



## Miami Office Market

After nine years of annual growth with demand outpacing supply, the Miami office market saw its first correction, with over 385,000 square feet of negative absorption during 2020, which can be attributed to the moveouts from third quarter. The fourth quarter saw a more balanced approach as the county recorded over 15,000 square feet of positive net absorption, an improvement from the previous quarter. Moreover, vacancy increased by 220 basis points over the past year to 13.8%, allowing for the most available space options since second-quarter 2015. Class A space led the market with approximately 196,000 square feet of negative net absorption for the year, followed by Class B with 80,000 square feet of supply returned to the market. The third-tier Class C segment also struggled, as supply outpaced demand with over 108,000 square feet of negative absorption for 2020. Another contributing factor to the rise in vacancy was the completion of five high-end office buildings, totaling over 523,000 square feet. The addition of availability from new high-end office space helped the average rate increase to \$39.94/SF, an increase of \$2.68/SF from the rate recorded one year ago and another record high for the market. The Class A average rate increased to \$45.94/SF, an increase of 5.1% from one year ago. The Class B average asking rate increased to \$36.89/SF from \$36.25/SF one year ago, while Class C average asking rates ticked upward to \$27.34/SF from \$26.88/SF.

### Leasing and Demand

Leasing activity in the fourth quarter totaled more than 434,765 square feet, a 24.4% drop from the previous quarter but on track with the activity that occurred during the fourth quarter one year ago. This brought the annual leasing volume to just under 2.3 million square feet in 2020, a more significant decrease from the 3.2 million square feet leased in 2019. Class A space accounted for 1.1 million square feet of transaction activity, followed by Class B space with 620,000 square feet. Class C remained consistent with previous years, accounting for 567,000 square feet of deals done for all of 2020. Most deals were either renewals or relocations, with some tenants downsizing in the process. Approximately 1.3 million square feet of leases came from midsize or larger tenants, staying level from one year ago. Law firms jumped into the lead, with 254,000 square feet leased in 2020, while the financial sector followed closely with 225,000 square feet. Moving down a notch to third were professional and business services companies, with more than 142,000 square feet of deals done. Retail, construction and engineering companies fell to the bottom with less than 15,000 square feet of transaction activity seen throughout the year.

### Investment Activity

One investment sale occurred during the fourth quarter, totaling a meager 35,540 square feet, a noticeable decrease in sale volume from the previous quarter and one year ago. This brought 2020 totals to 931,914 square feet sold, valued at just over \$272.3 million, a sharp drop from the 3.3 million square feet that sold for \$685.6 million at this time last year. However, the average price per square foot increased from \$285/SF one year ago to \$292/SF, thanks to the six Class A buildings totaling 707,291 square feet for a combined total of over \$235.4 million, as higher-end properties are still fetching strong interest.

### Current Conditions

The office sector rebounded after a significant third-quarter correction due to impacts from COVID-19 as Miami's market was the only one to see demand outpace supply in the final quarter of 2020.

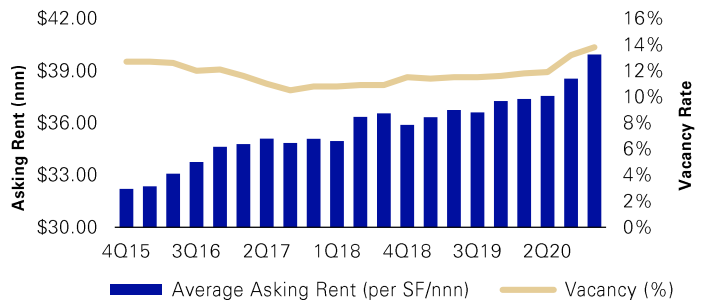
Asking average rates continued to climb above previous record levels as new Class A completions continued to push averages upward, while landlords hold asking rents level.

Leasing activity decreased from the previous quarter, as the Class A segment still led overall deal activity for 2020.

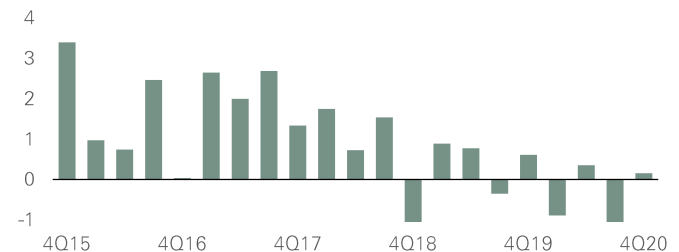
Miami's unemployment rate began the road to recovery after climbing to the highest level dating back to the 1990s, dipping 710 basis points to 7.0%.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (100,000 SF)



### Market Summary

|                               | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF)          | 48.7M           | 48.2M         | 47.9M           | ↑                 |
| Vacancy Rate                  | 13.8%           | 13.2%         | 11.6%           | ↑                 |
| Quarterly Net Absorption (SF) | 15,464          | (346,686)     | 61,166          | ↑                 |
| Average Asking Rent/SF        | \$39.94         | \$38.55       | \$37.26         | ↓                 |
| Under Construction (SF)       | 1.8M            | 2.2M          | 2.0M            | ↓                 |
| Deliveries                    | 523,000         | 298,000       | 78,000          | ↑                 |

| Miami Submarket Statistics |                      |                         |                         |                     |                     |                                |                                |  |
|----------------------------|----------------------|-------------------------|-------------------------|---------------------|---------------------|--------------------------------|--------------------------------|--|
|                            | Total Inventory (SF) | Under Construction (SF) | Total Availability Rate | Qtr Absorption (SF) | YTD Absorption (SF) | Class A Asking Rent (Price/SF) | Class B Asking Rent (Price/SF) | Overall Average Asking Rent (Price/SF) |
| Brickell Avenue            | 6,678,223            | 664,300                 | 13.8 %                  | -64,183             | -107,005            | \$58.52                        | \$41.54                        | \$51.55                                |
| Downtown Miami             | 7,502,289            | 0                       | 16.8 %                  | -21,046             | -47,261             | \$47.73                        | \$39.27                        | \$40.34                                |
| <b>CBD Total</b>           | <b>14,180,512</b>    | <b>664,300</b>          | 15.4 %                  | <b>-85,229</b>      | <b>-154,266</b>     | <b>\$52.45</b>                 | <b>\$40.08</b>                 | <b>\$44.47</b>                         |
| Airport West               | 11,714,555           | 200,000                 | 13.6 %                  | 48,867              | -205,867            | \$35.22                        | \$32.86                        | \$33.27                                |
| Biscayne Corridor          | 2,027,937            | 267,591                 | 34.7 %                  | 2,369               | 100,154             | \$49.60                        | \$40.08                        | \$45.15                                |
| Coconut Grove              | 752,536              | 0                       | 17.3 %                  | 62,824              | 104,621             | \$45.00                        | \$43.63                        | \$40.62                                |
| Coral Gables               | 6,376,805            | 163,741                 | 13.7 %                  | -51,786             | -65,502             | \$47.71                        | \$39.94                        | \$43.80                                |
| Coral Way                  | 822,959              | 0                       | 3.6 %                   | 12,169              | 674                 | N / A                          | \$29.03                        | \$29.12                                |
| East Airport/Hialeah       | 781,697              | 135,000                 | 8.9 %                   | 1,496               | 2,432               | N / A                          | \$27.25                        | \$25.98                                |
| Kendall/South Dade         | 4,143,475            | 0                       | 8.3 %                   | 3,310               | -52,547             | \$44.62                        | \$32.02                        | \$33.14                                |
| Miami Beach                | 2,099,056            | 350,000                 | 7.3 %                   | 3,300               | -43,590             | \$51.94                        | \$45.63                        | \$45.80                                |
| Miami Lakes                | 1,806,918            | 0                       | 15.0 %                  | -3,030              | -52,704             | \$30.26                        | \$24.53                        | \$25.92                                |
| Northeast Dade             | 3,432,448            | 0                       | 9.8 %                   | 21,437              | -24,391             | \$50.59                        | \$35.19                        | \$37.07                                |
| South Miami                | 561,200              | 0                       | 4.1 %                   | -263                | 5,922               | N / A                          | \$41.52                        | \$35.48                                |
| <b>Suburban Total</b>      | <b>34,519,586</b>    | <b>1,116,332</b>        | 13.1 %                  | <b>100,693</b>      | <b>-230,798</b>     | <b>\$42.35</b>                 | <b>\$35.15</b>                 | <b>\$37.48</b>                         |
| <b>Totals</b>              | <b>48,700,098</b>    | <b>1,780,632</b>        | 13.8 %                  | <b>15,464</b>       | <b>-385,064</b>     | <b>\$45.94</b>                 | <b>\$36.89</b>                 | <b>\$39.94</b>                         |

| Miami Lease / User Transactions |   |              |          |             |
|---------------------------------|---|--------------|----------|-------------|
| Tenant                          | Building  | Submarket    | Type     | Square Feet |
| West Coast University, Inc.     | 9250 Doral- 9250 NW 36 <sup>th</sup>              | Airport West | Renewal  | 47,378      |
| Blackstone Financial            | Two MiamiCentral- 700 NW 1 <sup>st</sup> Ave      | Downtown     | New      | 41,000      |
| Southeastern College            | Miami Lakes Bus Ctr- 5875 NW 163 <sup>rd</sup> St | Miami Lakes  | New      | 39,971      |
| Molina Healthcare               | Westside Plaza II- 8300 NW 33 <sup>rd</sup> St    | Airport West | Renewal  | 27,058      |
| Network Capital Funding Corp.   | Brickell Arch- 1395 Brickell Ave                  | Brickell     | Sublease | 23,206      |

| Miami Select Sale Transactions                                      |           |            |          |             |
|---|-----------|------------|----------|-------------|
| Building  | Submarket | Sale Price | Price/SF | Square Feet |
| No significant office transactions closed in fourth quarter of 2020 |           |            |          |             |