

# MIAMI INDUSTRIAL MARKET

Q3 2021



## TRENDLINES

	Q3 2021	Q3 2020	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	6.8	11.5	↓	5.1	↓
NET ABSORPTION (MSF)	1.1	0.7	↑	0.7	↑
OVERALL VACANCY RATE	3.4%	5.1%	↓	4.4%	↓
OVERALL VACANT SF (MSF)	6.7	10.1	↓	8.5	↓
UNDER CONSTRUCTION (MSF)	3.0	2.0	↑	3.2	↑
ASKING RENT, NNN (PSF)	\$11.82	\$10.09	↑	\$10.62	↑
SALES VOLUME (MILLIONS)	\$257.9	\$69	↑	\$266.5	↔

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

## INDUSTRIAL DEMAND DRIVES MIAMI'S RECOVERY

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 more than once, but Miami-Dade's August unemployment rate of 6.7% continues a steady pace of improvement since the summer of 2020. Unemployment within Miami's industrial space-using sectors is even lower at 1.7%, well below the national average.

With job growth particularly strong in the Trade, Transportation, & Utilities sector that supports the industrial sector, demand for industrial space remains very high in Miami. Asking rents have reached a new peak as a result of these trends, and in turn investor interest is on the rise. There is truly no measure of the industrial market's health that is not at record levels at this point in 2021, and we are confident that this pattern will continue through the end of the year and into 2022. This is encouraging for the long term, but over the next 12 months some industries will still be challenged by the effects of COVID-19 on the supply chain.

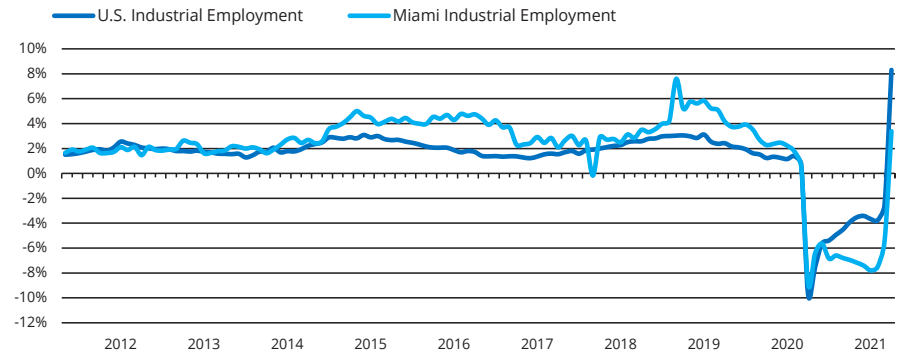


### ECONOMY

#### Recovery Accelerates in Many Sectors

- As the economy opens, Miami is currently matching the nation's recovery pace. Office-using employment is now above pre-pandemic levels, while consumer industries are growing steadily following a slow start.
- Tourism measures, such as airline passenger volume and hotel occupancy, recovered much of their prior strength during the summer months, but international visits and conventions continue to lag.
- The Trade, Transportation, & Utilities industry sector has also seen job gains, and this sector has seen the largest share in industrial leasing activity in recent months. This sector includes retail and wholesale trade as well as shipping/logistics companies, and is among of the largest users of industrial space.
- Leisure and Hospitality jobs have gained much of the ground lost to COVID, while the Construction sector is hampered by slowdowns in office and multifamily development.
- Leisure, hospitality, dining and entertainment, and retail positions are all actively recruiting, but positions remain difficult to fill.
- Moody's Analytics forecasts stronger growth in 2022 due to the return of international visitors and strength logistics and warehousing, as well as office-using industries.

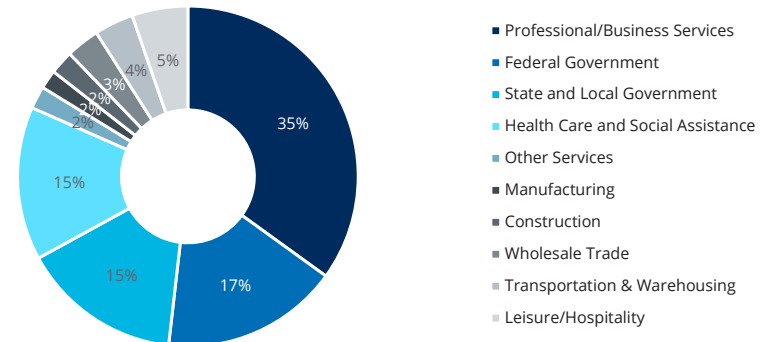
### Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

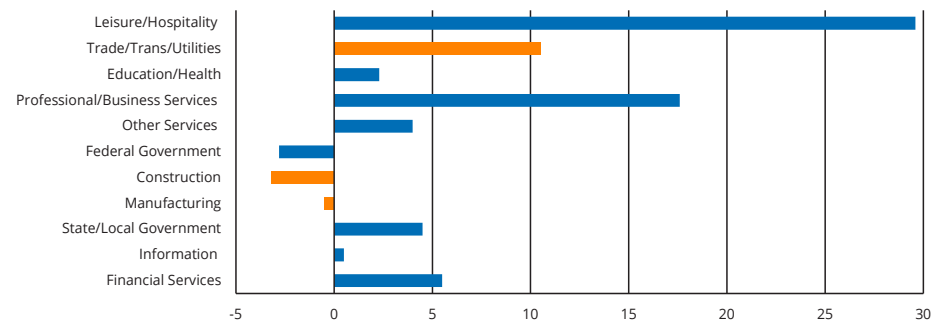
Miami | August 2021



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

Miami | August 2021



Source: Bureau of Labor Statistics, Transwestern

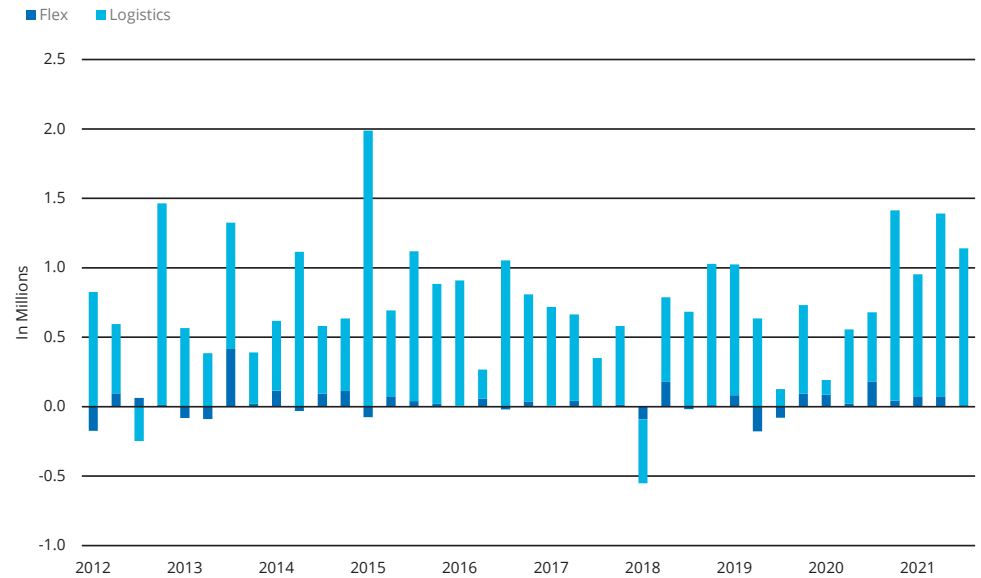


### NET ABSORPTION

#### Huge Demand for Industrial Product in Miami

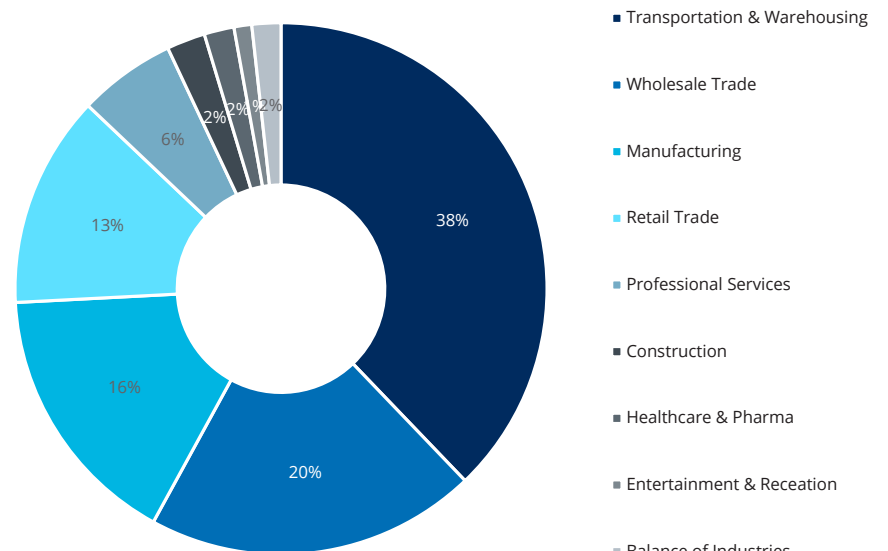
- Demand in 2021 has been very strong in Miami’s industrial market, with nearly 3.5 million SF already absorbed year-to-date. This is higher than any full year since 2015.
- Miami is on pace to see record demand in 2021, driven by international trade and e-commerce.
- Q3’s industrial absorption was more than 1.1 million SF, comparable to demand levels seen in Q2. In fact, absorption has been near or above 1.0 million SF in each of the past five quarters.
- While nearly every submarket reported positive absorption for both Q3 and the year to date, the greatest gains to date in 2021 have been seen in Miami Airport, North Dade/Gratigny, and Medley.
- The largest leases signed to date this year have represented the logistics, food and retail, and automotive sectors. We expect these industries to continue driving demand in Miami as the need for rapid delivery of consumer and business goods accelerates.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

### SHARE OF LEASING ACTIVITY BY INDUSTRY Q3 2021



Source: CoStar, Transwestern

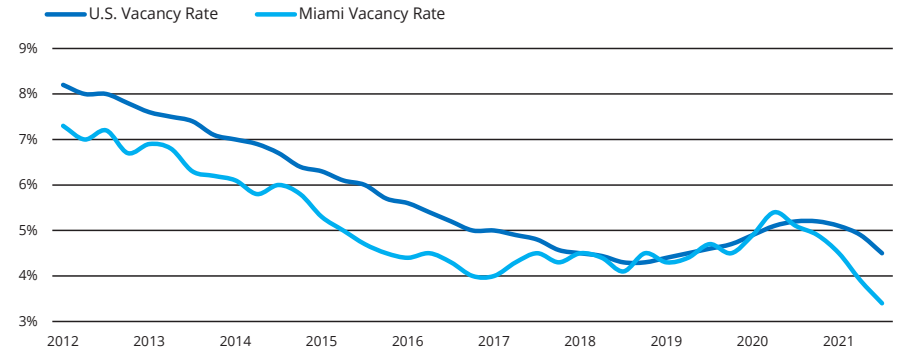


### VACANCY

#### Vacancy Keeps Setting New Record Lows

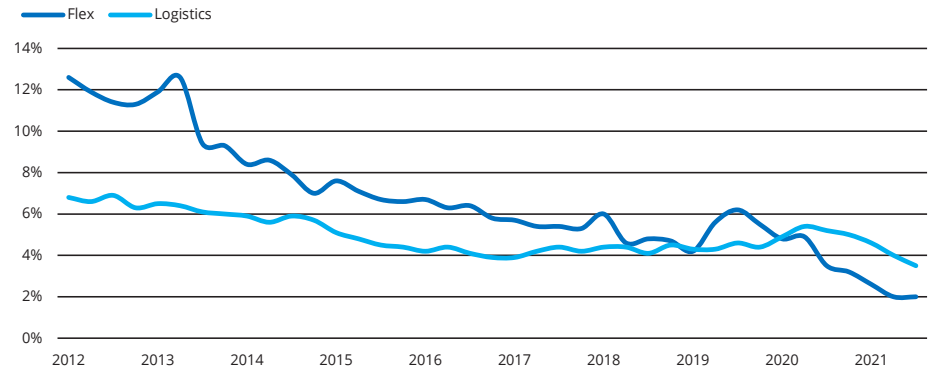
- In Q3 the Miami industrial vacancy rate dipped to 3.4% from Q2's rate of 3.9%. This is the lowest rate in memory and is also below the national average of 4.5%.
- Vacancy is below 4% in all of Miami's major submarkets. Miami Airport, Medley, and Miami Lakes all report vacancy at 3.6%, while vacancy in North Dade/Gratigny is 3.4%.
- Miami remains one of the nation's tightest industrial markets, with vacancy in the single digits for more than a decade and below 5% for most of that time.
- Vacancy is expected to remain below 5% for the foreseeable future. While construction levels are high, demand will continue to drive new development as logistics, ecommerce, and manufacturing remain strong drivers in the current economic landscape.

### OVERALL VACANCY RATE



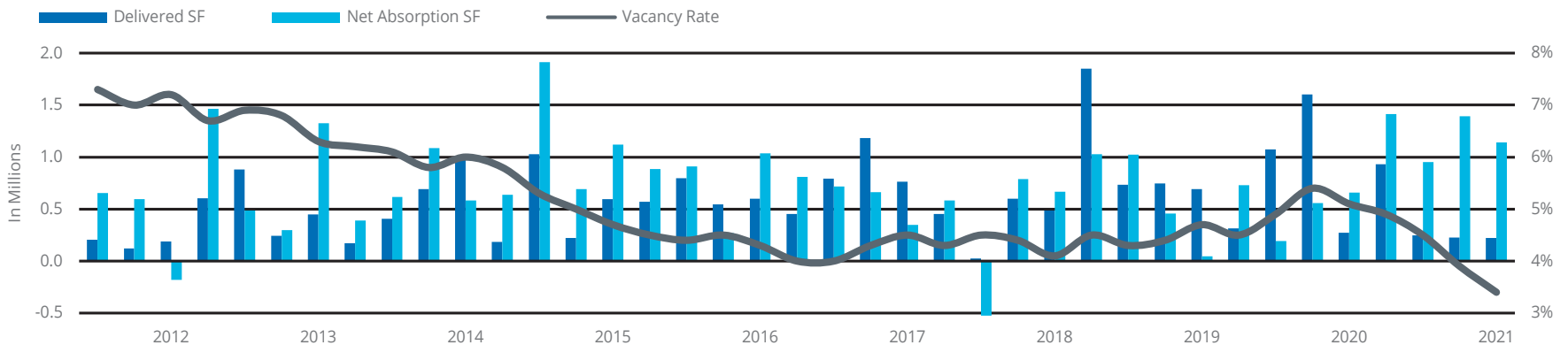
Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

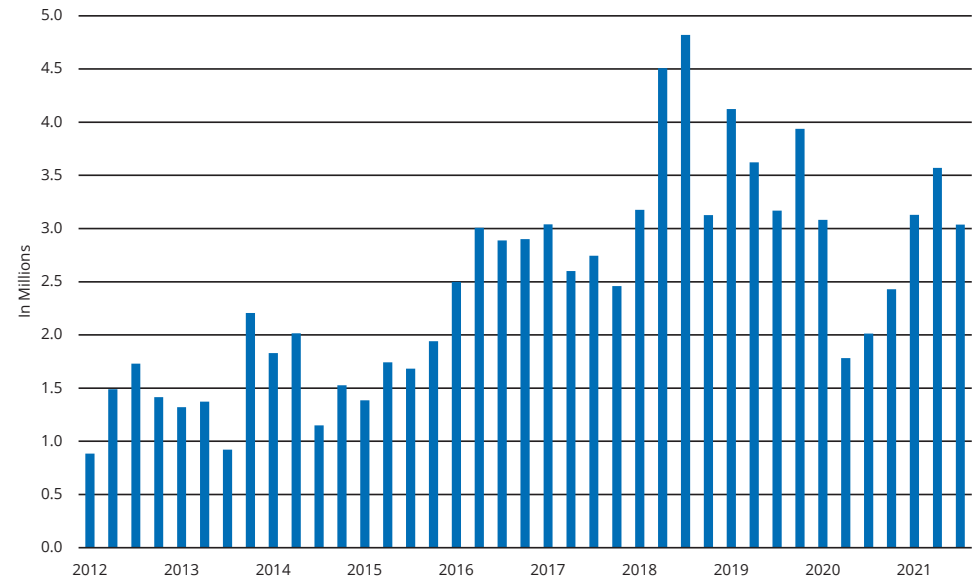


### UNDER CONSTRUCTION

#### Strong Pre-Leasing Activity Keeps Construction Coming

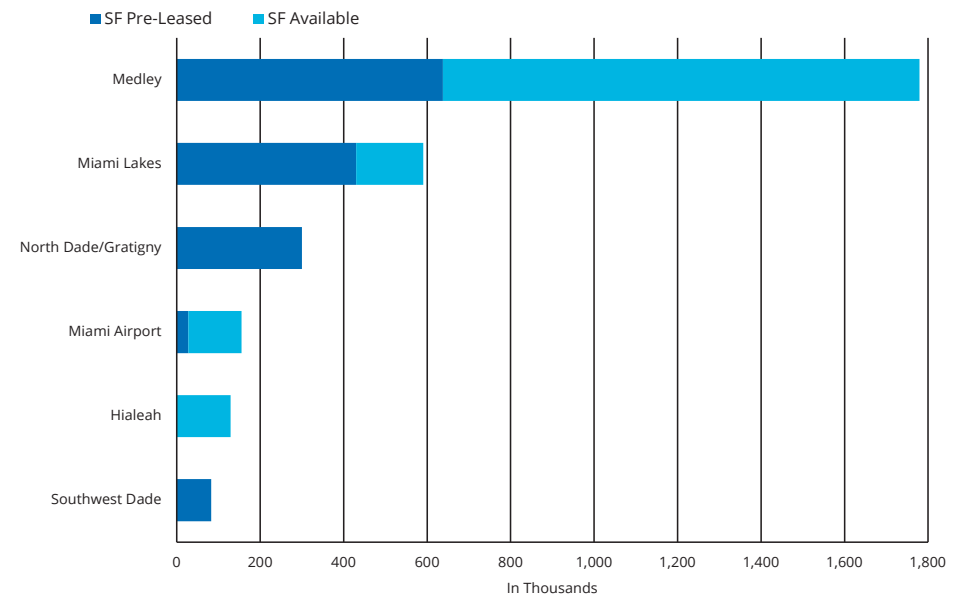
- As of the end of Q3 the Miami industrial market had just over 3.0 million SF under construction, following the completion of nearly 1.0 million SF in the first nine months of 2021.
- Projects are underway in most major submarkets, and approximately 49% of this space has already been leased.
- Approximately 55% of the space under construction is due to be completed in 2021, with the remainder expected to deliver in 2022.
- More than half of the space under construction is in the Medley submarket, but there is also significant activity in Miami Lakes, North Dade/Gratigny, Miami Airport, Hialeah, and Southwest Dade.
- The average building size for new construction is just under 200,000 SF.
- It is very likely that more of the space on market for lease will be committed prior to completion, creating incentives for more new development to launch soon.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

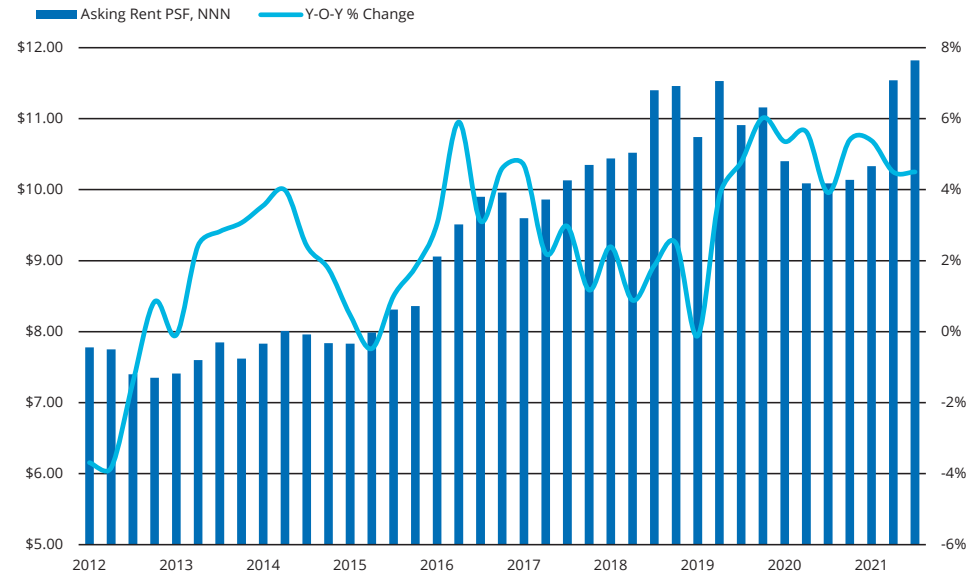


### RENTAL RATES

#### Asking Rents Keep Rising as Market Tightens

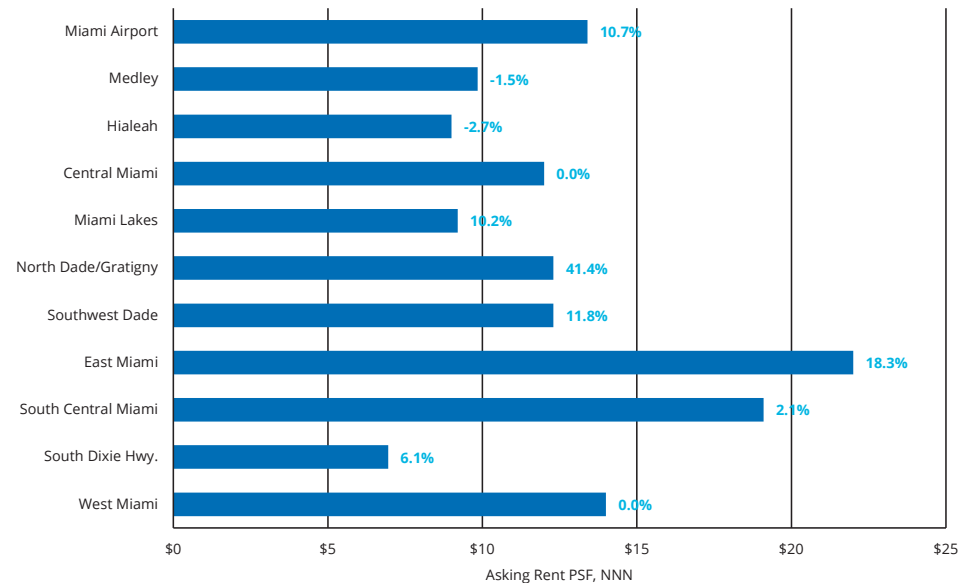
- In Q3 Miami’s industrial asking rent rose to an average of \$11.82/SF from \$11.55 in Q2. This is the highest blended average we have ever reported in Miami.
- Rents rose in logistics space during Q3 to an average of \$11.30/SF, while flex rents dipped slightly in Q3 to \$23.60/SF from Q2’s average of \$24.00.
- Rents rose in most submarkets year-over-year, with rates realizing their highest annual gains in North Dade/Gratigny and East Miami.
- Rents have been above \$10.00/SF since 2017 and have risen for four consecutive quarters. Q2 offered the steepest single-quarter increase in several years, while Q3 saw another rise, as noted above.
- Rents are highest in the small East Miami submarket where flex asking rents are at their highest. Larger, more traditional industrial submarkets like Miami Airport and North Dade/Gratigny report average rents of \$13.40/SF and \$12.30/SF, respectively.
- Rents are expected to continue rising through the remainder of the year, though it remains to be seen whether recent rates of increase will continue.

### ASKING RENT



Source: CoStar, Transwestern

### ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

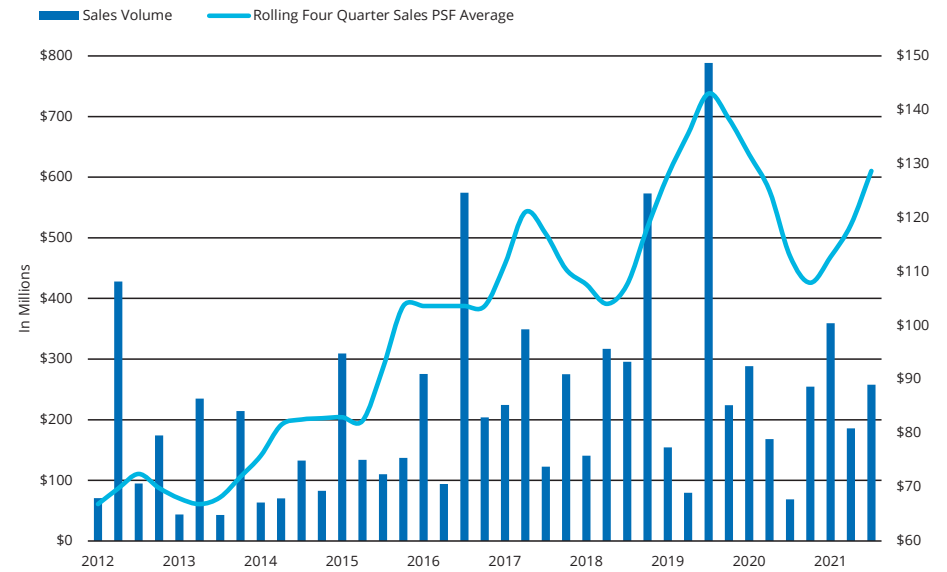


### SALES

#### Sales Volume and Pricing Both Rise in Q3

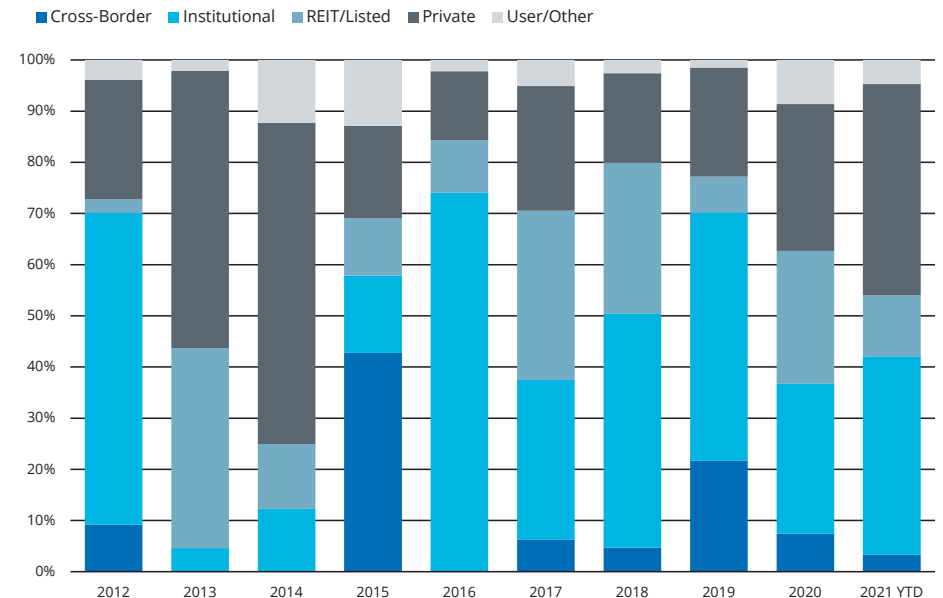
- Sales volume in Q3 was up from Q2 to \$257.8 million, leading to a rolling four-quarter total of just over \$1.0 billion. This puts Miami's industrial market on track to meet or exceed recent pre-pandemic annual volumes.
- Annual sales volume in 2018 and 2019 ranged between \$1.2 billion and \$1.35 billion, which were historic high points for Miami industrial investment.
- Pricing has also risen in recent quarters, with an average of \$139/SF in Q3 just above Q2's average but more than 30% higher than prices seen in 2020. Across the past four quarters Miami sales have averaged \$29/SF.
- Significant sales this quarter include recently completed and well-leased properties, as well as buildings purchased for use. The Miami Airport submarket saw some of the quarter's most prominent sales, but Q3 saw significant sales all around Miami.
- Buyer composition is heavily weighted toward institutional and private capital, though REITs and users have also shown interest in Miami to date this year.
- Buyers continue to seek out industrial properties with long lease terms and strong locations. With vacancy at record lows and strong port activity, investors will continue to add Miami properties to their portfolios, and this interest will keep values elevated for some time.

### SALES VOLUME



Source: CoStar, Transwestern

### BUYER CAPITAL COMPOSITION



Source: CoStar, Transwestern



## NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
CARBEL LLC	FirstPark Miami, Bldg. 2	Medley	New	368,287
MR. GLASS	Miami Lakes Business Park	Miami Lakes	New	191,929
UNITED STATES POSTAL SERVICE	Bridge Point Commerce Center, Bldg. B	North Dade/Gratigny	New	179,634
INTCOMEX	3505 NW 107th Ave	Miami Airport	Renewal	172,926
DB SCHENKER, INC	Prologis Beacon Lakes, Bldg. A	Miami Airport	Renewal	149,935
CAPITAL LOGISTICS	Flagler Station, Bldg. 38	Medley	New	136,989

## NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
4151 W. 108TH ST	Hialeah	\$40,808,000	220,000	\$185	Terreno Realty	Florida East Coast Industries
8200 NW 93RD ST (2 BLDGS.)	Medley	\$34,800,000	169,814	\$205	VlietCo Enterprises	Elion Partners
9840-9880 NW 25TH ST	Miami Airport	\$19,500,000	105,365	\$185	Easton Group	Badia Spices
10100 NW 25TH ST	Miami Airport	\$19,400,000	107,642	\$180	Seagis Property Group	Amcar Lamprecht
8788 NW 27TH ST	Miami Airport	\$16,650,000	64,595	\$258	CenterPoint Properties	Keys Holdings
5151 NW 165TH ST	Miami Lakes	\$5,350,000	36,963	\$145	New Marco Dixie Foods	Harvest Valley, Inc.

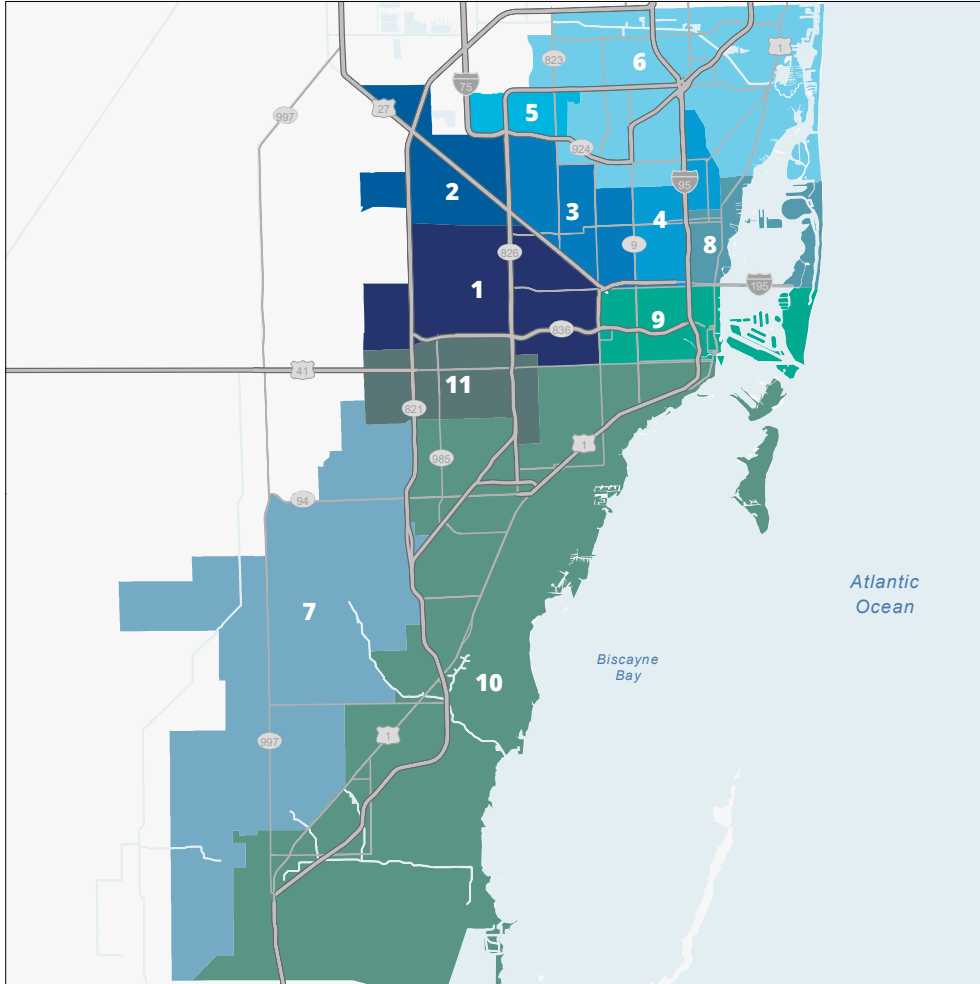




**MARKET INDICATORS**

All Property Types | Third Quarter 2021

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-T-D NET ABSORPTION SF	LOGISTICS ASKING RENT PSF, NNN	FLEX ASKING RENT PSF, NNN
MIAMI AIRPORT	70,762,679	2,344,652	3.3%	172,074	2,516,726	3.6%	155,150	54,862	1,083,549	\$12.80	\$18.50
MEDLEY	32,208,858	824,244	2.6%	321,540	1,145,784	3.6%	1,779,552	381,325	880,466	\$9.90	\$17.50
HIALEAH	21,458,624	692,692	3.2%	18,647	711,339	3.3%	128,844	197,004	358,557	\$8.95	-
CENTRAL MIAMI	1,753,989	30,387	1.7%	0	30,387	1.7%	0	(4,887)	83,578	\$12.00	-
MIAMI LAKES	11,199,255	405,488	3.6%	0	405,488	3.6%	590,388	107,469	47,745	\$9.20	\$14.00
NORTH DADE/GRATIGNY	35,651,785	1,201,520	3.4%	0	1,201,520	3.4%	300,000	333,232	981,290	\$11.60	\$17.85
SOUTHWEST DADE	6,854,387	110,165	1.6%	0	110,165	1.6%	82,383	7,270	-3,536	\$16.45	\$10.10
EAST MIAMI	2,253,228	135,879	6.0%	0	135,879	6.0%	0	42,503	130,076	\$22.50	\$17.00
SOUTH CENTRAL MIAMI	7,273,780	312,258	4.3%	0	312,258	4.3%	0	28,808	-91,999	\$17.15	\$25.35
SOUTH DIXIE HWY	5,543,827	110,340	2.0%	0	110,340	2.0%	0	(14,140)	7,298	\$6.60	\$15.00
WEST MIAMI	2,588,800	5,650	0.2%	0	5,650	0.2%	0	7,395	17,786	\$20.00	\$14.00
<b>TOTAL</b>	<b>197,549,212</b>	<b>6,173,275</b>	<b>3.1%</b>	<b>512,261</b>	<b>6,685,536</b>	<b>3.4%</b>	<b>3,036,317</b>	<b>1,140,841</b>	<b>3,494,810</b>	<b>\$11.30</b>	<b>\$23.60</b>



**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 10,000 SF and larger.

**FOR MORE INFORMATION**

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