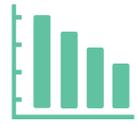


Miami-Dade County

Office Fundamentals Solid with Global Headwinds on the Horizon

Miami's office market held steady at the end of 2019 despite the slower momentum of U.S. economic growth and global uncertainty. The overall employment outlook remains positive as the U.S. added 202,000 private sector jobs during the month of December. In Miami, the unemployment rate reached a new all-time low of 2.7% in November 2019, a solid 60-basis point (bps) drop from the trailing 12-month period ending November 2018. The largest increase in employment was in the education and health services sector, which grew by 6.8% year-over-year. The growth of the U.S. economy may begin to decelerate at some point during 2020 as the impacts of a continued trade war, escalating tensions in the Middle East, and uncertainty surrounding the upcoming political season continue to heighten market volatility.

Leasing activity remained stable during the fourth quarter of 2019 with some of the most significant deals of the quarter being signed in Coral Gables, Brickell, and Coconut Grove. Net absorption ended the year in positive territory at 760,615 sf, and the overall vacancy rate declined to 11.63% (-0.24%) since year end 2018 despite the addition of new supply in key neighborhoods like Wynwood and Coconut Grove. The 96,000-sf Forum Aventura office condo building also delivered in Aventura during the fourth quarter of 2019. Overall average asking rates have been growing at a slower pace due in part to a growing construction pipeline. At the end of 2019, the average asking rental rate increased to \$39.33 per sf, up 0.4% from year-end 2018 and a significant decline from the year-over-year growth of 5.6% during 2018 and 8.9% during 2017. With just over 1.2 million sf of office space anticipated to deliver during 2020, the most significant amount of space delivered since 2010, it is likely that rental rate growth will continue at a decelerated pace.



24 BPS

year-over-year decrease in the overall vacancy rate despite significant speculative office deliveries throughout 2019

Office Market Snapshot

- Virgin Trains USA, formerly known as Brightline, has received approval to build three new train stations throughout South Florida. The new stations in Aventura and Boca Raton are on track to begin service in October of 2020, and a new station in PortMiami will be ready to begin service by the end of 2020.
- Office investment sales were solid during 2019 totaling \$1.01 billion, only slightly trailing the \$1.04 billion recorded during 2018. Although office investment was strong during the first nine months of the year, investment sales began to slow during the fourth quarter recording only \$136.5 million as headwinds in the global economy continue to emerge. However, investor sentiment remains positive in Miami's office market and office fundamentals remain sound.
- Miami continues to benefit from the migration of high-net-worth individuals from high-tax states in the Northeast due to the \$10,000 cap on SALT (state and local tax) deductions put in place with the passage of the Tax Cuts and Jobs Act of 2017. Wealthy individuals are relocating their families and businesses to South Florida in pursuit of a more tax-friendly environment.
- Although investment in Opportunity Zones has been slower than expected due to many unanswered questions and a relative lack of specificity in previous guidelines, investment has begun to pick up as investors needed to deploy capital by the end of 2019 in order to defer the entire 15% capital gains tax if the asset is held for 10 years. The Treasury Department also released the final regulations for opportunity zone funds at the end of December which may encourage more investment in 2020. An example includes Avra Jain's recently announced plans to construct a 15-story class A office tower in Midtown Miami.
- In a new report published by financial blog SmartAsset, Miami ranked 4th out of 500 cities in a list of the "Top Boomtowns in America." The report took into consideration the most recent data for population growth, employment rates, change in unemployment, GDP growth, business growth, housing growth, and change in household income.
- Despite the negative media attention that WeWork has attracted in recent months after abandoning its initial public offering, the coworking sector remains stable in Miami as many coworking operators are still performing well and remain profitable. URBIN, a new coworking and co-living brand, has announced plans to launch two coworking centers in Coral Gables and Coconut Grove. The company will convert the entire 52,719-sf recently acquired building in Coral Gables, and will build a ground-up 60,000-sf coworking center in Coconut Grove.

54.8MSF

Total office inventory in the Mami-Dade County market

760,615 SF

Direct Y-T-D net absorption as of 4Q-2019

11.63%

Overall Vacancy

\$45.74/SF/FS

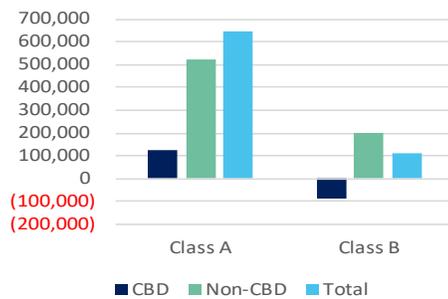
Average rental rate for class A space

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

202,000

U.S. private sector jobs were added in December, most of which were within small to mid-sized companies

24,600

increase in total non-farm employment since 4Q-2018

3.3% NOV-2018 **2.7%** NOV-2019
change in Miami-Dade County's unemployment rate

Development

Gateway at Wynwood

is gearing up to break ground in 2020 after receiving a \$76 million construction loan. The 12-story mixed-use project will include 220,000 sf of office.



The Plaza Coral Gables

is nearing completion on its North Tower totaling 291,267 sf. Construction is expected to be completed in 2020.



APPROVED



Virgin Trains USA has been approved to build three new stations in Aventura, Boca Raton, and PortMiami.



Forum Aventura

delivered 96,000 sf of office space in Aventura during 4Q19.



1.89 MSF

square feet currently under construction in Miami-Dade County

Market Influencers



\$1.01 Billion

in total office sales volume during the T-12 months ending 4Q19



44.5%

of all office investment sales during 2019 were to institutional investors



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



4th Place

SmartAsset recently ranked Miami 4th in a list of "Top Boomtowns in America"

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	675,816	35,619	\$36.82	87.73%	12.27%	0.65%	12.92%	200,000	213,003
Class B	6,611,320	681,545	20,490	\$30.12	89.69%	10.31%	0.31%	10.62%	0	(135,631)
Total	12,119,389	1,357,361	56,109	\$33.45	88.80%	11.20%	0.46%	11.66%	200,000	77,372

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	1,289,233	126,174	12,211	\$49.77	90.21%	9.79%	0.95%	10.73%	102,287	111,106
Class B	365,935	18,627	0	\$43.01	94.91%	5.09%	0.00%	5.09%	0	2,009
Total	1,655,168	144,801	12,211	\$48.90	91.25%	8.75%	0.74%	9.49%	102,287	113,115

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	269,446	0	\$43.05	77.04%	22.96%	0.00%	22.96%	493,000	91,017
Class B	1,129,475	144,128	0	\$36.47	87.24%	12.76%	0.00%	12.76%	29,387	(9,264)
Total	2,302,904	413,574	0	\$40.76	82.04%	17.96%	0.00%	17.96%	522,387	81,753

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	378,702	30,566	\$55.31	92.24%	7.76%	0.63%	8.39%	490,200	5,298
Class B	2,715,831	350,858	22,127	\$39.01	87.08%	12.92%	0.81%	13.73%	0	(61,831)
Total	7,594,103	729,560	52,693	\$47.47	90.39%	9.61%	0.69%	10.30%	490,200	(56,533)

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	51,865	0	\$52.48	91.86%	8.14%	0.00%	8.14%	281,337	73,588
Class B	727,856	48,971	1,708	\$41.06	93.27%	6.73%	0.23%	6.96%	0	8,025
Total	1,365,321	100,836	1,708	\$46.94	92.61%	7.39%	0.13%	7.51%	281,337	81,613

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	376,869	45,550	\$43.54	91.50%	8.50%	1.03%	9.53%	291,267	45,919
Class B	2,647,530	196,751	15,144	\$35.12	92.57%	7.43%	0.57%	8.00%	0	32,326
Total	7,079,138	573,620	60,694	\$40.66	91.90%	8.10%	0.86%	8.96%	291,267	78,245

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	1,049,045	11,920	\$50.26	79.79%	20.21%	0.23%	20.44%	0	120,510
Class B	3,080,261	579,062	0	\$28.14	81.20%	18.80%	0.00%	18.80%	0	(25,404)
Total	8,271,575	1,628,107	11,920	\$42.39	80.32%	19.68%	0.14%	19.83%	0	95,106

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	125,842	1,281	\$38.37	90.58%	9.42%	0.10%	9.52%	0	15,188
Class B	3,218,908	180,114	1,079	\$31.34	94.40%	5.60%	0.03%	5.63%	0	45,389
Total	4,554,560	305,956	2,360	\$34.23	93.28%	6.72%	0.05%	6.77%	0	60,577

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	51,032	0	\$53.35	89.80%	10.20%	0.00%	10.20%	0	(16,146)
Class B	1,373,011	53,566	140	\$27.49	96.10%	3.90%	0.01%	3.91%	0	27,091
Total	1,873,159	104,598	140	\$40.11	94.42%	5.58%	0.01%	5.59%	0	10,945

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	27,592	36,468	\$32.65	92.88%	7.12%	9.41%	16.54%	0	(2,993)
Class B	522,420	18,726	0	\$22.04	96.42%	3.58%	0.00%	3.58%	0	4,105
Total	909,780	46,318	36,468	\$28.36	94.91%	5.09%	4.01%	9.10%	0	1,112

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	37,855	7,285	\$53.58	95.25%	4.75%	0.91%	5.66%	0	(15,367)
Class B	1,871,265	134,834	0	\$44.54	92.79%	7.21%	0.00%	7.21%	0	23,490
Total	2,668,898	172,689	7,285	\$46.52	93.53%	6.47%	0.27%	6.74%	0	8,123

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	66,633	3,299	\$30.26	83.90%	16.10%	0.80%	16.89%	0	11,666
Class B	1,934,750	305,077	6,837	\$28.00	84.23%	15.77%	0.35%	16.12%	0	25,812
Total	2,348,705	371,710	10,136	\$28.41	84.17%	15.83%	0.43%	16.26%	0	37,478

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	4,754	0	\$40.97	97.18%	2.82%	0.00%	2.82%	0	(4,754)
Class B	1,587,228	118,023	4,784	\$31.45	92.56%	7.44%	0.30%	7.74%	0	163,456
Total	1,756,009	122,777	4,784	\$31.82	93.01%	6.99%	0.27%	7.26%	0	158,702

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	49,803	0	\$24.92	85.41%	14.59%	0.00%	14.59%	0	13,007
Total	341,248	49,803	0	\$24.92	85.41%	14.59%	0.00%	14.59%	0	13,007

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.

Strong office-using employment and population growth have fueled demand for new office construction. Currently 1.9 million sf is underway in Miami, which is up 25.6% compared to year-end 2018.

Leading Indicators (Y-O-Y 4Q-2018 to 4Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
11.63%	760,615 SF	\$39.33	1,887,478 SF	1.39 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	26,712,919	3,241,625	184,199	\$45.74	87.86%	12.14%	0.69%	12.82%	1,858,091	648,035
Class B	28,127,038	2,880,085	72,309	\$32.12	89.76%	10.24%	0.26%	10.50%	29,387	112,580
Total	54,839,957	6,121,710	256,508	\$39.33	88.84%	11.16%	0.47%	11.63%	1,887,478	760,615

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	1,427,747	42,486	\$51.60	85.82%	14.18%	0.42%	14.60%	490,200	125,808
Class B	5,796,092	929,920	22,127	\$32.24	83.96%	16.04%	0.38%	16.43%	0	(87,235)
Total	15,865,678	2,357,667	64,613	\$43.96	85.14%	14.86%	0.41%	15.27%	490,200	38,573

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	16,643,333	1,813,878	141,713	\$41.12	89.10%	10.90%	0.85%	11.75%	1,367,891	522,227
Class B	22,330,946	1,950,165	50,182	\$32.07	91.27%	8.73%	0.22%	8.96%	29,387	199,815
Total	38,974,279	3,764,043	191,895	\$36.43	90.34%	9.66%	0.49%	10.15%	1,397,278	722,042

Significant Fourth Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
AECOM	2 Alhambra Plaza	New	22,645	Coral Gables
CoSuite*	800 Brickell	New	14,280	Brickell
Tickmark*	Mayfair in the Grove	New	13,959	Coconut Grove
Arteza	1801-1837 NE 123rd St	New	13,769	Northeast Dade
Vertice Technologies*	396 Alhambra Cir	Sublease	11,153	Coral Gables
AJG	Dadeland Centre I	New	7,483	Kendall

* Avison Young handled this transaction

Significant Fourth Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Museum Tower	259,666	\$64,580,000	\$249	Bridge Investment Group	Downtown Miami
City National Bank Building*	139,448	\$25,000,000	\$179	Moishe Mana	Downtown Miami
Somi Center	50,023	\$18,550,000	\$371	Medicus Properties Group	South Gables - South Miami

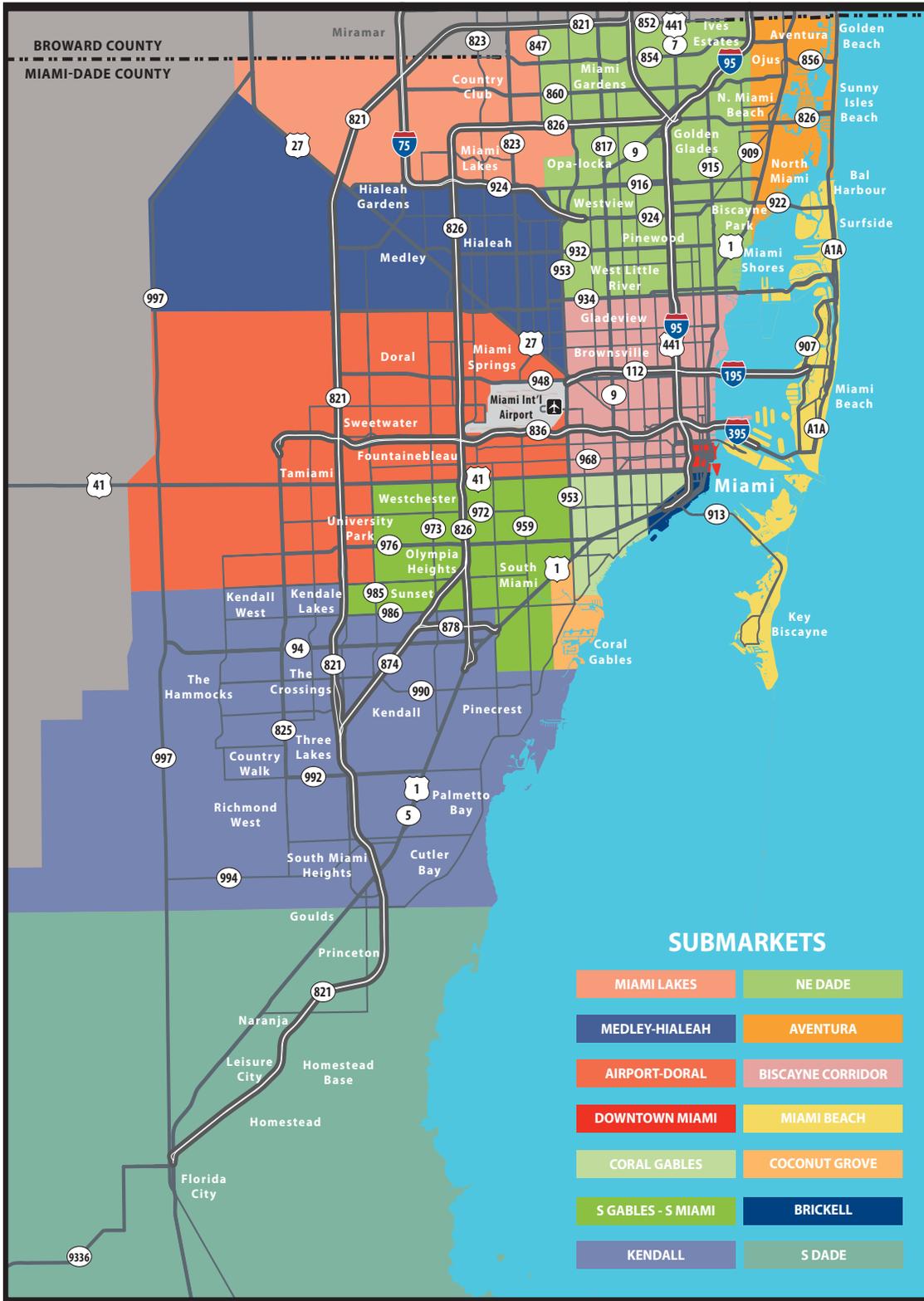
* Avison Young handled this transaction



City National Bank Building

City National Bank Building Sells for \$25 MM as Part of a Potential Redevelopment Play

One of the most significant sales of the fourth quarter was Moishe Mana's purchase of the City National Bank Building along Flagler Street in Downtown Miami for \$25 million. The acquisition of the 139,448-sf building adds to the developer's nearly \$375 million property empire along Flagler Street. In October, the Mana Group released the details of the much-anticipated redevelopment of Flagler Street, which includes 11 buildings to be delivered between the first quarter of 2021 and fourth quarter of 2024. A \$22.5 million renovation of the Flagler streetscape is also set to begin in March 2020 after the Super Bowl.



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