

MIAMI INDUSTRIAL MARKET

FIRST QUARTER 2017

Demand remains strong, keeping vacancy near historic lows 2017 construction is set to reach highest level since 1999

ECONOMY

Income & job growth expected to remain strong in 2017

Miami enjoys a diverse economy with strong fundamentals in international trade, tourism, and construction. Moody's Analytics predicts that job and income growth in Miami will continue over the near term as its port attracts good jobs in trade, manufacturing, and tourism. Long-term prospects call for strong job growth in leisure & hospitality, construction, and healthcare. Miami is expected to continue outpacing national economic growth with a 4.6% rise in gross metro product in 2017, due in large part to strength in these sectors.

VACANCY

Vacancy up slightly, is still near its ten-year low

Q1 2017's vacancy rate of 4.4 % is up from Q4's 4.2%, which was a cycle low for the market. This slight rise was due to moderate absorption combined with higher-than-average deliveries during the quarter. Vacancy is below 5.0% in seven of Miami's 11 submarkets, including Medley at 4.5% and Hialeah at 3.1%. The Miami Airport submarket reports vacancy at 3.5%, which is that submarket's lowest vacancy rate in more than a decade.

ABSORPTION

Strong demand continues in 2017

In Q1 2017 Miami's industrial market absorbed 621,815 SF, down slightly from 720,403 SF in Q4 2016 but well in line with recent trends. Quarterly absorption has been over 500,000 SF in each of the past ten quarters. In 2016 Miami absorbed 2.8 million SF in net new occupancy, spread evenly throughout all four quarters. Demand in Q1 2017 was strongest in the Medley and Miami Airport submarkets, with healthy demand seen in North Miami Beach as well.

SUPPLY AND DEMAND

Construction reaches a decade high point

Strong demand for high quality properties has resulted in more than 1.5 million SF of new space delivered in each of the past four years. In 2016, Miami saw more than 1.7 million SF of new deliveries, with more than 80% of that space already leased. In Q1 2017, nearly 1.4 million SF were completed, indicating that this year could see the cycle's highest level of new deliveries. At the end of Q1 2017, more than 2.6 million SF are under construction, with most of that in the Medley and Miami Airport submarkets. Of this total, 43% has already been pre-leased.

FORECAST

Tight market will lead to continued rent growth

Demand has consistently exceeded the level of new supply for the past several years. We expect this trend to continue throughout 2017, resulting in the vacancy rate remaining below 5% for the foreseeable future. Rent growth should continue at a moderate pace over the next several quarters.

QUARTERLY SNAPSHOT

VACANCY



4.4%

Up from Q4, which was the lowest level in 10 years

ABSORPTION



621,815 SF

A strong start to the year

RENTAL RATE



\$9.92 PSF

Down slightly from last quarter's cycle high

UNDER CONSTRUCTION



2.6 MIL SF

Mostly in Airport & Medley

AVERAGE SALE PRICE



\$130 PSF

Up 3% from previous 12-month period

JOB GROWTH



3.5%

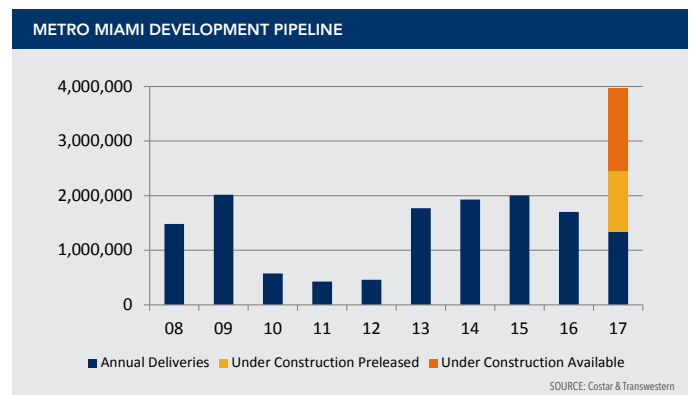
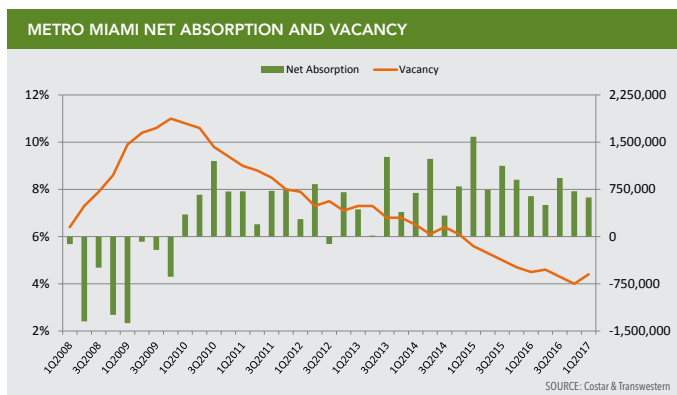
Annual growth in 2016 outpaced the U.S. average

MIAMI INDUSTRIAL MARKET

FIRST QUARTER 2017

Metro Miami Industrial Market Indicators

SUBMARKET	BUILDINGS	INVENTORY	DIRECT VACANT	DIRECT VACANCY RATE	SUBLEASE SF	TOTAL SF VACANCY	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	UNDER CONSTRUCTION	RENTAL RATE PSF
Central Miami	41	1,857,536	94,406	5.1%	0	94,406	5.1%	-8,946	0	\$10.00
East Miami	55	2,087,073	169,095	8.1%	0	169,095	8.1%	-173	0	\$14.66
Hialeah	426	20,654,172	617,595	3.0%	14,000	631,595	3.1%	-7,984	0	\$8.88
Medley	358	28,373,154	1,220,089	4.3%	51,832	1,271,921	4.5%	304,769	1,211,491	\$9.87
Miami Airport	1,123	68,359,702	2,204,648	3.2%	170,201	2,374,849	3.5%	259,618	1,162,084	\$11.83
Miami Lakes	195	11,643,636	768,586	6.6%	0	768,586	6.6%	-72,138	0	\$7.62
North Miami Beach	505	32,113,899	1,570,993	4.9%	0	1,570,993	4.9%	103,191	0	\$7.48
South Central Miami	165	6,811,804	858,411	12.6%	0	858,411	12.6%	58,044	0	\$14.50
South Dixie Highway	118	4,642,324	116,264	2.5%	0	116,264	2.5%	459	237,000	\$9.05
Southwest Dade	175	6,394,578	145,677	2.3%	0	145,677	2.3%	-2,095	25,387	\$8.93
West Miami	68	2,658,841	73,423	2.8%	0	73,423	2.8%	-12,930	0	\$12.35
Grand Totals	3,229	185,596,719	7,839,187	4.2%	236,033	8,075,220	4.4%	621,815	2,635,962	\$9.92



Transaction Highlights

Notable Industrial Lease Deals

Completed between 1/1/17 and 3/31/17

Tenant	Building	Lease (SF)	Comments
Bel USA LLC	Medley Logistics Park	342,750	Renewal
H Greg Miami Inc.	Bristol Logistics Center	96,920	New lease
Dupuy	Market Station	96,883	New lease

Notable Industrial Building Sales

Completed between 1/1/17 and 3/31/17

Building	Total (SF)	Price	Price (PSF)	Comments
Bridge Point Crossroads West	243,296	\$31,650,000	\$130	86% leased; sold to TA Realty as part of portfolio sale
TA Portfolio (45 buildings in South Florida, Atlanta, & Southern California)	8.6 million	\$854,500,000	\$99	Sold to Brookfield
6850 SW 81st Terrace	44,224	\$8,720,000	\$197	Sold to Kirchoff Companies for redevelopment

CONTACT

Keith Pierce
Senior Research Manager, Southeast
404.842.6534
keith.pierce@transwestern.com

METHODOLOGY

The information in this report is the result of Transwestern's ongoing analysis of Miami-Dade's key for-lease industrial and flex properties. We compile our quarterly statistics based on a defined inventory of existing buildings of 20,000 square feet or more in size.



LICENSED REAL ESTATE BROKER

100 SE 2nd Street, Suite 3100
Miami, FL 33131

T 305.808.7310
www.transwestern.net/miami

Copyright © 2017 Transwestern. All rights reserved. No part of this work may be reproduced or distributed to third parties without written permission of the copyright owner. The information contained in this report was gathered by Transwestern from CoStar and other primary and secondary sources believed to be reliable. Transwestern, however, makes no representation concerning the accuracy or completeness of such information and expressly disclaims any responsibility for any inaccuracy contained herein.