

MIAMI INDUSTRIAL MARKET

Q2 2024



TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.1	1.9	↑	4.1	↑
NET ABSORPTION (MSF)	(0.4)	0.1	↓	0.8	↑
OVERALL VACANCY RATE	4.3%	2.2%	↑	3.6%	↑
OVERALL VACANT SF (MSF)	9.1	4.6	↑	7.3	↑
UNDER CONSTRUCTION (MSF)	3.9	5.4	↓	4.3	↓
ASKING RENT, NNN (PSF)	\$16.44	\$16.98	↓	\$13.27	↑
SALES VOLUME (MILLIONS)	\$132.8	\$368.1	↓	\$464.6	↓

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

MIAMI INDUSTRIAL UNDERGOES MODERATION

As Miami's industrial market experiences a period of moderation, net absorption fell into negative territory with a 428,000 SF occupancy loss in Q2 2024. Despite a strong start to 2024, year-to-date absorption remains a modest 62,000 SF, reflecting a mixed outlook for the market. Reduced lease turnover, high interest rates, recession concerns, and an influx of new deliveries pushed the overall vacancy rate to 4.3%. However, this rate is still below the national average and aligns with the metro's historical average from 2016 to 2019. Near 1.9 million SF was delivered in Q2 2024, significantly surpassing the average quarterly delivery of the past five years. Furthermore, at \$16.44/SF, the average asking rent took a step back from record highs in 2023.

Following a record \$3.1 billion in transactions in 2022, sales volume softened in 2023 and into 2024 due to the adverse effects of rising interest rates on capital markets. By mid-2024, \$377.6 million had changed hands, trailing 2023's pace by 24%. Sale prices averaged \$246/SF in Q2 2024, a slight rebound from Q1 2024. Private investors remained dominant, accounting for 70% of the volume in Q2 2024, while institutional buyers comprised 23%. Although the lending environment is expected to remain challenging, Miami's robust market fundamentals continue to attract significant capital investment.



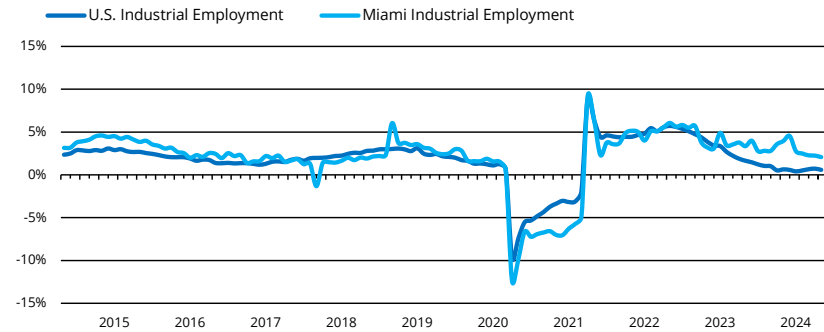
ECONOMY

Cooled Employment Rate with Softened Labor Participation

- The U.S. unemployment rate edged up to an average of 4.0% during Q2, marking its first time reaching that level since Q4 2021. However, it remains relatively low compared to historical rates and shadows the healthy levels seen before the pandemic.
- U.S. industrial employment has continued its positive year-over-year growth since Q2 2021. Although it continues to reach record highs, including in Q2 2024, the growth rate has cooled to below 1.0% over the past three quarters.
- After consistently maintaining rates below 2.0% for over a year, Miami's unemployment rate increased to 2.2% in Q2 2024.
- Miami has not experienced a year-over-year decline in industrial labor participation since March 2021. However, its growth rate moderated in May 2024 to 2.1%, though it still outpaces the U.S. by 150 basis points.

Y-O-Y CHANGE IN INDUSTRIAL JOBS

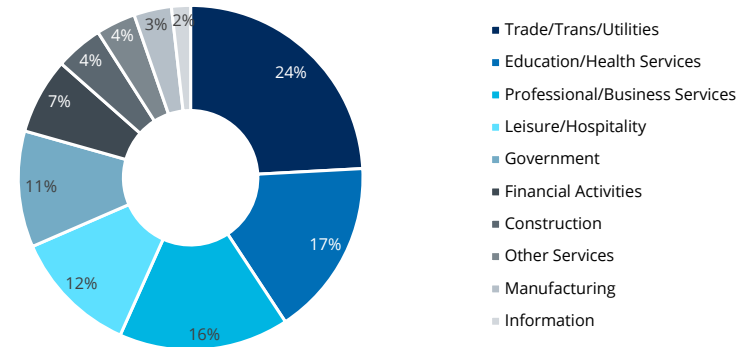
Miami | May 2024



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

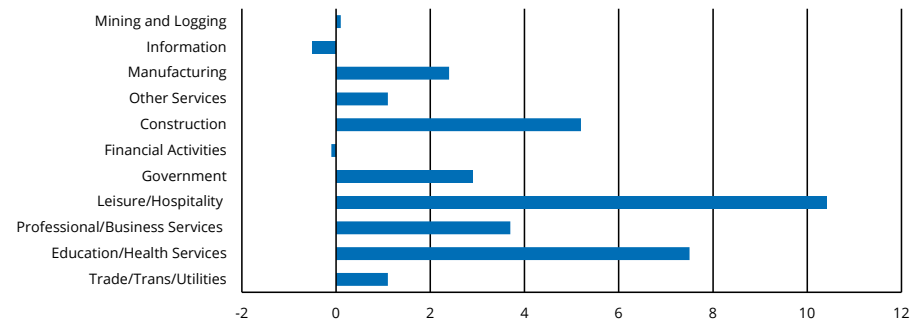
Miami | May 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Miami | May 2024



Source: Bureau of Labor Statistics, Transwestern

In Thousands

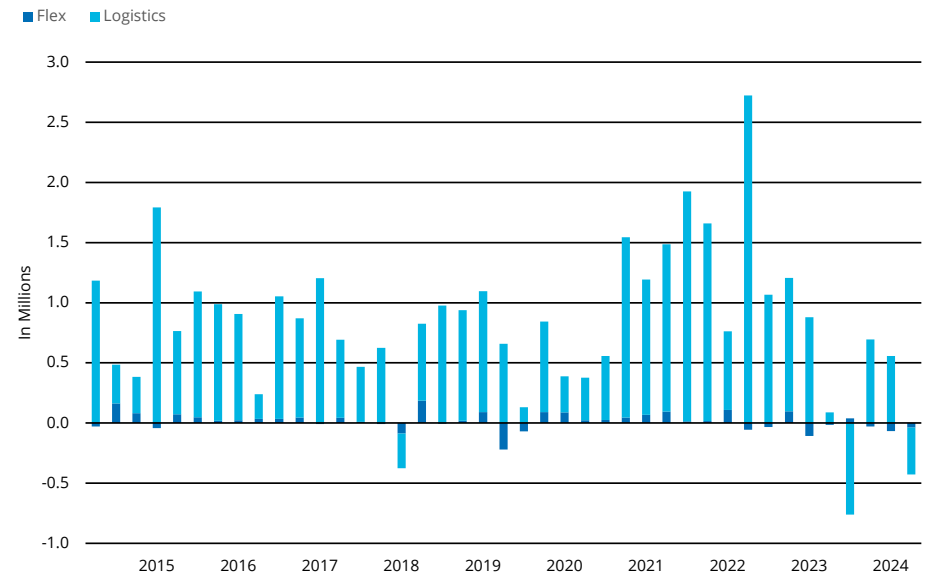


NET ABSORPTION

A Mixed Showing so Far in 2024

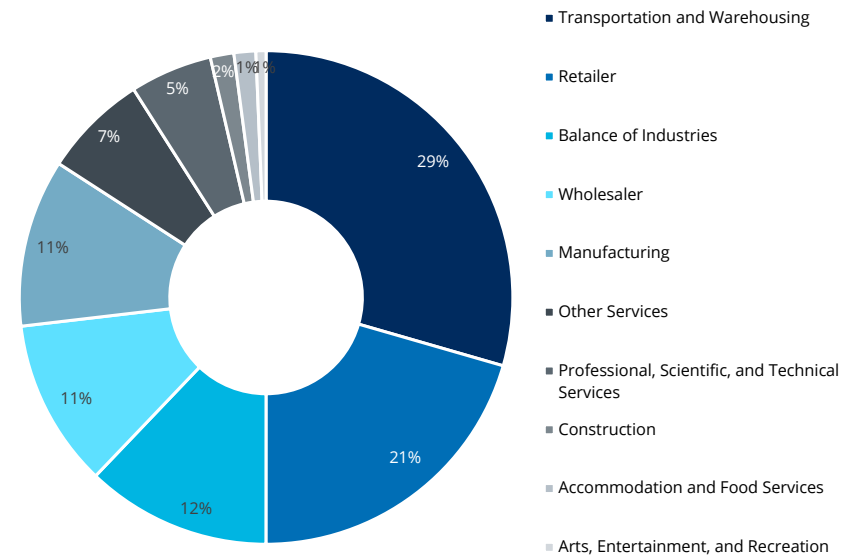
- As Miami’s industrial market entered a phase of moderation, net absorption turned negative, with a 428,000 SF occupancy loss in Q2 2024. Due to a strong showing in Q1, year-to-date absorption remains positive at 62,000 SF, presenting a mixed picture for a market that has averaged 2.4 million SF of annual net absorption over the past 13 years.
- Absorption is expected to remain subdued through 2024 as reduced lease turnover, softened economic growth from high interest rates, and general economic concerns weigh on the market.
- Four out of eleven submarkets reported positive quarterly absorption in Q2 2024, down from six in Q1. South Central Miami was a standout, recording a significant 1.1 million SF of year-over-year positive absorption in Q2 2024, primarily driven by Amazon’s move into their 999,145 SF facility in Q4 2023.
- Miami Airport, the metro’s largest submarket for both inventory and construction activity, experienced a negative absorption of approximately 221,000 SF in Q2 2024 but still achieved an overall occupancy gain year-to-date.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY



Source: CoStar, Transwestern

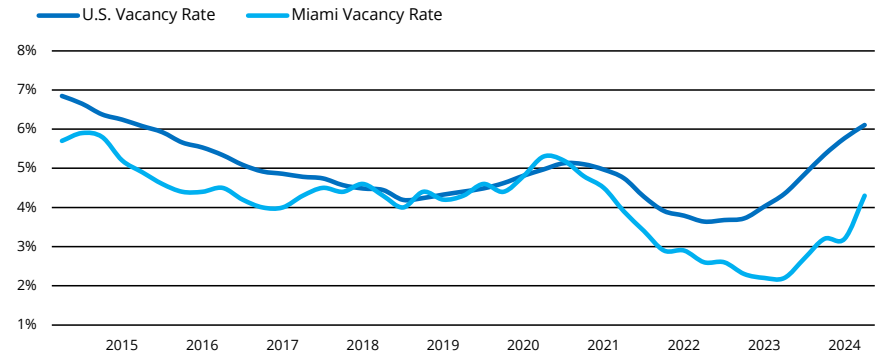


VACANCY

Healthy Despite Upward Trends

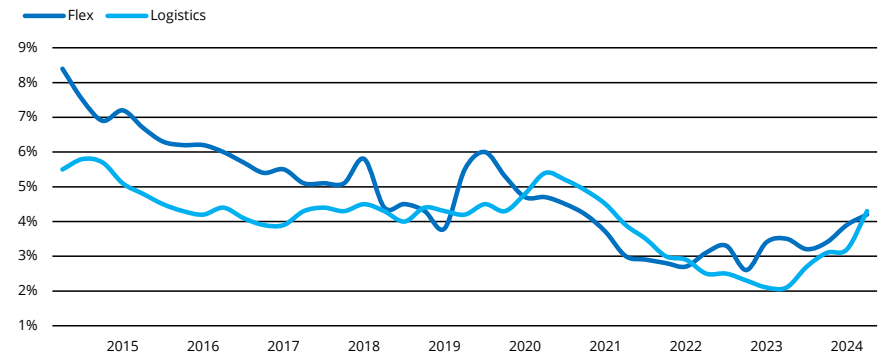
- Amid subdued net absorption and an influx of new deliveries, Miami's vacancy rate rose to 4.3% in Q2 2024. Although this is a 210 basis point increase year-over-year, it aligns with the metro's average from 2016 to 2019 and is 180 basis points below the national average.
- The recent rise from the all-time lows of 2023 was anticipated due to new construction delivery combined with a moderating economic environment, while absorption calmed from a lower lease roll year. As the impact of new supply wanes, vacancy is expected to slightly increase in the near term.
- At the submarket level, vacancy remains relatively healthy, with six out of eleven reporting rates of 3.2% or less. East Miami, the most expensive submarket, experienced a vacancy surge to 9.1%. This submarket alone raises the metro average by 100 basis points; without it, Miami's average vacancy rate would be 3.3%.
- With international ties via Miami Airport and PortMiami, demand for space in this supply-constrained market is expected to help Miami battle any headwinds better than other major markets.

OVERALL VACANCY RATE



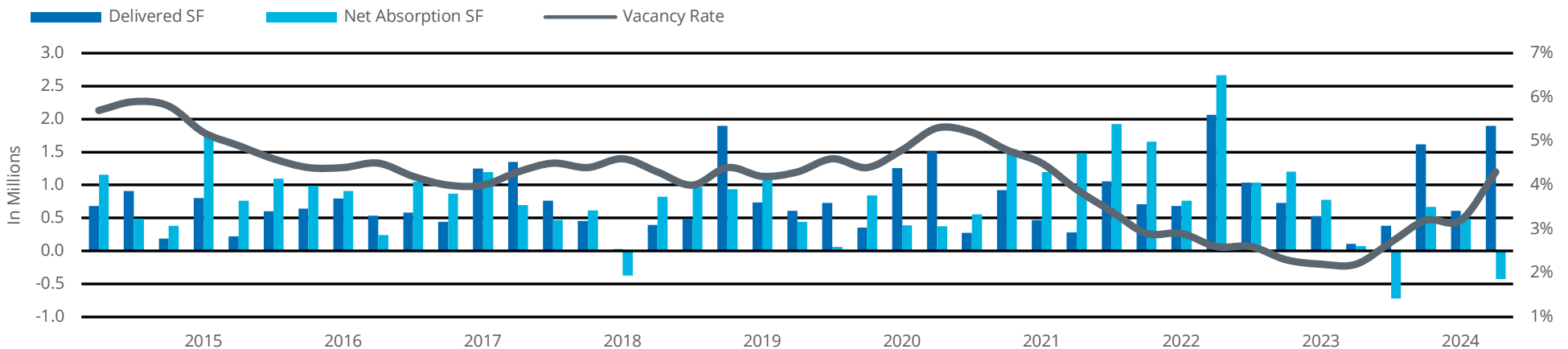
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

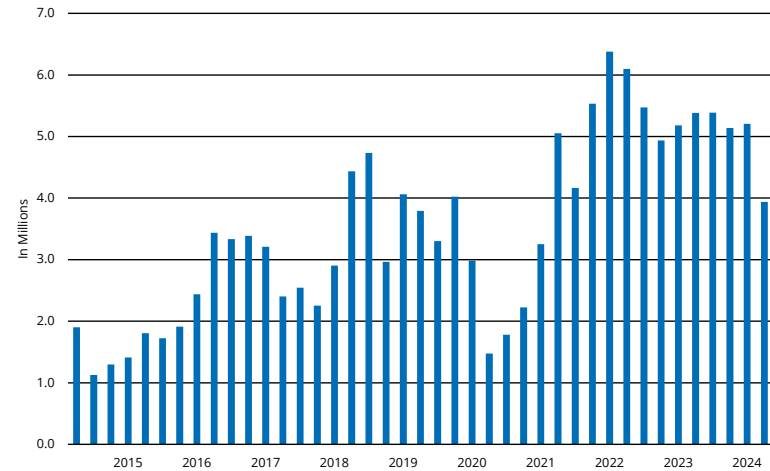


UNDER CONSTRUCTION

Continued Expansion

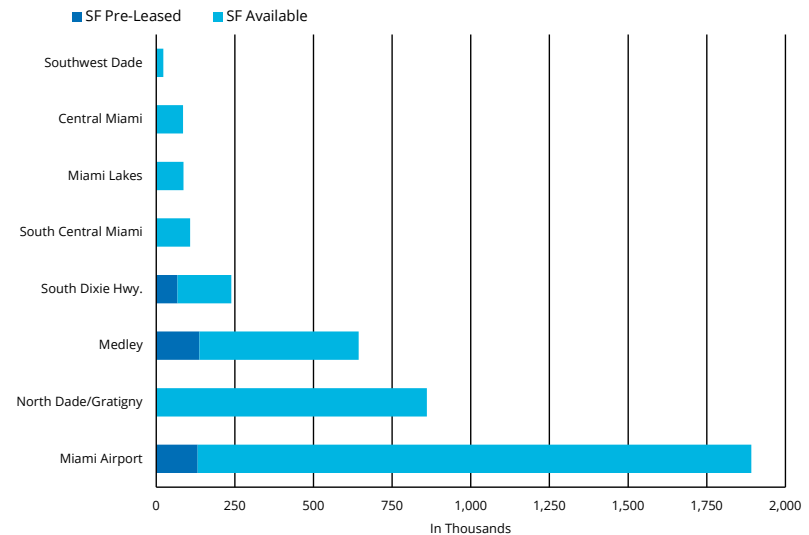
- Approximately 1.9 million SF was delivered in Q2 2024, significantly exceeding the average quarterly delivery over the past five years. This substantial influx, coupled with reduced lease roll and slower economic growth, contributed to Miami’s increased vacancy rate.
- Construction in Q2 2024 spanned 3.9 million SF across eight of eleven submarkets, with Miami Airport, Medley, and North Dade/Gratigny as primary hubs. Miami Airport led with nearly 1.9 million SF underway.
- Notable deliveries include Buildings A and B of Sycamore Logistics Center in Medley, offering 137,000 SF and 173,000 SF, respectively.
- The largest new developments were concentrated in North Dade/Gratigny, highlighted by Buildings A and B in Bridge Point Commerce Center Phase II, each adding 794,230 SF.
- Since Q1 2020, only five quarters have seen construction levels dip below 5.0 million SF despite the delivery of 16.1 million SF during the same period.
- Currently, about 91% of ongoing construction is available for lease, up from a range of 72-85% during the past five quarters. Despite market moderation, there’s expected to be ongoing demand for premium space.
- Despite a slowdown in leasing activity and challenges in the debt market, Miami’s long-term fundamentals remain robust, drawing continued interest from developers. However, the pace of new project proposals has decelerated.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

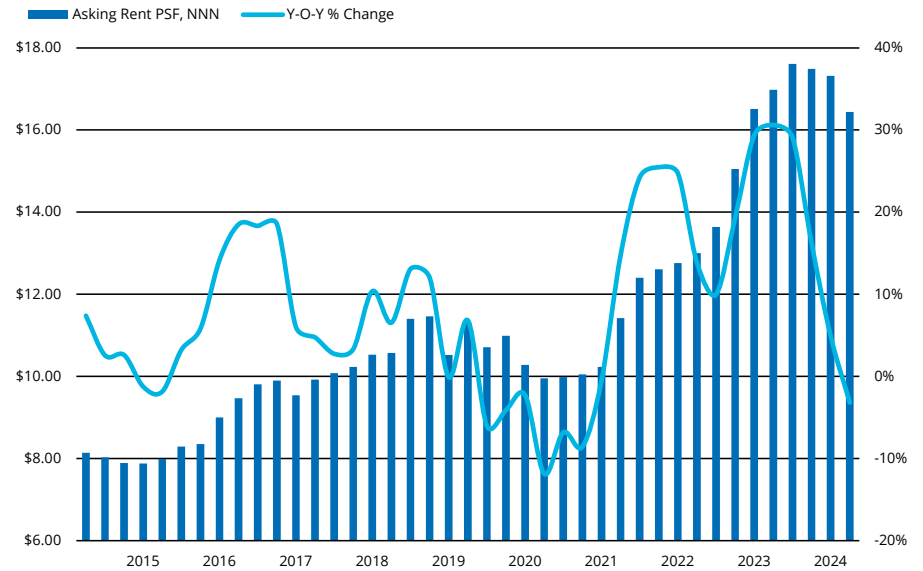


RENTAL RATES

Slight Cooling from Record Highs Provide Some Relief for Tenants

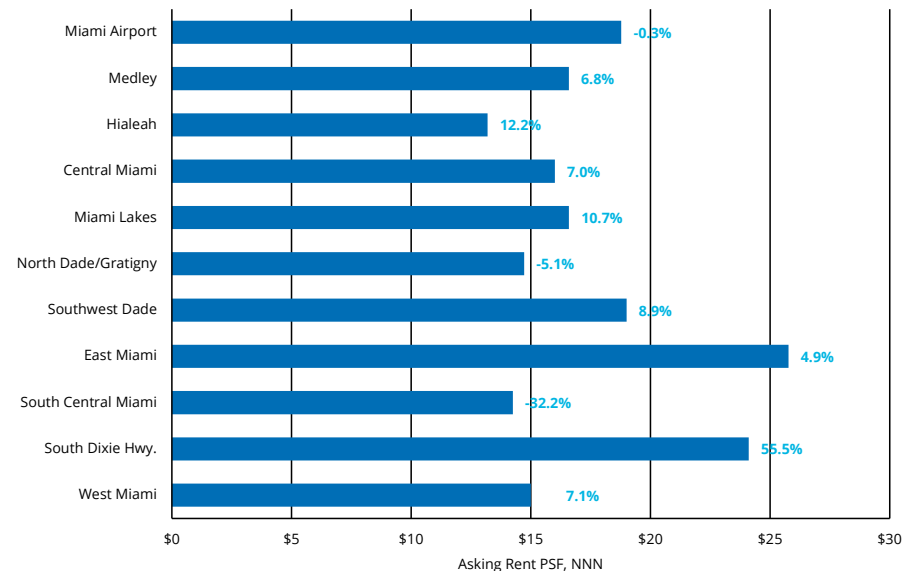
- The average asking rent, which plateaued at a record high of \$17.61 in Q3 2023, took its largest step back in Q2 2024 to \$16.44, a 5.1% quarterly decline.
- Year-over-year rent growth decelerated throughout 2023 and into 2024, with Miami recording its first negative year-over-year growth of 3.2% in Q2 2024 since 2020, a stark contrast to the 30.0% growth seen just three quarters prior.
- A deceleration was anticipated due to an influx of new product deliveries and increased tenant caution amid economic uncertainty. Miami had experienced double-digit year-over-year rent growth for eleven consecutive quarters until Q1 2024, with seven quarters exceeding 19.0% growth.
- East Miami crowns the top spot as the most expensive submarket with an average asking rate of \$25.77/SF. South Dixie Hwy follows closely behind despite slightly cooling from the previous quarter. South Central Miami’s asking prices averaged a 32.2% discount from its Q2 2023 rates.
- Despite signs of a cooling economy and demand, Miami’s limited geographical space, diverse economic drivers, and role as a crucial logistics hub suggest rent growth will return in the near future.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

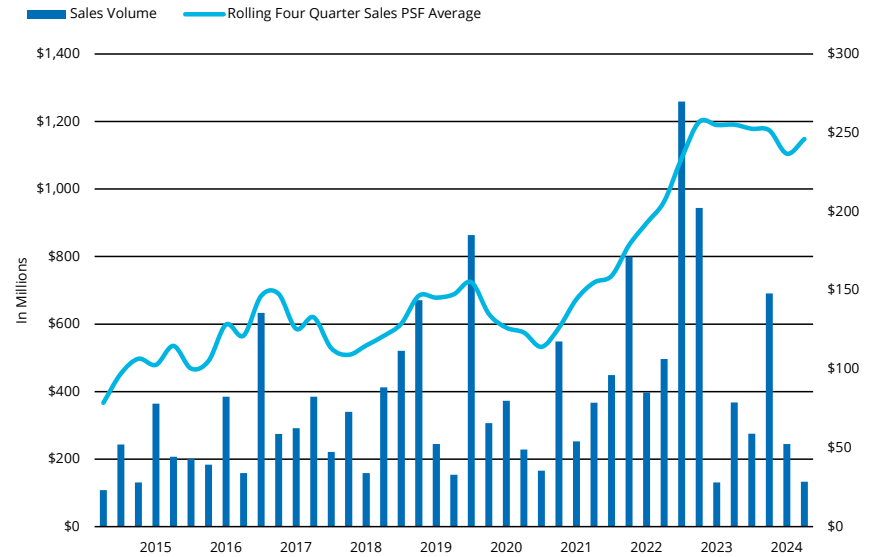


SALES

Prices Fluctuate with a Softened Sales Volume

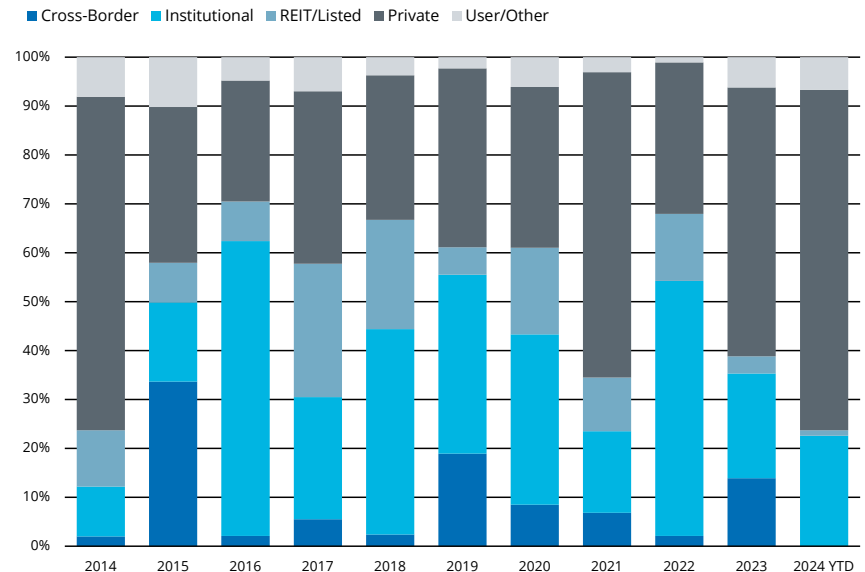
- Industrial sales volume has softened from its record high of \$3.1 billion in 2022 due to high interest rates. Nonetheless, Miami achieved \$1.5 billion in 2023, aligning with its six-year average prior to 2022. As of mid-2024, \$377.6 million has exchanged hands, trailing 2023's pace by 24%.
- The average sale price remained relatively stable around \$254/SF throughout 2023, slightly below the record high of \$257/SF in Q4 2022. Prices have been volatile in 2024, with averages dropping to \$237/SF in Q1 and rebounding to \$246/SF in Q2. This quick price recovery reflects the high-priced deals still prevalent across various Miami submarkets, with smaller buildings selling well above the market average.
- Private investors, who nearly doubled their acquisition footprint from 2022 to 2023, accounted for 70% of all 2024 sales transactions in Miami. Institutional buyers, who propelled sales volume to record highs in 2022, comprised 23% of transactions thus far in 2024, consistent with 2023.
- Although the lending environment is expected to remain challenging, strong market fundamentals make Miami a core market and primary destination for capital deployment.

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
GLOBAL ENGINE MAINTENANCE	Prologis International Corporate Park 10300 NW 19th St	Miami Airport	Renewal/Expansion	107,090
ZUMA & SONS	Flagler Station 10800 NW 100th St	Medley	Renewal/Expansion	100,414
UNITED CABINETS	Miami Midway Park 9535 NW 174 St	Hialeah	New	74,100
ELITE FLOWERS	South Florida Logistics Center 3360 NW 67th Ave	Miami Airport	Expansion	65,000
TIREHUB	Beacon Lakes 1900 NW 129 Ave	Miami Airport	New	59,649

Source: CoStar, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
BEACON LOGISTICS PARK ⁴ 4120-4221 W 91ST PL, 9221 W 44TH AVE	Outlying Miami-Dade	\$174,350,000	628,639	\$277	Property Reserve, Inc	Codina Partners
2800 NW 39TH AVE	South Central	\$45,000,000	198,500	\$227	Miami-Dade County	Simkins Prop Inc.
7290 NW 77TH CT	Miami Airport	\$42,350,000	143,571	\$295	Parker Davis HVAC Intl. Inc.	Grandview Partners
PALMETTO LAKES INDUSTRIAL PARK 15801 NW 49TH AVE	Miami Lakes	\$25,500,000	133,914	\$190	Corebridge	Lightstone Group / Mavik Capital Management LP
2185 W 76TH ST	Medley	\$18,300,000	49,627	\$369	Sunshine Gasoline Distributors, Inc.	Petroleum Equipment Manufacturing Company, Inc.

⁴ Portfolio sale consisting of four buildings and two out parcels. Two additional buildings are currently under construction and will be purchased after completion by the buyer.

Source: CoStar, Real Capital Analytics, Transwestern

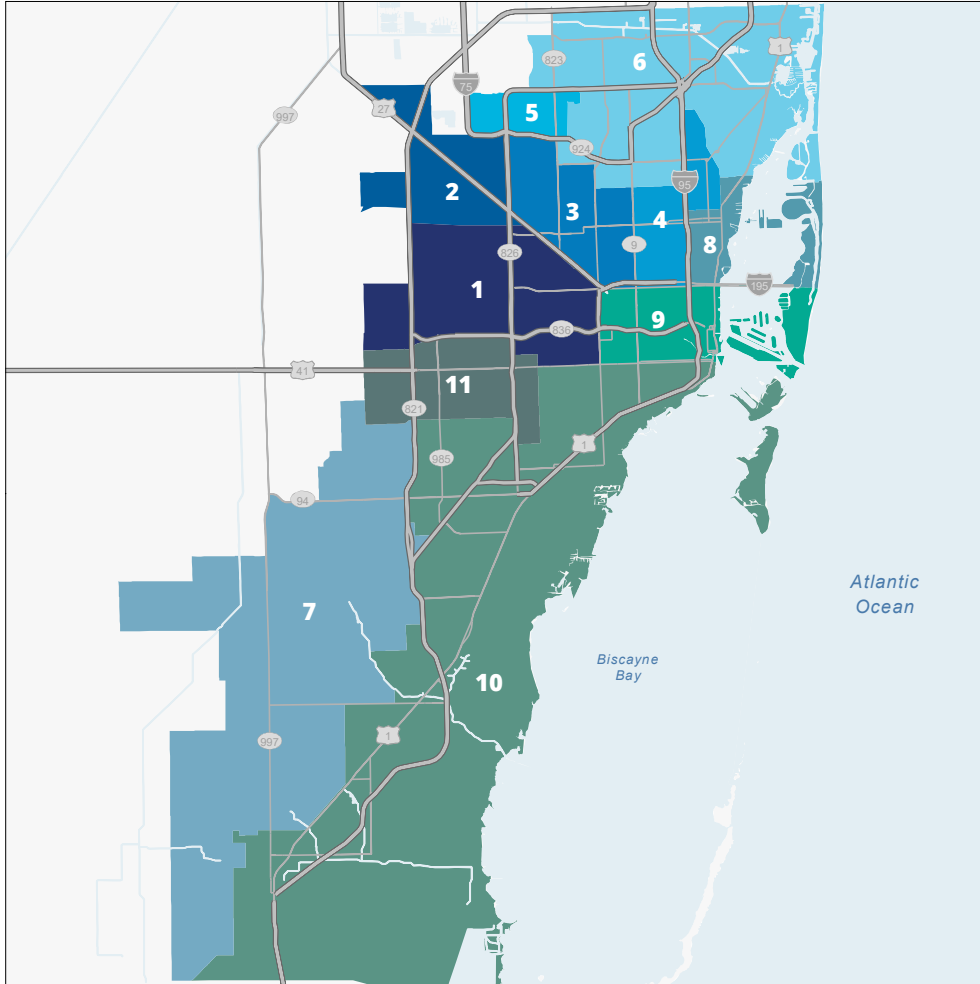


MARKET INDICATORS

All Property Types | Q2 2024

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	73,889,001	2,898,973	3.9%	191,564	3,090,537	4.2%	1,891,812	(220,718)	(267,743)	\$18.07	\$25.47
MEDLEY	36,018,517	873,214	2.4%	292,667	1,165,881	3.2%	643,348	36,586	62,180	\$16.59	\$17.75
HIALEAH	21,265,300	833,244	3.9%	39,722	872,966	4.1%	0	(116,088)	(432,308)	\$13.19	-
CENTRAL MIAMI	1,886,969	79,084	4.2%	0	79,084	4.2%	85,376	4,000	(46,400)	\$16.00	-
MIAMI LAKES	12,342,818	341,283	2.8%	49,885	391,168	3.2%	86,811	(130,138)	(42,583)	\$16.39	\$23.80
NORTH DADE/GRATIGNY	38,881,602	2,823,792	7.3%	65,550	2,889,342	7.4%	860,079	7,223	(182,682)	\$14.71	\$23.96
SOUTHWEST DADE	7,369,967	169,274	2.3%	0	169,274	2.3%	22,560	(33,875)	(111,026)	\$19.16	\$18.06
EAST MIAMI	2,388,393	200,651	8.4%	17,298	217,949	9.1%	0	(29,945)	(10,741)	\$26.49	\$25.21
SOUTH CENTRAL MIAMI	9,770,662	114,848	1.2%	0	114,848	1.2%	107,632	79,144	1,101,263	\$12.04	\$39.31
SOUTH DIXIE HWY	6,848,290	72,880	1.1%	0	72,880	1.1%	238,734	(21,842)	(33,288)	\$24.11	-
WEST MIAMI	2,484,919	46,613	1.9%	0	46,613	1.9%	0	(2,285)	(29,883)	\$15.00	-
TOTAL	213,146,438	8,453,856	4.0%	656,686	9,110,542	4.3%	3,936,352	(427,938)	6,789	\$16.10	\$25.29

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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