



# South Florida Office Market Report

## Demand Rebounded in 2021 as Stabilization Began

The region saw its second consecutive quarter in growth as demand outpaced supply with more than 642,000 square feet of absorbed space during the fourth quarter of 2021, the strongest quarterly performance in over four years. Over 1.8 million square feet of negative absorption occurred throughout South Florida from the start of 2020 through the first half of 2021. Despite the 585,000 square feet of negative absorption seen during the first half of 2021, the region's office sector rallied during the second half of the year to bring over 366,000 square feet of total absorbed space during 2021. All three counties recorded over 100,000 square feet, with Miami-Dade County leading the charge. All three class segments saw positive absorption for the year as the Class A segment recorded most of the growth, with over 154,000 square feet of absorbed space, while the lower-tier Class C sector moved into the second spot, with over 149,000 square feet of positive net absorption. The Class B office segment trailed with a moderate 63,000 square feet of absorbed space. Asking rents continued to increase as landlords haven't budged and lowering asking rates. The overall average increased from the previous quarter and rose by \$1.36/SF from one year ago. The Class A segment increased by 2.1% with \$0.89/SF increase from one year ago. Asking rates in trophy assets continued to see significant increases from quarter to quarter. However, the decrease in available space from newer high-end office buildings and more available space in second-tier Class A buildings hindered significant year-over-year growth in the average rate. Development remained disciplined, with only two completions throughout the region, while buildings under construction fell to under 1.3 million square feet. Healthy pre-leasing of new construction continued to take place as companies appeared to desire quality over cost.

Leasing activity noticeably picked up during 2021, as South Florida saw approximately 9.2 million square feet of deals signed since the beginning of the year. This was a significant improvement from the 5.6 million square feet of office space leased from the previous year when impacts from the global pandemic hit the office sector. Investment sales more than tripled during the year with approximately 10.3 million square feet sold in 2021 for a combined total of \$3.2 billion. This was in comparison with the 3.0 million square feet sold one year ago for \$750.4 million. Miami-Dade continued to lead the region in tenant demand and sales, with Palm Beach County following closely. Broward County remained in the third spot in leasing and investment activity.

### 12-Month Forecast

The region appeared to have stabilized during the second half of 2021 as things begin to return to normal. More companies are projected to return to work in 2022 and should continue to alleviate some of the market corrections incurred from the global pandemic. Demand for office space will likely gain momentum as many tenants who gave back space as their employees worked from home will likely return to the market for office needs. A clearer picture of the true impacts should come into focus over the next year as to how many companies will allow employees to work from home.

### Current Conditions

The office sector appeared to have stabilized during the second half of 2021.

Landlords refused to budge in asking rents, and they continued to increase quoted rates in spite of increased available space.

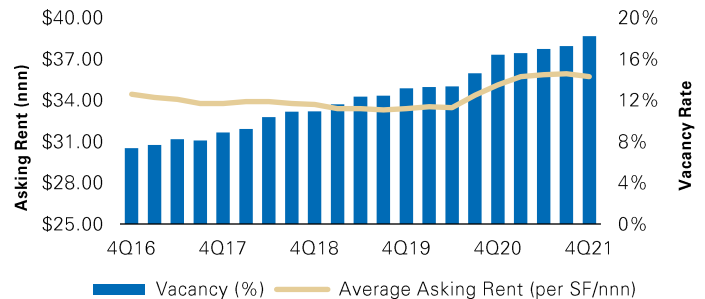
Leasing activity continued to climb upward but saw a dramatic increase of 3.6 million square feet from the activity seen in 2020.

Limited sublease space was added throughout the region during the year, decreasing 10 basis points from one year ago.

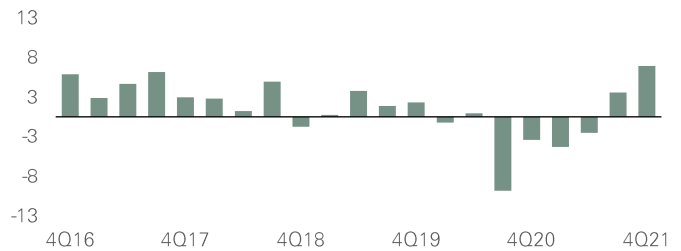
Investment sales also saw a noticeable resurgence, more than tripling from this time last year.

### 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)	109.2M	108.9M	107.9M	↑
Vacancy Rate	14.3%	14.6%	13.5%	↓
Quarterly Net Absorption (SF)	642,580	309,199	(292,709)	↑
Average Asking Rent/SF	\$38.69	\$37.97	\$37.33	↑
Under Construction (SF)	1.3M	1.6M	2.3M	↓
Deliveries	346,877	300,000	881,047	↑

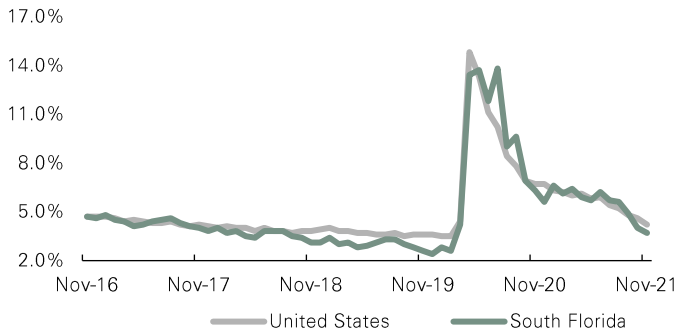
### Economic Conditions

South Florida's unemployment rate fell another 30 basis points to 3.7% from the previous quarter and continued its downward trend from the 13.7% peak back in May of 2020. 132,400 jobs were gained from this time last year. Miami-Dade County took the lead for the lowest unemployment rate in the region with 1.4%, a 680 basis point drop from one year ago. Palm Beach County followed suit dropping 90 basis points to 3.5% from this time last year. Broward County's unemployment rate fell 140 basis points, dropping from 5.2% one year ago to 3.8% at the close of fourth quarter. The region has consistently seen gains in employment after impacts from the pandemic climaxed but has yet to reach the 2.6% low achieved toward the end of 2019.

South Florida's strong ties to tourism continued to aid the leisure and hospitality industry after feeling the strongest impacts from the pandemic. Travel and tourism has almost fully recovered with another strong gain of 40,600 jobs from one year ago. The professional and business services sector moved into second, totaling 32,500 new jobs and the trade, transportation and utilities industry dipped to round out the top three with 27,600 jobs gained from this time last year. All key industries saw year-over-year job growth for the first time since impacts from the global pandemic began. The manufacturing and information industries continue to struggle with less than 2,000 jobs added from the close of 2020.

### Unemployment Rate

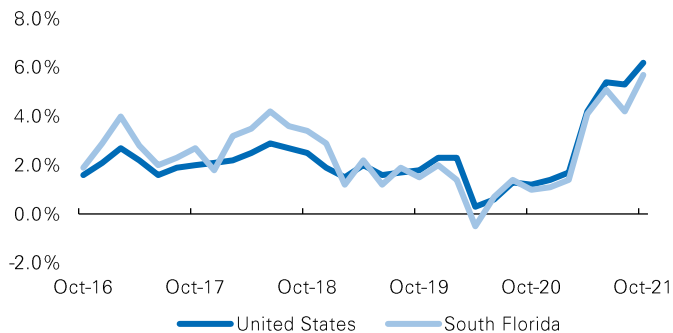
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

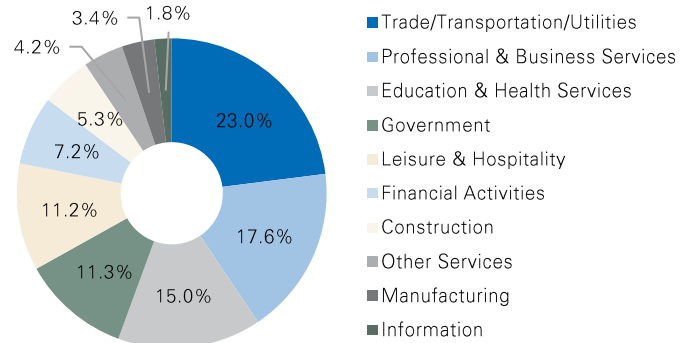
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Employment By Industry

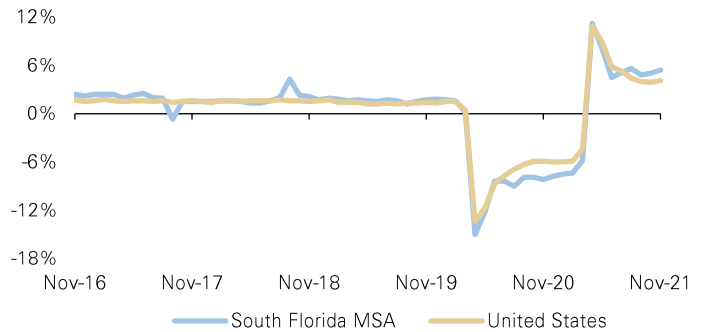
South Florida MSA, December 2021 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

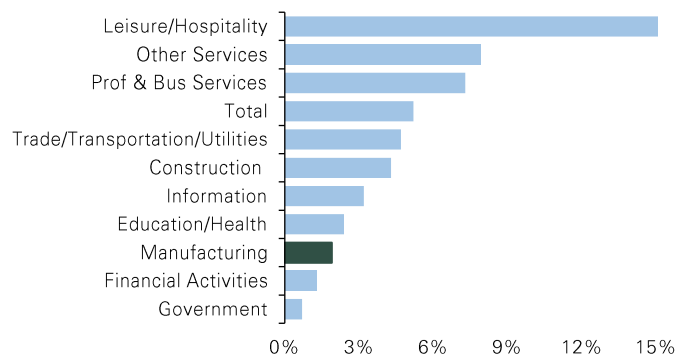
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

South Florida, December 2021, MSA, 12-Month % Change



Source: U.S. Bureau of Labor Statistics | Not Seasonally Adjusted