

Office rents stagnate in Miami-Dade, fall in Broward and Palm Beach



By Erik Bojnansky – Reporter, South Florida Business Journal
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Asking office rents in South Florida have either stagnated or fallen compared to a year ago, as demand has waned due to economic uncertainty and higher interest rates.

According to a recent national report from CommercialEdge, as of March 1, office rents in Miami-Dade increased just 2.4% to an average of \$46.89 a square foot. Miami-Dade office rents rose more than 10%, year over year, in the fourth quarter of 2022, a Colliers market report stated.

Office landlords in Broward and Palm Beach counties were seeking lower rents from tenants, according to CommercialEdge. In Broward, average asking rents fell 4.47%, to \$32.22 a square foot. In Palm Beach, asking rents dropped 13.75%, to an average of \$36.82.

Since the onset of the Covid-19 pandemic, Class A and even some Class B landlords in South Florida were collecting record office rents as out-of-state and local companies sought quality space. Although Broward's office market mainly attracted local businesses, Miami-Dade and Palm Beach counties – specifically Miami's Brickell Financial District and West Palm Beach's downtown area – attracted numerous new-to-market tenants.

But, as office deals slow, office landlords are lowering asking rents in an effort to retain or attract tenants, said Jonathan Kingsley, a vice chairman at Colliers' Fort Lauderdale office.



Jonathan Kingsley, vice chairman, Colliers

Juan Silva

"More deals are either being paused or are dying in recent weeks because of rising interest rates and all the recession concepts we hear about every day," he said.

John Boyd Jr., principal of the Boca Raton-based corporate site location firm Boyd Co., said most of his clients are pausing their plans to open offices in new locations, including South Florida.



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"South Florida will weather the storm better than other markets, but it's not immune to the high financing rates that just went up another quarter of a point," he said. "The overall trend is companies cutting costs. Not a week goes by without a major employer announcing significant layoffs. This is a time of corporate cost-cutting."

New companies tend to first move into coworking spaces, where they can just reserve a few desks or a small office with flexible lease terms, Boyd said. In the past couple of years, coworking companies have added. South Florida locations, particularly in more suburban areas.

So far this year, office vacancies in all three South Florida counties have dropped, CommercialEdge data stated. As of March 1, the vacancy rate was 12% in Miami-Dade, 14.69% in Broward, and 11.88% in Palm Beach – down from 12.67%, 17% and 12.94%, respectively.

All three counties have lower vacancy rates than the national average (16.5%), Tampa (16.4%), Orlando (16.3%), Chicago (19.2%), Manhattan (16%), New Jersey (17%), San Francisco (19.2%), Nashville (17.5%) and Atlanta (20.5%).

In the Boston area, where office rents average \$35.77 a square foot, the 9.8% vacancy rate was the lowest of any market listed by CommercialEdge. The report noted that Boston has a lot of life science offices, a sector that was not adversely affected by the pandemic.

The national office market will continue to "face difficulties for the foreseeable future," as interest rates rise and the economy slows, the CommercialEdge report stated.

"This is especially true for office owners with loans that are maturing in the next three years, which accounts for more than 9,500 buildings and 17% of office stock," the report added.

Some South Florida office landlords are already feeling the financial pinch.

"They're not getting additional funds from the bank to make capital improvements that tenants demand," Colliers' Kingsley said.

Those that are able to receive more funds have to get loans at higher interest rates i during a time where rents are falling and vacancies may increase, he added.

CommercialEdge is a real estate software platform for commercial property managers, owners, and brokers that is run by Yardi, a Santa Barbara-based proptech company.
