

MIAMI

The third quarter of 2019 saw a slight correction, as supply just outpaced demand to record just over 76,000 square feet of negative net absorption. Although market demand appeared to be moderating from previous robust quarters, this is more representative of a balanced quarter with pending occupations of pre-leased space in new industrial buildings projected to take place over the next two quarters. Almost 1.2 million square feet of positive net absorption has taken place so far in 2019, but with 2.2 million square feet of new inventory delivered during the same time, this was not enough to shrink vacancy. Consequently, the overall vacancy rate increased 60 basis points from one year ago to settle at 4.0%. Warehouse/distribution space led the market with more than 1.3 million square feet of year-to-date positive net absorption. The general industrial segment was more balanced with 7,904 square feet of supply returned to the market, whereas R&D/flex space experienced more of a correction with 273,500 square feet of negative absorption recorded so far in 2019. An additional 2.0 million square feet remained under construction and is scheduled to be completed through 2020. Healthy pre-leasing of these new buildings is projected to occupy 45.0% and should lessen their impact on vacancy, which will likely continue to tick upward as projects are completed. The strong market fundamentals translated into an asking average rental rate of \$8.56/SF. This marked eight consecutive years of rent growth and was well above the previous high of \$7.61/SF, recorded at the beginning of 2008.

LEASING AND DEMAND

Leasing activity held level from the second quarter, as 217 transactions totaling 3.0 million square feet were recorded, bringing year-to-date deal activity to more than 9.0 million square feet. This is up significantly from the 6.0 million square feet recorded one year ago and can be attributed to the combination of Home Depot's 1.0 million-square-foot lease deal in second quarter coupled with an increase in renewals and lateral relocations from companies already in the market. Warehouse/distribution space led with 8.4 million square feet, followed by general industrial with 560,000 square feet of year-to-date leasing activity. The disparity in R&D/flex deals was striking, with transactions totaling 111,000 square feet so far this year. The retail/wholesale sector continued to dominate mid- to large-sized transactions with more than 1.9 million square feet of leasing activity in deals greater than 20,000 square feet. Logistics and distribution companies trailed closely with 1.5 million square feet, while the home and building supply industry edged out food and beverage to round out the top three with 504,000 square feet.

INVESTMENT SALES

Eleven sales totaling 3.1 million square feet took place during the third quarter of 2019, bringing sales to more than 3.6 million square feet worth \$472.5 million. This represents a decrease from the 5.2 million square feet worth \$714.7 million that sold one year ago. The average sales price saw a slight decrease from last year's \$131/SF to \$129/SF at the close of the third quarter. Sales activity diminished from last year's strong performance, as owners held onto their industrial investments. Although the market's strong market fundamentals have kept investors interested, they have turned to buying industrial land for development as an alternative.

CURRENT CONDITIONS

Miami's industrial sector saw a slight correction during third quarter, with a more balanced trend between supply and demand.

The market will likely rebound in future quarters and strong preleasing of new inventory is projected to push growth demand back into the positive.

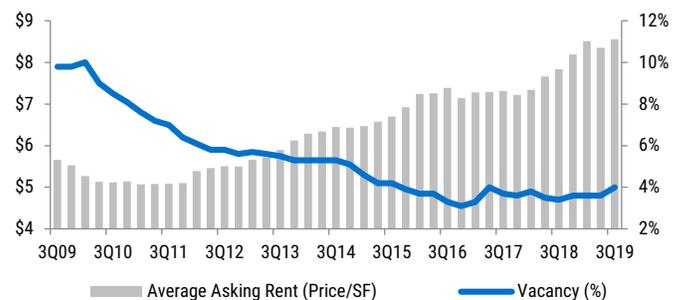
Developers are still bullish on Miami's appeal for industrial space needs as more projects are proposed in the pipeline, but may see a shift to a more disciplined approach to breaking ground.

Vacancy rates ticked upward and will slowly increase over the next few quarters as new inventory is delivered.

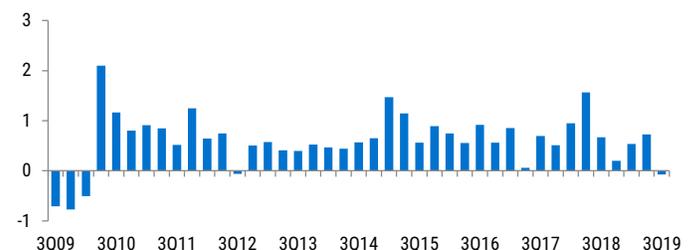
Leasing activity remained robust as midsize and larger deals totaled over 5.0 million square feet so far in 2019 with the Hialeah/Hialeah Gardens submarket leading the pack with 1.5 million square feet.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	217.0 MSF	215.9 MSF	213.7 MSF	↑
Vacancy Rate	4.0%	3.6%	3.4%	↑
Quarterly Net Absorption	(76,428)	725,116	671,488	↔
Average Asking Rent	\$8.56	\$8.35	\$7.84	↑
Under Construction	2,091,744	3,233,366	3,000,149	↓
Deliveries	1,141,622	868,214	281,258	↔

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	28,856,163	0	5.9 %	63,997	282,009	\$11.57	\$9.63	\$12.30
Airport West	69,895,944	216,000	4.1 %	-301,668	-467,800	\$8.60	\$12.65	\$9.25
Hialeah/Hialeah Gardens	31,583,427	147,768	2.3 %	28,955	396,006	\$7.49	\$5.94	\$6.78
Medley	26,828,506	419,410	4.5 %	105,154	404,845	\$7.13	\$10.03	\$6.69
Miami Lakes	6,058,313	0	4.8 %	21,737	-128,579	\$31.00	\$10.75	\$6.67
N Central Miami	26,369,815	1,108,566	5.4 %	31,840	687,670	\$7.86	\$12.71	\$7.28
Northeast Miami-Dade	10,021,550	0	3.1 %	-27,982	-36,630	\$15.33	\$11.42	\$11.34
South Miami-Dade	17,343,254	200,000	1.0 %	1,539	47,370	\$9.23	\$14.47	\$10.65
Totals	216,956,972	2,091,744	4.0 %	-76,428	1,184,891	\$8.69	\$10.85	\$8.56

MIAMI LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Aloja Lumber	Prologis Gratigny Ind Pk-11400 NW 32 nd Ave	North Central Miami	Direct	271,000
Mr. Green's	Eastview Com Ctr 1-2290 NW 119 th St	North Central Miami	Direct	157,000
Iron Mountain	Medley Log Pk 100-12600 NW 115 th Ave	Medley	Renewal	134,000
Landing Gear Technologies	Countyline Corp Pk 7-3850 W 107 th	Hialeah/Hialeah Gardens	Direct	100,000
Omni Transloading	Flagler Station RB2-11701 NW 100 th Rd	Medley	Direct	70,000

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
*Centergate @ Gratigny-6301 E 10 th Ave	Hialeah/Hialeah Gardens	\$178,000,000	\$113	1,581,052
Miami Cargo Pk-3400 NW 74 th Ave	Airport West	\$82,900,000	\$197	420,372
*Airport Trade Ctr-3108-3390 NW 72 nd Ave	Airport West	\$56,000,000	\$152	367,848

*Denotes portfolio sale