

MAY 2020

MIAMI OFFICE MARKET SNAPSHOT & OUTLOOK



B L A N C A

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EXECUTIVE SUMMARY



At the close of the first quarter of 2020, Miami-Dade's office market experienced modest overall leasing velocity and fundamentals remained steady. Across Class A & B buildings, weighted average asking rates recorded increases across various submarkets and consistent leasing activity drove a slight decrease in direct vacancy further resulting in positive year-to-date net absorption. Although the office market recorded positive results to kick-off the year, the novel Coronavirus (COVID-19) pandemic has modified everyday business activities and impacted all industry sectors, some more than others, quickly forcing companies and their employees to adapt to new norms.

According to the New York Times, nearly half of the global population (4.0B people) at the close of the 1st quarter was placed on government mandated stay-at-home orders requiring companies to establish new safety protocols, business processes, and the utilization of new technologies to accommodate remote work. With many unknowns still on the horizon, we expect the pandemic will

influence the way people work and will have a direct impact on office building operations, safety protocols, as well as a company's immediate need for utilization of space. Although we will see shifts in workplace standards over the course of the year, we expect office market dynamics to remain stable due to consistent tenant demand, substantial tenant rollover within key industries and limited new office supply delivering within the next 12 months.



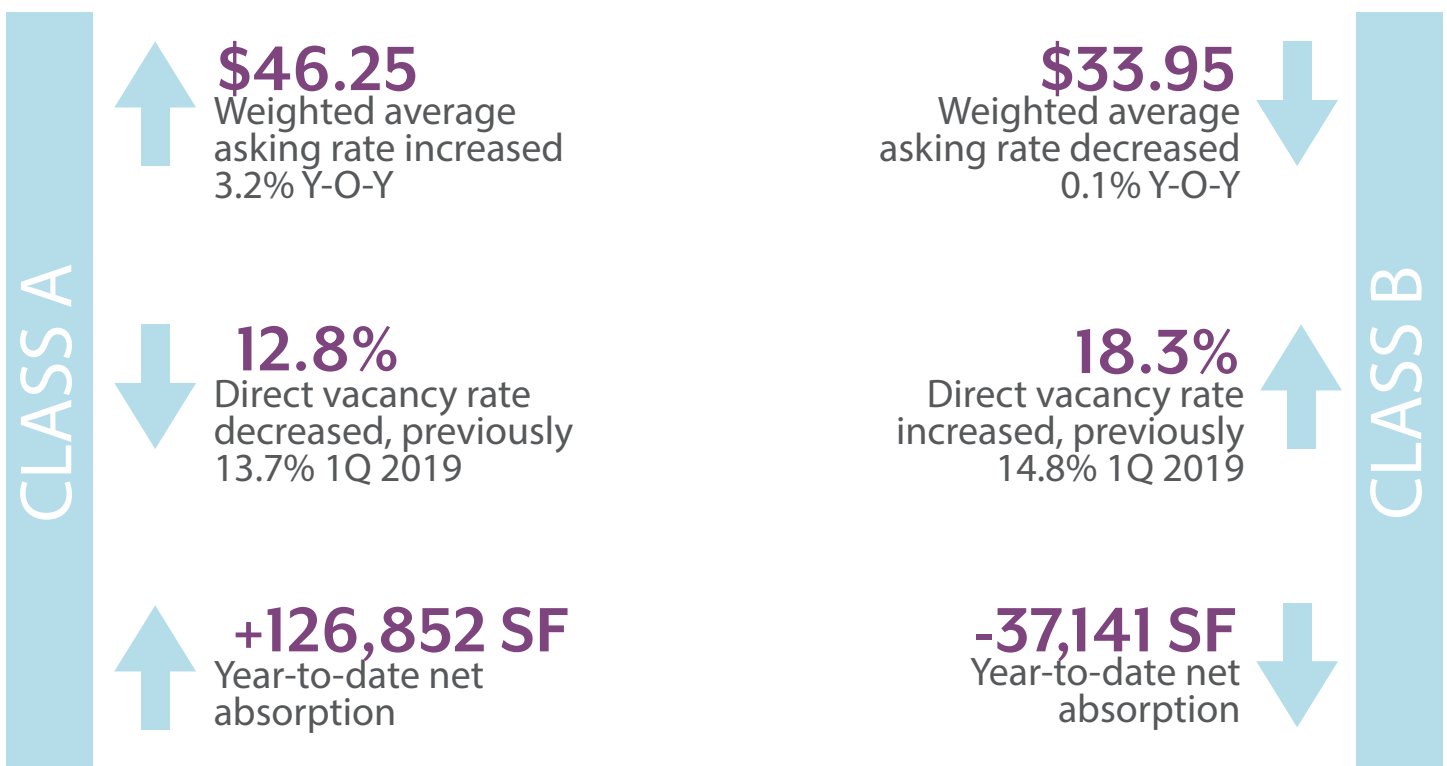
ASKING RATE & DIRECT VACANCY

Miami-Dade's Class A & B weighted average asking rate remained stable over the previous year at \$40.15, previously \$40.29. Top tier office product in the Miami market drove growth among Class A buildings increasing by 3.2% to \$46.25 PSF. Brickell Class A Tier I rates surpassed \$66.00 PSF, pushing new rent thresholds and Downtown Miami followed suit with rates nearing \$58.00 PSF in select Tier I buildings. New office developments in select suburban submarkets including Wynwood-Design District, Aventura, Coral Gables, and Coconut Grove contributed to an upward trend in the suburban Class A rate approaching \$46.00 PSF, a 7.0% increase over the previous year.

Although we are approaching mid-year with unforeseen circumstances given COVID-19, we do not expect significant immediate changes in rent, specifically in submarkets with limited new supply of Class A product. Over the course of the year, depending on key economic indicators, we expect rates will remain fairly steady through year end given the healthy office market fundamentals pre COVID-19." According to recent reports from Goldman Sachs and other top financial institutions, the national and global economy is expected to demonstrate a modest recovery by year-end 2020.

MIAMI-DADE BY THE NUMBERS 1Q 2020

CLASS A & B MULTI-TENANT OFFICE BUILDINGS > 50,000 SF



NET ABSORPTION

The close of the first quarter marked another consecutive period of positive net absorption driven by continued demand for Class A space, limited addition of new supply, and modest overall leasing velocity. Overall, there was 90K SF of positive net absorption year-to-date with Class A contributing 127K SF. Class B vacancy continued to increase contributing to negative 37K SF of year-to-date net absorption as tenants continue to seek premier office buildings that offer amenities and connectivity. Post-pandemic workplace standards will contribute to the flight to quality trend since newer and renovated buildings offer features such as touchless restrooms, tenant apps for virtual programming, high quality indoor air, and ample outdoor green spaces which are all aligned with the “new normal.” As a result, Class A and newly renovated buildings as

well as newly built office product should continue to capture leasing activity and drive positive net absorption in the market.

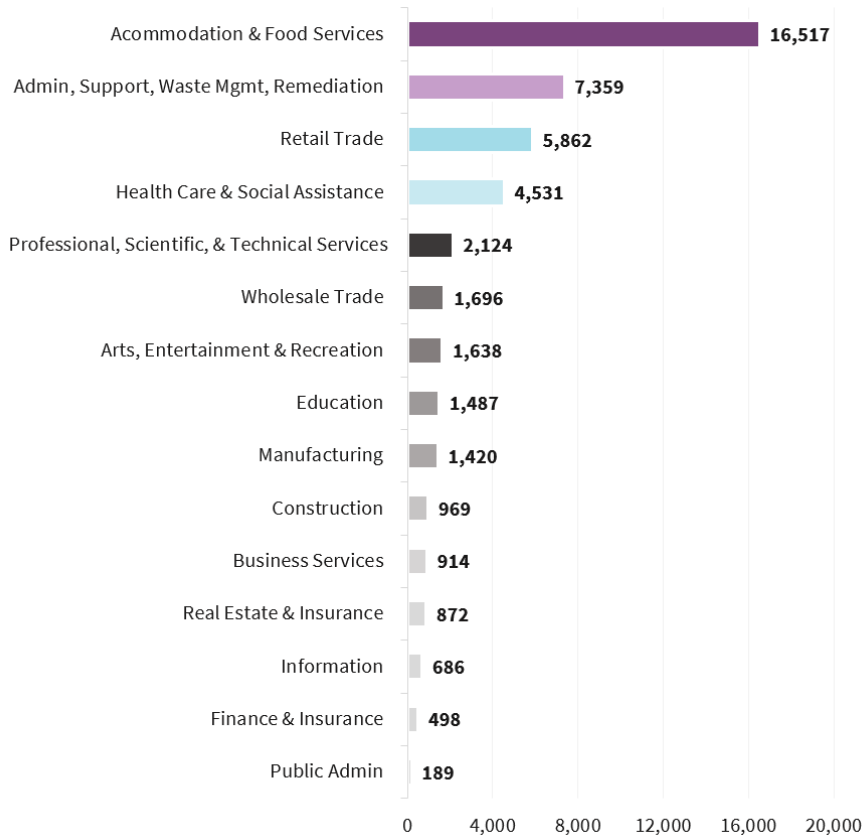
Approximately 1.5M SF of new office product is underway and scheduled to deliver by year-end across various submarkets; notable developments include One CocoWalk (86K SF), 545 Wyn (299K SF), The Plaza Coral Gables North Tower (291K SF), and Milton Tower (102K SF). Although there are still some uncertainties regarding Covid-19’s impact on the global economy and the overall general office market, Miami is well positioned to record modest net absorption as new product delivers. Unlike the recession in 2008 when 4.4M SF of new office supply was delivered, quality office space is still in high demand and premier office space is limited.

HISTORICAL MIAMI-DADE DIRECT NET ABSORPTION & NEW DELIVERIES CLASS A & B MULTI-TENANT OFFICE BUILDINGS > 50,000 SF



LEASING ACTIVITY OUTLOOK

COVID-19 RELATED UNEMPLOYMENT CLAIMS BY INDUSTRY | MIAMI-DADE LMS RESOURCES & THE MIAMI DADE BEACON COUNCIL



Year over year, leasing activity was aligned with the previous year recording over 3.0M SF of office lease transactions across Miami-Dade. In market relocations, influx of tenants to alternative submarkets, and expansions contributed to 30% of the deal activity while renewals made up 40%. The industry profile of the completed transactions remains consistent with Miami's growing sectors including professional and business services, legal services, financial services, healthcare, and technology; these industries contributed to more than 80% of total leasing activity. New-to-market entrants accounted for 7% of total transactions such as Vivi Holdings, Hodges Ward Elliot, and aXpire.

While unemployment numbers continue to trend upward across the U.S., Miami-Dade's claims seem to have steadied and approximately 40% are within the food services, retail trade, accommodation, and administrative assistance sectors. We remain cautiously optimistic that the impact to office footprints across the market resulting from companies headcount contraction and expanded remote work policies will be offset by the de-densifying required to meet new social distancing health safety standards and companies choosing to relocate their offices to Miami.

High-net worth individuals have picked up the pace to purchase luxury homes, establish family offices, and open satellite offices in South Florida during the pandemic. As a result, there are approximately 350K SF of new-to-market tenants seeking office space in Miami. Lastly, we expect robust renewal/lease extension activity with approximately 1.0M SF of tenant leases expiring over the next 12 months.

**IN RESPONSE TO
THE PANDEMIC,
PHYSICAL STRUCTURES,
INCLUDING OFFICE
BUILDINGS, WILL CHANGE**



NEW WORKPLACE PRACTICES

Today, companies around the world are preparing for what many are referring to as the “new normal” and the workplace of the future. With new work from home policies and procedures in place as well as social distancing guidelines at the forefront, changes in utilization of space and design will be evident in the immediate future. Prior to the pandemic, Flex Job’s Key Remote Work Statistics study noted that 41% of global businesses offer flexible, remote working, a 91% growth in remote work over the last 10 years. With companies quickly adapting to remote work and leveraging technologies such as virtual conferencing, AI platforms, and other tech-driven communication tools, remote work mobility will become more commonly accepted as companies plan their return to the physical office. However, working-from-home has also highlighted the importance of team collaboration, spontaneity, productivity, culture, and facetime and proves to be evident in recent surveys conducted by architectural firms like IA, that show employees are eager to get back to the office. Given new social distancing norms, we expect the SF per employee to increase in order to create more space between work stations. This coupled with some increased WFH schedules, will likely result in a net neutral driving little change to the total space required by most companies.







Office buildings will also experience immediate changes in day to day operations such as a higher level of focus on sanitation and air quality. Landlords across all product

types have developed detailed guidelines ranging from the flow in and out of the building and the limit of people in the elevator to the installation of hand sanitizing stations through common areas and upgraded janitorial services along with other key enhancements.

CONCLUSION

With market dynamics changing in an unprecedented way, there are still unknowns when it comes to the future impact the COVID-19 pandemic will have on the global economy, human interaction, and the workplace, but it is evident that the coming months will drive change. Miami’s diverse global economy, local office market dynamics, and tax-friendly environment provides a strong infrastructure to sustain and withstand major impacts posed on the office market.

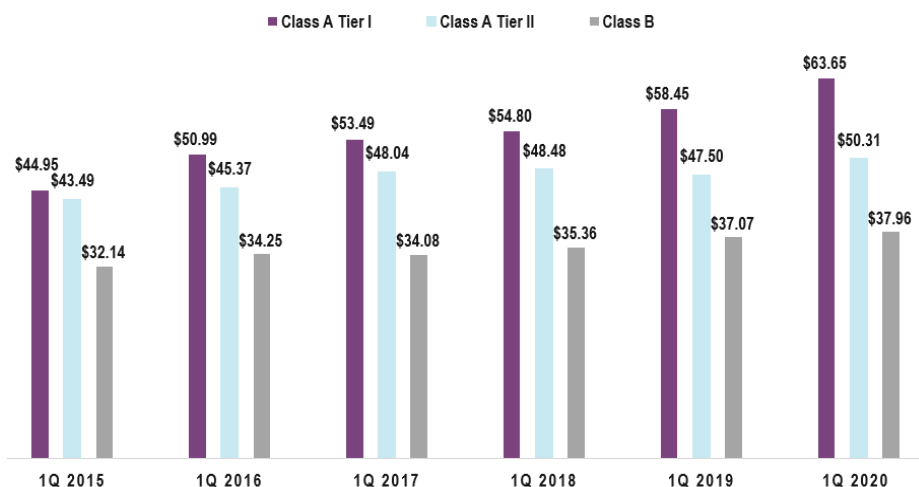
OUTLOOK: 2020 OFFICE TRENDS

-  No major immediate changes in rent
-  Limited new supply underway to deliver by year-end
-  New utilization of space
-  Increased flexible work schedules
-  Increased SF/employee
-  Consistent market demand

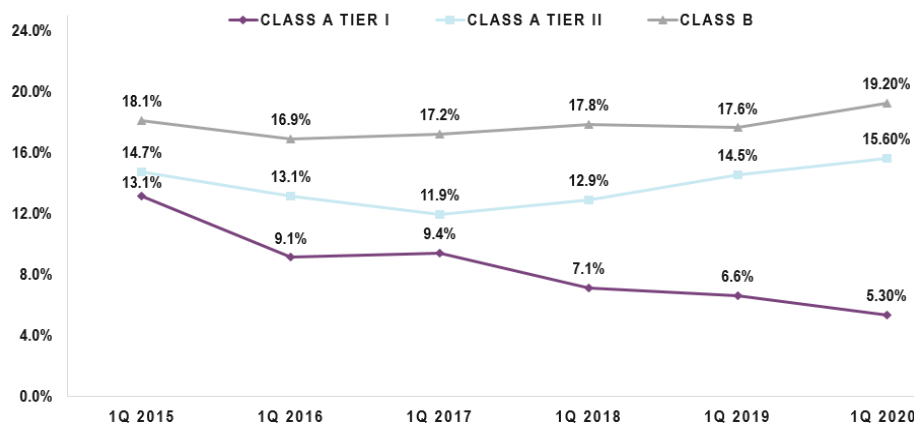
BRICKELL

1Q 2020 Y-O-Y | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE (FS PSF)



DIRECT VACANCY RATE



NOTABLE RECENT LEASE TRANSACTIONS

Morgan Lewis

24,100 SF
600 BRICKELL

New to Submarket & Downsize



14,200 SF
701 BRICKELL

In Market Relocation

The Hackett Institute

11,000 SF
1001 BRICKELL BAY
Renewal

1Q 2020 CLASS A & B HIGHLIGHTS

\$47.53

Weighted average asking rate increased 0.1% Y-O-Y

11.6%

Direct vacancy increased, previously 10.6% 1Q 2019

+68,655 SF

Year-to-date net absorption

650,000 SF

Under construction at 830 Brickell

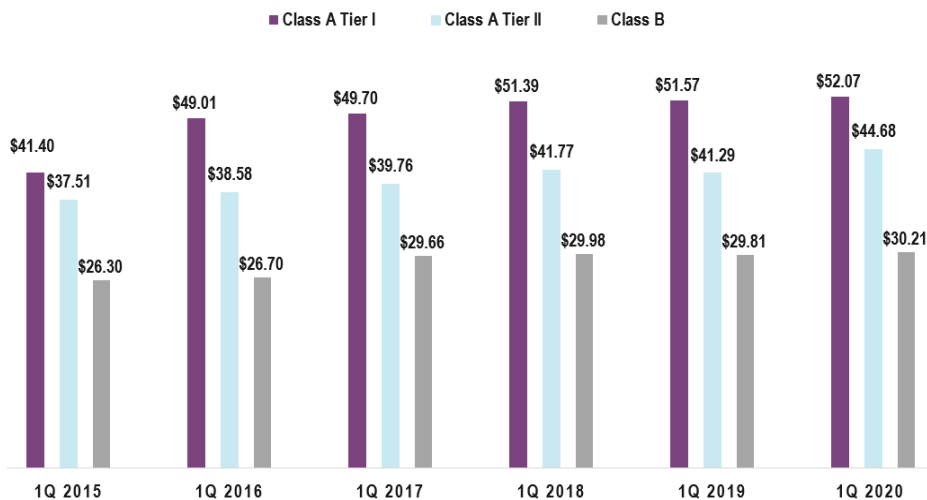
594,438 SF

Y-O-Y direct leasing activity

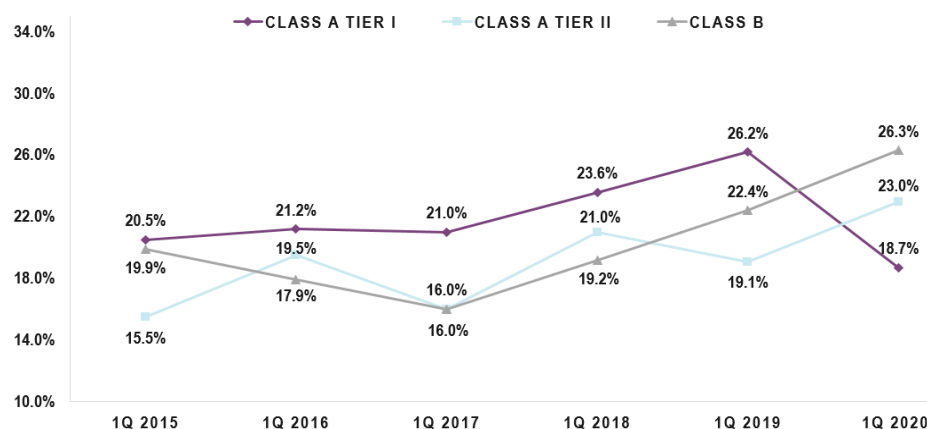
DOWNTOWN

1Q 2020 Y-O-Y | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE (FS PSF)



DIRECT VACANCY RATE



NOTABLE RECENT LEASE TRANSACTIONS

Morgan Stanley

89,000 SF
SOUTHEAST FINANCIAL CENTER
 New to Submarket Expansion

KF KNIGHT FOUNDATION

22,800 SF
SOUTHEAST FINANCIAL CENTER
 Renewal

U.S. Legal Support

9,000 SF
SUNTRUST INT'L CENTER
 Renewal & Expansion

1Q 2020 CLASS A & B HIGHLIGHTS

\$42.00

Weighted average asking rate decreased 1.3% Y-O-Y

22.2%

Direct vacancy decreased, previously 24.3% 1Q 2019

+50,393 SF

Year-to-date net absorption

0 SF

Under construction

471,254 SF

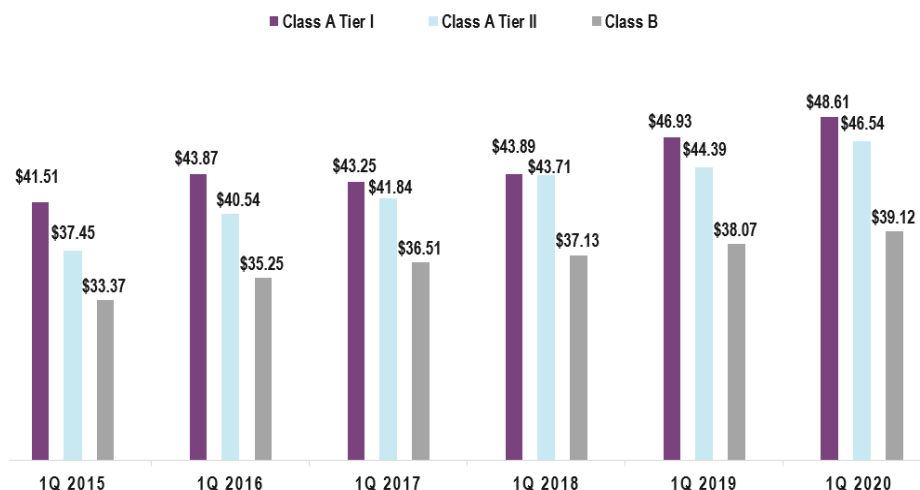
Y-O-Y direct leasing activity

CORAL GABLES

1Q 2020 Y-O-Y | CLASS A & B > 50,000 SF

1Q 2020 CLASS A & B HIGHLIGHTS

WEIGHTED AVERAGE ASKING RATE (FS PSF)



\$41.69
Weighted average asking rate increased 2.3% Y-O-Y

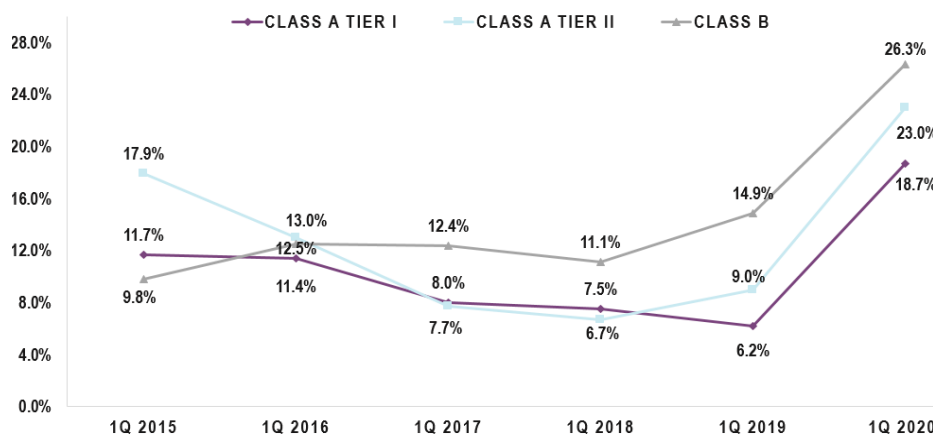
11.7%
Direct vacancy increased, previously 10.4% 1Q 2019

-19,641 SF
Year-to-date net absorption

455,008 SF
Under construction

416,590 SF
Y-O-Y direct leasing activity

DIRECT VACANCY RATE



NOTABLE RECENT LEASE TRANSACTIONS

American Airlines

12,900 SF
901 PONCE
Renewal

AF
APPELROUTH
FARAH & CO., P.A.
Certified Public Accountants

10,300 SF
355 ALHAMBRA
In Market Relocation

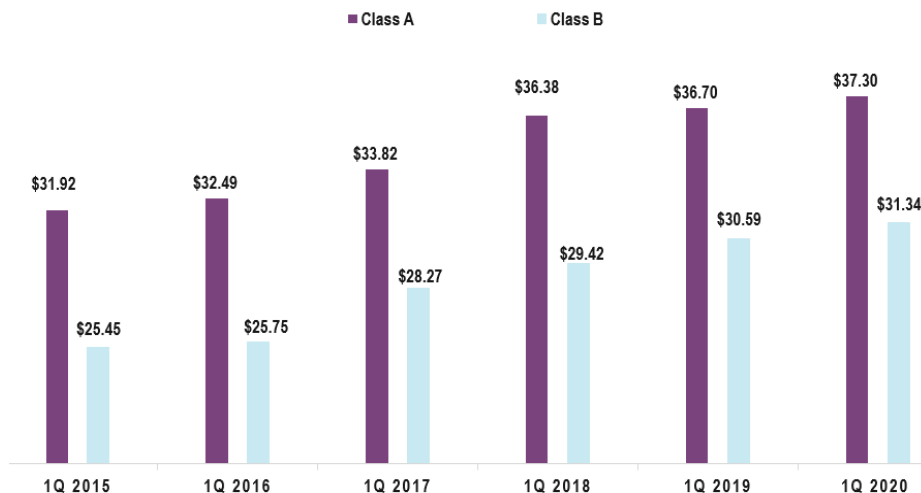
PNC BANK

7,000 SF
THE PLAZA
New to Submarket

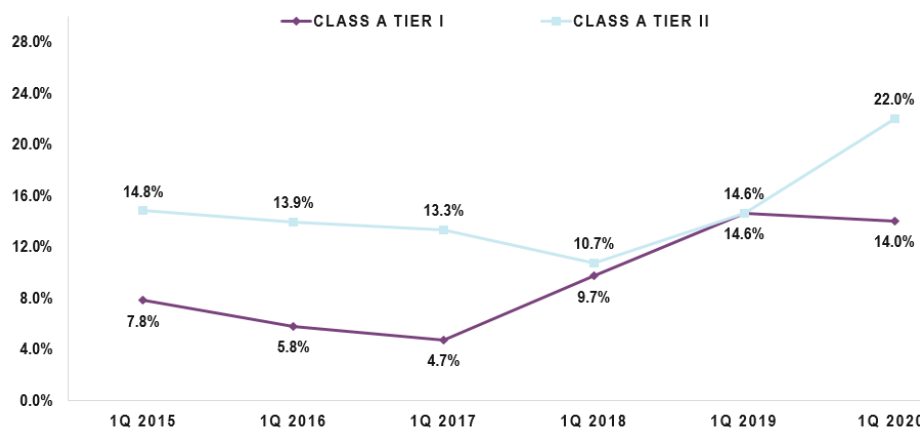
MIAMI AIRPORT

1Q 2020 Y-O-Y | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE (FS PSF)



DIRECT VACANCY RATE



NOTABLE RECENT LEASE TRANSACTIONS



22,000 SF
DORAL 107

In Market Relocation



16,600 SF
5201 WATERFORD

Renewal



12,000 SF
DORAL 107

New to Submarket

1Q 2020 CLASS A & B HIGHLIGHTS

\$33.88

Weighted average asking rate decreased 1.1% Y-O-Y

17.8%

Direct vacancy increased, previously 15.4% 1Q 2019

-95,901 SF

Year-to-date net absorption

100,00 SF

Under construction

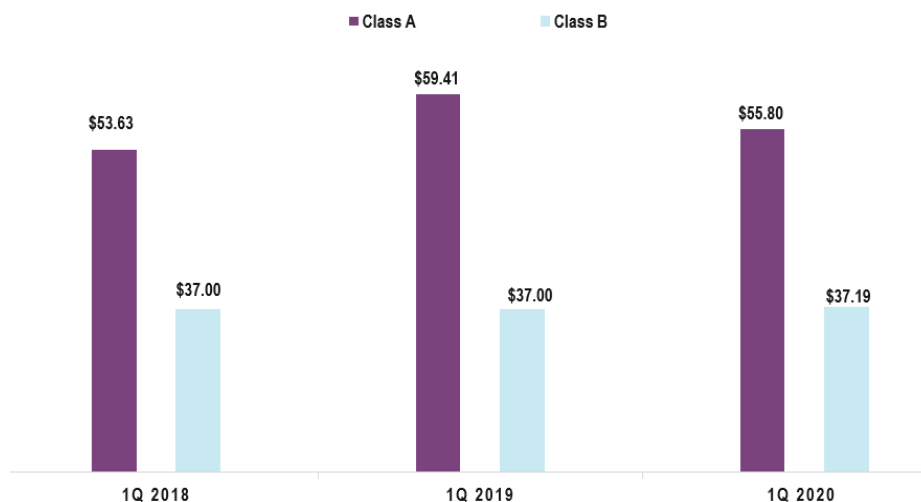
770,296 SF

Y-O-Y direct leasing activity

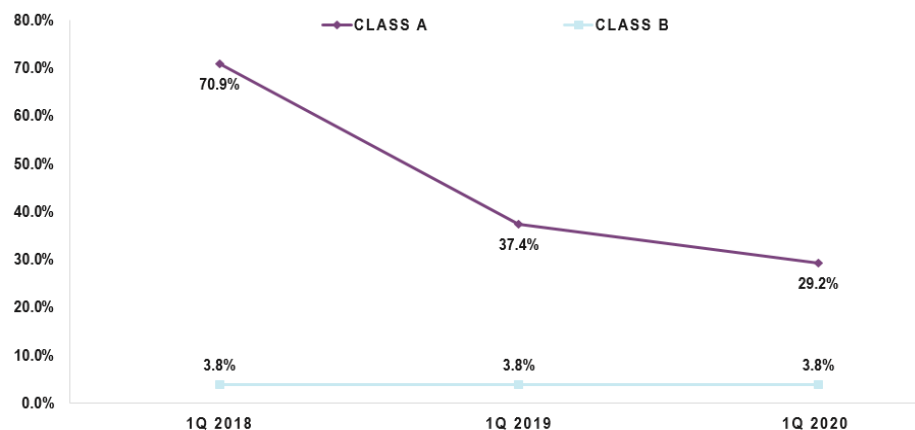
WYNWOOD-DESIGN DISTRICT

1Q 2020 Y-O-Y | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE (FS PSF)



DIRECT VACANCY RATE



NOTABLE RECENT LEASE TRANSACTIONS



20,000 SF
THE OASIS
 New to Submarket



11,900 SF
545WYN
 New to Submarket



7,400 SF
THE PRINT HOUSE
 New to Market

1Q 2020 CLASS A & B HIGHLIGHTS

\$55.46

Weighted average asking rate decreased 6.1% Y-O-Y

26.0%

Direct vacancy decreased, previously 33.2% 1Q 2019

-4,020 SF

Year-to-date net absorption

615,084 SF

Under construction

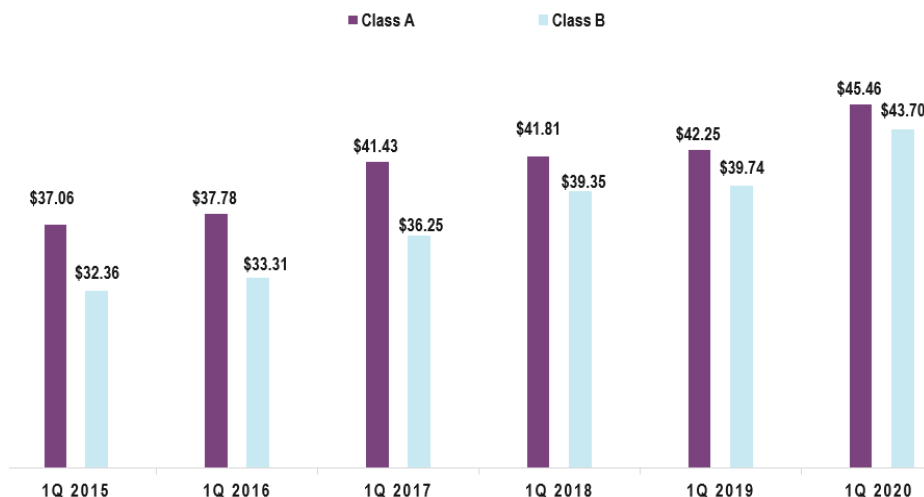
67,332 SF

Y-O-Y direct leasing activity

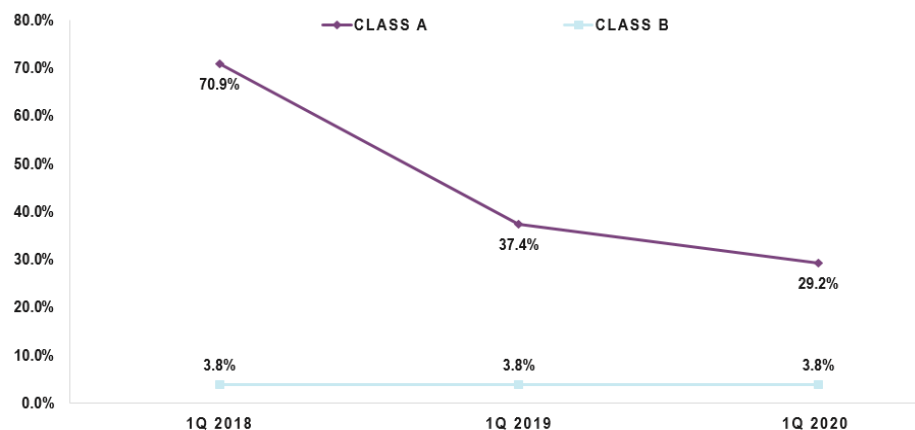
COCONUT GROVE

1Q 2020 Y-O-Y | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE (FS PSF)



DIRECT VACANCY RATE



NOTABLE RECENT LEASE TRANSACTIONS



14,000 SF
MAYFAIR IN THE GROVE
 New to Submarket & Expansion



6,100 SF
2850 TIGERTAIL
 In Market Relocation

WORLD EQUITY
BRAND BUILDERS

2,500 SF
TWO COCOWALK
 New to Submarket

1Q 2020 CLASS A & B HIGHLIGHTS

\$44.08

Weighted average asking rate increased 10.9% Y-O-Y

6.8%

Direct vacancy increased, previously 3.6% 1Q 2019

+7,283 SF

Year-to-date net absorption

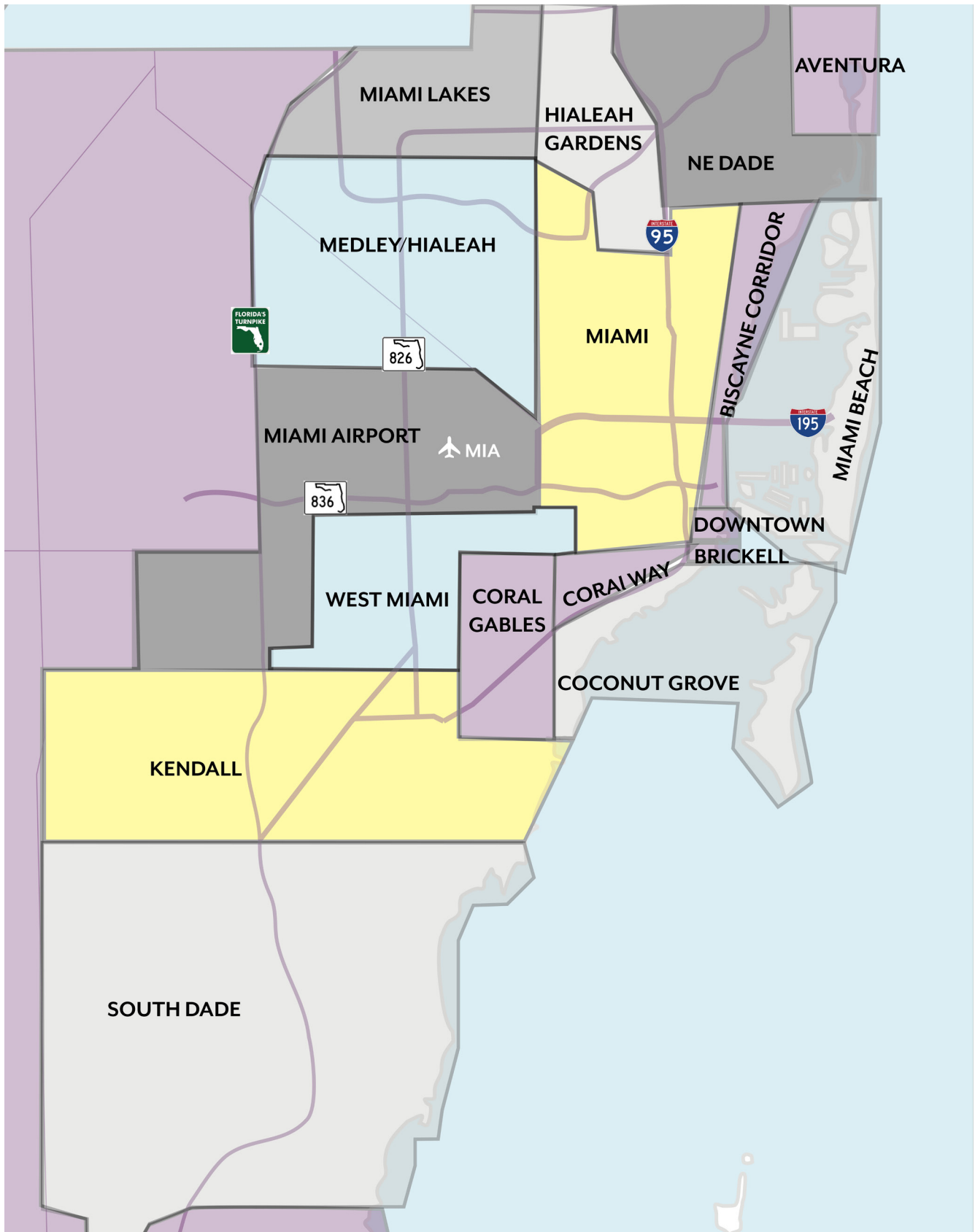
175,762 SF

Under construction

46,871 SF

Y-O-Y direct leasing activity

MIAMI-DADE SUBMARKETS



MIAMI-DADE BY THE NUMBERS

MIAMI OFFICE SUBMARKETS

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rental Rate (\$/SF)	YTD Net Absorption	SF Under Construction
Four Major Submarkets						
Brickell	25	6,483,276 SF	11.6%	\$47.53	+68,655 SF	650,000 SF
Downtown	20	7,019,656 SF	22.2%	\$47.53	+50,393 SF	0 SF
Coral Gables	44	5,842,664 SF	11.7%	\$41.69	-19,641 SF	455,008 SF
Miami Airport	73	9,062,668 SF	16.7%	\$33.63	-225,917 SF	113,081 SF
SubTotal	162	28,414,077 SF	16.2%	\$40.02	+3,506 SF	1,205,008 SF
Aventura	10	1,080,981 SF	9.8%	\$48.04	2,195 SF	308,198 SF
Biscayne Corridor	5	726,131 SF	14.0%	\$36.86	+62,304 SF	16,400 SF
Coconut Grove	9	1,026,396 SF	6.8%	\$44.08	+7,283 SF	46,871 SF
Coral Way	7	482,676 SF	6.3%	\$29.19	-8,149 SF	0 SF
Kendall	13	1,712,665 SF	12.2%	\$36.84	-10,199 SF	0 SF
Medley/Hialeah	3	185,856 SF	7.4%	\$25.00	1,132 SF	0 SF
Miami	2	328,868 SF	2.7%	\$39.39	-8,772 SF	135,000 SF
Miami Beach	12	1,161,218 SF	14.6%	\$48.78	+5,438 SF	136,342 SF
Miami Lakes	10	581,214 SF	16.2%	\$30.96	+5,526 SF	0 SF
NE Dade	7	651,296 SF	18.9%	\$30.74	-11,264 SF	102,287 SF
South Dade	2	133,994 SF	10.9%	\$20.00	+36,691 SF	0 SF
Wynwood-Design District	7	486,365 SF	26.0%	\$55.46	+4,020 SF	615,084 SF
SubTotal	87	8,557,660 SF	12.5%	\$40.73	+86,025 SF	1,489,073 SF
TOTAL	249	36,971,737 SF	15.0%	\$40.15	+89,711 SF	2,694,081 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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