

New-to-market tenants breathe new life into Miami’s office market and rents rise with new deliveries

Miami’s office market held steady and demonstrated some resiliency at the end of 2020, and positive market fundamentals remain in place for a strong recovery in 2021. The unemployment rate declined to 7.4% in November of 2020, down by nearly half of its peak of 14.5% in July of this year. While net absorption ended the year in negative territory, the velocity in which space has come back to the market has decelerated. During the fourth quarter, 248,182 sf of space was added back to the market due to tenants downsizing or giving back their space versus 408,461 sf that was added back during the third quarter.

Overall vacancy rose by 120 basis points over the quarter to 15.0%. While the increase can be attributed in part to a handful of tenants downsizing or giving back their space upon expiration, a considerable amount of the increase came from the delivery of 291,267 sf of class A space at the Plaza at Coral Gables North Tower, which was only 16% preleased at delivery. Sublease vacancy also rose slightly by 26 basis points over the quarter, however it has remained low at less than 1%.

Rental rates rise with an onslaught of quality space

The overall average asking rate increased significantly year-over-year to \$42.33 per sf (psf) (+\$3.00 psf). The large increase in pricing is almost entirely due to a substantial amount of class A space that delivered during 2020, a total of nearly 1 million sf-most

of which had little-to-no pre-leasing, and not due to landlords raising their rents. Class A rents increased over the year to \$48.62 psf (+\$2.88 psf) and class B rents increased at a slightly slower pace to \$33.74 psf (+\$1.62 psf).

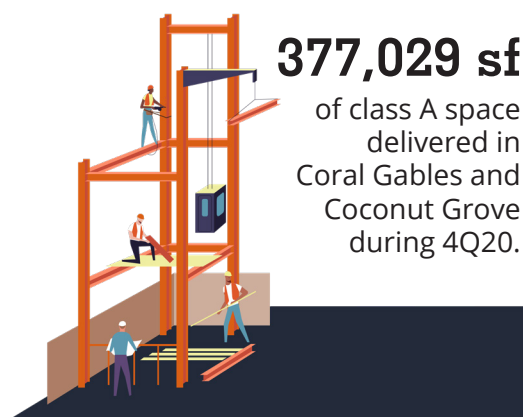
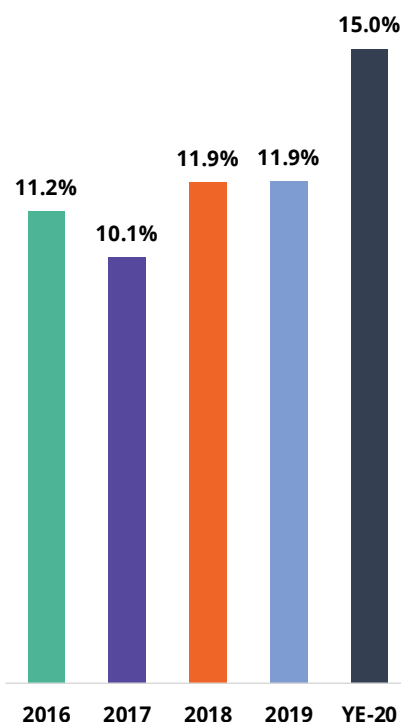
New to market firms take strong interest in Miami

Leasing activity was steady during the fourth quarter and renewals continued to make up a majority of notable lease signings as tenants remain cautious and opt to delay their decisions regarding their space needs. However, pent-up demand is just on the horizon with many local brokers citing an unprecedented amount of activity coming from new-to-market-tenants, specifically from high-tax states in the Northeast. One of the first firms to lead the way was Blackstone, which recently signed a 41,341-sf lease at 2 MiamiCentral during the fourth quarter. Other notable tenants currently touring the market include Microsoft, which is reportedly in advanced lease negotiations for 30,000 sf at 830 Brickell; Citadel, who is in the market for 80,000 sf; and Baker Makenzie, a Chicago law firm.

Looking ahead toward 2021

Although headwinds persist leading into 2021, the rollout of the vaccine has created a greater sense of optimism in the market. Although supply has increased through vacancy and new deliveries in 2020, pent-up demand from new-to-market tenants will likely offset some of these headwinds in 2021.

Historical 5-Year Vacancy Trend



55.5 MSF

Total office inventory in the Miami office market

(745,378) SF

Direct Y-T-D net absorption as of 4Q-2020

15.04%

Overall vacancy

\$48.62/SF/FS

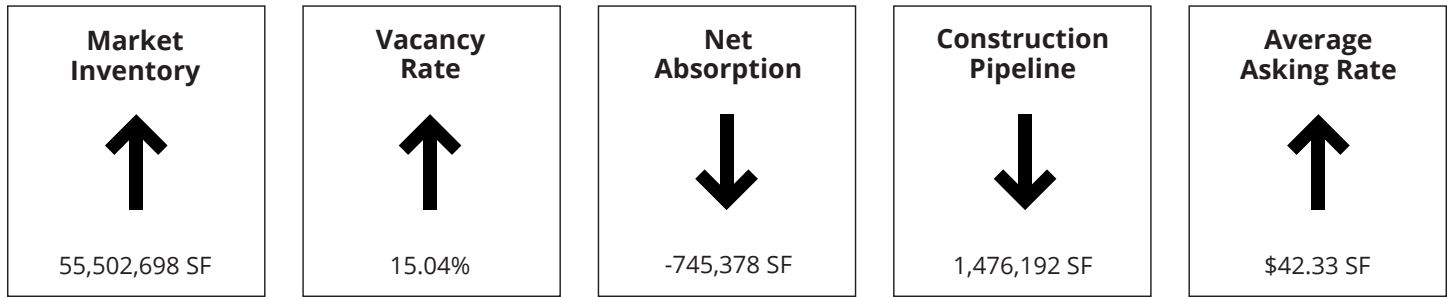
Average rental rate for class A space

Market by the numbers

Airport / Doral										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,508,500	887,583	120,509	\$39.17	83.89%	16.11%	2.19%	18.30%	213,081	(223,873)
Class B	6,433,791	644,094	28,066	\$31.27	89.99%	10.01%	0.44%	10.45%	0	37,451
Total	11,942,291	1,531,677	148,575	\$35.84	87.17%	12.83%	1.24%	14.07%	213,081	(186,422)
Aventura										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,354,585	206,889	9,145	\$51.20	84.73%	15.27%	0.68%	15.95%	0	16,212
Class B	365,935	24,981	5,028	\$46.07	93.17%	6.83%	1.37%	8.20%	0	(6,354)
Total	1,720,520	231,870	14,173	\$50.64	86.52%	13.48%	0.82%	14.30%	0	9,858
Biscayne Corridor										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,903,044	670,569	35,204	\$53.61	64.76%	35.24%	1.85%	37.09%	265,290	(5,341)
Class B	1,220,234	134,632	2,919	\$36.78	88.97%	11.03%	0.24%	11.27%	33,177	29,496
Total	3,123,278	805,201	38,123	\$50.80	74.22%	25.78%	1.22%	27.00%	298,467	24,155
Brickell										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	4,648,272	490,985	30,735	\$57.44	89.44%	10.56%	0.66%	11.22%	613,000	(129,217)
Class B	2,945,831	406,931	26,548	\$39.94	86.19%	13.81%	0.90%	14.71%	0	(37,394)
Total	7,594,103	897,916	57,283	\$49.51	88.18%	11.82%	0.75%	12.58%	613,000	(166,611)
Coconut Grove										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	723,227	65,004	5,470	\$51.61	91.01%	8.99%	0.76%	9.74%	105,000	70,071
Class B	727,856	92,345	3,263	\$37.08	87.31%	12.69%	0.45%	13.14%	0	(43,374)
Total	1,451,083	157,349	8,733	\$43.08	89.16%	10.84%	0.60%	11.45%	105,000	26,697
Coral Gables										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	4,681,571	800,613	24,776	\$47.49	82.90%	17.10%	0.53%	17.63%	163,741	(129,425)
Class B	2,714,248	328,159	14,033	\$35.91	87.91%	12.09%	0.52%	12.61%	0	(113,548)
Total	7,395,819	1,128,772	38,809	\$44.12	84.74%	15.26%	0.52%	15.79%	163,741	(242,973)
Downtown Miami										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,096,314	1,038,912	164,278	\$52.24	79.61%	20.39%	3.22%	23.61%	0	(1,422)
Class B	3,205,789	595,869	6,520	\$29.35	81.41%	18.59%	0.20%	18.79%	0	(16,807)
Total	8,302,103	1,634,781	170,798	\$43.90	80.31%	19.69%	2.06%	21.75%	0	(18,229)
Kendall										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,356,034	136,558	6,828	\$38.83	89.93%	10.07%	0.50%	10.57%	0	(975)
Class B	2,981,968	273,391	28,896	\$32.60	90.83%	9.17%	0.97%	10.14%	0	(93,277)
Total	4,338,002	409,949	35,724	\$34.67	90.55%	9.45%	0.82%	10.27%	0	(94,252)
South Gables / South Miami										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	479,766	25,084	8,286	\$47.46	94.77%	5.23%	1.73%	6.96%	0	16,207
Class B	1,555,299	112,335	6,731	\$41.21	92.78%	7.22%	0.43%	7.66%	0	(47,317)
Total	2,035,065	137,419	15,017	\$42.35	93.25%	6.75%	0.74%	7.49%	0	(31,110)
Medley / Hialeah										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	392,864	27,626	0	\$33.81	92.97%	7.03%	0.00%	7.03%	0	(34)
Class B	442,793	21,221	0	\$20.40	95.21%	4.79%	0.00%	4.79%	0	(10,314)
Total	835,657	48,847	0	\$27.98	94.15%	5.85%	0.00%	5.85%	0	(10,348)
Miami Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	666,440	73,144	0	\$55.21	89.02%	10.98%	0.00%	10.98%	0	(14,093)
Class B	1,860,847	190,553	1,732	\$45.51	89.76%	10.24%	0.09%	10.33%	0	(14,626)
Total	2,527,287	263,697	1,732	\$48.20	89.57%	10.43%	0.07%	10.50%	0	(28,719)
Miami Lakes										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	413,955	80,774	0	\$30.03	80.49%	19.51%	0.00%	19.51%	82,903	(14,141)
Class B	1,881,578	287,290	0	\$28.35	84.73%	15.27%	0.00%	15.27%	0	15,815
Total	2,295,533	368,064	0	\$28.72	83.97%	16.03%	0.00%	16.03%	82,903	1,674
Northeast Dade										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	199,684	13,587	0	\$41.47	93.20%	6.80%	0.00%	6.80%	0	(5,533)
Class B	1,401,025	142,895	0	\$29.71	89.80%	10.20%	0.00%	10.20%	0	(23,998)
Total	1,600,709	156,482	0	\$30.73	90.22%	9.78%	0.00%	9.78%	0	(29,531)
South Dade										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	341,248	49,370	0	\$25.42	85.53%	14.47%	0.00%	14.47%	0	433
Total	341,248	49,370	0	\$25.42	85.53%	14.47%	0.00%	14.47%	0	433

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in Miami-Dade County that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Leading Indicators (Y-O-Y Q4-2019 to Q4-2020)



Miami-Dade County										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	27,424,256	4,517,328	405,231	\$48.62	83.53%	16.47%	1.48%	17.95%	1,443,015	(421,564)
Class B	28,078,442	3,304,066	123,736	\$33.74	88.23%	11.77%	0.44%	12.21%	33,177	(323,814)
Total	55,502,698	7,821,394	528,967	\$42.33	85.91%	14.09%	0.95%	15.04%	1,476,192	(745,378)

CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	9,744,586	1,529,897	195,013	\$53.91	84.30%	15.70%	2.00%	17.70%	613,000	(130,639)
Class B	6,151,620	1,002,800	33,068	\$33.65	83.70%	16.30%	0.54%	16.84%	0	(54,201)
Total	15,896,206	2,532,697	228,081	\$45.89	84.07%	15.93%	1.43%	17.37%	613,000	(184,840)

Non-CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	17,679,670	2,987,431	210,218	\$45.90	83.10%	16.90%	1.19%	18.09%	830,015	(290,925)
Class B	21,926,822	2,301,266	90,668	\$33.78	89.50%	10.50%	0.41%	10.91%	33,177	(269,613)
Total	39,606,492	5,288,697	300,886	\$40.63	86.65%	13.35%	0.76%	14.11%	863,192	(560,538)

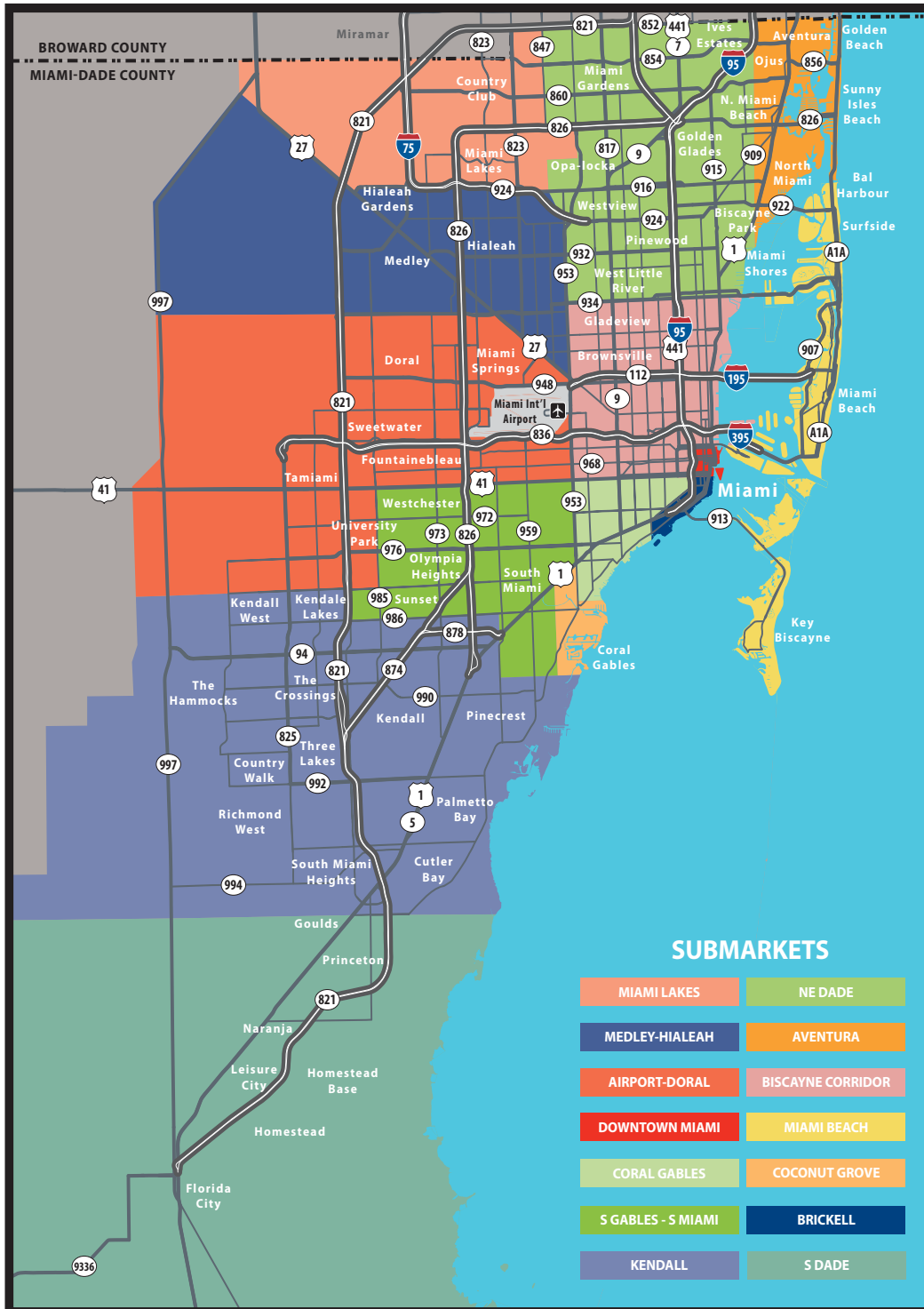
Significant Fourth Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
West Coast University	9250 Doral	Renewal	47,378	Airport / Doral
Blackstone	2 MiamiCentral	New	41,341	Downtown Miami
HIG Capital	1450 Brickell Ave	Renewal	33,150	Brickell
Intermex Wire Transfer	9480 S Dixie Hwy	Renewal	32,216	Kendall
Robert Rubenstein	Two Datran Center	Renewal	32,022	Kendall
Molina Healthcare	Westside Plaza 2	Renewal	27,058	Airport / Doral
Network Capital Funding Corp	1395 Brickell Ave	Sublease	23,206	Brickell
Quest Workspaces	777 Brickell	Renewal	21,096	Brickell
HIG Capital	Plaza Coral Gables	New	22,227	Coral Gables

Significant Fourth Quarter 2020 Sales Transactions - Sorted by Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
250 Bird Rd	28,890	\$17,450,000*	\$603	Baptist Health South Florida	Coral Gables
3155 NW 77th Ave	59,140	\$11,950,000	\$202	BanESCO USA	Airport / Doral

*Sold for land value



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