

MIAMI INDUSTRIAL MARKET

The industrial sector saw another quarter of healthy demand, as 415,000 square feet of positive net absorption pushed vacancy downward 10 basis points to 3.7%, just beating out Broward County for the strongest quarterly performance for the sixth consecutive quarter. Among the property segments, warehouse/distribution continued to lead the market through third-quarter 2018, bringing year-to-date absorption to just under 2.9 million square feet of positive net absorption. The general industrial market lagged, as supply has outpaced demand so far this year with 282,977 square feet in net space given back to the market, while R&D/flex sector performance remained flat with negative absorption totaling 25,765 square feet.

Landlord-favorable conditions have held, as owners are exerting leverage by increasing asking rents. Year-over-year, the overall average increased by \$0.48/SF from \$7.25/SF. The gains in the warehouse/distribution sector increased by only \$0.35/SF during third-quarter 2018, to \$7.13/SF. The slowing gains in this sector are the result of the strong leasing activity of new inventory. With tenants occupying the newer facilities at a healthy pace, the increase in second-tier warehouse availability has begun to slow the increase in average rents. General industrial rents saw healthier growth with a \$0.74/SF increase to \$7.91/SF, which is still at a slower pace than previous year-over-year increases. R&D/flex average rents moved upward by \$0.33/SF, to end third-quarter 2018 at \$12.61/SF. The county continued to have the lowest asking rents for the region, as Broward and Palm Beach counties reported averages well above Miami's.

LEASING AND DEMAND

Leasing activity held steady from previous quarters, as 164 transactions totaling almost 1.9 million square feet were recorded, bringing year-to-date deal activity to more than 7.8 million square feet. This was up from the 6.6 million square feet leased at this time last year. Many deals were renewals, which is why absorption numbers are not as down from last year's performance. Warehouse/distribution space led with leases for a combined 5.9 million square feet, followed by general industrial totaling 1.7 million square feet of year-to-date leasing activity. R&D/flex deals remained lackluster, with transactions totaling 229,000 square feet so far this year. The Medley submarket regained the lead in deal activity with 1.1 million square feet of mid- to large-size transactions, while Airport West trailed closely behind with over 1.0 million square feet. Hialeah/Hialeah Gardens rounded out the top three with 542,200 square feet of transactions.

INVESTMENT SALES

Robust sale activity continued with the sale of 27 buildings totaling almost 3.0 million square feet, bringing year-to-date totals to 5.2 million square feet for a combined total of \$714.7 million. This was up from the 4.6 million square feet sold during the same period last year. Notably, the price per square foot increased from \$117/SF to \$131/SF at the close of this quarter. This can be attributed to the keynote sale of nine buildings, totaling over 835,000 square feet, with Prologis' purchase of DCT's industrial portfolio throughout Miami as a part of its \$8.5 billion national portfolio sale, which was finalized in third-quarter 2018.

CURRENT CONDITIONS

Miami's industrial sector recorded 78.9% of the total net absorption seen in South Florida so far in 2018.

The average asking rate pushed above the \$7.61/SF record seen in the previous economic cycle.

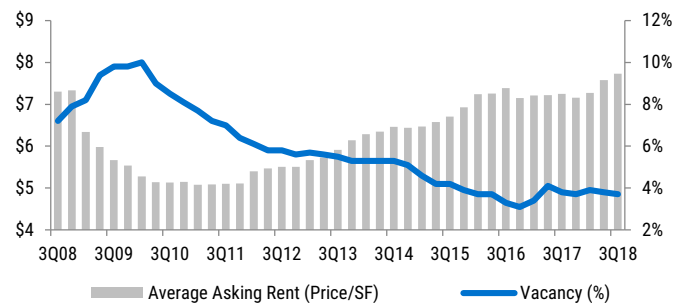
Asking rents for lower-tier space have climbed as well as landlord's across the board are pushing rates up.

Miami had 68.1% of the total inventory under construction within South Florida as vacancy rates will begin to climb as completions take place over the next twelve months.

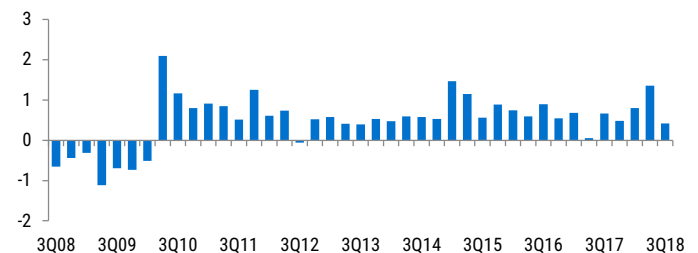
Miami's investment sales picked up in third quarter thanks to a large portfolio sale. Lower-tier industrial sales still dominated while sale prices also rose from one year ago.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

| | Current Quarter | Prior Quarter | Year Ago Period | 12 Month Forecast |
|--------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory | 213.8 MSF | 212.3 MSF | 210.8 MSF | ↑ |
| Vacancy Rate | 3.7% | 3.8% | 3.8% | ↑ |
| Quarterly Net Absorption | 415,160 | 1,359,083 | 667,370 | ↔ |
| Average Asking Rent | \$7.73 | \$7.58 | \$7.25 | ↑ |
| Under Construction | 2,980,602 | 2,808,760 | 3,703,032 | ↓ |
| Deliveries | 281,258 | 990,125 | 247,000 | ↑ |

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 | 28,316,541 | 0 | 5.9 % | -722 | 12,211 | \$7.09 | \$11.66 | \$9.44 |
| Airport West | 69,387,825 | 362,400 | 2.7 % | 211,004 | 130,895 | \$7.74 | \$13.04 | \$8.56 |
| Hialeah/Hialeah Gardens | 31,150,287 | 460,050 | 4.0 % | -4,897 | 1,181,854 | \$6.92 | \$9.99 | \$6.74 |
| Medley | 26,375,492 | 453,014 | 5.9 % | 56,174 | 208,691 | \$6.61 | \$7.43 | \$6.20 |
| Miami Lakes | 6,019,613 | 38,700 | 2.4 % | -64,743 | -11,913 | \$5.47 | \$10.11 | \$7.07 |
| N Central Miami | 25,204,341 | 1,666,438 | 3.9 % | 238,668 | 1,105,894 | \$6.03 | \$12.76 | \$6.33 |
| Northeast Miami-Dade | 9,962,800 | 0 | 3.2 % | -5,598 | 83,464 | \$8.16 | \$9.57 | \$7.93 |
| South Miami-Dade | 17,343,254 | 0 | 1.3 % | -14,726 | -159 | \$9.64 | \$15.18 | \$10.74 |
| Totals | 213,760,153 | 2,980,602 | 3.7 % | 415,160 | 2,710,937 | \$7.13 | \$12.61 | \$7.73 |

MIAMI LEASE/USER TRANSACTIONS

| Tenant | Building | Submarket | Type | Square Feet |
|-------------------------------|--|-------------------------|--------------------|-------------|
| Crowley Maritime Corp. | Flagler Station II #24-10205 NW 108 th | Medley | Direct-Expansion | 178,000 |
| Expeditors International | Former DCT Com Ctr II - Bld D | Airport West | Direct | 137,000 |
| Aeropost (Pricesmart) | Int'l Corp Pk 4 – 9950 NW 17 th St | Airport West | Sublease | 106,000 |
| Ice River Springs | Mia Ind Log Ctr-10701 NW 140 th St | Hialeah/Hialeah Gardens | Expansion | 50,000 |
| Undisclosed Food Manufacturer | Centergate @ Gratigny – 5801 E 10 th St | Hialeah/Hialeah Gardens | Direct – Expansion | 50,000 |

SELECT SALE TRANSACTIONS

| Building | Submarket | Sale Price | Price/SF | Square Feet |
|--|---------------------------------|---------------|----------|-------------|
| *Former DCT Com Ctr I & II –Bld A-E | Airport West | \$134,670,025 | \$175 | 769,543 |
| Airport E Dist Ctr-7000 NW 32 nd Ave | Hialeah/Hialeah Gardens | \$22,960,000 | \$58 | 397,585 |
| *Mia Int'l Dist Ctr-2003 NW 70 th Ave | Airport East/Central Miami-Dade | \$37,850,050 | \$175 | 266,286 |
| *Sunshine St Ind Pk-1400 NW 159 th St | N Central Miami | \$36,925,000 | \$175 | 211,000 |
| *Airport Log Ctr @ MICC-1801 NW 82 nd | Airport West | \$35,244,825 | \$175 | 201,399 |

* Denotes portfolio sale