

MARKETBEAT

Miami-Dade

Office Q3 2018



MIAMI-DADE OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Miami-Dade Employment	1.17M	1.20M	▲
Miami-Dade Unemployment	4.7%	4.1%	▼
U.S. Unemployment	4.4%	3.9%	▼

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

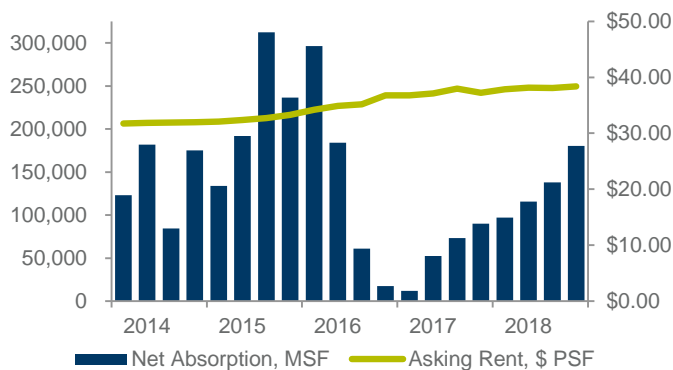
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	12.2%	12.9%	▲
YTD Net Absorption (sf)	439k	576k	▲
Under Construction (sf)	751k	1.4M	▼
Average Asking Rent*	\$37.77	\$38.86	▲

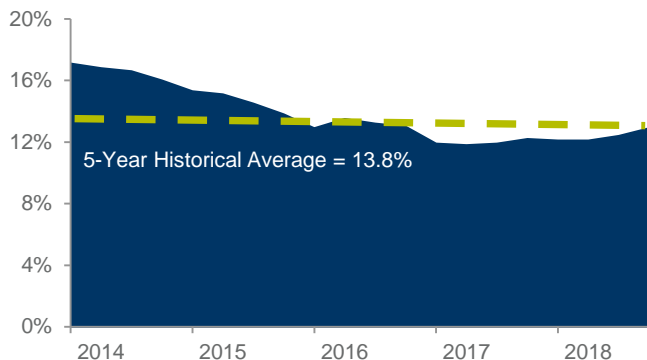
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Miami-Dade office market continued to show signs of strength going into the fourth quarter 2018, even with the current surplus of new space from construction. The unemployment rate dropped to 4.1%, down -90 basis points (bps) year-over-year on an increase of 22,100 jobs, or up +1.9%. Positions in the Education and Health Services sector, a major user of office space, rose by +3.1%, or 5,700 jobs created over the last 12 months.

Market Overview

Overall vacancy for office space in Miami-Dade increased by +70 bps year-over-year to 12.9%. This was due to increases in availabilities in the Class A sector where 521,000 square feet (sf) delivered to the market during the last 12 months. In Downtown, the completion of Two MiamiCentral added 81,000 sf of new available space to an already saturated submarket which increased the overall vacancy rate to 25.2%, up 720 bps from the second quarter. The expectation based on tenant interest and tours was that the bulk of vacant space in the new building would be occupied by year-end. The Brickell Avenue submarket further strengthened and continued to tighten, with the overall vacancy rate falling -160 bps year-over-year to 11.0%.

Overall rental rates increased in 12-months by +\$1.09 per square foot (psf), or +2.9% to \$38.86 psf full service. There were significant increases in asking rents across each asset class, as landlords looked to capitalize on current market conditions. Class A overall rental rates rose dramatically since the second quarter of the year, up by +\$0.54 psf, or +1.2%. Gains were driven by new construction and increased asking rents in the Miami Beach, Airport West and Coral Gables submarkets. In Downtown and Brickell Avenue submarkets, the combined Class A overall rents increased by +\$0.41 psf, or +0.8% in three months to \$50.71 psf full service.

Even with the addition of vacant space from new construction negatively impacting the vacancy rate, overall year-to-date absorption trended positive, ending the third quarter at almost the same level as all positive absorption from 2017. Leasing activity decreased for the third consecutive quarter as tenants took longer to make space decisions. In the third quarter there was a marked shift by office users to suburban submarkets due to cost factors with the bulk of activity in Airport West Class A and South Dade Class B assets.

The Miami-Dade office market led the state in terms of new speculative construction. The 1.2 million square feet currently under construction at the end of the third quarter was only 18.0% preleased. Even with the increase in vacancies, the market is still flush with liquidity by investors interested in having a presence in the Miami-Dade office market.

Outlook

The office market in Miami-Dade ended the third quarter with solid fundamentals. The healthy amount of leasing activity and positive absorption has kept the market in stable condition. Cushman & Wakefield anticipates increases in office asking rents on strong tenant demand and new construction 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	68,931	652,230	11.0%	92,892	217,592	217,808	0	\$46.62	\$53.61
Downtown	7,278,475	32,285	1,706,617	23.9%	-28,568	-28,857	179,596	0	\$42.81	\$49.78
CBD	13,862,889	101,216	2,358,847	17.7%	64,324	188,735	397,404	0	\$43.93	\$50.71
Coral Gables	6,518,002	49,298	730,164	12.0%	15,788	136,602	317,824	289,998	\$40.00	\$43.51
Airport West	11,283,965	147,094	1,028,670	10.4%	77,939	122,671	448,714	150,000	\$31.24	\$33.03
Coral Way	686,423	0	41,389	6.0%	-3,253	-19,028	5,626	20,900	\$30.63	N/A
South Dade	3,679,289	947	417,503	11.4%	7,491	2,894	309,935	0	\$32.95	\$46.42
Northeast Dade	2,554,682	3,919	191,697	7.7%	16,743	55,462	96,916	139,222	\$39.51	\$50.11
Biscayne	2,233,225	0	395,629	17.7%	2,357	39,174	62,726	485,486	\$41.31	\$46.50
Miami Lakes	1,814,620	4,703	315,734	17.7%	15,425	69,383	114,785	38,885	\$26.54	\$30.31
Coconut Grove	1,199,238	0	60,972	5.1%	11,121	-4,484	101,340	224,965	\$39.57	\$40.26
S. Gables/ S. Miami	933,431	1,124	15,567	1.8%	-6,641	-9,099	8,615	0	\$28.58	N/A
East Airport/Central Dade	541,093	0	29,647	5.5%	875	3,194	7,190	50,577	\$30.38	N/A
Miami Beach	2,203,679	7,347	218,484	10.2%	-1,585	-9,704	43,360	0	\$46.26	\$54.32
Suburban	33,647,647	214,432	3,445,456	10.9%	136,260	387,065	1,517,031	1,400,033	\$35.46	\$38.70
MIAMI TOTALS	47,510,536	315,648	5,804,303	12.9%	200,584	575,800	1,914,435	1,400,033	\$38.86	\$45.03

*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	21,263,094	217,920	2,702,427	13.7%	2,406	258,615	792,986	1,000,248	397,300	\$45.88
Class B	17,513,564	78,043	2,098,241	12.4%	192,031	237,002	871,429	399,785	0	\$35.12
Class C	8,733,878	19,685	1,003,635	11.7%	6,147	80,183	250,020	0	0	\$29.83

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2001 NW 107 th Avenue	68,754	FEMA	Direct	Airport West
777 Brickell Avenue	25,631	SunTrust Bank	Direct	Brickell Avenue
8350 NW 53 rd Terrace	14,076	Venture X	Direct	Airport West
3000 Biscayne Boulevard	11,500	Alvarez Law Firm	Direct	Biscayne

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Airport Corporate Center	809,018	Crocker Partners/CBRE Global	Portfolio	Airport West
4425 Ponce De Leon Boulevard	127,089	GGP, Inc./Brookfield Partners	Portfolio	Coral Gables
275-299 Alhambra Circle	50,000	Shawn Khosravi/CG Office Spa LLC	\$14,200,000/\$284	Coral Gables
770 South Dixie Highway	36,869	One Spa World/Midtown Capital	\$14,800,000/\$401	S.Gables/S.Miami

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