

YEAR-END 2020

MIAMI OFFICE MARKET SNAPSHOT & OUTLOOK



B L A N C A

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EXECUTIVE SUMMARY

Considering that 2020 brought an unprecedented global pandemic with major economic impacts, Miami's office market ended up faring relatively well. Asking rates continued to increase and sublease vacancy rates remained considerably low. Importantly, the pandemic further accelerated a new trend which is poised to redefine and elevate Miami: an influx of high-caliber, new-to-market U.S. corporate giants establishing major office operations in the city.

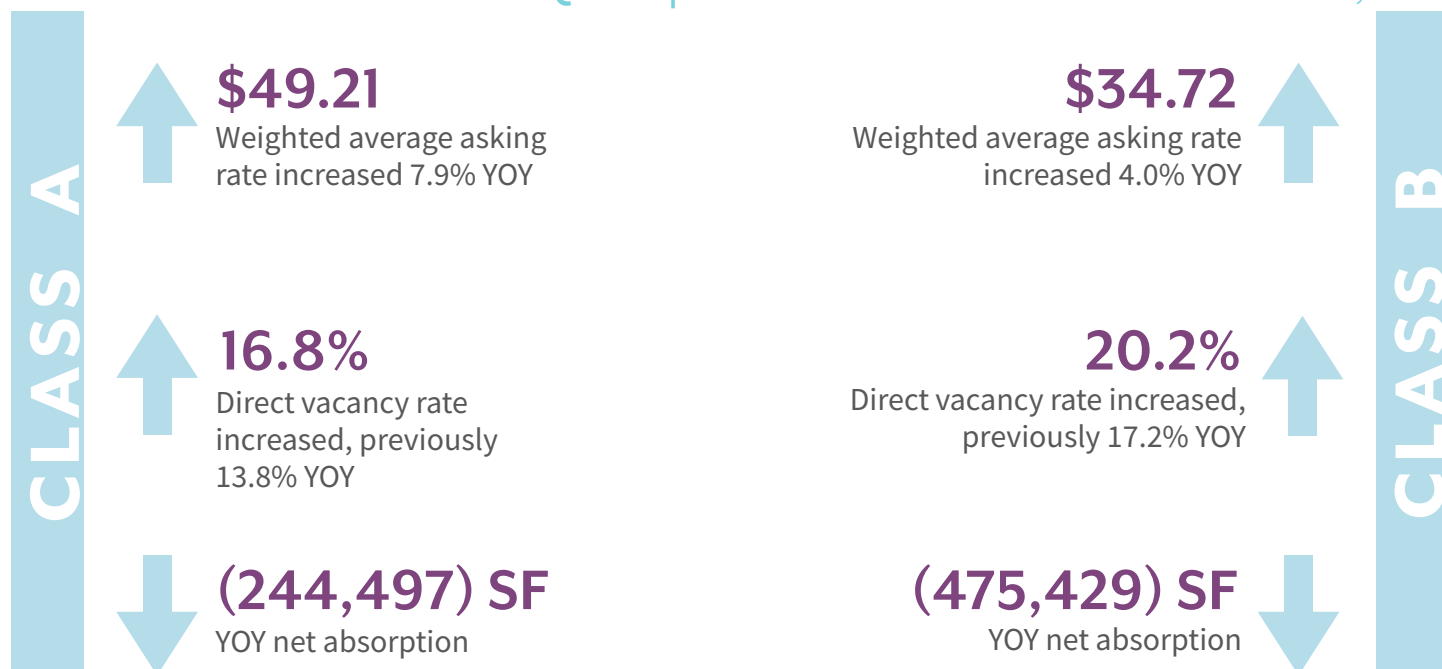
Without a doubt, Miami's office market is healthy and continuing to strengthen, with rates already having increased 10 percent since the close of the third quarter, and a myriad of new developments underway which are demonstrating high demand.

Class A office space – particularly move-in ready spaces in bustling urban cores with easy access to affordable living options and mass transit – are more appealing than ever to corporate giants making a bet on South Florida. With ongoing news of Blackstone, Citadel, and Founders Fund establishing satellite offices and other major corporations relocating corporate headquarters to the city, Miami's office market is well positioned to maintain its growing appeal among companies in other major U.S. metros. Currently, we

are seeing the bulk of the new-to-market activity coming from financial services and technology firms from New York, Chicago and California. Notably, Blackstone and ShiftPixy, as well as local-grown expansion by groups such as Papa, are further strengthening the region's positioning as an emerging U.S. tech hub. These trends will continue to make Miami a more desirable market for millennials and other young professionals seeking lucrative employment opportunities, while also creating additional demand that will strengthen local retail, restaurant and entertainment sectors.

Overall, Miami's continued appeal as a thriving, wellness-focused, live-work-play community business-friendly state and a diverse, and talented workforce will continue to drive deal activity. Additionally, when compared with other major metropolitan cities, Miami offers a uniquely desirable business environment, attractively priced top-tier office space and significantly lower employee compensation costs – all of which will continue to drive corporate migrations to the city. As professionals begin to return to their office workplaces and prioritize state-of-the-art building systems, wellness, and tech-driven offerings, demand and rates for Class A space and newly renovated Class B buildings is expected to continue to grow.

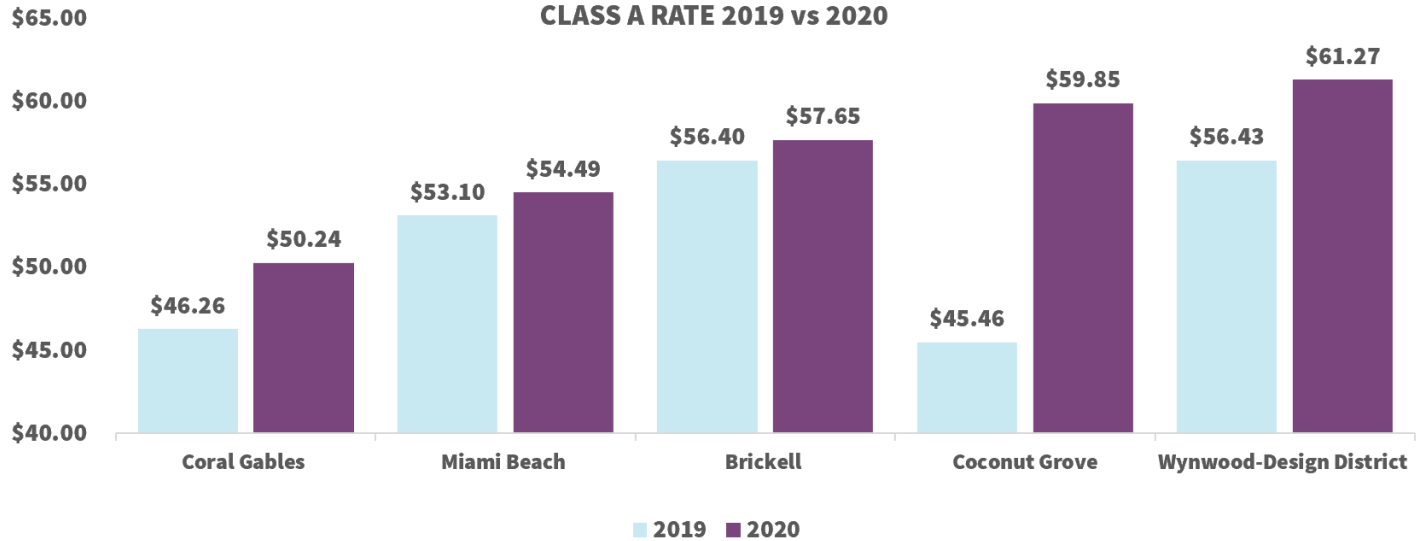
MIAMI-DADE BY THE NUMBERS 4Q 2020 | CLASS A & B MULTI-TENANT OFFICE BUILDINGS > 50,000 SF





BUILDING STANDARDS DRIVING RATES

SUBMARKETS WITH NEW OFFICE DEVELOPMENTS
CLASS A RATE 2019 vs 2020



Miami-Dade's Class A & B weighted average asking rate increased significantly – 7.4% – despite the pandemic. The delivery of new developments in addition to asset trades contributed to the high increase, with Class A growing 7.9% and Class B 4.0%, respectively.

Evidencing the flight-to-quality trend in tenants seeking move-in ready, Class A office product, Blackstone recently closed on a Class A space at 2 MiamiCentral, Founder's Fund inked a lease at the newly renovated Brickell City Tower, and Canadian Saputo relocated its HQ to Miami and signed a lease for a full floor at 1450 Brickell.

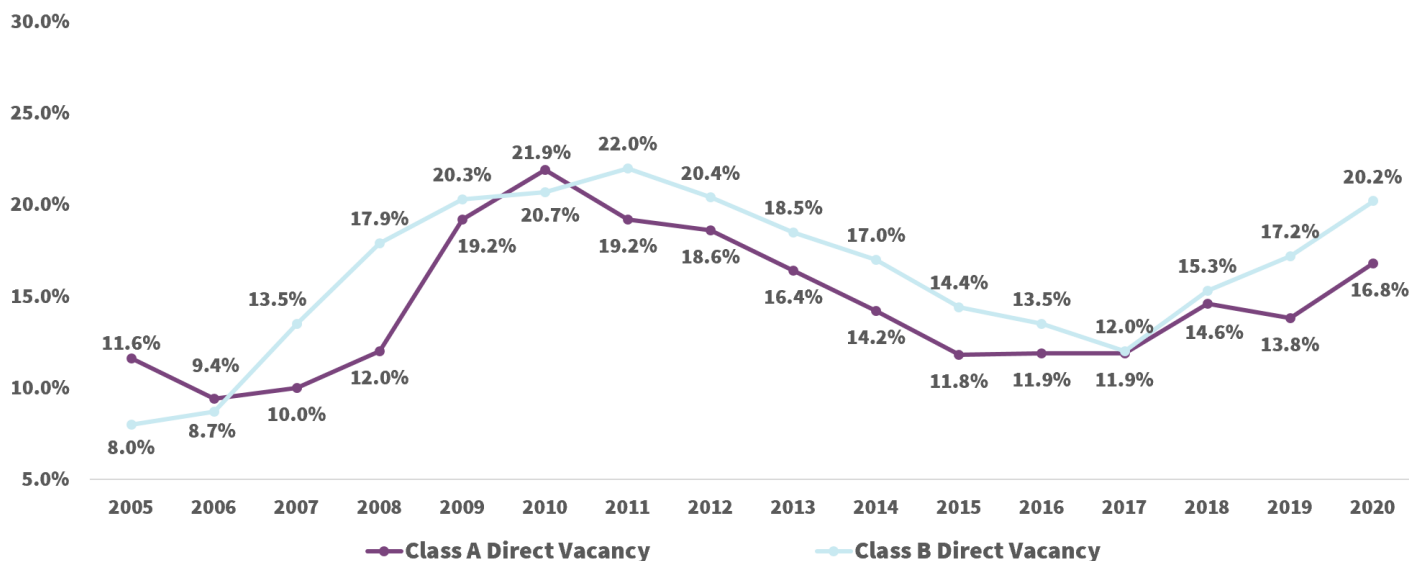
As part of this flight-to-quality trend in the New Normal, tenants are increasingly choosing buildings with state-of-the-art building systems, tech-driven offerings, wellness facilities and solutions, HVAC systems, sustainability measures, open spaces, outdoor areas and terraces. Tenants also are evaluating and modifying their space plans to create less dense work environments and ensure adequate social distancing. Miami's abundance of office product that meets these high standards, combined with its thriving business environment, will continue to drive a growing demand and rates for Class A space and renovated Class B buildings.



545wyn | Outdoor Tenant Amenity Deck

DIRECT VACANCY TRENDS UPWARD

Miami-Dade Historical Class A & B Direct Vacancy



Miami-Dade experienced 720K SF of negative net absorption (1.9% of total Class A & B market – 38.0M SF) over the course of 2020. Negative absorption was driven by tenants leaving Class B spaces (65% of negative absorption from Class B) and corporate consolidations across submarkets. In Miami Airport, tenants such as Discovery Channel right-sized, consolidating by 23K SF, and ILS left behind 26K SF to downsize and relocate to an industrial building in Doral. In addition, Hunton Andrews Kurth executed space reduction by 40K SF, relocating from Brickell to Downtown at Wells Fargo Center. Tenants including SeaDream Yachts (10K SF) and Citco (16K SF) moved out of direct office space into co-working environments. Respectively, Miami Airport experienced the highest negative net absorption with 367K SF (4.7% of total inventory within the submarket) followed by Brickell posting 144K SF of negative absorption (2.3% of total inventory).

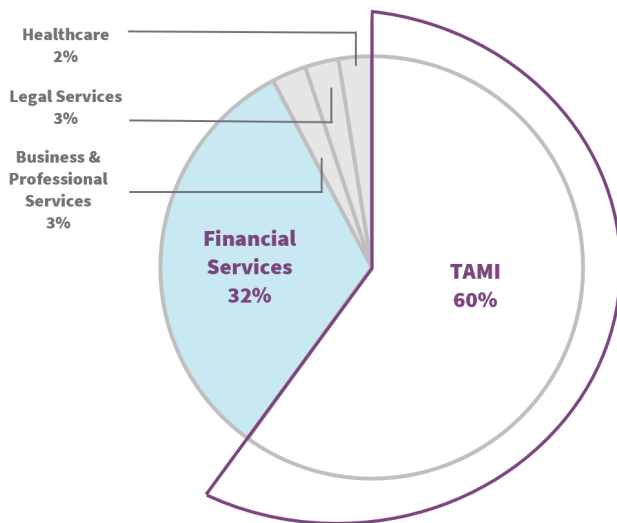
While 2020 saw an increase in negative absorption over prior years, the impact was not as significant as the Great Recession in 2009, when negative absorption represented 3.0% of total inventory, compared to the 1.9% experienced over 2020.

As a result, direct vacancy increased to 18.1%, previously 15.2% at the close of 2019. This was in part due to the delivery of 927K SF of new office product (75% vacant), tenants downsizing in response to the pandemic and previously planned space reductions of tenant's pre-Covid plans.

Given Miami's growing demand from out-of-market companies, strength in local economy, and a conservative amount of new office supply underway, we expect leasing velocity to increase through year-end, further absorbing new and existing office supply.

NEW-TO-MARKET DRIVING DEMAND

NEW-TO-MARKET TENANTS IN THE MARKET
INDUSTRY PROFILE



Leasing activity saw a 23% decrease in total deal volume (1.9M SF of completed transactions) when compared to 2019. However, activity was stronger than all four years spanning the Great Recession (2006 – 2009), when activity was at an all-time low.

Renewals comprised the lion's share of leasing activity in 2020 (approximately 45%), as tenants sought to remain in place amidst the pandemic. This resulted in a decrease of expansion activity and relocations within and across submarkets.

Specifically, major renewals for the year include: Banco Sabadell at 1111 Brickell (52K SF); Lydecker Diaz at 1221 Brickell (32K SF); Discovery Networks renewal and downsize at 6505 Waterford (24K SF; gave back 40K SF); and Kozyak Tropin Throckmorton at 2525 Ponce (23K SF). We expect industries such as financial, professional and legal services will continue to dominate renewal activity and, in some cases, expand throughout the region as new companies enter the market.

Following a flurry of news coverage and buzz about Miami as a go-to destination in the pandemic, new-to-market activity increased to 12.9% of total leasing velocity, compared to 5.2% and 9.6% in 2019 and 2018, respectively. 34% of these came from the financial services and TAMI sectors, and the average deal size was 9,600 SF.

Notable new-to-market completed transactions from out-of-state companies include: The Blackstone Group at 2 MiamiCentral (41K SF); Saputo at 1450 Brickell (18K SF); and Shiftpixy at Courvoisier Centre (13K SF). Another notable transaction includes locally grown tech group Papa, who relocated out of a co-working space into a direct space, taking 11K SF at a stand-alone boutique building in Brickell. This is a trend we expect to continue to see as part of Miami's evolution as a desirable tech hub.

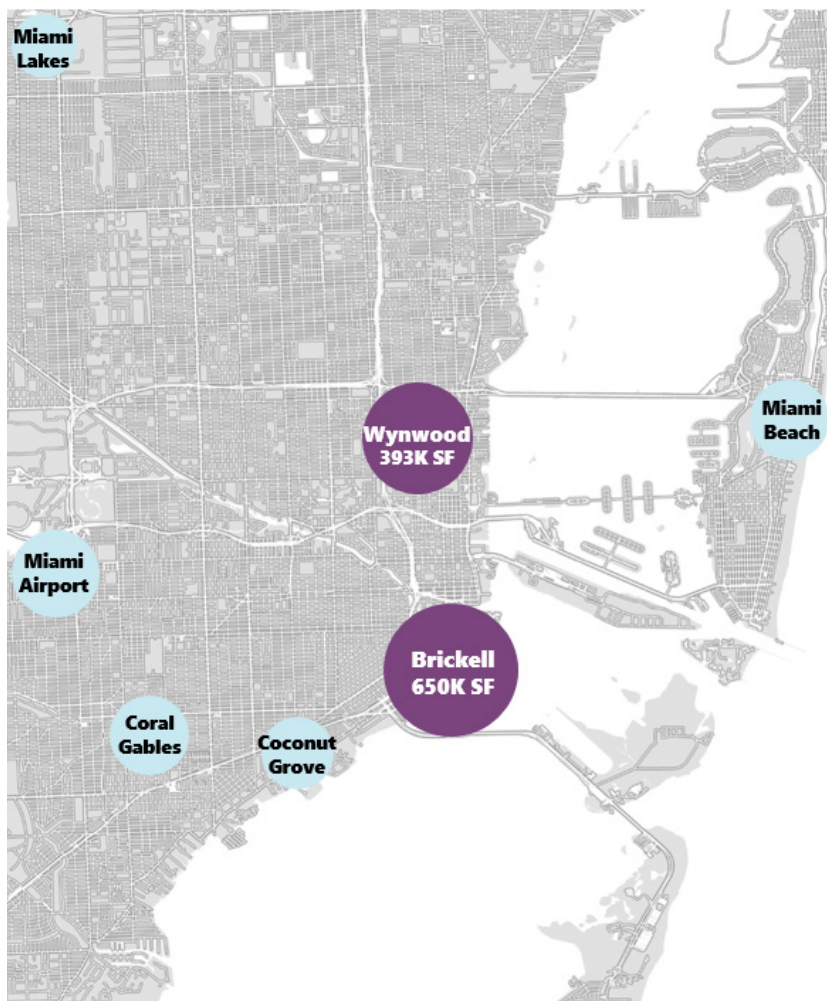
At year-end 2020, an active pipeline of over 1.2M SF of new-to-market tenants (more than half of total active tenants in the market) are currently looking to relocate HQs, open satellite offices, or establish new branches of business in South Florida, specifically focused on Miami. This represents 57% of total tenants touring the market – a never-before-seen dynamic, since new-to-market tenants previously represented about 10% to 15% of total deals in the market.

Of those with known locations, 70% are looking to relocate from New York City with additional interest from Chicago, San Francisco and Los Angeles. Based on the latest known data, 32% are within the financial services sectors and a massive 60% are from TAMI industries.

The influx of alternative investment firms, hedge funds, and private equity funds (accounting for 24% of total leasing activity in 2020) will fuel growth from complementary professional services groups including technology, media, legal services, and advertising, to Miami's thriving ecosystem.

We also expect to see local companies expanding their footprints by the second half of 2021 as employees continue to return to office workplace settings and new seating and office design standards are implemented. Additionally, considering that Tier I Class A rates in markets like Brickell are expected to increase 10% this year, companies feeling "priced out" will migrate to top-quality spaces in Downtown Miami, Waterford Business District, Coral Gables and smaller submarkets such as Coconut Grove, Aventura, Miami Beach and Wynwood.

NEW DEVELOPMENTS UNDERWAY



Since 2017, 2.2M SF of new office supply has been delivered across Miami-Dade County, including 927K SF of new supply which hit the market in 2020. Examples include the deliveries of 545 Wyn, The Plaza Coral Gables North Tower, Milton Tower, One Cocowalk, and River Landing. As a result, an additional 700K SF of new office inventory is now available (delivered 75% vacant). Although Miami's total office inventory has increased over the past year, this building cycle to-date has 50% less supply than what was delivered between 2008-2011 (4.4M SF of space was added between 2008 and 2011).

We expect that strong demand for premier, Class A product by existing users and new-to-market entrants will absorb newly delivered inventory in addition to strong pre-leasing of the 2.0M SF underway and scheduled to deliver through year-end 2022 which is 23% pre-leased. In 2021, office building trades will also drive strong competition and result in increased values across the major office submarkets, attracting investment from existing and new investors previously not active in the Miami market.

2021 OUTLOOK & TRENDS TO WATCH



Continued demand from out-of-market companies



Increase in asking rates



Positive net absorption



Companies will evaluate space needs and right-size



Flight-to-quality into new and recently renovated office product



High demand for premium new buildings and move-in ready office spaces with a focus on views



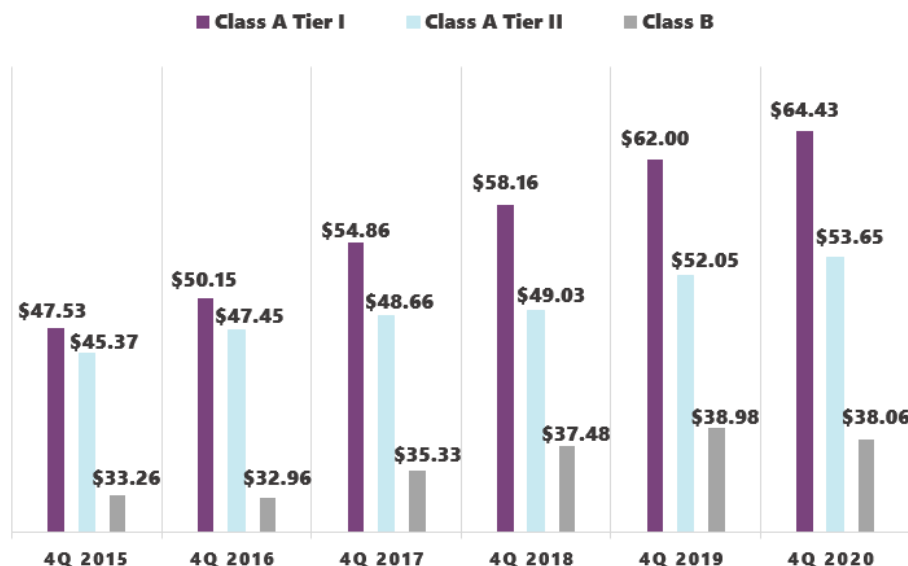
Expansion of local TAMI sector companies and professional services

BRICKELL

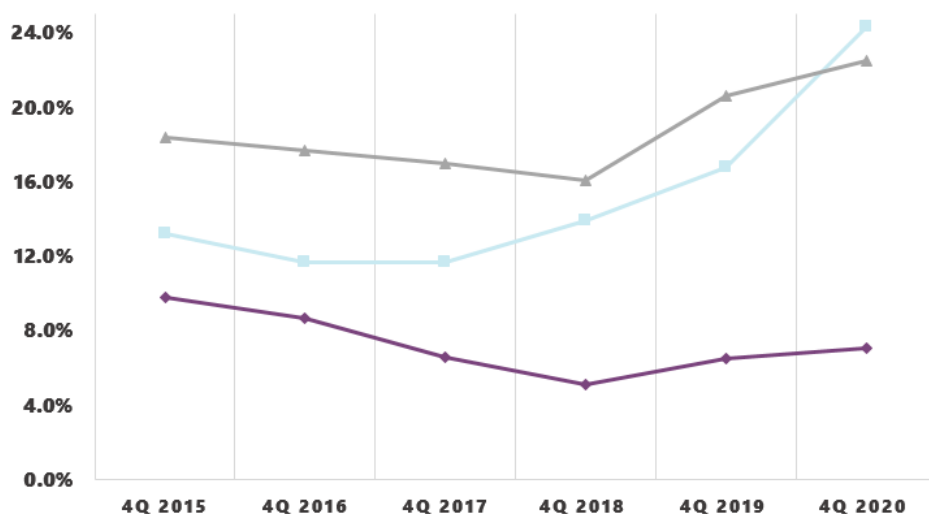
YEAR-END 2020 | CLASS A & B > 50,000 SF

4Q 2020 CLASS A & B HIGHLIGHTS

WEIGHTED AVERAGE ASKING RATE (FS PSF)



DIRECT VACANCY RATE



NOTABLE RECENT LEASE TRANSACTIONS



31,600
1221 BRICKELL
Renewal



23,200 SF
BRICKELL ARCH
Sublease



13,100 SF
COURVOISIER CENTRE
New-to-Market

\$49.75

Weighted average asking rate increased 1.9% YOY

15.5%

Direct vacancy increased, previously 12.9% YOY

(149,444) SF
YOY net absorption

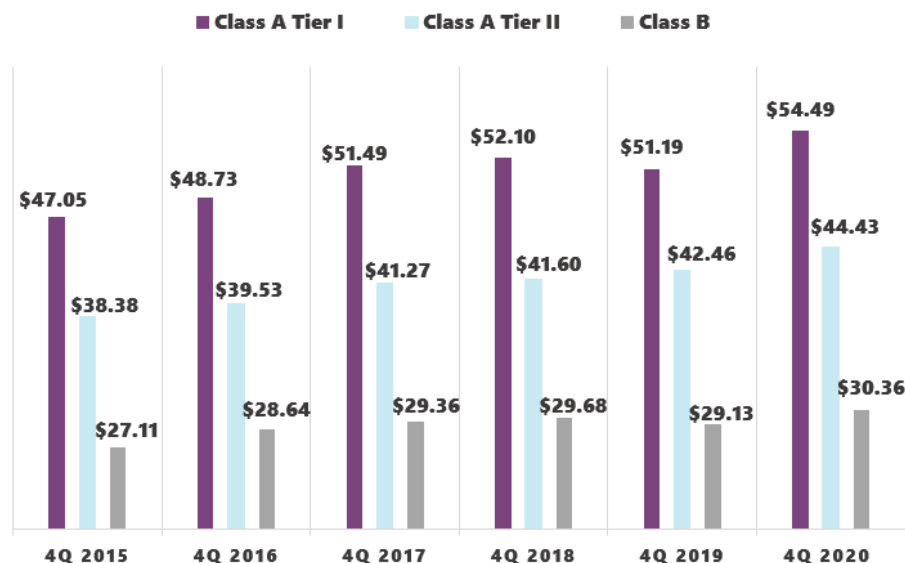
650,000 SF
Under construction at 830 Brickell

344,536 SF
YOY direct leasing activity

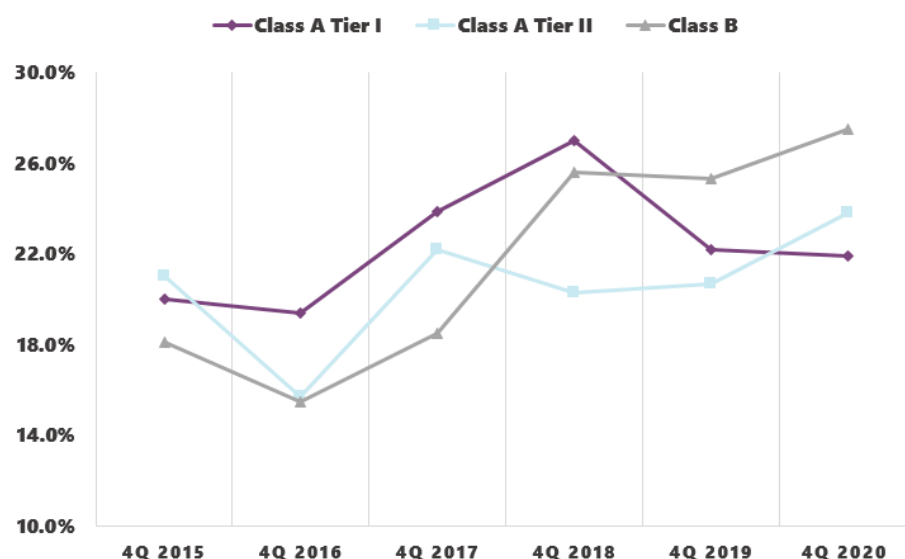
DOWNTOWN

YEAR-END 2020 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE (FS PSF)



DIRECT VACANCY RATE



4Q 2020 CLASS A & B HIGHLIGHTS

\$43.16

Weighted average asking rate increased 4.8% YOY

24.2%

Direct vacancy increased, previously 23.3% YOY

(51,420) SF
YOY net absorption

0 SF

Under construction

395,179 SF
YOY direct leasing activity

NOTABLE RECENT LEASE TRANSACTIONS

Blackstone

41,300 SF
2 MIAMICENTRAL
New-to-Market

F T I
CONSULTING

17,100 SF
ONE BISCAYNE TOWER
Renewal

JONES WALKER

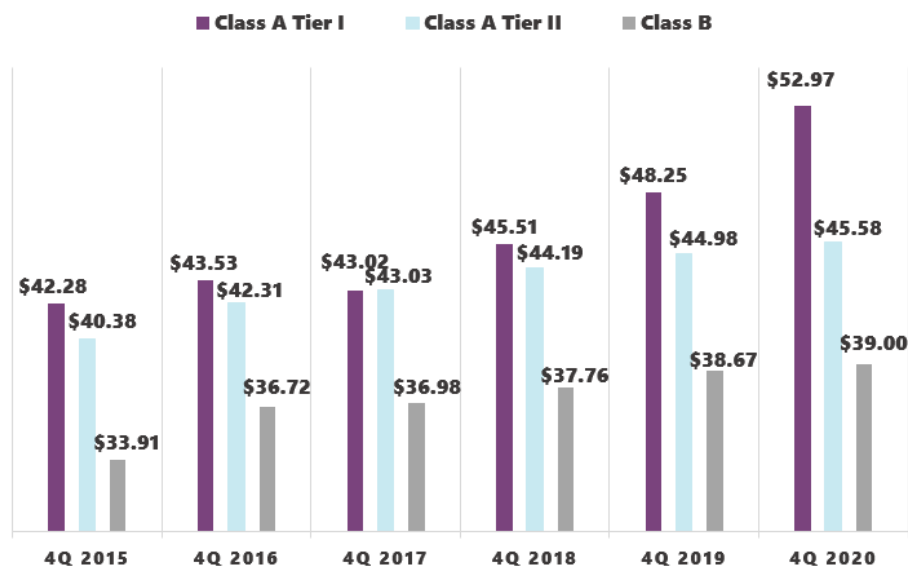
14,700 SF
CITIGROUP CENTER
Renewal

CORAL GABLES

YEAR-END 2020 | CLASS A & B > 50,000 SF

4Q 2020 CLASS A & B HIGHLIGHTS

WEIGHTED AVERAGE ASKING RATE (FS PSF)



\$44.50
Weighted average asking rate increased 5.8% YOY

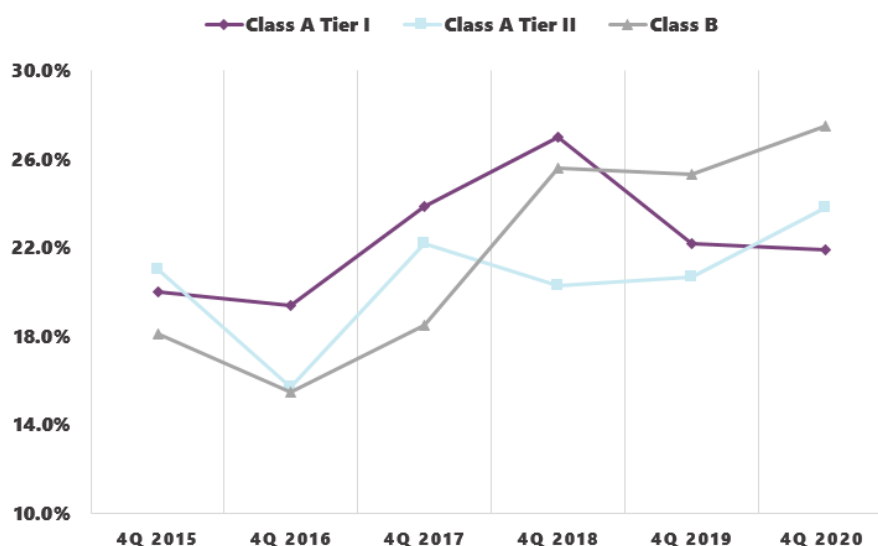
17.1%
Direct vacancy increased, previously 11.3% YOY

(102,522) SF
YOY net absorption

163,700 SF
Under construction

208,351 SF
YOY direct leasing activity

DIRECT VACANCY RATE



NOTABLE RECENT LEASE TRANSACTIONS


**KOZYAK • TROPIN
THROCKMORTON**

23,000 SF
2525 PONCE
Renewal


**H. I. G.
CAPITAL**

22,200 SF
THE PLAZA CORAL GABLES
New-to-Submarket

 **FIRST
HORIZON**

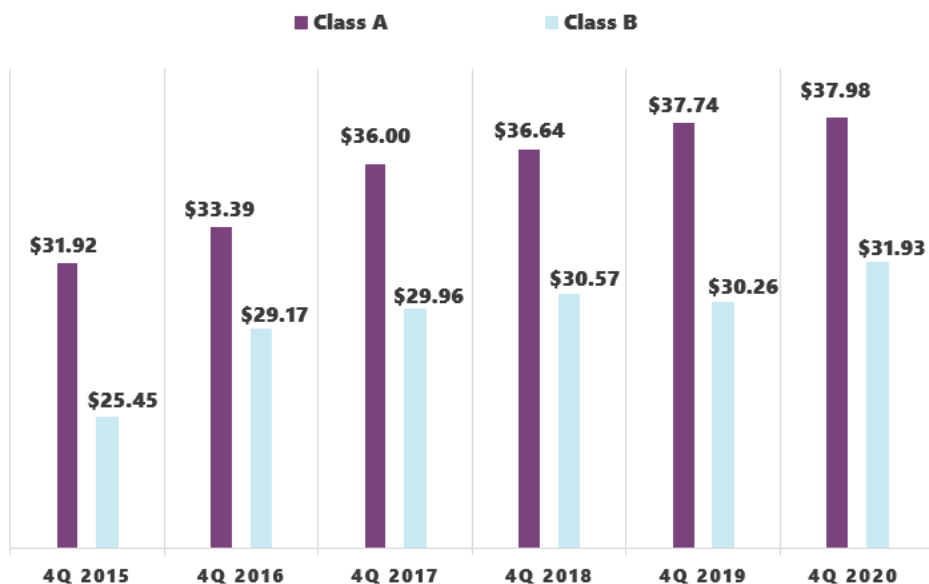
19,400 SF
COLUMBUS CENTER
Renewal

MIAMI AIRPORT

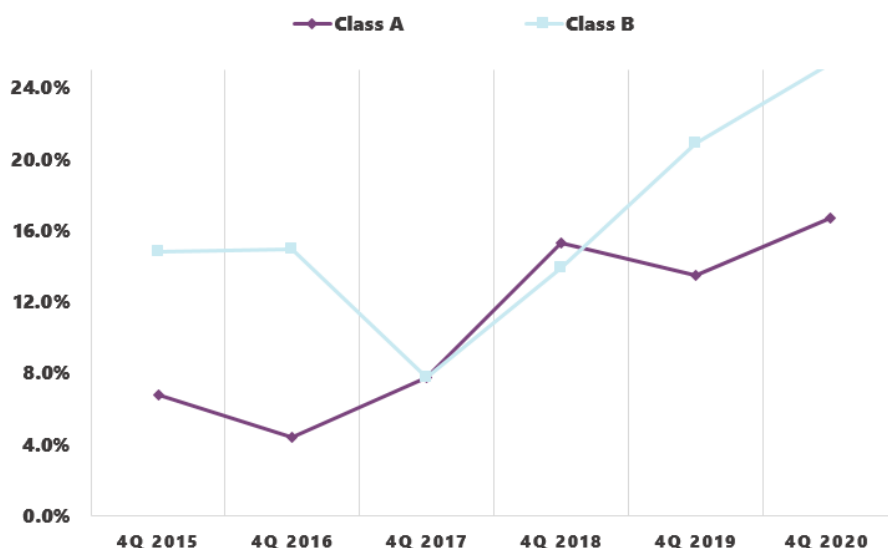
2020 YEAR-END | CLASS A & B > 50,000 SF

4Q 2020 CLASS A & B HIGHLIGHTS

WEIGHTED AVERAGE ASKING RATE (FS PSF)



DIRECT VACANCY RATE



\$34.66
Weighted average asking rate increased 4.1% YOY

20.6%
Direct vacancy increased, previously 16.8% YOY

(367,490) SF
YOY net absorption

200,00 SF
Under construction

409,566 SF
YOY direct leasing activity

NOTABLE RECENT LEASE TRANSACTIONS



47,400 SF
9250 DORAL
Renewal



30,000 SF
6505 WATERFORD
Renewal & Downsize



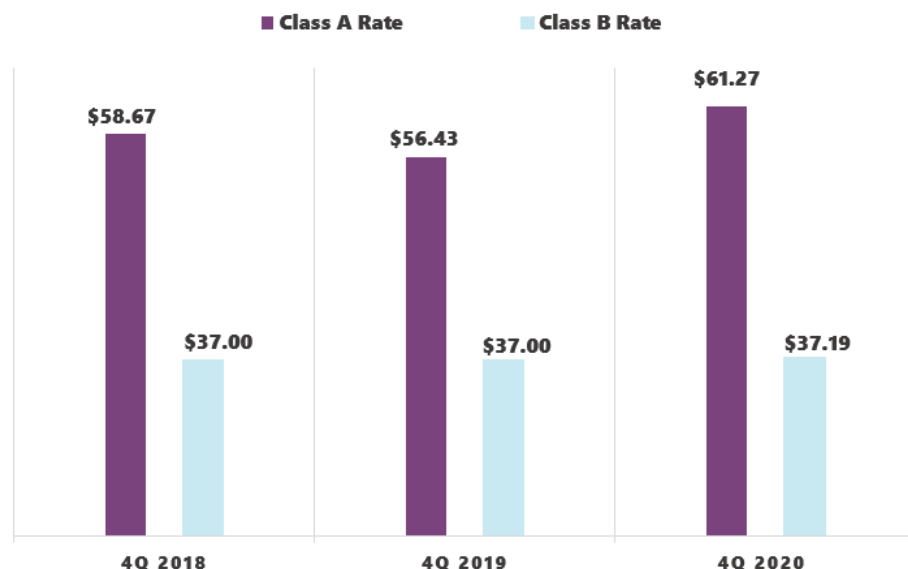
22,000 SF
DORAL 107
In-Market Relocation

WYNWOOD-DESIGN DISTRICT

2020 YEAR-END | CLASS A & B > 50,000 SF

4Q 2020 CLASS A & B HIGHLIGHTS

WEIGHTED AVERAGE ASKING RATE (FS PSF)



\$61.13
Weighted average asking rate increased 9.0% YOY

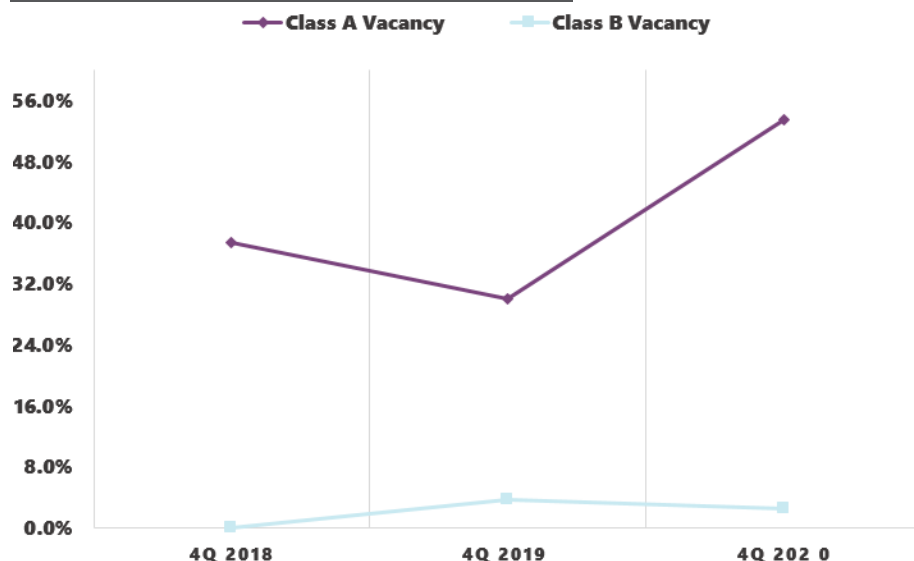
48.0%
Direct vacancy increased, previously 26.8% YOY

9,785 SF
YOY net absorption

393,300 SF
Under construction

92,855 SF
YOY direct leasing activity

DIRECT VACANCY RATE



NOTABLE RECENT LEASE TRANSACTIONS



NeueHouse

33,200 SF
78 NW 37TH ST
New-to-Market



20,000 SF
THE OASIS
New to Submarket

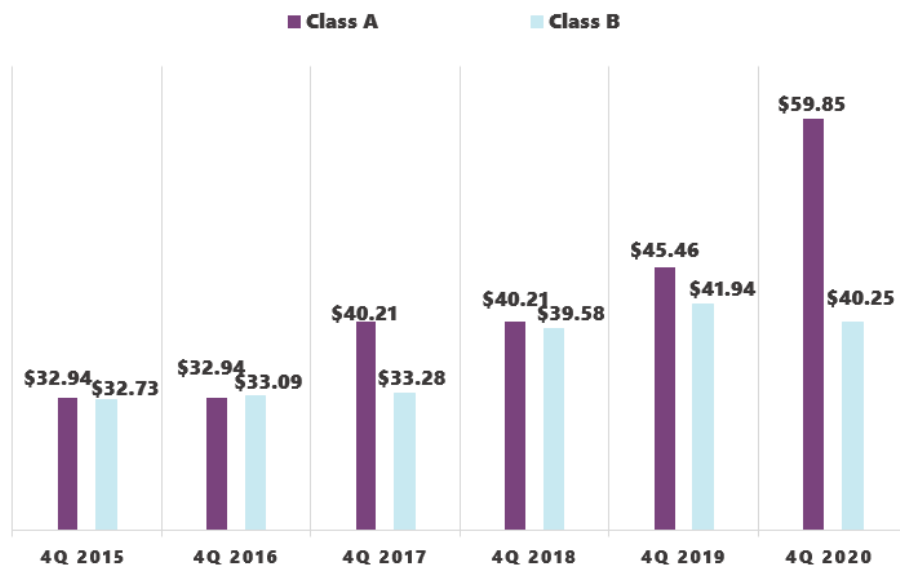
CIELO

3,000 SF
THE PRINT HOUSE
New-to-Market

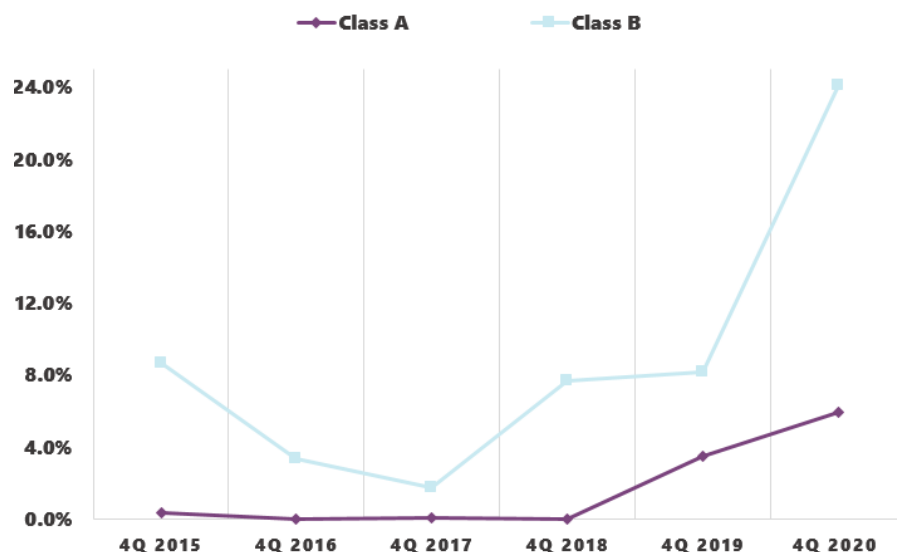
COCONUT GROVE

YEAR-END 2020 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE (FS PSF)



DIRECT VACANCY RATE



4Q 2020 CLASS A & B HIGHLIGHTS

\$43.83

Weighted average asking rate increased 4.5% YOY

15.5%

Direct vacancy increased, previously 6.1% YOY

(2,551) SF

YTD net absorption

105,000 SF

Under construction

32,230 SF

YOY direct leasing activity

NOTABLE RECENT LEASE TRANSACTIONS



14,200 SF
2850 TIGERTAIL
New-to-Submarket

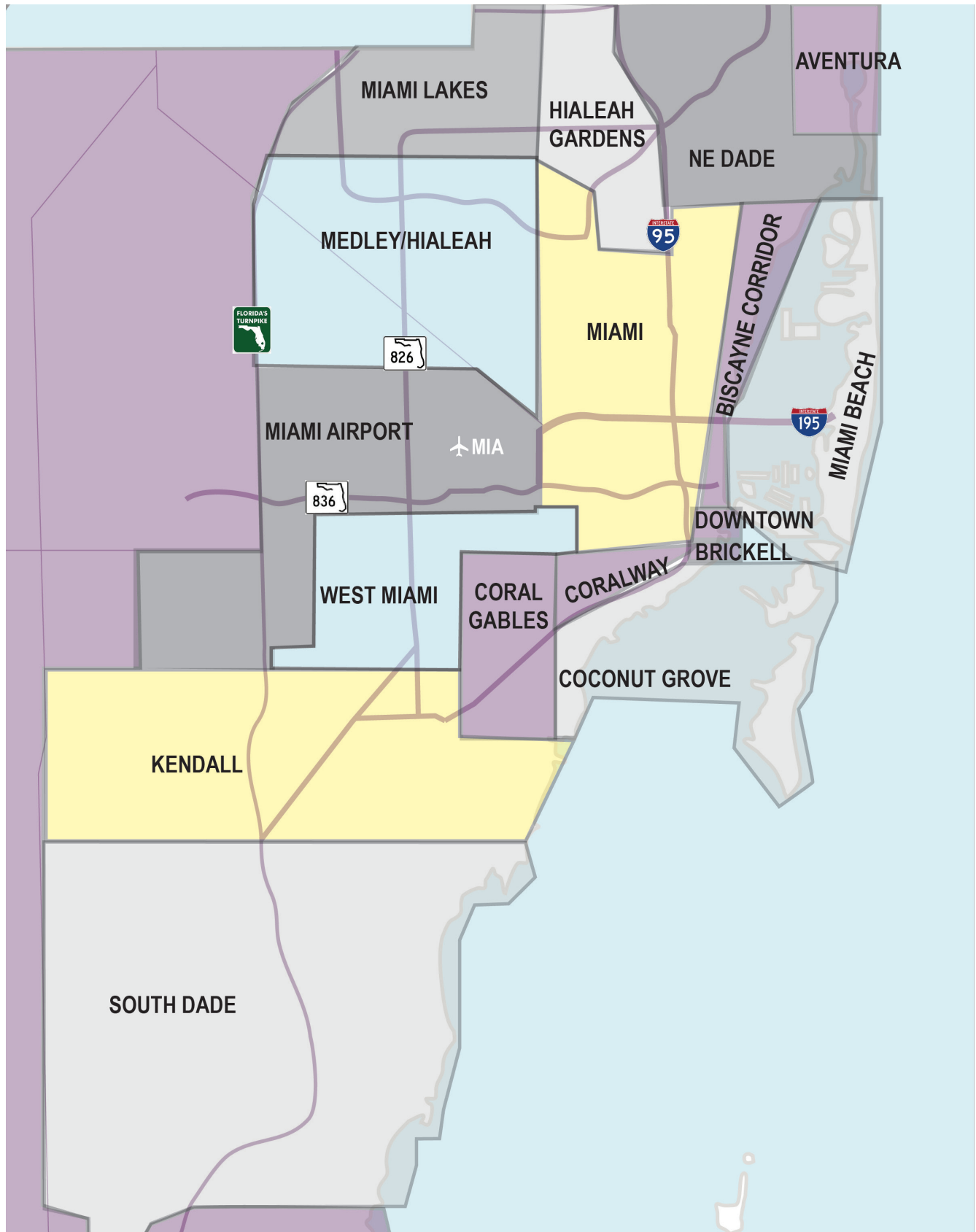


13,600 SF
ONE COCOWALK
In-Market Relocation



4,205 SF
THE OPTIMUM
New-to-Market

MIAMI-DADE SUBMARKETS



MIAMI-DADE BY THE NUMBERS

MIAMI OFFICE SUBMARKETS

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rental Rate (\$/SF)	YOY Net Absorption	SF Under Construction
Four Major Submarkets						
Brickell	25	6,512,988 SF	15.5%	\$49.75	(149,444) SF	650,000 SF
Downtown	20	6,966,428 SF	24.2%	\$43.16	(51,420) SF	0 SF
Coral Gables	44	6,133,931 SF	17.1%	\$44.50	(105,522) SF	163,700 SF
Miami Airport	72	9,007,202 SF	20.6%	\$34.66	(367,490) SF	200,000 SF
SubTotal	161	28,620,549 SF	19.6%	\$41.78	(670,876) SF	1,013,700 SF
Aventura	11	1,110,602 SF	13.7%	\$48.42	(67,561) SF	308,198 SF
Biscayne Corridor	5	726,131 SF	15.9%	\$37.72	48,970 SF	0 SF
Coconut Grove	10	1,123,801	15.5%	\$43.83	(2,551) SF	105,000 SF
Coral Way	7	482,676 SF	4.2%	\$28.22	(2,459) SF	0 SF
Kendall	13	1,963,999 SF	13.9%	\$37.64	(69,105) SF	0 SF
Medley/Hialeah	3	185,856 SF	6.0%	\$25.00	(3,107) SF	0 SF
Miami	3	477,915 SF	3.1%	\$45.32	(7,282) SF	0 SF
Miami Beach	12	1,169,358 SF	15.6%	\$53.93	(56,425) SF	140,000 SF
Miami Lakes	10	581,214 SF	16.1%	\$29.80	(10,553) SF	82,903 SF
NE Dade	8	754,308 SF	19.5%	\$40.58	67,235 SF	0 SF
South Dade	2	133,994 SF	0.3%	-	29,439 SF	0 SF
Wynwood-Design District	8	811,639 SF	48.0%	\$61.13	9,784 SF	393,300 SF
SubTotal	92	9,521,493 SF	18.0%	\$46.64	(49,051) SF	1,029,401 SF
TOTAL	253	38,142,042 SF	18.1%	\$42.92	(719,926) SF	2,043,101 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. Optima Onyx Tower is under construction in Hallandale (Broward County) as apart of the existing Optima White & Red Tower in Aventura and has been included.

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 12.5 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.

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.



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