



AVISON
YOUNG

Miami market fundamentals

FLORIDA INDUSTRIAL MARKET REPORT
Q3 2021

Key industrial takeaways



Economic conditions

- South Florida’s economy continued to rebound during the third quarter with the unemployment rate declining to **5.6%** as of August 2021, an 810-basis point drop from the high of 13.7% in May 2020.
- Industrial jobs in South Florida have increased by **4.1%** year-over-year as of August 2021. The strongest growth has been within the transportation, warehousing and utilities sector, which increased by **8.1%**.
- Inflation rates have increased sharply in South Florida by **4.2%** since August 2020. The most significant increase was in energy prices, which have risen by 24.1%.



Recovery rate

- According to recently released 2Q21 data from the Bureau of Economic Analysis, Florida’s GDP grew by **6.7%** over the quarter, which is on par with the average for the U.S. The real estate and leasing sector grew by 0.95% over the quarter and the construction and wholesale industries also made some positive gains, growing by 0.41% and 0.22% respectively.



Industrial demand

- Year-to-date leasing activity has already surpassed total leasing activity recorded in 2020 and is up **1.1%** with one quarter in the year left to go. Leasing demand has been strongest amongst wholesale, logistics, and retail tenants.
- Net absorption blew past previous historical highs and has reached a new record high of **5.4 million sf**.
- Industrial occupiers have been seeking larger blocks of space and as a result the average lease size for new leases signed increased to **94,942 sf** as of September 2021.

Key industrial takeaways



Industrial supply

- Development activity has returned in full force after construction starts took a brief pause during 2020. Currently there are **26 properties** totaling **5.8 million sf** under construction and several new projects are expected to break ground by the end of 2021.
- While **50.8%** of the current large block supply falls within 20,000 to 50,000 sf, demand has picked up in this size range as well with the number of large blocks decreasing from 72 blocks to 66 blocks, quarter-over-quarter. Large blocks of 100,000 sf or greater have become increasingly scarce. Tenants have been particularly interested in industrial availabilities that include a non-shared truck court and clear heights of 36 feet or greater.



Pricing trends

- Asking rents have increased dramatically by **14.2%** since year-end 2019. Historically low vacancies have allowed landlords to push asking rates to new heights and some landlords, particularly in the Airport West submarket, are now asking above \$10.00 NNN.



Capital markets

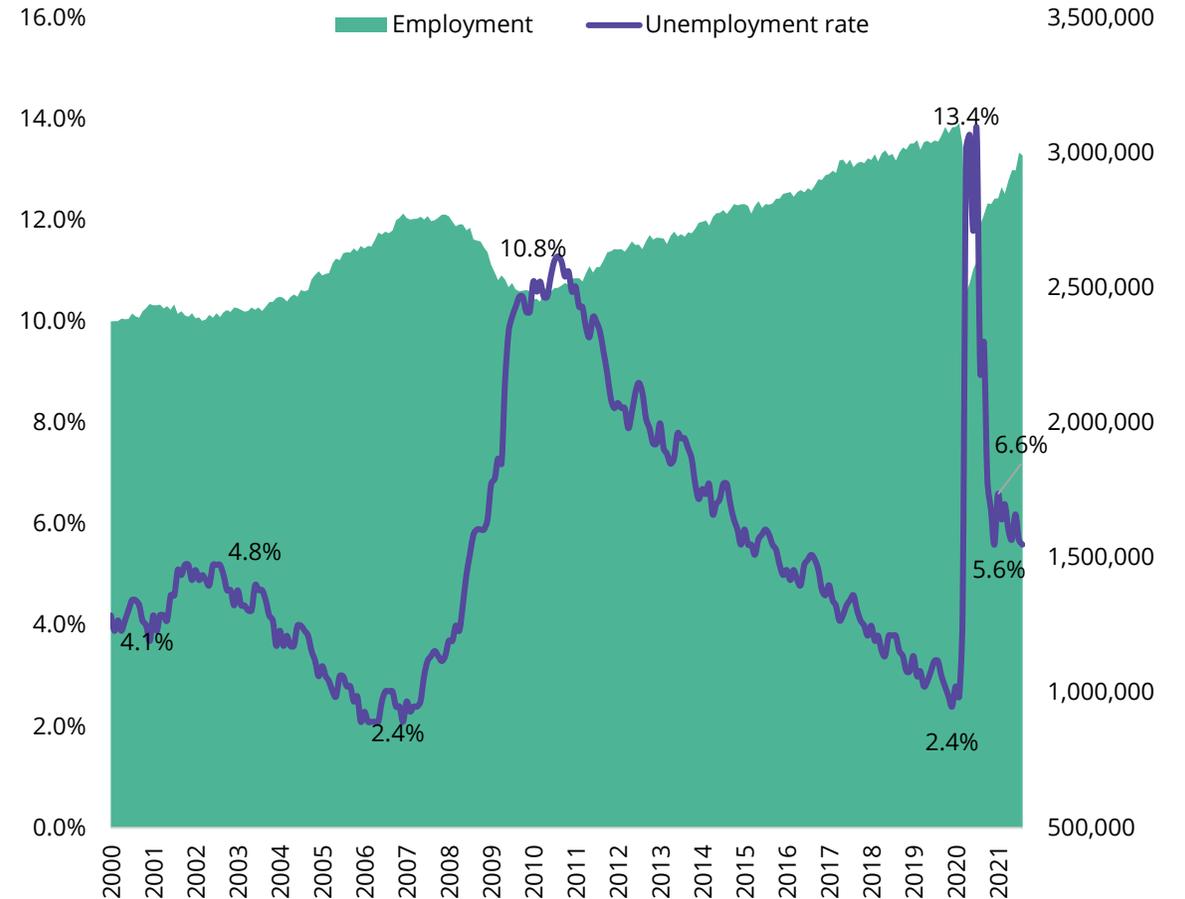
- Investment in industrial assets in Miami has been robust throughout 2021 and total volume for the year-to-date is **\$1.1B**, up **31.6%** from total investment volume in 2020. Investors remain bullish on well-located industrial assets.
- Industrial asset pricing has seen an increase of **22.1%** since March 2020 with the average price per sf rising to **\$149 per sf**. Tightening supply, a significant rise in rental rates, and growing construction costs have been driving up the price of industrial assets.

Employment and unemployment rate

5.6%

South Florida unemployment rate as of August 2021, a sharp decline from the height of the pandemic

Before the pandemic, unemployment was at historical lows. The economy has added back over 509,602 jobs since 2020, up 20.5%, and unemployment has declined by 780 basis points to near pre-pandemic levels.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

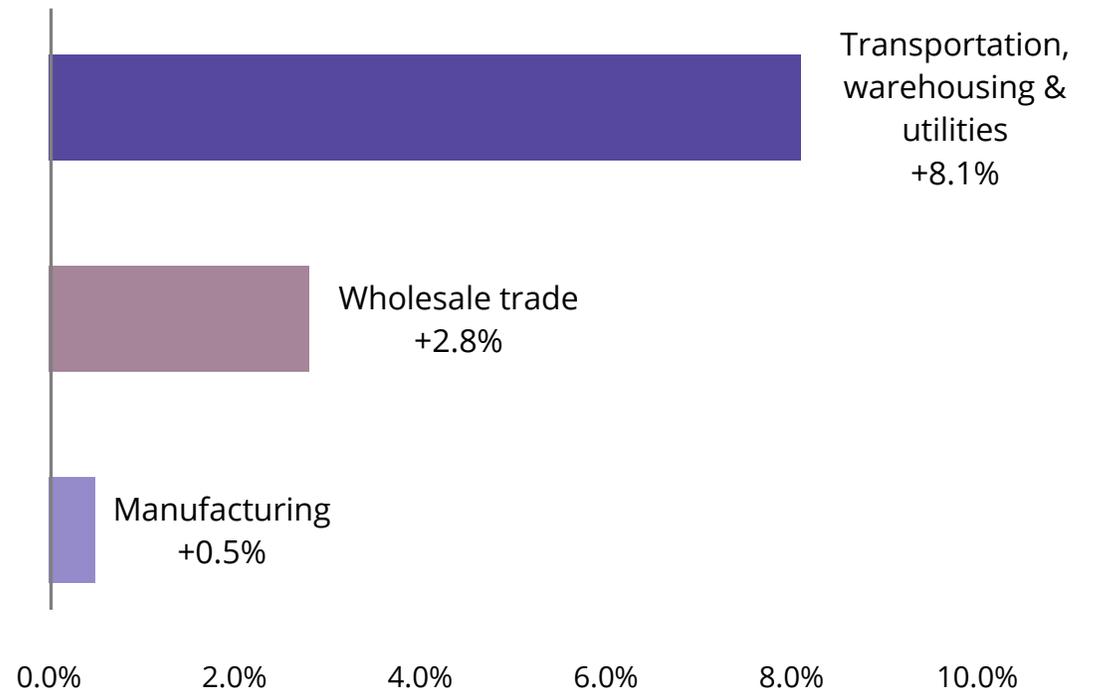
+4.1%

Change in industrial employment from August 2020 to August 2021

The South Florida metro area has experienced job additions totaling 4.1% over the trailing 12 months ending in August, particularly in the critical areas of transportation and logistics. These job gains have remained strong throughout the year, with the transportation, warehousing and utilities sector growing by 8.1%.

Total change in South Florida MSA* job gains/(losses)

August 2020 to August 2021



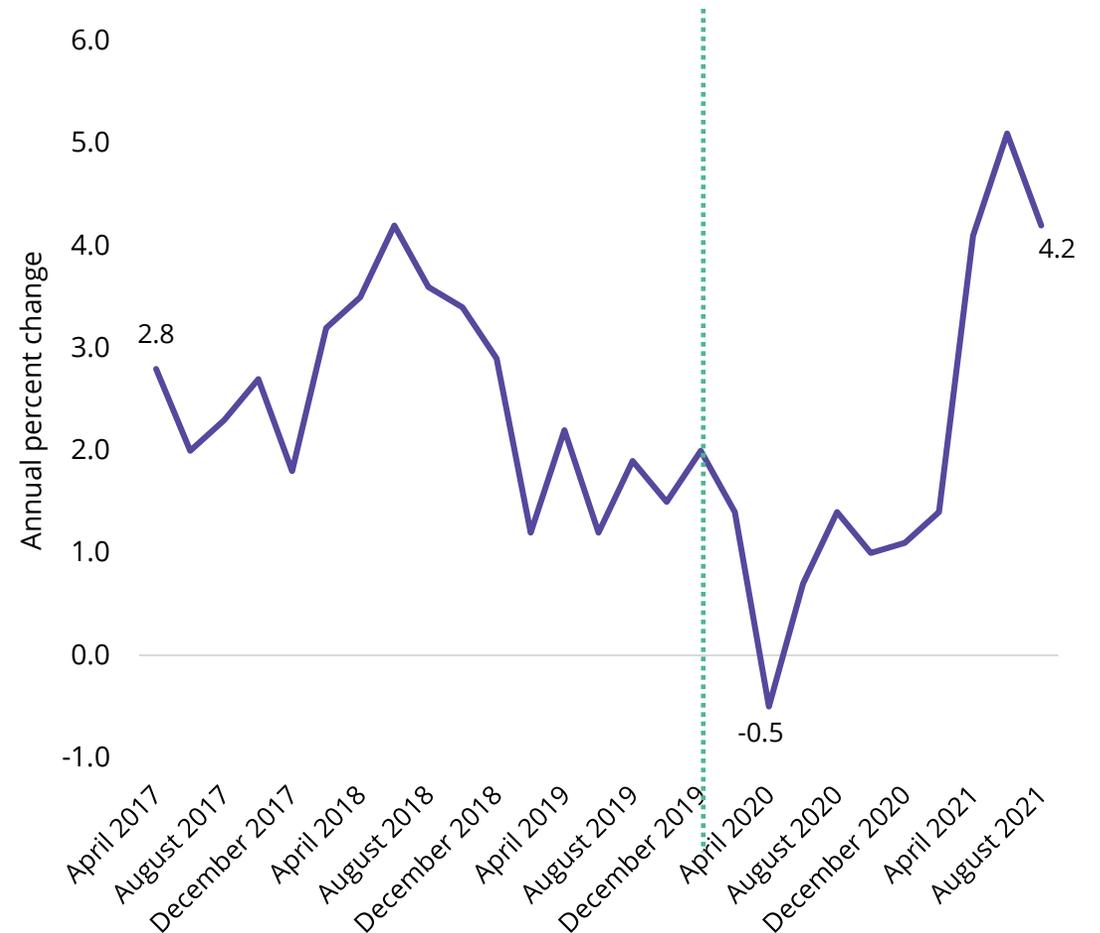
Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Inflation rates

+4.2%

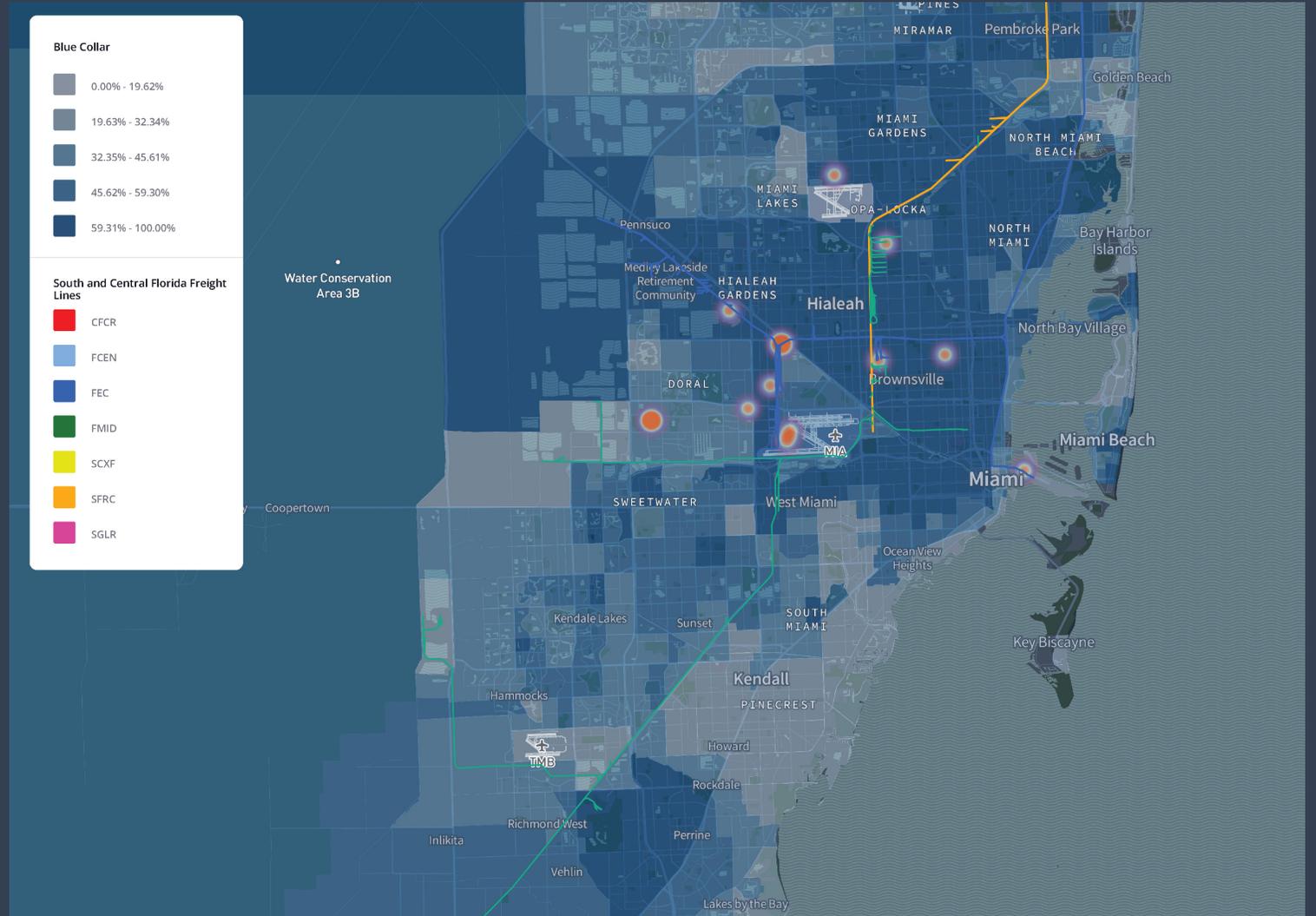
Year-over-year change in Consumer Price Index for South Florida, all items

South Florida consumer prices have increased sharply since the onset of the pandemic. Despite stabilizing near the end of 2020, lingering supply chain disruptions have contributed a sustained rise in inflation levels. As of August 2021, South Florida housing prices increased by 3.5% year-over-year, but the most notable impact on inflation has been energy prices which have soared by 24.1%.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Freight rail & intermodal facilities



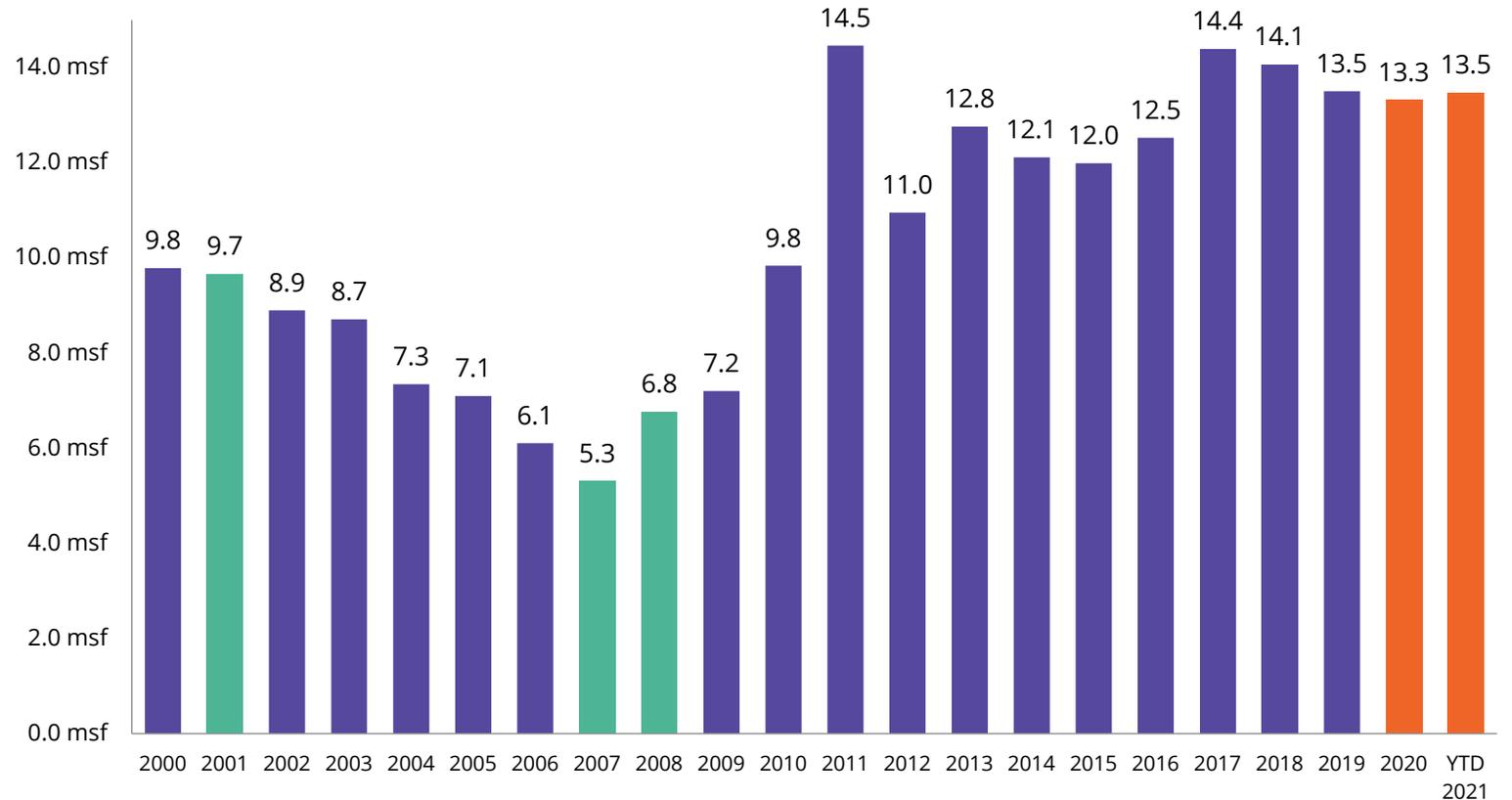
Source: AVANT by Avison Young, ESRI
Intermodal facilities are clustered around seaport submarkets and major throughout corridors, with Class I rail lines providing connectivity throughout the country

Industrial leasing activity

+ 1.1%

Year-to-date 2021 leasing activity is up compared to total 2020 activity

Demand for quality logistics space remains strong in Miami with leasing activity for the year-to-date already slightly surpassing total 2020 activity with one quarter in the year still left to go.



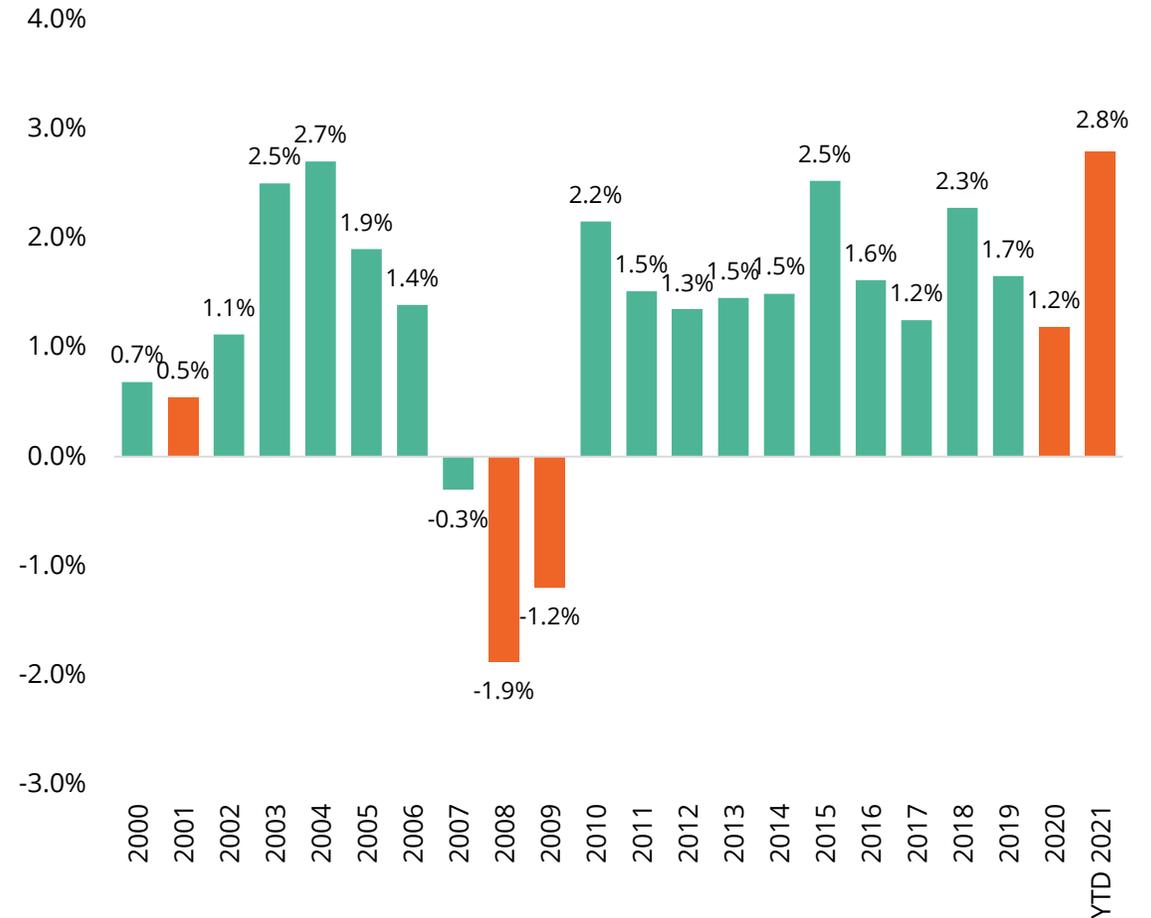
Source: CoStar

Industrial net absorption

2.8%

Net absorption as a percentage of inventory, through Q3 2021

Miami’s industrial market blew through previous historical net absorption records during the third quarter with net absorption reaching 5.4 million sf for the year-to-date, a 20-year record high for the market. Demand from e-commerce and logistics companies has been robust and large blocks of existing supply above 100,000 sf are becoming increasingly scarce.



Note: Absorption is measured as the year-over-year change in occupied square feet.
Source: CoStar

Industrial vacancy rate

3.6%

Vacancy drops to a historical low during Q3 2021

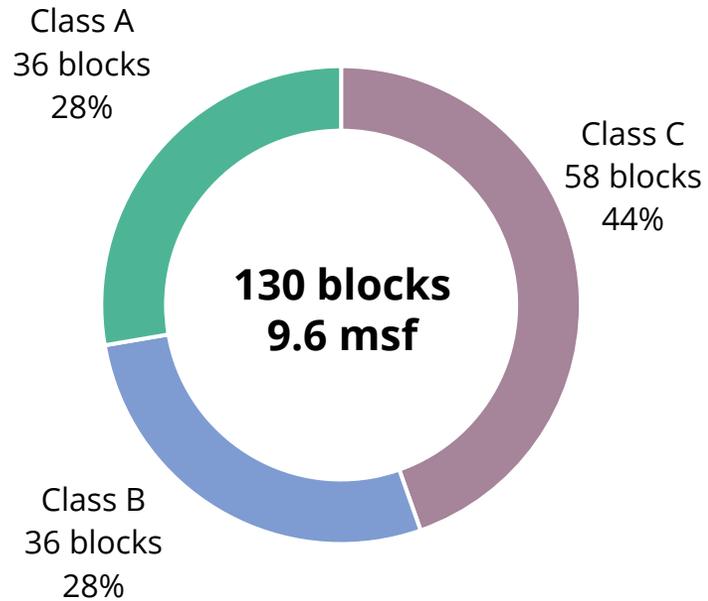
Miami’s overall vacancy fell below 4.0% for the first time since 2016 and reached a historical low of 3.6% as demand continues to outpace supply. Even with 5.8 million sf currently under construction, the market shows no signs of over-building and pre-leasing activity remains strong.



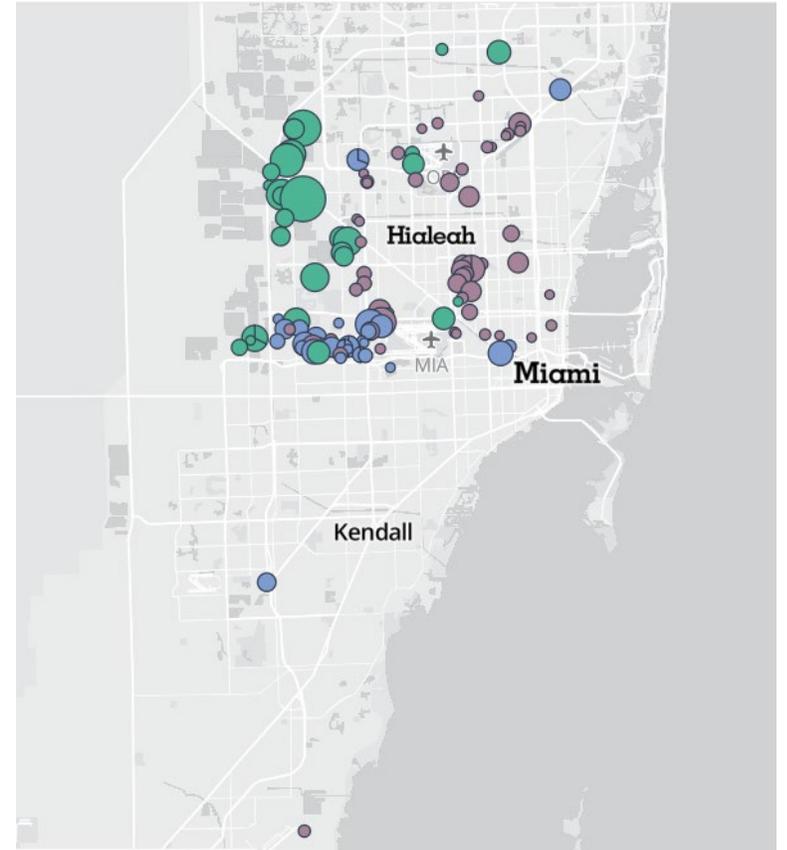
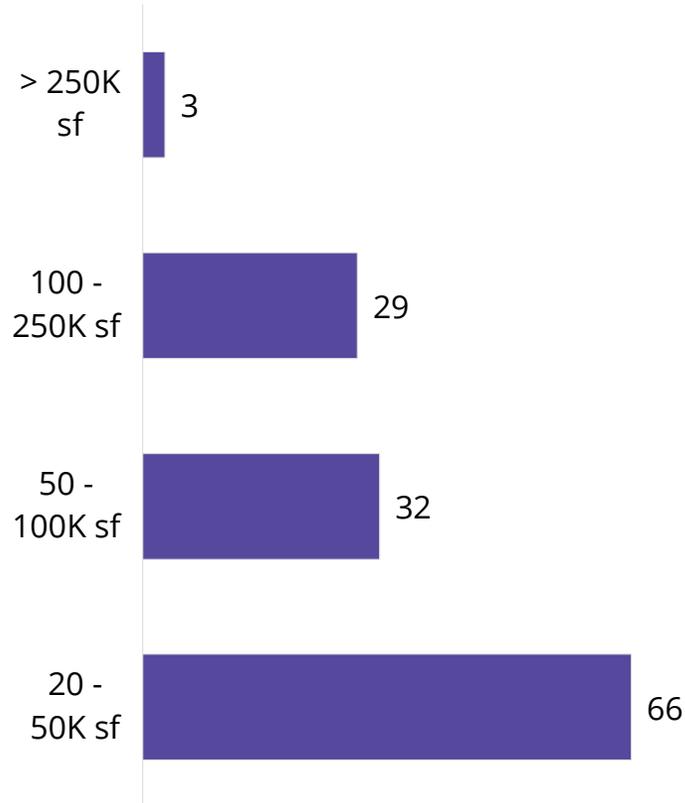
Source: CoStar

Industrial large-block availabilities

Building class



Space size ranges



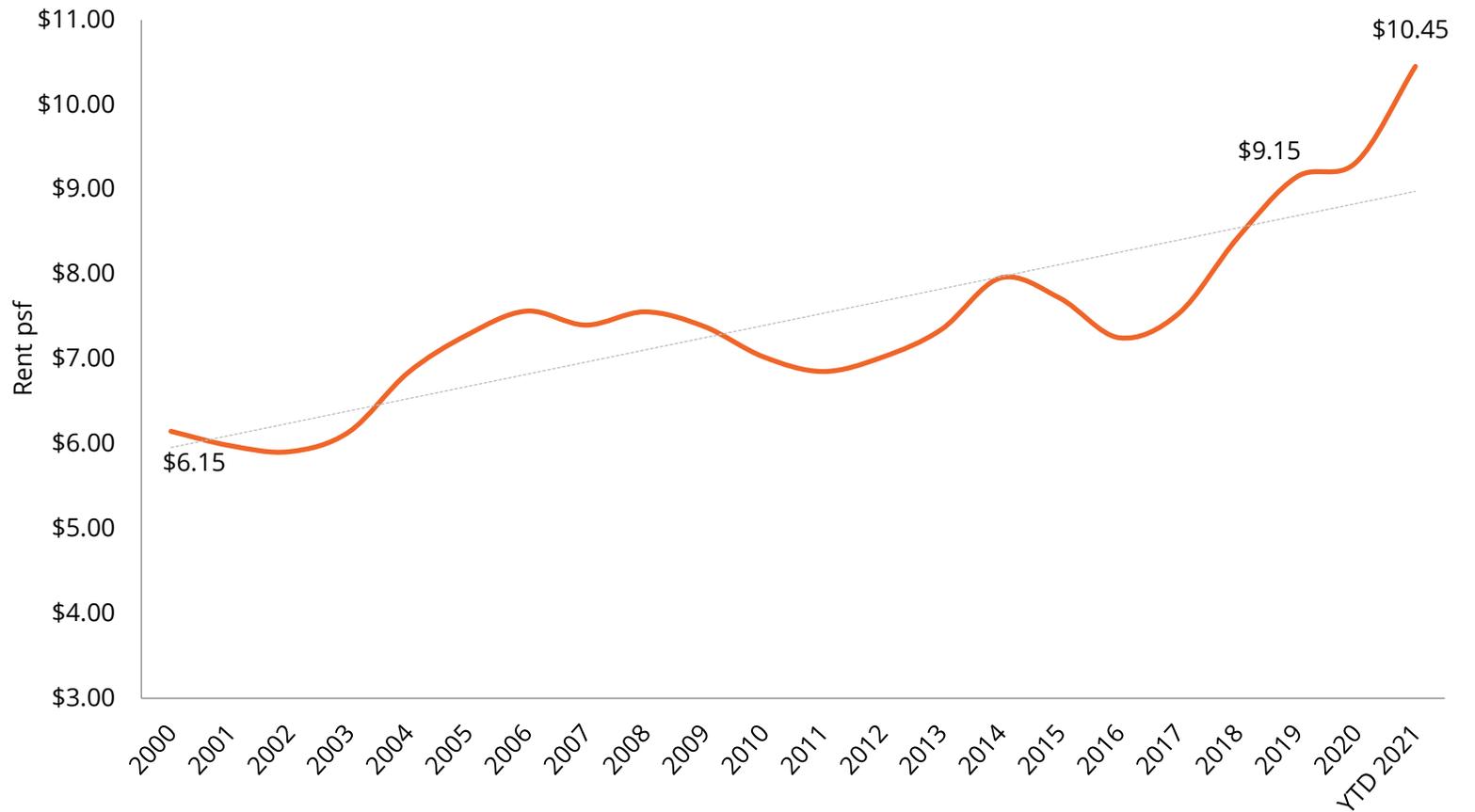
Source: AVANT by Avison Young

Asking rents

+ 14.2%

Asking rents since the onset of the pandemic

Asking rents have risen dramatically over the last few years, increasing by 14.2% since year-end 2019. Scarce supply of class A logistics space has allowed landlords to push rates to new heights, some even asking above \$10.00 NNN in the Airport West submarket.



Source: AVANT by Avison Young

Industrial development pipeline

98 properties

proposed or under construction

27.0 msf

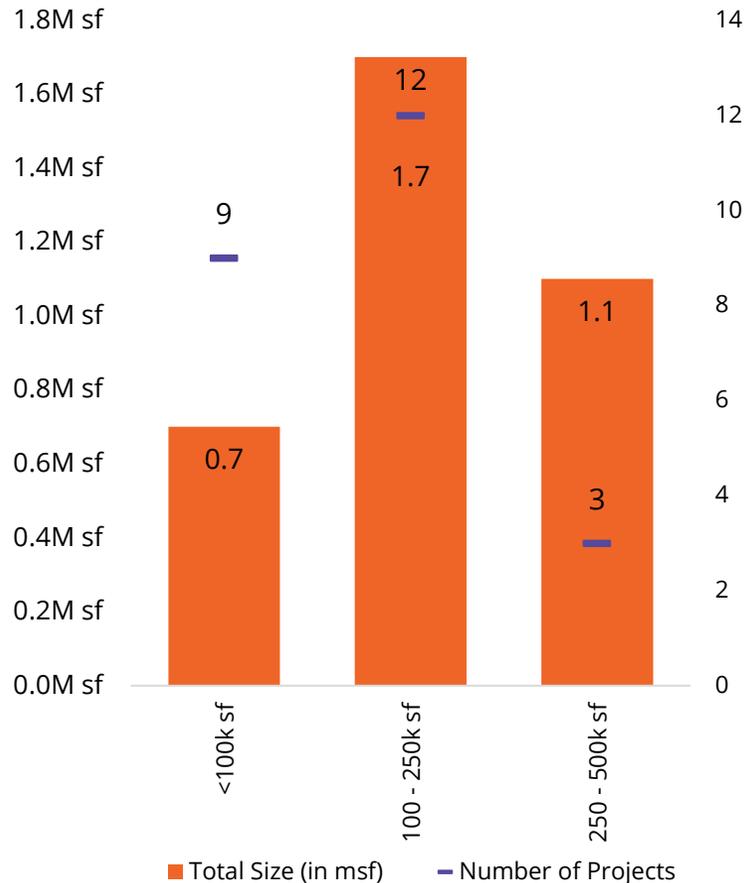
proposed or under construction

15.3%

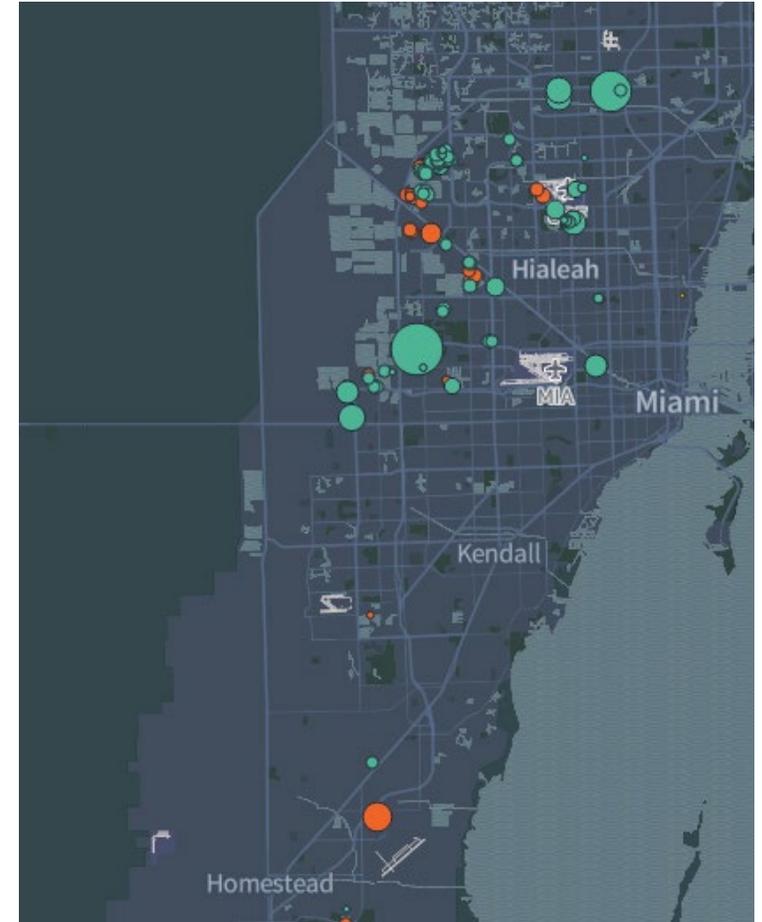
share of industrial inventory

Medley

submarket with the most development under construction at 2.2 msf



Source: AVANT by Avison Young



Investment dollar volume

\$1.1B

Industrial dollar volume,
year-to-date 2021

Industrial investment activity has been strong throughout 2021 with total volume at \$1.1 billion year to date, up 31.6% when compared with total 2020 investment volume. Investors remain bullish on strategically located assets.



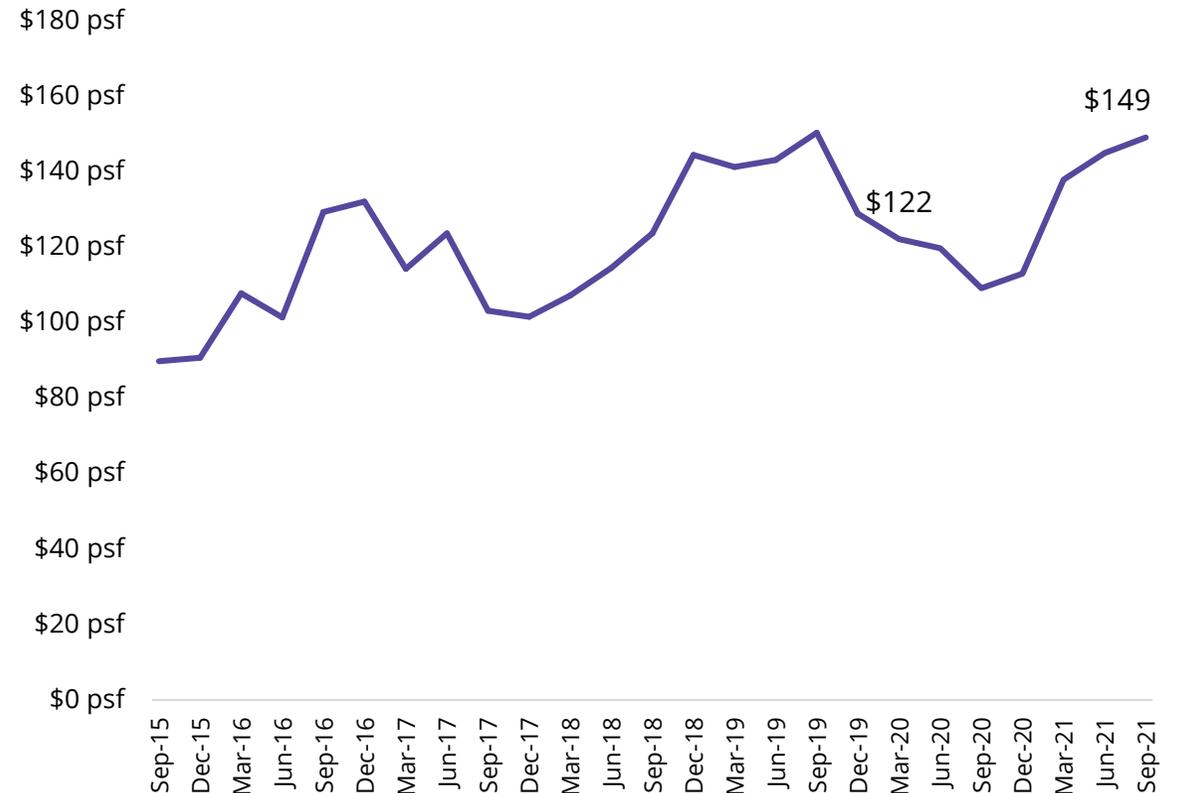
Source: AVANT by Avison Young
RCA

Industrial asset pricing

+22.1%

**Miami industrial pricing,
March 2020 to September 2021**

Pricing for Miami industrial assets has increased by a notable 22.1% since the onset of the pandemic. Increased investor appetite amid limited supply and rising rental rates have been driving up the pricing for industrial assets.



Source: AVANT by Avison Young
RCA

Looking forward



Here's what we can expect

- The Miami industrial market has been on fire since the onset of the pandemic and shows no sign of slowing down any time soon. **Asking rates will continue to escalate** as robust demand further tightens vacancies and new developments begin to hit the market quoting premium rates.
- With **construction activity back in full force** during the third quarter, several projects are expected to break ground by the end of the year. Paused construction starts in 2020 allowed for vacancies to tighten in 2021 as slightly fewer deliveries hit the market, however **pent-up demand** will translate into record construction deliveries in 2022 and 2023.
- Some landlords are beginning to offer **shorter lease terms** in an effort to play the long-term market and avoid locking in a lower rate with a fixed rate renewal option.
- Institutional investment will continue to flock to Miami's industrial market amid strong fundamentals and a growing population. **Year-to-date institutional investment is up 3.2%** from year-end 2020. As supply of land continues to dwindle, developers will seek out well-located tired or obsolete sites for infill development.



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Let's talk

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