



Industrial Real Estate Market Q2 2023 // South Florida

ComReal IS Commercial Real Estate

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South Florida Report Summary

Miami-Dade

Inventory (SF): 265 M
 Vacancy: 2.1%
 Lease Rate: \$19.68/SF
 Sale Price: \$254.00/SF
 Under Construction (SF): 8.44 M

Broward

Inventory (SF): 142 M
 Vacancy: 3.5%
 Lease Rate: \$19.69/SF
 Sale Price: \$245.00/SF
 Under Construction (SF): 1.37 M

Palm Beach

Inventory (SF): 67.95 M
 Vacancy: 3.8%
 Lease Rate: \$16.37/SF
 Sale Price: \$187.00/SF
 Under Construction (SF) : 2.91 M

Miami-Dade Industrial Market Summary

The Miami industrial market's Q2 2023 vacancy rate was 2.1%, staying very close to record lows from last quarters. At the close of the quarter lease rates stood at \$19.68 per sq. ft. average (gross), one of the highest in the country. The 12-month rent growth is 14.6% in the industrial market.

Sales have begun to moderate with volume totaling over \$204 million for the quarter, lowest since the third quarter of 2020. The 12-month sales volume is \$2,483,135,847, at 4% 12-month sales volume growth. Average pricing in Miami is \$254/SF. The average market cap rate is 5.5%. With higher prices, a slowing economy, and higher interest rates, transaction activity is expected to be more muted in 2023. One positive to the changing market is the pent up demand from users who are now better able to compete for deals, which is a sign of a normalizing market.

There is currently 8,449,631 SF of new construction in the works, with 3.2% of inventory currently under construction. Most of the construction activity, totaling over 86% of rentable building area, is concentrated in North Miami between the Palmetto Expressway and the Everglades. Over 70% of the buildings under construction are larger than 100,000 SF. 35% of those are larger than 200,000 SF. The top submarkets for construction are Outlying Miami-Dade, North Miami Beach, and South-Central Miami. Construction for smaller spaces, under 25,000 SF, is still very limited. The lack of smaller bay construction continues to keep inventory low and rates elevated.

Job growth in Miami was led by restaurants, retail trade, and health care. There was an annual job growth of over 5% last year in Miami. Economists forecast a job growth of .8% in 2024-2027. The startup ecosystem in Miami, fueled by strong in-migration, a national-leading higher education system, and a competitive tax structure, will continue to be important in driving job growth.

Overall, there is a move towards a more balanced market. Landlords are more willing to negotiate with tenants, especially on free rent and other concessions. However, owners continue to push or hold firm on rental rates. While sale volume has decreased substantially, pricing on deals that trade continues to be strong as inventory is severely limited. We do not expect to see the price growth that was seen over the previous 12 to 24 months.

Miami-Dade Top Sales & Leases

Sales & Leases Source: CoStar

Top Sales

Recorded Buyer	Size (SF)	Address	Price	PSF
IV5 1500 NW 95th Ave LLC	115,477	1500 NW 95th Ave	\$16,000,000	\$138.56
3400 NW 67th Owner LLC	72,447	3400 NW 67th St	\$11,500,000	\$158.74
SA Recycling LLC	68,300	4101 NW 27th Ave	\$4,679,251	\$68.51
*Penske Truck Leasing CO L P	45,015	9200 NW 58th St	\$14,150,000	\$314.34
FIVF-III-FL2 LLC	39,515	4570 NW 128th St	\$7,150,000	\$180.94

*ComReal brokered sale

Top Leases

Tenant Name	Size (SF)	Address	Rate
Usa Bouquet Co	115,477	1500 NW 95th Ave	\$12.00/SF
Veseris	44,101	7120-7122 NW 74th Ave	\$17.25/SF (NNN)
Reach Coolant	40,000	3595 NW 46th St	\$11.50/SF (MG)
Rainforest Farms & Bouquets	39,806	1480 NW 94th Ave	\$21.00/SF (NNN)
CIS Frieght	32,000	10813 NW 30th St	\$21.00/SF

Broward Industrial Market Summary

The Broward industrial market's Q2 2023 vacancy rate dropped to 3.5% as leasing activity continues to be strong and demand for space remains high. Lease rates stood at \$19.69 per sq. ft. average (gross) lease rate. Industrial rents in Ft. Lauderdale rose at a 15.4% annual rate during the second quarter of 2023.

There is roughly 1.2 million SF of new construction in the works, with close to 1% of inventory currently under construction, or 1,370,323 SF. This is substantially less than the Miami-Dade Industrial market. The top submarkets for construction are Southeast Broward, Coral Springs, and West Sunrise. The lack of land available presents a long-term challenge for Broward County. Properties with other uses that feature excess may need to be converted to industrial land in order to keep up with demand. We have already seen one instance with an office park in Tamarac being demolished to build an industrial building.

Sales activity has begun to moderate in the beginning of 2023. The 12-month sales volume was \$ 1,556,260,558, at -24.6% 12-month sales volume growth. Average pricing in Ft. Lauderdale is \$245/SF. The average market cap rate is 6.1%. Strong demand from investors has driven pricing appreciation over 12% annually as of the beginning of 2023. With higher pricing, a slowing economy, and higher interest rates, transaction activity is expected to be more muted in 2023.

Job gains have been led by financial activities, trade, transportation, and utilities and manufacturing services with a growth of 2% in each. 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. Office-using employment is up 8% over pre-pandemic levels, equating to 21,000 more jobs in the metro area.

Leasing activity should continue to be robust for the rest of the year, especially in spaces under 25,000 SF. Landlords will continue to push rates. However, tenants looking for over 100,000 SF will have more leverage to negotiate favorable terms. Sales prices should remain at current levels due to limited inventory and strong demand from users and investors.

Palm Beach Industrial Market Summary

The Palm Beach industrial market's Q2 2023 vacancy rate was up to 3.8%, with a \$16.37 per sq. ft. average (gross) lease rate. Annual rent growth is 10.2% in the first quarter of 2023. This is one of the few markets where vacancy slightly increased, which was caused by the new construction being delivered to the market. Absorption in this submarket tends to be slower due to the size and type of industries operating here compared to Miami Dade and Broward Counties.

There is over 2.9 million SF of new construction in the works, with close to 4.3% of inventory currently under construction, or 2,918,379 SF. The top submarkets for construction are Palm Beach City Outlying, West of Turnpike, and Southern Blvd.

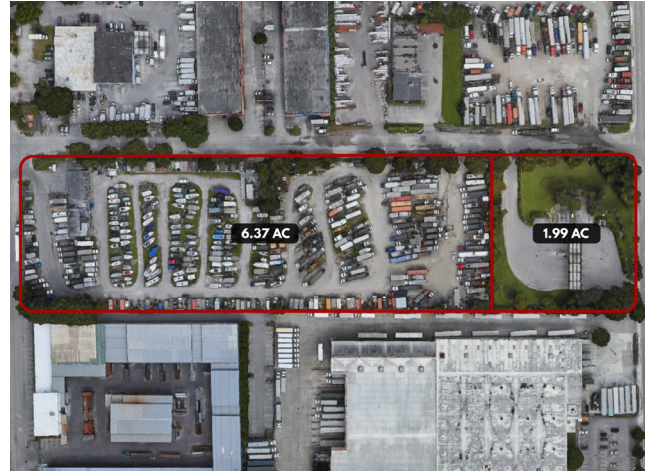
The first quarter of 2023 was the lowest quarter for activity since the second quarter of 2020 with sales volume activity totaling over \$81 million. The 12-month sales volume is \$828,746,023, at -.4% 12-month sales volume growth. Average pricing in Pam Beach is \$187/SF. The average market cap rate is 6.1%. With higher pricing, a slowing economy, and higher interest rates, transaction activity is expected to be more muted in 2023.

Palm Beach is one of the wealthiest counties in the state and country with the fourth highest personal income in Florida, over 60% higher than the state average. Employment gains in the metro are over 3.6% versus 1% for the U.S. since December of 2019. Employment is well over pre-pandemic levels in professional and business services and financial activities sectors. The largest employers in the area include Florida Crystals Corporation, Pratt & Whitney, Lockheed Martin and Sikorsky, IBM, Wells Fargo, and Bank of America.

Palm Beach presents great opportunities for users and investors looking for land and industrial buildings to lease or purchase. The market features slightly better pricing as compared to Broward and Miami-Dade, with room for great future growth. The pipeline of new construction is geared toward large users. Tenants looking for 100,000 SF+ have an opportunity to negotiate favorable deals with the new deliveries coming to the market. Sale prices continue to stabilize as the market gains further clarity on interest rates. Lastly, users have an opportunity to outbid investors due to the changing market conditions.

ComReal's Industrial Team Facilitates Two Separate Sales of Contiguous Land Parcels for \$23.5 Million to Link Logistics and Flyers Energy in Miami Airport West

The ComReal Team's proprietary marketing campaign immediately resulted in a very active response from the investor community. Our efforts solicited 17 qualified offers within just 30 days. As we verified buyers, summarized alloffers, and provided guidance on responses, we were able to create a competitive bidding environment. After multiple rounds of bidding, the field was narrowed down to the two top buyers. The Ownership, equipped with the expertise and experience of the ComReal Team, selected the best offer from the most qualified buyer, which happened to be Link Logistics. During the contract period, Flyers Energy, the smaller parcel gas station tenant, exercised their right of first refusal on the 2 acres. Ultimately, the two closings resulted in a total sales price of \$23,500,000, substantially exceeding the seller's initial pricing expectations.



ComReal made sure to do our due diligence up front in order to maximize the chance of the buyer who was selected closing on the transaction. While the property is in a highly desirable location near Miami International Airport, it was not without its challenges, including a cell tower easement, over 300 licensees storing boats/RV/vehicles on the larger parcel, and BU-3 commercial zoning on the smaller parcel that was leased to a diesel gas station. The goal was to sell both folios to one buyer. The ComReal team exposed the property to our extensive local and capital markets database, including users, investors, and real estate brokers alike.

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Featured Listings

Point 95 Logistics Center

- 555 NE 185th St, Miami, FL 33179
- 27,500-193,558 SF of Warehouse Space
- Available for Lease
- Prime location in South Florida's transportation corridor
- Ideal Uses: Distribution, 3PL Providers, Perishables, Light Assembly, Grocers



Miami Airport West IOS Land

- 6001 NW 74th Ave, Miami, FL 33166
- +/- 6.37 Acres for Lease
- +/- 5,000 SF (Office/Warehouse)
- 3 Phase Power
- IU-3 Zoning



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.



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