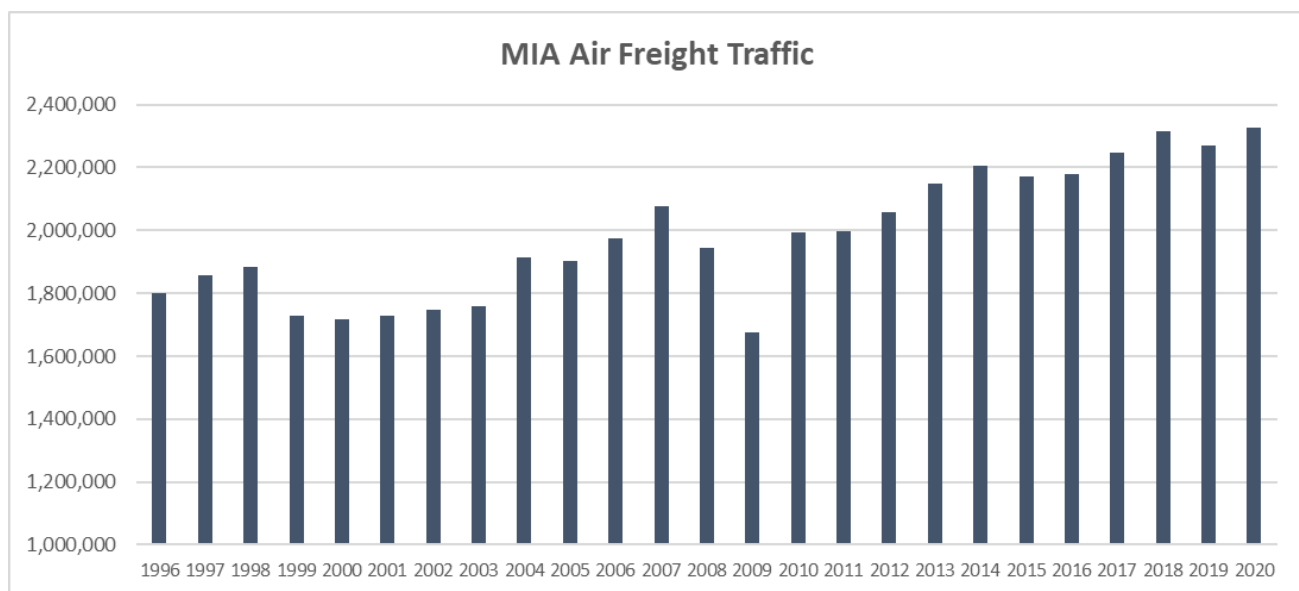
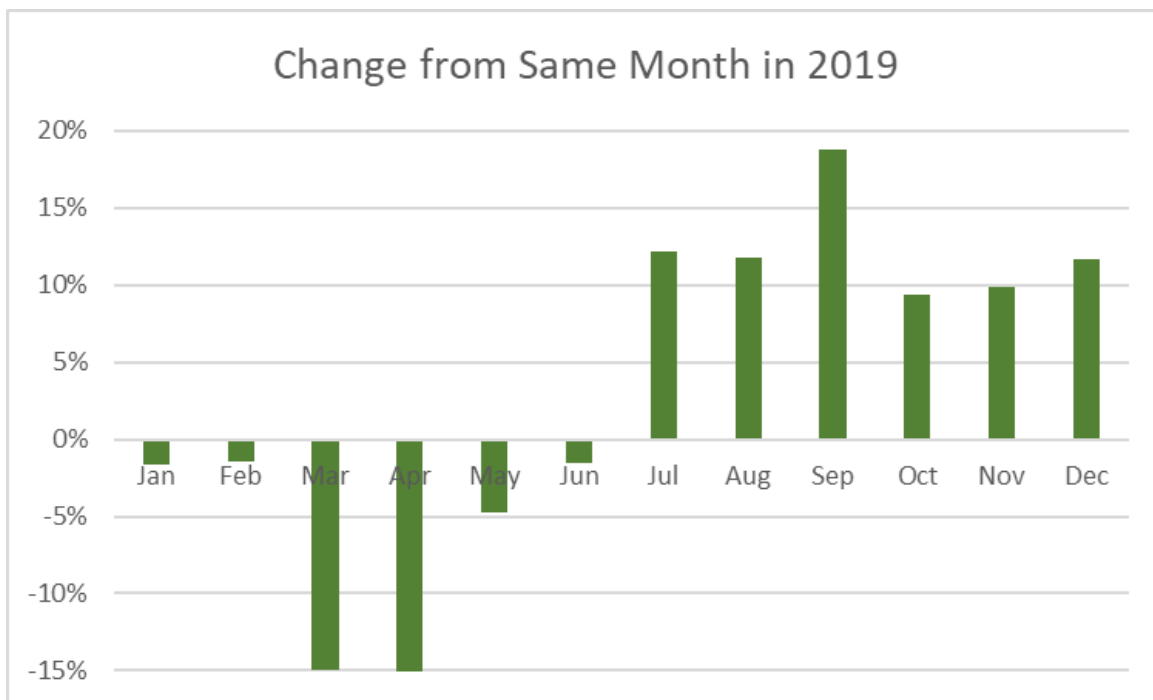


While the past twelve months have been challenging for most industries across the nation, users of industrial space – particularly companies involved in the manufacturing, storage, and shipping of goods – have largely prospered. There are several contributing factors, spearheaded by the accelerated growth of e-commerce, with Amazon the primary driver of warehouse space absorption and development. While the consumption of goods and changing distribution needs have been strong drivers in recent months, Miami's most consistent demand driver for the past thirty years has been the trade sector and its single best barometer, the movement of cargo through Miami International Airport (MIA).

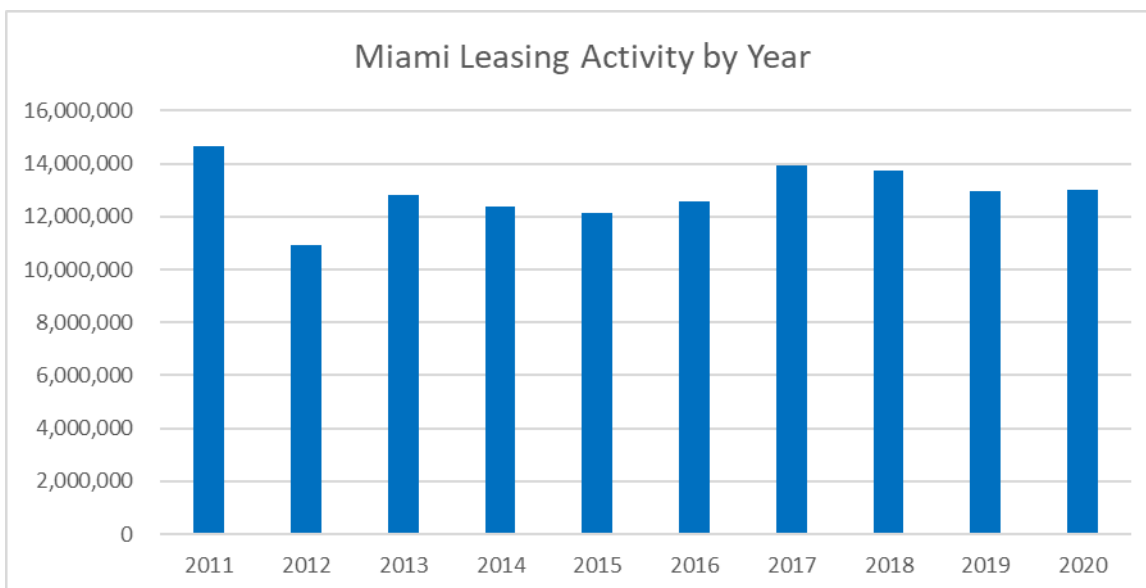
International trade has long been a key driver of employment and demand for industrial space, and as the "Gateway to the Americas," MIA regularly trades spots with airports in Los Angeles and New York as the top international air cargo airport. Since the publishing of air cargo tonnage through MIA and the tracking of industrial market statistics improved in the late 1990s, Transwestern has closely monitored this activity to determine trends impacting the industrial property sector. The chart below shows that, contrary to what many might have anticipated, MIA freight traffic actually reached its highest reported level in 2020, at more than 2.3 million U.S. tons. This reflects an increase of more than 2.5% over 2019's total.



While the first six months of 2020 showed a decline in freight traffic from the previous year, the second half more than made up the difference, as the accompanying chart shows. Shippers picked up any slack that remained from the first half of the year and added to that total, resulting in the record year MIA enjoyed.

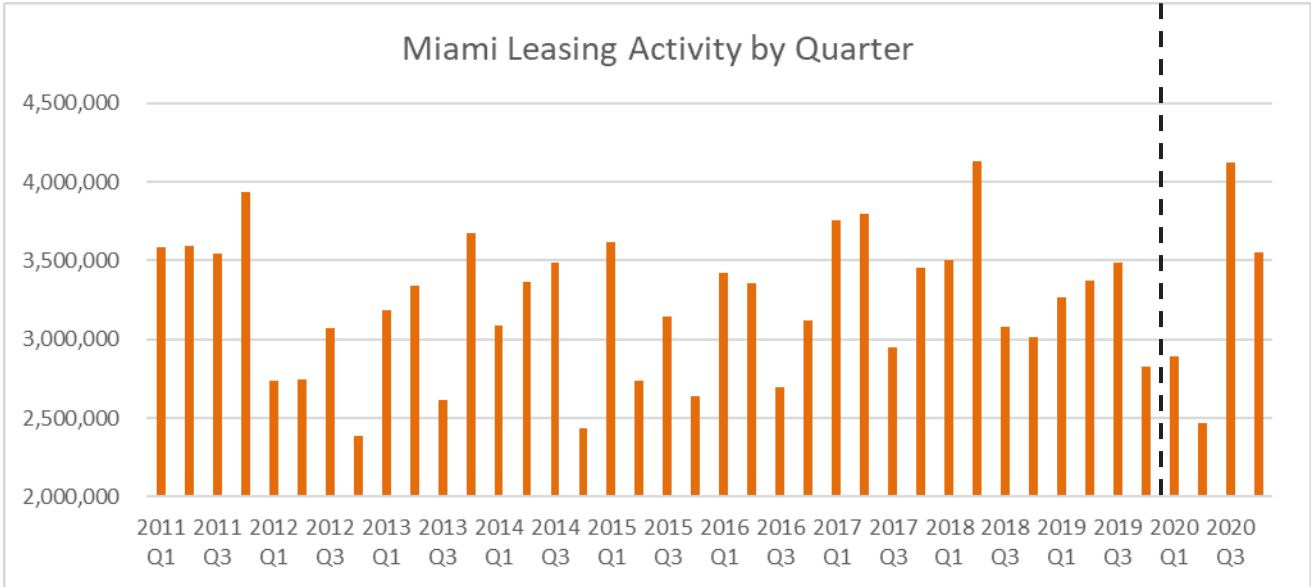


Miami's industrial properties have benefited greatly from this activity. Following a short period in the spring and summer of 2020 when most businesses paused their activity while waiting for more clarity (as shown above), the Miami industrial market saw leasing activity rebound to reach annual levels that are consistent with recent historical trends. The chart below shows annualized leasing activity across the Miami market for the past decade. (Leasing activity reflects commitments to space and can include both new leases and renewals.) There is nothing in this chart to suggest a slowdown of any kind occurred in the Miami industrial property sector during 2020.



Examining the same data by quarter, the accompanying chart shows what happened last year at a more granular level. In Q4 2019 and Q1 2020 the market saw a slowdown in leasing activity, following a more significant pause in Q2 2020. The second half of the year, however, shows a strong resurgence in lease decisions, reflecting both pent-up demand from earlier quarters and a

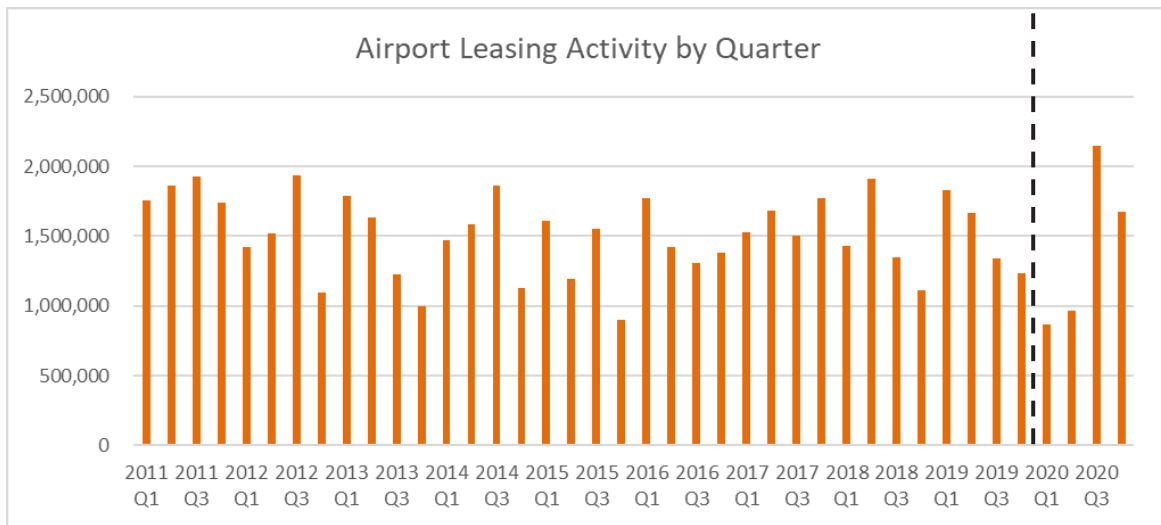
growing confidence on the part of decision-makers in the economy and demand for their goods and services. While leasing activity moderated in Q4 2020, it was still above the ten-year historical average of 3.2 million square feet per quarter.



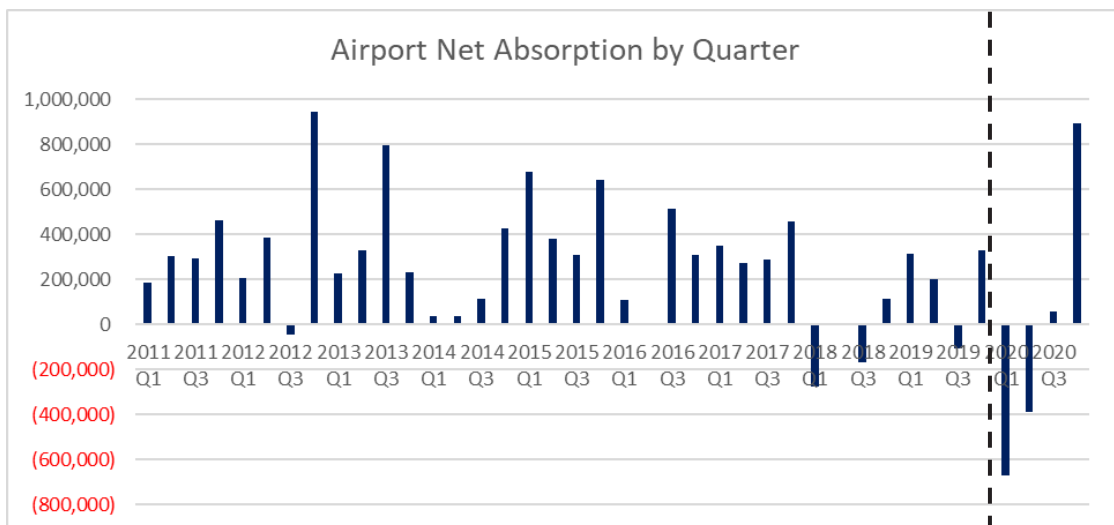
While the Miami industrial market as a whole enjoyed a healthy year, the impact of international air cargo is best seen by examining the Airport submarket, as this largest submarket in South Florida lies at the doorstep and just west of the cargo facilities at MIA. The chart below shows that, like the overall market, leasing activity was consistent with patterns seen in recent years, despite the pandemic’s effects on other sectors of the economy.



Additionally, an examination of quarterly trends in the Airport submarket shows that, as with the overall market, the submarket’s leasing activity slowed in the first half of the year – though not as much as the larger market did. Then, just like the turnaround for air cargo in the summer, activity rebounded to give the Airport submarket another strong year of leasing activity.



Finally, the chart below displays trends in net absorption within the Airport submarket. While leasing activity measures deals done in the market and includes renewals, absorption is a measure of physical occupancy. The chart shows the net change in occupancy from one quarter to the next, and once again displays H1 losses that were then made up in the second half of 2020.



Data on Miami industrial leasing activity and air freight traffic tell the same story, with each statistic reinforcing the other to show that industrial users regained confidence and made commitments – both to space and to the shipping and receiving of goods – in the second half of 2020. It's worth noting that both the airport and the area's warehouses serve an area that ranges far beyond Miami-Dade County, so it's clear that the South Florida industrial property sector has already rebounded from a brief period of uncertainty. We can expect to see another strong year in 2021, on par with other recent years, in spite of the pandemic's impact on other property sectors.

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