

# MIAMI OFFICE MARKET

## Q1 2023

### TRENDLINES

	Q1 2023	Q1 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	1.9	3.0	↓	4.5	↑
NET ABSORPTION (THOUSANDS SF)	296.0	279.7	↑	7.6	↔
OVERALL VACANCY RATE	15.3%	16.2%	↓	14.6%	↔
OVERALL VACANT SF (MSF)	7.6	7.9	↓	7.0	↔
UNDER CONSTRUCTION (MSF)	2.3	1.5	↑	1.9	↓
ASKING RENT, FULL SERVICE (PSF)	\$53.29	\$48.27	↑	\$43.18	↑
SALES VOLUME (MILLIONS)	\$358	\$281	↓	\$286.4	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

### OFFICE MARKET STAYS HOT

The Miami office market saw its eighth-consecutive quarter of positive absorption, continuing its growth in the office sector and largely bucking national office trends. The best-performing submarkets over this time have been Downtown, Brickell, Coral Gables, and Wynwood-Design District, as Miami has seen strong leasing and performance throughout the market. The direct vacancy rate fell 60 basis points in Q1 to 14.4%. The Class A direct vacancy rate saw a similar decrease, falling 70 basis points to 17.2%. Asking rents have been on the rise for the past two years, with Miami seeing a \$1.60 increase in Q1. The amount of space under construction has increased to 2.2MSF, with multiple projects breaking ground this quarter, signaling confidence from developers.

Miami has been one of the best-performing office markets in the United States over the past two years, and that momentum has carried over into 2023. One of the best signals for the Miami market is the lack of sublease space available, something that has plagued other areas of the country. Currently, just 1.5% of existing office inventory in Miami is available for sublease, solidly below the national average of 2.6%. Leasing momentum and positive absorption is expected to continue into 2023 as rental rates continue to rise.

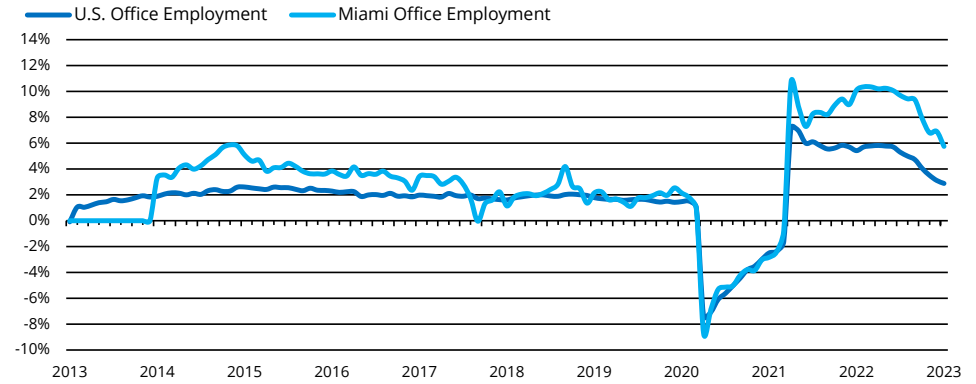


### ECONOMY

#### Miami's Job Growth Remains Strong

- Miami has added 58,000 total nonfarm jobs and 15,200 office-using jobs during the 12 months ending February 2023. Both the Miami and national office-using jobs year-over-year growth has been steadily declining for the past two years: Miami sits at 4.6% year-over-year office-using job growth compared to February of 2022, which had 10.4% growth for the year prior. The national data is similar, with 2.4% year-over-year growth as of February 2023, and 5.7% growth from the period prior. The good news for Miami is they are still adding office jobs at a higher rate than the national average.
- Miami's unemployment rate was 1.8% in March, well below the national rate of 3.5%.
- Jobs in Miami have increased by 7.9% since 2017, outpacing the national growth rate of 2.4% by 5.5%, per data from Lightcast. This growth has been the most prevalent in industries like Construction, Transportation and Warehousing, and Professional Services. Miami is projected to continue to add jobs at a 6% rate of increase over the next five years.
- The population of the Miami metro area has decreased by 0.7% since 2017. According to population forecasts from Lightcast, that slide is expected to continue, with Miami's population expected to decline by 2.6% by 2027.

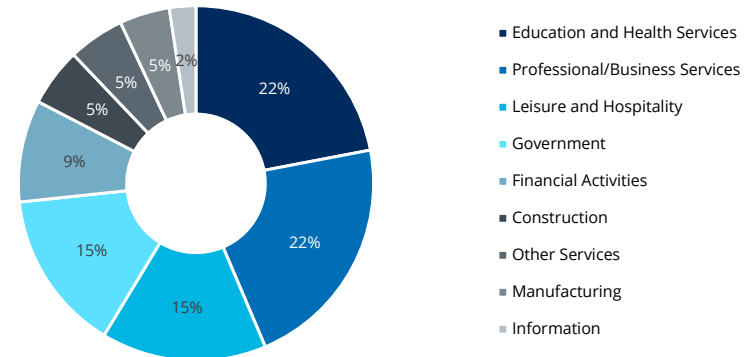
### Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

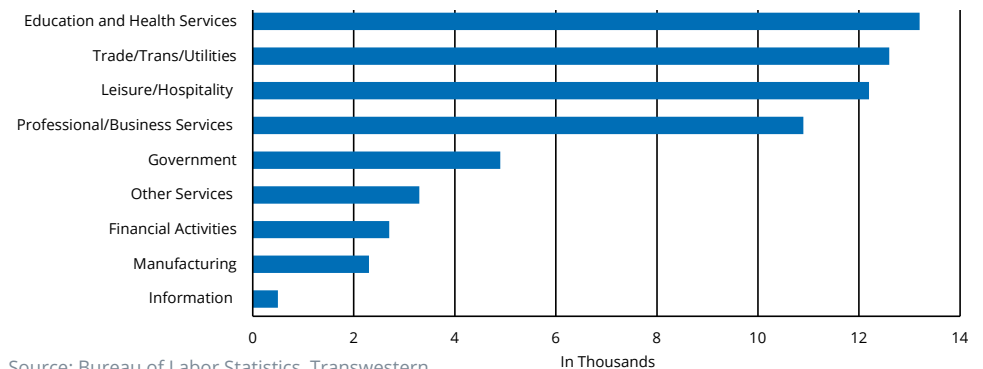
Miami | February 2023



Source: Bureau of Labor Statistics, Transwestern

### Y-O-Y CHANGE IN JOBS BY INDUSTRY

Miami | February 2023



Source: Bureau of Labor Statistics, Transwestern

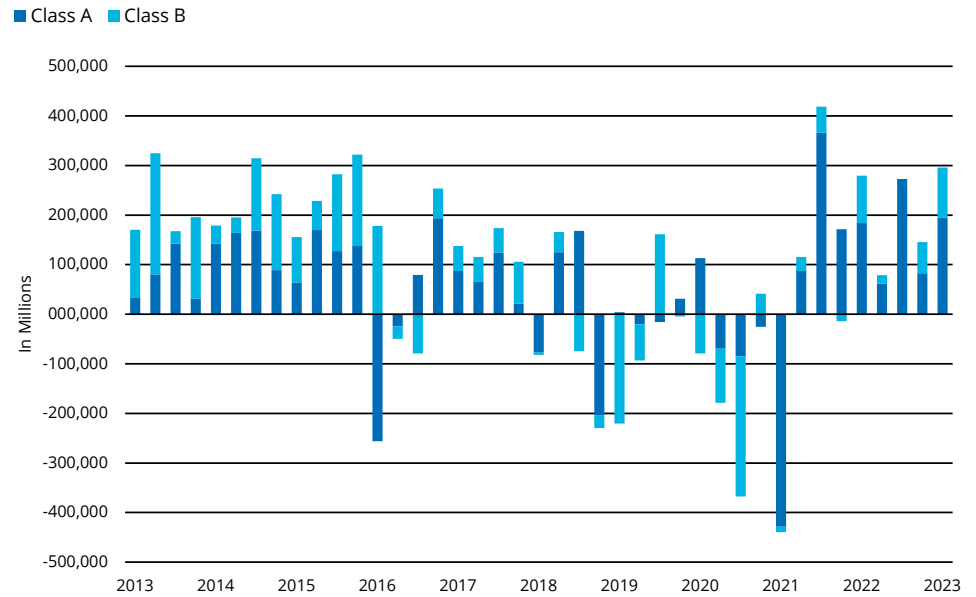


### NET ABSORPTION

#### Miami Posts Eighth-Consecutive Quarter with Positive Absorption

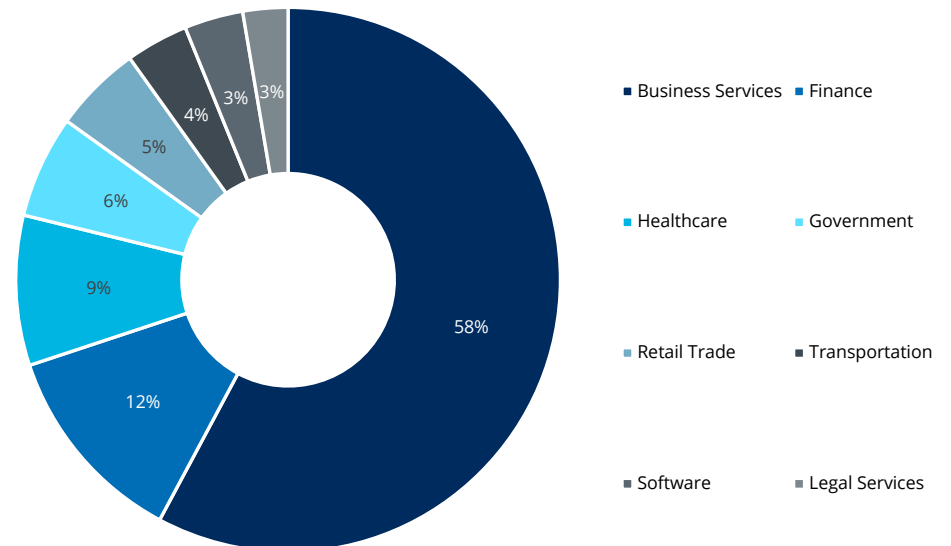
- Miami saw positive absorption of 295,953 SF in Q1 of 2023. This marks the eighth-consecutive positive quarter for the market, with Q1's gains the second-highest quarterly total during that period.
- Class A net absorption totaled 195,190 SF, while Class B saw positive absorption of 100,793 SF. The Class A gains were primarily in the Downtown, Coral Gables and Wynwood-Design District submarkets, which saw a combined positive Class A absorption of 240,132 SF.
- Most submarkets were relatively neutral in Q1, with Downtown, Miami Airport, Coral Gables, and Wynwood-Design District posting moderate absorption gains between 50,000 to 75,000 SF. In total, three submarkets suffered losses, while eight saw small to moderate gains.
- The absorption gains in Downtown Miami within Class A buildings were thanks primarily to move-ins at Wells Fargo Center. The 752,845 SF Class A tower saw 58,100 SF of positive net absorption in Q1, and has seen an increase in leasing activity with two big deals inked in Q1: Kaseya leasing 100,161 SF and Innovation Refunds taking 25,717 SF.
- The Coral Gables submarket saw positive absorption of 55,548 SF, its sixth-consecutive positive absorption quarter. The submarket's vacancy rate has dropped 250 basis points from 16.5% to 14.0% in that time period.

### NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

### SHARE OF LEASING ACTIVITY BY INDUSTRY Q1 2023



Source: CoStar, Transwestern

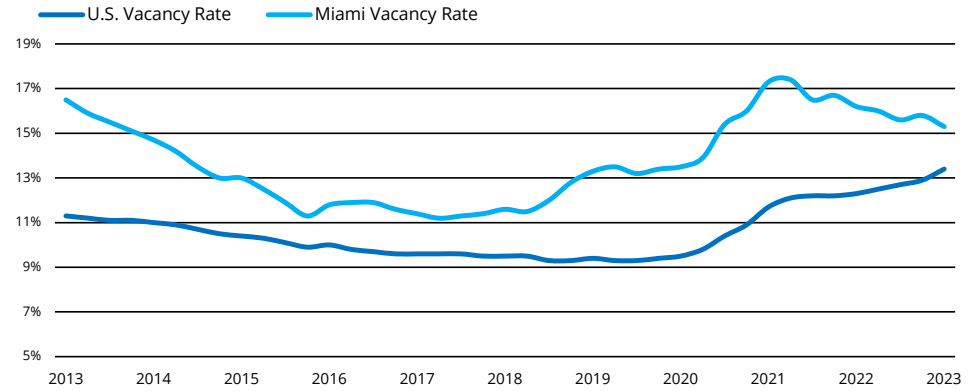


### VACANCY

#### Vacancy On the Decline

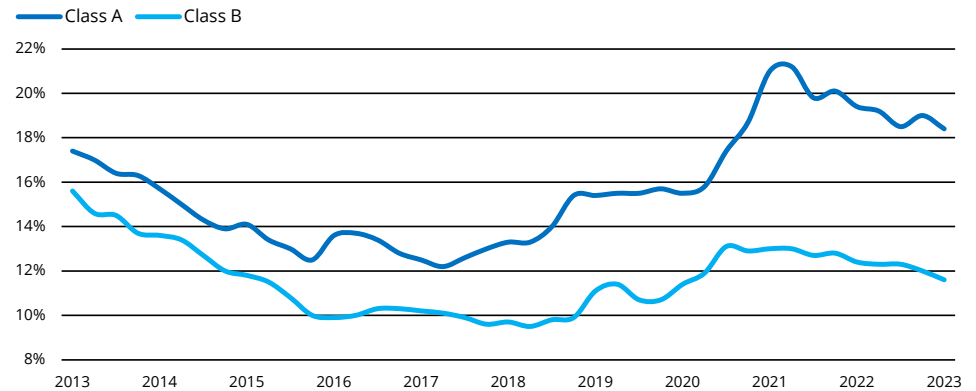
- Miami's total vacancy rate fell 50 basis points in Q1 to 15.3%, the lowest figure the market has seen since Q2 of 2020. Class A vacancy fell 60 basis points from 19.0% to 18.4%, while the Class B vacancy rate fell 40 basis points, dropping to 11.6%.
- The Wynwood-Design District submarket has the highest vacancy rate in the market, sitting at 28.2%. This figure is down from a peak of 40.5% in Q4 of 2021 and continuing to fall: the submarket's vacancy rate dropped 230 basis points in Q1 from 30.5%. Wynwood-Design District saw an increase in development of spec office product starting in 2018, causing the inventory to more than double, resulting in high vacancy as the new builds lease up.
- Miami boasts a very low sublease vacancy rate, with just 0.9% of all inventory vacant and listed for sublease. This lack of sublease space has kept vacancy from rising, something many other U.S. markets are struggling with in 2023.

### OVERALL VACANCY RATE



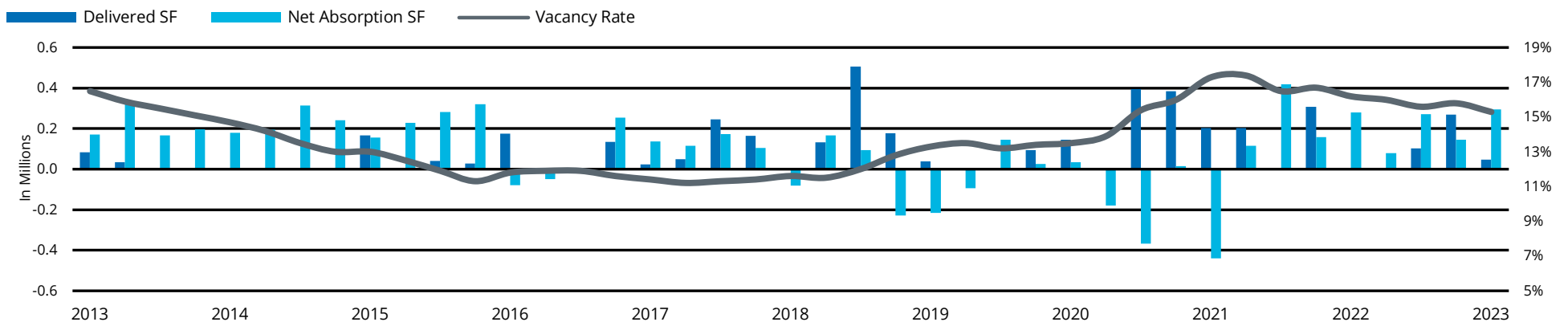
Source: CoStar, Transwestern

### OVERALL MIAMI VACANCY RATE BY CLASS



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

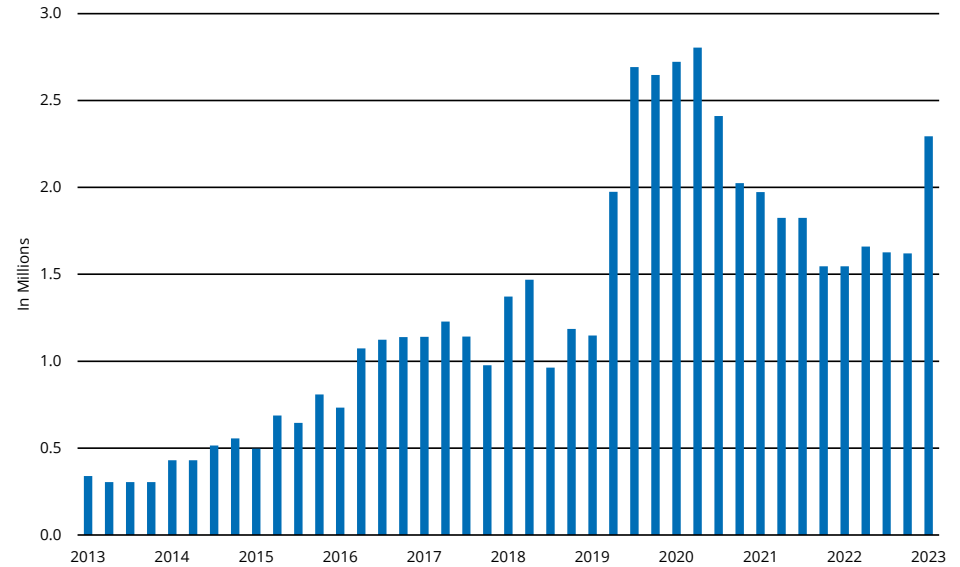


### CONSTRUCTION

#### Construction Sees Q1 Groundbreakings, Strong Pre-Leasing

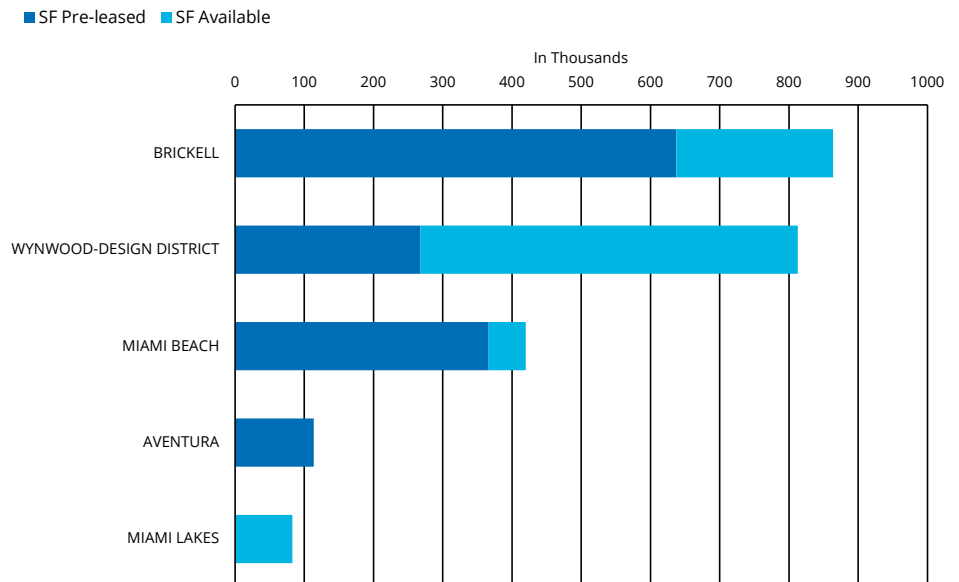
- There is currently 2.2 MSF under construction in the Miami office market, the highest total since Q3 of 2020.
- Two buildings broke ground in Q1, Wynwood Plaza and WNWD21, both in the Wynwood-Design District submarket. Wynwood Plaza is a 266,000 SF, 12-story development by L&L Holding Company, while WNWD21 is a 213,469 SF, 12-story building from Related Group.
- The lone Q1 2023 delivery was WYND 28, a 46,678 SF building located at 127 NW 27th St in the Wynwood-Design District submarket. The new build from developer Block Capital Group features creative office space with modern amenities such as a rooftop terrace and plenty of ground-level retail.
- The majority of office space under construction in Miami is in the Brickell and Wynwood-Design District submarkets. The two submarkets combine for 72% of all space under construction in the Miami market, with 864,300 SF and 812,688 SF underway respectively.
- Approximately 60.4% of current under construction space in Miami is pre-leased.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

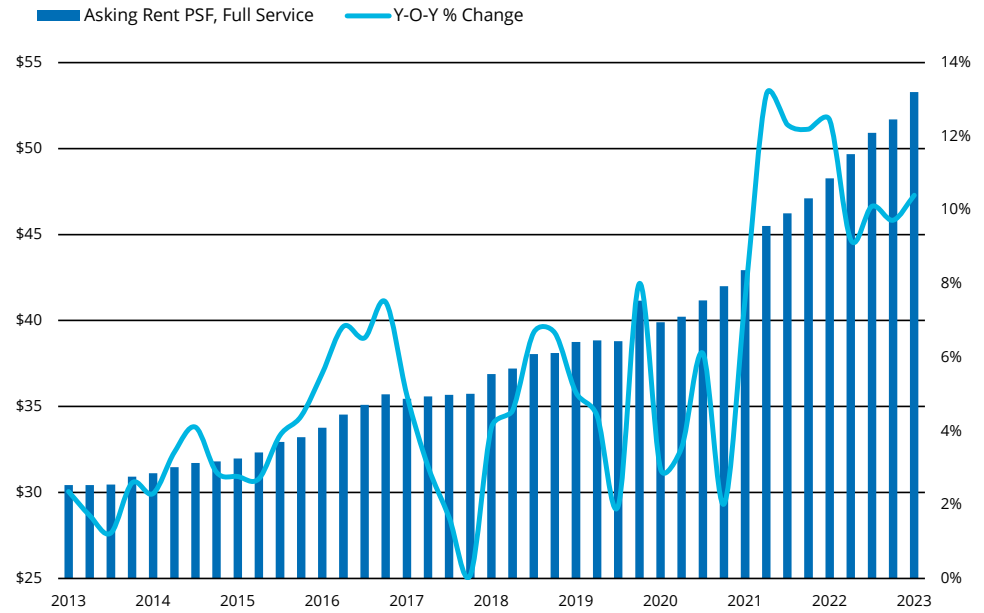


### RENTAL RATES

#### Asking Rents Continue to Rise

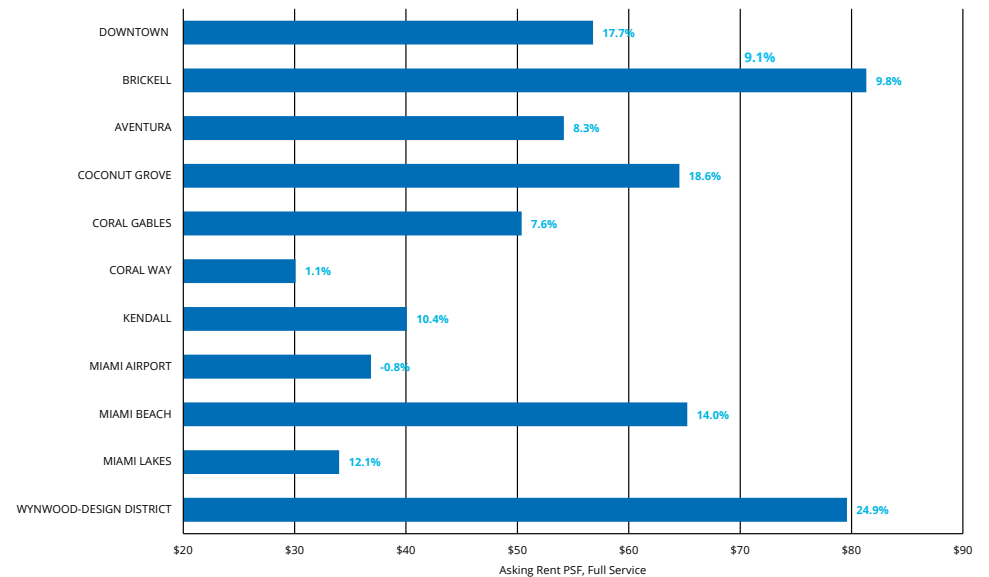
- Miami’s asking rent rose \$1.60 during the first quarter of 2023 to an average of \$53.29 PSF and is up 10.4% year-over-year. Rents rose on a year-over-year basis in every Miami submarket except for Miami Airport, where they have fallen 0.8% since Q1 2022.
- The strongest growth over the past year has been in the Wynwood-Design District and Downtown submarkets, rising 24.9% and 17.7% respectively. The Wynwood-Design District submarket also boasts the highest overall rates in the market, with the average Class A asking rate checking in at \$80.09 PSF, \$20.60 higher than the average Class A market rate of \$59.49 PSF.
- Class A asking rents have risen 12.7% year-over-year, and saw a \$1.56 rise in Q1, while Class B finished at \$40.29 PSF and are up 5.9% in the past year.
- Rate growth has accelerated in Miami since the start of 2021, with an average of 11.2% year-over-year growth in that time. As vacancy continues to fall, rents are anticipated to continue to rise on their current trajectory.

### ASKING RENT



Source: CoStar, Transwestern

### ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

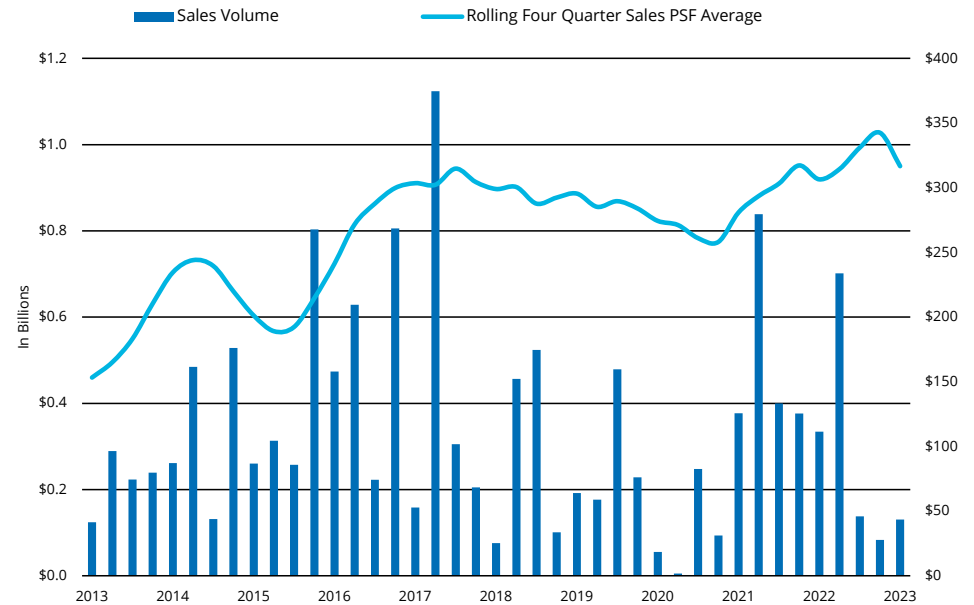


### SALES

#### Investment Sales Sees Little Activity

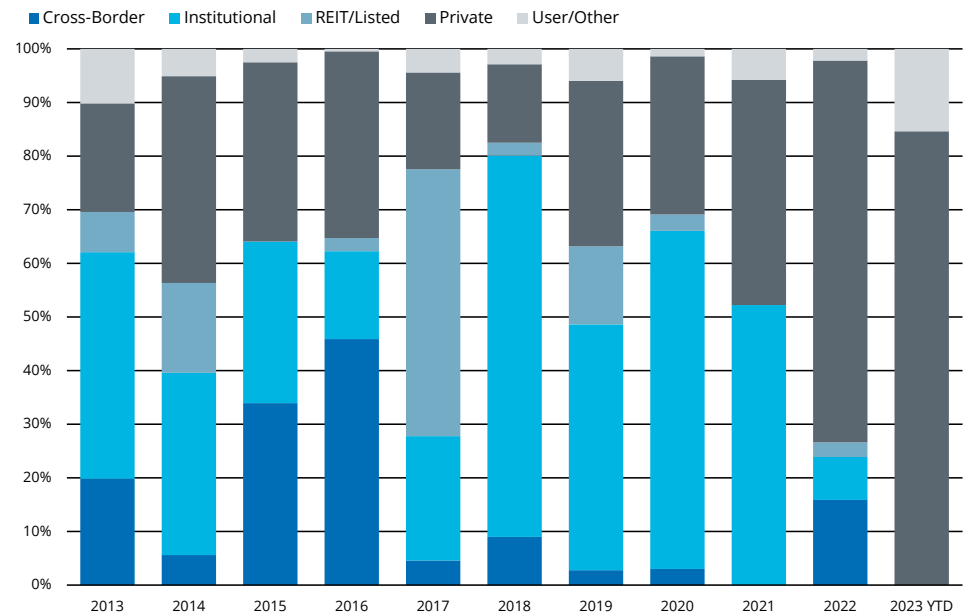
- Miami has seen a dip in investment sales volume for the past three quarters, with just \$130M transacting in Q1 of 2023. This is significantly lower than the quarterly figures the market posted from Q1 of 2021 through Q2 of 2022, a period where the average quarterly sales volume was \$504M. Miami’s rolling four-quarter volume is still north of \$1 billion, but most of that number is thanks to over \$700M in sales during Q2 of 2022.
- The Miami investment sales market is seeing a reflection of deal volume slowing across the country. Continuous rate hikes from the Federal Reserve, owners that are unwilling to compromise on pricing, uncertainty in the debt markets, and overall hesitancy regarding potential economic headwinds are a few of the factors weighing on the market right now.
- The most notable sale from Q1 in Miami was at 11690 NW 105th St in the Miami Airport submarket. Ryder System sold their 248,949 SF headquarters building to Bridge Industrial for \$42,100,000. Bridge acquired the building for the land value and aims to build an industrial warehouse on the site. They have leased the building back to Ryder on a short-term basis while they search for new office space.
- Buyer capital for 2022 was primarily private and cross-border, with 87% of capital falling into those two categories. REITs had little presence, with just 2.7% of buyer capital. Q1 2023 saw private and user capital active in the market.

### SALES VOLUME



Source: Real Capital Analytics, Transwestern

### BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



**NOTABLE LEASES**

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
<b>KASEYA</b>	Wells Fargo Center	Downtown	New Lease	100,161
<b>SIMPLY HEALTHCARE</b>	The Current	Miami Airport	Renewal	54,755
<b>INNOVATION REFUNDS</b>	Wells Fargo Center	Downtown	New Lease	25,717
<b>CLAURE GROUP</b>	Wynwood Plaza	Wynwood-Design District	New Lease	25,400
<b>HNTB</b>	5200 Waterford	Miami Airport	New Lease	25,000
<b>CLARK SILVERGATE</b>	5301 Waterford	Miami Airport	New Lease	23,790

**NOTABLE SALES**

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
<b>CUBE WYNWD</b>	Wynwood-Design District	\$62,000,000	108,952	\$569	Brick & Timber Collective	LNDMRK Development
<b>11690 NW 105TH ST</b>	Miami Airport	\$42,100,000	248,989	\$169	Bridge Industrial	Ryder System
<b>7900 NW 154TH ST</b>	Miami Lakes	\$21,000,000	77,713	\$270	The Ward Law Group	The Kislak Organization
<b>5835 BLUE LAGOON DR</b>	Miami Airport	\$16,900,000	57,565	\$293	Maria Don	Douglas Davis



**MARKET INDICATORS**

All Space | First Quarter 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-T-D NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
<b>DOWNTOWN</b>	8,871,708	1,725,135	19.4%	73,320	20.3%	0	72,323	219,319	\$56.79
<b>BRICKELL</b>	6,622,364	726,717	11.0%	39,200	11.6%	864,300	(12,506)	22,371	\$81.33
<b>AVENTURA</b>	1,431,973	74,344	5.2%	8,801	5.8%	113,650	5,580	12,632	\$54.17
<b>COCONUT GROVE</b>	1,780,351	154,912	8.7%	3,510	8.9%	0	22,447	10,634	\$64.54
<b>CORAL GABLES</b>	6,955,313	927,464	13.3%	47,231	14.0%	0	55,548	242,962	\$50.38
<b>CORAL WAY</b>	792,994	62,656	7.9%	3,121	8.3%	0	(9,179)	(11,389)	\$30.08
<b>KENDALL</b>	4,723,291	453,280	9.6%	36,366	10.4%	0	(8,391)	(147,408)	\$40.08
<b>MIAMI AIRPORT</b>	11,710,765	2,121,334	18.1%	113,900	19.1%	0	64,077	84,576	\$36.86
<b>MIAMI BEACH</b>	2,658,850	235,618	8.9%	50,366	10.8%	420,000	5,394	68,755	\$65.26
<b>MIAMI LAKES</b>	2,308,711	241,630	10.5%	11,479	11.0%	82,903	30,765	42,101	\$33.99
<b>WYNWOOD-DESIGN DISTRICT</b>	1,592,613	413,078	25.9%	35,689	28.2%	812,688	69,895	261,125	\$79.59
<b>TOTAL</b>	<b>49,448,933</b>	<b>7,136,168</b>	<b>14.4%</b>	<b>422,983</b>	<b>15.3%</b>	<b>2,293,541</b>	<b>295,953</b>	<b>805,678</b>	<b>\$53.29</b>



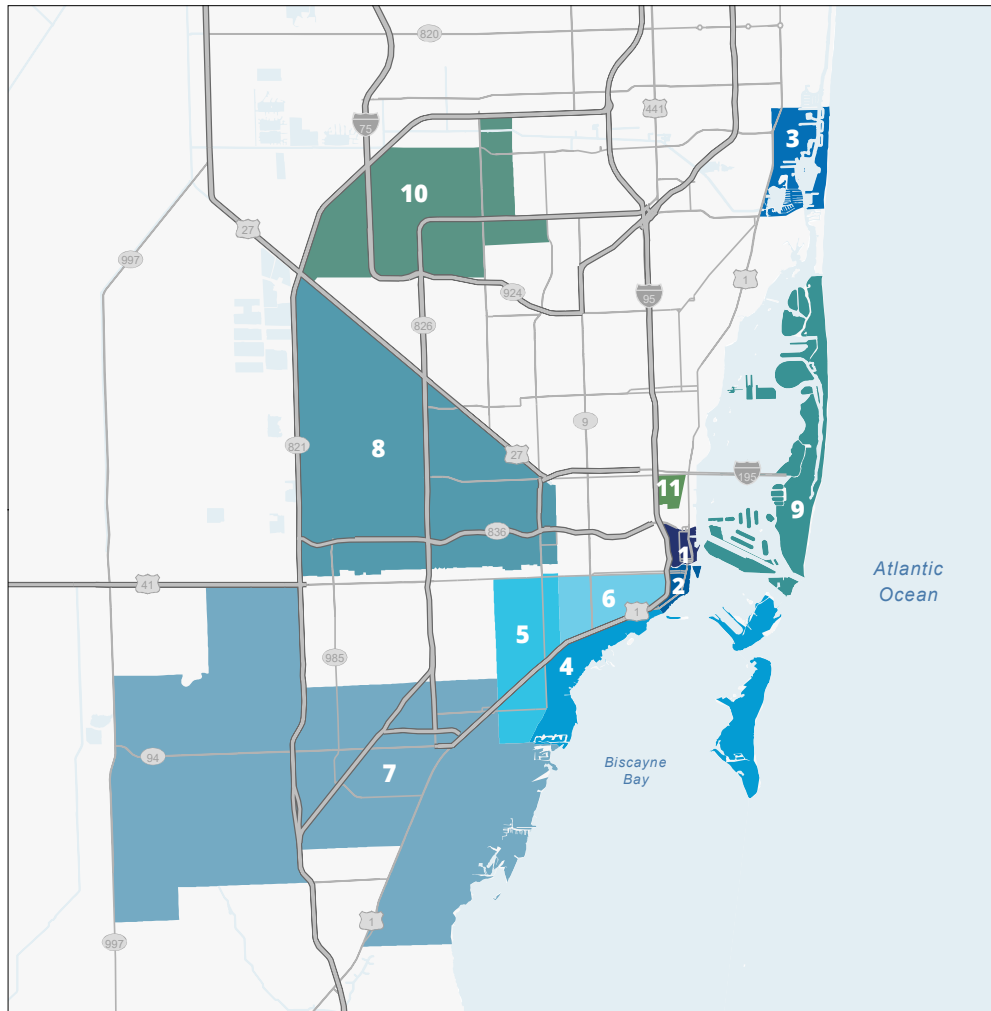
**MARKET INDICATORS**

Class A | First Quarter 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-T-D NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
DOWNTOWN	5,488,786	1,051,003	19.1%	58,326	20.2%	0	102,800	235,671	\$64.12
BRICKELL	4,225,163	599,193	14.2%	30,985	14.9%	864,300	(81,737)	(139,738)	\$88.23
AVENTURA	1,114,076	54,872	4.9%	4,517	5.3%	113,650	5,586	9,404	\$56.67
COCONUT GROVE	948,971	71,496	7.5%	3,510	7.9%	0	2,170	(31,207)	\$64.45
CORAL GABLES	4,917,320	732,593	14.9%	42,324	15.8%	0	66,510	189,429	\$52.97
CORAL WAY	96,000	0	0.0%	0	0.0%	0	4,727	4,727	\$45.44
KENDALL	1,613,411	199,719	12.4%	36,366	14.6%	0	(11,134)	(46,168)	\$43.09
MIAMI AIRPORT	6,333,568	1,400,350	22.1%	65,340	23.1%	0	33,908	55,701	\$39.04
MIAMI BEACH	584,288	53,951	9.2%	50,366	17.9%	420,000	(1,784)	6,990	\$78.23
MIAMI LAKES	635,050	101,445	16.0%	5,439	16.8%	82,903	3,322	61,288	\$34.51
WYNWOOD-DESIGN DISTRICT	1,073,079	371,690	34.6%	35,689	38.0%	749,688	70,822	279,659	\$80.09
<b>TOTAL</b>	<b>27,029,712</b>	<b>4,636,312</b>	<b>17.2%</b>	<b>332,862</b>	<b>18.4%</b>	<b>2,230,541</b>	<b>195,190</b>	<b>625,756</b>	<b>\$59.49</b>

Class B | First Quarter 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-T-D NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
DOWNTOWN	3,382,922	674,132	19.9%	14,994	20.4%	0	(30,477)	(16,352)	\$36.52
BRICKELL	2,397,201	127,524	5.3%	8,215	5.7%	0	69,231	162,109	\$57.02
AVENTURA	317,897	19,472	6.1%	4,284	7.5%	0	(6)	3,228	\$46.97
COCONUT GROVE	831,380	83,416	10.0%	0	10.0%	0	20,277	41,841	\$64.61
CORAL GABLES	2,037,993	194,871	9.6%	4,907	9.8%	0	(10,962)	53,533	\$40.97
CORAL WAY	696,994	62,656	9.0%	3,121	9.4%	0	(13,906)	(16,116)	\$29.18
KENDALL	3,109,880	253,561	8.2%	0	8.2%	0	2,743	(101,240)	\$37.63
MIAMI AIRPORT	5,377,197	720,984	13.4%	48,560	14.3%	0	30,169	28,875	\$33.48
MIAMI BEACH	2,074,562	181,667	8.8%	0	8.8%	0	7,178	61,765	\$63.24
MIAMI LAKES	1,673,661	140,185	8.4%	6,040	8.7%	0	27,443	(19,187)	\$33.63
WYNWOOD-DESIGN DISTRICT	519,534	41,388	8.0%	0	8.0%	63,000	(927)	(18,534)	\$69.87
<b>TOTAL</b>	<b>22,419,221</b>	<b>2,499,856</b>	<b>11.2%</b>	<b>90,121</b>	<b>11.6%</b>	<b>63,000</b>	<b>100,763</b>	<b>179,922</b>	<b>\$40.29</b>



### Miami Office Submarkets

- 1 Downtown Miami
- 2 Brickell
- 3 Aventura
- 4 Coconut Grove
- 5 Coral Gables
- 6 Coral Way
- 7 Kendall
- 8 Miami Airport
- 9 Miami Beach
- 10 Miami Lakes
- 11 Wynwood - Design District

### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on key for lease office properties located in the Atlanta metropolitan area. We compile our quarterly statistics based on a defined inventory of Class A and B office buildings of 20,000 SF or more in size and excluding all medical, government, owner-occupied and office condo buildings.

### FOR MORE INFORMATION

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