

MIAMI INDUSTRIAL MARKET

Q4 2023



TRENDLINES

	Q4 2023	Q4 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	1.5	2.4	↓	4.3	↑
NET ABSORPTION (MSF)	0.0	1.3	↓	0.9	↑
OVERALL VACANCY RATE	3.2%	2.2%	↑	3.6%	↑
OVERALL VACANT SF (MSF)	6.8	4.7	↑	7.3	↑
UNDER CONSTRUCTION (MSF)	5.2	4.8	↑	4.2	↓
ASKING RENT, NNN (PSF)	\$16.80	\$15.04	↑	\$12.50	↑
SALES VOLUME (MILLIONS)	\$480.1	\$943.7	↓	\$448.4	↑

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

MIAMI INDUSTRIAL CONTINUES TO COOL

In 2023, Miami experienced a slower but continued growth in industrial space occupancy, absorbing 162,000 square feet, breaking a streak of 14 years with over 2.3 million square feet of annual growth. Quarterly, net absorption reached breakeven in Q4 after a negative Q3, attributed to lower lease roll. The overall vacancy rate increased slightly to 3.2%, remaining healthy compared to the national average of 5.3%. In Q4 2023, over 1.3 million SF was delivered, marking the first time more than one million SF was delivered in a quarter since Q2 2022. Quarterly rent was stagnant from Q3 to Q4 2023 at +/- \$16.80. However, year-over-year growth was a healthy 11.7%.

Industrial sales volume in Miami reached \$1.2 billion in 2023, the lowest annual sales volume since 2017, as rising interest rates negatively impact capital markets. Average sale prices remained high, ranging from a high of \$257 at the start of 2023 to a low of \$248 at the end of Q4 2023. Private investors dominated sales, accounting for 61% in 2023, while institutional buyers scaled back. Despite tightening lending conditions, Miami's strong industrial market fundamentals make it a favorable destination for capital deployment.

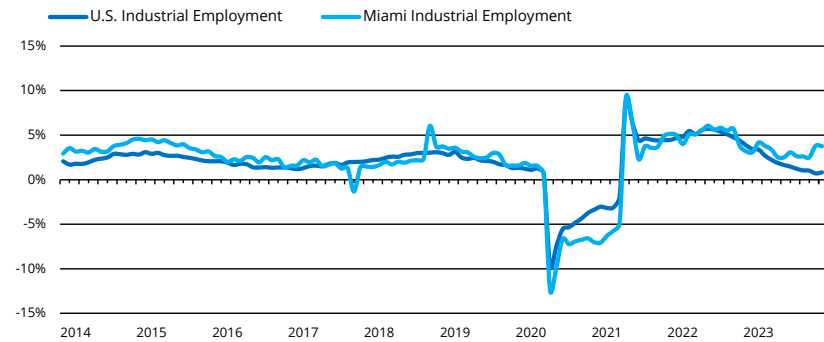


ECONOMY

Record Employment with Slower Growth

- The U.S. unemployment rate averaged nearly 3.7% during Q4, relatively unchanged from last quarter, and has ranged between 3.4% and 3.8% since Q1 2022.
- As the industrial real estate sector digests a record high number of jobs, national employment growth has decelerated to 0.8% during the past 12 months, one of the lowest year-over-year growth rates since early 2021.
- Following national trends, Miami's strong employment growth continues to improve as the total number of jobs reached an all-time high again in Q4, following a strong Q3. The 1.4% unemployment rate in November was the lowest in 10 years.
- Miami's industrial employment growth hasn't seen a year-over-year decline since March of 2021. While its year-over-year growth slowed from a remarkably high 6.1% in Q2 2022, at 3.8% in November 2023, it's still 300 basis points higher than the U.S. growth rate.

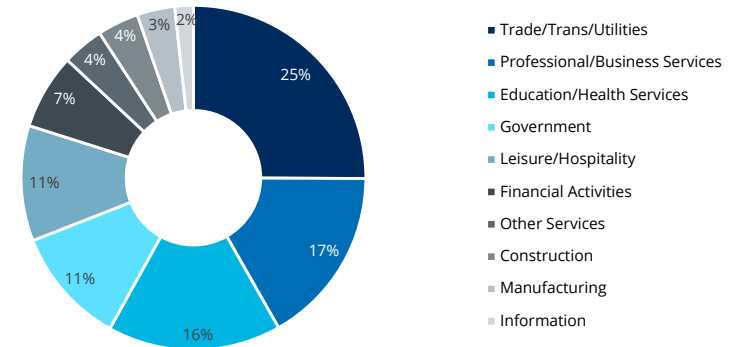
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

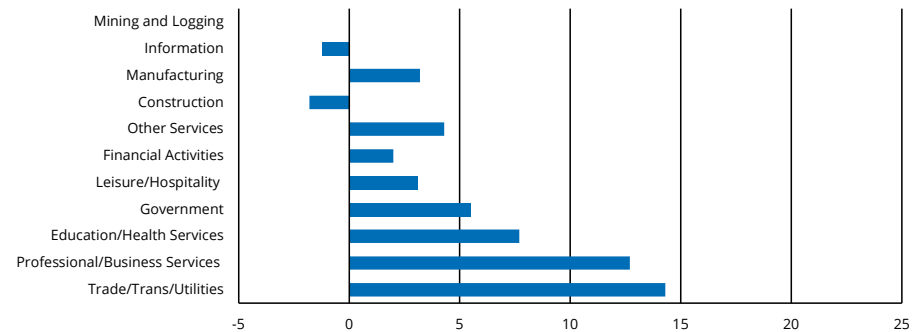
Miami | November 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Miami | November 2023



Source: Bureau of Labor Statistics, Transwestern

In Thousands

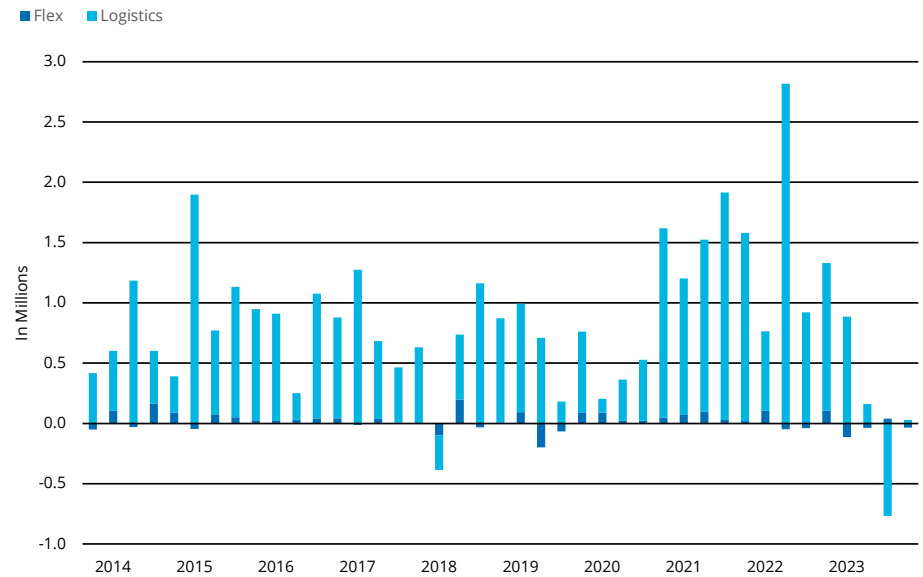


NET ABSORPTION

Streak Over

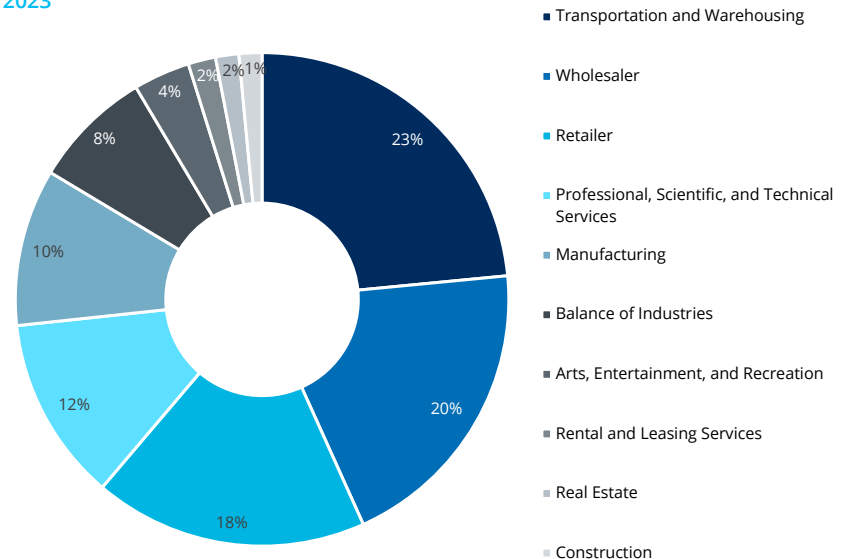
- Miami’s occupancy of industrial space slowed considerably in 2023 with 162,000 SF absorbed. After 14 consecutive years of 2.3 million or more square feet of annual occupancy growth, a year of slower growth was not a surprise as the market caught its breath.
- On a quarterly basis, Miami’s net absorption broke even in Q4 2023 after experiencing negative net absorption of 727,345 SF in Q3 2023, the market’s first negative quarter in five years. This deceleration of occupancy growth partially results from lower lease roll and some caution as interest rates rose, coupled with concerns for a recession.
- Across submarkets, year-over-year absorption was predominantly negative, with seven of eleven submarkets recording year-over-year negative absorption. Miami Airport, Miami’s largest submarket, recorded +/- 249,000 SF of occupancy losses in Q4 2023, bringing the it’s yearly total to a negative 898,000 SF.
- On the other hand, South Central Miami carried the market with one million SF of product being delivered and absorbed. Medley held a positive year-over-year net absorption of 488,000 SF despite recording an occupancy loss in Q4 2023.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY Q4 2023



Source: CoStar, Transwestern

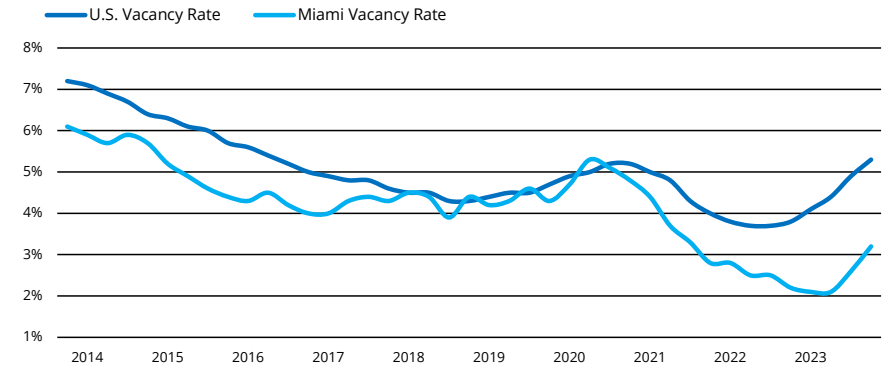


VACANCY

Healthy Despite Upward Trends

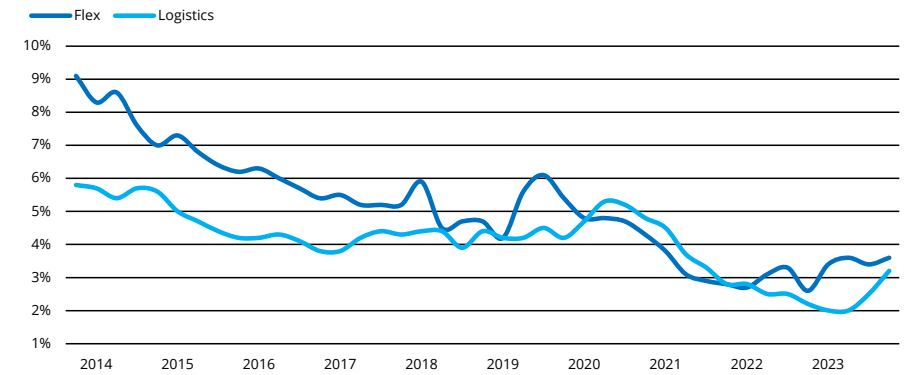
- With slower net absorption and continued deliveries, Miami’s vacancy rate slightly increased in 2023 to 3.2%. While 100 basis points higher year-over-year, it remains a historically low level and 220 basis points below the national average.
- On a submarket level, vacancy rates remain incredibly healthy, with seven of the eleven reporting a vacancy rate of 2.6% or less.
- For perspective, Miami’s industrial vacancy rate is 190 basis points below the pandemic’s peak while simultaneously delivering nearly 12 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. Being the ninth most populous MSA in the U.S. and having large international ties through Miami International Airport and the PortMiami, demand for space in an already constrained market is expected to keep Miami’s vacancy rate low.

OVERALL VACANCY RATE



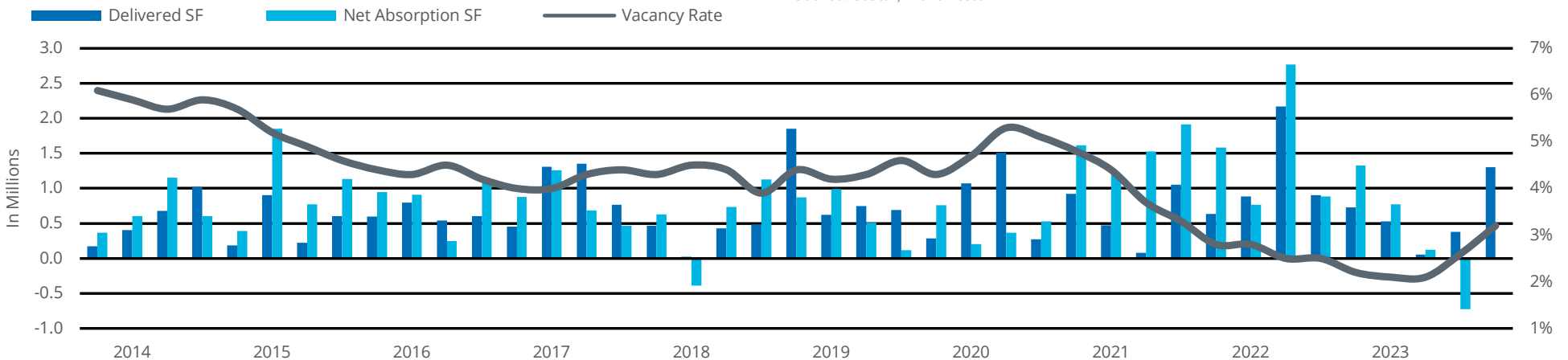
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

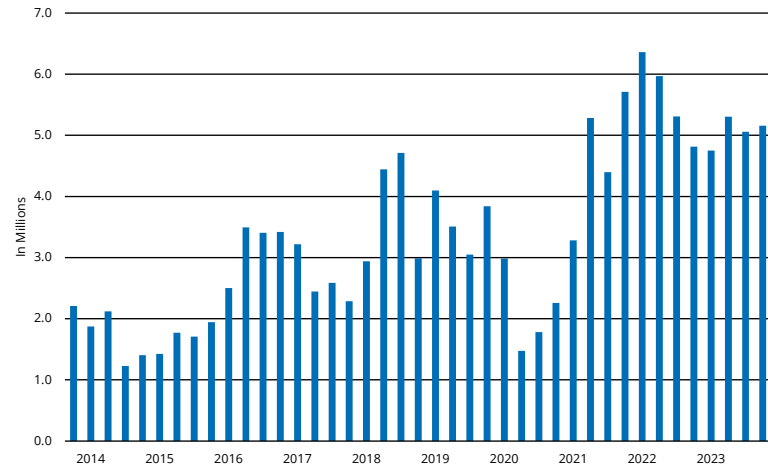


UNDER CONSTRUCTION

Continued Expansion

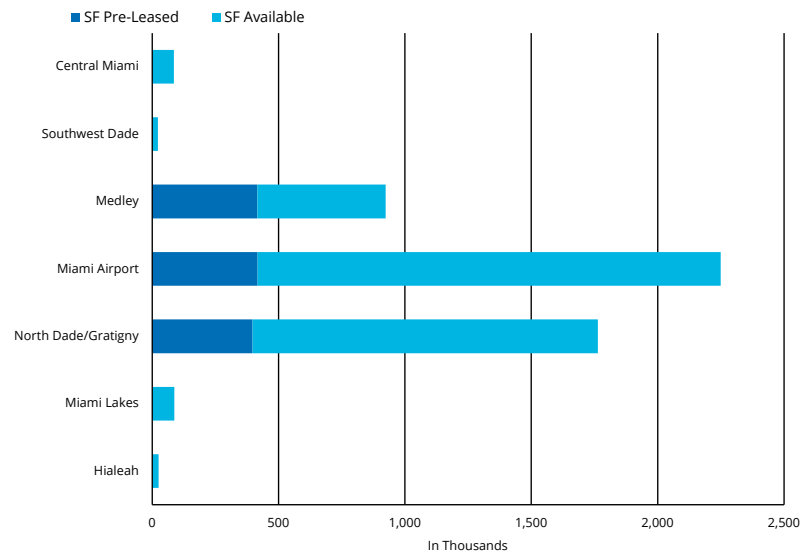
- Over 1.3 million SF was delivered in Q4 2023, the first time more than one million SF was delivered in a single quarter since Q2 2022.
- Nearly one million SF was delivered in South Central Miami solely from Prologis’ Palmer Lakes Logistics Center, now occupied by Amazon.
- Despite the recent deliveries, product under construction remained over the three-year quarterly average of 5.1 million SF due to the nearly 1.4 million SF that broke ground in Q4. This primarily comes from the start of Bridge Point Doral’s 1.2 million SF of industrial space in November 2023.
- Construction was underway in seven of eleven submarkets but concentrated in Miami Airport, Medley, and North Dade/Gratigny. Miami Airport leads the way with almost 2.3 million SF in the pipeline.
- Nearly three-quarters of the new product under construction remains available for lease, as pre-lease levels remained relatively even quarter-to-quarter in 2023.
- 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

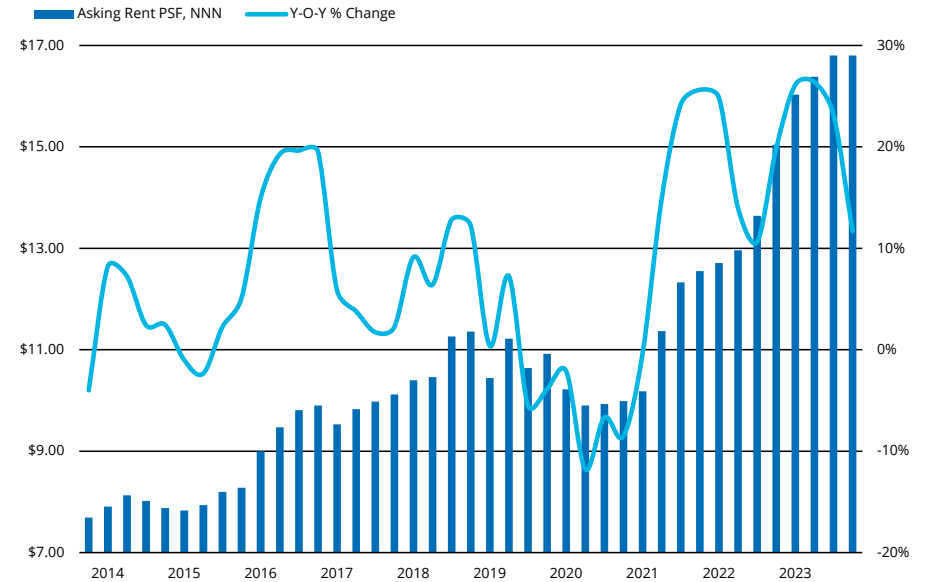


RENTAL RATES

Record Highs Continued With Slower Growth

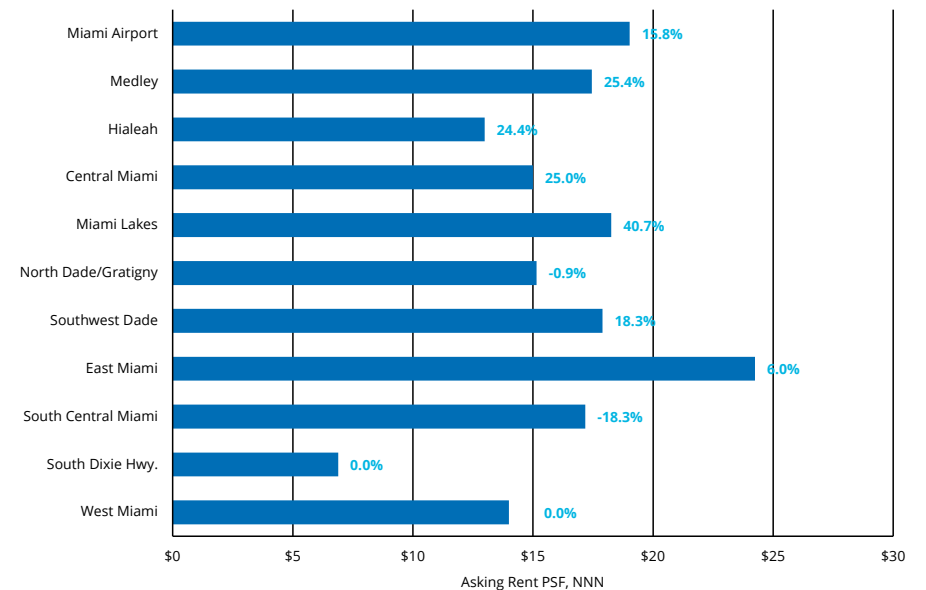
- Although still at a record high, quarterly rent growth was flat from Q3 into Q4, as average rent remained +/- \$16.80. However, year-over-year growth was still 11.7%.
- After the average asking rent surpassed \$16.00 PSF at the start of 2023, market-wide quarterly rent growth has cooled to 0-3% for the past three quarters.
- Deceleration was expected as the market digested double-digit year-over-year rent growth for eleven consecutive quarters. Seven of those last eleven quarters had 19% or higher year-over-year rent growth.
- The Miami Lakes submarket concluded 2023 with the highest year-over-year rent growth of 41%. Medley, Central Miami, and Hialeah submarkets followed with +/- 25% year-over-year growth, catching up to Miami Airport, Miami's largest submarket.
- While many indicators point to a cooling economy and demand, Miami's scarcity of quality space and balanced economic drivers, while continuing to be one of the nation's critical logistic hubs, should support continued rent growth at a normal pace.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

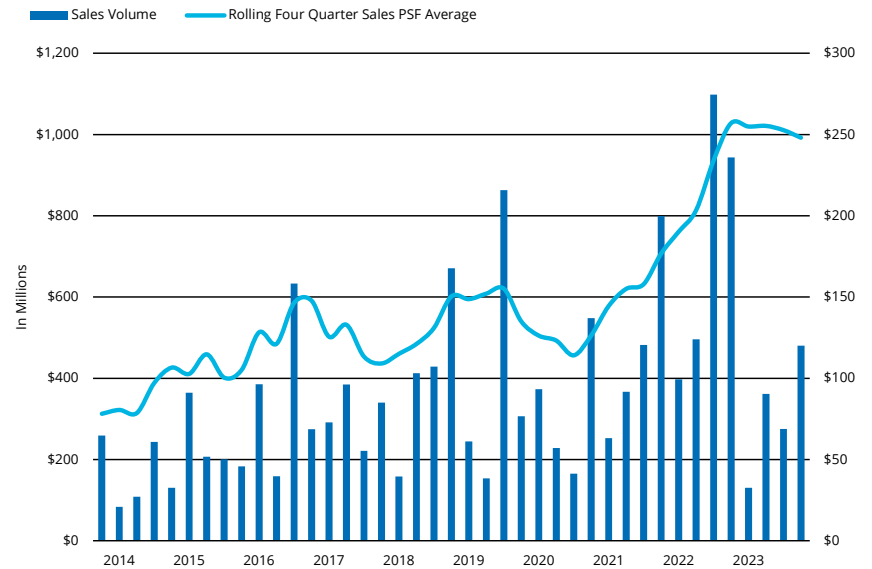


SALES

Prices Remain High with a Softened Sales Volume

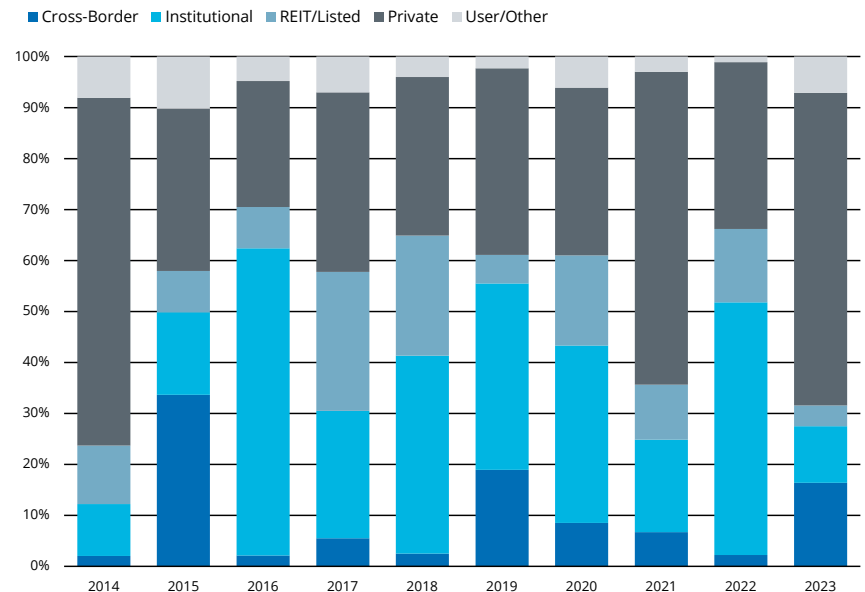
- Since a record high \$1.1 billion switched hands in Q3 2022, property sales have softened considerably as interest rates have continued to rise.
- Though seemingly plateauing, average sales prices remain near historic levels, with high-priced deals located across various submarkets within Miami and smaller buildings selling for well above the market average.
- The average size of sold buildings in 2023 was 53,700 SF, down from 84,800 SF in 2022, as private investors and users accounted for 61% of sales in 2023, nearly double 2022 levels. Institutional buyers, historically involved in larger deals, recorded a 39% decrease in their sales volume share in 2023.
- The total number of properties sold year-end 2023 decreased by 40% compared to 2022.
- While lending is expected to continue tightening, presenting challenges for many buyers, strong industrial market fundamentals keep Miami 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
IBERIA FOODS	Bridge Point Commerce Center 21301 NW 47th Ave	North Dade/Gratigny	New	397,167
NESTLE	Airport North Logistics Park 8501 NW 80th St	Medley	Renewal	257,074
UNITED STATES POSTAL SERVICE	Dolphin Commerce Center 11690-11698 25th St	Miami Airport	Renewal	232,294
FRITO-LAY	Bridge Point Doral 3400 NW 107th Ave	Miami Airport	New	132,000
THE QUEEN'S FLOWERS CORP	Prologis MIA Business Center 6905-6909 NW 25th St	Miami Airport	New	72,927

Source: CoStar, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
BRIDGE POINT COLD LOGISTICS CENTER NW 162th St	Medley	\$113,000,000	312,103	\$362	Ponte Gadea USA, Inc.	Bridge Industrial
8501 NW 90TH ST*	Medley	\$45,000,000	268,232	\$168	Pella Corporation	Lawson Industries, Inc.
BEACON LOGISTICS PARK - BLDG E 4220 W 91st Pl	Medley	\$38,419,700	146,021	\$263	Property Reserve, Inc	Codina Partners / USAA Real Estate
75 W PALM DR	South Dixie Highway	\$18,000,000	153,880	\$117	Lennar	Unity
LAKES EDGE 9000 NW 15th St	Miami Airport	\$17,500,000	80,152	\$218	18 Management, LLC	Stephen Smith

**Buyer purchased operating business and real estate*

Source: CoStar, Real Capital Analytics, Transwestern

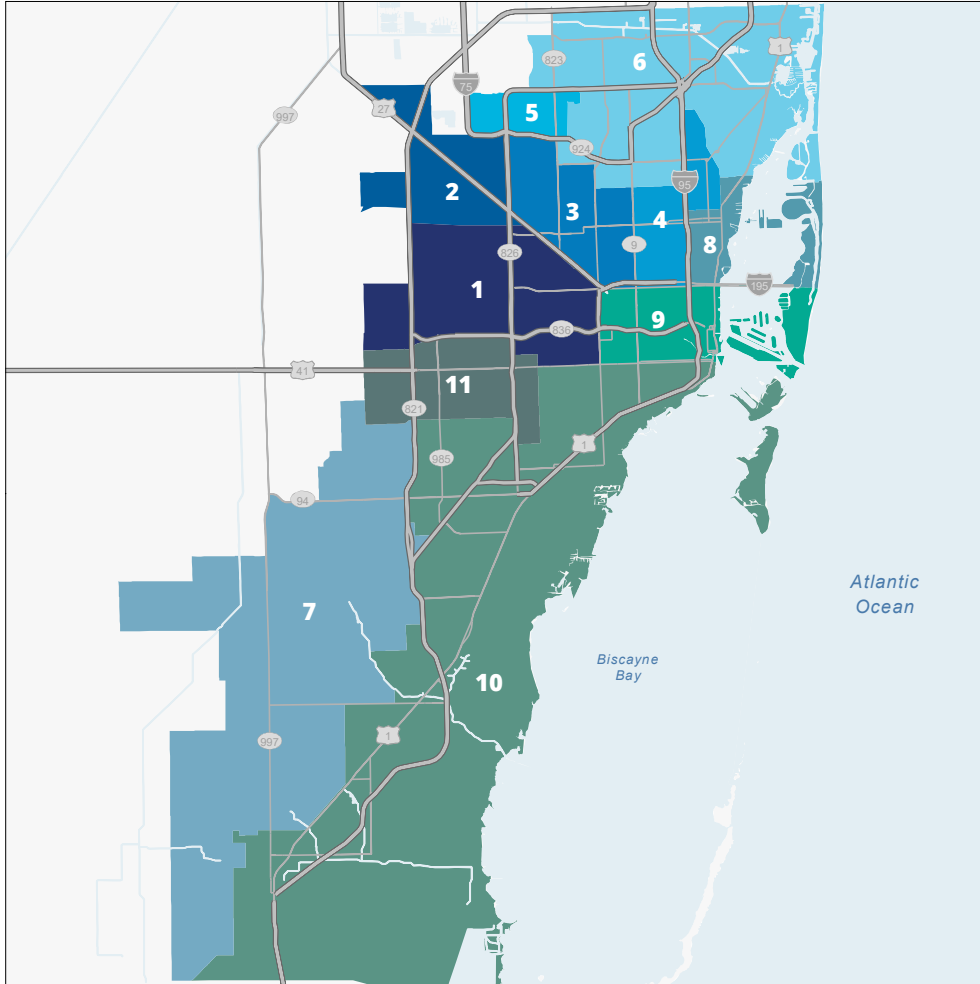


MARKET INDICATORS

All Property Types | Q4 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	73,641,036	2,617,392	3.6%	240,630	2,858,022	3.9%	2,249,370	(249,538)	(898,001)	\$18.26	\$25.54
MEDLEY	36,201,349	618,168	1.7%	226,227	844,395	2.3%	923,691	(153,509)	487,862	\$17.44	\$17.75
HIALEAH	21,744,894	565,317	2.6%	0	565,317	2.6%	25,260	(117,276)	52,652	\$12.99	-
CENTRAL MIAMI	1,957,813	115,188	5.9%	0	115,188	5.9%	85,376	31,884	(115,188)	\$15.00	-
MIAMI LAKES	12,401,372	299,265	2.4%	3,500	302,765	2.4%	87,268	(44,887)	(149,660)	\$18.12	\$20.41
NORTH DADE/GRATIGNY	37,357,871	1,262,536	3.4%	219,570	1,482,106	4.0%	1,763,457	(446,769)	(112,970)	\$15.15	\$30.00
SOUTHWEST DADE	7,249,812	143,123	2.0%	0	143,123	2.0%	22,560	(9,461)	(77,377)	\$17.72	\$18.23
EAST MIAMI	2,430,111	178,196	7.3%	17,298	195,494	8.0%	0	1,889	(57,901)	\$26.79	\$23.19
SOUTH CENTRAL MIAMI	9,783,692	175,619	1.8%	0	175,619	1.8%	0	987,285	1,047,126	\$14.53	\$24.99
SOUTH DIXIE HWY	6,800,907	52,633	0.8%	0	52,633	0.8%	0	(2,367)	4,872	\$6.89	-
WEST MIAMI	2,484,919	24,815	1.0%	0	24,815	1.0%	0	(5,260)	(18,815)	-	-
TOTAL	212,053,776	6,052,252	2.9%	707,225	6,759,477	3.2%	5,156,982	(8,009)	162,600	\$16.37	\$23.78

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

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