



## Prior to COVID-19 disruption, asking rents continued to push upwards, likely to reverse in coming quarters

Ahead of any COVID-19 related market disruption, asking rents in South Florida saw a significant uptick. In the first quarter of 2020, the overall average office rent stood at \$37.04 per square foot (psf), reflecting an annual increase of 9.1% and 1.7% over the quarter. Rents ranged from a low of \$26.18 psf in Cypress Creek/Fort Lauderdale and \$26.72 psf in North Broward, to \$48.26 psf in Brickell and \$46.16 psf in Coral Gables/Grove. Class A rents increased by 10.8% year over year and by 2.2% over the quarter, to \$42.62 psf. Central Business District rents increased year over year through the first quarter by 6.0%, to \$44.37, while suburban rents rose by 9.3%, to \$33.67, over the same period. As uncertainty stemming from the ongoing pandemic situation looms, activity is sure to drop - and as options return to market, rent growth is likely to stall or reverse.

## Some softening seen ahead of pandemic-related shutdown, likely to continue through 2020

South Florida's overall availability rate increased by 10 basis points over the quarter and 110 basis points year over year, to 17.9% in the first quarter of 2020. In comparison, the average Class A availability rate increased by 10 basis points over the quarter and 240 bps year-over-year, to 19.7%. Central Business District and suburban office availability rates in the fourth quarter were 19.5% and 17.2%, respectively. In such uncertain economic times, the impact of COVID-19 will undoubtedly result in a sharp slowdown in business activity in the near term, and additional space is expected to return to market. This softening could present more tenant-favorable conditions going forward.

## Leasing activity slows amid COVID-19 fears, expect low office demand in Q2

Total first-quarter leasing activity was 1.6 million square feet (msf), down 13.4% versus the previous quarter. The largest leases in the quarter were signed by Morgan Stanley (111,100 sf) at 200 S Biscayne Boulevard in Miami and Hayes Medical Staffing (72,571 sf) at 5900 N Andrews Avenue in Fort Lauderdale. Activity is likely to remain muted as many tenants in the market now are putting a hold on real estate decisions until there is more economic and office market clarity.

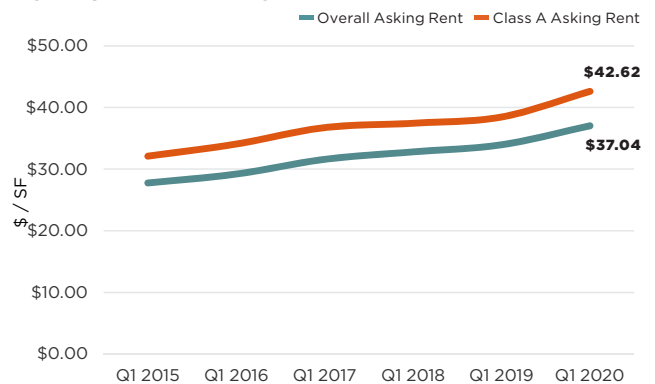
### Outlook

- Office demand will stall over the next several quarters as COVID-19 fears and shutdown take their toll
- Nearly 2.6 msf are currently under construction across South Florida, accounting for 2.5% of total office inventory in region
- Prior to the shut down, South Florida area employment was projected to grow by 1.6% per year (100,000 total new jobs) in Miami, 1.7% (75,000 jobs) in Fort Lauderdale, and 1.8% (58,000 jobs) in West Palm Beach over the next five years; revised projections, which assume a 20% net decline in U.S. employment in 2020, imply a 27.7% job loss in the region over the same period

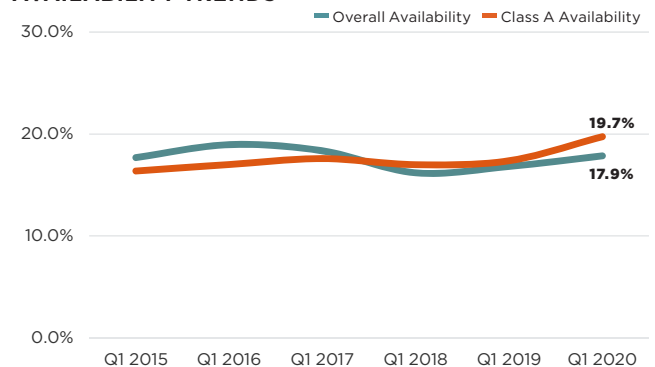
### KEY STATISTICS

|                            | Q1 2019   | Q1 2020          | y-o-y Change |
|----------------------------|-----------|------------------|--------------|
| Inventory                  | 103.5 MSF | <b>105.2 MSF</b> | ▲            |
| Availability Rate          | 16.8%     | <b>17.9%</b>     | ▲            |
| Asking Rental Rate         | \$33.96   | <b>\$37.04</b>   | ▲            |
| Class A Asking Rental Rate | \$38.47   | <b>\$42.62</b>   | ▲            |
| Quarterly Leasing Activity | 1.5 MSF   | <b>1.6 MSF</b>   | ▲            |

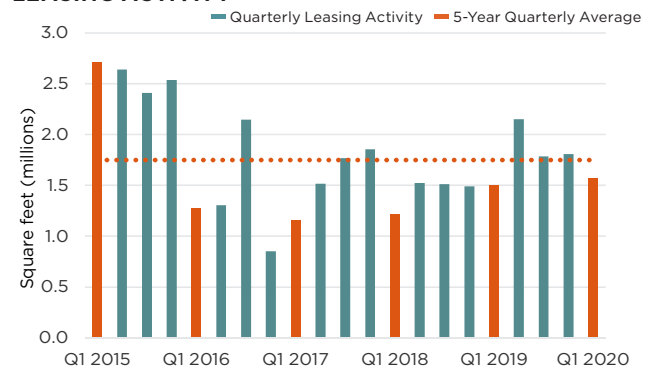
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

71.3%

of major transactions were new locations

31.7%

of large transactions occurred in the Downtown Miami submarket

34.3%

Healthcare represented 34.3% of major transactions

| Tenant                          | Square feet | Address                         | Transaction type | Submarket                     | Industry              |
|---------------------------------|-------------|---------------------------------|------------------|-------------------------------|-----------------------|
| Morgan Stanley                  | 111,100     | 200 S Biscayne Boulevard        | New Location     | Downtown Miami                | Financial Services    |
| Hayes Medical Staffing          | 72,571      | 5900 N Andrews Avenue           | New Location     | Cypress Creek/Fort Lauderdale | Healthcare            |
| Galen Health                    | 45,466      | 1200 SW 145th Avenue            | New Location     | SW Broward                    | Healthcare            |
| New York Life Insurance Company | 32,941      | 1300 Concord Terrace            | Renewal          | Sunrise/Plantation            | Financial Services    |
| U.S. Internal Revenue Service   | 32,503      | 1700 Palm Beach Lakes Boulevard | Renewal          | Palm Beach                    | Government            |
| Lockheed Martin Corporation     | 28,834      | 1400 Northpoint Parkway         | Renewal          | North Palm Beach              | Professional Services |
| NYU Langone                     | 28,742      | 3301 Quantum Boulevard          | Expansion        | Boynton/Delray                | Healthcare            |
| Spaces                          | 25,790      | 360 Rosemary Avenue             | New Location     | Palm Beach                    | Coworking             |
| Xo Jet Aviation, LLC            | 25,775      | 1901 W Cypress Creek Road       | New Location     | Cypress Creek/Fort Lauderdale | Transportation        |
| Hunton Andrews Kurth LLP        | 24,476      | 333 SE 2nd Avenue               | New Location     | Downtown Miami                | Legal Services        |

Source Savills Research

For more information, please contact us:

**Savills**  
Wells Fargo Center  
333 S.E. 2nd Avenue  
Suite 2800  
Miami, FL 33131  
+1 305 423 1919

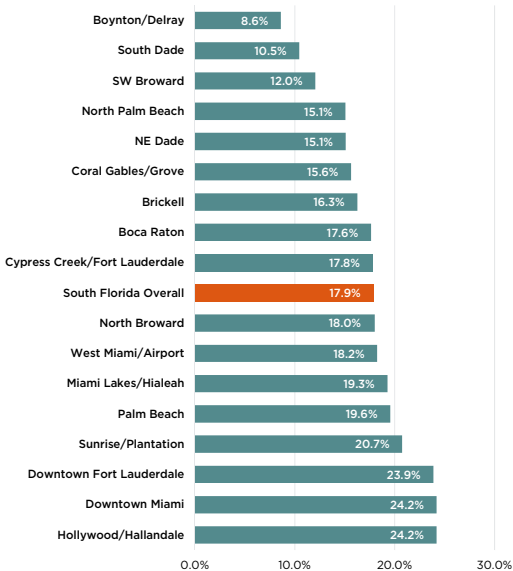
**Sarah Dreyer**  
Vice President  
Head of Americas  
Research  
+1 202 540 5510  
sdreyer@savills.us

**About Savills Inc.**  
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

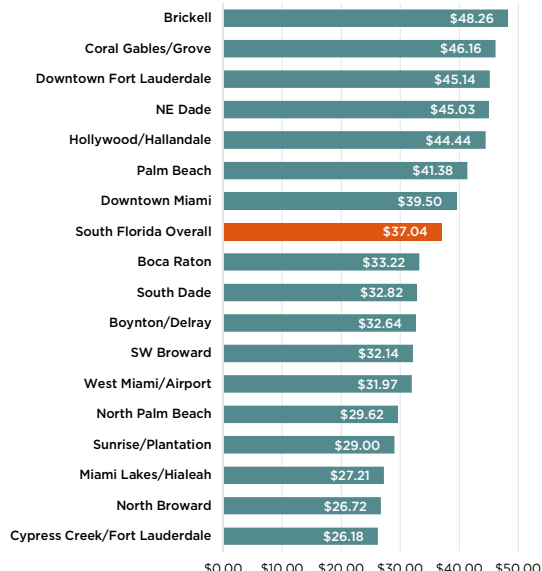
AVAILABILITY RATE COMPARISON

South Florida Submarkets



RENTAL RATE COMPARISON (\$/SF)

South Florida Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot (psf). Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills research.

Copyright © 2020 Savills

