

MIAMI OFFICE MARKET

Miami's office market saw a slight improvement after the lackluster performances of the previous two quarters, as demand outpaced supply with positive absorption of 87,999 square feet. This improvement resulted in the vacancy rate holding steady from first-quarter 2019 at 11.7% but remained 60 basis points higher than the 11.1% vacancy rate recorded at this time last year. In spite of slowing conditions, the average asking rate pushed upward in two of the three property class segments over the past 12 months. Class A office properties experienced the only correction, dipping to \$42.46/SF from \$43.16/SF one year ago, which can be attributed to the leasing and occupation of higher-end trophy properties, allowing lower-tier Class A asking rents to have a greater impact on the weighted average. The overall average ticked upward by \$0.40/SF to \$36.46/SF, a 14.9% increase from the previous peak of \$31.74/SF recorded 11 years ago. Landlords retained the advantage in lease negotiations, as limited development of new speculative space, combined with healthy pre-leasing of new construction, has impacted rents in key submarkets during this economic cycle. Class B rates led with a year-over-year increase of \$0.90/SF to \$35.57/SF. Overall, the rates of increases have slowed in all segments, as conditions appeared to be leveling off.

LEASING AND DEMAND

Leasing activity in the second quarter rose from previous quarters, totaling more 833,000 square feet, while bringing year-to-date volume to more than 1.5 million square feet. Class A space accounted for 865,000 square feet of transaction activity, while Class B activity fell from previous levels to 397,000 square feet at the midyear point. Class C held steady with 311,000 square feet of activity in the first half of 2019. The majority of deals came in the forms of renewals and lateral relocations, with 545,000 square feet of leases coming from midsize or larger tenants. This was an increase from last year, as the real estate industry remained in the number-one spot with 342,000 square feet leased so far this year and accounted for the majority of executive suite lease deals in the region. Professional and business services companies moved up to the number-two spot with 74,000 square feet, while the telecommunications segment moved down to third with deals totaling 38,000 square feet. Retail and technology companies struggled, recording no lease deals in the first half of 2019.

INVESTMENT SALES

Eight sales totaling almost 851,000 square feet occurred during the second quarter, bringing 2019 totals to more than 911,000 square feet valued at \$342.4 million. This was down from the 1.3 million square feet that sold for \$487.5 million last year during the same period. Notably, the price per square foot rose significantly from the \$305/SF of one year ago to \$376 at the close of second-quarter 2019. This can be attributed to the second quarter's keynote sale of Two and Three Miami Center, which sold for more than \$535/SF each. These two sales pushed the Class A average sale price to \$459/SF, up from the \$449/SF seen this time last year after the sale of 1111 Brickell and SunTrust International Center.

CURRENT CONDITIONS

Miami's office sector persisted with demand growth as vacancy held steady for the third consecutive quarter.

The Class A average asking rate moved slightly upward after decreasing the two previous quarters, but still below the \$36.49/SF peak recorded during third-quarter 2018.

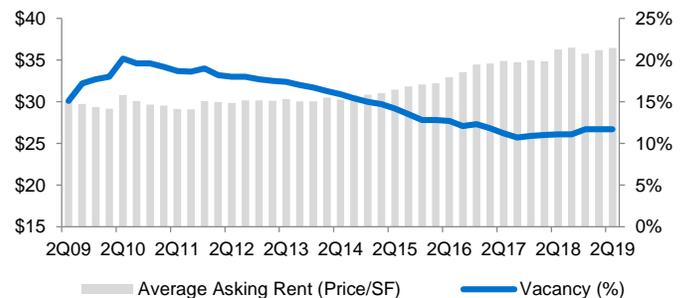
One construction completion totaling 89,000 square feet took place with another eight totaling 750,000 square feet were under construction.

545 Wynwood, a 298,000 square-foot facility Class A building in Miami's Wynwood neighborhood, was the largest project in all of Miami.

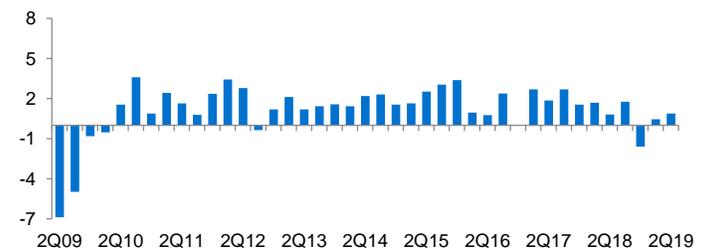
Investment sale activity picked up slightly, while average sale prices also rose with the help from the keynote sale of two downtown office buildings.

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	48.4 MSF	48.3 MSF	47.8 MSF	↑
Vacancy Rate	11.7%	11.7%	11.1%	↑
Quarterly Net Absorption	87,999	44,586	80,854	↔
Average Asking Rent	\$36.46	\$36.18	\$36.26	↔
Under Construction	750,020	765,508	787,506	↔
Deliveries	89,705	0	71,582	↑

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	11.9 %	-60,379	-71,110	\$55.83	\$40.97	\$48.84
Downtown Miami	7,379,689	0	15.6 %	21,144	115,402	\$46.92	\$39.08	\$37.58
CBD Total	14,057,912	0	13.9 %	-39,235	44,292	\$50.71	\$39.76	\$41.34
Airport West	11,955,792	100,000	12.3 %	16,805	-15,002	\$34.50	\$31.87	\$32.16
Biscayne Corridor	1,880,937	298,000	28.5 %	63,881	68,462	\$40.00	\$35.69	\$35.43
Coconut Grove	590,803	161,733	15.8 %	5,258	-6,264	N/A	\$37.16	\$36.13
Coral Gables	6,069,349	0	9.7 %	-15,307	-1,306	\$40.88	\$39.18	\$38.56
Coral Way	822,959	0	4.0 %	742	-11,656	N/A	\$30.34	\$30.38
East Airport/Hialeah	892,179	0	8.7 %	-907	1,245	N/A	N/A	\$38.92
Kendall/South Dade	4,291,946	0	7.6 %	38,595	79,195	\$43.80	\$29.32	\$30.02
Miami Beach	2,132,440	0	5.8 %	3,159	-10,567	\$46.31	\$38.95	\$40.54
Miami Lakes	1,806,918	0	12.8 %	-983	-13,734	\$29.68	\$23.51	\$24.89
Northeast Dade	3,337,549	190,287	6.2 %	11,058	-4,206	\$46.45	\$33.05	\$31.92
South Miami	561,200	0	6.8 %	4,933	2,126	\$9.75	\$38.49	\$28.40
Suburban Total	34,342,072	750,020	10.9 %	127,234	88,293	\$37.56	\$33.33	\$33.63
Totals	48,399,984	750,020	11.7 %	87,999	132,585	\$42.46	\$35.57	\$36.46

MIAMI LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
WeWork	Southeast Financial Ctr-200 Biscayne	Downtown Miami	Direct	88,000
Spaces	801 Brickell-801 Brickell Ave	Brickell	Direct	49,000
Rialto Management Group	Brickell World Plaza-600 Brickell Ave	Brickell	Direct	46,746
SoftBank	Brickell World Plaza-600 Brickell Ave	Brickell	Sublet	14,172

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Two & Three Miami Central Portfolio	Downtown Miami	\$170,500,000	\$536	317,939
550 Biltmore-550 Biltmore Way	Coral Gables	\$54,000,000	\$335	162,293
Regions Bank Tower-2800 Ponce	Coral Gables	\$59,750,000	\$409	146,202
2500 Building-2500 NW 79 th Ave	Airport West	\$12,050,000	\$124	94,423