



MIAMI
4Q16 INDUSTRIAL MARKET

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The industrial sector saw a fourth-quarter slowdown, as the 160,448 square feet of positive net absorption was a stark contrast to previous quarters, bringing annual net absorption to 1.9 million square feet for 2016. The fourth quarter's soft performance, coupled with the completion of the Airport North Logistics Center, created one of the rare occurrences where vacancy increased slightly from the previous quarter. However, vacancy did decrease 50 basis points from the 4.1% rate reported one year ago. Among the property segments, warehouse/distribution continued to lead the market through 2016, bringing year-to-date absorption to more than 1.9 million square feet of positive net absorption. The general industrial market lagged, as supply overtook demand with 35,432 square feet in net vacancies for the year, while the R&D/flex sector remained flat.

The overall average increased by \$0.89/SF to \$7.91/SF from the rate recorded one year ago. The gains in the general industrial sector were strongest, with averages increasing \$1.16/SF to \$8.30/SF. The stronger gains in the warehouse/distribution sector were 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. Rents saw healthier growth from previous year-over-year increases, with a \$0.65/SF increase to \$7.12/SF. The county continued to have the lowest asking rents for the region but surpassed the \$7.61/SF peak average recorded in 2008.

Leasing & Demand Activity

Leasing activity was consistent with previous quarters, as 198 transactions closed totaling over 1.6 million square feet, bringing year-to-date deal activity to more than 8.1 million square feet.

Warehouse/distribution space led with 4.6 million square feet, followed by general industrial with 2.9 million square feet of year-to-date leasing activity. The disparity in R&D/flex deals was striking, with transactions totaling 185,000 square feet for the year. The Airport West submarket took the lead in deal activity with over 1.4 million square feet of mid- to large-size transactions, just beating out the Medley submarket, which trailed closely behind with over 1.3 million square feet. Hialeah/Hialeah Gardens rounded out the top three with 780,000 square feet of transactions recorded year-to-date.

Development Activity & Forecast

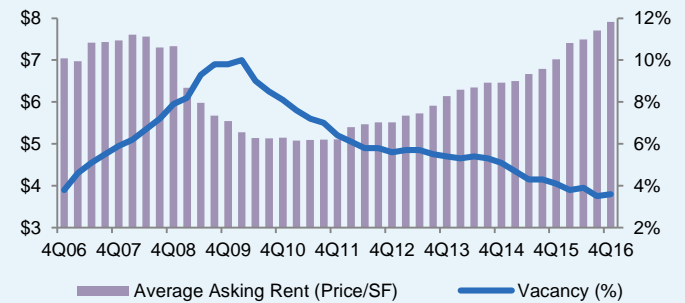
Eighteen buildings totaling more than 3.5 million square were under construction at the close of 2016. This represents the majority of development activity throughout South Florida. The good news is that almost 40.0% of that space is pre-leased and projected to create healthy positive net absorption in 2017. Vacancy could increase slightly over the next year, as so much product is expected to come online, but with levels nearing record lows, this shouldn't impact the market too significantly. The market is in a good place at a very good time.

Current Conditions

- Miami's vacancy rose for the first time in two years due to new development.
- Over 78.0% of South Florida's construction projects are taking place in Miami-Dade County.
- Asking rents have risen to levels never seen before.
- Investment sales continued to lag in spite of record-breaking prices, as owners hold on to high-end industrial properties.

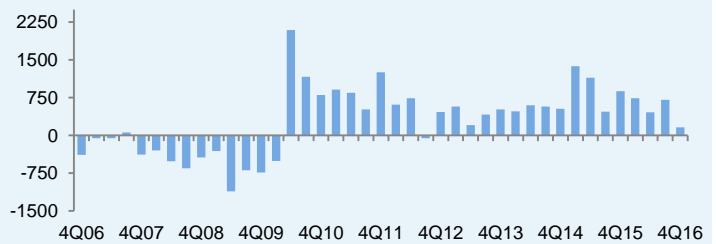
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousands



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	207.6 MSF	207.4 MSF	206.6 MSF	↑
Vacancy Rate	3.6%	3.5%	4.1%	↔
Quarterly Net Absorption	160,448	703,679	879,880	↔
Average Asking Rent	\$7.91	\$7.71	\$7.02	↑
Under Construction	3,521,553	3,643,863	900,325	↓
Deliveries	182,057	0	549,346	↑


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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	27,643,547	377,768	5.1 %	343,381	630,693	\$14.68	\$14.71	\$13.69
Airport West	69,047,038	986,000	3.5 %	115,539	235,745	\$7.10	\$11.29	\$7.96
Hialeah/Hialeah Gardens	28,904,959	1,475,835	2.0 %	110,203	253,297	\$4.83	\$7.80	\$5.00
Medley	24,763,202	330,000	4.0 %	-183,050	663,300	\$6.22	\$9.04	\$6.02
Miami Lakes	5,937,613	82,000	3.7 %	5,866	-2,844	\$6.66	\$7.14	\$7.01
N Central Miami	24,227,839	0	4.7 %	-212,855	-160,310	\$4.71	\$9.18	\$5.23
Northeast Miami-Dade	10,021,550	0	4.3 %	-181	135,170	\$6.95	\$10.40	\$7.56
South Miami-Dade	17,073,301	269,950	1.5 %	-18,455	131,568	\$8.97	\$9.76	\$10.32
Totals	207,619,049	3,521,553	3.6 %	160,448	1,886,619	\$7.12	\$10.62	\$7.91

Miami Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
7000 Logistics	7000 NW 25 th St	Airport West	Direct	123,381
Forward Air	Airport Bus Ctr 4-3405 NW 72 nd Ave	Airport West	Renewal	111,134
Kansas Marine Company	Aventura Ind Ctr-555 NE 185 th St	Northeast Miami-Dade	Renewal	109,267
Colour Republic	Westpointe Bus Pk-8901 NW 33 rd St	Airport West	Direct	93,000
Interport Logistics	Market Station 1-725 SE 9 th Ct	Hialeah/Hialeah Gardens	Direct	80,201

Miami Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
*S FL Logistics Ctr-3200 NW 67 th Ave	Airport East/Central Miami-Dade	\$209,029,000	\$241	867,343
Airport E Dist Ctr-7000 NW 25 th St	Airport West	\$17,500,000	\$44	397,585
Airport West Dist Ctr-7120 NW 74 th Ave	Airport West	\$6,287,500	\$97	64,575
Miami Int'l Com Ctr-1351 NW 78 th Ave	Airport West	\$8,405,000	\$133	63,389
4400 SW 75 th Ave	South Miami-Dade	\$10,000,000	\$163	61,440

* Denotes Portfolio Sale