

## Surge in Leasing Activity as Coworking Tenants Continue to Saturate the Miami Office Market and Development Spikes in the CBD

After experiencing solid growth in 2018, Miami-Dade County's office market made additional gains during the first quarter of 2019 as the market recorded healthy leasing activity and continued job and population growth. Economic fundamentals remained strong as the county added 26,300 non-farm employment jobs over the trailing 12-month period ending February 2019, and the overall unemployment rate declined to 3.2%. Vacancy rates inched higher this quarter due to the delivery of new speculative projects including CUBE Wynwd in the Biscayne Corridor submarket and Crescent Pointe in the Miami Lakes submarket. After reaching a peak of rental rate growth in 2018, average asking rental rates appear to have stabilized and remained flat over the quarter. The non-CBD continued to outperform the CBD during the quarter as emerging niche markets outside the urban core such as Wynwood, Airport-Doral, and Coral Gables continue to attract tenants seeking shorter commutes.

Significant leasing activity took place during the first quarter with several coworking firms dominating the top four office leases of the first quarter in Miami. A total of 264,783 sf of office space was leased by coworking firms this quarter within two existing buildings, the Sabadell Financial Center, The Wynwood Garage, and two buildings currently under construction, 830 Brickell and One CocoWalk. Miami's office inventory is currently comprised of about 3% of coworking space, which is likely to increase in the coming years as the workplace continues to evolve and economic fundamentals remain intact.



**264,783 sf**  
of office space  
leased by  
coworking firms  
in Miami-Dade  
County during  
1Q-2019

### Office Market Snapshot

- The largest lease signed during the first quarter of 2019 was WeWork's 146,539-sf lease at OKO Group's 830 Brickell, a 56-story office tower that broke ground in the Brickell submarket this quarter. WeWork will occupy floors 16 through 25 and has also been granted the right of first refusal to take any additional floors that come available after initial lease up. This location will be WeWork's largest in Florida and the second largest in the Southeast. The office tower is scheduled for completion in early 2021.
- With four office projects currently in the works, Coconut Grove is beginning to emerge as a competitive office market in Miami-Dade County. Of the 200,000 sf currently under construction, 58% has been pre-leased by tenants such as coworking firm Spaces and Kaufman Rossin. Coconut Grove also boasts the lowest vacancy rate in the county at 5.8%, due in large part to its small size of office inventory.
- Opportunity Zones continue to be one of the most discussed topics among investors in commercial real estate. According to Real Capital Analytics, a total of \$902 million traded within opportunity zones in Miami-Dade County since the first quarter of 2018, a sharp 72% increase over the same period the year prior. As investors continue to educate themselves, investment activity in the program is likely to pick up during 2019.
- A 10-story, class A office building, 545wyn, broke ground in the rapidly expanding Wynwood neighborhood during the first quarter of 2019. The development will be Wynwood's largest office project yet, comprising 298,000 sf of class A office space and 26,000 sf of ground floor retail. The eight-story CUBE Wynwd office building also delivered in Wynwood this quarter, with two floors pre-leased to coworking firm Spaces. Some newly delivered developments in Wynwood are advertising asking rents comparable to Brickell asking rents.
- The Federal Reserve announced in late March that it would not continue to raise interest rates during 2019, and that it would instead hold interest rates steady at the target range between 2.25 and 2.5 percent, which was set in December. The decision was made on the basis that the economy's growth is slowing somewhat more than previously expected.

**54.5 MSF**

Total office inventory in the  
Miami-Dade County market

**135,836 SF**

Direct Y-T-D net absorption  
as of 1Q-2019

**12.47%**

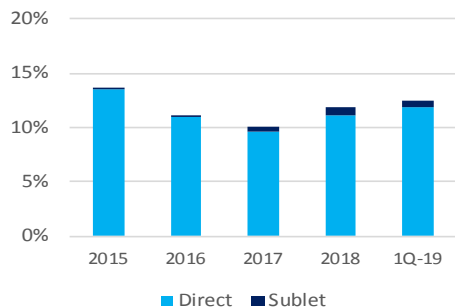
Overall Vacancy

**\$45.57/SF/FS**

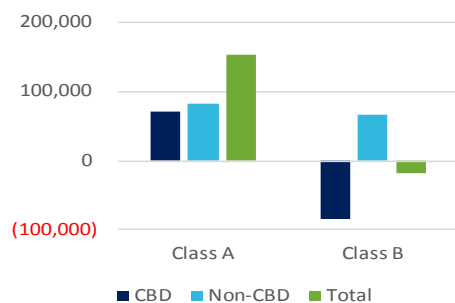
Average rental rate for  
class A space

### Statistical Snapshot

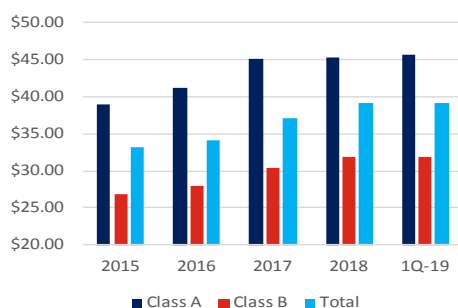
#### Vacancy Rate



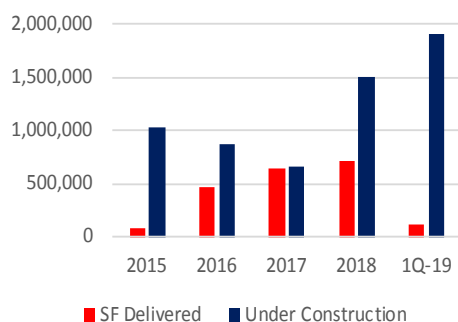
#### YTD Net Absorption (SF)



#### Average Asking Rent Rate (\$/SF/FS)



#### Construction Pipeline



### Miami-Dade County Office Market At A Glance

#### Demographics & Economy



**126.1 million**  
visitors to Florida during 2018, up  
6% from the record set in 2017



High net worth individuals are  
relocating to South Florida from high-  
tax states like New York

**4.0%**  
FEB-2018



**3.2%**  
FEB-2019

change in the Miami-Dade County  
unemployment rate

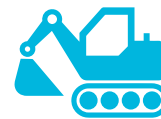
**26,300**

increase in total non-farm  
employment since 1Q-2018

#### Development



**North Miami Beach**  
is experiencing a wave of  
redevelopment after recent  
rezoning



**1.9 MM**

square feet under  
construction in Miami-  
Dade County



Increasing traffic congestion  
is spurring development in  
niche neighborhoods outside  
the urban core

**555,094 sf**

of class A office space is under  
construction in the Brickell  
submarket. 56-story 830 Brickell  
will deliver in 2021.



#### Market Influencers



**\$1.03  
BILLION**

in total office sales volume during  
the T-12 months ending 1Q19

**Opportunity Zones**

**72%**



increase in opportunity zone investment  
over the trailing 12-months ending 1Q19

#### Tri-Rail Downtown Link



the Tri-Rail connection to  
the MiamiCentral station in  
downtown is scheduled to be  
completed by the end of 2019



increasing number of new-to-  
market tenants relocating to Miami

# Miami-Dade County Office Market Report

## First Quarter 2019




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	5,451,662	836,475	70,038	\$36.65	84.66%	15.34%	1.28%	16.63%	156,407	16,233
Class B	6,611,907	523,211	35,155	\$29.56	92.09%	7.91%	0.53%	8.44%	0	22,703
Total	12,063,569	1,359,686	105,193	\$33.92	88.73%	11.27%	0.87%	12.14%	156,407	38,936
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	90,037	9,041	\$48.29	92.21%	7.79%	0.78%	8.57%	327,411	14,308
Class B	365,935	23,993	0	\$45.84	93.44%	6.56%	0.00%	6.56%	0	(3,357)
Total	1,522,233	114,030	9,041	\$47.78	92.51%	7.49%	0.59%	8.08%	327,411	10,951
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	1,120,820	243,029	0	\$45.33	78.32%	21.68%	0.00%	21.68%	298,000	64,825
Class B	1,129,475	126,388	380	\$37.09	88.81%	11.19%	0.03%	11.22%	75,387	8,476
Total	2,250,295	369,417	380	\$42.51	83.58%	16.42%	0.02%	16.43%	373,387	73,301
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	338,431	54,994	\$55.25	93.06%	6.94%	1.13%	8.06%	555,094	45,569
Class B	2,715,831	333,389	20,396	\$37.96	87.72%	12.28%	0.75%	13.03%	0	(44,362)
Total	7,594,103	671,820	75,390	\$46.67	91.15%	8.85%	0.99%	9.84%	555,094	1,207
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	515,332	6,332	0	\$44.62	98.77%	1.23%	0.00%	1.23%	207,895	(3,012)
Class B	727,856	64,155	1,588	\$40.41	91.19%	8.81%	0.22%	9.03%	0	(7,159)
Total	1,243,188	70,487	1,588	\$40.79	94.33%	5.67%	0.13%	5.80%	207,895	(10,171)
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	369,704	31,841	\$44.01	91.66%	8.34%	0.72%	9.06%	291,267	47,758
Class B	2,647,530	248,852	13,300	\$37.22	90.60%	9.40%	0.50%	9.90%	0	(19,775)
Total	7,079,138	618,556	45,141	\$41.28	91.26%	8.74%	0.64%	9.38%	291,267	27,983
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	1,144,551	22,397	\$51.40	77.95%	22.05%	0.43%	22.48%	0	25,004
Class B	3,080,261	625,712	1,200	\$29.59	79.69%	20.31%	0.04%	20.35%	0	(40,030)
Total	8,271,575	1,770,263	23,597	\$43.69	78.60%	21.40%	0.29%	21.69%	0	(15,026)
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	114,634	2,864	\$39.14	91.42%	8.58%	0.21%	8.80%	0	26,396
Class B	3,218,908	181,057	1,709	\$30.98	94.38%	5.62%	0.05%	5.68%	0	44,446
Total	4,554,560	295,691	4,573	\$34.14	93.51%	6.49%	0.10%	6.59%	0	70,842
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	55,324	0	\$51.05	88.94%	11.06%	0.00%	11.06%	0	(20,438)
Class B	1,373,011	82,816	0	\$25.79	93.97%	6.03%	0.00%	6.03%	0	(2,159)
Total	1,873,159	138,140	0	\$35.91	92.63%	7.37%	0.00%	7.37%	0	(22,597)
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	27,908	66,995	\$28.50	92.80%	7.20%	17.30%	24.50%	0	(3,309)
Class B	522,420	12,785	0	\$26.41	97.55%	2.45%	0.00%	2.45%	0	10,046
Total	909,780	40,693	66,995	\$27.84	95.53%	4.47%	7.36%	11.84%	0	6,737
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	89,088	15,364	\$55.04	88.83%	11.17%	1.93%	13.10%	0	(66,600)
Class B	1,871,265	178,725	432	\$41.67	90.45%	9.55%	0.02%	9.57%	0	(16,149)
Total	2,668,898	267,813	15,796	\$46.12	89.97%	10.03%	0.59%	10.63%	0	(82,749)
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	72,327	6,080	\$28.62	82.53%	17.47%	1.47%	18.94%	0	5,972
Class B	1,934,750	337,935	0	\$26.92	82.53%	17.47%	0.00%	17.47%	0	(7,046)
Total	2,348,705	410,262	6,080	\$27.22	82.53%	17.47%	0.26%	17.73%	0	(1,074)
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	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Class B	1,587,228	252,436	1,252	\$26.32	84.10%	15.90%	0.08%	15.98%	0	34,043
Total	1,756,009	252,436	1,252	\$26.32	85.62%	14.38%	0.07%	14.45%	0	34,043
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	59,357	0	\$26.40	82.61%	17.39%	0.00%	17.39%	0	3,453
Total	341,248	59,357	0	\$26.40	82.61%	17.39%	0.00%	17.39%	0	3,453

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.

Miami-Dade County's professional and business services job sector grew by 4.2% since 1Q-2018, adding 7,400 jobs to the market.

### Leading Indicators (Y-O-Y 1Q-2018 to 1Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
				
12.47%	135,836 SF	\$39.19	1,911,461 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	26,348,835	3,387,840	279,614	\$45.57	87.14%	12.86%	1.06%	13.92%	1,836,074	152,706
Class B	28,127,625	3,050,811	75,412	\$31.83	89.15%	10.85%	0.27%	11.11%	75,387	(16,870)
Total	54,476,460	6,438,651	355,026	\$39.19	88.18%	11.82%	0.65%	12.47%	1,911,461	135,836

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	1,482,982	77,391	\$52.28	85.27%	14.73%	0.77%	15.50%	555,094	70,573
Class B	5,796,092	959,101	21,596	\$32.50	83.45%	16.55%	0.37%	16.92%	0	(84,392)
Total	15,865,678	2,442,083	98,987	\$44.51	84.61%	15.39%	0.62%	16.02%	555,094	(13,819)

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	16,279,249	1,904,858	202,223	\$40.35	88.30%	11.70%	1.24%	12.94%	1,280,980	82,133
Class B	22,331,533	2,091,710	53,816	\$31.53	90.63%	9.37%	0.24%	9.61%	75,387	67,522
Total	38,610,782	3,996,568	256,039	\$35.93	89.65%	10.35%	0.66%	11.01%	1,356,367	149,655

### Significant First Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
WeWork	830 Brickell Plaza	New	146,539	Brickell
Industrious	Sabadell Financial Center	New	45,294	Brickell
Spaces	One Cocowalk	New	42,854	Coconut Grove
WeWork	The Wynwood Garage	New	30,096	Biscayne Corridor
Cable & Wireless Communications*	The Landing at MIA	New	26,261	Airport-Doral
ADT Security Services*	Dolphin Corporate Park	New	19,852	Airport-Doral

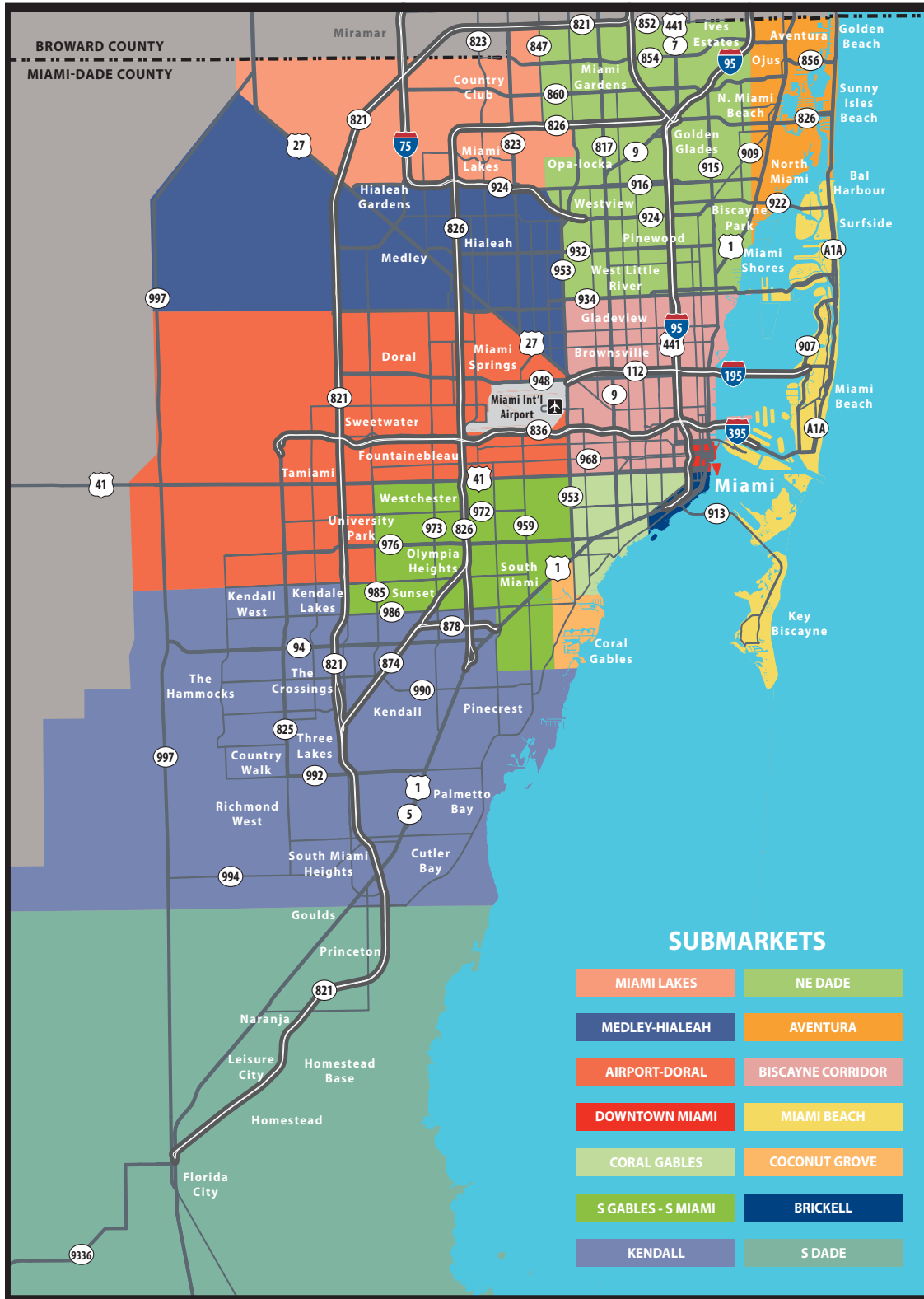
\* Avison Young handled this transaction

### Significant First Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
250 Bird Road*	86,400	\$37,000,000	\$428	Baptist Health South Florida	Coral Gables
9150 SW 87th Avenue	23,798	\$6,500,000	\$273	Baptist Hospital of Miami	Kendall

\* Avison Young handled this transaction





### SUBMARKETS

MIAMI LAKES	NE DADE
MEDLEY-HIALEAH	AVENTURA
AIRPORT-DORAL	BISCAYNE CORRIDOR
DOWNTOWN MIAMI	MIAMI BEACH
CORAL GABLES	COCONUT GROVE
S GABLES - S MIAMI	BRICKELL
KENDALL	S DADE

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