

MARKETVIEW

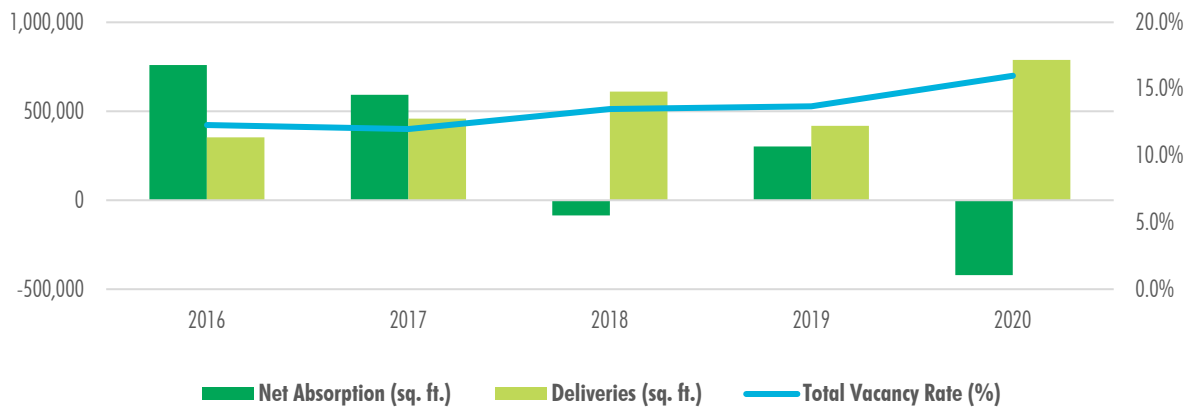
Q4 2020

Miami Office

New-to-market tenants show renewed interest in Miami

▼ Inventory 42.6M SF
▲ New Deliveries 788,000 SF
▼ Under Const. 1.6M SF
▲ Total Vacancy 15.4%
▼ Net Absorption (35,000) SF
▲ Lease Rate \$41.23/SF

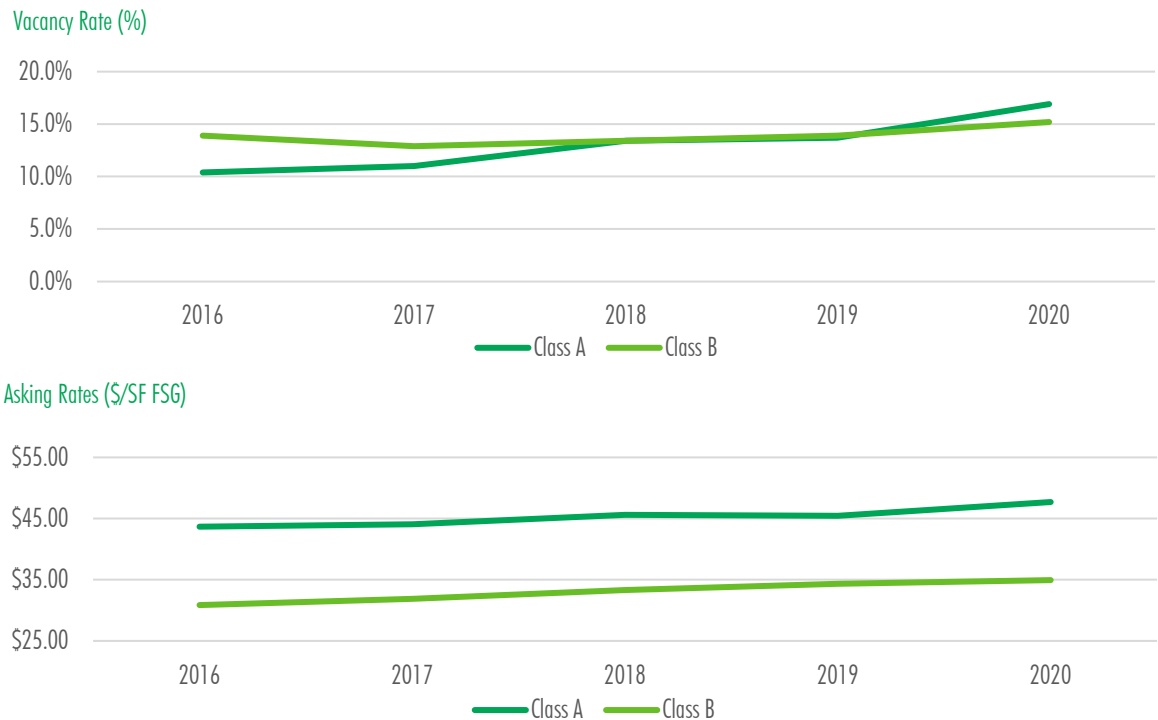
Historical Absorption, Deliveries and Vacancy



- New-to-market tenants touring the market total approximately 500,000 sq. ft. with the majority headquartered in New York, Illinois and Connecticut. Current tenant requirements equal an additional 1.1 million sq. ft. with insurance, legal and financial services, being the top industries in the market.
- Net absorption during Q4 2020 was -35,043 sq. ft., with -45,958 sq. ft. in the downtown submarkets and 11,915 sq. ft. in the suburban submarkets.
- One Cocowalk delivered along with The Plaza Coral Gables North Tower. Office construction activity in the market totaled 1.7 million sq. ft.

OVERVIEW

Miami business leaders have been actively recruiting out-of-state companies offering cash incentives over a long-term period, which would in turn, bring dozens of high-paying jobs. Together with the income tax benefits which make Florida a lucrative and attractive option, these business development strategies have been effective. There have been a growing number of private equity firms relocating to the area in the last several years, and more recently, some large financial services firms have been touring the market and relocating to the area.



Vacancy increased to 16.0% from 13.7%, an increase of 230 bps year-over-year for a variety of reasons. The pandemic caused many companies to downsize and let leases expire, often choosing to sublease their space. In addition, new product was delivered that had very little pre-leasing in some cases. In spite of these factors, Miami has remained relatively resilient. With the added renewed interest of new-to-market companies touring the market, it is expected that this will help offset for the loss in occupancy.

DEMAND

Demand decreased slightly to 530,000 sq. ft. in Miami with just over 190 transactions compared to approximately 619,000 sq. ft. in Q3 2020 and 880,000 sq. ft. in Q4 2019. The suburban submarkets accounted for 322,000 sq. ft. or 61% of the total leasing activity.

Net absorption was significantly higher in the CBD with over 263,000 sq. ft. of negative absorption during 2020. The largest submarkets made up about 75% of total negative absorption. Downtown Brickell, Airport/Doral. and Coral Gables were the submarkets with the largest negative absorption.

Sublease space decreased by over 91,000 sq. ft. to 866,000 sq. ft. quarter over quarter slowing down significantly since the beginning of the pandemic. Sublease space increased by almost 600,000 sq. ft. since April with the majority of the spaces added in August through October. Some tenants opted to lease sublease space, which typically offers a cost savings, in order to mitigate revenue losses due to the pandemic.

PRICING

After years of unprecedented growth, rents were already beginning to stabilize prior to the pandemic. Rents remained relatively stable in the CBD decreasing slightly by 0.1% year-over-year to \$44.45, which is not significant especially when considering recent market conditions. Brickell rates have actually increased and continue to outpace the overall market at an increase of 3.0% year-over-year for Class A space.

Rates in the suburban submarkets increased to \$37.16 from \$35.64 or 4.1% year-over-year.

OUTLOOK

With the rise of daily COVID-19 cases tripling numbers last summer, activity has once again been restricted. Spending on services like leisure travel has been substituted for consumer goods. Historically low interest rates have been paired with the passage of the second fiscal stimulus bill before Christmas, totaling \$900 billion. A third of the monies will flow to small businesses, such as struggling restaurants, and nearly another third will go to direct payments to households and unemployment benefits.

Indeed, the most important stimulus tool are the vaccines that are now being deployed. They will not prevent a difficult winter but should allow for some normalization of activity by the mid-Q2 2021. Presently, we anticipate GDP growth nearing 5% in 2021 with upside risk. The outlook will be uneven across sectors with the travel and hospitality industry likely to operate below potential for some time whilst technology and goods-production should see a quicker path to recovery.

Q4 2020 Statistical Snapshot – Class A & B

Submarket	Class	Total Inventory (SF)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2020 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction	Avg. Dir. Asking Lease Rate (\$/SF/FSG/G/MG)
CBD								
Brickell	A	4,597,512	9.4	10.2	(32,995)	(50,210)	533,268	57.90
	B	1,939,966	24.4	25.0	(11,989)	(75,809)		39.89
Downtown	A	4,308,642	21.4	22.6	(26,806)	(49,130)		50.59
	B	1,462,427	27.7	27.9	(19,372)	(40,552)		38.68
CBD Total		12,308,547	18.1	18.9	(91,162)	(215,701)	533,268	48.72
Airport/Doral	A	3,552,737	16.8	18.5	(30,652)	(36,274)	200,000	34.27
	B	5,359,725	13.2	14.1	36,143	(74,927)		30.88
Aventura	A	1,278,151	12.4	13.0	13,094	10,167		49.66
	B	310,424	9.6	9.6	776	1,985		42.19
Biscayne Blvd Corridor	A	470,545	8.3	8.3	(2,000)	10,958		50.00
	B	904,904	11.4	12.2	(13,468)	10,188		36.55
Coconut Grove	A	685,464	4.6	4.6	15,607	57,807	105,000	51.10
	B	487,026	8.5	8.9	(14,310)	(3,433)		39.88
Coral Gables	A	3,829,223	18.8	19.1	(4,203)	(62,030)	163,741	48.20
	B	2,533,620	10.1	10.7	(16,773)	(28,349)		39.07
Kendall	A	1,286,879	7.0	7.0	15,633	(8,109)		40.07
	B	2,057,358	6.3	7.7	(7,101)	(8,833)		29.95
Miami Beach	A	896,802	8.6	9.0	5,589	(13,049)	136,430	53.48
	B	892,885	12.7	12.7	(13,839)	(19,823)		58.92
Miami Lakes	A	467,866	22.2	22.2	(8,911)	(20,648)	82,903	26.31
	B	1,005,085	18.6	18.6	37,855	22,315		22.72
North Miami	A	254,752	5.4	5.4	(4,893)	(3,751)		38.93
	B	348,000	8.3	8.3	-	4,433		30.80
South Dade	B	467,756	24.1	24.1	3,368	5,004		28.25
Wynwood	A	471,889	74.6	74.6	-	-	410,227	50.12
	B	100,645	5.9	5.9	-	(1,694)		41.58
Suburban Total		27,661,736	14.2	14.9	11,915	(158,063)	1,098,301	37.88
Grand Total		39,970,283	15.4	16.1	(79,247)	(373,764)	1,631,569	41.45

Q4 2020 Statistical Snapshot (includes Class C properties in the CBD)

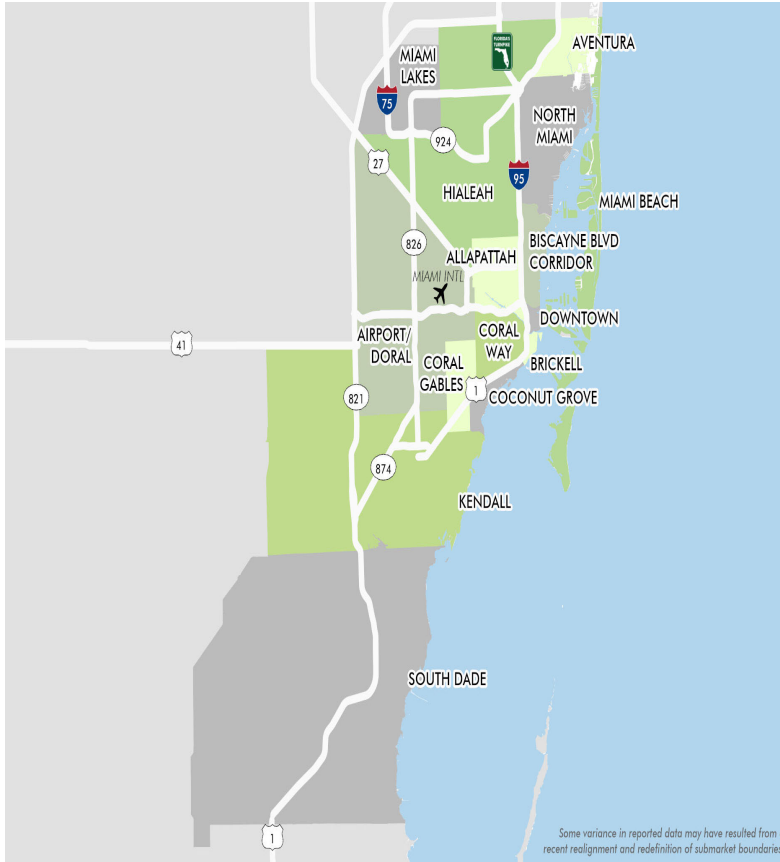
Submarket	Total Inventory (SF)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2020 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. Dir. Asking Lease Rate (\$/SF/FSG/G/MG)
Brickell	7,316,030	12.9	13.6	(51,908)	(146,448)	533,268	50.35
Downtown	7,844,300	21.6	22.3	4,950	(116,358)	-	40.81
CBD Total	15,160,330	17.4	18.1	(46,958)	(262,806)	533,268	44.45
Airport/Doral	8,912,462	14.6	15.9	5,491	(111,201)	200,000	31.98
Aventura	1,588,575	11.9	12.4	13,870	12,152	-	48.55
Biscayne Blvd Corridor	1,375,449	10.4	10.9	(15,468)	21,146	-	37.74
Coconut Grove	1,172,490	6.2	6.3	1,297	54,374	105,000	47.50
Coral Gables	6,362,843	14.9	15.4	(20,976)	(90,379)	163,741	45.31
Kendall	3,344,237	6.6	7.4	8,532	(16,942)	-	34.53
Miami Beach	1,789,687	10.7	10.9	(8,250)	(32,872)	136,430	55.54
Miami Lakes	1,472,951	19.7	19.7	28,944	1,667	82,903	23.74
North Miami	602,752	7.1	7.1	(4,893)	682	-	32.55
South Dade	467,756	24.1	24.1	3,368	5,004	-	28.25
Wynwood	572,534	62.5	62.5	-	(1,694)	410,227	50.09
Suburban Total	27,661,736	14.3	14.9	11,915	(158,063)	1,098,301	39.37
Miami	42,822,066	15.4	16.0	(35,043)	(420,869)	1,631,569	41.23

Q4 2020 Notable Leases

Submarket	Property	Tenant	Lease Type	Transaction (SF)
Airport/Doral	9250 Doral	West Coast University	Renewal	47,378
Downtown	2 MiamiCentral	Blackstone Properties	New Lease	41,000
Miami Lakes	The 5875 Building	Southeastern College	New Lease	39,971
Kendall	Two Datan Center	Robert Rubenstein, PA	Renewal	32,022
Airport/Doral	Westside Plaza II	Molina Healthcare	Renewal	27,058

2020 Notable Sales

Submarket	Property	Buyer	Seller	Building (SF)	Sale Price (\$)	Price per SF (\$)
Brickell	Three Brickell City Center	Northwood Investors	Swire Properties	134,552	163,000,000	617
Airport/Doral	Doral Corporate Center I	Banyan Street Capital	Rialto Capital Advisors	140,000	43,000,000	143
Airport/Doral	Capital Plaza II	Dan Azel	Acropolis Realty	36,000	16,750,000	252
Airport/Doral	Dolphin Corp Park by Procacci	Innovatus Capital Partners	Procacci Development	82,373	14,670,000	157



CONTACTS

Josh Bank
Managing Director
+1 305 381 6423
Josh.bank@cbre.com

Marc L. Miller
Associate Field Research Director
+1 305 381 6428
marc.miller1@cbre.com

Ana M. Gonzalez
Research Analyst
+1 305 381 6432
ana.gonzalez@cbre.com

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Market Coverage: Includes all competitive Class A and B office buildings 30,000 sq. ft. and greater in size in the suburban submarkets and Class A, B and C in the CBD in Miami-Dade County. Excludes: government and medical buildings.

Note: Tracked inventory was audited to reflect prevailing perception of the market. Class C product was removed from the tracked set, and Class changes were implemented where necessary to better capture current status. All changes are reflected historically in the data and analysis but cannot be compared to previously released Research reports.

CBRE Miami
777 Brickell Avenue
Suite 1100
Miami, FL 33131