



2019 YEAR-END MIAMI OFFICE MARKET REPORT



BLANCA
Licensed Real Estate Broker

EXECUTIVE SUMMARY Miami's office market remained stable at the close of 2019; rental and vacancy rates were steady throughout the year, limited new office supply was delivered, and leasing activity remained constant driving modest net absorption.

RENT Overall, Miami-Dade's Class A & B weighted average asking rate decreased slightly by approximately 1% to \$39.98 PSF. As seen throughout 2019, increasing availability in Class B office buildings contributed to the decline in weighted average asking rates primarily in Miami Airport and Downtown Miami. Class A continued to show strength due to tenant demand of premium space but experienced slightly slower growth in 2019 (+1.8%) than in the previous year (+3.0%). Brickell Class A Tier I recorded the highest rental rate at \$62.00 PSF, followed by Class A Wynwood-Design District at \$56.43. While new development projects continue to push rent thresholds (\$62.50 - \$73.00 PSF), we expect year-end rates to hold steady in 2020 tempered by the new office inventory supply scheduled to deliver by year-end (1.3M SF). Projects delivering in 2020 include: 545Wyn (5% pre-leased), Milton Tower (27% pre-leased), and One Cocowalk (64% pre-leased).

VACANCY Direct vacancy decreased across various Miami-Dade office submarkets with Class A outperforming Class B; Class A decreased -5.5% to 13.8%, while Class B increased +11.7% to 17.2%, the highest vacancy rate since 2014. Demand for Class A space will remain strong in 2020 as tenants continue to leverage their office space to attract and retain talent. Owners throughout Miami-Dade will continue to undertake strategic renovations and launch services to deliver expanded on-site amenities including concierge-style tenant services. In Brickell, extensive renovations are underway at 1221 Brickell and 801 Brickell. In 2020, renovations will be undertaken at 1001 Brickell Bay, 701 Brickell, 800 Brickell, and in Coral Gables at 2800 Ponce De Leon Blvd.

DELIVERY TIMELINE OF MAJOR NEW OFFICE DEVELOPMENTS



+305,000 SF
CLASS A POSITIVE NET
ANNUAL ABSORPTION

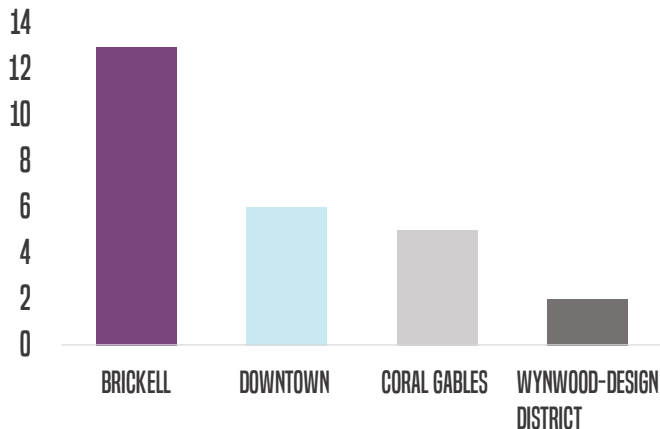
ABSORPTION

The year ended with minimal positive annual net absorption of +8,000 SF but experienced a strong reversal from the previous year (-465,000 SF). Further evidencing tenants desire for top quality office space, Class A buildings recorded positive net absorption of 305,000 SF while Class B lagged (-297,000 SF of negative net absorption). Moreover, Class A net absorption was 53% greater than the historical 10-year annual average of +200,000 SF, boosted by the expansion of coworking operators such as WeWork, Spaces, and Quest Workspaces. Coworking accounted for 46% of the positive net absorption in 2019.

LEASING ACTIVITY

In 2019, total leasing activity (2.5M SF) across Miami decreased by 9.1% over the previous year. Renewals (29%), in-market relocations (22%), and coworking expansions (18%) fueled leasing activity. New to submarket transactions accounted for 22%. Coconut Grove (69,000 SF) and Downtown (68,000 SF) captured 41% of tenants relocating to new submarkets. New to market leasing activity remained stable at 5.7% (139,000 SF), previously 6.4% (174,000 SF) in 2018. Brickell continued to capture the largest share (35%) of new-to-market deals.

NUMBER OF NEW-TO-MARKET TRANSACTIONS BY SUBMARKET



Driven by Miami's top ranking for start-up activity and robust entrepreneurial ecosystem, coworking companies jockeyed for market share in 2019. The coworking companies continued success in Miami fueled their growth to capture nearly 18% of total leasing activity (436,000 SF) representing more than twice the amount leased by coworking in 2018 (7.1%; 191,000 SF). As a result, Miami is now the city with the second highest percentage of total office inventory in the U.S. dedicated to coworking (4.2% of Class A & B), just behind San Francisco. WeWork will account for 14% of the coworking inventory in Miami (with the inclusion of their 160,000 SF lease at 830 Brickell).

GENSLER'S U.S. WORKPLACE SURVEY 2019

14% OF CORPORATE WORKERS USE COWORKING SPACE REGULARLY



ACCESS TO COWORKING SPACES BOOSTS PERFORMANCE



62% OF USERS ARE MILLENIALS/ GENERATION Z

35% OF USERS ARE IN THE TECHNOLOGY INDUSTRY

According to the Bureau of Labor Statistics, Miami's civilian labor force increased 2.9% year-over-year to 1.4M with an unemployment rate of 2.7%; lower than the national average of 3.5%. Industries that experienced the most significant growth locally were education and health services (+4.2%), professional and business services (+1.6%), and financial activities and services (+1.7%). These sectors captured approximately 40% of total leasing activity and contributed to 68,000 SF (51%) of the total in market expansions.

2019 NOTABLE LEASE TRANSACTIONS

LENNAR - 156,000 SF
IN MARKET RELOCATION TO 5505 WATERFORD
BOLTON FINANCIAL - 21,000 SF
IN MARKET RELOCATION & EXPANSION TO FOUR SEASONS OFFICE TOWER
TAXFYLE - 14,000 SF
FROM CORAL GABLES TO MAYFAIR IN THE GROVE

INVESTMENT IN MIAMI ON THE RISE

Investors remain bullish on Miami as evidenced by increased building trades and new developments under construction. Approximately 22 major building trades occurred in 2019, \$931M total sales volume (28% increase over 2018). A majority of the building trades were in Miami's major submarkets including 1001 Brickell Bay Dr (\$157M; \$480 PSF) in Brickell, 2 & 3 MiamiCentral (\$159M; \$536 PSF) in Downtown, Doral Square (\$146M; \$243 PSF) in Miami Airport, and Regions Bank Tower (\$60M; \$408 PSF) in Coral Gables. There was an additional \$1.1B in sales for land investments across more than 200 properties (top buyers were Terra Group and Urbanica Management). Investment will remain strong in 2020 with significant buildings expected to hit the market.

INFLUX CONTINUES

With a globally recognized brand, Miami's growth has been fueled by its diverse and global economy, millennial driven workforce (45% of CBD workforce between the ages of 25 – 44; 60% of population 25+ with college education), enjoyable climate, tax incentives, and connectivity. Miami was recognized as a top ten option for Amazon's HQ expansion and continues to host major events including Super Bowl LIV, Art Basel, Miami Yacht Show, and Miami Music Week. Miami ranked 2nd in WalletHub's "Fastest Growing City in America" and ranked 4th "Boomtown" in the U.S. by SmartAsset which defines boomtowns as prosperous towns with robust development, desirable place to put down roots, and where population and job opportunities are rising rapidly. At year-end 2019, Miami ranks as the 10th largest metro economy in the U.S.

FROM NEW YORK TO MIAMI

SNOWDEN LANE PARTNERS - 5,000 SF

COLUMBUS CENTER

IMG WORLDWIDE - 8,000 SF

150 ALHAMBRA

ICAHN ENTERPRISES - 27,000 SF

MILTON TOWER

More than 1M SF of new-to-market entrants have opened offices in Miami, over the past four years. The migration of individuals from New York is making its mark in South Florida's office market with more than 10% of new-to-market companies coming from

New York (rents in Miami are +/- \$20 less expensive than New York; 40% cost savings). New Yorkers have flocked to Miami in record numbers since the SALT tax was passed in 2017. The U.S. Census Bureau estimated that of New Yorkers that moved out of the state in 2018, 14% migrated to Florida. According to recent reports from the U.S. Census Bureau, high-tax states including New York and California are predicted to lose 6% of their population by 2028, and low tax states, specifically Florida, will grow in population by 25%.

2020 TRENDS TO WATCH



RENTAL RATES WILL HOLD STEADY



BRICKELL WILL CONTINUE TO HOLD ITS POSITION WITH TOP OF MARKET RENTS AND DEMAND



LEASING ACTIVITY WILL REMAIN CONSISTENT



FLIGHT-TO-QUALITY WILL DRIVE IN-MARKET RELOCATIONS AND SUBMARKET MOVES



WORK/LIFE BALANCE WILL CONTINUE TO DRIVE WORK-PLACE SOLUTIONS THAT INCORPORATE HOSPITALITY PRACTICES AND DESIGN

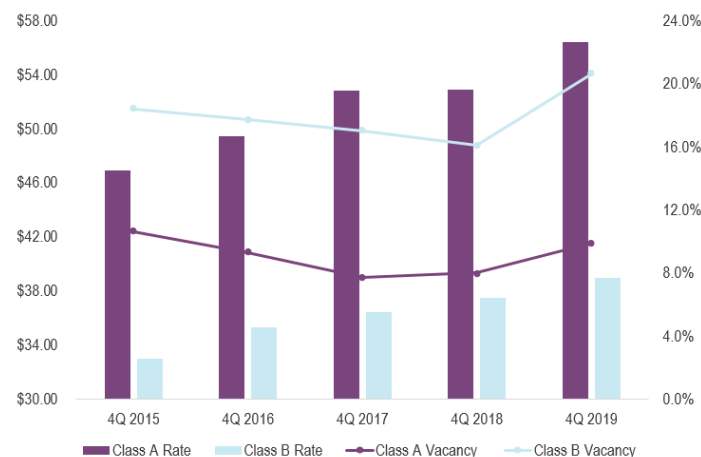


COWORKING LEASE STRUCTURE WILL CHANGE TO FAVOR LIMITED DOWNSIDE RATHER THAN UNLIMITED UPSIDE WITH PROFIT SHARE MODELS

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A TIER I	CLASS A TIER II	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$62.00	\$52.05	\$38.98	+5.3%
VACANCY RATE	6.5%	16.8%	20.6%	+25.2%
NET ABSORPTION	-43,877 SF	+6,299 SF	-86,096 SF	-123,674 SF

4Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



BRICKELL

Rates hit an all-time high \$62/SF, record priced building sales closed, negative absorption driven by right-sizing and out of submarket relocations, and first new office tower in nearly a decade is underway.

NOTABLE TRANSACTIONS:

wework

160,000 SF - IN MARKET EXPANSION
830 BRICKELL

SPACES.

48,900 SF - SPACES
801 BRICKELL

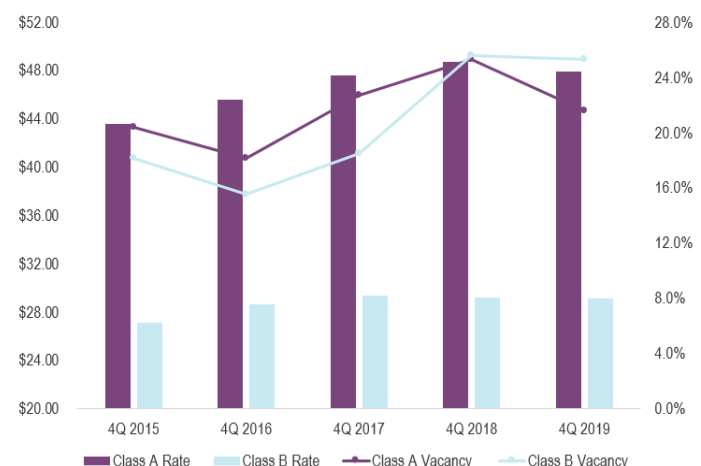
SAUL EWING
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22,400 SF - NEW TO SUBMARKET & DOWNSIZE
701 BRICKELL

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A TIER I	CLASS A TIER II	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$51.09	\$42.46	\$29.13	-3.4%
VACANCY RATE	22.2%	20.7%	25.3%	-10.2%
NET ABSORPTION	+177,575 SF	-4,570 SF	-21,264 SF	+151,741 SF

4Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



DOWNTOWN

Vacancy dropped due to relocations from other submarkets and coworking expansions.

NOTABLE TRANSACTIONS:

wework

89,000 SF - IN MARKET EXPANSION
SOUTHEAST FINANCIAL CENTER

Rialto
CAPITAL MANAGEMENT

46,800 SF - NEW TO SUBMARKET
SOUTHEAST FINANCIAL CENTER

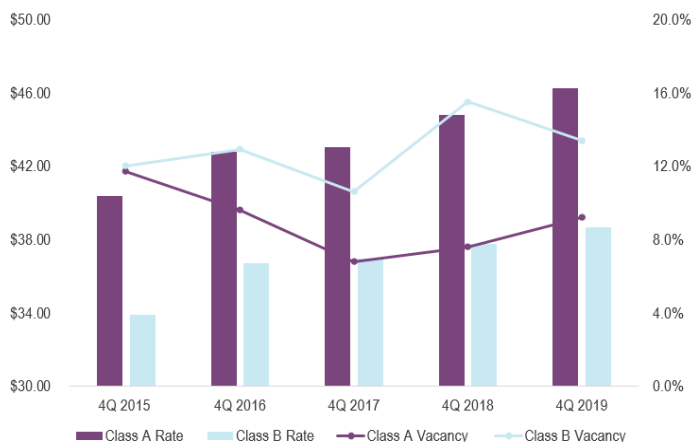
SPACES.

19,000 SF - EXPANSION
2 MIAMICENTRAL

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A TIER I	CLASS A TIER II	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$48.25	\$44.98	\$38.67	+2.4%
VACANCY RATE	7.5%	10.7%	13.4%	0.0%
NET ABSORPTION	+9,867 SF	-55,738 SF	57,958 SF	+12,087 SF

4Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



CORAL GABLES

Weighted average asking rates increased across Class A and B, vacancy stabilized, and The Plaza Coral Gables North Tower (298,000 SF) is well underway to deliver Summer 2020.

NOTABLE TRANSACTIONS:



63,000 SF - IN MARKET RELOCATION & EXPANSION
THE PLAZA CORAL GABLES SOUTH TOWER



23,800 SF - NEW TO SUBMARKET EXPANSION
2000 PONCE DE LEON BLVD

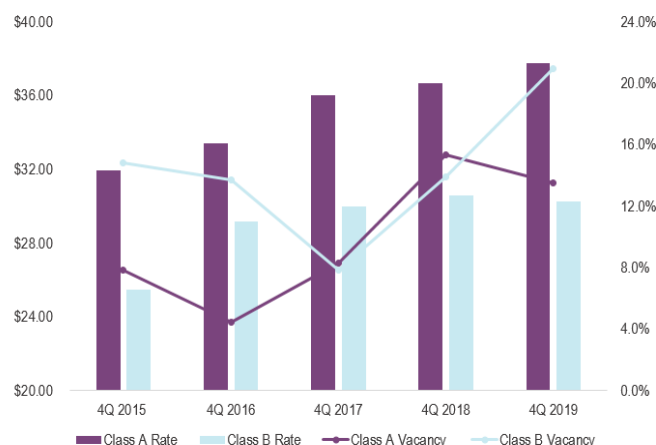


12,900 SF - IN MARKET RELOCATION & EXPANSION
DOUGLAS ENTRANCE

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$37.74	\$30.26	-1.5%
VACANCY RATE	13.5%	20.9%	+13.6%
NET ABSORPTION	+72,968 SF	-298,885 SF	-225,917 SF

4Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



MIAMI AIRPORT

Continued right-sizing and relocation of corporate tenants, Class A rates reach historical high, and limited new supply underway (850 Le Juene).

NOTABLE TRANSACTIONS:



156,000 SF - IN MARKET RELOCATION
5505 WATERFORD



43,600 SF - RENEWAL
6100 WATERFORD

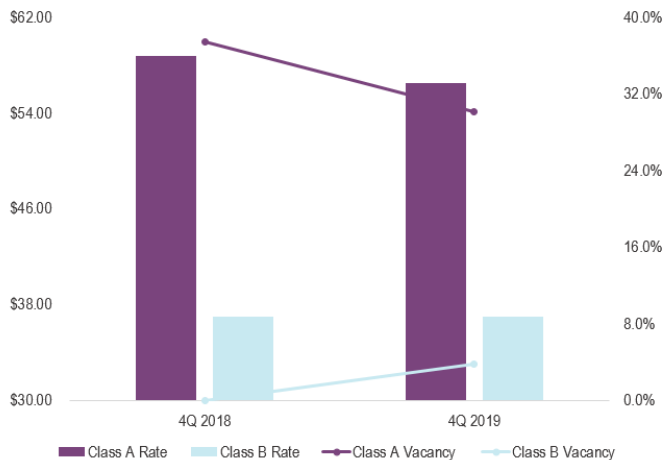


26,400 SF - NEW TO SUBMARKET
7600 CORPORATE CENTER

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$56.43	\$37.00	-3.9%
VACANCY RATE	29.6%	3.8%	-20.5%
NET ABSORPTION	+27,960 SF	0 SF	+27,960 SF

4Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



WYNWOOD-DESIGN DISTRICT

First traditional office buildings delivered as the submarket evolves into an urban location, attracting tenant relocations and new to market entrants.

NOTABLE TRANSACTIONS:



30,000 SF - NEW TO SUBMARKET EXPANSION
THE WYNWOOD GARAGE

Gensler

11,900 SF - NEW TO SUBMARKET
545WYN

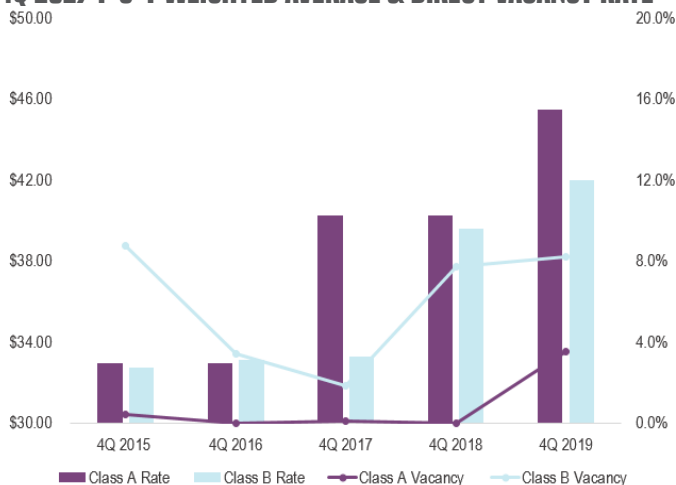


8,000 SF - NEW TO MARKET
WYNWOOD 25 ANNEX

BY THE NUMBERS (YEAR-OVER-YEAR)

	CLASS A	CLASS B	TOTAL Y-O-Y CHANGE
RENTAL RATE	\$45.46	\$39.58	+8.1%
VACANCY RATE	3.5%	8.2%	-37.8%
NET ABSORPTION	+43,169 SF	-2,821 SF	+40,348 SF

4Q 2019 Y-O-Y WEIGHTED AVERAGE & DIRECT VACANCY RATE



COCONUT GROVE

First Class A office space delivered in over 30 years, strong demand for boutique submarket offering a true live-work-play environment.

NOTABLE TRANSACTIONS:

RELATED

30,000 SF - NEW TO SUBMARKET
2850 TIGERTAIL



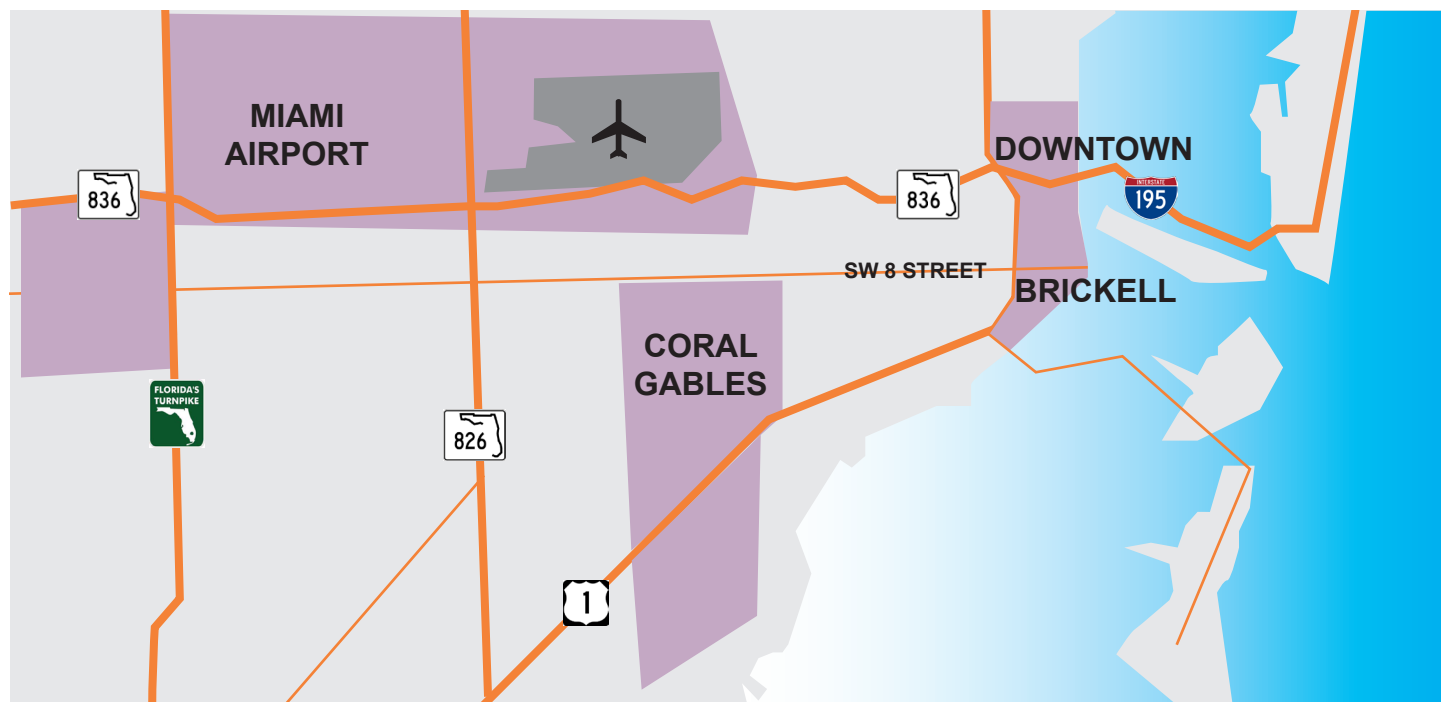
12,700 SF - NEW TO SUBMARKET
GROVE AT GRAND BAY *OFFICE CONDO



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	13	12	25
DOWNTOWN	8	13	21
CORAL GABLES	21	23	44
MIAMI AIRPORT	31	42	73
TOTAL	73	90	163

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

	4Q 2019 CLASS A + B BUILDINGS YEAR OVER YEAR COMPARISON			
	BRICKELL	DOWNTOWN	CORAL GABLES	MIAMI AIRPORT
Total SF Tracked:	6,483,276 SF	7,081,261 SF	5,842,664 SF	9,062,668 SF
Direct Available SF:	837,959 SF	1,613,242 SF	649,559 SF	1,657,592 SF
Vacancy:	12.9% ▲ Vs. 4Q18 10.3%	22.8% ▼ Vs. 4Q18 25.4%	11.1% ► Vs. 4Q18 11.1%	16.7% ▲ Vs. 4Q18 14.7%
Direct Weighted Average Rates:	\$48.64 ▲ Vs. 4Q18 \$46.20	\$41.30 ▼ Vs. 4Q18 \$42.75	\$40.80 ▲ Vs. 4Q18 \$40.41	\$33.63 ▼ Vs. 4Q18 \$34.12

MIAMI OFFICE SUBMARKETS

SUBMARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANCY RATE (%)	WEIGHTED AVERAGE ASKING RENTAL RATE (\$/SF)	Y-O-Y NET ABSORPTION	SF UNDER CONSTRUCTION
FOUR MAJOR SUBMARKETS						
BRICKELL	25	6,483,276 SF	12.9%	\$48.64	-123,674 SF	650,000 SF
DOWNTOWN	21	7,081,959 SF	22.8%	\$41.30	151,741 SF	0 SF
CORAL GABLES	44	5,842,664 SF	11.1%	\$40.80	281,599 SF	455,008 SF
MIAMI AIRPORT	73	9,062,668 SF	16.7%	\$33.63	-225,917 SF	113,081 SF
SUBTOTAL	163	28,470,567 SF	16.2%	\$40.04	-185,763 SF	1,218,089 SF
AVENTURA	10	1,080,981 SF	10.0%	\$48.27	53,369 SF	49,133 SF
BISCAYNE CORRIDOR	5	901,305 SF	24.4%	\$34.84	32,900 SF	16,400 SF
COCONUT GROVE	9	1,026,396 SF	6.2%	\$42.78	40,348 SF	175,762 SF
CORAL WAY	7	482,676 SF	4.6%	\$31.69	29,080 SF	0 SF
KENDALL	13	1,712,665 SF	11.9%	\$36.14	6,971 SF	0 SF
MEDLEY/HIALEAH	3	185,856 SF	4.8%	\$25.00	8,328 SF	0 SF
MIAMI	2	328,868 SF	3.4%	\$42.02	-11,288 SF	135,000 SF
MIAMI BEACH	12	1,161,615 SF	15.0%	\$47.79	-9,395 SF	136,342 SF
MIAMI LAKES	10	581,214 SF	15.0%	\$30.38	26,282 SF	0 SF
NE DADE	7	651,296 SF	17.2%	\$28.74	-2,147 SF	102,287 SF
SOUTH DADE	2	133,994 SF	22.3%	\$22.05	19,552 SF	0 SF
WYNWOOD-DESIGN DISTRICT	7	486,365 SF	26.4%	\$56.08	27,960 SF	410,344 SF
SUBTOTAL	87	8,733,231 SF	13.4%	\$39.72	194,210 SF	1,025,268 SF
TOTAL	250	37,203,798 SF	15.2%	\$39.98	8,447 SF	2,243,357 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.

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

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