

MARKET REPORT

Industrial
Miami-Dade Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

Midyear 2022

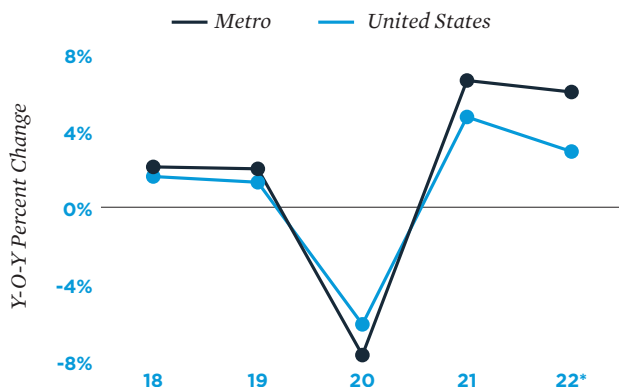
Deliveries Accelerate to Meet Demand; Companies Target Local Logistics Hub

Construction rises with a minimal impact on vacancy. Drawn by Florida's household-friendly tax laws and warm climate, the metro is expected to see a substantial amount of net in-migration moving forward. Population gains should heighten consumer demand for essential goods, requiring necessity-based retailers to maintain or enlarge their distribution and warehouse footprints. However, large volumes of speculative construction underway will gauge existing tenant demand for newly-built space. As of June, roughly 40 percent of the space slated for year-end completion was unclaimed. Still, Miami's historically low vacancy rate suggests this construction is warranted and will be absorbed in short order.

Elevated cargo volumes at ports a boon for largest submarket.

PortMiami, Florida's largest cargo port, saw an increase in its container volume over the health crisis and reported its busiest cargo year in 2021. Global supply chain complications spurred companies to find routes that avoided vessel congestion, making South Florida ports increasingly attractive. Having added routes to Miami, vessel carriers may favor the port in the future. Additionally, Miami International Airport recorded an 18 percent rise in international freight in 2021. Consequently, the Miami Airport submarket registered a vacancy rate of 2.3 percent in the first quarter of 2022. This comes after last year saw the highest net absorption in the area since 2015. These locally tight conditions will remain as companies continue to seek space with access to major trade routes.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2022 Outlook



**72,500
JOBS**
will be created

EMPLOYMENT:

The first five months of 2022 saw over 28,000 new positions added in the metro, while the Miami-Dade unemployment rate continued its downward trajectory, entering June at 3.1 percent. The year-end employment gain will be 6.0 percent.



**5,800,000
SQ. FT.**
will be completed

CONSTRUCTION:

Delivery volume in 2022 will surpass the trailing five-year average by over 2.2 million square feet of space, as the metro logs its greatest supply increase in the last two decades. By year-end, metro inventory will have expanded by 2.7 percent.



**40
BASIS POINT**
increase in vacancy

VACANCY:

Elevated supply additions slightly outpace demand, translating to a moderate vacancy increase. Nevertheless, at 3.1 percent, the metro's year-end rate is 100 basis points below the 2019 posting.

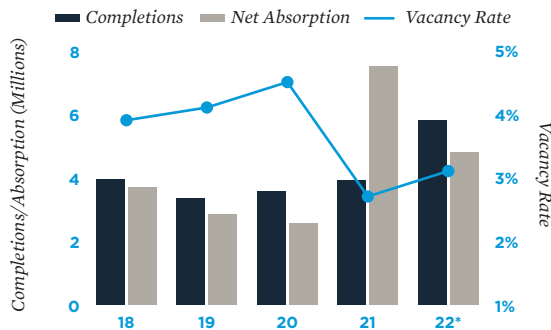


**8.2%
INCREASE**
in asking rent

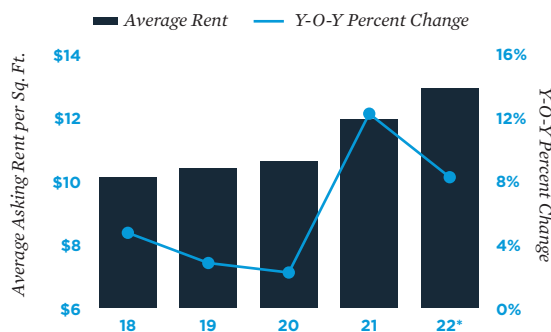
RENT:

After rising by 12.2 percent last year, the average asking rent is expected to climb by \$1 per square foot in 2022. At \$12.90 per square foot, the year-end recording will be on par with other South Florida markets.

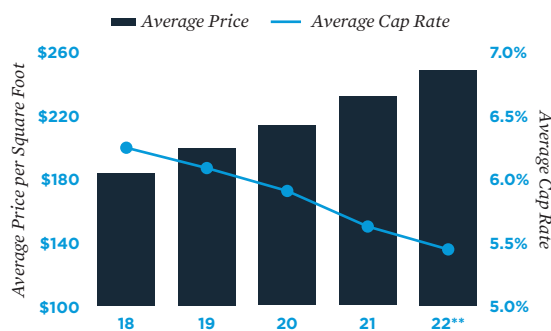
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial
Al Pontius

Senior Vice President, Director

Tel: (415) 963-3000 | apontius@ipausa.com

For information on national industrial trends, contact:

John Chang

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | jchang@ipausa.com

Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

3,159,000 sq. ft. completed

- Outlying Miami-Dade received the largest volume of deliveries in the trailing 12-month period ended in March as nearly 1.4 million square feet arrived. The submarket will add another 400,000 square feet by year-end.
- Medley and South Dixie Highway account for the bulk of deliveries in 2022, with over 1.3 million square feet coming online in each area.



VACANCY

150 basis point decrease in vacancy Y-O-Y

- Availability held at 2.7 percent from the fourth quarter of last year. Demand outpaced supply with the absorption of over 3 million square feet on a net basis over the last six months.
- Eight submarkets reported sub-3 percent vacancy in March, with conditions tightest in West Miami-Coral Terrace and Southwest Dade.



RENT

17.6% increase in the average asking rent Y-O-Y

- The largest four-quarter gain since at least 2000 elevated the metro's mean asking rent to \$12.65 per square foot.
- Among submarkets with over 20 million square feet of inventory, Miami Airport recorded the most pronounced rent increase. Here, the marketed rate rose 21.3 percent to an average of \$13.90 per square foot.

Investment Highlights

- Transaction velocity improved by 40 percent over the trailing 12-month period preceding April. Trading in the \$1 million to \$10 million tranche accounted for the bulk of recent deal flow. However, the last four quarters also logged a rise in \$20 million-plus closings. These larger warehouses and distribution centers are trading for \$180 to \$300 per square foot, depending on property specifics.
- The metro's overall mean sale price rose 14 percent during the 12-month period ended in March to \$248 per square foot. In that same time frame, Miami-Dade's average cap rate compressed 40 basis points to 5.4 percent. This tightening yield margin has the potential to impact the metro's elevated deal flow as interest rates rise.
- Hialeah and Miami Airport submarkets witnessed the highest number of trades in 2021. Hialeah noted transactions primarily in the \$80 to \$170 per square foot range, while Miami Airport properties typically changed hands for \$150 to \$250 per square foot. Warehouses were the most prevalent property traded, as both submarkets provide quick access to the airport and the Miami Intermodal Center. Supply chain pressures may further draw investors into these well-connected areas.