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1Q24

# Miami-Dade County Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- The market's unemployment rate remained at an all-time historical low, decreasing by 40 basis points year-over-year to 1.6% and remaining well below the five-year average of 4.2%.
- Although job growth pace has slowed compared with recent highs to 2.5% year-over-year, employment growth continues to significantly outpace pre-pandemic levels, with 2019 growth averaging only 2.0%.
- All sectors, except information, reported employment growth, with leisure and hospitality leading job gains at 7.1% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, with manufacturing and trade/transportation/utilities jobs growing by 4.7% and 0.7% year over year, respectively.

## Major Transactions

- DWL International Trading signed the largest deal of the first quarter of 2024, renewing 146,018 SF of space at Flagler Station 22.
- Wholesalers accounted for 70.0% of the top ten new leases and renewals and 80.9% by square footage.
- Five of the top ten largest leases in the first quarter of 2024 were in the Airport West submarket and three of the top five largest leases were in the Medley submarket.

## Leasing Market Fundamentals

- The market realized 510,089 SF of positive absorption in the first quarter of 2024.
- Overall rental rates grew 11.6% year-over-year to \$15.22/SF and remained only 2.4% lower than the historical high set in the prior quarter.
- Construction deliveries rose in the first quarter of 2024 with 1.4 MSF delivered as the pipeline receded to 5.4 MSF under construction.
- Supply outpaced demand to kick off 2024 and, as a result, vacancy has climbed slightly to 2.9%, reflecting an increase of 40 bps quarter over quarter. Of the space under construction, 23.6% is currently preleased.

## Outlook

- The Miami industrial market will see a large influx of supply delivering to the market in the near term, due to 2.4% of the current market's inventory being under construction.
- Vacancy rates are expected to remain low, but tick upwards over the next few quarters as new supply from a robust construction pipeline hits the market.
- Asking rents will likely remain elevated as new deliveries demand higher premiums, but the pace of increases may stall in the near-term due to a temporary oversupply and the increase of lease up times as demand catches up.

1. Economy
2. Leasing Market Fundamentals

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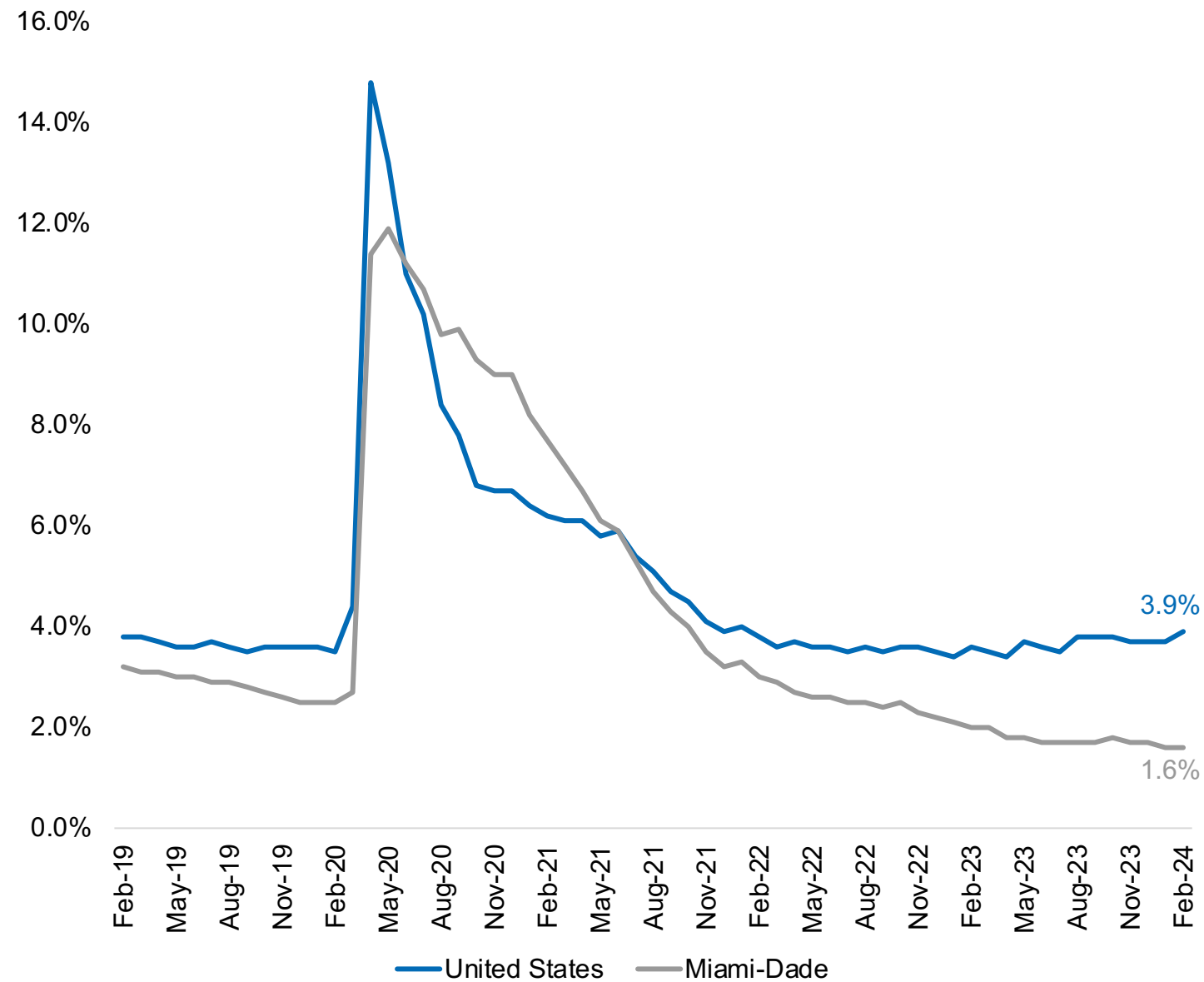
# Economy



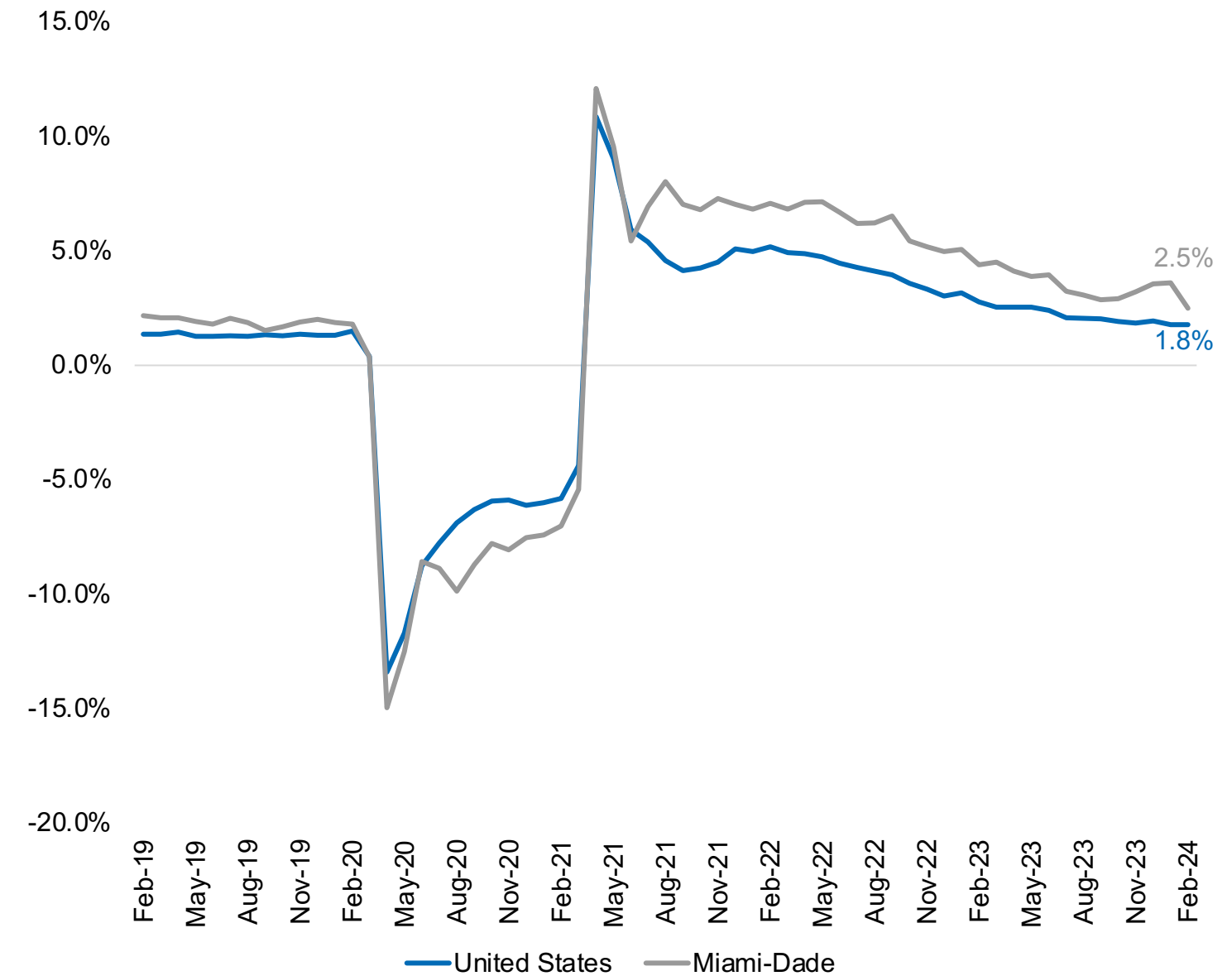
# Unemployment Remains At Historical Low

The Miami-Dade County market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. The region's unemployment rate decreased by 40 basis points year over year to 1.6%, remaining at the historical low. Employment growth continues to remain elevated since 2021, but slowed by 189 basis points year over year, likely impacted by national economic headwinds.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

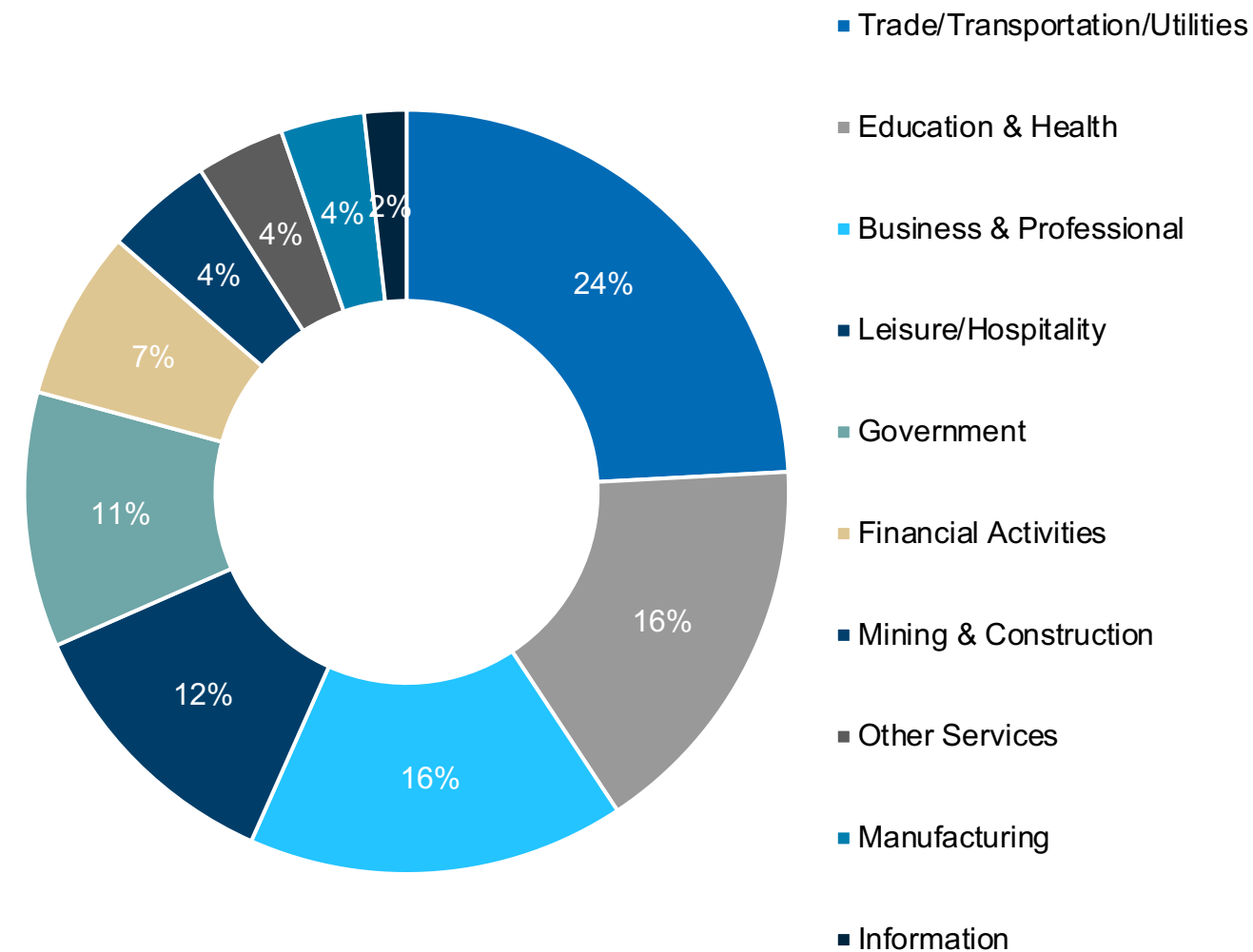


Source: U.S. Bureau of Labor Statistics, Miami-Dade County

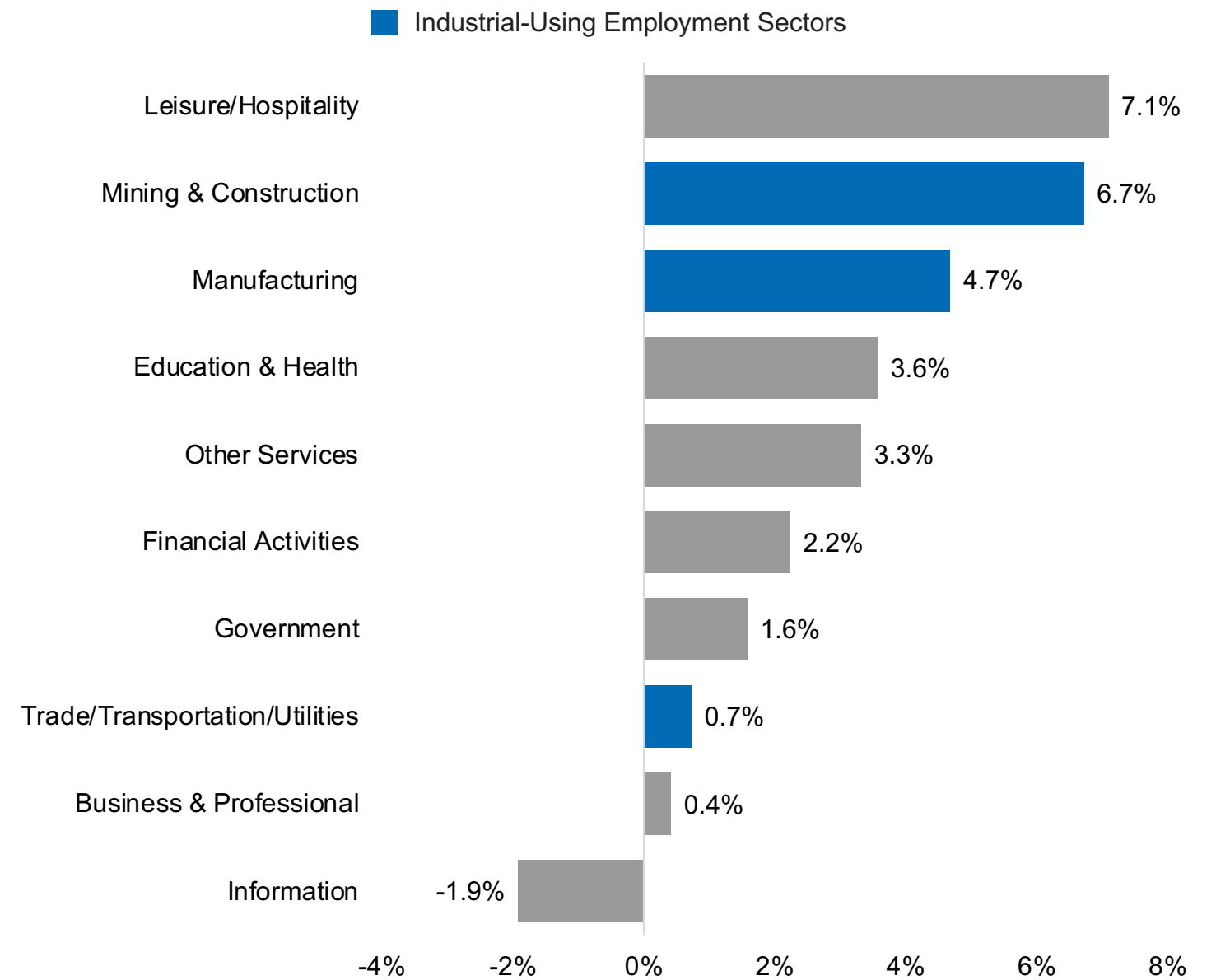
# Mining & Construction Sector Reports Second Highest Yearly Growth

Miami-Dade County's top two employment industries account for 40.7% of market share. The industrial-using employment's trade/transportation/utilities sector is the largest industry sector in the metroplex at 24.2%. All industries, except for information, reported growth, with industrial-using industries reporting year-over-year growth ranging from an increase of 0.7% to 6.7%.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

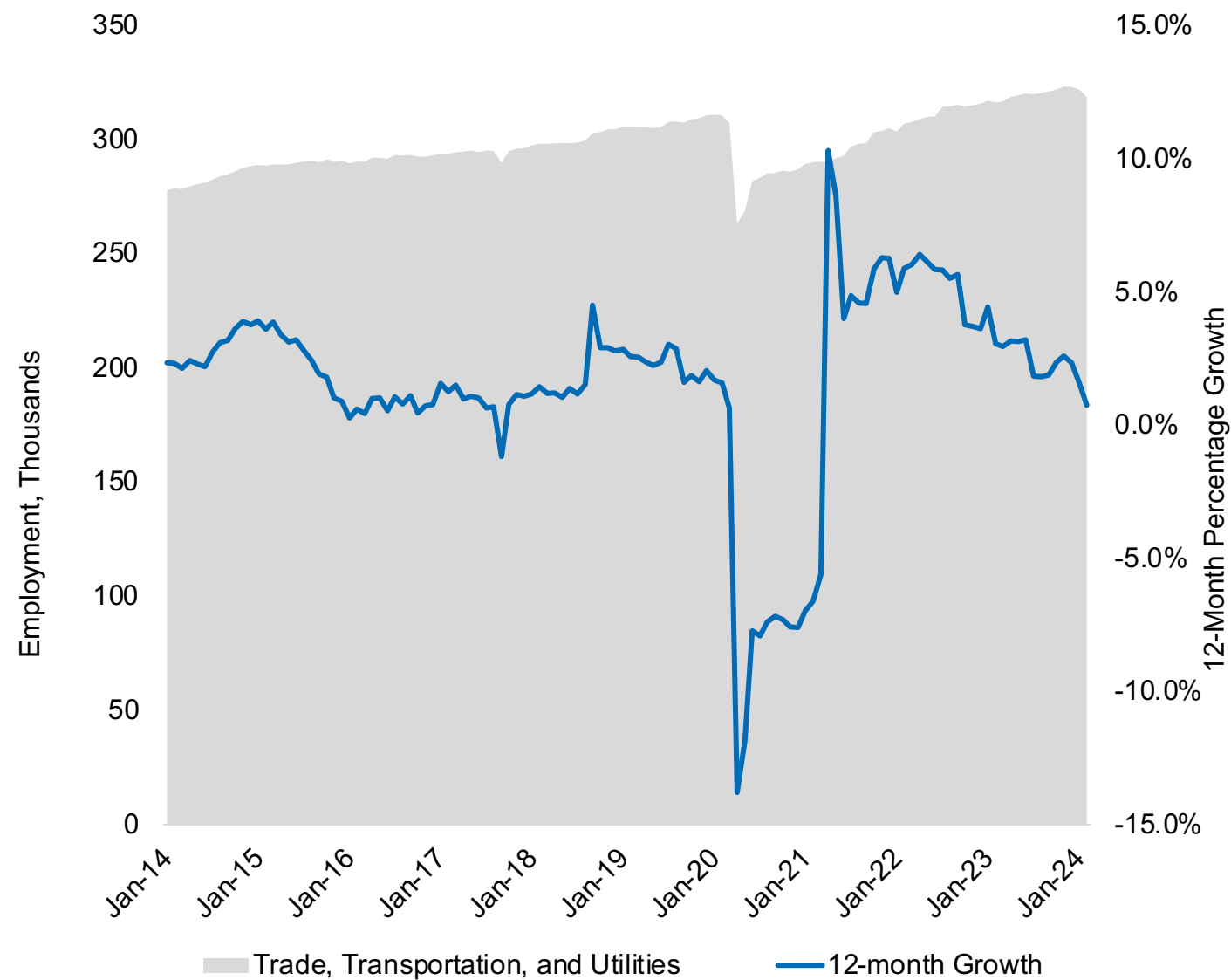


Source: U.S. Bureau of Labor Statistics, Miami-Dade County

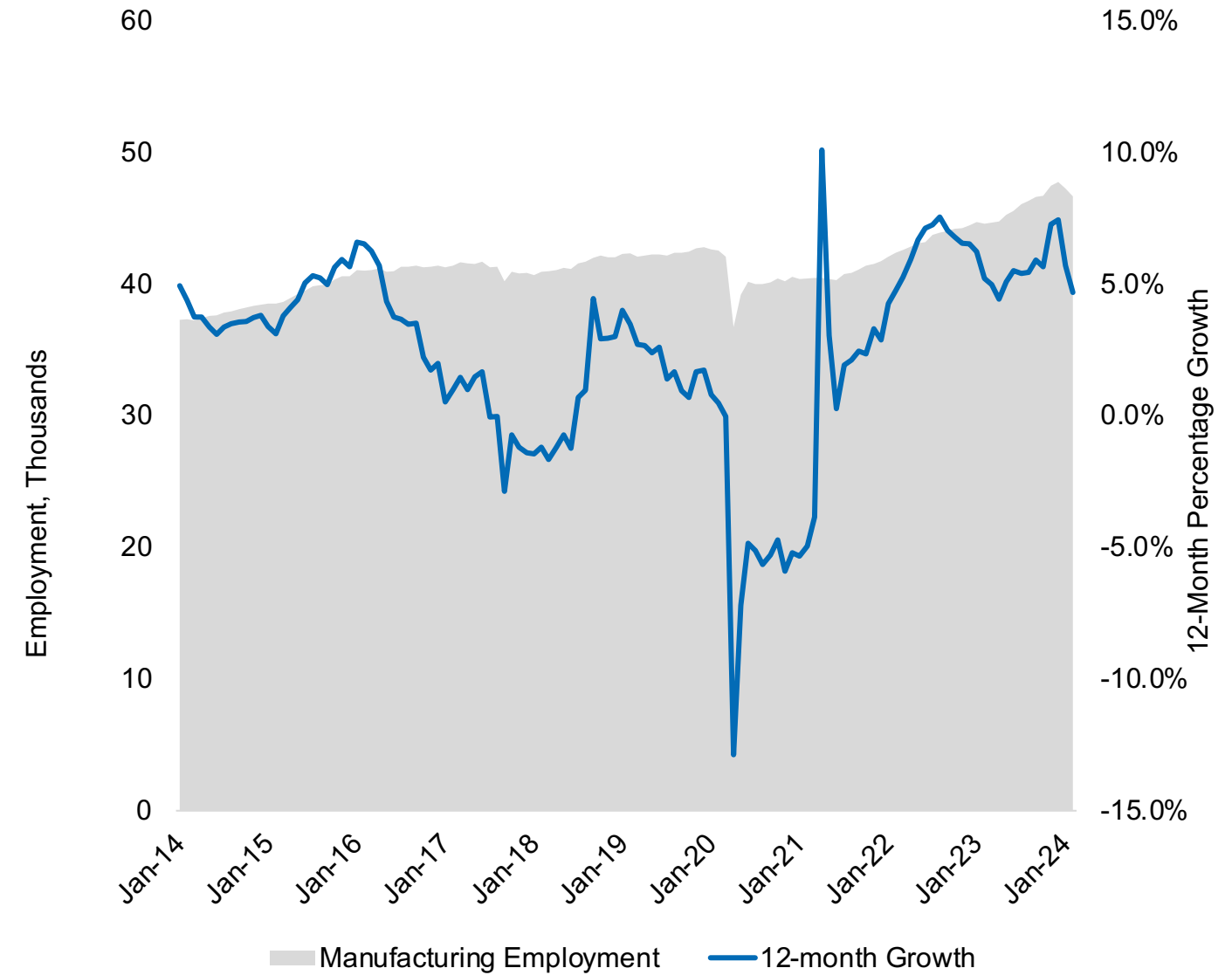
# Industrial Jobs Growth Declines

Trade/transportation/utilities employment remains near all-time highs, reporting 318,538 employees as of the end of February 2024, close to the historical high of 323,081 employees reported in November 2023. As of the end of February 2024, manufacturing employment dipped by 2.3% from the all-time high set in December 2023 down to 46,651 employees. Industrial-using employment continues to show yearly growth, albeit at a slower pace than before, reflecting a slowing economy.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Miami-Dade County

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# Leasing Market Fundamentals

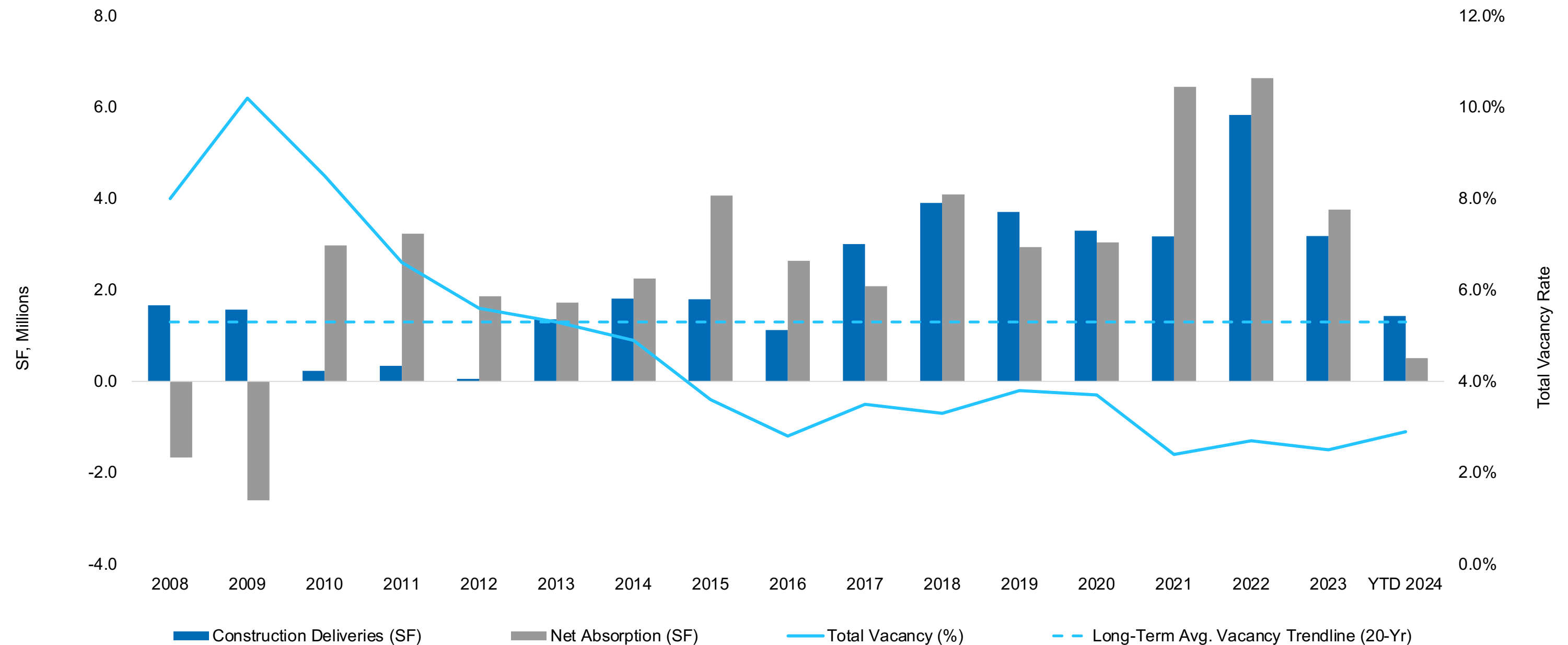




# Supply Outpaces Demand to Kick Off New Year

The Miami industrial vacancy increased by 70 bps year-over-year to 2.9% in the first quarter of 2024, with quarterly supply of 1.4 MSF outstripping demand of 510,089 SF. Deliveries for 2023 were 3.2 MSF, well below the market's total net absorption of 3.8 MSF in the same period which contributed to the sustained low vacancy. Several deliveries in the first quarter of 2024 are attributed to the increase in vacancy to start the new year, as demand continues to remain positive.

Historical Construction Deliveries, Net Absorption, and Vacancy

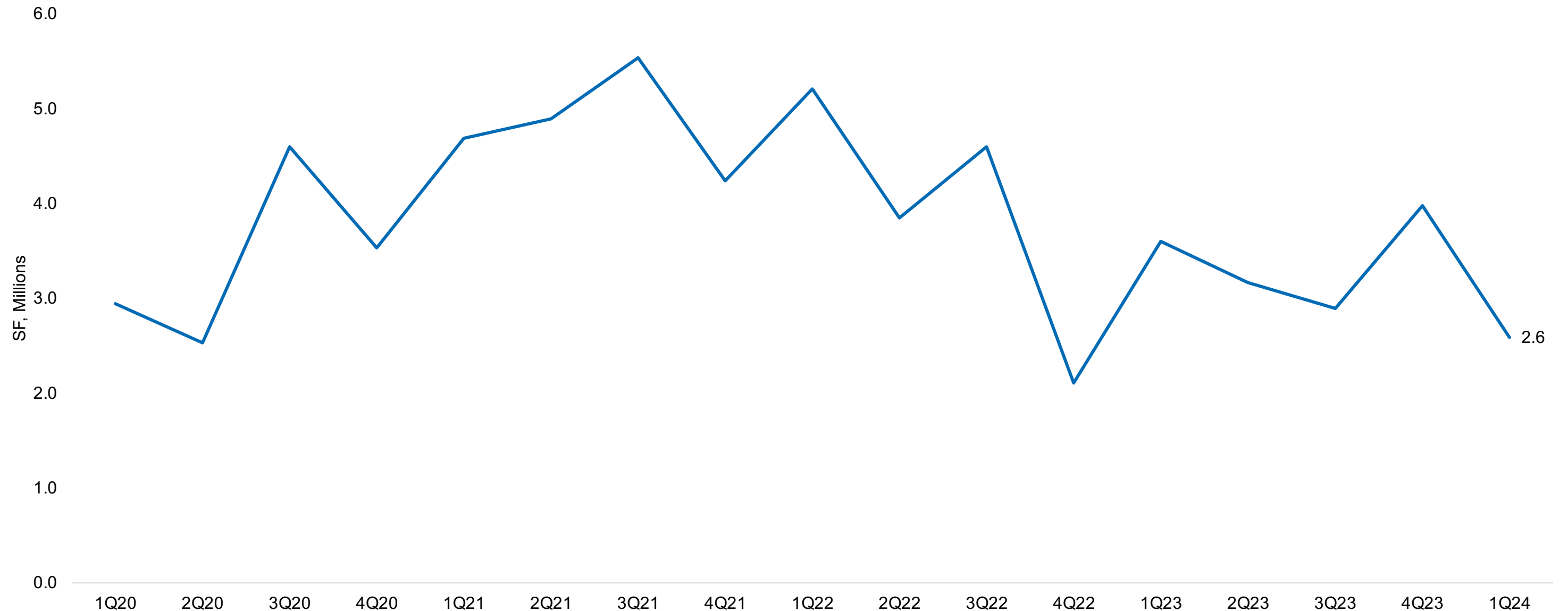


Source: Newmark Research, CoStar

# Industrial Leasing Activity Decelerates to Pre-Pandemic Levels

In the first quarter of 2024, leasing activity decelerated from historical highs reported post-pandemic, ending the quarter at 2.6 MSF. Despite slowing leasing activity likely resulting from national economic headwinds and the “wait and see” impact on the decision-making process of tenants looking forward to the upcoming elections, demand continues to remain positive in the market.

Total Leasing Activity (SF)

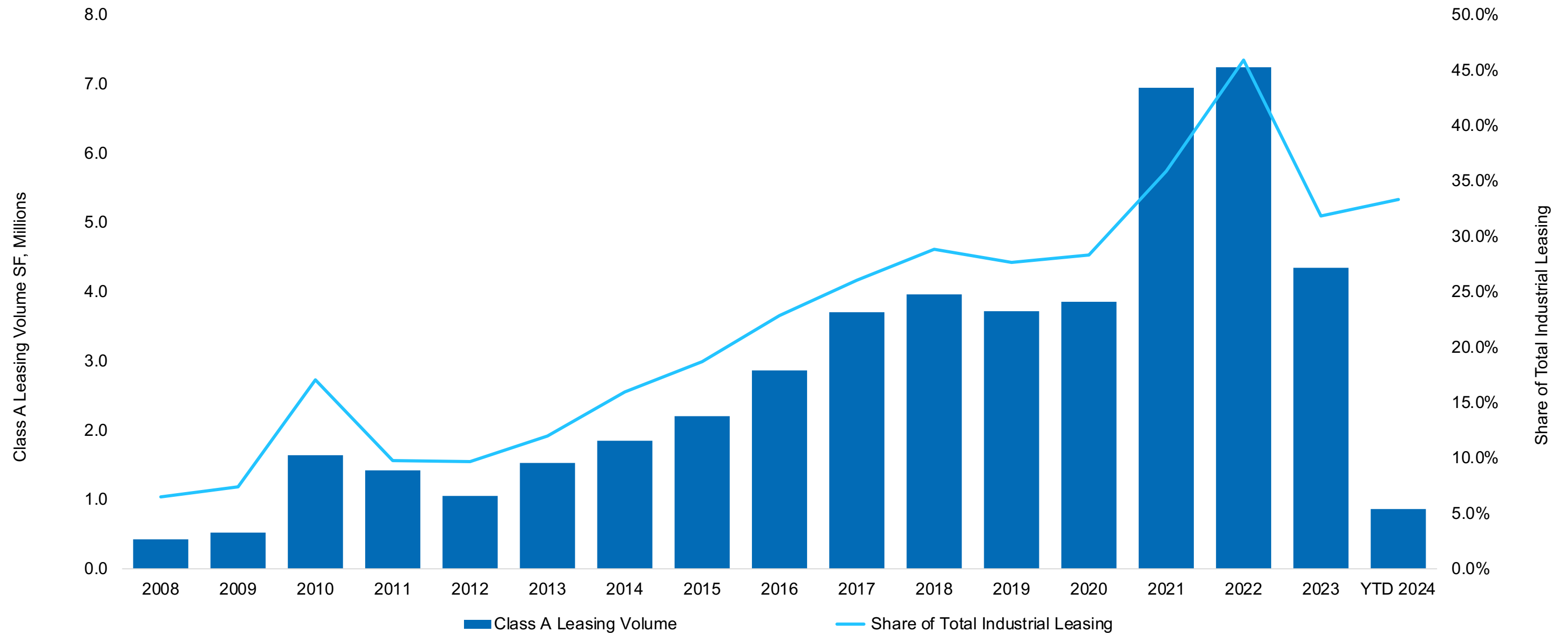


Source: Newmark Research, CoStar

# Class A Warehouse Picks Up Modest Share of Total Market Leasing Activity

Class A warehouse space leasing activity has decreased from historic highs following the pandemic. Class A warehouse leasing represented 33.3% of overall activity in the first quarter of 2024, up from 31.9% in the previous year, and well above the pre-pandemic average of 16.9% from 2008 to 2019. The influx of high-quality deliveries that hit the market post-pandemic allowed class A leasing activity by square footage to increase substantially during this period. For now, this trend seems to have returned to just above pre-pandemic levels.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

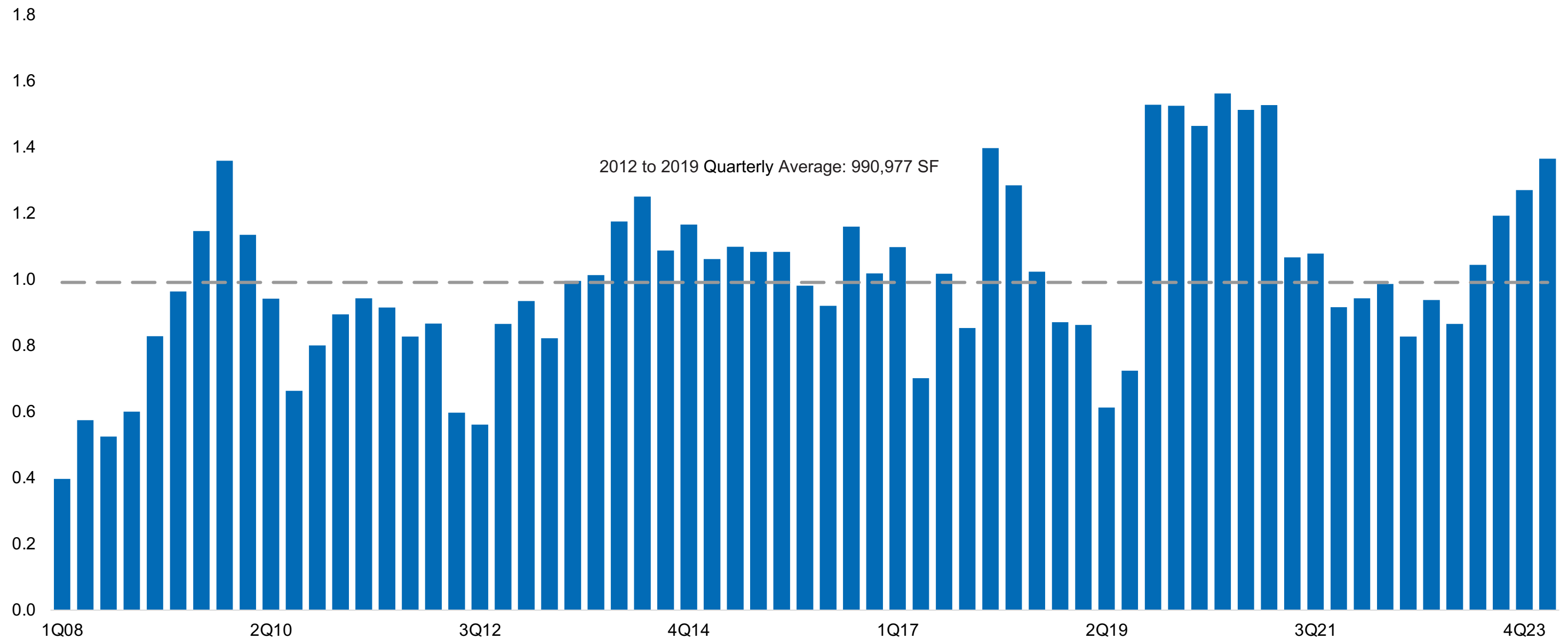


Source: Newmark Research, CoStar

# Industrial Sublease Availabilities Continue to Rise

Sublease volume has declined from highs reported from late 2019 to early 2021 but has been on the rise for four consecutive quarters as of the first quarter of 2024. Currently available sublease space totaled 1.4 MSF, which increased by 7.5% quarter over quarter and by 57.8% year over year. Rising interest rates, an inflationary environment and lessened consumer demand are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.

Available Industrial Sublease Volume (msf)

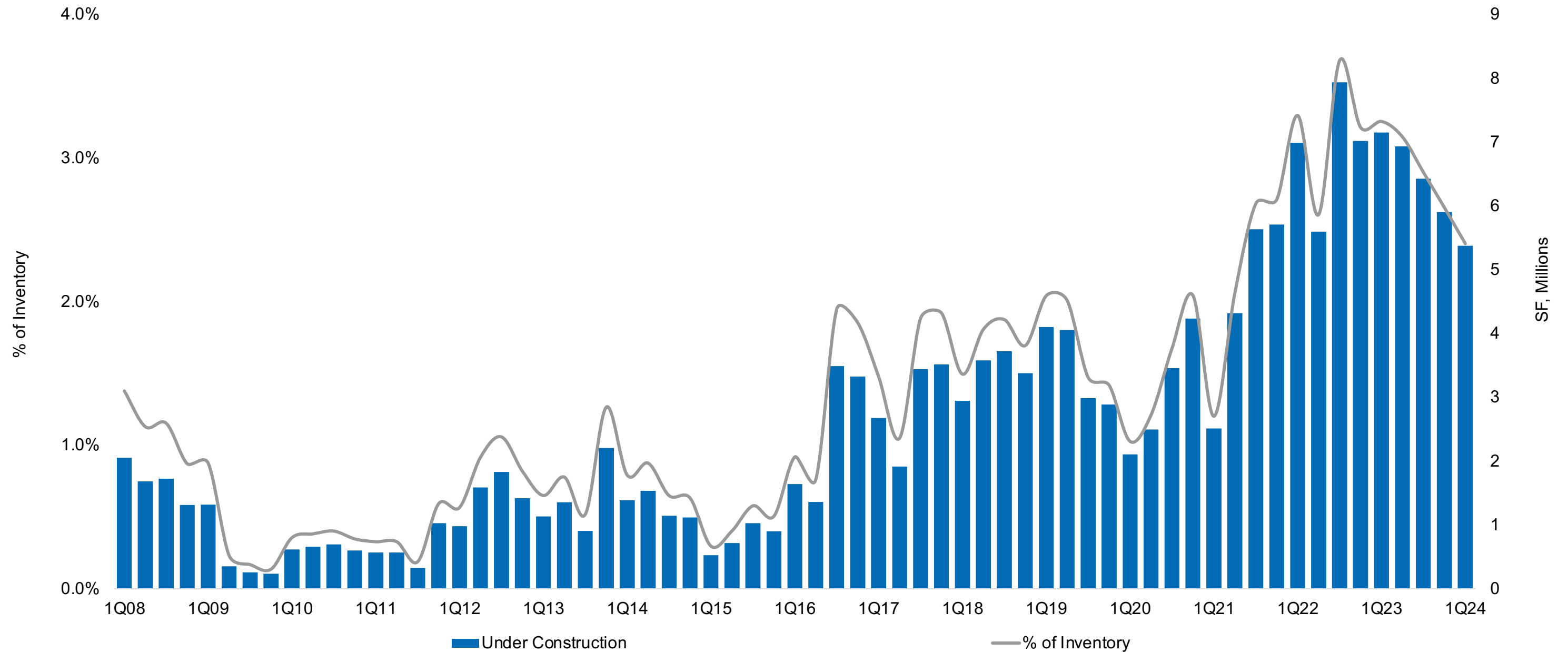


Source: Newmark Research, CoStar

# Construction Pipeline Continues to Recede

The construction pipeline has fallen from a historical high of 7.9 MSF reported in the third quarter of 2022. As of the end of the first quarter of 2024, the market reported 5.4 MSF under construction, a fourth consecutive quarterly decline. The construction pipeline is set to deliver several million SF in 2024, including that 1.4 MSF delivered in the first quarter alone, providing space options for expanding tenants and new companies moving to the market.

## Industrial Under Construction and % of Inventory

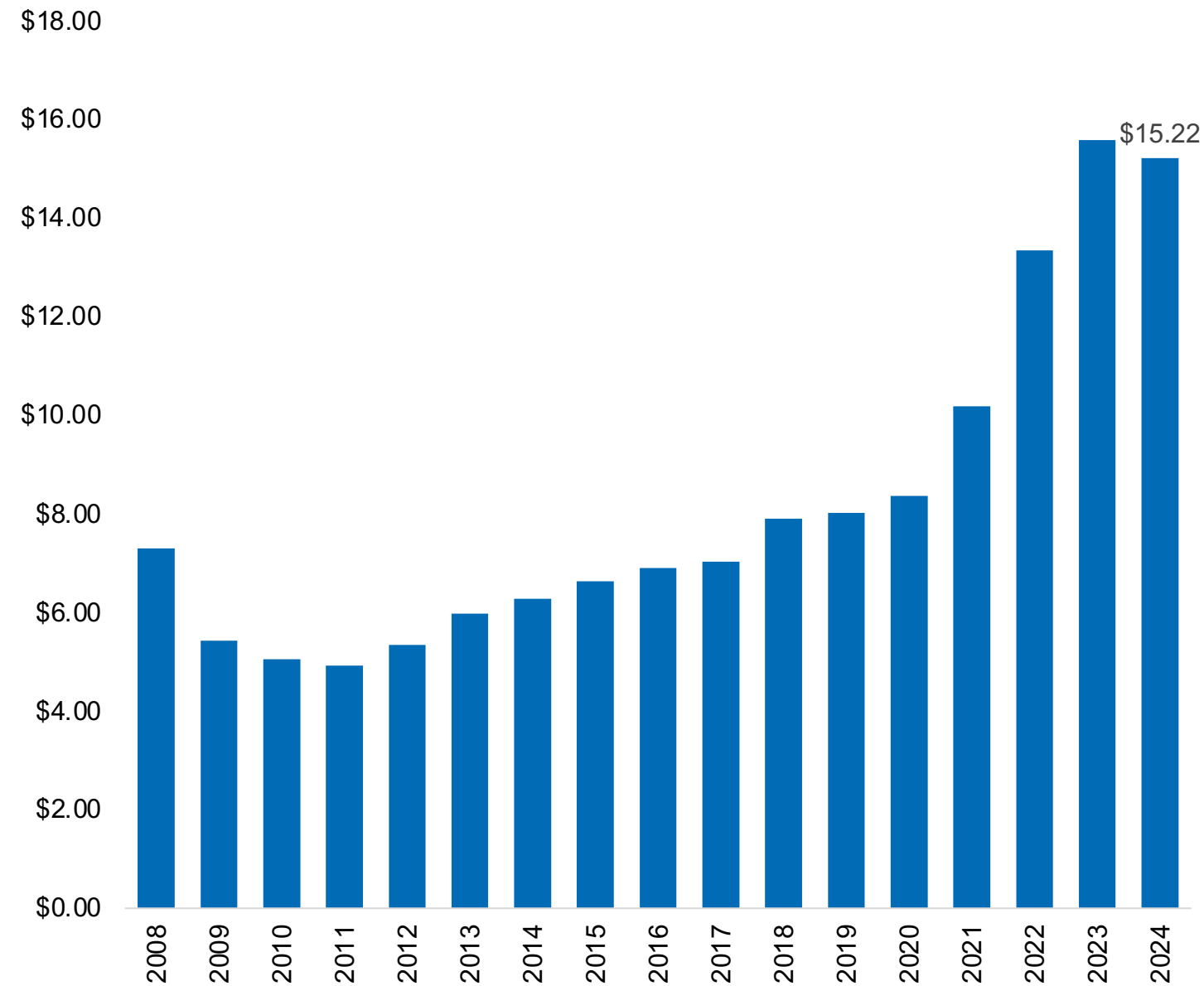


Source: Newmark Research, CoStar

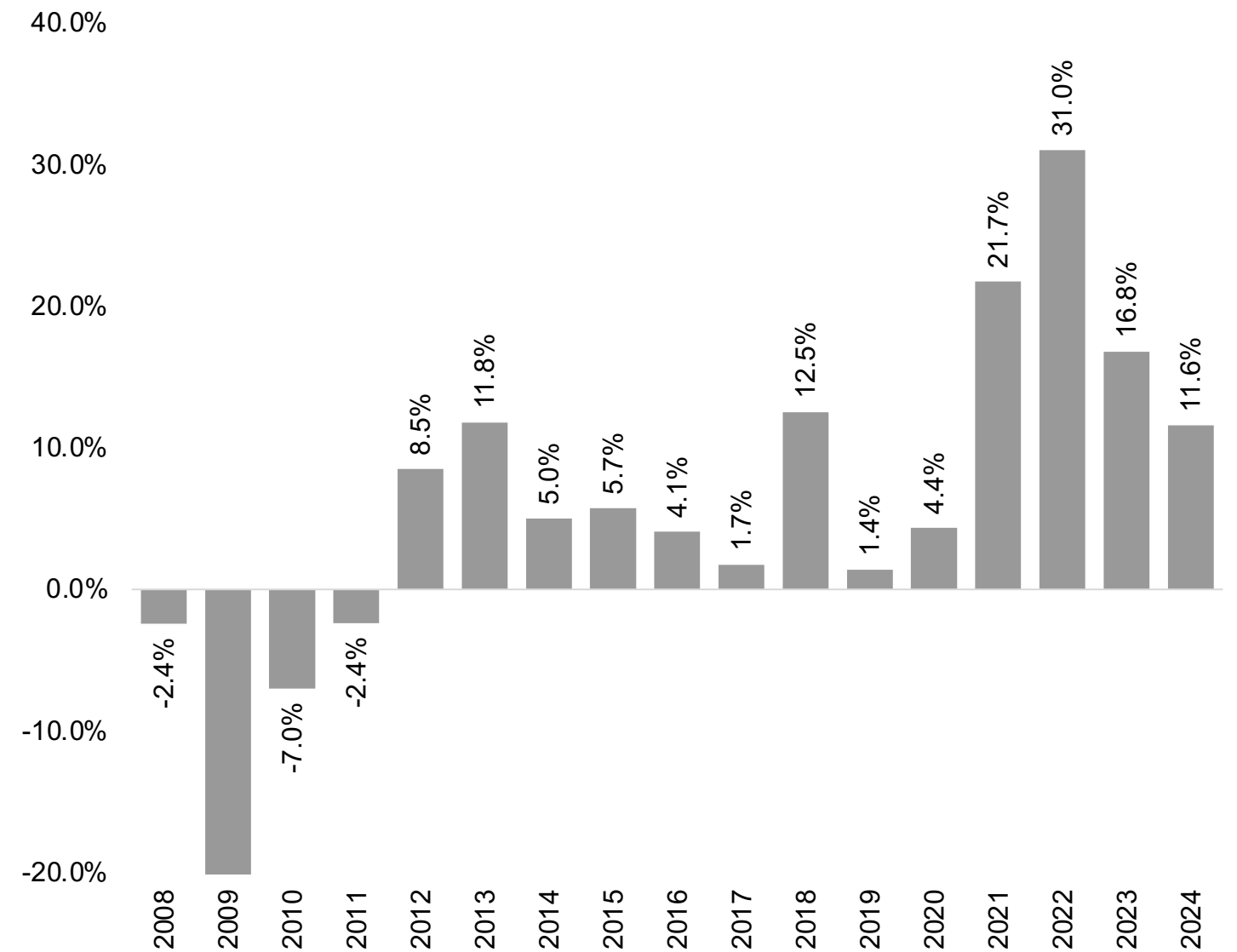
# Asking Rents Ease Slightly From Historical High

Industrial average asking rents eased from their historical high of \$15.59/SF in the fourth quarter of 2023 to \$15.22/SF as of the end of the first quarter of 2024, increasing by 11.6% year-over-year. Rent growth is expected to continue to remain elevated but the pace of increases may stall in the near-term due to a wave of new supply and the increasing duration of lease up times, as demand catches up.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

# Notable 1Q24 Lease Transactions

Quarter over quarter leasing activity declined by 34.9% in the first quarter of 2024 to 2.6 MSF. Leases in Class A spaces accounted for 33.3% of total lease activity for the quarter. Currently, projects under construction are 23.6% pre-leased.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
DWL International Trading LLC <i>DWL International Trading, an importer and manufacturer of kitchen and tableware, signed the largest lease of the quarter, a renewal of 146,018 SF at Flagler Station 22.</i>	Flagler Station 22	Medley	Renewal	146,018
Comfortside LLC <i>Comfortside specializes in the wholesale of ductless air conditioning systems.</i>	Medley 104	Medley	Direct New	72,160
Caribbean Trading <i>Caribbean Trading is a source for souvenirs, gifts, corporate gifts, and promo products.</i>	Flagler Station RB3	Medley	Direct New	59,700
Shield Moving & Storage Logistics, Inc. <i>Shield Moving &amp; Storage Logistics provides professional installation services to interior designers, architects, owners of high-end residences, trade shows, and exclusive retailers.</i>	Eastview Commerce Center – Building 4	Northeast Miami-Dade	Direct New	47,545
AGS <i>Headquartered in Los Angeles, Accelerated Global Solutions is an international third-party logistics company with freight stations and facilities across the US, Canada, and China.</i>	Transal Park	Airport West	Direct New	44,728



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