

MIAMI INDUSTRIAL MARKET

THIRD QUARTER 2016

Vacancy declines to new low, resulting in rent growth

Demand outpacing pace of new deliveries

ECONOMY

Income & job growth expected to continue

Growth-based industries such as housing, construction, trade and tourism serve not only as Miami's prime economic drivers but also aid and sustain its diversity. Moody's Analytics predicts that job and income growth in Miami will accelerate over the near term, due in part to PortMiami's expansion as the world's leading cruise port and a principal hub for global commerce and tourism. Long-term prospects call for enduring growth in leisure/hospitality, retail and the construction sectors. Miami is expected to continue outpacing national economic growth with a 3.5% rise in gross metro product in 2016, due in large part to strength in these sectors.

VACANCY

Vacancy declines to a nine-year low

Q3's vacancy rate of 4.4% is down from Q2's 4.7%, bringing Miami vacancy to a new cycle low due to strong absorption during the quarter. Vacancy is now at or below 5.0% in eight of Miami's 11 submarkets, including Medley at 4.0% and Hialeah at 3.5%. The Miami Airport submarket, Miami's largest, reports vacancy at 4.4%, which is that submarket's lowest vacancy rate in a decade.

ABSORPTION

Demand reaches its highest level to date this year

In Q1 2016 Miami's industrial market absorbed approximately 700,000 SF, in line with recent demand trends. Absorption slowed somewhat during Q2, but regained momentum in Q3 with 811,000 SF of net occupancy gains. Quarterly demand was strongest in the Airport and Medley submarkets, while year-to-date absorption is strongest in the Medley submarket, which has absorbed more than double that of its nearest competitor.

SUPPLY AND DEMAND

Construction reaches a cycle high point as developers work to keep pace with demand

Strong leasing activity resulted in approximately 2.0 million SF of new space delivered in each of the past two years. Miami has already seen more than 1.5 million SF of new space delivered to date in 2016, with nearly 4.0 million SF of space under construction; most of that is in the Medley and Miami Airport submarkets. Of this total, 24% has been pre-leased.

FORECAST

Strong demand results in historically low vacancy, new construction

Since 2010, demand has consistently exceeded the level of new supply. We expect this trend to continue, as the pipeline of large users seeking space continues to be significant which should keep vacancy below 5.0% in the coming quarters. Rent growth should continue at a moderate pace as asking rents reach new peaks.

QUARTERLY SNAPSHOT

VACANCY



4.4%

Lowest level since 2007

ABSORPTION



810,959 SF

Strongest demand level to date this year

RENTAL RATE



\$9.76 PSF

Up from previous quarter to new high

UNDER CONSTRUCTION



3.95 MIL SF

Mostly in Medley & Hialeah

AVERAGE SALE PRICE



\$134 PSF

Up 30% from previous 12-month period

JOB GROWTH



3.5%

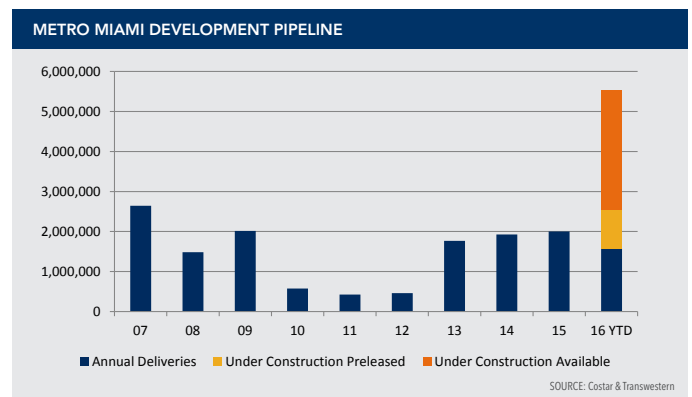
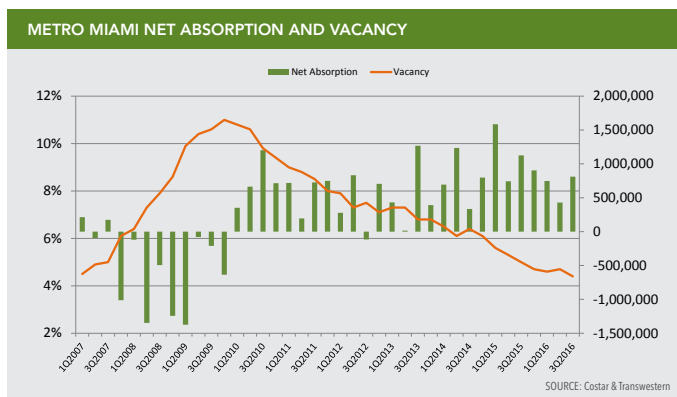
Annual growth projected to outpace the U.S. average

MIAMI INDUSTRIAL MARKET

THIRD 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	1,853,142	46,460	2.5%	0	46,460	2.5%	0	30,198	0	\$6.00
East Miami	55	2,083,540	175,172	8.4%	0	175,172	8.4%	1,432	-70,418	0	\$14.80
Hialeah	425	20,511,542	682,805	3.3%	27,000	709,805	3.5%	56,618	339,147	0	\$7.50
Medley	355	27,678,366	1,082,271	3.9%	37,935	1,120,206	4.0%	182,433	863,953	1,363,442	\$9.00
Miami Airport	1,120	68,243,103	2,885,569	4.2%	124,365	3,009,934	4.4%	297,934	426,899	1,374,172	\$11.75
Miami Lakes	194	11,549,658	710,015	6.1%	0	710,015	6.1%	89,837	149,854	82,000	\$7.45
North Miami Beach	503	31,462,750	959,346	3.0%	14,582	973,928	3.1%	117,048	-33,181	602,000	\$7.32
South Central Miami	161	6,706,793	865,639	12.9%	0	865,639	12.9%	63,027	116,767	0	\$14.25
South Dixie Highway	116	4,597,233	230,513	5.0%	0	230,513	5.0%	483	148,721	527,615	\$9.44
Southwest Dade	172	6,298,917	135,632	2.2%	1,498	137,130	2.2%	-3,967	2,671	0	\$9.23
West Miami	70	2,708,282	58,558	2.2%	0	58,558	2.2%	6,114	12,685	0	\$12.39
Grand Totals	3,212	183,693,326	7,831,980	4.3%	205,380	8,037,360	4.4%	810,959	1,987,296	3,949,229	\$9.76



Transaction Highlights

Notable Industrial Lease Deals

Tenant	Building	Lease (SF)	Comments
Kuehne + Nagel	DCT Commerce Center II	152,400	New lease
PAS Cargo USA	Bridge Point Crossroads West	88,365	New lease
Adornus Cabinetry	Beacon Industrial Park	85,424	New lease

Completed between 7/10/16 and 9/30/16

Notable Industrial Building Sales

Building	Total (SF)	Price	Price (PSF)	Comments
Miami International Business Park (11460 NW 39th Street)	40,000	\$6,100,000	\$153	Fully leased to Geyco International; sold to Innovair Corp.
475 NE 185th Street	68,165	\$8,038,800	\$118	Fully leased to Marjam Supply; sold to EdgeConnex
8150 NW 64th Street	52,089	\$4,600,000	\$88	Sold to Interglass Corp., who plans to occupy

Completed between 7/10/16 and 9/30/16

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 © 2016 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.