

Robust Leasing Activity and Steady Absorption Amid New Office Deliveries

Miami-Dade County's office market continued to make considerable gains during the second quarter of 2019 despite headwinds surrounding global economic uncertainty and growing concerns regarding a slowdown in the market within the coming year. As the economy gears up to enter its longest expansion period in U.S. history, Miami has shown more resiliency than the other South Florida markets, recording steady gains in absorption, robust leasing activity, and modest rent growth. Economic fundamentals remain strong as job growth continues to fuel Miami's office market, with the unemployment rate trending down to 3.2%. In fact, Miami's unemployment rate reached the lowest point in its history, falling to 3.0% in April of this year. Net absorption remained positive during the second quarter, with the CBD outperforming suburban submarkets by 12.4% due to large blocks of space being taken off the market in Downtown Miami and Brickell.

Overall average asking rental rates continue to grow year-over-year, but at a slower pace of 1.5% over the trailing 12 months ending with the second quarter. Despite year-over-year growth, rental rates did take a dip over the quarter (down \$0.55) due in part to just over 89,000 sf of premium-priced space at the Southeast Financial Center coming off the market this quarter. New office deliveries have also placed upward pressure on the overall vacancy rate, which rose to 12.0% (up 265 basis points) and rental rates have started to plateau as a result. Significant construction completions on the horizon include the 44,293-sf Optimum and the 77,840-sf Mary Street developments in Coconut Grove.



78.7%
of all office
investment sales
for the year-to-date
were to institutional
investors as they
remain bullish

Office Market Snapshot

- Coworking tenants continued to dominate leasing activity in Miami for the second quarter in a row. The largest deal of the quarter was WeWork's lease of 89,307sf at Southeast Financial Center, which filled a crucial large block of vacant space in the building that had been available for some time. Spaces also leased 51,604 sf at 1111 Lincoln Road in Miami Beach, which quickly back-filled Viacom's old space after they relocated to 3 MiamiCentral during the first quarter of the year. Some landlords remain uncertain about the long-term future and profitability of coworking tenants as they continue to accumulate large debt obligations amid an eventual slowdown in the market.
- A recent study by WalletHub ranked Miami third among 100 U.S. cities as the best place to start a business. Also highlighted within the report, Miami ranked the highest in the number of start-ups per 100,000 residents. Miami's flourishing startup activity is also a major driver behind the demand for coworking space.
- Although office investment sales activity had a slow start during the first quarter of the year, Miami's investment activity picked up significantly during the second quarter with major trades taking place including the \$159.4-million sale of 2 and 3 MiamiCentral in Downtown Miami to Shorenstein Properties, and the \$59.9-million

sale of the Regions Bank Building in Coral Gables to TA Realty. Total investment volume for the trailing 12 months ending June 2019 was \$991.1 million, a 5% increase from the year prior. Investment sales for the year-to-date have been flooded with institutional investment, accounting for 78.7% of all buyers, up significantly from the 24.5% at year-end 2017. This activity indicates that investors remain bullish on Miami's office market.

- Adding to the list of newly delivered office buildings in the transforming Wynwood district, the 52,000-sf Wynwood 25 Annex building completed construction during the second quarter with a lease already in place for Live Nation Entertainment, which will be taking 7,000 sf. Many significant projects are in the pipeline for the emerging office market including the Gateway at Wynwood and Wynwood Square.
- In June, the Federal Reserve announced that interest rates remain unchanged at the benchmark target range of 2.25% and 2.5%, but at the same time expressed concerns over economic uncertainty and slowing global growth, suggesting that an interest rate cut may be in the works by the end of the summer. It would be the first time the Federal Reserve cut the benchmark short-term rate since 2008.

54.6 MSF

Total office inventory in the
Miami-Dade County market

297,164 SF

Direct Y-T-D net absorption
as of 2Q-2019

12.00%

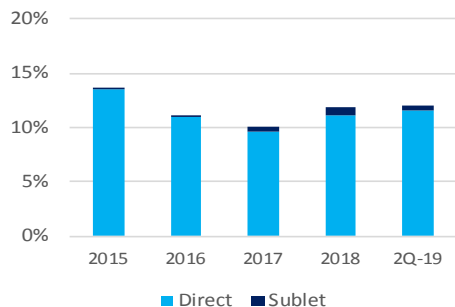
Overall Vacancy

\$45.02/SF/FS

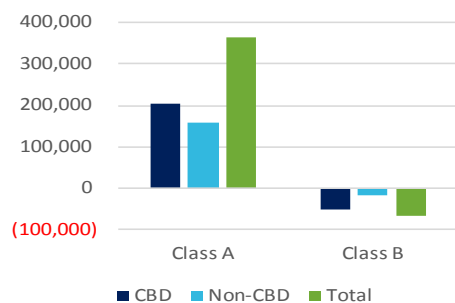
Average rental rate for
class A space

Statistical Snapshot

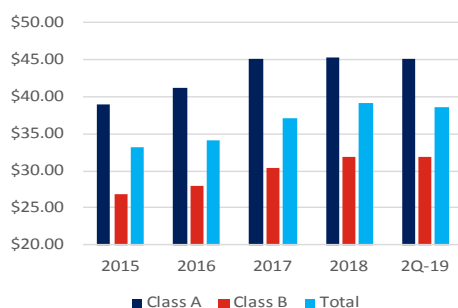
Vacancy Rate



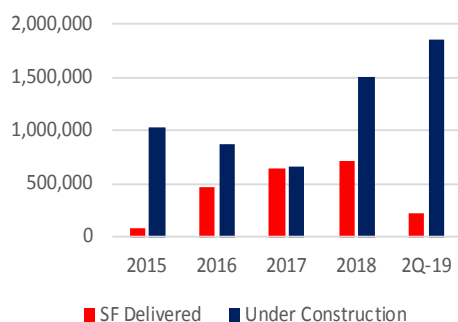
YTD Net Absorption (SF)



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



Construction Pipeline



Miami-Dade County Office Market At A Glance

Demographics & Economy

35 million
people visited Florida during the first quarter of 2019, a 5.8% increase from 2018



Due largely to new tax laws, individuals and businesses are relocating to South Florida from high-tax states in the Northeast

3.7% **3.2%**
MAY-2018 **MAY-2019**
change in the Miami-Dade County unemployment rate

28,300
increase in total non-farm employment since 2Q-2018

Development

Magic City Innovation District



\$1 BILLION MIXED-USE
project in Little Haiti received final approval by the Miami City Commission



1.85 MM
square feet under construction in Miami-Dade County

Link at Douglas

\$600 MILLION

The mixed-use project in Coral Gables broke ground on phase I. A later phase will include 250,000 sf of office.



122,133 SF

of class A office space delivering in the Coconut Grove submarket in 3Q-2019



Market Influencers



\$991.1 MILLION

in total office sales volume during the T-12 months ending 2Q-19



There is a growing trend of adaptive re-use and renovation projects as more class B space comes back online.



Virgin Trains USA, formerly known as Brightline, broke ground on a route connecting Miami to Orlando. The project is expected to be complete by 2022.



A recent study by WalletHub ranked Miami third out of 100 U.S. cities as the best place to start a business.

Miami-Dade County Office Market Report

Second 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	5,508,069	849,552	48,250	\$36.53	84.58%	15.42%	0.88%	16.30%	100,000	39,267
Class B	6,611,320	611,310	30,213	\$30.49	90.75%	9.25%	0.46%	9.70%	0	(65,396)
Total	12,119,389	1,460,862	78,463	\$34.00	87.95%	12.05%	0.65%	12.70%	100,000	(26,129)

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	98,820	16,833	\$49.19	91.45%	8.55%	1.46%	10.00%	235,222	5,525
Class B	365,935	18,780	0	\$45.31	94.87%	5.13%	0.00%	5.13%	0	1,856
Total	1,522,233	117,600	16,833	\$48.57	92.27%	7.73%	1.11%	8.83%	235,222	7,381

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	283,284	0	\$44.09	75.86%	24.14%	0.00%	24.14%	433,000	77,179
Class B	1,129,475	124,198	0	\$36.07	89.00%	11.00%	0.00%	11.00%	29,387	10,666
Total	2,302,904	407,482	0	\$41.64	82.31%	17.69%	0.00%	17.69%	462,387	87,845

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	358,028	29,135	\$55.25	92.66%	7.34%	0.60%	7.94%	555,094	25,972
Class B	2,715,831	306,614	7,513	\$38.33	88.71%	11.29%	0.28%	11.57%	0	(17,587)
Total	7,594,103	664,642	36,648	\$47.45	91.25%	8.75%	0.48%	9.23%	555,094	8,385

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	3,012	2,230	\$45.00	99.42%	0.58%	0.43%	1.02%	207,895	308
Class B	727,856	65,467	1,588	\$40.65	91.01%	8.99%	0.22%	9.21%	0	(8,471)
Total	1,243,188	68,479	3,818	\$40.84	94.49%	5.51%	0.31%	5.82%	207,895	(8,163)

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	377,311	27,966	\$43.13	91.49%	8.51%	0.63%	9.15%	291,267	40,151
Class B	2,647,530	265,806	9,776	\$36.61	89.96%	10.04%	0.37%	10.41%	0	(36,729)
Total	7,079,138	643,117	37,742	\$40.43	90.92%	9.08%	0.53%	9.62%	291,267	3,422

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	989,164	11,920	\$50.62	80.95%	19.05%	0.23%	19.28%	0	180,391
Class B	3,080,261	585,189	1,150	\$29.29	81.00%	19.00%	0.04%	19.04%	0	(31,531)
Total	8,271,575	1,574,353	13,070	\$42.69	80.97%	19.03%	0.16%	19.19%	0	148,860

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	107,256	281	\$39.29	91.97%	8.03%	0.02%	8.05%	0	33,774
Class B	3,218,908	193,084	675	\$30.54	94.00%	6.00%	0.02%	6.02%	0	32,419
Total	4,554,560	300,340	956	\$33.66	93.41%	6.59%	0.02%	6.62%	0	66,193

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	53,630	0	\$53.05	89.28%	10.72%	0.00%	10.72%	0	(18,744)
Class B	1,373,011	85,324	140	\$28.09	93.79%	6.21%	0.01%	6.22%	0	(4,667)
Total	1,873,159	138,954	140	\$37.72	92.58%	7.42%	0.01%	7.43%	0	(23,411)

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	29,271	16,445	\$30.50	92.44%	7.56%	4.25%	11.80%	0	(4,672)
Class B	522,420	5,682	0	\$21.48	98.91%	1.09%	0.00%	1.09%	0	17,149
Total	909,780	34,953	16,445	\$29.03	96.16%	3.84%	1.81%	5.65%	0	12,477

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	37,255	15,364	\$55.02	95.33%	4.67%	1.93%	6.60%	0	(14,767)
Class B	1,871,265	165,709	690	\$43.20	91.14%	8.86%	0.04%	8.89%	0	(7,385)
Total	2,668,898	202,964	16,054	\$45.37	92.40%	7.60%	0.60%	8.21%	0	(22,152)

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	72,183	6,080	\$29.15	82.56%	17.44%	1.47%	18.91%	0	6,116
Class B	1,934,750	317,083	1,491	\$26.90	83.61%	16.39%	0.08%	16.47%	0	13,806
Total	2,348,705	389,266	7,571	\$27.31	83.43%	16.57%	0.32%	16.90%	0	19,922






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	256,136	0	\$25.65	83.86%	16.14%	0.00%	16.14%	0	25,343
Total	1,756,009	262,912	0	\$26.02	85.03%	14.97%	0.00%	14.97%	0	18,567

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	58,843	0	\$25.07	82.76%	17.24%	0.00%	17.24%	0	3,967
Total	341,248	58,843	0	\$25.07	82.76%	17.24%	0.00%	17.24%	0	3,967

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.

According to the latest report from the U.S. Census Bureau, Miami was ranked as the second fastest growing city in the state of Florida.

Leading Indicators (Y-O-Y 2Q-2018 to 2Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
				
12.00%	297,164 SF	\$38.64	1,843,378 SF	1.37 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	26,457,851	3,265,542	174,504	\$45.02	87.66%	12.34%	0.66%	13.00%	1,822,478	363,724
Class B	28,127,038	3,059,225	53,236	\$31.84	89.12%	10.88%	0.19%	11.07%	29,387	(66,560)
Total	54,584,889	6,324,767	227,740	\$38.64	88.41%	11.59%	0.42%	12.00%	1,851,865	297,164

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	1,347,192	41,055	\$51.85	86.62%	13.38%	0.41%	13.79%	555,094	206,363
Class B	5,796,092	891,803	8,663	\$32.40	84.61%	15.39%	0.15%	15.54%	0	(49,118)
Total	15,865,678	2,238,995	49,718	\$44.10	85.89%	14.11%	0.31%	14.43%	555,094	157,245

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	16,388,265	1,918,350	133,449	\$40.23	88.29%	11.71%	0.81%	12.52%	1,267,384	157,361
Class B	22,330,946	2,167,422	44,573	\$31.61	90.29%	9.71%	0.20%	9.91%	29,387	(17,442)
Total	38,719,211	4,085,772	178,022	\$35.65	89.45%	10.55%	0.46%	11.01%	1,296,771	139,919

Significant Second Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
WeWork	Southeast Financial Center	New	89,307	Downtown Miami
Spaces	1111 Lincoln Road	New	51,604	Miami Beach
Spaces	801 Brickell Ave	Renewal/Expansion	48,913	Brickell
Rialto Management Group	Southeast Financial Center	New	46,746	Downtown Miami
L'Oreal USA	6100 Blue Lagoon Drive	Renewal	43,624	Airport-Doral
Quest Workspaces	2000 Ponce de Leon Blvd	New	23,800	Coral Gables
Saul Ewing Arnstein & Lehr	701 Brickell Ave	New	22,400	Brickell

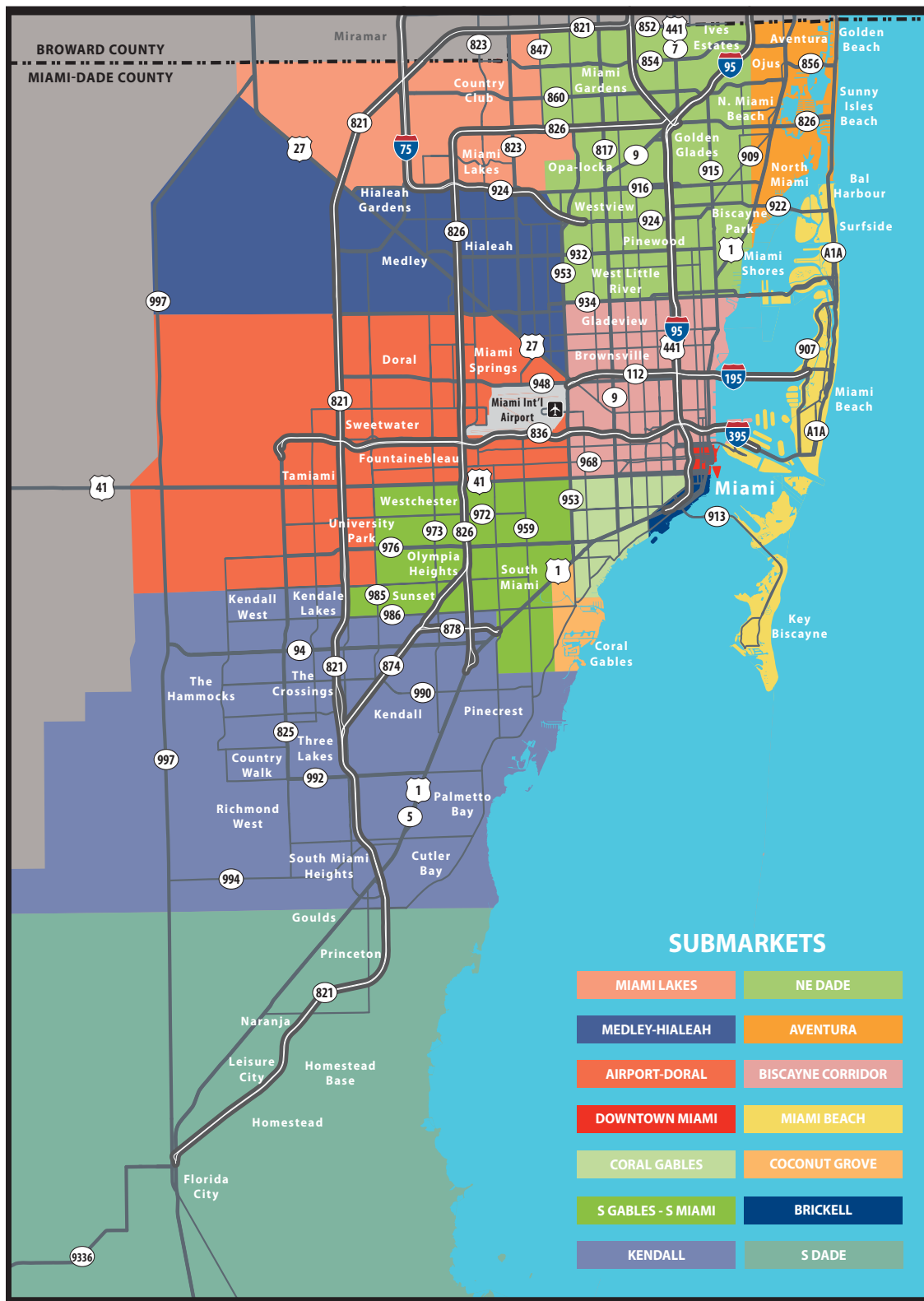
Significant Second Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
2 MiamiCentral & 3 MiamiCentral	286,996	\$159,400,000*	\$555	Shorenstein Properties	Downtown Miami
Regions Bank Building	146,202	\$59,875,000	\$410	TA Realty	Coral Gables
550 Biltmore	162,293	\$54,400,000	\$335	CGI Merchant	Coral Gables

* Price does not reflect the estimated seller credits for tenant improvements

Miami-Dade County Office Market Report

Second Quarter 2019



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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