

MIAMI OFFICE MARKET

Q1 2024

TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	1.5	1.9	↓	4.2	↑
NET ABSORPTION (THOUSANDS SF)	150.2	159.9	↑	10.4	↑
OVERALL VACANCY RATE	14.2%	14.7%	↓	14.2%	↓
OVERALL VACANT SF (MSF)	7.2	7.5	↓	7.2	↓
UNDER CONSTRUCTION (MSF)	2.4	2.2	↑	2.1	↓
ASKING RENT, FULL SERVICE (PSF)	\$55.34	\$52.44	↑	\$46.09	↑
SALES VOLUME (MILLIONS)	\$140	\$130	↑	\$268.0	↑

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

MOMENTUM CONTINUES FOR MIAMI OFFICE MARKET

The Miami office market picked up 2024 right where it left off in 2023, with another quarter of positive absorption, falling vacancy rates, and rising asking rents. Miami has become one of the best performing office markets in the United States, with over three-consecutive years of positive absorption, and gains in 10 of its past 12 quarters. Miami's overall vacancy rate fell 10 basis points in Q1 2024 to 14.2%. Asking rents have continued to rise, currently seeing 5.5% year-over-year growth to an average of \$55.34. There was little change to the construction pipeline, with 14 properties currently underway at a combined 60% pre-leased.

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 further into 2024 thanks to strong leasing activity and solid market fundamentals.



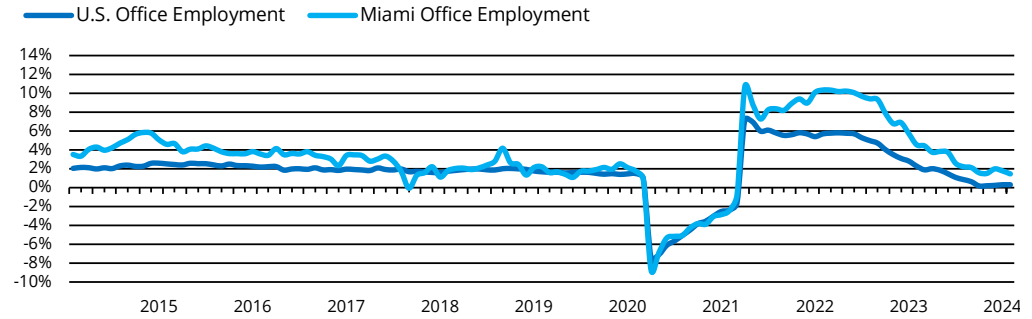
ECONOMY

Fundamentals Remain Strong for Miami

- Miami has added 38,400 total nonfarm jobs and 4,800 office-using jobs during the 12 months ending in February 2024. Miami continues to outpace the national office-using jobs growth rate, 1.5% year-over-year compared to just 0.3% year-over-year nationally. Both the Miami and national office-using jobs year-over-year growth has been steadily declining for the past two years, but Miami continues to outpace the national trend.
- Miami's unemployment rate was 1.6% in February, well below the national rate of 3.9%. This is one of the lowest unemployment rates 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

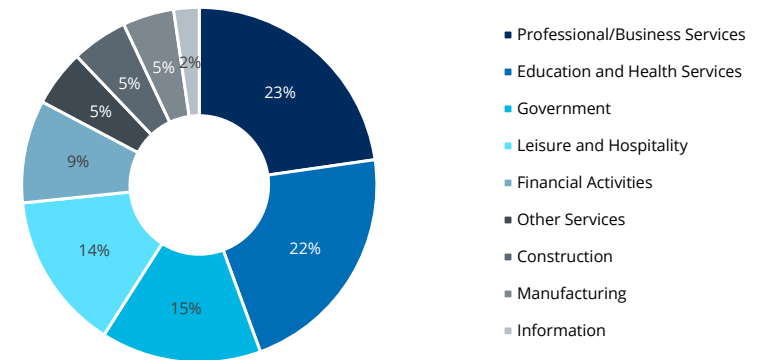
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

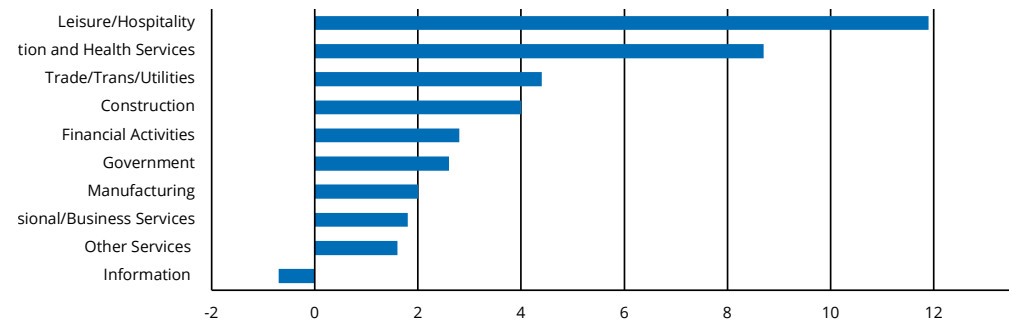
Miami | February 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Miami | February 2024



Source: Bureau of Labor Statistics, Transwestern

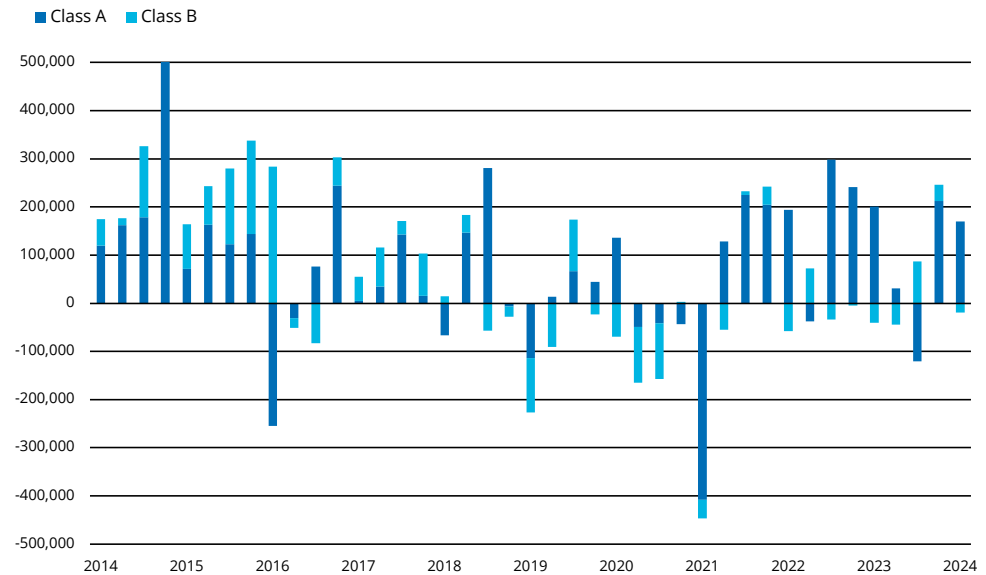


NET ABSORPTION

Solid Start to 2024 Continues Impressive Run

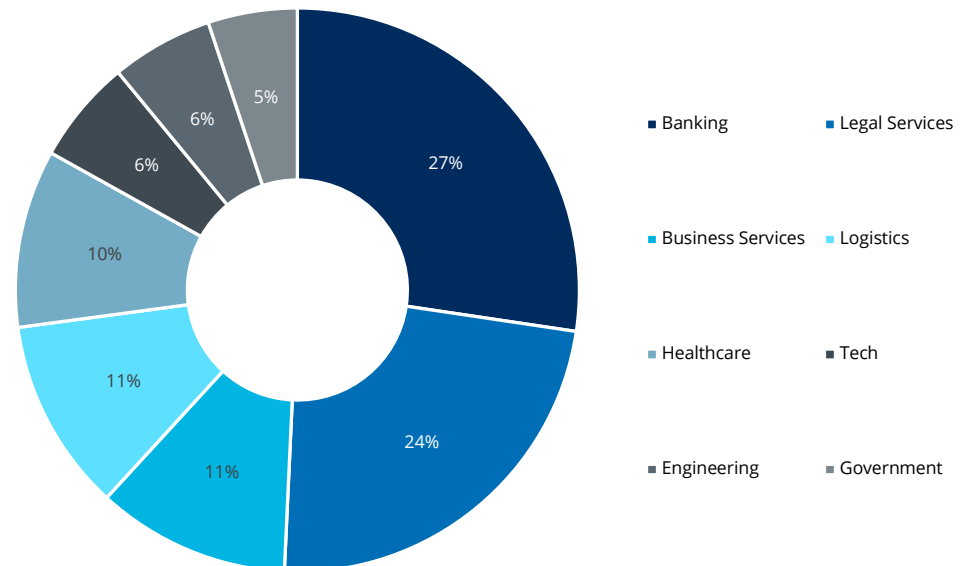
- Miami saw positive absorption of 150,154 SF in Q1 of 2024, the second-consecutive positive absorption quarter for the market. This marks positive absorption in 10 of the past 12 quarters for Miami, continuing an incredible run for the market, bucking national absorption trends in the process. 2023 was the third-straight positive year for the Miami market, which looks like it is headed towards a fourth thanks to strong Q1 performances from the Downtown, Miami Beach, Miami Airport, and Wynwood-Design District submarkets. 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 led the way in Q1 2024 with positive absorption of 169,628 SF. The Miami Airport submarket saw the largest Class A gain, with positive absorption of 78,889 SF in Q1.
- Across all property classes, six submarkets saw gains, while five suffered losses in Q1 2024. Only one submarket gave back substantial space: Brickell, which saw negative absorption of 74,728 SF. This brought Brickell to negative year-over-year absorption of 54,757 SF.
- Downtown and Wynwood-Design District have remained the two best-performing submarkets in Miami, with positive year-over-year absorption of 308,497 SF and 171,196 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 Q1 2024



Source: CoStar, Transwestern

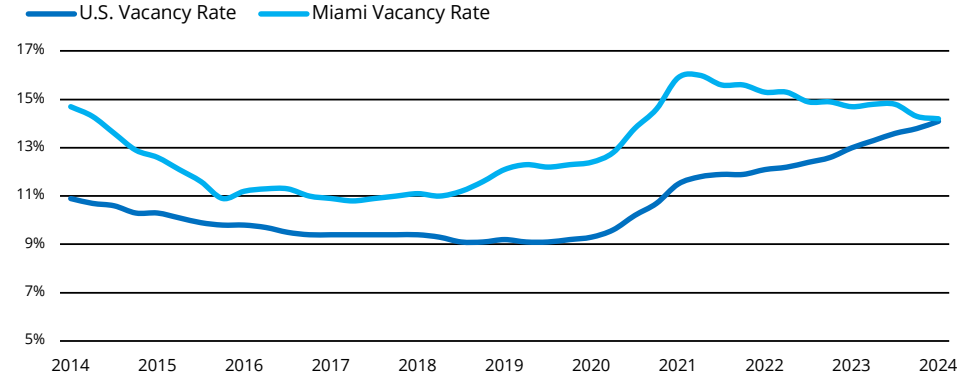


VACANCY

Vacancy Stable to Start 2024

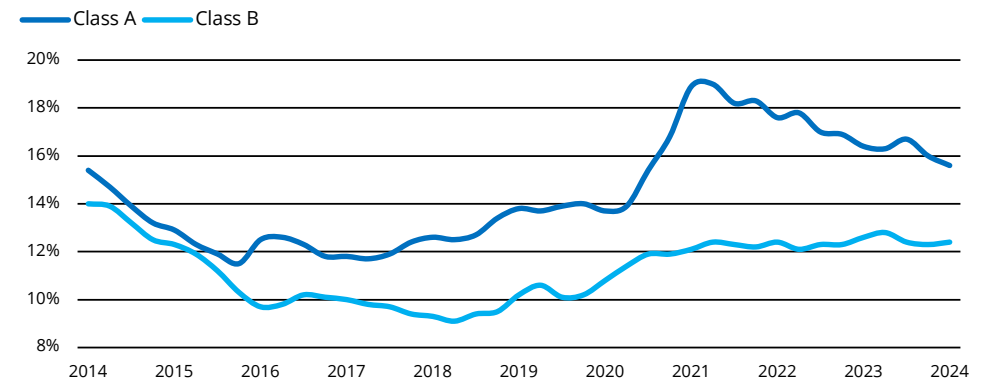
- Miami’s overall vacancy rate dropped by 10 basis points in Q1 2024 to 14.2%. This is the lowest vacancy rate that the market has seen since Q3 of 2020. The Class A vacancy rate fell 40 basis points to 15.6% while the Class B rate rose 10 basis points to 12.4%. Miami has seen its vacancy rate fall 170 basis points since the beginning of 2021.
- The Miami Airport submarket has the highest vacancy rate in the market at 20.7%, but has seen a decline in the past two quarters. One of Miami’s worst-performing submarkets from 2019 through 2023, Miami Airport saw its vacancy rise from 10.4% at the start of 2019 to 22.3% in Q3 of 2023. Since then, however, the submarket’s vacancy rate has fallen 160 basis points to 20.7% behind two-consecutive positive absorption quarters.
- Miami is relatively insulated from any sharp spikes in vacancy in the coming quarters due to the deliveries of vacant spec office product, as 60% 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 three years, something many other U.S. markets have struggled with.

OVERALL VACANCY RATE



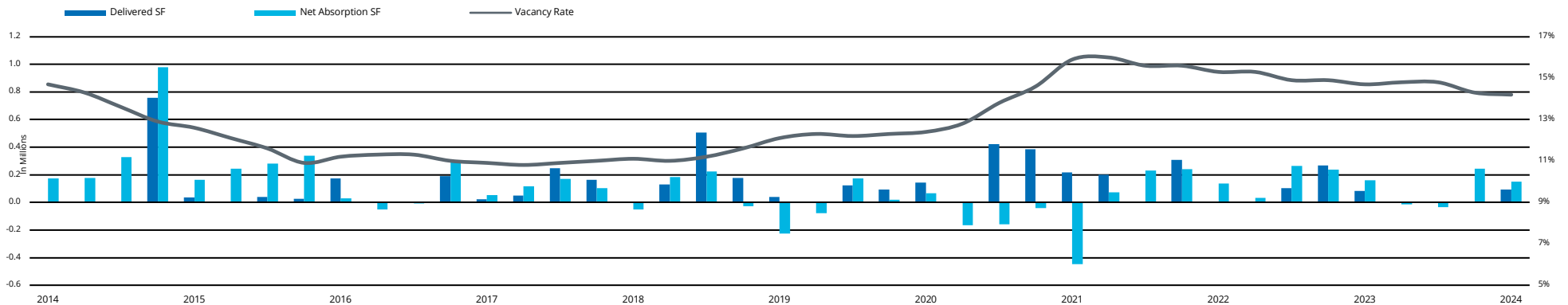
Source: CoStar, Transwestern

OVERALL MIAMI VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

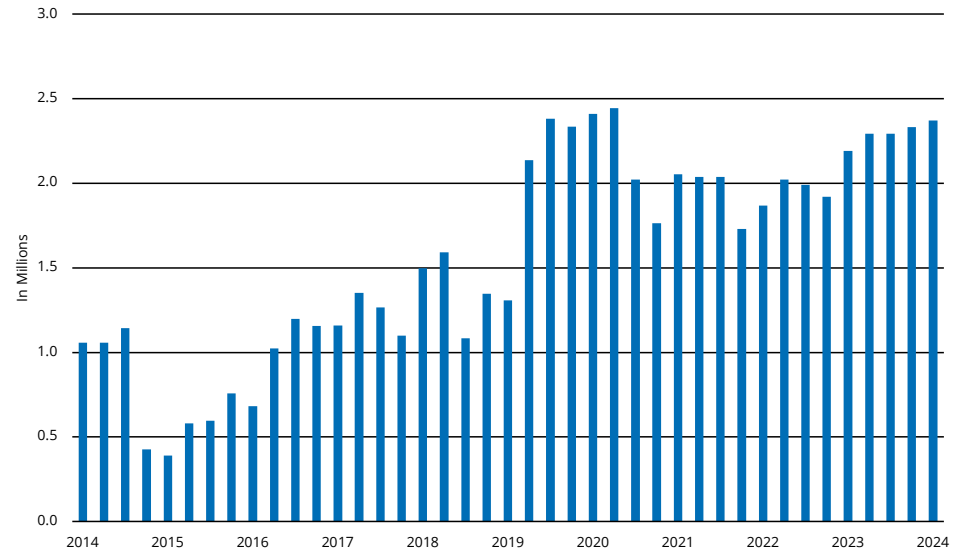


CONSTRUCTION

One Delivery, One Groundbreaking in Q1 2024

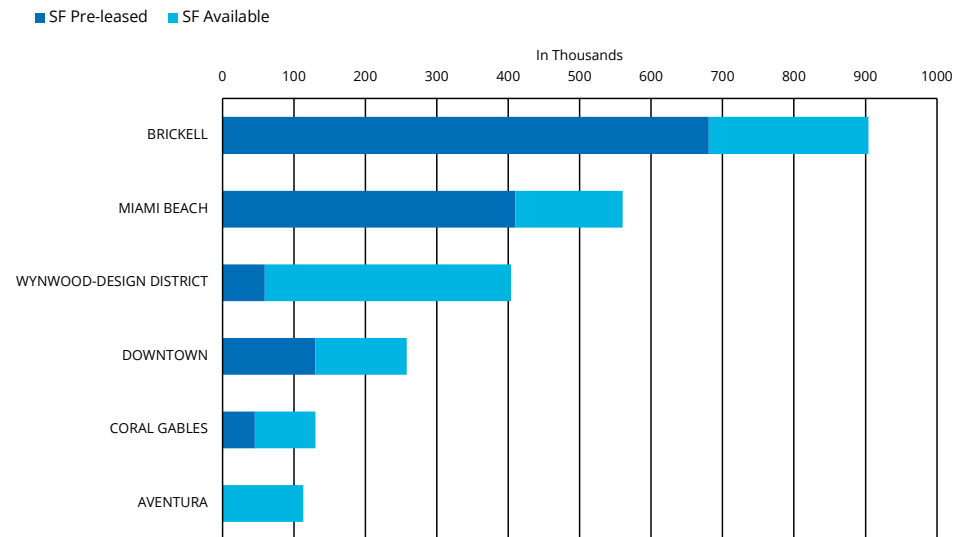
- One property delivered while another broke ground in a relatively quiet quarter for Miami’s office construction pipeline. There are currently 14 buildings totaling 2.3 million square feet under construction in Miami.
- Eighteen Sunset at 1759 Purdy Ave in the Miami Beach submarket delivered in February 2024. The Class A building stands 5 stories tall and totals 92,000 SF. Owned by Deco Capital Group, the building is currently 81% leased and quoting an asking rent of \$185.00/SF NNN.
- The lone building breaking ground in Q1 2024 was 4225 Ponce in Coral Gables. Developed by Constellation Group, the 129,946 new build features a rooftop amenity and balconies/terraces on each floor. This is the first building to break ground in Coral Gables since Q2 of 2019.
- There are three expected deliveries in Q2 of 2024: The Wynwood Plaza, 601 Miami, and Wyncatcher. 601 Miami is a 127,800 SF development in Downtown Miami from Newgard Development Group. The Wynwood Plaza and Wyncatcher are both located in the booming Wynwood-Design District submarket. The two properties are 266,000 SF and 47,852 SF respectively.
- 830 Brickell was originally slated to deliver in Q3 of 2023, but its expected completion has been pushed back to Q3 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.
- Approximately 60% of current under construction space in Miami is pre-leased.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

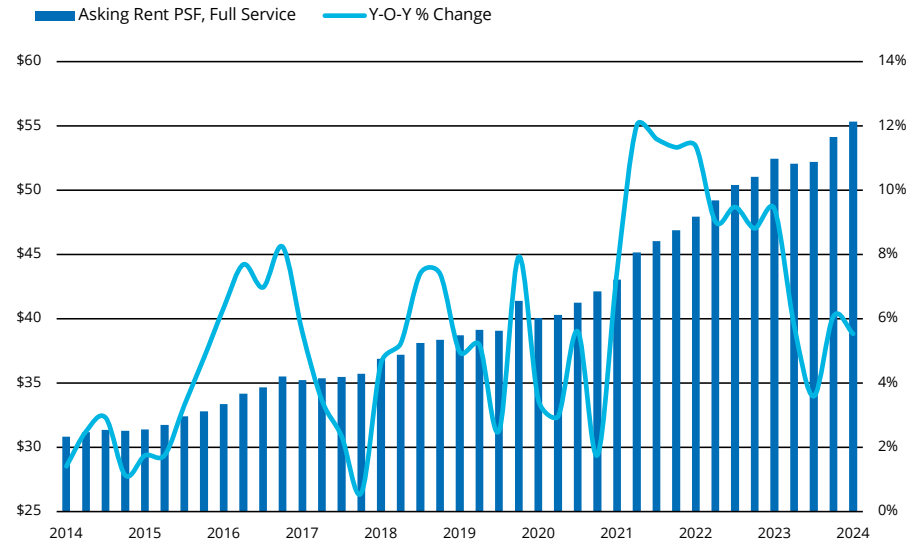


RENTAL RATES

Miami's Asking Rents Continue to Rise

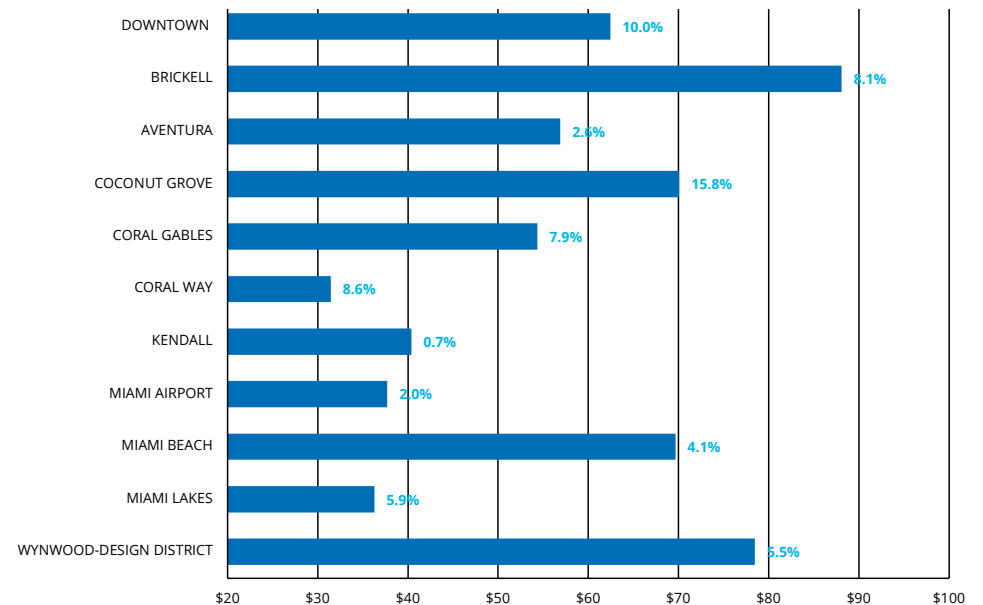
- Miami's average asking full service gross rental rate rose \$1.22 during the first quarter of 2024 to an average of \$55.34 PSF and is up 5.5% year-over-year from \$52.44 in Q1 of 2023. Rents have risen on a year-over-year basis in all of Miami's eleven office submarkets, with double-digit gains in two of them.
- The strongest rental rate growth over the past year has been in the Coconut Grove and Downtown submarkets, which have seen rates rise 15.8% and 10.0% respectively since Q1 of 2023.
- The highest average asking rent in the market is in Brickell, which sits at \$88.11. The Class A rate in Brickell is \$91.75, \$30.17 higher than the average Class A market rate of \$60.58.
- 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 9.5% among Class A and B 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

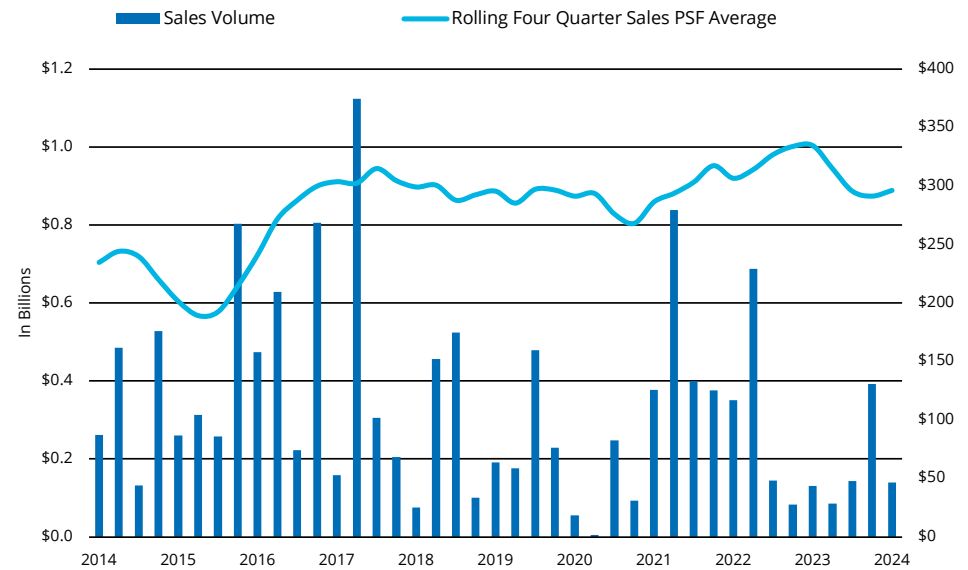


SALES

Sales Volume Trending Upwards as Buyers Begin to Re-Enter Market

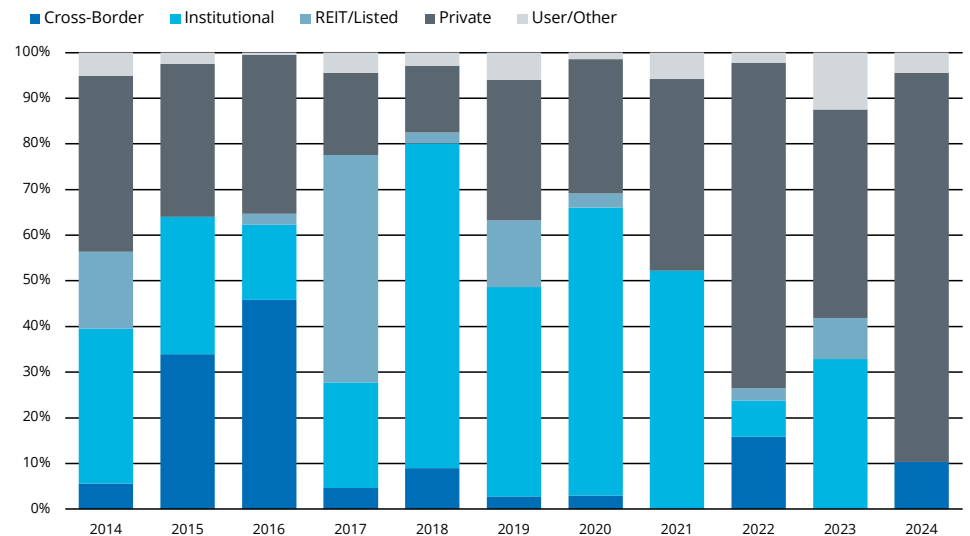
- On the heels of a Q4 2023 that saw a spike in volume and investment sales activity, Miami posted a modest Q1 2024, with over \$139 million in office transactions. Miami has now seen \$675 million in office transactions over the past three quarters, a surge compared to the three prior to that, which saw just \$358 million in sales volume. This of course is significantly lower than the numbers Miami posted from 2020 to 2022, when the market averaged over \$420 million per quarter in sales.
- The largest transaction in Q1 2024 was the sale of Douglas Entrance Office Parc in the Coral Gables submarket. The 474,750 SF five building portfolio was purchased by Colonnade Properties from Banyan Street Capital for \$76,000,000, or \$160 PSF. The buyer assumed a \$57,750,000 loan secured by Wells Fargo, the remaining balance of the \$86 million loan from the seller's initial acquisition in 2014.
- The Miami (and national) office market has been in a period of price discovery for several quarters now, but with every transaction the picture becomes a bit clearer. Still, interest rate and economic uncertainty have made debt difficult to acquire for most groups. With valuations declining and loan maturities coming due, opportunistic buyers that can raise the necessary capital 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
WHITE & CASE	Southeast Financial Center	Downtown	Renewal	81,603
ASSURANT	701 Waterford	Miami Airport	New Lease	77,989
APPLE	The Plaza Coral Gables	Coral Gables	New Lease	41,332
QUIRCH FOODS	2701 S Le Jeune Rd	Coral Gables	Renewal	29,988

Source: CoStar, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
DOUGLAS ENTRANCE OFFICE PARC	Coral Gables	\$76,000,000	474,750	\$160	Colonnade Properties	Banyan Street Capital
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
OFFICES AT DORAL SQUARE	Miami Airport	\$28,500,000	146,000	\$195	Tricera Capital	Bridge Commerical Real Estate

Source: CoStar, Transwestern



MARKET INDICATORS

All Space | Q1 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YOY NET ABSORPTION SF	AVG ASKING RENT PSF, FULL SERVICE
DOWNTOWN	9,019,542	1,415,118	15.7%	59,249	16.3%	257,800	76,350	308,497	\$62.45
BRICKELL	7,426,919	705,261	9.5%	67,253	10.4%	904,300	(74,728)	(54,757)	\$88.11
AVENTURA	1,354,684	98,402	7.3%	22,192	8.9%	113,650	(9,222)	(42,425)	\$56.90
COCONUT GROVE	1,837,502	130,157	7.1%	29,392	8.7%	0	1,030	30,533	\$70.09
CORAL GABLES	7,109,569	826,523	11.6%	116,139	13.3%	129,946	36,791	11,186	\$54.37
CORAL WAY	696,136	40,180	5.8%	0	5.8%	0	(10,286)	(6,063)	\$31.45
KENDALL	5,247,886	535,447	10.2%	18,467	10.6%	0	(22,840)	(121,641)	\$40.39
MIAMI AIRPORT	11,756,477	2,319,399	19.7%	115,965	20.7%	0	57,855	(37,444)	\$37.72
MIAMI BEACH	2,502,002	178,511	7.1%	4,192	7.3%	560,298	59,958	58,340	\$69.68
MIAMI LAKES	2,143,115	201,818	9.4%	20,848	10.4%	0	(12,525)	30,480	\$36.29
WYNWOOD-DESIGN DISTRICT	1,638,188	231,200	14.1%	74,768	18.5%	404,029	47,771	171,196	\$78.49
TOTAL	50,732,020	6,682,016	13.2%	528,465	14.2%	2,370,023	150,154	347,902	\$55.34

Source: CoStar, Transwestern



MARKET INDICATORS

Class A | Q1 2024

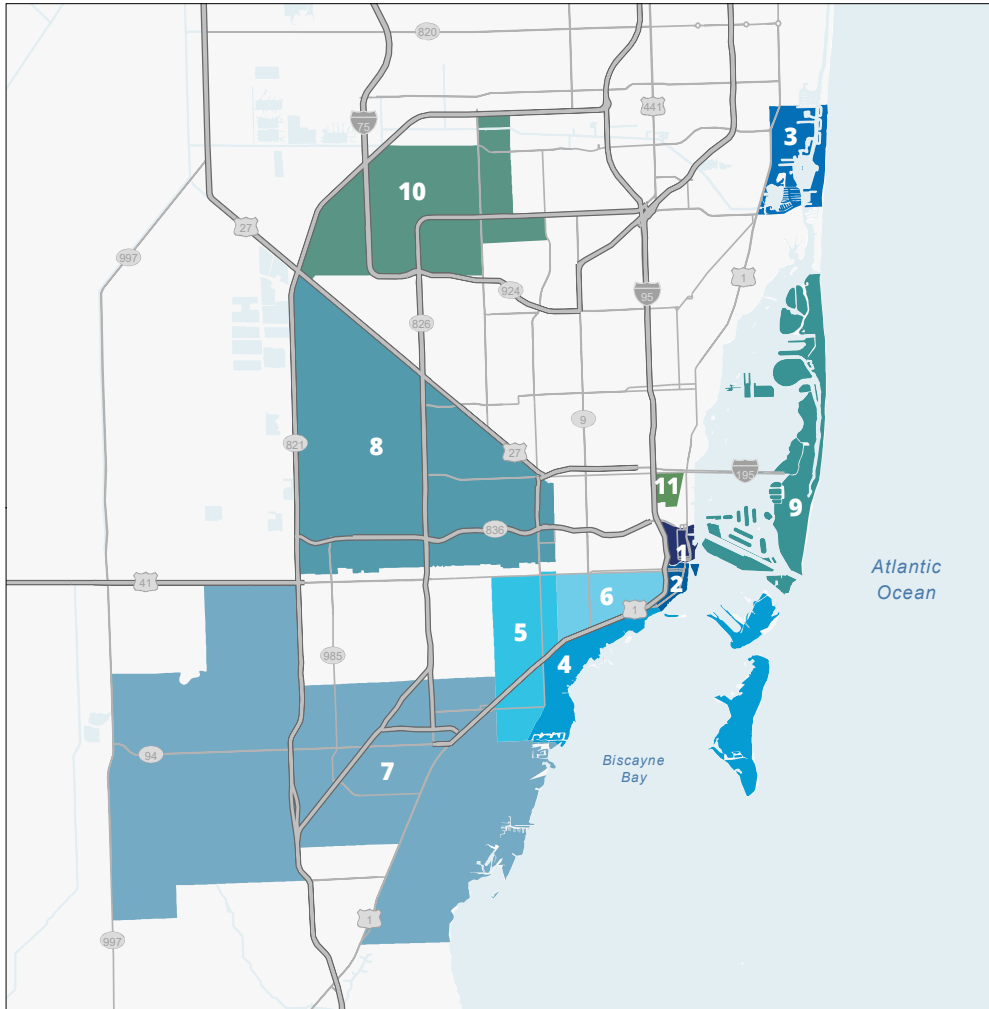
SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YOY NET ABSORPTION SF	AVG ASKING RENT PSF, FULL SERVICE
DOWNTOWN	5,603,638	788,270	14.1%	47,239	14.9%	257,800	41,789	221,425	\$67.50
BRICKELL	5,288,366	586,257	11.1%	46,868	12.0%	904,300	(66,468)	(39,766)	\$91.75
AVENTURA	1,036,787	87,101	8.4%	20,979	10.4%	113,650	(8,574)	(53,667)	\$58.83
COCONUT GROVE	1,029,096	36,199	3.5%	29,392	6.4%	0	17,785	9,415	\$72.80
CORAL GABLES	4,942,429	677,057	13.7%	97,034	15.7%	129,946	(12,370)	5,976	\$56.38
CORAL WAY	96,000	0	0.0%	0	0.0%	0	0	0	-
KENDALL	2,274,046	181,498	8.0%	16,659	8.7%	0	18,198	(19,445)	\$43.69
MIAMI AIRPORT	5,876,800	1,308,305	22.3%	98,987	23.9%	0	78,889	(41,149)	\$39.96
MIAMI BEACH	799,329	105,005	13.1%	4,192	13.7%	520,298	46,014	40,105	\$78.48
MIAMI LAKES	552,073	94,569	17.1%	0	17.1%	0	5,725	9,805	\$36.48
WYNWOOD-DESIGN DISTRICT	1,104,302	172,966	15.7%	74,768	22.4%	356,177	48,640	159,645	\$79.77
TOTAL	28,602,866	4,037,227	14.1%	436,118	15.6%	2,282,171	169,628	292,344	\$61.58

Source: CoStar, Transwestern

Class B | Q1 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YOY NET ABSORPTION SF	AVG ASKING RENT PSF, FULL SERVICE
DOWNTOWN	3,415,904	626,848	18.4%	12,010	18.7%	0	34,561	87,072	\$44.53
BRICKELL	2,138,553	119,004	5.6%	20,385	6.5%	0	(8,260)	(14,991)	\$55.69
AVENTURA	317,897	11,301	3.6%	1,213	3.9%	0	(648)	11,242	\$49.09
COCONUT GROVE	808,406	93,958	11.6%	0	11.6%	0	(16,755)	21,118	\$69.07
CORAL GABLES	2,167,140	149,466	6.9%	19,105	7.8%	0	49,161	5,210	\$44.15
CORAL WAY	600,136	40,180	6.7%	0	6.7%	0	(10,286)	(6,063)	\$31.45
KENDALL	2,973,840	353,949	11.9%	1,808	12.0%	0	(41,038)	(102,196)	\$38.17
MIAMI AIRPORT	5,879,677	1,011,094	17.2%	16,978	17.5%	0	(21,034)	3,705	\$34.77
MIAMI BEACH	1,702,673	73,506	4.3%	0	4.3%	40,000	13,944	18,235	\$60.88
MIAMI LAKES	1,591,042	107,249	6.7%	20,848	8.1%	0	(18,250)	20,675	\$36.06
WYNWOOD-DESIGN DISTRICT	533,886	58,234	10.5%	0	10.5%	47,852	(869)	11,551	\$56.18
TOTAL	22,129,154	2,644,789	12.0%	92,347	12.4%	87,852	(19,474)	55,558	\$40.75

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 Miami 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

SPENCER PAPCIAK

Director of Reseach - Southeast
spencer.papciak@transwestern.com
404.842.6585

RYAN BURRESS

Reseach Analyst
ryan.burress@transwestern.com
305.357.3839