

MIAMI INDUSTRIAL MARKET

SECOND QUARTER 2016

Construction picks up as vacancy reaches a nine-year low

New deliveries keep pace with demand

ECONOMY

Population & job growth continue in the area

Miami enjoys a diverse economy with strong fundamentals in international trade, tourism, and construction, as well as its lowest unemployment rate since 2008. In addition, Moody's Analytics predicts that Miami will outperform the nation in household income growth over the next several years. Long-term prospects call for healthy growth at the area's hotels, restaurants and attractions, and strong job growth in leisure/hospitality, construction, retail and healthcare. Miami is expected to continue outpacing national economic growth with a 3.6% rise in gross metro product in 2016, due in large part to strength in these sectors.

VACANCY

Vacancy dips to a nine-year low

Q2's vacancy rate of 4.8% is down from Q1's 5.0% due to healthy absorption during the quarter. The current rate is Miami's lowest since 2007. Vacancy is now below 5.0% in eight of Miami's 11 submarkets, including Medley at 4.1% and Hialeah at 3.2%. The Miami Airport submarket reports vacancy at 4.7%, up slightly from Q1's 4.5%, which was that submarket's lowest vacancy rate in a decade.

ABSORPTION

Demand slows but remains strong in 2016

In Q1 2016 Miami's industrial market absorbed approximately 700,000 SF, well in line with recent demand trends. Absorption slowed somewhat during Q2 to 310,013 SF, though demand remained strong in the Hialeah, Medley, South Dixie Hwy. submarkets during the quarter. Year-to-date absorption is strongest by far in the Medley submarket, which has absorbed 621,304 SF in the first half of the year.

SUPPLY AND DEMAND

Construction picks up speed as developers keep pace with demand

Healthy leasing activity and a demand for new Class A product resulted in approximately 2.0 million SF of new space delivered in each of the past two years. At the end of Q2 2016, Miami has already seen 1.15 million SF of new space delivered to date in 2016, with more than 1.9 million SF of space under construction; most of that is in Medley and Hialeah. Of this total, 22% has already been leased. Through the remainder of 2016, the development pipeline is likely to remain near this level, with a few new projects expected to launch construction later this year.

FORECAST

Strong development, healthy demand, and historically low vacancy

Since 2010, demand has consistently exceeded the level of new supply. In the near term we expect this trend to continue, resulting in the vacancy rate remaining below 5% in the coming quarters. Rent growth should continue at a moderate pace as asking rents reach new peaks.

QUARTERLY SNAPSHOT

VACANCY



4.8%

Lowest level in nine years

ABSORPTION



310,013 SF

Slower than Q1, but a strong year to date

RENTAL RATE



\$9.48 PSF

Up from previous quarter to new high

UNDER CONSTRUCTION



1,942,798 SF

Mostly in Medley & Hialeah

AVERAGE SALE PRICE



\$112 PSF

Down 1% from previous 12-month period

JOB GROWTH



4.3%

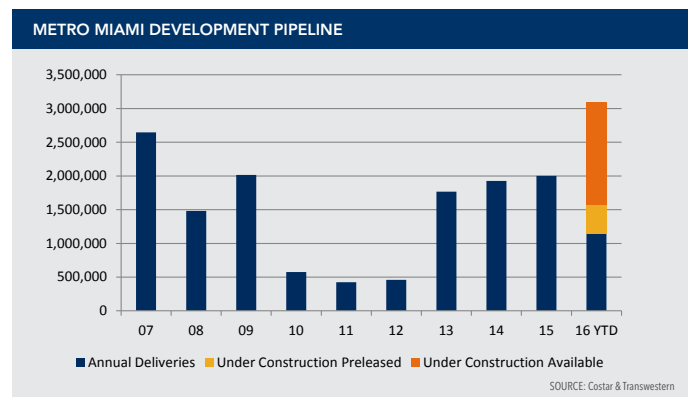
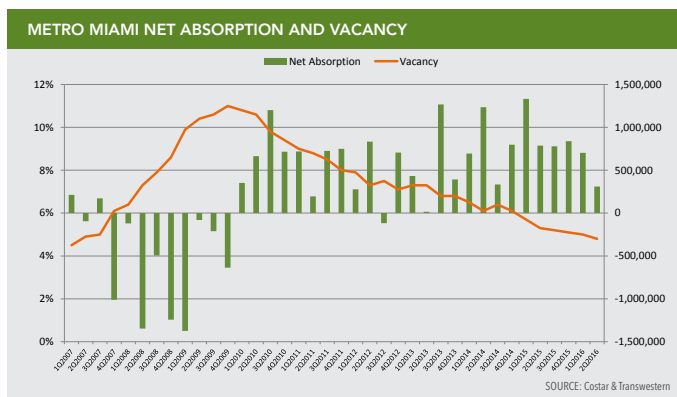
Annual growth projected to outpace the U.S. average

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SECOND QUARTER 2016

Metro Miami Industrial Market Indicators

SUBMARKET	BUILDINGS	INVENTORY	DIRECT VACANT	DIRECT VACANCY RATE	SUBLEASE SF	TOTAL SF VACANCY	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	RENTAL RATE PSF
Central Miami	41	1,852,428	46,460	2.5%	5,000	51,460	2.8%	30,004	25,198	0	\$6.00
East Miami	55	2,083,540	176,604	8.5%	0	176,604	8.5%	-71,850	-71,850	0	\$14.80
Hialeah	477	25,970,715	817,318	3.1%	14,582	831,900	3.2%	260,767	280,529	939,088	\$7.44
Medley	354	27,479,933	1,091,019	4.0%	45,103	1,136,122	4.1%	165,141	621,304	808,773	\$8.90
Miami Airport	1,119	67,442,515	3,084,829	4.6%	113,794	3,198,623	4.7%	-99,037	36,611	0	\$11.06
Miami Lakes	194	11,565,053	811,565	7.0%	7,000	818,565	7.1%	-24,175	77,804	82,000	\$7.80
North Miami Beach	453	26,198,589	1,115,419	4.3%	35,525	1,150,944	4.4%	-71,130	-157,429	0	\$8.55
South Central Miami	162	6,715,750	936,317	13.9%	15,000	951,317	14.2%	-21,372	38,740	39,612	\$14.25
South Dixie Highway	116	4,619,159	227,996	4.9%	0	227,996	4.9%	120,468	151,238	73,325	\$8.93
Southwest Dade	172	6,271,643	152,388	2.4%	0	152,388	2.4%	15,659	6,638	0	\$8.16
West Miami	71	2,734,551	67,672	2.5%	0	67,672	2.5%	5,538	3,571	0	\$12.36
Grand Totals	3,214	182,933,876	8,527,587	4.7%	236,004	8,763,591	4.8%	310,013	1,012,354	1,942,798	\$9.48



Transaction Highlights

Notable Industrial Lease Deals

Completed between 4/1/2016 and 6/30/16

Tenant	Building	Lease (SF)	Comments
Eco Window Systems	Airport North Logistics Park	149,980	New lease
PrimeSource Building Products	Flagler Station	139,105	Renewal
Ace Cargo	Bridge Point Crossroads	121,000	New lease

Notable Industrial Building Sales

Completed between 4/1/2016 and 6/30/16

Building	Total (SF)	Price	Price (PSF)	Comments
Turnpike Park (11500 NW 123rd Street)	136,500	\$18,154,500	\$133	New construction; 75% leased; sold to Clarion Partners
Webster Park (7204-7296 NW 25th Street)	167,200	\$16,600,000	\$99	Four buildings; 90% leased; sold to CoFe Properties
Miami Airport Ind. Park (1940-1970 NW 70th Avenue)	53,558	\$6,400,000	\$120	Fully leased; sold to Terreno Realty

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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.



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