

# MARKETBEAT



## MIAMI CBD SUBMARKET REVIEW

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

1Q09

### AT A GLANCE

- Inventory:** Vacant inventory in the CBD increased by 159,240 square feet (sf) during the first quarter, only 1.2% of the total Miami CBD office market. A weak economy combined with stagnant growth increased vacancy rates from 14.5% in the fourth quarter of 2008 to 15.7% in the first quarter of 2009. Currently, the region has over 1.9 million square feet (msf) under construction highlighted by Met 2, Brickell Financial Centre & 1450 Brickell.
- Absorption:** measures augmentation and deceleration of space in a given market, a key indicator of volatility in businesses. Last year the CBD experienced an overall negative absorption of 548,452 sf, the first quarter of 2009 reported negative 169,543 sf which indicated businesses gave back more space than they acquired at a lesser rate than fourth quarters high of negative 219,394 sf. This indicates a bear market will bottom sometime in the fourth quarter of 2009.
- Leasing** in the Miami CBD slowed to 139,527 sf its lowest levels since the fourth quarter 2004 of 131,773 sf. Leasing slowed due to business decisions being pushed out further to weather the economic storm that has hit the region.
- Rental Rates** fluctuated as pricing gaps continued to rise between landlords and tenants, and new market equilibriums merged. The market is experiencing an overall asking rental rate average of \$42.71 per square foot (psf) in the first quarter for class A space, slightly below the year-end 2008 rate of \$43.86 psf and up 7.7% from 2007 rents. Fundamentals indicate the market has reached the peak of the real estate pricing cycle. As a result, rental rates will continue to fluctuate downward in 2009.
- Sales-** The lack of liquidity in the financial markets has disrupted the commercial markets' ability to buy and sell office properties. Only highly liquid institutions have the elasticity and necessary carry capital to close and acquire properties in the current market and with values decreasing savvy investors are sitting on the sidelines waiting for the current real estate cycle to bottom out.

### MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 LEASE TRANSACTIONS			
BUILDING	TENANT	SQUARE FEET	BUILDING CLASS
SunTrust Building	NFAA	9,700	B
Courvoisier Centre	Swire Properties	9,022	A
New World Tower	German Consulate	8,921	C

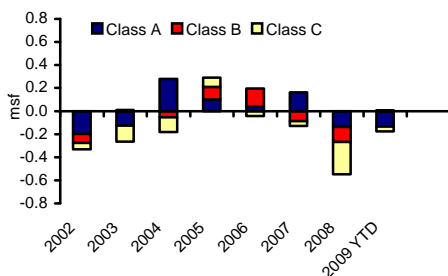
  

SIGNIFICANT PROJECTS UNDER CONSTRUCTION			
BUILDING	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Met 2	Greenberg Traurig, LLC	750,000	5/2010
Brickell Financial Centre	Speculative	610,629	6/2010
1450 Brickell	Speculative	585,000	12/2009

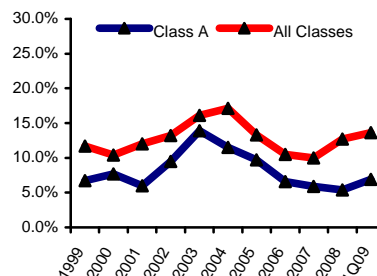
  

SUBMARKET STATISTICS	
Total Inventory	12,363,465 sf
Direct Wtd. Avg. Gross Asking Rental Rate psf/yr	\$33.83/sf
Class A	\$42.71/sf
Class B	\$33.42/sf
Class C	\$28.82/sf
Direct Vacancy Rate	13.6%
Overall Vacancy Rate	15.7%
Overall Absorption YTD	(169,543) sf
Under Construction	1,985,629 sf

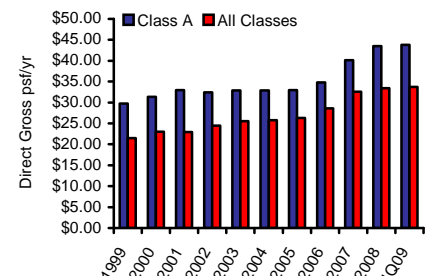
OVERALL ABSORPTION



DIRECT VACANCY RATE



DIRECT ASKING RENTAL



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\*Market terms & definitions based on BOMA and NAIOP standards.

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