TRANSWESTERN

# MIAMI OFFICE MARKET

Q3 2023

## TRENDLINES

| | Q3 2023 | Q3 2022 | ONE-YEAR TREND | FIVE-YEAR AVERAGE | 12-MONTH FORECAST |
|---|---|---|---|---|---|
| UNEMPLOYMENT RATE | 2.0 | 2.8 | ↓ | 4.4 | ↑ |
| NET ABSORPTION (THOUSANDS SF) | 166.5 | 275.5 | ↑ | 11.7 | ↑ |
| OVERALL VACANCY RATE | 14.3% | 14.9% | ↓ | 14.3% | ↓ |
| OVERALL VACANT SF (MSF) | 7.2 | 7.4 | ↓ | 7.0 | ↓ |
| UNDER CONSTRUCTION (MSF) | 2.6 | 1.7 | ↑ | 2.0 | ↓ |
| ASKING RENT, FULL SERVICE (PSF) | $54.12 | $51.06 | ↑ | $45.15 | ↑ |
| SALES VOLUME (MILLIONS) | $144 | $138 | ↑ | $272.1 | ↑ |

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

## STRONG Q3 CONTINUES EXCELLENT RUN FOR MIAMI OFFICE MARKET

The Miami office market rebounded after a poor Q2 2023, seeing positive absorption of 166,466 SF in Q3 2023. Miami has now had positive absorption in nine of the past ten quarters, becoming one of the best performing office markets in the United States. The market's overall vacancy rate fell 40 basis points in Q3 to 14.3%. Asking rents have seen massive growth over the past three years, with yet another large increase in Q3 2023, rising $0.30 to $54.12. There was no change to the construction pipeline, with the amount of space underway holding steady at 2.6MSF.

Miami has become an outlier in the national office landscape, continuing to turn in positive quarters and strong rent growth, bucking national and global trends in the process. This momentum is expected to continue into 2024 thanks to strong leasing activity and solid market fundamentals.

## ECONOMY

### Miami Adding Jobs, Unemployment Reaching Record Lows

- Miami has added 44,500 total nonfarm jobs and 11,200 office-using jobs during the 12 months ending August 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 3.5% year-over-year office-using job growth compared to August of 2022, which had 9.4% growth for the year prior. The national data is similar, with just 1.0% year-over-year growth as of August 2023, and 5.0% growth from the period prior. The good news for Miami is despite the deceleration, they are still adding office jobs at a higher rate than the national average.

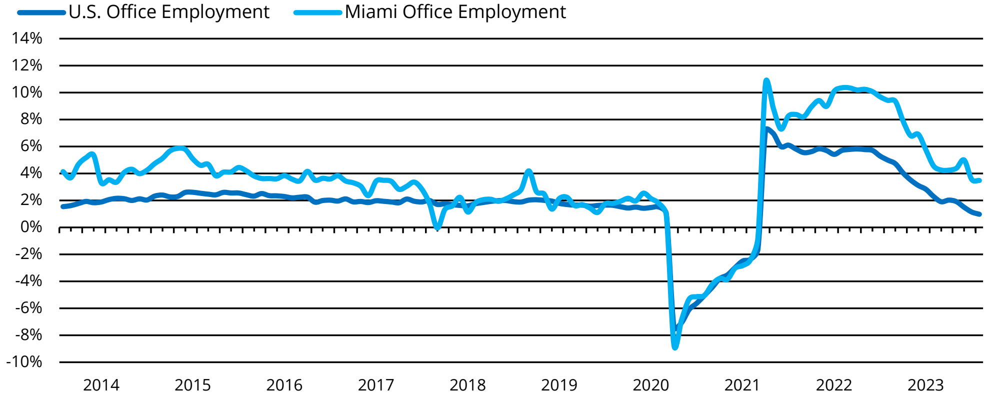
- Miami's unemployment rate was 1.9% in May, well below the national rate of 3.8%. This is one of the lowest unemployment rates of any city in the United States.

- Jobs in Miami have increased by 6.1% since 2017, outpacing the national growth rate of 3.8% by 2.3%. 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 4% 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

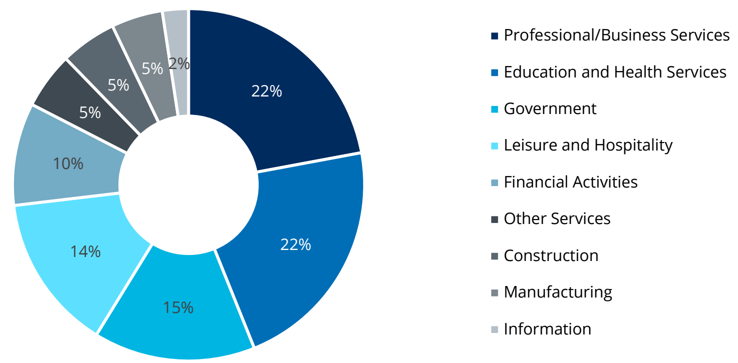
## Y-O-Y CHANGE IN OFFICE JOBS




Source: Bureau of Labor Statistics, Transwestern

## SHARE OF EMPLOYEES BY INDUSTRY

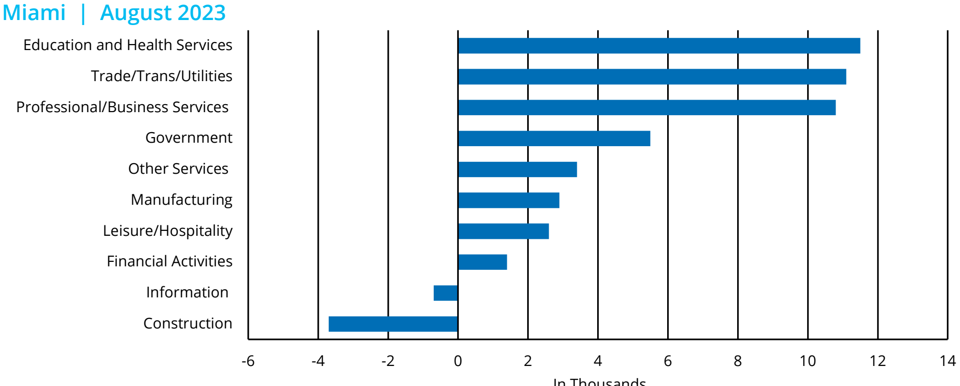
### Miami | August 2023




Source: Bureau of Labor Statistics, Transwestern

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

### Miami | August 2023



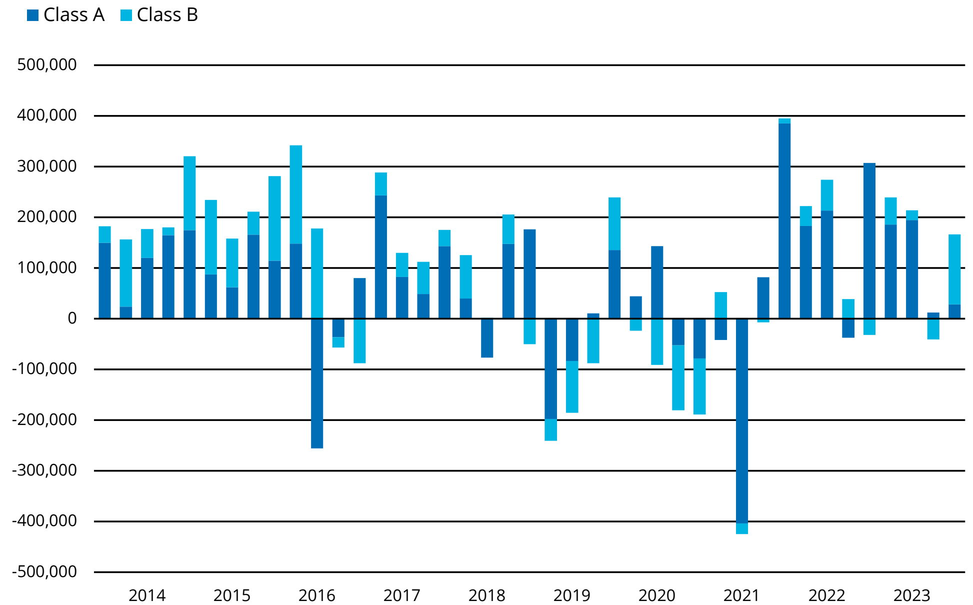

Source: Bureau of Labor Statistics, Transwestern

## NET ABSORPTION

### Absorption Rebounds with Strong Q3

- Miami saw positive absorption of 166,466 SF in Q3 of 2023, a nice rebound after a slightly negative Q2 2023. This marks positive absorption in 9 of the past 10 quarters for Miami, continuing an incredible run for the market, bucking national absorption trends in the process. Year-to-date Miami has seen positive absorption of 351,466 SF.
- Class A properties saw smaller gains in Q3 2023, with positive absorption of just 28,363 SF, while Class B properties gained 138,103 SF. The best performing Class A submarkets were Downtown, Coral Gables, and Wynwood-Design District, while the heaviest losses were suffered in Miami Airport.
- Across all property classes, six submarkets saw gains, while five suffered losses in Q3 2023. Only two submarkets gave back a substantial amount of space: Aventura (-38,758 SF) and Miami Airport (-130,339 SF).
- Downtown has been Miami's strongest performing submarket thus far in 2023, with positive absorption of 273,111 SF across Class A and B properties. In Q3 2023 the submarket saw positive absorption of 190,033 SF, the sixth quarter of positive absorption for the submarket since the start of 2022.

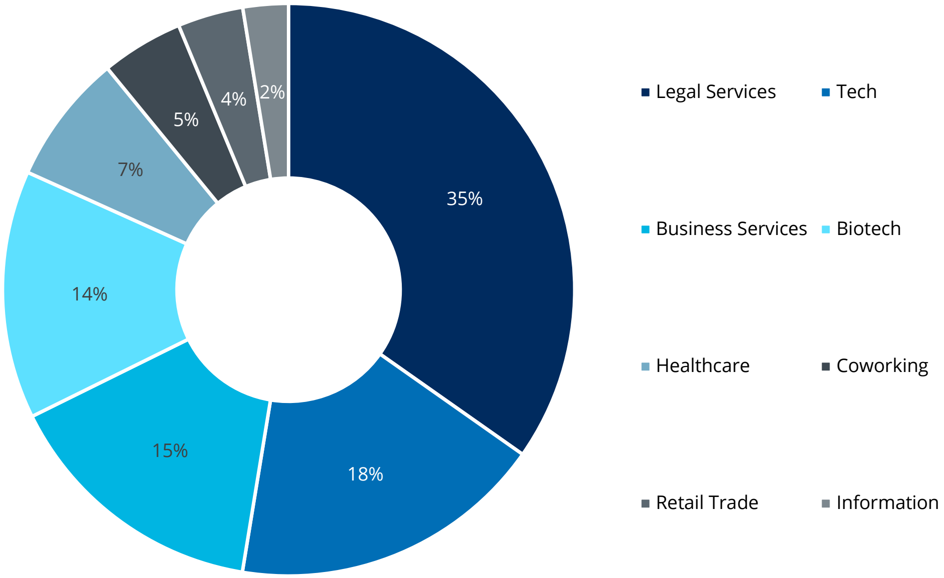
## NET ABSORPTION BY CLASS




Source: CoStar, Transwestern

## SHARE OF LEASING ACTIVITY BY INDUSTRY

### Q3 2023



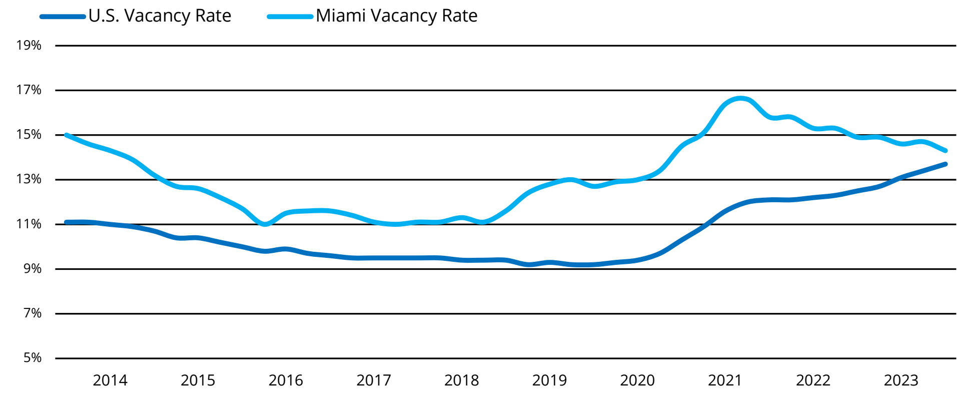

Source: CoStar, Transwestern

## VACANCY

### Vacancy Falls Thanks to Strong Q3

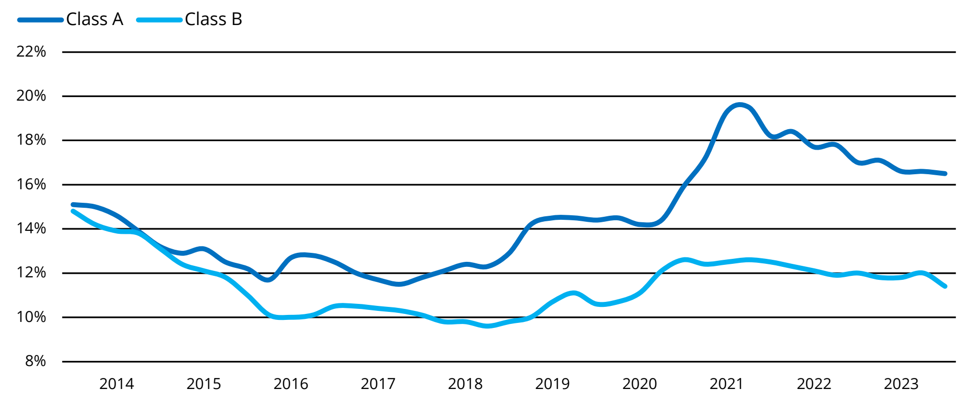
- Miami's overall vacancy rate fell 40 basis points in Q3 2023 to 14.3%. This is the lowest vacancy rate that the market has seen since Q2 of 2020. The Class A vacancy rate fell 10 basis points to 16.5% while the Class B rate dropped 60 basis points to 11.4%.
- The Wynwood-Design District submarket has the highest vacancy rate in the market at 23.3% but has also seen the largest decrease in vacancy rate in Miami over the past two years. The submarket's vacancy rate was at 40.4% in Q4 of 2021 and has fallen every quarter since, including a 280 basis point drop in Q3 2023 from 26.1% to 23.3%. Wynwood-Design District saw an increase in development of spec office product starting in 2018, causing the submarket's 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 the deliveries of vacant spec office product, as 61% of the space in the development pipeline is currently pre-leased.
- Miami boasts a very low sublease vacancy rate, with just 0.8% 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



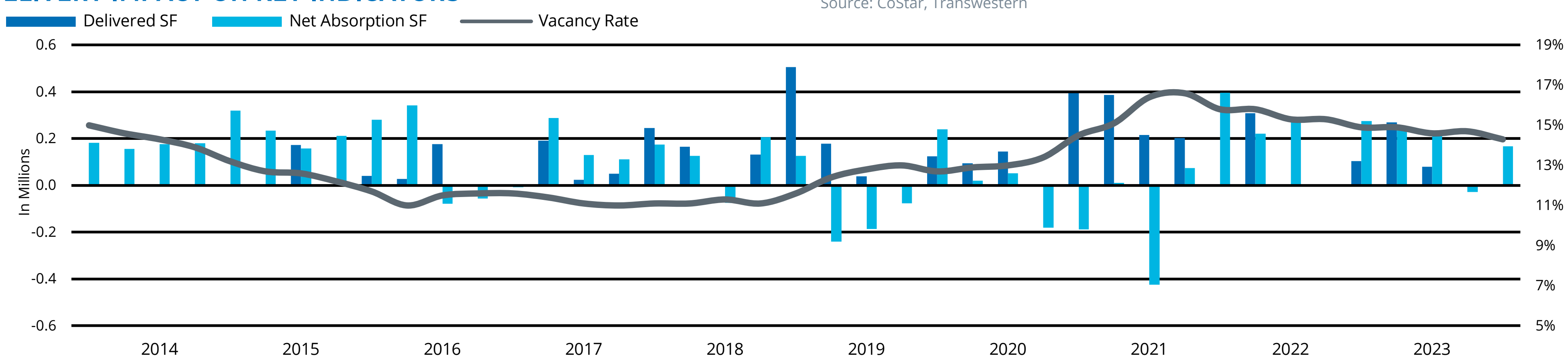

Source: CoStar, Transwestern

## OVERALL MIAMI VACANCY RATE BY CLASS




Source: CoStar, Transwestern

## DELIVERY IMPACT ON KEY INDICATORS



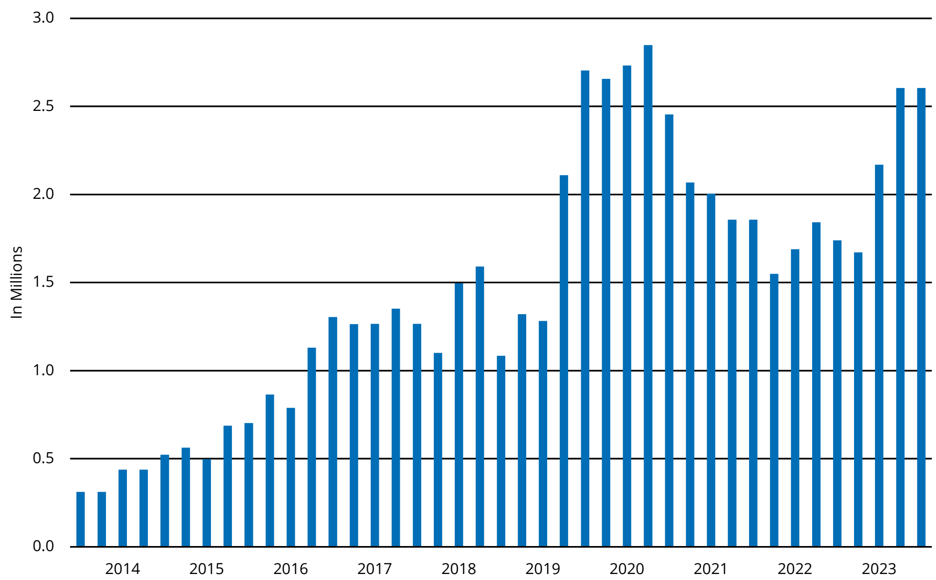

Source: CoStar, Transwestern

## CONSTRUCTION

### No Change to Construction Pipeline in Q3

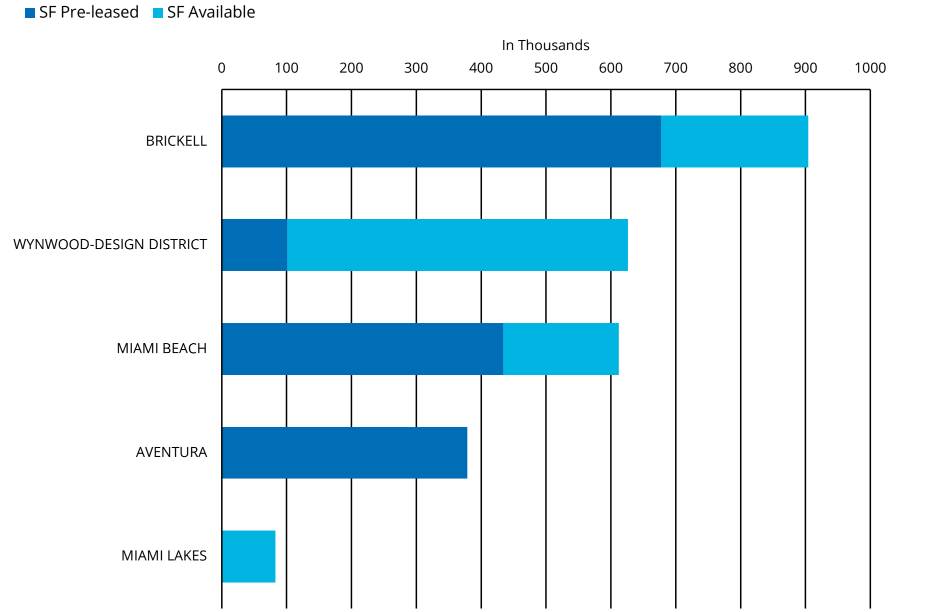
- There were no deliveries or groundbreakings in Q3 2023. There remains 2.6 MSF under construction in the Miami office market, the highest total since Q3 of 2020.
- There are three expected deliveries for Q4 2023: Eighteen Sunset, Wyncatcher, and WNWD21. Eighteen Sunset is located at 1752 Bay Rd in the Miami Beach submarket. Developed by Deco Capital Group, the 92,000 SF building is 81% pre-leased. Wyncatcher (2143 NW First Ave) and WNWD21 (2115 N Miami Ave) are both located in the Wynwood-Design District submarket.
- 830 Brickell was originally slated to deliver in Q3 of 2023, but its expected completion has been pushed back to Q1 of 2024. 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.
- The three submarkets with the most office space under construction in Miami are the Brickell, Wynwood-Design District, and Miami Beach submarkets. The three submarkets combine for 82% of all space under construction in the Miami market, with 904,300 SF, 626,184 SF, and 612,928 SF underway respectively.
- Approximately 61% of current under construction space in Miami is pre-leased.

## UNDER CONSTRUCTION




Source: CoStar, Transwestern

## UNDER CONSTRUCTION BY SUBMARKET



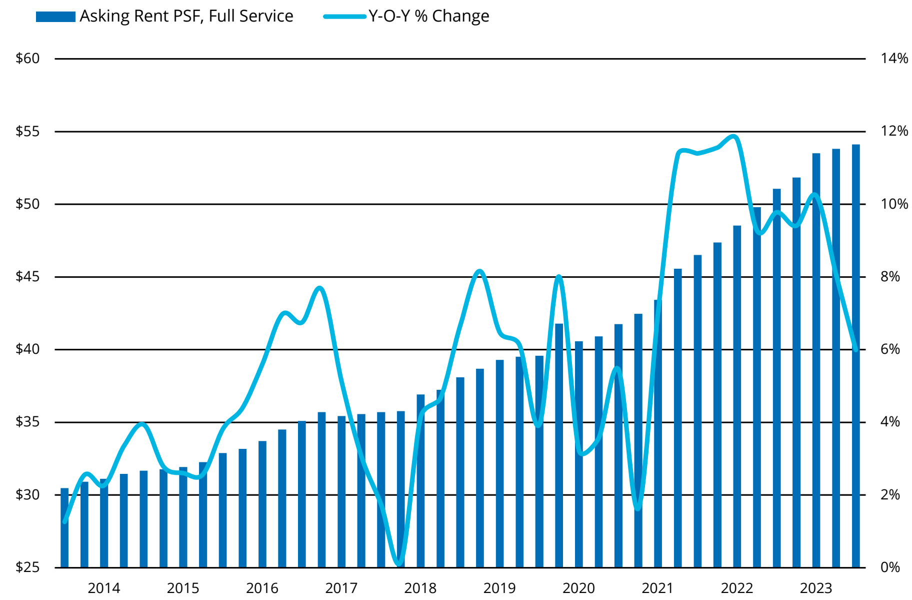

Source: CoStar, Transwestern

## RENTAL RATES

### Asking Rents Continue to Rise

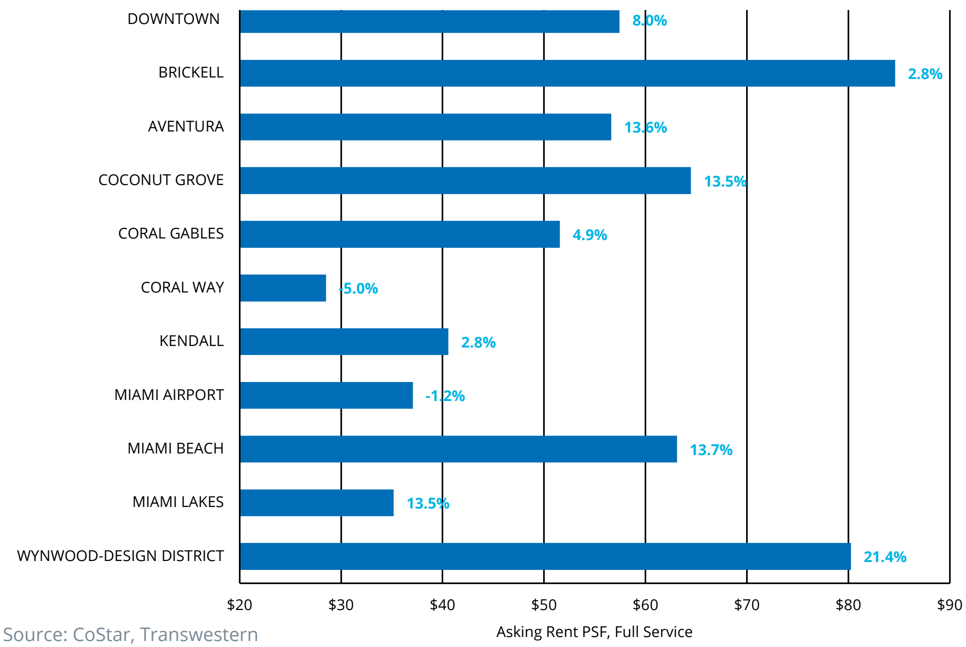
- Miami's average asking rent rose $0.30 during the third quarter of 2023 to an average of $54.12 PSF and is up 5.9% year-over-year from $51.06 in Q3 of 2022. Rents have risen on a year-over-year basis in nine of Miami's eleven office submarkets, with massive gains in several.
- The strongest rental rate growth over the past year has been in the Wynwood-Design District submarket, which has seen rates rise 21.4% since Q3 of 2022 from $66.12 to $80.25. Miami Lakes, Miami Beach, Coconut Grove, and Aventura have all seen double-digit year-over-year rental rate increases as well.
- The highest average asking rent in the market is in Brickell, which sits at $84.62. The Class A rate in Brickell is $88.12, $27.96 higher than the average Class A market rate of $60.16.
- After starting the year relatively flat, Class A asking rents have accelerated, rising $0.47 in Q3 2023, and increasing 6.1% year -over-year.
- Rate growth has accelerated in Miami since the start of 2021, with an average of 9.3% 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



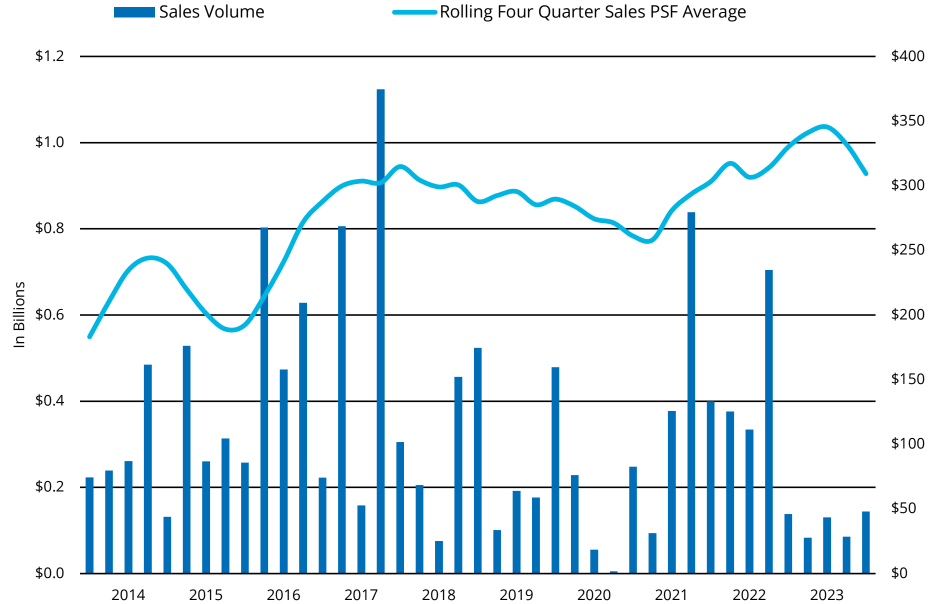

Source: CoStar, Transwestern

## SALES

### Investment Sales Activity Remains Slow as Interest Rates Rise

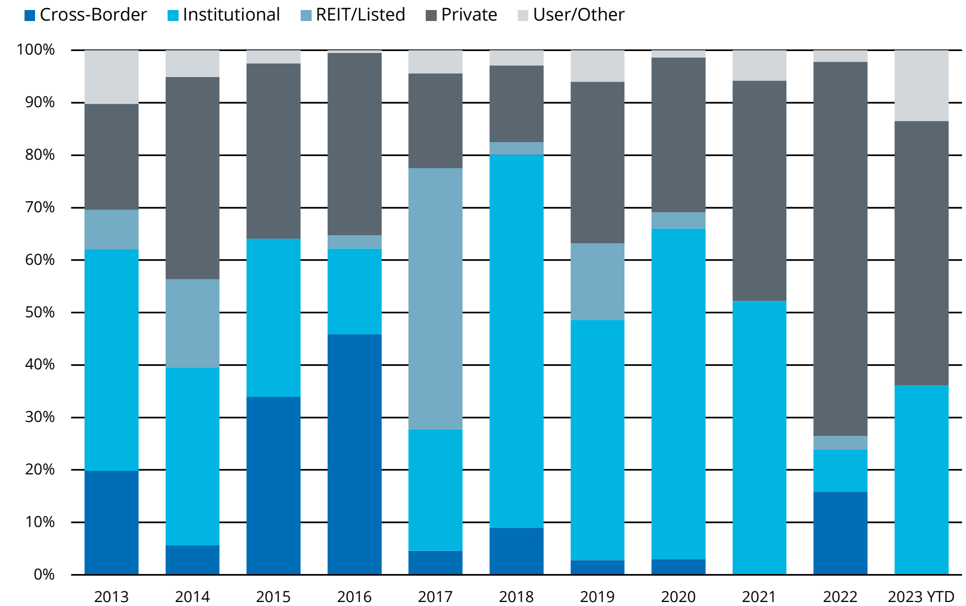
- Miami has seen a dip in investment sales volume over the past five quarters, averaging $116 million transacted per quarter during that time period. This is significantly lower than the quarterly figures the market posted from Q1 of 2021 through Q2 of 2022, a period where the average quarterly sales volume was $505 million. Q3 2023 saw $143 million transacted, the highest figure during this five-quarter period.
- The highlight sale from Q3 2023 was 355 Alhambra Cir in the Coral Gables submarket. The 222,757 SF building was purchased by Princeton International Properties from PGIM Real Estate for $90,000,000, or $404/SF. The property was 84% occupied at the time of sale.
- Elevated interest rates have stifled investment sales across all property types as debt remains difficult to acquire. The office investment sales market is still in a period of price discovery. With cap rates climbing and valuation declining, opportunistic buyers will soon be able to purchase quality assets for considerable discounts.

## SALES VOLUME




Source: Real Capital Analytics, Transwestern

## BUYER CAPITAL COMPOSITION




Source: Real Capital Analytics, Transwestern

## NOTABLE LEASES

| TENANT | PROPERTY | SUBMARKET | TYPE | SF LEASED |
|---|---|---|---|---|
| **GREENBERG TRAURIG** | Wells Fargo Center | Downtown | Renewal | 128,450 |
| **HOLLAND & KNIGHT** | 701 Brickell | Brickell | Renewal | 121,032 |
| **SONY** | 545wyn | Wynwood-Design District | New Lease | 44,742 |
| **MIAMI INTERNATIONAL HOLDINGS** | 545wyn | Wynwood-Design District | New Lease | 38,409 |
| **RYDER SYSTEM** | BAC Colonnade | Coral Gables | New Lease | 37,358 |
| **BIO TISSUE** | 7300 Corporate Center Dr - Bldg 8 | Miami Airport | Renewal | 34,831 |

Source: CoStar, Transwestern

## NOTABLE SALES

| PROPERTY | SUBMARKET | SALES PRICE | BUILDING SF | PRICE PSF | BUYER | SELLER |
|---|---|---|---|---|---|---|
| **801 BRICKELL** | Brickell | $250,000,000 | 314,150 | $602 | Monarch Alternative Capital / Tourmaline Capital Partners | Nuveen |
| **355 ALHAMBRA CIR** | Coral Gables | $90,000,000 | 222,757 | $404 | Princeton International Properties | PGIM Real Estate |
| **150 W FLAGLER ST - MUSEUM TOWER** | Downtown | $73,750,000 | 243,825 | $302 | Moishe Mana | Bridge Investment Group |
| **255 ALHAMBRA** | Coral Gables | $54,395,400 | 221,335 | $245 | Torose / Terranova / LNDMRK | DWS Group |

Source: CoStar, Transwestern

## MARKET INDICATORS

### All Space | Third 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 | 8,974,596 | 1,517,339 | 16.9% | 70,328 | 17.7% | 0 | 190,033 | 273,111 | $57.45 |
| BRICKELL | 6,848,231 | 693,843 | 10.1% | 42,095 | 10.7% | 904,300 | (1,873) | (23,714) | $84.26 |
| AVENTURA | 1,354,684 | 90,497 | 6.7% | 17,464 | 8.0% | 378,650 | (38,758) | (29,056) | $56.63 |
| COCONUT GROVE | 1,860,476 | 140,470 | 7.6% | 23,398 | 8.8% | 0 | (2,173) | 17,001 | $64.49 |
| CORAL GABLES | 7,235,125 | 888,998 | 12.3% | 50,776 | 13.0% | 0 | 70,289 | 90,469 | $51.56 |
| CORAL WAY | 749,210 | 35,560 | 4.7% | 0 | 4.7% | 0 | 20,067 | 21,038 | $28.51 |
| KENDALL | 5,154,916 | 480,256 | 9.3% | 8,867 | 9.5% | 0 | (19,690) | (28,548) | $40.58 |
| MIAMI AIRPORT | 11,627,148 | 2,133,968 | 18.4% | 160,288 | 19.7% | 0 | (130,339) | (156,313) | $37.08 |
| MIAMI BEACH | 2,519,480 | 186,806 | 7.4% | 0 | 7.4% | 612,298 | 6,123 | 7,362 | $63.10 |
| MIAMI LAKES | 2,235,416 | 261,194 | 11.7% | 8,279 | 12.1% | 82,903 | 28,052 | 7,804 | $35.19 |
| WYNWOOD-DESIGN DISTRICT | 1,606,965 | 346,438 | 21.6% | 33,089 | 23.3% | 626,184 | 44,735 | 172,312 | $80.25 |
| **TOTAL** | **50,166,247** | **6,775,369** | **13.5%** | **414,584** | **14.3%** | **2,604,335** | **166,466** | **351,466** | **$54.12** |

Source: CoStar, Transwestern

## MARKET INDICATORS

### Class A | Third Quarter 2023

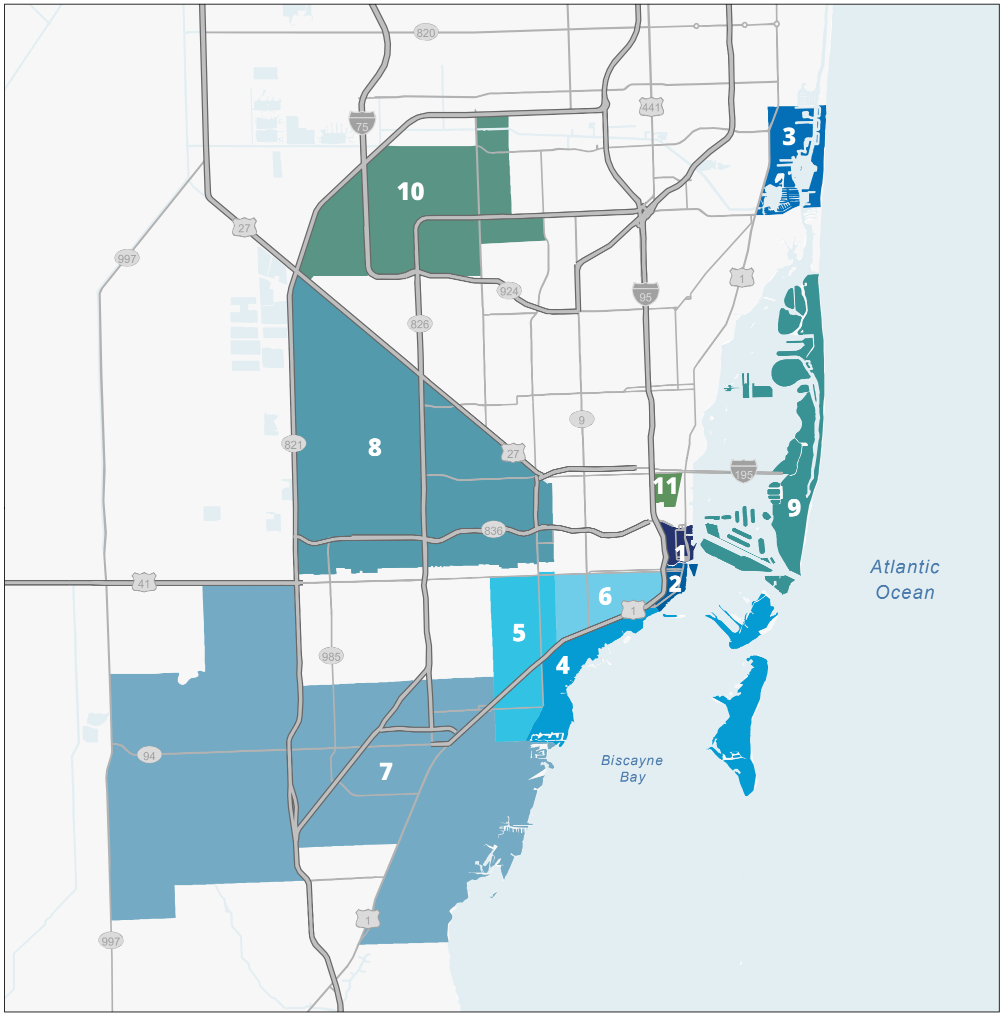
| SUBMARKET | INVENTORY SF | DIRECT VACANT SF | DIRECT VACANCY RATE | SUBLEASE VACANT SF | OVERALL VACANCY RATE | UNDER CONSTRUCTION SF | NET ABSORPTION SF | Y-T-D NET ABSORPTION SF | ASKING RENT PSF, FULL SERVICE |
|---|---|---|---|---|---|---|---|---|---|
| DOWNTOWN | 5,564,323 | 861,984 | 15.5% | 70,328 | 16.8% | 0 | 129,549 | 279,817 | $65.59 |
| BRICKELL | 5,203,104 | 573,738 | 11.0% | 35,601 | 11.7% | 904,300 | (13,197) | (76,753) | $88.12 |
| AVENTURA | 1,036,787 | 80,257 | 7.7% | 17,344 | 9.4% | 378,650 | (39,905) | (42,446) | $58.90 |
| COCONUT GROVE | 1,029,096 | 63,672 | 6.2% | 23,398 | 8.5% | 0 | (6,581) | (9,894) | $66.53 |
| CORAL GABLES | 5,166,698 | 705,745 | 13.7% | 45,954 | 14.5% | 0 | 44,492 | 89,728 | $53.89 |
| CORAL WAY | 96,000 | 0 | 0.0% | 0 | 0.0% | 0 | 0 | 4,727 | $45.44 |
| KENDALL | 2,291,939 | 196,960 | 8.6% | 6,067 | 8.9% | 0 | 6,419 | 1,244 | $44.00 |
| MIAMI AIRPORT | 6,387,744 | 1,513,849 | 23.7% | 106,519 | 25.4% | 0 | (146,750) | (164,349) | $38.95 |
| MIAMI BEACH | 730,575 | 68,728 | 9.4% | 0 | 9.4% | 612,298 | 5,830 | (4,352) | $73.70 |
| MIAMI LAKES | 552,073 | 103,425 | 18.7% | 5,439 | 19.7% | 82,903 | 12,146 | (1,168) | $35.38 |
| WYNWOOD-DESIGN DISTRICT | 1,073,079 | 286,401 | 26.7% | 33,089 | 29.8% | 578,332 | 36,360 | 158,711 | $80.97 |
| **TOTAL** | **29,131,418** | **4,454,759** | **15.3%** | **343,739** | **16.5%** | **2,556,483** | **28,363** | **235,265** | **$60.16** |

Source: CoStar, Transwestern

### Class B | Third 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 | 3,410,273 | 655,355 | 19.2% | 0 | 19.2% | 0 | 60,484 | (6,706) | $33.45 |
| BRICKELL | 1,645,127 | 120,105 | 7.3% | 6,494 | 7.7% | 0 | 11,324 | 53,039 | $54.42 |
| AVENTURA | 317,897 | 10,240 | 3.2% | 120 | 3.3% | 0 | 1,147 | 13,390 | $47.79 |
| COCONUT GROVE | 831,380 | 76,798 | 9.2% | 0 | 9.2% | 0 | 4,408 | 26,895 | $63.72 |
| CORAL GABLES | 2,068,427 | 183,253 | 8.9% | 4,822 | 9.1% | 0 | 25,797 | 741 | $43.19 |
| CORAL WAY | 653,210 | 35,560 | 5.4% | 0 | 5.4% | 0 | 20,067 | 16,311 | $27.46 |
| KENDALL | 2,862,977 | 283,296 | 9.9% | 2,800 | 10.0% | 0 | (26,109) | (29,792) | $38.14 |
| MIAMI AIRPORT | 5,239,404 | 620,119 | 11.8% | 53,769 | 12.9% | 0 | 16,411 | 8,036 | $33.12 |
| MIAMI BEACH | 1,788,905 | 118,078 | 6.6% | 0 | 6.6% | 0 | 293 | 11,714 | $57.86 |
| MIAMI LAKES | 1,683,343 | 157,769 | 9.4% | 2,840 | 9.5% | 0 | 15,906 | 8,972 | $35.05 |
| WYNWOOD-DESIGN DISTRICT | 533,886 | 60,037 | 10.8% | 0 | 10.8% | 47,852 | 8,375 | 13,601 | $62.44 |
| **TOTAL** | **21,034,829** | **2,320,610** | **11.0%** | **70,845** | **11.4%** | **47,852** | **138,103** | **116,201** | **$38.77** |

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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