



# 3Q14 MIAMI OFFICE MARKET

**Newmark Grubb Knight Frank**

## OFFICE SECTOR BUILDING MOMENTUM

The Miami office market experienced its 18th consecutive quarter of positive net absorption in the third quarter of 2014. Demand outpaced supply in each class, helping to push occupancy rates to 84.8%, a 140-basis-point improvement year-over-year. This is the highest occupancy rate recorded since the second quarter of 2009. Recovery has been gradual but declining space opportunities, climbing asking rents and a bustling housing market offer evidence of growth.

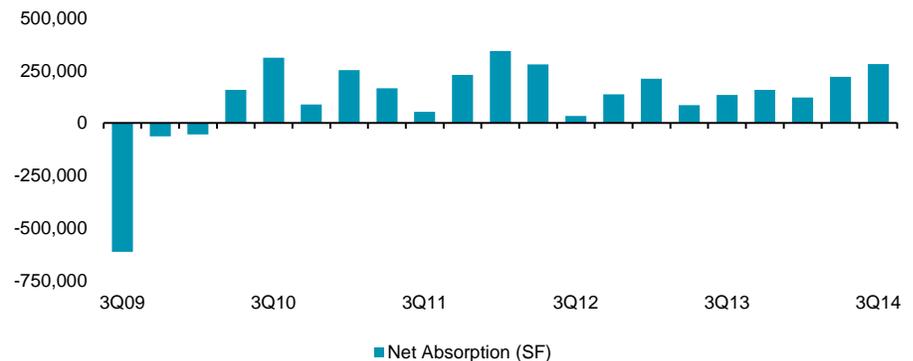
Tenants continued to prefer quality over cost: The Class A segment led the market in the third quarter, as 180,507 square feet of positive net absorption was posted. The quarter closed with the higher-end space comprising 90% of the year's net absorption. The Class B market followed suit with 77,759 square feet for the quarter, bringing the year-to-date total to 157,730 square feet. The Class C segment saw demand outpace supply for the first time in a year with a modest 21,977 square feet absorbed, although the year-to-date tally remained negative at 96,521 square feet.

Increased demand for higher-end office space translated into a \$2.14 climb from the \$36.21/SF full service gross weighted average Class A rate recorded one year ago. This is the largest year-over-year increase since 2008. The Class B average increased \$1.02 from the \$27.55/SF full service gross rate seen during third quarter of 2013, while the Class C average slipped downward \$0.44 from the \$21.93/SF full

**Asking Rent and Vacancy**



**Absorption**



**Key Indicators**

Total Inventory (SF)	46,901,246		
	<b>3Q14</b>	<b>2Q14</b>	<b>3Q13</b>
Asking Rent (Price/SF)	\$30.68	\$30.23	\$29.93
Vacancy Rate (%)	15.2%	15.8%	16.9%
Under Construction (SF)	230,083	169,304	0
	<b>3Q14</b>	<b>2Q14</b>	<b>YTD</b>
Net Absorption (SF)	280,243	219,653	620,941
Deliveries (SF)	0	0	0



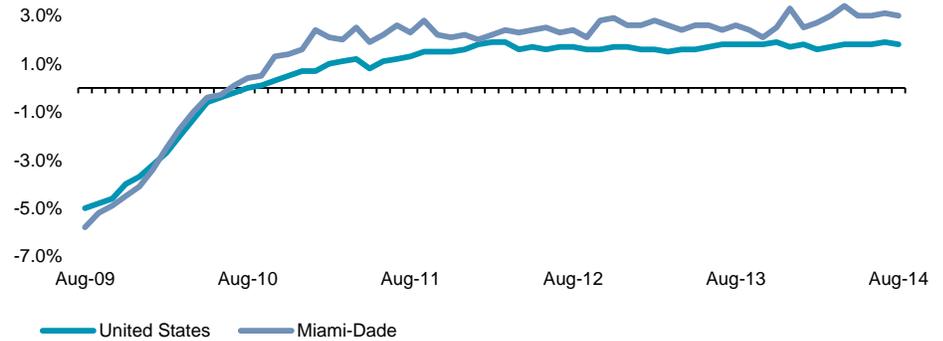
service gross rate recorded last year at this time. Still, the Class C average rate inched upward for the third quarter in a row. These recent gains in all class types offer evidence that the market is shifting to a more landlord friendly environment.

Development has begun to show signs of life with three buildings being built in the market. Two Brickell City Centre is the only Class A building underway. The 128,580-square-foot property in the heart of the Brickell submarket is part of the Brickell City Centre complex being developed by SWIRE Properties Inc. The office portion is slated for completion in the first half of 2015. Two smaller developments with office components have also broken ground: Sunset Office Center, a 60,799-square-foot building in Coral Gables, and One Netanya, a 40,724-square-foot building in Aventura, are both projected to be completed in 2015.

The real estate forecast in Miami is hot. Miami is one of the top national hot-spots for foreign investors, which is fueling robust activity in both the residential and office sectors. Expect this to fuel continued growth in demand over the next three years.

## Payroll Employment

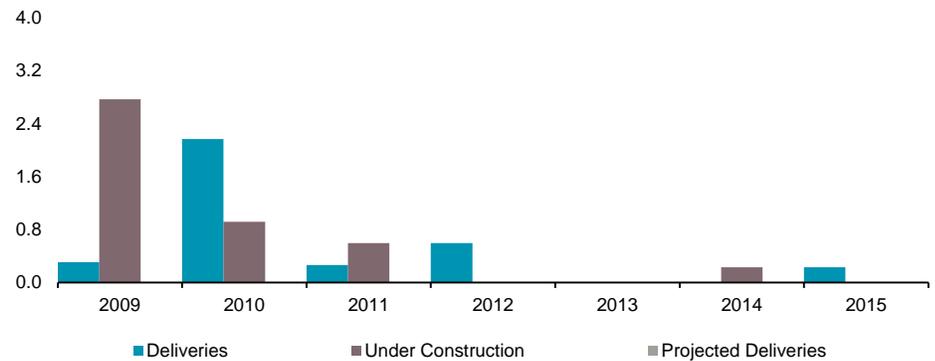
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## Construction and Deliveries

Square Feet, millions



## Select Lease Transactions

Tenant	Building	Submarket	Square Feet
New York Executive Suites Operation	One Biscayne Tower-2 S Biscayne Blvd	Downtown	25,472
DentaQuest	Trenton Building-8300 NW 53 <sup>rd</sup> St	Airport West	22,878
URS Corporation	Airport Corp Center #10-7650 Corp Center Dr	Airport West	19,848
Aetna Health Insurance	8200 Doral-8200 NW 41 <sup>st</sup> St	Airport West	15,561
Accor North America	One Park Square @ Doral-3470 NW 82 <sup>nd</sup> Ave	Airport West	14,513
Suffolk Construction	One Biscayne Tower-2 S Biscayne Blvd	Downtown	14,110
Florida Vocation Institute	Office of the Americas-7757 W Flagler	Airport West	12,600

## Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
Harbour Centre @ Aventura	Northeast Dade	213,915	\$61,000,000	\$285
901 Ponce-901 Ponce De Leon Blvd	Coral Gables	103,000	\$22,500,000	\$218
21/22 Center-2103 Coral way	Coral Gables	74,461	\$13,000,000	\$175



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>128,580</b>	<b>17.7%</b>	<b>33,869</b>	<b>134,986</b>	<b>\$42.67</b>	<b>\$31.27</b>	<b>\$36.68</b>
Brickell Avenue	6,417,363	128,580	14.2%	20,731	123,833	\$44.11	\$33.34	\$40.61
Downtown Miami	7,221,192	0	20.9%	13,138	11,153	\$41.32	\$30.45	\$34.26
Airport West	11,514,707	0	14.5%	90,097	116,389	\$29.83	\$23.93	\$24.46
Biscayne Corridor	1,694,599	0	37.2%	20,448	69,869	-	\$30.07	\$29.47
Coconut Grove	619,403	0	11.6%	-207	12,682	-	\$31.87	\$31.35
Coral Gables	5,920,835	60,779	12.3%	75,549	160,997	\$37.84	\$32.45	\$35.12
Coral Way	822,959	0	4.8%	4,865	22,924	-	\$26.13	\$23.79
East Airport/Hialeah	862,179	0	10.1%	-1,875	15,973	-	\$20.55	\$20.06
Kendall/South Dade	4,291,946	0	12.1%	25,751	-12,036	\$35.29	\$26.98	\$26.80
Miami Beach	2,131,494	0	10.0%	-4,590	3,302	\$36.60	\$32.22	\$32.94
Miami Lakes	1,806,918	0	15.3%	37,445	52,156	\$26.17	\$23.58	\$23.56
Northeast Dade	3,036,451	40,724	13.8%	15,177	50,505	\$34.94	\$26.06	\$23.28
South Miami	561,200	0	4.9%	-16,286	-6,806	\$26.00	\$32.10	\$21.86
<b>Suburban Total</b>	<b>33,262,691</b>	<b>101,503</b>	<b>14.1%</b>	<b>246,374</b>	<b>485,955</b>	<b>\$33.77</b>	<b>\$27.54</b>	<b>\$27.23</b>
<b>Totals</b>	<b>46,901,246</b>	<b>230,083</b>	<b>15.2%</b>	<b>280,243</b>	<b>620,941</b>	<b>\$38.35</b>	<b>\$28.57</b>	<b>\$30.68</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.

**Newmark Grubb Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.**

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