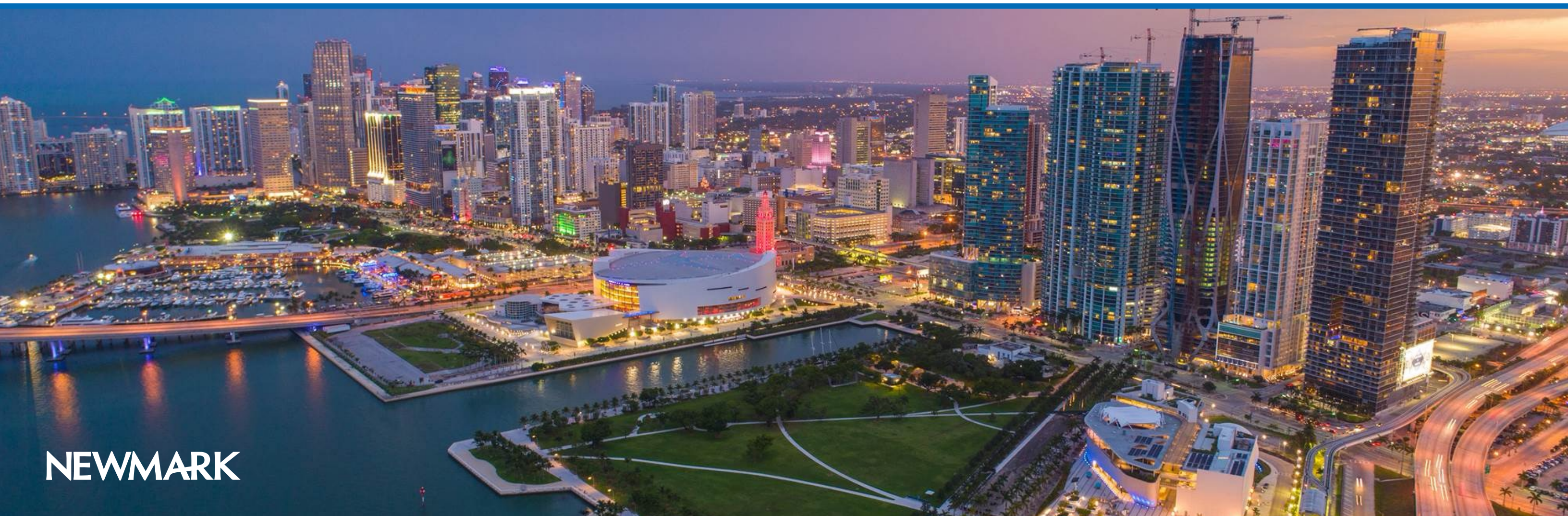


4Q24

Miami-Dade County Office Market Overview



Market Observations

Economy

- The market’s unemployment rate increased from the all-time historical low at 1.6% in the first quarter of 2024 to 2.4%, reflecting an increase of 70 basis points year over year and remaining well below the five-year average of 4.1%.
- Job growth pace has slowed compared with recent highs, with the year-over-year increase at 1.9%, returning to pre-pandemic levels seen in November 2019.
- All sectors, except financial activities and manufacturing reported employment growth, with mining and construction leading job gains at 10.4% over the past 12 months.
- Office-using jobs in the market remained near an all-time historical high at 334,009 employees, reflecting 16.2% growth since December 2019.

Major Transactions

- The largest deal of the fourth quarter was a new lease and relocation totaling 33,180 SF by UBS Financial Services, who is moving within the submarket upon delivery of 4225 Ponce.
- iSquared penned the second largest deal of the quarter, signing a 29,000 SF lease expansion in Brickell World Plaza.
- 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.
- Two of the three largest leases signed were either a new lease or an expansion, indicating appetite for office space in the market.

Leasing Market Fundamentals

- Annual full-service asking rental rates remained elevated at \$57.51/SF, reflecting a 0.5% decrease from the previous quarter’s all-time high and an 8.0% increase year over year.
- Occupancy was slightly negative, pushing overall vacancy rates to increase by 30 basis points quarter over quarter to 14.9%.
- Under-construction pipeline increased, with 1.3 MSF still in progress following the year’s largest delivery of 830 Brickell in the third quarter of 2024.
- Total leasing activity closed the quarter at 987,073 SF, reflecting slower leasing activity due to fewer and smaller deals being completed. Leases signed averaged 3,380 SF per deal, reflecting a 257 SF decrease in average deal size year over year.

Outlook

- The Miami-Dade County office market will likely see continued growth in 2025. However, the market is still feeling the impacts of national economic headwinds, particularly affecting job sectors like financial activities. Office investment activity will likely improve in the medium term, driven by a loosening debt liquidity environment and greater policy certainty under the incoming administration.
- Strong demand for premier office product, coupled with a tightening supply, have pushed rents to remain near all-time highs, with asking rents expected to remain elevated. Renewal probability is expected to continue trending upwards over the short term until new high-end space options become available.
- In the near term, vacancies are expected to remain low as delivery timelines for new supply are pushed into 2025, while remaining availability continues to dwindle. The largest delivery of the year, 830 Brickell, was fully pre-leased. The currently under-construction pipeline is 20.8% pre-leased.

1. Economy
2. Leasing Market Fundamentals

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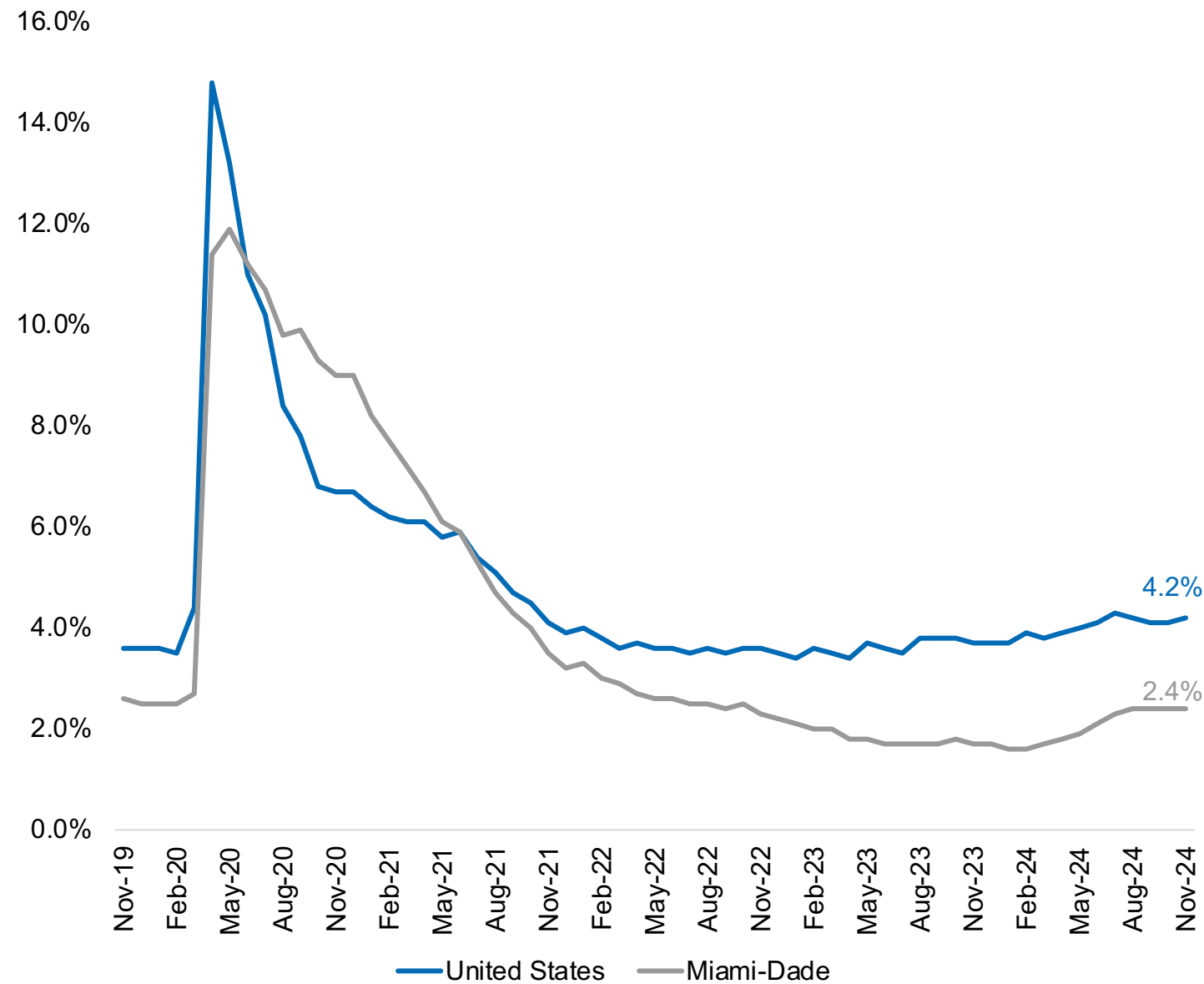
Economy



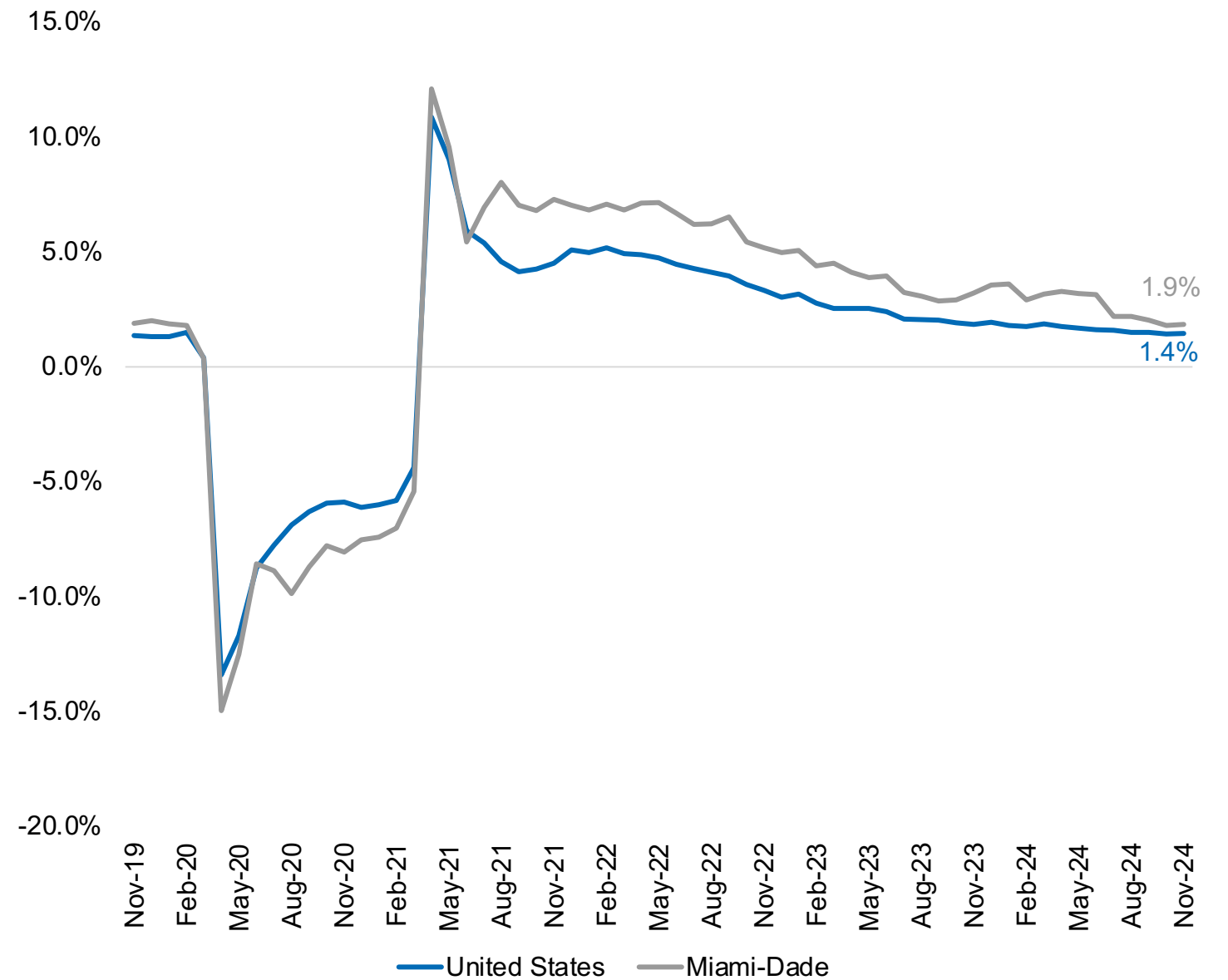
Unemployment Plateaus After Rising From Historical Low

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 2024, but remaining well below the 5-year average of 4.1%. Employment growth has fallen to pre-2020 levels, slowing by 135 basis points year over year, likely impacted by national economic headwinds.

Unemployment Rate, Seasonally Adjusted



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



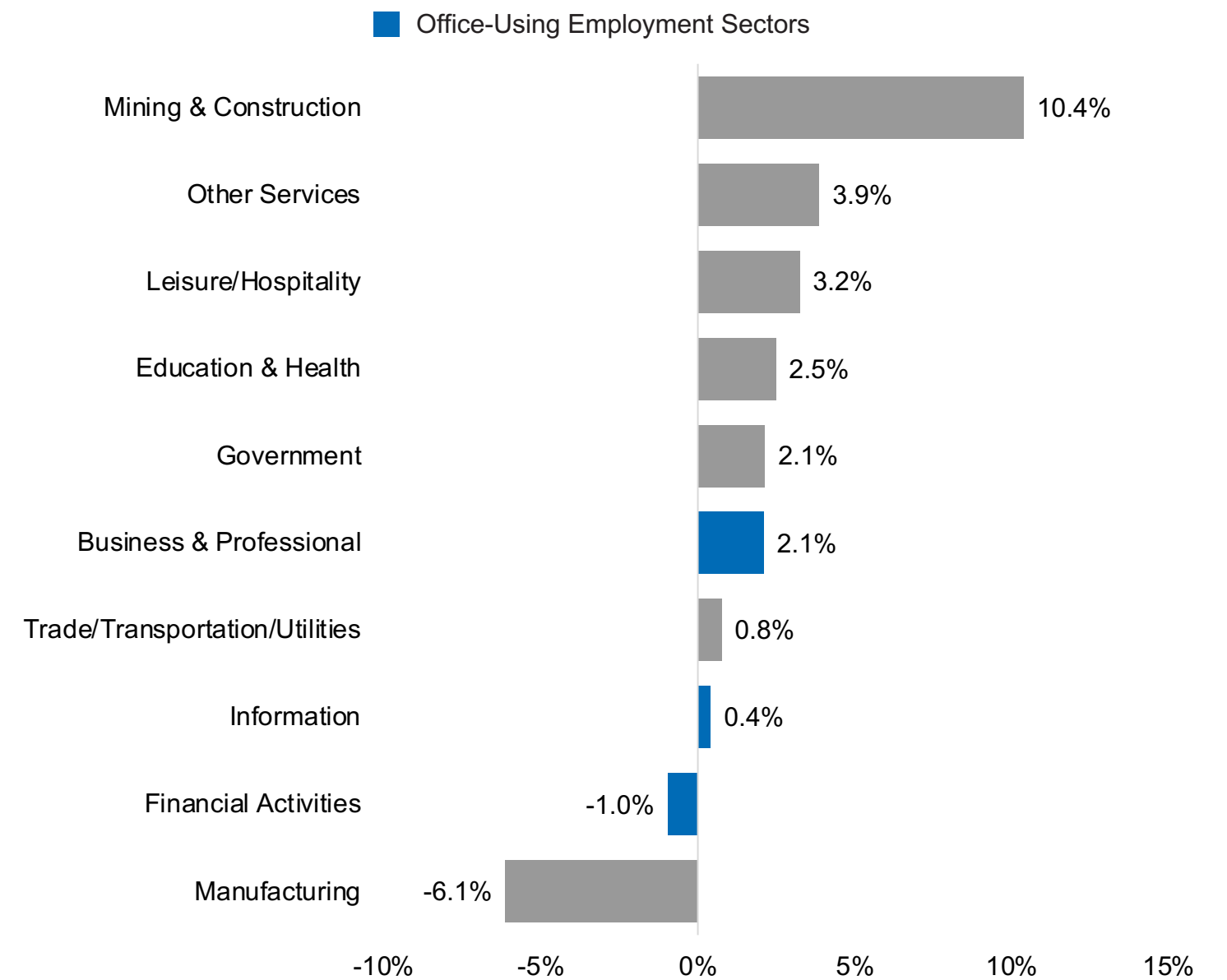
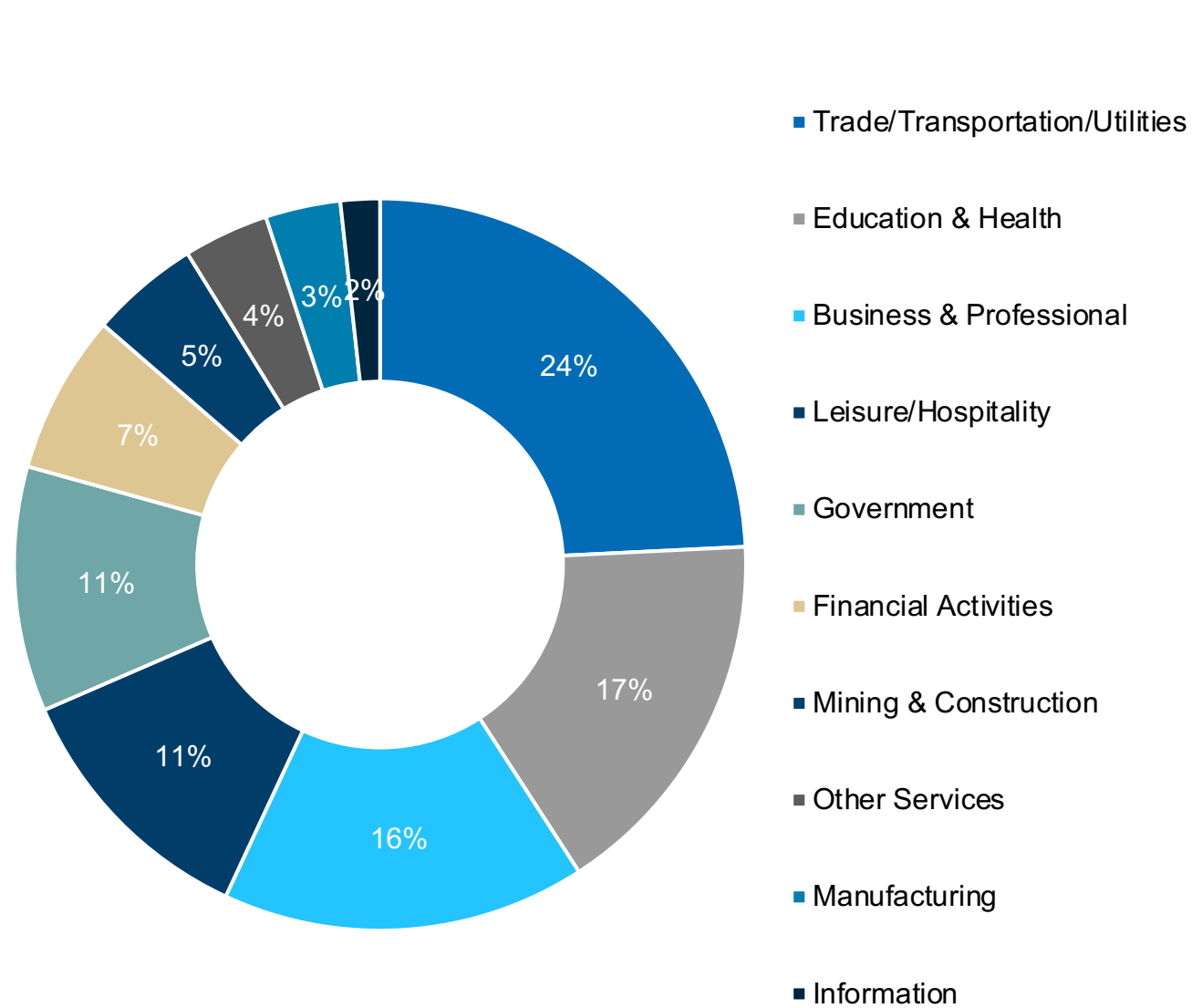
Source: U.S. Bureau of Labor Statistics, Miami-Dade County

Office-Using Growth Increases in Business & Professional and Information Sector

The Miami-Dade County's top two employment industries account for 40.9% of market share. The office-using employment's business and professional sector remained the third-largest industry sector in the metroplex at 16.1%. Most industries in the metroplex reported growth while only one office-using industry, the financial activities sector, reported contraction by 1.0%. The information and business and processionals sectors reported growth of 0.4% and 2.1%, respectively.

Employment by Industry, November 2024

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

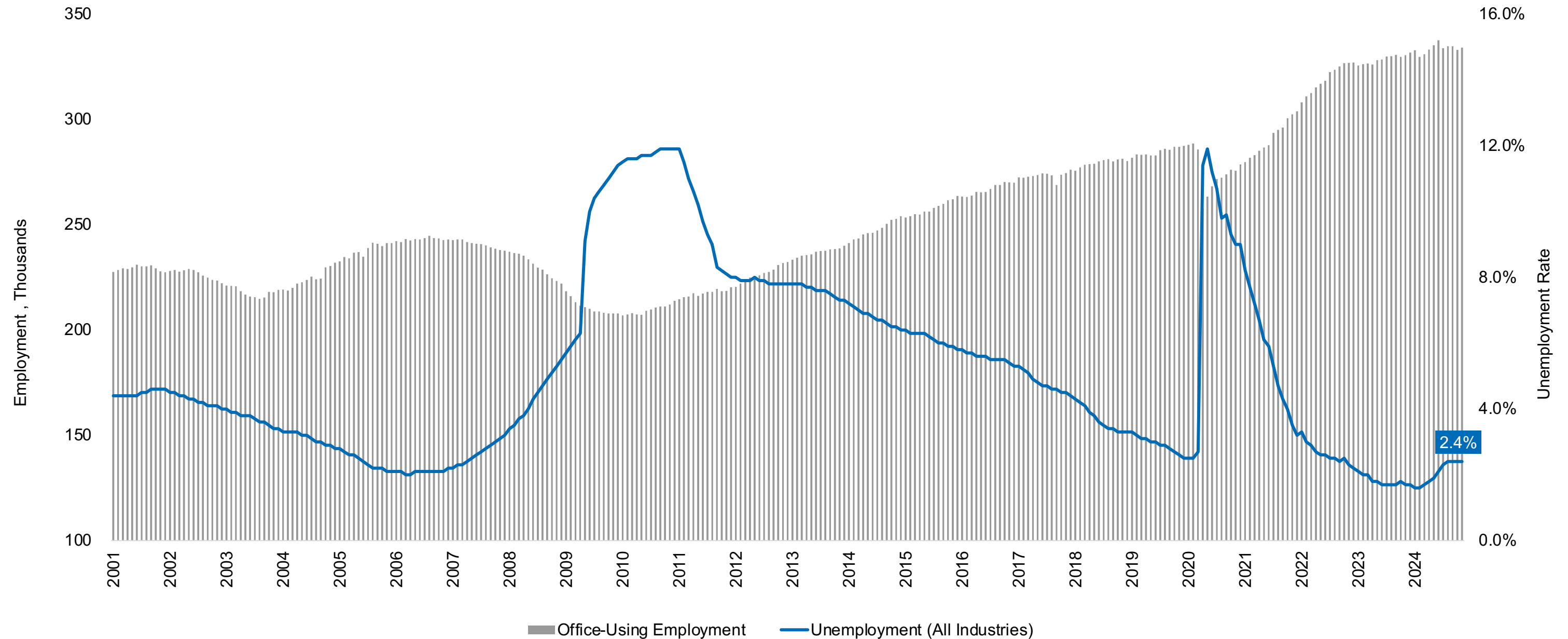


Source: U.S. Bureau of Labor Statistics, Miami-Dade County

Overall Office-Using Employment Remains Near Historical High

Office-using employment in Miami-Dade County reached 334,009 employees as of November 2024 and remained only 1.0% 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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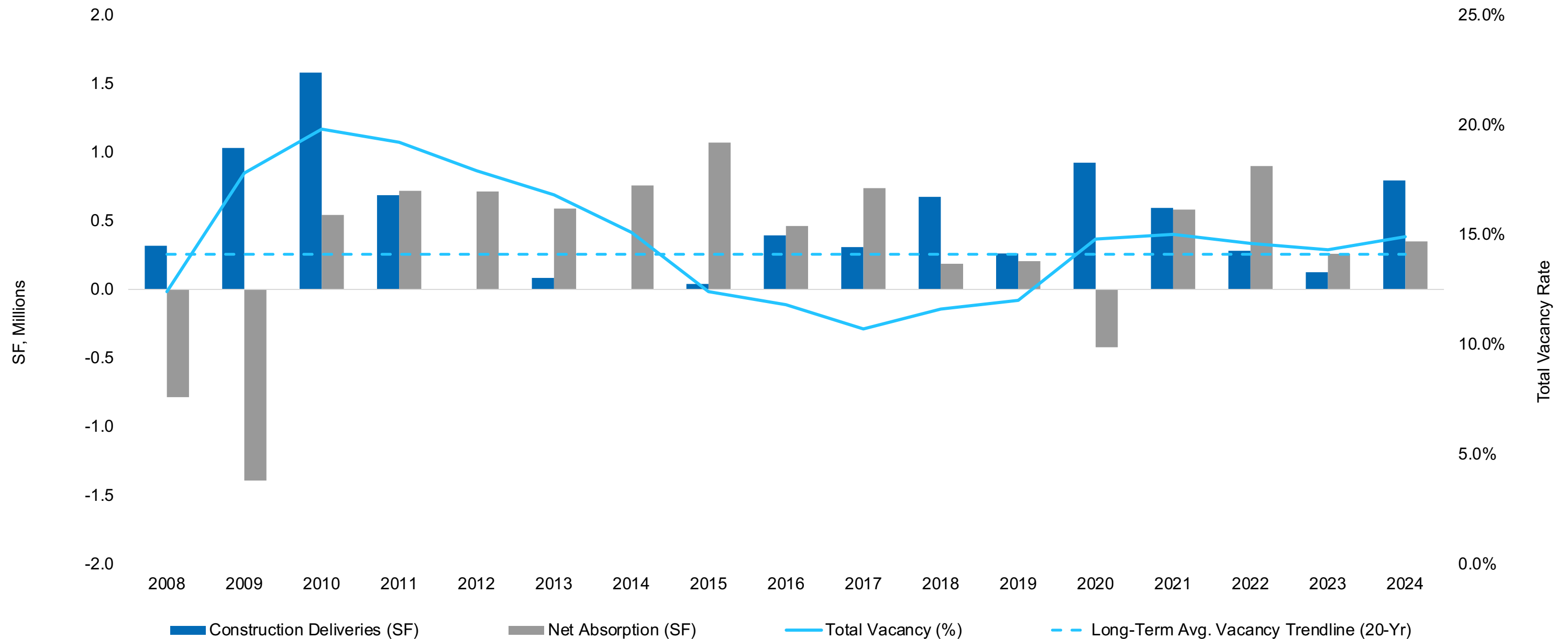
Leasing Market Fundamentals



New Supply Outpaces Demand for Second Consecutive Quarter

Miami-Dade County's office vacancy rate increased by 30 basis points quarter over quarter to 14.9% and by 60 basis points year over year in the fourth quarter of 2024 as a direct result of the deliveries of 830 Brickell in the third quarter and The Highley House in the fourth quarter. Net absorption for the fourth quarter was negative -54,107 SF, primarily impacted by WPP vacating their 76,000 SF space at Brickell Key City Centre 2. Demand will likely play catch-up with new supply for the start of 2025, as tenants continue to open their spaces

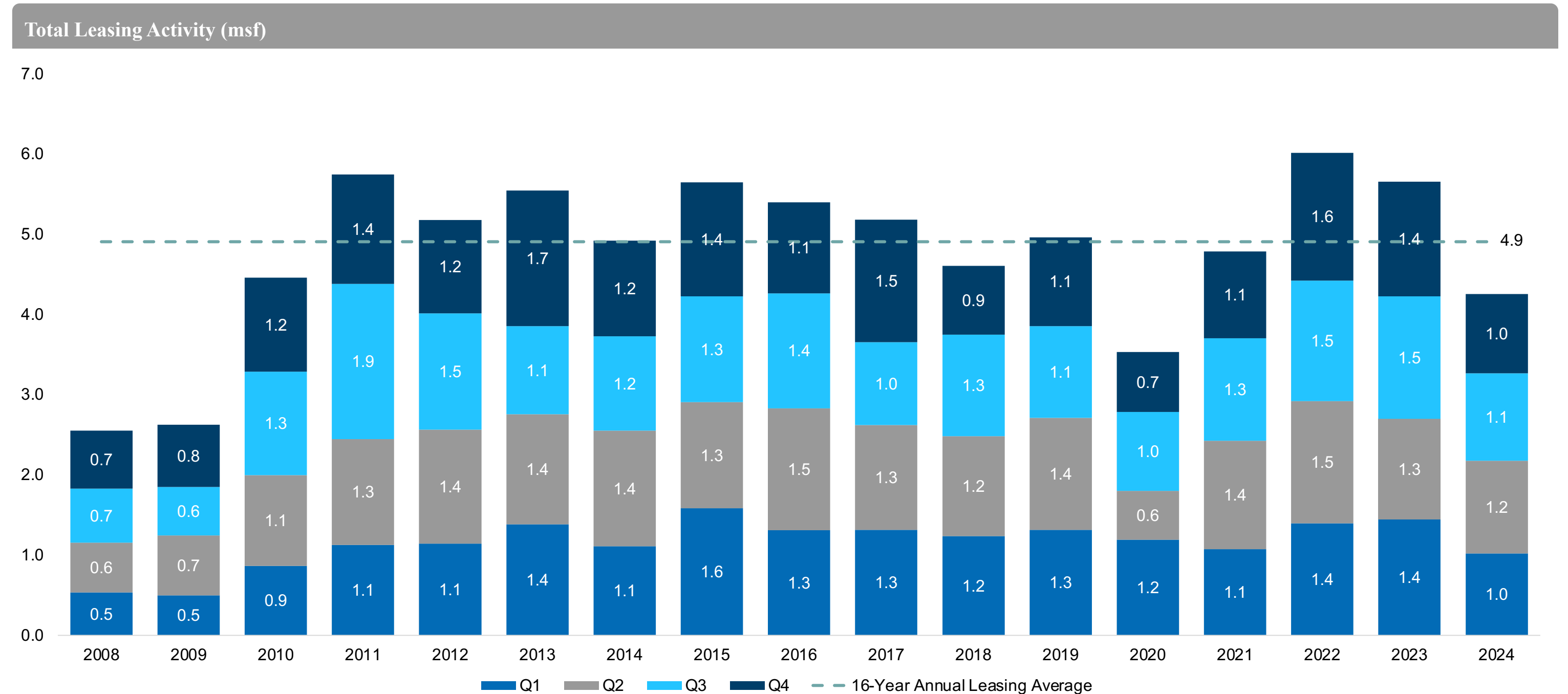
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Remains Muted in Fourth Quarter

The fourth quarter of 2024 saw 987,073 SF of leasing activity; the slowest in fourth quarter volume since 2020. Since 2010, fourth-quarter leasing activity averaged 1.2 MSF, indicating that the fourth quarter leasing volume remains below the normal trend. Deal size averaged 3,380 SF in the fourth quarter of 2024, an average of 257 SF less than a year ago. The slower leasing activity pace, down 25.9% 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 changes ahead with the next administration.

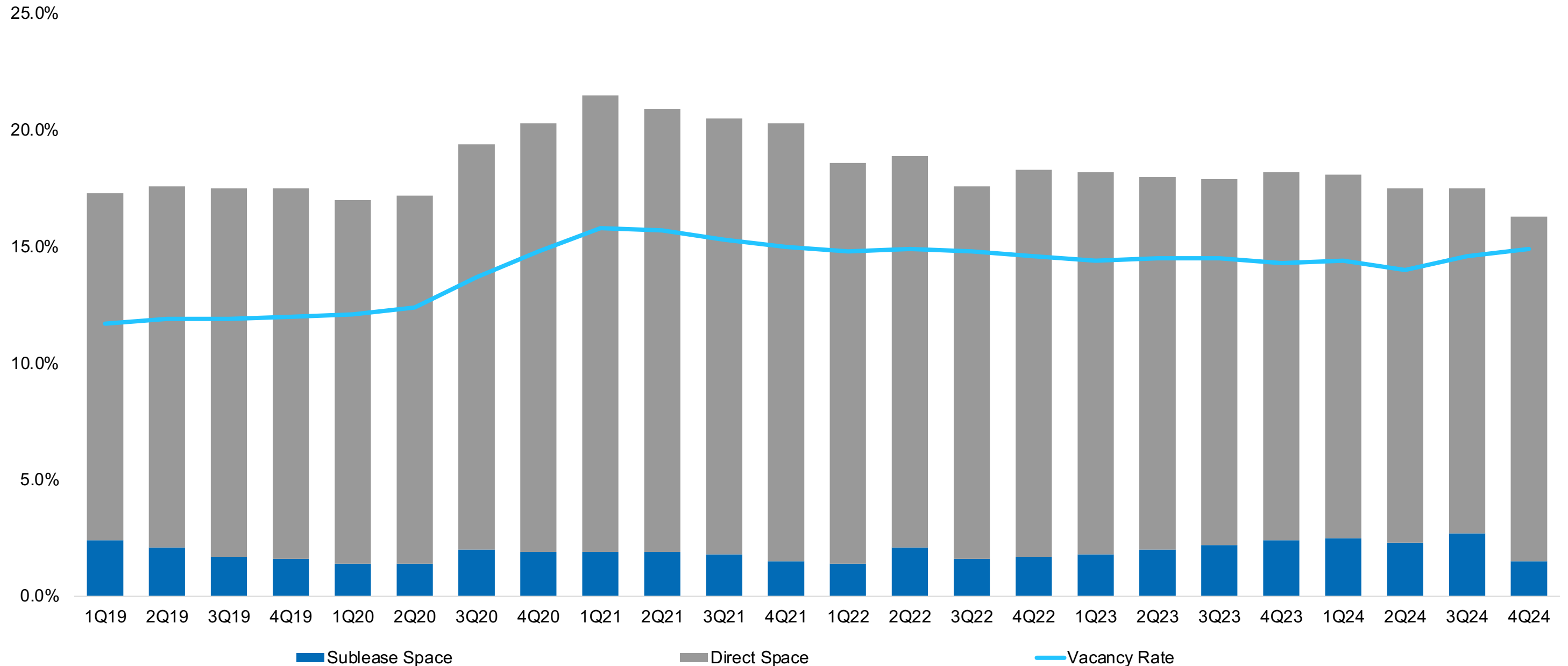


Source: Newmark Research, CoStar

Overall Availability Continues Decline as Sublet Availability Falls

Sublease availabilities in Miami-Dade County have fallen to their lowest levels since the first quarter of 2022 while direct availabilities have flattened following a trend of decline. As of the end of the fourth quarter of 2024, sublease availability in the market was at 1.5%. With declines 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 14.8%. Vacancies have remained low at 14.9% as of quarter end. Availability is expected to rise again with a handful of deliveries expected in the first half of 2025.

Available Space as Percent of Overall Market

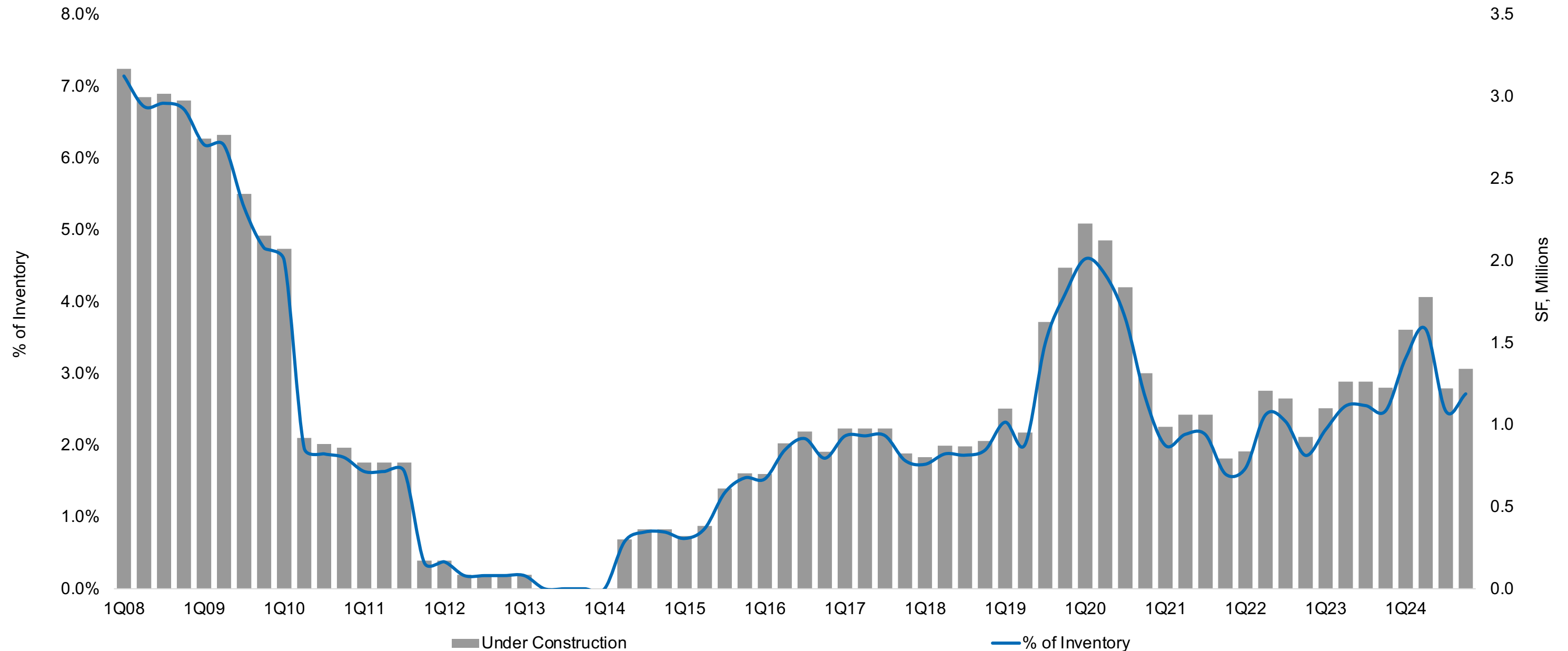


Source: Newmark Research, CoStar

Construction Activity Rises With Groundbreaking of 2600 Biscayne

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 1.3 MSF currently under construction. As of the fourth quarter of 2024, the under-construction pipeline accounts for 2.7% of the market's inventory.

Office Under Construction and % of Inventory

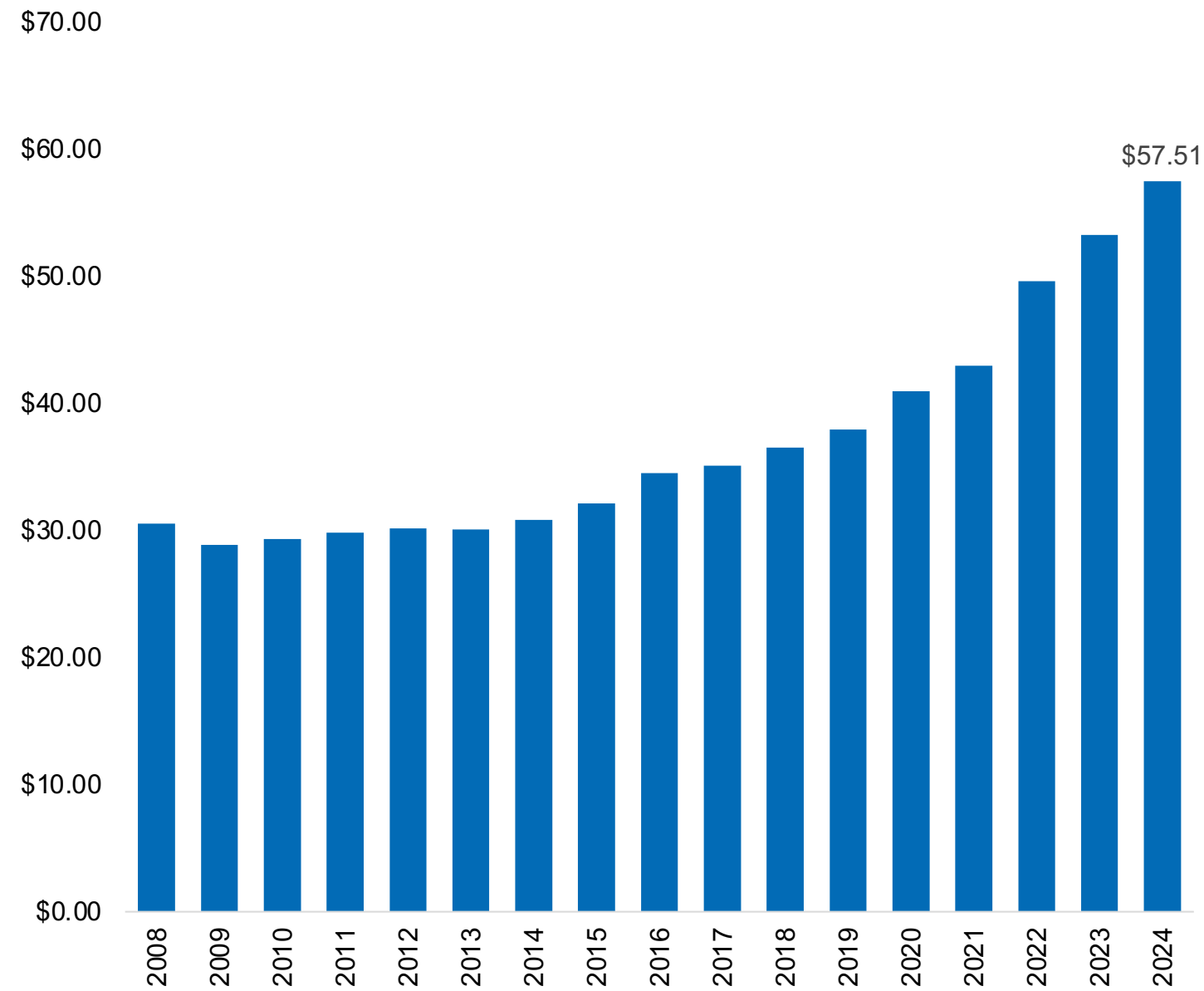


Source: Newmark Research, CoStar

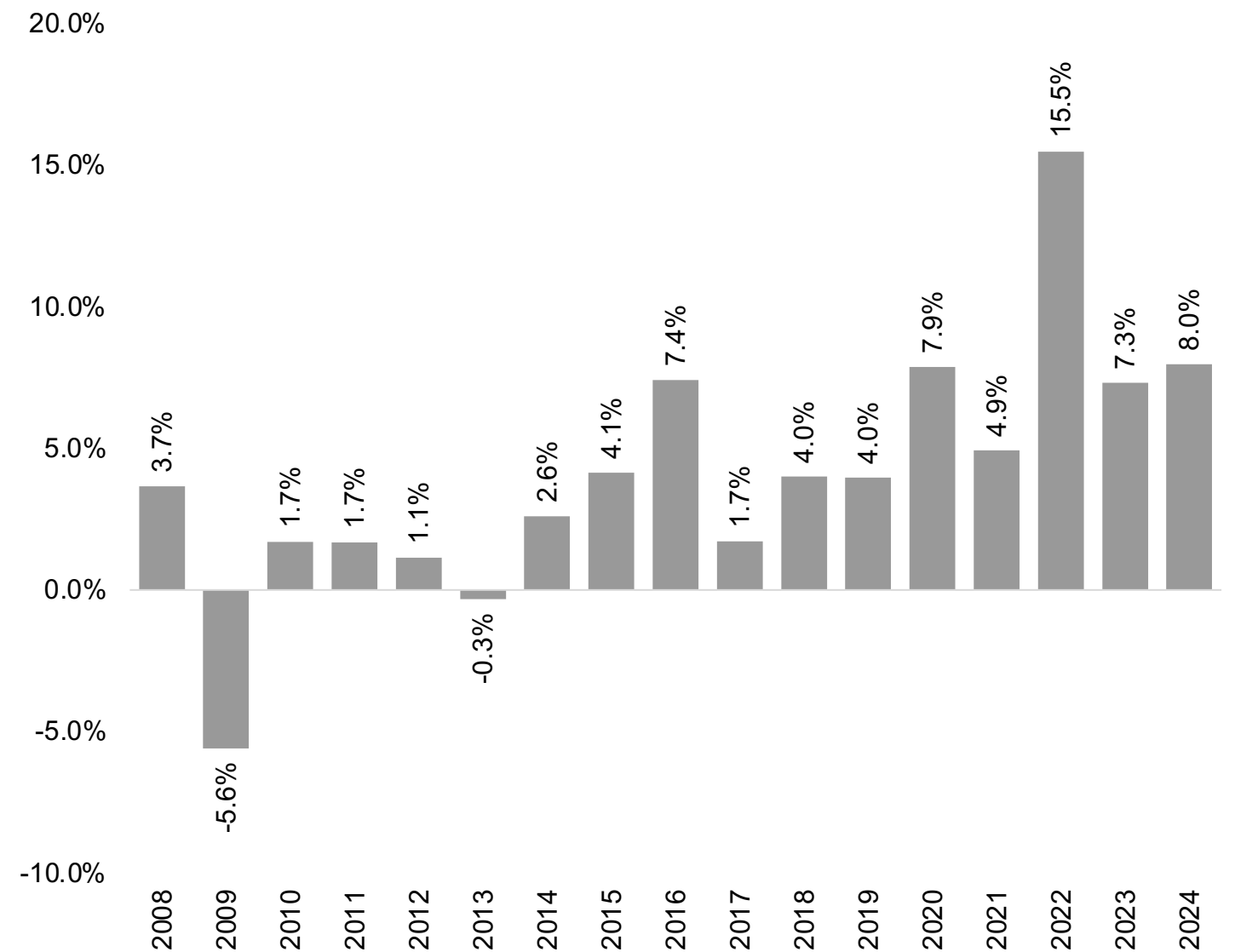
Asking Rents Remain Near All-Time High

Rents hit \$57.51/SF in the fourth quarter of 2024, reflecting a 0.5% decrease from the previous quarter's all-time high and an 8.0% 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

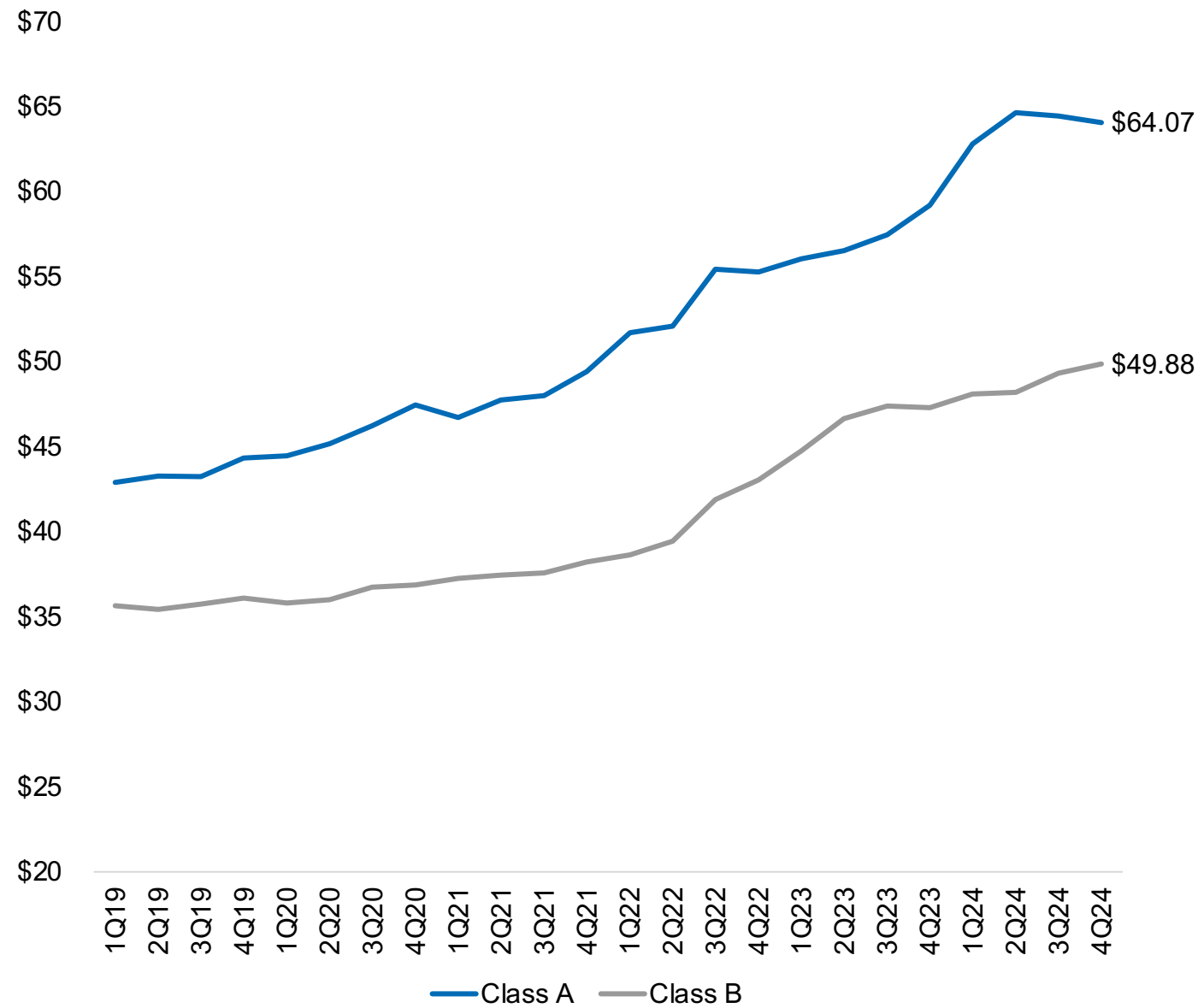


Source: Newmark Research, CoStar

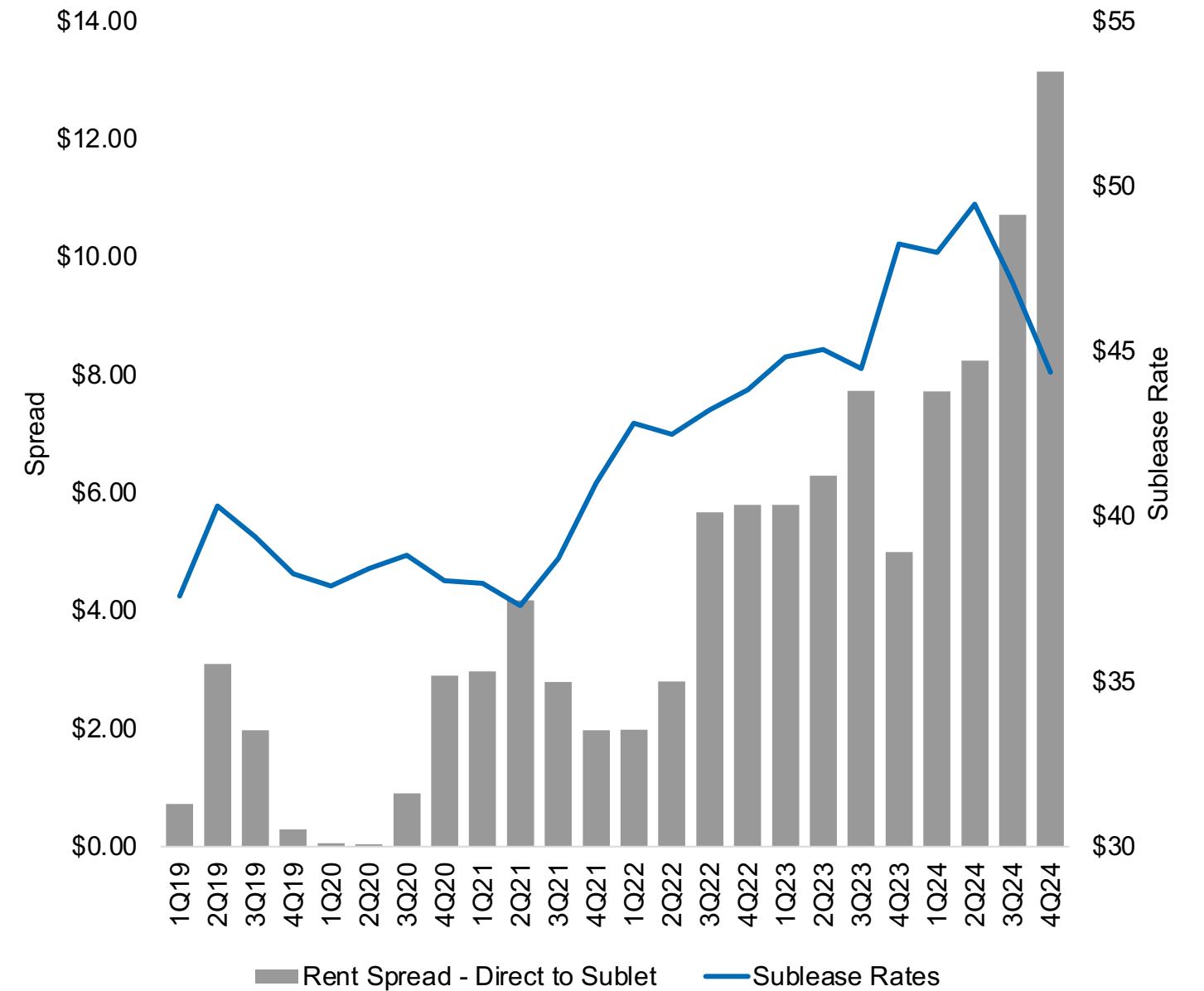
Asking Rents Growth Reflect Flight to Quality

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 fourth quarter of 2024, Class A rents ended at \$64.07/SF, while Class B reported \$49.88/SF. Due to higher demand and lessened available quality assets, the difference in rent between the classes is \$14.19/SF, reflecting a 64.4% spread increase since the first quarter of 2020. Sublease rates fell by 5.8% quarter over quarter to \$44.36/SF in the fourth 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 fourth quarter of 2024, Class A space accounted for 57.2% of the market's leasing activity by SF, but only 37.3% of the market's deal volume. Average leases signed in Class A space were 5,176 SF and continue to remain larger than the average market deal size of 3,380 SF.

Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
UBS Financial Services, Inc.	4225 Ponce	Coral Gables	Direct New	33,180
<i>UBS Financial Services will relocate within the Coral Gables submarket from 550 Biltmore in Coral Gables to the 5th and 6th floors of 4225 Ponce, which is slated to deliver in the third quarter of 2025.</i>				
iSquared	Brickell World Plaza	Brickell Avenue	Expansion	29,000
<i>iSquared will expand from their existing penthouse space to include the 31st floor. Their original footprint in the building was 18,763 SF.</i>				
21 Air, LLC	6505 Waterford	Airport West	Direct New	21,986
<i>The third largest lease of the quarter is a new lease by 21 Air, who will be relocating their executive office from The Pavilion at Doral within the same submarket.</i>				
Avila Rodriguez Hernandez Mena & Garro LLP	2525 Ponce De Leon Building	Coral Gables	Renewal	21,563
<i>AVILA, which is one of the largest certified minority-owned law firms in Florida, renewed their space at 2525 Ponce in Coral Gables.</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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