



Industrial Real Estate Market Q3 2023 // South Florida

ComReal IS Commercial Real Estate

Contact:

Industrial Team

786-433-2380 // IndustrialTeam@ComReal.com



South Florida Report Summary

Miami-Dade

Inventory (SF): 269.7 M
Vacancy: 2.4%
Lease Rate: \$19.92/SF
Sale Price: \$254.00/SF
Under Construction (SF): 9.5 M

Broward

Inventory (SF): 142.5 M
Vacancy: 4.1%
Lease Rate: \$20.04/SF
Sale Price: \$245.00/SF
Under Construction (SF): 1.32 M

Palm Beach

Inventory (SF): 68.2 M
Vacancy: 4.1%
Lease Rate: \$16.67/SF
Sale Price: \$190.00/SF
Under Construction (SF): 2.8 M

Data Source: CoStar

Miami-Dade Industrial Market Summary

Miami's industrial market's Q3 2023 vacancy rate came in at 2.4% at the end of Q3 2023, far below the national average of 5.2%, which has ticked up over the past couple quarters. At the close of the quarter, the average gross lease rate was \$19.92 per sq. ft., one of the highest in the country. The 12-month rent growth is 11.4% in the industrial market.

Net absorption over the trailing 12-month period was 2.4 million SF. The 12-month absorption figure is much closer to the 10-year average than the 8.1mm SF absorbed in 2021 and the 7.2mm SF absorbed in 2022.

Sales volume in the first half of the year was around \$600 million. This figure is well below the sales volume of \$730mm and \$1 Billion in the first half of 2021 and 2022, respectively. For context, the historical average annual sales volume in \$935 million. Average pricing in Miami is \$254/SF. The average market cap rate is 5.6%. Sales pricing has stagnated due to the rapid rise in interest rates. Since March 2022, SOFR has risen by more than 500 basis points.

In the biggest sale of 2023, Prologis acquired 14 million square feet of industrial from Blackstone for \$3.1 billion. Locally in Miami, the sale included the 185,000 SF Pan American North Business Park in Medley which traded for an allocated \$50 million, or \$274/SF. Also of note was the \$43.3 million sale of the 115,000 SF cold storage facility located at 13801 NW 112 Ave. in Hialeah Gardens, sold to Boxer US Inc. from Blackstone, Inc. for \$375 psf. There was a premium involved as compared to the rest of the market for the cold storage nature of the deal.

While there is still positive rent growth, it is moderating in Miami as compared to 2021 and 2022. Many in the industry believe we are returning to normal in the leasing market. Most of the Class-A development continues to take place in NW Miami-Dade, with over 70% of newly leased spaced exceeding 200,000 SF being in that submarket. However, Miami remains a market comprised of smaller tenants compared to regional distribution hubs, with over 90% of leases signed being less than 50,000 SF. There is currently 9,521,052 SF of new construction in the works, with 3.5% of inventory currently under construction. Starts have slowed in 2023 with 2.4 million SF delivered so far this year. As starts slow, deliveries should peak and begin to pull back in 2024. Over 70% of the buildings under construction are larger than 100,000 SF. 35% of those are larger than 200,000 SF.

Broward Industrial Market Summary

The Broward industrial market's Q3 2023 vacancy rate was up since last quarter to 4.1 with a \$20.04 per sq. ft. average (gross) lease rate. Industrial rents in Ft. Lauderdale were rising at a 12.6% annual clip during the third quarter of 2023.

There is roughly 1.3 million SF of new construction in the works, which is a very low 1% of inventory currently under construction. Over 60% of the new rentable building area is concentrated in three buildings each at or over 200,000 SF located in Coral Springs, West Sunrise, and Southeast Broward submarkets.

Sales activity has come down after a historic boom in 2021-22. The sales volume in 2023 totals over \$600 million, at -15% 12-month sales volume growth. Average pricing in Broward County is \$245/SF. The average market cap rate is 6.2%. The largest transaction so far in 2023 was the Prologis acquisition of 73 industrial buildings from Blackstone, Inc. The portfolio consisted of assets across the country and traded for a total of \$3.1 billion. The largest individual trade was the sale of The Pompano Distribution Center II at 4000 N Dixie Hwy, which traded for over \$24 million, or over \$188/SF.

Ft. Lauderdale boasts higher median incomes at 11% over Miami and fifth in the state due to a higher concentration of finance, professional and business services, and informational employment. Job gains have been led by other services, financial activities, and professional and business services, which have each grown by 2%. The Greater Fort Lauderdale Alliance states top employers in Fort Lauderdale include Nova Southeastern University, First Services Residential, HEICO, and American Express. Combined, they employ over 20,000 residents in South Florida.

Palm Beach Industrial Market Summary

The Palm Beach industrial real estate market's Q3 2023 vacancy rate increased to 4.1% with a \$16.67 per sq. ft. average (gross) lease rate. The market is moving similar to that of Broward County's, with a strong annual rent growth that hit 9.1% in the third quarter of 2023.

New construction projects continue moving forward, with 2.8 million SF under construction as of Q3 of 2023. Close to 4.1% of inventory is currently under construction, showing some of the highest levels of activity in the country. The top Palm Beach submarkets for new construction are Palm Beach City Outlying, West of Turnpike, and Southern Blvd. Many of the new construction projects cater to large users - over 100,000 SF, and up to 1,000,000 SF.

Sales volume activity has so far totaled over \$150 million in 2023, though it has begun to moderate. Sale prices in Palm Beach averaged \$190/SF, yielding an average market cap rate of 6.2%. Strong investor demand in recent years has continued to drive pricing increases of over 3% annually in this market, which is above the U.S. average of 2%. With a slowing economy, and higher interest rates, transaction activity is expected to become more muted in 2023.

Palm Beach County has the third largest population in the state, after Miami-Dade and Broward Counties, and it is one of the wealthiest counties in both the state and country. Palm Beach hosts the fourth highest personal income in Florida, over 60% higher than the state average. The Palm Beach industrial market relies heavily on companies that provides services to the local population, with examples including everything from pool supplies to truck parts.

For the last quarter of 2023, the Palm Beach Industrial market is expected to continue normalizing. Growth in population, and demand for services, will help ground rent growth and sales prices. Employment gains in the Palm Beach metro areas are above 3.6% versus 1% for the U.S. since December of 2019. Employment is well over pre-pandemic levels in professional and business services sectors, as well as the financial activities sector. The largest employers in the area include Florida Crystals Corporation, Pratt & Whitney, Lockheed Martin and Sikorsky, IBM, Wells Fargo, and Bank of America.

Industrial Outdoor Storage Update

The IOS market continues to be hot topic in the industry. IOS sites ranging from 1-4 acres with a small office and street level maintenance bays continue to be in high demand in Miami-Dade County. Rental rates currently range from \$4.50 - \$6.00 NNN psf on the land, or \$16,000 to \$21,000/mo. per acre, depending on the location, size, and quality of improvements on site. There has been an uptick in availability of larger pure vehicle or truck parking properties (6+ acres). The increase in availability of larger parking sites, along with the downturn in the trucking market, may put downward pressure on rents for this type of IOS product.

Another type of IOS property is the truck terminal. They are specialized, low-coverage industrial facilities designed for the maximum throughput of goods. Truck terminals are cross docked facilities where a long-skinny building resides near the center of the site. Recently, Yellow, the nearly 100-year-old company who has been a dominant player in the "less-than-truckload" segment that hauls cargo for multiple customers on a single truck, declared Chapter 11 bankruptcy. They have 170 truck terminals coming to the market for sale across the Country and Old Dominion Freight Lines has already bid \$1.5 billion. While it seems like one bid across the portfolio seems to be the best solution, investors and smaller regional users are watching closely.

Top Sales & Leases (MDC)

Sales & Leases Source: CoStar

<u>Top Sales</u>	Recorded Buyer	Size (SF)	Address	Price
	KODA	59,315	14705-14720 NW 25th Ct	\$8,000,000 (\$134.87/SF)
	14000 TAMIAMI LLC	52,466	14000-14048 SW 140th St	\$11,150,000 (\$212.52/SF)
	Terra Associates LLC	32,904	8855 NW 35th Ln	\$9,700,000 (\$294.80/SF)

<u>Top Leases</u>	Tenant Name	Size (SF)	Address
	US Customs and Border Protection	232,294	11690-11698 NW 25th St
	Aeropost International Services	106,313	9950 NW 17th St
	Carisam-Samuel Meisel	93,218	11010 NW 30th St

ComReal News | 55,012 Sq. Ft. Miami Warehouse Sold to Manufacturing Company

The Industrial Team at ComReal led by Edison Vasquez, CCIM, and Michaela Senior has successfully assisted in the sale of a warehouse building located at 14705 NW 25th Ct in Opa Locka, FL. The property features 55,012 Sq. Ft. freestanding warehouse on 2 acres. Sale price was \$8,000,000. ComReal represented the buyer, a local boat trailer manufacturing company. The Buyer plans to make improvements to the property and will be their new home after their current lease expires. CBRE Fort Lauderdale represented the Seller in the transaction.



The sale of this property is testimony of the strength of the industrial real estate market in South Florida. Despite the higher interest rates, investors and users are looking to buy industrial buildings. The sale also confirms the shift in the market as users now are winning over investors when purchasing industrial buildings.

The contacts and experience from the ComReal Team were key on moving this transaction. ComReal team brought in service providers to assist the Buyer; from contractors to project manager. This is another way the ComReal team added value to clients.

For more information on the transaction, leasing space, or for other similar buildings in our inventory, contact the Industrial Team at ComReal at 786-433-2383 or evasquez@comreal.com.

Featured Listings

6960 NW 25th St | Available for Lease

- +/- 46,008 SF Cooler Warehouse on a +/- 65,996 SF Lot
- +/- 10,159 SF, +/- 35,849 SF or +/- 46,008 SF available
- Refrigerated warehouse
- Ideal for flowers and perishables
- 18' ceiling height



10890 NW S River Dr | Available for Lease

- +/- 1 up to 4.34 AC with +/- 15,875 SF of Buildings
- Fronting Okeechobee Rd
- M-1 Town of Medley Zoning
- Fenced, lit, and secure
- Fully permitted paint booth on site



ComReal Congratulates Edison Vasquez on Achieving SIOR Designation

ComReal and its Industrial Team is proud to announce and extend our congratulations to Edison Vasquez for achieving the prestigious SIOR designation, awarded by the Society of Industrial and Office REALTORS®. Edison joins Ed Redlich, SIOR and Chris Spear, SIOR at ComReal in holding the designation.



Industrial Team

ComReal was founded in 1979 as a full service commercial real estate firm located in South Florida. The Miami Industrial Team leads the Industrial division for ComReal. Specializing in Sales and Leasing of Industrial Properties. The Team consists of highly trained professionals, experts in the field and committed to delivering results to clients. Through almost 80 years of combined experience, they help business owners and investors Sell, Lease and Purchase Industrial Properties. Their specialties include: Industrial Outdoor Storage (IOS), Dry and Refrigerated warehouses, Manufacturing facilities, Rail served and Foreign Trade Zone Warehouses.

Contact us to find out how our Team can help you and your business.

For Over 40 Years, ComReal IS Commercial Real Estate.



ComReal Miami - Doral, LLC

3470 NW 82nd Avenue, Suite 605. Doral, FL 33122

786-433-2380 | IndustrialTeam@ComReal.com | www.MiamiIndustrialTeam.com

