



**AVISON
YOUNG**

Miami Office Insight Report

Q3 2021

AVANT
by AVISON YOUNG

Key takeaways



Economic conditions

- South Florida’s economy showed continued resiliency with the unemployment rate declining to **5.6%** as of July 2021, a substantial drop from 13.7% in May 2020.
- Office-using job losses in South Florida have totaled **5.0%**, with the strongest recovery being in the financial activities sector, which has seen a job gain of 0.2% since February 2020. Across all job sectors, the leisure and hospitality sector continues to be the most affected by the pandemic, recording job losses of 17.5% in July 2021.



Recovery rate

- The overall post-COVID rate of recovery based on extrapolated cell phone data across industry sectors in Miami including office, retail, transit, healthcare, education, hospitality and tourism, government, and residential is **62.1%**.
- Miami’s “open for business” attitude has led to a wave of corporate relocations from the Northeast and West coast, helping to offset some of the negative effects of the pandemic. A leading indicator of Miami’s recovery is the surge in luxury home, condo and townhouse sales above \$1 million within the last year, which are up **68.6%** for single-family home sales and **217.1%** for townhouse and condo sales as of August 2021.



Office demand

- Leasing activity gained momentum in 3Q21 and year-to-date volume remains down by only **10.2%** when compared to total 2020 volume. With several large deals still in the pipeline, leasing volume is set to surpass 2020’s volume by the end of the year.
- Financial services firms, particularly new-to-market tenants, have been bolstering much of the office demand in the CBD. Banking and finance tenants accounted for **21.8%** of post-COVID leasing activity in Miami.
- “Flight to quality” remains a persistent trend in Miami with class A and trophy assets accounting for **75.8%** of post-COVID leasing activity.

Key takeaways



Office supply

- Miami's overall vacancy remained flat at **16.6%** when compared to vacancy at year-end 2020. However, vacancy remains at its highest point since 2013.
- Sublease space has remained in-check throughout the year with only **472,872 sf** of vacant space comprising of **0.8%** of total office inventory. Some sublease space that had been placed on the market near the beginning of the pandemic has also been leased by opportunistic tenants or taken back by occupiers.



Pricing trends

- Base rents have continued to increase by **7.5%** from pre-pandemic levels to an overall average of **\$43.66 per sf**. Some of the growth can be attributed to new construction deliveries, but much of the growth has also come from landlords that have raised their rents in the CBD following the uptick in activity from new-to-market tenants in the banking, finance and tech industries, who are accustomed to paying premium rates.



Capital markets

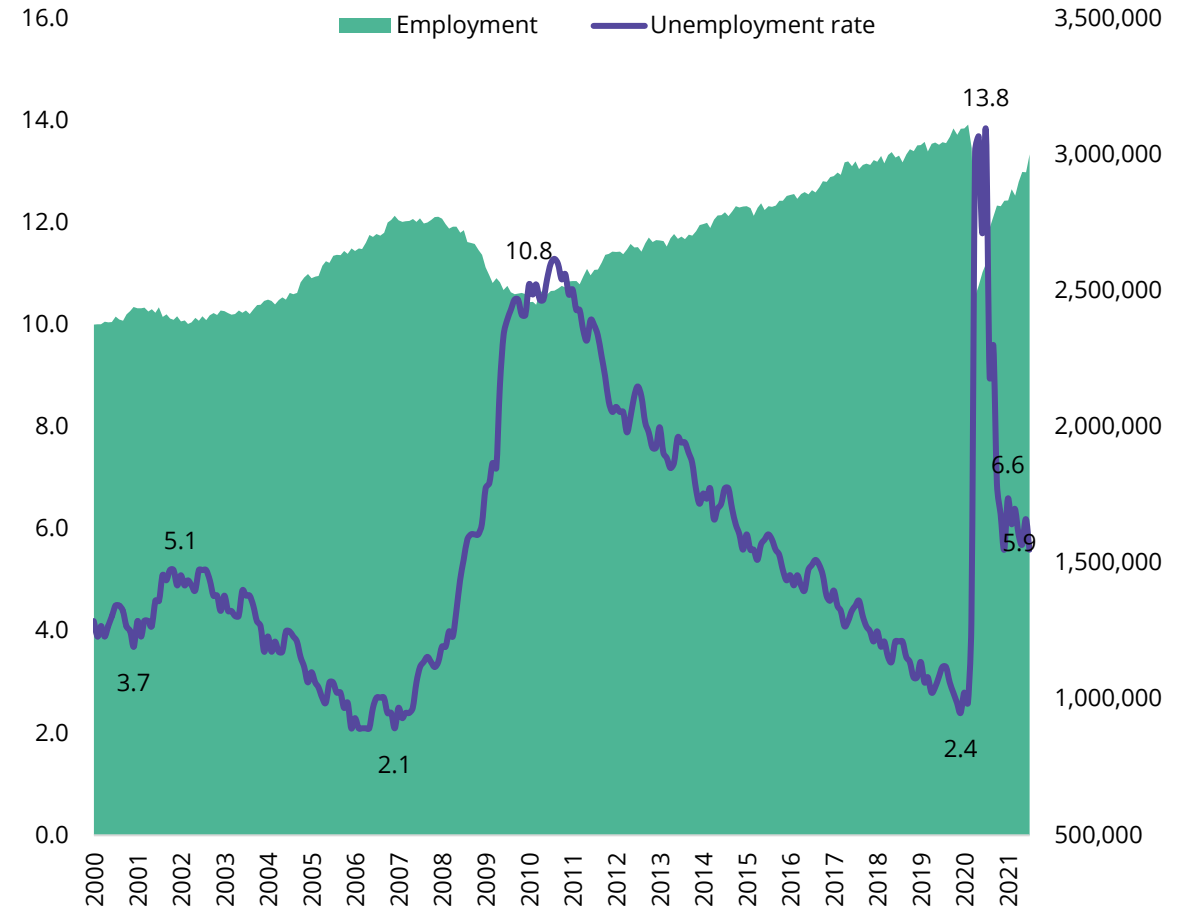
- Office investment has been booming in Miami with the year-to-date transaction volume reaching **\$1.3B**, its highest point since 2016. Demand for high quality, well-located assets remains persistent with **90.5%** of office trades during 2021 being for class A office buildings.
- Investors remain bullish on Miami's office market and asset pricing has recovered to pre-COVID levels, currently up by **1.1%** from November 2019 to present.

Employment and unemployment rate

5.6%

South Florida's unemployment rate as of July 2021, 820 basis points below the height of the pandemic

After reaching near full employment levels in 2019 and early 2020, unemployment soared to a record high due to the pandemic with nearly 591,083 job losses between February and May 2020. However, the labor market has begun to recoup its strength during the last half of the year, adding back 19.1% jobs since May 2020.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

-5.0%

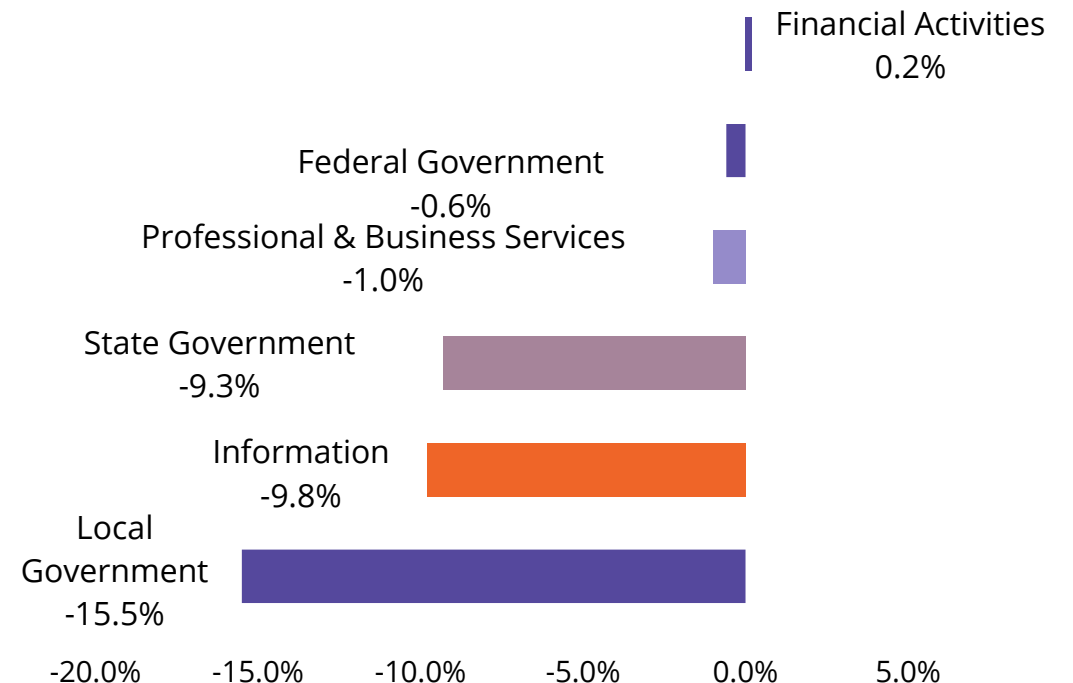
Change in office-using employment during the pandemic

South Florida MSA job losses have declined by 6.8% since the start of the pandemic, though office-using jobs contracted by just 5.0%. This recession's impact on the office-using labor market has been less severe than the global financial crisis, when financial activities job losses totaled 13.9%.

[VIEW DASHBOARD](#)

Total change in South Florida MSA* job gains/(losses)

February 2020 to July 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Office leasing activity

-10.2%

**Year-to-date 2021
leasing activity
compared to 2020**

Leasing activity experienced an uptick in activity during the third quarter, although there is still room to go to reach pre-pandemic levels. With many significant deals reportedly in lease negotiations, leasing activity will see a rise near the end of the year.



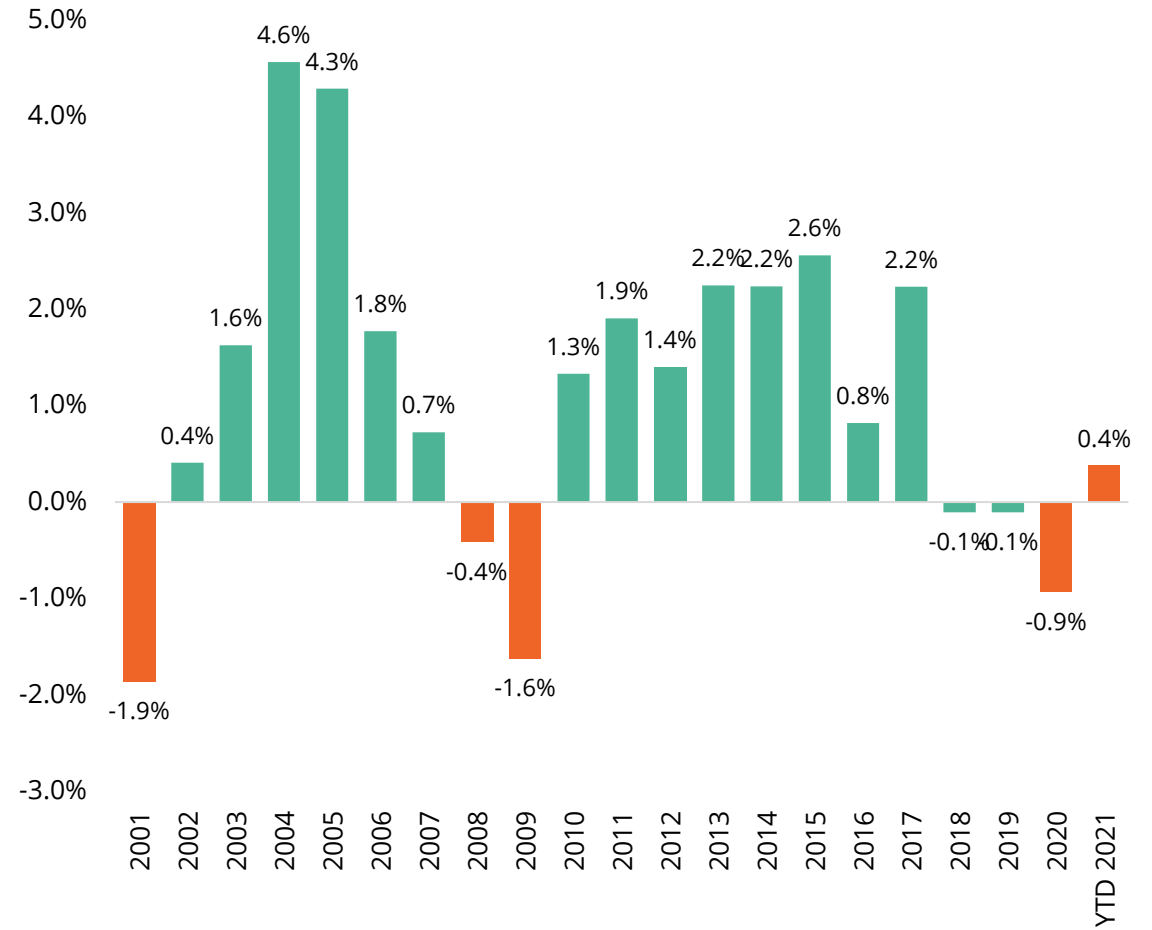
Source: AVANT by Avison Young

Absorption

-0.6%

Net absorption as a percentage of inventory, 2020 through Q3 2021

Renewed confidence in Miami's office market allowed for net absorption to shift into positive territory at the end of 3Q21. Net absorption from 2020 to 3Q21 has totaled negative 311,727 sf, accounting for 0.6% of the existing stock, which remains much less severe than the net absorption recorded during the previous two recessions.



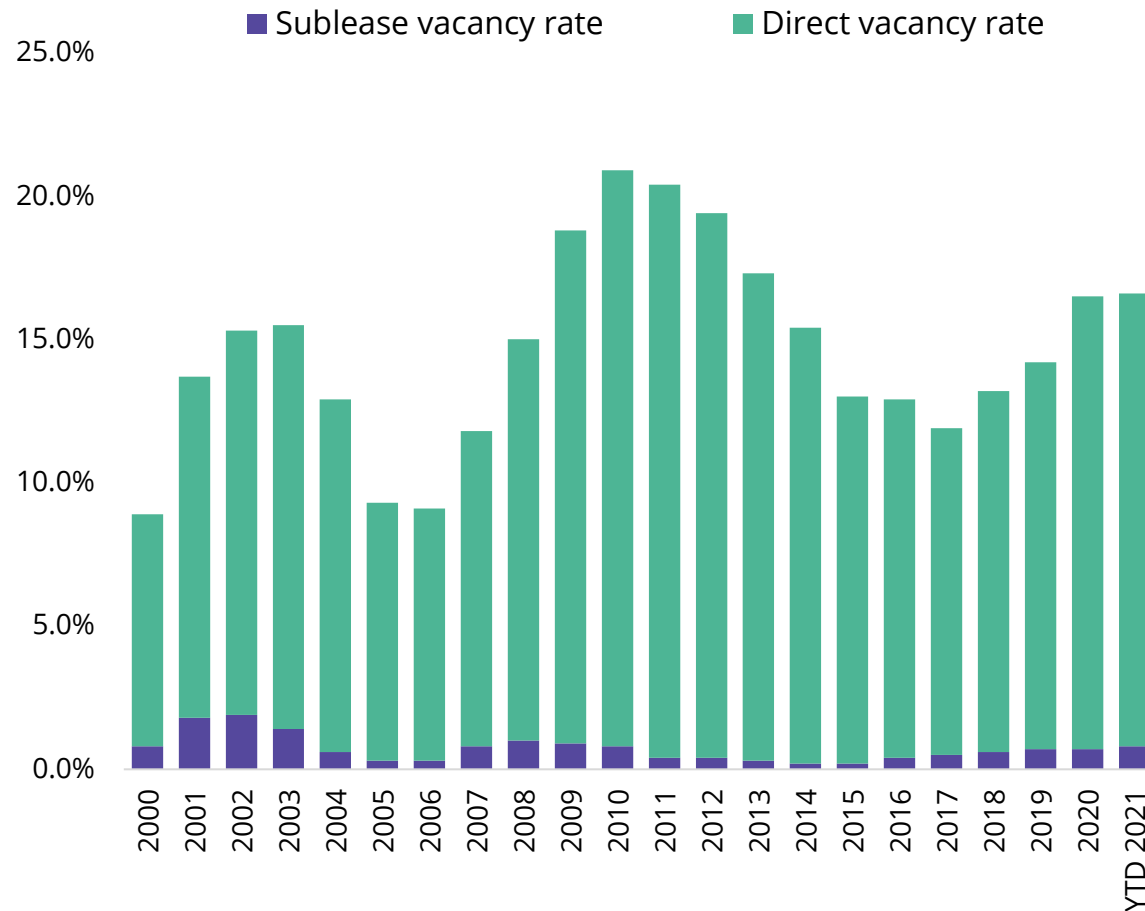
Source: AVANT by Avison Young

Vacancy rate

16.6%

Miami vacancy compresses slightly during Q3 2021

Miami’s overall vacancy rate remained flat when compared to vacancy recorded at year-end 2020. However, vacancy remains at its highest point since 2013. Sublease vacancy has kept in-check throughout the year and has not exceeded 1.0% of total office inventory since the Great Recession.



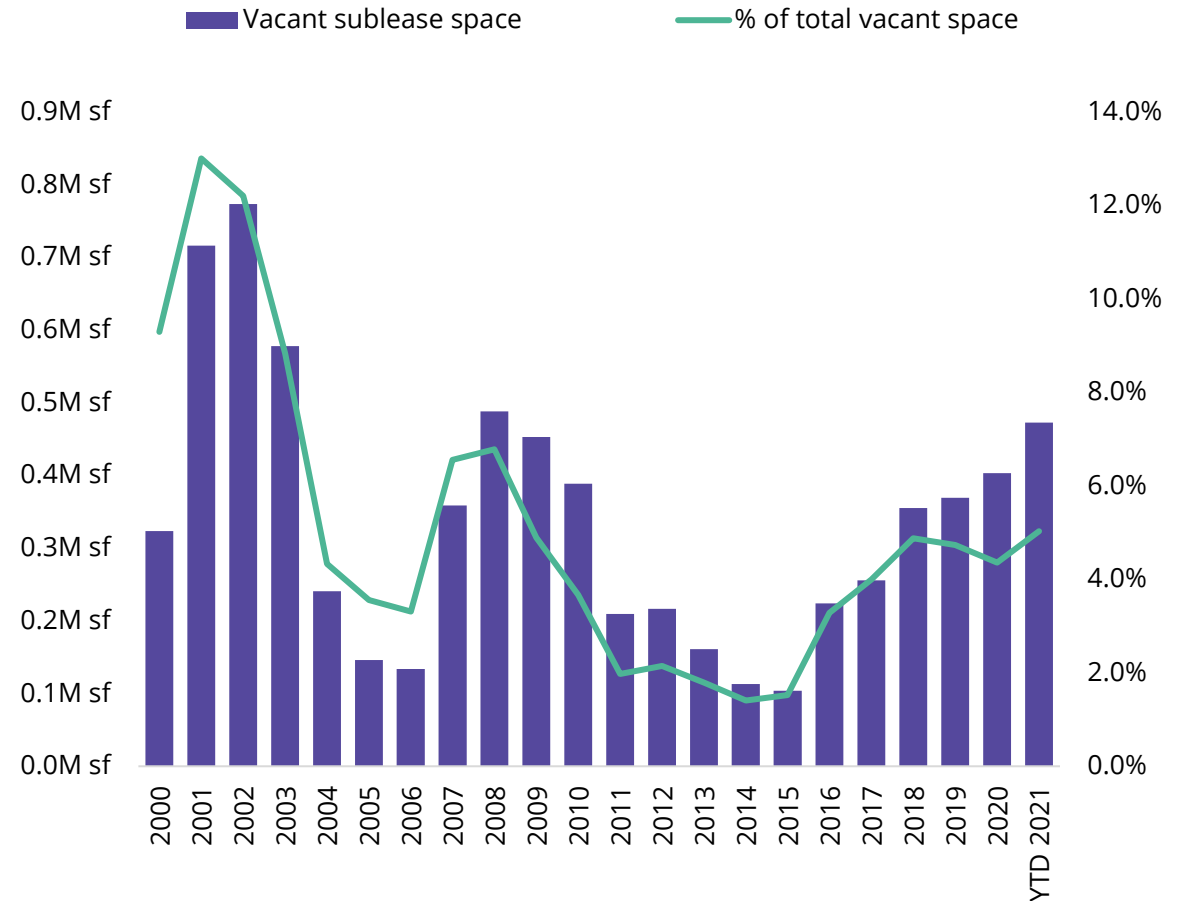
Source: AVANT by Avison Young

Vacant sublease space

0.4 msf

Record levels of sublease vacant space

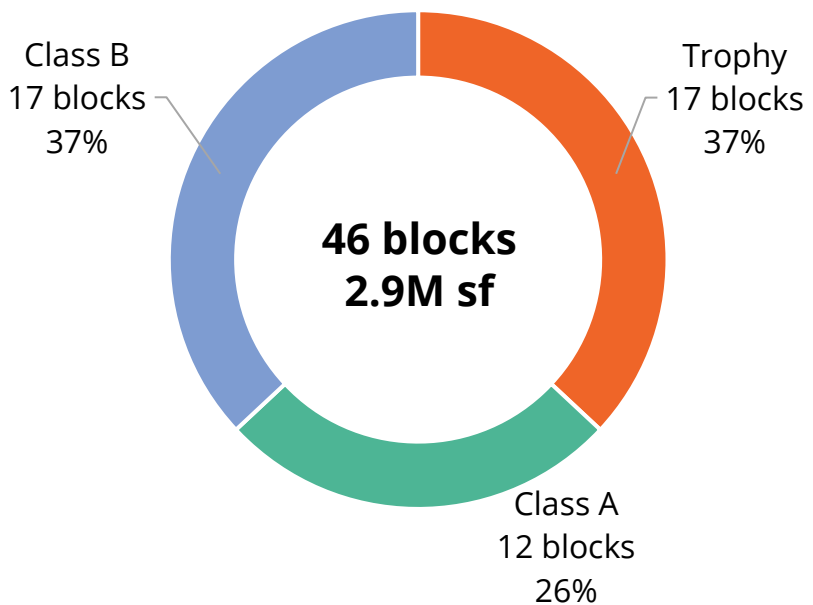
The share of sublease-to-total vacant space of 5.0% has not yet reached the peak levels of 6.8% from the global financial crisis and 13.0% from the Dot-com Recession.



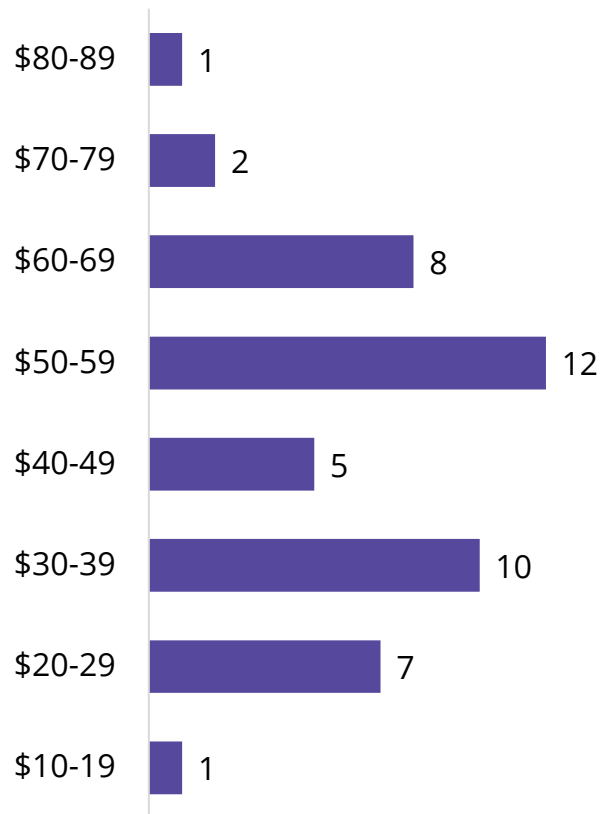
Source: AVANT by Avison Young

Large block supply pipeline

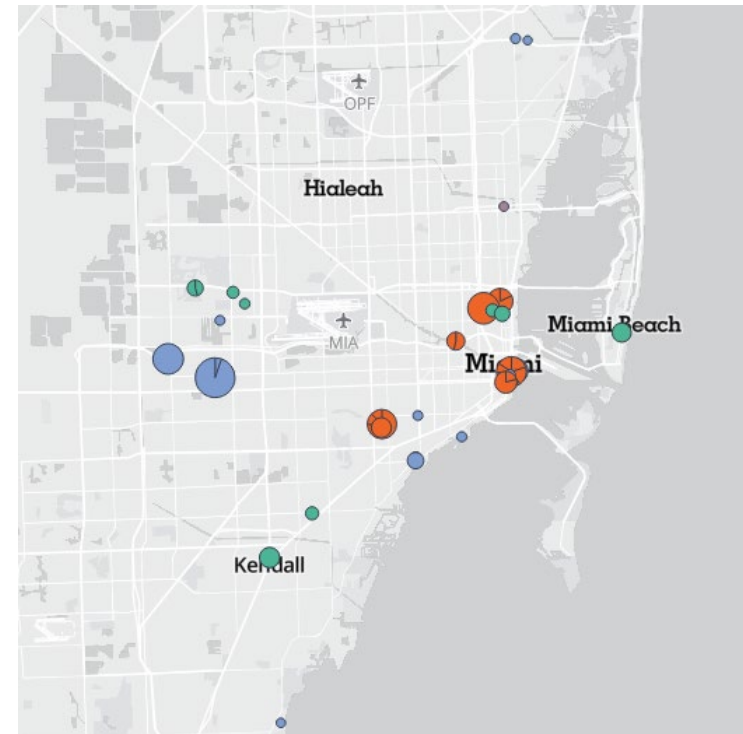
Building classification



Asking rent per square foot



Source: AVANT by Avison Young

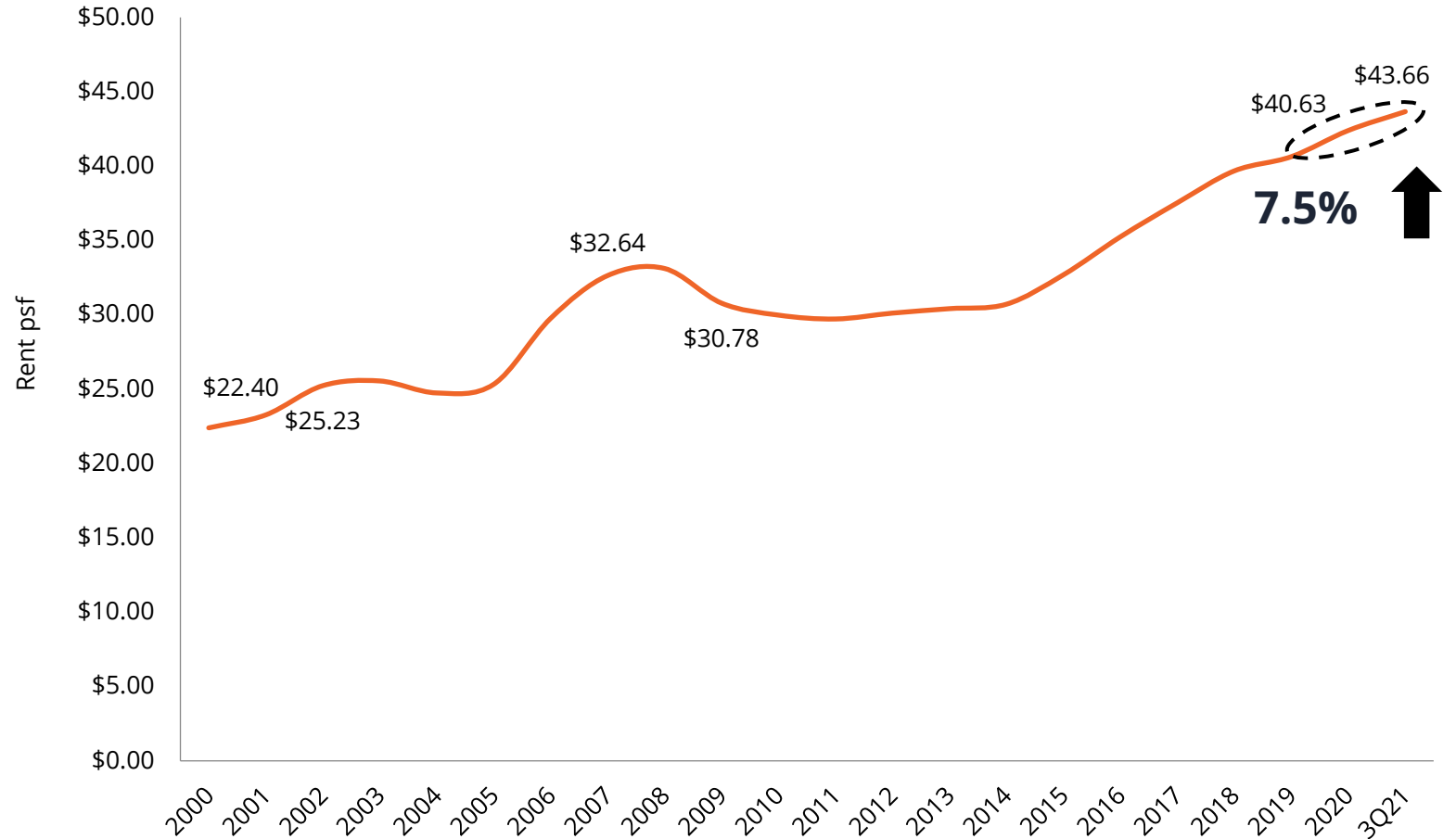


Base rents

7.5%

Increase in base rents since the onset of the pandemic

Base rents have continued to increase throughout 2021, despite the overall increase in vacancy. Fueled by strong demand from new-to-market tenants, rental rates are experiencing a much different trend than they did during the Great Recession (-8.1%).



Source: AVANT by Avison Young

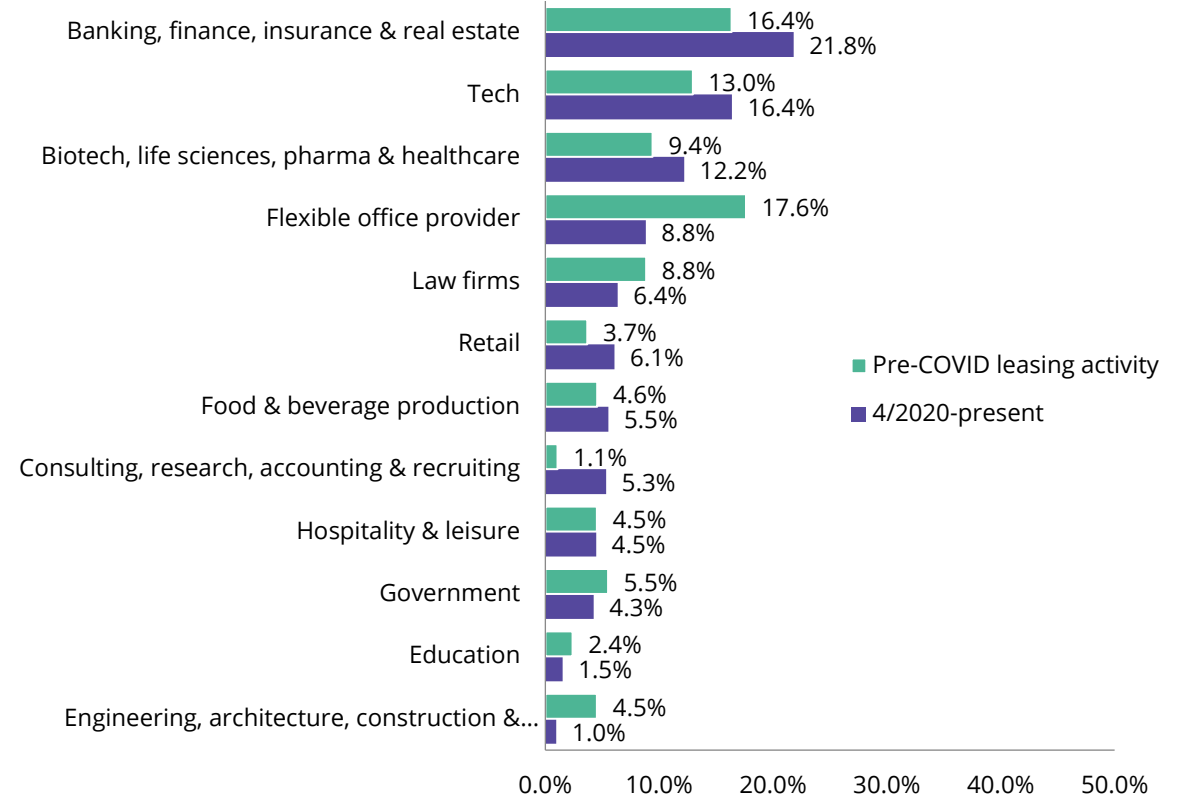
Leasing activity trends

21.8%

of post-COVID leasing activity was from banking, finance, insurance and real estate tenants

Demand from new-to-market financial services and tech tenants from the Northeast and California are driving much of the new leasing activity in Miami. Banking and financial services firms accounted for 21.8% of post-COVID leasing activity (+5.4%), and tech firms were 16.4% of activity (+3.4%).

Leasing activity



Source: AVANT by Avison Young

Miami's construction pipeline

54 properties

proposed or under construction

9.9 msf

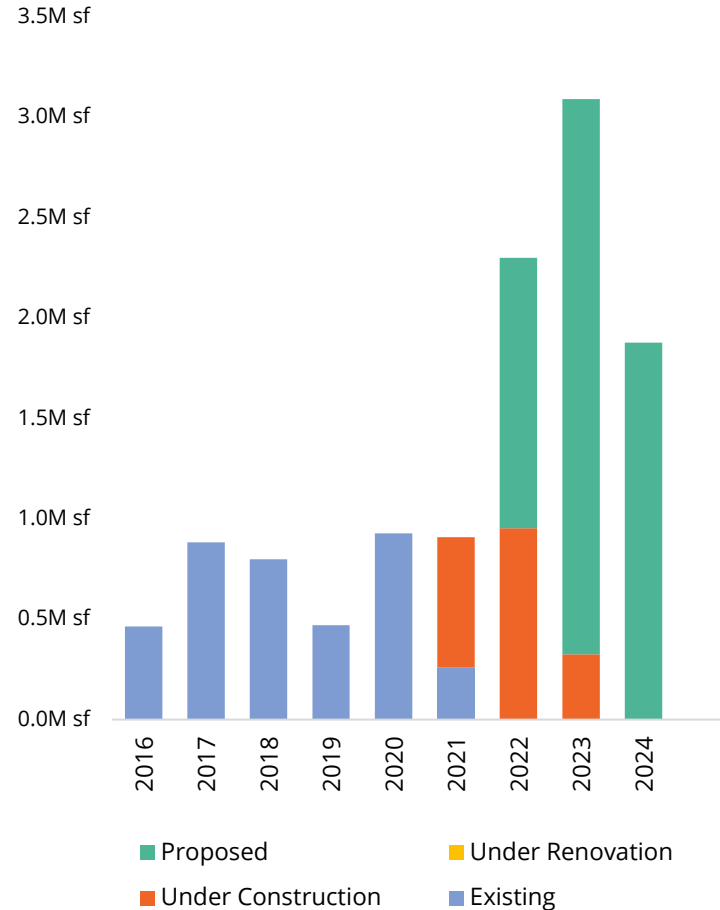
proposed or under construction

14.4%

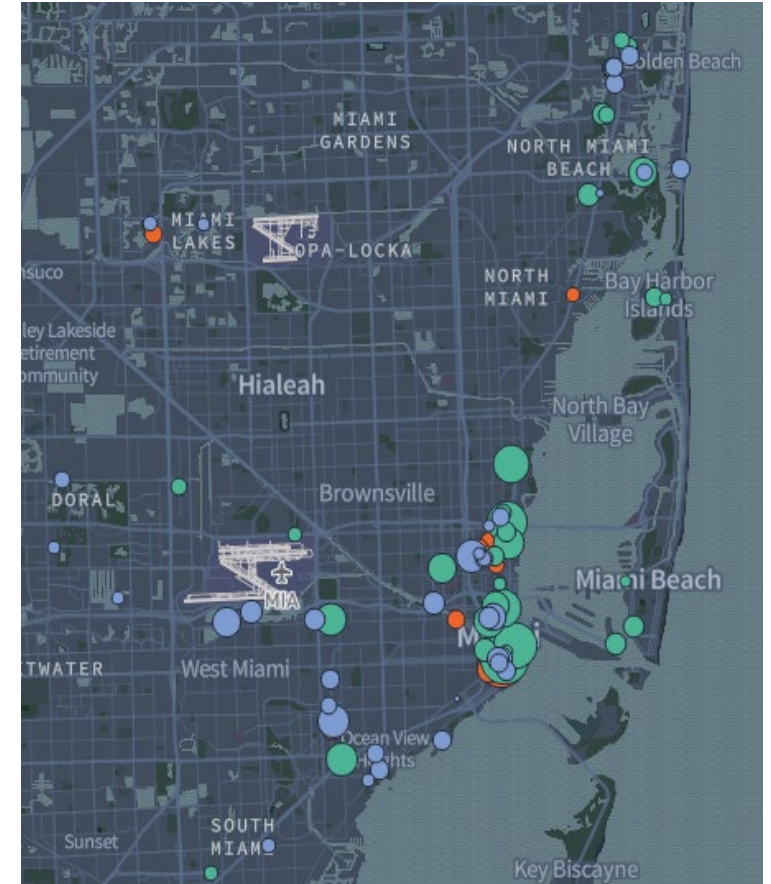
share of office inventory

1.7 msf

new construction deliveries in Miami since 2019



Source: AVANT by Avison Young

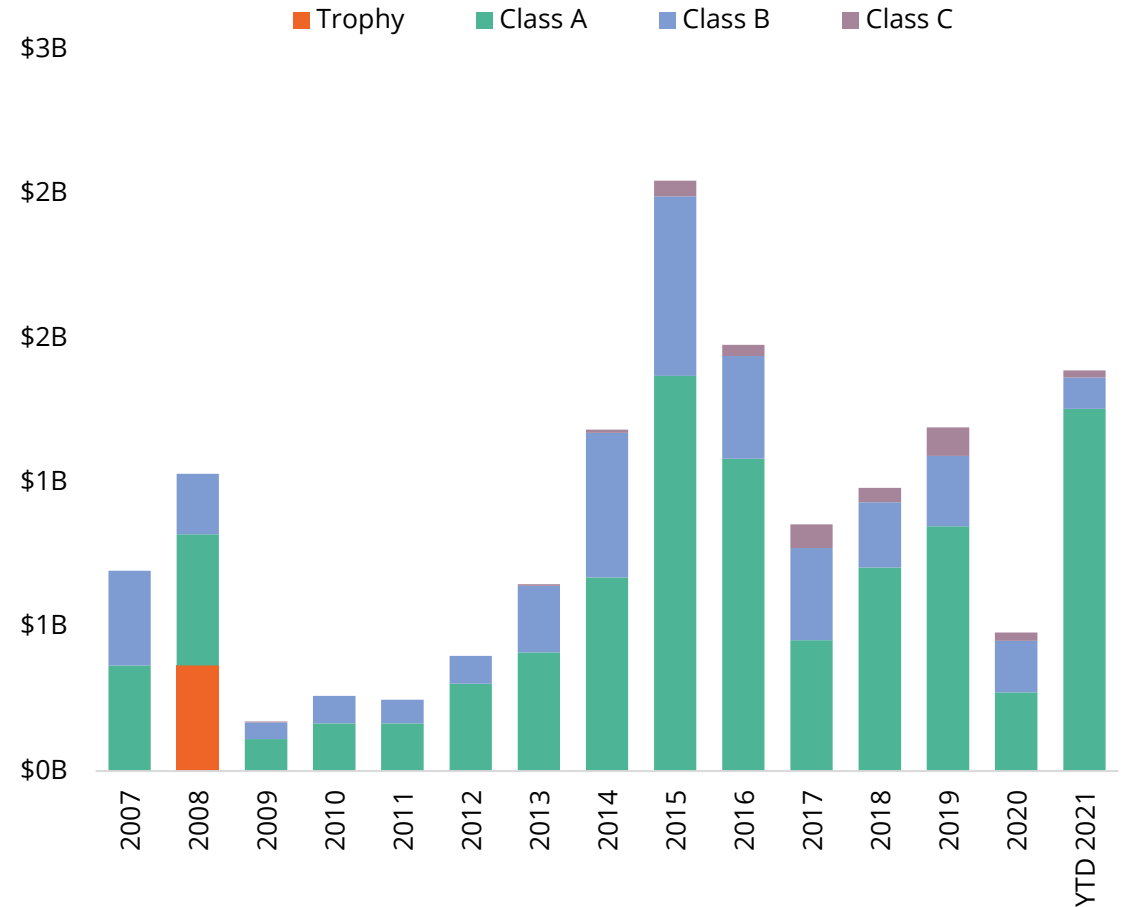


Office investment dollar volume

\$1.8B

Miami office dollar volume 2020 to present

Office sales activity temporarily paused during the pandemic and, as a result, total sales volume from beginning of 2020 through year-to-date 2021 remains up 46.2% compared to the prior five-year average dollar volume.



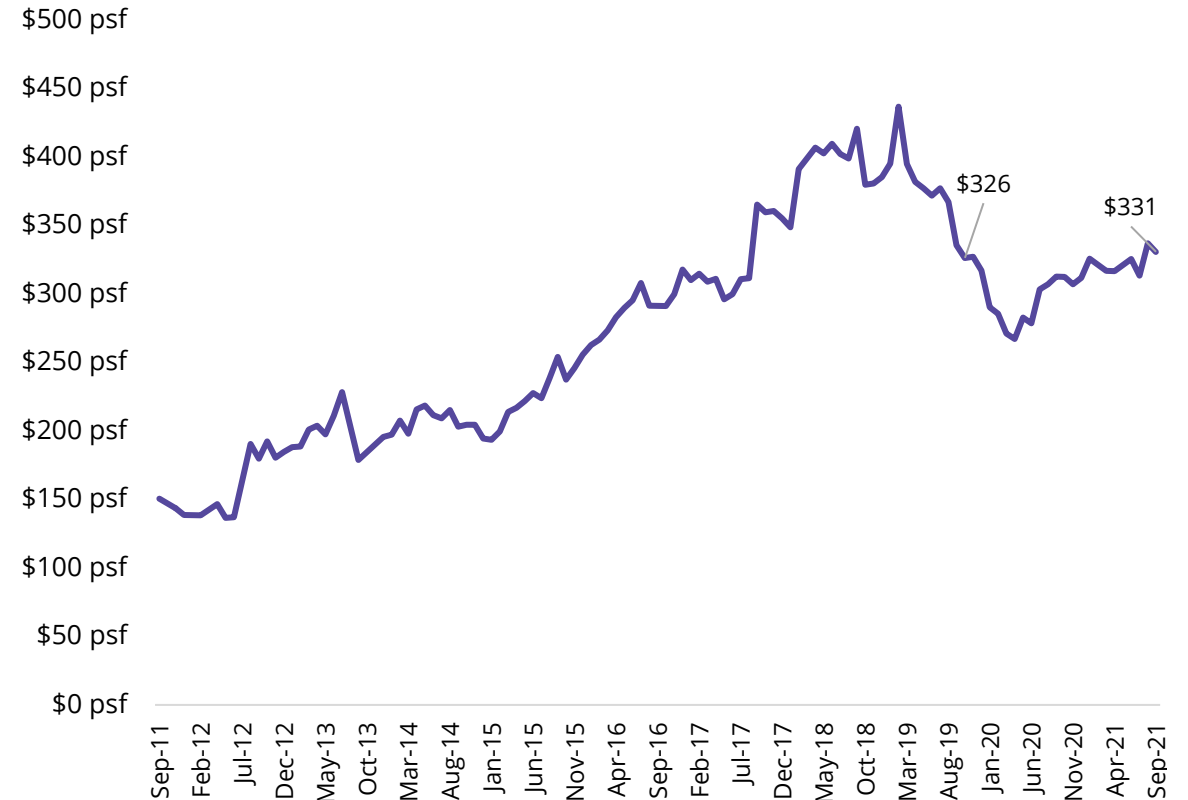
Source: AVANT by Avison Young, RCA

Office asset pricing

1.1%

Miami office pricing from November 2019 to present

Office asset pricing has fully recovered to pre-pandemic levels due to a surge in investment activity in the later half of 2021. Pricing has increased slightly from \$326 psf in November 2019 to \$331 psf in September 2021.



Source: AVANT by Avison Young, RCA

Looking forward



Here's what we can expect

- **Pent-up demand** and reports of several tenants currently touring the market or under active lease negotiations will **translate into stronger positive net absorption** near the end of the year and early 2022.
- **Rents have grown to new heights** in Miami in response to the increased demand from new-to-market tech and financial services firms, however the rate of growth may begin to level off over the coming quarters as locally based tenants may struggle to afford the premium rates offered in the CBD.
- **Major speculative office deliveries are on the horizon** for late 2021 and early 2022 including Gateway at Wynwood, Plaza Coral Gables South Tower and 830 Brickell, which will inflate vacancy rates.
- Miami is **beginning to emerge as a legitimate technology hub**, particularly in the booming Wynwood neighborhood and the CBD. The most notable recent tech tenants to lease office space in Miami include Microsoft (43,885 sf) and Uber (13,000 sf).



Get in touch



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Let's talk

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