



SOUTH FLORIDA'S ECONOMIC ENGINE KEEPS CHURNING ALONG, ALTHOUGH LIKE OTHER MAJOR U.S. METRO MARKETS, JOB GROWTH IS EXPECTED TO DECELERATE IN THE NEXT 18-24 MONTHS.

Even so, the Miami metropolitan market (which includes Broward County) ranked 6th out of 12 U.S. urban regions for average annual job growth from 2012 to 2016, according to U.S. Bureau of Labor Statistics and NGKF Research.

During that five-year span, Miami-Dade-Palm-Broward counties averaged posting almost 70,000 new jobs a year. Dallas topped the 12-city survey with over 125,000 new jobs annually, followed by New York, Los Angeles, Atlanta and the San Francisco Bay Area. Cities that lagged "Miami" were Philadelphia, Phoenix, Wash. DC, Boston, Chicago and Houston.

The **Miami-Dade Beacon Council** reported that those two counties added 23,400 payroll jobs from March 2016 through March 2017, while the **Greater Fort Lauderdale Alliance** announced similar job figures for Broward County for that year-over-year period – 22,800. In March, Canadian pharmaceutical firm **Apotex** announced it would build a \$184 million research, development, manufacturing and packaging facility in Miramar that will serve as its U.S. headquarters.



APOTEX ADVANCING GENERICS



Apotex currently produces more than 260 generic pharmaceuticals, making it the biggest drug maker in Canada, and its healthcare products are exported to over 115 countries around the globe.

Population growth has, of course, increased traffic throughout the region yet some relief is on the way.

Brightline, the only privately-funded express passenger rail system in the country, is within months of its much anticipated service launch, marking the first time a new private infrastructure passenger rail project will initiate operations in the US in more than 100 years. The company announced on March 10th projected timing for the pre-launch and initial introduction of the hospitality-focused service, providing a needed alternative to South Florida's congested roadways. Introductory express service will begin between West Palm Beach and Fort Lauderdale in late July, followed by service to Miami in late August. The company is anticipating a grand opening and official launch of the train service in September.

The Apotex announcement was likely one of the reasons the Wall Street Journal featured Fort Lauderdale in its March 17 paper (Fort Lauderdale Gets Its Day in the Sun), which as headlines go, must have been written by a snow-bound New Yorker, because Fort Lauderdale averages 246 sunny days per year. Aside from that, the story reminded us what we already know – that all the pleasure-craft boat manufacturers have offices in South Florida, thanks to the abundance of waterways and favorable climate.

One benchmark indicator of the region's health are sales prices for the luxury residential market, which is defined as the top 10 percent of the overall housing market. According to Douglas Elliman Real Estate, the median price of Fort Lauderdale condos and single-family homes rose 3.8 percent year-over-year. Condos sold for a median \$1.245 million while single-family homes sold for a median of \$2.025 million. The median price represents the exact middle with half of sales prices higher and half of sales prices lower than the median.

If that sounds a little rich to you, think twice. Luxury homes and condos in Fort Lauderdale are a relative bargain compared with Miami Beach, where buyers can expect to pay roughly three times per-square-foot more for a luxury condo, Craig Studnicki said in the article (he's the co-founder of ISG World, a real estate sales and marketing firm in Aventura, Fla.).

Turning to commercial real estate trends, the seven-going-on-eight year commercial property bull market seems to be peaking. Prices are starting to normalize as interest rates have risen and direct foreign investment is declining, in part because of the strong dollar.



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MIAMI OFFICE MARKET

For the first time in this cycle, net deliveries on inventory of Miami office product exceeded 500,000 square feet during the first quarter this year, according to Costar, which caused the falling vacancy rate to pause for a change. The overall office vacancy rate ended the quarter at 8.8 percent on 1.381 million square feet of net absorption.

Due to the regional economic expansion, during which the overall office vacancy rate has declined more than 500 basis points (it peaked at 14.5 percent in 3Q2011), average rents have continued to climb. In the recent 12-month cycle, Costar reports, average Miami office rents spiked 4.6 percent to a little more than \$34-per-foot (asking).

Noting earlier that market growth is slowing, Costar's first quarter report highlights that net absorption was greatest in 2014 and 2015, and concentrated in Miami's primary business submarkets, including Brickell, Downtown Miami and Coral Gables.

In terms of supply, approximately 1.5 million square feet of office space is expected to be delivered this year, then fall back to under 500,000 square feet and about 800,000 square feet in 2018 and 2019, respectively.

The 10-story, 195,000-square-foot "Two MiamiCentral" in Downtown Miami is scheduled for completion this year by developer All Aboard Florida, while a Northeast Dade project of 96,000 square feet in 13 stories is slated to be completed in 2018. Also in 2018, a five-story, 150,000-square-foot headquarters building for Burger King in the Miami Airport submarket is coming online by developer The Hogan Group.

While general professional services has played a central role in the recent run up of employment growth, the healthcare industry has also been a key driver of medical office leasing. Increased patient preference to receive healthcare in outpatient offices versus hospital settings is behind this trend. Medical tenants favor Class B office product in neighborhood-focused submarkets near wealthy residents and the University of Miami. As such, submarkets such as Kendall, South Miami and Aventura have experienced the highest volume of medical office leasing activity.

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INVESTMENT SALES

It's still cheaper to buy than to build. 2016 marked the seventh consecutive year in which office sales increased relative to the prior year. Foreign investors, particularly out of South America, are backing off the Miami office market. In 2015, they accounted for 45 percent of investment sales. Last year investors poured nearly \$1.7 billion into Miami office investments, compared with just north of \$1 billion in 2015, reports Costar. The average price-per-foot reached \$400.99 – the first time it exceeded \$400 a foot in history. It was close in 2007 when the average price-per-foot for Miami offices sold that year was \$395.03. Investment sales seems to be tapering, as only seven sales have occurred in Miami as of mid-May this year, with a total volume of \$156 million and an average price-per-foot of \$379.09.

In our next report, we'll take a deep dive on the Broward County office and industrial markets through mid-year.

To learn more about the South Florida commercial real estate market or for assistance with a lease, purchase or sale of commercial property, please call Ken Morris at 954.240.4400. You can also email Ken at ken@morrissgroup.com.