

MIAMI INDUSTRIAL MARKET

Q3 2023



TRENDLINES

	Q3 2023	Q3 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.0	2.8	↓	4.4	↑
NET ABSORPTION (MSF)	-0.8	0.9	↓	0.9	↑
OVERALL VACANCY RATE	2.6%	2.5%	↑	3.6%	↑
OVERALL VACANT SF (MSF)	5.4	5.2	↑	7.4	↑
UNDER CONSTRUCTION (MSF)	5.9	5.3	↑	4.2	↓
ASKING RENT, NNN (PSF)	\$16.81	\$13.64	↑	\$12.23	↑
SALES VOLUME (MILLIONS)	\$219.1	\$1,098.1	↓	\$453.0	↑

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

MIAMI INDUSTRIAL CONTINUES TO COOL

Activity cooled for the second consecutive quarter in the Miami industrial market. This comes after 20 consecutive quarters of growth. Despite the slowdown, Miami still boasts a vacancy rate well below the U.S. average and the market's historical average. The amount of product under construction increased for the third consecutive quarter to its highest level in 15 months, demonstrating that developers' interest still remains active in Miami. The demand for quality space in this constrained market, coupled with new construction, will likely push rents even higher in the coming quarters, but at a more toned-down pace.

Compared to the previous quarter, transportation companies, wholesalers, and retailers have significantly increased their share of industrial building occupancy, with logistics companies signing the largest leases during Q3. As for employment, the pace of Miami's industrial employment growth remains well in the positive, albeit, at one of its slowest rates since early 2021.

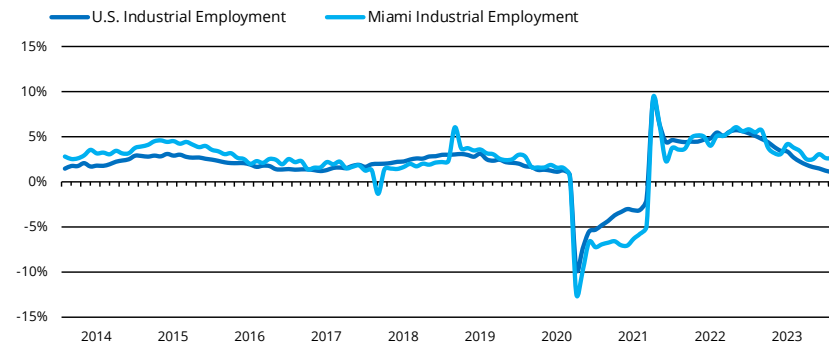


ECONOMY

Slower Growth

- The U.S. unemployment rate averaged 3.7% during Q3, relatively unchanged from last quarter, and has ranged between 3.4% and 3.8% since Q1 2022.
- U.S. labor participation continued to increase and is now within 50 basis points of February 2020 pre-pandemic levels.
- Jobs supporting the industrial real estate sector increased by 1.1% nationwide during the past 12 months, the lowest year-over-year growth since early 2021. Trucking employment, impacted by Yellow's bankruptcy, fell considerably in August.
- Miami's very strong employment growth continued in Q3 as the unemployment rate dropped slightly from 2.1 to 2.0%.
- Miami's industrial employment growth has been strong since Q2 2021, and while its year-over-year growth slowed from 5.1% in August 2022 to 2.6% in August 2023, the pace remains positive.

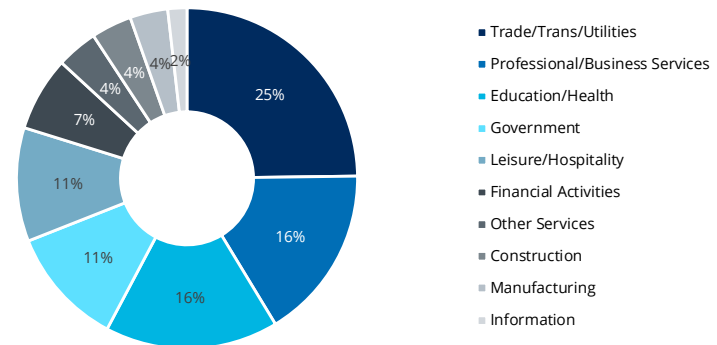
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

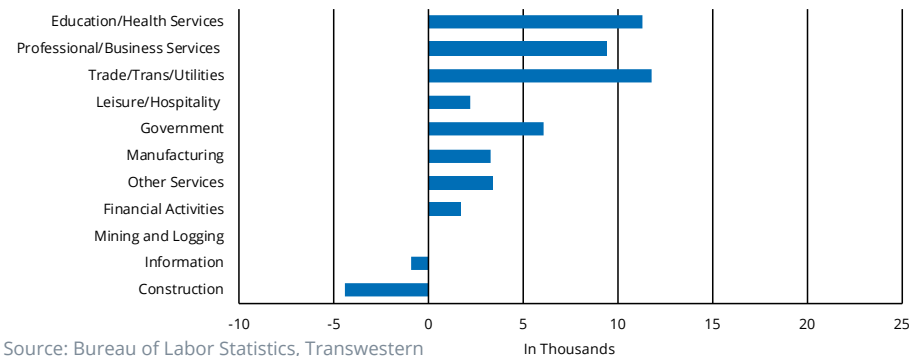
Miami | August 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Miami | August 2023



Source: Bureau of Labor Statistics, Transwestern

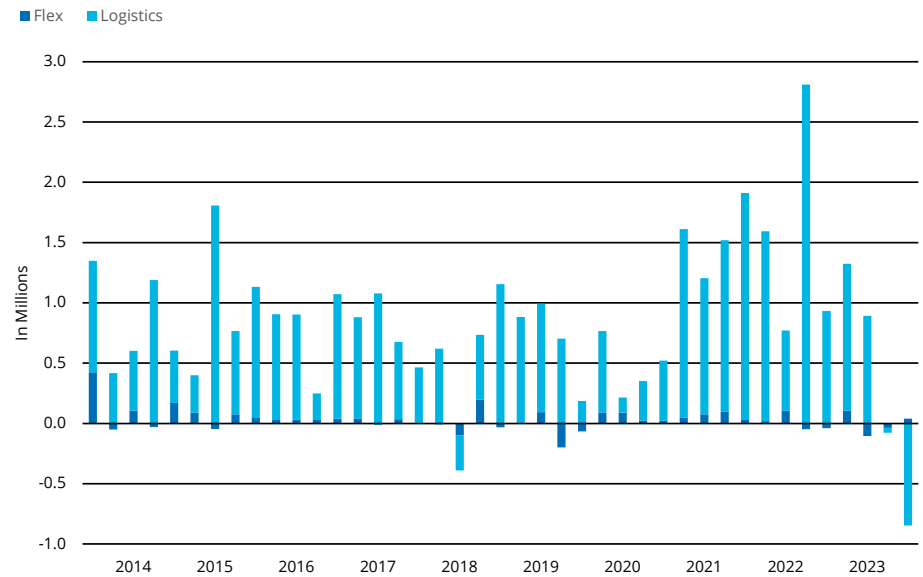


NET ABSORPTION

Streak Over

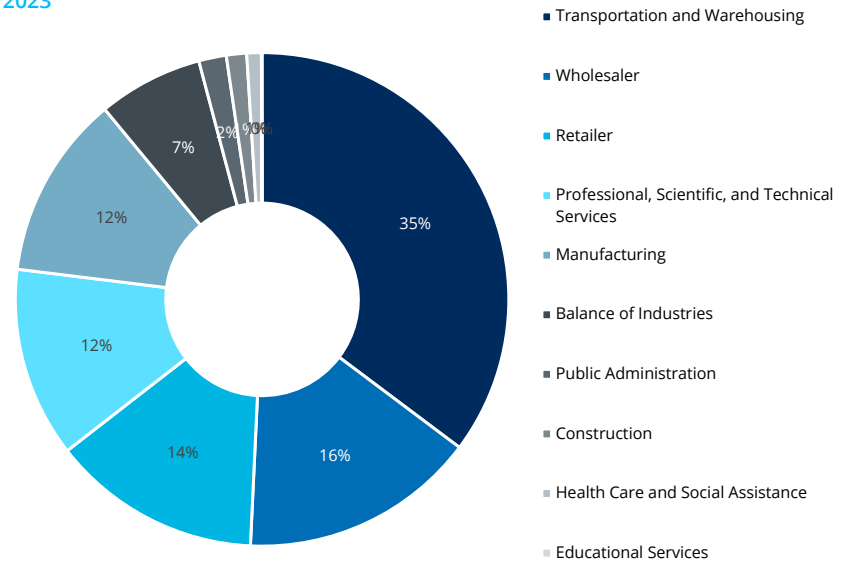
- Following five years of consecutive growth, Miami recorded a second straight quarter of negative net absorption.
- Quarterly net absorption was negative 806,203 SF, a ten-year low. This is partially due to a slowdown in leasing activity as a result of lower lease roll, limited desirable quality space, and no new product delivered in the quarter.
- Despite the last two quarters of negative net absorption, year-over-year net absorption was a positive 1.2 million SF as of Q3 2023.
- Across submarkets, year-over-year absorption was a mixed bag, with Medley and North Dade/Gratigny recording more than 600,000 SF of positive net absorption during the past 12 months. On the other hand, Miami Airport, Broward’s largest submarket, recorded over 100,000 SF of negative net absorption year-over-year, with 702,272 SF returning to the market in Q3 alone. Overall, seven of eleven submarkets recorded year-over-year negative absorption.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY Q3 2023



Source: CoStar, Transwestern

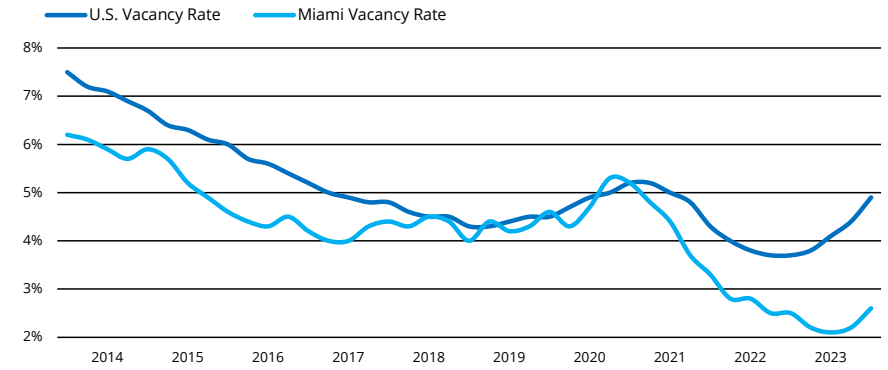


VACANCY

Healthy Despite Upward Trends

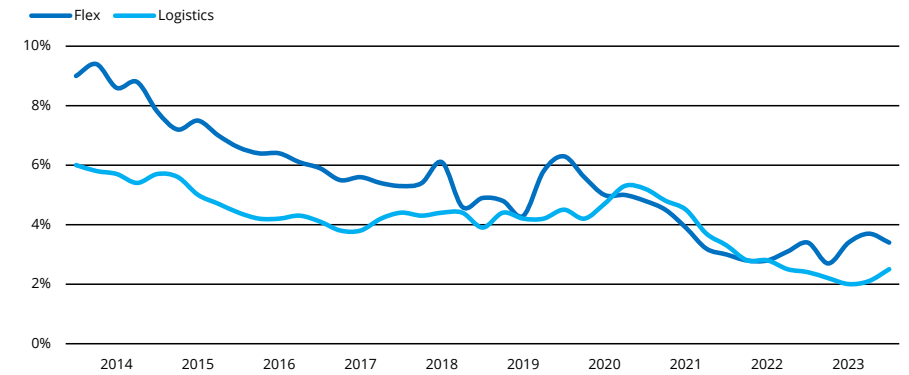
- Miami’s vacancy rate has increased every quarter in 2023, on-trend with national vacancy rates. However, being 230 basis points lower than the national average, Miami’s vacancy remains very healthy at 2.6%.
- Miami’s submarkets are incredibly healthy, with five of the eleven reporting a vacancy rate of 2.0% or less.
- Miami’s industrial vacancy rate fell 270 basis points below the pandemic’s peak while simultaneously delivering more than 10.3 million SF of new inventory to the market since.
- A slowing economy, low absorption levels, and less leasing activity have had a nominal impact on Miami’s vacancy rate.

OVERALL VACANCY RATE



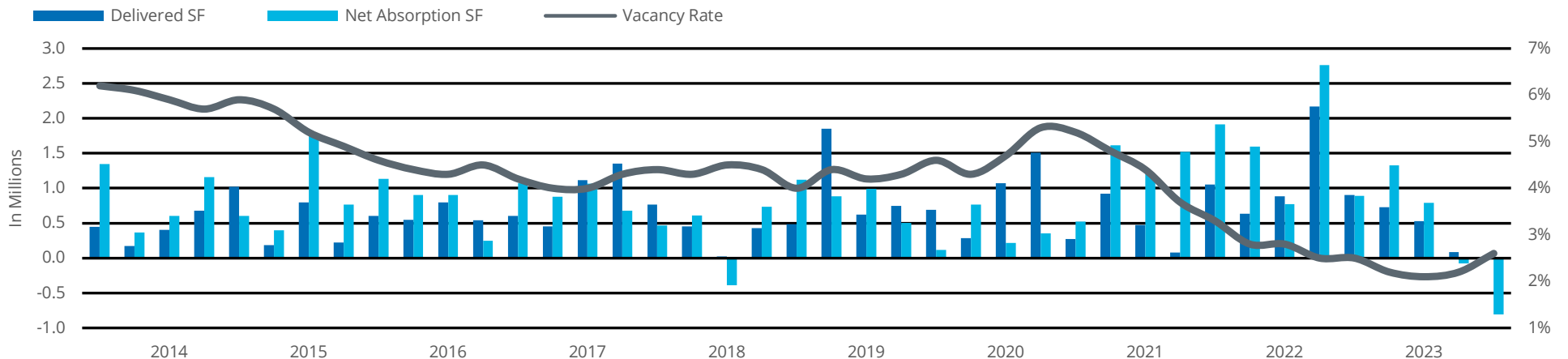
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

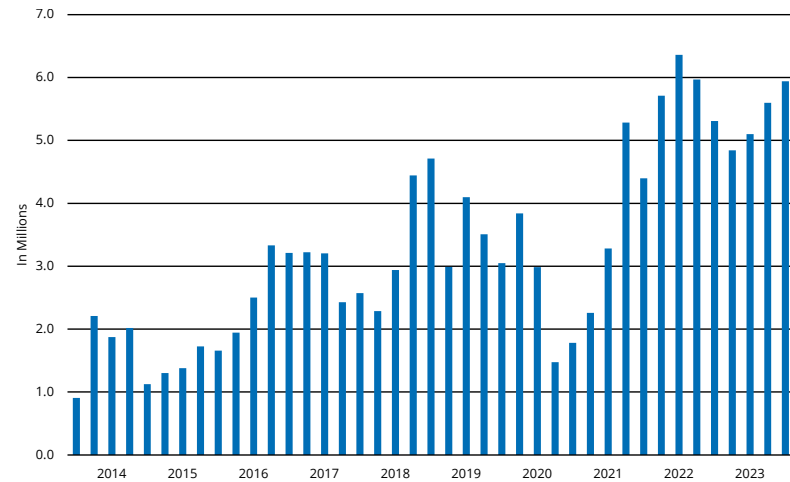


UNDER CONSTRUCTION

Continued Expansion

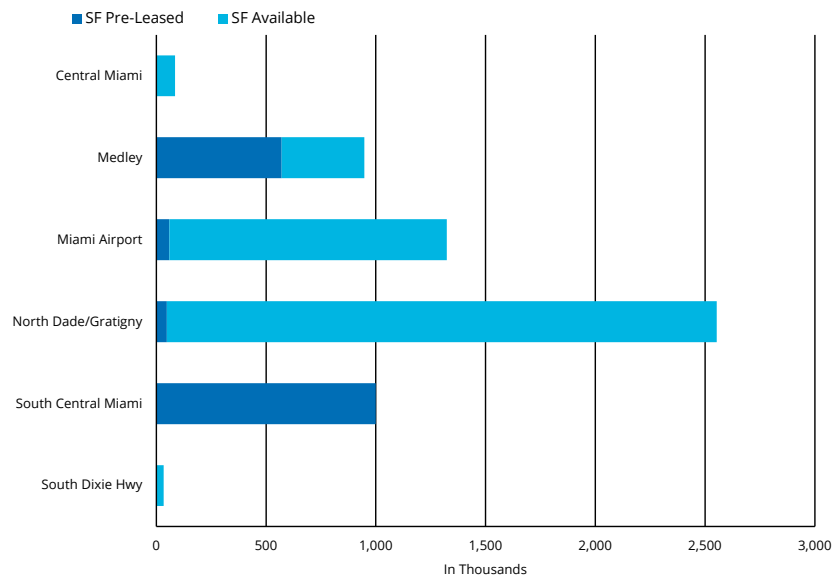
- No space was officially delivered this quarter. However, the amount of industrial real estate under construction has increased for the past three quarters and is now at its highest level since Q2 2022.
- Product under construction increased to 5.9 million SF in Q3 2023, Miami’s third most on record.
- New construction was underway in six of eleven submarkets but concentrated in four. The North Dade/Gratigny, Miami Airport, Medley, and South Central Miami submarkets hold 98% of the space under construction. North Dade/Gratigny leads the way with almost 2.6 million SF in the pipeline.
- Nearly three-quarters of the new product under construction remains available, as only a minimal amount of the product under construction is pre-leased.
- With strong long-term fundamentals, developers are continuing to seek opportunities. However, less leasing activity and a challenging debt market have slowed the pace of new projects being proposed.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

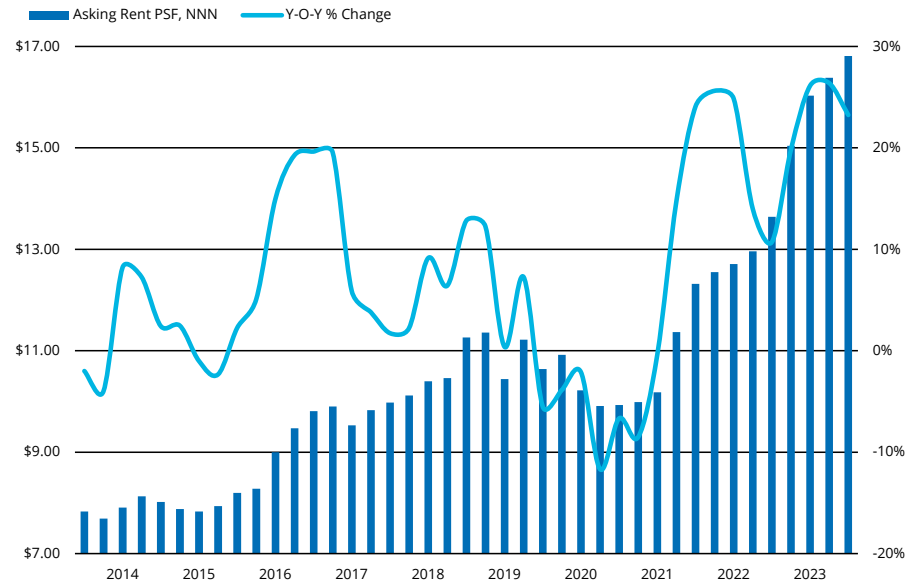


RENTAL RATES

Record Highs Continued With Slower Growth

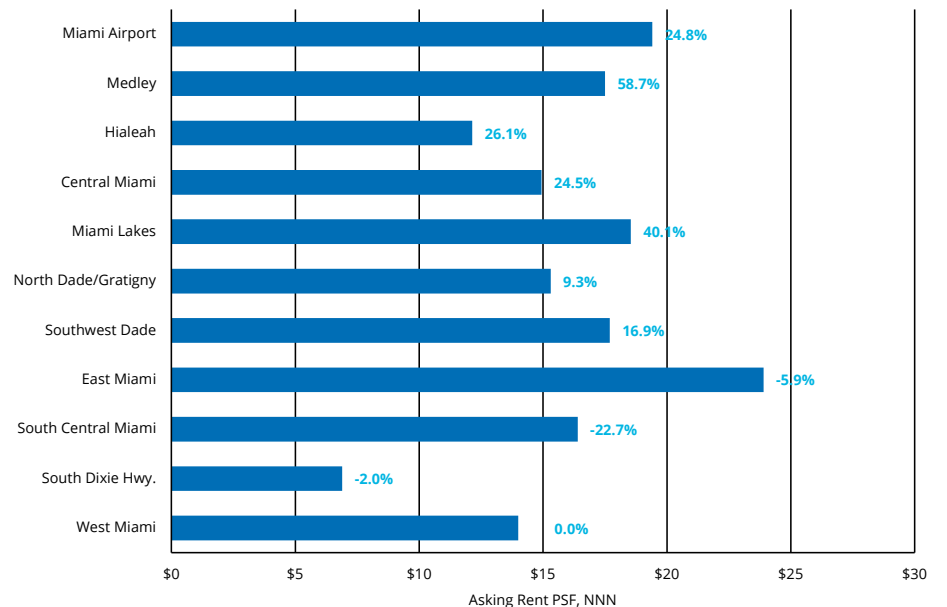
- Double-digit percentage year-over-year rent growth was recorded in every quarter since Q1 2021. Six of those last ten quarters had year-over-year rent growth of 23% or higher.
- Seven of eleven submarkets recorded positive year-over-year asking rent growth, with Medley recording the highest growth of 59%.
- After the average asking rent surpassed \$16.00 PSF at the start of 2023, market-wide quarterly rent growth has cooled to 2-3% for the past two quarters. Slight cooling was expected as the market digested the compounded rent growth of the last ten quarters.
- While many indicators point to a cooling economy and demand, scarcity of quality space and Miami’s balanced economic drivers should support continued rent growth at a slower pace.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

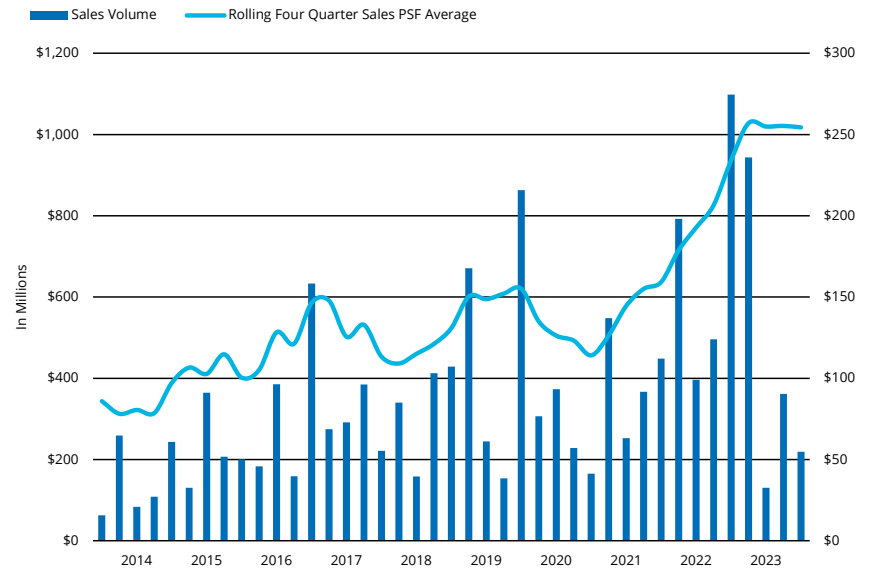


SALES

Continued Slowdown

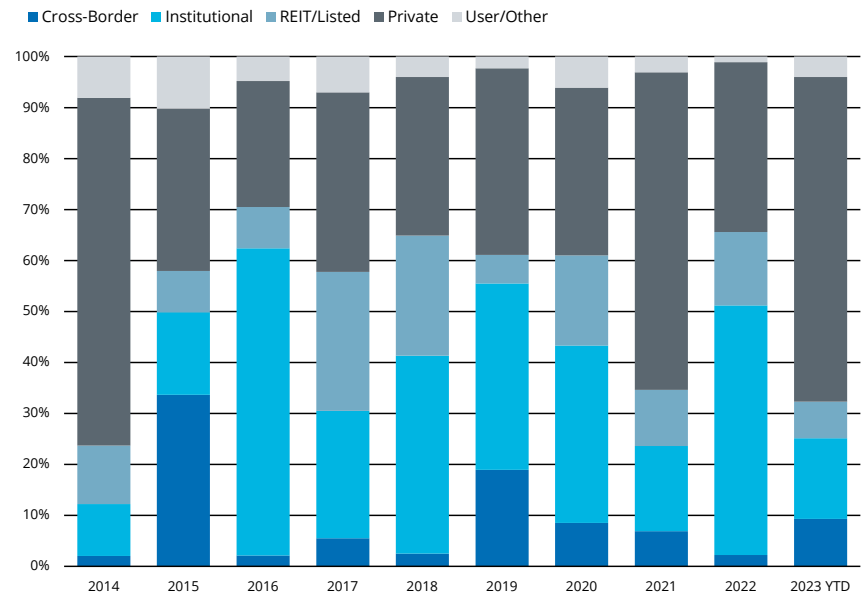
- Since a record high \$1.1 billion switched hands in Q3 2022, property sales have softened considerably as interest rates have continued to rise.
- Though seemingly plateauing, average sales prices remain near historic levels, with high-priced deals located across various submarkets within Miami and smaller buildings selling for well above the market average.
- The average size of sold buildings so far in 2023 is 19,000 SF, down from 25,000 SF between 2020-2022, as Private investors accounted for 64% of sales thus far in 2023, nearly double 2022 levels. Institutional buyers, historically involved in larger square foot deals, record a 33% decrease in their sales volume share in 2023.
- The total number of properties sold year-to-date has decreased by 43% compared to a year ago.
- While lending is expected to continue to tighten, presenting challenges for many buyers, strong industrial market fundamentals keep Miami a favorable place to deploy capital.

SALES VOLUME



Source: CoStar, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Transwestern




NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
FEDEX	South Florida Logistics Center 6715 NW 36th St	Miami Airport	New	116,783
AEROPOST INTERNATIONAL SERVICES	International Corporate Park 9950 NW 17th St	Miami Airport	New	106,208
USG INTERNATIONAL	3001 NW 125th St	North Dade/Gratigny	New	66,933
RIVERSTONE LOGISTICS	International Corporate Park 1530 NW 98th Ct	Miami Airport	New	66,318
ONBOARD LOGISTICS	South Florida Logistics Center 3360 NW 67th Ave	Miami Airport	Expansion	29,966

Source: CoStar, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
Pan America North Distribution Center 10733 NW 123rd St	Medley	\$50,850,000	185,520	\$274	Prologis	Blackstone Inc
13801 NW 112th Ave	Medley	\$43,300,000	231,482	\$187	Orion Real Estate Group	Blackstone Inc.
Upper Eastside Business Center 7201-7275 NE 4th Ave	East Miami	\$34,400,000	127,562	\$270	Spiegel Associates	Pan Am Equities, Inc
10700 SW 190th St	South Dixie Highway	\$12,175,000	68,411	\$178	Genet Property Group	Ruben De Quesada
WestPoint Business Park  8855 NW 35th Ln	Miami Airport	\$9,700,000	32,904	\$295	Jet Engine Technology Corp.	Extreme Aviation

 = Transwestern deal

Source: CoStar, Real Capital Analytics, Transwestern

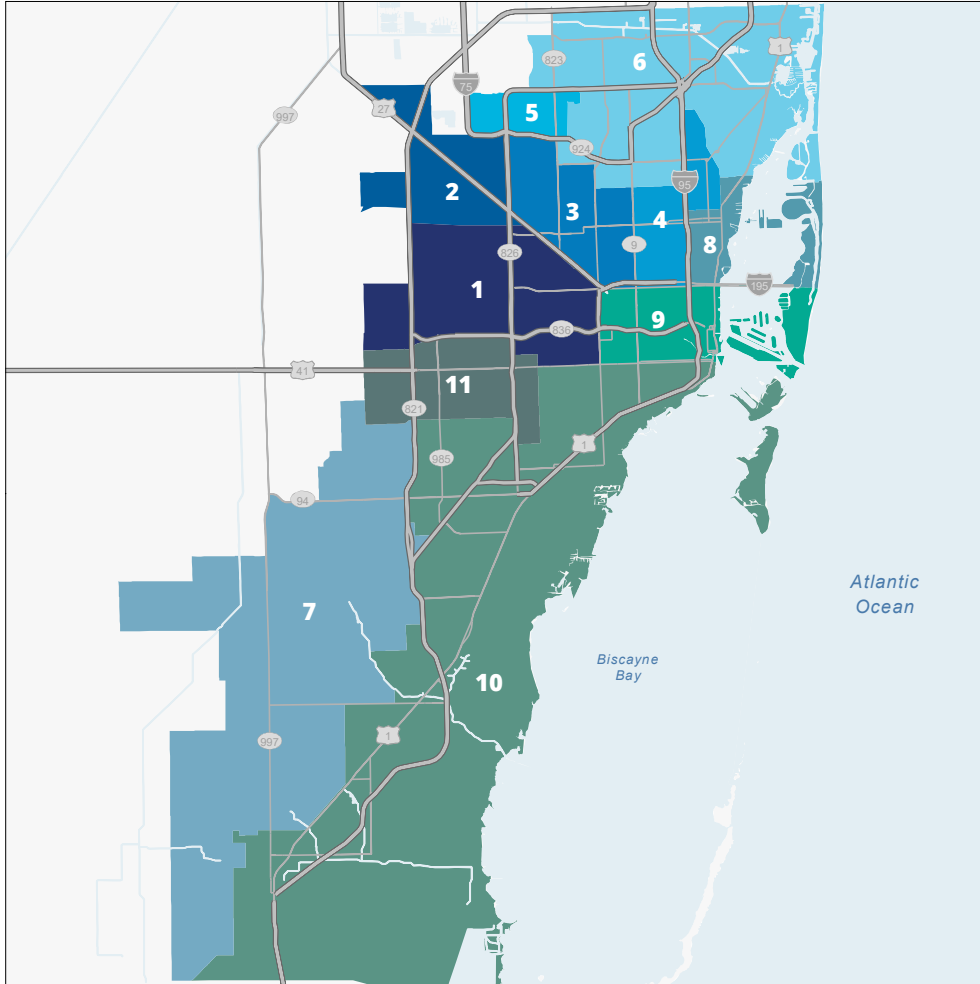


MARKET INDICATORS

All Property Types | Q3 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	72,746,820	2,156,132	3.0%	127,714	2,283,846	3.1%	1,322,907	(702,272)	(106,275)	\$18.60	\$25.35
MEDLEY	36,065,149	424,478	1.2%	266,408	690,886	1.9%	947,672	19,703	993,500	\$17.50	-
HIALEAH	21,827,664	644,061	3.0%	0	644,061	3.0%	0	(8,283)	(207,961)	\$12.14	-
CENTRAL MIAMI	1,953,281	147,072	7.5%	0	147,072	7.5%	85,376	(114,388)	(121,768)	\$14.94	-
MIAMI LAKES	12,273,721	255,178	2.1%	0	255,178	2.1%	0	38,522	(53,473)	\$18.48	\$18.96
NORTH DADE/GRATIGNY	37,297,986	731,226	2.0%	39,781	771,007	2.1%	2,552,770	(33,730)	627,499	\$15.20	\$30.00
SOUTHWEST DADE	7,242,120	133,662	1.8%	0	133,662	1.8%	0	(75,414)	(51,746)	\$17.68	\$17.72
EAST MIAMI	2,430,111	197,425	8.1%	4,000	201,425	8.3%	0	29,240	(99,227)	\$26.91	\$21.14
SOUTH CENTRAL MIAMI	8,750,797	163,759	1.9%	0	163,759	1.9%	999,145	53,918	161,283	\$15.75	\$20.00
SOUTH DIXIE HWY	6,831,907	50,266	0.7%	0	50,266	0.7%	32,985	(10,674)	89,419	\$6.89	-
WEST MIAMI	2,484,919	19,555	0.8%	0	19,555	0.8%	0	(2,825)	(2,155)	\$14.00	-
TOTAL	209,904,475	4,922,814	2.3%	437,903	5,360,717	2.6%	5,940,855	(806,203)	1,229,096	\$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

Ryan Burress

Research Analyst
ryan.burress@transwestern.com
305.357.3839

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