



Industrial Real Estate Market Q4 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): 273.1 M
Vacancy: 3.1%
Lease Rate: \$20.13/SF
Sale Price: \$252.00/SF
Under Construction (SF): 7.5 M

Broward

Inventory (SF): 142.8 M
Vacancy: 4.1%
Lease Rate: \$20.43/SF
Sale Price: \$247.00/SF
Under Construction (SF): 986 K

Palm Beach

Inventory (SF): 68.8 M
Vacancy: 4.3%
Lease Rate: \$16.97/SF
Sale Price: \$190.00/SF
Under Construction (SF): 2.4 M

Data Source: CoStar

Miami-Dade Industrial Market Summary

In Q4 2023, Miami's industrial market experienced a slight increase in the vacancy rate to 3.3%, concluding the quarter with a high average gross lease rate of \$20.13 per sq. ft. The 12-month rent growth in the industrial market is 9%, and since 2019, Miami's industrial rents have risen by over 58%, surpassing the U.S. average rent gain of 35%.

Lease rates continue to normalize as more inventories comes to market and absorption return to normal trend. Landlords should not expect the same rent growth from the past five years. There are opportunities for tenants looking for over 50,000SF; most of the inventory is targeting these users and landlord are likely to compete aggressively to land a large tenant.

Over the last 12 months, the sales volume in Miami has slowed to \$1.5 billion, down from the historically elevated levels of \$3.0 billion in 2022, showing a -51.6% 12-month sales volume growth. The average sale price in Miami is \$252/SF, with an average market cap rate of 5.7%. The average annual transaction sale price per square foot has increased by over 66% from \$130/SF in 2019 to \$217/SF in 2022, exceeding the 47% rise in average industrial pricing across all U.S. markets. Higher interest rates, and a cooler economic environment are leading to a slowdown in pricing appreciation and transaction activity in 2023.

In 2023, users looking to purchase a warehouse took back control of the market. These business owners, backed by available credit, were able to buy buildings and outbid investors; the opposite trend from 2022. This trend is expected to continue through 2024 as high interest rates limit the price investors can pay for a building.

Currently, there is 7,511,206 SF of new construction underway, making up 2.8% of the inventory. Over 90% of construction activity is concentrated in the northern part of Miami, and between the Palmetto Expressway and the Everglades, where developable land parcels are still available. More than 70% of properties under construction in this area are located within the Northeast portion of the Outlying Miami-Dade, Medley, and North Miami Beach submarkets.

Despite slower job growth, Miami continues to see robust economic activity due to in-migration and a thriving tourism sector. Annual job growth of 4.1% exceeds the U.S. growth of 2.5%. Oxford Economics forecasts a consistent job growth rate in Miami of 0.49% from 2024 through 2027, aligning with the forecasted U.S. rate of 0.46%. Miami had a real GDP growth of 2.8% in 2022, higher than the U.S. growth of 1.0%, driven by real estate and professional and technical services. The tourism industry, Miami's leading sector, is still recovering from pre-pandemic levels.

Broward Industrial Market Summary

In Q4 2023, the Broward County industrial market reported a 4.3% vacancy rate, higher compared to 4.1% in Q3, 2023. It concluded the quarter with an average gross lease rate of \$20.43 per sq. ft. For industrial leases signed in the last year, rates ranged from \$13/SF to \$16/SF for larger spaces (exceeding 50,000 SF), while spaces between 10,000 SF to 50,000 SF ranged from \$14/SF and \$20/SF.

For 2023, the leasing activity in Broward County slowed compared to 2022, due to lower demand and higher inventory from new project being delivered to market. Lease rates are holding; however, Landlords might become more flexible on large spaces, over 50,000SF.

As of Q1 2024, 990,000 SF of industrial space is under construction, contributing to 0.7% of the inventory. Notably, nearly 80% of industrial properties exceeding 100,000 SF are concentrated in the Southwest Broward, Pompano Beach, Southeast, and Northeast Broward Submarkets.

Sales activity has reverted to pre-pandemic levels after the historic boom in 2021-22. The total sales volume in 2023 surpassed \$660 million, reflecting a -55.7% 12-month sales volume growth. Ft. Lauderdale's average sale price was \$247/SF, with a market cap rate of 6.3%.

Sales have stabilized in this market, but pricing still remain near records. The limited inventory of land and industrial buildings will favor Seller in the long term.

The most significant transaction in 2023 involved Prologis, Inc acquiring 73 industrial properties from Blackstone, Inc for a total of \$3.1 billion. The largest single transaction was the sale of the Pompano Distribution Center II at 4000 N Dixie Hwy, which sold for over \$24 million (over \$188/SF).

Ft. Lauderdale continues to exhibit higher median incomes than Miami-Dade, surpassing Miami by 11%, and ranking fifth in the state. This is attributed to a concentration of finance, professional and business services, as well as informational employment. The tight labor market, with an unemployment rate of 2.7%, has led to wage growth outperforming the U.S. average over the last two years. Despite over 18,000 more jobs than pre-pandemic levels, housing affordability remains a challenge, impeding population growth as lower-income households are priced out of the area.

Palm Beach Industrial Market Summary

In Q4 2023, the Palm Beach industrial market saw a rise in industrial vacancy rates to 4.5%, compared to 4.1% in Q3 2023. Featuring an average gross lease rate of \$16.97 per sq. ft, the industrial market experienced an 8% growth in asking rent by the end of 2023.

As of Q4 2023, there was 2.5 million SF of construction underway, marking some of the highest levels of activity since CoStar began tracking the market. Currently, 3.6% of total inventory is under construction, with over 80% comprising of space that is 100,000 SF or more.

Palm Beach being a smaller market compared to Miami and Broward, saw a significant slowdown in leasing compared to 2022. However, lease rates are holding and demand for spaces under 25,000SF should remain strong.

In 2023, sales volume activity totaled over \$270 million, showing a moderation in activity from 2022. The 12-month sales volume totaled \$324,059,093, with a -69.8% 12-month sales volume growth. Average pricing in Palm Beach was \$190/SF, and the average market cap rate was 6.3%. The largest transaction in February 2023 involved McCauley Property Company selling a 119,000-SF warehouse in Boca Raton to Ares Industrial Real Estate Income Trust Inc. for over \$27 million, approximately \$233/SF. The average annual transaction price in Palm Beach increased to \$240/SF, from \$126/SF three years ago.

Users buying industrial buildings was the trend in 2023 for Palm Beach. The best example is the purchase of 1300 Allendale Rd, +/- 120,000SF, by Boise Cascade for \$31,000,000. It was a strategic purchase to control a space, and ensure market presence.

Palm Beach County ranks among the wealthiest counties in the state and country, with the fourth-highest personal income in Florida, surpassing the state average by over 60%. The influx of wealth has attracted developers and businesses, particularly in financial activities and professional and business services, contributing to higher median household income levels compared to neighboring areas.

Metro employment gains exceeded 5.8%, outpacing the U.S. rate of 3.1% since December 2019. Employment in professional and business services and financial activities sectors has surpassed pre-pandemic levels. Major employers include Florida Crystals Corporation, Pratt & Whitney, Lockheed Martin, Sikorsky, IBM, Wells Fargo, and Bank of America. New companies like Goldman Sachs and Elliot Management are moving into the area, earning Palm Beach the moniker “Wall Street of the South.” The recently constructed 360 Rosemary office building in downtown West Palm Beach houses these and other financial services firms that have recently relocated to the area.

Top Sales & Leases (MDC)

Sales & Leases Source: CoStar

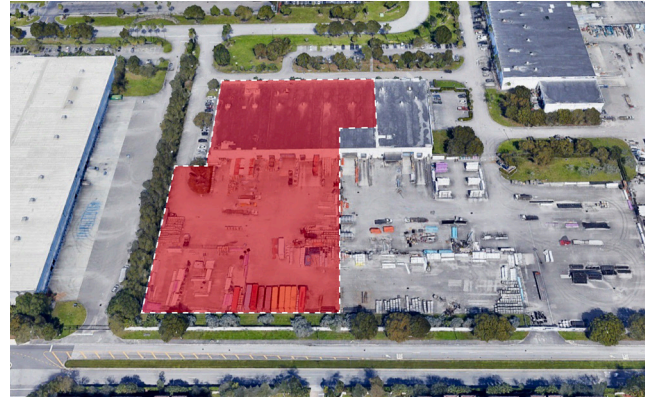
<u>Top Sales</u>	Recorded Buyer	Size (SF)	Address	Sale Price
	Ponte Gadea USA, Inc.	312,103	3995 W 108th St	\$113,000,000 (\$362.06/SF)
	Pella	268,232	8501 NW 90th St	\$45,000,000 (\$167.77/SF)
	Longpoint Realty Partners	213,576	6695-6699 NW 36th Ave	\$\$34,172,200 (\$188.31/SF)
	Property Reserve, Inc.	205,250	9221 W 44th Ave	\$58,464,712 (277.33/SF)
<u>Top Leases</u>	Tenant Name	Size (SF)	Address	
	Seaboard Marine	208,400	8001 NW 79th Ave	
	Ameriworld Fulfillment	124,000	3315-3325 NW 70th Ave	
	Fulfillment Hub USA	87,531	3450 NW 115th Ave	
	The Queen’s Flowers Corp	72,927	6905-6909 NW 25th St	

ComReal News | 45,300 Sq. Ft. Medley Warehouse Leased to Distribution Company

The Industrial Team at ComReal led by Edison Vasquez, SIOR, CCIM and Michaela Senior have successfully assisted an Industrial Distribution Company in securing a lease in Medley's Flagler's Station. ComReal represented the Tenant in the transaction. The space is +/- 45,345 SF with outside storage totaling +/- 2.47 acres. This lease shows a normalization of the market; landlord and tenant negotiating in good faith to reach an agreement. However, landlords have less leverage compared to last year.

The ComReal team has represented this company in multiple transactions here in South Florida. The ComReal team has been assisting industrial real estate clients in the South Florida area for over 40 years.

If you would like additional information regarding the transaction or have a need in the market, contact Edison Vasquez at 305-401-1085, EVasquez@ComReal.com or Michaela Senior at 305-497-4502, MSenior@ComReal.com.



Featured Listing

10700 Enterprise Way, Miramar, FL | Available for Sublease

- +/- 83,000 sq. ft. Total for Sublease
- +/- 1,000 sq. ft. of Office
- 28' ceiling height
- 14 dock doors
- Inside Miramar Park of Commerce
- Fully racked & sprinklered



ComReal News | 10 Acres Land Sold to Lennar Homes

The Industrial Team at ComReal led by Edison Vasquez, SIOR, CCIM assisted Powerline Land, LLC in the sale of +/- 10.26 acres of land in the South Florida market. The property was one of the last remaining sites over 10 acres in the area.

ComReal represented the Seller in this transaction. The buyer was Lennar Homes, LLC. The site will help them expand their current development plans in the area.

If you would like additional information regarding the transaction or have a need in the market, contact Edison Vasquez at 305-401-1085, EVasquez@ComReal.com.



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

