



South Florida Office Market Report

Leasing and Sale Volumes Show Mixed Signals, Yet a Robust Market Overall

The Tri-County area recorded positive net absorption for the third consecutive quarter, each of which was greater than the last. Absorption totaled 375,752 square feet to start 2023. Nearly the entirety of that positive absorption was driven by Miami-Dade, which reported 430,484 square feet. Palm Beach was essentially neutral at 4,834 square feet, while Broward County was the only of the three South Florida markets to post negative absorption.

Vacancies in the South Florida office market have remained steady over the past few quarters, closing the first quarter of 2023 at 14.4%, down just 10 basis points from last quarter. Miami-Dade stood right at the market average of 14.4%, while Broward County was above average at 16.4% and Palm Beach closed the quarter the tightest of the three at 11.7% overall vacancy rate.

Average asking rents in the first quarter of 2023 increased by \$0.39/SF to \$42.43/SF. Asking rents have held steady for much of the past year. Miami asking rents remain the highest of the three markets at \$48.65/SF, followed by Palm Beach and Broward County.

Office development held steady at 3.2 million square feet, despite nearly 157,00 square feet in deliveries this quarter. This represents a year-over-year increase of 1.4 million square feet in space under construction.

Leasing and Demand

South Florida leasing activity was down 19.5% quarter over quarter, closing at approximately 2.6 million square feet, down from 3.3 million square feet in the fourth quarter of 2022. Despite the drop off in overall activity, the number of leases increased as tenants leased less space on average.

Kaseya's lease for 101,242 square feet at the Wells Fargo Center in Downtown Miami was the largest deal signed in the first quarter of 2023.

Investment Activity

Investment activity in the first quarter of 2023 through February totaled 739,800 square feet of sales for a total of \$184.9 million. This is down significantly from just two quarters ago, when there was 2.9 million square feet of sales transactions, totaling \$711.0 million.

Bridge Industrial Group's purchase of Flagler Station Building 1000 from Ryder System in the Airport West submarket for \$42.1 million, or \$169/SF, was one of the largest deals of the quarter.

Current Conditions

Positive absorption has become the norm for South Florida, with the past six out of seven quarters reporting occupancy gains, and closing the first quarter of 2023 at 375,752 square feet.

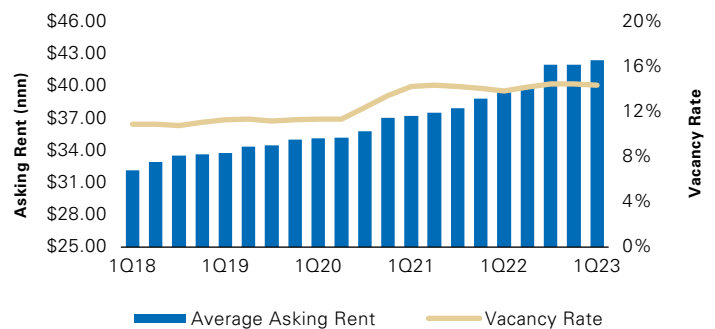
Asking rents increased by \$0.39/SF from the fourth quarter, reaching a five-year high of \$42.43/SF.

Leasing activity decreased by approximately 20% quarter over quarter of 2022, even as the number of transactions increased.

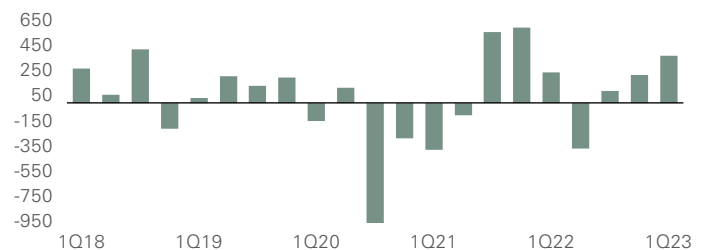
Investment sales were down from fourth quarter levels, as interest rate increases continued to impact transaction markets.

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)	111.8M	111.3M	110.6M	↑
Vacancy Rate	14.4%	14.5%	13.9%	↔
Quarterly Net Absorption (SF)	375,752	221,134	240,414	↔
Average Asking Rent/SF	\$42.43	\$42.04	\$39.47	↑
Under Construction (SF)	3.2M	3.2M	1.8M	↑
Deliveries (SF)	156,955	567,155	0	↑

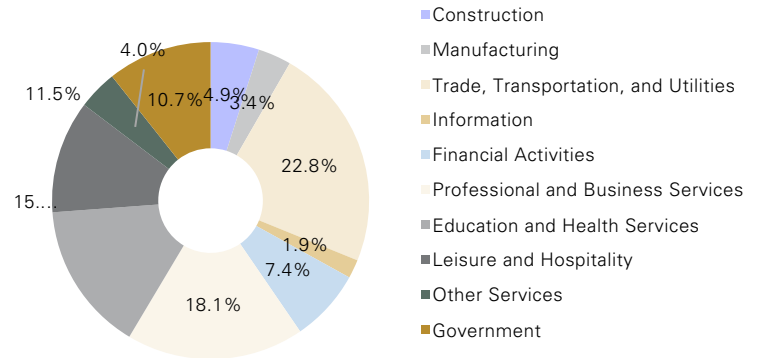
Economic Conditions

The South Florida economic landscape remains robust. Unemployment in the market closed at 2.5%, more than a full percentage point below the national average of 3.6%. Despite the positive unemployment landscape, inflation remains prevalent as the CPI remains elevated beyond desired levels. The Federal Reserve has continued its process of raising rates over the course of the past several quarters in an attempt to tame inflation.

Coinciding with the pace of interest rates has been a gradual decline in the rate of job growth. As of February 2023, job growth over the past year improved by just 3.8%. The largest gains were recorded in the leisure and hospitality industry, followed by manufacturing and education and health services. Each of these industries outpaced the overall average across sectors.

Employment By Industry

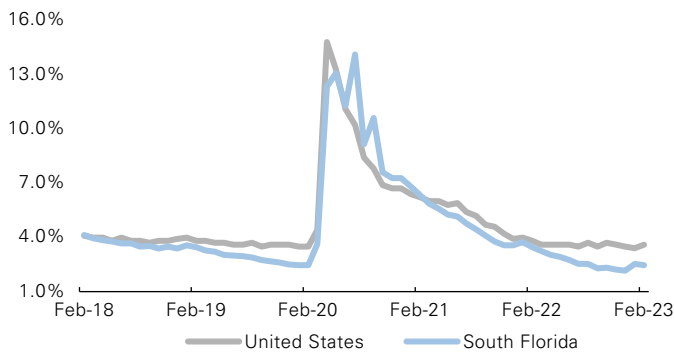
South Florida (Miami MSA), February 2023 |
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

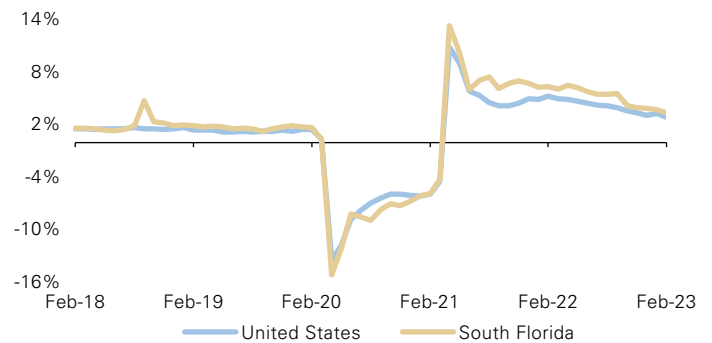
South Florida (Miami MSA), Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

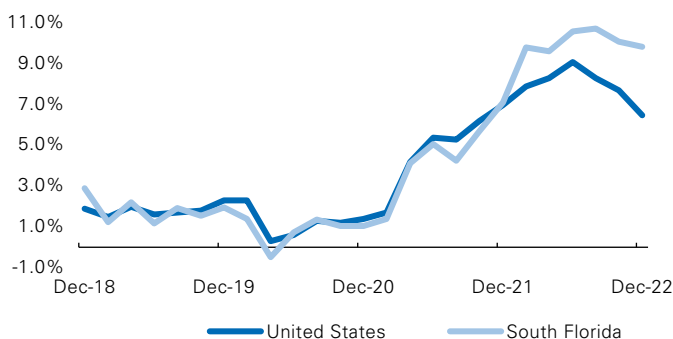
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

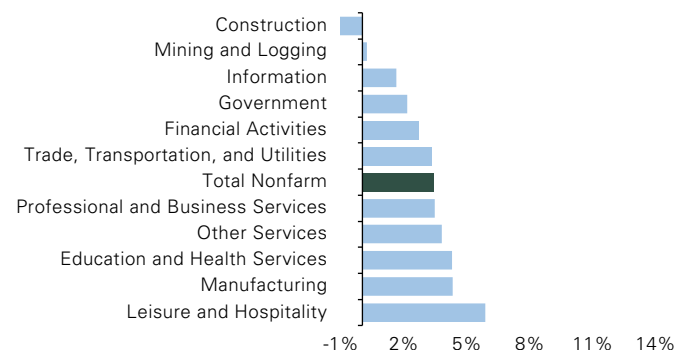
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

South Florida (Miami MSA), February 2023,
MSA, 12-Month % Change



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