

MARKETBEAT

Miami-Dade

Office Q2 2018



MIAMI-DADE OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Miami-Dade Employment	1.18M	1.19M	▲
Miami-Dade Unemployment	4.7%	4.0%	▼
U.S. Unemployment	4.3%	3.8%	▼

*Numbers above are monthly figures, May 2018, FL Dept. Economic OPP.

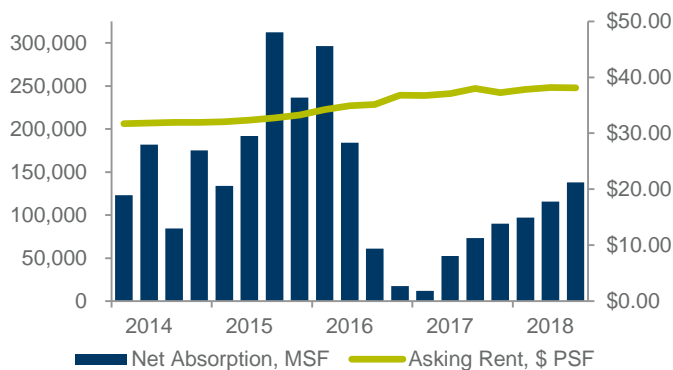
Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	12.2%	12.4%	▼
YTD Net Absorption (sf)	207k	371k	▲
Under Construction (sf)	1.1M	1.2M	▼
Average Asking Rent*	\$38.20	\$38.03	▲

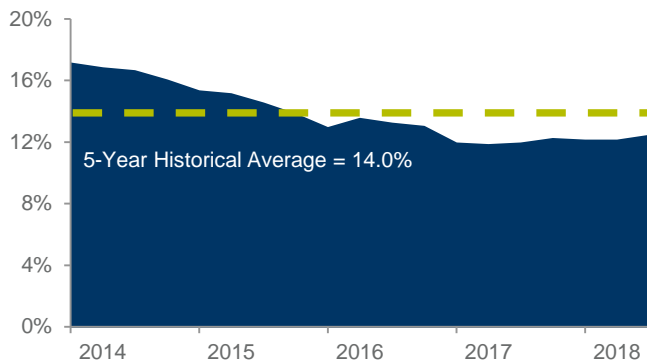
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Overall vacancy for office space in Miami-Dade increased slightly by +20 bps year-over-year to 12.4%, due to the completion of 658,000 square feet (sf) of office space during that time. Absorption trended positive, up almost +30% from the same period in 2017, as new-to-market and organic growth by tenants gravitated towards new and upgraded buildings in several submarkets. In the central business district (CBD), overall vacancy also rose by +30 bps to 16.9% on several new buildings delivering in the first half and some tenant move outs in Class A assets.

Market Overview

Overall vacancy for office space in Miami-Dade increased slightly by +20 bps year-over-year to 12.4%, due to the completion of 658,000 square feet (sf) of office space during that time. Absorption trended positive, up almost +30% from the same period in 2017, as new-to-market and organic growth by tenants gravitated towards new and upgraded buildings in several submarkets. In the central business district (CBD), overall vacancy also rose by +30 bps to 16.9% on several new buildings delivering in the first half and some tenant move outs in Class A assets.

Overall rental rates declined in the last 12 months by 17 cents, or -0.4%, to \$38.03 per square foot (psf) with Class A overall rental rates rising to \$44.49 psf market-wide. The CBD, which includes both the Downtown and Brickell Avenue submarkets, saw Class A overall rents fall by -2.4% year-over-year, to \$50.74. The decline was due to some tenants taking higher priced product off-market, leaving lower priced spaces to dominate the CBD.

Leasing activity was strong in the second quarter 2018 with the lion's share of activity occurring in Class A assets in the Downtown submarket and in Class B assets in the South Dade submarket. In comparison to second quarter of last year, leasing activity slightly cooled market-wide, off by -12.0%. The latter half of the year historically have been the more active so the expectation is that the momentum should pick up by year end. Several new office completions and continued job growth should attract the attention of several tenants to new prime space.

Miami-Dade leads the state's other major markets in terms of new office construction. The 582,000 sf under construction at the of the second quarter was 55.0% preleased. Due to the increased level of construction, some projects have extended completion dates out. The second office tower in the larger MiamiCentral mixed-use project will now be completed in the fourth quarter of 2018, which might benefit from the recently opened Brightline train service to Fort Lauderdale and West Palm Beach.

Outlook

The office market in Miami-Dade ended the second quarter 2018 on solid core fundamentals. The healthy amount of leasing activity and introduction of new space options set the stage for future improvement through the rest of 2018 and into 2019. Uncertainty in the overall economy and issues with trade partners should not have an immediate impact of the office sector in the market. Cushman & Wakefield anticipates incremental growth in office asking rents on strong tenant demand in both the CBD and major suburban submarkets.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Brickell Avenue	6,584,414	79,327	706,726	11.9%	23,064	-24,306	162,604	0	\$46.26	\$53.83
Downtown	7,086,279	32,285	1,491,992	21.5%	45,922	33,196	160,249	190,583	\$41.27	\$48.79
CBD	13,670,693	111,612	2,198,718	16.9%	68,986	8,890	322,853	190,583	\$42.96	\$50.30
Coral Gables	6,526,983	75,874	647,358	11.1%	13,210	131,209	260,833	289,998	\$39.36	\$42.48
Airport West	11,273,221	60,801	1,017,465	9.6%	98,964	178,937	313,135	150,000	\$30.49	\$32.02
Coral Way	686,423	0	47,567	6.9%	-23,245	-28,215	4,390	20,900	\$34.04	\$0.00
South Dade	3,645,844	0	406,762	11.2%	28,040	-3,432	170,045	0	\$32.98	\$46.50
Northeast Dade	2,560,451	745	218,479	8.6%	-2,802	42,627	57,442	102,287	\$40.30	\$49.67
Biscayne	2,233,225	7,170	379,160	17.3%	12,890	18,015	40,932	235,486	\$38.91	\$46.50
Miami Lakes	1,817,834	4,703	341,519	19.0%	2,706	7,670	90,236	0	\$25.98	\$29.23
Coconut Grove	1,199,238	0	57,573	4.8%	-5,999	-9,095	6,970	180,672	\$39.96	\$40.00
S. Gables/ S. Miami	933,431	0	7,513	0.8%	507	-1,029	6,996	0	\$27.21	\$0.00
East Airport/Central Dade	541,093	0	37,254	6.9%	0	0	7,190	0	\$30.00	\$0.00
Miami Beach	2,203,679	15,851	206,184	10.1%	-4,362	25,203	38,205	0	\$45.36	\$52.96
Suburban	33,621,422	165,144	3,366,834	10.5%	119,909	361,890	996,374	979,343	\$34.80	\$38.25
MIAMI TOTALS	47,292,115	276,756	5,565,552	12.4%	188,895	370,780	1,319,227	1,169,926	\$38.03	\$44.49

*Rental rates reflect gross asking \$psf/year. **Leasing activity includes only new and expansion leases and does not include Renewals.

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT AVERAGE ASKING RENT*
Class A	21,150,285	133,949	2,467,178	12.3%	200,055	457,708	549,808	1,059,026	206,717	\$44.96
Class B	17,476,855	123,058	2,099,951	12.7%	-5,113	-66,629	568,654	110,900	0	\$34.67
Class C	8,664,975	19,749	998,423	11.8%	-6,047	-20,299	200,765	0	0	\$28.92

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
9400 South Dadeland Boulevard	102,000	AvMed	Direct	Airport West
9480 South Dixie Highway	25,400	Intermex	Direct	South Dade
160 NW 7 th Street	24,000	MTV Latin America	Direct	Downtown
201 S Biscayne	23,000	Duane Morris, LLP	Direct	Downtown

**Does not include Renewals

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1111 Brickell Avenue	522,892	Prudential/Parkway Properties	\$250,000,000/\$478	Brickell Avenue
1 SE 3 rd Avenue	420,080	Crocker Partners/PCCP, LLC	\$127,000,000/\$302	Downtown
Atrium Office Park (portfolio)	60,292	Doral Entrance/Terra Group	\$13,500,000/\$224	Airport West
255 Aragon Avenue	38,418	DLGN Holdings/Raimundo Lopez	\$10,964,800/\$285	Coral Gables

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