



South Florida Office Market Report

The Road To Recovery Continued During 1Q22

The region saw its third consecutive quarter in demand growth with over 268,000 square feet positive net absorption at the close of the first quarter of 2022. Although this was less than the previous quarter, it was still a positive signal that South Florida continued its road to recovery after the impacts were felt from the pandemic. Over 1.7 million square feet of negative absorption occurred as a result from the global shutdown, and more than 1.2 million square feet of positive absorption occurred since the second half of 2020. Palm Beach continued to lead the region in demand growth, and Miami-Dade followed closely. Broward County had a minor setback and saw supply barely outpace demand at the start of 2022. All three class segments saw positive absorption for the quarter as the Class B segment regained the lead, with over 150,000 square feet of absorbed space, while the Class A sector dipped to the second spot, with over 111,000 square feet of positive net absorption. The lower-tier Class C office segment saw a more balanced approach between demand and supply with a modest 6,190 square feet of absorbed space. Asking rents continued their climb upward with the overall average rising by \$2.21/SF from the first quarter of 2020, the strongest year-over-year increase since midyear 2007 just before the financial crisis of the Great Recession. The Class A segment experienced the strongest growth with a \$1.88/SF increase from one year ago. Landlords of trophy assets continued to push asking rents up significantly from quarter to quarter, despite the Class A segment being the most impacted from the pandemic. This can be attributed to the great migration to Florida; building owners see the opportunity to push rents to unprecedented levels as population growth spurs increased office leasing from companies. Development remained disciplined as no new completions took place and no new projects broke ground, with 1.2 million square feet of new inventory remaining underway.

Leasing and Demand

Leasing activity saw improved conditions from the previous quarter, as South Florida saw approximately 2.7 million square feet of deals signed during the first quarter of 2022. This was a significant improvement from the 1.8 million square feet of office space leased during the same period one year ago. Class A space also improved, comprised of more than 1.5 million square feet of total leasing activity, while the Class B segment saw just over 1.0 million square feet of deals signed. The financial industry led in midsize to large lease deals totaling over 247,500 square feet, with medical related companies following closely at 203,000 square feet. The retail industry rounded out the top three with 191,740 square feet of midsize to larger leases signed.

Investment Activity

South Florida also saw an uptick in sale activity with more than 2.2 million square feet of investment sales taking place, combining for over \$708.1 million. This was an increase from the 1.5 million square feet sold one year ago. The average price for the region was \$321/SF, with Palm Beach's office sector barely surpassing Miami-Dade's average.

Current Conditions

The region's office sector continued its road to recovery with moderate growth.

Landlords refused to budge in asking rents as they continued to increase quoted rates, despite the impacts from the pandemic.

Leasing activity continued to gain momentum as employees begin to return to their offices.

Sublet availability continued to remain limited in comparison to other major markets throughout the country.

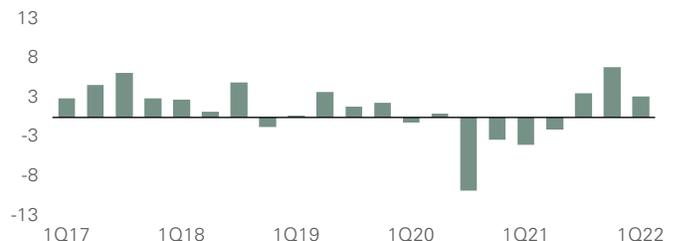
Investment sales remained consistent from recent quarters, with most sales taking place in Palm Beach County.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (100,000 SF)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	109.5M	109.5M	108.6M	↑
Vacancy Rate	14.0%	14.3%	14.3%	↓
Quarterly Net Absorption (SF)	268,445	637,111	(350,113)	↑
Average Asking Rent/SF	\$39.68	\$39.13	\$37.47	↑
Under Construction (SF)	1.2M	1.1M	1.9M	↓
Deliveries	0	554,168	424,167	↑

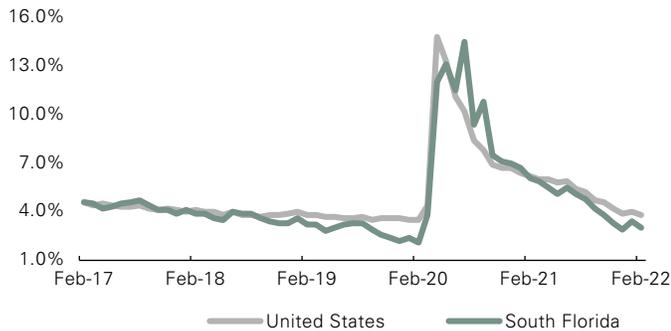
Economic Conditions

South Florida's unemployment rate fell another 60 basis points to 3.0% from the previous quarter and continued its downward trend from the 14.5% peak back in May of 2020. 147,000 jobs were gained from this time last year. Miami-Dade County tied for the lowest unemployment rate in the region with 3.0%, a 360 basis point drop from one year ago. Palm Beach County followed suit dropping 210 basis points to 3.0% from this time last year. Broward County's unemployment rate fell 310 basis points, dropping from 6.1% one year ago to 3.1% at the close of first quarter. The region has consistently seen gains in employment but has yet to reach the 2.1% low achieved at the start of 2020, prior to impacts from the pandemic began to take hold.

South Florida's strong ties to tourism continued to aid the leisure and hospitality industry after feeling the strongest impacts from the pandemic. Travel and tourism has almost fully recovered with another strong gain of 45,900 jobs from one year ago. The trade, transportation and utilities sector moved into second, totaling 39,200 new jobs and professional and business services jobs dipped to round out the top three with 23,200 jobs gained from this time last year. All key industries but one saw year-over-year job growth for the second consecutive quarter after impacts from the global pandemic surfaced. Government jobs held level from one year ago, not seeing any increase or decrease over the past 12 months.

Unemployment Rate

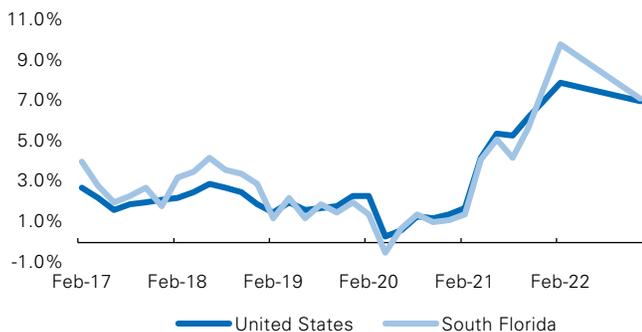
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

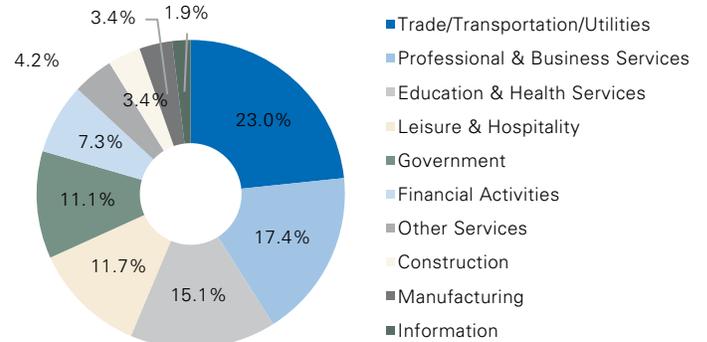
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment By Industry

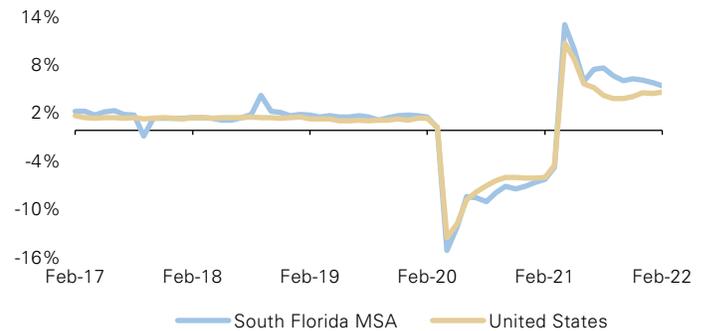
South Florida MSA, December 2021 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

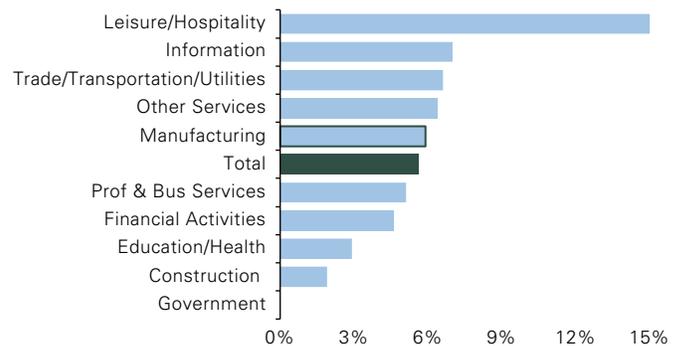
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

South Florida, December 2021, MSA, 12-Month % Change



Source: U.S. Bureau of Labor Statistics | Not Seasonally Adjusted