
3Q24

Miami-Dade County Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate increased from the all-time historical low in the first quarter, increasing by 70 basis points year over year to 2.4% but remaining well below the five-year average of 4.1%
- Although job growth pace has flattened compared with recent highs to 2.3% year over year, employment growth continues to significantly outpace pre-pandemic levels, with August 2019 growth at 1.9%.
- All sectors, except information, financial activities, and manufacturing reported employment growth, with mining and construction leading job gains at 10.8% over the past 12 months.
- Industrial-using jobs in the market experienced declines, with manufacturing and trade/transportation/utilities jobs growth at -2.8% and 0.1% year over year, respectively.

Major Transactions

- Starboard Holdings signed the largest deal of the third quarter of 2024, renewing and contracting to 184,968 SF of space at Flagler Station – Building 34.
- Six of the top ten deals this quarter were renewals, whereas in the prior quarter four of the top ten deals were renewals, expansions, or extensions.
- Four of the top ten largest leases in the third quarter of 2024 were in the Medley submarket, three were in the Hialeah/Hialeah Gardens submarket, two were in the Airport West submarket, and one was in the Airport East/East Central Miami-Dade submarket.

Leasing Market Fundamentals

- The market realized 94,424 SF of negative absorption in the third quarter of 2024, reflecting a 125.7% decline quarter over quarter. Slowly rebounding leasing activity as well as delayed buildout times for new tenants are primarily attributed to the temporary stay in positive absorption.
- Overall rental rates declined by 0.3% quarter over quarter but grew by 2.3% year over year to \$15.41/SF.
- Construction deliveries totaled 767,162 SF in the third quarter of 2024 with 3.5 MSF of ongoing and newly-started projects under construction.
- Supply continued to outpace demand through the third quarter of 2024 and, as a result, vacancy has climbed to 4.5%, reflecting an increase of 30 basis points quarter over quarter. Of the space under construction, 3.6% is currently preleased, which indicates that the market is still bullish on speculative construction.

Outlook

- The Miami industrial market will see a shrinking influx of new supply continue to deliver to the market in the near term, due to 1.5% of the current market's inventory being under construction.
- Vacancy rates are expected to remain low relative to many other U.S. metro areas, but tick upwards over the next few quarters as new supply from a robust construction pipeline continues to hit the market during a temporary period of muted demand.
- Asking rents will likely remain elevated as new deliveries demand higher premiums, but the pace of increases may stall in the near to medium term due to the temporary supply/demand imbalance and increased competition between landlords trying to lure tenants. As a result, concessions are expected to rise in lieu of rental increases for the near term.

1. Economy
2. Leasing Market Fundamentals

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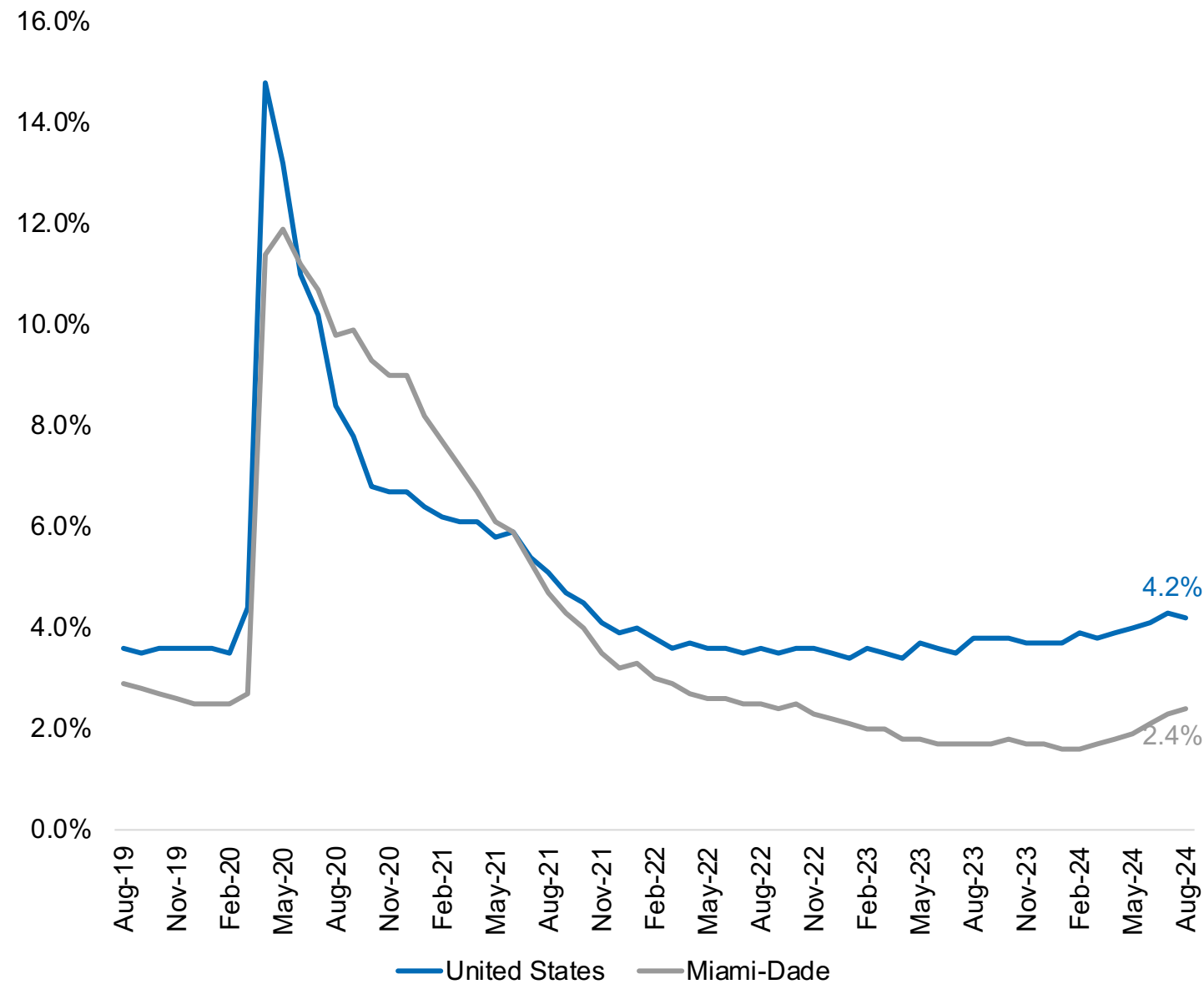
Economy



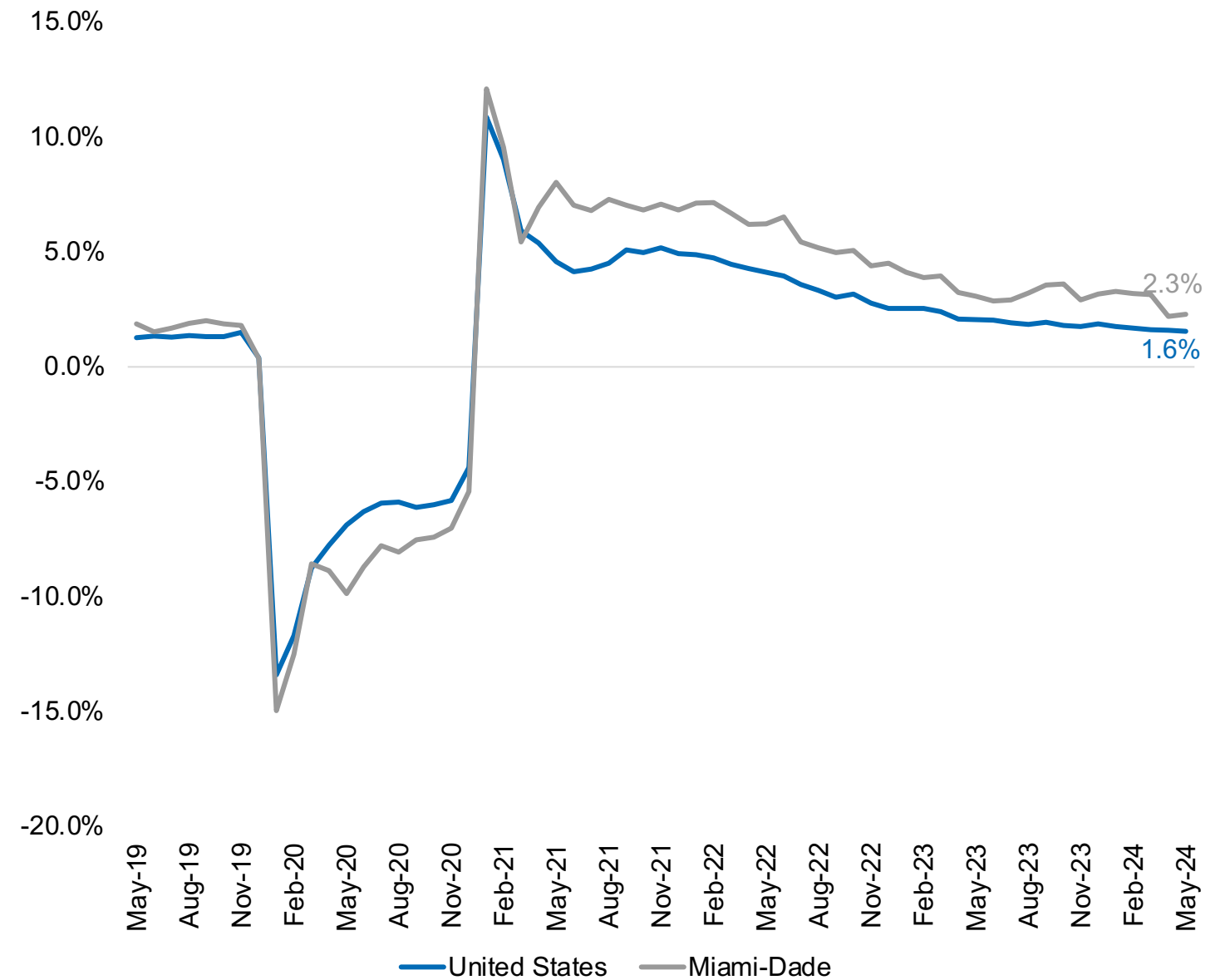
Unemployment Continues Rising From Historical Low

The Miami-Dade County office market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. The region's unemployment rate increased by 70 basis points year over year to 2.4%, trending up from the historical low of 1.6% set in January of 2024, but remaining well below the 5-year average of 4.1%. Employment growth has remained above pre-2020 levels, but slowed by 78 basis points year over year, likely impacted by national economic headwinds.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



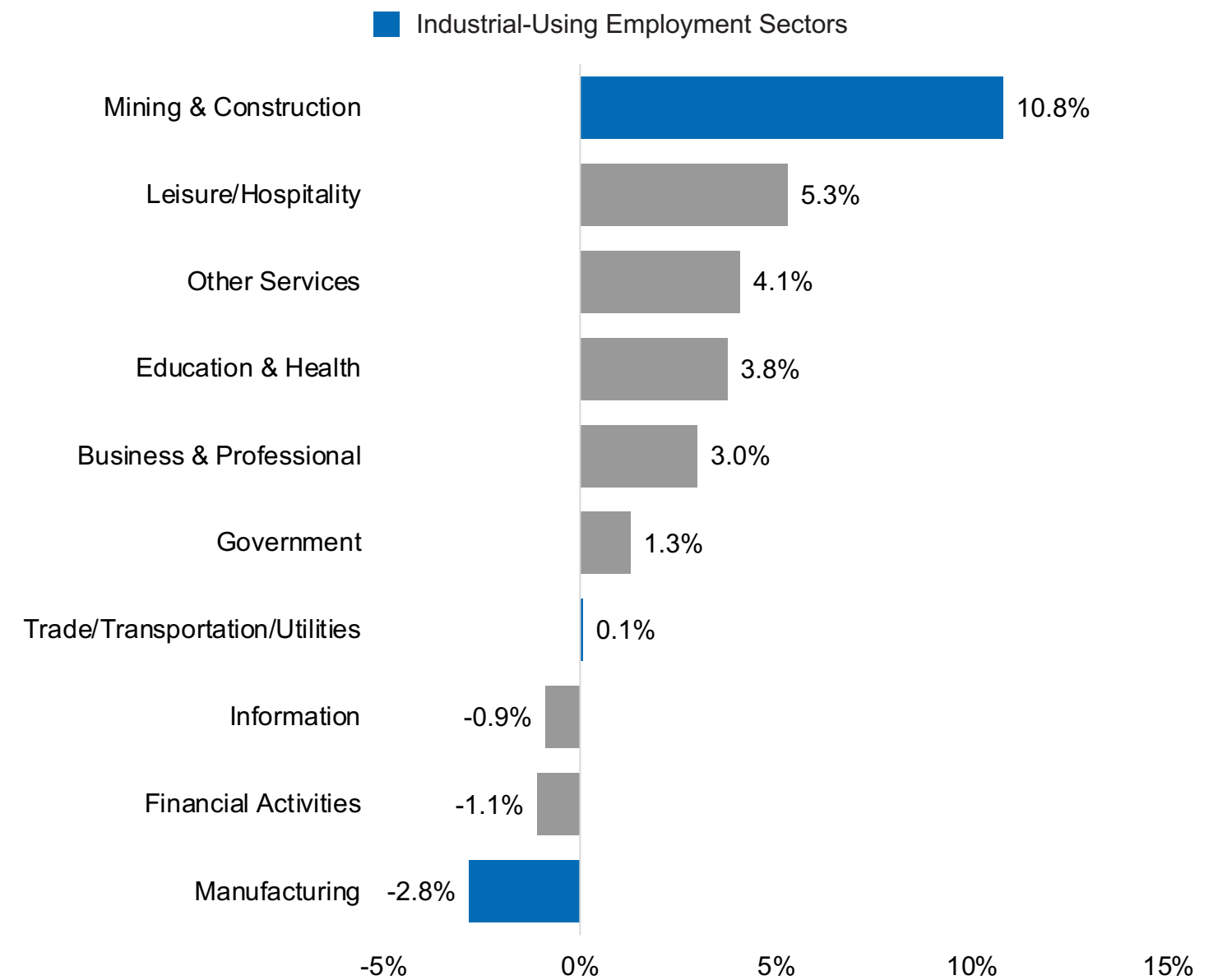
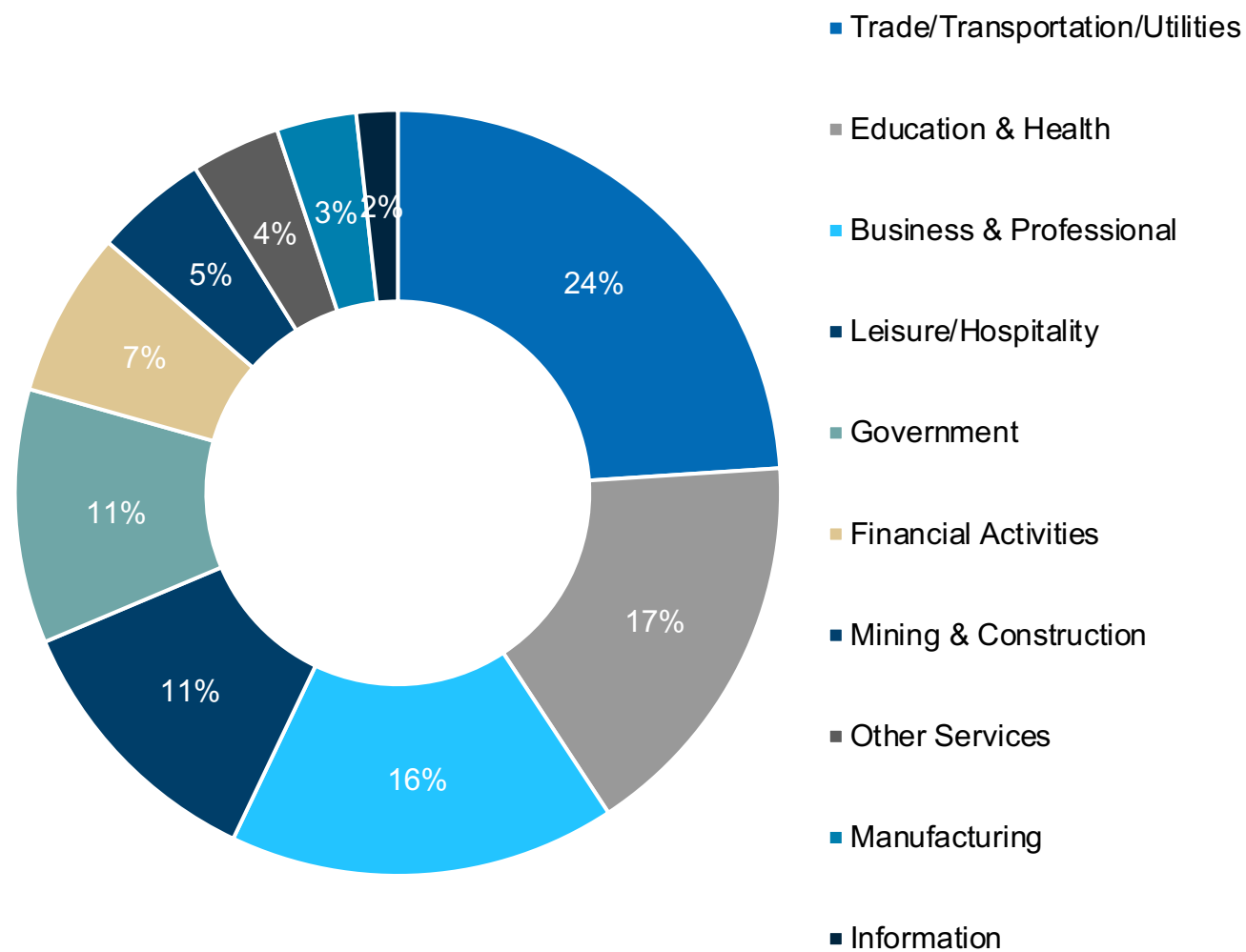
Source: U.S. Bureau of Labor Statistics, Miami-Dade County

Mining & Construction Leads All Sectors With Highest Yearly Growth

The Miami-Dade County's top two employment industries account for 40.7% of market share. The industrial-using employment's trade/transportation/utilities sector is the largest industry sector in the metroplex at 24.0%. All industries, except for information, financial activities, and manufacturing reported growth, with industrial-using industries reporting year-over-year growth ranging from -2.8% to 10.8%. The mining and construction sector continued to outperform all other sectors with 10.8% year-over-year growth.

Employment by Industry, August 2024

Employment Growth by Industry, 12-Month % Change, August 2024

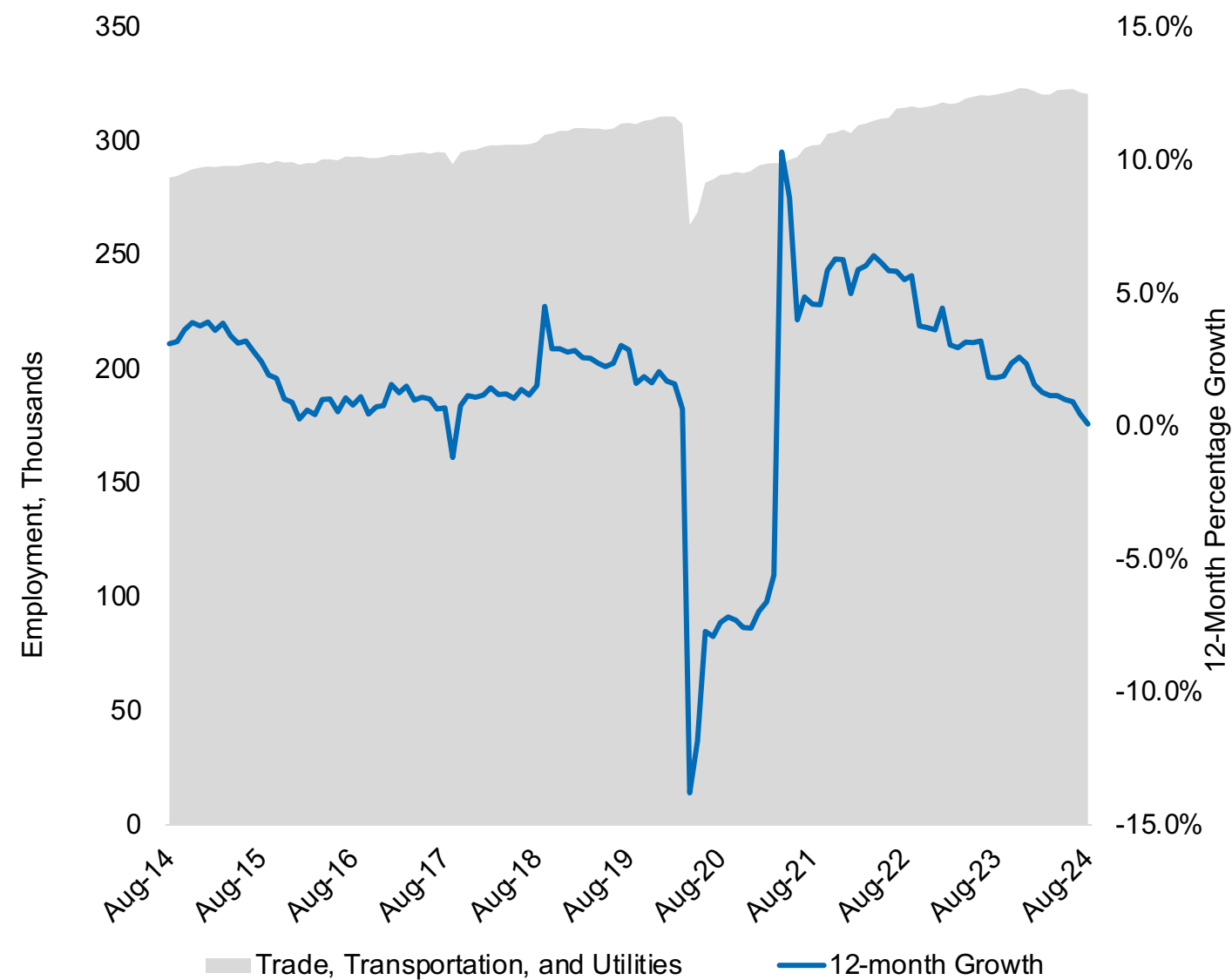


Source: U.S. Bureau of Labor Statistics, Miami-Dade County

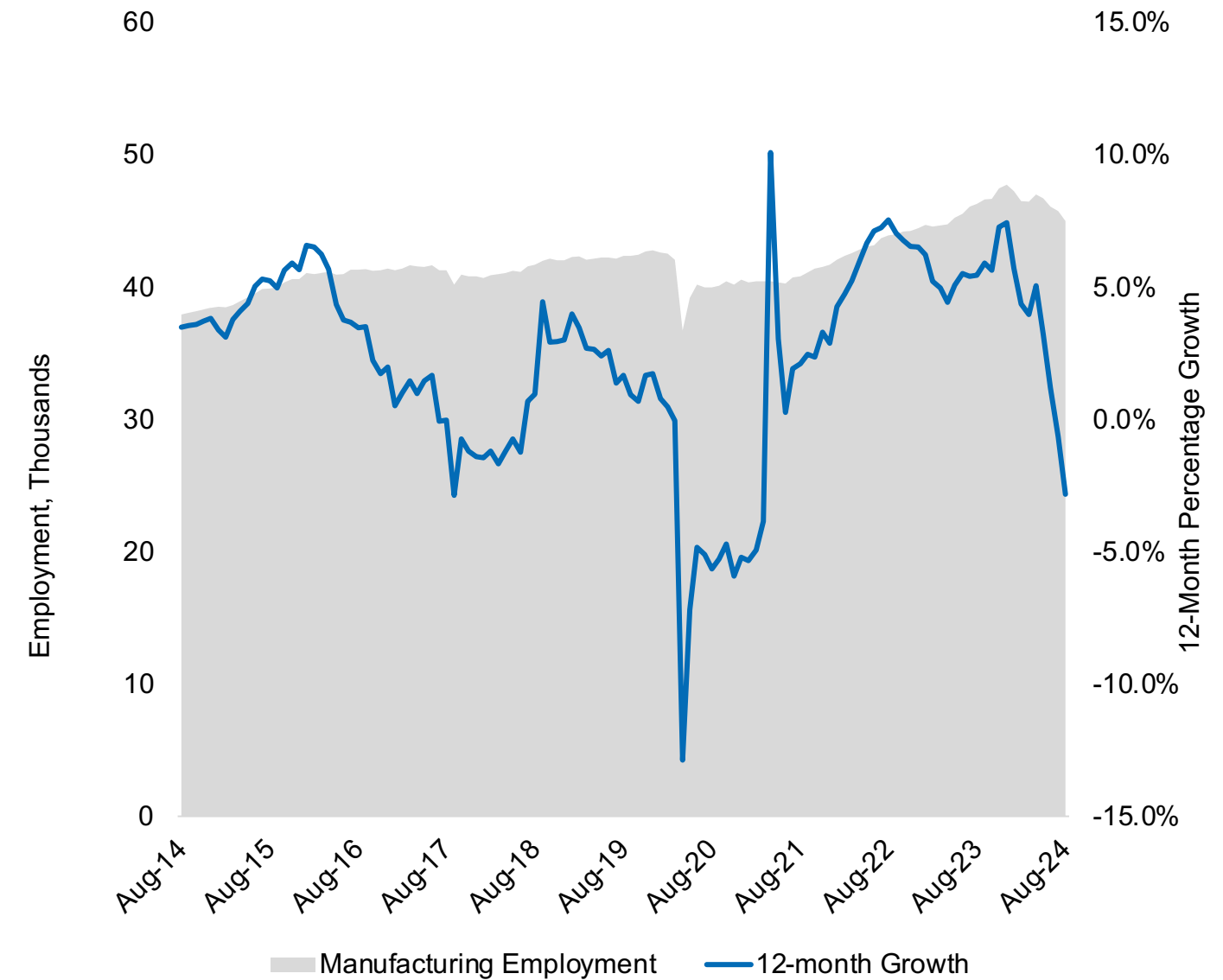
Manufacturing and Trade, Transportation, and Utilities Jobs Growth Shrinks

Trade/transportation/utilities employment remains near all-time highs, reporting 320,418 employees as of the end of August 2024, close to the historical high of 323,081 employees reported in November 2023. As of the end of August 2024, manufacturing employment fell by 5.8% from the all-time high set in December of 2023 to 45,002 employees. Industrial-using employment growth has declined sharply in recent months while gains are being made instead in other sectors.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Miami-Dade County

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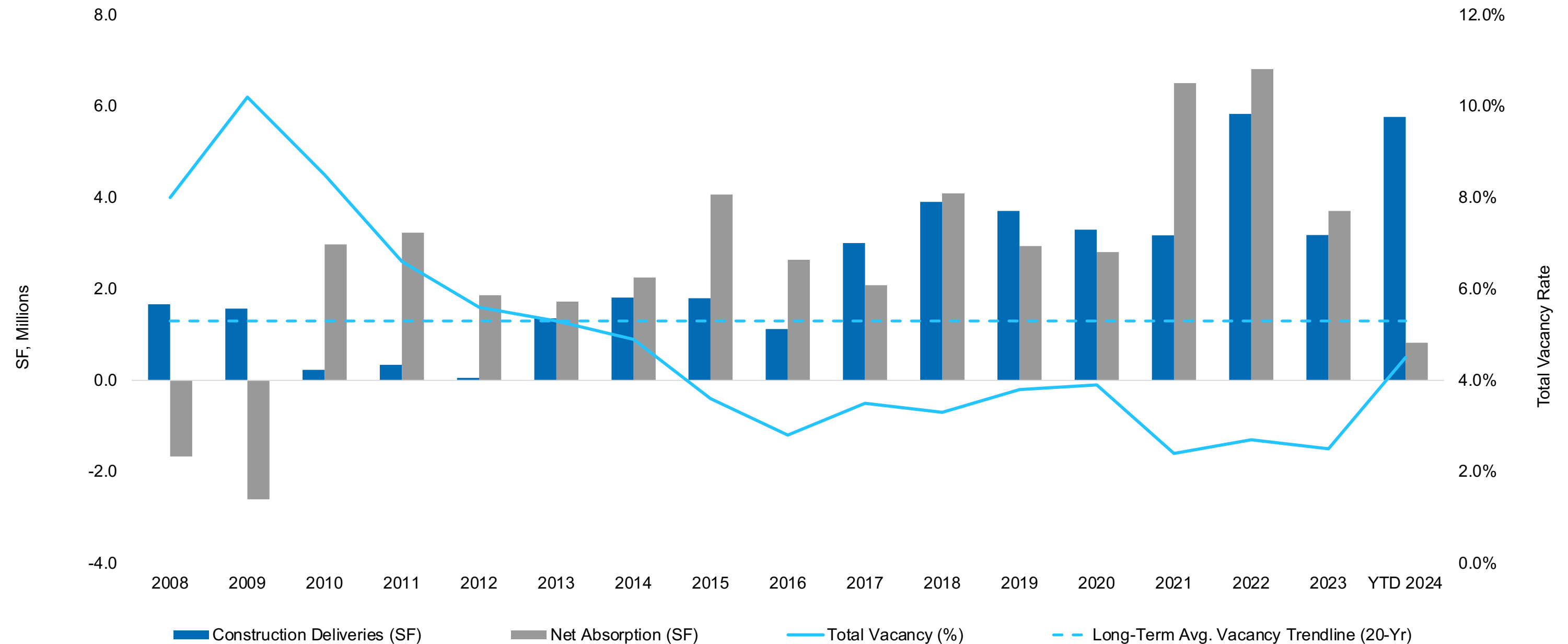
Leasing Market Fundamentals



Record Levels of New Supply Continue to Outpace Demand

The Miami industrial vacancy increased by 190 basis points year over year to 4.5% in the third quarter of 2024, with quarterly supply of 767,162 SF outstripping demand of negative 94,424 SF. Deliveries from 2021 through 2023 were well below the market's total net absorption in the same period which have contributed to the sustained low vacancy leading up to 2024. Several deliveries in the first three quarters of 2024 are attributed to the rapidly accumulated vacancy, as year-to-date demand continues to remain positive. Several sizeable move-ins are taking place by year-end 2024, including Imperial Dade's newly occupied 506,215 SF space in the third quarter, but a normalization of supply and demand will likely take another 12 to 18 months longer to achieve as demand catches up.

Historical Construction Deliveries, Net Absorption, and Vacancy

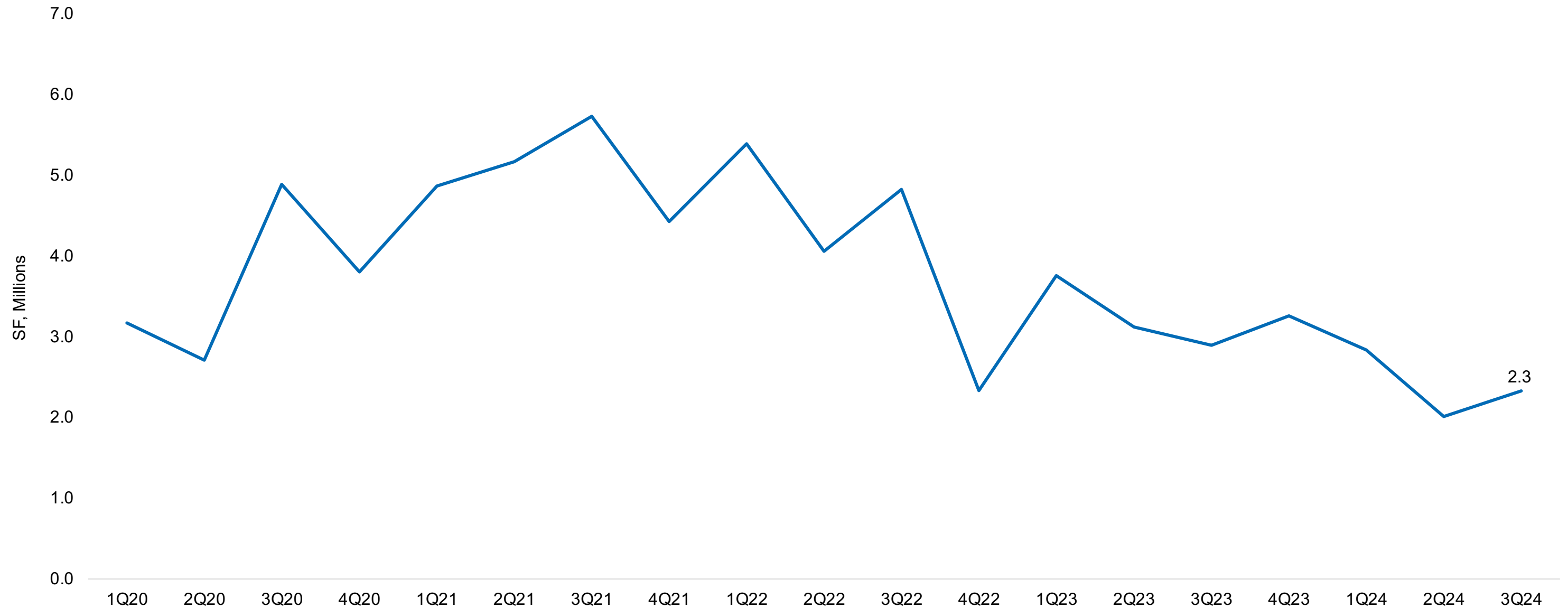


Source: Newmark Research, CoStar

Industrial Leasing Activity Bounces Back From Recent Low

In the third quarter of 2024, leasing activity improved from the recent low reported in the prior quarter, ending the quarter at 2.3 MSF. Slowing leasing activity thus far this year, likely resulting from national economic headwinds and shifting demand in some employment sectors, ultimately led to the first quarter of negative absorption since 2018. Despite that, it seems likely that leasing activity will continue to improve in the fourth quarter 2024, as one byproduct of the Federal reserve's cuts to interest rates.

Total Leasing Activity (SF)

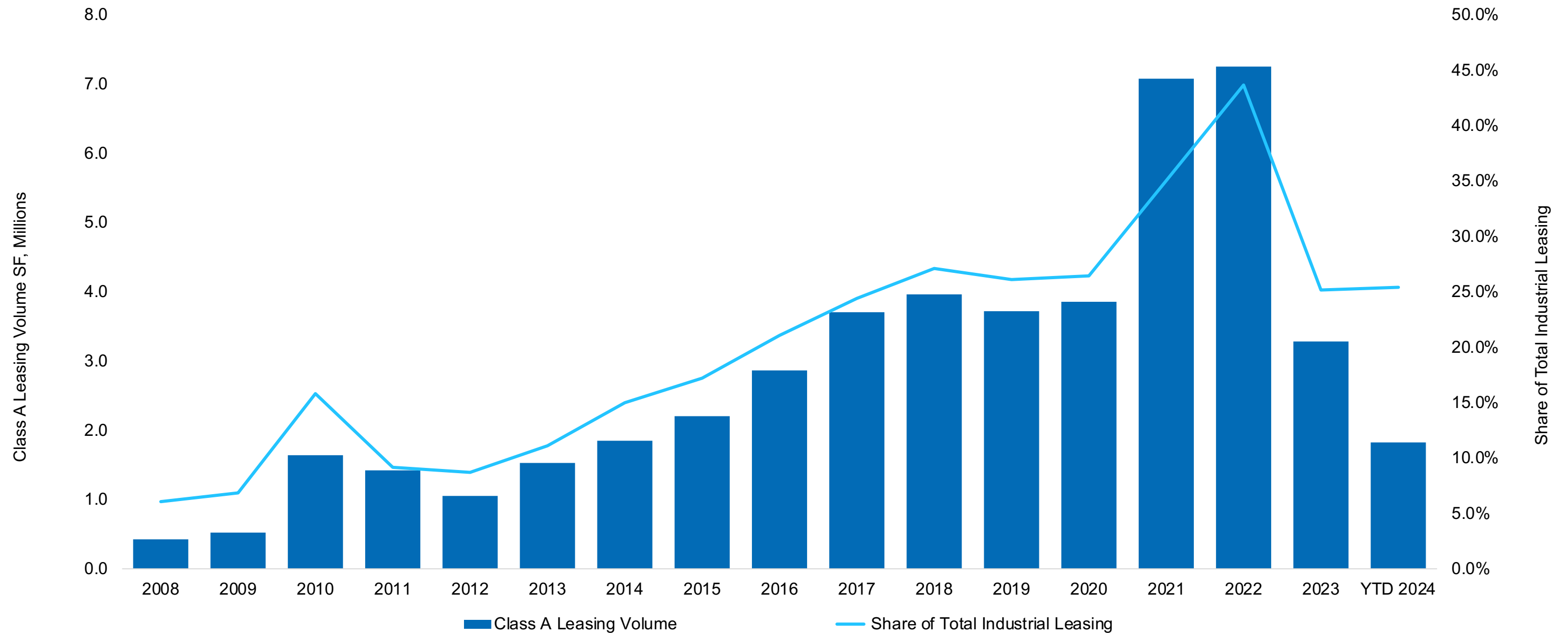


Source: Newmark Research, CoStar

Class A Warehouse Leasing Activity Flattens

Class A warehouse space leasing activity has decreased from historic highs reported in 2021 and 2022. Class A warehouse leasing represented 25.4% of overall leasing activity year-to-date, up slightly from the 25.2% average reported in 2023, and well above the pre-pandemic annual average of 15.7% from 2008 to 2019. The influx of high-quality deliveries that hit the market post-pandemic allowed class A leasing activity by square footage to increase substantially during this period. For now, this trend seems to have returned to pre-2020 levels.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

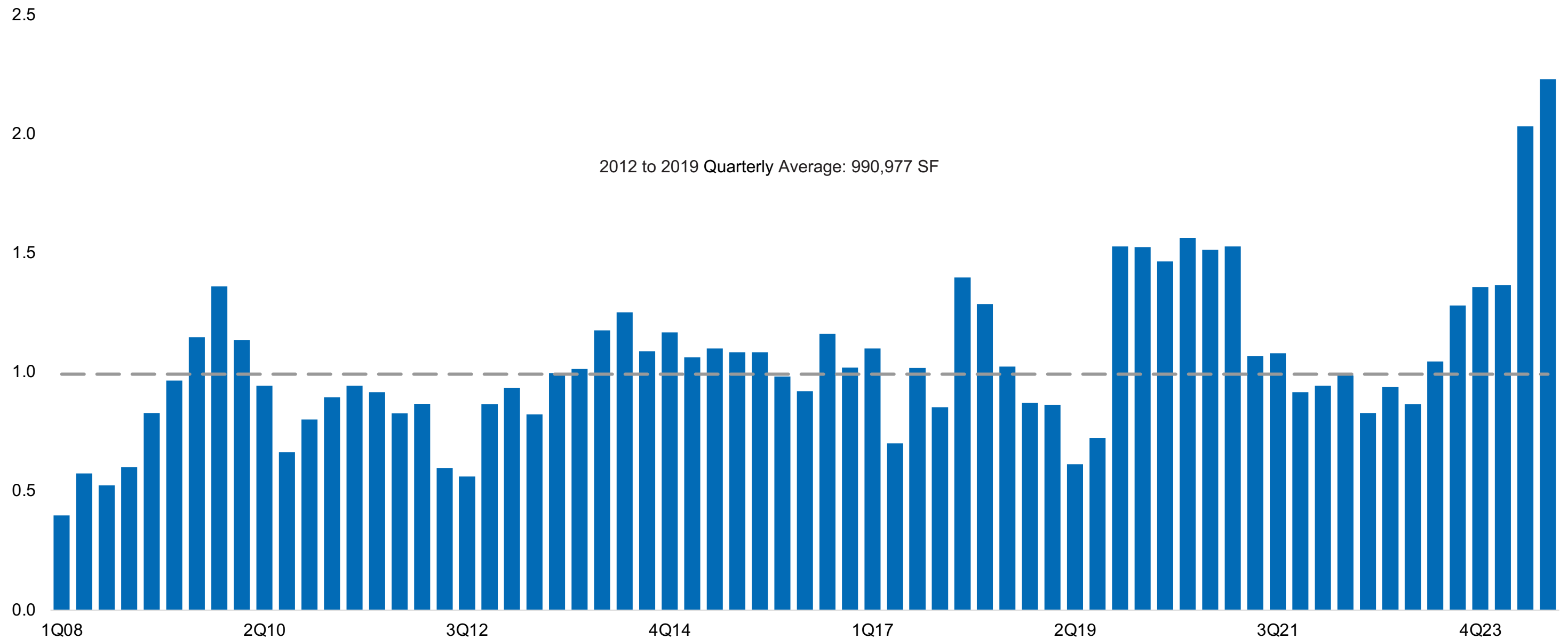


Source: Newmark Research, CoStar

Industrial Sublease Availabilities Jump to Record High

Sublease availability spiked to 2.2 MSF in the third quarter of 2024, a 74.2% increase year over year, and the highest level seen in recent years. Some firms are aiming to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease. Conversely, some firms, such as Imperial Dade Co., have relocated and expanded into larger, higher-quality spaces and have consequently listed their former space for sublease.

Available Industrial Sublease Volume (msf)

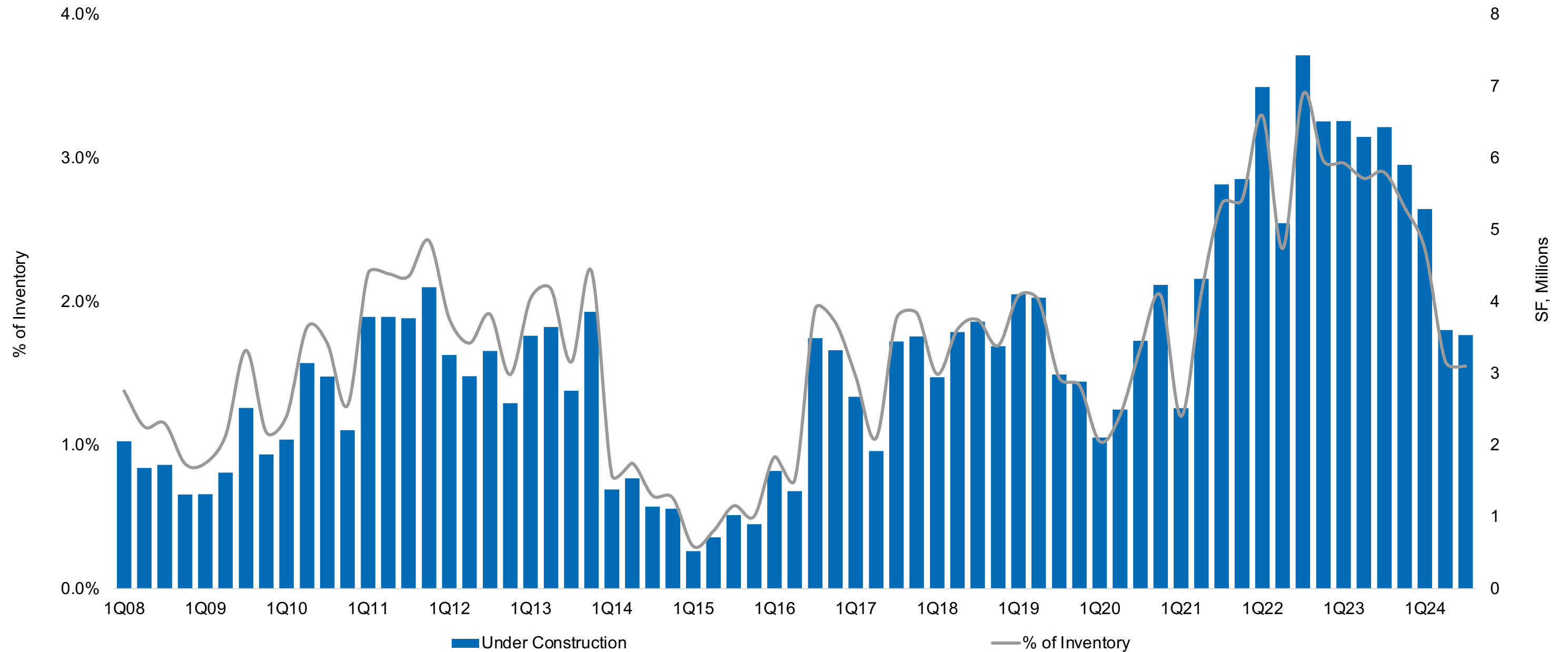


Source: Newmark Research, CoStar

Construction Pipeline Continues to Recede

The construction pipeline has fallen from a historical high of 7.4 MSF reported in the third quarter of 2022. As of the end of the third quarter of 2024, the market reported 3.5 MSF under construction, a fourth consecutive quarterly decline. The construction pipeline is set to deliver several million SF in 2024, with 5.8 MSF already delivered in the first three quarters alone, providing additional new space options for expanding tenants and new companies moving to the market.

Industrial Under Construction and % of Inventory

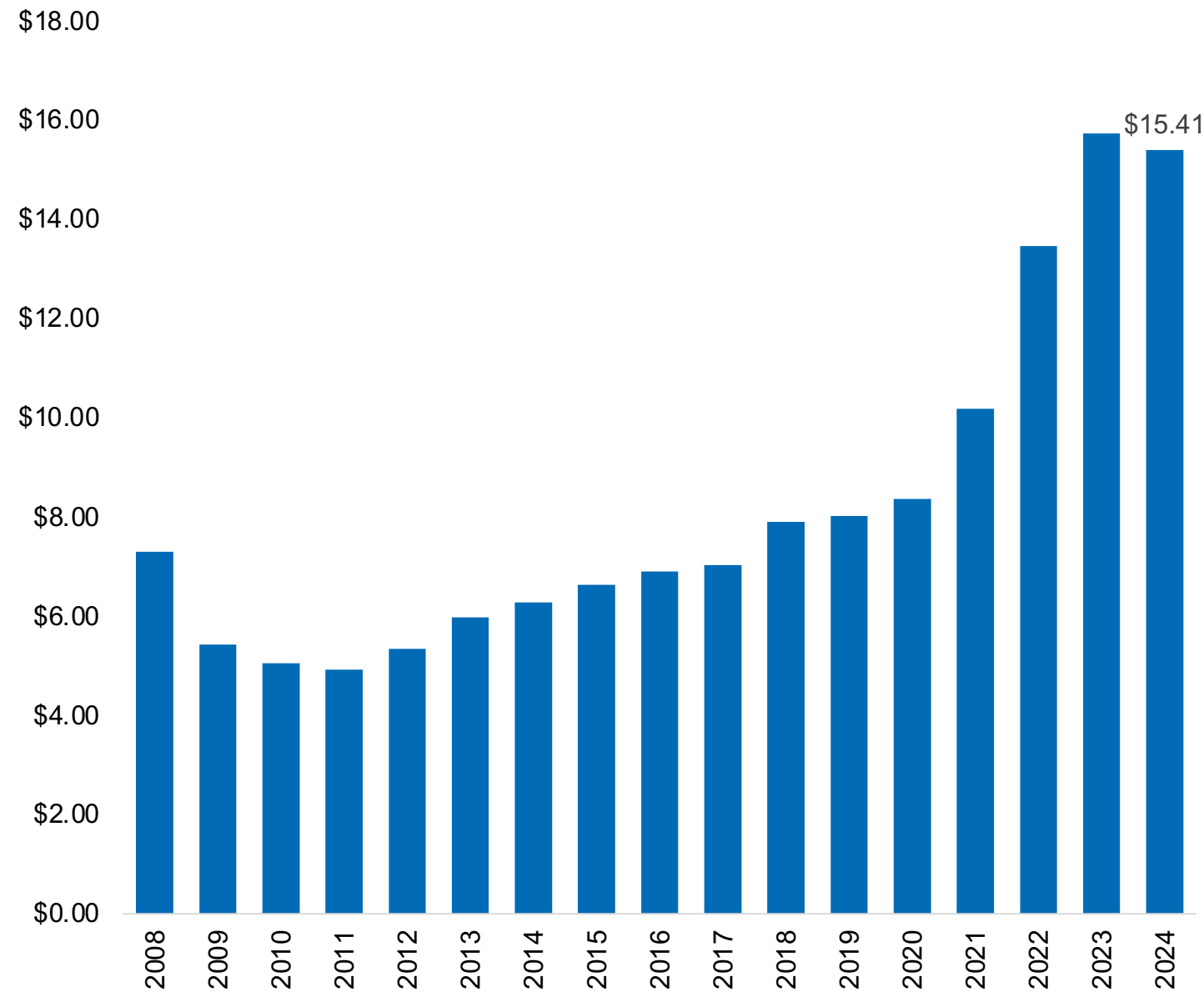


Source: Newmark Research, CoStar

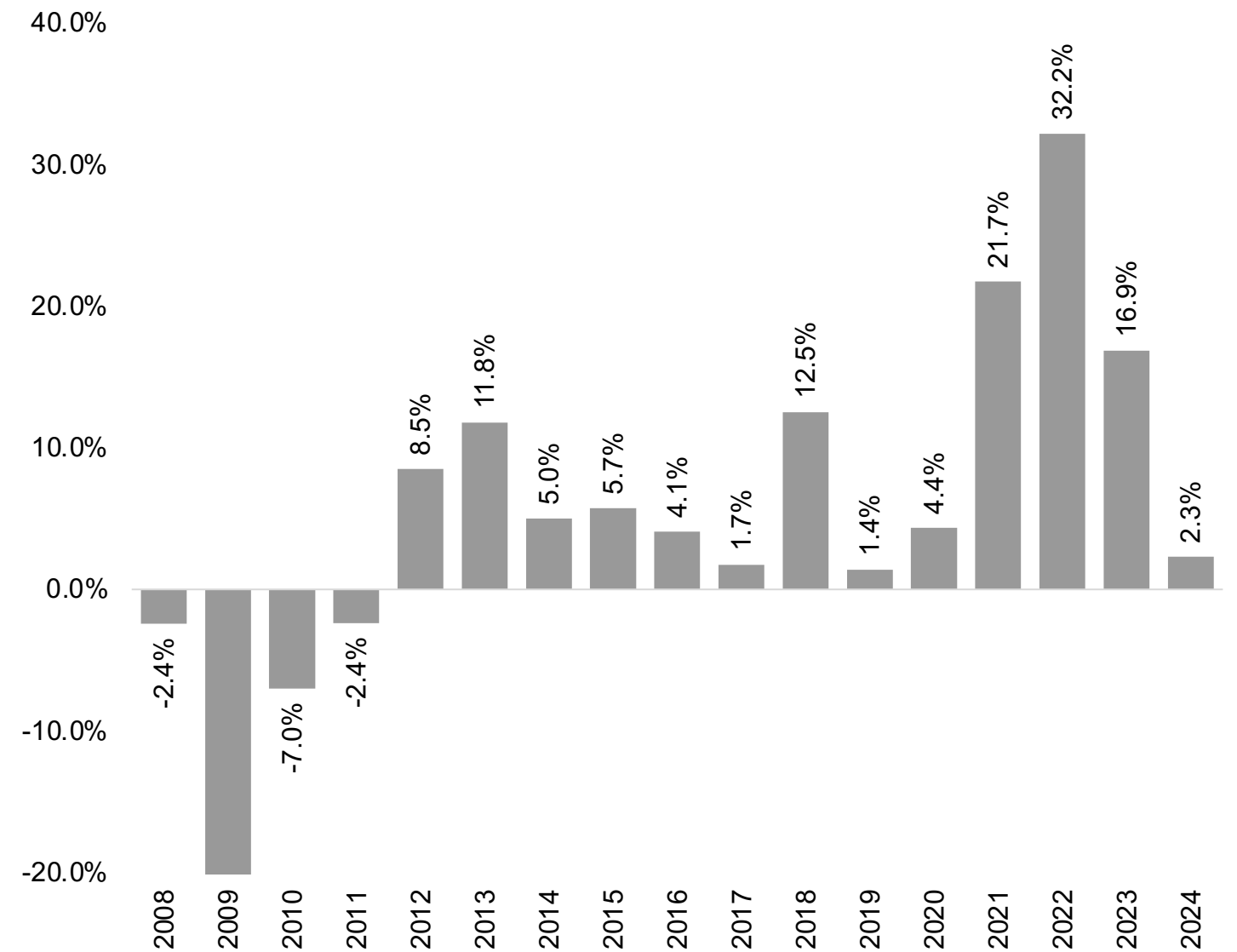
Asking Rents Ease Slightly From Historical High; Flat Quarter Over Quarter

Industrial average asking rents eased from their historical high of \$15.74/SF in the fourth quarter of 2023 to \$15.41/SF as of the end of the third quarter of 2024, increasing by 2.3% year over year. Rent growth is expected to continue to slow in the medium term, and the pace of increases will likely remain flat for the short term due to a historic wave of new supply entering the market alongside muted leasing activity, as demand catches up.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 3Q24 Lease Transactions

Quarter-over-quarter leasing activity improved by 15.8% in the third quarter of 2024 to 2.3 MSF. Leases in Class A spaces accounted for 25.4% of total leasing activity year to date. Projects currently under construction in the third quarter of 2024 are 3.6% pre-leased, a decline from the second quarter at 12.0%, and a further decline from the first quarter at 23.6% pre-leased. This change in pre-leased inventory is partially due to new groundbreakings occurring alongside slower leasing activity, as evidenced by the slight decline in inventory under construction from the prior quarter.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Starboard Holdings <i>Starboard Holdings operates in the cruise line industry and offers tax and duty-free merchandise to cruise ship guests. The Medley submarket was the location of four of the top ten deals this quarter.</i>	Flagler Station – Building 34	Medley	Renewal/Contraction	184,968
Miami International Freight Solutions <i>MIFS offers transportation and freight management, warehousing, logistics, and supply chain management services worldwide. The Hialeah/Hialeah Gardens submarket accounted for three of the top ten deals.</i>	County Line Corporate Park Bldg 33	Hialeah/Hialeah Gardens	New Lease	105,960
Schwarz Partners Packaging <i>Schwarz Partners Packaging produces sheets converted into a wide variety of shelf ready, storage, transport boxes and displays. Schwarz Partners shares the building with IC Industries Inc., and the property they occupy was purchased by EverWest Real Estate Investors in an off-market deal for \$13.1M in 2020.</i>	1101 East 33 rd St	Hialeah/Hialeah Gardens	Renewal	90,000
Beacon Building Products <i>Beacon sells residential and non-residential roofing products, as well as related building products in North America.</i>	3590 NW 114 th St	Hialeah/Hialeah Gardens	New Lease	76,337
Arctic Industries <i>Arctic Industries is one of the largest manufacturers of walk-in coolers and freezers in the United States.</i>	Medley IC	Medley	Extension	57,385



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