

MIAMI OFFICE MARKET

Miami's office market experienced a slower start from one year ago. This set the stage for more stabilized conditions, as demand barely surpassed supply with 51,000 square feet of positive net absorption. This was not enough absorption to impact vacancy, which it remained level at 11.8% from fourth-quarter 2018. However, the combination of 2018 construction completions and the previous quarter's correction kept the overall vacancy rate 70 basis points higher from one year ago. Despite slowing market conditions, landlords in lower-tier office buildings continued to increase asking rents. Year-over-year increases in the Class B and Class C segments pushed the overall average up \$0.36/SF to \$36.15/SF, which surpassed the previous peak of \$31.14/SF recorded in 2008 by more than 16.0%. Higher-end rents remained more level, as Class A rents dipped from \$42.21/SF to \$42.16/SF, which can be attributed to the removal of higher-end recently completed office inventory versus landlords decreasing asking rents. Class A space regained lead in demand with 88,800 square feet of positive net absorption, followed by Class C with a modest 4,832 square feet absorbed during first quarter. The Class B sector saw another slight correction, with 42,535 square feet of supply returned to the market. The average rate for higher-end space rose significantly, with the Class A average climbing \$2.28/SF, a 5.9% increase from one year ago. This was the slowest start to a year for the market since the recovery began in 2011.

LEASING AND DEMAND

Leasing activity increased slightly from previous quarters, with 229 transactions totaling more 786,000 square feet. Class A space led with 469,000 square feet of transaction activity, while Class B struggled during the first quarter, dropping to 149,000 square feet. Class C moved up into the number-two spot with 168,000 square feet of activity in the first quarter. The majority of deals came in the forms of renewals and lateral relocations, as Miami regained the lead in midsize to larger transactions with 12 deals greater than 202,000 square feet. This was a slight increase from recent previous quarters, as real estate companies led larger deals with 95,000 square feet leased in first-quarter 2019. Telecommunication firms followed with 37,741 square feet, while the professional and business services segment came in third with 31,852 square feet of deals. All other industry sectors lagged behind, recording less than 20,000 square feet each at the beginning of the year. This could be a sign that larger companies may be holding off as asking rents climb northward.

INVESTMENT SALES

One sale totaling 23,798 square feet and valued near \$6.5 million occurred during the first quarter. This was down from four sales totaling 139,000 square feet for \$53.5 million during the same period last year. Notably, the price per square foot decreased to \$273/SF from \$305/SF from one year ago. This can be attributed to last year's keynote sale of 555 Washington in the Miami Beach submarket, which sold for more than \$588/SF. No Class A properties traded hands, as one lower-tier Class B building sold. Investor interest remained in Miami, but with the majority of major office properties selling since the start of 2015, limited properties have been placed on the market for sale.

CURRENT CONDITIONS

Miami's office sector observed a slight rebound from the fourth-quarter correction that took place but not move the needle on vacancy.

The Class A average asking rate moved downward for the second consecutive quarter due to the occupation of newly completed office buildings.

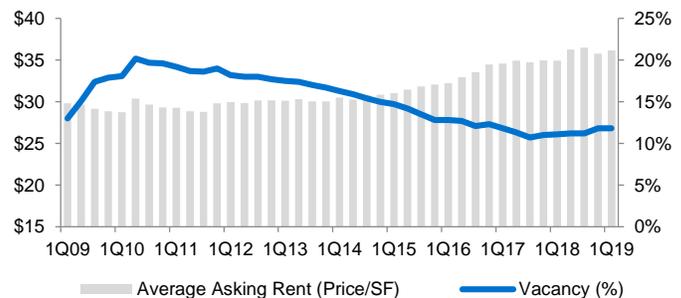
There were no construction completions during the first quarter but projects underway shot back up over 1.0 million square feet.

Lower-tier rents continued to have more of an impact on the overall average as landlords continued to increase asking rents in Class B and Class C space, despite slowing conditions.

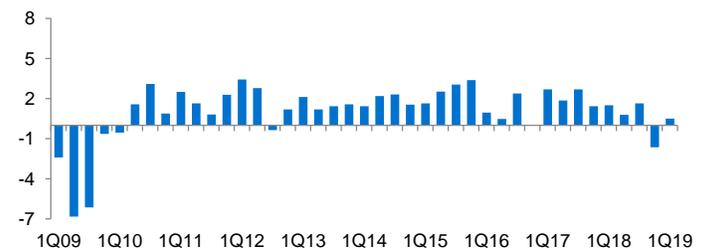
Miami saw only one small investment sale during the first quarter as transaction activity slowed significantly since the second half of 2018.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, 100,000)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	48.3 MSF	48.2 MSF	47.9 MSF	↑
Vacancy Rate	11.8%	11.8%	11.1%	↑
Quarterly Net Absorption	51,097	(163,352)	151,164	↔
Average Asking Rent	\$36.15	\$35.79	\$34.93	↔
Under Construction	1,055,506	820,683	735,245	↔
Deliveries	0	190,000	267,111	↑

MIAMI SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Brickell Avenue	6,678,223	0	11.0 %	-7,929	-7,929	\$54.90	\$39.10	\$47.78
Downtown Miami	7,379,689	0	16.2 %	93,026	93,026	\$46.81	\$38.61	\$37.30
CBD Total	14,057,912	0	13.7 %	85,097	85,097	\$50.17	\$38.77	\$40.61
Airport West	11,955,792	100,000	12.6 %	-31,807	-31,807	\$33.90	\$31.48	\$31.66
Biscayne Corridor	1,735,451	603,486	27.1 %	-4,319	-4,319	N/A	\$37.67	\$36.34
Coconut Grove	590,803	161,733	16.7 %	-11,522	-11,522	N/A	\$35.92	\$34.51
Coral Gables	6,115,349	0	9.6 %	7,845	7,845	\$41.78	\$38.40	\$38.84
Coral Way	822,959	0	4.1 %	-12,398	-12,398	N/A	\$31.28	\$30.95
East Airport/Hialeah	892,179	0	8.6 %	2,152	2,152	N/A	\$18.35	\$35.77
Kendall/South Dade	4,291,946	0	9.2 %	48,600	48,600	\$43.51	\$30.07	\$29.42
Miami Beach	2,132,440	0	5.5 %	-8,370	-8,370	\$41.67	\$47.36	\$43.34
Miami Lakes	1,806,918	0	12.7 %	-12,751	-12,751	\$28.30	\$22.85	\$23.92
Northeast Dade	3,337,549	190,287	6.4 %	-8,623	-8,623	\$47.93	\$33.40	\$32.12
South Miami	561,200	0	7.7 %	-2,807	-2,807	N/A	\$37.77	\$24.71
Suburban Total	34,242,586	1,055,506	11.0 %	-34,000	-34,000	\$37.47	\$34.36	\$33.68
Totals	48,300,498	1,055,506	11.8 %	51,097	51,097	\$42.16	\$35.79	\$36.15

MIAMI LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Industrious	1111 Brickell Ave	Brickell	Direct	45,294
Spaces	One Cocowalk-3095 Grand Ave	Coconut Grove	Direct	42,883
Cable & Wireless Communications Inc	The Landing @ Mia 9 – 7600 Corp Ctr Dr	Airport West	Direct	26,261
ADT Security	Dolphin Corp Pk-11410 NW 20 th St	Airport West	Direct	19,852

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
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* No significant investment sales took place during 1Q19.