



# 2Q13 MIAMI OFFICE MARKET

**Newmark Grubb Knight Frank**

## VACANCY TICKS DOWNWARD

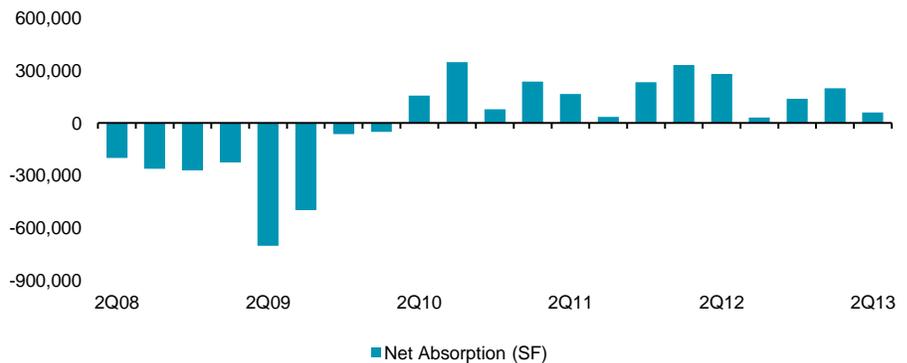
The county's year-over-year unemployment decreased 100 basis points to 8.7% as reported at the close of the second quarter of 2013. This translated into an increase of 6,300 jobs from the same period a year ago; over 60% of that increase occurred in the first half of 2013. Although employment figures improved, Miami's office market experienced lackluster gains during the second quarter with supply just outpacing demand. Positive absorption helped vacancy decrease 70 basis points from the 18.1% rate reported a year ago. Class C product led the market with over 78,000 square feet of space absorbed while Class A product posted 40,896 square feet of net gains in occupancy. Class B space recorded negative 59,000 square feet as supply outpaced demand in mid-tier buildings. Renewals and relocations coupled with slight expansions and some downsizings continued to be the dominant trend, with the majority of activity coming from companies already doing business in South Florida. Ample available space remains, which creates the perfect environment for "musical tenants," a scenario that persists in this market.

One factor contributing to the positive absorption within Class C space was the user sale of 1395 NW 167th Street to Chen Medical Centers. The healthcare firm expanded into another facility when it purchased the 27,000-square-foot office building in Northeast Miami-Dade. Also, Brown Mackie College expanded into an additional 12,000 square feet at One Bayfront Plaza at downtown's 100 Biscayne.

**Asking Rent and Vacancy**



**Absorption**



**Key Indicators**

Total Inventory (SF)	46,828,833		
	<b>2Q13</b>	<b>1Q13</b>	<b>2Q12</b>
Asking Rent (Price/SF)	\$30.18	\$30.12	\$29.86
Vacancy Rate (%)	17.4%	17.5%	18.2%
Under Construction (SF)	0	0	0
	<b>2Q13</b>	<b>1Q13</b>	<b>YTD</b>
Net Absorption (SF)	59,622	197,733	257,355
Deliveries (SF)	0	0	0



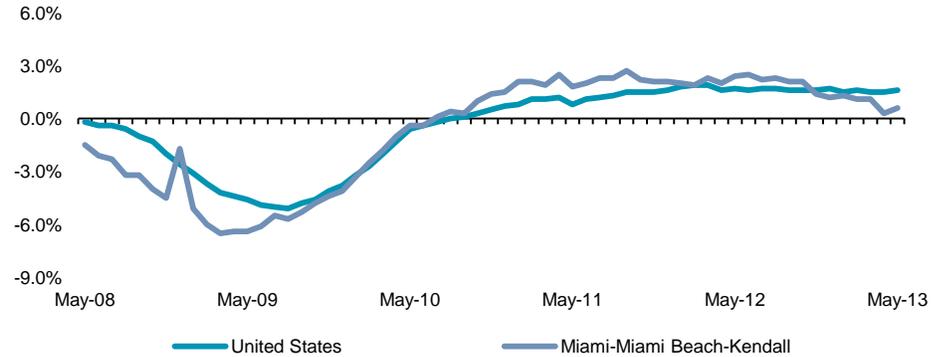
Noteworthy movement in Class A buildings included the relocation of The Ferrara Law Firm, which moved from The Collection in Coral Gables into its new 21,000-square-foot office at Brickell World Plaza in the central business district, and AJ Gallagher's downsizing to 11,500 square feet when it relocated from 8200 Doral to the 8333 Downtown Doral building in the Airport West submarket.

Landlords continued to hold asking rates at current levels as the overall average asking rate experienced a \$0.32 increase from the \$29.88/sf full service gross rate quoted at the close of the second quarter in 2012.

Class A space continued its downward slide, dropping \$1.05 from the \$37.25/sf full service gross while Class B space climbed \$1.32 from the \$26.72/sf full service gross recorded a year ago. This can be attributed to the shift in vacancy between the two types of space. As higher-end Class A space gets leased the lower-end Class A rental rates push the average downward, while higher-end Class B vacancy has increased pushing averages up within that sector. Looking ahead, rates should remain steady for the near term.

### Payroll Employment

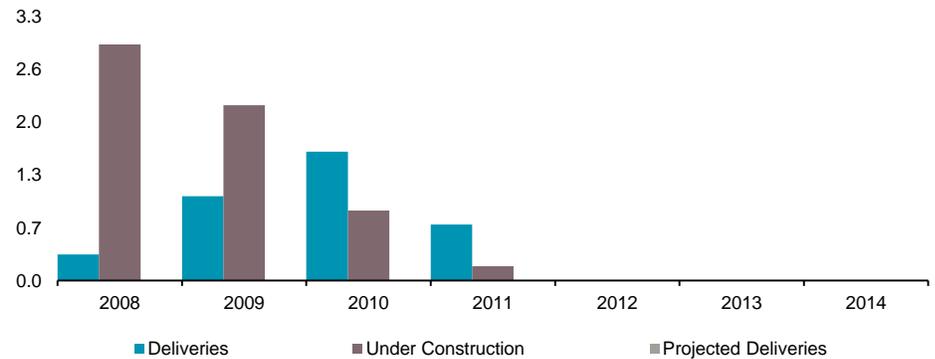
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

### Construction and Deliveries

Square Feet, millions



### Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Molina Healthcare	8200 NW 33rd St	Airport West	27,303
Brinks Securities	9675 NW 117th Ave	Airport West	23,792
Gunster Yoakley	600 Brickell Ave	Brickell	21,363
Regus Business Centers	333 Avenues of the Americas	Downtown	16,951
Change Capital	600 Brickell Ave	Brickell	14,172
Northwestern Mutual	2 Biscayne Blvd	Downtown	10,066
Stewart Tilghman Fox Bianchi & Cain	1 SE 3rd Ave	Downtown	9,117

### Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
1111 Brickell Ave	Brickell	522,843	\$184,000,000	\$352
5040 NW 7th Ave	Airport West	90,000	\$5,700,000	\$63



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</b>	<b>13,634,545</b>	<b>0</b>	<b>19.8%</b>	<b>55,186</b>	<b>142,245</b>	<b>\$42.78</b>	<b>\$29.75</b>	<b>\$36.03</b>
Brickell Avenue	6,417,363	0	18.2%	54,058	127,872	\$43.43	\$32.81	\$39.49
Downtown Miami	7,217,182	0	21.3%	1,128	14,373	\$42.23	\$28.39	\$34.02
<b>Suburban</b>	<b>33,194,288</b>	<b>0</b>	<b>16.4%</b>	<b>4,436</b>	<b>115,110</b>	<b>\$31.51</b>	<b>\$27.42</b>	<b>\$27.17</b>
Airport West	11,544,602	0	16.6%	-3,943	54,115	\$27.64	\$23.90	\$24.74
Biscayne Corridor	1,694,599	0	42.0%	-7,606	-12,350	NA	\$30.40	\$29.58
Coconut Grove	655,803	0	15.2%	-2,506	-1,001	NA	\$31.44	\$30.69
Coral Gables	5,885,935	0	15.9%	-34,940	5,122	\$36.45	\$29.97	\$33.44
Coral Way	822,959	0	7.4%	-8,808	-9,439	NA	\$25.72	\$22.74
East Airport/Hialeah	723,179	0	5.2%	9,038	5,350	NA	\$21.10	\$18.84
Kendall/South Dade	4,331,148	0	12.7%	44,247	57,302	\$35.71	\$26.05	\$26.23
Miami Beach	2,131,494	0	12.1%	-5,531	3,451	\$36.88	\$37.32	\$36.46
Miami Lakes	1,806,918	0	18.5%	-10,807	1,320	\$24.70	\$22.65	\$23.05
Northeast Dade	3,036,451	0	16.8%	16,130	1,378	\$33.57	\$26.27	\$23.48
South Miami	561,200	0	3.8%	9,162	9,862	\$26.00	\$33.78	\$22.59
<b>Miami-Dade</b>	<b>46,828,833</b>	<b>0</b>	<b>17.4%</b>	<b>59,622</b>	<b>257,355</b>	<b>\$36.20</b>	<b>\$28.04</b>	<b>\$30.18</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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