TRANSWESTERN

MIAMI OFFICE MARKET

Q2 2023

TRENDLINES

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	1.9	2.7	↓	4.4	↑
NET ABSORPTION (THOUSANDS SF)	(50.7)	(8.4)	↓	11.2	↔
OVERALL VACANCY RATE	15.5%	15.8%	↓	14.6%	↔
OVERALL VACANT SF (MSF)	7.8	7.8	↔	7.1	↔
UNDER CONSTRUCTION (MSF)	2.6	2.0	↑	2.2	↓
ASKING RENT, FULL SERVICE (PSF)	$53.73	$49.85	↑	$44.35	↑
SALES VOLUME (MILLIONS)	$76	$705	↓	$286.5	↑

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

POSITIVE OUTLOOK DESPITE SMALL STEP BACK IN Q2

The Miami office market ended a streak of eight-consecutive positive absorption quarters in Q2, taking a step back and posting negative absorption of 50,679. This is a relatively small loss as Miami continues to see strong momentum in its office sector, largely bucking national leasing trends. The market's overall vacancy rate rose 10 basis points in Q2 to 15.5%. The Class A rate saw a 10 basis point rise as well to 18.2%. Asking rents have seen massive growth for the past two years, with a $0.27 rise in Q2 to $53.73. Thanks to two groundbreakings, the amount of space under construction in Miami has increased to over 2.6MSF, the largest total since Q2 of 2020.

Miami has been one of the best-performing office markets in the United States over the past two years, and that momentum is expected to continue into the latter half of 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 1.7% of existing office inventory in Miami is available for sublease, solidly below the national average of 3%.

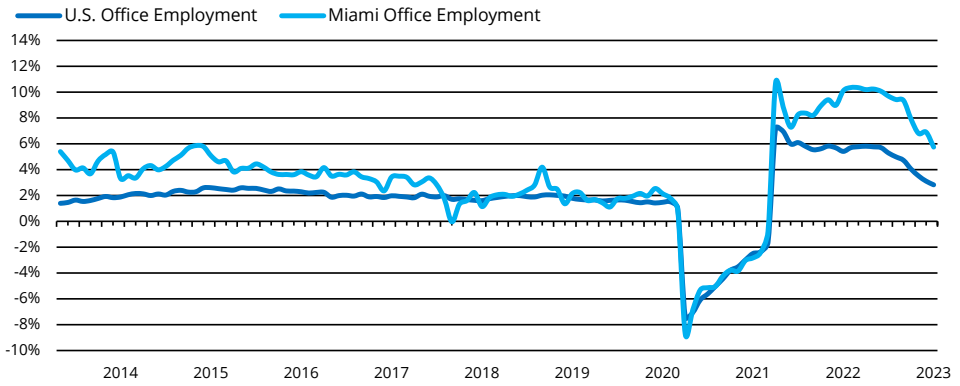
ECONOMY

Strong Job Growth, Low Unemployment for Miami

- Miami has added 51,200 total nonfarm jobs and 13,900 office-using jobs during the 12 months ending May 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 4.4% year-over-year office-using job growth compared to May of 2022, which had 10.3% growth for the year prior. The national data is similar, with 1.9% year-over-year growth as of May 2023, and 5.8% 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 2.2% in May, well below the national rate of 3.6%.
- Jobs in Miami have increased by 9.0% since 2017, outpacing the national growth rate of 3.4% by 5.6%. 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.

Population and Job Projections from Lightcast

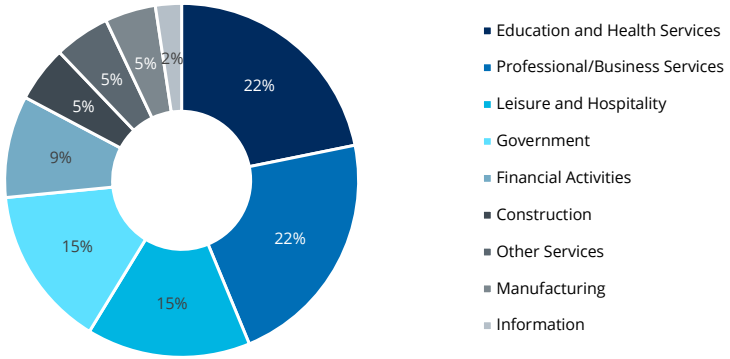
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

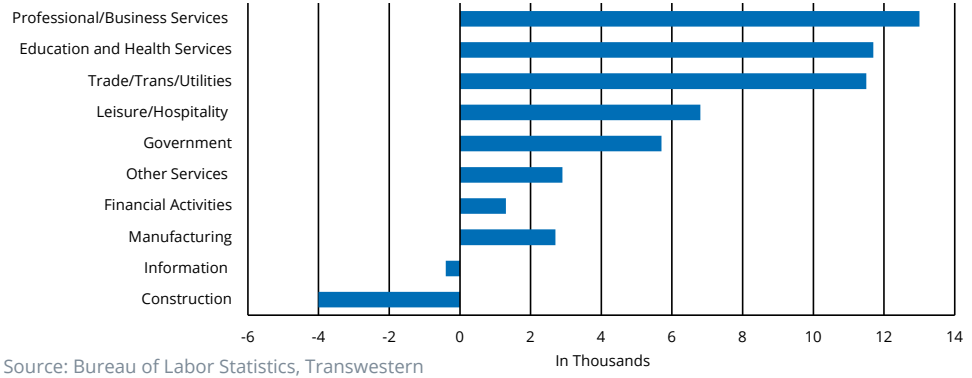
Miami | May 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Miami | May 2023



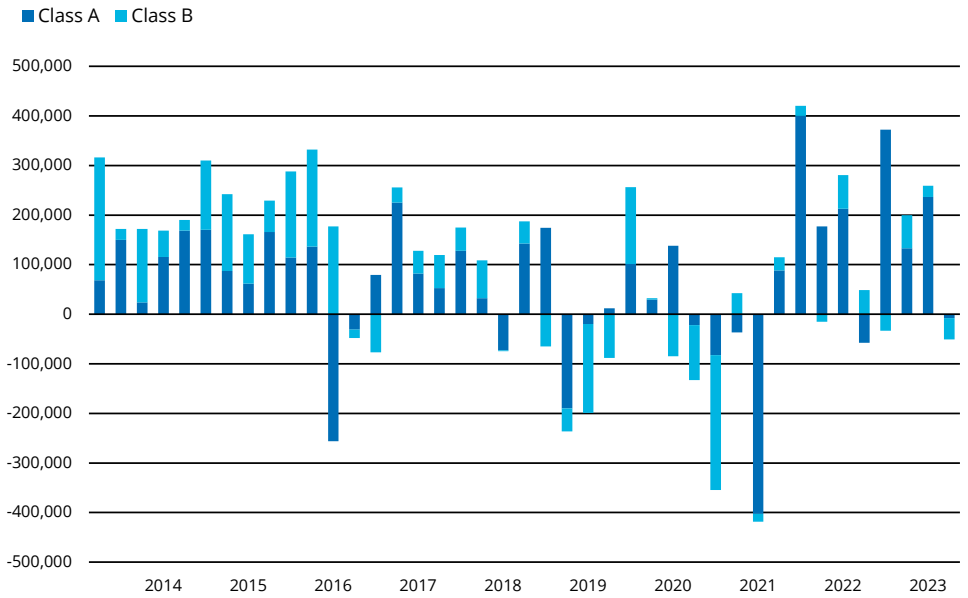
Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION

Small Step Back in Q2 for Miami, Still Positive Year-to-Date

- Miami saw negative absorption of 50,679 SF in Q2 of 2023, just the second negative quarter in the last two years. This marks the biggest loss for Miami since Q1 of 2021, which saw negative absorption of 418,000 SF. The Miami market is still positive on a year-to-date basis, with positive absorption of 208,252 SF thus far for 2023.
- Class A properties were slightly negative, losing 7,701 SF, while Class B lost 42,978 SF of space. The best performing Class A submarkets were Downtown, Aventura, and Wynwood-Design District, which saw a combined positive absorption of 104,104 SF.
- Five submarkets saw small to moderate gains, while six submarkets suffered losses in Q2. Miami Airport (-109,774 SF), Coral Gables (-35,368 SF), and Miami Lakes (-25,601 SF) accounted for the majority of lost space.
- The absorption losses in Miami Airport are most attributable to a series of mid-sized move-outs in Class A properties such as 10451 NW 117th Ave and 5200 Waterford. In total, Class A properties in Miami Airport saw negative absorption of 71,230 SF, the largest fall for the submarket since Q1 of 2021.
- The Wynwood-Design District submarket has gotten off to a strong start to 2023, experiencing positive absorption in Q1 and Q2 across both Class A and Class B properties. In Q2 The Gateway at Wynwood, a 220,900 SF Class A tower that delivered in 2021, saw Mindspace occupy 30,272 SF of space. Q1 saw Blockchain.com move into 21,952 at CUBE Wynwd, another Class A tower. Wynwood-Design District features newly-built Class A assets with smaller floorplates, which have been extremely successful in attracting new tenants, as the submarket has not seen a quarter with negative absorption since Q2 of 2020.

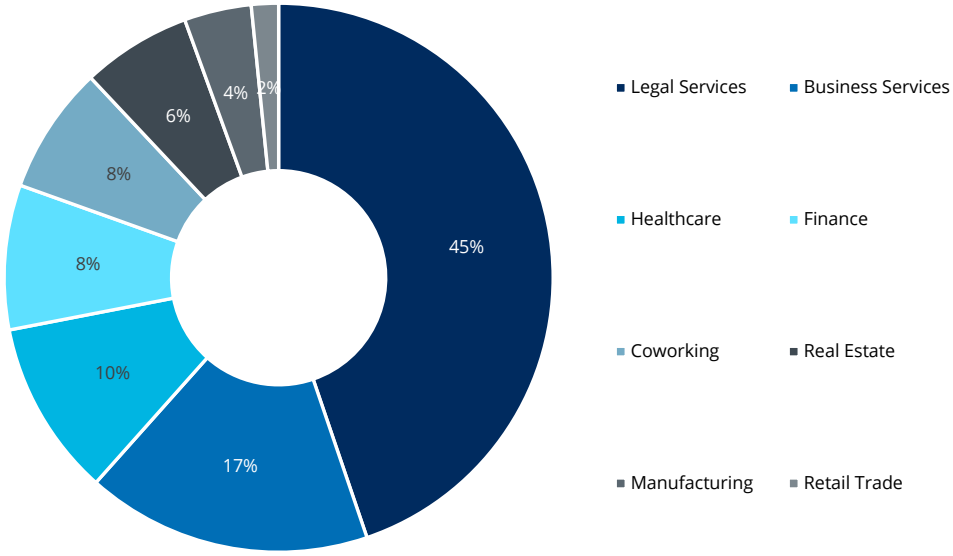
NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY

Q2 2023



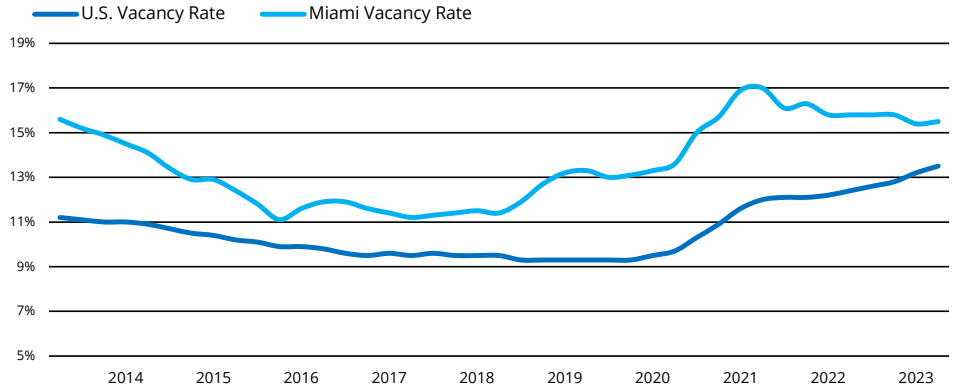
Source: CoStar, Transwestern

VACANCY

Future Outlook Strong Despite Small Q2 Rise

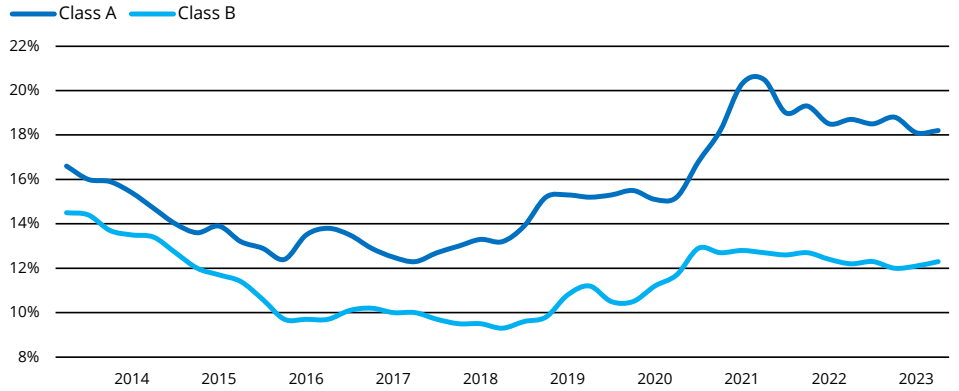
- Miami's total vacancy rate rose 10 basis points in Q2 to 15.5%. This is the first rise in vacancy rate since Q4 of 2021. The Class A vacancy rate also rose 10 basis points to 18.2% while the Class B rate rose 20 basis points to 12.3%. Overall, very little change to the vacancy picture in Miami for Q2.
- The Wynwood-Design District submarket has the highest vacancy rate in the market at 27.3%. This figure is down from a peak of 40.5% in Q4 of 2021 and continuing to fall: the submarket's vacancy rate dropped 200 basis points in Q2 from 29.3% and has dropped 790 basis points in the past year. 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 is relatively insulated from any sharp spikes in vacancy in the coming quarters due to deliveries of vacant spec office product, as 65% of the space in the development pipeline is currently pre-leased.
- Miami boasts a very low sublease vacancy rate, with just 1.0% of all inventory vacant and listed for sublease. This lack of sublease space has kept vacancy from rising over the past two years, something many other U.S. markets have struggled with.

OVERALL VACANCY RATE



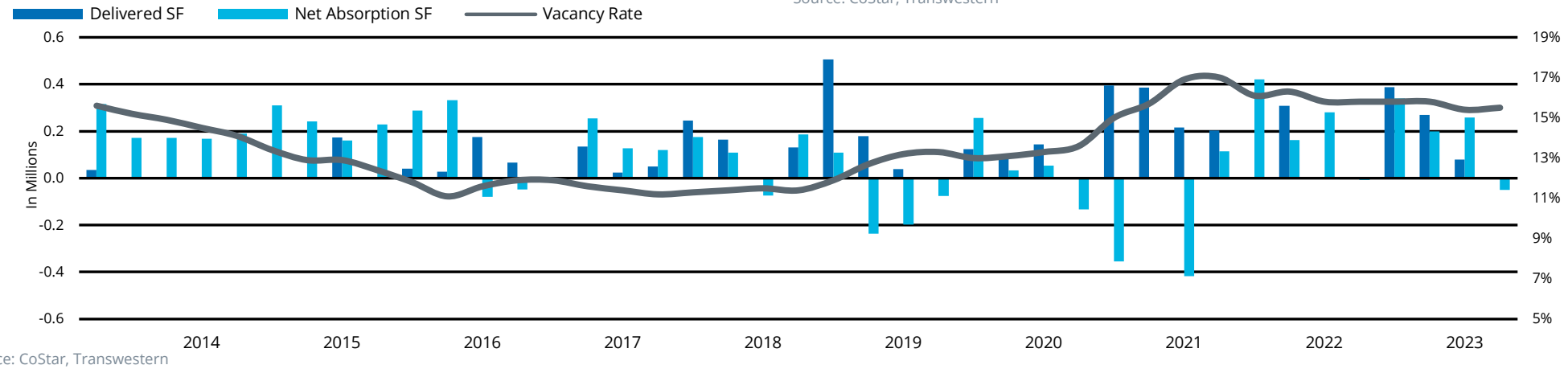
Source: CoStar, Transwestern

OVERALL MIAMI VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



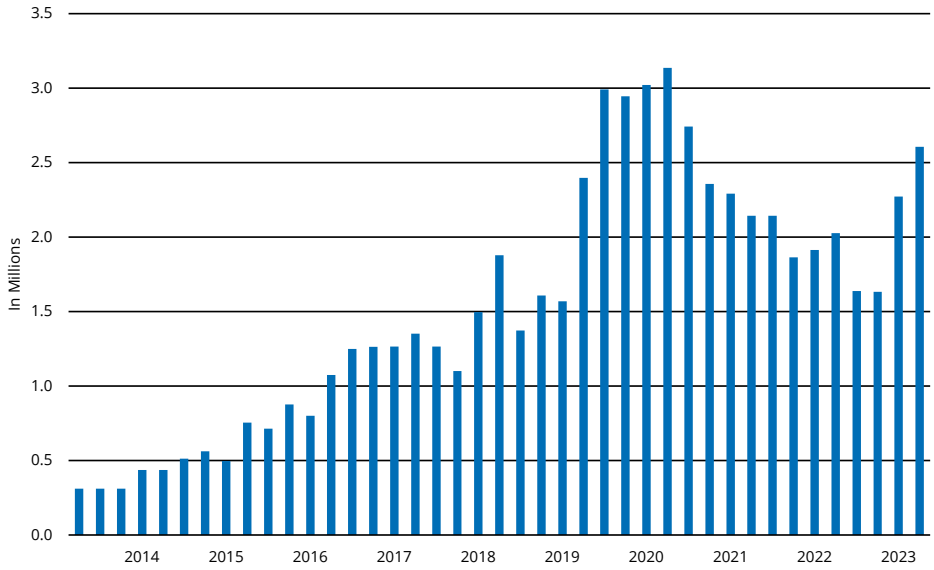
Source: CoStar, Transwestern

CONSTRUCTION

Two Buildings Broke Ground, Pre-Leasing Strong in Miami

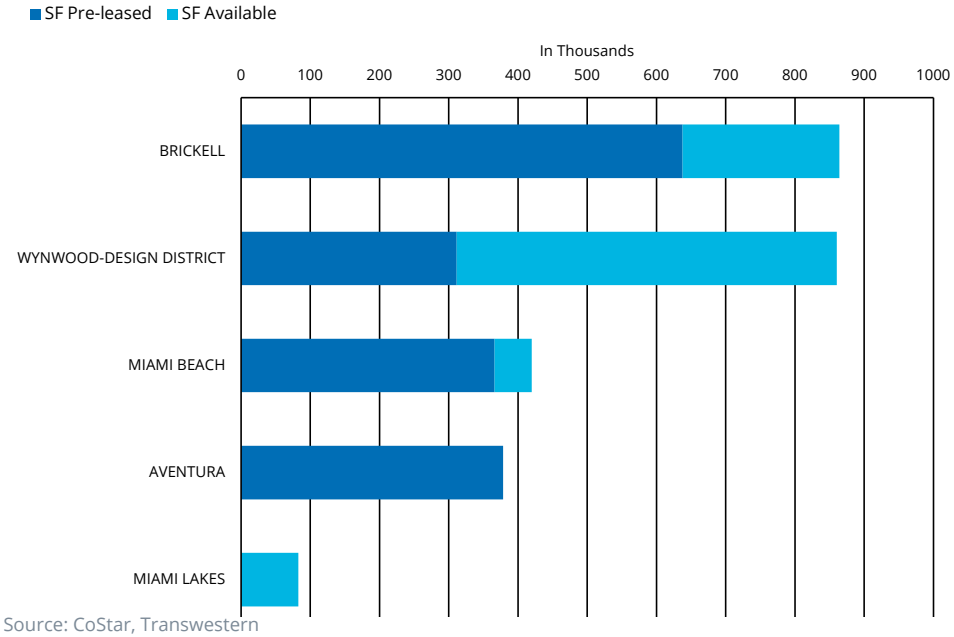
- There is currently 2.6 MSF under construction in the Miami office market, the highest total since Q3 of 2020.
- Two buildings broke ground in Q2, 944 5th St and 21291 NE 28th. "The Fifth" at 94 5th St in the Miami Beach submarket is a 70,000 SF, 5-story building set to deliver in Q4 of 2024. Owner Sumaida + Khurana is quoting initial asking rents of $170.00/SF NNN. 21291 NE 28th, a 265,000 SF, 7-story development, is located in the Aventura submarket and is set to deliver in Q4 of 2024 as well.
- No buildings delivered in Q2, but there are two expected deliveries for Q3: 830 Brickell and Wynwood 29. 830 Brickell is the largest building currently under construction in Miami at 664,300 SF. The 57-story trophy tower first broke ground in Q2 of 2019, and currently is 91.9% leased. Owned by OKO Group, 830 Brickell is the first Class A tower to be built in Brickell in over a decade. It was designed by AS+GG, the same firm behind the Burj Khalifa, the world's tallest building. Wynwood 29 is a 30,219 SF development in the Wynwood-Design District submarket, part of an increase of new builds in the walkable district.
- The two submarkets with the most office space under construction in Miami are the Brickell and Wynwood-Design District submarkets. The two submarkets combine for 66% of all space under construction in the Miami market, with 864,300 SF and 860,540 SF underway respectively.
- Approximately 65% of current under construction space in Miami is pre-leased.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



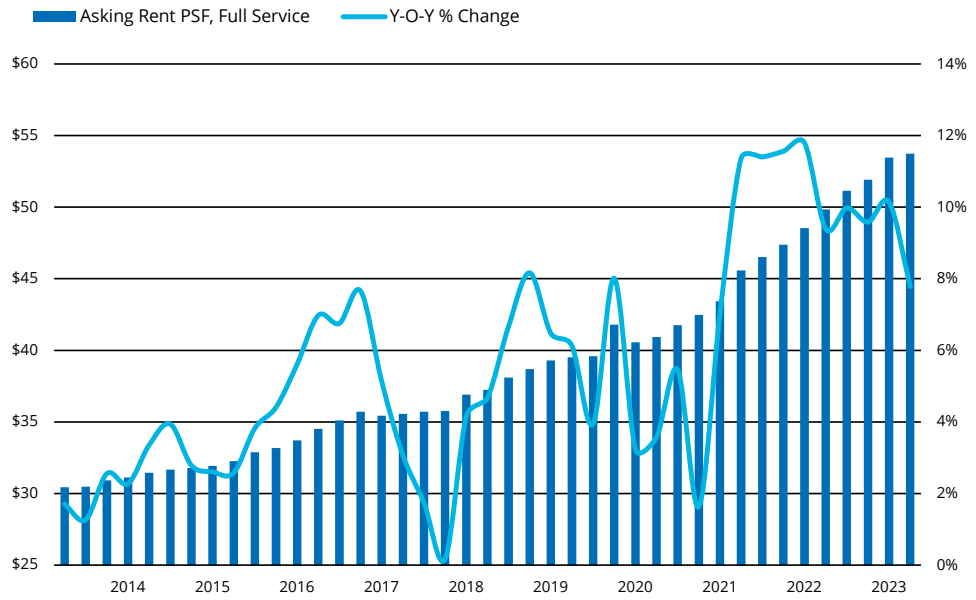
Source: CoStar, Transwestern

RENTAL RATES

Asking Rents Continue to Rise

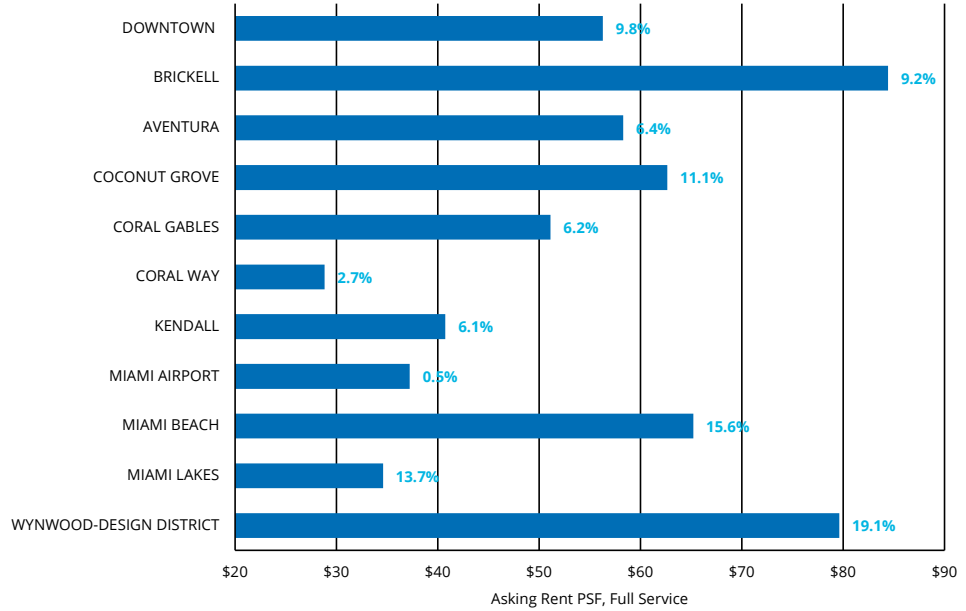
- Miami's asking rent rose $0.27 during the second quarter of 2023 to an average of $53.73 PSF and is up 7.8% year-over-year from $49.85. Rents have risen on a year-over-year basis in every Miami submarket, ranging from a 0.5% gain in Miami Airport to a 19.1% rise in the Wynwood-Design District submarket.
- The strongest growth over the past year has been in the Wynwood-Design District, Miami Beach, and Miami Lakes submarkets which saw 19.1%, 15.6%, and 13.7% rises respectively. The highest overall asking rate in the market though is in Brickell, with the average rent there at $84.42. The Class A rate for Brickell currently sits at $90.47, $30.75 higher than the average Class A market rate of $59.72.
- Class A asking rents have risen 9.0% year-over-year, but saw just a $0.02 increase in Q1, while Class B finished at $39.93 PSF and are up 4.4% in the past year.
- Rate growth has accelerated in Miami since the start of 2021, with an average of 10.5% 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



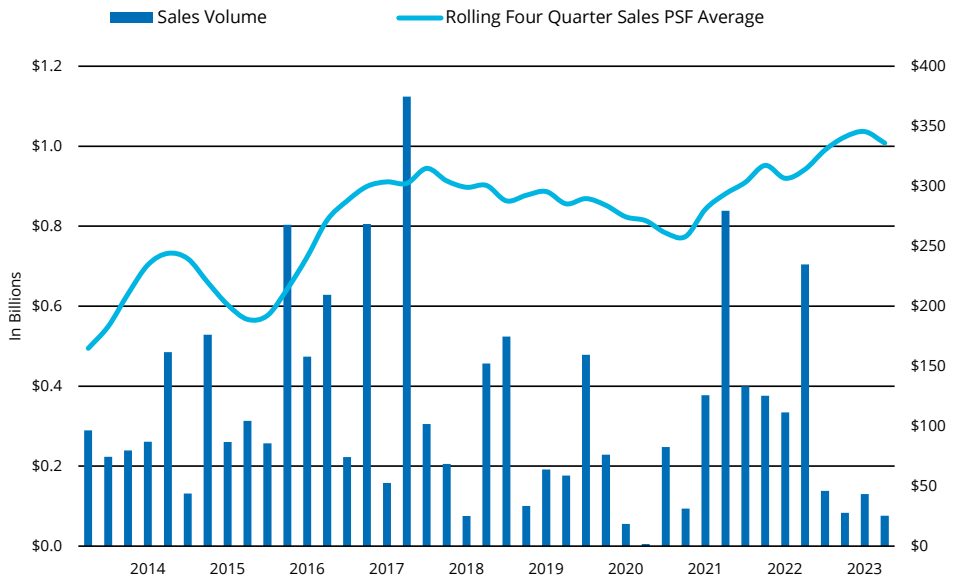
Source: CoStar, Transwestern

SALES

Miami Investment Sales Remains Slow

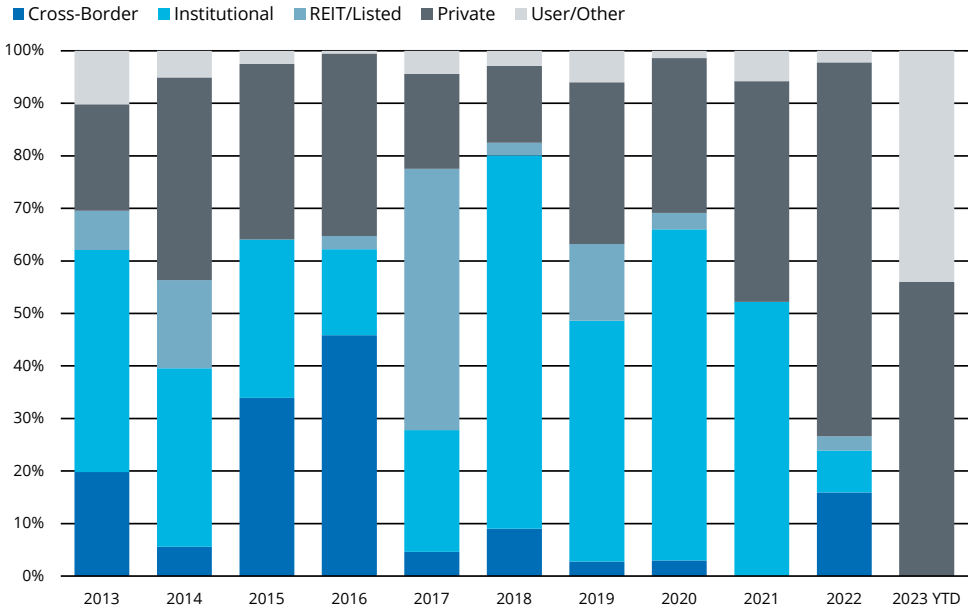
- Miami has seen a dip in investment sales volume for the past four quarters, with just $76M transacting in Q2 of 2023. This is significantly lower than the quarterly figures the market posted from Q1 of 2021 through Q2 of 2022, a period where the average quarterly sales volume was $505M. Miami's rolling four-quarter volume has fallen to just $106M per quarter, a stark contrast from the averages over the two years prior.
- The highlight sale in Q2 was Museum Tower at 150 W Flagler St in the Downtown submarket. This 243,825 SF building was purchased by Moishe Mana from Bridge Investment Group for $73,750,000, or $302/SF. The property was 92% occupied at the time of sale. Mana is a real estate developer who also owns the adjacent office property at 172 W Flagler St, a 26,082 SF Class C office building.
- 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.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern

NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
HOLLAND & KNIGHT	701 Brickell	Brickell	Renewal	121,032
ALMA	396 Alhambra Cir	Coral Gables	Renewal	18,114
STEELITE	The Plaza Coral Gables - North Tower	Coral Gables	New Lease	7,025
LA COLONIA PHARMACY	7400 Corporate Center Dr	Miami Airport	New Lease	7,000
AXXES CAPITAL	The Plaza Coral Gables - South Tower	Coral Gables	New Lease	6,473
THE McCLATCHY COMPANY	1000 Waterford	Miami Airport	New Lease	5,836

Source: CoStar, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
150 W FLAGLER ST - MUSEUM TOWER	Downtown	$73,750,000	243,825	$302	Moishe Mana	LNDMRK Development
11690 NW 105TH ST	Miami Airport	$42,100,000	248,989	$169	Bridge Industrial	Ryder System
7900 NW 154TH ST	Miami Lakes	$21,000,000	77,713	$270	The Ward Law Group	The Kislak Organization
12895 SW 132ND ST - BLDG 2 A&B	Kendall	$5,300,000	19,853	$266	Roger Goldingay	Douglas Davis

Source: CoStar, Transwestern

MARKET INDICATORS

All Space | Second 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	9,121,159	1,713,977	18.8%	63,723	19.5%	0	57,559	83,078	$56.29
BRICKELL	6,629,459	717,798	10.8%	39,767	11.4%	864,300	(15,283)	(27,789)	$84.42
AVENTURA	1,695,999	203,436	12.0%	8,659	12.5%	378,650	37,034	73,028	$58.29
COCONUT GROVE	1,860,476	157,687	8.5%	4,008	8.7%	0	(3,273)	19,174	$62.64
CORAL GABLES	7,009,877	926,601	13.2%	83,462	14.4%	0	(35,368)	20,180	$51.13
CORAL WAY	792,994	55,627	7.0%	0	7.0%	0	10,150	971	$28.83
KENDALL	4,603,790	449,710	9.8%	36,613	10.6%	0	3,323	(5,068)	$40.75
MIAMI AIRPORT	12,105,023	2,198,128	18.2%	137,512	19.3%	0	(109,774)	(45,697)	$37.24
MIAMI BEACH	2,658,850	238,288	9.0%	50,366	10.9%	420,000	(2,670)	2,724	$65.21
MIAMI LAKES	2,268,732	275,909	12.2%	21,616	13.1%	82,903	(25,601)	(20,248)	$34.60
WYNWOOD-DESIGN DISTRICT	1,625,790	405,790	25.0%	38,150	27.3%	860,540	33,224	107,899	$79.61
TOTAL	**50,372,149**	**7,342,951**	**14.6%**	**483,876**	**15.5%**	**2,606,393**	**(50,679)**	**208,252**	**$53.73**

Source: CoStar, Transwestern

MARKET INDICATORS

Class A | Second Quarter 2023

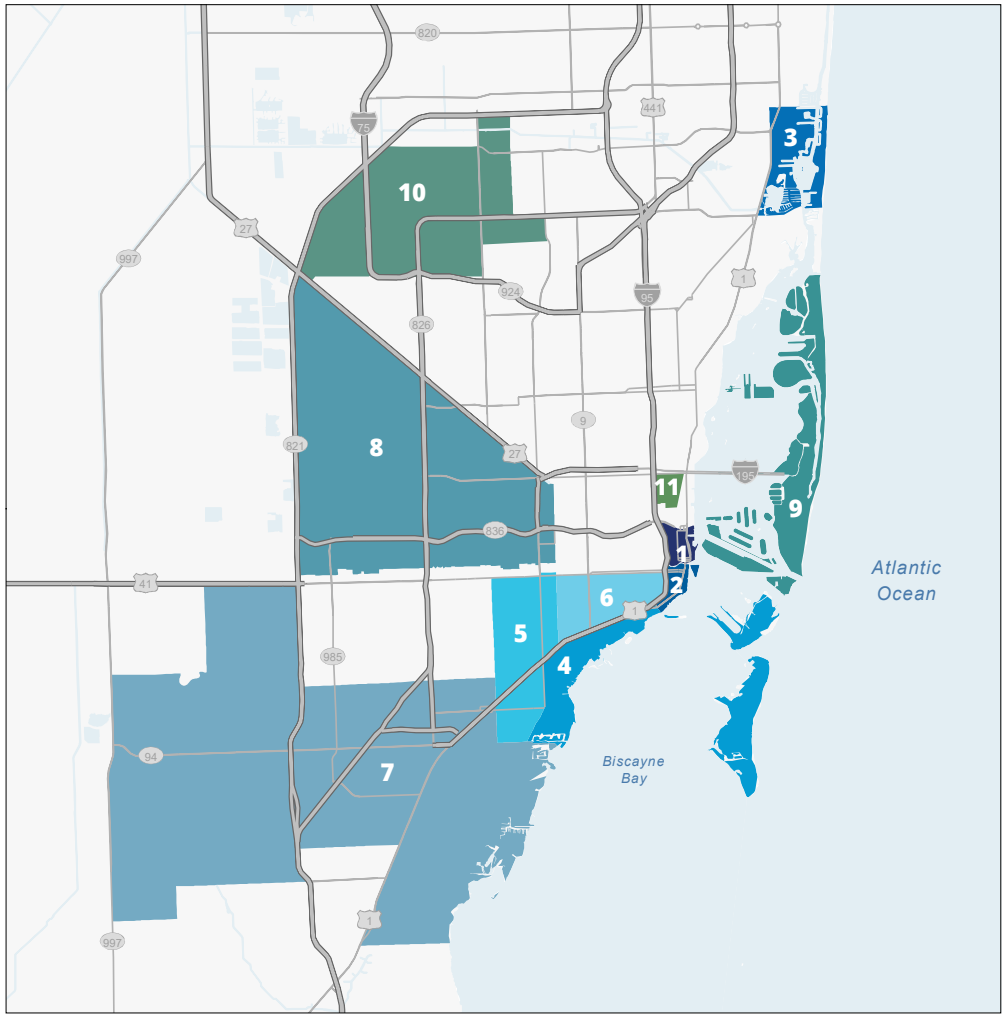
SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-T-D NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
DOWNTOWN	5,488,786	1,051,003	19.1%	58,326	20.2%	0	102,800	235,671	$64.12
BRICKELL	4,225,163	599,193	14.2%	30,985	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
TOTAL	**27,029,712**	**4,636,312**	**17.2%**	**332,862**	**18.4%**	**2,230,541**	**195,190**	**625,756**	**$59.49**

Source: CoStar, Transwestern

Class B | Second 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	3,517,522	715,839	20.4%	0	20.4%	0	10,091	(67,190)	$33.98
BRICKELL	1,961,228	132,800	6.8%	5,123	7.0%	0	(12,916)	45,617	$56.23
AVENTURA	317,897	11,387	3.6%	120	3.6%	0	12,249	12,243	$47.93
COCONUT GROVE	831,380	81,206	9.8%	0	9.8%	0	2,210	22,487	$62.70
CORAL GABLES	2,068,518	201,285	9.7%	12,587	10.3%	0	(14,094)	(25,056)	$41.92
CORAL WAY	696,994	55,627	8.0%	0	8.0%	0	10,150	(3,756)	$27.83
KENDALL	2,990,379	259,987	8.7%	0	8.7%	0	(6,426)	(3,683)	$38.14
MIAMI AIRPORT	5,649,994	766,187	13.6%	76,112	14.9%	0	(38,544)	(8,375)	$33.47
MIAMI BEACH	2,074,562	179,773	8.7%	0	8.7%	0	1,894	9,072	$64.15
MIAMI LAKES	1,716,659	173,675	10.1%	2,840	10.3%	0	(8,965)	(6,934)	$34.19
WYNWOOD-DESIGN DISTRICT	552,711	65,951	11.9%	2,461	12.4%	110,852	1,373	5,226	$69.87
TOTAL	**22,377,844**	**2,643,717**	**11.8%**	**99,243**	**12.3%**	**110,852**	**(42,978)**	**(20,349)**	**$39.93**

Source: CoStar, Transwestern



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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ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. An integrated approach formed from fresh ideas drives value for clients across commercial real estate services, development, investment management and opportunistic programs for high-net-worth investors. The firm operates through 30+ U.S. offices and global alliances with BNP Paribas Real Estate and Devencore. Learn more at transwestern.com and @Transwestern.

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