



MIAMI OFFICE MARKET

SNAPSHOT & OUTLOOK

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

Executive Summary

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Miami-Dade Office Market Highlights

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(Class A and Class B Stats)

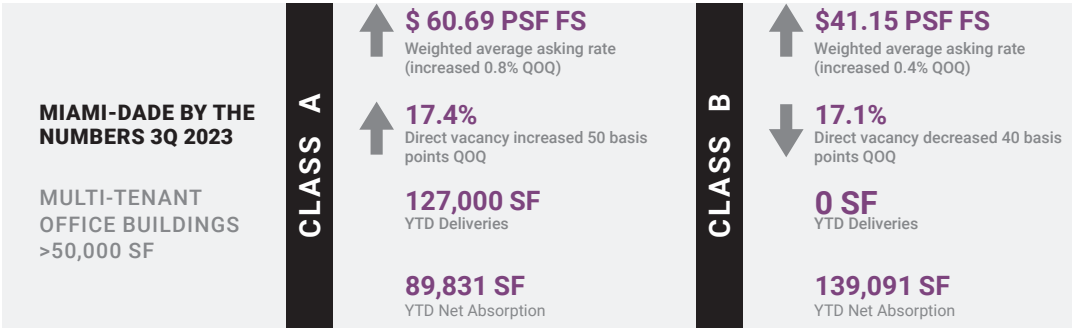
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“Miami is one of the most exciting and fastest growing cities in the world”

-- Stephen Ross
Chairman and Founder, The Related Companies



Miami continues to defy commercial real estate realities. While much of the nation’s office, industrial and warehouse sectors struggle with outbound migration, lagging tenancies, flat rents and the lingering effects of the pandemic, the Miami DMA and much of Florida are still welcoming inbound commercial and residential traffic and business flow.

Overall, the Miami market had 130,00 SF of positive absorption, which for a CRE market near capacity, is a strong indicator of positive trends. To be sure, the greater Miami market still has hot spots and those beset by demand issues. Where one market may lag, however, others continue to show themselves primed to absorb new market needs.

Most submarkets were negligible in terms of occupancy gains or losses. Brickell had been the best performing submarket over the past couple of years, however limited availabilities

and record high rents have temporarily slowed activity. The relocation of Fort Lauderdale-based law firm Kelley Kronenberg from Brickell to Coral Gables reflected a trend among some professional services firms seeking locations closer to where staff lives as a way to lower rents and commuting times.

Meanwhile, Miami Airport, Downtown and Wynwood submarkets scored several significant leases. Downtown, MiamiTower scored Quest Workspaces 11th location in the state, as well as the growth dental staffing agency TempMee, which flush with investor money, doubled its footprint to 40,000 SF. In Wynwood, 545Wyn is now 80% leased, securing various leases including two full floors (~83,000 SF) this quarter. Kushner took the last remaining floor on its Arquitectonica-designed WYND 28.

Leasing during the third quarter was slightly below the five-year historical

average, with 756,000 SF of leasing activity market wide, and new-to-market leasing at 50,000 SF. Leasing from existing tenants held strong this quarter, and the Downtown, Wynwood, Miami Airport and Coral Gables submarkets recorded most of the positive absorption. Brickell will once again regain its top spot once 830 Brickell comes online later this year or Q1 2024 and brings 600,000 SF of positive absorption to this submarket. Few existing tenants, especially professional services firms, are relinquishing their existing space in Miami-Dade where return to work has outpaced other office markets in the U.S. Compare that to professional service firms giving back upward of 25-50% in larger markets.

As has been the case recently, some positive absorption will be driven by corporate property owners seeking to capitalize on high real estate values by selling their properties and entering long term leases for significant

blocks of space. There are numerous companies across Miami-Dade that have or are planning to sell their office HQ properties, opting to lease space instead. For example, earlier this year Ryder Systems sold their HQ and opted to lease space in Coral Gables.

Among a host of new laws that took effect on July 1, Florida’s new Live Local Act seeks to boost affordable housing across the State. This could propel multifamily residential development on sites previously not zoned for residential use and potentially fuel additional sales by corporate property owners.

Heading into 2024, prospects are good for a continued strong Miami office market. We also expect to see lease activity pick up in Q4 2023. Provided the Federal Reserve rate hikes pause, the development pipeline may begin anew - further solidifying Miami’s role as a market-defying region.

Demand

—

The third quarter of 2023 reinforces the trends that occurred in the first half of the year which included strong absorption in Wynwood, Downtown Miami, Aventura and the Miami Airport, largely propelled by Miami's strong existing tenant base. Other core and secondary submarkets recorded negligible changes in absorption. The leasing and absorption figures by submarket speak to many of the market dynamics in Miami-Dade County including the maturation of the Wynwood-Design District submarket, pricing and availability in Brickell, and desire for shorter commute times for employees.



Leasing activity in the third quarter was 756,000 SF, bringing the year-to-date total to 2.4 million SF. The leasing performance this past quarter was in line with the five-year historical quarterly average, although an expected slight pullback from the first half of the year given slower velocity in the summer months.

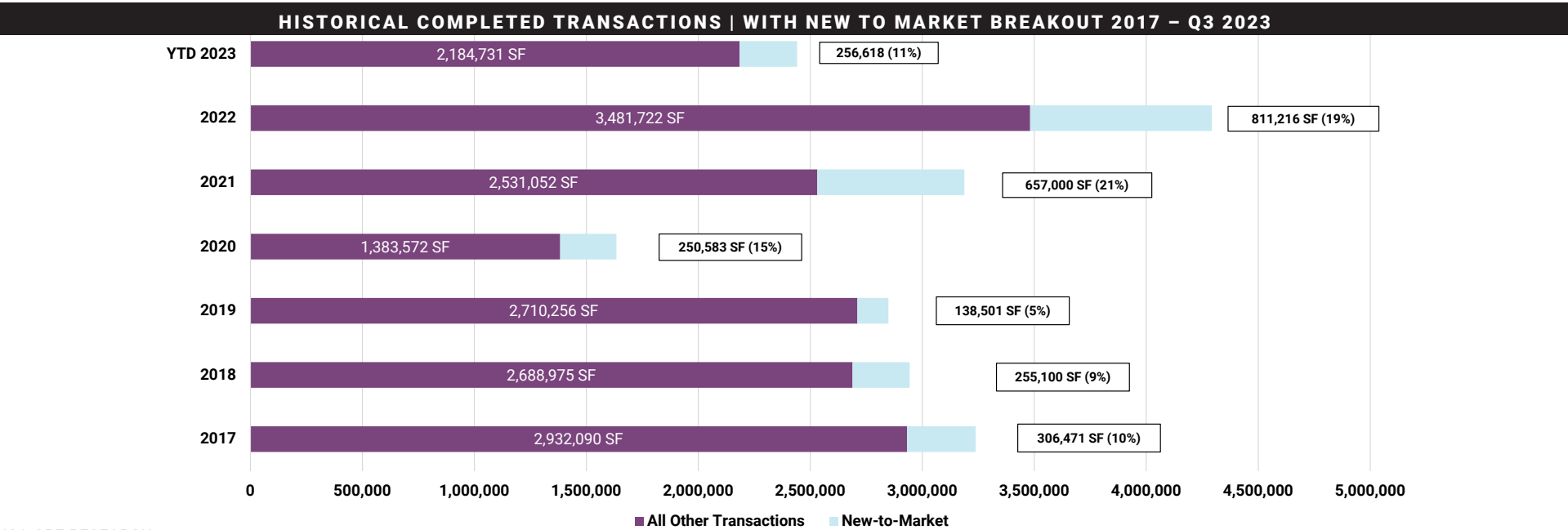
Leasing from existing tenants was 704,000 SF in the third quarter, 10% over the five-year quarterly average of 640,000 SF. Leasing activity was buoyed by Greenberg Traurig's 128,000 SF renewal at Wells Fargo Center in Downtown Miami. Additionally, other large law firms have been active in the market over the past year, with five law firms signing leases over 75,000 SF. Signaling the strength of the local economy, the large law firms that renewed in place did not downsize bucking the national trend of significant downsizing within this sector due to a response to hybrid work models.

On the other hand, the surge in new-to-market leasing that occurred between 2020 and 2022 has slowed down

in 2023 with 257,000 SF of new-to-market transactions year-to-date. This is 75% down from record 2022 levels, and approximately 50% down from the five-year historical average. Noteworthy however, is that 7% of the total leasing in 2023 resulted from companies that were new entrants to Miami during 2020-2022, and in 2023 extended or expanded their footprint. With 1.1 MSF of new-to-market requirements in the pipeline, the demand from those tenants remains. Limited availability in top-tier product, coupled with the gap of availability in the development pipeline appears to have slowed down the urgency for transactions to close.

Absorption ramped up in the third quarter with 130,000 SF of positive absorption, largely driven by the Class A segment of the market, which recorded 121,000 SF of absorption. After 42,000 SF of negative absorption in the second quarter, the market bounced back strongly, bringing year to date absorption to 229,000 SF. Absorption in the third quarter was concentrated in Wynwood-Design District, Miami Airport and Downtown Miami. In the

Wynwood-Design District, 83,000 SF of leasing executed at 545WYN by notable global companies contributed 76% of the net absorption this quarter in the submarket. In Downtown at Miami Tower absorption was driven by Quest Workspaces' 26,000 SF new location in the market as well as a 21,000 SF expansion by TempMee, a dental staffing company that doubled their footprint in the building. In the Miami Airport submarket, more than half of the quarterly absorption was driven by the top-quality buildings in the Waterford Business District, as both new and existing tenants seek the highest quality assets within their desired submarkets. While Brickell has driven market growth over the two prior years, negative absorption has reached 196,000 SF so far this year. Some tenants have downsized as a result of hybrid work policies and others have vacated the submarket to acquire space that provides shorter commute times for employees or to secure space at a lower occupancy cost. However, despite the uptick in vacancy, rental growth continues to hold strong as landlords remain optimistic in the demand for the recently vacated space.



Supply

—

Since the start of 2018, 3.5 million SF of new office product was added across the Miami market, most notably in Wynwood-Design District, Coconut Grove, Coral Gables, and the Miami Airport. The overall Class A & B vacancy rate was 12.7% in the first quarter of 2018, with the Class A vacancy rate slightly higher at 13.2%. Moderate occupancy losses coupled with the delivery of new space slightly increased vacancy to 16.1%. With the onset of the pandemic further exacerbating the issue, the vacancy rate peaked in the second quarter of 2021 with vacancy rates reaching 20.2% and 22.8% (overall and Class A respectively). Overall vacancy rates are now at their lowest levels since Q2 2020 at 16.1%.



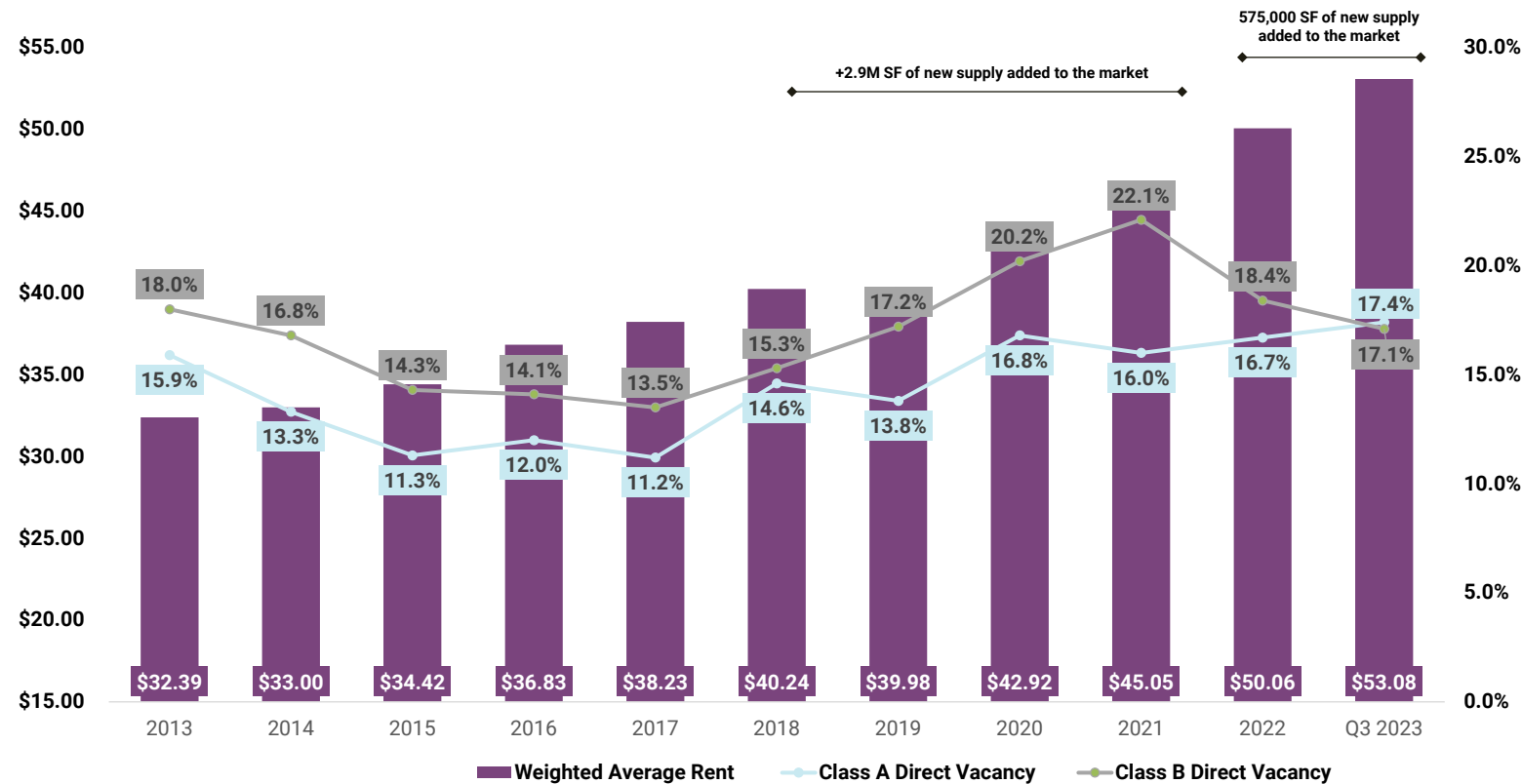
After the vacancy rate nearly doubled between 2017 and 2021, market conditions vastly changed. Demand from new-to-market tenants surged and robust activity from the existing tenant base followed. Seven consecutive quarters of positive absorption starting in Q3 2021 offset the 850,000 SF of deliveries, helping to drive down the vacancy rate. In the nine quarters since vacancies peaked, the overall vacancy rate decreased nearly 300 basis points ending the quarter at 17.3%. With the successful lease up of new deliveries attributed to flight to quality from both new and existing tenants the vacancy decrease for class A space was even more pronounced over that same timeframe, decreasing 540 basis points to 17.4%.

Flight to quality has been a driving factor for many of the large relocations across the market and the occupancy gains year to date across Class A Tier 1 assets confirm this trend while Class A Tier II assets have absorbed the brunt of the losses. The Class B market segment has weathered the trend, performing well as 139,000 SF of positive absorption has pushed vacancy down 130 basis points to 17.1% over the prior year. In that same time- period, Class A Tier I vacancy decreased 100 basis points to 15.4%, and Class A Tier II vacancy increased 360 basis points to 20.8%, the highest of any segment of the market. In the six submarkets with both Class A Tier I and Tier II product, vacancy in Tier I is 4.5% lower than Tier II on average. The largest bifurcation is in Brickell, where Tier I vacancy is

7.6%, compared to 19.5% for Tier II.

As a result of the tight credit markets, rising interest rates and construction costs, development activity has slowed across the market with only 1.59 million SF under development representing 3.9% of the total Class A and B existing inventory. Among the four major submarkets, Downtown and Brickell have 195,000 SF and 823,000 SF (including 830 Brickell's 651,000 SF), respectively, under development (Coral Gables and Miami Airport have no new office developments currently under construction). Among the other submarkets, Wynwood-Design District has 376,759 SF and Miami Beach has 191,212 SF under construction.

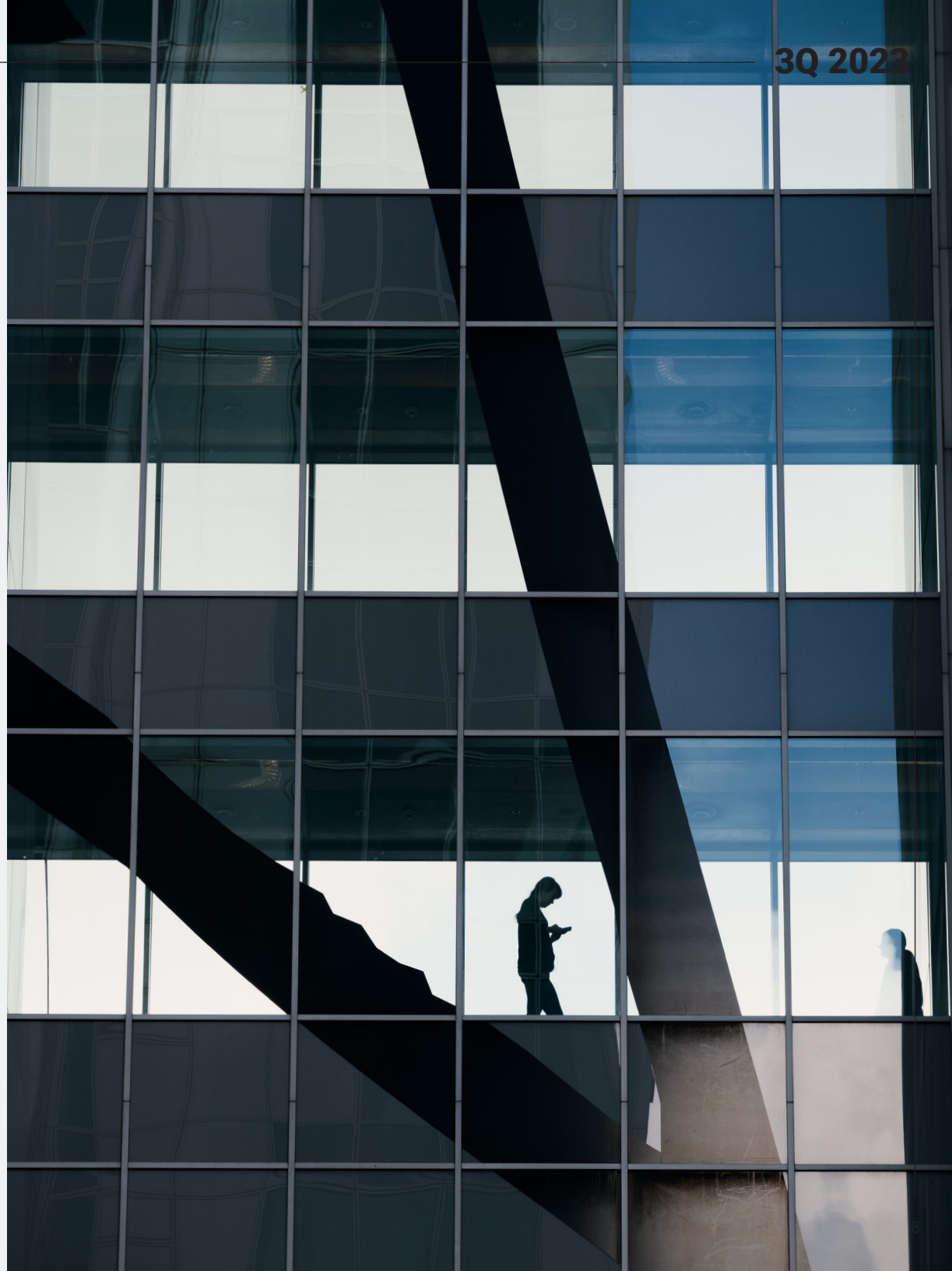
HISTORICAL MIAMI-DADE DIRECT WEIGHTED AVERAGE RATE & VACANCY | CLASS A & B MULTI-TENANT BUILDINGS > 50,000 SF



Rates

—

Since the end of 2019, before the pandemic altered the global landscape of the office market, office rents have exploded across the Miami-Dade office market. The weighted average asking rate in Miami has increased 33% since the end of 2019, nearly triple the rate of growth of the asking rate in the United States. The demand for the limited availability of top-tier space has pushed asking and taken rents to record high levels across all submarkets. However, the increase has not been equal across all submarkets as Brickell, and Wynwood have significantly outperformed the other submarkets.



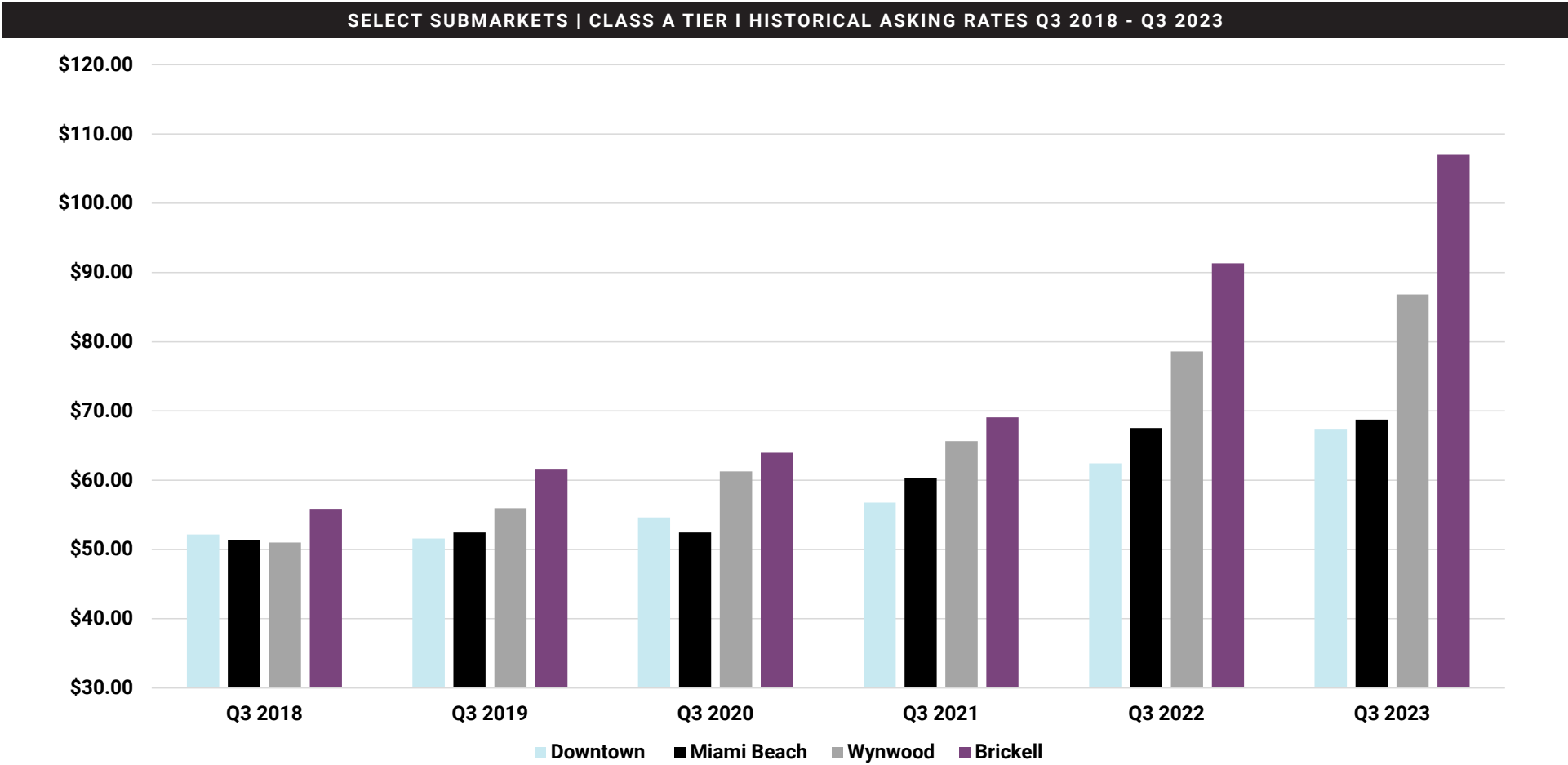
The largest contributor to the skyrocketing rents in Miami has been the demand for the top-tier product in the market. With tightening availability amongst Class A Tier I product, landlords have increased their rents significantly, while Class A Tier II and Class B product maintain their spread against the top tier product in the market. Over the last five years, weighted average asking rates for Class A Tier I product has increased \$14.97, a 30.6% increase. Class A Tier II product, despite rising vacancies, has increased \$14.51, a 34.9% increase. Amongst the submarkets, Class A Tier I rent increases have been most significant

in submarkets with the most new-to-market activity and newest office product, including Brickell (73.9%), Wynwood (55.2%), Coconut Grove (50.8%), and Miami Beach (31.1%).

As the lingering effects of the post-Covid era were widely anticipated to unfold over a span of several years, existing tenants throughout the market remain in a phase of careful evaluation regarding their lease commitments. In response to a growing demand for shorter commute times by employees and the concurrent pursuit of optimizing the workplace environment by employers, premium projects boasting extensive amenities in suburban markets are

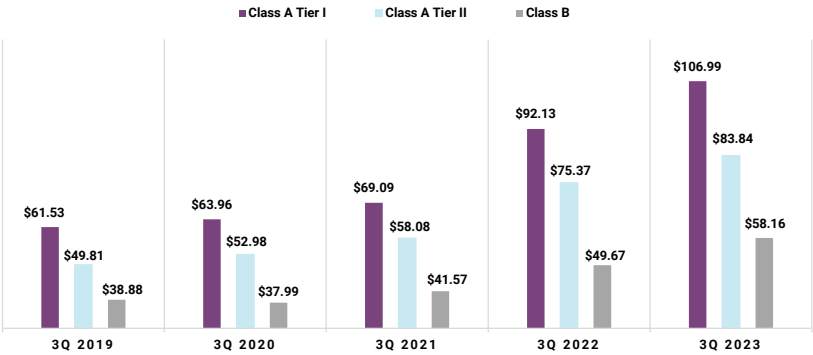
excellently positioned to experience heightened activity in the latter part of 2023.

While high-profile tenants, including those in the legal, accounting, consulting, and technology sectors, are prepared to invest in prime locations, another group of both newcomers and established entities focused on balancing occupancy costs, and attracting and maintaining employees, are actively in pursuit of the ideal spaces within key areas such as Miami Airport, Coral Gables, Waterford Business District, Aventura, and the neighboring Broward markets.

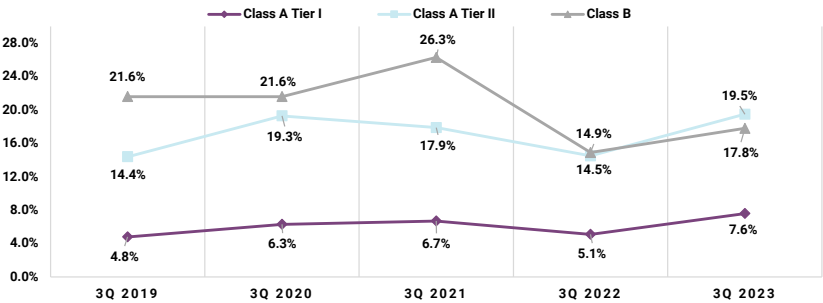


3Q 2023 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



3Q 2023 CLASS A & B HIGHLIGHTS

\$81.02 PSF FS
Weighted average asking rate
increased 17.6% YOY

13.2%
Direct vacancy increased,
previously 10.1% in 3Q 2022

-196,488 SF
YTD Net Absorption

822,618 SF
Under Construction

395,298 SF
YTD Leasing Activity

6,449,398 SF
Class A & B Inventory

NOTABLE RECENT LEASE TRANSACTIONS

Holland & Knight

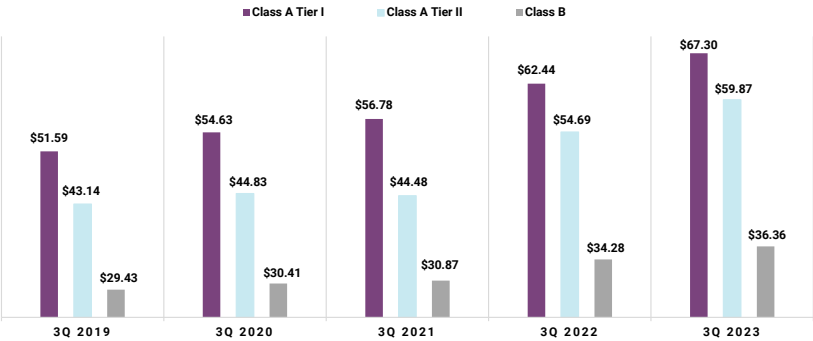
121,032 SF
701 BRICKELL
RENEWAL


BELCORP
12,000 SF
801 BRICKELL
RELOCATION IN SUBMARKET

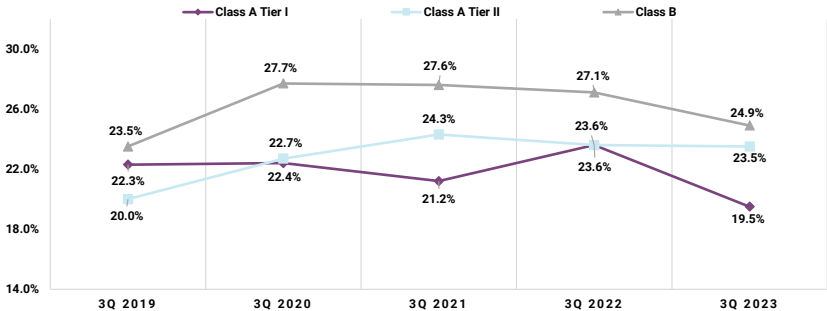

Investors Trust
8,250 SF
1450 BRICKELL
RENEWAL

3Q 2023 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



3Q 2023 CLASS A & B HIGHLIGHTS

\$54.52 PSF FS
Weighted average asking rate increased 6.8% YOY

22.2%
Direct vacancy decreased, previously 24.5% in 3Q 2022

134,000 SF
YTD Net Absorption

195,388 SF
Under Construction

648,525 SF
YTD Leasing Activity

7,084,806 SF
Class A & B Inventory

NOTABLE RECENT LEASE TRANSACTIONS

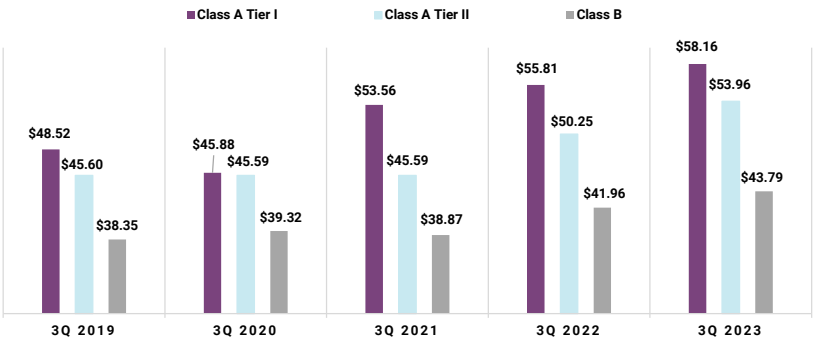
GT GreenbergTraurig
128,450 SF
WELLS FARGO CENTER
RENEWAL

QUEST WORKSPACES
26,113 SF
MIAMI TOWER
RELOCATION / EXPANSION IN SUBMARKET

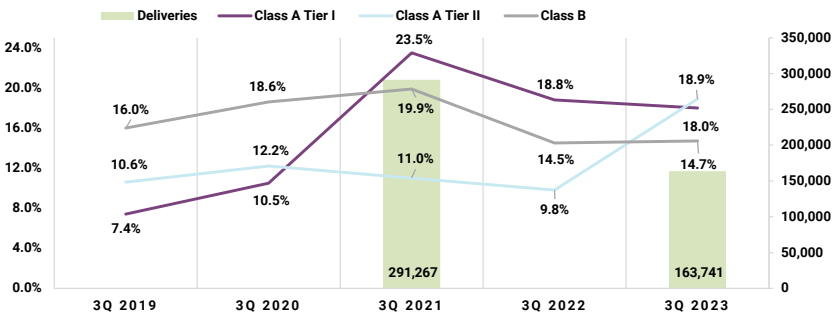
FOLEY
FOLEY & LARDNER LLP
25,480 SF
ONE BISCAYNE TOWER
RENEWAL AND DOWNSIZE

3Q 2023 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



3Q 2023 CLASS A & B HIGHLIGHTS

\$51.56 PSF FS
Weighted average asking rate
increased 5.4% YOY

16.9%
Direct vacancy increased,
previously 14.2% in 3Q 2022

-12,829 SF
YTD Net Absorption

0 SF
Under Construction

389,277 SF
YTD Leasing Activity

6,715,007 SF
Class A & B Inventory

NOTABLE RECENT LEASE TRANSACTIONS

HINSHAW
21,376 SF
THE PLAZA CORAL GABLES
RELOCATION IN SUBMARKET

BERK, MERCHANT & SIMS
11,700 SF
THE ALHAMBRA
EARLY RENEWAL

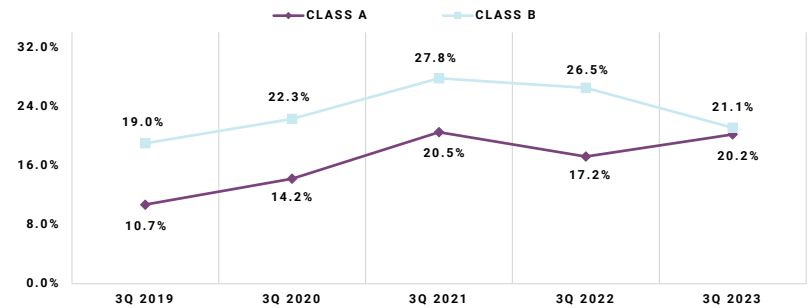
LOTT & FISCHER
11,300 SF
255 ARAGON AVENUE
EARLY RENEWAL

3Q 2023 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



3Q 2023 CLASS A & B HIGHLIGHTS

\$39.23 PSF FS

Weighted average asking rate increased 5.4% YOY

20.6%

Direct vacancy remained stable previously 21.4% in 3Q 2022

14,633 SF

YTD Net Absorption

0 SF

Under Construction

463,609 SF

YTD Leasing Activity

9,453,758 SF

Class A & B Inventory

NOTABLE RECENT LEASE TRANSACTIONS



BioTissue

34,831 SF

THE LANDING - BUILDING 8
RENEWAL



ENGINEERING

23,357 SF

6101 WATERFORD
NEW-TO-SUBMARKET

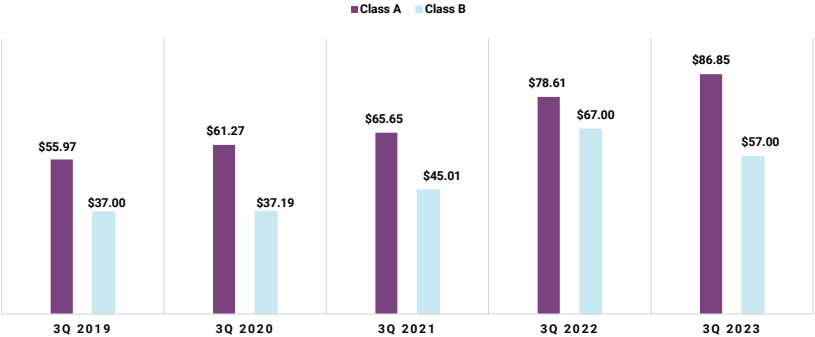


11,325 SF

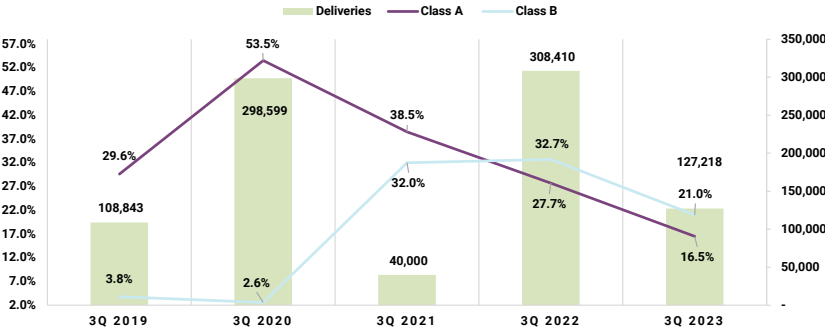
5201 WATERFORD
RELOCATION IN SUBMARKET

3Q 2023 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



3Q 2023 CLASS A & B HIGHLIGHTS

\$83.16 PSF FS
Weighted average asking rate increased 7.7% YOY

16.9%
Direct vacancy decreased, previously 28.2% in 3Q 2022

229,305 SF
YTD Net Absorption

376,759 SF
Under Construction

214,353 SF
YTD Leasing Activity

1,320,652 SF
Class A & B Inventory

NOTABLE RECENT LEASE TRANSACTIONS



17,818 SF

WYND 28
NEW-TO-MARKET FROM
NEW YORK / NEW JERSEY



ARBOR

8,000 SF

WYND 28
RELOCATION IN SUBMARKET



6,588 SF

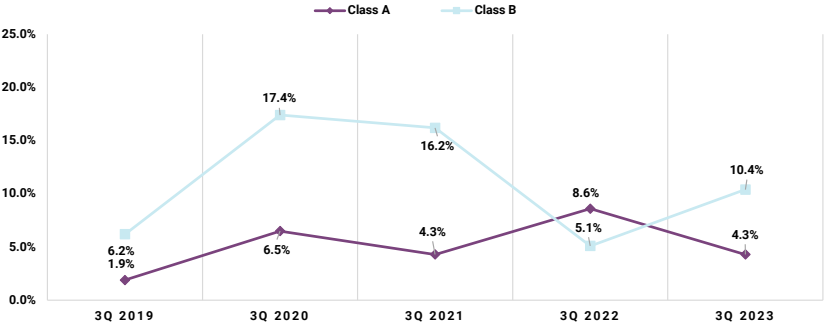
21 NE 26TH STREET
EXTENSION

3Q 2023 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



3Q 2023 CLASS A & B HIGHLIGHTS

\$73.88 PSF FS
Weighted average asking rate increased 18.4% YOY

6.9%
Direct vacancy decreased, previously 7.1% in 3Q 2022

-947 SF
YTD Net Absorption

0 SF
Under construction

115,002 SF
YTD Leasing Activity

1,254,343 SF
Class A & B Inventory

NOTABLE RECENT LEASE TRANSACTIONS

Alma DDB[®]
17,945 SF
2601 S. BAYSHORE
RENEWAL

NEO LOGY
DEVELOPMENT
5,700 SF
2601 S. BAYSHORE
NEW-TO-SUBMARKET

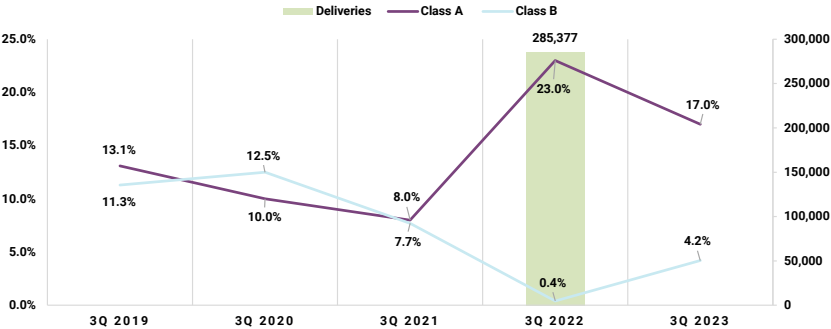
WRAP[®]
TECHNOLOGIES
4,487 SF
2601 S. BAYSHORE
NEW-TO-MARKET

3Q 2023 | CLASS A & B > 50,000 SF

WEIGHTED AVERAGE ASKING RATE FS PSF (YOY)



DIRECT VACANCY RATE (YOY)



3Q 2023 CLASS A & B HIGHLIGHTS

\$61.02 PSF FS
Weighted average asking rate increased 2.4% YOY

14.9%
Direct vacancy increased, previously 19.3% in 3Q 2022

2,882 SF
YTD Net Absorption

0 SF
Under construction

50,396 SF
YTD Leasing Activity

1,404,067 SF
Class A & B Inventory

NOTABLE RECENT LEASE TRANSACTIONS



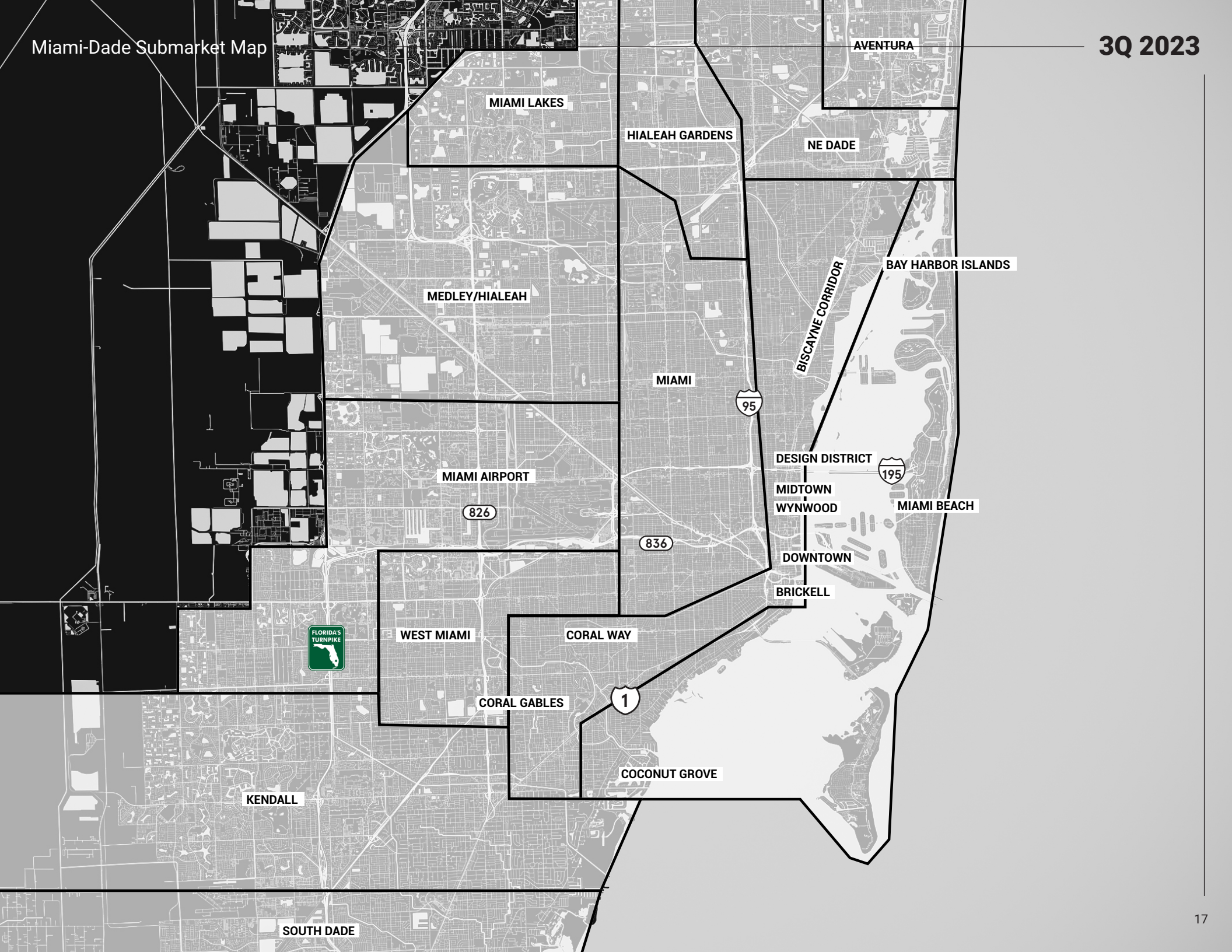
7,451 SF
0 TOWERS - RED TOWER
RENEWAL



5,119 SF
0 TOWERS - ONYX TOWER
NEW-TO-MARKET

DENNIS P. FREEMAN, PA

4,232 SF
AVENTURA CORPORATE CENTER I
RENEWAL



Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate FS	YTD 2023 Net Absorption (SF)	YTD 2023 Leasing Activity (SF)	Under Construction (SF)
4 MAJOR SUBMARKETS							
Downtown	8	4,889,662	21.1%	\$64.08	116,607	607,295	195,388
Brickell	13	4,752,936	11.6%	\$93.74	(150,044)	358,850	822,618
Coral Gables	23	4,005,082	18.4%	\$56.49	(27,580)	286,244	-
Miami Airport	32	5,209,996	20.2%	\$42.46	(119,492)	278,011	-
SUBTOTAL	76	18,857,676	17.9%	\$60.49	(180,509)	1,530,400	1,018,006
Aventura	9	1,174,802	17.0%	\$61.39	7,135	48,619	-
Biscayne Corridor	1	435,000	30.3%	\$37.97	-	-	-
Coconut Grove	5	711,917	4.3%	\$81.44	30,569	77,730	-
Coral Way					-	-	-
Kendall	4	713,687	9.9%	\$47.02	8,351	45,698	-
Medley					-	-	-
Miami	2	401,126	18.7%	\$60.95	-	-	-
Miami Beach	7	787,953	16.2%	\$68.77	(2,562)	5,986	191,212
Miami Lakes	6	386,785	24.2%	\$35.22	3,240	-	-
NE Dade	1	102,287	3.1%	\$63.00	8,608	-	-
South Dade					-	-	-
Wynwood-Design District	11	1,198,256	16.5%	\$86.85	214,999	205,842	376,759
SUBTOTAL	46	5,911,813	15.7%	\$61.41	270,340	383,875	567,971
TOTAL	122	24,769,489	17.4%	\$60.69	89,831	1,914,275	1,585,977

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	YTD 2023 Net Absorption (SF)	YTD 2023 Leasing Activity (SF)
4 MAJOR SUBMARKETS						
Downtown	12	2,195,144	24.9%	\$36.36	17,393	41,230
Brickell	10	1,696,462	17.8%	\$58.16	(46,444)	36,448
Coral Gables	23	2,709,925	14.7%	\$43.79	14,751	103,033
Miami Airport	41	4,243,762	21.1%	\$35.21	134,125	185,598
SUBTOTAL	86	10,845,293	19.8%	\$40.34	119,825	366,309
Aventura	2	229,265	4.2%	\$53.17	(4,253)	1,777
Biscayne Corridor	4	291,131	11.5%	\$49.35	(10,938)	10,524
Coconut Grove	5	542,426	10.4%	\$69.73	(31,516)	37,272
Coral Way	8	567,749	6.5%	\$30.50	19,802	6,240
Kendall	9	1,240,940	22.2%	\$39.51	(7,527)	65,842
Medley	3	193,914	1.6%	\$25.00	7,522	6,069
Miami	1	76,789	0.0%	-	-	5,424
Miami Beach	6	731,789	5.6%	\$57.68	7,067	1,328
Miami Lakes	3	157,987	1.9%	\$24.79	250	7,121
NE Dade	7	838,623	12.2%	\$37.23	23,439	7,354
South Dade	2	133,994	2.1%	-	1,114	3,302
Wynwood-Design District	2	122,396	21.0%	\$57.00	14,306	8,511
SUBTOTAL	52	5,127,003	11.5%	\$44.11	19,266	160,764
TOTAL	138	15,972,296	17.1%	\$41.15	139,091	527,073

Powerful outcomes come from the elite team at Blanca CRE through passionate service, proven strategies, rich connections and the confidence that comes from being the dominant Florida-based commercial real estate services firm. Our inclusive culture is built on real estate experts who are passionate in their pursuit to maximize value and drive clients’ business objectives.

Our services include tenant representation, landlord representation, investment sales, property management, and consulting services including new office and mixed-use developments.

2009

Blanca Commercial Real Estate Founded;
Brickell Office Inauguration

2014

Chief Marketing Officer Joins the Firm

2018

Property Management Launched

2019

Tenant Engagement Consulting Services
Launched;
Waterford Office Inauguration

2020

Healthcare Practice Launched;
Chief Financial Officer Joins the Firm;
Ft. Lauderdale Office Inauguration

2022

Chief Operating Officer Joins the Firm

2023

15+M Square Fee of Transactions Since 2009;
46 Industry Professionals



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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 160
Miami, FL 33126
305.577.8850

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