

MARKETBEAT

Miami-Dade

Office Q3 2019



MIAMI-DADE OFFICE

Economic Indicators

| | Q3 18 | Q3 19 | 12-Month Forecast |
|-------------------------|-------|-------|-------------------|
| Miami-Dade Employment | 1.20M | 1.23M | ▲ |
| Miami-Dade Unemployment | 3.9% | 3.4% | ▼ |
| U.S. Unemployment | 3.8% | 3.7% | ▲ |

*Numbers above are monthly figures, August 2018, FL Dept. Economic OPP.

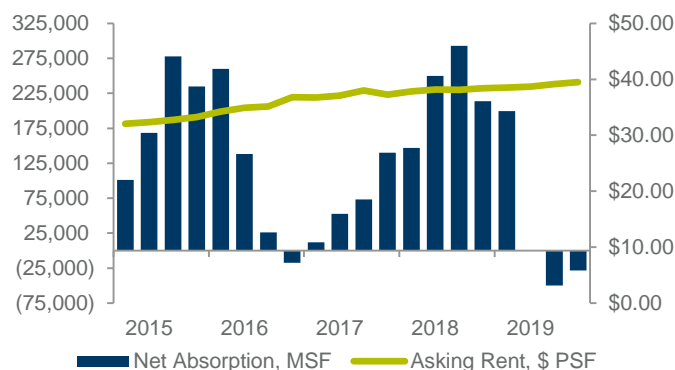
Market Indicators (Overall, All Classes)

| | Q3 18 | Q3 19 | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy | 12.9% | 12.9% | ▲ |
| YTD Net Absorption (sf) | 706k | -206k | ▲ |
| Under Construction (sf) | 1.4M | 2.2M | ▼ |
| Average Asking Rent* | \$38.86 | \$40.15 | ▲ |

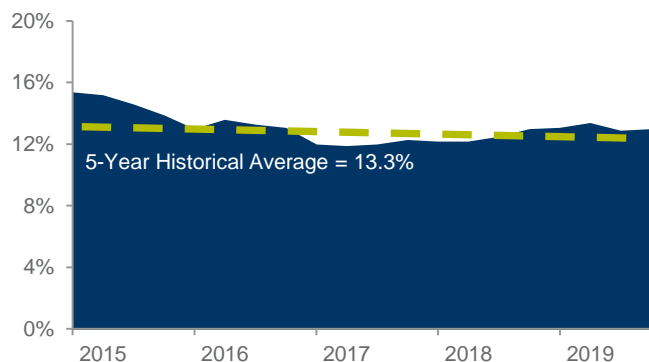
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Miami-Dade's economic fundamentals trended positive, with the unemployment rate falling below the national average for the second consecutive quarter in a row. A total of 28,500 new jobs were created, which caused the unemployment rate to decrease by 50 basis points (bps) to 3.4% year-over-year (YOY). The Professional & Business Services sector drove job gains with an increase of 310 bps, or 5,600 jobs in the last 12 months. In addition, the Government and Information sectors added another 400 jobs.

Market Overview

Overall rental rates rose by 7.4%, or \$2.75, to \$40.15 per square foot (psf) full service, the first time recorded above \$40.00 psf in Miami-Dade. Class A asking rates increased by \$1.59 psf, or 3.4% in 12 months. The main driver for the surge in prices was new construction that delivered with above average market rents. In addition, landlords of existing product raised rents to take advantage of steady tenant demand. The Coconut Grove submarket led in rent growth with an 8.0% increase YOY to \$47.07 psf. This was due to the 77,680 sf of Class A space that delivered with asking rates of \$50.00-\$52.00 psf, 8.3% higher than the average Class A asking rate in the submarket. In the CBD Class A rents continued to climb, up \$1.70, or 3.3% YOY to \$52.94 psf. A major impact came from 1450 Brickell, which had asking rents that reached \$67.00 psf full service.

Overall vacancy ended the third quarter at 12.9%, in-line with last year's figures and remained stable despite approximately 724,000 square feet (sf) being delivered in the past 12 months. Most buildings delivered with pre-leasing activity, however 263,000 sf was available year-to-date. The overall CBD vacancy rate increased by 282 bps YOY to 18.2%. A notable move-out and one source of negative absorption was due to Terremark vacating 50,000 sf and relocating into a 750,000-sf company-owned data center. The addition of space in Downtown created opportunities for large tenant-users touring the market.

Leasing activity for the overall market reached 2.2 million square feet (msf) year-to-date (YTD), outpacing 2018 figures. The CBD accounted for 809,000 sf, a 73% increase when compared to this time last year. Suburban submarkets' leasing activity was down slightly YOY by 200,00 sf. Some notable deals included Rialto Management for 48,000 sf and Bolton Financial at 21,000 sf. Both tenants were already situated in the market and were expected to move in by the first quarter of 2020.

Overall absorption YTD in the CBD and suburban submarkets remained negative YTD. Overall Class B assets recorded the bulk of the negative absorption and gave back -124,607 sf of space YTD. Much of the negative absorption was centralized in the Brickell Avenue, Miami Lakes, and Miami Beach submarkets. The increased cost of rent forced some tenants to reduce their amount of space needed including creative alternatives such as virtual meetings, flexible schedules and office sharing.

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By the end of the third quarter there was 2.2 msf under construction, of which over one-third was preleased. Most new construction was in the Biscayne submarket where nearly 800,000 sf was underway in Wynwood. A close second and third was Coral Gables submarket, with 627,000 sf, and Brickell Avenue with 552,000 sf. One Cocowalk, the 85,800-sf building in Coconut Grove saw robust preleasing activity, with large deals signed by coworking operator Spaces and private equity firm Boyne Capital. The largest project to break ground this quarter was the second phase North Tower at The Plaza Coral Gables project at over 291,000 sf. Final completion for both towers was expected to be mid-year 2020.

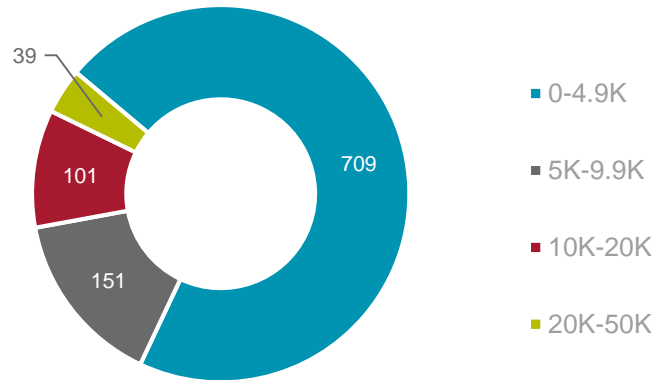
Overall rental rates rose by 7.4% YOY, or \$2.75, to \$40.15 per square foot (psf) full service. Class A asking rates increased by \$1.59 psf, or 358 bps in 12 months.

Cushman & Wakefield anticipates asking rents to climb as higher priced new construction deliveries compete with aggressive pricing by existing landlords. Vacancy will be challenged in both the CBD and suburban markets, as tenant demand attempts to keep pace with the flood of new space options. Going into the last quarter of 2019, the Miami-Dade office market is expected to remain stable.

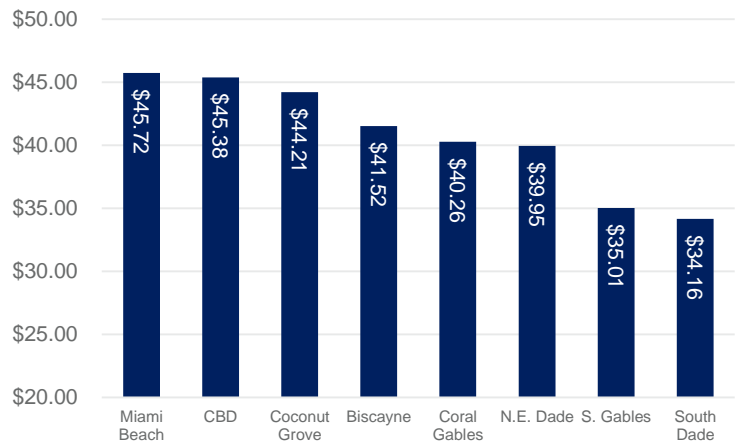
Market Highlights

- New construction over the next 18 months indicates rising rents and increased vacancy in some CBD and suburban submarkets.
- Some tenants are reducing footprints to alleviate increased rent costs.
- The number of tenants touring the market remained consistent and indicate demand for space through the remainder of 2019.

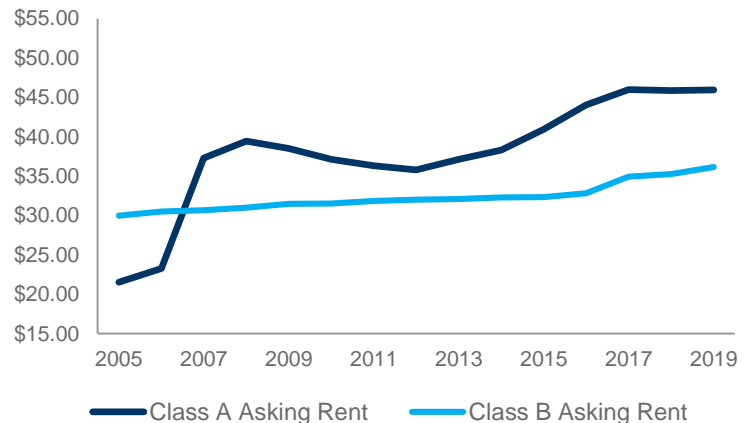
Availability by Size Segment
OVERALL VACANCIES IN ONE SUITE



Full Service Asking Rents By Submarket



CLASS A & B Asking Rent Trend



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| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF)** | UNDER CNSTR (SF) | OVERALL AVERAGE ASKING RENT (ALL CLASSES)* | OVERALL AVERAGE ASKING RENT (CLASS A)* |
|---------------------------|-------------------|--------------------|--------------------|----------------------|---|---------------------------------|-----------------------------|------------------|--|--|
| Brickell Avenue | 6,525,719 | 44,881 | 760,112 | 12.3% | -76,568 | -76,943 | 486,228 | 552,301 | \$46.27 | \$55.21 |
| Downtown | 7,242,704 | 13,698 | 1,680,285 | 23.4% | -6,036 | -37,302 | 322,565 | 0 | \$44.94 | \$52.24 |
| CBD | 13,768,423 | 58,579 | 2,440,397 | 18.2% | -82,604 | -114,245 | 808,793 | 552,301 | \$45.38 | \$52.94 |
| Coral Gables | 6,116,773 | 60,403 | 567,858 | 10.3% | -33,991 | -69,943 | 303,794 | 626,567 | \$40.26 | \$43.04 |
| Airport West | 11,319,646 | 72,679 | 1,245,697 | 11.6% | -3,533 | -32,261 | 615,029 | 0 | \$32.68 | \$34.55 |
| Coral Way | 626,935 | 2,165 | 24,704 | 4.3% | 5,050 | -6,153 | 23,685 | 0 | \$32.87 | \$0.00 |
| South Dade | 3,309,014 | 0 | 260,358 | 7.9% | 3,106 | 53,047 | 115,701 | 0 | \$34.16 | \$49.54 |
| Northeast Dade | 2,453,613 | 10,541 | 169,445 | 7.3% | 4,279 | 3,581 | 80,640 | 139,222 | \$39.95 | \$47.62 |
| Biscayne | 2,046,095 | 0 | 445,351 | 21.8% | 4,253 | -55,727 | 84,511 | 758,472 | \$41.52 | \$46.10 |
| Miami Lakes | 1,774,015 | 7,222 | 268,913 | 15.6% | -18,564 | -57,497 | 28,547 | 0 | \$28.02 | \$30.93 |
| Coconut Grove | 974,531 | 1,588 | 111,479 | 11.6% | 75,882 | 82,589 | 65,636 | 85,762 | \$44.21 | \$47.07 |
| S. Gables/ S. Miami | 1,003,309 | 0 | 16,463 | 1.6% | 4,591 | 24,747 | 13,890 | 0 | \$35.01 | \$41.50 |
| East Airport/Central Dade | 575,205 | 0 | 32,289 | 5.6% | 0 | 1,687 | 0 | 0 | \$29.09 | \$0.00 |
| Miami Beach | 1,910,316 | 7,285 | 107,974 | 6.0% | 42,759 | -35,721 | 67,210 | 0 | \$45.72 | \$53.76 |
| Suburban | 32,109,452 | 161,883 | 3,250,531 | 10.6% | 83,832 | -91,651 | 1,398,643 | 1,610,023 | \$36.15 | \$40.17 |
| MIAMI TOTALS | 45,877,875 | 220,462 | 5,690,928 | 12.9% | 1,228 | -205,896 | 2,207,436 | 2,162,324 | \$40.15 | \$45.96 |

*Rental rates reflect gross asking \$psf/year. **Leasing activity includes only new and expansion leases and does not include Renewals.

| | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | YTD CNSTR COMPLETIONS (SF) | DIRECT AVERAGE ASKING RENT* |
|---------|----------------|--------------------|--------------------|----------------------|---|---------------------------------|---------------------------|------------------|----------------------------|-----------------------------|
| Class A | 21,192,443 | 127,943 | 3,035,657 | 14.9% | 27,934 | -49,720 | 1,390,856 | 1,767,986 | 204,193 | \$46.47 |
| Class B | 16,493,061 | 77,872 | 1,819,370 | 11.5% | -24,301 | -124,497 | 656,952 | 394,338 | 20,000 | \$36.26 |
| Class C | 8,192,371 | 14,647 | 835,901 | 10.4% | -2,405 | -31,679 | 159,628 | 0 | 0 | \$31.55 |

Key Lease Transactions Q3 2019

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|---------------------------------|---------|--------------------|------------------|--------------|
| 5505 Blue Lagoon Drive | 156,000 | Lennar Corp | New | Airport West |
| 3011 Ponce De Leon Boulevard | 63,009 | BAC Florida Bank | New | Coral Gables |
| 200 S Biscayne Boulevard | 48,000 | Rialto Management | New | Downtown |
| 8400 NW 36 th Street | 40,000 | Infinity Insurance | New | Airport West |

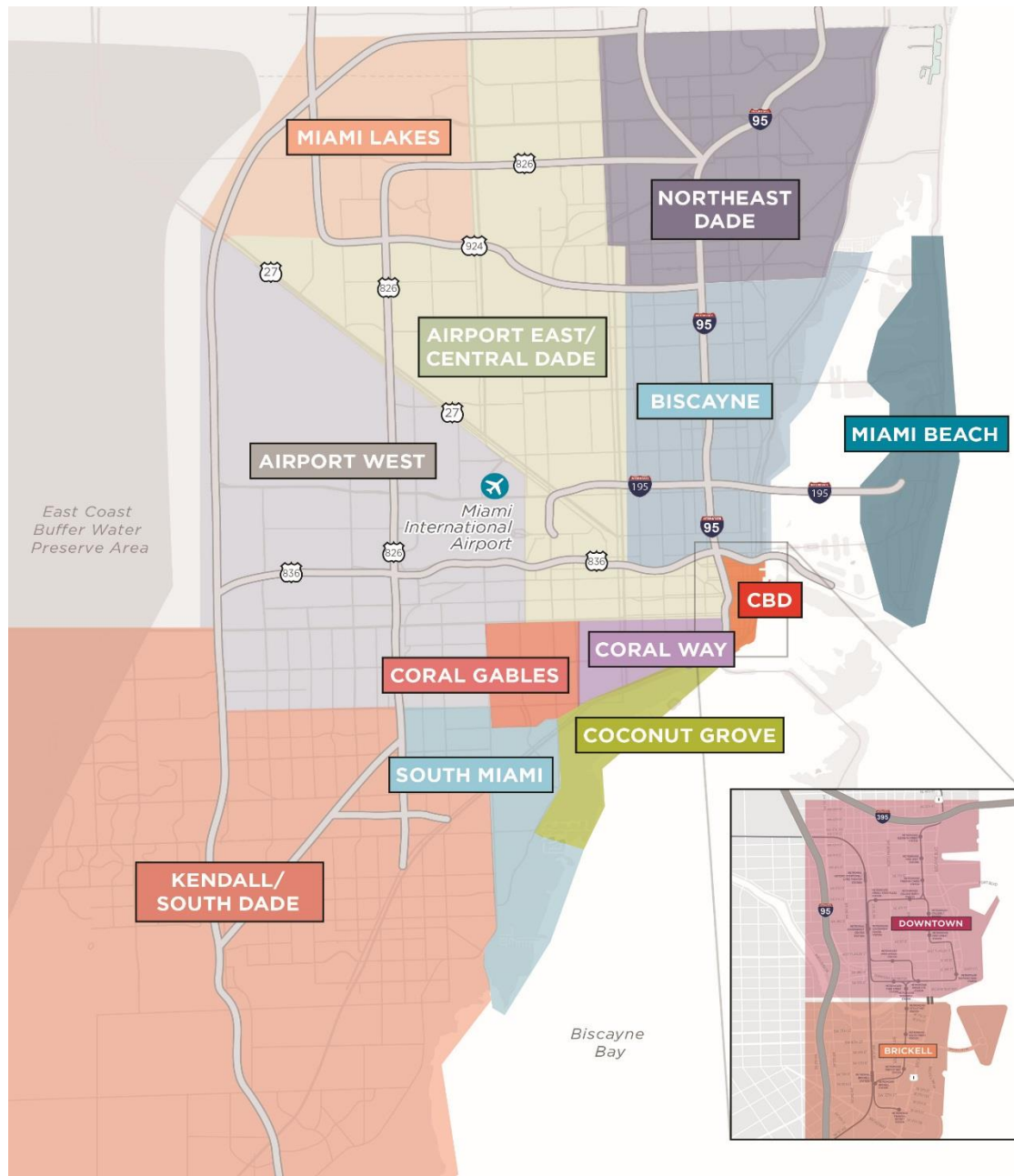
Key Sales Transactions Q3 2019

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|---------------------------------|---------|---------------------------------------|---------------------|-----------------|
| 1001 Brickell Bay Drive | 280,500 | AFA Asset Services/Aimco | \$149,000,000/\$532 | Brickell Avenue |
| 800 Brickell Avenue | 209,122 | RAR2 800 Brickell/Naba Realty | \$126,000,000/\$600 | Brickell Avenue |
| 160 NW 176 th Street | 40,434 | Kennedy Office Center/Beki Tokatillar | \$6,500,000/\$161 | Northeast Dade |
| 1674 Meridian Avenue | 31,270 | Ivy Realty/Integra Investments | \$10,000,000/\$323 | Miami Beach |

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Cushman & Wakefield of Florida, LLC
333 SE 2nd Avenue
Miami, FL 33131
cushmanwakefield.com

For more information, contact:
Shanna Naseery
Research Analyst
Tel: +1 305 533 2845
shanna.naseery@cushwake.com

Chris Owen
Director, Florida Research
Tel: +1 407 541 4417
chris.owen@cushwake.com

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