



South Florida Office Market Report

Leasing and Sale Volumes Show Mixed Signals, Yet a Robust Market Overall

The Tri-County area recorded positive net absorption for the third consecutive quarter, each of which was greater than the last. Absorption totaled 375,752 square feet to start 2023. Nearly the entirety of that positive absorption was driven by Miami-Dade, which reported 430,484 square feet. Palm Beach was essentially neutral at 4,834 square feet, while Broward County was the only of the three South Florida markets to post negative absorption.

Vacancies in the South Florida office market have remained steady over the past few quarters, closing the first quarter of 2023 at 14.4%, down just 10 basis points from last quarter. Miami-Dade stood right at the market average of 14.4%, while Broward County was above average at 16.4% and Palm Beach closed the quarter the tightest of the three at 11.7% overall vacancy rate.

Average asking rents in the first quarter of 2023 increased by \$0.39/SF to \$42.43/SF. Asking rents have held steady for much of the past year. Miami asking rents remain the highest of the three markets at \$48.65/SF, followed by Palm Beach and Broward County.

Office development held steady at 3.2 million square feet, despite nearly 157,00 square feet in deliveries this quarter. This represents a year-over-year increase of 1.4 million square feet in space under construction.

Leasing and Demand

South Florida leasing activity was down 19.5% quarter over quarter, closing at approximately 2.6 million square feet, down from 3.3 million square feet in the fourth quarter of 2022. Despite the drop off in overall activity, the number of leases increased as tenants leased less space on average.

Kaseya's lease for 101,242 square feet at the Wells Fargo Center in Downtown Miami was the largest deal signed in the first quarter of 2023.

Investment Activity

Investment activity in the first quarter of 2023 through February totaled 739,800 square feet of sales for a total of \$184.9 million. This is down significantly from just two quarters ago, when there was 2.9 million square feet of sales transactions, totaling \$711.0 million.

Bridge Industrial Group's purchase of Flagler Station Building 1000 from Ryder System in the Airport West submarket for \$42.1 million, or \$169/SF, was one of the largest deals of the quarter.

Current Conditions

Positive absorption has become the norm for South Florida, with the past six out of seven quarters reporting occupancy gains, and closing the first quarter of 2023 at 375,752 square feet.

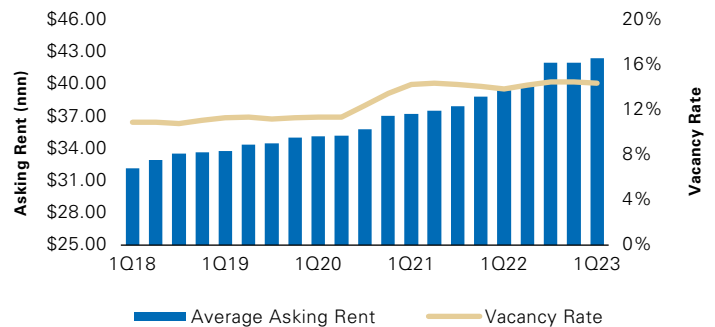
Asking rents increased by \$0.39/SF from the fourth quarter, reaching a five-year high of \$42.43/SF.

Leasing activity decreased by approximately 20% quarter over quarter of 2022, even as the number of transactions increased.

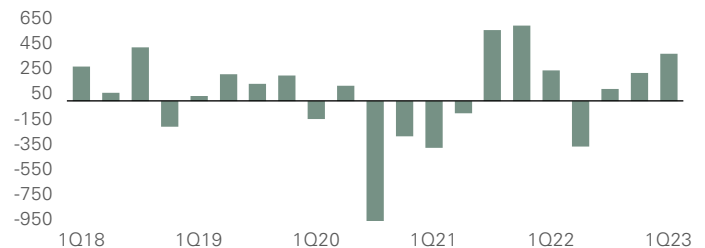
Investment sales were down from fourth quarter levels, as interest rate increases continued to impact transaction markets.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (100,000 SF)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	111.8M	111.3M	110.6M	↑
Vacancy Rate	14.4%	14.5%	13.9%	↔
Quarterly Net Absorption (SF)	375,752	221,134	240,414	↔
Average Asking Rent/SF	\$42.43	\$42.04	\$39.47	↑
Under Construction (SF)	3.2M	3.2M	1.8M	↑
Deliveries (SF)	156,955	567,155	0	↑

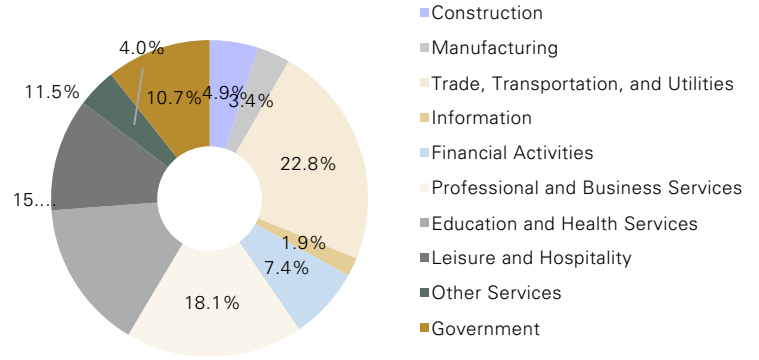
Economic Conditions

The South Florida economic landscape remains robust. Unemployment in the market closed at 2.5%, more than a full percentage point below the national average of 3.6%. Despite the positive unemployment landscape, inflation remains prevalent as the CPI remains elevated beyond desired levels. The Federal Reserve has continued its process of raising rates over the course of the past several quarters in an attempt to tame inflation.

Coinciding with the pace of interest rates has been a gradual decline in the rate of job growth. As of February 2023, job growth over the past year improved by just 3.8%. The largest gains were recorded in the leisure and hospitality industry, followed by manufacturing and education and health services. Each of these industries outpaced the overall average across sectors.

Employment By Industry

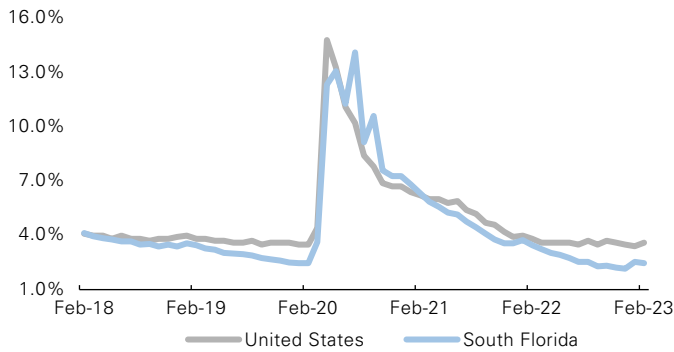
South Florida (Miami MSA), February 2023 | Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

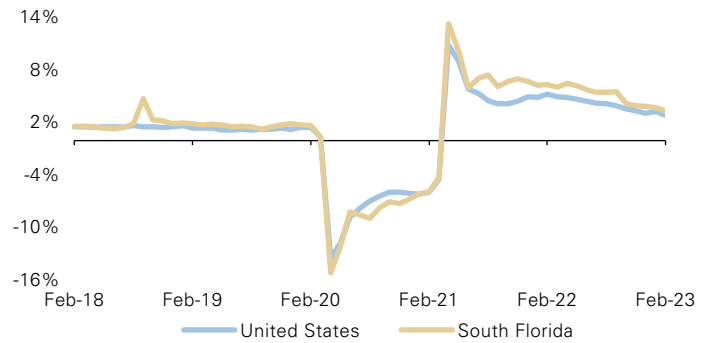
South Florida (Miami MSA), Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

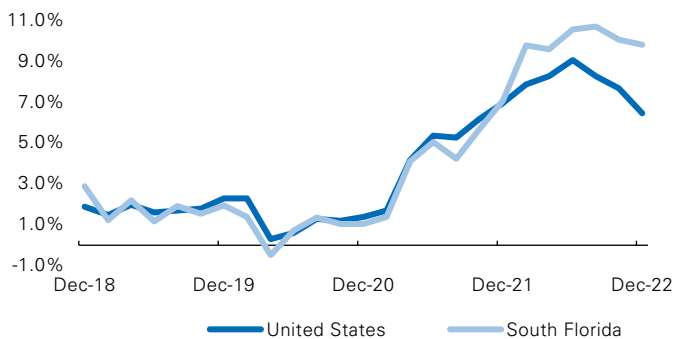
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

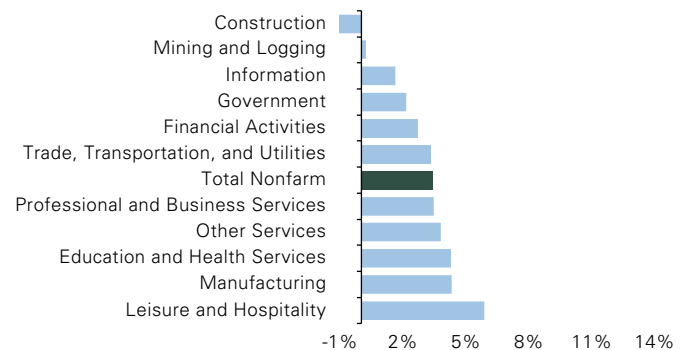
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

South Florida (Miami MSA), February 2023, MSA, 12-Month % Change



Source: U.S. Bureau of Labor Statistics | Not Seasonally Adjusted



Miami-Dade County Office Market

Both Suburban and Downtown Miami recorded strong absorption, closing the first quarter of 2023 at 153,540 square feet and 276,944 square feet, respectively. Overall absorption totaled 430,484 square feet, a five-year high for the market. Just two submarkets, Miami Lakes and Coconut Grove, recorded negative absorption.

Coinciding with the marked improvement was a decline in vacancy rates of 50 basis points, which fell to 14.4%, the lowest point since the fourth quarter of 2020. Suburban Miami continues to outpace the CBD, closing at 13.5% and 16.7%, respectively.

Average asking rents in Miami increased by \$0.74/SF, or 1.5%, from last quarter to \$48.65/SF. This came on the heels of the delivery of 86,955 square feet of new construction, which was added to market inventory this quarter. Miami Beach, Brickell Avenue and the Biscayne Corridor continued to maintain premium rents for Class A product as compared to other submarkets.

An additional 2.7 million square feet, or 5.5%, of current inventory, remains under construction.

Leasing and Demand

Leasing activity closed the quarter at 1.3 million square feet, its lowest total in six quarters. Despite the slight decline from the fourth quarter of 2022, activity remained roughly 100,000 square feet above the long-term quarterly average of 1.18 million square feet. The number of executed deals this quarter totaled 345, down 9.4% quarter over quarter.

The Wells Fargo Center dominated leasing activity, with the three largest deals of the quarter signed there. Kaseya signed the largest lease, a direct deal for 101,242 square feet; followed by Innovation Refunds, which will move into 25,717 square feet. McDermott Will & Emery signed an expansion for 25,705 square feet.

Investment Activity

Bridge Industrial closed on the largest deal of the quarter, purchasing Building 1000 at Flagler Station for \$42.1 million. Biscayne Center also traded hands this quarter, selling for \$39.1 million, or \$249/SF.

Current Conditions

Miami-Dade posted positive absorption for the third consecutive quarter, buoyed by an improvement in leasing activity.

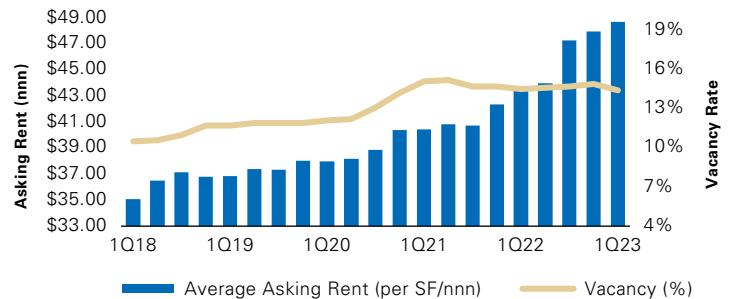
Overall vacancy rate fell by 50 basis points quarter over quarter, as velocity improved.

Under construction pipeline remains robust with 2.7 million square feet in progress.

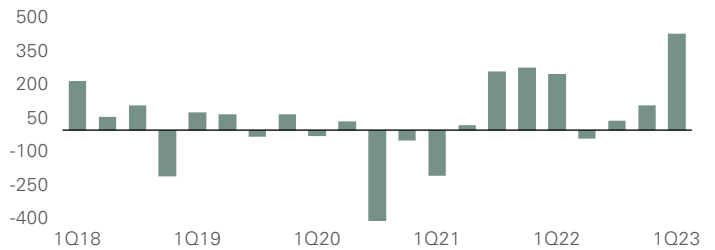
Average asking rents increased by \$0.74/SF from last quarter to \$48.65/SF following the delivery of 86,955 square feet of new construction.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (100,000 SF)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	49.5M	49.2M	48.9M	↔
Vacancy Rate	14.4%	14.9%	14.5%	↔
Quarterly Net Absorption (SF)	430,484	109,298	251,492	↓
Average Asking Rent/SF	\$48.65	\$47.91	\$43.71	↑
Under Construction (SF)	2.7M	2.5M	1.3M	↔
Deliveries (SF)	86,955	232,928	0	↔

Miami-Dade County Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Overall Average Asking Rent (Price/SF)
Brickell Avenue	6,660,393	862,007	13.8 %	1,300	1,300	\$77.85	\$51.62	\$70.58
Downtown Miami	7,831,682	640,000	19.2 %	152,240	152,240	\$60.94	\$50.34	\$55.76
CBD Total	14,492,075	1,502,007	16.7 %	153,540	153,540	\$68.66	\$50.80	\$61.80
Airport West	11,659,259	-	16.9 %	64,970	64,970	\$38.12	\$35.72	\$37.13
Biscayne Corridor	1,433,528	617,449	16.4 %	117,536	117,536	\$68.68	\$48.98	\$60.55
Coconut Grove	1,144,452	-	7.7 %	-4,184	-4,184	\$59.20	\$66.13	\$58.22
Coral Gables	6,927,844	-	14.1 %	15,814	15,814	\$46.67	\$43.96	\$45.35
Coral Way	840,057	-	7.1 %	3,648	3,648	-	\$27.13	\$27.15
East Airport/Hialeah	865,803	-	10.1 %	761	761	\$54.75	-	\$47.21
Kendall/South Dade	4,250,372	-	12.2 %	10,258	10,258	\$47.12	\$36.02	\$38.00
Miami Beach	1,968,485	458,660	12.1 %	23,791	23,791	\$79.97	\$63.33	\$63.41
Miami Lakes	1,990,018	82,903	15.4 %	-7,954	-7,954	\$31.99	\$30.17	\$30.46
Northeast Dade	3,338,651	-	7.0 %	448	448	\$59.01	\$36.97	\$38.89
South Miami	581,130	-	1.9 %	51,856	51,856	-	\$62.97	\$58.91
Suburban Total	34,999,599	1,159,012	13.5 %	276,944	276,944	\$44.62	\$39.92	\$41.83
Totals	49,491,674	2,661,019	14.4 %	430,484	430,484	\$53.62	\$43.46	\$48.65

Miami-Dade County Lease/User Transactions				
Tenant	Submarket	Building	Type	Square Feet
Kaseya	Downtown	Wells Fargo Center	Direct	101,242
Innovation Refunds	Downtown	Wells Fargo Center	Direct	25,717
McDermott Will and Emery	Downtown	Wells Fargo Center	Expansion	25,705

Miami-Dade County Select Sale Transactions				
Buyer/Seller	Submarket	Building	Sale Price	Price/SF
Bridge Industrial / Ryder System	Airport West	Flagler Station, Building 1000	\$42.1M	\$169
Ali Ahmed / Grosella Capital	Northeast Dade	Biscayne Centre	\$39.0M	\$249



Broward County Office Market

Since the early days of the pandemic, Broward County has recorded steady gains in vacancy. The market closed the first quarter of 2023 with a cyclical high, reporting an overall vacancy rate of 16.4%. This marked an increase of 40 basis points quarter over quarter and 180 basis points year over year. Ft. Lauderdale Suburban and Hollywood continue to maintain the lowest vacancy rates in the county, at 11.8% and 13.7%, respectively.

A reduction in leasing velocity, coupled with new space additions in the market, resulted in the second straight quarter of negative absorption, with a reported negative 59,566 square feet.

Asking rents declined slightly, falling to \$34.39/SF as of the end of first quarter of 2023. Despite the decrease from the fourth quarter of 2022, rates remain up \$1.27/SF from one year ago. While the Ft. Lauderdale CBD maintains higher Class A asking rents than the Suburban market at \$46.65/SF, the Hallandale submarket boasted the highest submarket rents at \$62.50/SF.

Following several deliveries of new product over the past year, including 70,000 square feet this quarter, just 49,609 square feet in Hollywood remains under construction in Broward County.

Leasing and Demand

Leasing activity in Broward County was down 43.0% this quarter as velocity dropped from 1.1 million to just over 600,000 square feet. This comes even amid an uptick in the number of transactions finalized, which surpassed 250 deals.

The Ford Motor Company signed a renewal and expansion in Sawgrass Park, the largest deal of the quarter, as it signed for 92,362 square feet of space. Landau & Associates signed a lease in the same submarket for 22,218 square feet. In the Ft. Lauderdale CBD, ABA Centers of America executed a transaction for 32,138 square feet.

Investment Sales

The Plantation submarket was home to the three largest investment sales deals of the quarter. The Brookdale Group purchased Cornerstone One for \$37.9 million, or \$223/SF, from the AFL-CIO. Following that deal were the sales of 8601 W. Sunrise Blvd. and Cornerstone Five for \$13.0 million and \$14.8 million, respectively.

Through February, eight transactions were completed in Broward County for a total of \$81.3 million, spanning 311,815 square feet.

Current Conditions

The Broward County office market posted negative net absorption for the second consecutive quarter, closing at negative 59,566 square feet.

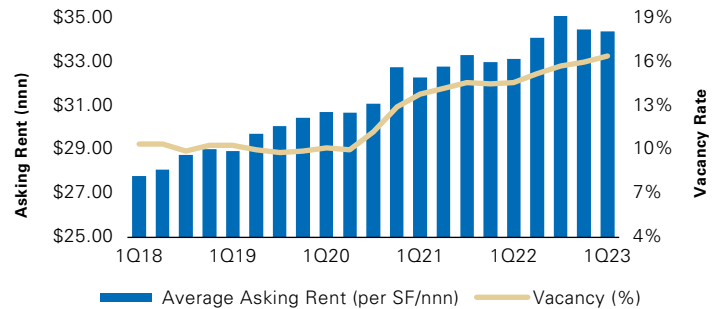
Vacancy rates continued to expand, increasing 40 basis points from the fourth quarter to 16.4%.

Leasing activity closed the quarter down more than 400,000 square feet, or 43.0%, from the fourth quarter.

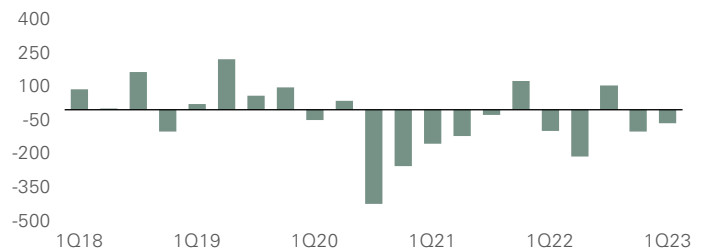
Sales volume was on pace to surpass the fourth quarter totals, when just \$84 million of deals were finalized.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (100,000 SF)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	35.2M	34.9M	34.6M	↔
Vacancy Rate	16.4%	16.0%	14.6%	↔
Quarterly Net Absorption (SF)	-59,566	-96,417	-94,264	↔
Average Asking Rent/SF	\$34.39	\$34.49	\$33.12	↔
Under Construction (SF)	49,609	119,609	334,227	↔
Deliveries (SF)	70,000	334,227	0	↔

Broward County/Fort Lauderdale Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Overall Average Asking Rent (Price/SF)
Ft. Lauderdale CBD	5,755,376	-	17.8 %	53,831	53,831	\$46.65	\$29.76	\$45.21
Commercial Blvd	1,951,461	-	14.5 %	-29,260	-29,260	\$29.03	\$27.04	\$27.11
Cypress Creek	4,661,652	-	15.3 %	-29,903	-29,903	\$34.16	\$26.62	\$29.34
Ft. Lauderdale Suburban	2,959,217	-	11.8 %	-38,315	-38,315	\$34.30	\$30.46	\$31.26
Hallandale	792,093	-	25.0 %	27,552	27,552	\$62.50	\$33.46	\$57.64
Hollywood	2,469,123	49,609	13.7 %	-26,155	-26,155	\$36.83	\$32.16	\$32.31
NW Broward/Coral Springs	1,738,183	-	20.9 %	15,343	15,343	\$30.60	\$26.82	\$29.22
Plantation	4,942,742	-	16.8 %	6,403	6,403	\$39.16	\$28.67	\$32.83
Pompano Beach	2,296,299	-	17.2 %	14,159	14,159	\$32.31	\$22.96	\$25.88
Sawgrass Park	3,274,260	-	19.6 %	19,879	19,879	\$33.55	\$22.34	\$30.47
SW Broward	4,348,036	-	14.3 %	-73,100	-73,100	\$34.22	\$25.99	\$32.70
Suburban Total	29,433,066	49,609	16.1 %	-113,397	-113,397	\$36.09	\$26.59	\$31.63
Totals	35,188,442	49,609	16.4 %	-59,566	-59,566	\$39.20	\$26.71	\$34.39

Broward County Lease/User Transactions

Tenant	Submarket	Building	Type	Square Feet
Ford Motor Company	Sawgrass Park	Sawgrass Pointe 2	Renewal/Expansion	92,362
ABA Centers of America	Ft. Lauderdale CBD	110 E Broward	Direct	32,138
Landau & Associates	Sawgrass Park	Sawgrass Technology Park, Building D	Renewal	22,218

Broward County Select Sale Transactions

Buyer/Seller	Submarket	Building	Sale Price	Price/SF
The Brookdale Group / AFL-CIO Building Investment Trust	Plantation	Cornerstone One	\$37.9M	\$223
Related Development / Fifteen Group Capital	Plantation	8601 W Sunrise	\$13.0M	\$100
Douglas Anthony Perera / Masa Global	Plantation	Cornerstone Five	\$14.8M	\$281



Palm Beach County Office Market

The Palm Beach vacancy rate closed the first quarter at 11.7%, down 10 basis points from last quarter and 20 basis points from last year. Coinciding with the slight decline in vacancy rates was positive absorption of 4,834 square feet.

Average asking rents in the Palm Beach County office market increased by \$1.01/SF quarter over quarter, closing at \$40.90/SF. Class A rents quote at a 19.7% premium to the market average, with the most expensive price points coming in the West Palm Beach CBD, with Class A asking rents of \$85.24/SF.

Palm Beach vacancy ticked down by 10 basis points quarter over quarter, to 11.7%. Palm Beach and Royal Palm Beach/Wellington submarkets maintained the lowest vacancy rates at 2.2% and 2.6%, respectively.

Approximately 527,000 square feet remains under construction across the market. The biggest project is the Related Companies' One Flagler mixed-use development.

Leasing and Demand

Leasing activity increased by a modest 7,000 square feet quarter over quarter. However, 37 more transactions were finalized this quarter as compared with the last. Overall velocity totaled 742,355 square feet, just 0.8% below the five-year average of 748,488 square feet leased per quarter.

Vertical Bridge signed the largest deal in Palm Beach this quarter, taking 38,474 square feet in Sundy Village. Following the Vertical Bridge deal was a government lease for 28,378 square feet in West Palm Beach. Marsh & McLennan renewed its space at 4400 PGA Blvd. for 16,468 square feet.

Investment Sales

The Palm Beach investment sales market was active in the first quarter of 2023, with three large transactions executed. One of the largest deals completed was Oak Lane Partners' purchase of 791 Park of Commerce for \$20.0 million. Boca Raton was also home to another large deal, as 1095 Broken Sound Pkwy. sold for \$10.9 million. In West Palm Beach Suburban, Everglades College purchased 2081 Vista Pkwy. for \$12.0 million, at \$219/SF.

Current Conditions

Palm Beach County's absorption posted positive for the second straight quarter, as vacancy ticked down 10 basis points from last quarter.

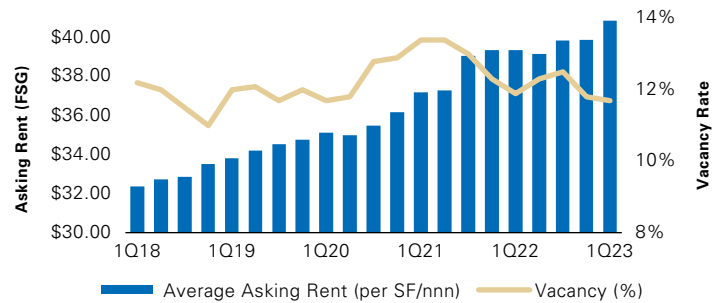
Overall asking rents increased by 2.5% quarter over quarter, closing at \$40.90/SF.

Leasing activity was somewhat stable, closing the first quarter at roughly three quarters of a million square feet, in line with the long-term average.

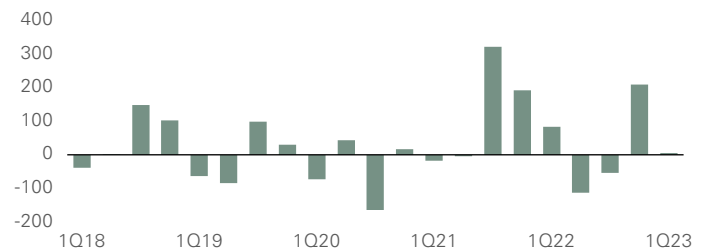
The investment sales market was active, with 13 deals spanning 276,332 square feet finalized for a total of \$53 million through February.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (100,000 SF)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	27.2M	27.1M	27.1M	↑
Vacancy Rate	11.7%	11.8%	11.9%	↑
Quarterly Net Absorption (SF)	4,834	208,253	82,186	↑
Average Asking Rent/SF	\$40.90	\$39.89	\$39.37	↑
Under Construction (SF)	527,000	527,000	210,000	↔
Deliveries	0	0	0	↑

Palm Beach County Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Overall Average Asking Rent (Price/SF)
W Palm Beach CBD	2,722,257	487,000	8.9 %	-9,510	-9,510	\$85.24	\$56.71	\$75.93
Boca Raton	13,128,855	-	12.5 %	23,628	23,628	\$44.98	\$33.17	\$40.39
Boynton/Lantana	572,398	-	5.5 %	1,237	1,237	-	\$22.09	\$23.22
Delray Beach	1,273,846	-	5.8 %	4,724	4,724	-	\$31.05	\$31.05
Jupiter	558,199	40,000	16.7 %	-6,741	-6,741	\$27.00	\$29.03	\$27.45
N Palm Bch/Palm Bch Gardens	3,909,035	-	12.0 %	5,548	5,548	\$45.36	\$30.47	\$35.90
Palm Beach	672,706	-	2.2 %	-8,034	-8,034	-	\$86.70	\$87.31
Palm Springs/Lake Worth	269,800	-	6.8 %	-5,660	-5,660	-	\$28.49	\$28.49
Royal Palm Bch/Wellington	415,640	-	2.6 %	-5,849	-5,849	-	\$37.25	\$32.77
W Palm Beach Suburban	3,629,553	-	16.4 %	5,491	5,491	\$45.38	\$28.64	\$33.73
Suburban Total	24,430,032	40,000	12.1 %	14,344	14,344	\$44.35	\$31.67	\$37.83
Totals	27,152,289	527,000	11.7 %	4,834	4,834	\$48.77	\$33.02	\$40.90

Palm Beach County Lease/User Transactions

Tenant	Submarket	Building	Type	Square Feet
Vertical Bridge	Delray Beach	Sundy Village, Buildings 1-3	Direct	38,474
State of Florida Department of Financial Services	W Palm Beach Suburban	400 N Congress	Direct	28,378
Marsh & McLennan Agency	N Palm Bch/Palm Bch Gardens	4400 PGA	Renewal	16,468

Palm Beach County Select Sale Transactions

Buyer/Seller	Submarket	Building	Sale Price	Price/SF
Oak Lane Partners / Commercial Financial Management	Boca Raton	791 Park of Commerce	\$20.0M	\$127
Allen Cheiminsky / Andrew Shader	Boca Raton	1095 Broken Sound	\$10.8M	\$179
Everglades College / Keenan Development	W Palm Beach Suburban	2081 Vista	\$12.0M	\$219

RESEARCH Q1 2023

For more information:

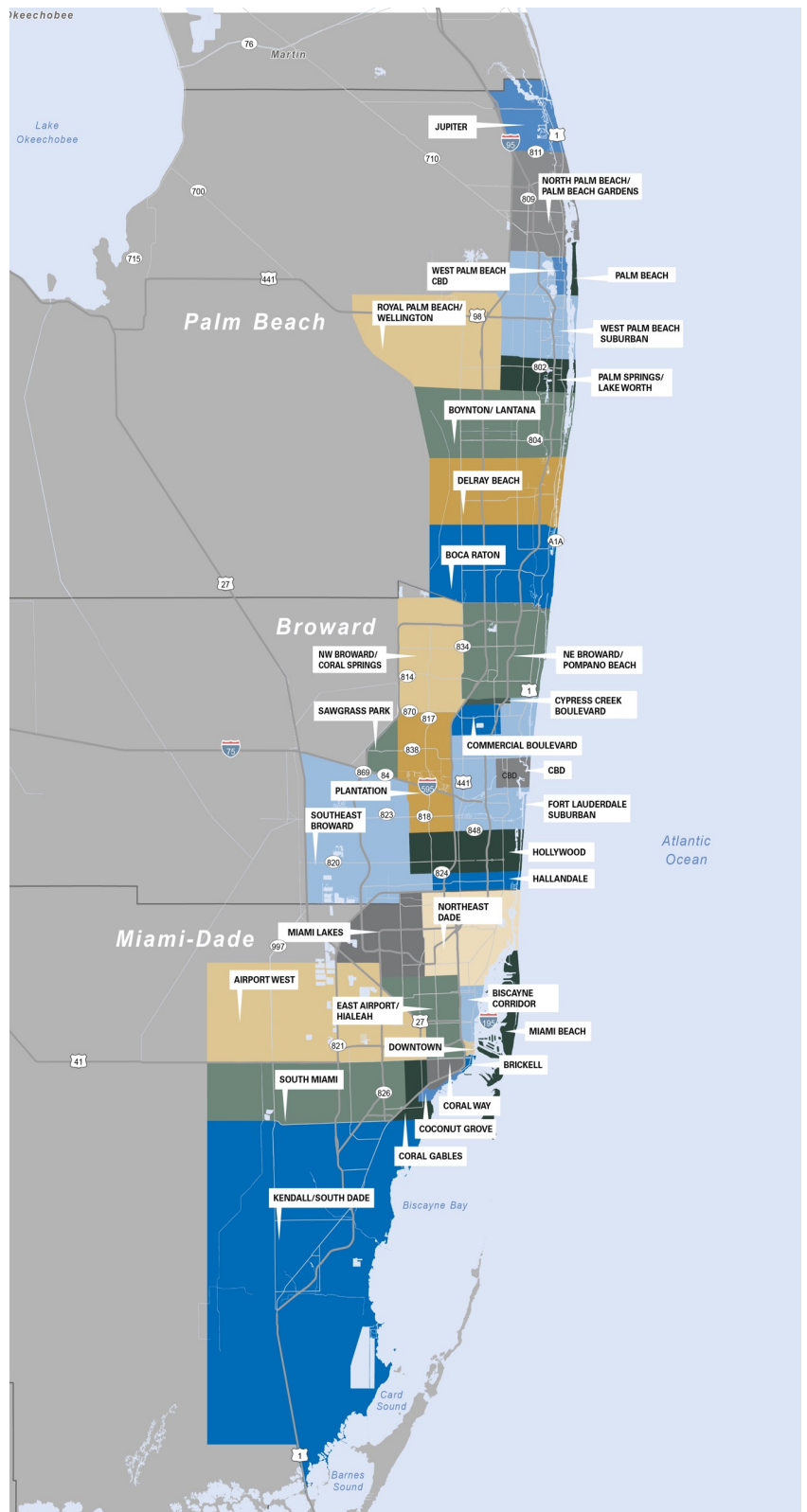
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