

3Q24

Miami-Dade County Office Market Overview



Market Observations

Economy

- The market's unemployment rate increased from the all-time historical low in the first quarter, increasing by 70 basis points year over year to 2.4% and remaining well below the five-year average of 4.1%.
- Although job growth pace has slowed compared with recent highs to 2.3% year over year, employment growth continues to outpace pre-pandemic levels, with August 2019 growth at 1.9%.
- All sectors, except information, financial activities, and manufacturing reported employment growth, with mining and construction leading job gains at 10.8% over the past 12 months.
- Office-using jobs in the market remained near an all-time historical high at 334,993 employees, reflecting 16.5% growth since December 2019.

Major Transactions

- The largest deal of the third quarter was a renewal and expansion totaling 45,134 SF by Winston & Strawn, an international law firm headquartered in Chicago.
- Quintairos Prieto Wood & Boyer PA penned the second largest deal of the quarter, signing a 43,134 SF lease renewal in Office Park Dadeland Towers North Building.
- Flight to quality continues to remain a central theme for many of the deals signed in the quarter, with nine of the top ten largest deals all signed in Class A assets.
- Seven of the top ten largest deals signed were either renewals, extensions, or expansions of existing space.

Leasing Market Fundamentals

- Annual full-service asking rental rates increased to a historical high of \$55.93/SF, a 10.4% increase year over year.
- Occupancy remained positive, keeping overall vacancy rates flat with no change year over year, at 14.3%.
- Under-construction pipeline decreases, with 1.2 MSF still in progress following the 556,035 SF delivery of 830 Brickell.
- Total leasing activity closed the quarter at 880,049 SF, reflecting slower leasing activity due to fewer and smaller deals being completed. Leases signed averaged 2,619 SF per deal, reflecting a 1,253 SF decrease in average deal size year over year.

Outlook

- The Miami-Dade County office market will likely see improved growth to conclude this year. However, it is still feeling the impacts of national economic headwinds, particularly affecting job sectors like information and financial activities. Office investment activity will remain low in the near term due to a challenging debt liquidity environment and the uncertainty surrounding the outcome of the upcoming elections.
- Strong demand for premier office product, coupled with a tightening supply, have pushed rents to an all-time high, with asking rents expected to remain elevated. Renewal probability is expected to continue trending upwards over the medium term.
- In the near term, vacancies can be expected to remain low due to the delivery timelines on new supply being pushed further out as remaining availability dwindles. The largest delivery of the year, 830 Brickell, was fully pre-leased. The currently under-construction pipeline is only 16.7% pre-leased.

1. Economy
2. Leasing Market Fundamentals

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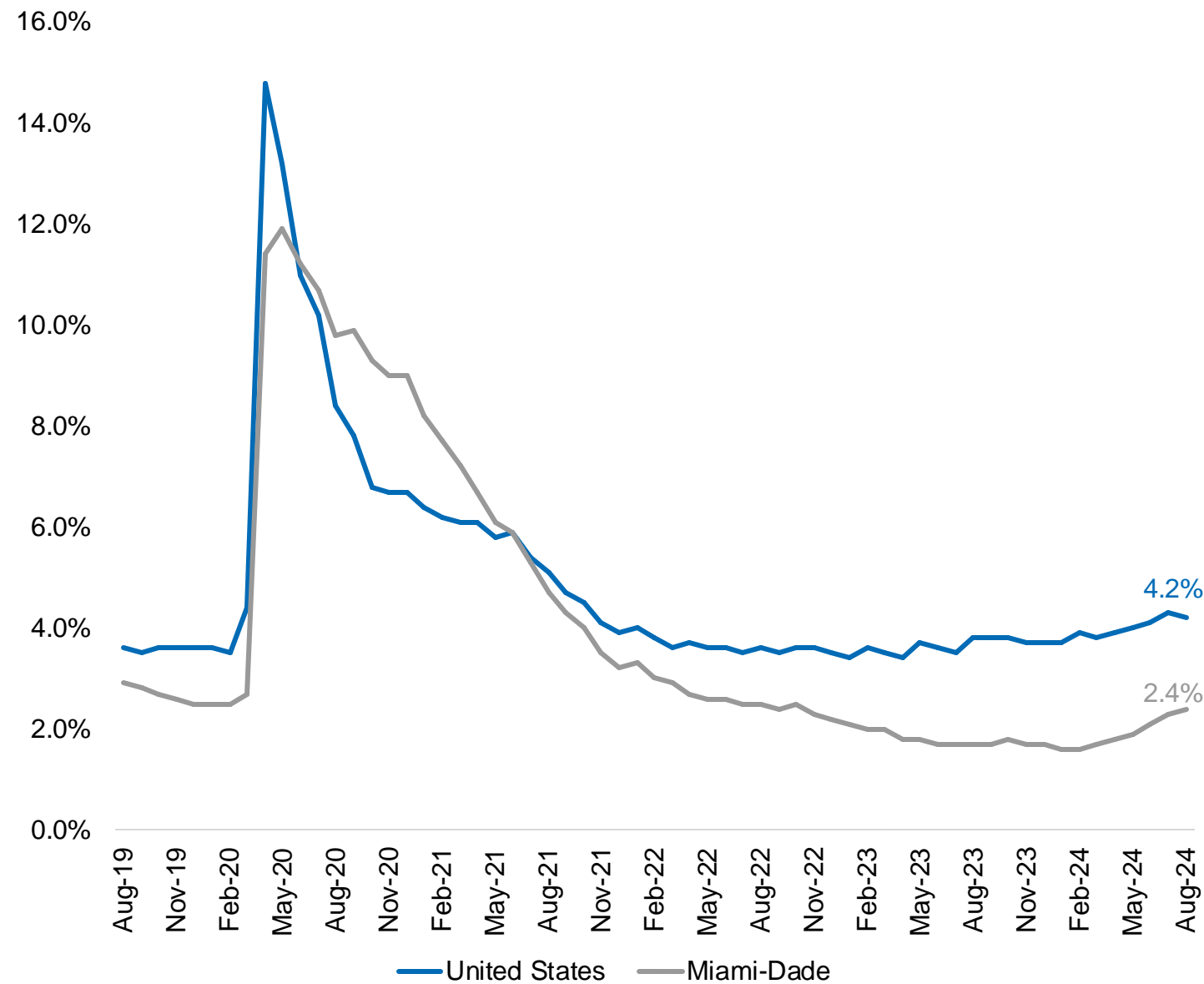
Economy



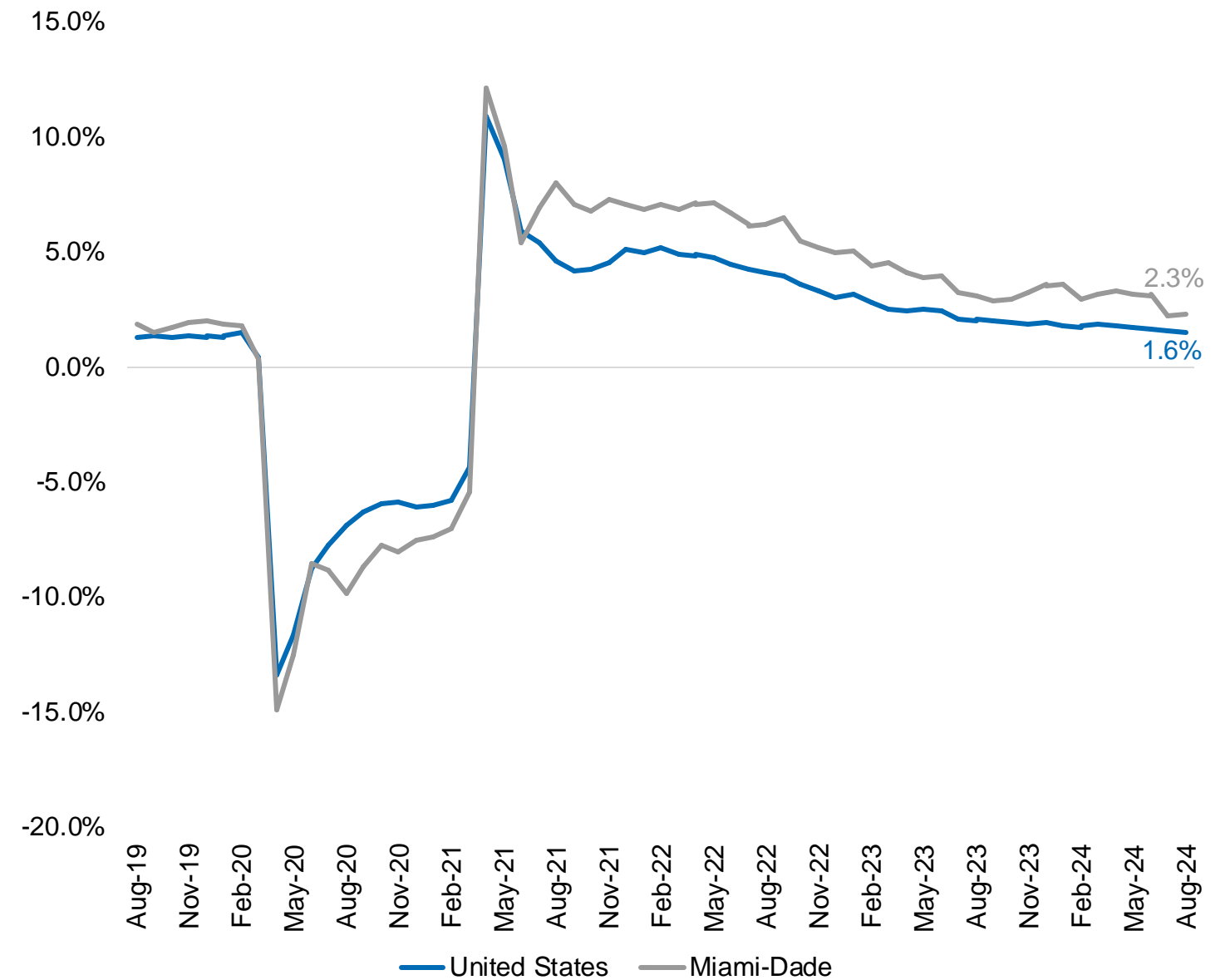
Unemployment Continues Rising From Historical Low

The Miami-Dade County office market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. The region's unemployment rate increased by 70 basis points year over year to 2.4%, trending up from the historical low of 1.6% set in January of 2024, but remaining well below the 5-year average of 4.1%. Employment growth has remained above pre-2020 levels, but slowed by 78 basis points year over year, likely impacted by national economic headwinds.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



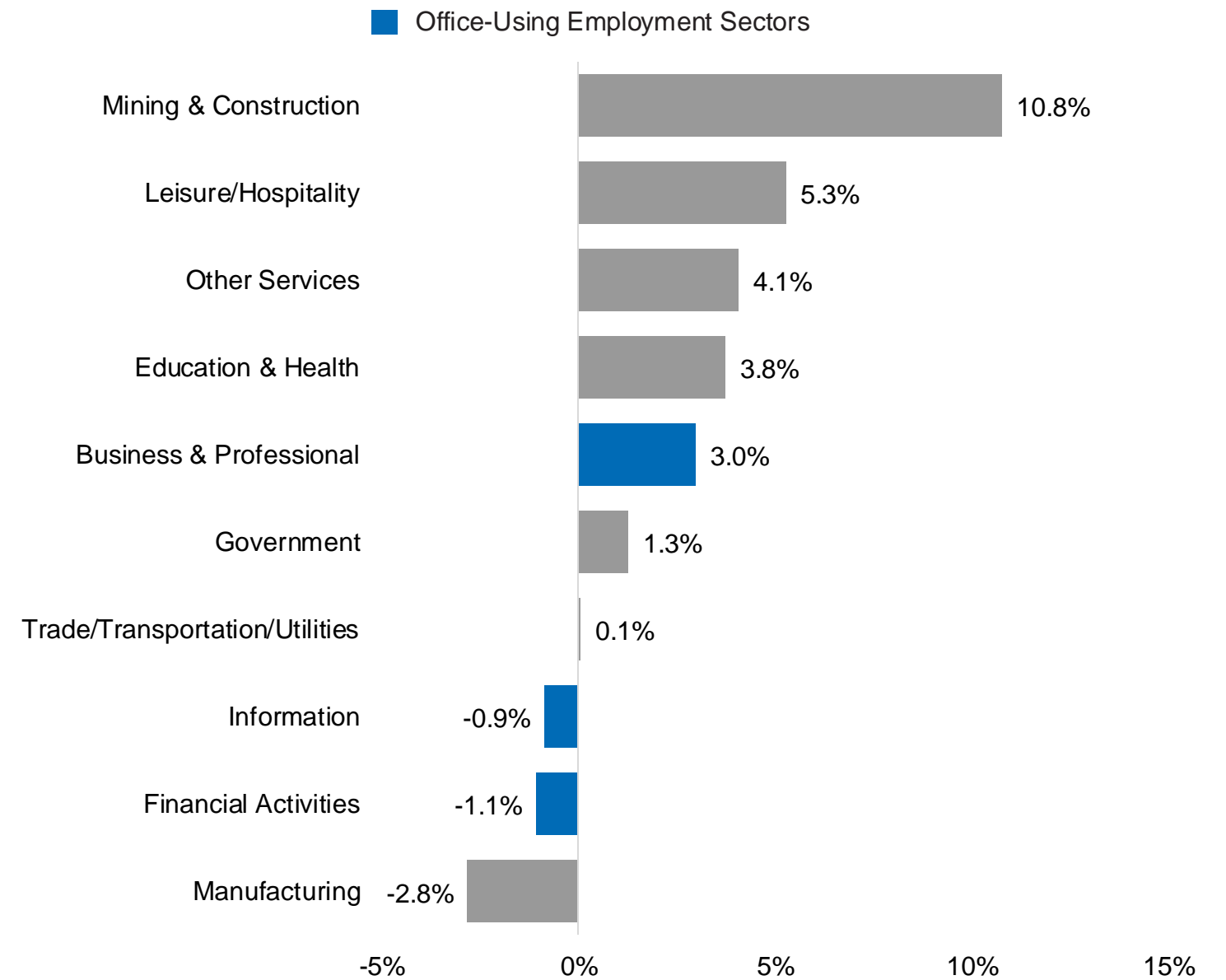
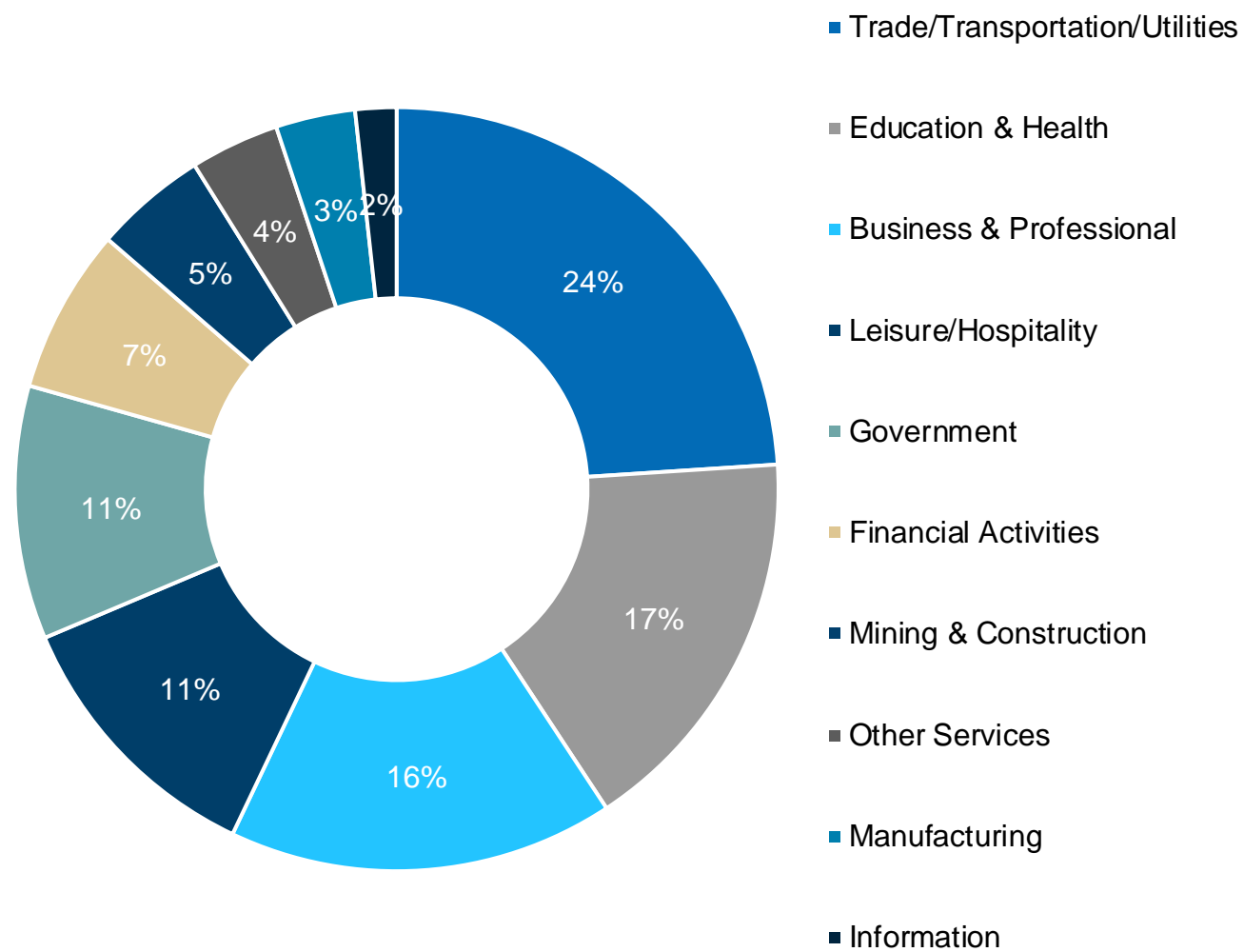
Source: U.S. Bureau of Labor Statistics, Miami-Dade County

Office-Using Growth Rising Only in Business & Professional Sector

The Miami-Dade County's top two employment industries account for 40.7% of market share. The office-using employment's business and professional sector remained the third-largest industry sector in the metroplex at 16.3%. Most industries in the metroplex reported growth, while two office-using industries, the information and financial activities sectors, reported contraction. Office-using industries reporting year-over-year growth ranging from a decrease of 1.1% to an increase of 3.0%.

Employment by Industry, August 2024

Employment Growth by Industry, 12-Month % Change, August 2024

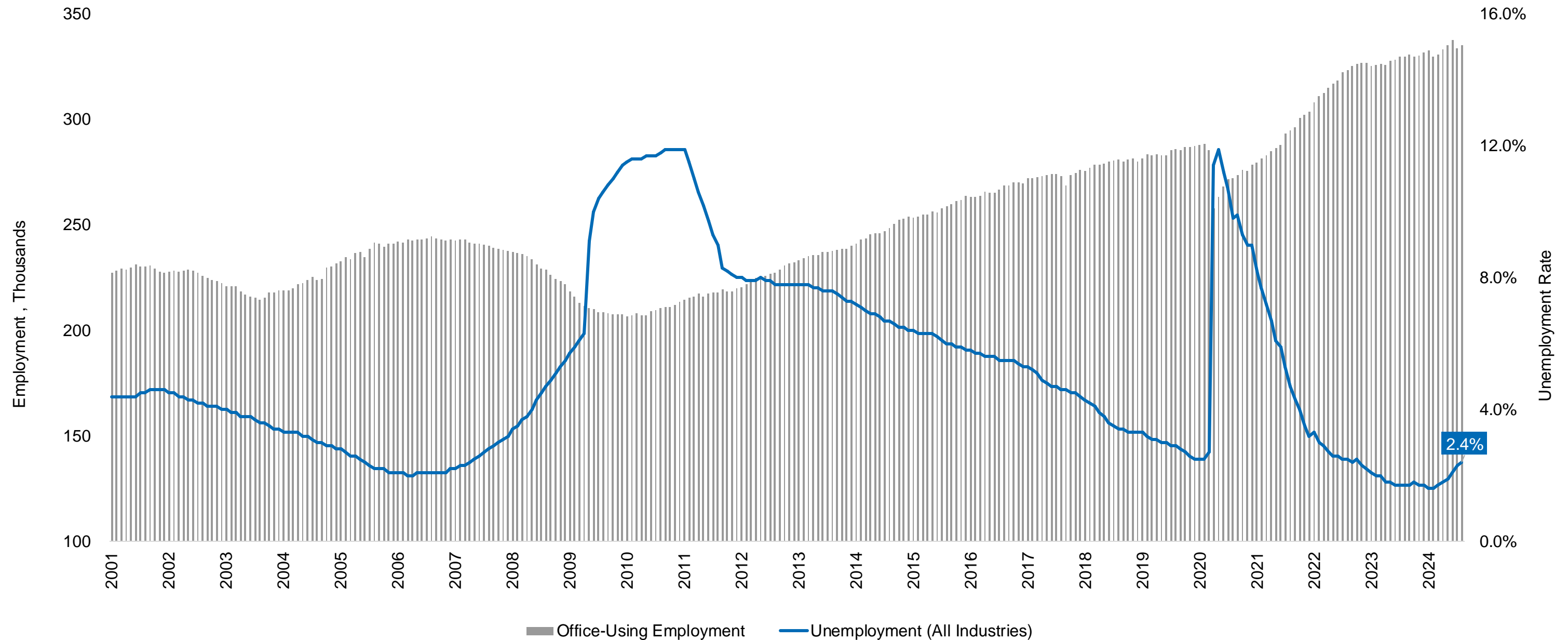


Source: U.S. Bureau of Labor Statistics, Miami-Dade County

Overall Office-Using Employment Remains Near Historical High

Office-using employment in Miami-Dade County reached 334,993 employees as of August 2024 and remained only 0.7% below the historical high set in June of 2024. The seasonally adjusted unemployment rate is currently at 2.4%, below the 2.9% average levels reported in 2019. Despite national economic headwinds, the office employment sector remains at the tightest levels seen historically. Although unemployment is rising, office using employment continues to climb, suggesting that office-using industries are less-impacted.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Miami-Dade County

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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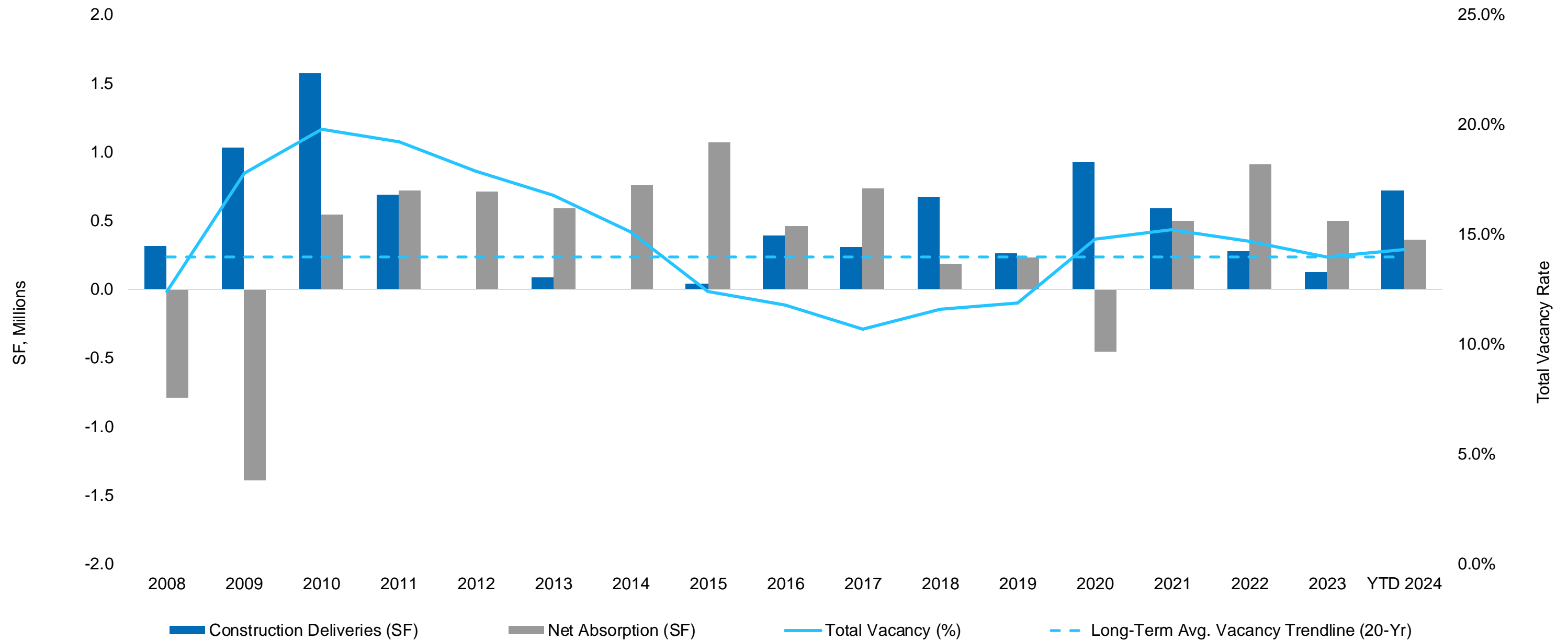
Leasing Market Fundamentals



Delivery of 830 Brickell Breathes Life Into New Supply Drought

Miami-Dade County's office vacancy rate remained unchanged year over year at 14.3%, but increased quarter over quarter by 50 basis points in the third quarter of 2024 as a direct result of the delivery of 830 Brickell. Net absorption for the third quarter was positive 147,892 SF, lifted primarily by the 95,000 SF occupancy of Banco Santander in 830 Brickell. Demand will likely play catch-up with new supply for the remainder of 2024, as tenants continue to open their spaces in the fully leased 830 Brickell.

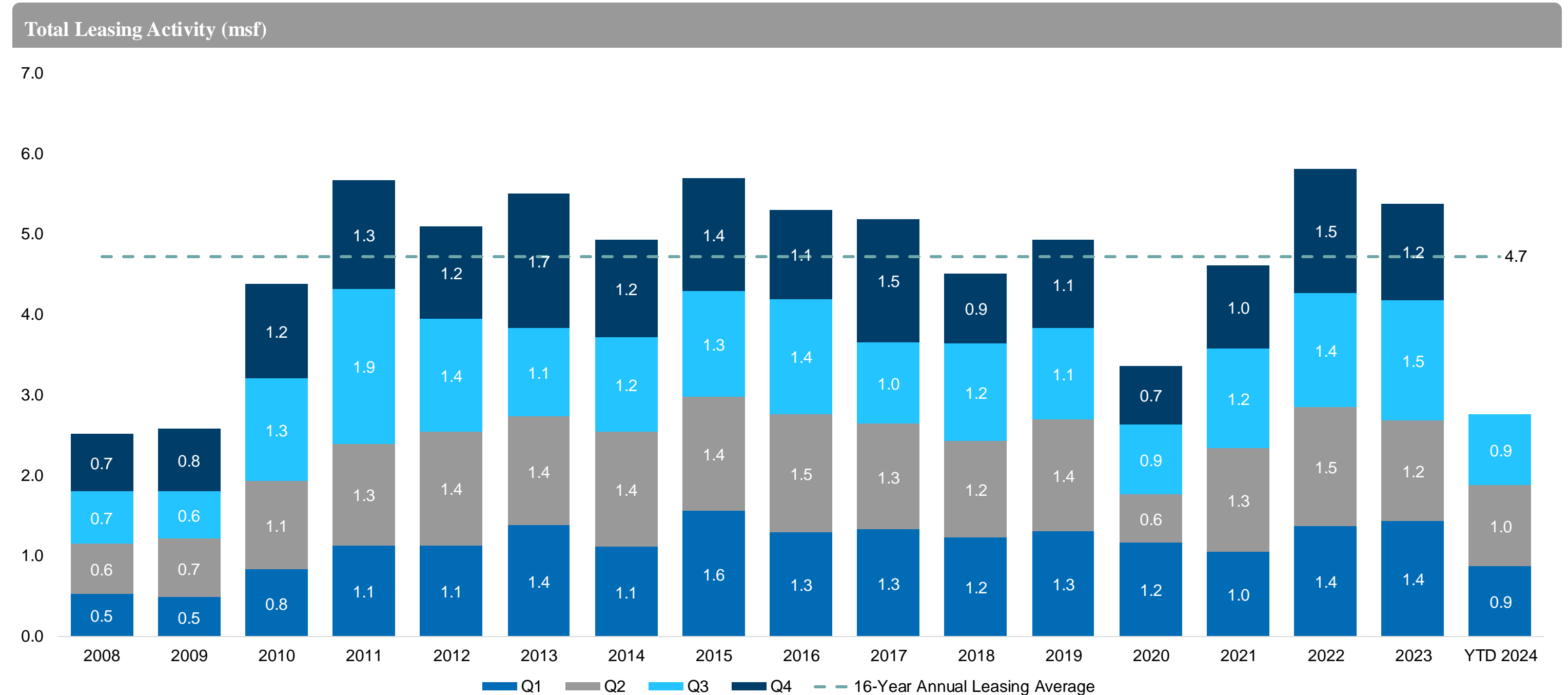
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Remains Muted in Third Quarter

The third quarter of 2024 had 880,049 SF of leasing activity; the slowest third quarter start since 2020. Since 2010, third-quarter leasing activity averaged 1.3 MSF, indicating that the third quarter leasing volume is below the normal trend. Deal size averaged 2,619 SF in the third quarter of 2024, an average of 1,253 SF less than a year ago. The slower leasing activity pace, down 13.2% in the number of deals year over year, is largely attributed to cautionary inaction during this period of economic uncertainty, a challenging debt liquidity environment, and the pending result of upcoming elections.

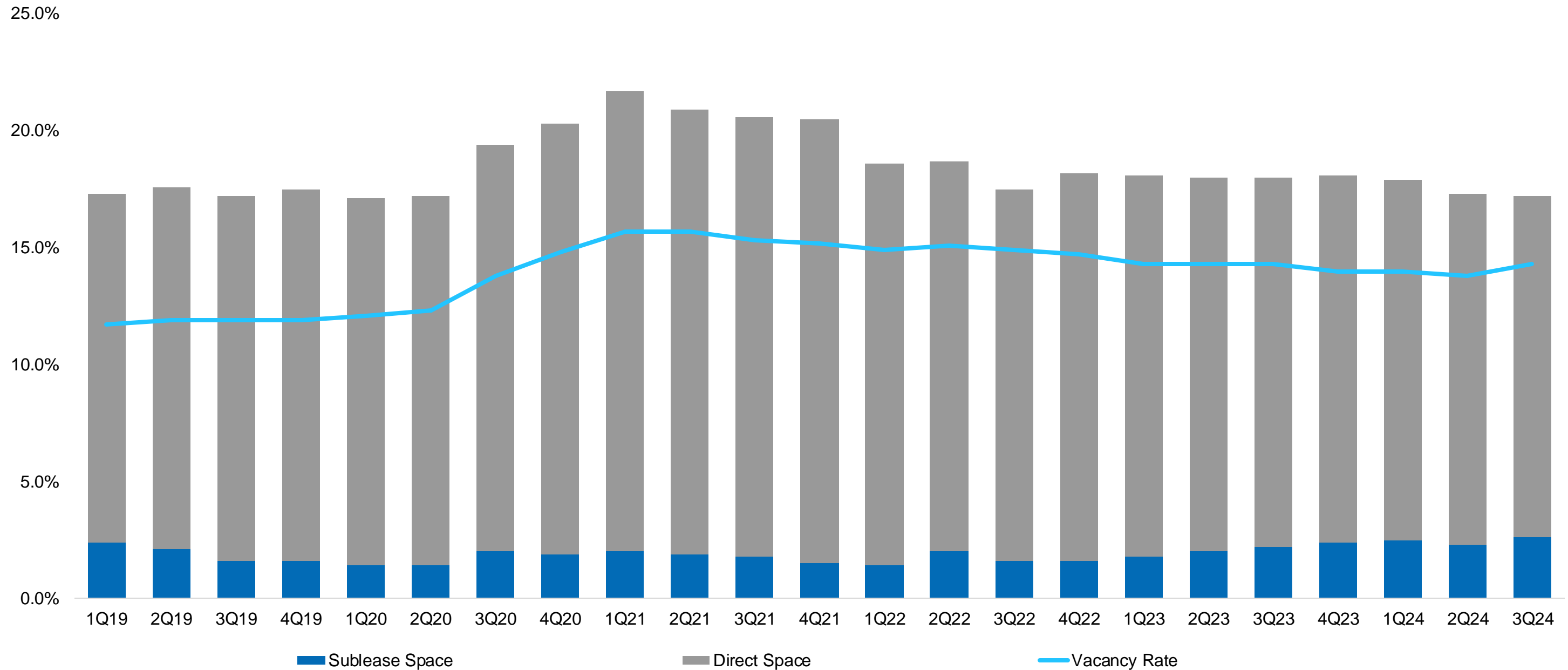


Source: Newmark Research, CoStar

Overall Availability Continues Decline as Sublet Availability Remains Elevated

Sublease availabilities in Miami-Dade County have flattened at elevated levels while direct availabilities have continued declining. As of the end of the third quarter of 2024, sublease availability in the market was at 2.6%. With declines continuing in 2024, aided by the removal of some office properties from inventory due to conversion plans, the current direct availability rate ended the quarter at 14.6%. Vacancies have remained low at 14.3% as of quarter end. Availability is expected to continue declining through the remainder of 2024, but a handful of deliveries with new space availabilities are expected in the first half of 2025.

Available Space as Percent of Overall Market

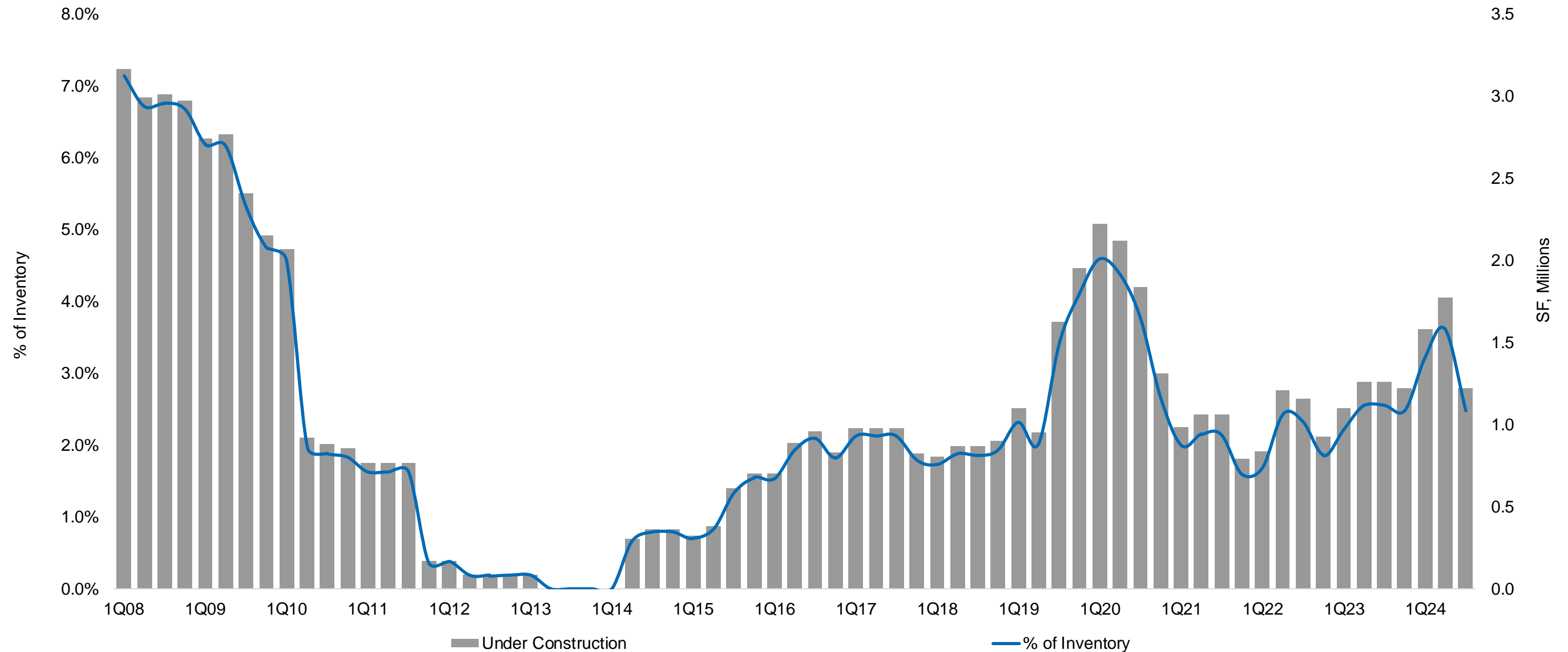


Source: Newmark Research, CoStar

Construction Activity Falls Upon Delivery of 830 Brickell

Construction activity has increased in the years following the pandemic as businesses reassess their needs and opt to relocate or expand into South Florida office space. Although construction has been lower since recent highs seen during 2020, activity continues to remain robust in the county with 1.2 MSF currently under construction. As of the third quarter of 2024, the under-construction pipeline accounts for 2.5% of the market's inventory.

Office Under Construction and % of Inventory

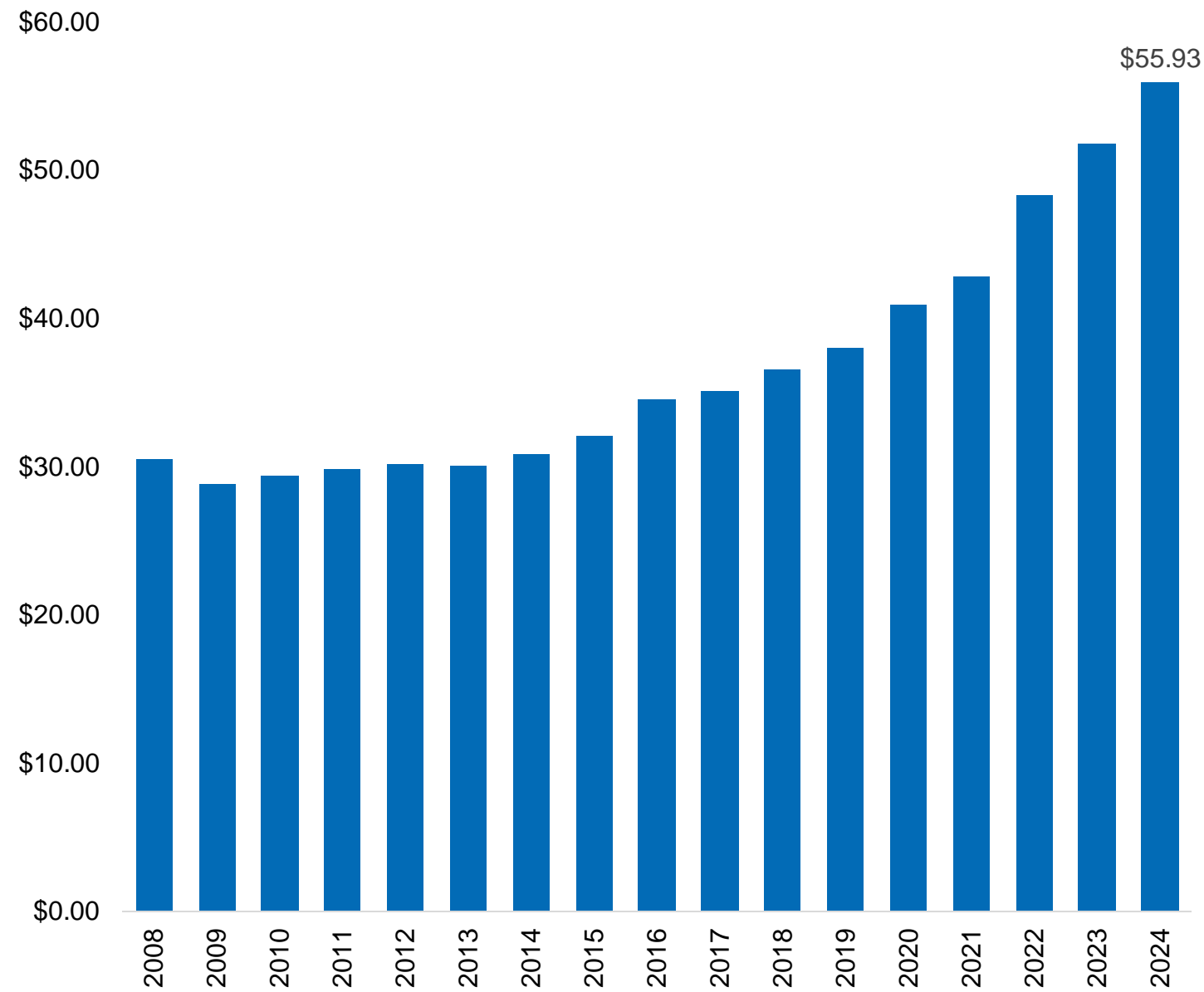


Source: Newmark Research, CoStar

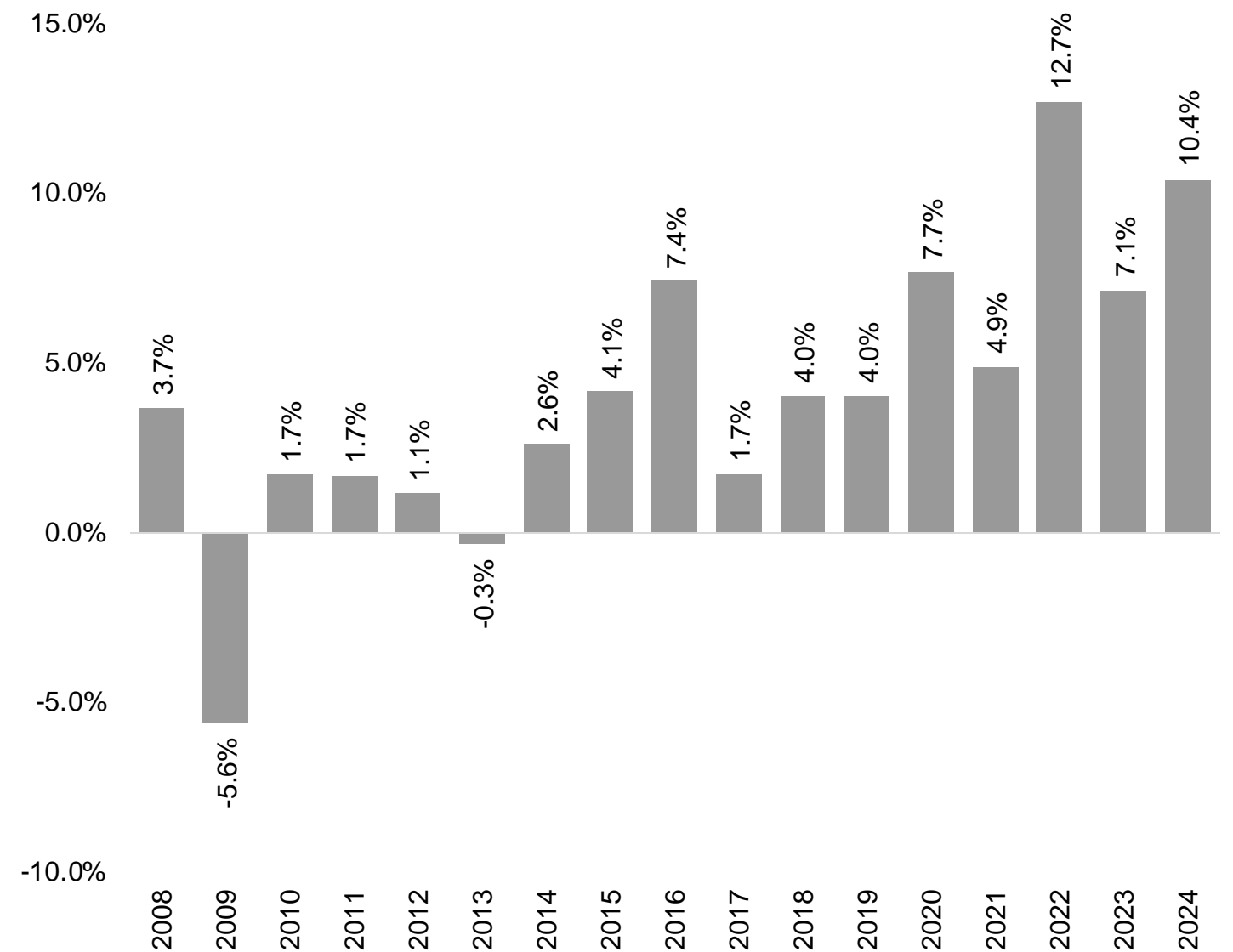
Rents Reach New All-Time High

Rents continued increasing in the third quarter of 2024 to an all-time historical high of \$55.93/SF, reflecting a 0.2% increase quarter over quarter and 10.4% increase year over year. Rent growth in the county is generally attributed to new trophy-quality space availability that has come online as well as dwindling availability of existing high-quality space which has created upward pressure on pricing. Asking rents are likely to remain elevated in a market impacted by inflation and heightened operating costs.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

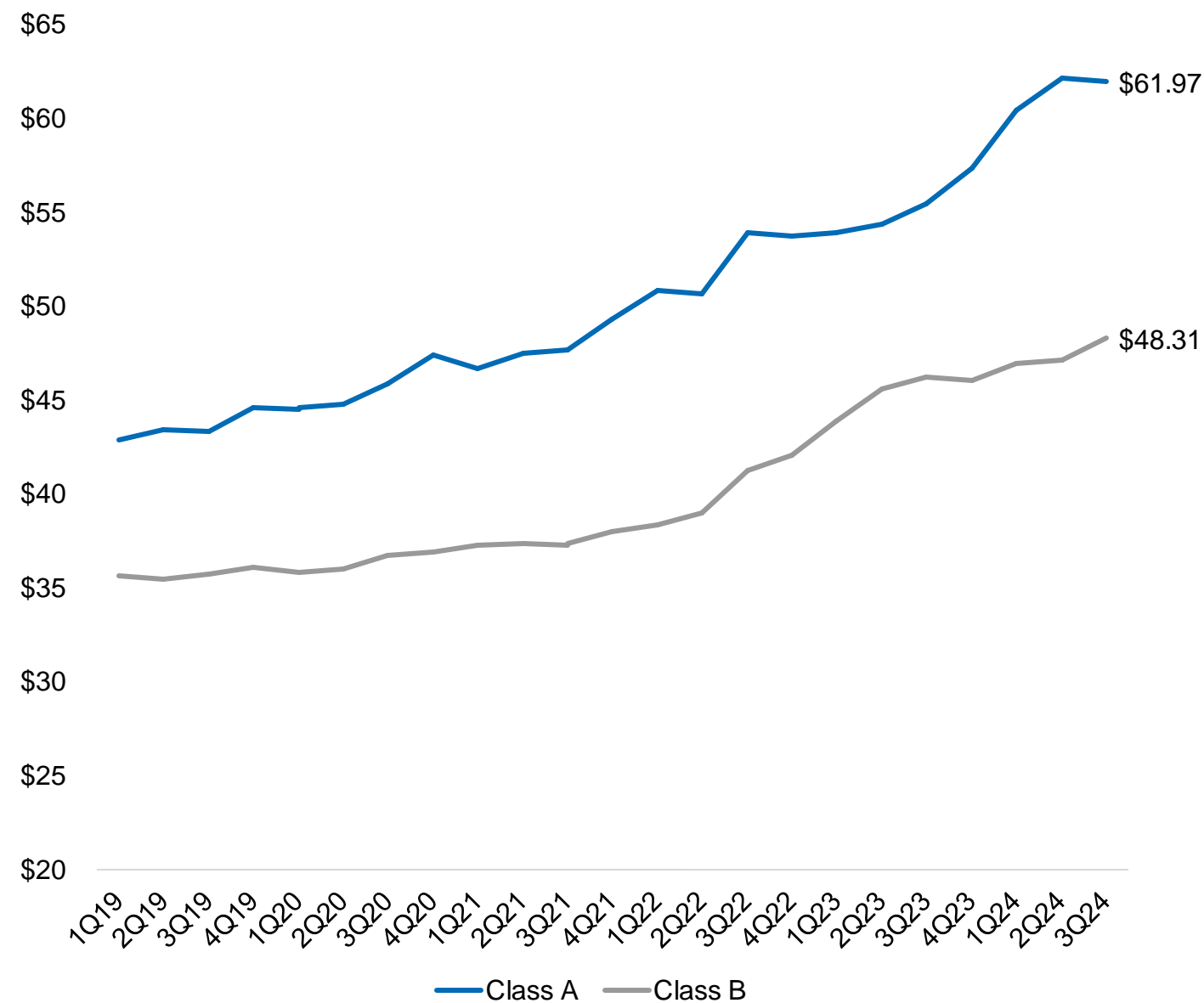


Source: Newmark Research, CoStar

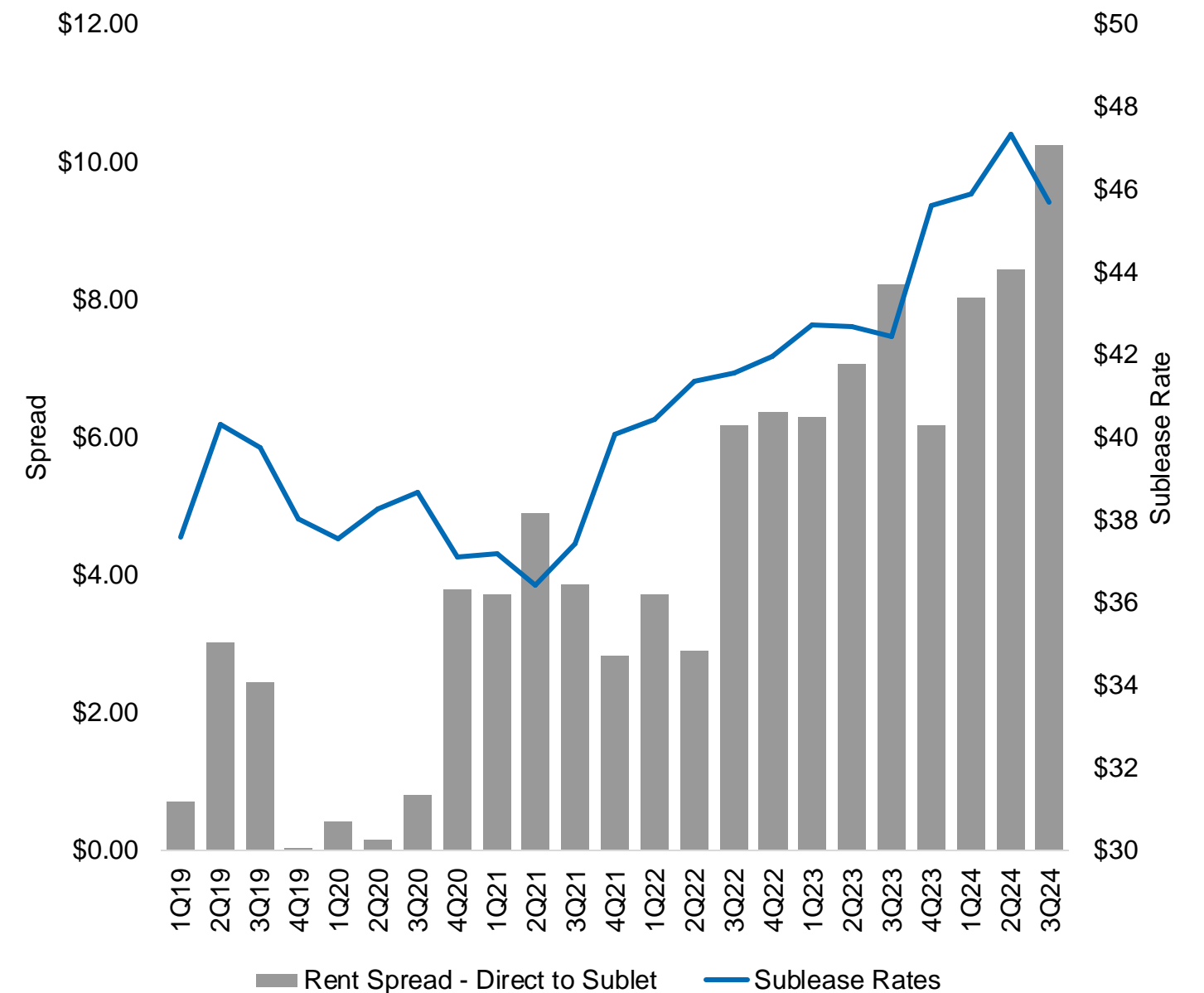
Asking Rents Growth Reflect Flight to Quality

As rents continue increasing, the bifurcation in rent spread between Class A and Class B assets continues to widen above the \$9.00/SF mark. As of the end of the third quarter of 2024, Class A rents ended at \$61.97/SF, while Class B reported \$48.31/SF. Due to higher demand and lessened available quality assets, the difference in rent between the classes is \$13.66/SF, reflecting a 55.6% spread increase since the first quarter of 2020. Sublease rates fell by 3.5% quarter over quarter to \$45.68/SF in the third quarter of 2024.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Flight-to-Quality Leasing Activity Continues

Despite slowing leasing activity in the market, flight to quality continues to remain a trend in the Miami-Dade County office market. As of the end of the third quarter of 2024, Class A space accounted for 68.1% of the market's leasing activity by SF, but only 42.0% of the market's deal volume. Average leases signed in Class A space were 4,251 SF and continue to remain larger than the average market deal size of 2,619 SF.

Notable 3Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Winston & Strawn	Southeast Financial Center	Downtown Miami	Renewal/Expansion	45,134
<i>Winston & Strawn has renewed and expanded their space at the Southeast Financial Center. Winston & Strawn is a global law firm with more than 975 attorneys.</i>				
Quintairos Prieto Wood & Boyer PA	Office Park Dadeland Towers North Building 9200	Kendall/South Dade	Renewal	43,321
<i>QPWB is the largest minority and women-owned law firm in the U.S., specializing in complex commercial litigation, regulatory law, and corporate law.</i>				
Kandji	Plaza Coral Gables – North Tower	Coral Gables	Sublease	27,712
<i>The third largest lease of the quarter is a sublease by Kandji, an automation-forward Apple device management (MDM) software.</i>				
Banco Master	830 Brickell	Brickell Avenue	Direct New	26,763
<i>The Brazilian bank signed a lease for the last remaining office space available at 830 Brickell, which received a TCO as of September 2024.</i>				
Berkley Insurance Company	Brickell World Plaza	Brickell Avenue	Extension	21,363
<i>Berkley is a leader in commercial lines insurance, with over 60+ specialized businesses – each with deep expertise in specific industries, products, or regions.</i>				



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