

Q2 2020 | FLORIDA OFFICE RENTS

Class A

ECONOMY

Unemployment Rise is Just Beginning

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID-19 [here](#).

Florida's unemployment rate was 10.4% in June 2020, down 330 basis points (bps) from the month prior and 720 bps from one year ago. Florida's consumer driven market and heavy reliance on tourism meant that large swaths of working age people were laid off or furloughed.

ASKING RENTS

Year-to-Date Analysis and Demand Dynamics

Second quarter rents reflect a minimal impact from COVID-19. Class A direct rents increased to near record highs in several markets based on confidence in demand pre-COVID. However, the speed at which rents are increasing has slowed on a year-over-year basis, **average rent growth YOY in Florida was only 0.4%**, and average statewide rents were now 16% higher than previous cycle highs.

YoY Chg

\$36.52

Asking Rent, PSF



11.2%

Vacancy Rate



590,000

Completions, SF



6.0 M

Under Construction, SF

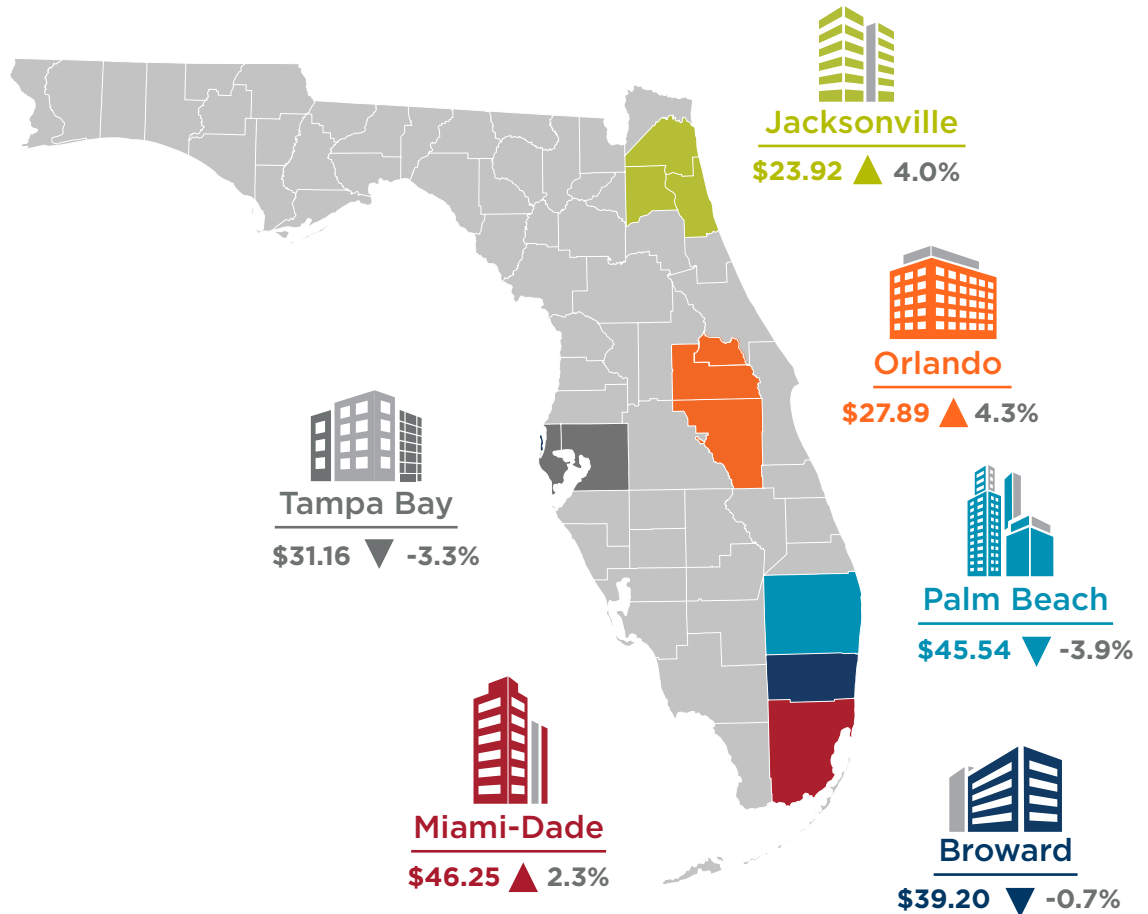


Direct figures for Florida, Asking Rent is quoted full service

MAJOR FLORIDA MARKETS

Direct Asking Rents | Year-Over-Year Percentages

This graph highlights office market fundamentals and compares the current quarter's rental rates to those at the height of the last real estate cycle (2008-2009). Rental are full-service and based solely on Class A properties in each market. Source: Cushman & Wakefield Research, Moody's Analytics, 2020



TROPHY RENTS: Best of the Best, 40% Premium for Top Tier Space

Trophy Rents are achieved in the best buildings in the best locations.



CONSTRUCTION

Spec Space Drives Construction

Miami-Dade had the largest amount of square feet under construction while all other markets had some level of activity. In the first six months of 2020 approximately 590,000 SF delivered. Across the state the construction pipeline was split 44% in the CBD and 56% in the suburbs. Construction was designated as an essential service causing minimal disruption to active construction projects. However, given the current socioeconomic climate, many proposed projects have been put on hold.

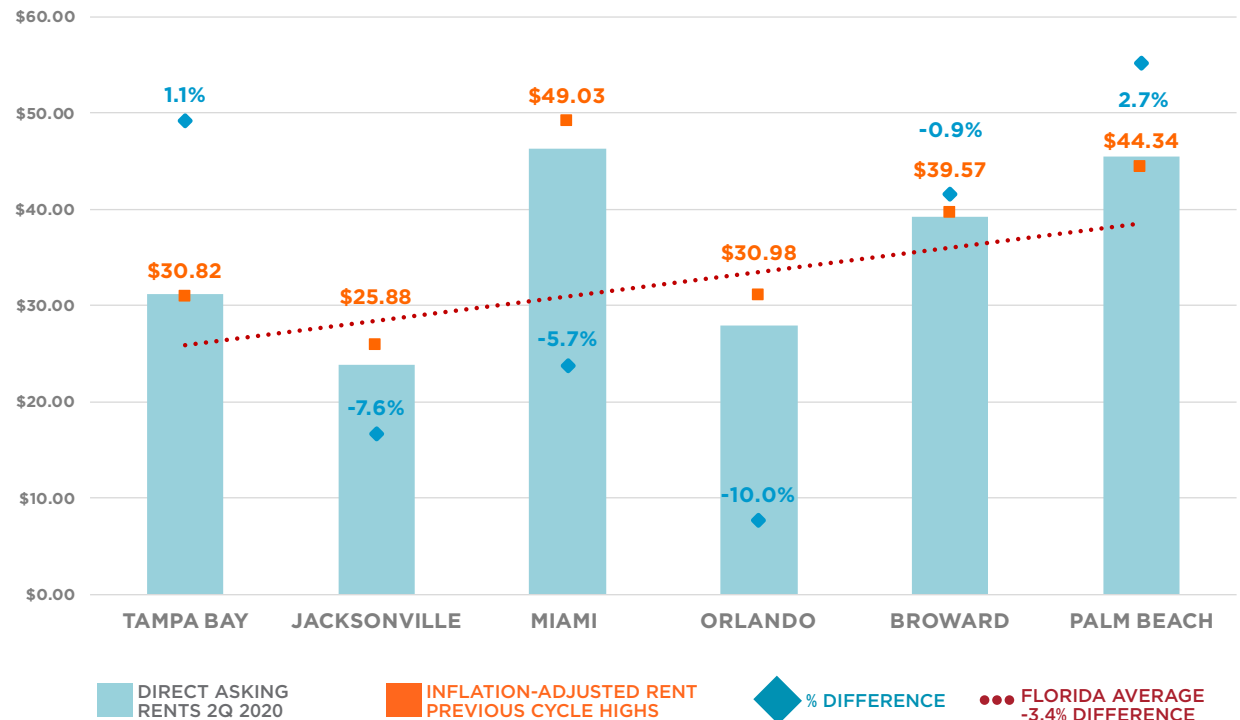
INFLATION ADJUSTED RENTS

Most Florida Rents Lag Historic Highs

Using the Bureau of Labor Statistics' Consumer Price Index, overall prices in 2020 were 20.2% higher than average prices in 2009 for an annual inflation rate of 1.8%. Some office markets this cycle with heightened rent appreciation were able to surpass rent levels on both a numerical and inflation adjusted basis to previous market highs. **Through the second quarter, office markets performed as in past downturns with several posting rent increases reaching historical highs.**

Current office rents were off 3.4% statewide on an inflation adjusted basis from the previous market highs. Currently, only Tampa Bay and Palm Beach County rents were higher, in some cases, the high point for rent was in a previous quarter.

INFLATION ADJUSTED RENTS



[CLICK HERE](#) To view Cushman & Wakefield's Recovery Readiness Guide.

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