

# MARKETBEAT

# Miami-Dade

Office Q1 2019



## MIAMI-DADE OFFICE

### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Miami-Dade Employment	1.19M	1.21M	▲
Miami-Dade Unemployment	4.0%	3.2%	▼
U.S. Unemployment	4.1%	3.8%	▼

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

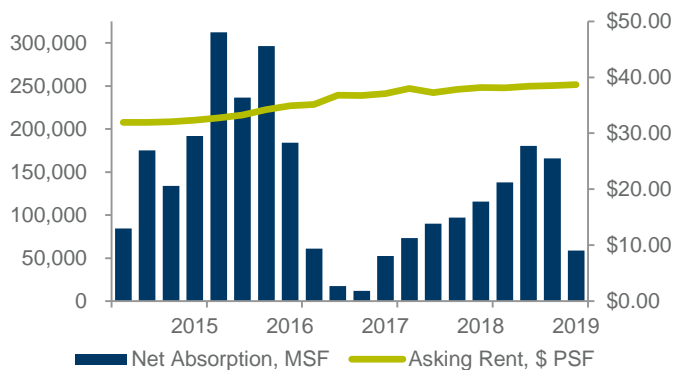
### Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	12.1%	13.3%	▲
YTD Net Absorption (sf)	518k	-247k	▲
Under Construction (sf)	582k	2.0M	▼
Average Asking Rent*	\$38.49	\$39.25	▲

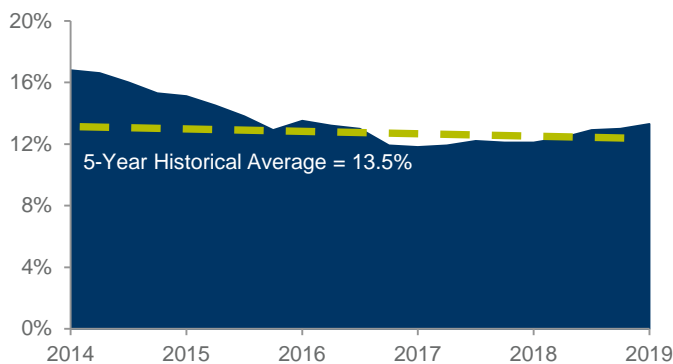
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

The Miami-Dade office market started 2019 stable, with incremental growth as a result of new construction. At the end of the first quarter 2019, the unemployment rate trended downward to 3.2%. This was a decrease of 80 basis points (bps) year-over-year (YOY). New positions in the Professional & Business Services sector drove job gains in the office market, with a gain of 4.2% in the last 12 months. In total, there was an addition of 26,300 jobs created, a +2.2% increase over the course of a year.

## Market Overview

As landlords worked to capitalize on current market conditions, overall rental rates increased in the first quarter by +\$0.65 per square foot (psf), or 1.7% to \$39.25 psf full service YOY. Class A asking rates decreased by -\$0.37, or -1.0%, to \$44.48 psf. This decrease was due to existing landlords altering their asking rates to remain competitive with the abundance of new Class A inventory in suburban submarkets. In contrast, Class C rental rates increased by 6.2%. The Downtown submarket led the market in terms of rent growth in the first quarter, up 8.0%, to \$45.79 psf. New construction was the main driver in rental gains with asking rates ranging from \$51.00 to \$55.00, approximately 19.7% higher than the average Class A asking rent. In the Brickell Avenue submarket, half a dozen buildings have spaces with asking rents of above \$60.00 psf full service, including Brickell Arch, 1450 Brickell, and the Four Seasons Hotel & Tower, to name a few. In the CBD, combined Class A overall rents increased YOY by +\$2.20 or +4.4%, to \$51.96 psf full service.

The overall vacancy rate for office space rose by +120 bps YOY to 13.3% in the first quarter of 2019, due to the delivery of 547,000 square feet (sf) in the past year, which to date remains 20.0% vacant. In Downtown, Viacom, Inc. (23,663 sf) and MTV (6,469 sf) moved into Three MiamiCentral, which was now 94.9% leased. This contributed to the drop in the vacancy rate in Downtown by -150 bps YOY, to 23.0%. Brickell Avenue saw an increase in vacancy to 11.8%, up +80 bps in 12-months, as tenants looked for lower cost space options outside of the highest priced submarket in the County. This trend may continue with the flood of quality space options delivering to the suburbs over the course of the year.

Leasing activity started off the year strong, with approximately 635,000 sf in transactions. This was -10.4% less than the same period last year. With the large number of tenants touring several submarkets, leasing activity could pick back up later in the year. A solid portion of leasing activity in the first quarter came from co-working deals signed, which totaled 186,934 sf, or 27.3% of all leasing activity. WeWork added another two locations in the Coral Gables and Biscayne submarkets, while Industrious opened its first location in the Brickell Avenue submarket. The debate persists on how Co-working operations will affect traditional office leasing, if at all. Overall absorption started 2019 with -246,600 sf, due to a number of smaller-tenant move outs.

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There was 2.0 msf under construction with many new projects recently breaking ground in the first quarter. A huge portion of space under construction was in the Biscayne submarket, where 1.2 msf was underway in the newly developed neighborhood of Wynwood. Notable projects in the works include the 325,000 sf 545wyn, the 250,000 sf The Gateway at Wynwood, and the 80,400 sf Wynwood Square. In the pipeline for this neighborhood was an additional 73,000 sf proposed to start construction later in 2019.

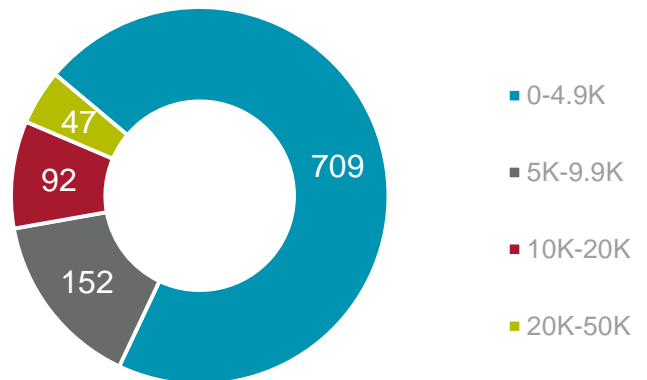
**Leasing activity started off the year strong, with approximately 635,000 sf in transactions.**

Cushman & Wakefield anticipates asking rents to stabilize in 2019 as higher priced new construction deliveries compete with aggressive pricing by existing landlords. Vacancy will be more challenging in the CBD, while the suburbs should attract more leasing activity.

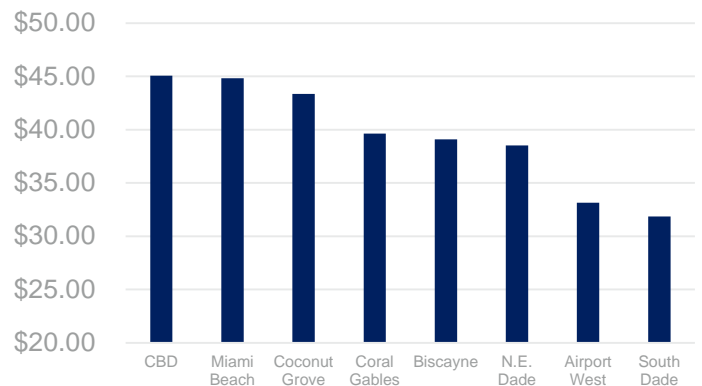
### Market Highlights

- The office started 2019 with fluctuating rents and vacancies based on new construction.
- The trend of tenants looking for space in the suburbs will continue.
- Leasing should stay on the upward trend in 2019 as the influx of tenants touring the market remains consistent.

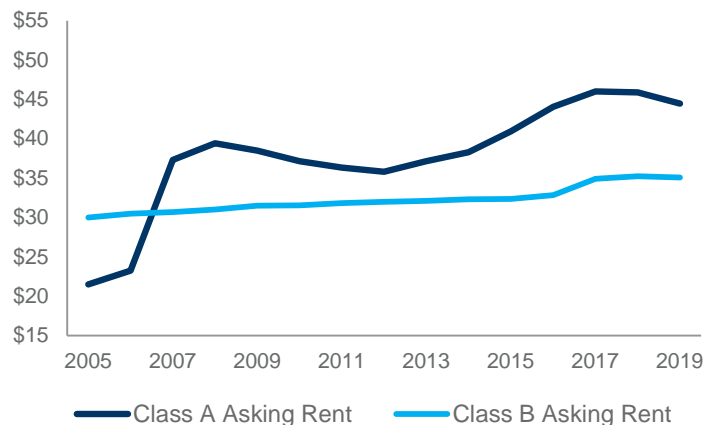
Availability by Size Segment  
OVERALL VACANCIES IN ONE SUITE



Full Service Asking Rents By Submarket



CLASS A & B Asking Rent Trend



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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	6,525,719	94,273	674,777	11.8%	-43,670	-43,670	157,010	0	\$43.18	\$49.41
Downtown	7,242,704	15,920	1,653,097	23.0%	29,136	29,136	35,776	0	\$45.79	\$52.55
<b>CBD</b>	<b>13,768,423</b>	<b>110,193</b>	<b>2,327,874</b>	<b>17.7%</b>	<b>-14,534</b>	<b>-14,534</b>	<b>192,786</b>	<b>0</b>	<b>\$45.07</b>	<b>\$51.96</b>
Coral Gables	6,116,773	41,357	597,843	10.5%	-23,724	-23,724	82,621	372,864	\$39.63	\$42.53
Airport West	11,319,646	132,020	1,378,349	13.3%	-67,307	-67,307	145,236	0	\$33.15	\$34.70
Coral Way	626,935	0	38,063	6.1%	-13,808	-13,808	7,643	0	\$35.21	N/A
South Dade	3,309,014	2,466	344,379	10.5%	2,044	2,044	63,996	0	\$31.86	\$48.74
Northeast Dade	2,453,613	9,041	196,825	8.4%	-20,918	-20,918	37,657	139,222	\$38.50	\$48.84
Biscayne	1,984,719	1,252	374,857	19.0%	-65,088	-65,088	40,312	1,239,679	\$39.10	\$42.74
Miami Lakes	1,774,015	2,781	264,096	15.0%	-20,145	-20,145	0	0	\$26.31	\$28.75
Coconut Grove	835,238	0	55,496	6.6%	867	867	56,179	225,055	\$43.34	\$44.27
S. Gables/ S. Miami	983,309	0	44,307	4.5%	-19,625	-19,625	3,684	20,000	\$40.57	\$52.16
East Airport/Central Dade	575,205	0	35,595	6.2%	1,687	1,687	1,687	0	\$28.71	N/A
Miami Beach	1,910,316	4,017	113,524	6.2%	-6,409	-6,409	2,882	0	\$44.83	\$55.91
<b>Suburban</b>	<b>31,888,783</b>	<b>193,114</b>	<b>3,443,334</b>	<b>11.4%</b>	<b>-232,066</b>	<b>-232,066</b>	<b>441,897</b>	<b>1,996,820</b>	<b>\$35.10</b>	<b>\$38.39</b>
<b>MIAMI TOTALS</b>	<b>45,657,206</b>	<b>303,307</b>	<b>5,771,208</b>	<b>13.3%</b>	<b>-246,600</b>	<b>-246,600</b>	<b>634,683</b>	<b>1,996,820</b>	<b>\$39.25</b>	<b>\$44.48</b>

\*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	20,991,774	217,705	2,957,053	15.1%	-96,172	-96,172	380,326	1,582,482	0	\$45.20
Class B	16,473,061	73,971	1,919,103	12.1%	-102,685	-102,685	220,742	414,338	0	\$35.01
Class C	8,192,371	11,631	895,052	11.1%	-47,743	-47,743	33,615	0	0	\$31.46

**Key Lease Transactions Q1 2019**

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
7600 NW 19 <sup>th</sup> Street	26,261	Cable & Wireless Communications, Inc.	New	Airport West
9130 S Dadeland Boulevard	20,268	AXA Equitable Life Insurance	New	South Dade
2 S Biscayne Boulevard	13,742	Buchanan, Ingersoll, Rooney, P.C.	New	Downtown
11410 NW 20 <sup>th</sup> Street	13,309	ADT Security Systems	New	Airport West

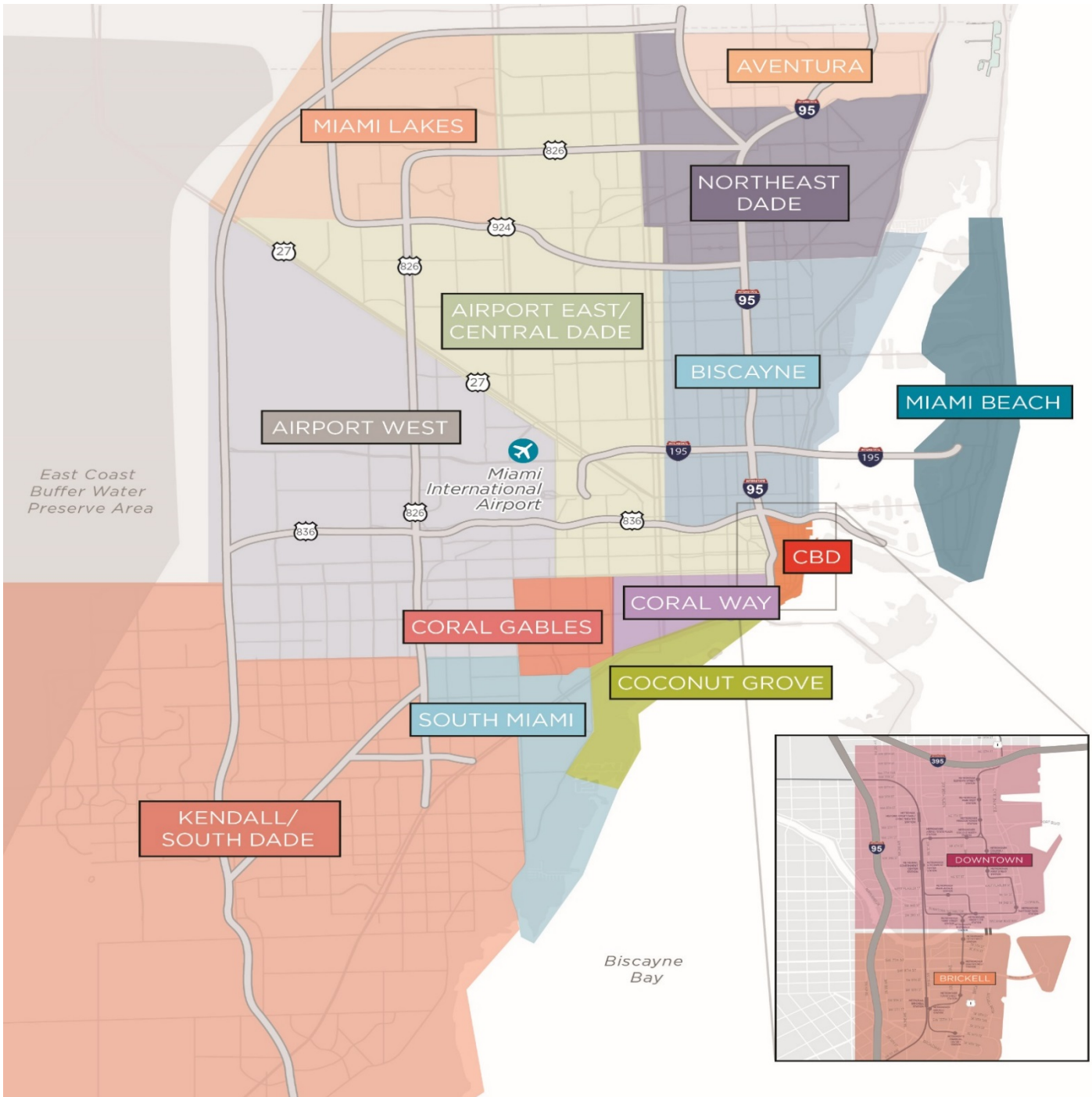
**Key Sales Transactions Q1 2019**

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
250 Bird Road	24,238	Coral Gables Luxury/Baptist Health	Portfolio	Coral Gables

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