

MIAMI INDUSTRIAL MARKET

FOURTH QUARTER 2016

Vacancy declines to new low, resulting in rent growth

Demand continues to outpace new supply

ECONOMY

Income & job growth expected to remain strong in 2017

Miami's economy expanded in 2016, with healthy job creation and wage growth of more than 6% annually. Moody's Analytics predicts that job and income growth will continue over the near term, primarily due to its port, which attracts jobs in trade, manufacturing, and tourism. Long-term prospects call for strong job growth in leisure/hospitality, construction, retail, 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 declines to a ten-year low

Q4's vacancy rate of 4.2 % is down from Q3's 4.4%, bringing Miami's vacancy to a new cycle low due to healthy absorption and limited construction during the quarter. Vacancy is now below 4.0% in seven of Miami's 11 submarkets, including Medley at 3.6% and Hialeah at 3.2%. The Miami Airport submarket reports vacancy at 3.9%, which is that submarket's lowest vacancy rate in more than a decade.

ABSORPTION

Demand reaches its highest level to date this year

In Q1 2016 Miami's industrial market absorbed more than 700,000 SF, followed by slower demand in Q2. In the second half of the year this pattern was repeated, with 800,000 SF of net occupancy gains in Q3 followed by just under 500,000 SF of quarterly absorption in Q4. Miami's annual absorption totaled 2.45 million SF, in line with recent demand trends. Demand was strongest in the Miami Airport and Medley submarkets in Q4, while annual demand was strongest in the Medley submarket, which absorbed more than one million SF in 2016.

SUPPLY AND DEMAND

Construction expands to keep pace with demand

Strong demand for quality new product 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 nearly 80% of that space already leased. As of year's end, nearly 3.2 million SF are under construction, with most of that in the Medley and Miami Airport submarkets. Of this total, 32% has been pre-leased. The development pipeline is likely to remain near this level in 2017.

FORECAST

The tightening market

Continued strength in the general economy of South Florida bodes well for the industrial market. While 2017 is expected to remain strong, the market will closely monitor any potential change in trade policy which may impact activity at the ports. Demand continued to exceed new construction in 2016 and will remain in equilibrium throughout 2017, keeping the vacancy rate below 5%. With less space available for tenants to move around, expect absorption to slow, but rental rates will continue to grow at a moderate pace, with asking rents reaching new peaks.

QUARTERLY SNAPSHOT

VACANCY



4.2%

Lowest level since 2006

ABSORPTION



483,865 SF

Down from previous quarter as available space declines

RENTAL RATE



\$10.15 PSF

Up from previous quarter to new high

UNDER CONSTRUCTION



3.17 MIL SF

Mostly in Airport & Medley

AVERAGE SALE PRICE



\$137 PSF

Up 38% from previous 12-month period

JOB GROWTH



3.5%

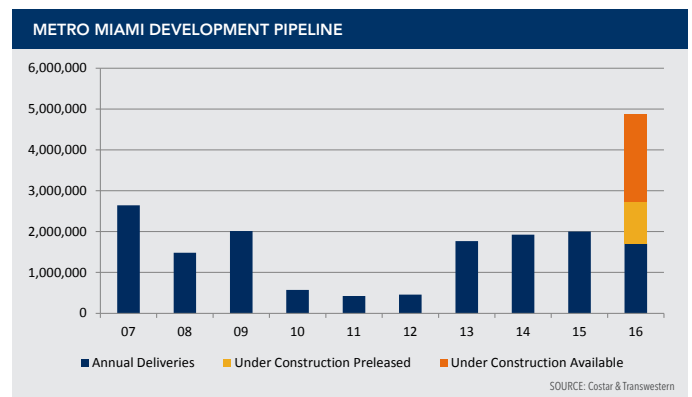
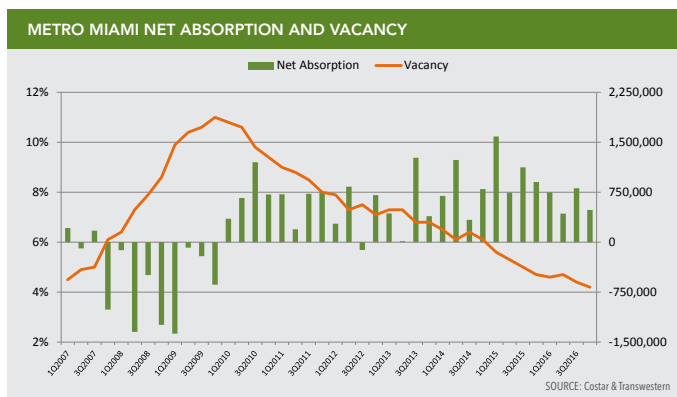
Annual growth in 2016 outpaces the U.S. average

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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	1,853,142	85,460	4.6%	0	85,460	4.6%	-39,000	-8,802	0	\$10.00
East Miami	55	2,083,540	168,922	8.1%	0	168,922	8.1%	6,250	-64,168	0	\$14.80
Hialeah	426	20,659,902	621,027	3.0%	41,153	662,180	3.2%	99,724	439,981	0	\$7.50
Medley	355	27,769,670	974,823	3.5%	24,335	999,158	3.6%	283,105	1,139,758	1,213,515	\$9.50
Miami Airport	1,120	68,172,309	2,538,433	3.7%	120,265	2,658,698	3.9%	354,670	766,504	1,324,921	\$11.65
Miami Lakes	195	11,631,658	804,399	6.9%	0	804,399	6.9%	-12,384	137,470	0	\$7.45
North Miami Beach	503	31,482,308	1,174,467	3.7%	0	1,174,467	3.7%	-229,121	-246,902	602,000	\$7.32
South Central Miami	161	6,741,320	911,455	13.5%	0	911,455	13.5%	12,568	114,257	0	\$14.25
South Dixie Highway	116	4,597,233	115,173	2.5%	0	115,173	2.5%	15,340	164,061	32,950	\$9.44
Southwest Dade	172	6,293,108	142,482	2.3%	0	142,482	2.3%	-5,352	-2,681	0	\$9.23
West Miami	70	2,708,282	60,493	2.2%	0	60,493	2.2%	-1,935	10,750	0	\$12.39
Grand Totals	3,214	183,992,472	7,597,134	4.1%	185,753	7,782,887	4.2%	483,865	2,450,228	3,173,386	\$10.15



Transaction Highlights

Notable Industrial Lease Deals

Completed between 10/1/16 and 12/31/16

Tenant	Building	Lease (SF)	Comments
7000 Logistics	7000 NW 25th Street	123,381	New lease
Kansas Marine	Aventura Industrial Center	109,267	Renewal
Colour Republic	WestPointe Business Park	93,000	New lease

Notable Industrial Building Sales

Completed between 10/1/16 and 12/31/16

Building	Total (SF)	Price	Price (PSF)	Comments
4400 SW 75th Avenue	61,440	\$10,000,000	\$163	Sold to Downstream Realty for redevelopment
South Fla. Logistics Center Bldg. 6 (3200 NW 67th Avenue)	162,837	\$24,430,000	\$150	Under construction & not yet leased; sold to JPMorgan
Miami Int'l Commerce Center (1351 NW 78th Avenue)	63,389	\$8,405,000	\$133	Fully leased; sold to First Industrial

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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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