



## Miami Office Market

Occupancy losses in the Miami office market were generally mild, with negative net absorption totaling roughly 54,000 square feet. Year-to-date net absorption is positive though, at more than 300,000 square feet. Vacancies increased by 10 basis points during the second quarter of 2022; however, rates are well below year-ago levels. Both the Class A and B segments in Miami's office market reported negative net absorption during the second quarter of 2022 while the lower-tier Class C segment posted positive fundamentals. Vacancies among Class C assets declined by 60 basis points over the quarter and are 150 basis points below this time last year. Despite the higher-end trophy assets gaining momentum in recent quarters, Miami's Class A vacancies are the highest in the metro area. At 20.8%, vacancies have improved over the last year but remain elevated near cyclical highs. In the Class B market, vacancies ended the second quarter of 2022 at 13.5%, which is only slightly higher than the previous quarter. Although no buildings were completed in the second quarter of 2022, construction activity increased, with 2.0 million square feet of new inventory underway.

The overall average asking rate experienced a significant quarterly increase as landlords continued to push asking rents to record levels. The overall average increased by 7.0% from one year ago and is one of the largest year-over-year jumps in recorded history. Leverage remained in the landlords' favor despite mounting headwinds in the office sector. Rent growth stalled in Miami's Class A segment while Class B and C landlords were able to push through higher lease rates during the second quarter. Asking rents for the Class B segment increased 3.6% from this time last year, and Class C rents increased by 3.4% on a year-over-year basis.

### Leasing and Demand

Leasing activity within Miami's office market reported modest improvements from the previous quarter, with 376 transactions totaling nearly 1.5 million square feet. Comparatively, 1.3 million square feet of office space was leased during the second quarter of 2021. The Class A segment still led with more than 800,000 square feet of transaction activity, which was a noticeable improvement from previous quarters. The Class B segment experienced roughly 550,000 square feet of deals signed, representing a slight decline from the first quarter of 2022. Financial firms continue to drive leasing within South Florida, specifically in the Miami market. Evolution Research Group recently executed a lease for more than 75,000 square feet at 700 NW 107th Ave. in the Miami Airport submarket. Kaseya, PwC and OpenStore inked deals for new office space in Miami recently as well. Look for continued growth from office users relocating into the region in the coming quarters.

### Investment Activity

Investors were especially active in the Miami office market during the second quarter of 2022. In fact, roughly 4.0 million square feet of office space traded, totaling more than \$850 million in sale volume. This represents a marked increase from the previous two quarters. In June, Citadel acquired the 408,423-square-foot 1221 Brickell for \$286.5 million or \$701/SF. The Davis Companies and Greenmont Group also purchased an office and retail asset at 555 Washington for \$52.3 million or \$795/SF. Brickman also sold a two-property office portfolio in Downtown Miami for \$56.7 million.

### Current Conditions

The Miami office market experienced modest occupancy declines during the second quarter of 2022.

Miami's office sector continued to hold the highest vacancy throughout the State of Florida.

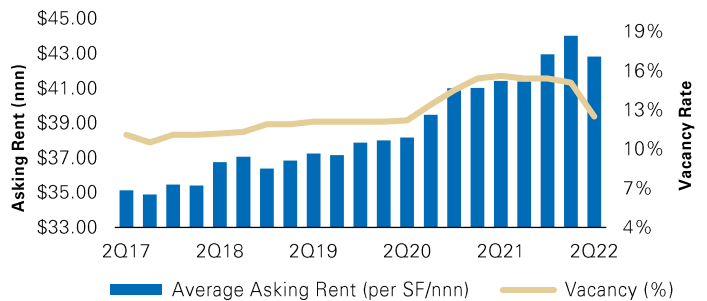
Landlords continue to push asking rents in the Miami office market, with lease rates reaching record levels during the second quarter of 2022.

Financial and business services firms dominated recent leasing activity in Miami as relocations into the region continue to drive demand.

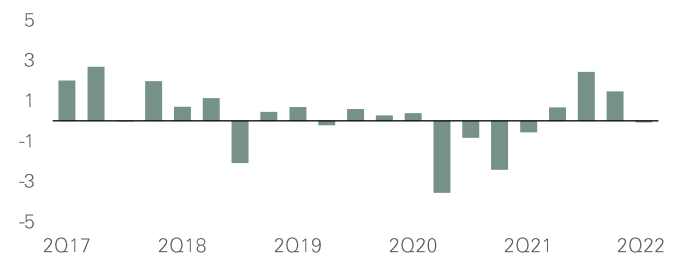
Investors were especially active in the Miami office market during the second quarter, with more than \$850 million in assets changing hands.

### 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)	36.6M	36.6M	36.4M	↑
Vacancy Rate	12.5%	12.5%	13.1%	↓
Quarterly Net Absorption (SF)	(7,196)	184,173	131,799	↓
Average Asking Rent/SF	\$42.82	\$41.82	\$40.56	↑
Under Construction (SF)	1.9M	944,701	962,341	↑
Deliveries	0	0	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)	Overall Average Asking Rent (Price/SF)
Brickell Avenue	5,063,280	664,300	13.7 %	59,915	56,073	\$65.95	\$43.87	\$58.01
Downtown Miami	4,021,358	640,000	13.0 %	-11,950	8,175	\$58.81	\$44.67	\$42.03
<b>CBD Total</b>	<b>9,084,638</b>	<b>1,304,300</b>	13.4 %	<b>47,965</b>	<b>64,248</b>	<b>\$63.03</b>	<b>\$44.26</b>	<b>\$48.93</b>
Airport West	8,919,135	104,452	15.6 %	-10,470	50,549	\$39.71	\$35.15	\$37.20
Biscayne Corridor	1,546,757	78,000	22.9 %	10,599	12,375	\$60.38	\$41.06	\$47.38
Coconut Grove	863,536	0	11.4 %	7,497	25,926	N/A	\$46.70	\$42.57
Coral Gables	4,641,973	247,901	14.8 %	17,167	44,925	\$48.35	\$42.09	\$44.65
Coral Way	598,695	0	3.2 %	-158	-1,672	N/A	\$36.01	\$31.79
East Airport/Hialeah	651,710	0	9.9 %	-5,584	-5,584	N/A	\$27.25	\$28.76
Kendall/South Dade	3,211,973	0	5.0 %	8,160	17,852	\$42.75	\$35.33	\$34.24
Miami Beach	1,978,647	38,660	9.2 %	-85,738	-75,457	\$55.69	\$43.49	\$45.14
Miami Lakes	1,435,453	82,903	15.3 %	883	15,213	\$30.66	\$29.26	\$29.71
Northeast Dade	3,112,448	0	5.0 %	-4,745	18,308	\$55.95	\$44.18	\$47.41
South Miami	516,200	40,000	2.6 %	7,228	10,294	N/A	\$45.00	\$28.36
<b>Suburban Total</b>	<b>27,476,527</b>	<b>591,916</b>	<b>12.2 %</b>	<b>-55,161</b>	<b>112,729</b>	<b>\$44.67</b>	<b>\$37.94</b>	<b>\$39.99</b>
<b>Totals</b>	<b>36,561,165</b>	<b>1,896,216</b>	<b>12.5 %</b>	<b>-7,196</b>	<b>176,977</b>	<b>\$50.80</b>	<b>\$39.29</b>	<b>\$42.82</b>

## Miami Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
IBT Group LLC	1200 Brickell Ave	Brickell	4 Star Office Condo	235,432
Hamilton Miller & Birthisel	150 SE 2nd Ave	Downtown Miami	3 Star Office Condo	140,000
Office Center	321 NE 26 <sup>th</sup> St	Biscayne Corridor	4 Star Office Condo	60,000

## Miami Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
1221 Brickell Ave	Brickell Submarket	\$286,500,000	\$701.48	408,423
New World Tower-100 N Biscayne Blvd	Downtown Miami	\$162,500,000	\$259.11	627,152
Wynwood 25 Annex-215 NW 24th St	Downtown Miami	\$29,896,511	\$183.24	163,156