

# Miami market fundamentals

FLORIDA INDUSTRIAL INSIGHT REPORT  
Q2 2021

# Key industrial takeaways



## Economic conditions

- Essential workers, a logistics hub and a sharp but entrenched rise in e-commerce spending have helped bring South Florida’s unemployment rate down to **5.7%**.
- Oxford Economics projects that South Florida is expected to see job growth of **3.2%** in 2021, 4.6% in 2022, and should recover all of its lost jobs in Q2 2022.
- Gross domestic product (GDP) in South Florida remains **0.8%** below the peak level reached in 2019 but is expected to grow 8.1% in 2021 and 4.9% in 2022. From 2023 to 2025, GDP is expected to grow at an annual rate of 1.8% led by real estate, which is expected to contribute 20% of the growth.



## Recovery rate

- Florida was ranked **#4** in a WalletHub study of the top U.S. states for their rates of recovery, with industries gaining the most jobs over the year including leisure and hospitality, professional and business services, and trade, transportation and utilities.
- Miami’s influence as a business center and global gateway, coupled with a thriving port and robust industrial fundamentals continue to spur space demand on the part of occupiers and investors alike.



## Industrial demand

- Leasing activity is at **50.4%** of the total recorded in 2020 and is expected to remain strong over the next two quarters.
- There is strong occupier interest in larger blocks of space **100,000 sf** and greater, with pent-up demand for spaces between 20,000 - 50,000 sf. Tenant interest is likely to accelerate through the end of this year.
- Logistics, e-commerce and 3PL firms are among the fastest expanding industries fueling space requirements in Miami, along with an uptick in wholesalers/retailers.

# Key industrial takeaways



## Industrial supply

- As logistics requirements and e-commerce needs forge ahead in Miami, developers continue to search for sites to stay ahead of demand. There are currently 19 industrial properties under construction totaling **4.8 million sf**, 10 of which are situated in the Medley submarket.
- There are **166** blocks of industrial space on the market between 20,000 and 50,000 sf totaling 5.1 million sf that can satisfy some immediate mid-size block tenant demand.
- Miami's overall vacancy rate shows continued resilience with vacancy at **4.4%**, a 60-basis point decrease from the previous quarter.



## Pricing trends

- Base rents have increased by **9.5%** since the start of the pandemic and have continued a steady upward trajectory since 2016.
- The average asking rent for new deals signed since the beginning of the pandemic for distribution space in Miami is currently **\$9.51 per sf**, compared to \$9.44 per sf for general warehouse and \$9.20 per sf for manufacturing space. The Airport West submarket has the highest asking industrial rents (not including flex) at \$10.65 per sf, while Kendall has the lowest at \$7.75 per sf.



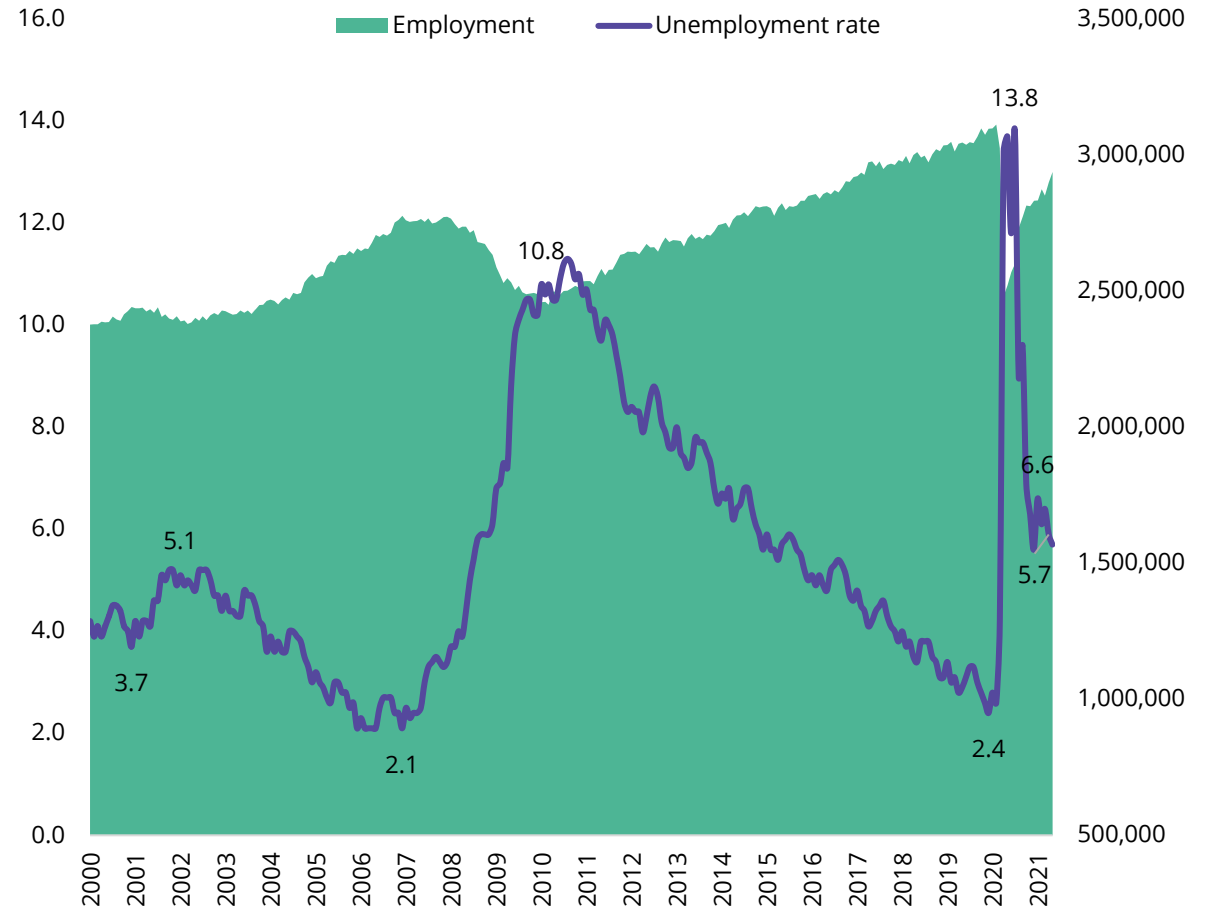
## Capital markets

- Miami industrial investment activity has been robust, totaling **\$1.5B since 2020** as investors are attracted to the sector's undeniably strong post-pandemic fundamentals.
- Industrial volumes have surged **+32.8%** against the prior 5-year average due in large part to those stronger fundamentals.
- The largest investment sales transaction during Q2 2021 was Brookfield Asset Management's acquisition of Bristol Logistics Center in the Airport West submarket for **\$26.3 million**, or \$181 per sf.

# 5.7%

## South Florida's unemployment rate as of May 2021, 810 bps below the height of the pandemic

Historically tightened labor market conditions were halted by the pandemic with 629,600 job losses between February and April 2020. However, reopening efforts in the months since have enabled the economy to add over 455,000 jobs since April 2020.



Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Property type job gains and losses

# -6.8%

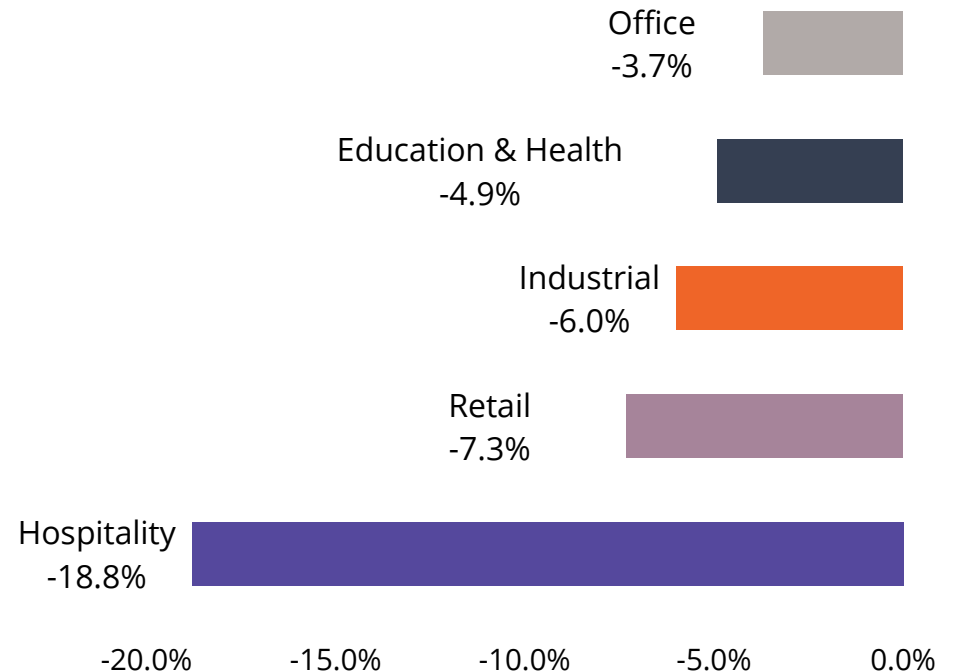
## Change in total employment during the pandemic

The South Florida metro area lost 6.8% of its total labor force since the pandemic began with industrial losses faring slightly better at 6.0%. The strength of the industrial sector in Miami pre-pandemic helped to offset the losses that have occurred.

[VIEW DASHBOARD](#)

### Total change in South Florida\* job gains/(losses)

February 2020 to May 2021



Note: Not seasonally adjusted data. \*Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Industrial job gains and losses

# -6.0%

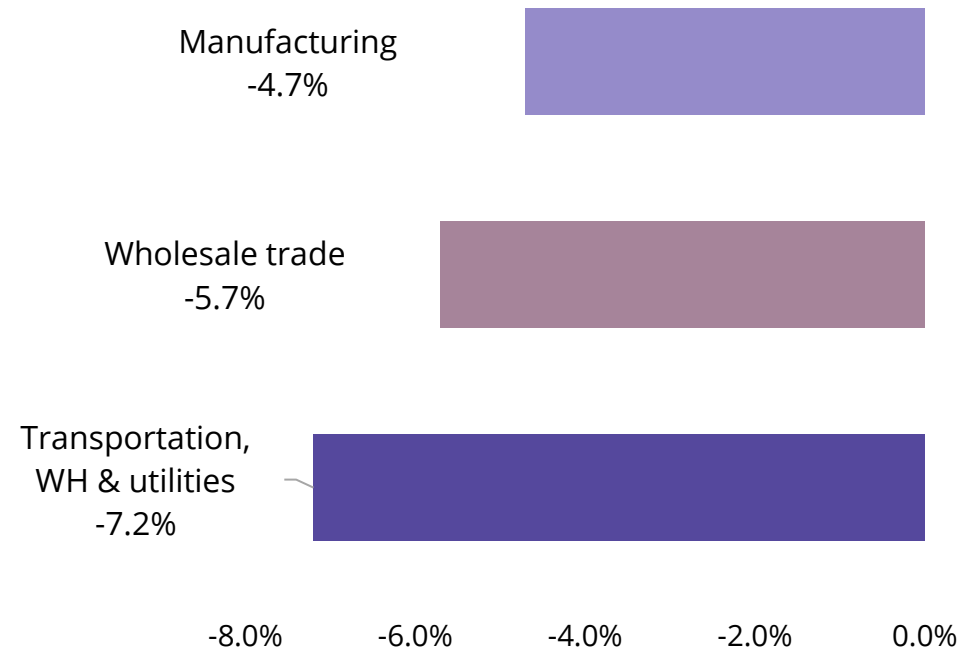
## Change in industrial employment during the pandemic

South Florida industrial job losses have declined by 6.0% since the start of the pandemic, however this recession's impact on the industrial labor market has been considerably less severe than the global financial crisis, when total job losses totaled 12.6%.

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### Total change in South Florida\* job gains/(losses)

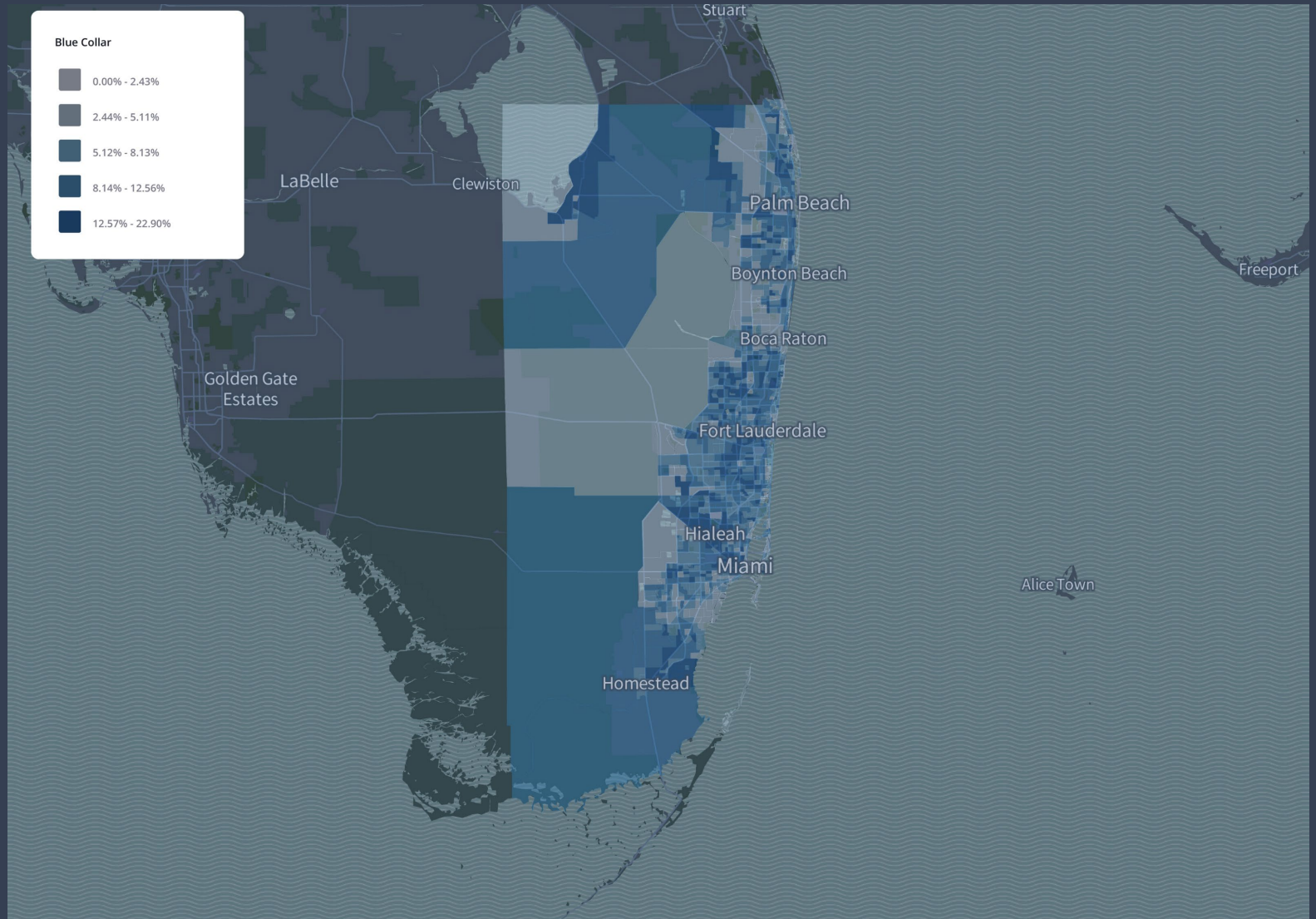
February 2020 to May 2021



Note: Not seasonally adjusted data. \*Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Blue-collar workforce concentration

Source: AVANT by Avison Young, ESRI  
Large pockets of blue-collar workforce are found  
throughout South Florida's largest industrial submarkets.

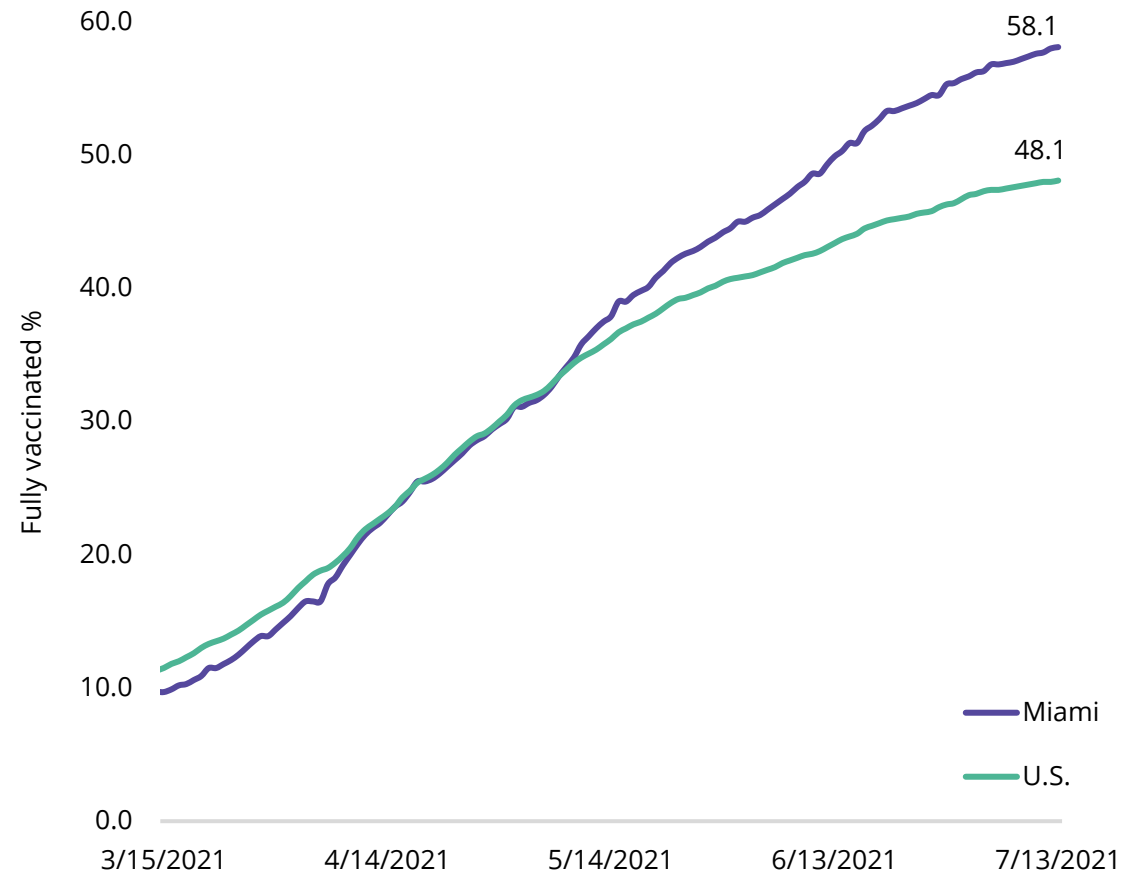


# Vaccination rates

# 58.1%

**Share of total Miami-Dade County population that is fully vaccinated**

Miami's rate of vaccination is the highest in South Florida and has far exceeded the U.S. average, providing additional fuel for the recent escalation in large lease activity.



Source: CDC

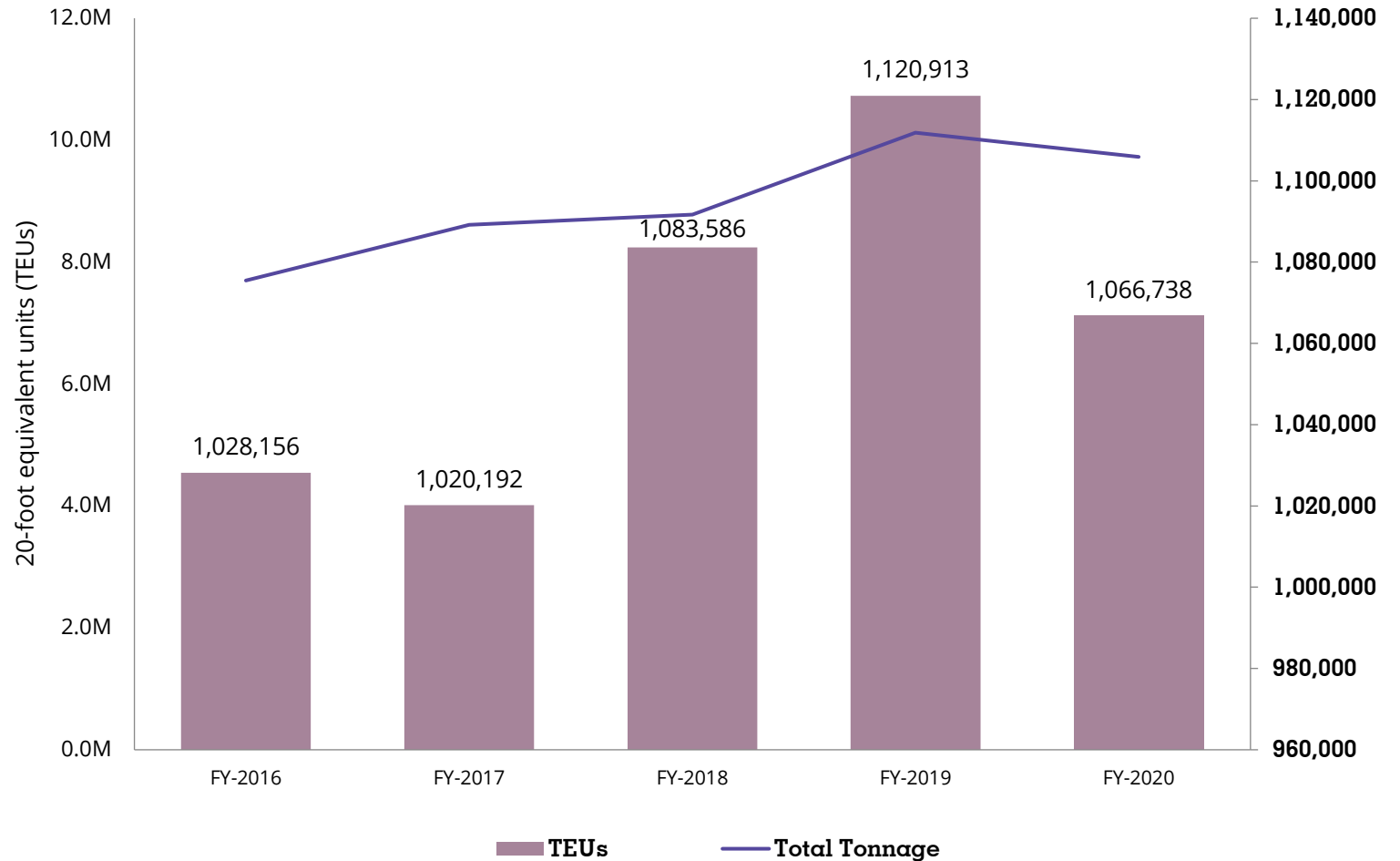


# PortMiami total cargo volume

# 1.1 M

## TEUs during FY-2020

Although the number of cruise ship sailings was down precipitously during FY-2020, PortMiami recorded brisk business during the year. The total cargo value of goods moved in and out of the port during 2020 totaled \$45.4 billion, and the Latin America/Caribbean region accounted for 46% of total market share for the year.



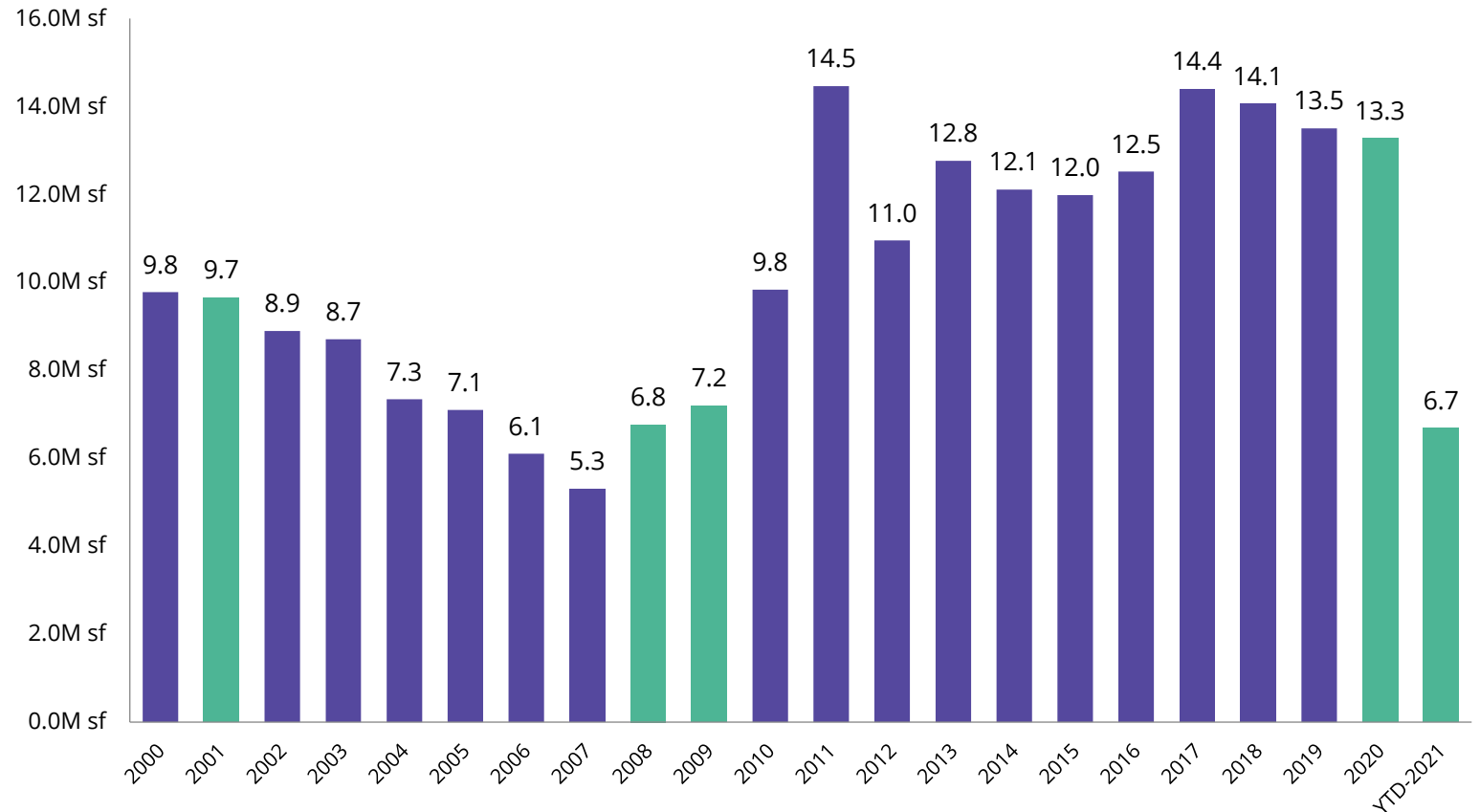
Source: PortMiami

# Industrial leasing activity

# 50.4%

**Year-to-date 2021  
leasing activity  
compared to YE-2020**

Leasing activity has been strong through Q2 2021, following on the heels of 10 straight years where leasing eclipsed 10 million sf annually.



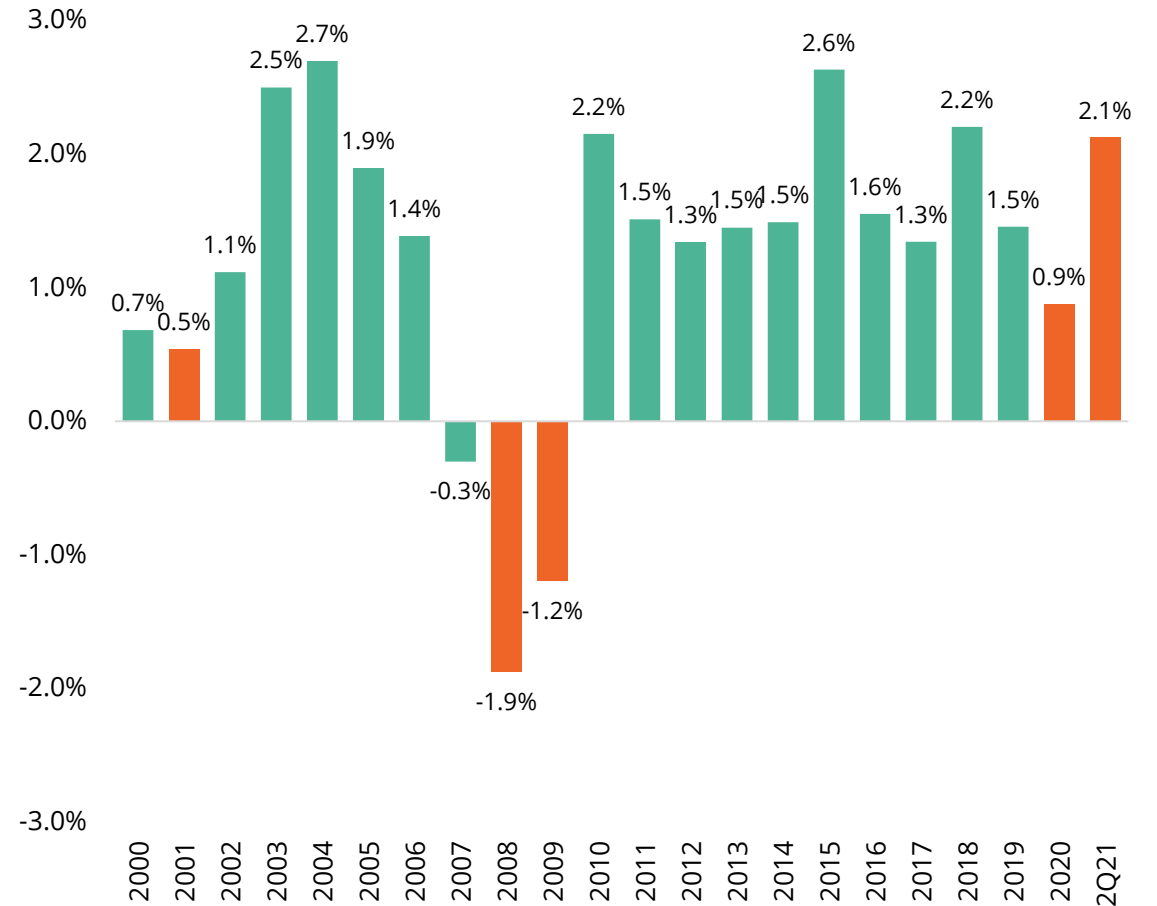
Note: Green represents recession years.  
Source: CoStar

# Industrial net absorption

# 3.0%

**Net absorption as a percentage of inventory, 2020 through Q2 2021**

Absorption through mid-year remains healthy and is currently more than double the amount recorded in 2020, and nearly equal to direct net absorption over the last two years combined. Barring anything unforeseen, net absorption for 2021, which currently totals 4.2 million sf, is on pace to significantly outpace the performance of the last several years.



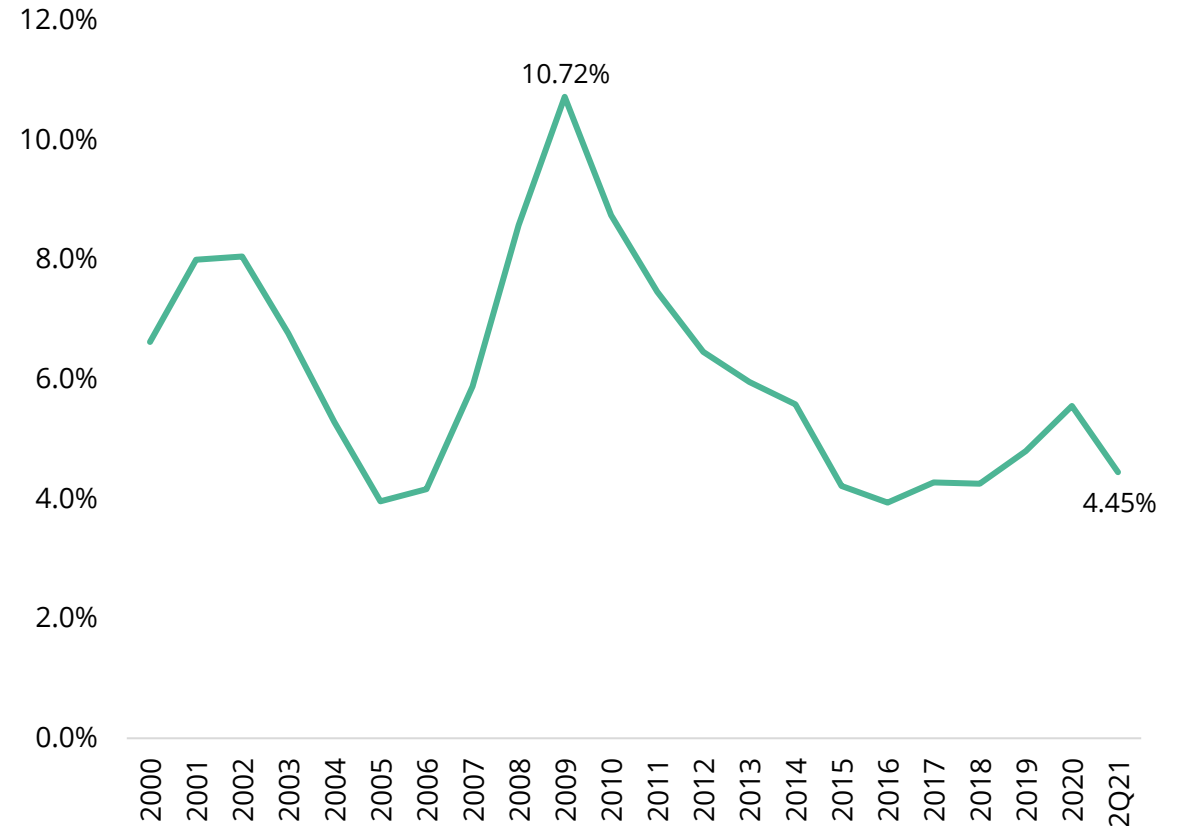
Note: Absorption is measured as the year-over-year change in occupied square feet. Orange represents recession years.  
Source: CoStar

# Industrial vacancy rate

# 4.4%

**Total vacancy in Miami is at its lowest point since 2018**

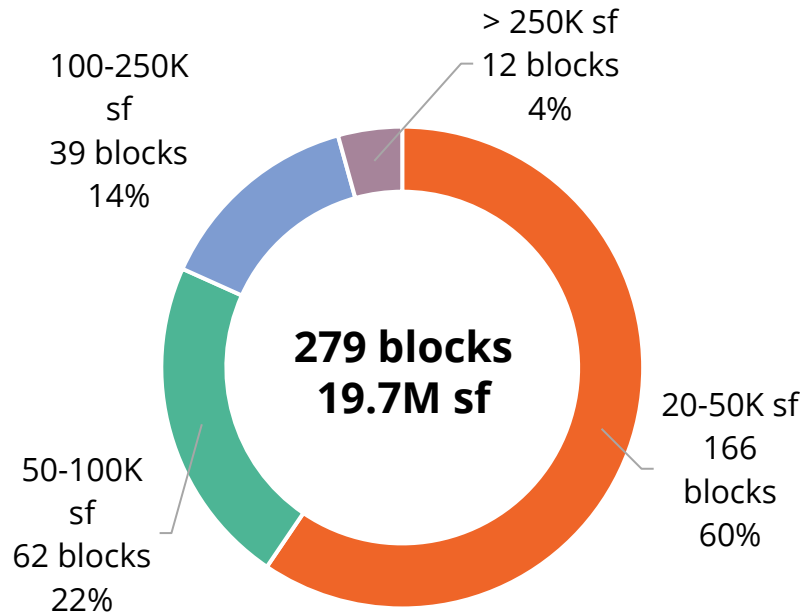
The Q2 2021 total vacancy rate of 4.4% reflects the lowest rate since 2018 and a 120-basis point drop from the vacancy rate recorded at the close of 2020. This is notable given that 2.3 million sf of new industrial space has delivered over the trailing 18-month period ending June 2021.



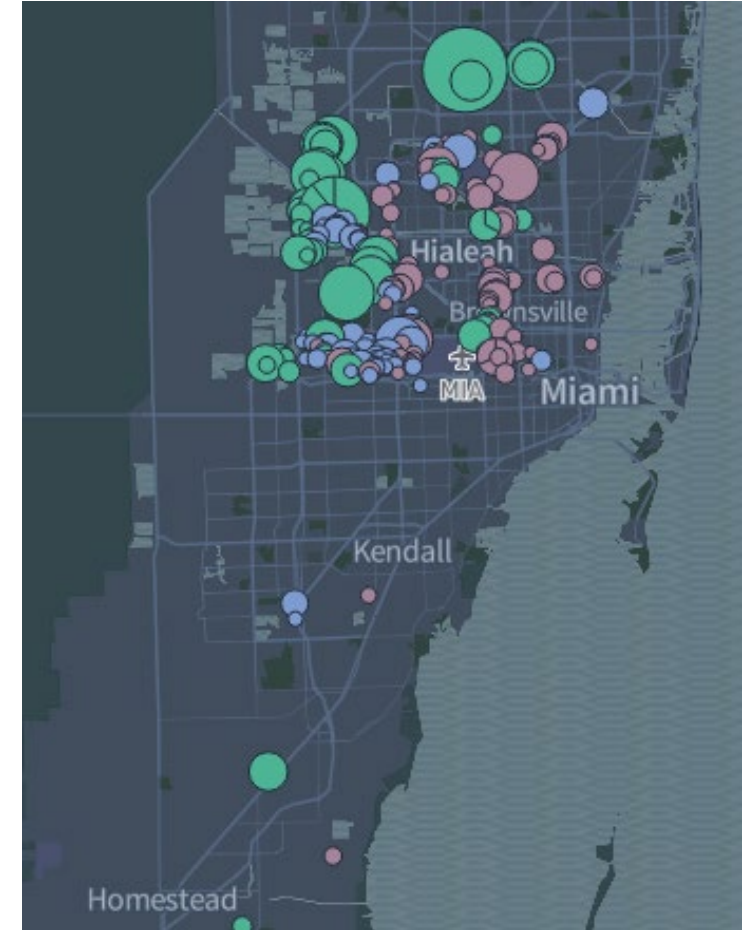
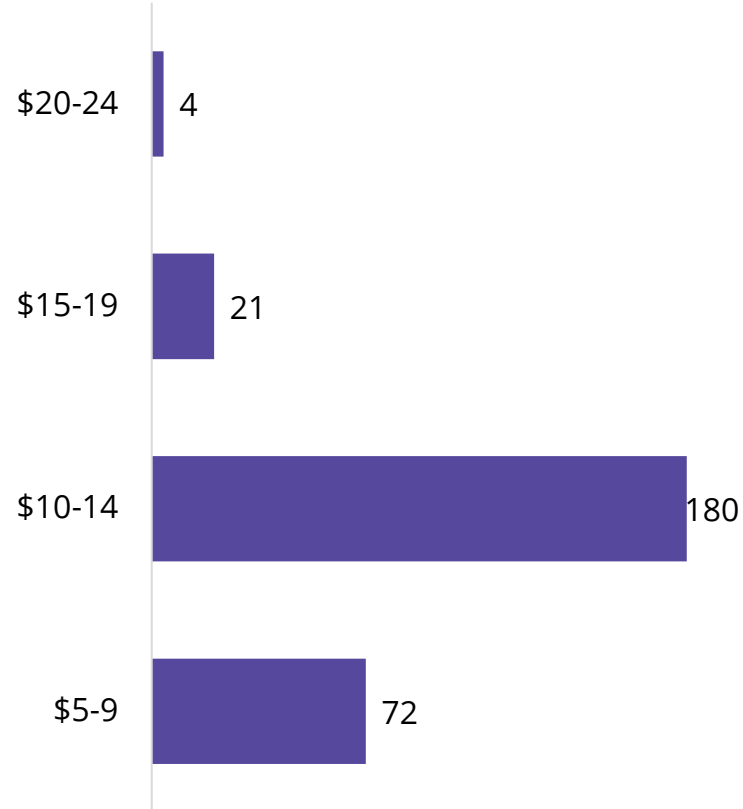
Source: CoStar

# Industrial large-block availabilities

## Space size ranges



## Asking rent per square foot



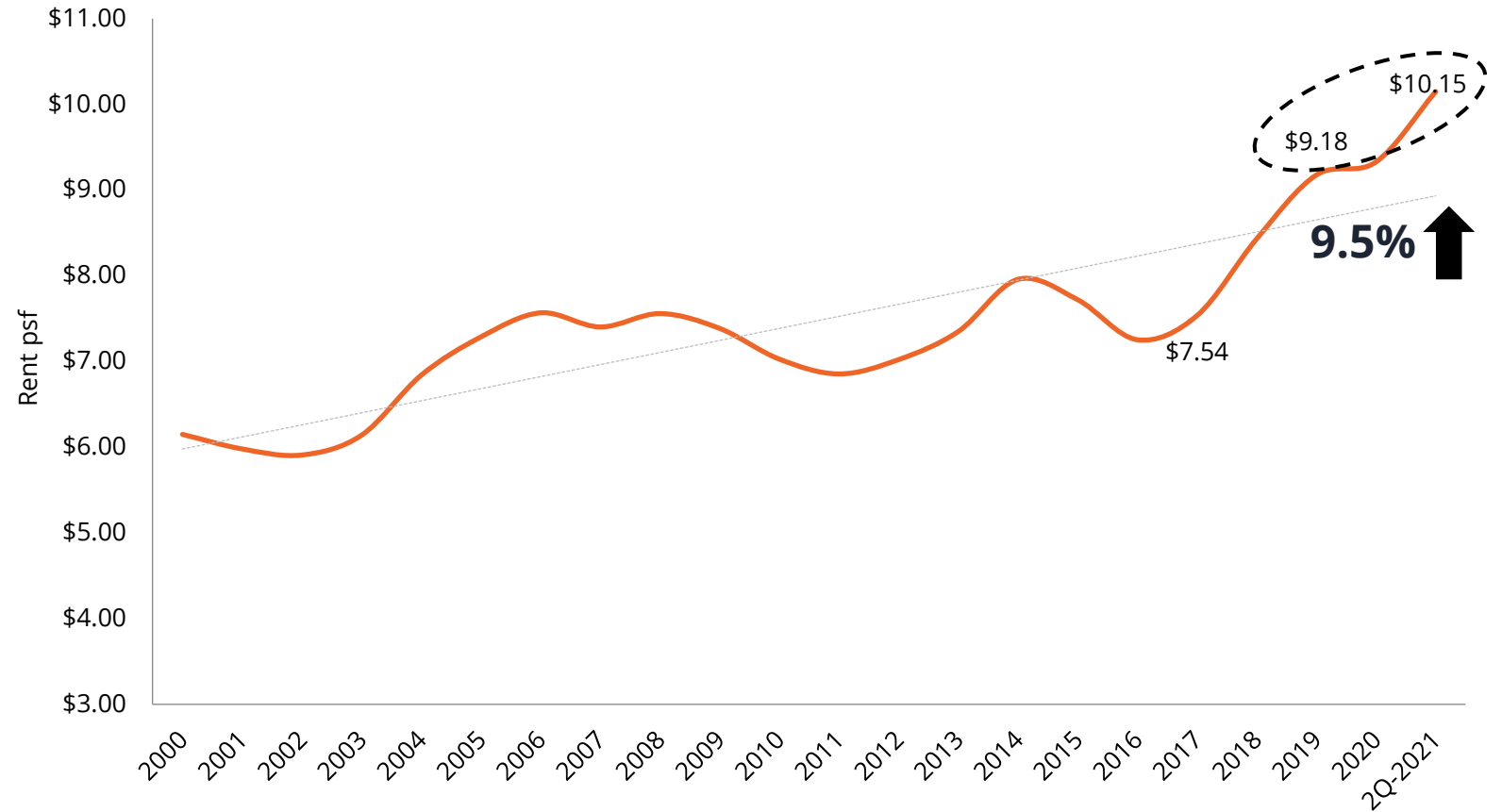
Source: AVANT by Avison Young

# Base rents

# +9.5%

## Base rents since the onset of the pandemic

Base rents grew for industrial space during the second quarter and have generally trended upward over the last decade, rising steadily since 2016 and growing 28.6% over that period.



Source: AVANT by Avison Young

# Big-box demand drives construction

**63 properties**

Proposed, under construction or under renovation

**15.3 msf**

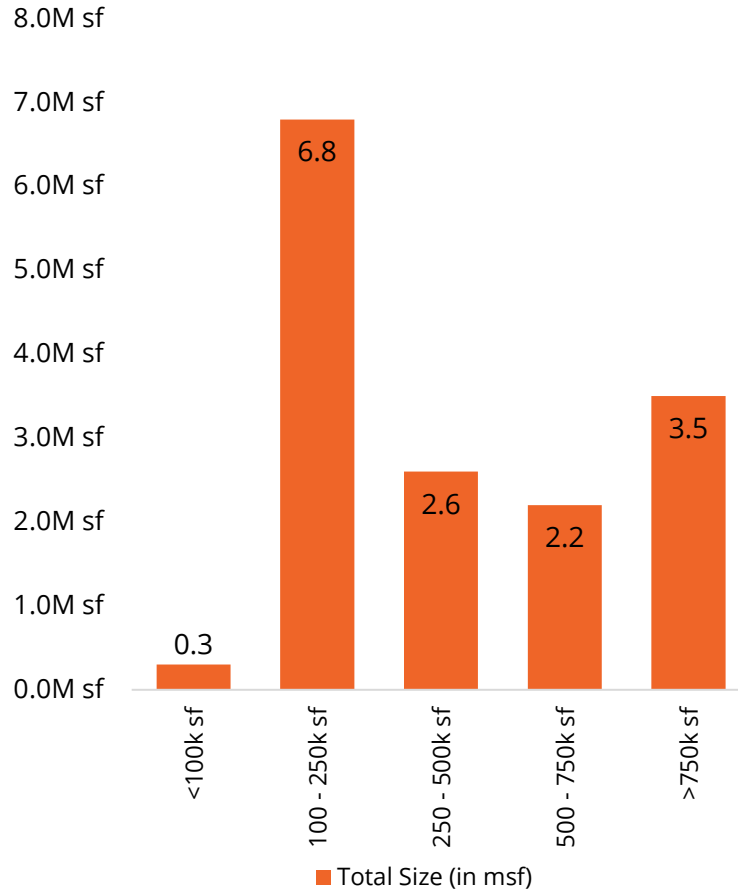
Proposed or under construction

**8.7%**

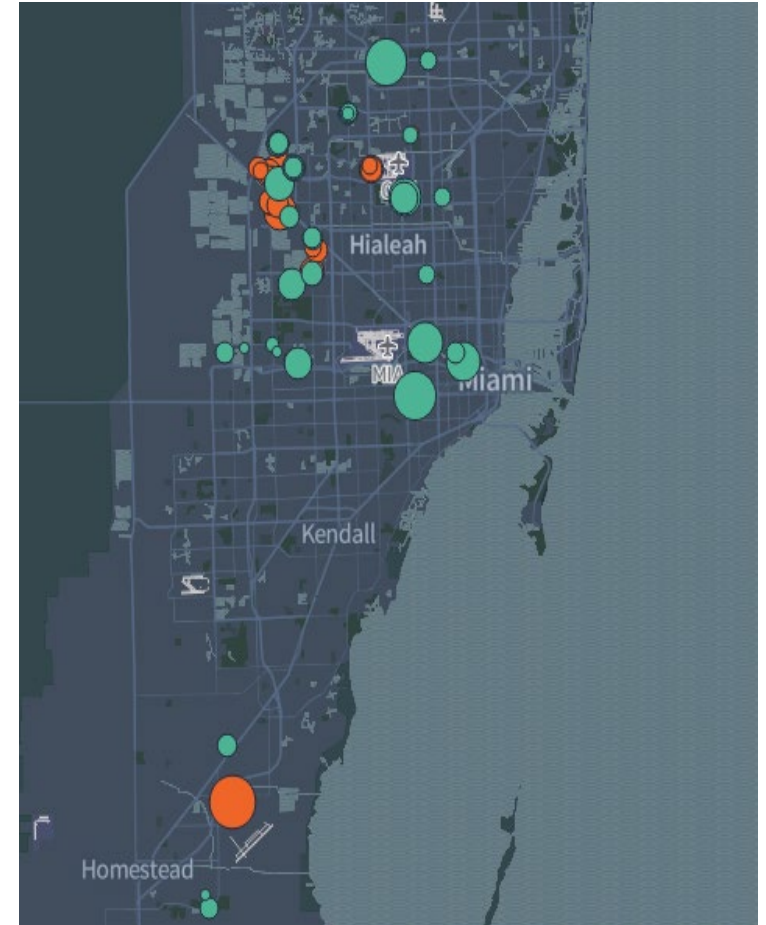
Share of industrial inventory

**Medley**

Submarket with the most projects under construction at 10



Source: AVANT by Avison Young



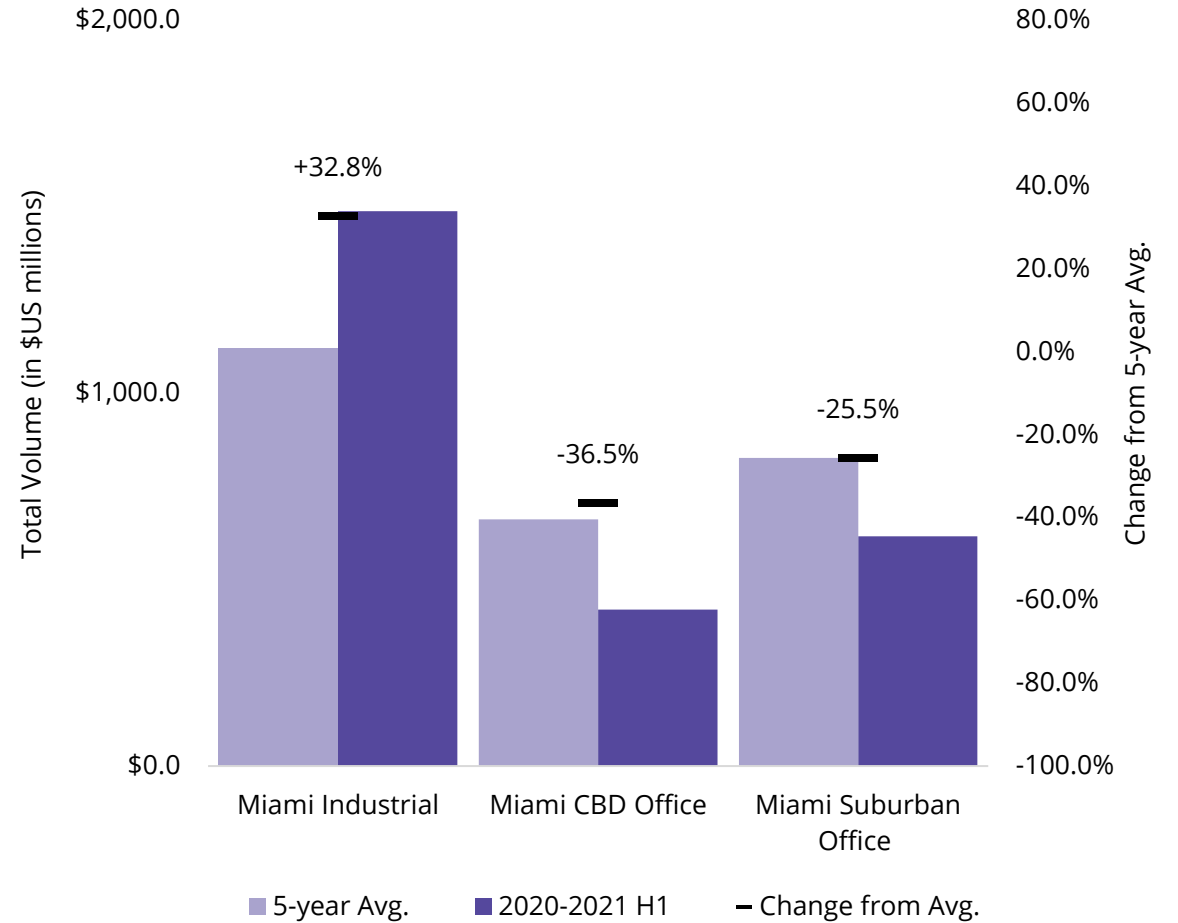
● Under construction ● Proposed

# Investment dollar volume

# \$1.5B

## Industrial dollar volume, 2020 to Q2 2021

Office sales activity temporarily paused during the risk-pricing crisis, decreasing by an annualized rate of 36.5% and 25.5% in CBD and Suburban markets, respectively, compared with the prior 5-year average dollar volume. Industrial volumes surged +32.8% against the prior 5-year average due to stronger fundamentals.



Source: AVANT by Avison Young  
RCA

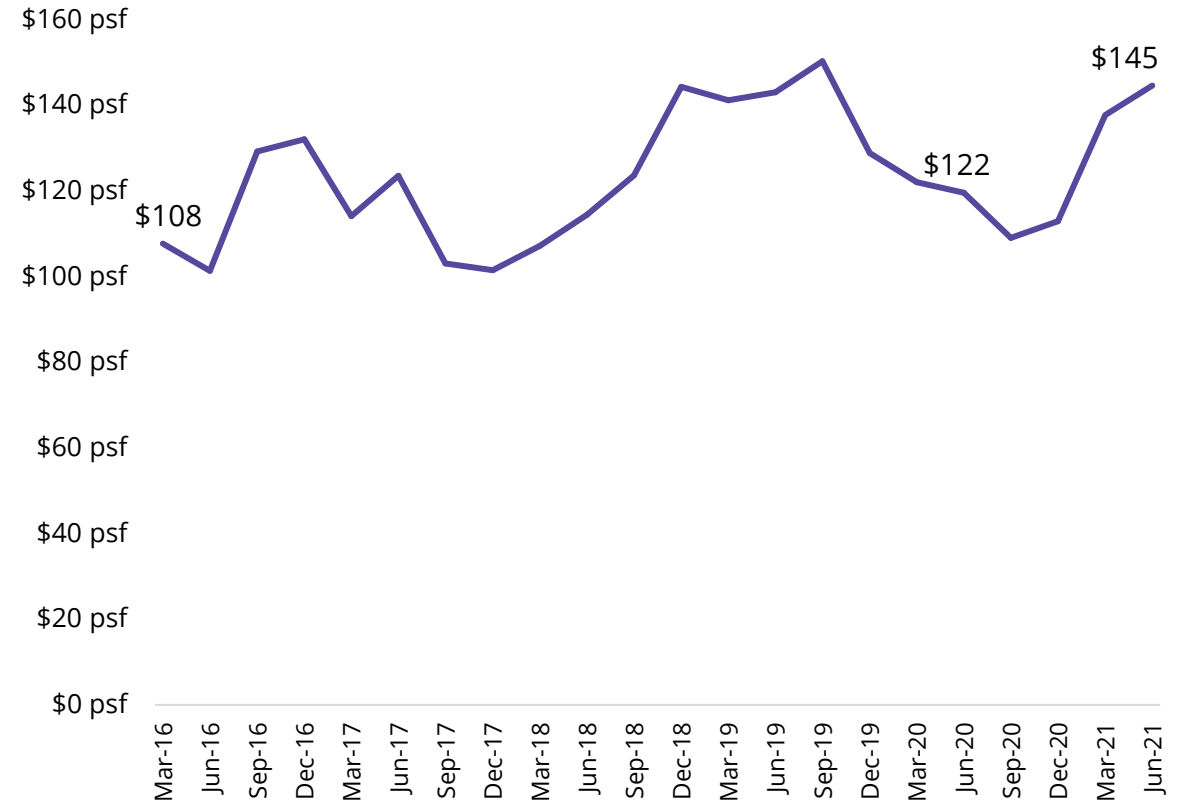


# Industrial asset pricing

**+ 18.5%**

## Miami industrial pricing, March 2020 to June 2021

Pricing for Miami industrial assets has surged by 18.5% since the onset of the pandemic. Investors remain bullish on well-located, premium logistics assets within Miami's industrial market.



Source: AVANT by Avison Young  
RCA

# Looking forward



## Here's what we can expect

- With the cost of land, labor and construction materials going up considerably over the course of the last year, asking base rents in Miami are poised for their **largest rate of acceleration in two decades**. New developments delivering in 2022 are quoting \$9.00 NNN across the board and developers will likely exceed that number when underwriting the next wave of development as core Miami land reaches \$2M per acre.
- Miami's **fast expanding population** will worsen transportation hurdles in the future if infrastructure is not improved, which could hamper the industrial sector in general and distribution, 3PL and logistics in particular.
- Developers will continue to scour Miami for **prime development sites**, which are becoming hard to find. Look for Bridge Development Partners, Prologis, Link Logistics, Brookfield, Clarion Partners, Modlo and Butters Group to remain in active pursuit.
- Solid leasing fundamentals have driven investment interest to industrial, and **e-commerce penetration** has only reinforced the need for last-mile facilities near Miami consumers. Looking forward, expect some continued lag time between the delivery of new development product and demand.



# Get in touch



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# Let's talk

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