



# MIAMI

### KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑	↑	↑↑
Vacant Space	↑	↑	↑
Construction Levels	↑↑↑	→	↑
Leasing Volume	↑↑	→	↑↑
Investment Volume	↑	↓	↑↑

### EXECUTIVE SUMMARY

- The largest amount of office space since 2010 is expected to deliver during 2020.
- The coworking sector is still expected to see gains during 2020, but at a slower pace.
- Industrial vacancy rates may rise past 4% as an abundance of new product delivers.
- Highly anticipated retail projects are delivering in early 2020.
- The industrial and multifamily sectors are leading the way in investment sales volume.

**Miami’s commercial real estate market saw continued success during 2019 due in part to sound economic fundamentals, an expanding population, and employment levels reaching all-time highs. Moving into 2020, Miami will continue to benefit greatly from the Tax Cuts and Jobs Act as households and corporations seek to relocate from high-tax states like New York. The top challenges that Miami faces during 2020 are rapidly rising construction costs, stricter immigration laws, and the increasing concern regarding affordable housing.**

Healthy economic fundamentals and persistent job growth translated into steady gains in Miami’s office market during 2019. Leasing activity remained brisk, and office construction reached its highest point since 2009 during the third quarter of 2019 with a total of 1.9 million sf underway. With net absorption making moderate gains and just over 1.2 million sf office space expected to deliver during 2020, the highest amount since 2010, we can expect office vacancies to rise significantly during 2020 as the new deliveries take time to be absorbed. Rental rates will also experience an increase with the introduction of new office product but will likely plateau as demand attempts to catch up with supply. Although WeWork has recently attracted negative attention in the media following its failed IPO, most other coworking operators in Miami are still performing well and the coworking sector is expected to see continued growth during 2020.

Miami’s industrial market experienced robust leasing activity and climbing rental rates, up by over 9% over the trailing 12 months, for yet another year in 2019. Demand has been keeping pace with new construction deliveries as evidenced by the overall vacancy rate consistently hovering around 3% for the last several quarters. With an abundance of new supply coming online at the end of 2019 and

into 2020, we can expect to see a rise in the overall vacancy rate to a mid-to-low 4%, however, the space should be leased quite quickly due to robust demand for premium quality logistics space and an unwavering e-commerce industry. With e-commerce sales expected to grow to 16.1% of all retail sales in 2020, up from 14.1% in 2019, demand for well-located last-mile distribution centers in densely populated areas will remain constant in 2020. Due to Miami’s increasing land constants, developers often must seek out infill sites for new construction, sometimes leading to increased construction costs and higher asking rental rates. Uncertainty surrounding trade negotiations continues to be a headwind for the industrial market and tariffs have caused a national decline in the manufacturing sector, as evidenced by its 4.7% decline in Miami during October. However, a small percentage of Miami’s industrial market is made up of manufacturing, so this decline should have little to no impact on the local market.

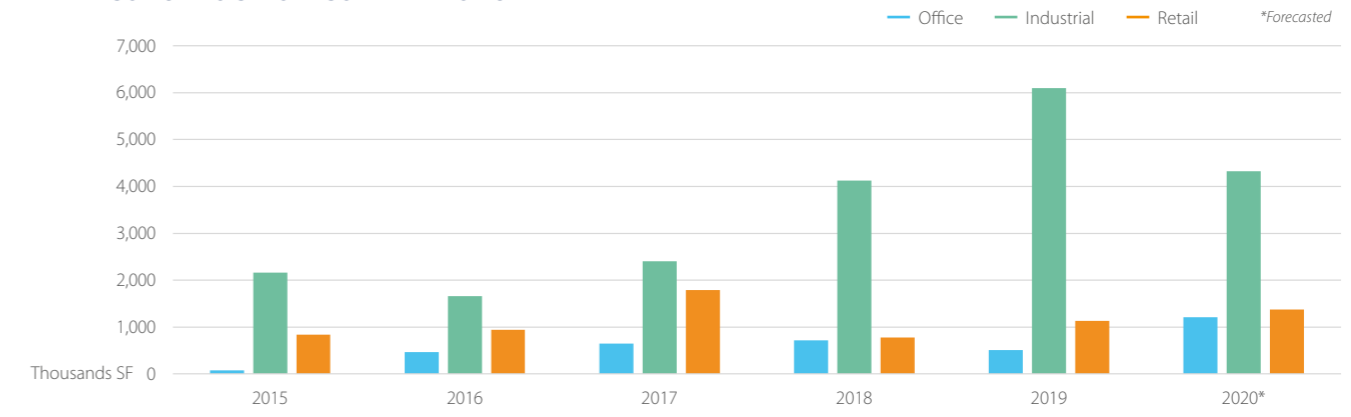
Driven by an expanding population and a very active tourism sector, Miami’s retail market remained strong in 2019 despite the shuttering of many national retailers. Following a large amount of construction starts in 2018, new construction activity decelerated during 2019 which will likely translate into relatively flat construction completions in 2020. A handful of

**Miami’s office sector is undergoing a renaissance with the largest amount of construction projects gearing up to deliver in nearly a decade.**

largely anticipated retail projects are expected to deliver in early 2020 including 345,000 sf at New River Landing and 300,000 sf at Miami Worldcenter. These new deliveries will also likely place upward pressure on the overall vacancy rate.

Investment activity remains strong in Miami Dade County with the industrial and multifamily sectors largely outpacing all other asset classes and each individually recording over \$1 billion in investment sales during 2019. This trend is expected to continue into 2020 as population growth continues to be a main driver behind both sectors. The office sector is also likely to gain investment interest during 2020 as Miami continues to establish itself as a mature corporate center and its technology sector continues to expand.

### CONSTRUCTION COMPLETIONS



Source: Avison Young and CoStar Realty Information, Inc.