The wave of construction overshadows a resilient demand picture

▲ 5.7%
Total Vacancy (Q4 2024)

▲ 411,745
SF Net Absorption (Q4 2024)

▲ 4,957,042
SF Construction (Q4 2024)

▼ 161,787
SF Delivered (Q4 2024)

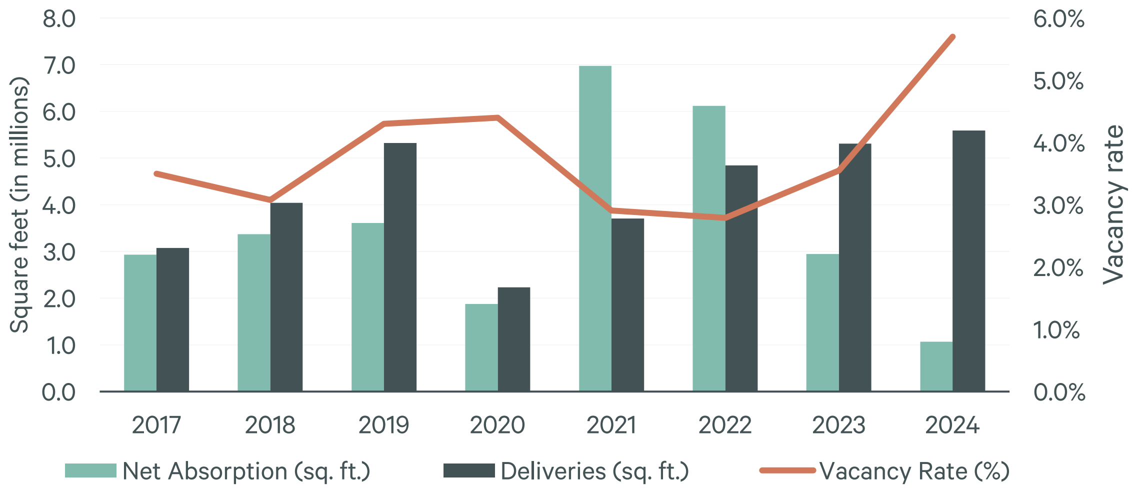
▲ $16.03
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

Market highlights

- Net absorption closed the year at a modest 1.1 million sq. ft., marking the lowest annual total in a decade. Despite this, leasing activity has gained notable traction, especially for transactions exceeding 100,000 sq. ft. However, deals are taking longer to finalize across the board, indicating that while leasing momentum is building, it has yet to translate into measurable absorption growth..
- This year, the development pipeline reached a historic peak, delivering nearly 5.6 million sq. ft. of industrial space over the past 12 months—the highest in Florida. Consequently, overall vacancy has climbed to a multi-year high of 5.7%, but projected to peak in 2025 as the overall construction has slowed from all time peaks in early 2023.
- The increasing vacancy rate has placed downward pressure on rent growth, a trend likely to persist. Following a cycle-high of 18.0% in mid-2022, Miami's industrial rent growth has slowed significantly, reaching 7.7% over the past 12 months as of Q4 2024.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

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Demand

Net absorption in the first half of the year was bolstered by significant move-ins, such as Imperial Bag & Paper occupying 506,215 sq. ft. However, the trend moderated in the second half, as several large tenants vacated their spaces, including Imperial Bag & Paper's former 226,000 sq. ft. This shift drove net absorption to its lowest level since 2011, despite the signing of several large deals throughout 2024.

The Miami Lakes submarket remains the top choice for big-box tenants, with over 1.8 million square feet currently under construction in buildings ranging from 130,000 to 230,000 sq. ft. Over the past three years, the area has recorded 5 million sq. ft. of positive net absorption, underscoring strong tenant demand for large spaces. Activity has further accelerated in 2024, with 17 major transactions exceeding 100,000 sq. ft. finalized this year, including ten new leases.

Vacancy & Pricing

Though tenant demand has been somewhat sturdy, it has not been enough to absorb the remarkable pace of deliveries, keeping vacancy on a swift upward trajectory. Vacancy rose from 2.7% in mid-2022 to 5.7% as of Q4 2024, and further increases are likely.

Rent growth remains robust at 7.7% year-over-year, though it has eased from its peak as industrial demand stabilizes. Looking ahead, annual rent growth is projected to moderate to between 3% and 5% over the next 12 months, driven by additional supply entering the market. Landlords of infill and small-bay properties are expected to maintain stronger pricing power than those operating larger, big-box facilities on the market's edges.

FIGURE 2: Statistical Snapshot Q4 2024

Submarket	Total Inventory (SF)	Vacancy Rate	Q4 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Q4 2024 Deliveries (SF)	Avg. Asking Lease Rate (PSF/NNN)
Airport/Doral	60,809,379	4.97 %	156,369	-177,035	1,528,640	0	$17.75
Central Dade	39,648,282	4.27 %	-161,406	-380,202	107,632	0	$13.65
Hialeah	16,611,629	5.17 %	-49,123	-145,337	409,189	0	$15.43
Kendall/Tamiami	14,301,820	2.73 %	11,952	57,291	0	0	$15.17
Medley	47,326,260	6.83 %	-240,238	-65,026	698,908	0	$17.20
Miami Lakes	18,384,141	4.70 %	582,768	2,088,357	1,838,254	161,787	$15.21
North Central Dade	40,281,863	9.02 %	120,903	-285,777	374,419	0	$15.32
Northeast Dade	2,686,371	2.65 %	4,230	-15,650	0	0	$20.00
Out of Submarket	1,389,117	0.66 %	-1,600	-6,600	0	0	$11.00
South Dade	4,728,569	4.94 %	-12,110	-2,198	0	0	$17.06
Grand Total	246,167,431	5.69%	411,745	1,067,823	4,957,042	161,787	$16.03

All stated rents are estimates subject to size, credit, TI, and term.

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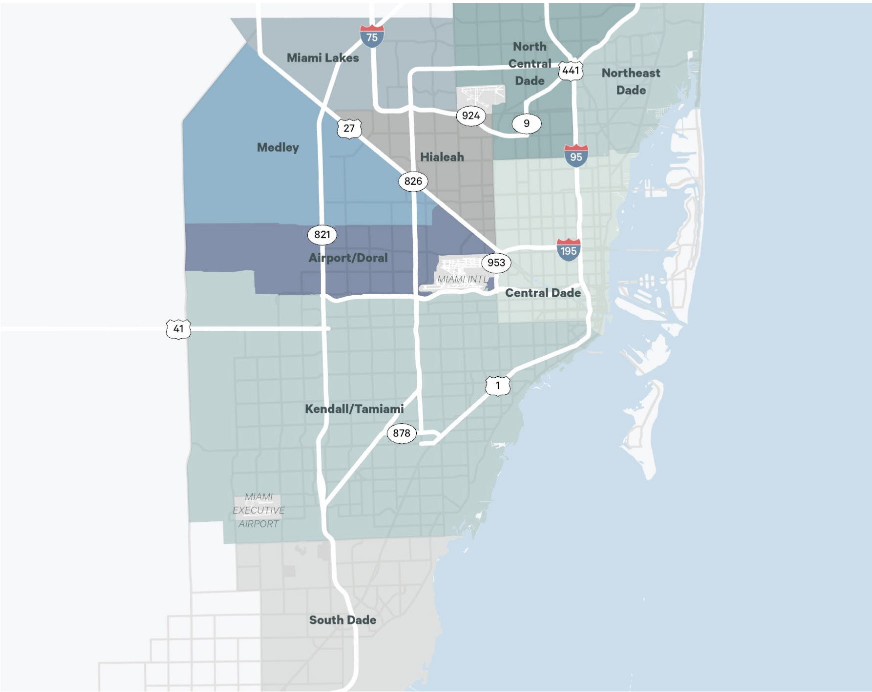
Market Area Overview



CBRE Economic House View

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters

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