGHLIGHTS

MARKET FUNDAMENTALS - RENT | VACANCY | ABSORPTION

At mid-year, Miami's office market fundamentals demonstrated modest improvements over the previous year. Rentals rates in Miami-Dade have begun to stabilize after consecutive quarters of substantial growth. Miami-Dade's Class A & B weighted average asking rate increased 2.3%, year-over-year, to \$40.26 full service. The suburban submarkets that enjoy a growing urban and vibrant lifestyle, including Coconut Grove, Wynwood, Miami Beach, and Aventura, saw significant combined rent growth of 12%, year-over-year, driven by new supply of Class A space and repositioned neighborhoods. The continued supply of new product and urbanization of neighborhoods outside the core has contributed to closing the rent gap between the four major and suburban submarkets by 82% to \$1.00 per square foot from \$5.60 per square foot. Wynwood-Design District led the Class A & B quoted rate at \$55.40 full service.

Year-over-year, the Class A & B direct vacancy rate decreased minimally to 14.3%, previously 14.5%. Class A buildings saw a 3.0% decrease in vacancy to 13.2%, whereas Class B buildings increased 0.1% over the previous year to 15.7%. Downtown, Miami Beach, and Aventura Class A buildings experienced the most significant drops in vacancy due to lease transactions completed by tenants such as WeWork, Spaces, Rialto Capital, and Biorasi. Class A Tier I buildings in Brickell had the lowest available inventory across the market with a direct vacancy rate of 6.7%.

Consistent demand for space across various Miami-Dade office submarkets continued to drive positive net absorption for two consecutive quarters. Year-over-year, Miami-Dade experienced 300,000 SF of positive net absorption mainly driven by co-working companies expanding their footprint, accounting for nearly 60% of the positive absorption. Downtown Miami, Miami Beach, and Wynwood-Design District saw positive net absorption from co-working's expansion activity as evidenced by Spaces (Regus)'s

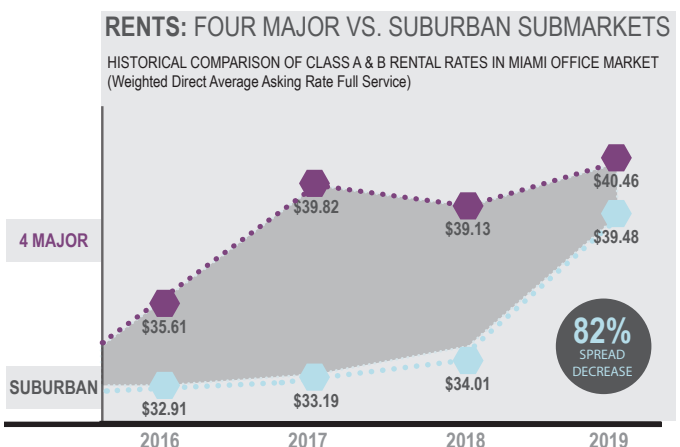
expansion of 20,000 SF at 2 MiamiCentral in Downtown Miami and 51,000 SF at 1111 Lincoln in Miami Beach, in addition to WeWork's expansion of 89,000 SF at Southeast Financial Center in Downtown Miami and 30,000 SF at The Wynwood Garage in Wynwood-Design District. Growth was also realized by companies in other industries that accounted for 31% of net absorption such as Rialto Capital taking 47,000 SF at Southeast Financial Center, Genuine Health Group's 8,700 SF expansion at Douglas Entrance, and Bessemer Trust Company's expansion of 11,800 SF at 801 Brickell.

New-to-market firms IMG Worldwide leasing 8,100 SF at 150 Alhambra and LiveNation leasing 8,000 SF at Wynwood 25 Annex also contributed to the positive absorption. Notably, Class A buildings were the only contributors to positive net absorption while Class B experienced -90,000 SF.

+300,000 SF
POSITIVE NET ANNUAL
ABSORPTION DRIVEN BY CO-
WORKING

Approximately 3.3 million square feet of leases were completed across Miami-Dade's office submarkets, year-over-year; a 40% increase in leasing velocity over the previous year. Renewals accounted for 40% of total leasing activity, 19% was from firms relocating across submarkets, and 21% was by co-working's aggressive expansion activity. Notable renewals included 44,000 SF by Parbel of Florida (L'Oreal) at 6100 Waterford and World Fuel Services 133,000 SF renewal at Doral Costa Office Park.

Firms playing musical chairs within submarkets continued to evidence the flight to quality trend. Nearly 40% of all relocation transactions were driven by tenants upgrading to Class A office buildings, existing and new inventory. Tenants with a long-term presence in their existing office spaces decided to adopt new workplace standards and upgrade their offices by pre-leasing in new product as seen by Kaufman Rossin leasing 65,000 SF at Mary St. (expected to deliver 3Q 2019) and Boyne Capital leasing 11,600 SF at One CocoWalk (expected to deliver 1Q 2020) in Coconut Grove, as well as BAC Florida Bank leasing 63,000 SF at The Plaza South Tower (expected to deliver 4Q 2021) in Coral Gables.



MIAMI OFFICE MARKET HIGHLIGHTS



MIAMI'S ECONOMIC PERFORMANCE DRIVING GROWTH

At the halfway point of 2019, Miami-Dade experienced a continued decrease in the unemployment rate to 3.2%, gross domestic product grew 4.3% over the previous year, and added job growth outpaced the national average in nearly all industry sectors including, professional and business services (3.3% growth), financial activities (1.5% growth), and construction (3.7% growth), according to the Bureau of Labor Statistics' May 2019 report.



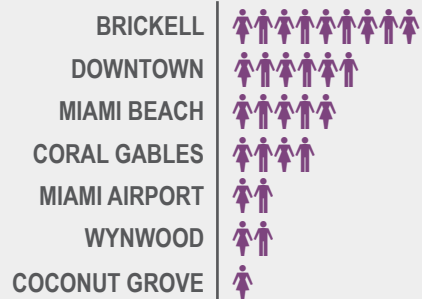
Miami's welcoming business climate is fueling the expansion of local companies and new-to-market entrants. The state of Florida ranked sixth best in the nation to start a business and had the third highest growth in number of small businesses, according to WalletHub. CIC Miami's Impact Report confirmed 65% of new businesses started over the last four years were created locally and 35% were expansions from around the world.

Organizations such as The Beacon Council, The Knight Foundation, and Endeavor Miami relentlessly position Miami to be an ecosystem for startup companies, unicorn investors, mid-market users, and Fortune 500 companies alike. Miami boasts competitive advantages including a tax-friendly environment, a high quality of life, ease of access to both domestic and international markets, and availability of co-working, direct, and build-to-suit office space opportunities. Recently, six office condos at 100 E Flagler St. were purchased by local developer Moische Mana and repositioned into an innovation center targeting technology and start-up firms, specifically blockchain companies. Now called "The Block Building," it offers users full floor availabilities that average 5,100 SF, cold storage desks, and event spaces. CIC (Cambridge Innovation Center) Miami opened an incubator concept in October 2016 to combine co-working with laboratory spaces to promote collaboration among health, medical,

and biotechnology companies; many of the startups that call CIC Miami home have received national recognition for their innovations. Miami currently has more than 250 startups, the majority of which are located in shared workspaces, such as The LAB Miami, Building.CO, WeWork, and Office Edge. That number is expected to grow as the city continues to focus on collaboration, sustainability, and leadership.

New-to-market activity accounted for 11% of direct office leasing activity across the Miami office market. Additionally, numerous new-to-market firms are establishing their presence in Miami by leasing space in co-working offices. Companies testing the market are lured to co-working due to its flexibility, minimal up-front costs, and speed to occupancy. A diverse array of industries are present in Miami's co-working sector including tech, media/marketing, insurance, wealth management, manufacturing, and education, which is contributing to the continued demand. With the addition of nearly 600,000 SF of announced co-working spaces over the past year, Miami's total office market inventory is now 4.2% co-working (1.5 million SF); the second highest percentage of office inventory dedicated to co-working nationally behind San Francisco.

TOTAL CO-WORKING SPACE BY SUBMARKET



= 50,000 SF

WHAT WE ARE SEEING

NEW DEVELOPMENTS DRIVING TRENDS

New office deliveries have added 1.3 million square feet of product to the market since 2016. Approximately 2.2 million square feet, adding 5.7% of overall Class A and B space across Miami-Dade, of multi-tenant office product is expected to deliver by mid-year 2022 (1.7 Million SF under construction; 500,000 SF proposed). New office developments and mixed-use projects are located across various neighborhoods in Miami-Dade, ranging from small office submarkets like Aventura and Coconut Grove, to Miami Airport and Coral Gables.

Desire for new office product remains evident for many companies and has been used as a tool to attract and retain talent. Companies are using their office space to leverage employee happiness and retention by positioning themselves in the newest, most coveted spaces Miami has to offer. Firms leading this trend include BAC Florida Bank, Kauffman Rossin, The Related Group, and Live Nation; all of which are moving to notable new development projects.

1.1M
SF OF SPACE TO DELIVER
WITHIN 12 MONTHS

MID-YEAR OUTLOOK

Miami's steady leasing activity is expected to continue throughout the remainder of 2019. Within the next 12 months, 1.1 million square feet of Class A office space is expected to deliver, providing increased opportunity for existing tenants to upgrade their office space and for new-to-market companies to be drawn to innovative building concepts. With a solid amount of leasing activity and additional supply underway, the Miami office market is expected to experience modest rent growth and a steady decline in vacancy through the end of the year.

NEW TO MARKET

SoftBank | Sublease at 600 Brickell

Live Nation | Wynwood 25 Annex

Time Out Market | WeWork in Miami Beach

Snowden Lane Partners | Columbus Center

IMG Worldwide | 150 Alhambra

SELECT NEW OFFICE TRENDS IN NEW CONSTRUCTION



THE PLAZA CORAL GABLES

2811 Ponce De Leon Blvd

The new heart of Coral Gables. Courtyard plaza and rooftop terrace connecting the North and South office towers.



THE RIVER LANDING

1400 NW North River Dr

Pedestrian walk along the river with water taxi to Downtown.



830 BRICKELL PLAZA

888 SE 1st Ave

Fully landscaped active open space terrace.



MILTON TOWER

16690 Collins Ave

Balconies on each floor with direct ocean views.



ONE COCOWALK

3001 Virginia St

Rooftop amenity deck with 360-degree views of Miami and Biscayne Bay.



545Wyn

537-557 NW 26th St

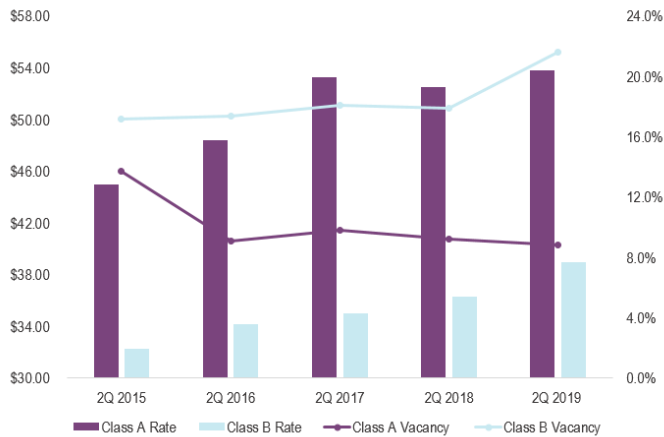
Open air amenity deck and balconies on each floor.

BRICKELL SNAPSHOT 2Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A TIER I	CLASS A TIER II	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$58.72	\$47.66	\$38.94	+3.4%
VACANCY RATE	6.7%	14.5%	21.6%	-2.5%
NET ABSORPTION	+15,566 SF	+41,896 SF	-55,299 SF	+2,163 SF

2Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS:

- 35%** Known as the "Wall Street of the South," since 2016 35% of all office leasing has been by financial services
- 30%** 30% rent growth in Class a Tier I over the last five years, continuously leading market rates
- ↑** World-renowned address on Brickell Ave, mass transit connectivity, and growing population driving demand
- 4.9K** 830 Brickell Plaza to deliver 490,000 SF in 2022 (33% pre-leased by WeWork)

NOTABLE TRANSACTIONS:

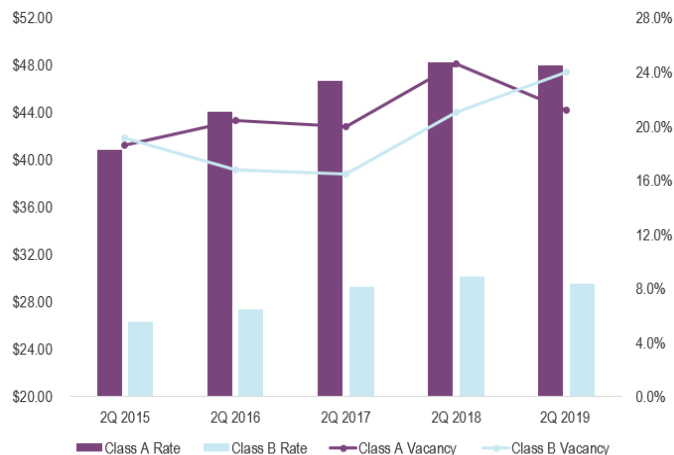
- SPACES.** 49,000 SF - New to Submarket 801 Brickell
- SAUL EWING ARNSTEIN & LEHR LLP** 22,400 SF - New to Submarket/Downsize 701 Brickell
- SoftBank Group** 14,000 SF - New to Submarket (In Sublease) 600 Brickell

DOWNTOWN SNAPSHOT 2Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A TIER I	CLASS A TIER II	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$51.36	\$42.67	\$29.53	-2.3%
VACANCY RATE	21.7%	20.4%	24.0%	-8.7%
NET ABSORPTION	+15,566 SF	+41,896 SF	-55,299 SF	+159,154 SF

2Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS

- Virgin Trains USA** at MiamiCentral station now regionally connecting Miami-Fort Lauderdale-West Palm Beach
- \$171M** 2 & 3 MiamiCentral recently sold to Shorestein Properties for \$170.5 million (95% leased)
- 26%** Legal services accounted for 26% of three year historical leasing activity
- 18%** 18% rent growth in Class A buildings since 2015

NOTABLE TRANSACTIONS:

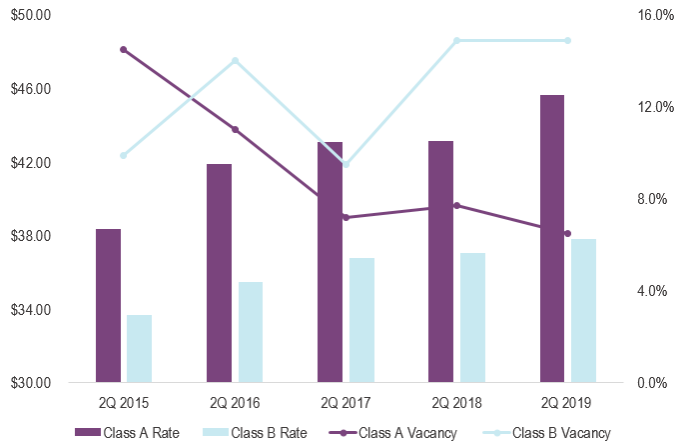
- wework** 89,000 SF - In Market Expansion Southeast Financial Center
- Rialto** 46,800 SF - New to Submarket Southeast Financial Center
- Buchanan Ingersoll & Rooney PC** 13,800 SF - In Market Relocation One Biscayne Tower

CORAL GABLES SNAPSHOT 2Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A TIER I	CLASS A TIER II	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$48.18	\$44.71	\$38.35	+4.7%
VACANCY RATE	8.2%	8.8%	16.0%	+10.0%
NET ABSORPTION	+108,195 SF	-21,085 SF	-27,831 SF	+59,279 SF

2Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS

- 150** Home to more than 150 international companies, top education, and becoming a live/work/play destination
- 19%** Class A Tier I & II rental rate has grown 19% over the last five years
- ↓** Continual decrease in Class A direct vacancy as demand continues to grow in Coral Gables
- 450k** The Plaza Coral Gables is under construction and scheduled to deliver 450,000 SF of office space in 2020

NOTABLE TRANSACTIONS:

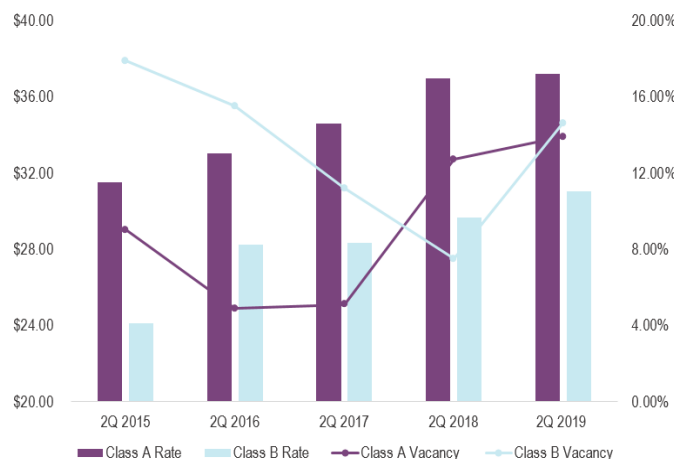
BAC Florida Bank	63,000 SF - In Market Relocation The Plaza Coral Gables South Tower
QUEST WORKSPACES	23,800 SF - New to Submarket Expansion 2000 Ponce Business Center
IMG	8,000 SF - New to Market 150 Alhambra

MIAMI AIRPORT SNAPSHOT 2Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$37.22	\$31.01	+3.3%
VACANCY RATE	13.9%	14.6%	+44.9%
NET ABSORPTION	+41,896 SF	-55,299 SF	-249,970 SF

2Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS

- 20%** Leasing activity historically by large corporate users, 19% healthcare/medical and 20% engineering/manufacturing
- 14.2%** Direct vacancy jumped to 14.2%, driven by the downsize/relocation of Burger King, FEMA, and Whirlpool
- 100k** Limited new supply underway in the next 24 months; 850 Le Jeune to deliver 100,000 SF of Class A space in 2021

NOTABLE TRANSACTIONS:

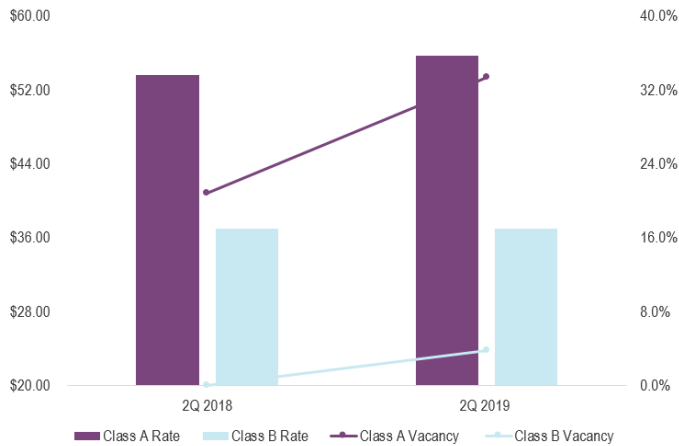
L'ORÉAL PARIS	43,600 SF - Renewal 6100 Waterford
C&W Communications	26,300 SF - New to Submarket The Landing at MIA
Marriott INTERNATIONAL	21,100 SF - Renewal 1000 Waterford

Wynwood-Design District Snapshot 2Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$55.70	\$37.00	+3.7%
VACANCY RATE	33.3%	3.8%	+77.8%
NET ABSORPTION	+70,563 SF	-2,304 SF	+68,259 SF

2Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS

- Globally recognized for art, fashion, and diversity and rapidly evolving into a vibrant live/work/play market
- CUBE** First traditional office buildings delivered: The Wynwood Garage, Cube Wynwd, and Wynwood 25 Annex
- 420k** 420,000 SF of new office development in the pipeline (including 545Wyn, The Oasis, and Print House)
- 850 existing residential units and 5,545 proposed units under development

NOTABLE TRANSACTIONS:

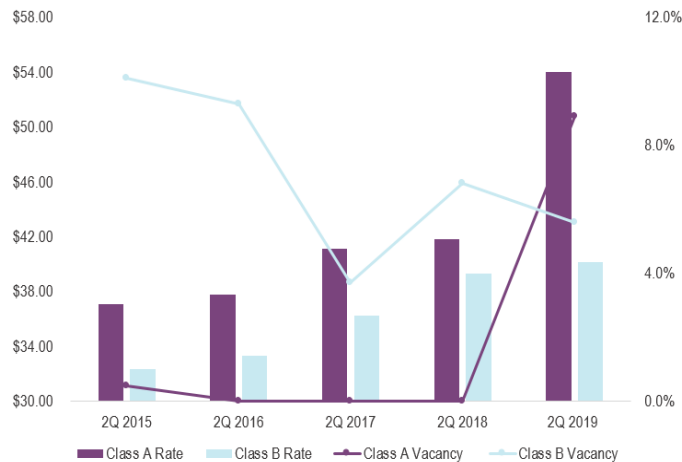
	30,000 SF - New to Submarket Expansion The Wynwood Garage
	9,500 SF - New to Market 120 NW 25th St
	8,000 SF - New to Market Wynwood 25 Annex

Coconut Grove Snapshot 2Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$54.00	\$40.18	+18.8%
VACANCY RATE	8.9%	5.6%	+58.1%
NET ABSORPTION	+10,000 SF	+7,315 SF	+17,315 SF

2Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS

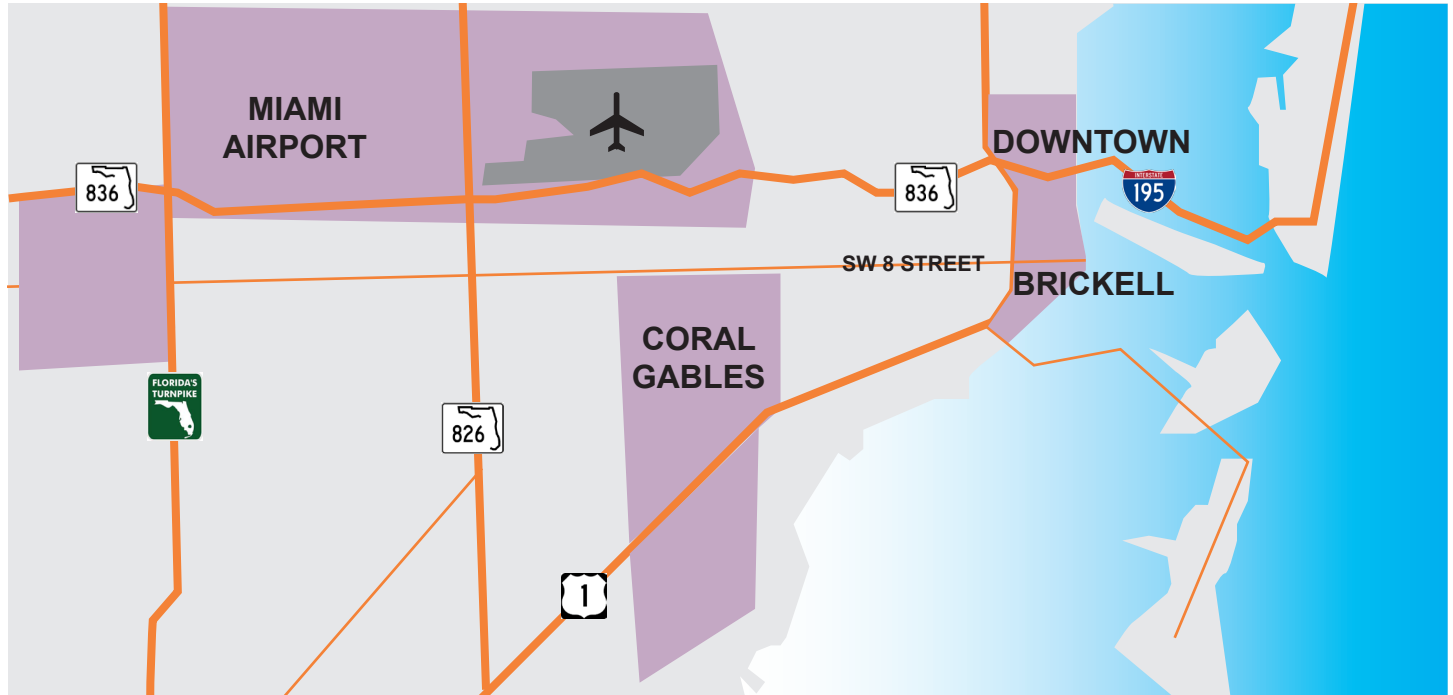
- Boutique neighborhood known for its walkability, top private K-12 schools, chef-driven dining, and water access
- 44k** The Optimum delivered the first Class A office space in over 30 years; 44,000 SF and 32% leased
- \$68** New office developments setting new rent thresholds with asking rates \$54 - \$68 FS
- 67%** 271,000 SF of office scheduled to deliver by 2021; One CocoWalk, Mary St, and 2850 Tigertail Ave (67% leased)

NOTABLE TRANSACTIONS:

	42,800 SF - New to Submarket Expansion One CocoWalk
	30,000 SF - New to Submarket 2850 Tigertail Ave
	11,600 SF - In Market Relocation & Expansion One CocoWalk

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	13	22
Brickell	14	11	25
Coral Gables	21	23	44
Miami Airport	29	38	67
TOTAL NUMBER OF BUILDINGS :	73	85	158

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

	2Q 2019 CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	Downtown	Brickell	Coral Gables	Miami Airport
Total SF Tracked:	7,199,206 SF	6,457,669 SF	5,857,534 SF	8,459,050 SF
Direct Available SF:	1,586,018 SF	759,034 SF	695,434 SF	1,199,748 SF
Vacancy:	22.0% ▼ Vs. 2Q18 24.1%	11.8% ▲ Vs. 2Q18 11.5%	11.9% ▲ Vs. 2Q18 10.8%	14.2% ▲ Vs. 2Q18 9.8%
Direct Weighted Average Rates:	\$41.74 ▼ Vs. 2Q18 \$42.72	\$47.48 ▲ Vs. 2Q18 \$45.92	\$41.36 ▲ Vs. 2Q18 \$39.50	\$33.80 ▲ Vs. 2Q18 \$32.73

MIAMI OFFICE SUBMARKETS

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rental Rate (\$/SF)	Y-O-Y Net Absorption
4 Major Submarkets					
Downtown	22	7,199,206	22.0%	\$41.74	159,154 SF
Brickell	25	6,457,669	11.8%	\$47.48	2,163 SF
Coral Gables	44	5,857,534	11.9%	\$41.36	59,279 SF
Miami Airport	67	8,459,050	14.2%	\$33.80	-242,970 SF
SubTotal	158	27,973,459	15.2%	\$40.46	-22,374 SF
Aventura	10	1,080,981	9.6%	\$47.06	48,941 SF
Biscayne Corridor	5	723,131	31.8%	\$36.85	12,224 SF
Coconut Grove	8	928,551	6.8%	\$46.76	17,315 SF
Coral Way	7	482,676	6.9%	\$31.22	-10,597 SF
Kendall	13	1,712,665	10.3%	\$36.33	68,400 SF
Medley/Hialeah	3	185,856	4.7%	\$25.00	8,661 SF
Miami	2	328,868	2.0%	\$52.00	2,629 SF
Miami Beach	11	1,126,756	8.4%	\$50.07	78,563 SF
Miami Lakes	10	581,214	16.3%	\$27.92	10,500 SF
NE Dade	7	651,296	17.3%	\$26.21	-6,580 SF
South Dade	2	133,994	22.3%	\$22.05	19,552 SF
Wynwood-Design District	7	486,365	29.7%	\$55.40	68,259 SF
SubTotal	85	8,422,353	13.0%	\$39.48	316,157 SF
TOTAL	243	36,395,812	14.3%	\$40.26	340,786 SF

*Multi-tenant, Class A & B Buildings > 50,000 SF *New developments including The Wynwood Garage and The Optimum have been included in our research.*

BLANCA COMMERCIAL REAL ESTATE

ABOUT US

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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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