

MIAMI OFFICE MARKET

Q2 2024

TRENDLINES

	Q2 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.1	1.9	↑	4.1	↑
NET ABSORPTION (THOUSANDS SF)	175.7	16.9	↑	21.8	↑
OVERALL VACANCY RATE	13.5%	14.1%	↓	14.2%	↓
OVERALL VACANT SF (MSF)	6.8	7.0	↓	7.0	↓
UNDER CONSTRUCTION (MSF)	2.2	2.2	↔	2.1	↓
ASKING RENT, FULL SERVICE (PSF)	\$57.84	\$53.71	↑	\$47.78	↑
SALES VOLUME (MILLIONS)	\$250	\$85	↑	\$270.7	↑

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

MIAMI OFFICE MARKET CONTINUES GREAT RUN WITH STRONG Q2

The Miami office market continues to outperform the rest of America with yet another strong quarter of positive absorption, falling vacancy rates, and rising asking rents. Miami is working on its fourth-consecutive calendar year of positive absorption, with gains in 12 of its last 13 quarters.

Miami's overall vacancy rate fell 10 basis points in Q2 2024 to 13.5%. Asking rents have continued to rise, currently seeing 7.7% year-over-year growth to an average of \$57.84. There was little change to the construction pipeline, with 11 properties currently underway after one delivery and no groundbreakings in Q2.

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 the second half of 2024 thanks to strong leasing activity and solid market fundamentals.



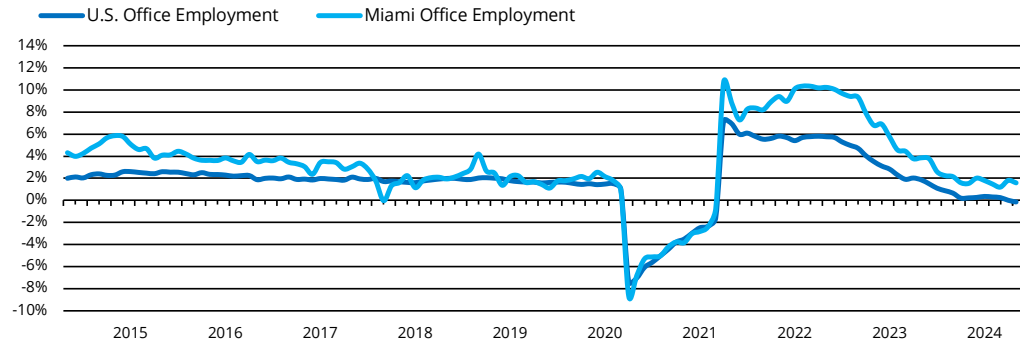
ECONOMY

Fundamentals Strong, Unemployment Low for Miami

- Miami has added 34,200 total nonfarm jobs and 5,200 office-using jobs during the 12 months ending in May 2024. Miami continues to outpace the national office-using jobs growth rate, 1.6% year-over-year compared to a -0.2% year-over-year decline 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 2.2% in May, well below the national rate of 4.0%. This is one of the lowest unemployment rates nationally among all metropolitan division areas.
- Jobs in Miami have increased by 7.4% since 2018, outpacing the national growth rate of 4.3% by 3.1%. This growth has been the most prevalent in industries like Leisure and Hospitality, 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 increased by 0.2% since 2018. According to population forecasts from Lightcast, there is expected to be a slight decrease in the coming years, with Miami’s population expected to decline by 0.2% by 2028.

Population and Job Projections from Lightcast

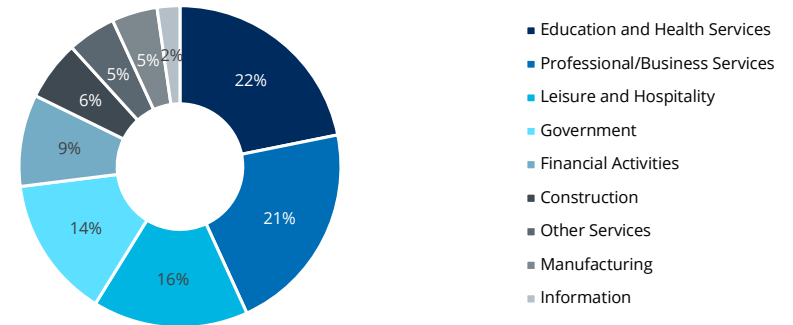
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

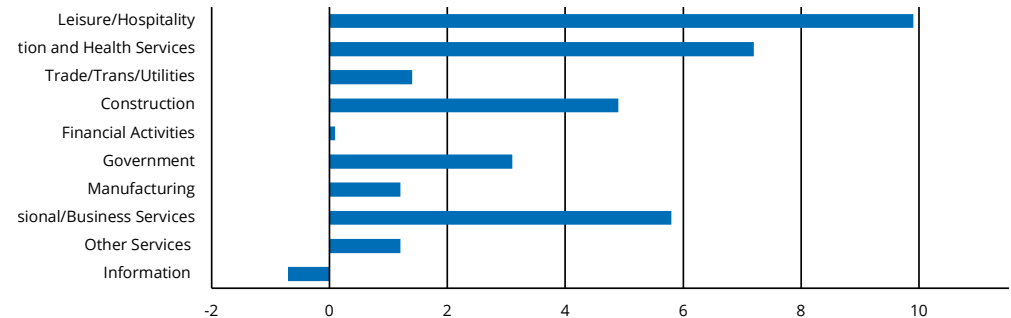
Miami | May 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Miami | May 2024



Source: Bureau of Labor Statistics, Transwestern

In Thousands

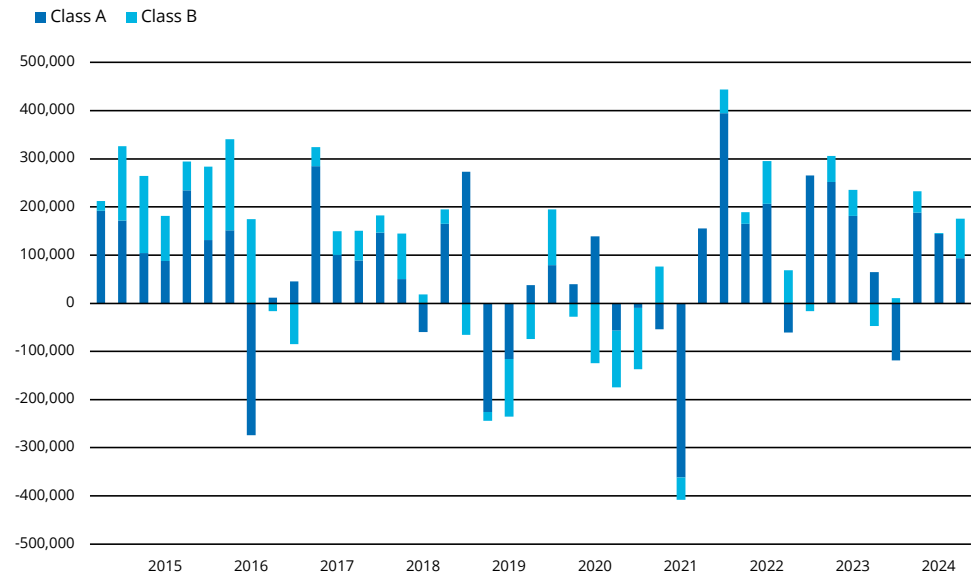


NET ABSORPTION

Miami Continues Momentum with Solid Q2

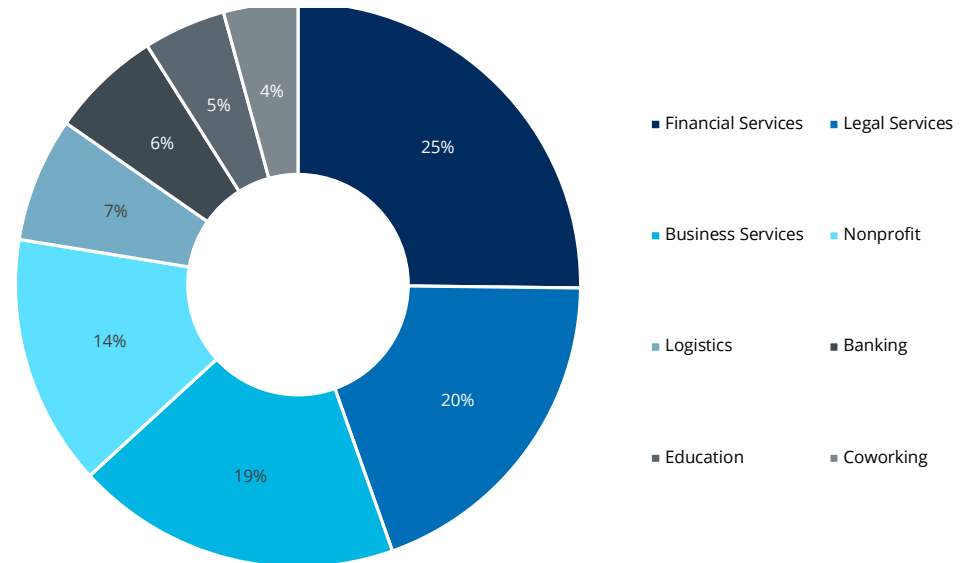
- Miami saw positive absorption of 175,699 SF in Q2 of 2024, the third-consecutive positive absorption quarter for the market. This marks positive absorption in 12 of the past 13 quarters for Miami, continuing an incredible run for the market, bucking national absorption trends in the process. If these trends hold, 2024 will be the fourth-straight positive year for the Miami market. Year-to-date, the strongest performances have come from the Coral Gables, Miami Airport, and Downtown submarkets. Miami has the more absorption gains over the past 3.5 years (relative to market size) of any major metro in the United States.
- Class A and B properties performed relatively equally in Q2, with Class A seeing positive absorption of 93,318 SF while Class B saw positive absorption of 82,381 SF.
- Across all property classes, six submarkets saw gains, while five suffered losses in Q1 2024. No submarkets gave back more than 25,000 SF, with Brickell as the largest gainer in Q2 after a negative Q1, seeing positive absorption of 60,173 SF.
- Year-to-date, Miami Airport and Coral Gables are the two best-performing submarkets in Miami, with positive absorption of 113,539 SF and 113,142 respectively.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY Q2 2024



Source: CoStar, Transwestern

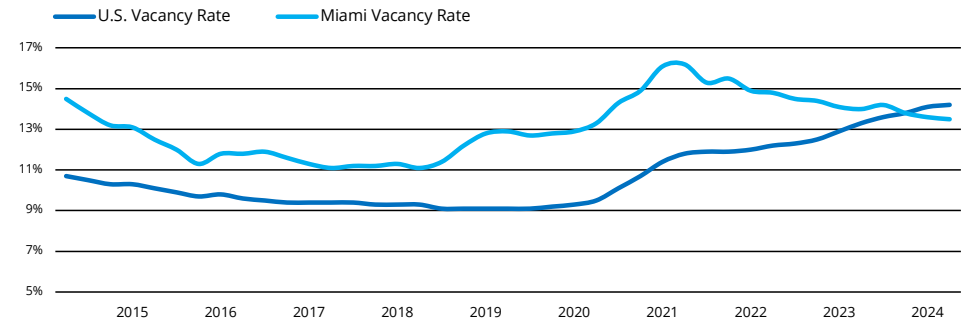


VACANCY

Miami's Vacancy Rate Reaches 4-Year Low

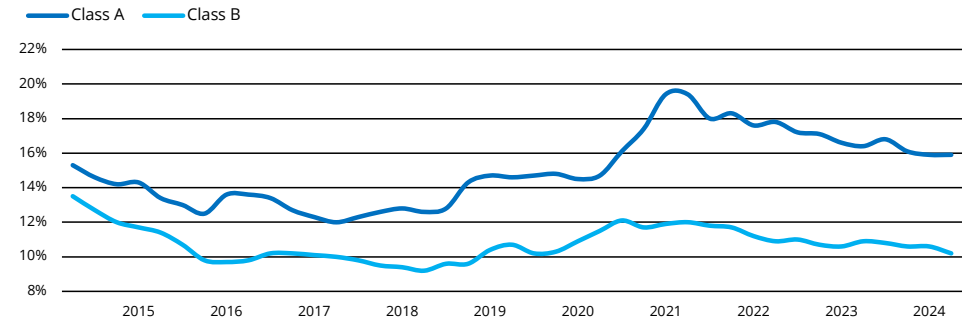
- Miami's overall vacancy rate dropped by 10 basis points in Q2 2024 to 13.5%. This is the lowest vacancy rate that the market has seen since Q3 of 2020. The gradual decline has been the result of solid leasing and absorption over the past three years as Miami's overall vacancy rate has fallen 270 basis points since hitting 16.2% in Q2 of 2021.
- The Class A vacancy rate saw no change at 15.9% while the Class B rate fell 40 basis points to 10.2%.
- The Wynwood-Design District submarket has the highest vacancy rate in the market at 19.7%, but has seen a decline over the past three years as new product delivered and has begun leasing up. In Q4 of 2021, Wynwood-Design District's vacancy rate peaked at 39.7% after a series of vacant deliveries that saw the submarket's inventory go from 813,592 SF in Q2 of 2020 to 1,468,511 SF by Q4 of 2021.
- Miami could see a small increase in vacancy rate in the coming quarters due to the delivery of vacant spec office product, as just 33% of the over 2.1 million SF currently under construction is pre-leased. However, leasing momentum remains solid throughout the market, and any large vacant deliveries should eventually 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 over the past three years, something many other U.S. markets have struggled with.

OVERALL VACANCY RATE



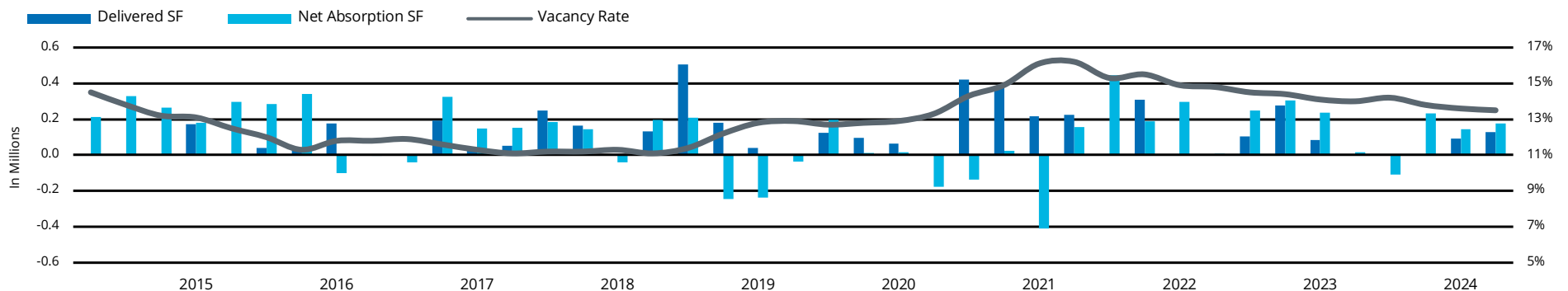
Source: CoStar, Transwestern

OVERALL MIAMI VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

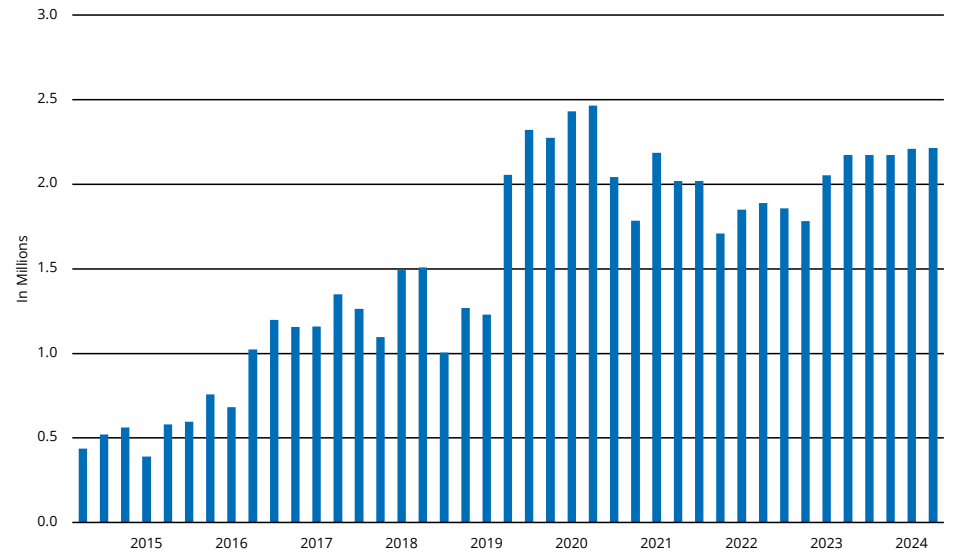


CONSTRUCTION

Miami Saw One Delivery in a Quiet Q2

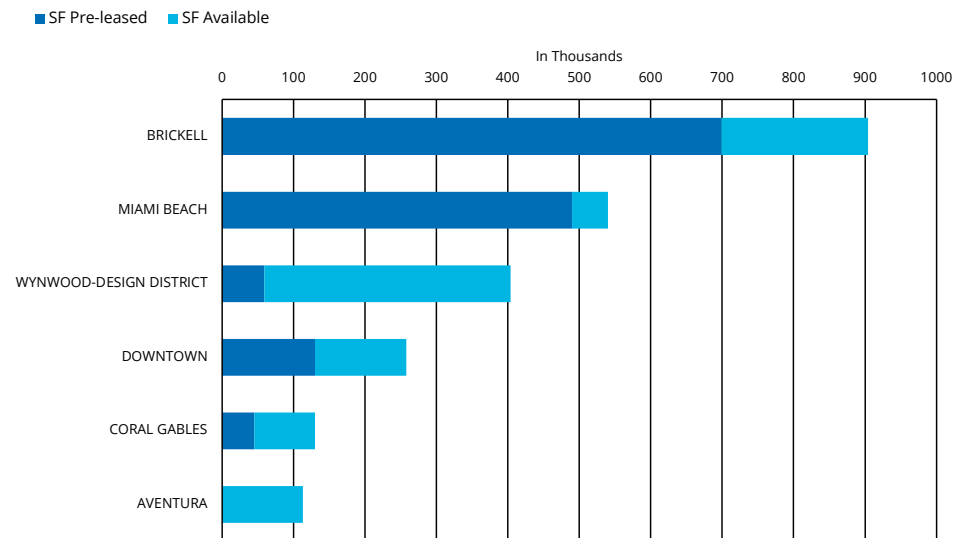
- One property delivered in Q2 2024 with no groundbreakings taking place; a quiet quarter for Miami’s office construction pipeline. There are currently 11 buildings totaling 2.1 million square feet under construction in Miami.
- The Offices at 601 in the Downtown submarket delivered in June. The Offices at 601 is a 127,800 SF, three-story component of a 51-story residential high-rise building. It is currently 0% leased and is quoting a \$70.00/SF NNN asking rent. The building is owned by GFO Investments and was developed by Newgard Development Group.
- There are three expected deliveries in Q3 of 2024: The Highley House, 1212 Aventura, and 830 Brickell. The Highley House is a 90,177 SF development in the Wynwood-Design District Submarket. This building is a part of the larger WNWD21 development, a joint-venture from Miami-based real estate developer Related Group and private equity firm Rockpoint. 1212 Aventura is a 104,000 SF building in the Aventura submarket that is 99% pre-leased.
- 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 33.4% of current under construction space in Miami is pre-leased.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

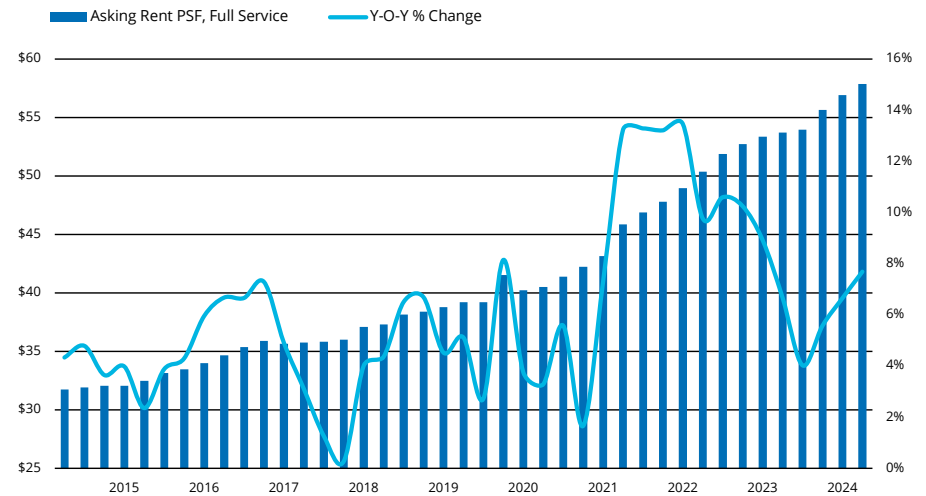


RENTAL RATES

Miami's Asking Rents Still on the Rise

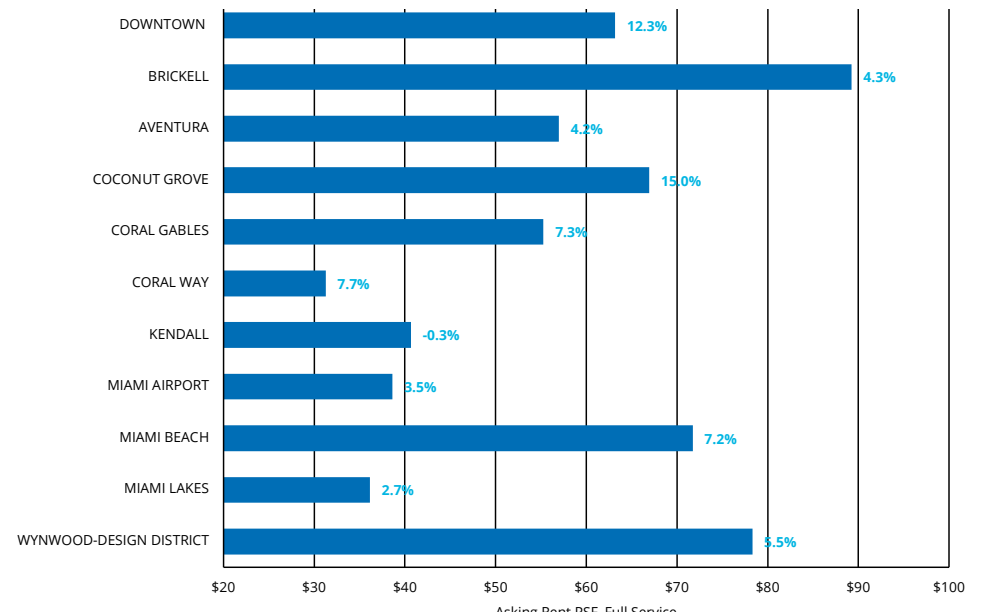
- Miami's average asking full service gross rent rose \$0.95 during the second quarter of 2024 to an average of \$57.84 PSF and is up 7.7% year-over-year from \$53.71 in Q2 of 2023. Rents have risen on a year-over-year basis in all but one of Miami's eleven office submarkets, with double-digit gains 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 15.0% and 12.3% respectively since Q2 of 2023.
- The highest average asking rent in the market is in Brickell, which sits at \$89.26. The Class A rate in Brickell is \$92.76, \$30.05 higher than the average Class A market rate of \$62.71.
- 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 decent 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 8.1% 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



NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
WHITE & CASE	Southeast Financial Center	Downtown	Renewal	81,603
ASSURANT	701 Waterford	Miami Airport	New Lease	77,989
BAYVIEW ASSET MANAGEMENT	4425 Ponce de Leon Blvd	Coral Gables	Renewal	55,071
QUIRCH FOODS	2701 S Le Jeune Rd	Coral Gables	Renewal	29,988
CITADEL	830 Brickell	Brickell	New Lease	27,478
APPLE	The Plaza Coral Gables	Coral Gables	New Lease	41,332

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 | Q2 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	AVG ASKING RENT PSF, FULL SERVICE
DOWNTOWN	9,441,700	1,557,125	16.5%	47,834	17.0%	131,129	(2,792)	73,558	\$63.19
BRICKELL	7,180,382	756,625	10.5%	97,933	11.9%	904,300	60,173	(10,495)	\$89.26
AVENTURA	1,351,095	108,239	8.0%	17,819	9.3%	104,000	(5,464)	(14,686)	\$56.98
COCONUT GROVE	1,824,760	66,105	3.6%	12,202	4.3%	0	47,535	48,565	\$66.94
CORAL GABLES	7,015,211	789,735	11.3%	89,877	12.5%	129,946	81,320	113,142	\$55.28
CORAL WAY	696,136	34,535	5.0%	0	5.0%	0	5,645	(4,641)	\$31.26
KENDALL	5,104,909	556,465	10.9%	14,977	11.2%	0	(18,528)	(41,368)	\$40.67
MIAMI AIRPORT	11,587,926	1,828,499	15.8%	87,912	16.5%	0	49,796	113,529	\$38.63
MIAMI BEACH	2,481,782	206,224	8.3%	0	8.3%	540,000	(25,827)	34,955	\$71.73
MIAMI LAKES	2,077,363	195,653	9.4%	20,848	10.4%	0	6,165	(16,807)	\$36.15
WYNWOOD-DESIGN DISTRICT	1,664,864	249,232	15.0%	79,060	19.7%	404,029	(22,324)	25,447	\$78.31
TOTAL	50,426,128	6,348,437	12.6%	468,462	13.5%	2,213,404	175,699	321,199	\$57.84

Source: CoStar, Transwestern



MARKET INDICATORS

Class A | Q2 2024

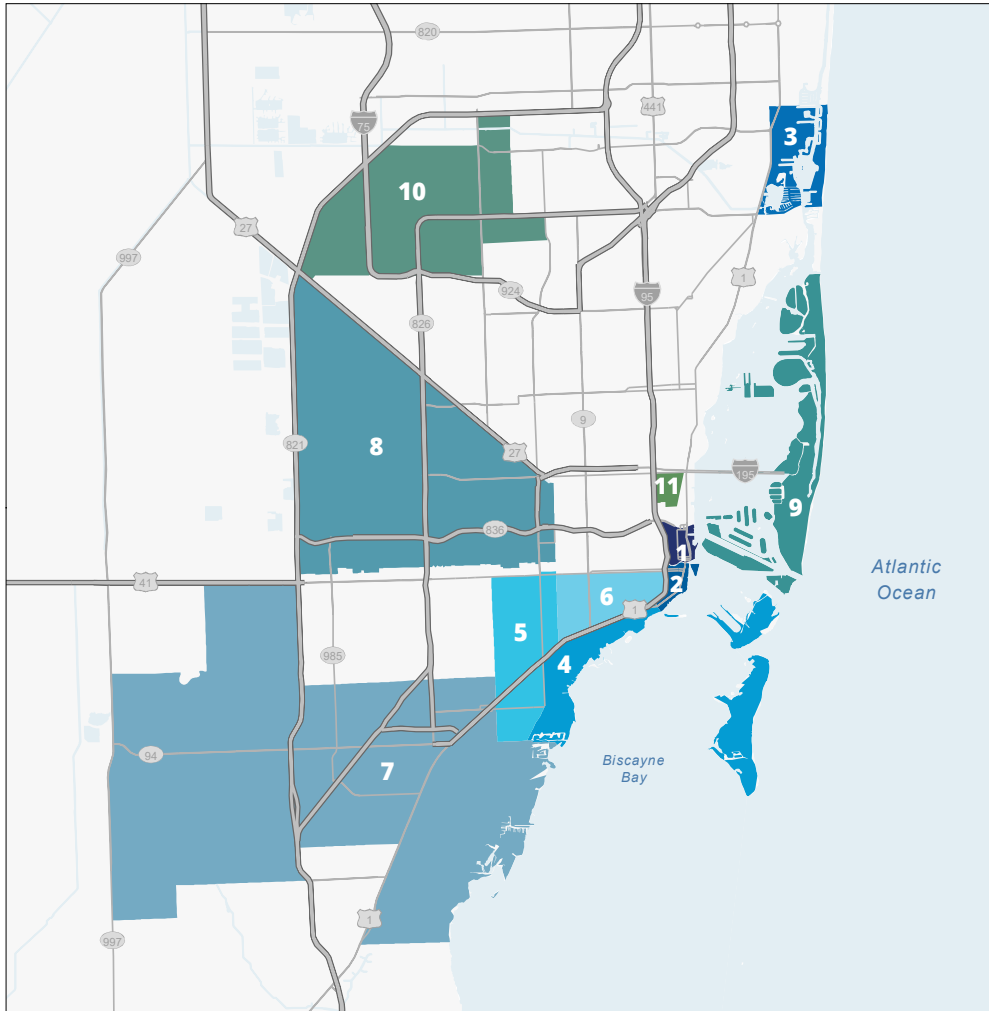
SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	AVG ASKING RENT PSF, FULL SERVICE
DOWNTOWN	6,122,078	1,003,725	16.4%	35,824	17.0%	131,129	12,723	54,512	\$66.96
BRICKELL	5,348,309	647,212	12.1%	68,759	13.4%	904,300	50,703	(21,063)	\$92.76
AVENTURA	1,033,198	90,191	8.7%	15,689	12.2%	104,000	2,200	(6,374)	\$58.41
COCONUT GROVE	1,050,061	11,047	1.1%	12,202	2.2%	0	42,342	60,127	\$66.22
CORAL GABLES	4,810,694	621,901	12.9%	82,459	14.6%	129,946	49,369	28,066	\$56.85
CORAL WAY	96,000	0	0.0%	0	0.0%	0	0	0	-
KENDALL	2,321,336	206,451	8.9%	14,977	9.5%	0	(19,045)	(5,073)	\$42.12
MIAMI AIRPORT	5,922,871	1,281,723	21.6%	64,579	22.7%	0	(9,450)	72,175	\$40.74
MIAMI BEACH	799,329	137,891	17.3%	0	17.3%	540,000	(28,694)	17,320	\$80.81
MIAMI LAKES	502,073	82,278	16.4%	0	16.4%	0	12,291	7,569	\$36.64
WYNWOOD-DESIGN DISTRICT	1,110,978	187,795	16.9%	79,060	24.0%	356,177	(19,121)	29,519	\$79.91
TOTAL	29,116,927	4,270,214	14.7%	373,549	15.9%	2,165,552	93,318	236,778	\$62.71

Source: CoStar, Transwestern

Class B | Q2 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	AVG ASKING RENT PSF, FULL SERVICE
DOWNTOWN	3,319,622	553,400	16.7%	12,010	17.0%	0	(15,515)	19,046	\$44.32
BRICKELL	1,832,073	109,413	6.0%	29,174	7.6%	0	9,470	10,568	\$56.14
AVENTURA	317,897	18,048	5.7%	2,130	6.3%	0	(7,664)	(8,312)	\$50.28
COCONUT GROVE	774,699	55,058	7.1%	0	7.1%	0	5,193	(11,562)	\$67.42
CORAL GABLES	2,204,517	167,834	7.6%	7,418	7.9%	0	31,951	85,076	\$47.76
CORAL WAY	600,136	34,535	5.8%	0	5.8%	0	5,645	(4,641)	\$31.26
KENDALL	2,783,573	350,014	12.6%	0	12.6%	0	517	(36,295)	\$39.01
MIAMI AIRPORT	5,665,055	546,776	9.7%	23,333	10.1%	0	59,246	41,354	\$34.26
MIAMI BEACH	1,682,453	68,333	4.1%	0	4.1%	0	2,867	17,635	\$59.04
MIAMI LAKES	1,575,290	113,375	7.2%	20,848	8.5%	0	(6,126)	(24,376)	\$35.73
WYNWOOD-DESIGN DISTRICT	553,886	61,437	11.1%	0	11.1%	47,852	(3,203)	(4,072)	\$55.39
TOTAL	21,309,201	2,078,223	9.8%	94,913	10.2%	47,852	82,381	84,421	\$42.29

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

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