TRANSWESTERN

# MIAMI OFFICE MARKET

Q4 2023

## TRENDLINES

| | Q4 2023 | Q4 2022 | ONE-YEAR TREND | FIVE-YEAR AVERAGE | 12-MONTH FORECAST |
|---|---|---|---|---|---|
| UNEMPLOYMENT RATE | 1.5 | 2.4 | ↓ | 4.3 | ↑ |
| NET ABSORPTION (THOUSANDS SF) | 218.1 | 179.6 | ↑ | 9.3 | ↑ |
| OVERALL VACANCY RATE | 14.2% | 14.8% | ↓ | 13.9% | ↓ |
| OVERALL VACANT SF (MSF) | 7.3 | 7.6 | ↓ | 7.0 | ↓ |
| UNDER CONSTRUCTION (MSF) | 2.9 | 2.0 | ↑ | 2.3 | ↓ |
| ASKING RENT, FULL SERVICE (PSF) | $54.62 | $50.87 | ↑ | $45.44 | ↑ |
| SALES VOLUME (MILLIONS) | $361 | $83 | ↑ | $264.6 | ↑ |

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

## STRONG Q4 CAPS ANOTHER GREAT YEAR FOR MIAMI'S OFFICE MARKET

The Miami office market finished 2023 strong with positive absorption of 218,053 SF in Q4 2023. Miami has become one of the best performing office markets in the United States, with three-consecutive years with positive absorption, and gains in nine of its past eleven quarters. Miami's overall vacancy rate fell 50 basis points in Q4 2023 to 14.2%. Asking rents have seen huge growth over the past few years, with a 7.4% rise in 2023 to an average of $54.62. There was no change to the construction pipeline, with the percent of product pre-leased increasing to 68%.

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.

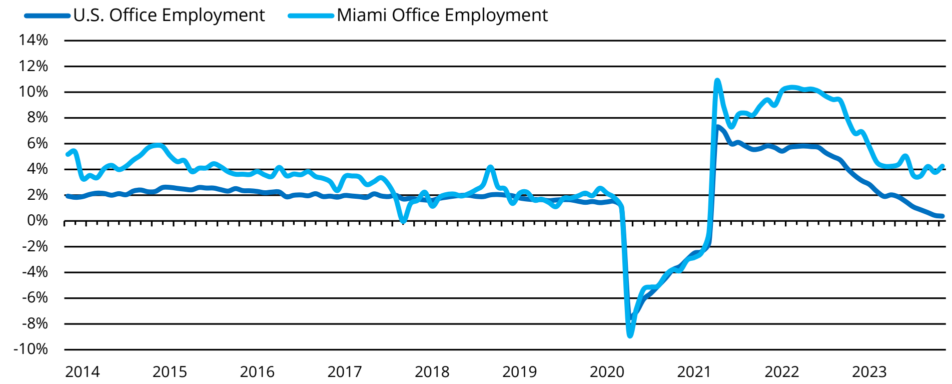
## ECONOMY

### Unemployment Rate Hits All-Time Low

- Miami has added 50,400 total nonfarm jobs and 13,900 office-using jobs during the 12 months ending November 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 4.3% year-over-year office-using job growth compared to November of 2022, which had 6.8% growth for the year prior. The national data is similar, with just 0.4% year-over-year growth as of August 2023, and 3.4% growth from the period prior. The good news for Miami is despite the small deceleration, they are still adding office jobs at a much higher rate than the national average.
- Miami's unemployment rate was 1.4% in November, the lowest unemployment rate in the history of the market, and well below the national rate of 3.7%. This is lowest unemployment rate nationally among all metropolitan division areas.
- Jobs in Miami have increased by 6.2% since 2018, outpacing the national growth rate of 3.6% by 2.6%. This growth has been the most prevalent in industries like Manufacturing, Transportation and Warehousing, and Professional Services. Miami is projected to continue to add jobs at a 4.2% rate of increase over the next five years.
- The population of the Miami metro area has decreased by 0.2% since 2018. According to population forecasts from Lightcast, that slide is expected to continue, with Miami's population expected to decline by 1.8% by 2028.

Population and Job Projections from Lightcast

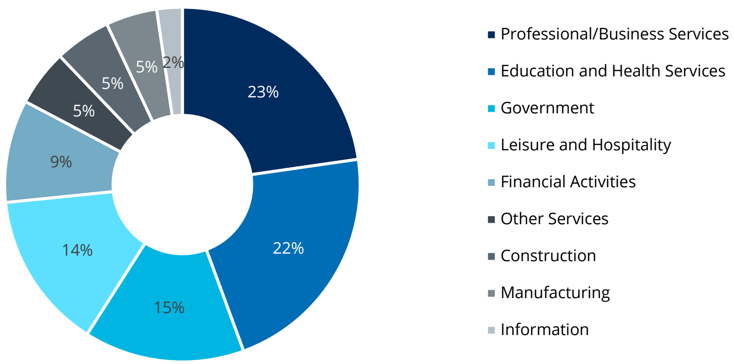
## Y-O-Y CHANGE IN OFFICE JOBS




Source: Bureau of Labor Statistics, Transwestern

## SHARE OF EMPLOYEES BY INDUSTRY

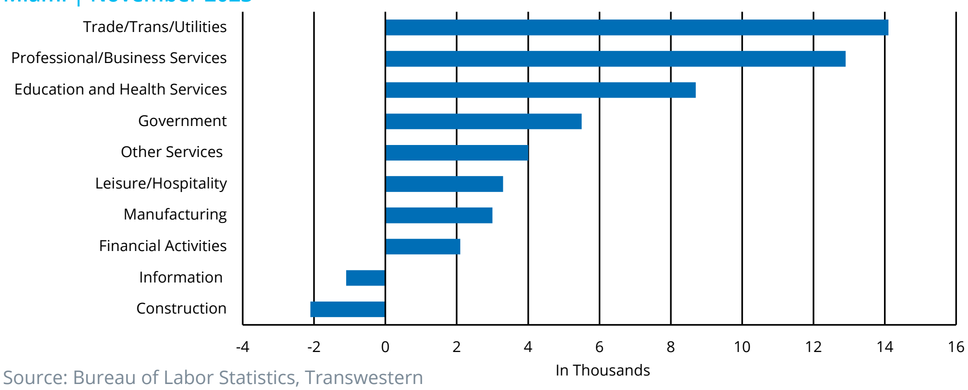
Miami | November 2023




Source: Bureau of Labor Statistics, Transwestern

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

Miami | November 2023



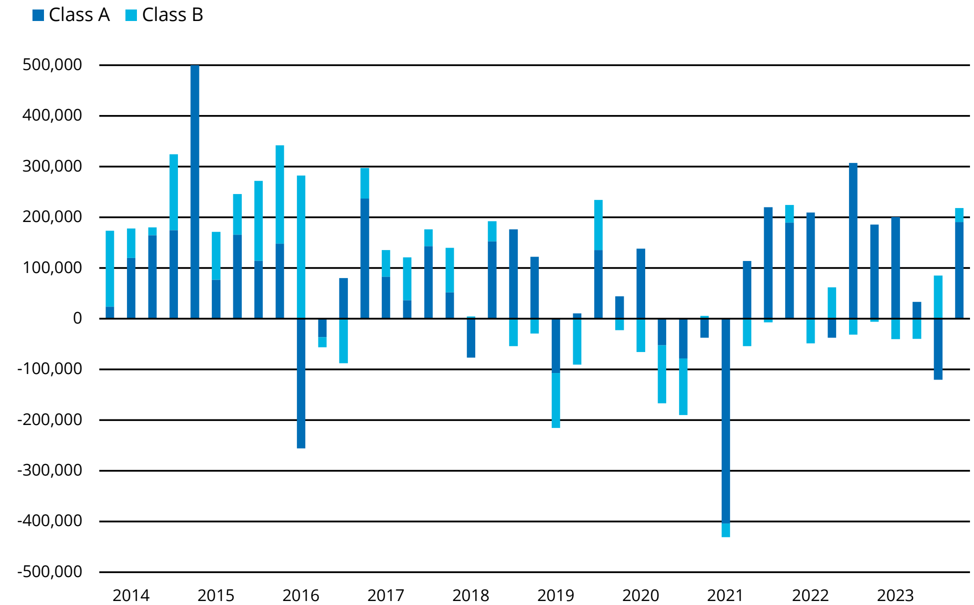

Source: Bureau of Labor Statistics, Transwestern

## NET ABSORPTION

### Strong Q4 Caps Impressive 2023

- Miami saw positive absorption of 218,053 SF in Q4 of 2023, the first positive absorption quarter for the market since Q1 of 2023. This marks positive absorption in 9 of the past 11 quarters for Miami, continuing an incredible run for the market, bucking national absorption trends in the process. In 2023 Miami saw positive absorption of 336,147 SF, the third-consecutive positive year for the market. Miami has the most absorption gains over the past 3.5 years (relative to the market size) of any major metro in the United States.
- Class A properties saw strong gains in Q4 2023, with positive absorption of 190,556, led by Miami's urban submarkets. The Downtown and Brickell submarkets combined for positive absorption of 99,289 SF, while the suburban Miami Airport chipped in a further gain of 125,091 SF.
- Across all property classes, seven submarkets saw gains, while four suffered losses in Q3 2023. Only one submarket gave back substantial space: Kendall, which saw negative absorption of 80,399 SF.
- Downtown and Wynwood-Design District were the two best-performing submarkets of 2023, seeing positive absorption on the year of 258,776 SF and 202,922 SF respectively. The gains in Wynwood-Design District are particularly impressive considering how little inventory the submarket has, with just 1.6 million square feet of Class A and B product.

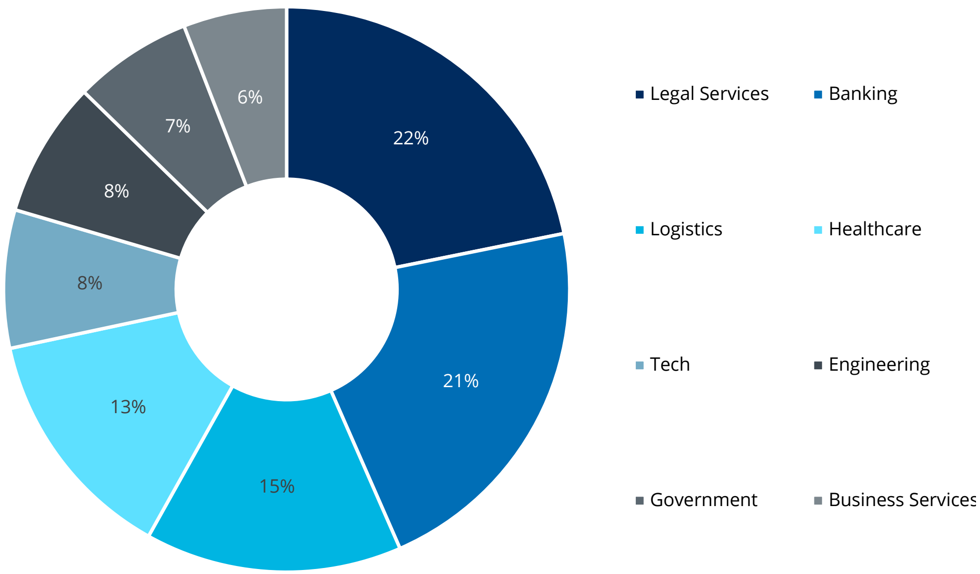
## NET ABSORPTION BY CLASS




Source: CoStar, Transwestern

## SHARE OF LEASING ACTIVITY BY INDUSTRY

Q4 2023



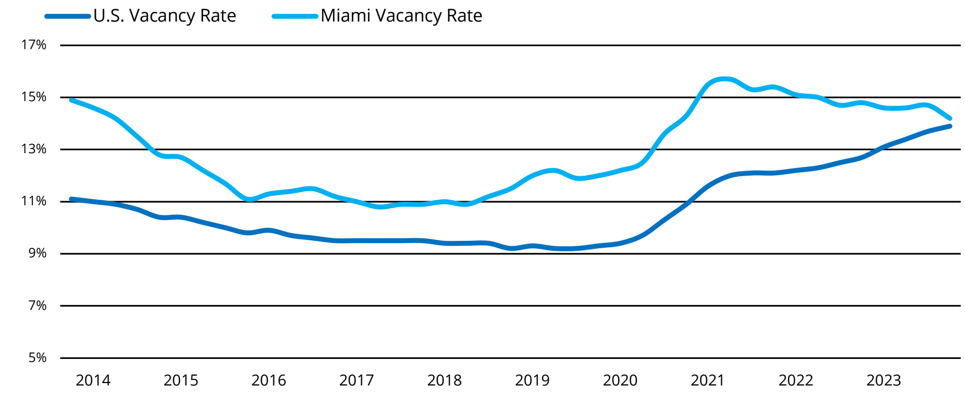

Source: CoStar, Transwestern

## VACANCY

### Vacancy Continues to Fall in Q4

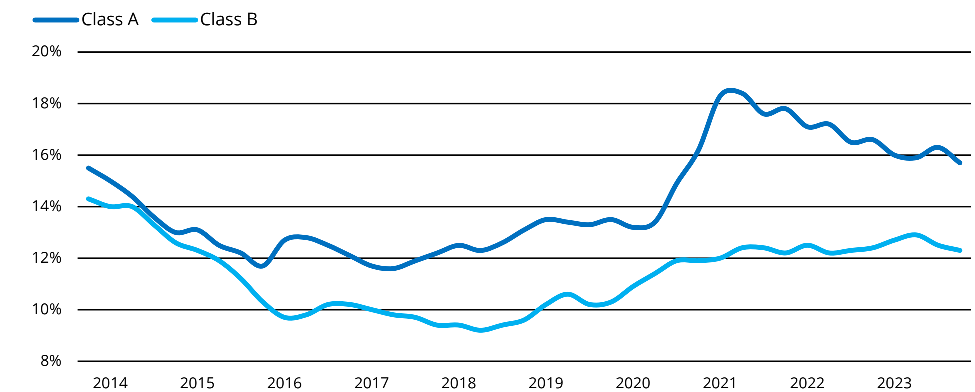
- Miami's overall vacancy rate fell 50 basis points in Q4 2023 to 14.2%. This is the lowest vacancy rate that the market has seen since Q3 of 2020. The Class A vacancy rate fell 60 basis points to 15.7% while the Class B rate dropped 20 basis points to 12.3%. Miami has seen its vacancy rate fall 130 basis points since the beginning of 2021.
- The Wynwood-Design District submarket has the highest vacancy rate in the market at 21.7% 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 160 basis point drop in Q4 2023 from 23.3% to 21.7%. 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 68% of the space in the development pipeline is currently pre-leased.
- 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 over the past three years, something many other U.S. markets have struggled with.

## OVERALL VACANCY RATE



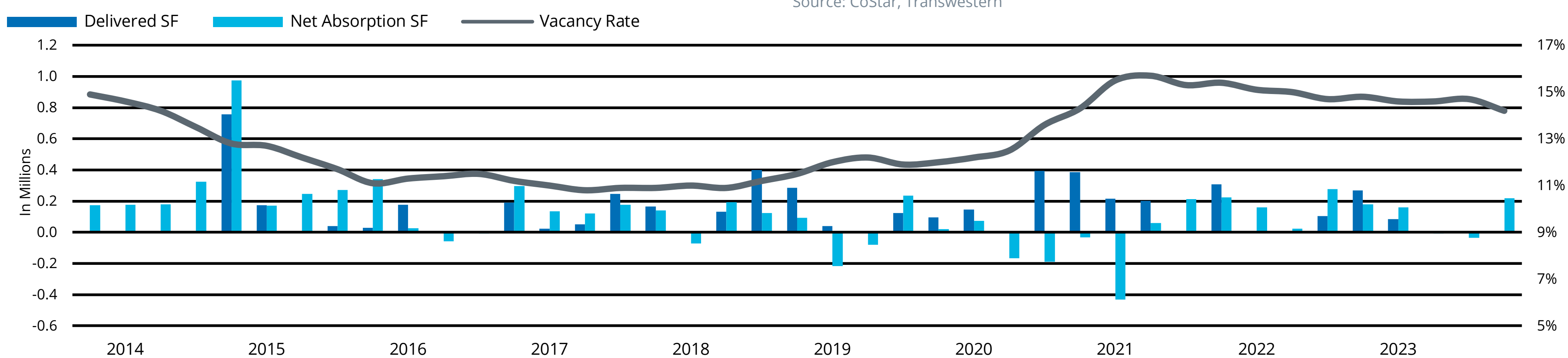

Source: CoStar, Transwestern

## OVERALL MIAMI VACANCY RATE BY CLASS




Source: CoStar, Transwestern

## DELIVERY IMPACT ON KEY INDICATORS



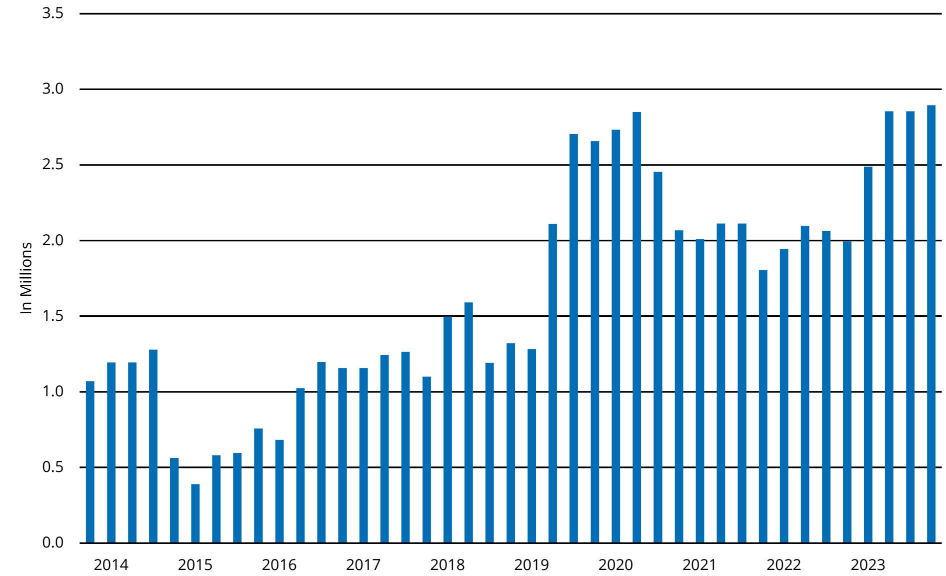

Source: CoStar, Transwestern

## CONSTRUCTION

### No Changes to Pipeline in Q4, Big 2024 Deliveries on Horizon

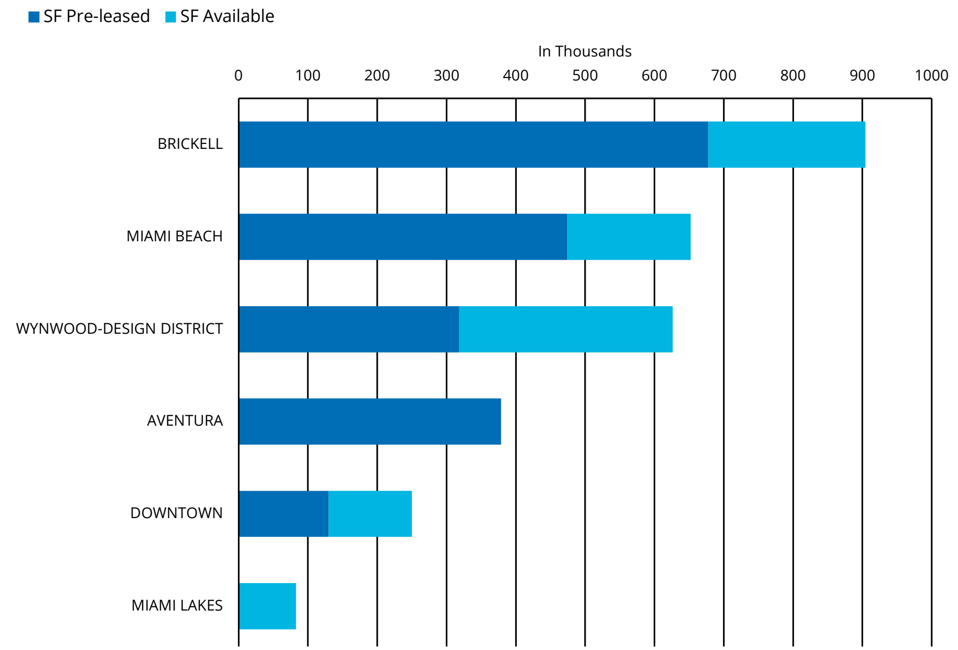
- There were no deliveries or groundbreakings for the third consecutive quarter. There remains 2.8 MSF under construction in the Miami office market, the most since 2009.
- There are two expected deliveries in Q1 of 2024: Block 55 at Sawyers Walk and Eighteen Sunset. Block 55 is located at 249 NE 6th St in the Downtown Miami submarket. It is a 130,000 SF development by Swerdlow Group that is 100% pre-leased to MSC Group, who signed for the full building in January of 2024. 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.
- 830 Brickell was originally slated to deliver in Q3 of 2023, but its expected completion has been pushed back to Q2 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 92.3% 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, Miami Beach, and Wynwood-Design District submarkets. The three submarkets combine for 75% of all space under construction in the Miami market, with 904,300 SF, 652,298 SF, and 626,184 SF underway respectively.
- Approximately 68% of current under construction space in Miami is pre-leased.

## UNDER CONSTRUCTION




Source: CoStar, Transwestern

## UNDER CONSTRUCTION BY SUBMARKET



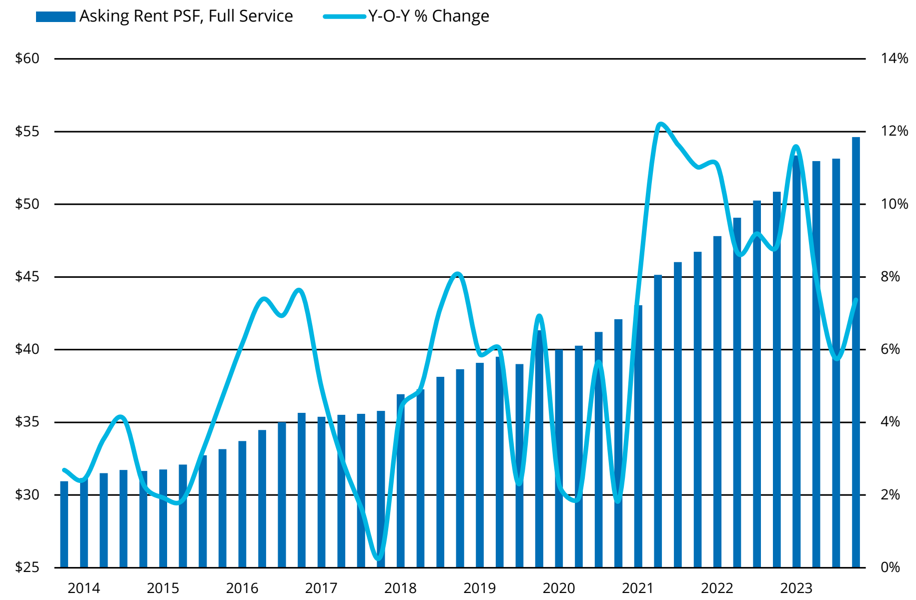

Source: CoStar, Transwestern

## RENTAL RATES

### Asking Rents Continue to Rise

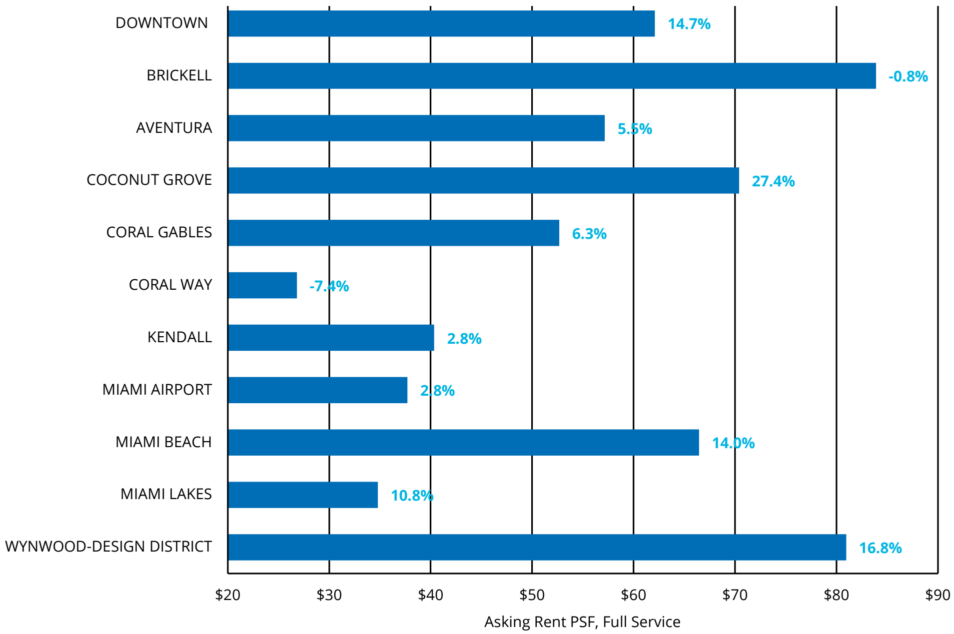
- Miami's average asking rent rose $1.48 during the third quarter of 2023 to an average of $54.62 PSF and is up 7.4% year-over-year from $50.87 in Q4 of 2022. Rents have risen on a year-over-year basis in nine of Miami's eleven office submarkets, with double-digit gains in five of them.
- The strongest rental rate growth over the past year has been in the Coconut Grove and Wynwood-Design District submarkets, which have seen rates rise 27.4% and 16.8% respectively since Q4 of 2022. Downtown Miami, Miami Beach, and Miami Lakes all saw double-digit rental rate increases in 2023 as well.
- The highest average asking rent in the market is in Brickell, which sits at $83.62. The Class A rate in Brickell is $87.95, $27.40 higher than the average Class A market rate of $60.55.
- Asking rents should continue to rise into 2024 and beyond, as the Miami office market remains one of the tightest in the nation. With a shrinking vacancy rate and strong pre-leasing among product under construction, it has become a landlord-friendly market, with owners unafraid to push rents higher. Miami has seen an average annual increase of 10.4% among Class A rents over the past three years, a trajectory the market should remain on in 2024.

## ASKING RENT




Source: CoStar, Transwestern

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



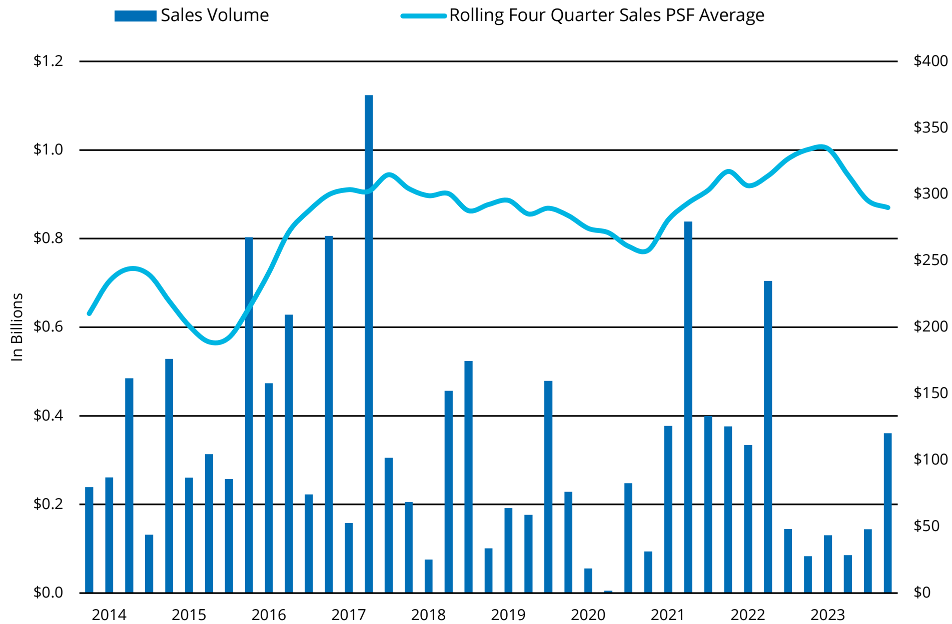

Source: CoStar, Transwestern

## SALES

### Sales Volume Up in Q4 as 801 Brickell Trades

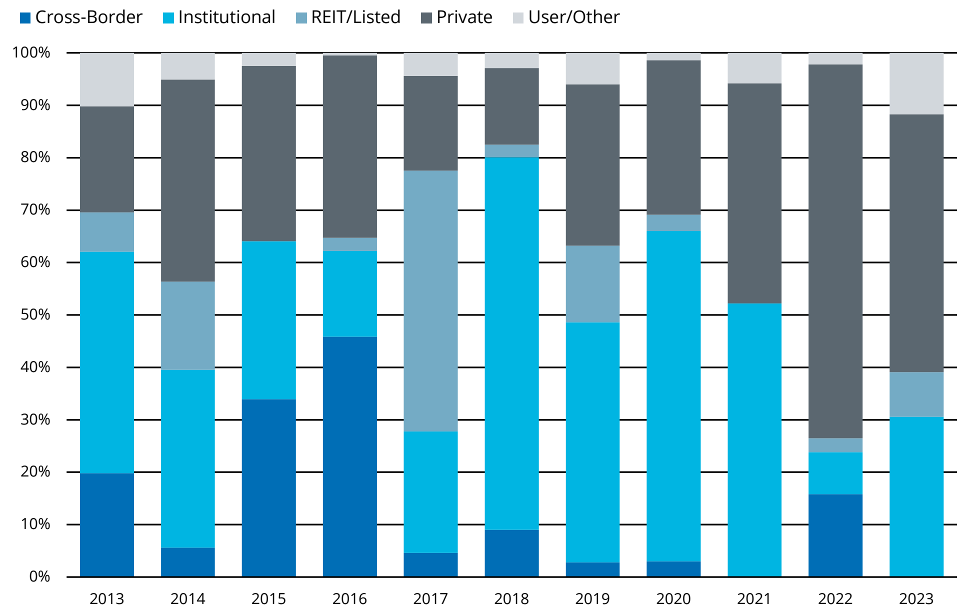
- Q4 2023 brought the most investment sales activity Miami has seen since Q2 of 2022, with over $360 million in sales volume. The previous five quarters saw an average of just $116 million transacted per quarter, significantly lower than the numbers Miami posted from 2020 to 2022, when the market averaged over $420 million per quarter in sales.
- The highlight sale in Q4 2023 was 801 Brickell trading for $250 million, the largest transaction in the Miami market since Q2 of 2022. The 415,150 SF 801 Brickell was purchased for $602/SF by Monarch Alternative Capital and Tourmaline Capital Partners. Nuveen was the seller, and the property was 92% leased at the time of sale. The building does not have one main anchor tenant, with the United States Securities & Exchange Commission holding the largest footprint at 43,142 SF (leased through 2034).
- Despite the marquee sale and some increased activity, much of the office market is still in a period of price discovery, as investors are still hesitant regarding suburban and value-add plays. Elevated interest rates have made debt difficult to acquire, but with valuations declining and loan maturities due, opportunistic buyers will soon be able to purchase 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 |
|---|---|---|---|---|
| **MSC GROUP** | Block 55 at Sawyers Walk | Downtown | New Lease | 130,000 |
| **SIMPLY HEALTHCARE** | 11430 NW 20th St | Miami Airport | New Lease | 55,968 |
| **QUEST WORKSPACES** | Miami Tower | Downtown | New Lease | 33,608 |
| **WESTERN UNION** | 3MiamiCentral | Downtown | New Lease | 27,102 |
| **AAR** | The Plaza Coral Gables - North Tower | Coral Gables | New Lease | 18,000 |

Source: CoStar, Transwestern

## NOTABLE SALES

| PROPERTY | SUBMARKET | SALES PRICE | BUILDING SF | PRICE PSF | BUYER | SELLER |
|---|---|---|---|---|---|---|
| **801 BRICKELL** | Brickell | $250,000,000 | 415,150 | $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 |
| **5505 BLUE LAGOON DR** | Miami Airport | $68,000,000 | 213,182 | $319 | Lennar | Franklin Street Properties |
| **255 ALHAMBRA** | Coral Gables | $54,395,400 | 221,335 | $245 | Torose / Terranova / LNDMRK | DWS Group |

Source: CoStar, Transwestern

## MARKET INDICATORS

All Space | Fourth 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 | 9,013,911 | 1,487,296 | 16.5% | 63,421 | 17.2% | 250,000 | 61,137 | 258,776 | $62.11 |
| BRICKELL | 8,159,257 | 576,921 | 7.1% | 52,549 | 7.7% | 904,300 | 38,152 | 6,246 | $83.90 |
| AVENTURA | 1,354,684 | 94,028 | 6.9% | 17,344 | 8.2% | 378,650 | (3,411) | (32,467) | $57.17 |
| COCONUT GROVE | 1,913,550 | 133,558 | 7.0% | 27,021 | 8.4% | 0 | 20,389 | 41,200 | $70.41 |
| CORAL GABLES | 7,101,668 | 934,395 | 13.2% | 68,882 | 14.1% | 0 | 6,593 | 351 | $52.68 |
| CORAL WAY | 696,136 | 28,976 | 4.2% | 918 | 4.3% | 0 | (11,434) | 5,794 | $26.82 |
| KENDALL | 5,009,238 | 510,195 | 10.2% | 20,879 | 10.6% | 0 | (80,399) | (108,947) | $40.35 |
| MIAMI AIRPORT | 11,751,022 | 2,395,772 | 20.4% | 153,415 | 21.7% | 0 | 125,091 | (97,425) | $37.72 |
| MIAMI BEACH | 2,412,110 | 153,178 | 6.4% | 2,775 | 6.5% | 652,298 | (2,449) | 6,937 | $66.46 |
| MIAMI LAKES | 2,197,116 | 221,677 | 10.1% | 2,840 | 10.2% | 82,903 | 38,596 | 52,760 | $34.79 |
| WYNWOOD-DESIGN DISTRICT | 1,631,787 | 319,364 | 19.6% | 34,375 | 21.7% | 626,184 | 25,788 | 202,922 | $80.96 |
| **TOTAL** | **51,240,479** | **6,855,360** | **13.4%** | **444,419** | **14.2%** | **2,894,335** | **218,053** | **336,147** | **$54.62** |

Source: CoStar, Transwestern

## MARKET INDICATORS

### Class A | Fourth Quarter 2023

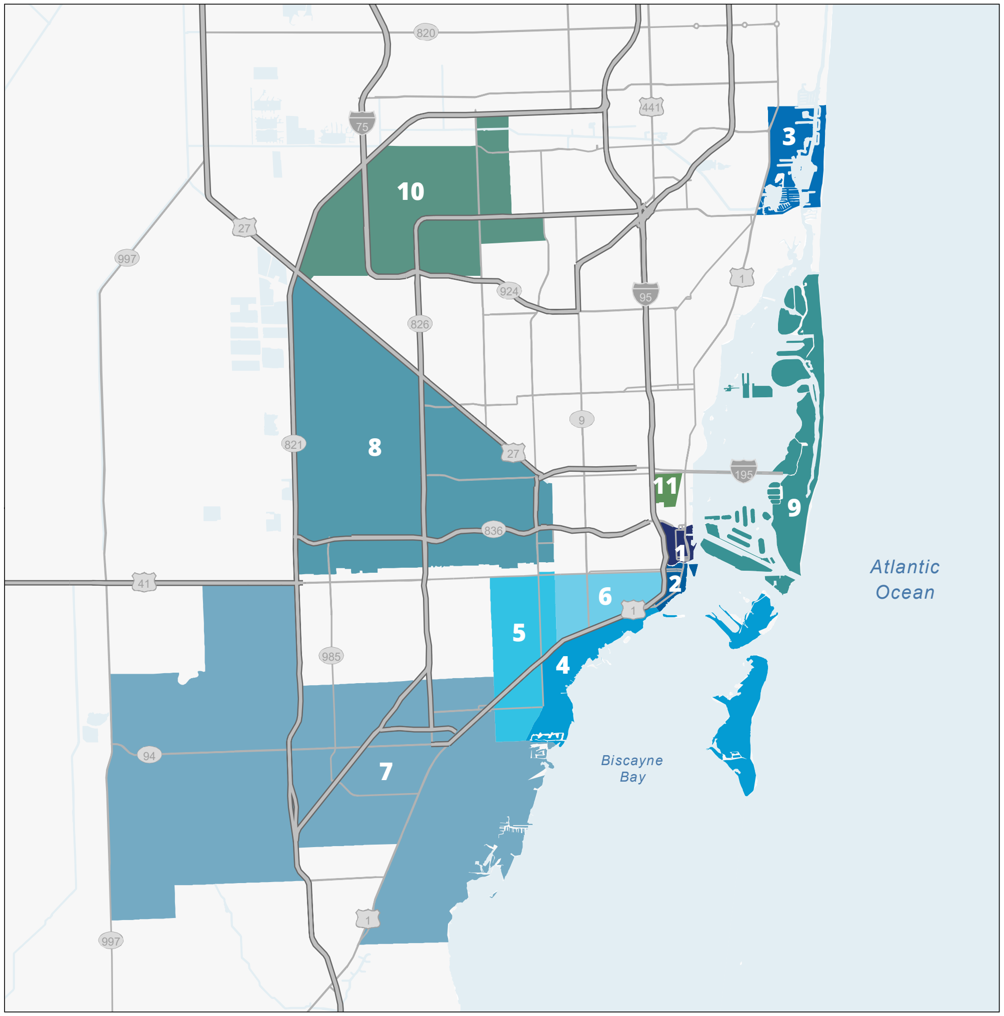
| SUBMARKET | INVENTORY SF | DIRECT VACANT SF | DIRECT VACANCY RATE | SUBLEASE VACANT SF | OVERALL VACANCY RATE | UNDER CONSTRUCTION SF | NET ABSORPTION SF | Y-T-D NET ABSORPTION SF | ASKING RENT PSF, FULL SERVICE |
|---|---|---|---|---|---|---|---|---|---|
| DOWNTOWN | 5,603,638 | 823,877 | 14.7% | 53,421 | 15.7% | 250,000 | 79,201 | 283,546 | $65.66 |
| BRICKELL | 5,959,666 | 462,740 | 7.8% | 35,601 | 8.4% | 904,300 | 42,682 | (42,263) | $87.95 |
| AVENTURA | 1,036,787 | 82,162 | 7.9% | 17,344 | 9.6% | 378,650 | (1,905) | (44,351) | $58.67 |
| COCONUT GROVE | 1,029,096 | 56,355 | 5.5% | 27,021 | 8.1% | 0 | 3,694 | (6,200) | $74.30 |
| CORAL GABLES | 4,962,717 | 731,330 | 14.7% | 55,278 | 15.9% | 0 | 8,530 | 54,819 | $54.64 |
| CORAL WAY | 96,000 | 0 | 0.0% | 0 | 0.0% | 0 | 0 | 4,727 | $45.44 |
| KENDALL | 2,188,604 | 197,976 | 9.0% | 18,379 | 9.9% | 0 | (51,776) | (50,532) | $44.12 |
| MIAMI AIRPORT | 5,876,800 | 1,435,954 | 24.4% | 106,195 | 26.2% | 0 | 78,219 | (86,130) | $39.88 |
| MIAMI BEACH | 730,575 | 65,728 | 9.0% | 2,775 | 9.4% | 612,298 | 225 | (4,127) | $74.40 |
| MIAMI LAKES | 552,073 | 100,294 | 18.2% | 0 | 18.2% | 82,903 | 8,570 | 7,402 | $35.38 |
| WYNWOOD-DESIGN DISTRICT | 1,077,901 | 261,999 | 24.3% | 34,375 | 27.5% | 578,332 | 23,116 | 186,649 | $81.76 |
| **TOTAL** | **29,113,857** | **4,218,415** | **14.5%** | **350,389** | **15.7%** | **2,806,483** | **190,556** | **303,540** | **$60.55** |

Source: CoStar, Transwestern

### Class B | Fourth 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 | 663,419 | 19.5% | 10,000 | 19.7% | 0 | (18,064) | (24,770) | $45.61 |
| BRICKELL | 2,199,591 | 114,181 | 5.2% | 16,948 | 6.0% | 0 | (4,530) | 48,509 | $54.17 |
| AVENTURA | 317,897 | 11,866 | 3.7% | 0 | 3.7% | 0 | (1,506) | 11,884 | $49.50 |
| COCONUT GROVE | 884,454 | 77,203 | 8.7% | 0 | 8.7% | 0 | 16,695 | 47,400 | $68.52 |
| CORAL GABLES | 2,138,951 | 203,065 | 9.5% | 13,604 | 10.1% | 0 | (1,937) | (54,468) | $43.99 |
| CORAL WAY | 600,136 | 28,976 | 4.8% | 918 | 5.0% | 0 | (11,434) | 1,067 | $26.82 |
| KENDALL | 2,820,634 | 312,219 | 11.1% | 2,500 | 11.2% | 0 | (28,623) | (58,415) | $37.93 |
| MIAMI AIRPORT | 5,874,222 | 959,818 | 16.3% | 47,220 | 17.1% | 0 | 46,872 | (11,295) | $34.85 |
| MIAMI BEACH | 1,681,535 | 87,450 | 5.2% | 0 | 5.2% | 40,000 | (2,674) | 11,064 | $61.15 |
| MIAMI LAKES | 1,645,043 | 121,383 | 7.4% | 2,840 | 7.6% | 0 | 30,026 | 45,358 | $34.17 |
| WYNWOOD-DESIGN DISTRICT | 553,886 | 57,365 | 10.4% | 0 | 10.4% | 47,852 | 2,672 | 16,273 | $63.37 |
| **TOTAL** | **22,126,622** | **2,636,945** | **11.9%** | **94,030** | **12.3%** | **87,852** | **27,497** | **32,607** | **$40.46** |

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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