

MIAMI INDUSTRIAL MARKET

THIRD QUARTER 2017

Construction is at a 20-year peak

Miami's vacancy is among the lowest in the nation

ECONOMY

Job growth still robust, but wage growth is slowing

Miami's unemployment rate has fallen to its lowest level in a decade, with job growth seen in international trade, tourism, service sectors, and construction. In recent months wage growth has slowed, making this a more competitive market for attracting business. Moody's Analytics predicts that Miami will benefit from a rising stock market and a strong global economy over the near term. Miami is expected to continue outpacing national economic growth with a 3.9% rise in gross metro product in 2017, due to these factors as well as a highly skilled workforce.

VACANCY

Vacancy up slightly due to strong supply

Q3 2017's vacancy rate of 4.7% is up slightly from Q2's 4.6%, but still very close to the market's recent low point. This slight rise was due to slower absorption combined with a higher-than-average number of deliveries during the quarter. Miami remains one of the nation's tightest industrial markets in terms of vacancy. Vacancy is in the low single digits in nearly all of Miami's submarkets, including Hialeah at 3.5% and Miami Airport at 3.6%. The Medley submarket reports vacancy at 8.3%, a temporary bump caused by the completion of more than 2.0 million SF since the beginning of the year, about half of which is still on market for lease.

ABSORPTION

Demand slows as market tightens

In Q3 2017 Miami's industrial market absorbed 52,773 SF, down substantially from recent quarters. This is to be expected in markets with such low vacancy. In the first half of 2017 Miami absorbed nearly 1.4 million SF in net new occupancy, consistent with trends seen in 2016. Demand in Q3 2017 was strongest in Medley, traditionally one of the most active industrial markets in Miami. Combined, the Medley and Miami Airport submarkets have seen more than two-thirds of the Miami market's demand this year, as well as most of its new construction.

DEVELOPMENT

Construction remains strong, but is beginning to slow

In the first nine months of 2017, Miami has already seen almost 3.4 million SF of new deliveries, twice as much as was completed in 2016, with nearly half of that space already leased. As of the end of Q3, more than 1.9 million SF are under construction, indicating that this year will offer the cycle's highest level of new deliveries. Most of this new construction is focused in the Miami Airport and Medley submarkets, and 64% of the product under construction has already been leased.

FORECAST

Market to remain tight, leading to continued rent growth

Demand consistently exceeded the level of new supply for the past several years, leading to single-digit vacancy. In the first nine months of 2017 absorption has been healthy but construction levels have run ahead of demand, leading to an upward bump in vacancy. Developers are slowing their pace, so the market will have the opportunity to absorb the new product over the next few quarters. We expect the vacancy rate to remain near 5% for the foreseeable future, while rent growth should continue at a moderate pace over the next several quarters.

QUARTERLY SNAPSHOT

VACANCY



4.7%

Up slightly from Q2 due to the delivery of new product

ABSORPTION



52,773 SF

Slowing after a strong performance in the first half of 2017

RENTAL RATE



\$9.78 PSF

Up from Q2; Flex rents down slightly to \$16.30

UNDER CONSTRUCTION



1.9 MIL SF

Mostly in Airport & Medley

AVERAGE SALE PRICE



\$103 PSF

Down from previous 12-month period

JOB GROWTH



2.0%

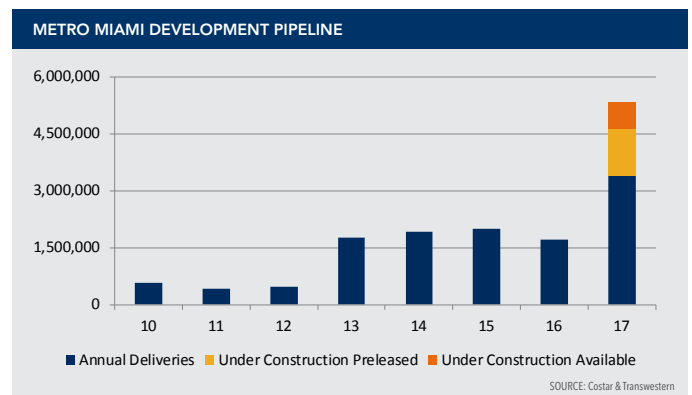
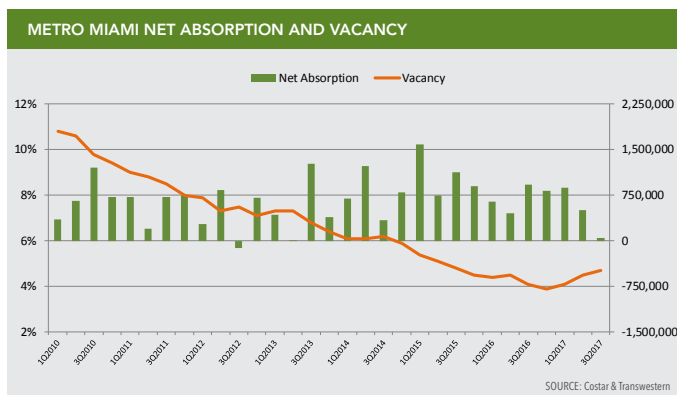
Projected annual growth in 2017 to again outpace the U.S. average

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THIRD 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	YTD NET ABSORPTION	UNDER CONSTRUCTION	WH/DIST ASKING RENT PSF	FLEX ASKING RENT PSF
Miami Airport	1,125	68,298,959	2,250,477	3.3%	217,394	2,467,871	3.6%	3,174	424,699	1,150,180	\$10.27	\$19.25
Medley	366	29,904,591	2,277,647	7.6%	206,036	2,483,683	8.3%	212,335	566,150	406,090	\$9.55	-
Hialeah	426	20,811,591	655,079	3.1%	70,000	725,079	3.5%	31,900	-104,556	77,860	\$9.35	-
Central Miami	40	1,834,613	96,906	5.3%	0	96,906	5.3%	-4,500	-11,446	0	\$10.00	-
Miami Lakes	195	11,581,082	508,017	4.4%	2,567	510,584	4.4%	-26,962	165,184	0	\$7.70	\$10.30
North Miami Beach	505	31,954,871	1,383,147	4.3%	22,400	1,405,547	4.4%	-217,406	9,860	286,864	\$7.80	\$12.40
Southwest Dade	178	6,584,908	160,601	2.4%	0	160,601	2.4%	12,191	8,368	17,969	\$11.25	\$11.00
East Miami	55	2,100,414	102,852	4.9%	0	102,852	4.9%	1,269	66,070	0	\$14.15	-
South Central Miami	166	6,807,919	666,372	9.8%	0	666,372	9.8%	45,350	148,995	0	\$24.00	\$21.25
South Dixie Hwy	120	4,978,090	205,498	4.1%	0	205,498	4.1%	-2,366	170,981	0	\$11.55	\$10.75
West Miami	67	2,619,202	39,497	1.5%	0	39,497	1.5%	-2,212	-11,584	0	\$12.35	-
Grand Totals	3,243	187,476,240	8,346,093	4.5%	518,397	8,864,490	4.7%	52,773	1,432,721	1,938,963	\$9.78	\$16.30



Transaction Highlights

Notable Industrial Lease Deals

Completed between 7/1/17 and 9/30/17

Tenant	Building	Lease (SF)	Comments
Ice River Springs	Miami Industrial Logistics Center	84,369	New lease
XPO	Beacon Lakes Bldg. 13	79,705	New lease
Triton Logistics	Prologis Beacon Lakes	74,329	New lease

Notable Industrial Building Sales

Completed between 7/1/17 and 9/30/17

Building	Total (SF)	Price	Price (PSF)	Comments
FedEx	110,000	\$37,250,000	\$309	100% leased; sold to Lalezarian Properties
American Fruit	103,006	\$16,000,000	\$155	100% leased; sold to Prologis
Winn-Dixie Logistics	961,345	\$59,000,000	\$61	100% leased; sold to CenterPoint Properties

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

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