

MIAMI OFFICE MARKET

The first quarter saw the office market's third correction as negative absorption was recorded, causing vacancy to increase 10 basis points from the previous quarter and 30 basis points from one year ago to 11.7%. No construction completions were recorded in first quarter of 2020, this was strictly from the 76,000 square feet of supply returned to the market. The Class A segment saw the most supply returned, with 71,500 square feet of negative net absorption, followed by lower-tier Class C space with 26,000 square feet of vacancy given back. The Class B segment was the only to see growth with 21,000 square feet of absorbed space for the first quarter. The quoted average rate rose to new heights at \$37.34/SF. All three class segments saw a slight decrease from the previous quarter, but the increase in Class A vacancy and availability kept the overall average \$1.12/SF higher than the rate of one year ago. Higher-end space led year-over-year gains with a 2.5% increase from the \$42.29/SF rate from first-quarter 2019. The Class B sector followed with a 2.4% increase to \$36.77/SF from one year ago. These were down from the 5.0% rises seen from 2015 through 2018. Miami leads South Florida in development with 2.1 million square feet underway with over 72.0% still available for lease. This could prove problematic for the Class A segment as economic conditions weaken from the COVID-19 outbreak. Impacts have yet to begin, but will likely surface toward the second-half of 2020 as some office projects are expected to be completed. This may begin to put pressure on landlords during negotiations.

LEASING AND DEMAND

Leasing activity increased from the previous quarter but fell slightly from one year ago, totaling more 725,000 square feet. Class A space led with 470,000 square feet of transaction activity, while Class B struggled during the first quarter, dropping to 124,000 square feet. Class C held the number-two spot with 131,000 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. Eleven deals over 255,000 square feet. This was a slight increase from recent first quarter performances, as one lease to Morgan Stanley helped push financial companies into the lead with 125,000 square feet leased in first-quarter 2020. This also contributed to the downtown Miami submarket leading deal activity in all of South Florida with over 150,000 square feet of larger deals. Real estate firms followed with 43,000 square feet, while the professional and business services segment came in third with 18,000 square feet of deals.

INVESTMENT SALES

Four investment sales totaling 253,000 square feet and valued near \$58.7 million occurred during the first quarter. This was up from the one sale totaling 23,000 square feet for \$6.8 million during the same period last year. Notably, the price per square foot decreased to \$232/SF from \$273/SF from one year ago. This can be attributed to the increase of lower-tier sales impacting the average price. Miami saw the only true Class A trophy property sale in South Florida with Waterford Centre, a 91,431-square-foot Class A building in the Airport West submarket, trading hands at \$30.4 million for \$333/SF.

CURRENT CONDITIONS

The office sector experienced its second correction within a 12-month period with vacancy ticking upward.

The Class A average asking rate saw a slight move downward from the previous quarter as the removal of available space in higher-end Class A buildings allowed lower-tier Class A rents to impact the average more.

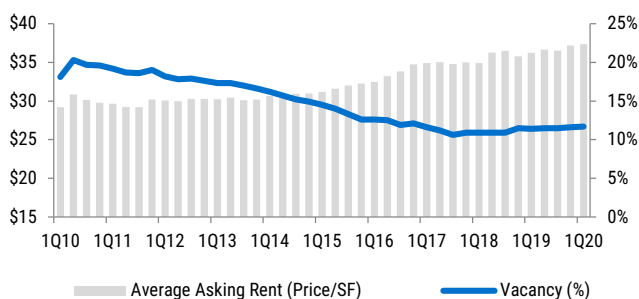
Over 2.0 million square feet of new office inventory remained under construction, the most in all of Florida.

A new submarket is emerging, with 545 Wyn projected to be completed later this year and The Gateway @ Wynwood breaking ground. The trendy Wynwood area contained the most office development in all of South Florida.

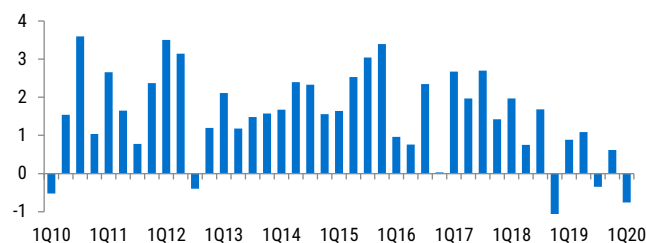
True effects from the Covid-19 pandemic have yet to take hold, but Miami's

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	48.4 MSF	48.2 MSF	↑
Vacancy Rate	11.7%	11.6%	11.4%	↑
Quarterly Net Absorption	(76,049)	61,598	88,930	↔
Average Asking Rent	\$37.34	\$37.20	\$36.22	↔
Under Construction	2.1 MSF	1.5 MSF	1.3 MSF	↔
Deliveries	0	78,000	0	↑

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	490,000	12.6 %	-16,071	-16,071	\$57.00	\$41.39	\$49.80
Downtown Miami	7,379,689	0	15.8 %	16,875	16,875	\$47.60	\$40.42	\$39.66
CBD Total	14,057,912	490,000	14.2 %	804	804	\$51.84	\$40.81	\$43.56
Airport West	11,887,792	100,000	12.8 %	-87,331	-87,331	\$34.41	\$32.44	\$31.92
Biscayne Corridor	1,824,937	458,000	24.8 %	71,642	71,642	\$38.00	\$41.40	\$39.60
Coconut Grove	668,803	83,733	22.2 %	-902	-902	N / A	\$38.68	\$37.61
Coral Gables	6,115,538	291,267	8.8 %	-449	-449	\$42.46	\$38.45	\$39.25
Coral Way	822,959	0	4.2 %	-4,546	-4,546	N / A	\$31.73	\$29.47
East Airport/Hialeah	892,179	135,000	8.0 %	226	226	N / A	\$27.25	\$25.88
Kendall/South Dade	4,291,946	0	7.9 %	-39,614	-39,614	\$43.98	\$30.41	\$31.06
Miami Beach	2,132,440	350,000	5.4 %	-3,175	-3,175	\$46.07	\$42.73	\$42.93
Miami Lakes	1,806,918	0	12.0 %	-4,003	-4,003	\$30.78	\$24.02	\$25.84
Northeast Dade	3,359,891	190,287	6.7 %	-16,453	-16,453	\$47.17	\$32.88	\$31.85
South Miami	561,200	0	3.8 %	7,752	7,752	N / A	\$45.00	\$34.82
Suburban Total	34,364,603	1,608,287	10.7 %	-76,853	-76,853	\$37.79	\$34.67	\$33.89
Totals	48,422,515	2,098,287	11.7 %	-76,049	-76,049	\$43.35	\$36.77	\$37.34

MIAMI LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Morgan Stanley	Southeast Financial Ctr-200 S Biscayne	Downtown	Direct	111,100
Hunton Andrews Kurth	Wells Fargo Ctr-333 SE 2 nd Ave	Downtown	Direct	24,476
Spotify	The Oasis	Biscayne Corridor	Direct	20,000
Cano Health	Flagler Station #1200-9725 NW 117 th Ave	Airport West	Direct	16,970

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Waterford Ctr-6205 Blue Lagoon Dr	Airport West	\$30,400,000	\$332	91,431
Washington Square-111 NW 183 rd St	Northeast Dade	\$6,100,000	\$79	77,571
1800 SW 27 th Ave	Coral Way	\$7,200,000	\$139	51,722
Intracoastal Mall Prof Ctr-3909 NE 163 rd St	Northeast Dade	\$15,000,000	\$469	32,000