



MIAMI
3Q16 INDUSTRIAL MARKET

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The industrial sector saw another quarter of vigorous demand, as 676,000 square feet of positive net absorption pushed vacancy downward 30 basis points to 3.6%, its lowest level since the previous real estate cycle peaked a decade ago. Among the property segments, warehouse/distribution continued to lead the market through third-quarter 2016, bringing year-to-date absorption to more than 1.4 million square feet of positive net absorption. The general industrial market lagged with a meager 289,000 square feet in net tenant occupancies for the year, while R&D/flex sector performance remained flat with net absorption totaling 33,500 square feet.

Tenant-favorable conditions have subsided, as landlords are exerting their leverage by increasing asking rents. Year-over-year, the overall average increased by \$0.92/SF from \$6.78/SF. The gains in the warehouse/distribution sector were stronger, with averages increasing by only \$0.73/SF to \$7.02/SF. The stronger gains in this sector are the result of the delivery of new inventory. Although tenants in the market are occupying the newer facilities at a healthy pace, the increase in new warehouse availability has begun to drive averages upward more significantly. General industrial rents saw healthier growth, with a \$1.06/SF increase to \$8.00/SF, while R&D/flex average rents moved upward by \$0.41/SF, to end third-quarter 2016 at \$10.49/SF. The county continued to have the lowest asking rents for the region, as Broward and Palm Beach counties reported averages well over Miami's.

Leasing & Demand Activity

Leasing activity was consistent with previous quarters, as 204 transactions totaling almost 1.5 million square feet were recorded, bringing year-to-date deal activity to more than 6.6 million square feet. Warehouse/distribution space led with 577 leases for a combined 5.5 million square feet, followed by general industrial with 143 deals totaling 1.0 million square feet of year-to-date leasing activity. The disparity in R&D/flex deals was striking, with transactions totaling 100,000 square feet so far this year. The Medley submarket leads the region in deal activity with 1.3 million square feet of mid- to large-size transactions, while Airport West trailed closely behind with over 1.2 million square feet. Hialeah/Hialeah Gardens rounded out the top three with 780,000 square feet of transactions recorded year-to-date.

Investment Activity

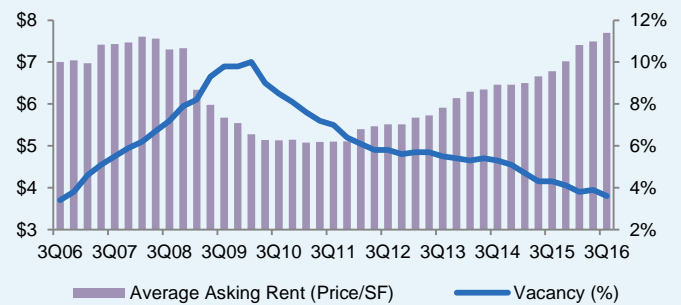
Three sales totaling 231,000 square feet took place during third-quarter 2016, bringing sales to 1.4 million square feet worth \$114.3 million. This represents a significant decrease from 2.2 million square feet worth \$203.0 million that sold one year ago. The average sales price fell slightly to \$82/SF from \$98/SF one year ago due to the limited amount of high-end industrial space that traded hands. This could change in the fourth quarter, with the rumored sale of the South Florida Logistics Center, one of Miami's most prestigious industrial portfolios. The 1 million-square-foot industrial park is projected to close before year-end for over \$200/SF.

Current Conditions

- Miami's vacancy fell below the 4.0% market for the first time in 10 years.
- Construction projects more than doubled from second-quarter 2016 to 3.5 million square feet of new inventory projected to be completed over the next six months.
- Asking rents have risen to levels not seen since 2008.
- Investment sales continued to lag, as owners hold on to high-end industrial properties.

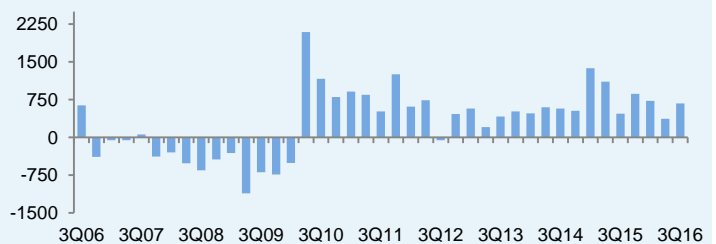
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousands



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	207.4 MSF	207.4 MSF	206.0 MSF	↑
Vacancy Rate	3.6%	3.9%	4.3%	↔
Quarterly Net Absorption	676,679	372,097	471,566	↔
Average Asking Rent	\$7.70	\$7.49	\$6.78	↑
Under Construction	3,561,863	1,212,848	885,653	↓
Deliveries	0	630,682	265,449	↑


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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	27,482,294	555,021	5.8 %	152,254	454,565	\$13.80	\$9.24	\$12.59
Airport West	69,123,676	986,000	3.7 %	14,658	108,024	\$7.10	\$11.34	\$7.83
Hialeah/Hialeah Gardens	28,904,959	1,475,835	2.7 %	95,433	112,094	\$5.32	-	\$5.55
Medley	24,581,145	512,057	2.8 %	292,352	846,350	\$6.19	\$9.17	\$5.88
Miami Lakes	5,937,613	-	3.8 %	-1,787	-8,710	\$6.98	\$8.52	\$7.52
N Central Miami	24,227,839	-	4.1 %	-9,764	1,020	\$4.41	\$8.29	\$4.97
Northeast Miami-Dade	10,021,550	-	4.6 %	69,965	110,251	\$6.71	\$10.53	\$7.06
South Miami-Dade	17,073,301	32,950	1.5 %	63,568	150,023	\$8.81	\$10.44	\$10.02
Totals	207,352,377	3,561,863	3.6 %	676,679	1,773,617	\$7.02	\$10.49	\$7.70

Miami Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
KLX Aerospace Solutions	Countyline Cor Pk-NW 170 th St	Hialeah/Hialeah Gardens	Direct	500,000
PriceSmart	Flagler Station III-Bld 9 NW 107 th St	Medley	Direct	350,000
Miami Beach Convention Ctr	Gratigny Pk-12300 NW 32 nd Ave	N Central Miami	Direct	152,000
Kuehne & Nagel	DCT Com Ctr I-12904 NW 17 th St	Airport West	Direct	136,000
John Deere	DCT Com Ctr III-12900 NW 17 th St	Airport West	Direct	115,000

Miami Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
*3500 NW 110 th St	Northeast Miami-Dade	\$9,022,556	\$75	120,000
6500 NW 77 th Ct	Airport West	\$6,000,000	\$117	51,098
*7125 W 20 th Ave	Hialeah/Hialeah Gardens	\$4,536,000	\$93	48,855

* Denotes Owner/User Sale