

Miami Economic and Market Trends 2006

Miami is a true international city, setting trends in the areas of fashion, dining, the arts, and others. It is a key global business center, second only to New York when it comes to the number of international banks. The “Gateway to Latin America and the Caribbean” for the US and Europe, Miami-Dade is the uncontested leader when it comes to doing business in these growing markets.

A strong infrastructure, anchored by the Port of Miami and the Miami International Airport, as well as the economic advantages offered by no or low tax structures and multiple free trade zones, only further cements the city’s position as *the* place to be when it comes to doing business on a global scale.

In the following paragraphs are highlighted key economic indicators and office submarket data as it has a big effect on retail expenditures and increasingly in the housing/condo market.

- The Urban Land Institute and Price Waterhouse Coopers’ most recent *Emerging Trends* report classified Miami “hot as a pistol,” as Miami and South Florida scored its highest ranking ever in this publication
- Miami-Dade added more than 11,300 jobs in 2005 and saw an unemployment rate of 3.7% the lowest in more than two decades and below the national average of 4.8%
- More than 1.1 million people comprise the county’s labor force, with a concentration in the professional and business services, health services, tourism, and construction sectors
- Trade, also one of Miami-Dade’s largest business sectors, is an important part of the area’s economy, with a 2004 total merchandise trade volume of \$59 billion, or approximately 35% of the US total. In 2004 alone, 46% of all US trade with Central America flowed through the Miami Customs District, 30% of the Caribbean trade, and 21% of the nation’s trade with South America
- Another major economic sector driving the local economy is the tourism industry, which drew more than 10.9 million overnight visitors in 2004, who infused approximately \$12.3 billion into the local economy
- Miami-Dade’s workforce remains strong and diverse, as half its population has a country of origin other than the US. Miami-Dade is home to the third largest consular corps in the US trailing only Washington, DC and New York City.
- The Miami-Dade economy has a gross county product exceeding \$80 billion
- In the pipeline are hundreds of millions of dollars worth of public works projects, such as Miami’s new Performing Arts Center (recently completed) and the Miami International Airport expansion.

Submarket Highlights

Downtown

- Despite several buildings being damaged by Hurricane Wilma, Downtown Miami experienced an active fourth quarter.
- With vacancy rates dropping to single digits, rental rates in Downtown should continue to climb throughout 2006 as law firms and financial services continue to compete for available Class A space in Downtown.

Brickell

- Despite the damage done by Hurricane Wilma, Brickell ended 2005 very strong and continues to be the most prestigious location for office space. Brickell's overall and Class A vacancy rates (10.3% and 9.2%, respectively) are well below 2004's rates of 13.7% and 14.8%.
- The amount of direct space in Brickell decreased by 20% compared to a year ago. Overall inventory of sublease space shrank by more than 90% during 2005
- With the two new developments nearly fully leased (Espirito Santo and Four Seasons Millennium Tower) and little new product scheduled to come online, the Brickell submarket should continue to witness strong leasing activity

Airport West

- The Airport West submarket was one of the top performing submarkets in terms of leasing activity and absorption in 2005. Only Doral Costa Phase II is under construction totaling 130,000 SF. With large drops in vacancy rates and substantial absorption totals, rental rates should continue to increase.

Coral Gables

- Coral Gables is one of the tightest submarkets in the county with Class A and overall vacancy rates of 8.3% and 7.9%, respectively. With only office condos and Burger King's new corporate headquarters in the construction pipeline, Coral Gables' rental rates are expected to rise for highly sought-after leasable space

Coconut Grove

- The sale and conversion of Grand Bay Plaza and SBS Tower into office condos will drastically reduce the amount of leasable Class A space in Coconut Grove.

Miami Beach

- Miami Beach has absorbed most of the excess inventory that was delivered during the dot.com craze of the late 90s and early 2000s. From a Class A vacancy rate of 26.8%, it has achieved a vacancy rate of 8% for the first quarter of 2006.

Conclusions

The City promotes the many advantages of doing business in Miami, including a number of business incentive programs and a favorable tax structure. Business location incentives at the local level include Empowerment Zone and Enterprise Zone opportunities, each of which offers tax or wage credits to businesses based on the number of new jobs created. In addition, the State offers incentives for Targeted Industries, Workforce Training and Road Infrastructure. In 2003 the city partnered with ACCION USA to make \$4 million in micro loans available to the small business community. The program has been and continues to be a resounding success. Finally, Tax Abatement and The Grow Miami Fund which grants qualified small businesses long-term, low-interest loans ranging from \$50,000 to \$2 million round out an excellent array of benefits which continue to attract new entrepreneurs.

Under the leadership of Mayor Manuel Diaz, the city of Miami has experienced an unprecedented level of development and private investment. New projects valued at about \$33.3 billion were planned or under construction as of October 2006. In addition to attracting new business developments, Miami is focused on improving the existing environment. Mayor Diaz implemented the city's first Capital Improvement Plan, an initiative to rebuild the city's entire infrastructure by reconstructing, resurfacing, and repairing every road, sidewalk, and curb on a 12-year cycle. Operation Difference and a Quality of Life task force strive to make the city safer and cleaner.

City leaders in their determination to develop all areas of the City, not just the downtown area have partnered with private sector developers and Miami Dade County to facilitate and sponsor projects such as the \$1.5 billion Midtown Miami commercial and residential project; residential projects such as The Crosswinds which will help revitalize Overtown and the more than 1 billion dollar University of Miami investment in the Health District which will create a foothold in biotechnology by constructing a 300,000 square foot Clinical Research Building along with two new wet lab facilities.

This integrated approach to economic development have resulted in substantial improvements as previously noted in employment creation and in new investment opportunities placing The City of Miami in a privileged position as a World Class City with a very bright future.

-City of Miami, Economic Development Department, November 2006