

MIAMI
3Q17 INDUSTRIAL MARKET

MIAMI

The third quarter of 2017 saw significant improvement from the previous quarter, as demand regained the lead from supply to record 595,000 square feet of absorbed space. More than 1.2 million square feet of positive net absorption in 2017 was not enough to shrink vacancy added by new supply, causing vacancy to increase 70 basis points from one year ago to settle at 4.1%. Demand from new companies in the market, coupled with sizeable expansions of existing tenants, has the industrial sector seeing continued growth. Almost 3.0 million square feet of new inventory was delivered in the first three quarters of 2017, and another 2.2 million square feet is currently under construction and slated to be completed through the start of next year. Healthy pre-leasing of these new buildings is projected to hold fast and should lessen their impact on vacancy, which will likely continue to tick upward as projects are completed. The strong market fundamentals translated into an asking average rental rate of \$7.93/SF. This marks the fifth consecutive quarter in which the asking average rental rate exceeded the previous high of \$7.61/SF, recorded at the beginning of 2008.

Leasing & Demand Activity

Leasing activity slowed from previous quarters, as 171 transactions totaling almost 1.2 million square feet were recorded, bringing year-to-date deal activity to more than 6.0 million square feet. This is down 10.0% from the 6.6 million square feet recorded one year ago. Warehouse/distribution space led with 544 leases for a combined 5.4 million square feet, followed by general industrial with 81 deals totaling 643,000 square feet of year-to-date leasing activity. The disparity in R&D/flex deals was striking, with transactions totaling 11,000 square feet so far this year. The Airport West submarket led the region in deal activity with 1.0 million square feet, while the Medley sector trailed closely behind with over 946,000 square feet.

The logistics and distribution sector regained the lead for mid- to large-size transactions with 1.2 million square feet of leasing activity in deals over 20,000 square feet. Retail and wholesale companies followed with 1.1 million square feet while the food and beverage industry rounded out the top three with 464,000 square feet. Home and building supplies along with aviation and aerospace companies saw healthy leasing, with over 560,000 square feet between the two, while manufacturing continued to struggle with only one deal totaling 23,500 square feet.

Investment Activity

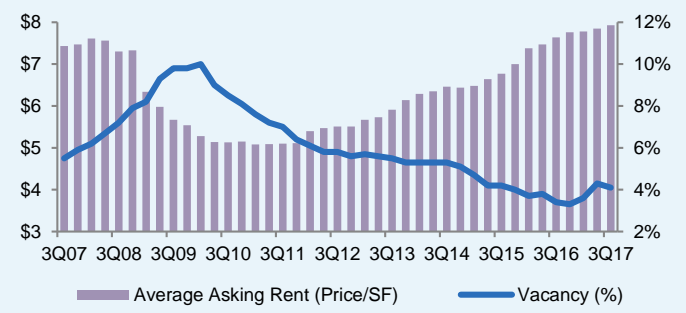
Thirteen sales totaling 1.3 million square feet took place during third-quarter 2017, bringing sales to 4.6 million square feet worth \$441.4 million. This represents a significant increase from 1.4 million square feet worth \$114.3 million that sold one year ago. The average sales price saw a 16.3% jump from last years \$92/SF to \$117/SF at the close of the third quarter. Owners have pulled the trigger on listing their investment properties as values are achieving record-breaking prices. Strong investment sales are expected to continue as Duke's purchase of Bridge Point's industrial portfolio takes place in the fourth quarter.

Current Conditions

- Miami's vacancy remained higher than one year ago and will likely rise with the robust ongoing development.
- Almost 3.0 million square feet of new industrial inventory has been delivered to the market since the beginning of 2017.
- Miami has surpassed asking rent records from the previous economic peak.
- Gains in asking rents should continue, as new product has more of an impact now than in the past.

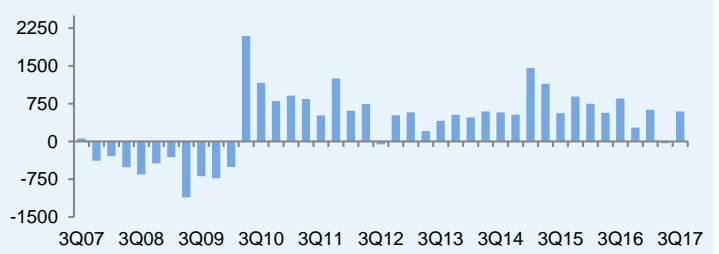
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousands



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	210.9 MSF	210.7 MSF	207.5 MSF	↑
Vacancy Rate	4.1%	4.3%	3.4%	↑
Quarterly Net Absorption	595,024	(37,250)	853,404	↔ →
Average Asking Rent	\$7.93	\$7.85	\$7.64	↑
Under Construction	2,234,187	2,446,465	3,776,563	↓
Deliveries	247,000	1,360,056	0	↑

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Miami Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Airport East/Central Miami-Dade	27,980,005	156,000	5.3 %	136,361	189,648	\$10.23	\$11.34	\$13.15
Airport West	69,299,120	897,285	3.0 %	46,303	173,123	\$7.46	\$13.19	\$8.44
Hialeah/Hialeah Gardens	30,148,565	1,021,722	5.0 %	128,730	190,274	\$6.36	\$9.25	\$6.26
Medley	25,960,412	159,180	6.8 %	50,962	429,713	\$6.48	\$10.75	\$6.16
Miami Lakes	6,019,613	0	3.3 %	12,935	104,717	\$7.56	\$11.49	\$7.80
N Central Miami	24,204,271	0	3.6 %	-39,586	201,732	\$5.44	\$9.79	\$5.87
Northeast Miami-Dade	9,962,800	0	4.2 %	-32,327	19,444	\$8.53	\$9.39	\$8.45
South Miami-Dade	17,343,251	0	1.9 %	291,646	-48,134	\$9.51	\$10.15	\$9.05
Totals	210,918,037	2,234,187	4.1 %	595,024	1,260,517	\$7.11	\$12.24	\$7.93

Miami Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Federal Express	Int'l Corp Pk 13-10000 NW 21 st ST	Airport West	Renewal	108,000
Lilly & Associates	Miami Int'l Tradeport C	Medley	Direct	80,000
XPO	Beacon Lakes 13-12650 NW 25 th St	Airport West	Direct	79,705
CT Miami	Beacon Ind Pk-10814 NW 33rd St	Airport West	Renewal	78,000
Triton Logistics	Beacon Lakes 25-1900 NW 29 th Ave	Airport West	Direct	74,329

Miami Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Winn Dixie Logistics-3300 NW 123 rd St	Northeast Miami-Dade	\$59,000,000	\$61	961,345
15801 NW 49 th Ave	N Central Miami	\$8,715,000	\$61	142,565
10005 NW 58 th ST	Miami Airport	\$6,400,000	\$122	52,633
340 W 78 th Rd	Hialeah/Hialeah Gardens	\$3,150,000	\$85	37,184
2401 NW 69 th St	South Miami-Dade	\$2,786,000	\$81	34,476