Construction deliveries hit record-high as demand continues to normalize

3.2%	894,594	8,578,711	1,304,500	$15.50
Direct Vacancy	SF Net Absorption	SF Construction	SF Delivered	NNN / Lease Rate

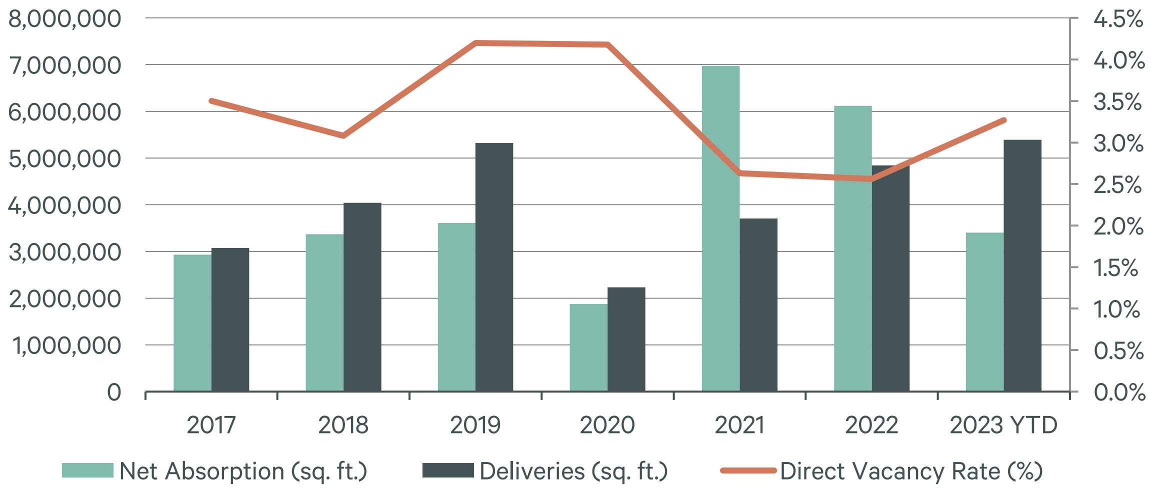
Note: Arrows indicate change from previous quarter.

Overview

- In Q4 of 2023, Miami's industrial market remained constrained, despite surpassing supply levels from previous years, as the direct vacancy rate increased to 3.3% from 2.6% in the prior year.
- Due to Miami's tight market conditions, landlords have had the leverage to raise rents by 10% in the last year, significantly surpassing the 6% average gain across the U.S.
- Demand pulled forward in the fourth quarter, pushing net absorption to more than 3.0 million sq. ft for the year. Although, this reflects a 44% decrease from Miami's record-breaking absorption in 2021.

Developers helped to loosen the market for warehouse space by delivering almost 5.4 million sq. ft. of new industrial product during the past 12 months, the highest yearly total on record. Still, almost 80% of that space has been leased to date. Demand for space continues to come from across a wide variety of industrial and warehouse users giving us confidence that market conditions will continue to stabilize at a more balanced level in the upcoming year. In fact, there are 50 requirements looking for spaces above 100,000 sq. ft. in Miami totaling 13.6 million sq. ft.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

With new leasing totals moderating and the amount of available space rising, the Miami industrial market ended the year trailing supply. While this downshift is not specific to Miami, as absorption levels across the U.S. industrial sector have also slowed considerably in 2023, it should be noted that absorption levels in Miami still stand in positive territory and above historical levels.

The Miami Lakes and Airport West submarkets continue to attract substantial deals and are expected to be significant contributors to demand in 2024. The largest move-in of 2023 happened this quarter in the Miami Lakes submarket, where Kehe did a BTS of 360,000 sq. ft. a few years back at Countyline Corporate Park (CCP), building 18. Over the past two years, nearly 70% of transactions above 100,000 sq. ft. have taken place in Airport West and the Miami Lakes submarkets. In 2024, this trend is set to persist, with Imperial Dade scheduled to occupy 506,000 sq. ft. at CCP, building 38. Notably, Iberia USA, of 400,000 sq. ft., will also move in by next year, but they will be situated in the North Central Dade submarket instead.

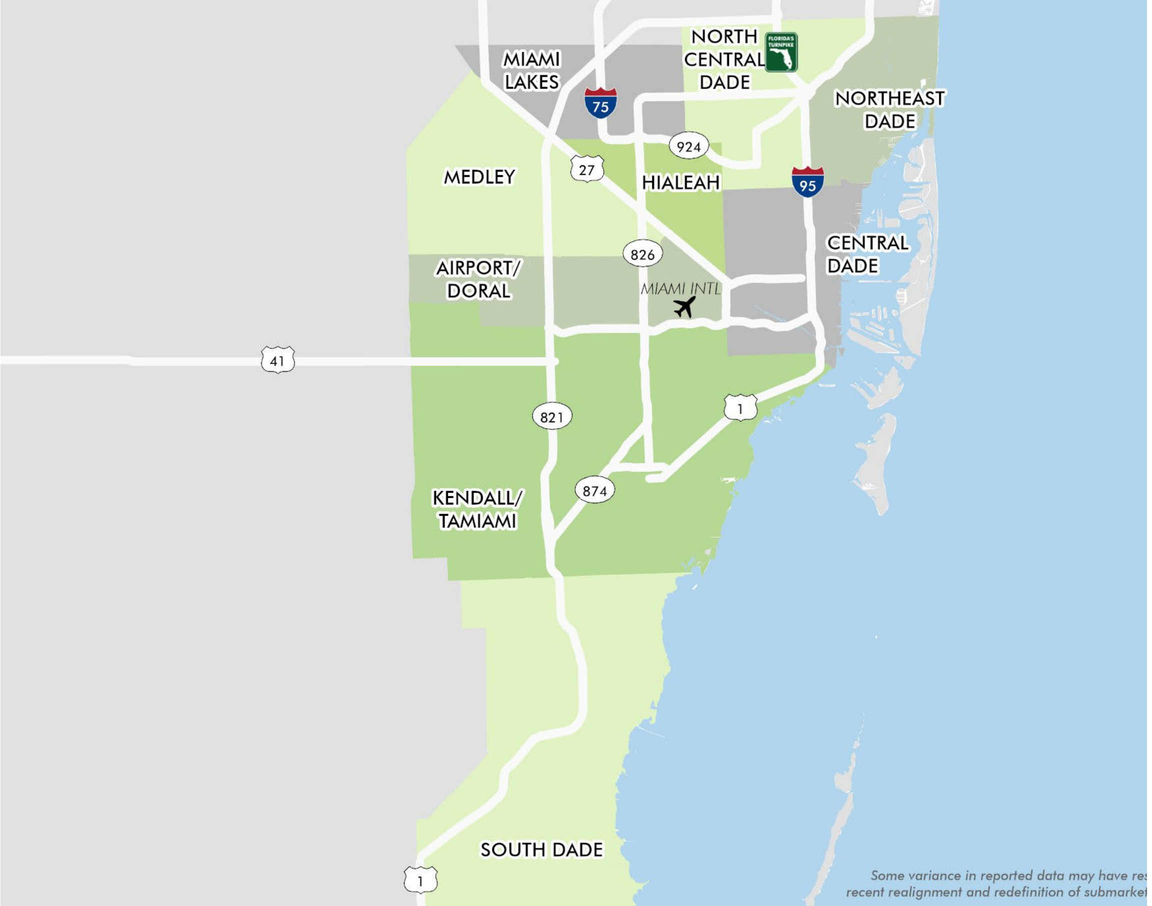
VACANCY & PRICING

The direct vacancy rose by 70 basis points compared to the previous year, driven by the departure of smaller tenants, particularly impacting spaces under 50,000 sq. ft. Pilot Freight Services had the most significant move-out, leaving 148,000 sq. ft. at MICC. Despite a slower economic environment impacting lease volume, the availability of existing space remains limited, with vacancies staying well below the U.S. average of 5.0%. While the overall market performs strongly, the growth in asking rents has tapered from its peak of over 22% in Q3 2022 to around 10% as of Q4 2023. Industrial asking rents in Miami are expected to continue rising in 2024, albeit at a more modest pace than in recent years.

FIGURE 2: Statistical Snapshot Q4 2023

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy Rate (%)	Direct Availability Rate (%)	Q4 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate ($/NNN)
Airport/Doral	60,424,331	3.24 %	6.44 %	181,306	112,796	1,464,241	$19.50
Central Dade	39,691,836	3.37 %	6.58 %	33,877	926,759	0	$14.30
Hialeah	16,707,629	3.98 %	4.56 %	16,950	-42,158	409,189	$14.30
Kendall/Tamiami	14,404,811	2.59 %	2.18 %	-25,568	-102,019	0	$13.00
Medley	46,107,537	3.11 %	4.8 %	6,822	598,487	1,973,793	$17.20
Miami Lakes	16,428,749	4.06 %	3.81 %	719,373	2,179,671	2,527,500	$17.00
North Central Dade	38,889,926	3.11 %	4.28 %	-29,558	-95,215	1,805,758	$16.10
Northeast Dade	2,686,371	1.77 %	1.71 %	-2,100	-7,285	0	$14.50
Out of Submarket	1,389,117	0.18 %	0.18 %	0	0	0	N/A
South Dade	4,634,516	1.35 %	1.65 %	-6,508	-32,774	398,230	$13.00
Grand Total	241,364,823	3.21 %	5..06 %	894,594	3,538,262	8,578,711	$15.50

Market Area Overview



Economic Outlook

The combination of continued economic momentum with a likelihood that the Fed's dramatic tightening cycle is now complete makes a 'soft landing' appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings, and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages are helping to maintain higher, albeit decelerating, core inflation. This backdrop will likely translate into the Fed only slowly lowering its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

Contacts

Josh Bank
Senior Managing Director
1 305 381 6423
josh.bank@cbre.com

Marc L. Miller
Associate Field Research Director
+1 305 381 6428
marc.miller1@cbre.com

Erik Rodriguez
Research Manager
1 954 548 5534
erik.rodriguez@cbre.com