

MIAMI INDUSTRIAL MARKET

The industrial sector slowed in the fourth quarter, as its 157,952 square feet of positive net absorption was a contrast from previous quarters, while the 3.0 million square feet of annual net absorption for 2018 was an increase of more than 1 million square feet from one year ago. Despite the strong annual performance, the completion of more than 3.4 million square feet of new industrial inventory was a rare instance of vacancy increasing only slightly from the previous year despite robust demand. However, vacancy only increased 30 basis points from the 3.7% rate reported one year ago. Among the property segments, warehouse/distribution continued to lead the market through 2018, bringing year-to-date net absorption to more than 3.5 million square feet. The general industrial market lagged, as supply overtook demand with 486,000 square feet in net vacancies for the year, while the R&D/flex sector remained flat.

The overall average asking rent increased by \$0.94/SF year-over-year to \$8.10/SF from the rate recorded one year ago and surpassed the \$8.00/SF mark for the first time ever. The gains in the warehouse/distribution sector were the strongest, with averages increasing \$1.07/SF to \$7.80/SF. This was the largest year-over-year increase since the recovery began. 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. The general industrial segment followed suit, with asking rents increasing \$0.69/SF to \$7.83/SF. Rents saw healthier growth from previous year-over-year increases, with a \$0.65/SF increase to \$7.12/SF.

LEASING AND DEMAND

Leasing activity fell slightly from the third quarter, as 159 transactions totaling almost 1.6 million square feet were recorded, bringing year-to-date deal activity to more than 10.3 million square feet. This was a slight downturn from the 10.9 million square feet recorded one year ago. Warehouse/distribution space led with 7.7 million square feet, followed by general industrial with 2.4 million square feet of year-to-date leasing activity. The disparity in R&D/flex deals was significant but remained consistent with previous years' performances, as transactions totaled 164,000 square feet for the year. The retail/wholesale sector barely regained the lead for mid- to large-size transactions with 1.48 million square feet of leasing activity in deals greater than 20,000 square feet. Logistics and distribution companies followed closely with 1.35 million square feet, while the food and beverage industry jumped into third place with 550,500 square feet.

INVESTMENT SALES

Sale activity remained healthy despite decreasing from the 3.0 million square feet sold during the previous quarter, as 18 sales totaling 1.9 million square feet closed during the fourth quarter of 2018. Sales year-to-date totaled 7.0 million square feet for a combined total of \$679.6 million. Notably, the price per square foot dipped to \$97/SF at the close of the year. This can be attributed to an increase in lower-tier industrial buildings sold during the fourth quarter.

CURRENT CONDITIONS

Miami's industrial sector saw demand just outpace during the fourth-quarter as growth significantly slowed from previous performances.

The average asking rate rose above the \$8.00/SF market for the first time in recorded history.

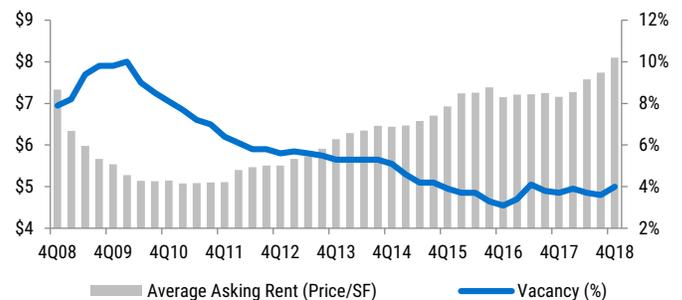
Asking rents for all three industrial segments rose from one year ago.

Miami had over 2.8 million square feet of the total inventory under construction within South Florida as vacancy rates have begun to climb with over 3.4 million square feet completed in 2018.

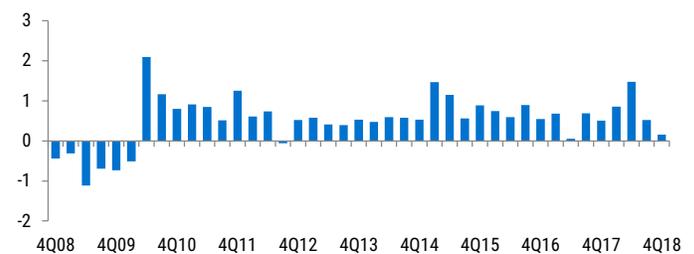
Miami's investment sales fell from the previous quarter after the keynote 1.1-million-square-foot portfolio which sold during third-quarter 2018. Buyer interest remained strong while lower-tier sales pushed the average price per square foot downward.

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	28,451,988	147,014	6.3 %	-72,381	-2,958	\$7.79	\$11.49	\$9.72
Airport West	69,633,925	317,000	3.1 %	-178,589	-22,090	\$8.68	\$12.14	\$9.11
Hialeah/Hialeah Gardens	31,327,558	406,157	2.9 %	487,662	1,733,260	\$7.63	-	\$7.01
Medley	26,722,506	305,410	6.2 %	209,146	456,497	\$6.82	\$5.20	\$6.21
Miami Lakes	6,058,313	0	2.3 %	43,452	31,539	\$5.80	\$10.79	\$7.25
N Central Miami	25,204,341	1,666,438	5.0 %	-298,469	817,425	\$6.15	\$14.72	\$6.63
Northeast Miami-Dade	9,962,800	0	3.2 %	-4,845	78,619	\$9.15	\$8.88	\$8.08
South Miami-Dade	17,343,254	0	1.4 %	-28,024	-28,183	\$11.04	\$14.87	\$11.36
Totals	214,704,685	2,842,019	4.0 %	157,952	3,064,109	\$7.80	\$12.26	\$8.10

MIAMI LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Yusen Logistics	Int'l Corp Pk 3-10000 NW 17 th St	Airport West	Renewal	165,000
Veritiv	Centergate @ Gragny-6301 E 10 th Ave	Hialeah/Hialeah Gardens	Direct	140,000
Bulletline-Poly-Concept Branch	Centergate @ Gragny-6301 E 10 th Ave	Hialeah/Hialeah Gardens	Expansion	100,000
Tricorbraun	Mia Ind Logistics Ctr-14802 NW 107 th Ave	Hialeah/Hialeah Gardens	Direct	90,000
Case Paper	Prologis Gragny Ind Pk-3329 NW 116 th Ave	North Central Miami	Renewal	88,000

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Countyline Corp Pk 4-3840 W 104 th St	Hialeah/Hialeah Gardens	\$34,378,600	\$165	208,050
Miami Lk Bus Pk-5770 Miami Lk Dr	Miami Lakes	\$16,017,500	\$83	191,929
9505 NW 108 th Ave	Medley	\$32,600,000	\$185	175,996
Flagler Station-10900 NW 97 th St	Medley	\$15,500,000	\$158	98,000
E Medley Ind Pk-7425 NW 79 th St	Medley	\$7,600,000	\$121	62,713