

MIAMI-DADE OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Miami-Dade Employment	1.18M	1.21M	▲
Miami-Dade Unemployment	4.7%	3.8%	▼
U.S. Unemployment	4.1%	3.7%	▼

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

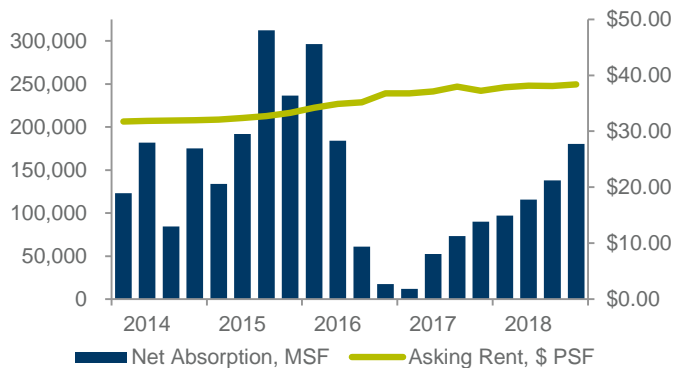
Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	12.1%	13.8%	▲
YTD Net Absorption (sf)	588k	798k	▲
Under Construction (sf)	812k	1.5M	▼
Average Asking Rent*	\$38.16	\$38.69	▲

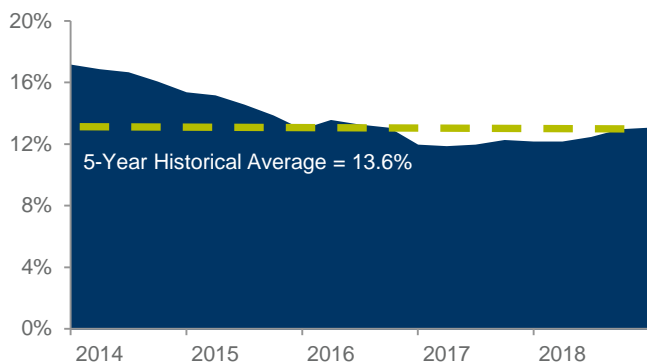
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Miami-Dade office market ended 2018 on a stable note with incremental growth year-over-year (YOY). The market finished with an unemployment rate of 3.8% down 90 basis points (bps) YOY with the addition of 24,200 jobs, a 2.0% increase over the year. New positions in the Health and Hospitality sectors drove job gains over the year.

Market Overview

Due to 547,000 square feet (sf) of new Class A construction, the overall vacancy rate for office space rose by +140 bps YOY to 13.8%. In Airport West, Burger King vacated 222,760 sf to downsize into their recently completed 150,000 sf built-to-suit in Blue Lagoon. Downtown's vacancy went up +97 bps YOY to 23.7%, as newly delivered Two MiamiCentral slowly gained occupancy. Brickell Avenue also saw an increase in vacancy to 12.0%, up +212 bps in 12-months, as tenants looked for lower cost space options outside of the central business district (CBD).

Overall rental rates increased in 2018 by +\$0.53 per square foot (psf), or 1.4% to \$38.69 psf full service. There was significant growth in Class B and C rental rates, up 0.7% and 4.1%, respectively. Class A product decreased in price by -\$1.11, or -2.5%, to \$43.69 psf YOY as the abundance of new Class A inventory in suburban submarkets caused several existing landlords to lower or maintain asking rates to remain competitive. The Biscayne submarket had the highest percentage in rent growth in 2018, up 22.0% this year to \$40.93 psf due to new office construction in Wynwood. In the CBD, combined Class A overall rents increased by +\$0.64 in 2018, or +1.2% to \$51.14 psf full service.

Even with the addition of vacant space from new construction negatively impacting the vacancy rate, overall absorption ended the year up by 35.8% YOY, for positive +795,000 sf. This outpaced last year by an additional 200,000 sf in occupancy gains. Leasing activity was steady throughout 2018, with a total of 2.5 million square feet (msf), down slightly from last year by -13.6%. Suburban submarkets outperformed the CBD, with 73.1% of the total leasing activity for the year, in part due to new supply options becoming available, as well as the shift in demand for lower priced suburban space.

Speculative completions in 2018 totaled over 425,000 sf with 62.3% preleased. New projects with significant preleasing included Canal Park Office at 100.0%, Giralda Place with 52.5%, and The Wynwood Garage at 48.7%. There was an additional 1.5 msf under construction with many new projects recently breaking ground in the last half of the year. Notable projects included the 300,000 sf The Plaza in Coral Gables, and the 95,000 sf Mary Street in Coconut Grove. The large number of tenants touring several submarkets raised expectations that space will be taken closer to the anticipated completion dates. In the pipeline, an additional 216,000 sf was proposed to start construction in 2019.

Overall absorption in Miami-Dade ended the year up by 35.8% year-over-year, for positive +795,000 sf.

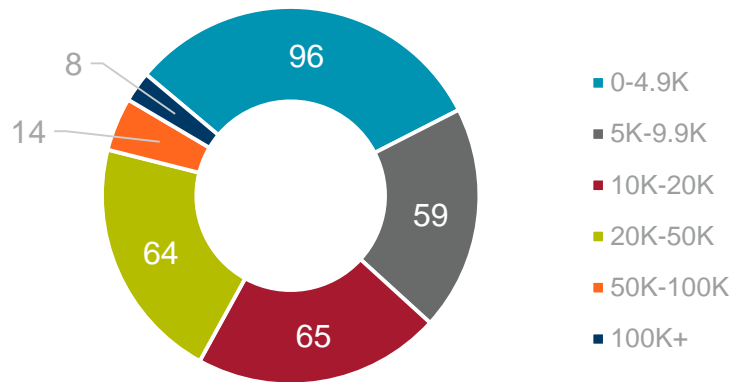
The bulk of sales activity in 2018 occurred in the second and third quarter, and then slowed down significantly in the fourth quarter. Total sales for the year added up to 3.3 msf, slightly down YOY by -2.6%. Submarkets with the highest amount of sale activity in 2018 were Brickell Avenue, Downtown and Airport West, which accounted for 72.5% of all sales for the year.

Cushman & Wakefield anticipates asking rents to stabilize in 2019 as higher priced new construction deliveries compete with aggressive pricing by existing landlords. Vacancy will be more challenging in the CBD, while the suburbs attracts more leasing activity.

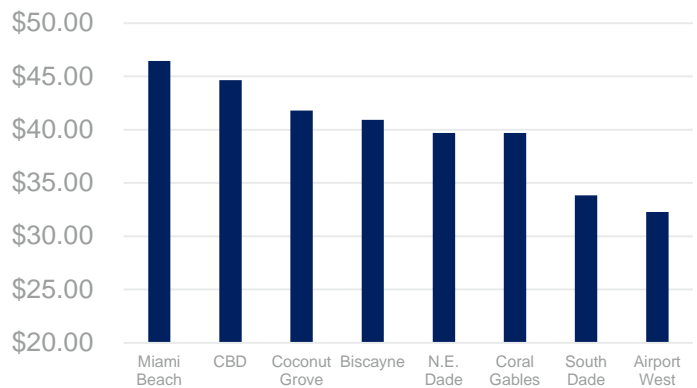
Market Highlights

- The office market ended 2018 with fluctuating rents and vacancies based on new construction.
- The trend of tenants looking for space in the suburbs will continue.
- Leasing activity and absorption should stay on the upward trend in 2019 as the influx of tenants touring the market remains consistent.

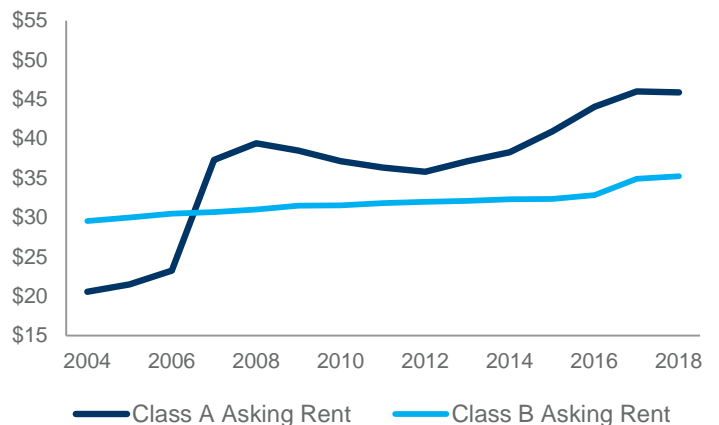
Availability by Size Segment
OVERALL VACANCIES IN ONE SUITE



Full Service Asking Rents By Submarket



CLASS A & B Asking Rent Trend



MARKETBEAT
Miami-Dade
Office Q4 2018



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	6,580,226	105,102	682,751	12.0%	13,838	137,145	441,563	0	\$46.29	\$53.35
Downtown	7,249,293	22,888	1,697,289	23.7%	-28,748	-20,984	242,033	0	\$43.41	\$50.37
CBD	13,829,519	127,990	2,380,040	18.1%	-14,910	116,161	683,596	0	\$44.31	\$51.14
Coral Gables	6,510,395	42,222	666,384	10.9%	113,180	333,564	394,604	289,998	\$39.84	\$43.67
Airport West	11,441,497	161,699	1,347,557	13.2%	-2,115	130,188	554,822	0	\$31.69	\$32.64
Coral Way	686,423	0	40,959	6.0%	3,660	2,277	12,385	0	\$27.90	N/A
South Dade	3,616,453	4,654	429,004	12.0%	1,829	49,062	351,811	0	\$33.63	\$46.94
Northeast Dade	2,572,883	6,389	230,005	9.2%	10,456	31,049	118,779	139,222	\$39.74	\$49.98
Biscayne	2,271,908	0	394,275	17.4%	8,469	53,811	77,073	806,034	\$40.93	\$46.50
Miami Lakes	1,851,505	0	339,496	18.3%	-5,219	41,049	152,811	0	\$26.10	\$28.94
Coconut Grove	1,129,238	1,588	60,829	5.5%	4,101	45,581	113,293	225,055	\$40.72	\$40.00
S. Gables/ S. Miami	933,298	0	22,103	2.4%	-965	-14,460	10,140	20,000	\$33.84	N/A
East Airport/Central Dade	541,093	0	37,647	7.0%	0	1,051	16,956	0	\$26.50	N/A
Miami Beach	2,218,014	31,015	249,215	12.6%	-26,041	8,823	55,663	0	\$45.40	\$53.81
Suburban	33,772,707	247,567	3,817,474	12.0%	107,355	681,995	1,858,337	1,480,309	\$35.23	\$37.55
MIAMI TOTALS	47,602,226	375,557	6,197,514	13.8%	92,445	798,156	2,541,933	1,480,309	\$38.69	\$43.96

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

	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	21,512,877	257,874	3,002,583	15.2%	22,648	313,940	1,168,175	1,069,761	547,300	\$44.79
Class B	17,447,801	92,597	2,206,642	13.2%	113,566	349,332	1,049,753	410,548	68,885	\$35.26
Class C	8,641,548	25,086	988,288	11.7%	-43,769	134,884	324,005	0	0	\$29.86

Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
9400 South Dadeland Boulevard	102,000	AvMed	New	South Dade
3310 Mary Street	65,000	Kaufman Rossin	New	Coconut Grove
1441 Brickell Ave	47,145	HSBC Bank	New	Brickell Avenue
703 Waterford Way	26,000	International Air Transportation	New	Airport West

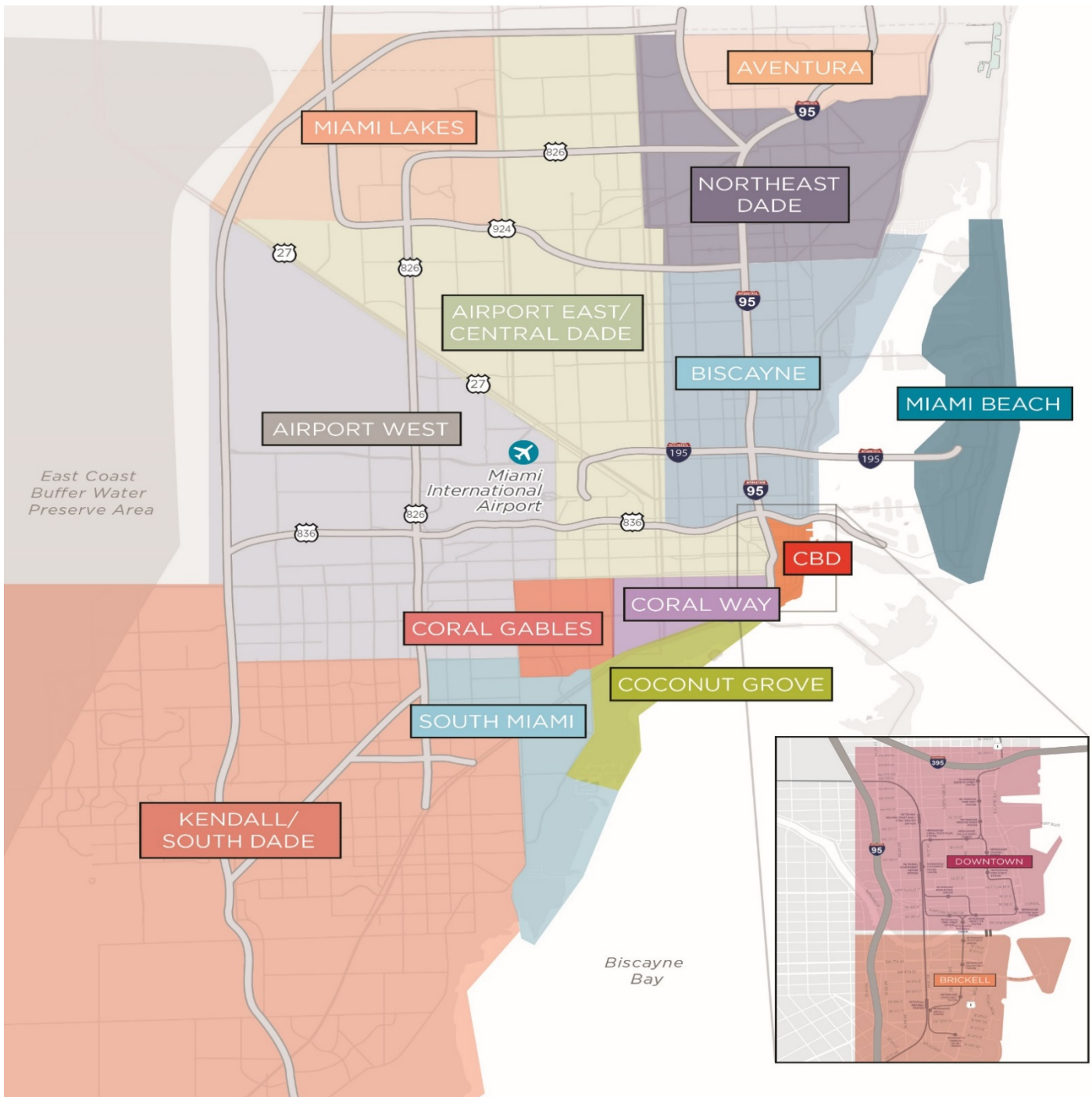
Key Sales Transactions 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1111 Brickell Avenue	522,892	Prudential/Parkway Properties	\$250,000,000/\$478	Brickell Avenue
80 SW 8 th Street	520,564	80 SW LLC/Madison-OFC LLC	\$117,250,000/\$225	Brickell Avenue
1 SE 3 rd Avenue	420,080	Crocker Partners/PCCP, LLC	\$127,000,000/\$302	Downtown
555 Washington Avenue	122,876	Green Oak Real Estate/KBS Realty	\$38,000,000/\$309	Miami Beach

MARKETBEAT

Miami-Dade

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