



SOUTH FLORIDA 4Q16 INDUSTRIAL MARKET

FUNDAMENTALS STILL ROBUST AT END OF 2016

The past year saw demand outpace supply at a healthy pace, as 4.8 million square feet of positive net absorption was posted for all of 2016, falling below the 6.9 million square feet absorbed from one year ago. The region's industrial sector saw another durable performance, as vacancy shrank by 60 basis points from one year ago to settle at 4.2%, in spite of 2.6 million square feet of new inventory delivered throughout the year. In a two-year span, demand growth has accounted for more than one-third of 33.0 million square feet of total absorbed space since the recovery began. The increased need for space mostly came from expansions of companies already in the market, but South Florida saw an emergence of demand coming from new companies entering the market over the past two years. Prolonged tight conditions translated into an asking average rental rate of \$8.32/SF, just \$.011/SF short of the record average rate of \$8.53/SF recorded in 2007.

Leasing & Demand Activity

There were 427 deals totaling 2.7 million square feet of lease activity during the fourth quarter of 2016, for a total of approximately 15.0 million square feet of year-to-date transactions. Warehouse/distribution ruled with 9.0 million square feet, followed by general industrial with 4.9 million square feet. In stark contrast, R&D/flex space lagged behind with the remainder of deals totaling just over 1.0 million square feet. Logistics and distribution companies held the lead for the bulk of mid-to large-size lease deals, accounting for more than 25.7% of the 5.5 million square feet of reported transactions this year. The retail-wholesale industry followed suit with 15.7%, while aviation and aerospace rounded out the top three with 720,000 and 662,000 square feet, respectively. Leisure and hospitality had only 83,400 square feet of signed leases, while the technology sector was at the bottom with only 54,000 square feet leased so far for the year.

Development Activity & Forecast

There were nine buildings totaling 828,887 square feet of new inventory built during fourth-quarter 2016, for a total of 2.6 million square feet of year-to-date completions. Demand for new industrial properties remained high with 60.0% spoken for at the close of 2016; twenty-nine buildings remained under construction with over 4.5 million square feet of new inventory slated to come online in 2017 with over 2.6 million square feet of this inventory pre-leased. South Florida's industrial market remained in a state of strong growth, as demand for space is projected to hold through 2017, while development is booming with another 19 proposed projects in the pipeline and an additional 19.7 million square feet of possible new inventory. The market is well-positioned for an economic slowdown, as the region's strong ties to Caribbean and Latin American countries have helped it become a new global player in the logistics chain. The completion of the Panama Canal expansion, coupled with the Port of Miami and Port Everglades dredging projects, have positioned the market for continued growth.

Current Conditions

- Warehouse/distribution space dominated space requirements in 2016.
- More than 4.5 million square feet of new supply is poised to hit the market over the next 12 months.
- It's a landlord's market, as rents rose and fewer tenant concessions took place.
- Record-breaking sale prices have returned with the sale of South Florida Logistics Center, which shattered previous records with its \$241/SF price tag

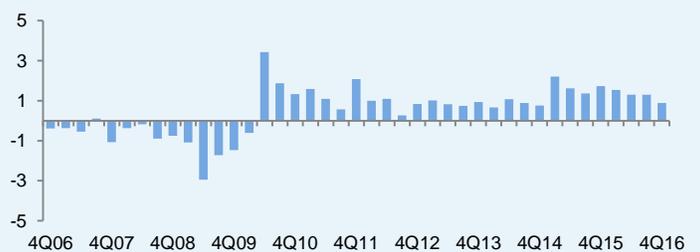
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	360.4 MSF	359.6 MSF	357.8 MSF	↑
Vacancy Rate	4.2%	4.2%	4.8%	↔
Quarterly Net Absorption	880,900	1,291,384	1,728,072	↔
Average Asking Rent	\$8.41	\$8.20	\$7.56	↑
Under Construction	4,501,398	5,270,538	2,210,784	↓
Deliveries	828,887	138,728	729,435	↑



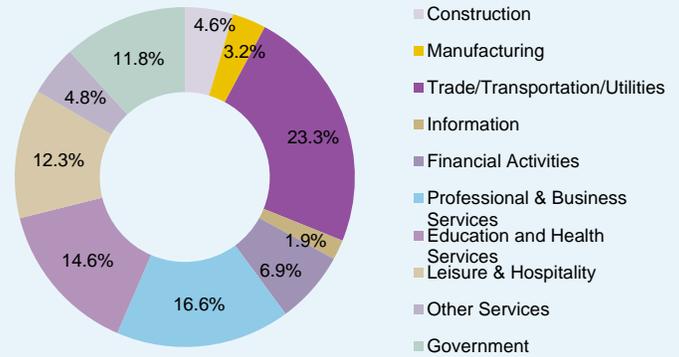
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ECONOMIC CONDITIONS

South Florida's unemployment rate fell 30 basis points to 4.8%, as 61,900 additional jobs were added since November of 2015. Palm Beach County reported the lowest unemployment rate for the region at 4.9%, up 20 basis points from the 4.7% from one year ago. Miami-Dade followed closely, with an unemployment rate that dropped 60 basis points to 5.0%, while Broward County saw no change from the 5.7% rate recorded this time last year. Looking back from one year ago, the business services and leisure-hospitality sectors took the lead from the construction segment to lead with the strongest 12-month percentage growth by industry. Business services posted the region's largest job creation, with 15,600 positions added. Trade, transportation and utilities followed closely with an increase of 15,000 jobs. The leisure and hospitality segment rounded out the top three with 11,500 jobs added while education experienced healthy growth with an increase of 10,100 additional jobs. Information services remained sluggish with no change while manufacturing lagged behind, reporting slight losses from one year ago.

Employment By Industry

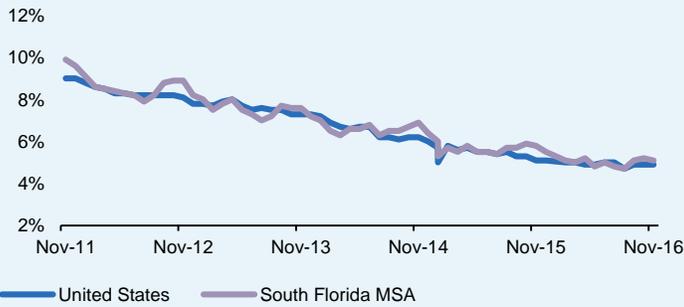
South Florida, February 2016 Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

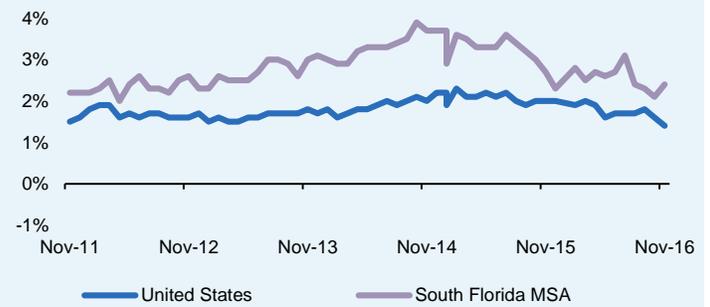
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

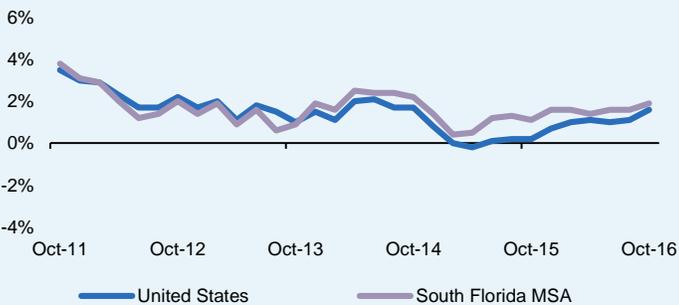
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

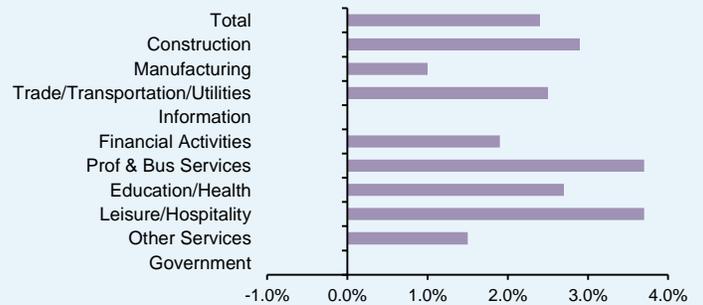
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

South Florida, Aug 2016, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics