

FIGURES | MIAMI OFFICE | Q4 2021

Finance and tech leasing continues to thrive

▲ 18.0%

Vacancy Rate

▲ 313,000

SF Net Absorption

▲ 1.8 M

SF Construction

▲ \$44.30

Full-Service / Lease Rate

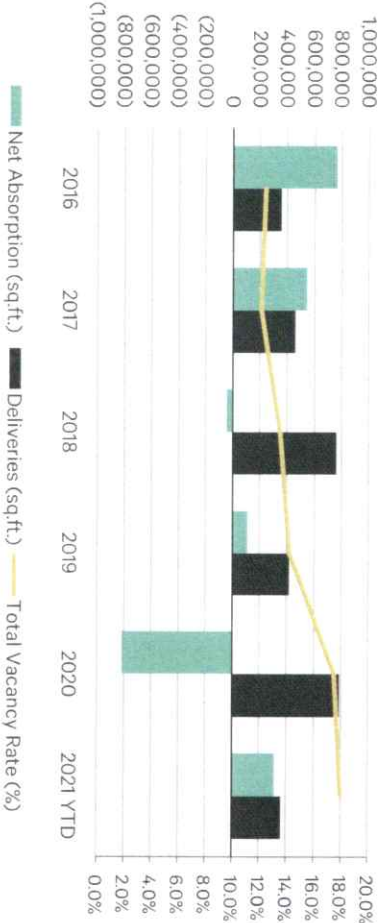
Note: Actual performance through 12/31/2021.

OVERVIEW

- Current tenant requirements total 16 million sq. ft. with financial services, technology & healthcare being the top industries in the market. Additionally, 585,000 sq. ft. of active requirements are new-to-market.
- Net absorption for the quarter totaled 313,000 sq. ft., bringing the market positive for the year. Class A product accounted for all of the positive absorption in 2021, demonstrating a demand for high quality product.

Rhetoric surrounding Miami's growth in recent years are coming to fruition as many firms that made headlines announcing their move to South Florida have begun to take occupancy. This movement, accompanied by internal market movers who adopted a "wait-and-see" approach due to pandemic uncertainty, are taking back their space previously put up for sublease while others are migrating to new spaces or expanding. The momentum associated with financial and technology firms moving to Miami has continued with recent signings such as private equity firm Apollo Global Management (23,000 sq. ft.) at 701 Brickell and e-commerce platform OpenStores (Miami Labs) signing at The Gateway at Wynwood (14,900 sq. ft.) in the fourth quarter.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

There was positive absorption for the first time since Q1 2020, prior to the pandemic's onset. This was mostly due to the move-ins from the Knight Foundation and D1 Capital in Coconut Grove. Accompanied by ACI Worldwide in Coral Gables and a host of fintech firms in Miami CBD, absorption for the quarter reached 313,000 sq. ft., the highest quarterly total on record. With close to 1.6 million sq. ft. of tenants in the market, this momentum should carry well into 2022.

Leasing activity for 2021 year-to-date exceeded activity for the entirety of 2020. Much of the volume is represented by new-to-market activity and internal market moves as the pandemic became a catalyst for many organizations to restructure. Total leasing activity in Q4 2021 was quadruple the leasing activity in Q4 2020. New-to-market lease transactions totaled 50,017 sq. ft. or 36% of leasing activity for Q4 2021.

VACANCY

The quarter closed with a vacancy rate of 18.0%, representing an increase of 112 bps year-over-year. Sublease space decreased by 121,000 sq. ft. to 806,000 sq. ft. quarter-over-quarter. Total sublease space stands at just 13% of total inventory. Vacancy pushed northward alongside new deliveries but is not expected to continue on that trajectory.

PRICING

Landlords continue to raise rents amidst strong tenant demand. Overall asking rents increased by 5% year-over-year to \$43.90/sq. ft. Brickell rates increased by 12.3% year-over-year to \$65.21/sq. ft. for Class A space while Downtown Class A rates increased by 10.19% to \$56.13/sq. ft. year-over-year.

FIGURE 2: Statistical Snapshot Q4 2021

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2021 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/FSG)
Brickell	7,316,030	12.6	13.8	45,940	3,871	864,300	55.91
Downtown	7,844,300	24.0	25.1	13,702	-64,244	48,000	46.50
CBD Total	15,160,330	18.5	19.6	59,642	-60,373	912,300	49.93
Airport/Doral	8,837,196	19.6	20.5	9,652	-159,951	0	35.32
Aventura	1,588,575	11.2	11.8	11,225	32,392	0	47.40
Biscayne Blvd Corridor	1,218,223	8.2	8.5	11,557	22,361	40,000	40.61
Coconut Grove	1,245,597	6.6	7.7	103,226	166,820	0	57.89
Coral Gables	6,362,846	16.2	17.1	55,120	4,637	163,741	45.65
Kendall	3,225,510	8.3	8.3	19,636	-24,475	0	31.58
Miami Beach	1,717,687	10.0	10.1	6,249	-22,245	191,430	52.06
Miami Lakes	1,472,951	16.5	17.4	1,945	40,745	82,903	26.29
North Miami	602,752	3.5	3.5	11,025	21,453	0	35.61
South Dade	467,756	27.7	27.7	0	-16,614	0	28.85
Wynwood	864,895	63.6	63.6	35,172	82,529	123,764	63.36
Suburban Total	27,603,988	16.4	17.1	253,782	150,652	601,838	40.43
Miami	42,764,318	17.2	18.0	313,424	90,279	1,514,138	44.30

FIGURE 2: Class A

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2021 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/FSG)
Brickell	4,597,512	9.9	11.1	52,713	1,472	864,300	65.21
Downtown	4,308,642	25.5	26.9	6,431	(26,423)	48,000	56.13
Downtown	8,906,154	17.5	18.8	59,144	(24,951)	912,300	59.38
Airport/Doral	3,552,737	19.2	20.7	23,336	32,966	0	39.49
Aventura	1,278,151	11.7	12.4	11,225	30,958	0	48.40
Biscayne Blvd	313,319	4.1	4.1	0	724	0	60.00
Coconut Grove	625,055	4.2	4.2	101,175	169,743	0	69.38
Coral Gables	3,829,226	17.6	18.4	19,478	52,960	163,471	49.28
Kendall	1,168,152	12.1	12.1	(9,055)	(48,064)	0	37.72
Miami Beach	896,802	11.5	11.6	3,509	(25,375)	136,430	57.83
Miami Lakes	417,674	23.5	23.5	0	5,833	83,903	28.39
North Miami	160,000	7.0	7.0	0	(1,790)	0	46.00
South Dade	0	N/A	N/A	N/A	N/A	N/A	N/A
Wynwood	764,250	71.3	71.3	31,138	81,640	123,764	63.36
Suburban	13,005,366	18.9	19.7	180,806	301,385	507,568	48.22
Miami Class A	21,911,520	18.3	19.3	239,950	276,434	1,419,868	53.63

FIGURE 3: Class B

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2021 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/FSG)
Brickell	1,939,966	21.7	23.3	(809)	11,240	0	44.44
Downtown	1,462,427	28.4	29.7	3,044	(46,729)	0	39.34
Downtown	3,402,393	24.6	26.1	2,235	(35,489)	0	41.81
Airport/Doral	5,284,459	19.9	20.4	(13,684)	(192,917)	0	33.70
Aventura	310,424	9.1	9.1	0	1,434	0	42.89
Biscayne Blvd	904,904	9.7	10.0	11,557	21,637	0	38.68
Coconut Grove	620,542	8.9	11.3	2,051	(2,923)	0	41.76
Coral Gables	2,533,620	14.1	15.2	35,642	(48,323)	0	38.93
Kendall	2,057,358	6.2	6.2	28,691	23,589	0	30.61
Miami Beach	820,885	8.5	8.5	2,740	3,130	0	44.76
Miami Lakes	1,055,277	13.7	15.0	1,945	34,912	0	25.63
North Miami	442,752	2.0	2.3	11,025	23,243	0	30.95
South Dade	467,756	27.7	27.7	0	(16,614)	0	28.85
Wynwood	100,645	5.0	5.0	4,034	889	40,000	35.23
Suburban	14,598,622	14.1	14.7	72,976	(158,572)	40,000	34.61
Miami Class B	18,001,015	16.2	17.0	123,793	(194,061)	40,000	36.39

Market Area Overview



ECONOMIC OUTLOOK

Continued job growth is expected to push the unemployment rate down to pre-COVID lows in 2022 amid historically low labor-force participation. Inflation should ease to the mid-2% range by year-end as supply chain disruptions ease and production capacity improves.

The U.S. economy continues to expand amid the pandemic, with sturdy income growth supporting consumer spending. Business investment should remain elevated to satisfy demand and alleviate supply shortages, supporting GDP growth in the mid-4% range for 2022.

In response to higher-than-expected inflation, the Federal Reserve is expected to end its quantitative easing program ahead of schedule in Q2 and raise the federal funds rate several times over the course of the year. As the Fed raises short-term rates, 10-year Treasury bond yields could hit the mid-2% range by year-end. Nevertheless, due to countervailing forces—particularly slower labor-force growth—financial markets do not anticipate a significant uptick in long-duration yields.

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