AVISON YOUNG

Miami-Dade County

Miami Office Market Strong Amid Growing Construction Pipeline

As of July 2019, the U.S. economy reached its longest expansion period in history. As a result of slowing global economic growth and worsening trade tensions, the Federal Reserve announced two interest rate cuts during the quarter, lowering the benchmark rate range between 1.75 to 2%. Nevertheless, Miami's office market remained steady as it recorded positive net absorption, strong leasing activity, and an influx of capital investment. As of August 2019, Miami's unemployment rate reached 3.5%, a 50-basis point (bps) decrease from the third quarter of 2018. The overall vacancy rate rose to 11.53%, up by 62 bps, and overall rental rates have begun to plateau at $39.24 per sf, a slight 0.5% increase from 2018 as new supply that was added to the market in 2019 is being absorbed. Submarkets like Coral Gables and Coconut Grove continue to perform well due to increased traffic congestion concerns in the CBD. Notably, The Related Group announced it has started construction on a new 195,575-sf office building in Coconut Grove, with plans to relocate its headquarters from Downtown Miami. Related would take the top two floors of the building located at 2850 Tigertail Ave, and the other five floors would be available for lease.

Leasing activity remained strong, recording nearly 1.1 million sf in lease transactions for the third quarter. In Miami's largest office lease of the year, Lennar Corp leased 156,027 sf at 5505 Blue Lagoon Dr, backfilling much of the space that Burger King's headquarters formerly occupied. Office construction has reached its highest level in Miami since 2009 with 1.9 million sf currently under construction. Although an abundance of supply will be hitting the market over the next few years, confidence still persists that Miami has established itself as a mature corporate center and will remain consistent for years to come.

1.9 MILLION

square feet of office space is currently under construction in Miami-Dade County, the highest level since 2009.

Office Market Snapshot

- Two large blocks of office space in the CBD became available during the third quarter. SunTrust significantly downsized at 777 Brickell Ave, vacating the 2nd, 3rd, and 4th floors, however, the company will remain in 25,631 sf at the building for another 10 years. Another significant move-out included Verizon leaving the 28th and 29th floors at One Biscayne Tower to relocate to a 750,000-sf data center in Downtown Miami. Although a significantly negative impact net absorption in the CBD, the newly open large blocks of space will provide a great opportunity for larger tenants touring the market.

- Following the construction of several office and mixed-use projects in the booming Wynwood neighborhood, CIM Group recently broke ground on its major mixed-use project, Wynwood Square. The 11-story project will include 60,000 sf of office, 27,000 sf of retail, and 257 apartments. The project is expected to be completed by mid-2021.

- According to a recent report released by RentCafe, Miami is expected to deliver nearly 7,000 multifamily units by the end of 2019, far more than any other South Florida metro. Due to demand generated by robust population growth, this number of deliveries nearly doubles the 3,148 units delivered in 2018.

- During the third quarter, BAC Florida Bank announced that it would be relocating its 40,043-sf headquarters operation from 2333 Ponce de Leon Blvd to 63,009 sf in the top three floors of the South Tower at The Plaza Coral Gables development. The South Tower, which is still in the permitting phase of the construction cycle, will be completed in 2022.

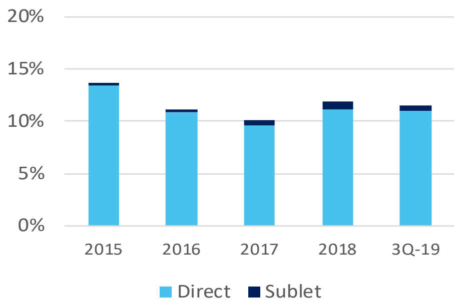
- Investment sales volume totaled $1.06 billion for the trailing 12 months ending September 2019, a 8.7% decrease from the same period last year. Nearing the end of this economic cycle, investors have been much more cautious during their due diligence process. Nonetheless, several major investment sales including the $157 million sale of the Brickell Bay Office Tower took place during the third quarter and point to strong investor sentiment in Miami's office market.

- During the third quarter of 2019, billionaire Carl Icahn announced that he would be moving his home and hedge fund, Icahn Enterprises, from New York to Miami. The firm will relocate its headquarters into a floor and a half at the Milton Tower, currently under construction in Sunny Isles Beach, during 2020. The announcement follows an increasing trend of high-net worth individuals relocating their families and corporate headquarters from high-tax states to Florida in pursuit of a more favorable tax environment.

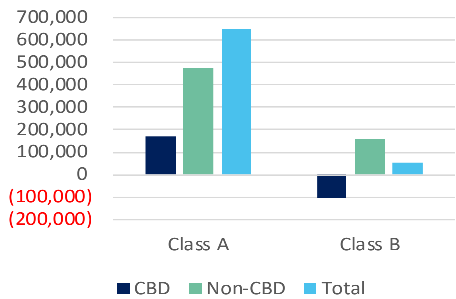
54.7MSF	**701,239 SF**	**11.53%**	**$45.70/SF/FS**
Total office inventory in the Mami-Dade County market	Direct Y-T-D net absorption as of 3Q-2019	Overall Vacancy	Average rental rate for class A space

Statistical Snapshot

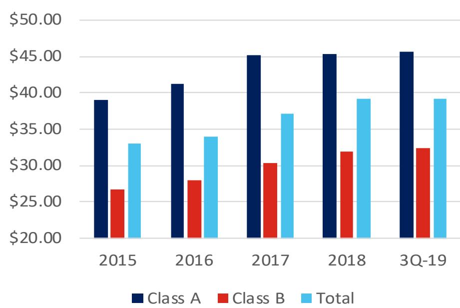
Vacancy Rate



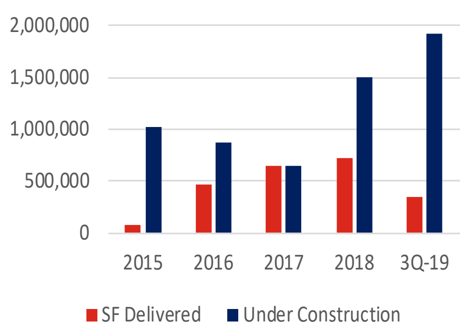
YTD Net Absorption (SF)



Average Asking Rent Rate ($/SF/FS)



Construction Pipeline



Miami-Dade County Office Market At A Glance

Demographics & Economy

213,000 private sector jobs added to the state of Florida in the first eight months of 2019

28,500 increase in total non-farm employment since 3Q-2018

6.0% 12-month increase in employment in the Education and Health Services job sector

4.0% AUG-2018 → **3.5%** AUG-2019 change in Miami-Dade County's unemployment rate

Development

55 STORY CLASS A OFFICE TOWER development project underway in Brickell

146,000 sf has already been pre-leased to WeWork for 10 floors of the building. Completion is scheduled for 2021.

Flagler Street Renovation Project Revived

$23 MILLION Approved for Streetscape Project

Renovations will include widening of sidewalks and pedestrian-friendly "curbless" streets.

6,989 multifamily units are expected to be completed by the end of 2019

1.9 MSF square feet currently under construction in Miami-Dade County

Market Influencers

$1.06 Billion in total office sales volume during the T-12 months ending 3Q19

A rise in construction costs is leading to a decrease in construction starts in South Florida

Migration of individuals from the northeast escaping high-tax states is fueling population growth

Miami was recently ranked 1st as the fastest growing big city in the U.S. in terms of employment by Citylab

Airport / Doral

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,508,069	638,373	34,351	$36.90	88.41%	11.59%	0.62%	12.21%	100,000	250,446
Class B	6,611,320	642,057	22,160	$30.26	90.29%	9.71%	0.34%	10.05%	0	(96,143)
Total	12,119,389	1,280,430	56,511	$33.57	89.43%	10.57%	0.47%	11.03%	100,000	154,303

Aventura

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,156,298	100,464	18,932	$48.54	91.31%	8.69%	1.64%	10.33%	235,222	3,881
Class B	365,935	20,809	0	$44.40	94.31%	5.69%	0.00%	5.69%	0	(173)
Total	1,522,233	121,273	18,932	$47.83	92.03%	7.97%	1.24%	9.21%	235,222	3,708

Biscayne Corridor

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,173,429	272,561	0	$42.85	76.77%	23.23%	0.00%	23.23%	493,000	87,902
Class B	1,129,475	123,251	0	$36.76	89.09%	10.91%	0.00%	10.91%	29,387	11,613
Total	2,302,904	395,812	0	$40.95	82.81%	17.19%	0.00%	17.19%	522,387	99,515

Brickell

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	4,878,272	350,421	40,143	$54.69	92.82%	7.18%	0.82%	8.01%	490,200	33,579
Class B	2,715,831	350,195	12,137	$39.92	87.11%	12.89%	0.45%	13.34%	0	(61,168)
Total	7,594,103	700,616	52,280	$47.31	90.77%	9.23%	0.69%	9.91%	490,200	(27,589)

Coconut Grove

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	637,465	47,305	0	$53.43	92.58%	7.42%	0.00%	7.42%	281,337	78,148
Class B	727,856	68,445	1,588	$40.19	90.60%	9.40%	0.22%	9.62%	0	(11,449)
Total	1,365,321	115,750	1,588	$45.60	91.52%	8.48%	0.12%	8.59%	281,337	66,699

Coral Gables

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	4,431,608	354,992	58,803	$43.54	91.99%	8.01%	1.33%	9.34%	291,267	67,796
Class B	2,647,530	225,161	15,387	$35.29	91.50%	8.50%	0.58%	9.09%	0	3,916
Total	7,079,138	580,153	74,190	$40.34	91.80%	8.20%	1.05%	9.24%	291,267	71,712

Downtown Miami

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,191,314	1,031,198	11,920	$50.66	80.14%	19.86%	0.23%	20.09%	0	138,357
Class B	3,080,261	597,709	850	$29.67	80.60%	19.40%	0.03%	19.43%	0	(44,051)
Total	8,271,575	1,628,907	12,770	$42.96	80.31%	19.69%	0.15%	19.85%	0	94,306

Kendall

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,335,652	120,342	281	$39.47	90.99%	9.01%	0.02%	9.03%	0	20,688
Class B	3,218,908	176,306	1,351	$30.78	94.52%	5.48%	0.04%	5.52%	0	49,197
Total	4,554,560	296,648	1,632	$34.31	93.49%	6.51%	0.04%	6.55%	0	69,885

South Gables / South Miami

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	500,148	53,295	0	$53.30	89.34%	10.66%	0.00%	10.66%	0	(18,409)
Class B	1,373,011	72,376	140	$25.74	94.73%	5.27%	0.01%	5.28%	0	8,281
Total	1,873,159	125,671	140	$37.43	93.29%	6.71%	0.01%	6.72%	0	(10,128)

Medley / Hialeah

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	387,360	30,901	16,445	$31.05	92.02%	7.98%	4.25%	12.22%	0	(6,302)
Class B	522,420	18,330	0	$21.22	96.49%	3.51%	0.00%	3.51%	0	4,501
Total	909,780	49,231	16,445	$27.39	94.59%	5.41%	1.81%	7.22%	0	(1,801)

Miami Beach

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	797,633	30,138	7,285	$53.01	96.22%	3.78%	0.91%	4.69%	0	(7,650)
Class B	1,871,265	147,214	930	$44.23	92.13%	7.87%	0.05%	7.92%	0	11,110
Total	2,668,898	177,352	8,215	$45.73	93.35%	6.65%	0.31%	6.95%	0	3,460

Miami Lakes

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	413,955	71,823	6,080	$30.04	82.65%	17.35%	1.47%	18.82%	0	6,476
Class B	1,934,750	317,124	8,145	$27.10	83.61%	16.39%	0.42%	16.81%	0	13,765
Total	2,348,705	388,947	14,225	$27.64	83.44%	16.56%	0.61%	17.17%	0	20,241

Northeast Dade

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	168,781	6,776	0	$39.97	95.99%	4.01%	0.00%	4.01%	0	(6,776)
Class B	1,587,228	128,786	4,684	$30.05	91.89%	8.11%	0.30%	8.41%	0	152,693
Total	1,756,009	135,562	4,684	$30.54	92.28%	7.72%	0.27%	7.99%	0	145,917

South Dade

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	341,248	51,799	0	$24.83	84.82%	15.18%	0.00%	15.18%	0	11,011
Total	341,248	51,799	0	$24.83	84.82%	15.18%	0.00%	15.18%	0	11,011

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in Miami-Dade County that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

In a recent announcement by Florida Gov. Ron DeSantis, Miami ranked second in private sector job creation among all Florida metros. As of August, Miami has added 28,100 private sector jobs.

Leading Indicators (Y-O-Y 3Q-2018 to 3Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
11.53%	701,239 SF	$39.24	1,920,413 SF	1.38 MM

Miami-Dade County

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	26,579,984	3,108,589	194,240	$45.70	88.30%	11.70%	0.73%	12.43%	1,891,026	648,136
Class B	28,127,038	2,939,562	67,372	$32.40	89.55%	10.45%	0.24%	10.69%	29,387	53,103
Total	54,707,022	6,048,151	261,612	$39.24	88.94%	11.06%	0.48%	11.53%	1,920,413	701,239

CBD

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	10,069,586	1,381,619	52,063	$51.68	86.28%	13.72%	0.52%	14.24%	490,200	171,936
Class B	5,796,092	947,904	12,987	$33.46	83.65%	16.35%	0.22%	16.58%	0	(105,219)
Total	15,865,678	2,329,523	65,050	$44.27	85.32%	14.68%	0.41%	15.09%	490,200	66,717

Non-CBD

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	16,510,398	1,726,970	142,177	$40.92	89.54%	10.46%	0.86%	11.32%	1,400,826	476,200
Class B	22,330,946	1,991,658	54,385	$31.89	91.08%	8.92%	0.24%	9.16%	29,387	158,322
Total	38,841,344	3,718,628	196,562	$36.09	90.43%	9.57%	0.51%	10.08%	1,430,213	634,522

Significant Third Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Lennar Corp	5505 Blue Lagoon Dr	New	156,027	Airport-Doral
BAC Florida Bank	The Plaza Coral Gables - South Tower	New	63,009	Coral Gables
Infinity Insurance	Doral Concourse	Renewal	40,000	Airport-Doral
Bolton Global Capital*	1441 Brickell Ave	New	20,707	Brickell
Checkalt	6205 Blue Lagoon Dr	New	16,371	Airport-Doral
Boyne Capital Partners	One Cocowalk	New	11,597	Coconut Grove

** Avison Young handled this transaction*

Significant Third Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Brickell Bay Office Tower	517,450	$157,000,000	$303	Aimco	Brickell
800 Brickell	209,122	$125,500,000	$600	Gatsby Enterprises	Brickell
The Offices at Flagler Station*	387,360	$85,750,000	$221	Bridge Investment Group	Airport-Doral

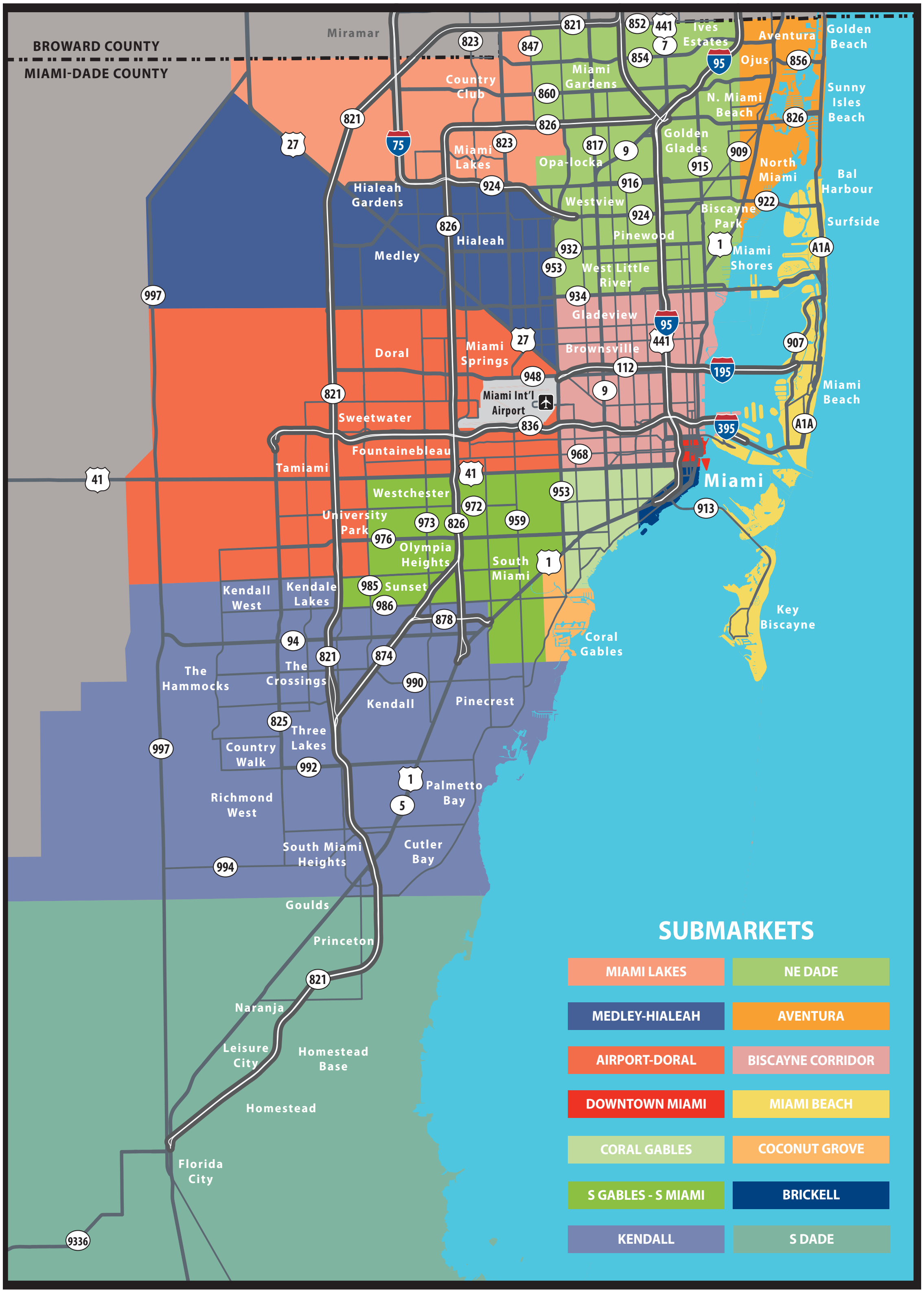
**Part of a three-building portfolio sale*

Brickell Bay Office Tower

800 Brickell

Two Major Office Towers Trade Hands in Brickell

During the third quarter of 2019, two high-profile office towers in Brickell traded hands. In early July, Aimco purchased a 95% interest in the waterfront Brickell Bay Office Tower for $157 million, or $303 per sf. Also in July, Gatsby Enterprises purchased the 209,122-sf 800 Brickell office building for an impressive $125.5 million from RREEF America. The seller last purchased the building for $111.6 million in 2015, making a 12.5% profit within 4 years. These massive investment sales represent continued investor confidence in the Miami office market.



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