

# 4Q

2022



# MIAMI OFFICE MARKET

**SNAPSHOT & OUTLOOK**

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*“I believe in Miami...  
The growth will continue.”*

— *Stephen Ross, Chairman  
The Related Companies*

A generation ago, Miami’s hemispheric influence earned it the reputation as “the Gateway to Latin America.” Today, with its economic health and diversity, pace of growth, population, desirability and density, and access to global markets, Leverage.com named it a “Gateway City” for real estate investors, placing it in the company of New York, Los Angeles, Chicago, Washington, D.C., San Francisco, and Boston.

Layer on the state’s low-tax, favorable regulatory and pro-business environments; and “work from anywhere” allure, and the commercial real estate dynamics in Florida in general - and Miami in particular - are captivating the attention of the most discerning investors and characterized as the “hottest” office market in the country. Worker and corporate relocations, transformational infrastructure projects, investor confidence fueling billions of dollars in new development, and tenant flight to quality continue to elevate the commercial real estate sector across the region.

Rent growth, net absorption, and new-to-market tenants each are at record levels. Top-rated law firm Kirkland & Ellis and Alston & Bird, as well as numerous other professional-services companies, arrived to

serve the burgeoning list of BFSI and tech clients. Other recent arrivals to the 55-story 830 Brickell now expected to deliver 3Q 2023, the first-Class A high-rise office tower in Brickell to deliver since 2012, include Microsoft Corp., private equity firm Thoma Bravo LP, and Ken Griffin’s Citadel.

New names on the front doors evidence the diversity of companies relocating headquarters and opening new regional hubs. A short list includes (from New York) fintech FundKite, proptech Bungalow, hedge fund NuVerse Advisors LLC, and El Al Israel Airlines; (from California) residential tech Belong, West Marine, aircraft leasing company AerCap and SH Hotels & Resorts; (from Illinois) cruise operators Crystal Cruises and (from Washington state) Windstar Cruises.

The year saw unprecedented demand across the office market, with net absorption, leasing activity, new-to-market activity, and rental rates reaching record highs. Rents achieved in 2022 at 830 Brickell generally ranging from \$90 to \$115 per SF (FS) bodes well for future Class A product. Over the previous decade, the average annual increase for Class A and B office in Miami and nationally was hovering around 2.8%; in 2020, 2021 and 2022, greater Miami office

market rent growth was 7.4%, 5.0% and 10.9%, respectively. The most significant rent growth was seen in Brickell Class A assets, followed by Aventura, Wynwood, and Downtown.

The fourth quarter saw 1 million SF of leasing activity, bringing the year’s total to a record breaking 4.3 million SF, some 55% higher than the average for the past five years. New-to-market leasing activity was up 23%, totaling 811,000 SF, which is 152% higher than the average for the past five years.

Beyond the CBD most Miami-Dade County’s submarkets are thriving. New construction of Class-A office and mixed-use product can be found in Coral Gables, Miami Beach, Wynwood, and Aventura.

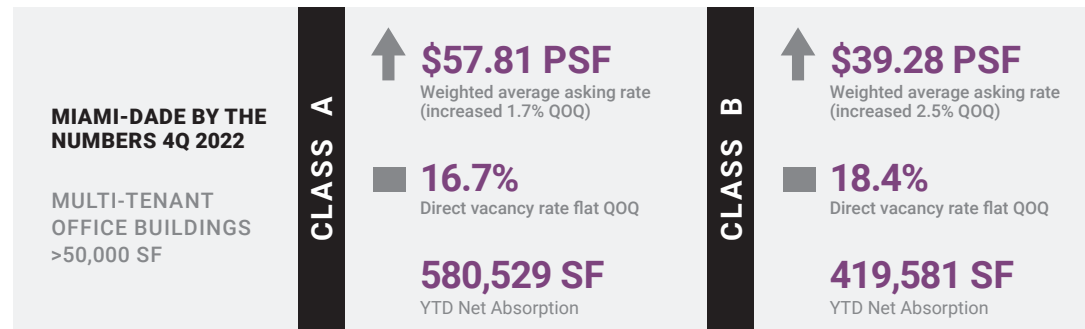
A Miami Beach office building underway with former Google CEO Eric Schmidt as lead investor is catering to the finance firms coming to town. On the east island of Bay Harbor located at the northern end of Biscayne Bay adjacent to the Town of Surfside in Miami Beach, Terra Group’s mixed-use development integrates a wellness component to complement its nearly 100,000 SF of office and 53 luxury condominiums.

Delivery of new product, such as The Plaza Coral Gables, Optima Onyx Tower in Aventura/Hallandale Beach and 545Wyn and The Gateway in Wynwood, reveal the breadth of the market.

Some submarkets offer no options for tenants seeking larger space. This will drive interest in submarkets with new office deliveries in the horizon that offer amenities and convenient access to employees and executives. Some outlying markets have easier commutes, and in Aventura/Hallandale Beach, Optima Onyx Tower tenants now can ditch the car altogether and board a Brightline train at the rail provider’s newly opened terminal.

The future is not without its challenges given residential and commercial insurance markets and interest rates’ effect on construction financing and values.

Still, with limited quality existing inventory and controlled supply of near-term delivery for Class A product, rents will remain strong, select renovated Class B office assets will benefit from strong leasing demand, and Miami will solidify its place as a global “Gateway City” for real estate investors.



# Demand

*In 2022, the Miami-Dade office market experienced unprecedented demand, with net absorption, leasing activity, new-to-market activity, and rental rates reaching record highs. Major markets across the country have yet to return to pre-pandemic levels but the Miami-Dade office market soared to new heights. The influx of people and companies that began during the pandemic boosted the market, making it a topic of national conversation.*



During the fourth quarter of 2022, there was 1 million SF of leasing activity, bringing the year's total to a record breaking 4.3 million SF, 55% higher than the average for the past five years. Both existing tenants and new-to-market tenants contributed to this record-breaking leasing activity. In the past two years, the influx of new-to-market tenants has continued, leading existing tenants to implement strategies to hedge the market by extending their leases early and in many cases committing to lease additional space. For example, law firm Bilzin Sumberg extended its lease ahead of schedule and White & Case also extended early and leased additional space as new law firms enter the market at a faster rate.

This year saw a 23% increase in new-to-market leasing activity, totaling 811,000 SF, which is 152% higher than the average for the past five years. Not only was there an increase in the quantity of new-to-market leasing, but there was also a shift in the composition of this activity. In 2020 and 2021, financial services companies made up 54% of new-to-market leasing and TAMI companies accounted for 18.5%. The influx of financial and technology companies created a demand for legal services and

business and professional services. In 2022, legal and professional services represented 33.5% and 10.1% of new-to-market leasing activity, respectively, compared to less than 6% in the previous two years. The distribution of tenants across different submarkets remained largely unchanged, with Brickell and downtown Miami remaining popular among new-to-market companies. There were slight increases in leasing activity in Miami Beach and Aventura as new construction attracted some of these tenants. The record year builds off the success Miami and South Florida has had in attracting new-to-market tenants since the start of 2020. Nearly 300 companies have relocated to or opened an office in South Florida since the start of 2020, two thirds of those companies selecting Miami for their new office.

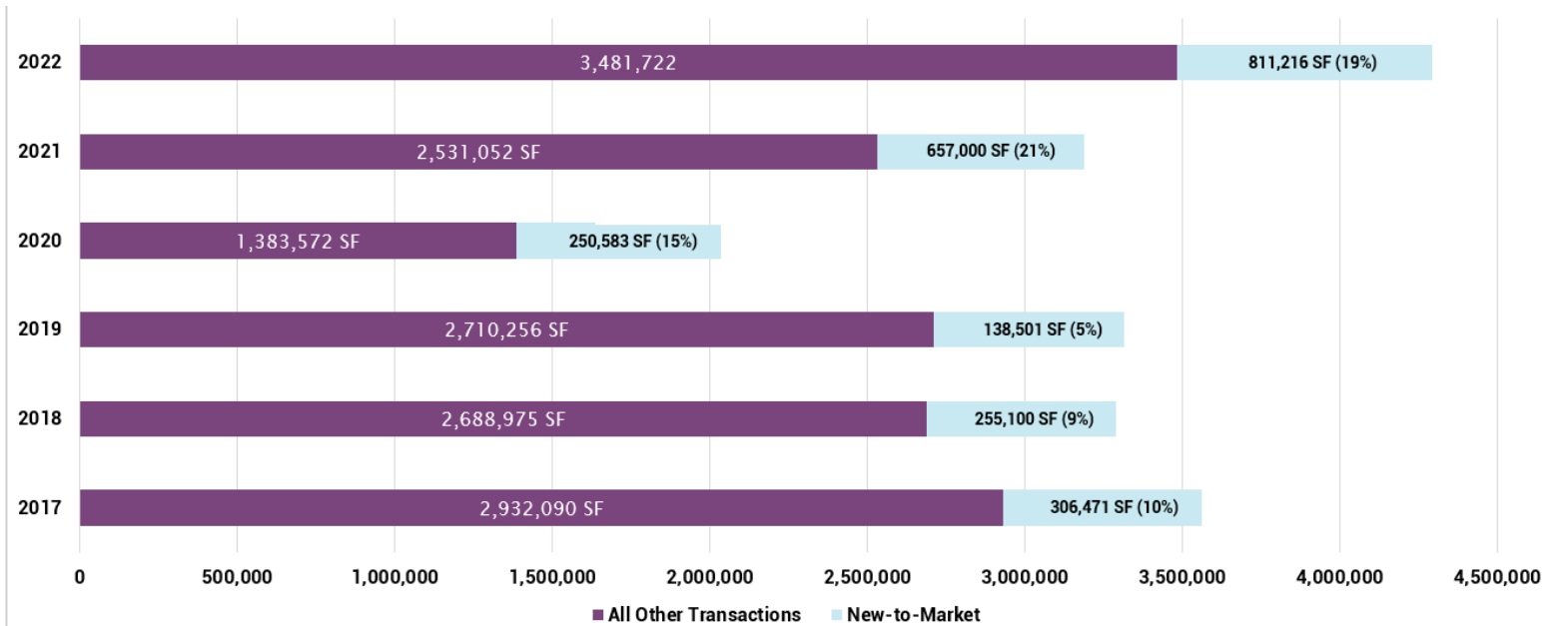
The Miami-Dade office market experienced record net absorption in 2022, with 1.0 million SF absorbed, following the 681,000 SF absorbed in 2021. In 2022, both Class A and Class B properties recorded positive absorption. The limited availability of Class A space and changes in pricing dynamics boosted Class B fundamentals. All four major submarkets (Downtown, Brickell, Coral Gables, and

Miami Airport) saw positive absorption, with Miami Airport leading the way at 230,000 SF. In addition, the submarkets of Wynwood and Aventura, which have recently delivered new buildings, saw strong demand, with 208,000 SF and 146,000 SF of net absorption, respectively. This demand was fueled by lease-up at the Optima Onyx Tower in Aventura/Hallandale Beach and in Wynwood at 545Wyn and The Gateway.

Despite potential economic challenges, the Miami-Dade office market is poised for a strong 2023. The delivery of 830 Brickell in the second quarter of 2023 is expected to bring nearly 600,000 SF of positive absorption to the market, as the building is largely leased to new-to-market companies. In addition, there are currently 4.3 million SF of active requirements for space in Miami-Dade, with 30% coming from new-to-market tenants.

Miami's status as a gateway market is likely to continue in 2023 and beyond as new-to-market companies join the diverse mix of existing tenants in the region. New and existing top-quality assets will continue to outperform existing assets given flight to quality by both existing and out of market tenants across the region.

**COMPLETED TRANSACTIONS**



# Supply

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*In 2022, the vacancy rate in Miami-Dade County decreased further towards pre-pandemic levels, thanks to the record high of 1.0 million SF of positive absorption, which exceeded the 448,000 SF of new deliveries. The vacancy rates for both Class A and Class B properties decreased by 220 basis points compared to the previous year, reaching 17.4%. While the Class B segment saw the most significant decrease in vacancy, a drop of 460 basis points year-over-year to 18.4%, the Class A segment remained the tightest at 16.7%.*



With the delivery of the fully leased 164,000 square foot Plaza Coral Gables - South Tower in the fourth quarter, vacancy remained unchanged from the previous quarter as absorption kept pace with the deliveries.

Despite record demand and a tightening vacancy, there are still prime opportunities available. However, some segments of the market have few or no options for larger tenants seeking space. The two tightest segments are Tier 1 assets in Brickell and Coconut Grove, with vacancy rates of 6.8% and 8.6%, respectively. As limited supply is expected to become available in these submarkets in the near future, it is anticipated that vacancy rates and quality space opportunities will remain low.

Tenants still have a range of top-tier options to choose from in other submarkets, each with their own unique benefits. In the eclectic Wynwood submarket, space is available at 545WYN and The Gateway,

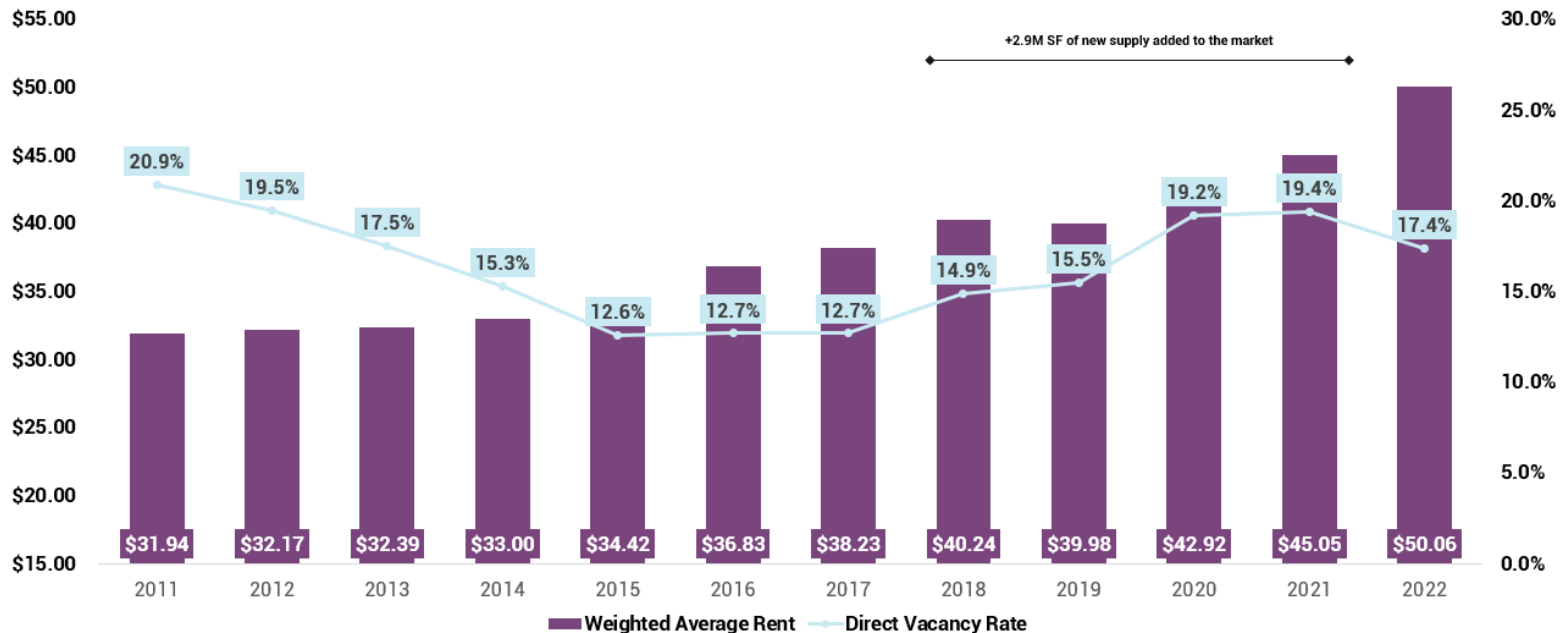
where tenants can benefit from the emerging live, work, play environment in a rich cultural setting. In the Miami Airport and Aventura submarkets, located west and north of downtown Miami, there are high-quality assets that are centrally located in South Florida. Highly-amenitized trophy projects in suburban markets such as the Waterford Business District, The Plaza Coral Gables and Optima Onyx Tower can accommodate the needs of larger tenants looking to expand their talent pool and be closer to where their executive and employee base resides to reduce their daily commute times. The recently delivered Aventura Brightline Station, just west of the Aventura Mall, is already increasing the desirability of the Aventura/Hallandale Beach submarket and will contribute to its future growth.

With the recent completion of The Plaza Coral Gables - South Tower and the Optima Onyx Tower, there is still 1.24 million SF of office space under construction at a 60% prelease rate. Leasing activity is

shifting to areas outside the CBD, such as Waterford Business District, Coral Gables, Wynwood/Design District, Aventura and Miami Beach since new high-rise office developments in the CBD are not to deliver until late 2025-2028. Smaller projects in these submarkets can meet short-term demand, while larger tenants may consider alternatives outside of Miami such as Hines' T3 Fat Village located adjacent to Ft. Lauderdale's Brightline Station where a high concentration of professionals already reside and continued residential and commercial development will continue to drive strong demand for quality office space.

The convergence of high demand, low vacancy rates, and limited supply is benefiting owners of high-quality assets, who have already achieved record-high rental rates. As tenants continue to prioritize quality, these asset owners will have the opportunity to lease up remaining space at a premium rents.

**HISTORICAL MIAMI-DADE DIRECT WEIGHTED AVERAGE RATE & VACANCY | CLASS A & B MULTI-TENANT BUILDINGS > 50,000 SF**



# Rates

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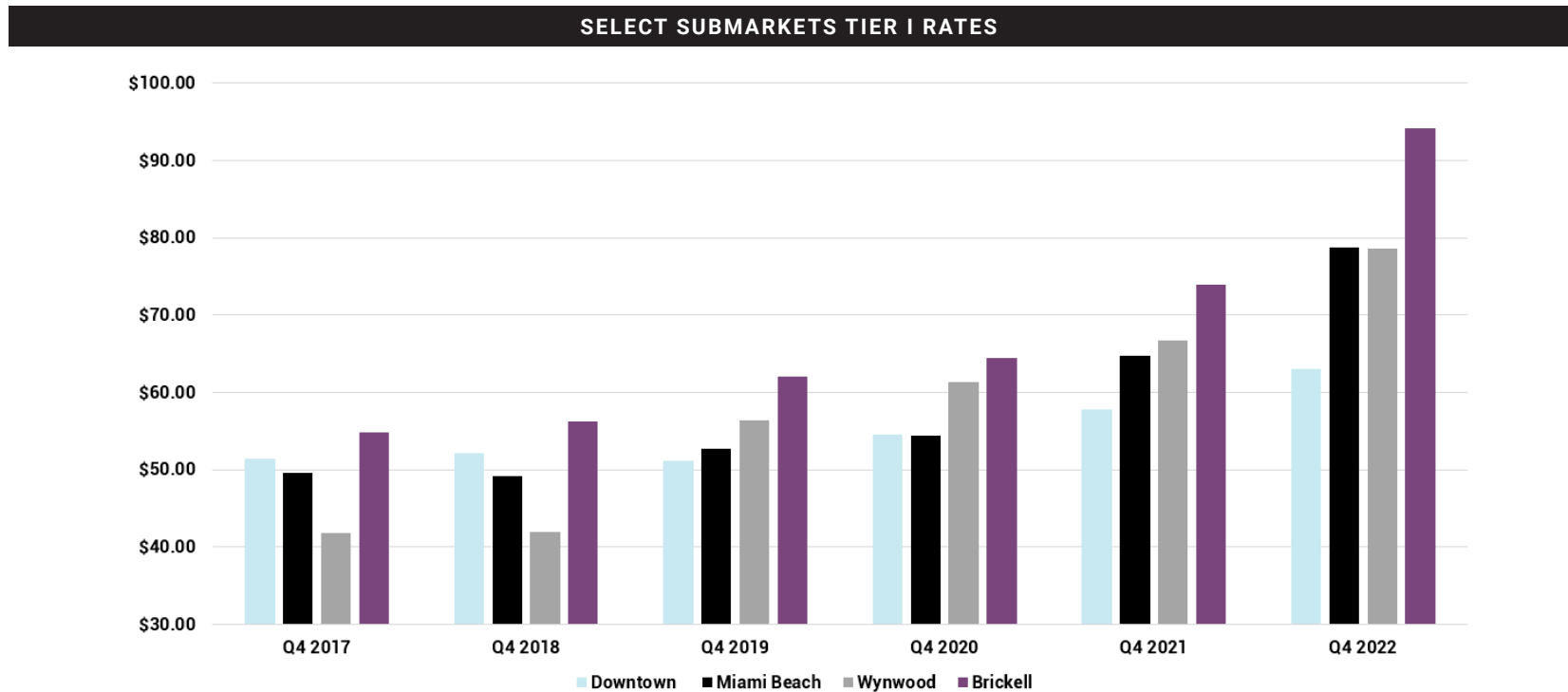
*Between 2011 and 2019, the average annual increase in the weighted average asking rate for Class A and B products was 2.8%, on pace with the national rate of rental growth. However, in 2020, the Miami office market experienced a significant increase in rent growth, with a 7.4% increase followed by an additional 5.0% growth in 2021. In 2022, record rent growth was recorded as the weighted average asking rate increased 10.9%. Since 2019, rents have increased 25.2%, bringing the average asking rate to \$50.06, comparable to other major metropolitan areas such as Boston, Los Angeles, Austin, and Seattle.*



The most significant rent growth was seen in Brickell Class A assets, followed by Aventura, Wynwood, and Downtown. Brickell's Class A assets saw a 33.7% year-over-year increase in asking rates, bringing them to \$88.83, 56% higher than in Q4 2019. The rental rates in these submarkets reflect the supply and demand trends. However, the rent growth in Miami-Dade has not been limited to just Class A product in major submarkets, as the weighted average asking rate for Class B product increased 7.1% year-over-year to \$39.28.

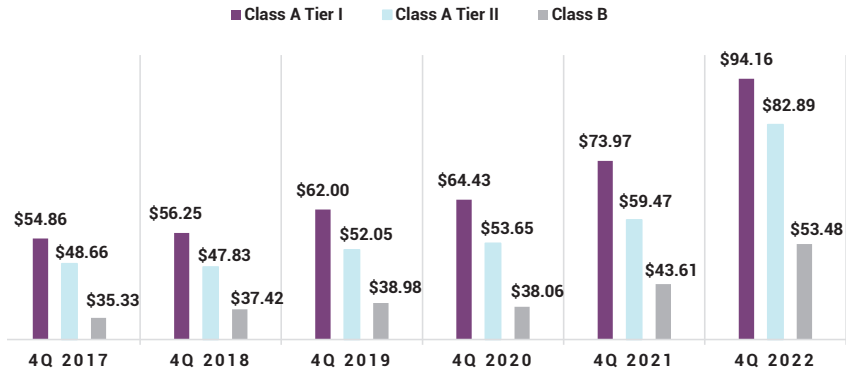
As a result of these rent increases, pricing dynamics across submarkets have changed dramatically. The premium for Brickell's Class A product over the rest of the market has increased from 28% in Q4 2019 to 53% this quarter. Price-sensitive tenants in Brickell are already looking to lease in Class A product in other submarkets where discounts for high-quality space average 20-30%. This spillover effect is occurring and will persist especially during the next 48 months with limited quality inventory available in Brickell.

Rental rates are expected to continue to increase in 2023 given limited new deliveries on the horizon and a strong pipeline of deals in the market, albeit at a slower rate than the last three years as macroeconomic conditions may present headwinds to landlords. Owners of quality assets will push rates on the limited availabilities left in their buildings as both new-to-market tenants and existing tenants compete for the prime spaces in the market.

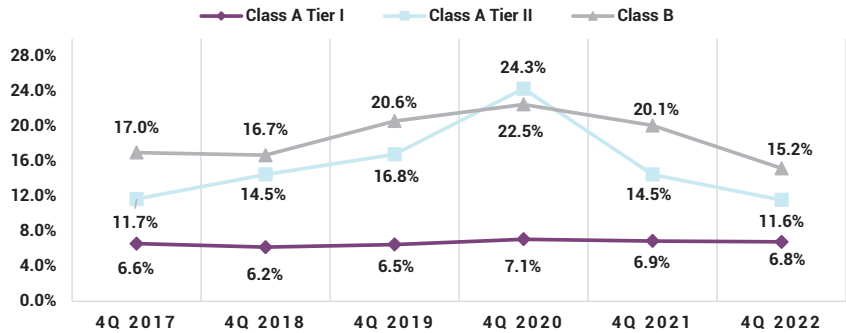


4Q 2022 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



4Q 2022 CLASS A & B HIGHLIGHTS

**\$74.45 PSF**

Weighted average asking rate increased 32.9% YOY

**10.3%**

Direct vacancy decreased, previously 12.5% in 4Q 2021

**158,186 SF**

YOY Net Absorption

**815,618SF**

Under Construction

**1,276,587 SF**

YOY Leasing

NOTABLE RECENT LEASE TRANSACTIONS

**KIRKLAND & ELLIS**

**99,418 SF**

830 BRICKELL  
NEW-TO-MARKET

**CITADEL**

**95,000 SF**

830 BRICKELL  
NEW-TO-MARKET

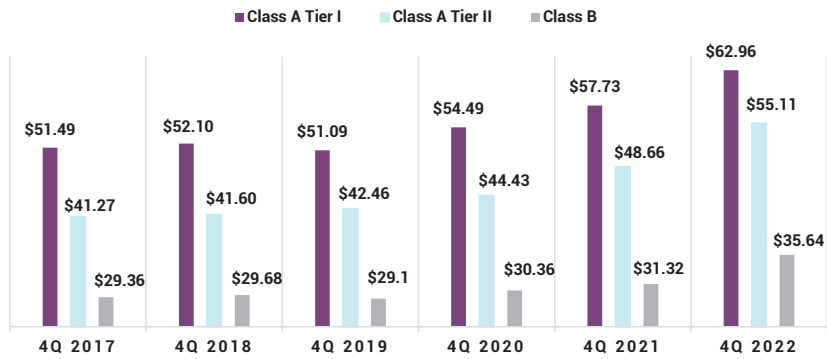
**Bilzin Sumberg**

**83,790 SF**

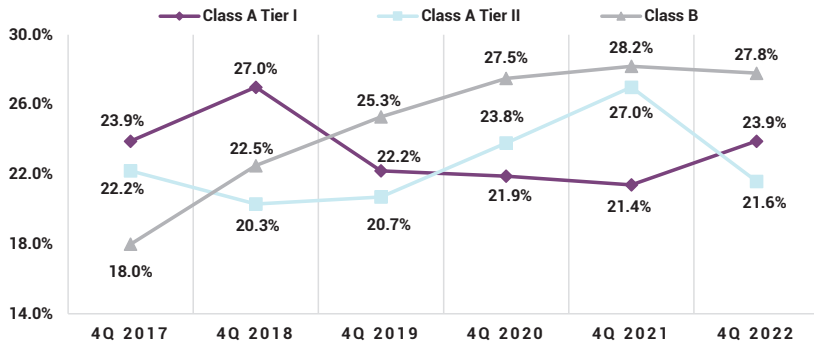
1450 BRICKELL  
EARLY EXTENSION

4Q 2022 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



4Q 2022 CLASS A & B HIGHLIGHTS

**\$51.51 PSF**

Weighted average asking rate increased 14.2% YOY

**24.5%**

Direct vacancy decreased, previously 25.7% in 4Q 2021

**98,377 SF**

YOY Net Absorption

**0 SF**

Under Construction

**561,939 SF**

YOY Leasing

NOTABLE RECENT LEASE TRANSACTIONS

**WHITE & CASE**

**81,603 SF**

SOUTHEAST FINANCIAL CENTER  
EARLY EXTENSION & EXPANSION

**Goldman Sachs**

**35,000 SF**

SOUTHEAST FINANCIAL CENTER  
RENEWAL & EXPANSION

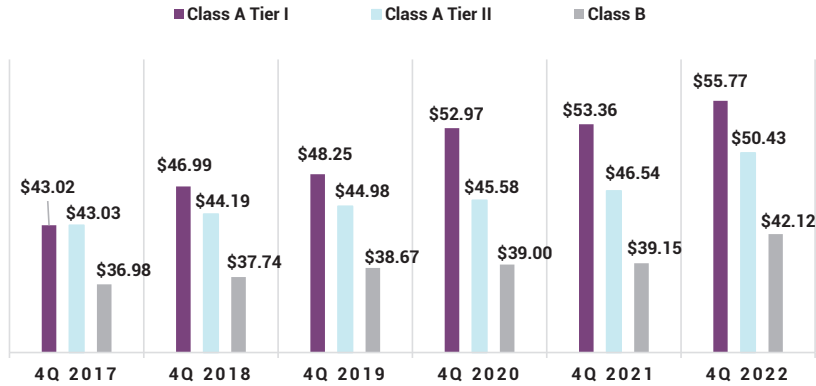
**SKYX**

**32,172 SF**

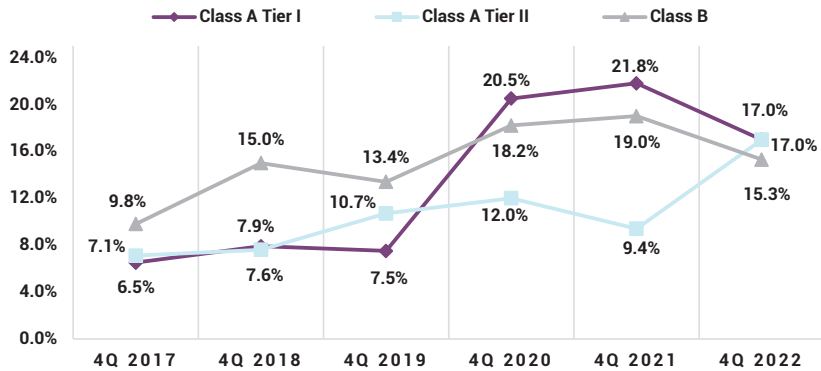
THE ELSER  
IN MARKET RELOCATION

4Q 2022 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



4Q 2022 CLASS A & B HIGHLIGHTS

**\$48.84 PSF**

Weighted average asking rate increased 12.4% YOY

**16.3%**

Direct vacancy decreased, previously 17.1% in 4Q 2021

**117,419 SF**

YOY Net Absorption

**0 SF**

Under Construction

**576,622 SF**

YOY Leasing

NOTABLE RECENT LEASE TRANSACTIONS

**Morgan Stanley  
Smith Barney**

**28,062 SF**

220 ALHAMBRA  
RENEWAL



Bermello Ajamil & Partners, Inc.

**24,000 SF**

GABLES PONCE  
IN MARKET RELOCATION

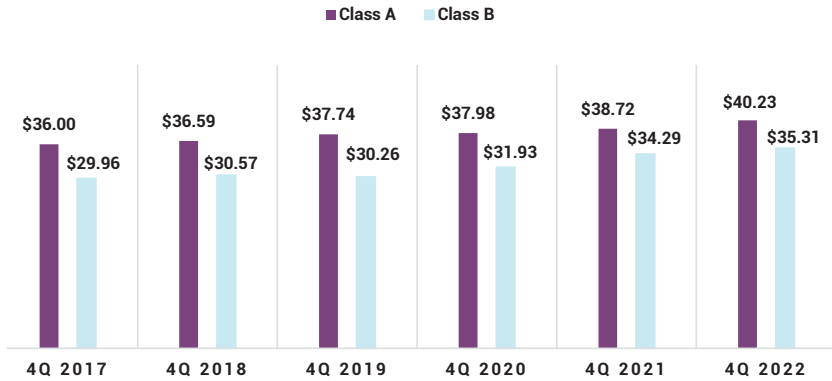


**22,223 SF**

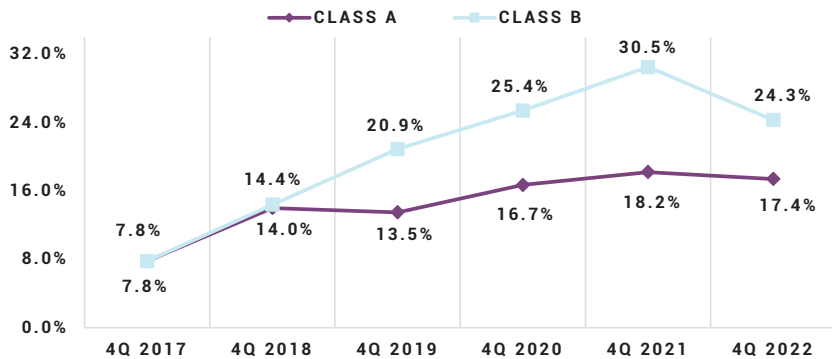
THE PLAZA CORAL GABLES  
NORTH TOWER  
IN SUBMARKET RELOCATION

4Q 2022 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



4Q 2022 CLASS A & B HIGHLIGHTS

**\$37.57 PSF**

Weighted average asking rate increased 31.1% YOY

**20.5%**

Direct vacancy decreased, previously 23.5% in 4Q 2021

**299,628SF**

YOY Net Absorption

**0 SF**

Under Construction

**855,041 SF**

YOY Leasing

NOTABLE RECENT LEASE TRANSACTIONS



**75,730SF**

QUATTRO MIAMI  
IN MARKET RELOCATION & EXPANSION



MONAT®

**54,000 SF**

INTERNATIONAL CORPORATE PARK SOUTH  
IN SUBMARKET RELOCATION & EXPANSION



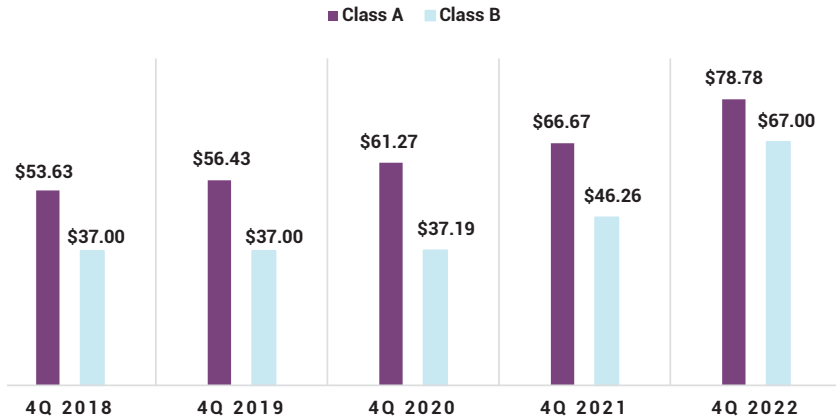
LOVE IS ALL YOU NEED

**53,000 SF**

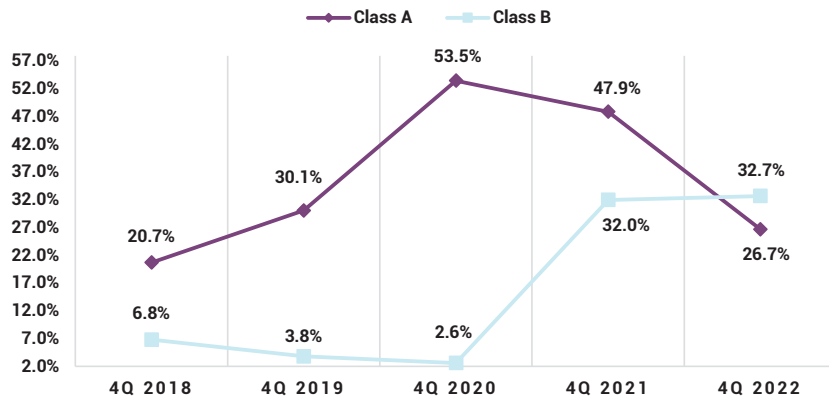
5505 WATERFORD  
IN MARKET RELOCATION

4Q 2022 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



4Q 2022 CLASS A & B HIGHLIGHTS

**\$77.33 PSF**

Weighted average asking rate increased 31.1% YOY

**27.3%**

Direct vacancy decreased, previously 46.2% in 4Q 2021

**208,252 SF**

YOY Net Absorption

**312,389 SF**

Under Construction

**301,833 SF**

YOY Leasing

NOTABLE RECENT LEASE TRANSACTIONS

**KNOTEL**

**38,428 SF**

WYNCATCHER  
NEW-TO-MARKET

**pwc**  
**38,409 SF**  
545 WYN  
NEW TO SUBMARKET

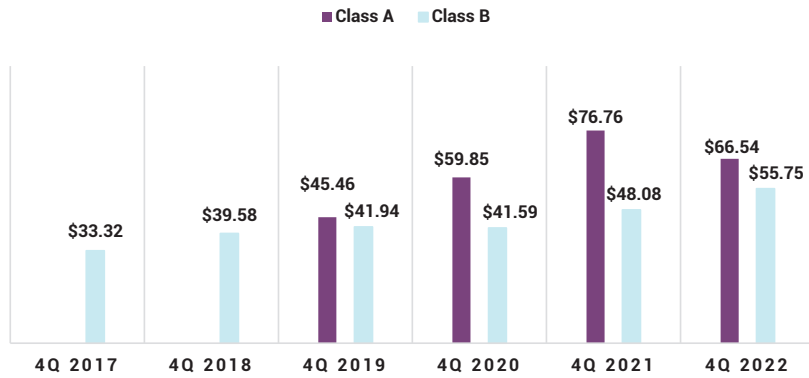
**neocis**

**38,400 SF**

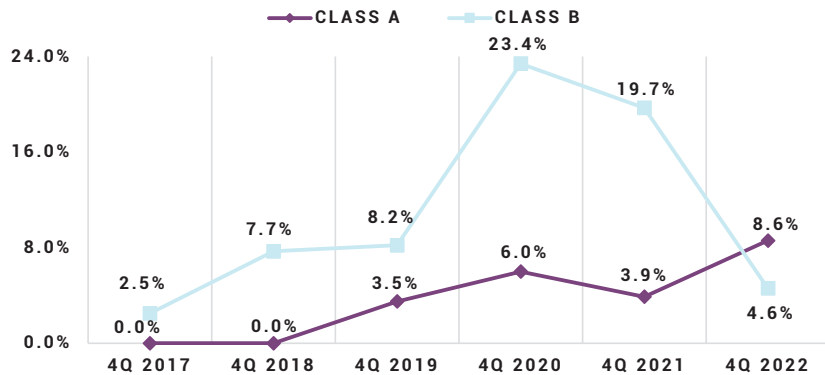
545 WYN  
IN MARKET RELOCATION

4Q 2022 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



4Q 2022 CLASS A & B HIGHLIGHTS

**\$63.47 PSF**

Weighted average asking rate increased 25.1% YOY

**6.9%**

Direct vacancy decreased, previously 11.1% in 4Q 2021

**45,151 SF**

YOY Net Absorption

**0 SF**

Under construction

**99,005 SF**

YOY Leasing

NOTABLE RECENT LEASE TRANSACTIONS



**17,365 SF**

MAYFAIR IN THE GROVE  
EXPANSION



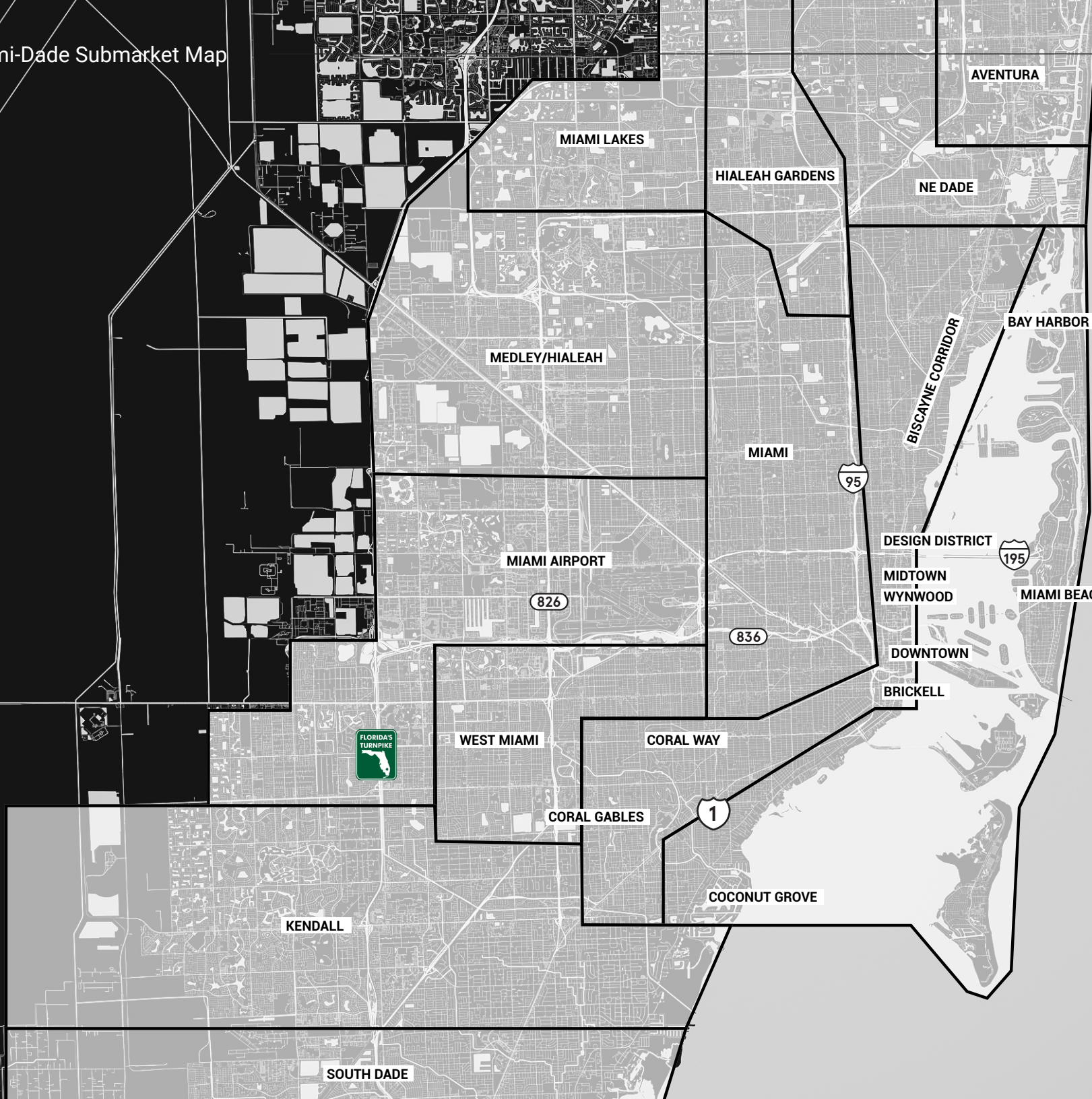
**11,431 SF**

3480 MAIN  
IN MARKET RELOCATION



**10,097 SF**

PARK GROVE  
IN MARKET RELOCATION





Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate FS	2022 Net Absorption	2022 Direct Leasing Activity (SF)	Under Construction
<b>4 MAJOR SUBMARKETS</b>							
Downtown	8	4,889,662	23.0%	\$60.10	88,686	492,893	-
Brickell	13	4,752,936	8.4%	\$88.83	49,117	1,121,441	815,618
Coral Gables	23	4,005,082	17.0%	\$53.84	31,248	439,464	-
Miami Airport	32	5,209,996	17.4%	\$40.23	39,403	637,924	-
<b>SUBTOTAL</b>	<b>76</b>	<b>18,857,676</b>	<b>16.5%</b>	<b>\$56.62</b>	<b>208,454</b>	<b>2,691,722</b>	<b>815,618</b>
Aventura	9	1,174,802	17.6%	\$62.06	128,952	126,708	-
Biscayne Corridor	1	435,000	15.5%	\$38.26	22,925	26,550	-
Coconut Grove	5	711,917	8.6%	\$66.54	(36,404)	48,477	-
Coral Way						-	-
Kendall	4	713,687	11.1%	\$45.36	19,471	90,076	-
Medley						-	-
Miami	2	401,126	18.7%	\$54.76	(11,499)	42,399	-
Miami Beach	7	787,953	15.9%	\$68.60	34,373	100,152	114,467
Miami Lakes	6	386,785	25.0%	\$31.35	(6,680)	9,914	-
NE Dade	1	102,287	11.5%	\$62.00	11,890	-	-
South Dade						-	-
Wynwood-Design District	9	1,071,038	26.7%	\$78.78	209,047	263,405	312,389
<b>SUBTOTAL</b>	<b>44</b>	<b>5,784,595</b>	<b>17.5%</b>	<b>\$61.49</b>	<b>372,075</b>	<b>707,681</b>	<b>426,856</b>
<b>TOTAL</b>	<b>120</b>	<b>24,642,271</b>	<b>16.7%</b>	<b>\$57.81</b>	<b>580,529</b>	<b>3,399,403</b>	<b>1,242,474</b>

Multi-tenant, Class A Buildings > 50,000 SF (with the exception of new developments The Wynwood Garage and The Optimum)

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate (FS)	2022 Net Absorption	2022 Direct Leasing Activity (SF)
<b>4 MAJOR SUBMARKETS</b>						
Downtown	12	2,195,144	27.8%	\$35.64	9,691	69,046
Brickell	11	1,782,563	15.2%	\$53.48	109,069	155,146
Coral Gables	23	2,709,925	15.3%	\$42.12	86,171	137,158
Miami Airport	41	4,243,762	24.3%	\$35.31	190,225	217,117
<b>SUBTOTAL</b>	<b>87</b>	<b>10,931,394</b>	<b>21.3%</b>	<b>\$38.73</b>	<b>395,156</b>	<b>578,467</b>
Aventura	2	229,265	2.3%	\$45.36	17,443	-
Biscayne Corridor	4	291,131	7.7%	\$47.67	28,252	34,433
Coconut Grove	5	542,426	4.6%	\$55.75	81,555	50,528
Coral Way	8	567,749	10.0%	\$32.18	(4,395)	2,662
Kendall	9	1,240,940	21.6%	\$37.82	(103,831)	102,324
Medley	3	193,914	5.5%	\$25.00	(4)	-
Miami	1	76,789	0.0%	-	-	-
Miami Beach	6	731,789	7.9%	\$49.73	58,078	60,941
Miami Lakes	3	157,987	2.1%	\$25.84	3,065	9,968
NE Dade	7	838,623	16.8%	\$38.59	(52,346)	11,015
South Dade	2	133,994	2.9%	-	(2,597)	4,769
Wynwood-Design District	2	122,396	32.7%	\$67.00	(795)	38,428
<b>SUBTOTAL</b>	<b>52</b>	<b>5,127,003</b>	<b>12.4%</b>	<b>\$41.28</b>	<b>24,425</b>	<b>315,068</b>
<b>TOTAL</b>	<b>139</b>	<b>16,058,397</b>	<b>18.4%</b>	<b>\$39.28</b>	<b>419,581</b>	<b>893,535</b>

**BLANCA COMMERCIAL REAL ESTATE, INC.**  
LICENSED REAL ESTATE BROKER | [BLANCACRE.COM](https://blancacre.com)

**FORT LAUDERDALE**

201 E Las Olas Boulevard, Suite 1050  
Fort Lauderdale, FL 33301  
954.395.2112

**MIAMI**

1450 Brickell Ave, Suite 2060  
Miami, FL 33131  
305.577.8850

**WATERFORD BUSINESS DISTRICT**

701 Waterford Way, Suite 106  
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