



SOUTH FLORIDA 3Q16 INDUSTRIAL MARKET

MARKET CLOSING IN ON PREVIOUS PEAK LEVELS

The third quarter of 2016 marked more than six years of growth for South Florida's industrial market, as demand outpaced supply for the 26th consecutive quarter. Over 1.0 million square feet of absorbed space has been recorded each quarter since the beginning of 2015, breaking the previous growth cycle's record of six quarters. More than 5.6 million square feet of positive absorption shrank vacancy by 90 basis points from one year ago to settle at 4.3%. In a two-year span, robust demand has accounted for more than 12.5 million square feet of positive absorption, increasing occupancy by 170 basis points to 95.7%. Demand from new companies in the market, coupled with sizeable expansions of existing tenants, has the industrial sector in full growth mode. Almost 5.0 million square feet of new inventory is currently under construction, with more projected to break ground over the next 12 months. The strong leasing of these new buildings should lessen the impact they otherwise would have on vacancy. The tightening market translated into an asking average rental rate of \$8.19/SF, an increase of \$0.77/SF from the average recorded one year ago.

Leasing & Demand

There were 539 deals totaling 3.2 million square feet of lease activity during third-quarter 2016, for a total of approximately 12.6 million square feet of year-to-date transactions. Warehouse/distribution ruled with 10.2 million square feet, followed by general industrial with 2.2 million square feet. In stark contrast, R&D/flex space lagged behind with deals totaling just under 200,000 square feet so far this year. Logistics and distribution companies have held the lead for the bulk of mid- to large-size lease deals in 2016, accounting for more than 26.9% of the 4.8 million square feet of reported transactions this year. The aviation and aerospace industry followed suit with 720,000 square feet, while the food and beverage segment rounded out the top three with 663,500 square feet. Leisure and hospitality was at the bottom with no more than 38,400 square feet, while the technology sector also struggled with only 84,000 square feet leased so far for the year.

Investment Activity

Demand for well-leveraged industrial properties remained high among investors, yet only seven sales totaling 607,000 square feet occurred during third-quarter 2016, combined for a total of 35 sales for 3.5 million square feet worth \$329.1 million in 2016. This represents a decrease from one year ago, when 4.3 million square feet sold for \$382.8 million. The average sales price on investments increased slightly to \$95/SF from \$90/SF one year ago. Investors remained bullish, as sale prices for premier industrial properties have reached record-breaking levels. Pompano Distribution Center I in Broward County sold for \$117/SF, while the sale of the South Florida Logistics Center, an almost 1.0 million-square-foot industrial portfolio, is rumored to pass the \$200/SF mark.

Current Conditions

- Warehouse/distribution space dominated space requirements in third quarter.
- More than 5.5 million square feet of new supply is poised to hit the market over the next 12 months.
- Tenant concessions, such as free rent and tenant improvement dollars, have significantly diminished.
- Record-breaking sale prices have returned for well-leveraged investment properties.

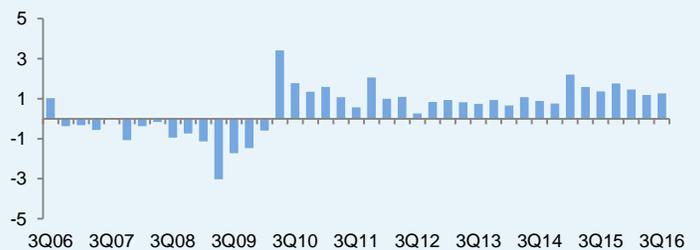
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	359.7 MSF	359.5 MSF	356.9 MSF	↑
Vacancy Rate	4.3%	4.6%	5.2%	↔
Quarterly Net Absorption	1,262,727	1,189,810	1,360,008	↔
Average Asking Rent	\$8.19	\$7.96	\$7.42	↑
Under Construction	4,970,378	2,638,890	1,780,238	↓
Deliveries	138,728	859,756	825,115	↑



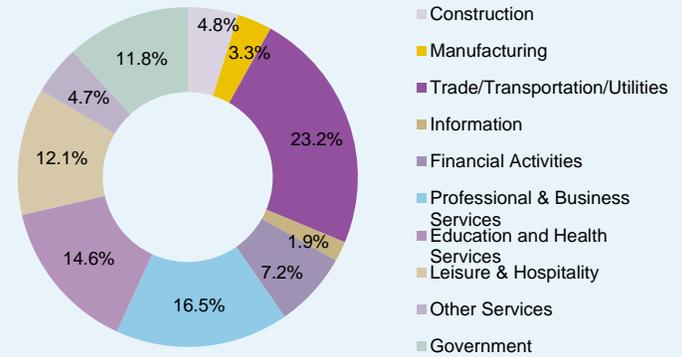
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ECONOMIC CONDITIONS

South Florida's unemployment rate fell 70 basis points to 5.1%, as 59,700 additional jobs were added since August of 2015. Broward County reported the lowest unemployment rate for the region, down 60 basis points to 4.6% from one year ago. Palm Beach County followed closely, with an unemployment rate that dropped 40 basis points to 5.1%, while Miami-Dade experienced an 80 basis point decrease to 5.6% from this time last year. Looking back from one year ago, the construction sector continued to lead with the strongest 12-month percentage growth by industry but posted the region's fourth largest job creation, with 7,900 positions added. The professional and business services sector led the charge, with an increase of 15,800 jobs pulling ahead of the trade, transportation and utilities segment with an increase of 12,000 new positions from one year ago. The leisure and hospitality segment experienced healthy growth with a rise of 8,300 jobs while education and health snuck in to round out the top five with 7,700 jobs added. Information services and manufacturing lagged behind, reporting slight losses from last year at this time.

Employment By Industry

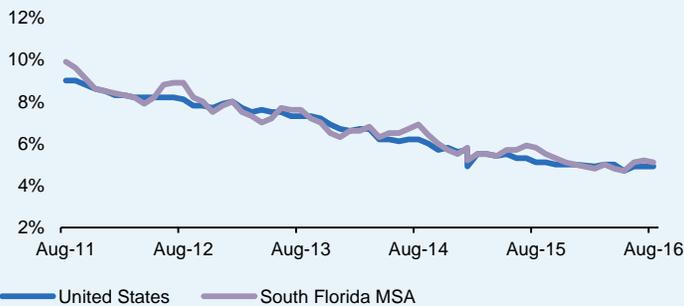
South Florida, February 2016 Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

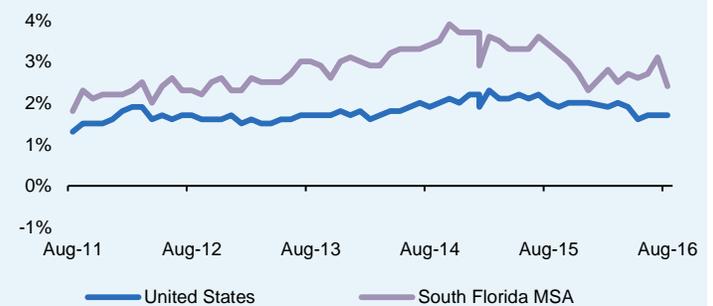
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

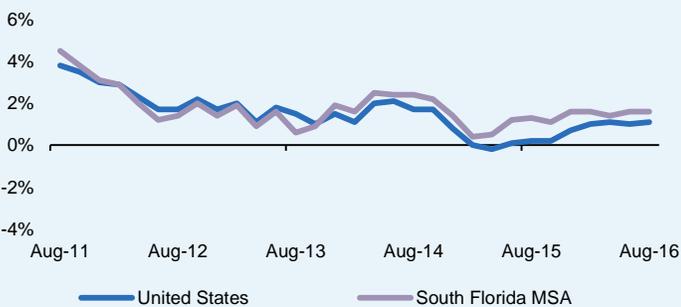
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

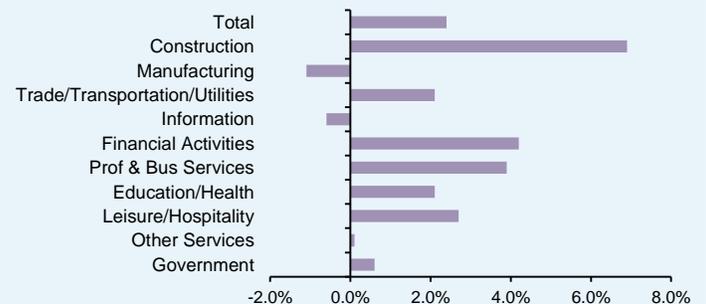
All Items, 12-Month % Change, Not Seasonally Adjusted



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