

Miami’s industrial market exhibits strength amid accelerated e-commerce sales

Despite challenges presented to most property sectors by the pandemic, the industrial market continues to outperform due to an accelerated increase in e-commerce sales and demand for same-day or next-day delivery. Miami’s industrial market is no exception and continued to charge forward during the third quarter recording 1.2 million sf in positive net absorption for the year-to-date.

Although there were a handful of significant speculative deliveries during the third quarter, overall vacancy declined by 33 basis points (bps) over the quarter to 4.25%. Demand for large blocks of industrial space above 100,000 sf has been very strong throughout the quarter, however smaller spaces ranging from 20,000 sf to 50,000 sf have been increasingly coming back onto the market. While some smaller tenants have closed operations as a result of the virus, other tenants have expanded their operations and relocated within the market, leaving behind space at class B or C buildings that has been harder to backfill.

Leasing activity near pre-COVID levels

While leasing activity stalled slightly during the second quarter, it has seen a strong recovery with the third quarter’s volume down only 9.5% when compared with the same quarter one year prior. Leasing activity has been fueled by strong growth in the logistics and food and beverage

industries. Amazon in particular, has been extremely active during the pandemic signing over 3.5 million sf in South Florida since the beginning of the second quarter alone. According to a report by IBM’s U.S. Retail Index, the pandemic has accelerated the shift to e-commerce by five years.

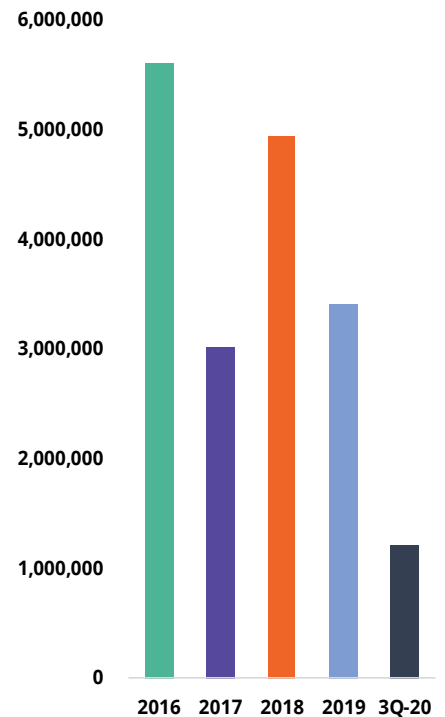
Investment activity in Northwest and Northeast Dade

Investors remain confident in Miami’s industrial market, particularly in Northwest Dade and Northeast Dade where development activity has experienced significant growth due to the scarcity of developable land. Northeast Dade has been garnering some strong attention as of late due to its close proximity to major population centers. Investor interest in dirt has also been strong with several land deals taking place throughout the quarter.

Looking ahead toward 2021

Miami’s industrial market remains well-positioned for strong growth heading into 2021. Market fundamentals remain sound and developers remain bullish as they move forward with planned speculative projects. Even with increased online ordering during the pandemic, e-commerce still only accounted for 15.1 percent of retail sales according to data released by the US Census Bureau, leaving plenty of room for runway in the coming years.

Historical 5-Year Net Absorption Trend



416,864 sf
delivered in Hialeah during 3Q20 with the completion of Miami Axis Park

189.9 MSF

Total inventory in the Miami Industrial market

1,211,317 SF

Direct Y-T-D net absorption as of 3Q-2020

4.25%

Overall vacancy

\$8.36/SF/NNN

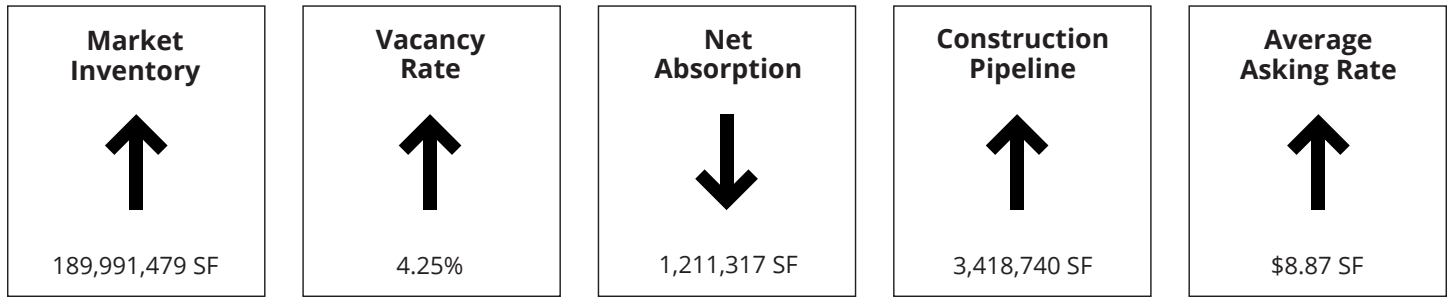
Average rental rate for industrial space (excluding flex)

Market by the numbers

Miami-Dade County										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	41,092,444	2,753,761	171,202	\$8.17	93.30%	6.70%	0.42%	7.12%	2,569,191	980,057
Flex	17,234,095	594,331	27,347	\$14.48	96.55%	3.45%	0.16%	3.61%	0	151,282
Manufacturing	23,205,219	202,073	119,446	\$6.26	99.13%	0.87%	0.51%	1.39%	0	346,948
Warehouse / Distributi	108,459,721	3,576,967	628,448	\$8.63	96.70%	3.30%	0.58%	3.88%	849,549	(266,970)
Total	189,991,479	7,127,132	946,443	\$8.87	96.25%	3.75%	0.50%	4.25%	3,418,740	1,211,317
Airport West										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	12,320,416	336,267	17,385	\$10.27	97.27%	2.73%	0.14%	2.87%	189,958	606,277
Flex	8,679,150	353,231	22,547	\$13.84	95.93%	4.07%	0.26%	4.33%	0	89,016
Manufacturing	3,413,165	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	40,000
Warehouse / Distributi	42,881,864	1,765,306	463,603	\$9.14	95.88%	4.12%	1.08%	5.20%	181,533	(668,226)
Total	67,294,595	2,454,804	503,535	\$9.97	96.35%	3.65%	0.75%	4.40%	371,491	67,067
Central Dade										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Flex	873,516	86,787	0	\$16.68	90.06%	9.94%	0.00%	9.94%	0	3,448
Manufacturing	1,598,097	13,300	0	\$10.00	99.17%	0.83%	0.00%	0.83%	0	19,360
Warehouse / Distributi	6,006,875	204,293	0	\$8.91	96.60%	3.40%	0.00%	3.40%	0	(110,893)
Total	8,478,488	304,380	0	\$11.18	96.41%	3.59%	0.00%	3.59%	0	(88,085)
Hialeah										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	1,604,280	246,307	0	\$8.35	84.65%	15.35%	0.00%	15.35%	0	(32,900)
Flex	198,755	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	6,375,261	75,226	47,000	\$4.89	98.82%	1.18%	0.74%	1.92%	0	281,788
Warehouse / Distributi	12,355,174	469,709	41,753	\$8.49	96.20%	3.80%	0.34%	4.14%	0	56,208
Total	20,533,470	791,242	88,753	\$8.11	96.15%	3.85%	0.43%	4.29%	0	305,096
Kendall										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Flex	2,244,217	32,057	0	\$13.69	98.57%	1.43%	0.00%	1.43%	0	48,094
Manufacturing	751,598	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distributi	5,715,479	62,076	27,913	\$9.77	98.91%	1.09%	0.49%	1.57%	0	44,038
Total	8,711,294	94,133	27,913	\$11.10	98.92%	1.08%	0.32%	1.40%	0	92,132
Medley										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	15,981,443	1,055,376	153,817	\$7.66	93.40%	6.60%	0.96%	7.57%	312,251	(86,011)
Flex	933,348	10,523	0	\$15.33	98.87%	1.13%	0.00%	1.13%	0	19,127
Manufacturing	3,450,535	66,547	0	\$7.50	98.07%	1.93%	0.00%	1.93%	0	0
Warehouse / Distributi	11,532,545	445,409	15,324	\$8.25	96.14%	3.86%	0.13%	4.00%	247,546	7,407
Total	31,897,871	1,577,855	169,141	\$7.87	95.05%	4.95%	0.53%	5.48%	559,797	(59,477)
Northwest Dade										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	4,255,868	74,907	0	\$7.94	98.24%	1.76%	0.00%	1.76%	1,620,089	109,304
Flex	1,368,770	9,900	4,800	\$10.95	99.28%	0.72%	0.35%	1.07%	0	20,023
Manufacturing	2,339,874	0	42,000	\$0.00	100.00%	0.00%	1.79%	1.79%	0	0
Warehouse / Distributi	7,583,683	402,707	79,855	\$6.91	94.69%	5.31%	1.05%	6.36%	420,470	155,971
Total	15,548,195	487,514	126,655	\$7.15	96.86%	3.14%	0.81%	3.95%	2,040,559	285,298
Northeast Dade										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	6,649,925	1,040,904	0	\$7.99	84.35%	15.65%	0.00%	15.65%	446,893	383,387
Flex	2,049,636	98,611	0	\$15.52	95.19%	4.81%	0.00%	4.81%	0	(26,404)
Manufacturing	4,912,342	47,000	30,446	\$5.65	99.04%	0.96%	0.62%	1.58%	0	5,800
Warehouse / Distributi	19,098,332	213,030	0	\$8.05	98.88%	1.12%	0.00%	1.12%	0	223,826
Total	32,710,235	1,399,545	30,446	\$8.45	95.72%	4.28%	0.09%	4.37%	446,893	586,609
South Dade										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	280,512	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Flex	886,703	3,222	0	\$10.80	99.64%	0.36%	0.00%	0.36%	0	(2,022)
Manufacturing	364,347	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distributi	3,285,769	14,437	0	\$9.32	99.56%	0.44%	0.00%	0.44%	0	24,699
Total	4,817,331	17,659	0	\$9.59	99.63%	0.37%	0.00%	0.37%	0	22,677

Reporting Methodology: This report includes all industrial buildings and parks 20,000 SF and greater in Miami-Dade County that are not government owned. All rents are reported on a triple-net basis and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Leading Indicators (Y-O-Y Q3-2019 to Q3-2020)



Significant Third Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Amazon	Prologis MIA Business Center 5	New	209,601	Airport West
DHL	1801 NW 82nd Ave	Renewal	201,347	Airport West
Monat	10000 NW 15th Ter	New	200,000	Airport West
Intcomex	Miami 27 - Building 2	New	160,793	Medley
Schenker	Beacon Lakes - Building 30	Renewal	149,935	Airport West
Prime Source Building Products	Flagler Station - FLW2	Renewal	138,600	Medley
Estes Express	Miami International Tradeport - Building 3	Sublease	113,723	Medley
USPly	104th Industrial Center	New	98,478	Medley

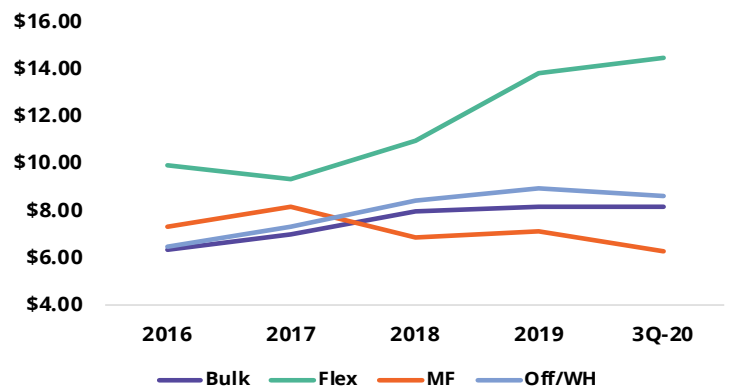
Significant Third Quarter 2020 Sales Transactions - Sorted by SF

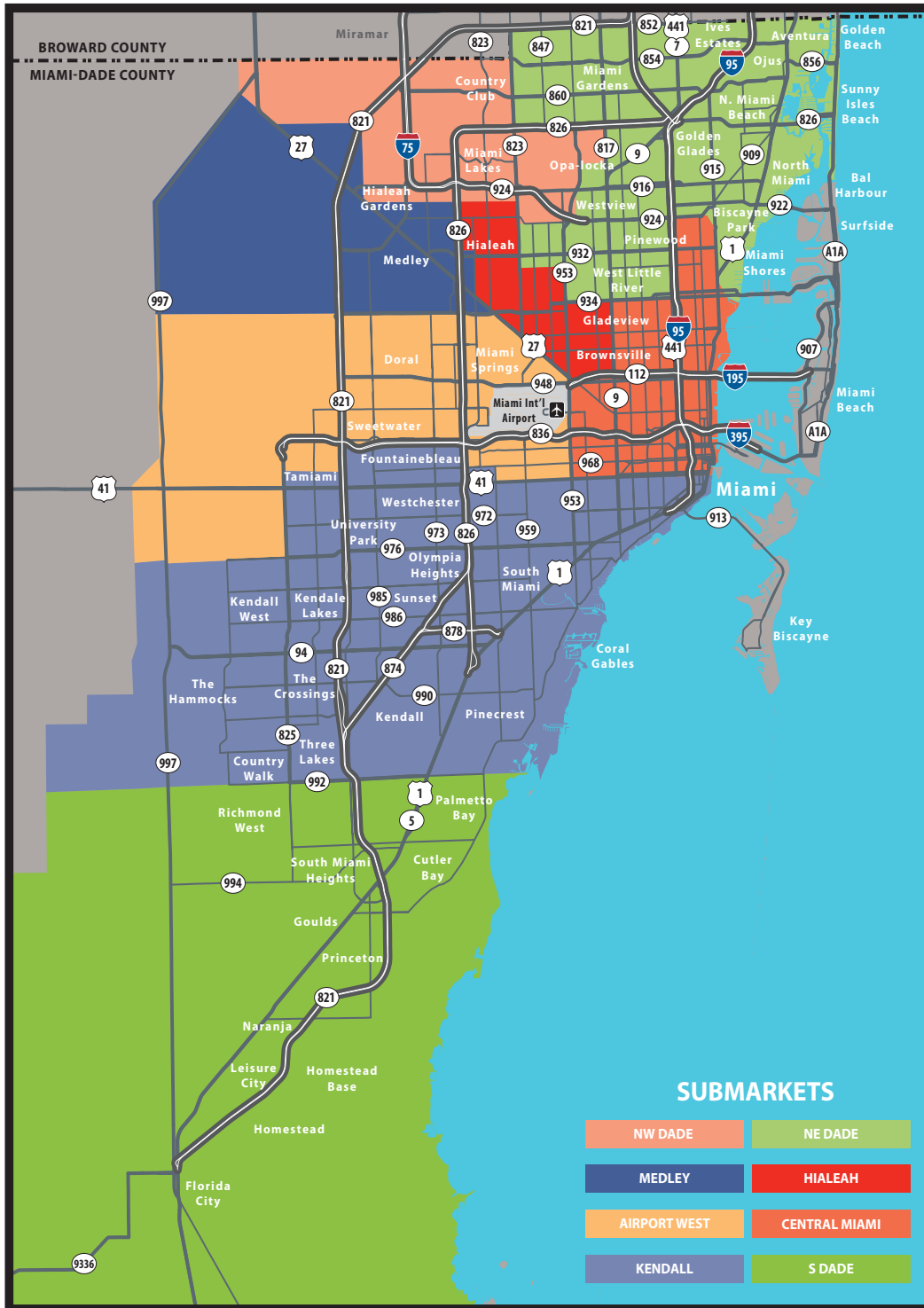
Property	SF	Sale Price	Price/SF	Buyer	Submarket
14100 NW 160th Ave	192,454	\$22,200,000	\$115	Brookfield Properties	Northwest Dade
Elion Partners FL Portfolio*	179,438	\$20,300,000	\$133	Blackstone/Link Logistics	Northeast Dade
650 NE 185th St	80,000	\$13,250,000	\$165	Ivy Realty	Northeast Dade

*Denotes a 13-building portfolio sale in Florida totaling \$93.5 million.

Asking rents hold steady as demand remains strong and new construction delivers

The overall asking rate (excluding flex) inched up to \$8.36 per sf (+\$0.07) over the quarter as landlords held rates steady. Hialeah experienced some of the strongest rent growth with overall rate (excluding flex) increasing to \$8.11 per sf (+\$0.91) with the delivery of Miami Axis Park during the third quarter.





Miami Market Contacts

Wayne Schuchts
Principal
305.607.3845
wayne.schuchts@avisonyoung.com

Tom Viscount
Principal
954.903.1810
tom.viscount@avisonyoung.com

David Spillers
Vice President
305.447.7856
david.spillers@avisonyoung.com

Bobby Benton
Brokerage Services
954.903.1811
bobby.benton@avisonyoung.com

**Get more
market
information**

Evie Linger
Research Analyst
+1 954 903 3714
evie.linger@avisonyoung.com

Avision Young - Fort Lauderdale
500 W Cypress Creek
Suite 350
Fort Lauderdale, FL 33309

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