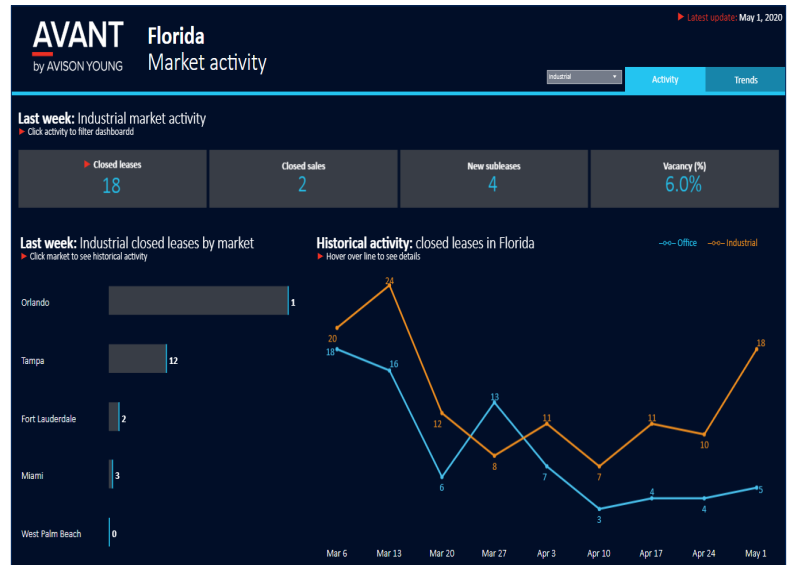


Market Scoop | Week of April 27-May 1, 2020

- According to a recent report from Dodge Data & Analytics, **construction starts** in South Florida were down by 53% in March due to COVID-19. The spread of the virus resulted in a major slowdown in several municipalities' processing time for building permits and some developers have chosen to put projects on hold due to economic uncertainty.
- Construction on the half-built One West Palm class A office tower in Downtown West Palm Beach may be halted if **rezoning** cannot get approved to build apartments in the northeast tower instead of 200,000 sf of office and 201 hotel rooms. In contrast, Related Companies' 360 Rosemary office tower is moving full speed ahead and is incorporating many new technologies in light of COVID-19 including touchless elevators, faucets and toilets.
- **Operating expenses** are likely to rise as the workforce returns to the office. Increases in after-hours air conditioning and janitorial needs could contribute significantly to this.
- Leasing activity has begun picking up, particularly in the industrial market. **Amazon** just leased a massive 1.1 million-sf distribution center in Orlando's Silver Star submarket. The building was previously occupied by Winn-Dixie and includes over 170,000 sf of cold storage space. Also noteworthy, **Caterpillar** has signed a lease for 115,400 sf at Building 5 of the newly built Eastview Commerce Center in Miami. They will be relocating from their nearby location at Centergate at Gratigny.
- Industrial **speculative** construction projects continue to move forward. EastGroup Properties Inc. just announced plans to break ground in July on two 100,000-sf buildings in Horizon West Commerce Park, a 1.5 million-sf industrial distribution project near Walt Disney World in Orlando.
- **Underwriting** has been more conservative as it has been increasingly difficult to judge a building's future rent rolls. A stronger emphasis has been placed on using the weighted average lease term (WALT) when underwriting a deal.
- Opportunistic buyers with capital are searching the market for bargains and are saving their **dry powder** for the best deals.
- Unlike the retail sector, where estimates of missed rents are significantly higher, the office market's initial Covid-19 distress appears much more subdued. While national employment claims have been surging for the last six weeks, a significant percentage of early **job losses** have been confined to the retail and food-services sector, according to the Bureau of Labor Statistics.
- With the majority of office tenants shifting to work from home arrangements since mid-March, longer term implications for the office market are likely as **workplace trends** change and companies readjust their space requirements to compensate for a more remote workforce. The amount of square footage needed for each employee could increase from an average of 150 sf to 200 sf, while some offices may downsize as part of their workforce works permanently from home. Both trends may offset each other.
- The Florida Department of Transportation is **accelerating** the timelines for more than \$2.1 billion in road projects due to lessened traffic on the state's major thoroughfares as a result of COVID-19.
- The year-over-year change in weekly **travel spending** for the week ending April 25th was -93% in Florida.

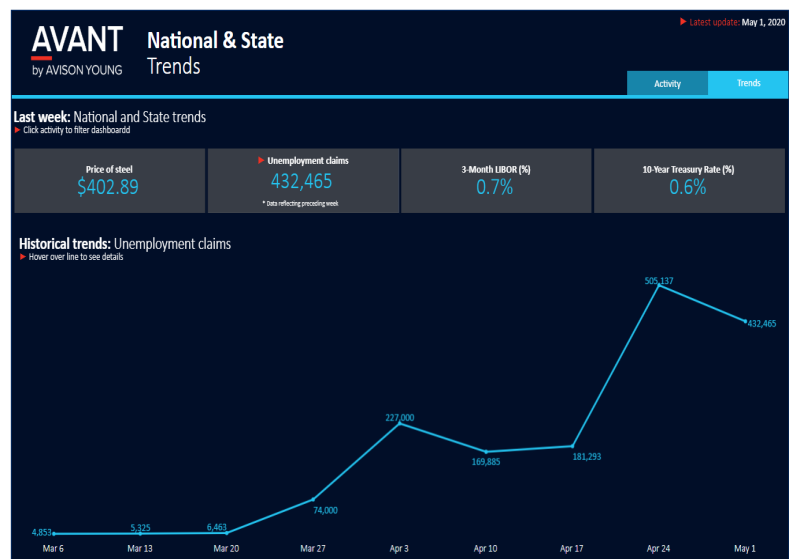
Florida Market Activity

Click on the image below to see the full, dynamic graph.



National & State Trends

Click on the image below to see the full, dynamic graph.



Data Sources: CoStar, U.S. Department of Labor, Avison Young
Methodology: New leases <5,000sf, sales <\$2.5m, and subleases <2,000sf

Activity Trend | WE 5/1/20 over WE 4/24/20

New Inquiries for Space ▼

of Property Tours ▲

For more on the virus' potential #CRE impacts, read the latest briefings on our @AvisonYoung Resource Centre: <https://www.avisonyoung.com/covid-19-resource-centre>

The spread of COVID-19 and the containment policies being introduced are changing rapidly. While information in the briefing notes is current as of the date written, the views expressed herein are subject to change and may not reflect the latest opinion of Avison Young. Like all of you, Avison Young relies on government and related sources for information on the COVID-19 outbreak. We have provided links to some of these sources, which provide regularly updated information on the COVID-19 outbreak. *The content provided herein is not intended as investment, tax, financial or legal advice and should not be relied on as such.*