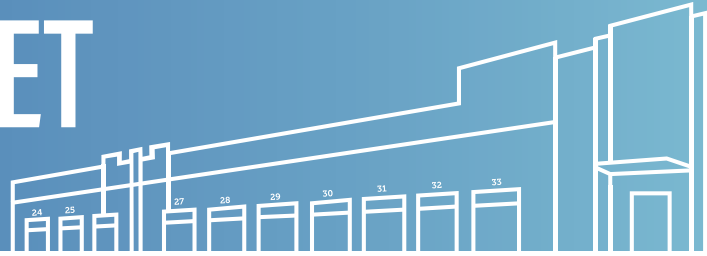


INDUSTRIAL MARKET



A Very Strong Start to 2021 for Miami's Industrial Sector

Strong Demand Leads to Rent Growth and Less Space on Market

OVERVIEW

Economic Recovery Is Gaining Traction

Miami's economic growth in recent years has been sustained by high demand for workers, pushing Miami-Dade's unemployment rate down to a stunningly low 1.5% as recently as January 2020. Since then, of course, circumstances have changed, but Miami-Dade's February unemployment rate of 7.9% continues a steady pace of improvement since the summer of 2020. This is encouraging for the long term, but over the next 12 months many industries will still be challenged by the effects of COVID-19 on their planning, hiring, and growth strategies.

According to Moody's Analytics, Miami's economy is "on the verge of a sustained recovery" that will fuel population, job and income growth over the next two years. The area's critical cruise and tourism industries will likely be impacted for another year or two, but Miami's shipping and warehousing sectors will continue to bolster the economy.

DEMAND

More than 1.5 Million SF Absorbed in Q1

A year ago in Q1 2020, demand in Miami's industrial market stalled and the market posted negative absorption for the first time in two years. Following two quarters of weak-to-moderate demand, the market has rebounded with a vengeance. In Q4 2020 and Q1 2021, Miami has reported two of its strongest quarters in recent years, with 1.5 million SF of net new absorption in Q1 following an even stronger quarter at the end of 2020. Absorption in Q1 was strongest in the Miami Airport submarket, but every major submarket enjoyed healthy demand during the quarter. Medley absorbed more than 260,000 SF in Q1, while Hialeah absorbed more than 90,000 SF of net new demand.

VACANCY

Vacancy Continues to Decline on Strong Demand

As of Q1 Miami's vacancy rate is 5.1%, down from 5.6% in Q4 2020 due to very strong absorption. Vacancy rose above 6% in 2020 but that was short-lived, as Miami's vacancy rate is now at its lowest point in more than a year. Miami remains one of the nation's tightest industrial markets, with vacancy remaining between 4% and 7% for nearly a decade. Vacancy is in single digits in almost all Miami submarkets, including North Dade/Gratigny at 5.6% and Miami Lakes at 4.4%. Miami Airport reports a vacancy rate of 4.8%, while Medley is currently 5.8% vacant.

TRENDLINES

5-YEAR TREND

CURRENT QUARTER

JOB GROWTH



7.9% UNEMPLOYMENT
Down from recent peak of 14% in July

ABSORPTION



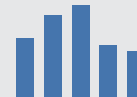
1.5 MSF
Positive absorption in nearly every submarket

VACANCY



5.1%
Down from 2020 as new space is absorbed

UNDER CONSTRUCTION



2.5 MSF
Down from Q4 2020; 28% is already leased

RENTAL RATE



\$10.25 PSF
Up in all property sectors

SALES



\$134 PSF
Up from 2020 to highest level in 18 months

DEVELOPMENT

Construction Activity is Strong but Targeted

In 2020 nearly 3.5 million SF of new product were completed, and 2021 could well approach the same level. At the end of Q1 approximately 325,000 SF of new had been completed, with just over 2.5 million SF under construction. More than half of the space under construction is in Medley, with the remainder located in North Dade/Gratigny and Miami Airport. Nearly all of this space is expected to be completed in 2021, and 28% of the space under construction has been pre-leased. Most of the pre-leasing activity has been in North Dade, while the bulk of space coming to market in Medley remains on market for lease.

RENTAL RATES

Rents Rose Continue to Rise

Asking rents rose again in Q1 2021 in both the warehouse/distribution and flex sectors. The blended rate in Miami is currently \$10.25 PSF, up from Q4 2020's average of \$10.05. As of Q1, warehouse/distribution asking rents average \$9.90 PSF, up \$0.15 from Q4, while flex rates average \$20.80 PSF - also up from the previous quarter. Asking rates for warehouse/distribution space rose in North Dade/Gratigny and Miami Airport, and dipped in Medley and Hialeah. Flex rates rose or held steady in nearly every submarket during Q1.

INVESTMENT SALES

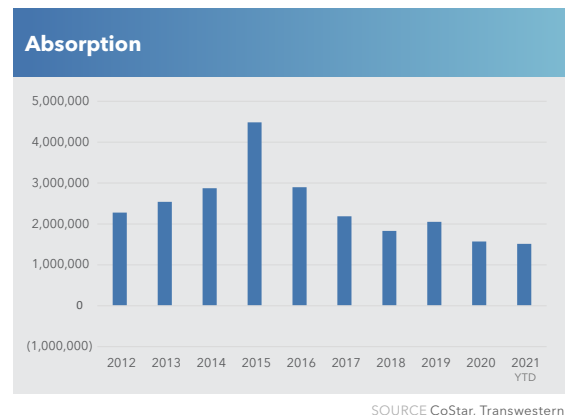
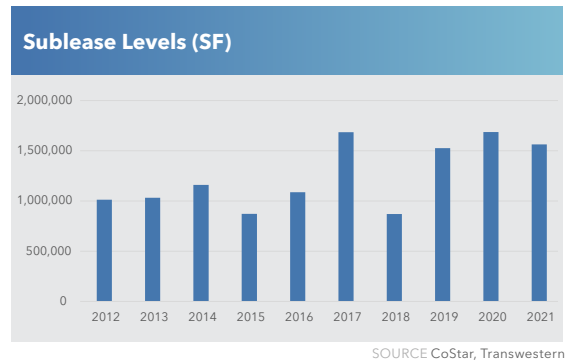
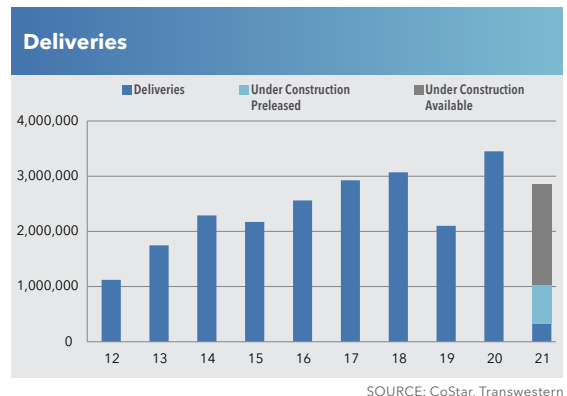
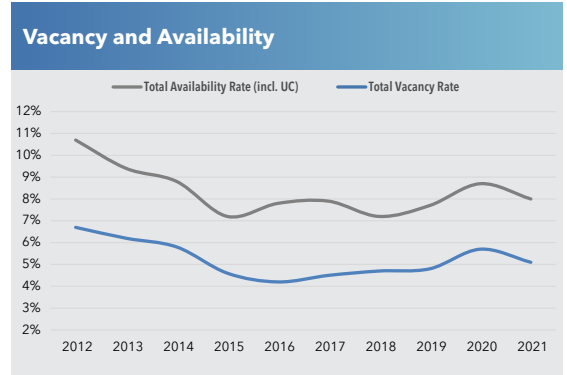
Volume and Pricing Rise to Pre-Pandemic Levels

In 2018 and 2019 investment sales volume for industrial product in Miami reached historic peaks, but that dynamic shifted somewhat in 2020. Sales dipped in the middle of the year, but the first and last quarters of 2020 saw more typical volume levels and the year ended with volume only slightly below recent levels. Encouragingly, Q1 2021 saw volume rise again, indicating a return to robust trading activity. The average sale price per square foot also rose in Q1, to \$134 PSF from Q4 2020's average of \$104 PSF. To date in 2021 Miami has seen strong interest from institutional capital, seeking strong returns in a high-demand, supply-constrained gateway market.

FORECAST

Demand Will Accelerate in 2021; Will Development?

The Miami economy has begun to see a recovery from the effects of COVID-19, but growth has been slower than usual for many sectors over the past year. The industrial property sector is an exception to that trend, with demand reaching new heights in recent months due to continued e-commerce growth and strong international trade, demonstrated in record air cargo levels in 2020 ([view comprehensive report here](#)). Economists expect the area's economy to resume growth in 2021, with another record year for air cargo expected, but Miami will probably continue to feel the effects into 2022. As we emerge from the aftereffects of the pandemic, Miami's industrial market will remain a bright spot in the economy throughout the year.



Miami Industrial Market Indicators

Submarket	Buildings	Inventory	Direct Vacant	Direct Vacancy Rate	Sublet SF	Total SF Vacant	Overall Vacancy Rate	Q1 Absorption	Under Construction	WH/Dist Asking Rent PSF	Flex Asking Rent PSF
Miami Airport	1,149	71,004,007	3,152,654	4.4%	242,038	3,394,692	4.8%	992,590	155,150	\$12.05	\$17.50
Medley	381	31,878,742	1,645,196	5.2%	204,711	1,849,907	5.8%	262,661	1,627,982	\$9.75	\$17.50
Hialeah	429	21,495,952	1,028,234	4.8%	40,000	1,068,234	5.0%	92,262	0	\$8.65	-
Central Miami	43	1,751,529	96,366	5.5%	0	96,366	5.5%	17,599	0	\$12.00	-
Miami Lakes	192	11,274,023	485,535	4.3%	10,250	495,785	4.4%	35,700	0	\$8.50	\$14.00
North Dade/Gratigny	519	35,265,786	1,953,314	5.5%	30,446	1,983,760	5.6%	70,276	746,900	\$8.85	\$16.25
Southwest Dade	183	6,965,761	64,206	0.9%	0	64,206	0.9%	71,523	0	\$11.50	\$10.10
East Miami	56	2,255,575	171,102	7.6%	0	171,102	7.6%	94,853	0	\$23.00	\$16.85
South Central Miami	159	6,702,389	686,571	10.2%	0	686,571	10.2%	-85,437	0	\$14.00	\$45.00
South Dixie Hwy	121	5,474,787	121,750	2.2%	0	121,750	2.2%	-39,908	0	\$6.75	\$15.00
West Miami	69	2,561,432	17,686	0.7%	0	17,686	0.7%	3,250	0	\$20.00	\$14.00
Grand Totals	3,301	196,629,983	9,422,614	4.8%	527,445	9,950,059	5.1%	1,515,369	2,530,032	\$9.90	\$20.80

Transaction Highlights

Q1 Notable Industrial Lease Deals

TENANT	PROPERTY	SUBMARKET	LEASE (SF)	COMMENTS
City Furniture	Bridge Point Commerce Center	North Dade/Gratigny	286,991	New Lease
Expeditors	International Corporate Park	Miami Airport	205,950	Renewal
Amazon	Miami Axis Park	Hialeah	145,753	New Lease

Q1 Notable Industrial Building Sales

BUILDING	RBA	SUBMARKET	PRICE	PRICE PSF	COMMENTS
County Line Corp. Park (2 Bldgs.)	274,000	Hialeah	\$48.1 million	\$176	Fully leased new construction; Sold to Terreno
2101 NW 82nd Avenue	54,400	Miami Airport	\$9.5 million	\$175	Sold to Seagis Property Group

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METHODOLOGY

The information in this report is the result of a compilation of information on key for lease office properties located in the Miami area. We compile our quarterly statistics based on a defined inventory of Class A and B multi-tenant office buildings of 20,000 SF or more in size and exclude all medical, government, owner occupied and office condo buildings.

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