

MARKET REPORT

INDUSTRIAL

Miami-Dade Metro Area

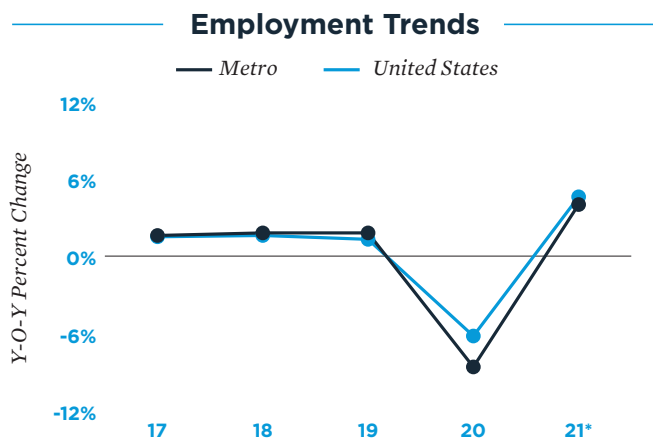
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2Q/21

Vacancy to Fall as the Revival of Global Trade Buoy Leasing, But Submarket Conditions Differ

Resurgence in global trade a boon for airport area demand. International logistics firms are driving leasing as a recovery in freight volume across borders via air and sea underpins demand for facilities in the metro. Buildings near the Miami International Airport are a top priority for companies involved in the global supply chain. Since fourth quarter of 2020, tenants have keyed in on the submarket, with 1.4 million square feet absorbed there from October to March. Transportation and cargo storage firms including Kuehne + Nagel, Continental Global Logistics, and Ifs Neutral Maritime Service committed to 50,000-square-foot-plus spaces by the airport during that time.

Supply pipeline not a major concern, with exception of Medley. Although Miami-Dade will receive its largest annual influx of space in more than two decades this year, the pace of inventory growth in the market will align with the anticipated 1.9 percent stock expansion for the entire U.S. in 2021. Furthermore, over half of the space slated to open in the metro this year has pre-leasing commitments. This includes two of the largest projects in the pipeline, a pair of buildings in Hialeah, combining for 1 million square feet, both inked to Home Depot. The Medley submarket, however, may face supply pressure. Nearly 1.3 million square feet of available space will finalize here in 2021 across five speculative properties, highlighted by the 501,000-square-foot Miami 27 Business Park-Building 1.



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2021 Outlook



**45,000
JOBS**

will be created

EMPLOYMENT:

The pace of job creation will be slightly below the national rate as Miami-Dade's payrolls increase by 4.0 percent in 2021. Notably the trade, transportation and utilities sector was responsible for one-fourth of the 105,600 positions shed last year.



**4,200,000
SQ. FT.**

will be completed

CONSTRUCTION:

Delivery volume will surpass the 4 million-square-foot threshold for the first time since 1999. Market stock is anticipated to grow by 2 percent with the majority of completions in the Western portion of the metro near the Ronald Reagan Turnpike.



**30
BASIS POINT**

decrease in vacancy

VACANCY:

The 4.2 million square feet expected to come online in 2021 will be overcome by strengthening demand. An estimated 4.6 million square feet will be absorbed, allowing the vacancy rate to fall to 4.9 percent. Availability increased in each of the past two years.



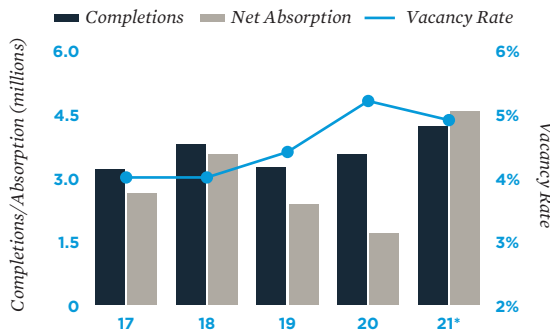
**3.3%
INCREASE**

in asking rent

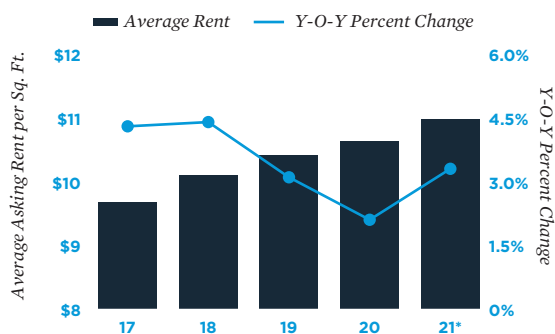
RENT:

Robust demand paired with new high-quality space entering the leasing market supports rent growth for the 11th consecutive year, reaching \$10.98 per square foot in 2021. Over the past decade, the average annual rate jump has been 4.5 percent.

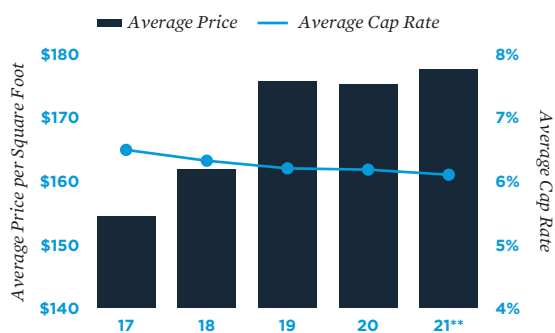
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q
Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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1Q21 – 12-Month Period



CONSTRUCTION

4,361,000 square feet completed

- Inventory expanded by 2.1 percent over the 12-month period ending in March, exceeding the 1.5 percent jump that occurred one year prior.
- As of May, roughly 3.3 million square feet was under construction with expected finalization dates extending into next year. The Medley submarket is responsible for 1.3 million square feet in the pipeline.



VACANCY

10 basis point decrease in vacancy Y-O-Y

- Net absorption of 4.5 million square feet over the past four quarters dropped the vacancy rate to 4.7 percent in March.
- The Miami Airport area, the largest submarket by inventory, posted a 90-basis-point reduction in availability year over year. Net absorption here totaled 1.0 million square feet, nearly tripling supply additions.



RENT

2.7% increase in the average asking rent Y-O-Y

- Miami-Dade’s average asking rent moved up to \$10.84 per square foot in the first quarter, following a 5.5 percent spike one year earlier.
- Every submarket with inventory greater than 25 million square feet noted a rent gain over the past year. The Medley, Miami Airport and Hialeah submarkets had rate hikes of at least 5 percent.

Investment Highlights

- Limited trading of industrial assets during the second and third quarters of 2020 resulted in annual deal flow ended in March dropping 8 percent. During the last six months of the period, however, transaction velocity returned to the level recorded prior the health crisis.
- Properties that changed hands over the past 12-months ending in the first quarter had an average sale price of \$177 per square foot, roughly 1 percent higher than the previous year. The average cap rate fell 10 basis points to 6.1 percent, maintaining Miami-Dade’s position as the market with the lowest mean first-year return in Florida.
- Hialeah is the submarket buyers are favoring for Class B/C warehouses, with a 20-plus property portfolio transaction to an out-of-state investor boosting recent deal flow.
- Buyers seeking upside in high-vacancy buildings and redevelopment opportunities are focused on the urban core of Miami. Class C assets smaller than 20,000 square feet and built prior to 1980 change hands here despite entry costs that often exceed \$300 per square foot.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Note: Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics
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