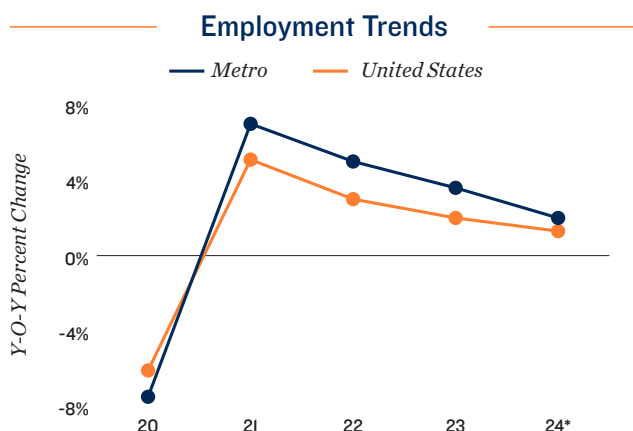


Local Office Sector Bolstered By Strong In-Migration and World-Class Infrastructure

Miami demand metrics hold a top spot. The metro recorded the fourth-lowest vacancy rate among major markets in the country in March 2024. Miami's strategic location and established infrastructure, such as Miami International Airport, has appealed to international firms. The airport here has reported an uptick in cross-border travel, with 15,000 more commercial flights in 2023 than in 2018. Highlighting this influence, two of the largest individual move-ins planned over the next two years are tied to global firms: Mediterranean Shipping Company (MSC) and Citadel Securities. MSC starts a 130,000-square-foot lease downtown in 2025, while Citadel will be upgrading its floor plan to a 95,000-square-foot space in Brickell.

Smaller-scale companies are leasing outside of the urban core. Kendall reported a 140-basis-point vacancy compression during 2023. Leases here have decreased in size over the past year with no new contracts over 15,000 square feet signed from June 2023 to May 2024. Companies are attracted to this submarket, and others outside of the urban core, to appeal to workers that moved to the suburbs during the pandemic. Young professionals have been enticed by Florida's lower living costs compared to Northeastern markets. Metrowide, many cost-conscious firms are choosing to save money by pursuing lower price leases. This led Miami to hold the second-tightest vacancy rate for low- and mid-tier offices among major metros, at 6.8 percent in March.



* Forecast
Sources: BLS; CoStar Group, Inc.

Office 2024 Outlook



26,000

JOB
will be created

EMPLOYMENT:

Job creation slows this year as employment increases by 2.0 percent, a rate 50 basis points above the 20-year mean. Growth was led by the leisure and hospitality sectors, with 3,400 roles created in first quarter 2024.



1,634,000

SQ. FT.
will be completed

CONSTRUCTION:

Completions will exceed 1.6 million square feet for the first time since 2010, expanding inventory by 1.5 percent. Deliveries this year are highlighted by a 650,000-square-foot building in Brickell.



60

BASIS POINT
increase in vacancy

VACANCY:

While net absorption improves over last year, new demand will not be enough to offset the large supply injection. A vacancy compression trend will end this year as the rate lifts to 11.2 percent.



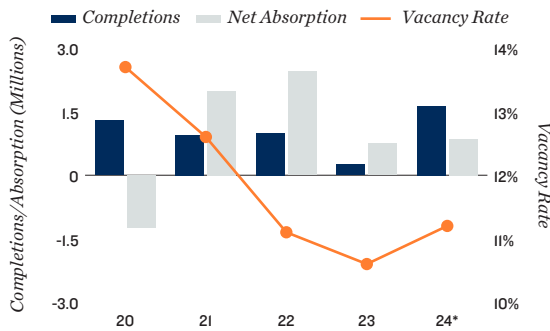
1.4%

INCREASE
in asking rent

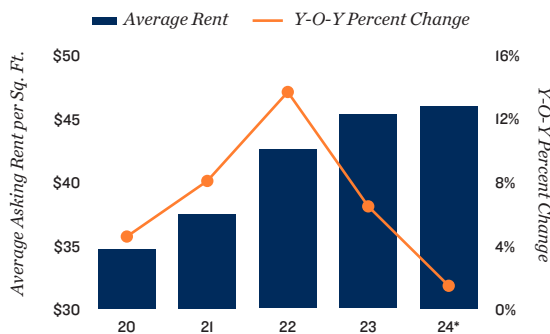
RENT:

The average asking rent will reach \$45.90 per square foot this year. Growth is led by areas outside of the CBD, with Coconut Grove, Northeast and South Dade all having annual lifts of 10-plus percent in March.

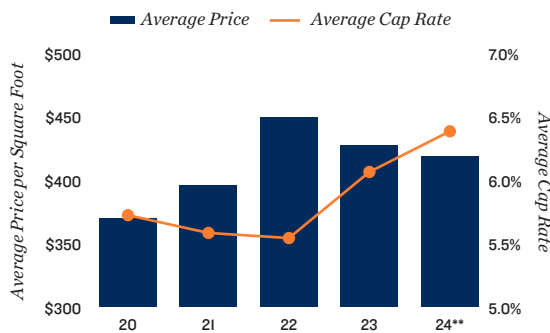
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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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

IQ 2024 - 12-Month Period

CONSTRUCTION

253,000 sq. ft. completed

- Minimal completions over the four-quarter period ending in March raised inventory by 0.2 percent. That trend will cease soon as a large 1.4 million-square-foot slate of arrivals is expected by year-end.
- More than half of the space delivered in the first quarter came from a 104,000-square-foot medical office building in Aventura.

VACANCY

60 basis point decrease in vacancy Y-O-Y

- Local vacancy has mostly been declining since mid-2021, pushing Miami's rate to one of the lowest in the country, at 10.8 percent as of March.
- Miami recorded vacancy decreases across all class cuts in March, with Class B/C spaces reporting an 80-basis-point drop to 6.8 percent. Meanwhile, high-tier assets saw less movement, staying above 18.0 percent.

RENT

2.1% increase in the average asking rent Y-O-Y

- The average asking rent rose to the highest level on record at \$45.45 per square foot in March, with more growth predicted through the year.
- Rent gains were led by the CBD this year, posting a 2.6 percent rise over the 12-month period to \$51.15 per square foot. Meanwhile, the mean asking rent in Northeast Dade grew by 19.0 percent to \$36.66 per square foot.

Investment Highlights

- With one of the lowest office vacancy rates in the country and an average cap rate 120 basis points under the national mean, at 6.4 percent, Miami may appeal to risk-averse investors willing to pay a premium for stability. Properties here have traded at a mean of \$418 per square foot over the past year ended in March, the highest among major Florida metros.
- While more investors have sat on the sidelines since 2022 amid a high borrowing cost environment, Coral Gables has retained much of its transaction volume over the last three years. Strong vacancy compression recorded since 2021, combined with an average asking rent above the metrowide mean, has been holding buyer attention. Properties sold here over the last two years went for an average of \$385 per square foot.
- Yield-driven buyers could be on the lookout for properties in Miami proper just outside of the CBD. The average cap rate here was higher than the metrowide mean, and entry costs could ease after vacancy rose 60 basis points and the average asking rent fell sharply over the year ended in March. Properties traded here over the last two years tended to be older, with an average age of 52, at a mean price of \$475 per square foot.