



South Florida Office Market Report

Office Market Cooled in 2Q22

Following three consecutive quarters of positive net absorption, the South Florida office markets reported occupancy losses in the second quarter of 2022. At nearly 342,000 square feet, the region's negative absorption drove vacancies up slightly, to 14.2%. Much of this quarter's softening can be attributed to subleases. In fact, vacant sublet space nearly doubled during the second quarter and now totals more than one million square feet. While all three South Florida office markets posted negative net absorption in the second quarter, Broward County accounted for the lion's share of recent occupancy losses. Vacancies in the Palm Beach office market remain well below the regional average, at 11.7%, while Broward County boasts the highest vacancy rate in the region, at 15.0%. South Florida's Class B segment experienced above average negative net absorption during the second quarter of 2022 and vacancies increased to 11.8%. Fundamentals in the Class A market were more favorable, with only roughly 70,000 square feet of negative net absorption reported during the second quarter of 2022. As a result, vacancies only increased by 10 basis points compared to last quarter. The lower-tier Class C office segment saw more a more balanced approach between supply and demand. In fact, Class C assets have experienced seven consecutive quarters of positive net absorption and vacancies have declined by more than 100 basis points over the past 18 months. Despite current challenges, the region continues to attract office users looking to set up outposts or relocate entirely to markets like South Florida. BlackRock recently announced plans to open a satellite office in South Florida, which will initially accommodate 35 employees. Citadel is also planning to open an office in a vacant Palm Beach Neiman Marcus and is moving its global headquarters from Chicago to Miami. Asking rents continued their climb upward with the overall average rising by 6.4% compared to year-ago levels.

Leasing and Demand

Leasing activity remained stable during the second quarter of 2022, with the South Florida region reporting roughly 3.0 million square feet of deals across 812 leases. Leasing volumes are in line with the previous quarter and year-ago levels. In Miami, Kaseya International leased 42,875 square feet at 800 Brickell Ave. and OpenStore inked a deal for 41,896 square feet at The Gateway at Wynwood. Financial service companies are driving leasing as well; GTCR and Diameter Capital Partners recently leased space at Related Companies' One Flagler development in Downtown West Palm Beach. In one of the largest transactions of the quarter, FirstService executed a lease for 65,000 square feet at 1601 SW 80th Terrace in Plantation.

Investment Activity

Investors have remained active in the South Florida office market. During the second quarter of 2022, more than 6.0 million square feet in assets changed hands for a total \$1.4 billion. Average pricing for the region ended the quarter at \$280/SF. In the largest transaction of the quarter, Rockpoint sold 1221 Brickell Ave. in Miami for \$286.5 million or \$701/SF. CP Group and DRA Advisors also acquired the leased interest in the Miami Tower for \$162.5 million or \$259/SF.

NEWMARK

Current Conditions

Growth in the region's office sector wavered during the second quarter of 2022, with negative net absorption totaling nearly 342,000 square feet.

Landlords refused to budge in asking rents, with average lease rates reaching a new peak at \$40.25/SF.

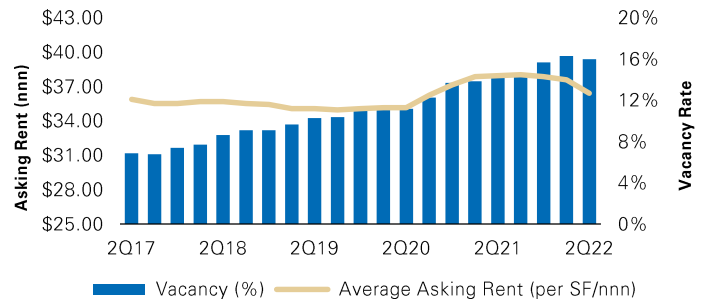
Leasing activity throughout the South Florida region remained stable during the second quarter of 2022.

While sublet availability continued to remain limited in comparison to other major markets throughout the country, availabilities have slowly increasing in recent quarters.

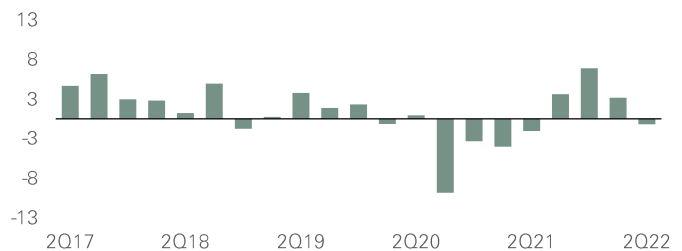
Investment sales remained consistent from recent quarters, with some of the largest transactions occurring in the Miami market.

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)	87.0M	87.0M	86.0M	↑
Vacancy Rate	12.7%	12.6%	12.9%	↓
Quarterly Net Absorption (SF)	(67,152)	154,077	100,567	↓
Average Asking Rent/SF	\$39.42	\$38.67	\$37.40	↓
Under Construction (SF)	2.6M	1.2M	1.8M	↑
Deliveries	0	0	0	↑

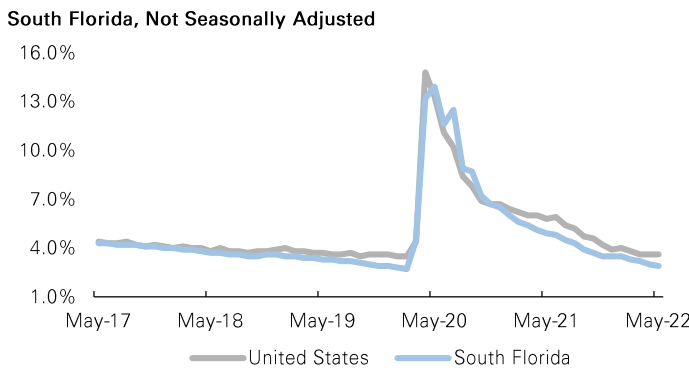
RESEARCH 2Q 2022

Economic Conditions

Economic growth continued in South Florida in the second quarter of 2022 as numerous local companies are in expansion mode and companies from elsewhere in the country continue to move or set up operations in South Florida to benefit from the business-friendly climate. Notably, Chicago-based financial services company Citadel and Israel’s national carrier, ELAL Airlines, with U.S. headquarters in New York City, both announced headquarters relocation to Miami in the past three months.

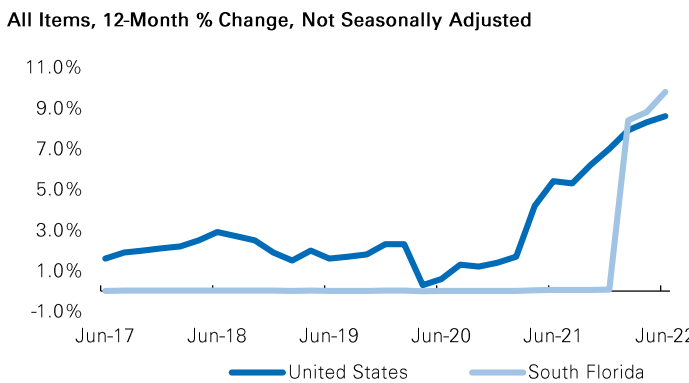
Demonstrating positive momentum, South Florida’s employment base rose 5.35 year-over-year in May 2022 to 2.8 million, finally eclipsing pre-pandemic employment levels from February 2020. The unemployment rate declined to 2.4%, nearing record lows. While the pace of job growth is slowing as the region nears full employment, and macroeconomic factors such as inflation and higher interest rates are causing companies to adopt a more conservative outlook in the face of recessionary fears, the economic outlook for South Florida is strong, especially in relation to peer markets around the country.

Unemployment Rate



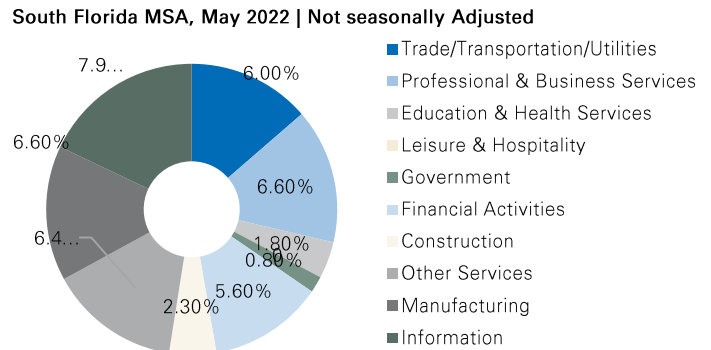
Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)



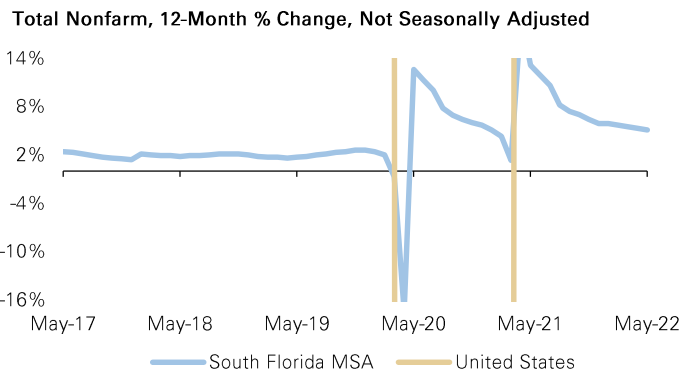
Source: U.S. Bureau of Labor Statistics

Employment By Industry



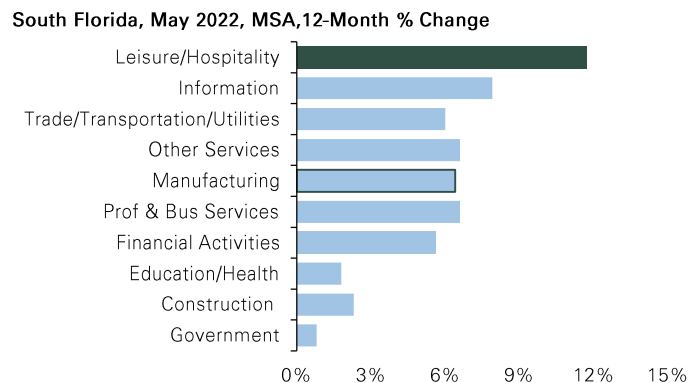
Source: U.S. Bureau of Labor Statistics

Payroll Employment



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry



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