

# MARKET REPORT

OFFICE

Miami-Dade Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

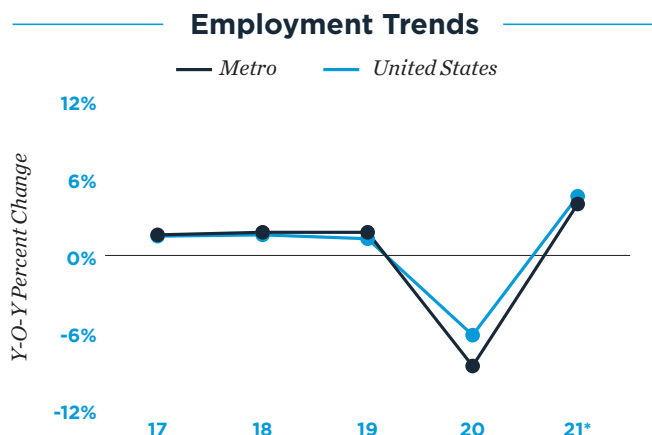
2Q/21

## Incentives and Growing Workforce Compel Firms to Relocate to Miami-Dade, Fortifying Office Demand

### Local effort to attract corporations aids office absorption.

Miami-Dade is in a good position to lure outside firms as new residents boost labor availability and the Follow the Sun campaign incentivizes business relocations via annual payments up to \$50,000. These dynamics support a positive office absorption outlook in 2021 and beyond. Recent lease signings by Blackstone and Subway exhibit demand for existing space. Meanwhile, the largest project in this year's pipeline is a 350,000-square-foot space in Miami Beach, serving as Royal Caribbean's headquarters starting in July. Starwood Capital also signed on for 144,000 square feet at a Miami Beach development that will finalize in November. Leasing activity should continue to accelerate in the coming quarters as firms look to expand in fast-growing markets.

**Sizable influx of available space on the horizon.** Strengthening demand will not be enough to offset the anticipated arrival of nearly 1.8 million square feet in 2021, further elevating vacancy. Roughly 46 percent of the space scheduled to finalize this year was without a tenant as of May. The largest speculative project is the 229,000-square-foot Gateway at Wynwood, which is completely unleased. Also near the Wynwood area of downtown, the Strata building will supply 60,000 square feet of available space upon completion. In Coral Gables, vacancy could be tested by the influx of 101,000 square feet of unclaimed space at the Plaza Coral Gables-South Tower, which is slated to finalize in December.



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Office 2021 Outlook



**45,000  
JOBS**

*will be created*

### EMPLOYMENT:

The Miami-Dade job total will expand by 4.0 percent in 2021, as the metro makes progress toward recovering the 105,600 positions shed last year. Notably, the traditional office-using headcount is expected to grow at a slightly faster clip of 4.3 percent.



**1,760,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

Annual additions will soar above the trailing-five-year average of 865,000 square feet, with market inventory scheduled to increase by 1.8 percent. This year's delivery volume will be the largest since 2010, and the forward looking pipeline is also sizable.



**70  
BASIS POINT**

*increase in vacancy*

### VACANCY:

Greater demand for space supports net absorption returning to a positive level in 2021, but a larger stock addition will outweigh this and lift availability. The vacancy rate will end the year at 15.5 percent, approximately 130 basis points below the U.S. average.



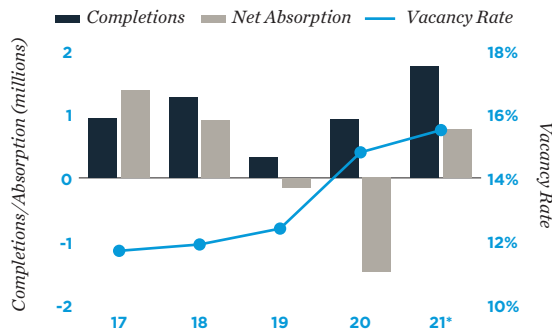
**2.1%  
INCREASE**

*in asking rent*

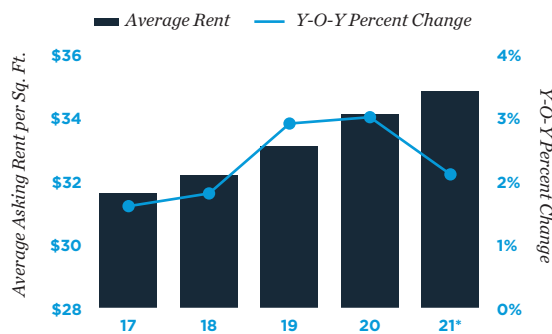
### RENT:

For the 10th straight year the average asking rent will move upward, reaching \$34.80 per square foot in 2021. Rates advanced 3.0 percent last year despite economic challenges, and high-quality arrivals as well as improving demand should help sustain momentum.

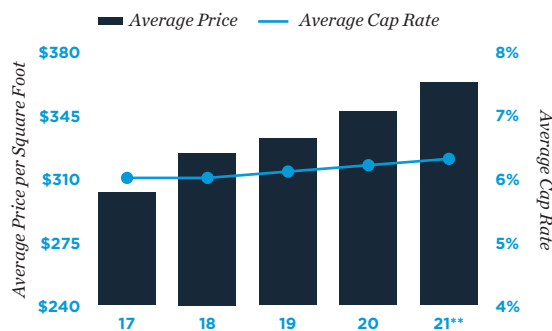
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q  
Sources: CoStar Group, Inc.; Real Capital Analytics

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## 1Q21 – 12-Month Period

### CONSTRUCTION

**945,000** square feet completed

- Delivery volume over the past 12 months was twice as large as the total recorded during the previous year. The Coral Gables and Miami Airport submarkets each added more than 200,000 square feet.
- As of April, roughly 3.2 million square feet was under construction in the metro with scheduled finalizations extending through 2024.

### VACANCY

**280** basis point increase in vacancy Y-O-Y

- The 540-basis-point year-over-year lift in Class A vacancy paired with the 150-basis-point elevation in Class B/C availability resulted in an overall vacancy rate of 15.0 percent at the end of the first quarter.
- Suburbs and the CBD nearly mirrored each other in terms of vacancy uplift, posting annual rises of 280 and 290 basis points, respectively.

### RENT

**2.5%** increase in the average asking rent Y-O-Y

- Miami-Dade's average asking rent notched a 14-year-plus high of \$34.22 per square foot in March. Class A rates climbed 3.0 percent over the past 12 months to \$42.21 per square foot.
- Among the five largest submarkets by inventory, Brickell, Coral Gables and Downtown Miami posted the highest rent growth.

### Investment Highlights

- Trading increased 4 percent annually over the trailing 12 months ended in March. During the last three quarters, transactions were up 20 percent from the same nine-month stretch in the prior period.
- Miami-Dade ranked among the top 10 major U.S. markets in terms of sales price growth over the past four quarters. Properties changed hands for an average of \$363 per square foot, an 8 percent spike year over year. The mean cap rate lifted 20 basis points to 6.3 percent, mostly attributed to a slowdown in institutional activity and trading of assets priced above \$15 million during the peak of the lockdown.
- The urban core of Miami appeals to both local and out-of-state investors that are searching for Class C properties with upside potential. Redevelopment opportunities and high vacancy properties downtown attract buyers, especially in the Wynwood-Design District area.
- Investors looking for Class A and B assets have focused on the Miami Airport and Kendall submarkets over the past few quarters. Upper-tier traditional and medical office deals are both common in these areas.