



# 1Q14 MIAMI OFFICE MARKET

**Newmark Grubb Knight Frank**

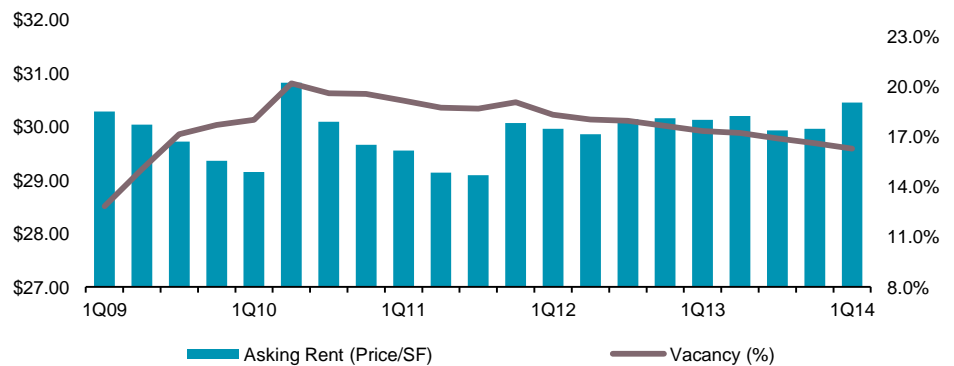
## MIAMI GEARS UP FOR MARKET GROWTH

With positive net absorption pushing vacancy downward for the 15th consecutive quarter, the Miami office market appears to have turned the corner. Class A space dominated the various asset classes, with 158,000 square feet of positive net absorption. In the Class B and Class C sectors, supply outpaced demand with negative net absorption, although not enough to markedly increase the vacancy rate for these lower-end sectors.

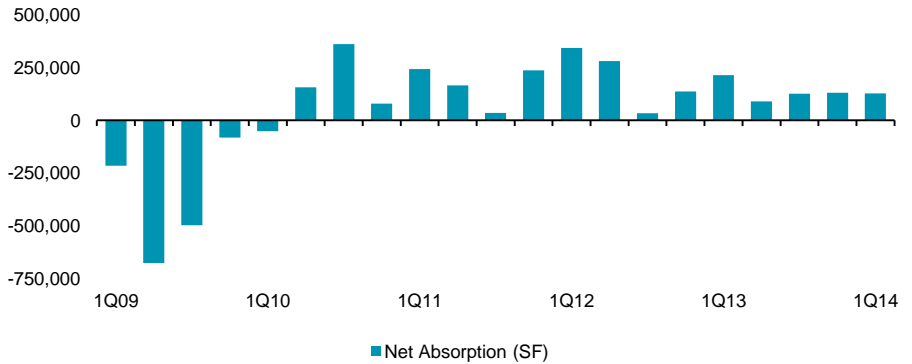
In the Central Business District (CBD), demand focused on towers built after 2010, with Gray Robinson PA signing for 35,000 square feet at Wells Fargo Center. In early 2015, the law firm will also move from 1221 Brickell Avenue, built in 1984. Two years after the most recent office building was delivered, more than half of the 600,000 square feet at Brickell World Plaza is leased through the first quarter. Further suggesting a trend of upgrading to quality space, reportedly Pricewaterhouse Coopers is also in lease negotiations for newer office space and will relocate from the Four Season's Tower Office built in 2003.

The strong activity in the CBD has owners gearing up for the next growth cycle. JP Morgan recently announced over \$20 million dollars in capital improvements to the Southeast Financial Center in downtown Miami. These improvements are expected to help when competing in lease negotiations. Rumor has it that a number of large tenants are seeking space within the

**Asking Rent and Vacancy**



**Absorption**



**Key Indicators**

Total Inventory (SF)	46,905,548		
	<b>1Q14</b>	<b>4Q13</b>	<b>1Q13</b>
Asking Rent (Price/SF)	\$30.45	\$29.96	\$30.04
Vacancy Rate (%)	16.3%	16.6%	17.8%
Under Construction (SF)	0	0	0
	<b>1Q14</b>	<b>4Q13</b>	<b>YTD</b>
Net Absorption (SF)	126,916	130,805	126,916
Deliveries (SF)	0	0	0



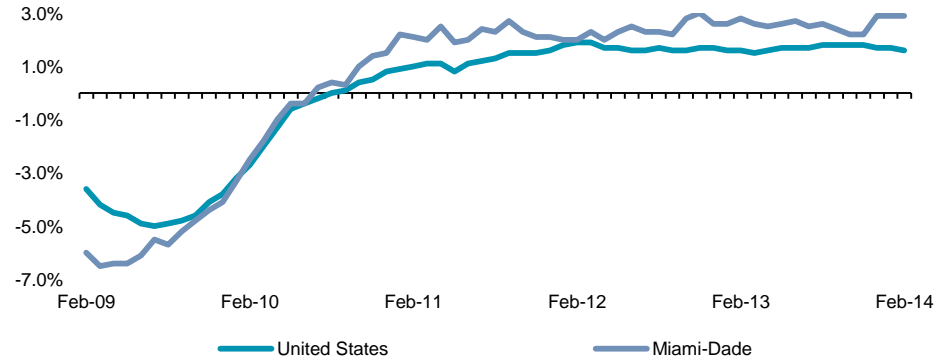
CBD, including one tenant looking to possibly upgrade in space and another to upgrade to a downtown location.

Rents are increasing as a result of the increased demand. Year-over-year overall asking rent averages increased with a \$0.37 from the \$30.13/SF full service gross rate seen one year ago. Class A space saw a \$0.64 rise from the \$36.88/SF full service gross rate posted during the first quarter of 2013, while Class B space experienced a slight decrease of \$0.09 from \$28.15/SF full service gross. This slight correction reflects the disparity in transaction and occupancy activity between class levels.

No major investment sales took place during the quarter. Owners held on to Class A properties, while the market saw three noteworthy Class B buildings exchange hands. Looking ahead, office sector momentum is expected to pick up with conditions shifting to favor landlords. Miami's office market appears to have returned to the road of growth and prosperity.

### Payroll Employment

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



Source: U.S. Bureau of Labor Statistics

### Construction and Deliveries

Square Feet, millions



### Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Miami's Children Hospital	Waterford @ Blue Lagoon-5301 Waterford	Airport West	73,290
Quest Workspaces	8200 Doral-8200 NW 41 <sup>st</sup> St	Airport West	21,600
BioRASI LLC	One Turnberry Place-19495 Biscayne Blvd	Northeast Dade	18,861
Parsons Brinckerhoff	Airport Corp. Ctr. #10-7650 NW Corp. Ctr. Dr	Airport West	15,184
US Food & Drug Administration	The Promenade-15100 NW 67 <sup>th</sup> Ave	Miami Lakes	12,661
Beacon Health	Alhambra Plaza-2 Alhambra Plaza	Coral	12,496
Comptroller OCC	Doral Costa-9850 NW 41 <sup>st</sup> St	Airport West	12,467

### Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
Chase Bank Bld-150 SE 2 <sup>nd</sup> Ave	Downtown	121,377	\$24,000,000	\$197
Federal Building-10350 NW 112 <sup>th</sup> Ave	Medley	78,479	\$29,700,000	\$378
2990 Ponce De Leon Blvd	Coral Gables	58,000	\$25,500,000	\$439



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)	Total Asking Rent (Price/SF)
<b>CBD Total</b>	<b>13,638,555</b>	-	<b>18.1%</b>	<b>87,602</b>	<b>87,602</b>	<b>\$42.50</b>	<b>\$30.09</b>	<b>\$36.37</b>
Brickell Avenue	6,417,363	-	14.8%	85,209	85,209	\$42.75	\$33.16	\$39.46
Downtown Miami	7,221,192	-	21.0%	2,393	2,393	\$42.29	\$28.79	\$34.47
Airport West	11,514,707	-	16.2%	-52,791	-52,791	\$28.82	\$24.45	\$24.70
Biscayne Corridor	1,694,599	-	39.1%	38,046	38,046	-	\$30.59	\$29.72
Coconut Grove	619,403	-	13.7%	-463	-463	-	\$31.71	\$30.44
Coral Gables	5,885,935	-	14.6%	29,974	29,974	\$36.82	\$30.50	\$34.29
Coral Way	822,959	-	6.1%	12,109	12,109	-	\$26.11	\$23.81
East Airport/Hialeah	862,179	-	13.5%	-181	-181	-	\$24.34	\$19.77
Kendall/South Dade	4,331,148	-	12.0%	-11,753	-11,753	\$36.05	\$26.09	\$26.19
Miami Beach	2,131,494	-	11.1%	-21,348	-21,348	\$36.15	\$33.07	\$33.36
Miami Lakes	1,806,918	-	16.6%	28,496	28,496	\$24.66	\$22.83	\$22.47
Northeast Dade	3,036,451	-	15.1%	10,064	10,064	\$34.00	\$25.80	\$23.68
South Miami	561,200	-	2.4%	7,161	7,161	\$26.00	\$34.00	\$20.68
<b>Suburban Total</b>	<b>33,266,993</b>	-	<b>15.6%</b>	<b>39,314</b>	<b>39,314</b>	<b>\$32.86</b>	<b>\$27.27</b>	<b>\$27.19</b>
<b>Totals</b>	<b>46,905,548</b>	-	<b>16.3%</b>	<b>126,916</b>	<b>126,916</b>	<b>\$37.52</b>	<b>\$28.06</b>	<b>\$30.45</b>



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## Glossary of Terms

### Absorption

A measure of the change in occupied space

### Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

### Deliveries

The total RBA of properties added to the inventory once construction has been completed

### Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

### Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

### Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

### Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

### Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

### Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

### Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

### Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

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