



THIRD QUARTER 2019 **MIAMI OFFICE MARKET REPORT**



BLANCA
Licensed Real Estate Broker

MIAMI OFFICE MARKET HIGHLIGHTS



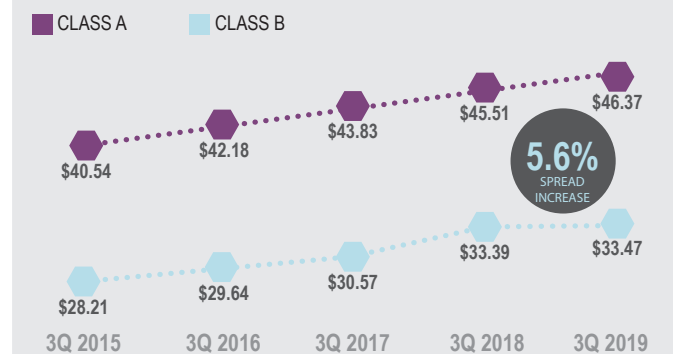
EXECUTIVE SUMMARY At the close of the third quarter of 2019, Miami-Dade's office market experienced stabilized growth in asking rates, a moderate decrease in direct vacancy, and an increase in total leasing activity over the previous year. Class A buildings outperformed Class B, as existing tenants and new-to-market entrants continued to demand superior product for their office space needs. Co-working's expansion activity drove positive net absorption over the course of the year but has steadied with no major leasing announced this quarter. Miami's office market is expected to remain stable through year-end with limited new supply scheduled for delivery over the next 12 months and continued in-bound investments on the rise from both domestic and international companies.

RENTS Miami-Dade's Class A & B weighted average asking rate had modest growth of 0.8% over the previous year, compared to a 5.5% rent increase in the third quarter of 2018. Class A Tier I buildings in Brickell and Wynwood-Design District led this quarter with the highest weighted average asking rate of \$59.10 and \$55.97 FS, respectively. In Brickell, lack of direct available space for Class A Tier I buildings drove the increase in the asking rate, an 18% increase since 2016.

Companies right-sizing, continued flight-to-quality, access to more amenities, quality workspace, and connectivity to transit drove Class A asking rate at a 2.7% increase over the previous year. The rent spread between Class A & B buildings widened by 5.6%, year-over-year, a trend expected to continue as new product delivers over the next 24 months (\$12.80 difference

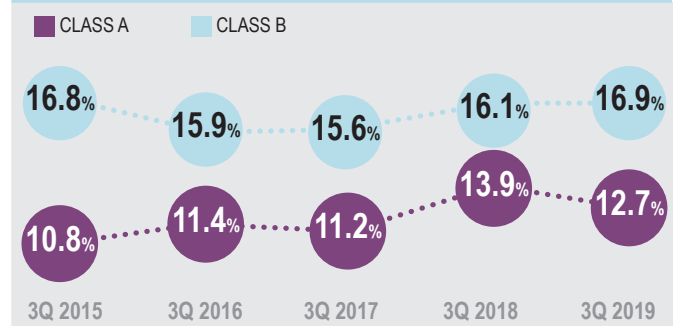
between Class A & B). The widening rent gap offers unique opportunities for Class B buildings to undergo renovations, add amenities, and achieve upside.

MIAMI-DADE CLASS A & B WEIGHTED AVERAGE ASKING RATES



VACANCY Overall vacancy slightly decreased by 2.7% across Miami-Dade to 14.4% from 14.8%. Class A direct vacancy decreased by 8.6% to 12.7% across Miami-Dade, previously 13.9%; whereas Class B experienced a 5.0% increase to 16.9%, previously 16.1%. Class A buildings in Downtown Miami recorded the largest decrease in vacancy to 21.4% (an -18.6% decrease year-over-year) driven by City National Bank expanding by 48,000 SF at Miami Tower and WeWork and Rialto Capital leasing 89,000 SF and 47,000 SF, respectively, at Southeast Financial Center. Brickell Class A Tier I enjoyed its lowest recorded vacancy rate since the fourth quarter of 2009 at 5.8%. With limited new inventory in Downtown Miami and Brickell over the next 24 months, vacancy rates are expected to continue a downward trend.

MIAMI-DADE CLASS A & B DIRECT VACANCY RATES



MIAMI OFFICE MARKET HIGHLIGHTS

+662,000 SF
CLASS A POSITIVE NET
ANNUAL ABSORPTION

ABSORPTION

Year-over-year, Class A and B buildings recorded positive net absorption for a second consecutive quarter at +412,000

SF. Positive net-absorption was driven by Class A buildings, which contributed +662,000 SF of net annual absorption. Co-working spaces across various submarkets (Downtown Miami, Miami Beach, Brickell, and Coral Gables) drove 44% (292,000 SF) of net absorption. Approximately 14% was from new-to-market entrants from companies in various industries including modeling agency, IMG Worldwide (8,100 SF at 150 Alhambra), computer coding academy, Viking Education (+7,800 SF at 1111 Brickell), and Live Nation Entertainment (+8,000 SF at Wynwood 25 Annex). Class B experienced -248,000 SF of negative net absorption due primarily to Lennar, FEMA, and Prestige Health Choice relocating to Class A space in other submarkets while also downsizing creating 207,000 SF of availability mainly in Doral Class B space.

LEASING ACTIVITY Total leasing activity increased 8.2% over the previous year, recording approximately 3.0 million SF of completed transactions of which 34.8% were renewals. Leasing by co-working firms (22.3%), companies relocating within current submarkets (21.3%), moving into new submarkets (11.3%), and new to Miami (5.8%) comprised the balance of leasing activity. Approximately 287,400 SF of tenants relocated to new submarkets; of which 21.8% relocated to Downtown Miami and 19.8% relocated to Coral Gables. In-market relocations increased by 53.2% compared to the third quarter of 2018. Class A assets drove leasing activity with large users such as Lennar leasing 156,000 SF at 5505 Waterford, BAC Florida Bank leasing 63,000 SF at The Plaza Coral Gables, and Checkalt leasing 16,400 SF at 6205 Waterford.

New office supply accounted for 515,000 SF of lease transactions over the past year (20.7% of total leasing activity) including BAC Florida Bank (The Plaza Coral Gables), The Related Group (2850 Tigertail), Icahn Enterprises (Milton Tower), and Gensler (545 Wynwood). With approximately 2.1 million SF of new office product underway to deliver by year-end 2022 (21.3% pre-leased), we expect leasing in new office developments to capture strong leasing activity.

DRIVERS CHANGING TENANT DEMANDS



FLEXIBLE LEASE TERM



MOVE-IN READY SPACE



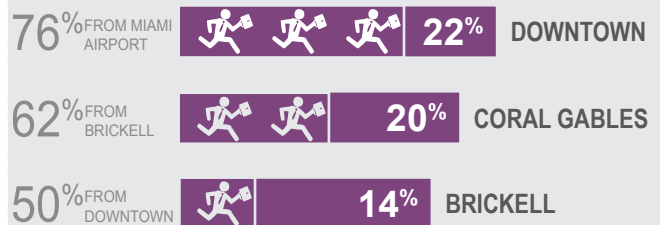
REDUCED FINANCIAL IMPACT TO TENANT



AMENITIZED LOCATION + WALKABILITY

NEW TO SUBMARKET LEASING ACTIVITY

Including Submarkets Tenants Moved From



SELECT NOTABLE LEASES IN NEW OFFICE DEVELOPMENTS

RELATED



2850 Tigertail
Coconut Grove

Gensler



545 WYN
Wynwood

BAC Florida Bank



The Plaza Coral Gables
Coral Gables

ICAHN ENTERPRISES L.P.



Milton Tower
North Miami Beach

MIAMI OFFICE MARKET HIGHLIGHTS

3Q 2019

INVESTORS REMAIN BULLISH ON MIAMI

INVESTMENT IN MIAMI Investment has been on the rise in Miami with entrepreneurs, investors, and developers from all over the world setting their sights on Miami's office market. Miami ranked number 10 in Clever Real Estate's "Top 10 Most Affordable Metro Areas in the U.S. for Startups," noting that 9.4% of workers in Miami are employed by a startup. Miami is also attracting venture capital investments as reported by CIC Miami's "Impact by the Numbers" report which stated that venture capital is increasing in the Miami/Fort Lauderdale/Pompano Beach Metro area, up 196% over the previous year, with \$242.5 million invested into Miami based startups in 2019 (27 total deals).

NEW CONSTRUCTION

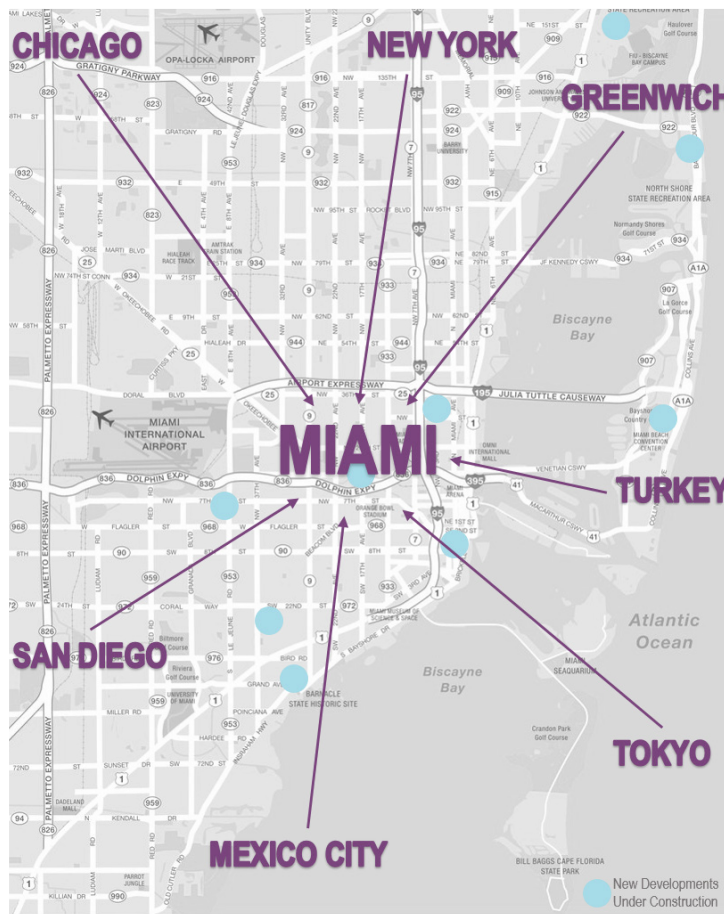
Miami continues to attract global and domestic investment and developers new to the Miami market. New-to-market entrants include Sterling Bay choosing Miami as its first expansion city with the development of 545 Wynwood, a 284,000 SF mixed-use development in the burgeoning Wynwood submarket (\$100 million land and development cost). Also in Wynwood, New York based RedSky Capital and East End Capital have been acquiring properties for development since 2014 and recently completed Cube Wynwood and Wynwood 25 Annex, respectively. Okan Group, a Turkish development firm, also chose Miami to develop its first U.S. project, Okan Tower, a mixed-use development in Downtown Miami set to rise 890 feet and include a hotel, condo-hotel units, and 64,000 SF of office space (\$300 million land and development cost).

BUILDING TRADES Approximately \$851 million in total asset value has traded over the past year (3.1 million SF), 48% of which traded in the past quarter. Bridge Investment Group entered the Miami market acquiring four properties, the company's first assets in Miami-Dade, comprising of 533,000 SF for \$123 million that include Flagler Station's three building portfolio and The Offices at Doral Square in the Miami Airport submarket. Aimco, a multifamily investor based out of Bethesda, MD, acquired their first office building in Miami with the purchase of Brickell Bay Office Tower, a 344,500 Class A building, for \$157.0 million (\$480/SF). New York based asset portfolio manager, Gatsby Realty acquired 800 Brickell, a Class B 208,000 SF office building for \$125.5 million, the highest price-per-square-foot over the past year (\$602/SF). The purchase of 800 Brickell marks the company's first investment outside of New York.

NEW-TO-MARKET PIONEERS

New-to-market firms have recently announced relocations into Miami. SoftBank Group International, a global investment capital firm based out of Tokyo, opened its first Miami location at 600 Brickell to launch a \$5 billion technology growth fund focused on startups in Central and South America. Icahn Enterprises recently

announced the New York City based investment firm will completely relocate to Miami, leasing 27,000 SF at Milton Tower, a new development in Sunny Isles in North Miami Beach, delivering 1Q 2020. We expect this trend to continue as companies choose Miami due to its business-friendly tax environment and diverse talent pool.

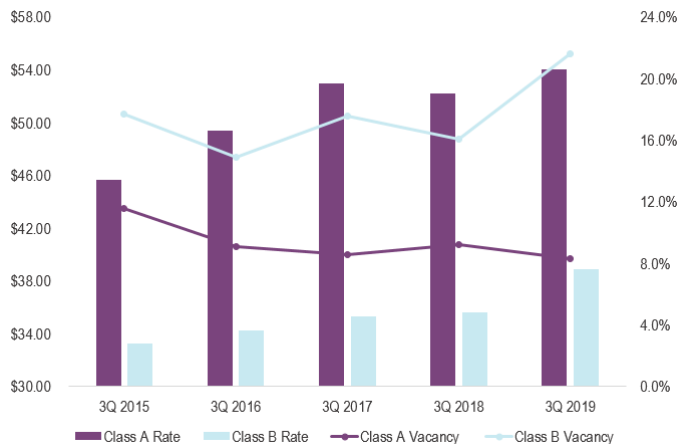


BRICKELL SNAPSHOT 3Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A TIER I	CLASS A TIER II	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$59.10	\$48.62	\$38.88	+2.1%
VACANCY RATE	5.8%	15.2%	21.6%	+5.5%
NET ABSORPTION	+59,224 SF	+11,322 SF	-75,560 SF	-4,994 SF

3Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS:



Weighted average asking rate grew 6.0% in Class A Tier I Buildings

5.8%

Limited available inventory; Class A Tier I experienced the lowest direct vacancy rate across Miami



Captured 35% of new to market activity over the past three years



800 Brickell traded for \$126 Million (\$602/PSF) and 1001 Brickell Bay Dr for \$157 Million (\$480/PSF)

NOTABLE TRANSACTIONS:



20,700 SF - In Market Relocation & Expansion
1441 Brickell



8,500 SF - New to Submarket (In Sublease)
1101 Brickell North Tower



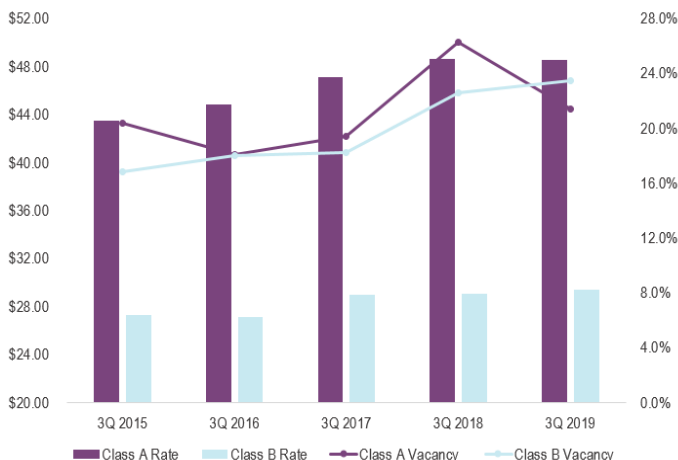
7,800 SF - New to Market
1111 Brickell

DOWNTOWN SNAPSHOT 3Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A TIER I	CLASS A TIER II	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$51.59	\$43.14	\$29.43	-2.3%
VACANCY RATE	22.3%	20.0%	23.5%	-11.6%
NET ABSORPTION	+171,919 SF	+63,772 SF	-21,453 SF	+214,238 SF

3Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS



Direct vacancy decreased 12% to 22% driven by activity in Class A buildings

214k

Class A & B buildings experienced 214,000 SF of positive net annual absorption

22%

Captured 22% of new to submarket activity; the majority of which was from Rialto Capital at Southeast Financial Center



Weighted average asking rates have stabilized across Class A & B buildings

NOTABLE TRANSACTIONS:



89,000 SF - In Market Expansion
Southeast Financial Center



46,800 SF - New to Submarket
Southeast Financial Center



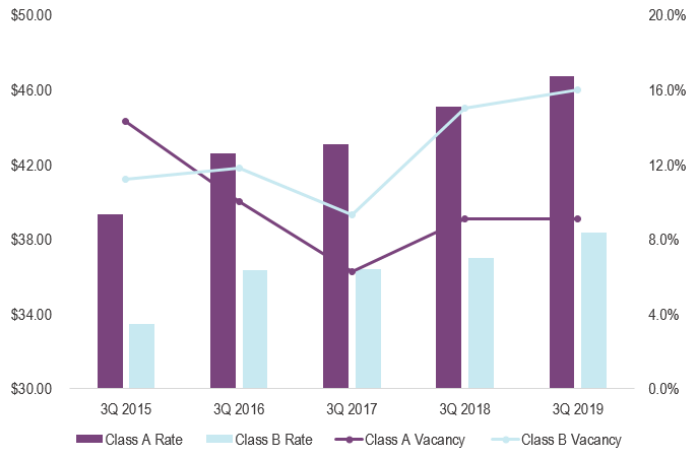
13,400 SF - In Market Relocation
Museum Tower

CORAL GABLES SNAPSHOT 3Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A TIER I	CLASS A TIER II	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$48.52	\$45.60	\$38.35	+3.1%
VACANCY RATE	7.4%	10.6%	16.0%	+4.3%
NET ABSORPTION	+98,379 SF	-37,353 SF	-27,831 SF	+33,195 SF

3Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS

- 98k** Positive net annual absorption in Class A Tier I buildings driven by newly delivered buildings and co-working
- 3.6% increase in Class A weighted average asking rate, year-over-year
- Direct vacancy decreased in Class A Tier I buildings to 7.4%, its lowest rate over the past four years
- The Plaza Coral Gables to deliver 450,000 SF of new office product within the next 24 months

NOTABLE TRANSACTIONS:



63,000 SF - In Market Relocation & Expansion
The Plaza Coral Gables South Tower



12,900 SF - In Market Relocation & Expansion
Douglas Entrance



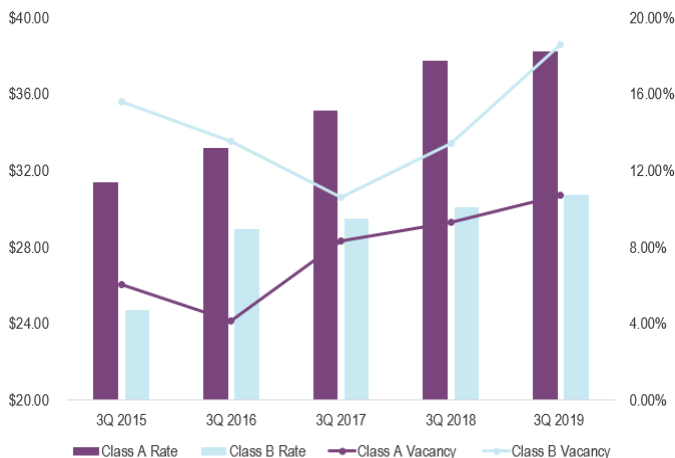
8,000 SF - New to Market
150 Alhambra

MIAMI AIRPORT SNAPSHOT 3Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$38.22	\$30.73	+2.1%
VACANCY RATE	10.7%	18.6%	+39.3%
NET ABSORPTION	+63,652 SF	-224,304 SF	-161,052 SF

3Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS

- 850 Le Jeune to deliver 200,000 SF of Class A office space in two phases (Phase I 2Q 2020, Phase II 1Q 2021)
- Class B experienced a high increase in direct vacancy driven by tenants right-sizing, closing, and relocating to Class A space
- Bridge Investment Group purchased Flagler Station and Offices at Doral Square for \$123 million (533,000 SF total)

NOTABLE TRANSACTIONS:



156,000 SF - In Market Relocation
5505 Waterford



133,000 SF - Renewal & Downsize
Doral Costa Office Park



43,600 SF - Renewal
6100 Waterford

Wynwood-Design District Snapshot 3Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$55.97	\$37.00	+3.7%
VACANCY RATE	29.6%	3.8%	-32.1%
NET ABSORPTION	+82,109 SF	-2,304 SF	+79,805 SF

3Q 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
- Newly delivered buildings 44% leased (The Wynwood Garage, Cube Wynwd, and Wynwood 25 Annex)
- 420,000 SF of new office development under construction and 558,000 SF proposed
- 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 3Q 2019

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$54.00	\$39.69	+17.0%
VACANCY RATE	1.9%	6.2%	-11.5%
NET ABSORPTION	+37,898 SF	+11,140 SF	+49,038 SF

3Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



HIGHLIGHTS

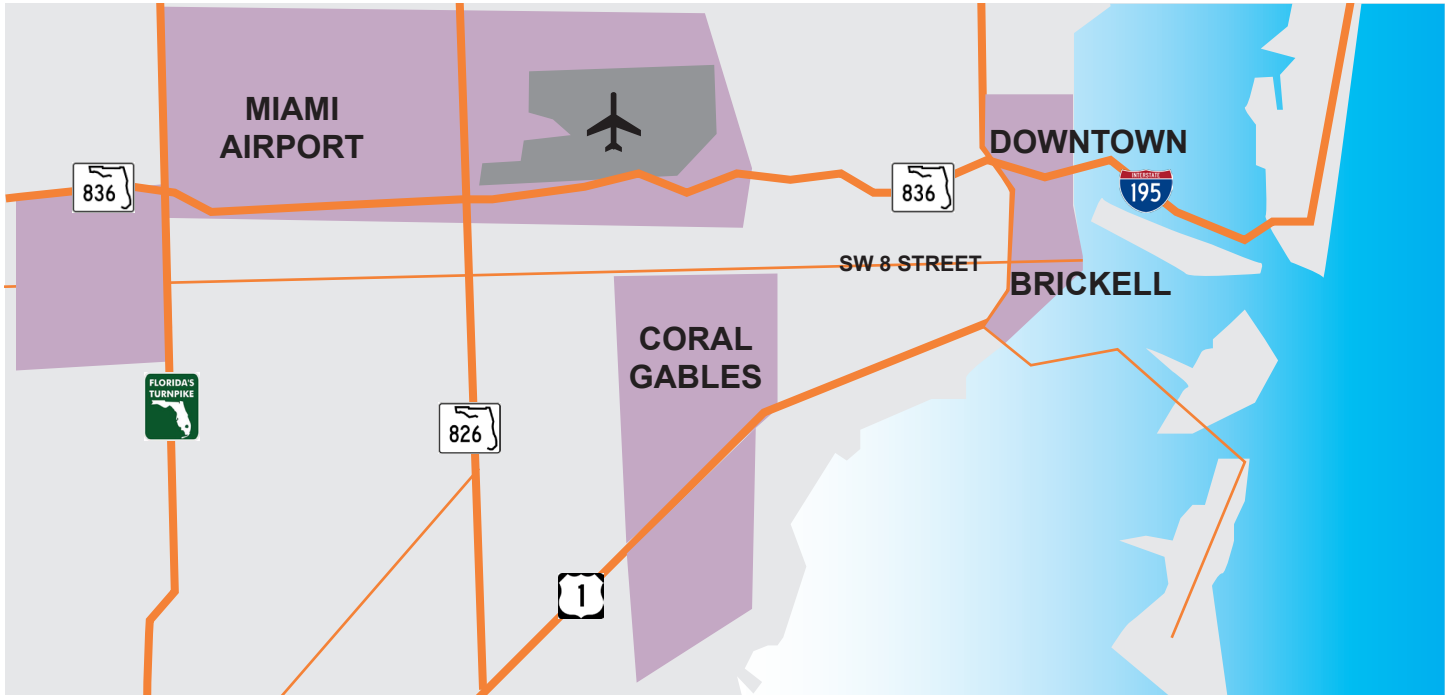
- Boutique, urban neighborhood known for its walkability, top private K-12 schools, and chef-driven dining
- Class A weighted average asking rate increased 46% over the past four years
- New office developments setting new rent thresholds with asking rates \$54 - \$68 FS
- 271,000 SF scheduled to deliver by 2021; One CocoWalk (2Q 2020), 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 28.5 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
Brickell	14	11	25
Downtown	8	14	22
Coral Gables	21	23	44
Miami Airport	30	42	72
Total	73	90	163

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

	3Q 2019 CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	Brickell	Downtown	Coral Gables	Miami Airport
Total SF Tracked:	6,456,872 SF	7,214,818 SF	5,863,860 SF	8,993,860 SF
Direct Available SF:	735,601 SF	1,592,111 SF	717,396 SF	1,274,153 SF
Vacancy:	11.4% ▲ Vs. 3Q18 10.8%	22.1% ▼ Vs. 3Q18 25.0%	12.2% ▲ Vs. 3Q18 11.7%	14.2% ▲ Vs. 3Q18 11.2%
Direct Weighted Average Rates:	\$48.50 ▲ Vs. 3Q18 \$46.40	\$37.85 ▼ Vs. 3Q18 \$42.82	\$41.66 ▲ Vs. 3Q18 \$40.43	\$34.06 ▲ Vs. 3Q18 \$33.63

MIAMI OFFICE SUBMARKETS

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rental Rate (\$/SF)	Y-O-Y Net Absorption
Four Major Submarkets					
Brickell	25	6,456,872 SF	11.4%	\$47.38	-4,004 SF
Downtown	22	7,214,818 SF	22.1%	\$41.84	214,238 SF
Coral Gables	44	5,863,860 SF	12.2%	\$41.66	33,195 SF
Miami Airport	72	8,993,237 SF	14.2%	\$34.06	-161,052 SF
SubTotal	163	28,528,787 SF	15.1%	\$40.46	81,387 SF
Aventura	10	1,080,981 SF	12.5%	\$47.80	14,723 SF
Biscayne Corridor	5	723,131 SF	30.1%	\$37.19	34,011 SF
Coconut Grove	8	931,396 SF	4.6%	\$46.11	49,038 SF
Coral Way	7	482,676 SF	3.6%	\$30.35	6,695 SF
Kendall	13	1,712,665 SF	10.6%	\$36.55	69,721 SF
Medley/Hialeah	3	185,856 SF	5.0%	\$25.00	8,123 SF
Miami	2	328,868 SF	2.0%	\$52.00	-4,318 SF
Miami Beach	11	1,126,756 SF	11.9%	\$50.21	42,587 SF
Miami Lakes	10	581,214 SF	14.9%	\$29.33	17,447 SF
NE Dade	7	651,296 SF	17.3%	\$26.21	-6,580 SF
South Dade	2	133,994 SF	22.3%	\$22.05	19,552 SF
Wynwood-Design District	7	486,365 SF	26.4%	\$55.63	79,805 SF
SubTotal	85	8,425,198 SF	13.4%	\$40.32	330,804 SF
TOTAL	248	36,953,985 SF	14.4%	\$40.43	412,191 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

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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