

Q2 2018

Office Insight

# Office market contracts as demand converges toward high-end space

- Office market levels off as net absorption numbers go red across most of Miami’s submarkets; Class B office demand continues to dwindle.
- While market-wide vacancy rate climbs to 14.2 percent, average asking rents remain stable around \$38.27 per square foot.
- Despite modest leasing activity, demand for high-end space remains robust; Three MiamiCentral is now around 95.0-percent leased.

As we cross the halfway point of 2018, Miami’s office market continues to level off. The large net absorption gains that marked the recovery period of this cycle are gradually making way for net absorption losses across nearly all segments of the market. In particular, Class B assets continue to underperform as more tenants move out of lower quality space. While bigger tenants such as ASA College leave behind large blocks of Class B space, a number of smaller tenants in the 1,000 to 3,000 square foot range have also contributed to significant Class B net absorption losses in the last few quarters, particularly in suburban markets.

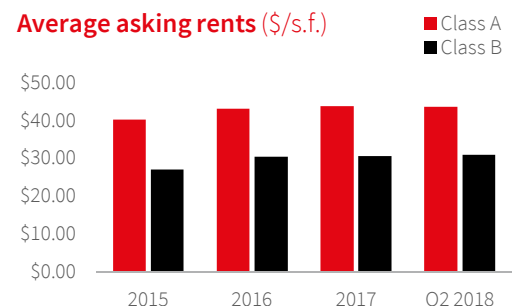
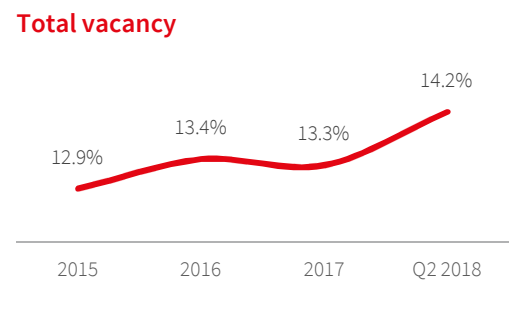
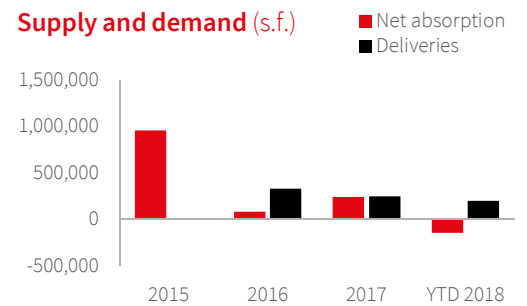
In the meantime, Class A assets are still performing well on a year-to-date basis, even though this past quarter over 100,000 square feet of Class A space was vacated. Here, too, a significant number of small size tenants under 5,000 square feet made up the bulk of move-outs and downsizings. Despite rising vacancy rates across most submarkets, average direct asking rents remain stable. With new Class A office product in the pipeline for both Miami’s CBD as well as the suburbs, landlords may hold off on lowering asking rents just yet.

**Outlook**

While leasing activity has been modest, recently delivered properties such as Three MiamiCentral and Canal Park Office have managed to sign up tenants relatively fast, indicating continued robust demand for high-end office space. Two more properties are scheduled for delivery in the first couple of days of Q3—Giralda Place-West Tower and Sunset Office Center—the latter of which is now 70.0 percent pre-leased.

Along with the Brightline Station’s recent opening, ongoing investments in MiamiCentral & Miami WorldCenter may boost the demand for office space in the long run—especially as Downtown continues to attract more residents.

Fundamentals	Forecast
YTD net absorption	-153,698 s.f. ▲
Under construction	718,026 s.f. ▲
Total vacancy	14.2% ►
Average asking rent (gross)	\$38.23 p.s.f. ▲
Concessions	Stable ►



For more information, contact: Olivier Maene | olivier.maene@am.jll.com

Q2 2018

Office Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD Completions (s.f.)	Under Development (s.f.)
Brickell	Totals	6,679,478	-54,552	-87,728	-1.3%	11.0%	12.9%	\$45.46	0	0
Downtown Miami	Totals	7,128,042	-11,485	95,411	1.3%	22.0%	22.4%	\$42.85	123,452	194,352
<b>CBD</b>	<b>Totals</b>	<b>13,807,520</b>	<b>-66,037</b>	<b>7,683</b>	<b>0.1%</b>	<b>16.7%</b>	<b>17.8%</b>	<b>\$43.66</b>	<b>123,452</b>	<b>194,352</b>
Aventura	Totals	1,128,265	1,477	27,829	2.5%	14.2%	14.6%	\$45.50	74,336	102,000
Coconut Grove	Totals	994,871	-7,784	-18,721	-1.9%	6.1%	6.1%	\$39.71	0	139,293
Coral Gables	Totals	5,557,981	-52,890	-41,773	-0.8%	9.7%	10.3%	\$40.15	0	132,381
Kendall	Totals	2,822,697	-25,700	-71,091	-2.5%	16.1%	16.3%	\$31.73	0	0
Miami Airport	Totals	10,099,127	-94,533	-63,517	-0.6%	10.1%	10.9%	\$30.56	0	150,000
Miami Beach	Totals	1,864,780	-20,573	24,379	1.3%	8.0%	8.7%	\$44.52	0	0
Miami Lakes	Totals	1,439,872	-6,973	-18,487	-1.3%	26.5%	26.9%	\$23.68	0	0
<b>Suburbs</b>	<b>Totals</b>	<b>23,907,593</b>	<b>-206,976</b>	<b>-161,381</b>	<b>-0.7%</b>	<b>11.6%</b>	<b>12.2%</b>	<b>\$34.48</b>	<b>74,336</b>	<b>523,674</b>
<b>Miami</b>	<b>Totals</b>	<b>37,715,113</b>	<b>-273,013</b>	<b>-153,698</b>	<b>-0.4%</b>	<b>13.4%</b>	<b>14.2%</b>	<b>\$38.23</b>	<b>197,788</b>	<b>718,026</b>
Brickell	A	4,662,597	-20,961	-37,994	-0.8%	9.0%	10.8%	\$51.85	0	0
Downtown Miami	A	4,227,726	-12,739	75,917	1.8%	21.8%	22.5%	\$49.90	123,452	194,352
<b>CBD</b>	<b>A</b>	<b>8,890,323</b>	<b>-33,700</b>	<b>37,923</b>	<b>0.4%</b>	<b>15.1%</b>	<b>16.4%</b>	<b>\$50.48</b>	<b>123,452</b>	<b>194,352</b>
Aventura	A	798,637	14,243	45,531	5.7%	11.9%	12.5%	\$49.69	74,336	102,000
Coconut Grove	A	515,332	0	-8,452	-1.6%	1.7%	1.7%	\$40.05	0	139,293
Coral Gables	A	3,693,019	-35,814	-1,482	0.0%	8.5%	9.1%	\$41.89	0	132,381
Kendall	A	1,046,724	-16,107	-32,547	-3.1%	16.8%	16.9%	\$37.49	0	0
Miami Airport	A	5,135,404	-24,206	42,931	0.8%	8.3%	9.6%	\$33.25	0	150,000
Miami Beach	A	710,902	-11,571	25,083	3.5%	5.1%	5.7%	\$49.84	0	0
Miami Lakes	A	411,618	-4,799	-12,229	-3.0%	20.6%	21.7%	\$24.67	0	0
<b>Suburbs</b>	<b>A</b>	<b>12,311,636</b>	<b>-78,254</b>	<b>58,835</b>	<b>0.5%</b>	<b>9.2%</b>	<b>10.1%</b>	<b>\$38.79</b>	<b>74,336</b>	<b>523,674</b>
<b>Miami</b>	<b>A</b>	<b>21,201,959</b>	<b>-111,954</b>	<b>96,758</b>	<b>0.5%</b>	<b>11.7%</b>	<b>12.7%</b>	<b>\$43.90</b>	<b>197,788</b>	<b>718,026</b>
Brickell	B	2,016,881	-33,591	-49,734	-2.5%	15.6%	17.8%	\$36.68	0	0
Downtown Miami	B	2,900,316	1,254	19,494	0.7%	22.3%	22.3%	\$31.24	0	0
<b>CBD</b>	<b>B</b>	<b>4,917,197</b>	<b>-32,337</b>	<b>-30,240</b>	<b>-0.6%</b>	<b>19.6%</b>	<b>20.5%</b>	<b>\$33.06</b>	<b>0</b>	<b>0</b>
Aventura	B	329,628	-12,766	-17,702	-5.4%	19.8%	19.8%	\$38.95	0	0
Coconut Grove	B	479,539	-7,784	-10,269	-2.1%	10.8%	10.8%	\$39.21	0	0
Coral Gables	B	1,864,962	-17,076	-40,291	-2.2%	12.0%	12.6%	\$34.82	0	0
Kendall	B	1,775,973	-9,593	-38,544	-2.2%	15.7%	16.0%	\$27.58	0	0
Miami Airport	B	4,963,723	-70,327	-106,448	-2.1%	12.0%	12.2%	\$27.68	0	0
Miami Beach	B	1,153,878	-9,002	-704	-0.1%	9.8%	10.5%	\$36.94	0	0
Miami Lakes	B	1,028,254	-2,174	-6,258	-0.6%	28.9%	28.9%	\$23.40	0	0
<b>Suburbs</b>	<b>B</b>	<b>11,595,957</b>	<b>-128,722</b>	<b>-220,216</b>	<b>-1.9%</b>	<b>14.0%</b>	<b>14.3%</b>	<b>\$29.41</b>	<b>0</b>	<b>0</b>
<b>Miami</b>	<b>B</b>	<b>16,513,154</b>	<b>-161,059</b>	<b>-250,456</b>	<b>-1.5%</b>	<b>15.7%</b>	<b>16.1%</b>	<b>\$30.77</b>	<b>0</b>	<b>0</b>