

MIAMI INDUSTRIAL MARKET

Q3 2024



TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.1	1.9	↑	4.1	↑
NET ABSORPTION (MSF)	-0.4	-0.6	↑	0.8	↑
OVERALL VACANCY RATE	5.0%	2.7%	↑	3.6%	↑
OVERALL VACANT SF (MSF)	10.8	5.6	↑	7.4	↑
UNDER CONSTRUCTION (MSF)	3.4	5.4	↓	4.5	↓
ASKING RENT, NNN (PSF)	\$16.20	\$17.70	↓	\$13.66	↓
SALES VOLUME (MILLIONS)	\$342.1	\$275.1	↑	\$440.7	↑

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

MIAMI INDUSTRIAL UNDERGOES MODERATION

Miami's industrial market is facing a period of moderation, as Q3 2024 recorded a net absorption loss of 363,000 SF, which pushed year-to-date absorption to negative 428,000 SF. Although year-over-year absorption is still positive 201,000 SF in Q3, current absorption trends point toward negative year-over-year absorption by year-end 2024 or early 2025. Vacancy rates have climbed to 5.0%, up from a record low of 2.2% in early 2023. The rise in vacancies is attributed to increased new construction deliveries and less absorption from tenant's with lease rollover relocations, higher asking rents, and a cooling economic environment. Industrial absorption is expected to remain subdued for the next 12-15 months, with vacancy rates following suit. In Q3 2024 alone, 1.2 million SF of industrial space was delivered, pushing the year-to-date total to 3.7 million SF, already surpassing 2023's full-year total of 2.6 million SF.

Although sales volume has softened since 2022's peak of \$3.1 billion, largely due to rising interest rates, transactions have remained steady from 2023 into 2024. Heading into Q4 2024, \$344 million exchanged hands, aligning with 2023. Private investors comprised 63% of the total sales volume, while institutional buyers accounted for 25%. Based on the amount of offering packages in the market, Q4 2024 is expected to have higher volume and price per SF deals.



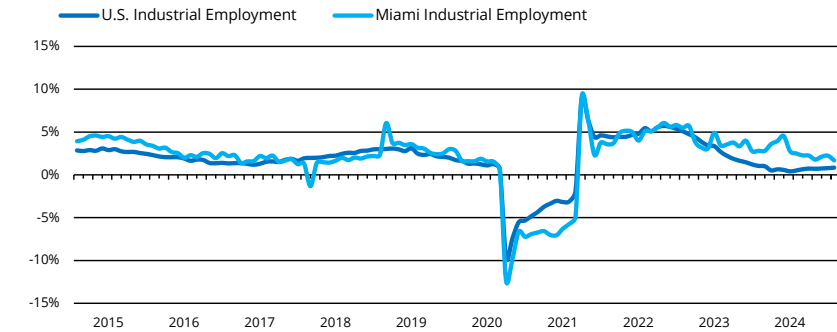
ECONOMY

Healthy Unemployment Rate Despite Upward Trend

- The U.S. unemployment rate in Q3 rose slightly to 4.2%, its highest since Q3 2021. While this marks an upward trend, the current rate remains relatively low compared to historical averages and only slightly above pre-pandemic levels, signaling a resilient labor market despite economic uncertainties.
- U.S. industrial employment continues to grow year-over-year since Q2 2021, with record highs in Q3 2024. However, growth has decelerated, falling below 1.0% in the past four quarters, reflecting a broader economic cooling and cautious hiring trends amid higher operating costs and global uncertainties.
- After maintaining an unemployment rate below 2.0% for over a year, Miami's rate climbed to 3.1% in Q3 2024, reflecting a regional slowdown. This rise is aligned with national economic headwinds, but Miami's rate still compares favorably with other major U.S. markets.
- Miami's industrial labor market has maintained positive year-over-year growth since March 2021, with a 1.7% growth rate as of August 2024. Although slower, Miami's industrial sector continues to outpace national growth by 90 basis points, and recent FOMC rate reduction should add some stimulation and provide additional support to local job growth.

Y-O-Y CHANGE IN INDUSTRIAL JOBS

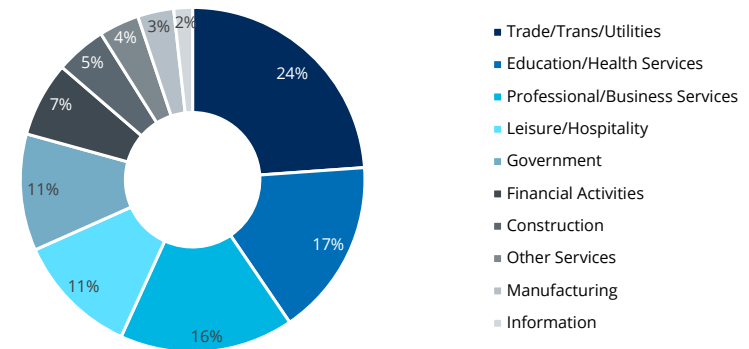
Miami | August 2024



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

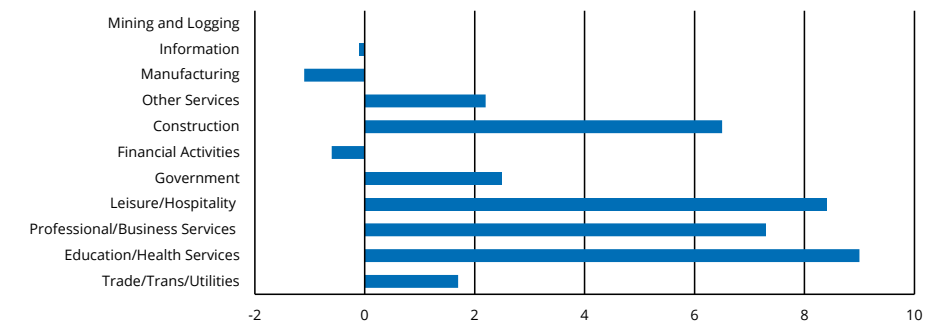
Miami | August 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Miami | August 2024



Source: Bureau of Labor Statistics, Transwestern

In Thousands

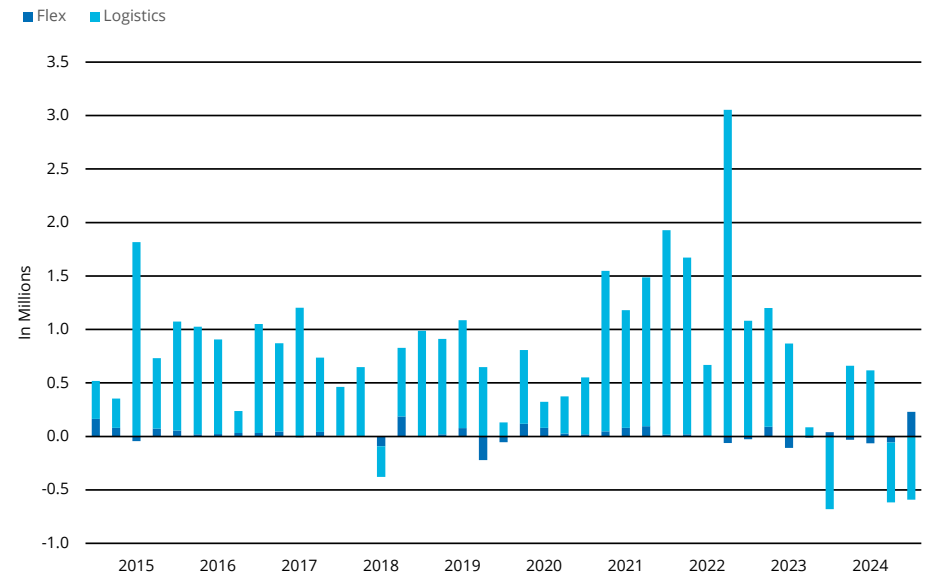


NET ABSORPTION

Subdued so Far in 2024

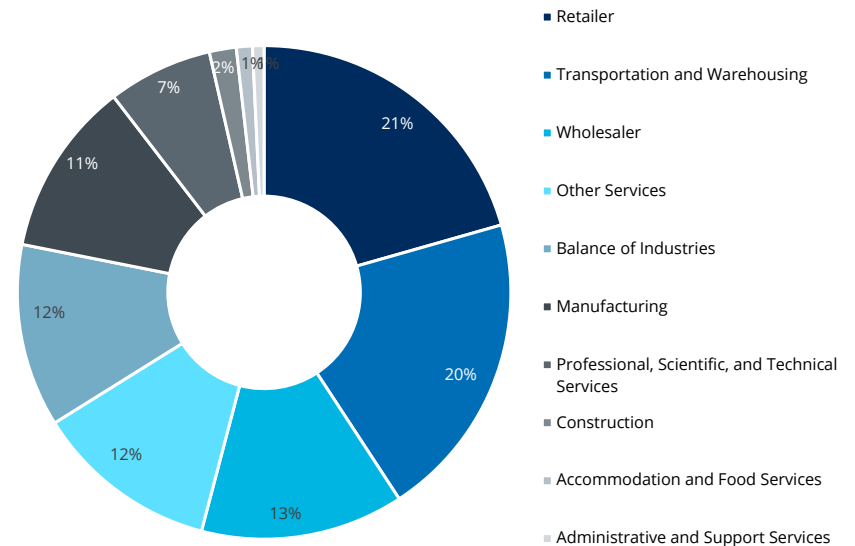
- As Miami’s industrial market entered a period of moderation, net absorption turned negative for the second straight quarter, with a 363,000 SF occupancy loss in Q2 2024. This brought year-to-date absorption to a negative 428,000 SF, reflecting a softening in tenant demand.
- Five of the eleven submarkets still posted positive net absorption in Q2 2024, demonstrating that demand remains in selective areas. Miami Airport, in particular, maintained robust leasing activity, absorbing 196,000 SF in Q3, pushing its year-over-date absorption to a market-leading 433,000 SF. In contrast, Medley experienced challenges, posting a negative 333,000 SF in Q3, contributing to a year-over-date decline of 414,000 SF.
- Absorption is anticipated to remain sluggish over the next 12-15 months, as tenants digest rent increases ranging from 60% to 100% on their expiring leases. Additionally, factors such as reduced lease roll, slower economic growth, and broader economic uncertainties are likely to weigh on demand.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY



Source: CoStar, Transwestern

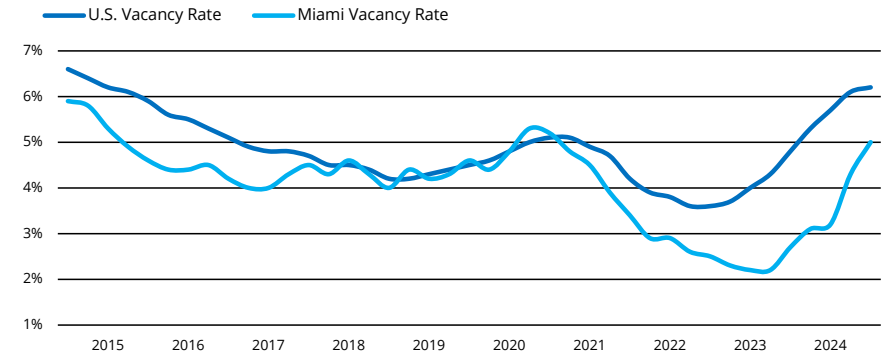


VACANCY

Healthy Despite Upward Trends

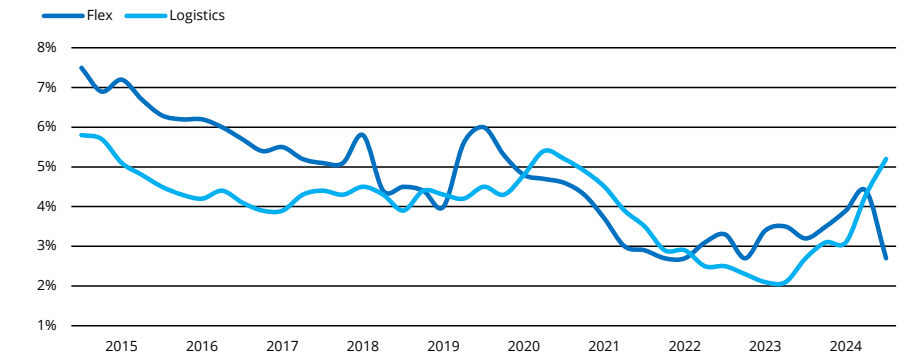
- Miami’s vacancy rate climbed to 5.0% in Q3 2024, a 250-basis-point increase from the previous year. While this marks the highest vacancy since the pandemic, it remains 120 basis points below the U.S. average, reflecting Miami’s relative market resilience.
- Vacancy rates have steadily risen from the record low of 2.2% in early 2023 to 5.0% in Q3 2024. This increase was expected due to a combination of new construction deliveries, weaker absorption from lower lease roll, sharp rises in asking rents, and a cooling economic environment. Absorption is projected to remain subdued over the next 12-15 months, which vacancy will mirror correspondingly.
- At the submarket level, eight out of eleven submarkets reported rates below the market-wide vacancy of 5.0%. North Dade/Gratigny saw the delivery of 1.6 million SF of new space in Q2 2024, but slower leasing activity pushed its vacancy rate to 7.8% in Q3 2024 from 3.5% in Q1. Without the influence of this submarket, Miami’s overall vacancy would stand at a healthy 4.3%.
- International trade through Miami Airport and PortMiami, a strong hospitality sector, and continued growth, support demand for space, positioning the city to weather economic headwinds more effectively than other major markets.

OVERALL VACANCY RATE



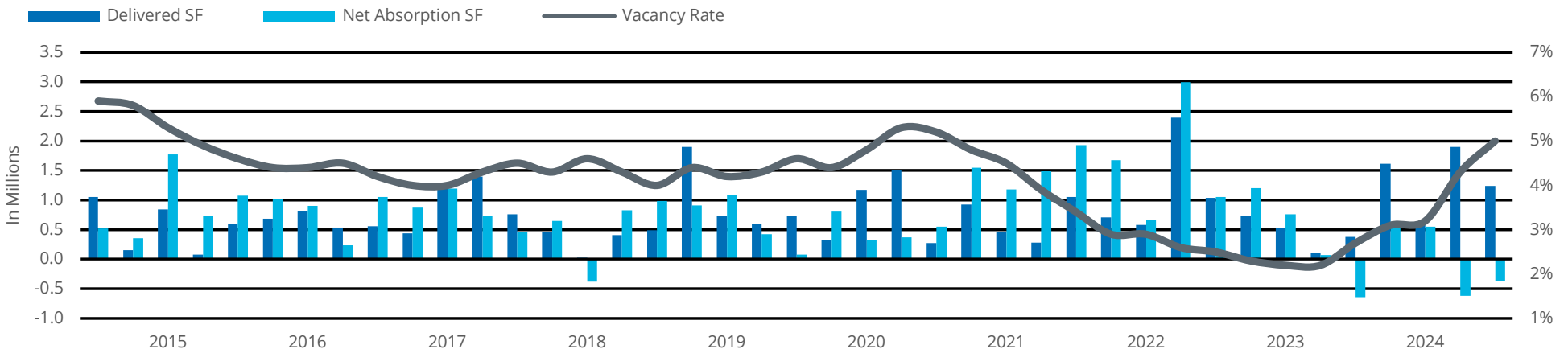
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

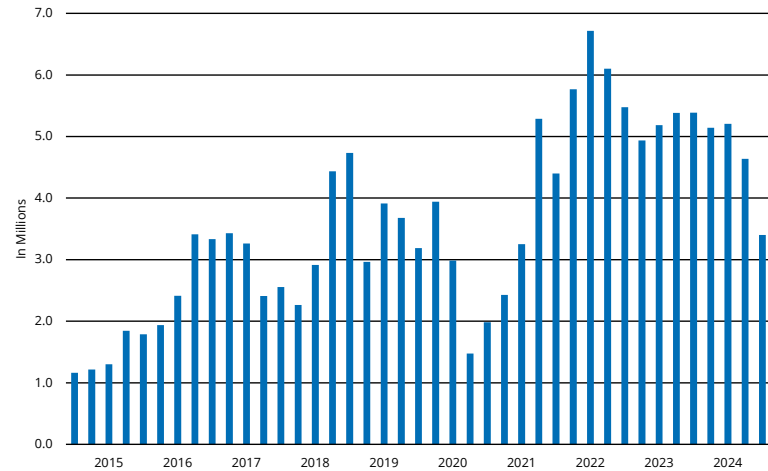


UNDER CONSTRUCTION

Continued Expansion

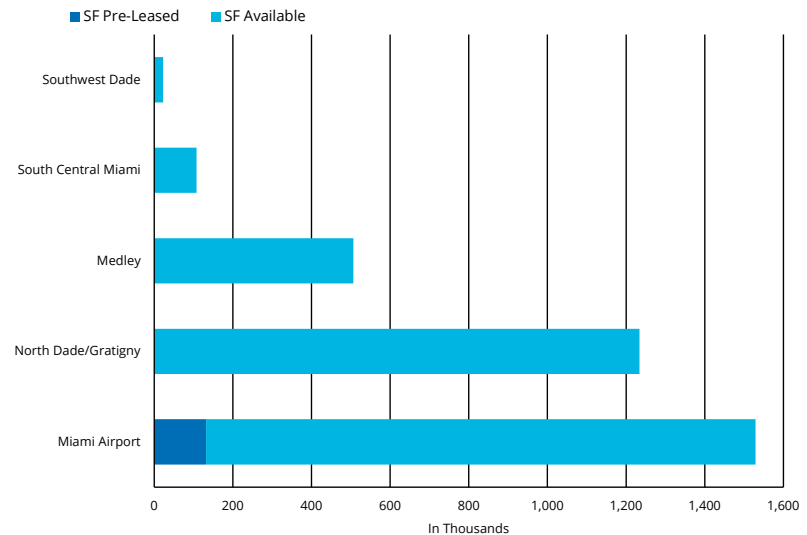
- Approximately 1.2 million SF of industrial space was delivered in Q3 2024, bringing the year-to-date total to 3.7 million SF—surpassing the 2023 full-year total of 2.6 million SF. This sharp increase in deliveries, combined with reduced lease rollovers, rising asking rates, and slower economic growth, has contributed to Miami’s higher vacancy rate.
- Key completions include Buildings A and B of the Sycamore Logistics Center in Medley, which added 137,000 SF and 173,000 SF, respectively, providing new, highly competitive industrial space in a prime logistics location.
- Q3 2024 construction activity totaled 3.4 million SF across eight of Miami’s eleven submarkets, with Miami Airport, Medley, and North Dade/Gratigny as the primary hubs. Miami Airport leads construction with nearly 1.5 million SF underway, driven by its strategic location for trade and logistics.
- Following a construction surge that averaged 5.2 million SF per quarter from 2021 through 2023, development activity has now shifted back toward the pre-2021 average of 3.1 million SF per quarter. This slowdown reflects the fact that nearly 96% of current projects are still available for lease, creating a more cautious approach among developers.
- As economic uncertainties persist, the pace of new development proposals is expected to remain moderated. However, Miami is well-positioned to absorb the recent influx of new construction as leases are executed, with the anticipated FOMC rate cuts potentially injecting momentum into the economy over the next two years.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

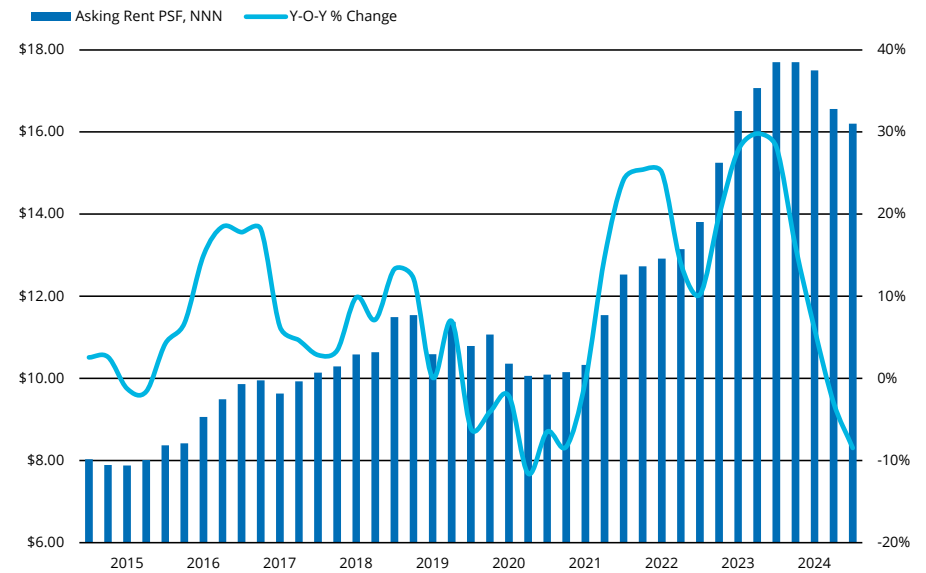


RENTAL RATES

Slight Cooling from Record Highs Provide Some Relief for Tenants

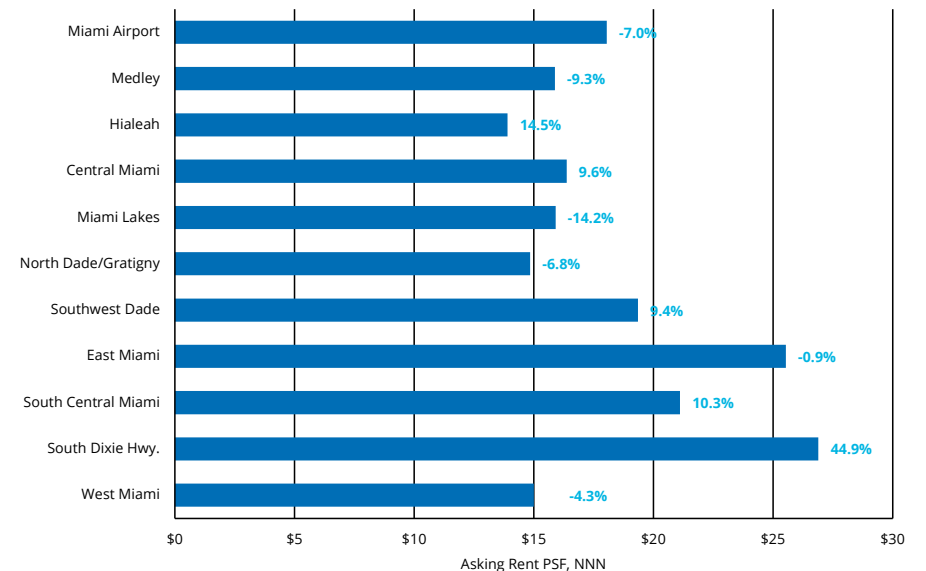
- The average asking rent, which peaked at a record \$17.70/SF NNN in Q4 2023, softened to \$16.20/SF in Q3 2024. This decline provided some relief after significant rent hikes of 60% to 80% since many tenants have previously signed leases, a result of the post-pandemic surge in demand.
- Year-over-year rent growth decelerated in 2023 and into 2024, with Q3 2024 marking an 8.5% decline. This was only the second instance of negative growth since 2020, but not unexpected following the 30% rent increase seen just one year prior.
- Increased supply from new product deliveries, coupled with slower tenant absorption and heightened caution amid economic uncertainty contributed to more competitive rents. Miami previously enjoyed eleven consecutive quarters of double-digit rent growth, with seven of those quarters exceeding 19% annual growth.
- South Dixie Highway emerged as the most expensive submarket, reaching \$26.89/SF. East Miami followed at \$25.53/SF, with rental rates in this submarket remaining relatively stable over the past six quarters.
- Despite cooling demand and economic headwinds, Miami's constrained geographical space, its role as a key logistics hub, and diverse economic drivers suggest that rental growth will likely return in the near future.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

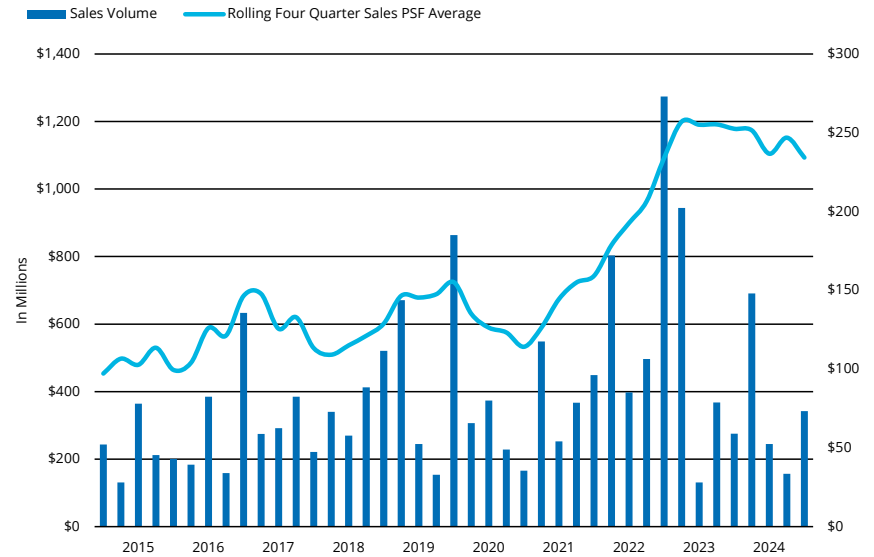


SALES

Prices Fluctuate with a Softened Sales Volume

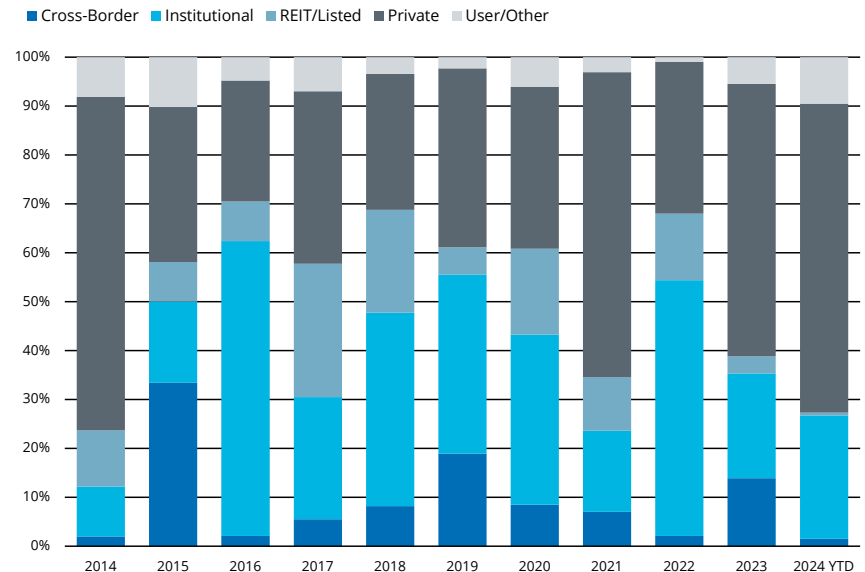
- Industrial sales volume has declined from the record high of \$3.1 billion in 2022, largely due to elevated interest rates, which have dampened investment activity. Despite this, Miami’s sales reached \$1.5 billion in 2023, consistent with the pre-2022 six-year average, highlighting the market’s resilience. By Q3 2024, \$344 million in transactions were completed, maintaining the pace set in 2023.
- The average price per square foot has remained relatively stable, though fluctuating in 2024. After a slight drop to \$237/SF in Q1, prices rebounded to \$247/SF in Q2 and then settled at \$234/SF by Q3. High-priced deals, especially in premium submarkets, continue to lift values for smaller buildings well above the overall market average.
- Private investors have significantly increased their acquisitions, making up 63% of all sales in 2024, nearly doubling their activity since 2022. Institutional buyers, who drove record volumes in 2022, remain an active player, representing 25% of transactions in 2024, matching their presence from 2023.
- A number of buildings and portfolios went on the market in late Q2 & Q3, and it’s expected that year-end sales could reach over \$750 million.

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
CARIBBEAN TRADING	Prologis Gratigny Industrial Park 12300 NW 32nd Ave - Bldg 12	North Dade/Gratigny	New	180,000
DEL VALLE BRANDS	8150 NW 76th Ave	Medley	Renewal	125,976
M.I.F.S	Countyline Corporate Park 11390 W 43rd Ave - Bldg 32	Outlying Miami-Dade	New	101,000
BEACON BUIDLING PRODUCTS	Gratigny Central Industrial Park 3590 NW 114th St	North Dade/Gratigny	New	65,000
EXEL, INC (DHL SUPPLY CHAIN)	Flagler Station 11401 NW 100th Rd - FLW4	Medley	Renewal	53,230

Source: CoStar, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
BEACON LOGISTICS PARK 4141 W 91ST PL	Outlying Miami-Dade	\$55,860,000	232,620	\$240	Property Reserve, Inc	Codina Partners
3511 NW 91ST AVE	Miami Airport	\$29,900,000	158,268	\$189	Panattoni	Parmenter Realty Partners/ Cudlob Capital/Prime Finance
9950-9970 NW 89TH AVE	Medley	\$27,020,000	113,936	\$237	Longpoint Realty Partners	Tropic Oil
PALMETTO LAKES INDUSTRIAL PARK 15801 NW 49TH AVE	Miami Lakes	\$25,500,000	133,914	\$190	American International Group, Inc.	Lightstone Group/Mavik Capital Management LP
AIRPORT EAST BUSINESS CENTER 4201-4250 NW 37TH CT	Hialeah	\$24,000,000	103,950	\$231	Alliance HP	Z Asset Management

Source: CoStar, Real Capital Analytics, Transwestern

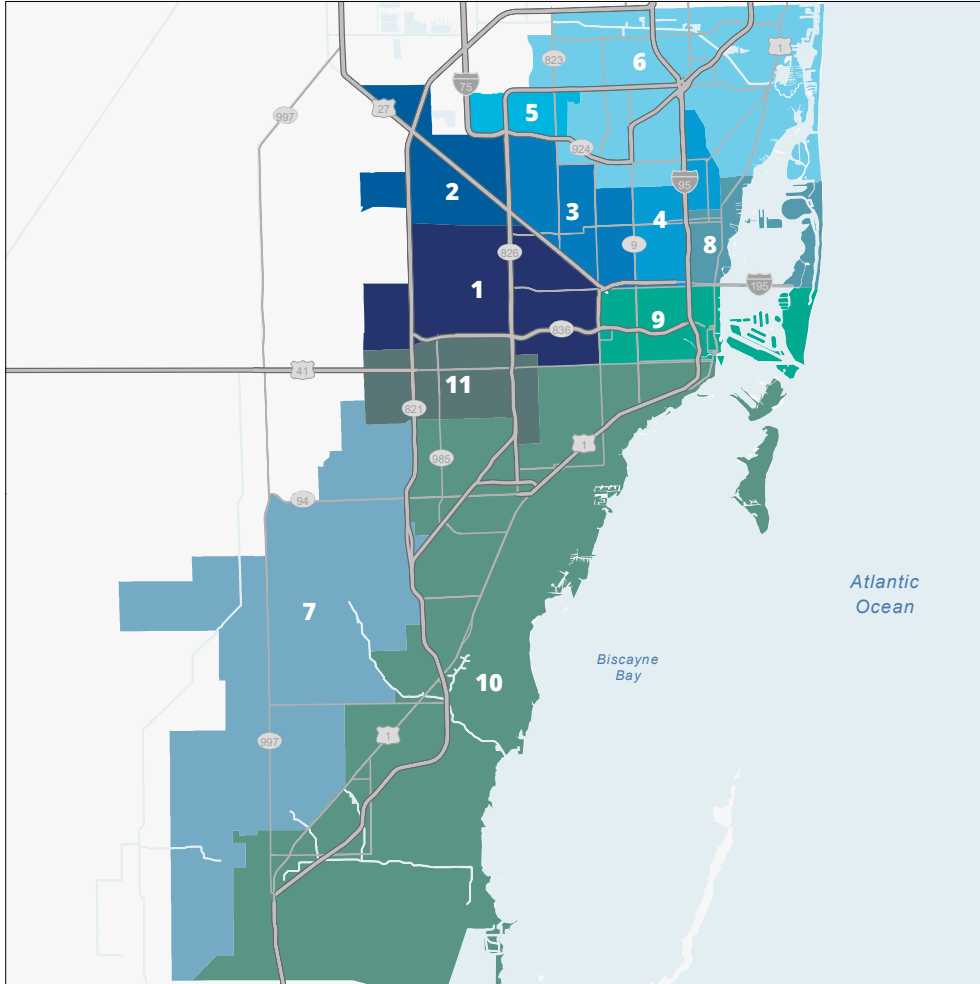


MARKET INDICATORS

All Property Types | Q3 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	74,636,660	3,480,106	4.7%	217,084	3,697,190	5.0%	1,529,095	195,876	460,827	\$17.26	\$25.56
MEDLEY	36,194,971	1,202,475	3.3%	433,851	1,636,326	4.5%	506,274	(333,371)	(292,569)	\$15.87	\$23.55
HIALEAH	21,030,378	887,793	4.2%	49,128	936,921	4.5%	0	(119,955)	(487,980)	\$13.90	-
CENTRAL MIAMI	1,972,345	119,942	6.1%	0	119,942	6.1%	0	44,518	112,506	\$16.37	-
MIAMI LAKES	12,445,068	428,431	3.4%	86,269	514,700	4.1%	0	(36,721)	(120,351)	\$15.69	\$23.72
NORTH DADE/GRATIGNY	38,840,794	2,973,896	7.7%	40,500	3,014,396	7.8%	1,234,298	(125,054)	(392,655)	\$14.84	\$27.50
SOUTHWEST DADE	7,423,640	154,209	2.1%	0	154,209	2.1%	22,560	15,065	(19,623)	\$19.34	\$19.60
EAST MIAMI	2,411,583	191,173	7.9%	23,900	215,073	8.9%	0	2,876	(37,105)	\$25.38	\$25.75
SOUTH CENTRAL MIAMI	9,840,585	151,734	1.5%	0	151,734	1.5%	107,632	(25,732)	1,022,767	\$15.69	\$44.34
SOUTH DIXIE HWY	7,459,476	257,482	3.5%	0	257,482	3.5%	0	68,932	31,518	\$27.84	\$17.00
WEST MIAMI	2,484,919	96,205	3.9%	0	96,205	3.9%	0	(49,592)	(76,650)	\$15.00	-
TOTAL	214,740,419	9,943,446	4.6%	850,732	10,794,178	5.0%	3,399,859	(363,158)	200,685	\$15.82	\$27.22

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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