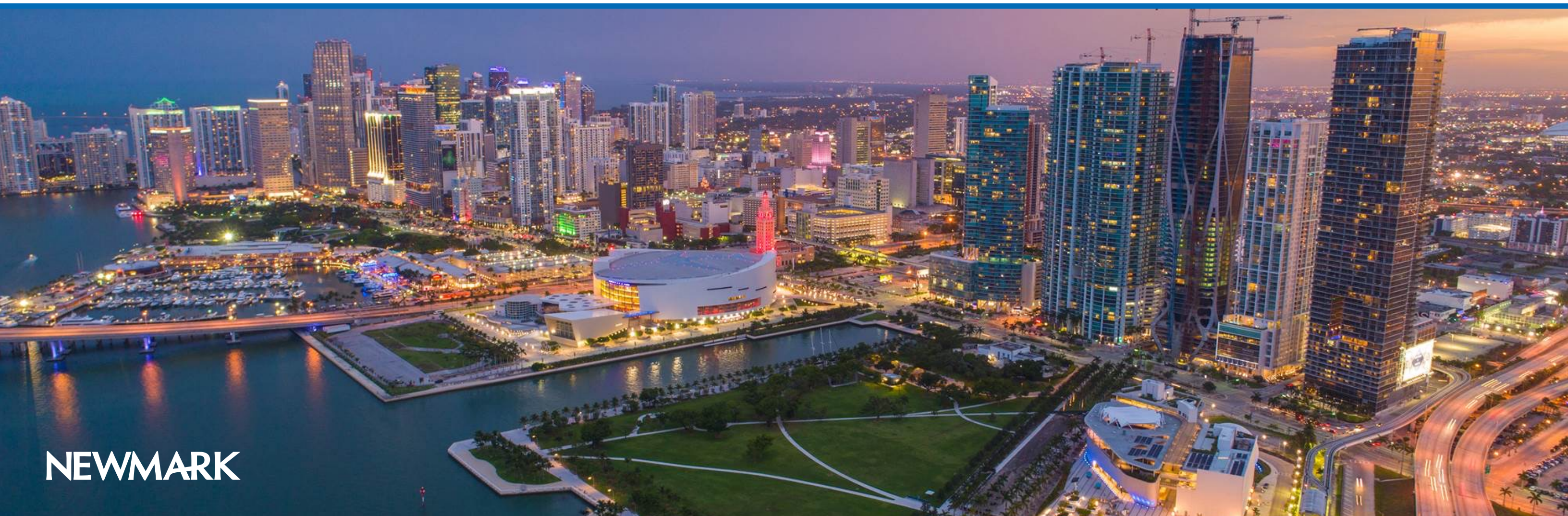


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Miami-Dade County Office Market Overview



Market Observations

Economy

- The market’s unemployment rate reached an all-time historical low, decreasing by 40 basis points year over year to 1.6% and remaining well below the five-year average of 4.2%.
- Although job growth pace has slowed compared with recent highs to 2.5% year over year, employment growth continues to outpace pre-pandemic levels, with 2019 growth averaging only 2.0%.
- All sectors, except information, reported employment growth, with leisure and hospitality leading job gains at 7.1% over the past 12 months.
- Office-using jobs in the market remained near the all-time historical high at 328,587 employees, reflecting 14.3% growth since 2019.

Major Transactions

- Key Point Academy penned the largest deal of the quarter, signing a 62,349-square-foot lease at Resorts World Omni.
- Apple, who also plans to open a flagship 19,000 SF retail space in Miami Worldcenter, signed the second largest deal of the quarter, taking 41,981 SF lease at The Plaza Coral Gables – North Tower.
- Flight to quality continues to remain a central theme in some of the largest and most notable deals signed in the quarter, with seven of the top ten largest deals all signed in Class A assets.
- The Airport West and Coral Gables submarkets were notable locational picks, with five of the ten largest deals signed located in the submarkets.

Leasing Market Fundamentals

- Annual full-service asking rental rates increased to a historical high of \$53.64/SF, a 9.9% increase year over year.
- Occupancy remained positive, pushing overall vacancy rates to decrease by 20 basis points year over year, to 14.2%.
- Under-construction pipeline increases, with 1.9 MSF in progress.
- Total leasing activity closed the quarter at 1.0 MSF, reflecting slower leasing activity due to fewer deals being done. Leases signed averaged 2,903 SF per deal, a decline in average deal size by 22.0% quarter over quarter and by 20.5% year over year.

Outlook

- The Miami-Dade County office market will likely see slightly muted growth this year, impacted by national economic headwinds and the uncertainty surrounding the upcoming election. Office investment activity will remain low in the near term due to elevated inflation and a steeper cost of debt.
- Strong demand for premier office product, coupled with a tightening supply, have pushed rents to an all-time high, with asking rents expected to remain elevated.
- In the near term, vacancies can be expected to remain low due to the delivery timelines on new supply being pushed further out as remaining availability dwindles. The largest delivery expected in 2024, 830 Brickell, is 89% pre-leased while the under-construction pipeline is 53.6% pre-leased.

1. Economy
2. Leasing Market Fundamentals

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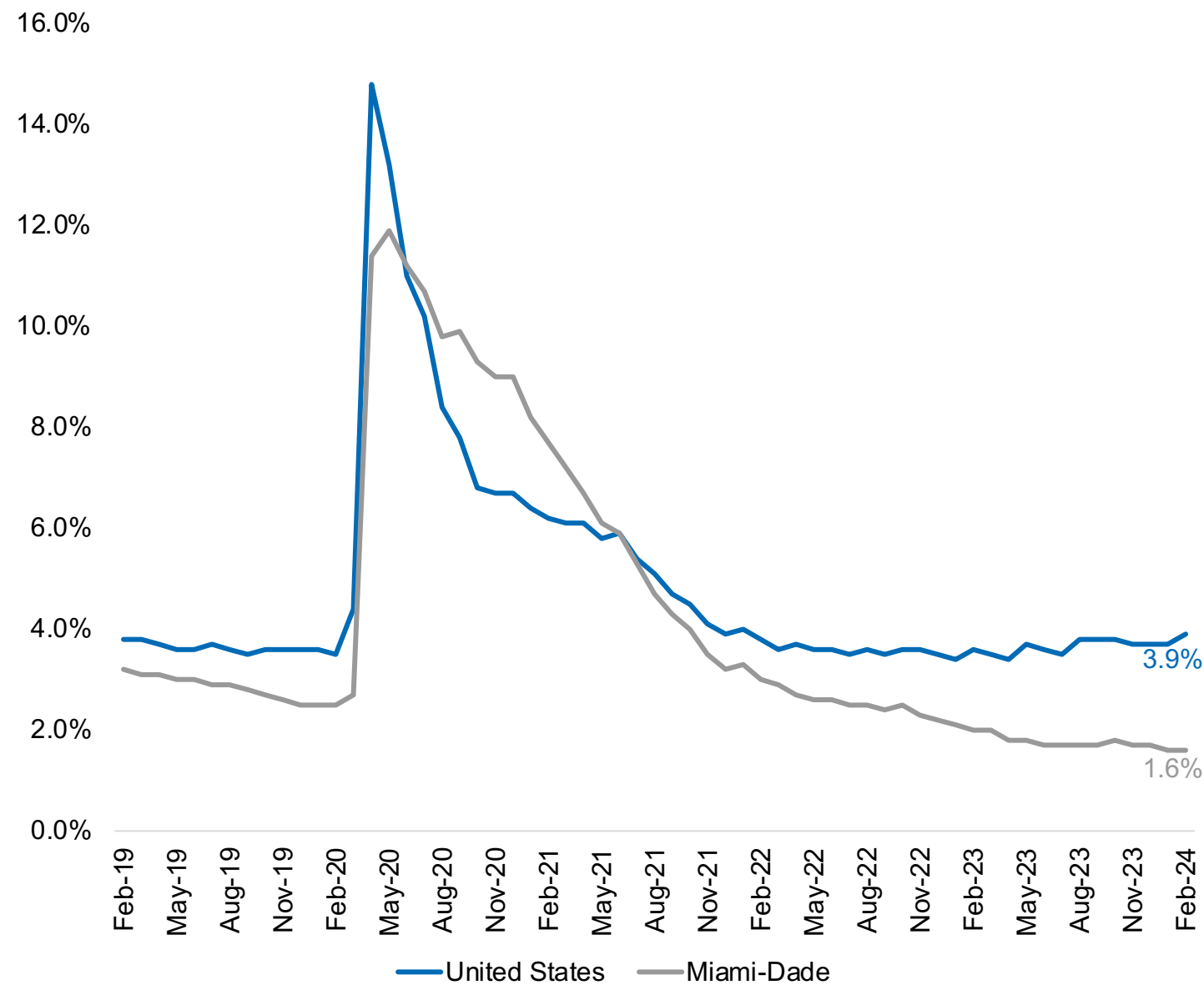
Economy



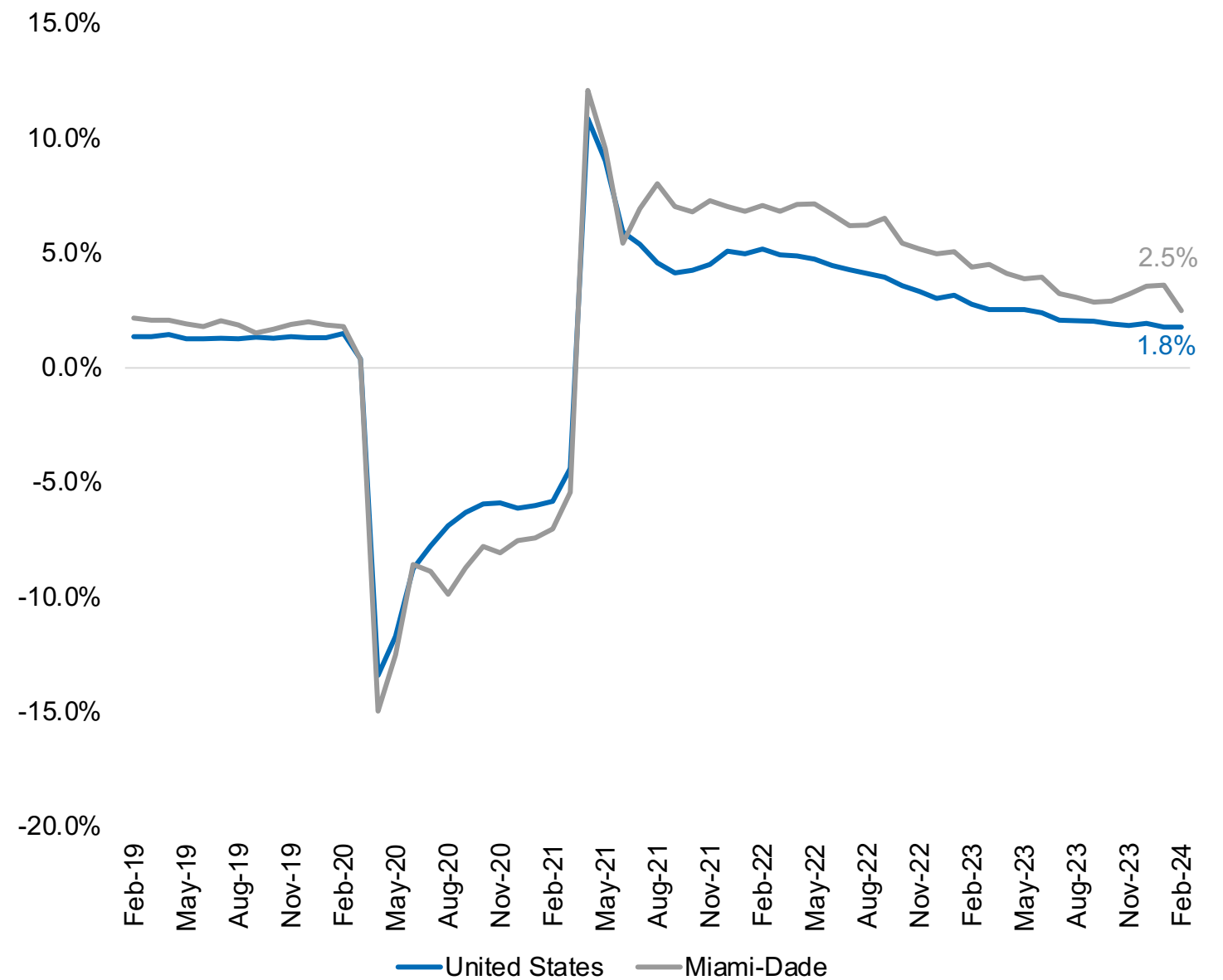
Unemployment Remains At Historical Low

The Miami-Dade County office market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. The region's unemployment rate decreased by 40 basis points year over year to 1.6%, remaining at the historical low. Employment growth continues to remain elevated since 2021, but slowed by 189 basis points year over year, likely impacted by national economic headwinds.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

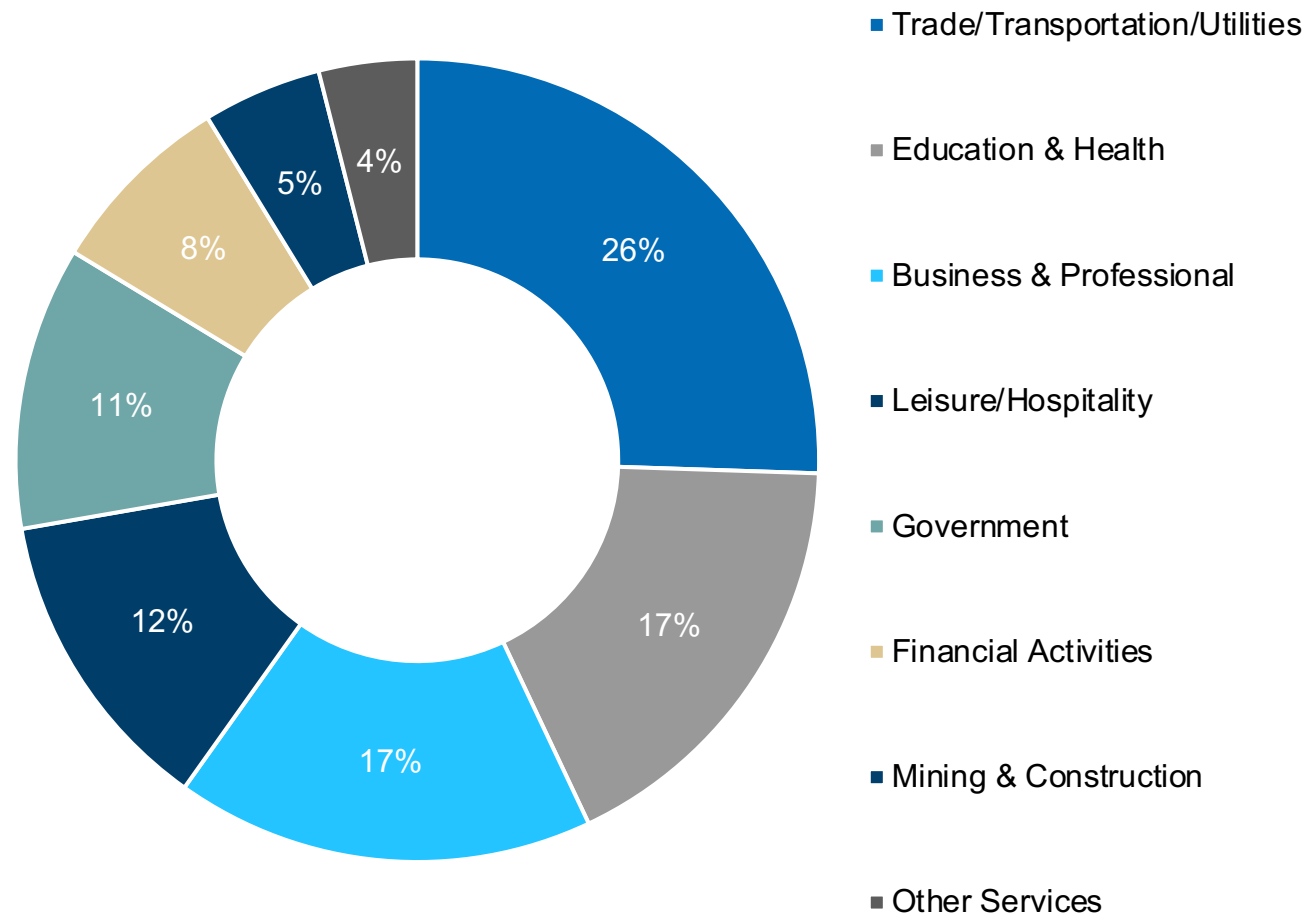


Source: U.S. Bureau of Labor Statistics, Miami-Dade County

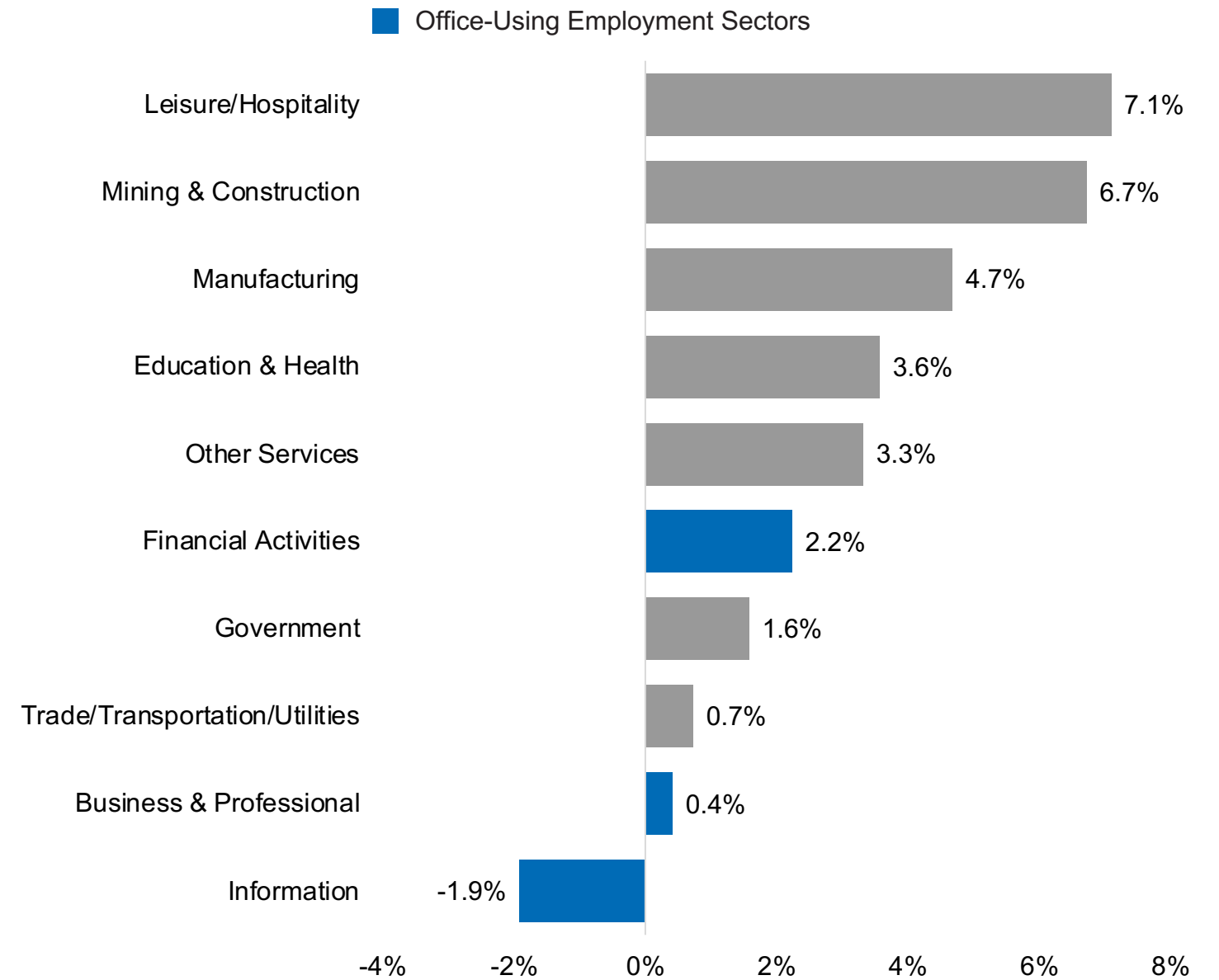
Growth Slowing in Business and Professional Sector

The Miami-Dade County's top two employment industries account for 40.7% of market share. The office-using employment's business and professional sector moved down to the third-largest industry sector in the metroplex to 16.0%. All industries in the county, except for information, reported growth, with office-using industries reporting year-over-year growth ranging from a decrease of 1.9% to an increase of 2.2%.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

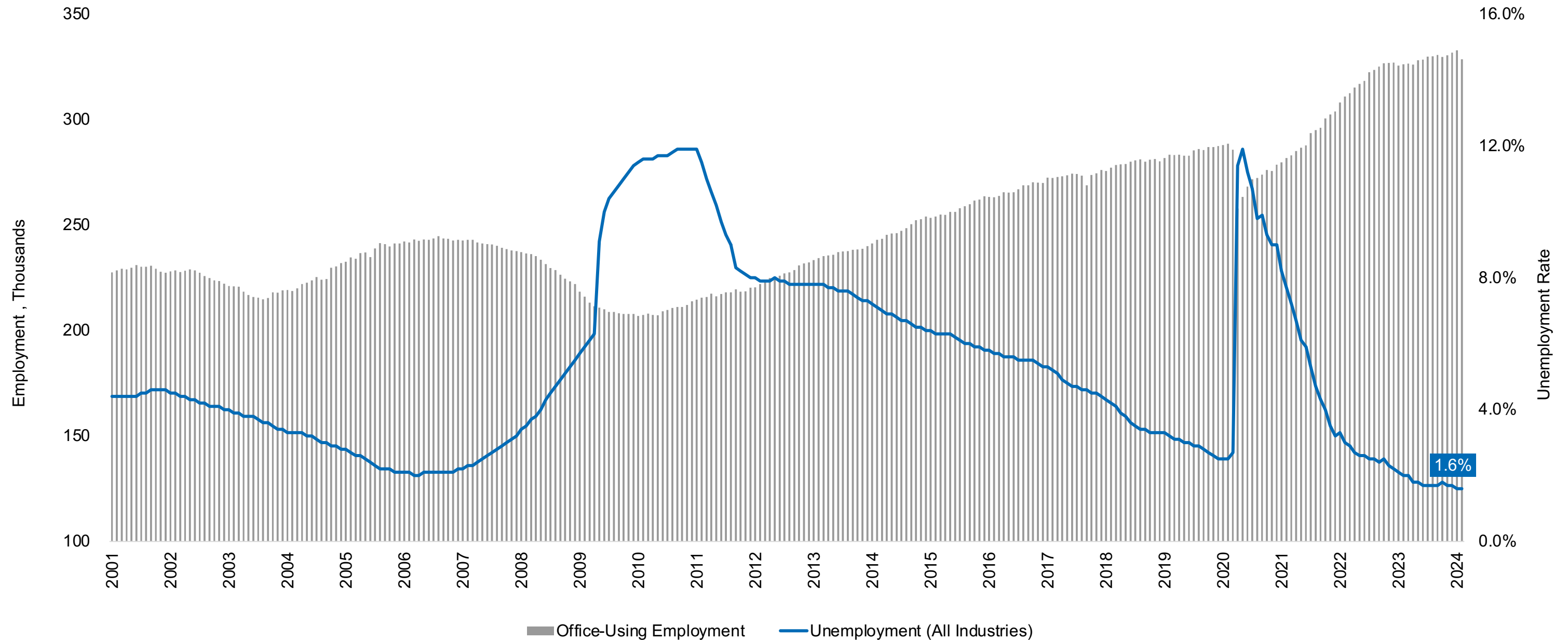


Source: U.S. Bureau of Labor Statistics, Miami-Dade County

Overall Office-Using Employment Near Historical High

Office-using employment in Miami-Dade County fell by 1.3% from the January 2024 peak to 328,587 employees as of February 2024. Currently, the seasonally adjusted unemployment rate is at 1.6%, below the 2.9% average levels reported in 2019. Despite national economic headwinds, the office employment sector is at the tightest levels seen historically.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Miami-Dade County

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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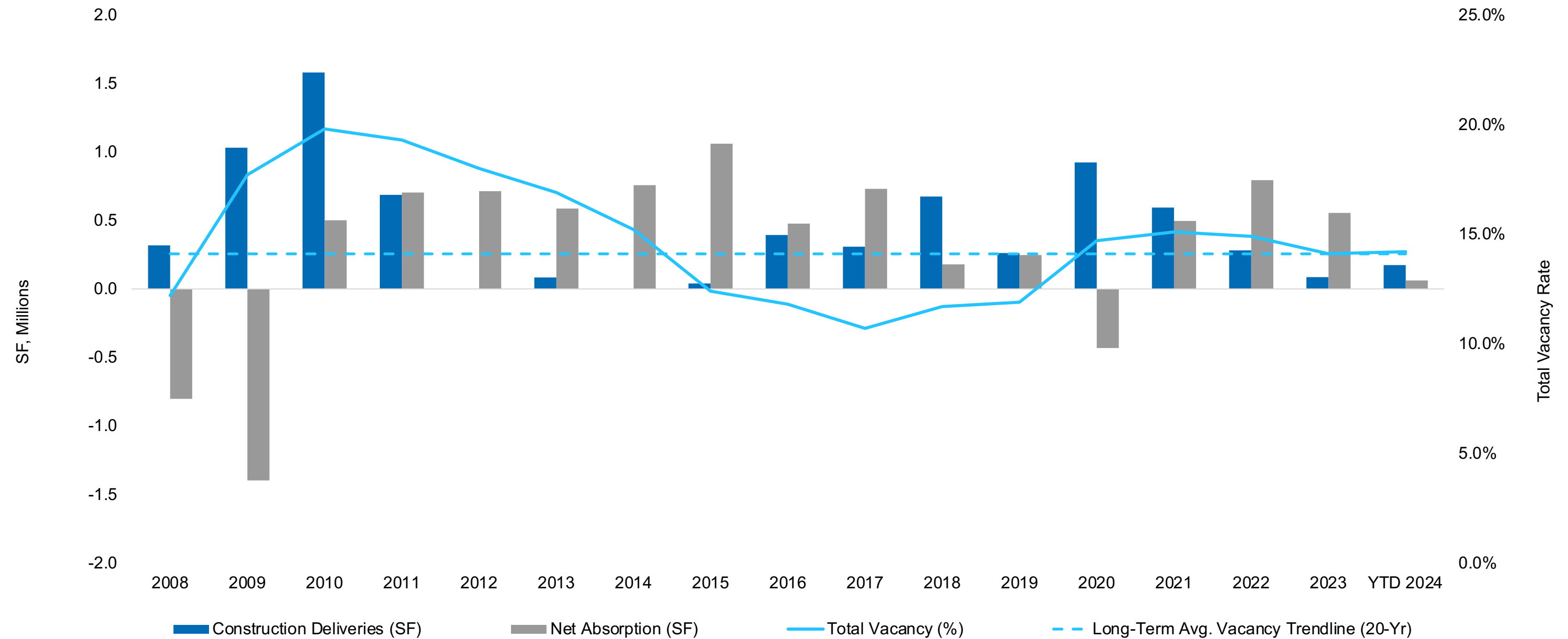
Leasing Market Fundamentals



Demand Remains Positive

Miami-Dade County's office vacancy rate decreased by 20 basis points year over year to 14.2% in the first quarter of 2024. Net absorption was positive 61,846 SF in the first quarter of 2024. New supply delivering in Miami-Dade continues to remain short of recent demand which will likely lead rents to climb as the market tightens and vacancy shrinks.

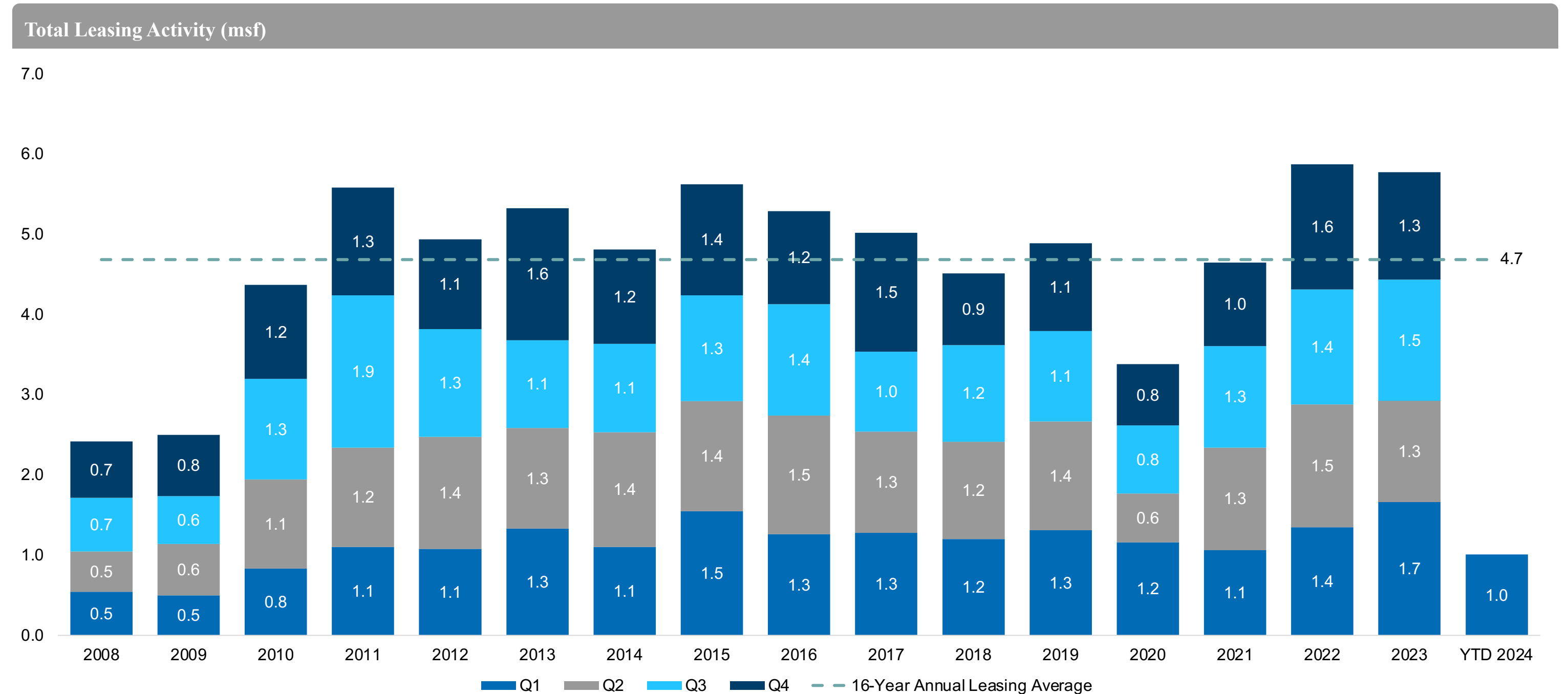
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Slower to Start the New Year

The first quarter of 2024 had 1.0 MSF of leasing activity; the slowest first quarter start since 2010. Since 2010, first-quarter leasing activity averaged 1.2 MSF, with the first quarter of 2024 not far behind at 1.0 MSF. Deal size averaged 2,903 SF in the first quarter of 2024, an average of 750 SF less than a year ago. The slower leasing activity pace (down 23.9% in number of deals year-over-year) is largely attributed to fewer deals being done, likely impacted by a more challenging debt liquidity environment preventing larger deals from occurring as easily.

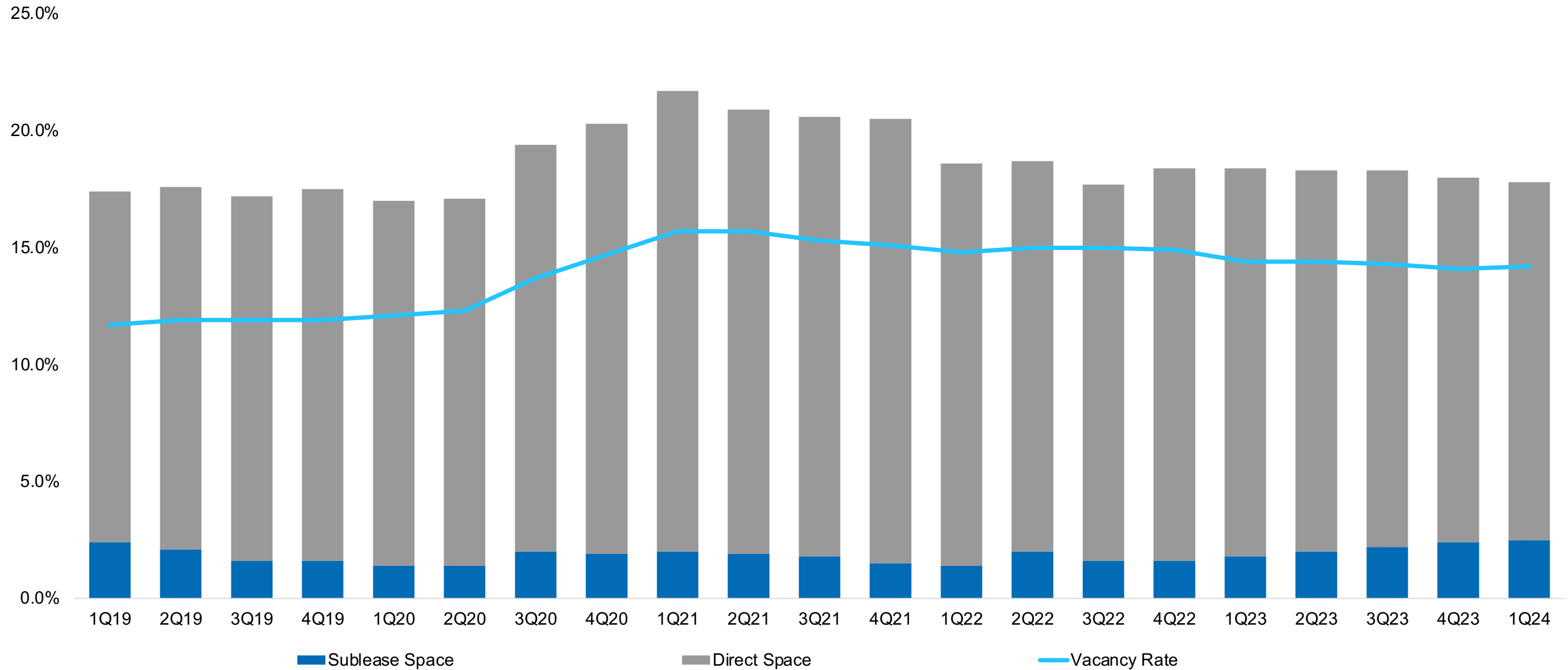


Source: Newmark Research, CoStar

Overall Availability Declines

Sublease availabilities in Miami-Dade County have slowly risen while direct availabilities have been in decline. As of the end of the first quarter of 2024, sublease availability in the market was at 2.5%. Direct availabilities have increased since the pandemic but have decreased from recent highs reported in 2021 at 19.7%, with current direct availability rate at 15.3%. Vacancies have remained low at 14.2% as of quarter-end.

Available Space as Percent of Overall Market

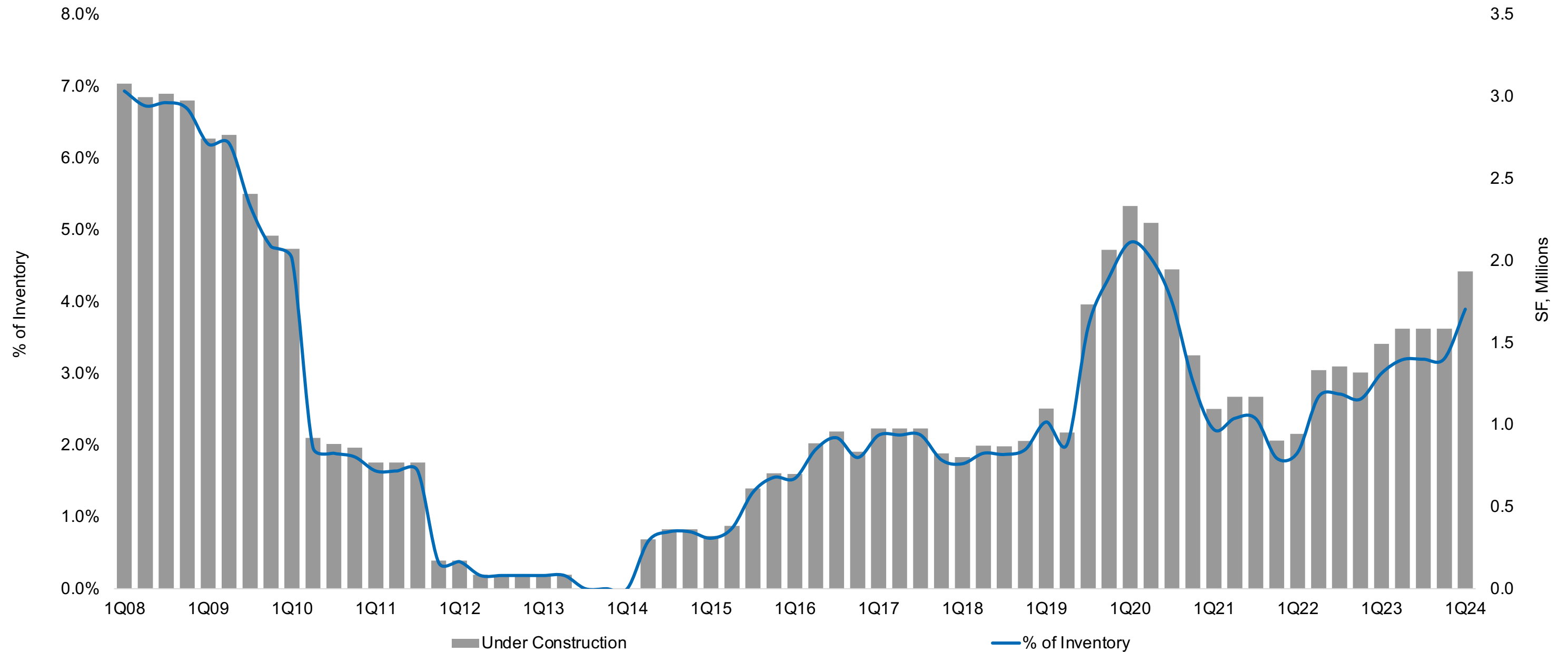


Source: Newmark Research, CoStar

Construction Activity Cautiously Increases

Construction activity increased since the pandemic as businesses reassessed their strategies and relocated or opened new offices in South Florida. Although construction has been lower since recent highs seen during the pandemic, activity continues to remain robust in the county with 1.9 MSF currently under construction. As of the first quarter of 2024, the under-construction pipeline accounts for 3.9% of the market's inventory.

Office Under Construction and % of Inventory

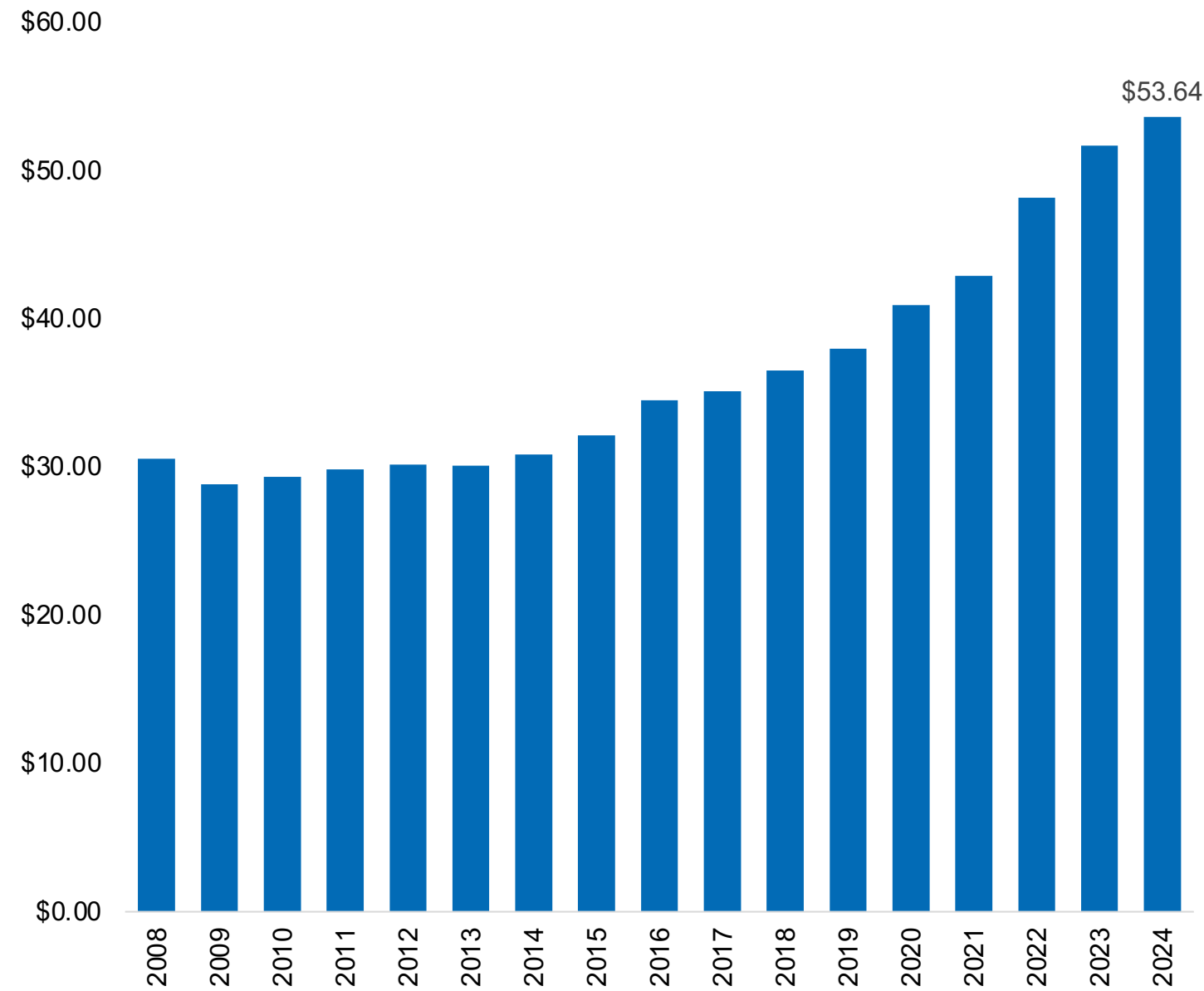


Source: Newmark Research, CoStar

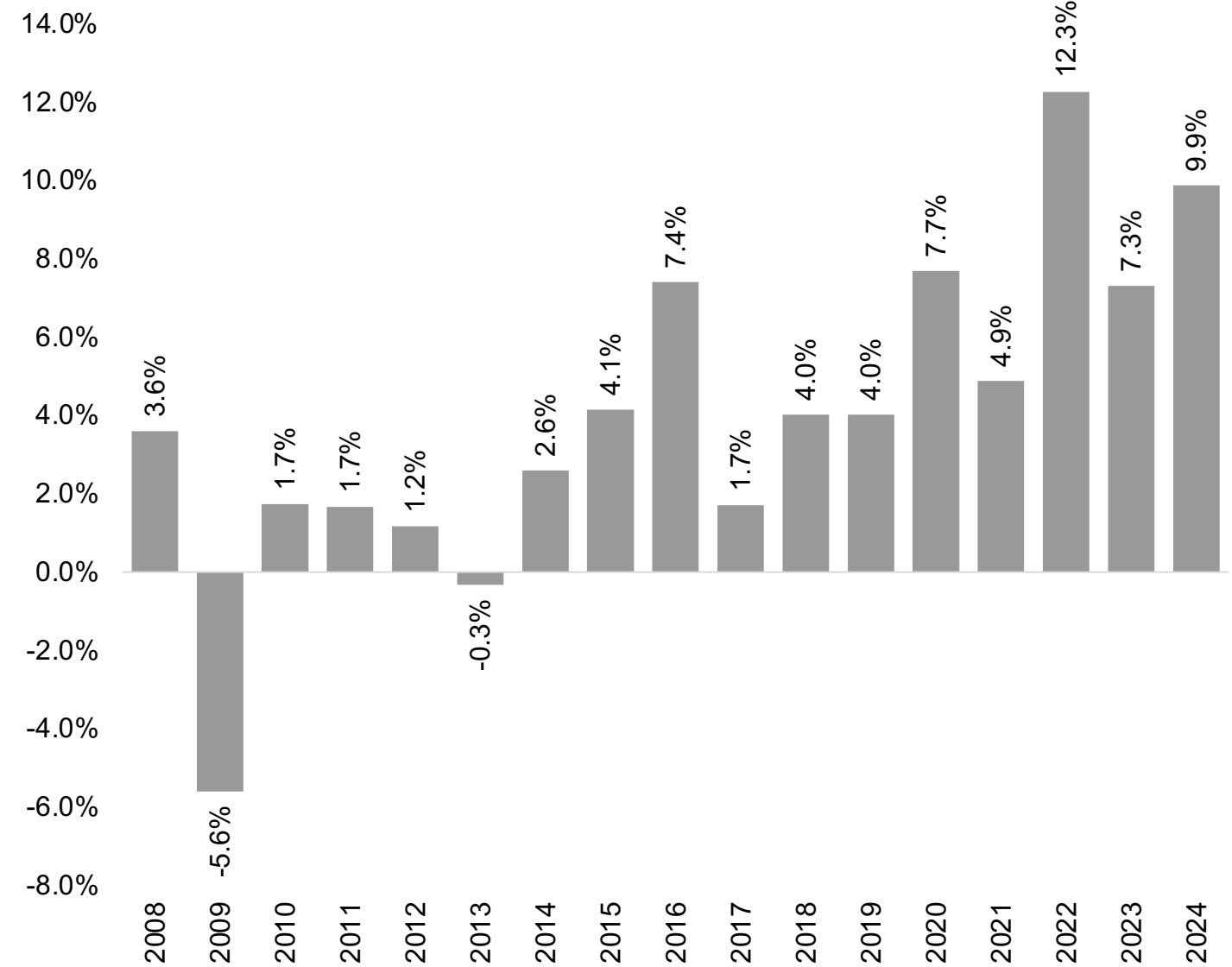
Rents Reach New All-Time High

Rents continued increasing in the first quarter of 2024 to an all-time historical high of \$53.64/SF, a 3.8% increase quarter over quarter and 9.9% increase year over year. Rent growth in the county is generally attributed to new higher-quality space availability that is set to come online to meet the current demand. Asking rents are likely to remain elevated in a market impacted by inflation and increasing operating costs as well as the decline in existing available space.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

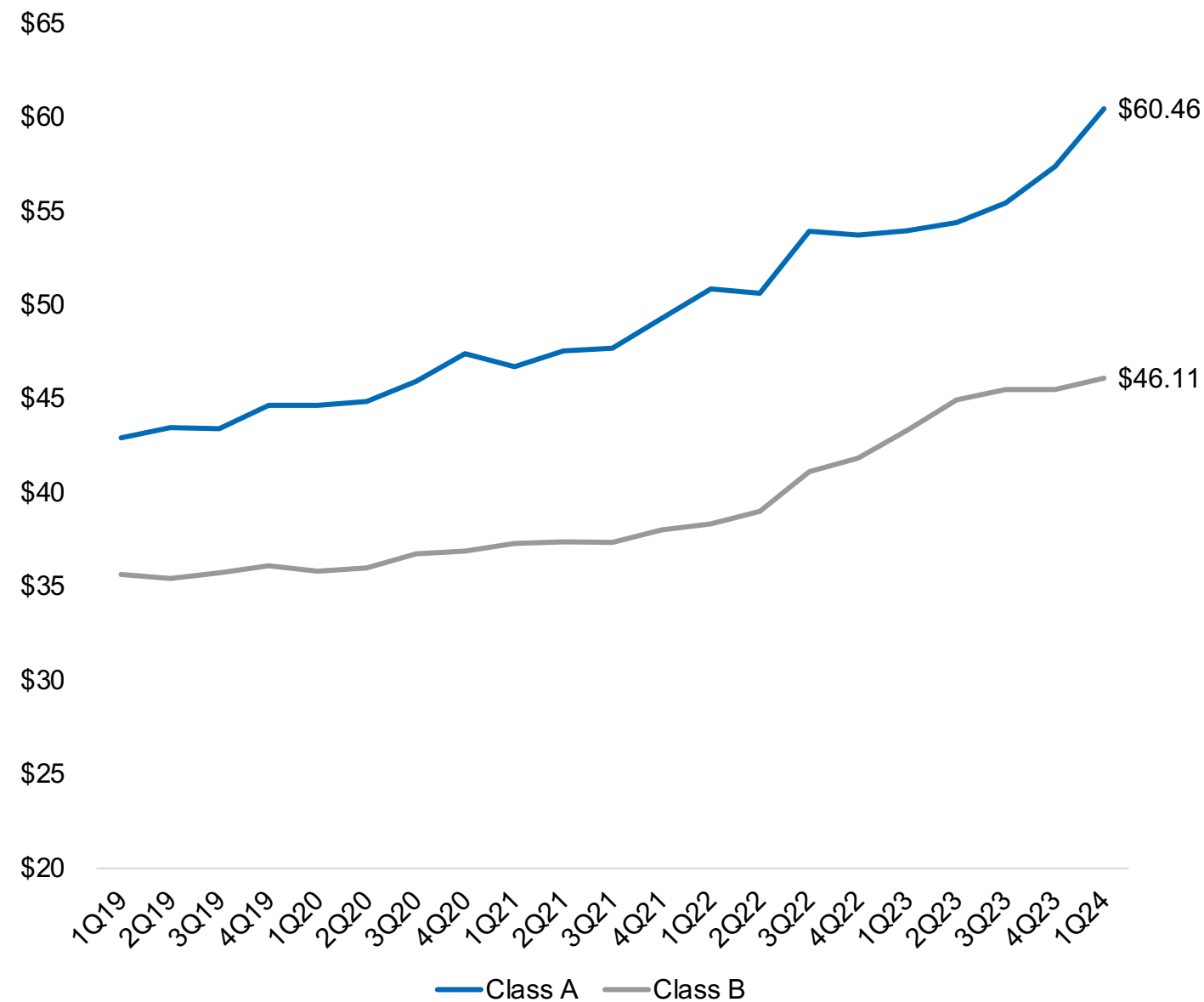


Source: Newmark Research, CoStar

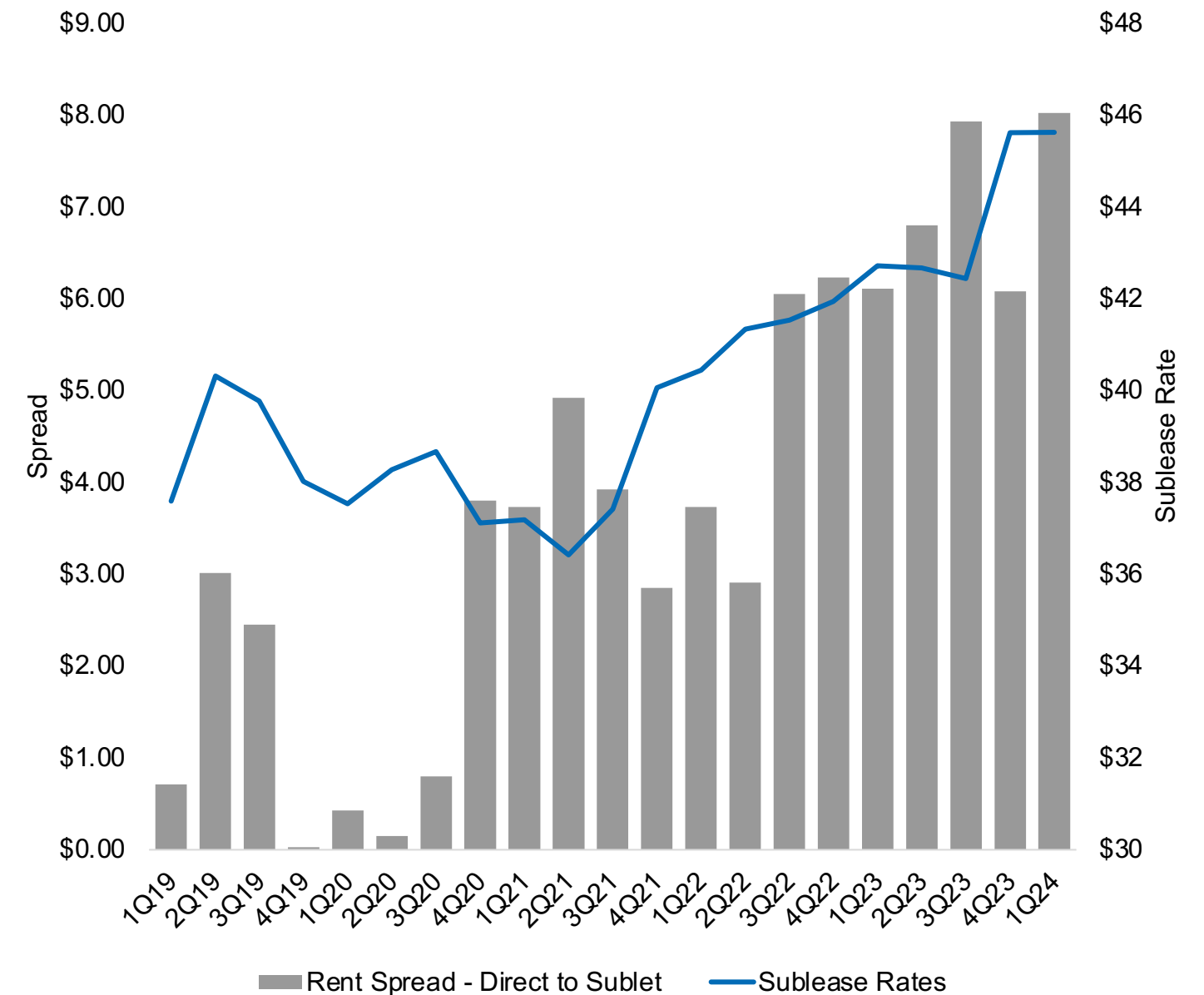
Asking Rents Growth Reflect Flight to Quality

As rents continue increasing, the bifurcation in rent spread between Class A and Class B assets continues to widen above the \$9.00/SF mark. As of the end of the first quarter of 2024, Class A rents ended above the \$60/SF mark for the first time at \$60.46/SF, while Class B reported \$46.11/SF. Due to higher demand and lessened availability quality assets, the difference in rent between the classes is \$14.35/SF, a 62.5% spread increase since the first quarter of 2020. Sublease rates were relatively flat in the first quarter of 2024 at \$45.62.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Flight-to-Quality Leasing Activity Continues

Despite slowing leasing activity in the market, flight to quality continues to remain a trend in the Miami-Dade County office market. As of the end of the first quarter of 2024, Class A space accounted for 58.4% of the market's leasing activity by SF, but only 30.3% of the market's deal volume. Average leases signed in Class A space were 5,604 SF and continue to remain larger than the average market deal size, at 2,903 SF.

Notable 4Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Key Point Academy	Resorts World Omni	Wynwood/Design District	Direct New	62,349
<i>Key Point Academy is tripling its footprint and moving close to Miami's Edgewater neighborhood, away from its original Brickell campus, which will be sold for redevelopment.</i>				
Apple	The Plaza Coral Gables – North Tower	Coral Gables	Direct New	41,981
<i>The second largest lease of the quarter is a new lease by Apple, who is also planning to open a flagship 19,000 SF retail space in Miami Worldcenter.</i>				
The Morgan Group	220 Alhambra Cir	Coral Gables	Direct New	19,075
<i>The law firm will move out of its present office at 55 Merrick Way and into the entire fifth floor of the Amerant Center in the second quarter of this year.</i>				
Greenvine Insurance	800 Waterford	Airport West	Sublease	18,588
<i>The health insurance company is subleasing Schenker's former space.</i>				
Coffey Burlington	SBS Tower	Coconut Grove	Renewal	15,227
<i>The law firm renewed their lease on space that they initially leased at SBS Tower back in 2013.</i>				



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