

MARKET REPORT

Office
Miami-Dade Metro Area

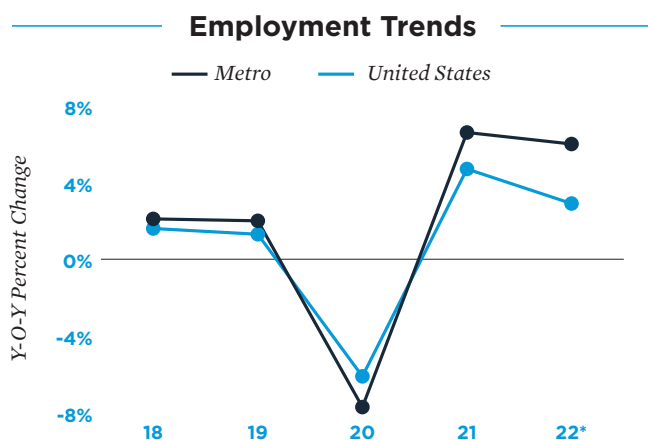
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2Q/22

Office Demand Resurgence Stimulates Nation Leading Rent Growth in Miami-Dade

Strong labor force spurs leasing. Recent hiring velocity in traditional office-using sectors has helped power the metro's recovery. Entering May, total employment in the segment was more than 16,000 positions above the pre-pandemic level, with 13,000 additional roles expected to be filled by year-end. The growing talent pool has prompted a recent surge in leasing, translating to six consecutive quarters of positive net absorption. Space demand has been widespread, with 13 of Miami's 18 submarkets recording annual vacancy compression, slicing metrowide availability by 160 basis points over the past year. Firms like CI Financial and Kaseya decided to double their local office footprint only a few months after signing their initial leases, highlighting Miami's attractiveness to tenants considering a relocation or expansion in South Florida.

Leasing surge triggers robust rent gains. Spanning the past 12 months, Miami registered the strongest rent growth across major U.S. markets at 9.4 percent. Much of this gain was driven by notable demand for high-end space, with national firms like Microsoft, Blackstone, Bank of America, Thoma Bravo and HSBC all recently committing to Class A floorplans. Developers appear confident in future demand for similar space as annual supply additions are expected to more than double last year's pace. Furthermore, office rates in new builds are rising to unprecedented heights, with developments like 830 Brickell and 701 Brickell quoting asking rents near or above \$100 per square foot as of May.



* Forecast

Sources: BLS; CoStar Group, Inc.

Office 2022 Outlook



**72,500
JOBS**
will be created

EMPLOYMENT:

Hiring velocity remains strong, with firms adding over 25,000 new jobs through the first four months of 2022. At 6 percent, Miami will lead all major Florida markets in total employment growth this year.



**1,900,000
SQ. FT.**
will be completed

CONSTRUCTION:

Despite supply chain issues and rising construction costs, development activity reaches an 11-year high as office inventory grows by 1.9 percent. Brickell will receive most of the upcoming additions, as over 600,000 square feet of space is finalized here.



**40
BASIS POINT**
decrease in vacancy

VACANCY:

Metrowide availability contracts on an annual basis for the second consecutive year, building off the 90-basis-point decline recorded in 2021. Vacancy will end the year at 13.6 percent, roughly 50 basis points below the rate in Fort Lauderdale.

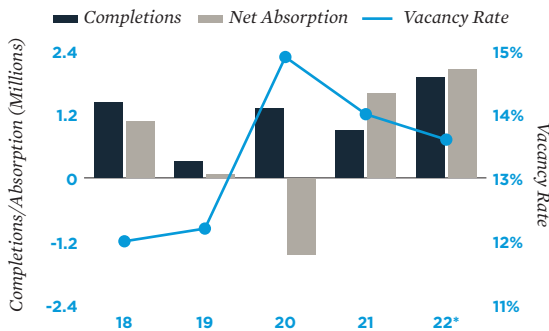


**5.5%
INCREASE**
in asking rent

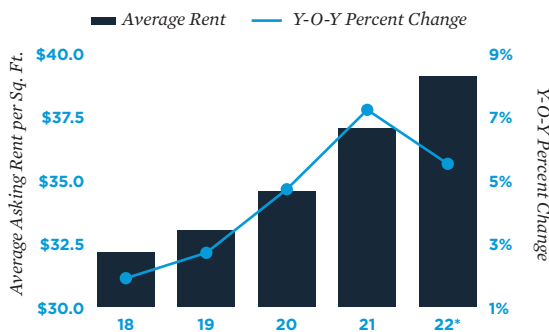
RENT:

A large influx of high-quality Class A office space spurs annual rent growth in Miami for the 11th straight year. The average asking rate will reach \$39.07 per square foot, and the pace of rent growth will rank first in the nation among major markets.

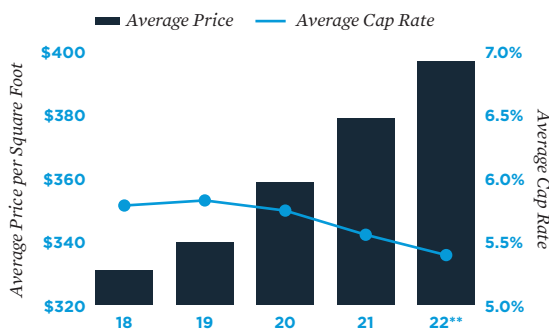
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

Miami Office:

Harrison E. Rein

Regional Manager

Tel: (786) 522-7000 | harrison.rein@marcusmillichap.com

For information on national office trends, contact:

John Chang

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | jchang@ipausa.com

Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

777,000 sq. ft. completed

- Office inventory increased by 0.8 percent over the past four quarters ending in March, with the Miami City and Miami Beach submarkets receiving the majority of new supply.
- There is roughly 3.3 million square feet underway in Miami, with approximately 70 percent of the space pre-leased as of May.



VACANCY

160 basis point decrease in vacancy Y-O-Y

- Metrowide availability fell to 13.3 percent in March, marking the largest year-over-year vacancy compression since 2014.
- Availability in Miami's CBD declined 110 basis points over the past year to 19.0 percent, while the vacancy rate in the metro's suburbs fell 170 basis points to 12.5 percent.



RENT

9.4% increase in the average asking rent Y-O-Y

- The average asking rent in Miami sat at \$37.98 per square foot entering the second quarter, a record high.
- All but two of the metro's submarkets noted year-over-year increases in asking rents, with Brickell, Biscayne Corridor, Coral Gables and Miami Beach all recording double-digit rent gains.

Investment Highlights

- Recent leases by high-profile financial services and technology firms and nationwide-leading rent growth has restored investor confidence in Miami's office market. Transaction velocity returned to pre-pandemic levels during the past 12 months, increasing over 70 percent on an annual basis.
- Elevated competition for listings lifted the average entry cost 9 percent year-over-year in March. Recent price growth compressed Miami's mean first-year return to 5.4 percent, a rate roughly 80 basis points lower than any other major Florida metro.
- Yield-driven investors are finding opportunities in the West Miami, Medley-Hialeah and Miami Airport submarkets. Entry costs here average around \$250 per square foot, with cap rates that can reach 7 percent. Older Class B/C offices that are at least 80 percent leased are targeted most often.
- Buyers seeking higher-quality assets are most active in Downtown Miami, Aventura, Coral Gables and Miami City, where pricing often rises above \$400 per square foot. Metrowide, Class A deal flow has returned to pre-health crisis levels largely due to activity in these locales, with annual sales velocity doubling the pace of the previous 12-month span.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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