

MIAMI INDUSTRIAL MARKET

Q2 2023

TRENDLINES

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	1.9	2.7	↓	4.4	↑
NET ABSORPTION (MSF)	-0.3	2.7	↓	1.0	↑
OVERALL VACANCY RATE	2.2%	2.5%	↓	3.7%	↑
OVERALL VACANT SF (MSF)	4.5	5.1	↓	7.3	↑
UNDER CONSTRUCTION (MSF)	5.4	6.0	↓	4.1	↓
ASKING RENT, NNN (PSF)	\$16.34	\$12.82	↑	\$11.86	↑
SALES VOLUME (MILLIONS)	\$140.2	\$492.8	↓	\$451.9	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

MIAMI INDUSTRIAL COOLS OFF

Miami experienced a slight uptick in overall vacancy, as expected as the industrial real estate market normalizes, to a still very healthy 2.2%. On a year-over-year basis, the region recorded 2.8 million SF of net absorption, very strong growth when compared to more typical, pre-pandemic levels. With the vacancy rate remaining near historically low levels, developers remain active in Miami as the amount of product under construction increased during the past two quarters and is now at its highest level in 12 months. The scarcity of quality available space coupled with new construction with likely push rents even higher throughout the balance of 2023, but at a slower pace.

Manufacturing companies have increased their share of industrial building occupancy during the past 12 months, while logistics companies signed three of the largest leases during the quarter. As for employment, the pace of Miami's industrial job growth continued to slow, decelerating to 1.7% year-over-year, its lowest level since March 2021.



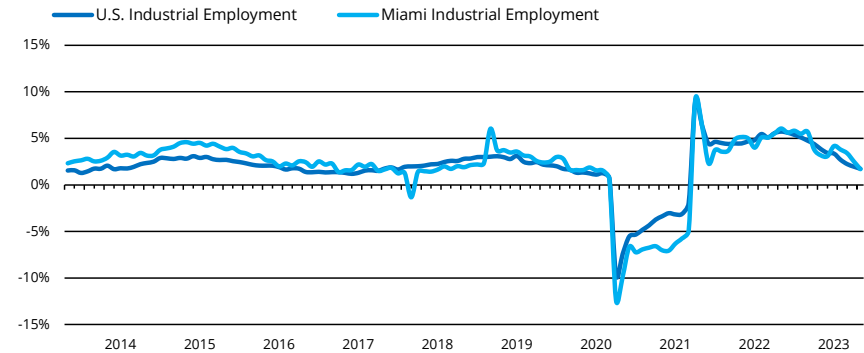


ECONOMY

Slower Growth

- The U.S unemployment rate remained ticked up slightly to 3.6% during the quarter and has ranged between 3.5% and 3.7% since Q1 2022.
- Labor participation was unchanged during the quarter and remains 70 basis points below the pre-pandemic level in February 2020.
- The growth rate for U.S. employment supporting the industrial real estate sector accelerated during the quarter, boosted by an increase in trucking jobs.
- Miami unemployment remained at a historically low 1.9% during the quarter.
- The pace of Miami’s industrial employment growth decelerated to 1.7% year-over-year, its lowest level since March 2021.

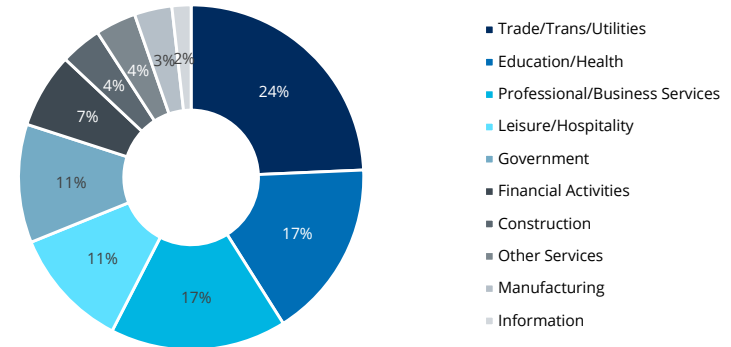
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

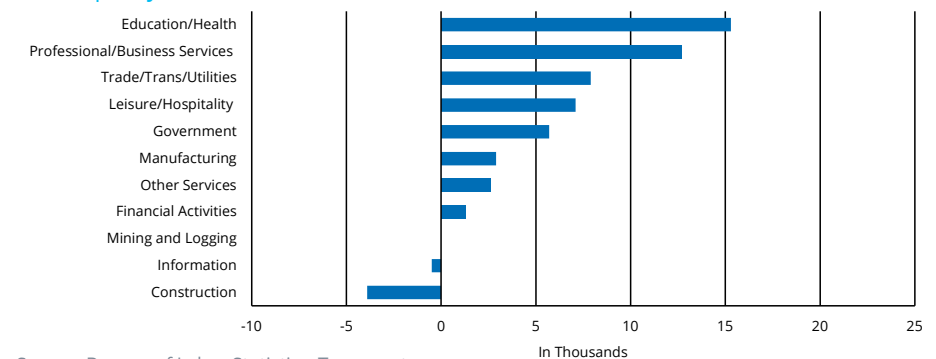
Miami | May 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Miami | May 2023



Source: Bureau of Labor Statistics, Transwestern

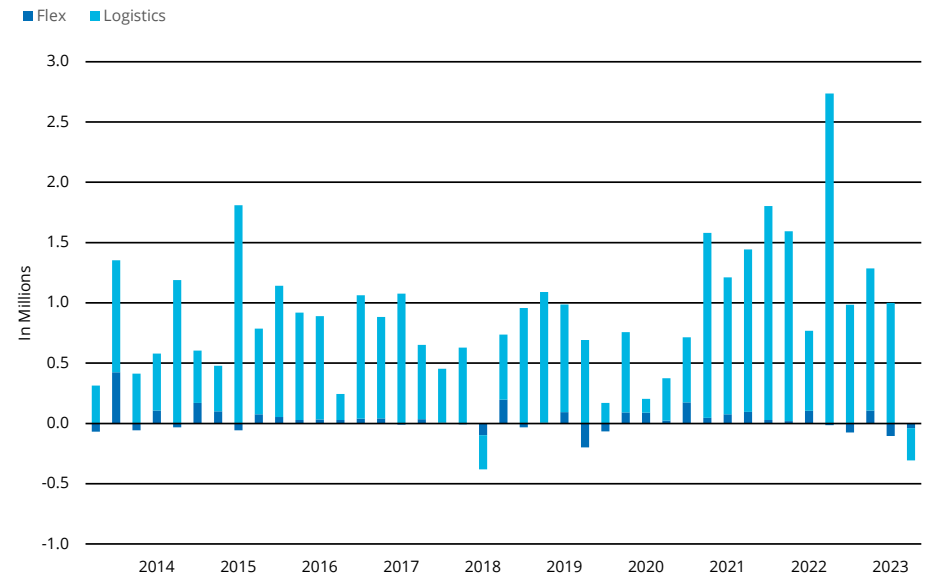


NET ABSORPTION

Streak Over

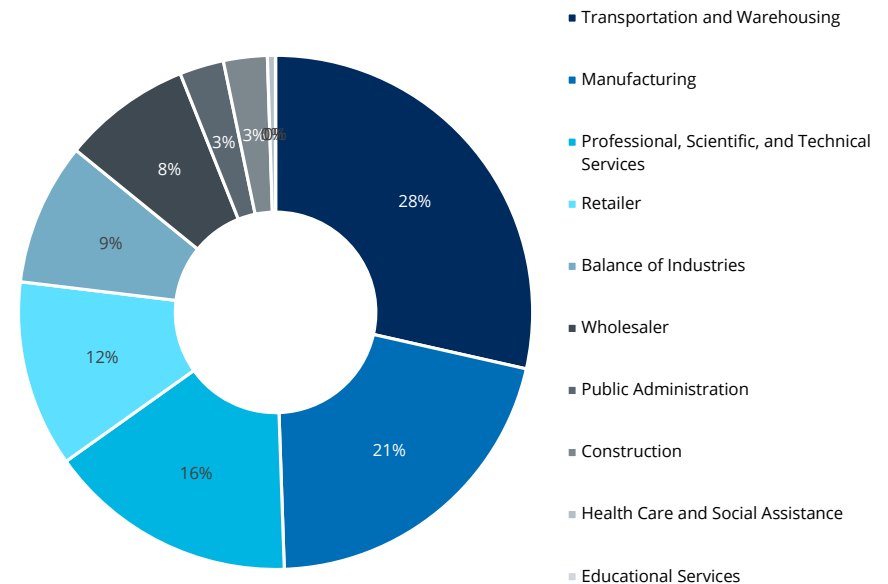
- Following 20 consecutive quarters of growth, Miami experienced an overall occupancy loss.
- The 307,686 SF of negative net absorption in Q2 was the lowest level recorded since Q1 2018.
- Despite the loss, Miami still recorded a gain in occupancy of nearly 2.8 million SF year-over-year.
- Two submarkets recorded more than 300,000 SF of positive net absorption during the past 12 months, down from five the previous quarter.
- While manufacturing companies have increased their share of industrial building occupancy in the Miami market during the past 12 months, logistics firms signed three of the top leases during the quarter.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY



Source: CoStar, Transwestern

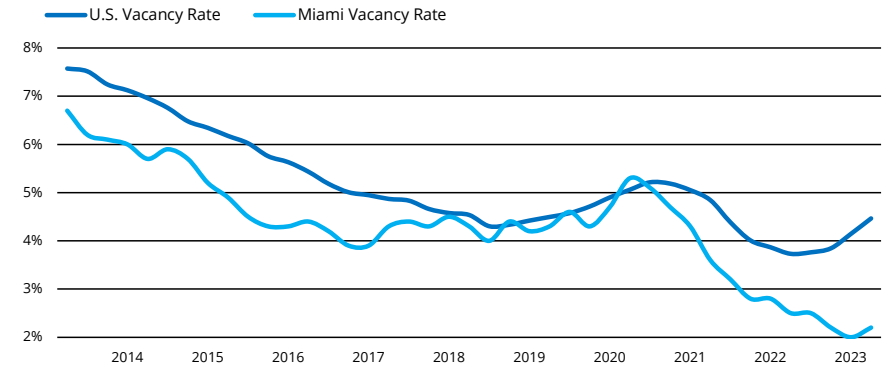


VACANCY

Bouncing off the Bottom

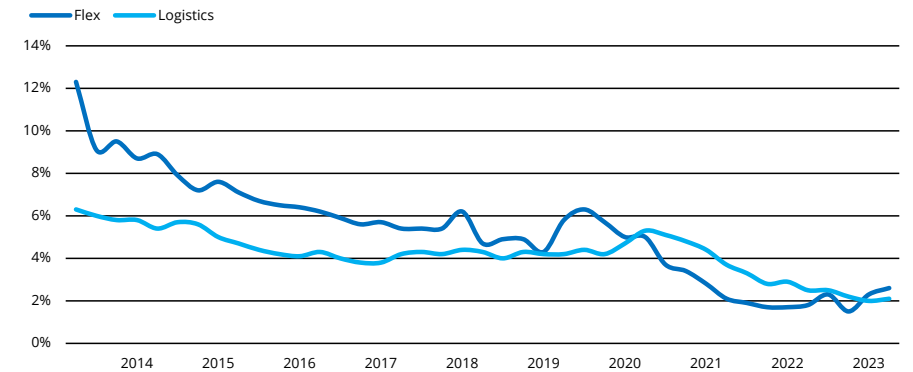
- The level of vacant space ticked up for the first time since Q1 2022, raising the overall vacancy rate by 20 basis points during the quarter.
- However, the vacancy rate has fallen 30 basis points in the past 12 months and is 230 basis points lower than the the U.S. average.
- Six of eleven submarkets report a vacancy rate of 2.0% or less as of Q2 2023.
- Despite the increase this quarter, the Miami industrial property vacancy rate has fallen 310 basis points since the peak of the pandemic even with an addition of more than 10 million SF of new inventory added to the market.
- While vacancy remains near the historic low, the amount of space listed as available is increasing at a faster rate, something to keep an eye on in the coming quarters.

OVERALL VACANCY RATE



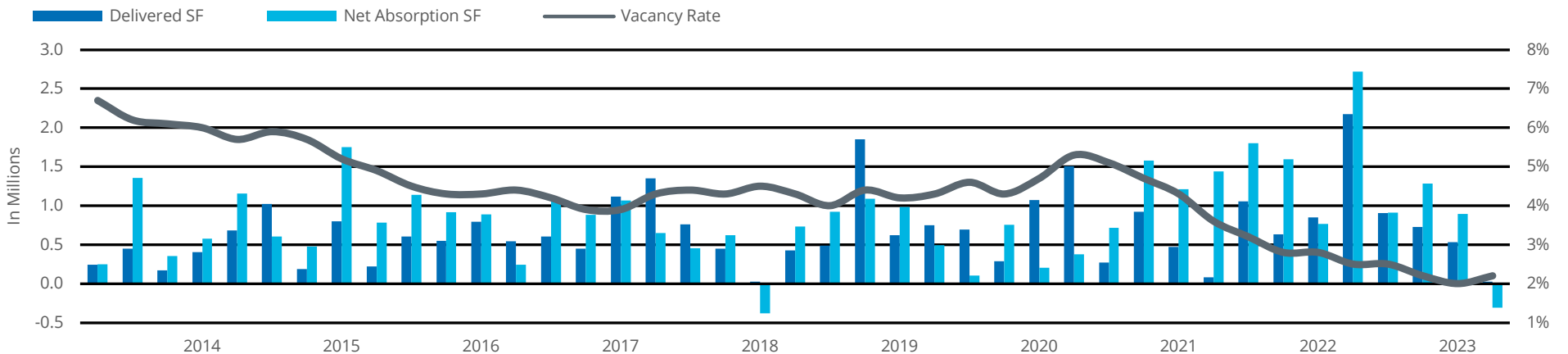
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

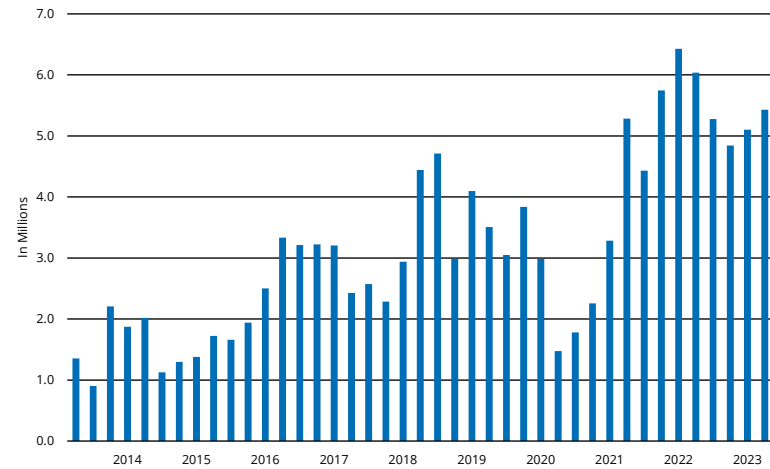


UNDER CONSTRUCTION

Continued Higher

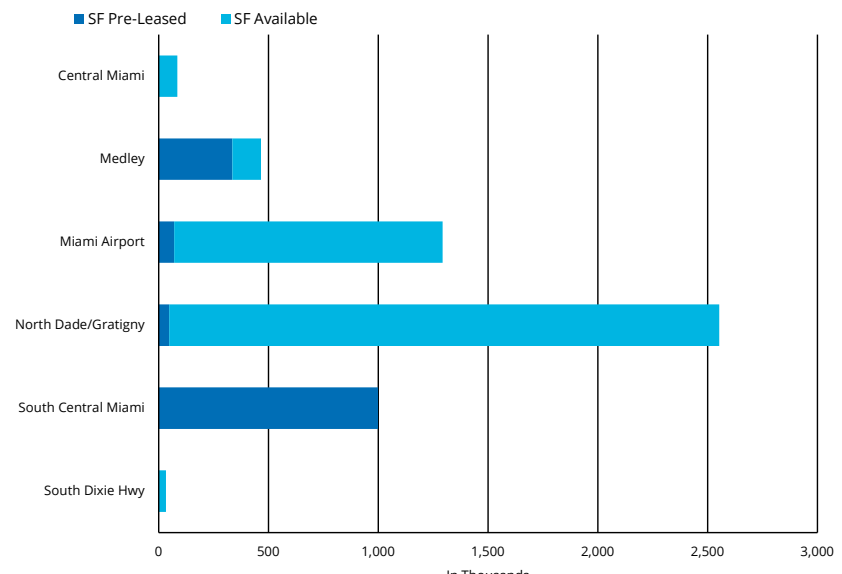
- After falling for three consecutive quarters, industrial real estate under construction increased during the past two quarters and is now at its highest level in 12 months.
- The level of product under construction is more than triple the pandemic-era low when new development was paused three years ago.
- There was new construction underway in six of eleven submarkets at the close of Q2, 90% of which in the North Dade/Gratigny, Miami Airport, and South Central Miami submarkets.
- Nearly three-quarters of the new product under construction remained available.
- While financing conditions remain challenging, developers continue to seek opportunities while vacancy rates remain at historic lows.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

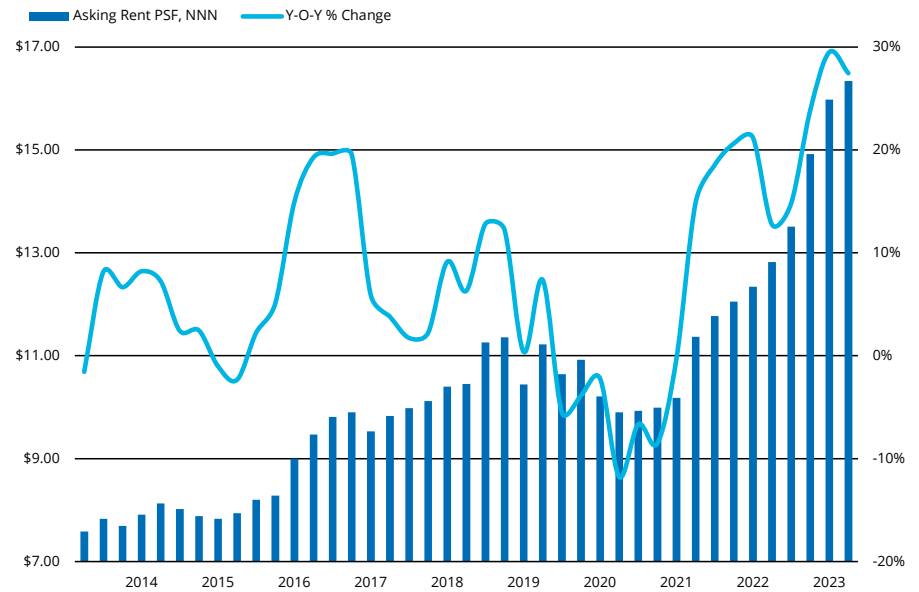


RENTAL RATES

Another Plateau Reached

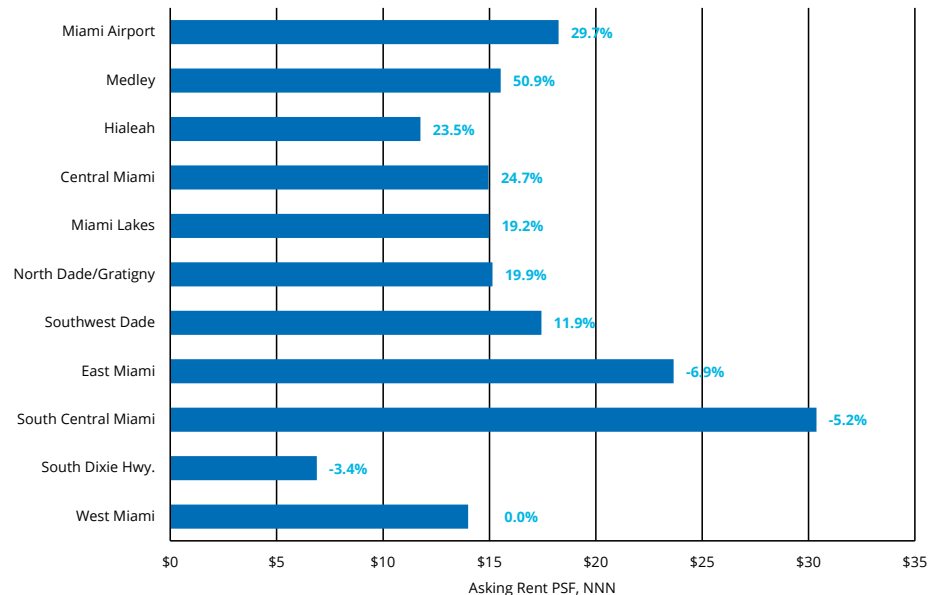
- The average asking rent surpassed \$16.00 PSF, though the 2.3% growth during the past quarter was the lowest since Q1 2022.
- Rents increased by nearly 28% during the past 12 months, cooling slightly from the near 30% year-over-year growth reported three months ago.
- Double-digit percentage YoY growth has been recorded for nine consecutive quarters.
- The average asking rent has risen for 12 consecutive quarters and has increased by 44% as of Q2 2023 when compared to pre-pandemic highs.
- The scarcity of quality available space coupled with new construction with likely push rents even higher throughout the balance of 2023, but at a slower pace.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

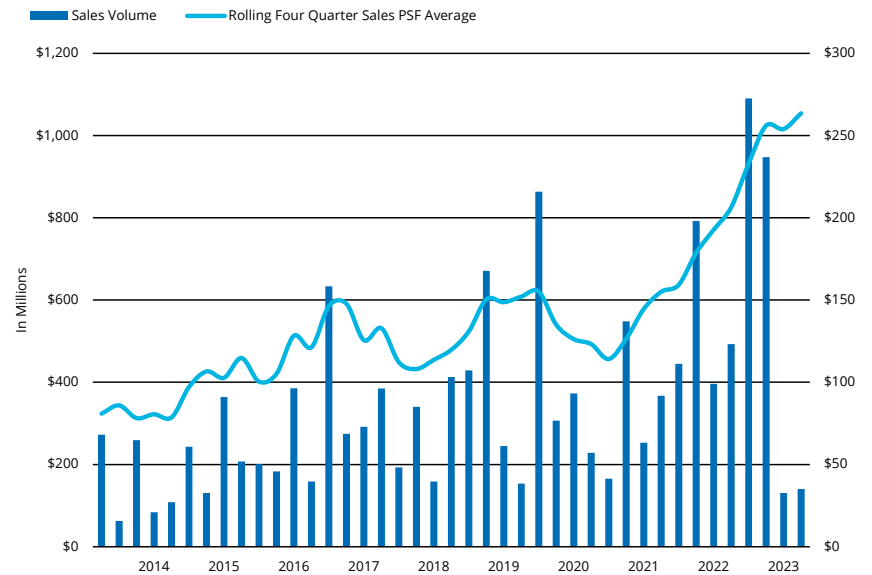


SALES

Continued Slowdown

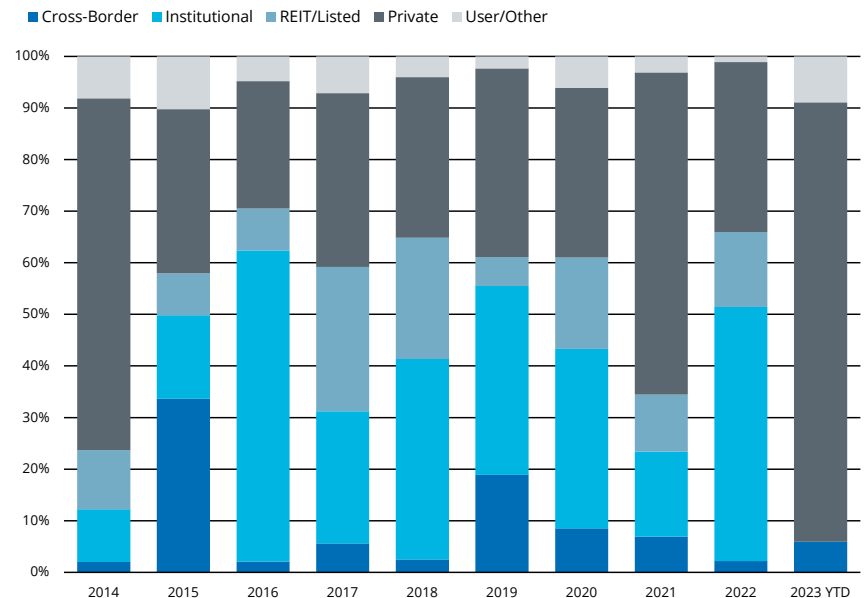
- After setting records to close 2022, property sales have softened considerably to record the slowest first half of a year since 2014.
- The number of properties which changed hands thus far in 2023 was less than half of what was traded during the first six months of 2022.
- Pricing exceeded historical levels, with four of the top highest-priced deals located in the Hialeah and Miami Airport submarkets.
- Private investors accounted for more than 85% of sales thus far in 2023.
- While lending is expected to tighten, strong fundamentals keep Miami as a favorable place to deploy capital.

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
INTERPORT LOGISTICS	Prologis Beacon Lakes 12950 NW 25th St	Miami Airport	Renewal	265,000
MAC PAPER	Palmetto Lakes 5255 NW 159th St	Miami Lakes	Renewal	182,000
LOGISTICS PLUS	Miami Midway Park 9535 NW 174th St	Hialeah	New	182,000
TRITON LOGISTICS	County Line Corporate Park 3621 W 112 Pl	Hialeah	New	149,597
MARITIMA VALPARAISO CORP.	South Florida Logistics Center 6725 NW 36th St	Miami Airport	New	124,884

= Transwestern deal

Source: CoStar, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
5530, 5400 NW 32ND CT; 3455 NW 54TH ST	Hialeah	\$51,500,000	305,050	\$169	Walton Street Capital, LLC; Lincoln Property Company	HighBrook Investors
13801 NW 112 AVE	Medley	\$43,300,000	115,741	\$374	Boxer US	Blackstone Inc.
1500 NW 95TH AVE	Miami Airport	\$16,000,000	115,477	\$139	Brookfield Properties	Usa Bouquet Co Inc
9200 NW 58TH ST	Miami Airport	\$14,150,000	44,984	\$315	Penske Truck Leasing Co	Hackney Properties LLC
3400 NW 67TH ST	Hialeah	\$11,500,000	72,447	\$159	QRST Properties	Wendy & Basil Beck

= Transwestern deal

Source: CoStar, Real Capital Analytics, Transwestern

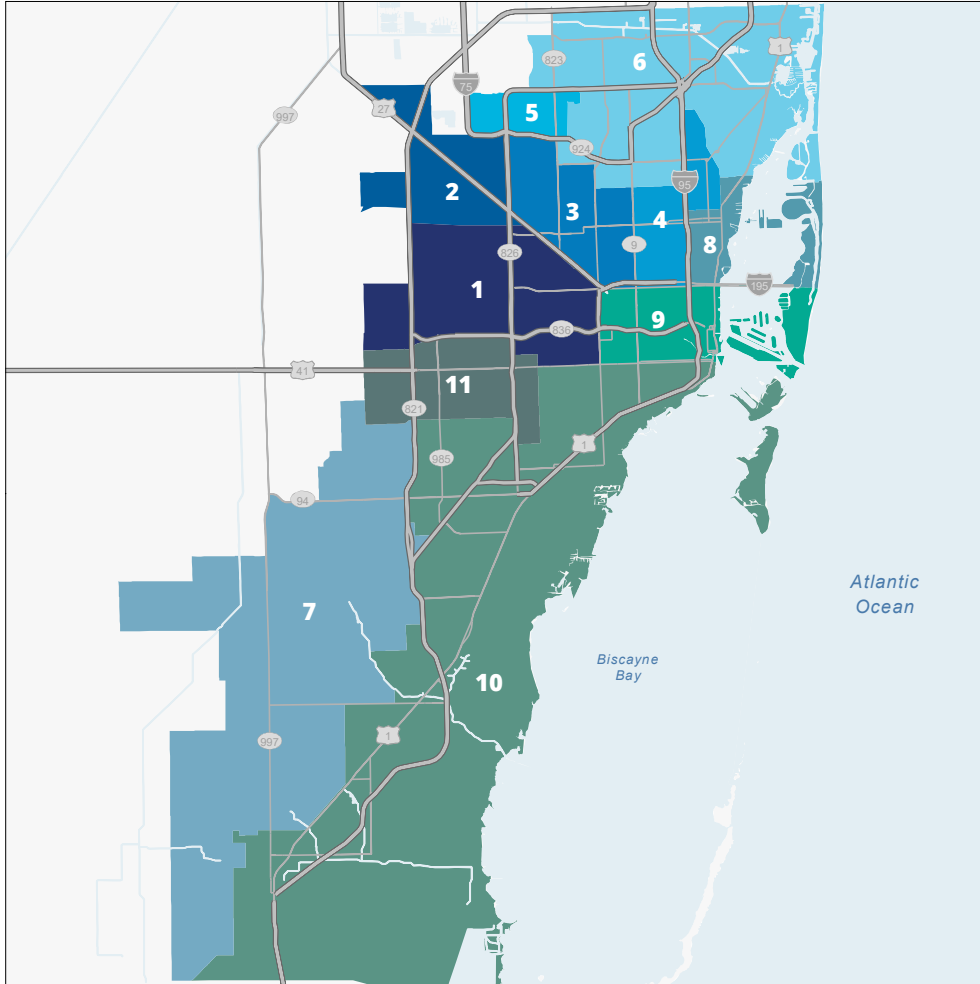


MARKET INDICATORS

Q2 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	TOTAL VACANT SF	OVERALL VACANCY RATE	UNDER CONST. SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	LOGISTICS ASKING RENT PSF, NNN	FLEX ASKING RENT PSF, NNN
MIAMI AIRPORT	72,806,112	1,266,217	1.7%	146,057	1,412,274	1.9%	1,293,003	(294,018)	364,441	\$18.07	\$24.83
MEDLEY	35,962,636	419,828	1.2%	313,774	733,602	2.0%	465,512	20,076	1,798,253	\$15.53	-
HIALEAH	21,070,203	547,597	2.6%	29,020	576,617	2.7%	0	(143,993)	41,619	\$11.76	-
CENTRAL MIAMI	1,894,881	32,084	1.7%	0	32,084	1.7%	85,376	0	(7,980)	\$14.96	-
MIAMI LAKES	12,319,420	306,872	2.5%	0	306,872	2.5%	0	19,612	156,716	\$14.78	\$18.96
NORTH DADE/GRATIGNY	36,751,577	851,296	2.3%	46,981	898,277	2.4%	2,552,770	70,488	229,261	\$15.03	\$30.00
SOUTHWEST DADE	7,243,233	59,328	0.8%	0	59,328	0.8%	0	27,157	111,049	\$17.00	\$17.50
EAST MIAMI	2,429,943	226,665	9.3%	4,000	230,665	9.5%	0	(71,472)	(111,180)	\$27.30	\$20.20
SOUTH CENTRAL MIAMI	6,931,624	173,377	2.5%	3,000	176,377	2.5%	999,145	83,442	101,507	\$32.66	\$20.00
SOUTH DIXIE HWY	6,809,257	39,592	0.6%	0	39,592	0.6%	32,985	(9,736)	111,340	\$6.89	-
WEST MIAMI	2,461,159	15,230	0.6%	0	15,230	0.6%	0	(9,242)	(11,080)	\$14.00	-
TOTAL	206,680,045	3,938,086	1.9%	542,832	4,480,918	2.2%	5,428,791	-307,686	2,783,946	\$16.16	\$22.34

Source: CoStar, Transwestern



Miami Industrial Submarkets

- 1 Miami Airport
- 2 Medley
- 3 Hialeah
- 4 Central Miami
- 5 Miami Lakes
- 6 North Dade/Gratigny
- 7 Southwest Dade
- 8 East Miami
- 9 South Central Miami
- 10 South Dixie Hwy
- 11 West Miami

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on Industrial properties located in the Miami metropolitan area. This report includes single tenant, multi-tenant and owner-user properties 20,000 SF and larger.

FOR MORE INFORMATION

Matt Dolly

Research Director- Research Services
matthew.dolly@transwestern.com
973.947.9244

Ryan Burress

Research Analyst
ryan.burress@transwestern.com
305.357.3839

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