

# Miami Industrial MarketView

Q3 2013

CBRE Global Research and Consulting

VACANCY  
4.9%

ASKING RATE  
\$7.81

ABSORPTION  
794 K

CONSTRUCTION  
734 K

COMPLETIONS  
299 K

UNEMPLOYMENT  
8.4%

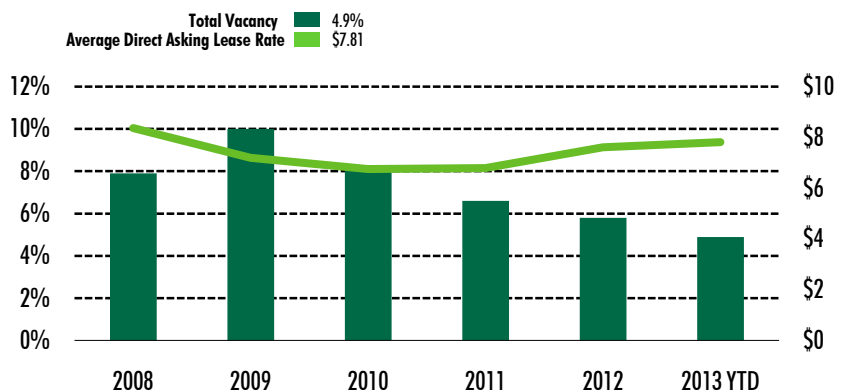
\*Arrows indicate change from previous year.

## NEW GENERATION OF CLASS A WAREHOUSE/DISTRIBUTION PRODUCT IN DEMAND WITH TENANT EXPANSIONS A KEY DRIVER

### Hot Topics

- Over 298,000 sq. ft. of warehouse/distribution space was delivered, 733,737 sq. ft. is currently under construction and an additional 3.9 million sq. ft. is in the pipeline.
- Starboard Cruise Services signed the largest lease of the quarter for 220,000 sq. ft. at the future Flagler Station Building 34.
- Monaco Foods made the largest user sale of the year with their purchase of a 75,526-sq.-ft. warehouse in Sunshine State Industrial Park.
- Four super-sized gantry cranes left Shanghai and are expected to arrive at PortMiami early Q4 2013. The new cranes will be used to accommodate the new post-Panamax vessels that will utilize the port upon the completion of the Panama Canal in 2015.
- For the first time since the tracks were destroyed by Hurricane Wilma in 2005, Florida East Coast Railway reached PortMiami, restoring on-port rail service.

### Total Vacancy -vs- Average Direct Asking Lease Rate (IG)



Source: CBRE Research, Q3 2013.

### Development

A new generation of Class A buildings are being added to the market with features such as 28' to 36' clear heights, wider column widths, deep and secure truck courts, trailer storage and high-efficiency T-5 lighting. Developers are meeting tenant demand by delivering 298,545 sq. ft. of warehouse/distribution space during Q3 2013, with an additional 733,737 sq. ft. currently under construction and 3.9 million sq. ft. of product in the development pipeline.

The largest delivery of Q3 2013 was Building 1 in South Florida Logistics Center, which added 171,545 sq. ft. to Airport/Doral. The building was already 70% preleased before it was completed. Once completed, South Florida Logistics Center will add 1.6 million sq. ft. of industrial product stretching across 200 acres adjacent to Miami International Airport. The park will feature 30' ceiling heights, 54'-wide column spacing, T-5 lighting and exclusive access to Florida East Coast Railway.

Also under construction in Airport/Doral are Beacon Lakes Buildings 21 and 22. The 156,640-sq.-ft. and 164,937-sq.-ft. Class A buildings are scheduled to be completed in early Q4 2013. Building 21 is already 100% preleased to Bamerica, while Building 22 is available for lease.

In Medley, construction is underway on the first building in Miami International Tradeport, a planned 126-acre complex, which will include 1.8 million sq. ft. of state-of-the-art warehouse and manufacturing space. The developer, Liberty Property Trust, is expected to deliver Building A, a 147,840-sq.-ft. Class A building during Q4 2013, with the remaining eight buildings expected to be completed over the next decade.

Also in Medley, construction crews broke ground on the newest addition to Flagler Station. The 171,994-sq.-ft. Building 31 is expected to be completed during Q4 2013, around the time that construction is scheduled to begin on the 270,000-sq.-ft. Building 32. Construction on the 250,000-sq.-ft. Building 34,

## Market Statistics

Submarket	Building SF	Total Vacancy (%)	Total Availability (%)	Qtrly Net Absorption	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (IG)
Airport/Doral	55,483,972	5.8	10.1	427,214	1,003,300	413,903	\$9.29
Central Dade	38,662,444	5.3	8.5	110,435	462,727	0	\$6.08
Hialeah	12,674,687	3.4	6.0	72,790	187,709	0	\$6.67
Kendall/Tamiami	12,334,884	2.1	3.9	(14,257)	26,417	0	\$10.02
Medley	36,773,279	4.5	7.0	70,765	214,857	319,834	\$7.71
Miami Lakes	6,326,145	5.4	10.8	56,274	86,224	0	\$8.43
North Central Dade	35,890,230	4.8	7.6	59,553	900,637	0	\$6.46
North East Dade	2,762,282	3.8	5.0	(2,100)	77,071	0	\$9.32
South Dade	4,542,127	4.5	5.6	13,682	18,701	0	\$8.66
<b>Total</b>	<b>205,450,050</b>	<b>4.9</b>	<b>8.0</b>	<b>794,356</b>	<b>2,977,643</b>	<b>733,737</b>	<b>\$7.81</b>
Manufacturing	19,910,551	4.1	5.7	931	46,668	44,394	\$7.69
Warehouse/Distribution	168,037,005	5.1	8.2	761,209	2,663,787	689,343	\$7.64
Flex/R&D	10,830,548	5.6	9.0	(1,542)	196,611	0	\$10.04
Other industrial	6,671,946	2.0	8.5	33,758	70,577	0	\$9.46

Source: CBRE Research, Q3 2013.

which is already nearly 90% preleased to Starboard Cruise Services, is also expected to break ground during Q4 2013 or early Q1 2014.

Ground breaking on the first 256,000-sq.-ft. building at L&B's Medley Logistics North, a planned five-building, 918,000-sq.-ft. warehouse/distribution park in Medley, is expected during Q4 2013, and is slated for completion during Q1 2014.

### Leasing Activity

The large number of construction completions in the last several quarters, and the planned completions over the next several years, is resulting in a flight to quality in the Miami industrial sector. Buildings once considered Class A are now considered Class A-/B+, and sophisticated tenants are flocking to the new generation of Class A properties that have recently been added to the market, seeking out amenities that allow them to operate more efficiently such as enhanced security features and wider column widths.

A prime example of this trend is the largest lease of the quarter, which was signed by Starboard Cruise Services in the planned Flagler Station Building 34. Starboard will consolidate two second generation spaces and expand in Airport/Doral by moving into 220,000 sq. ft. of the 250,000-sq.-ft. building upon its completion in 2014. LaserShip is another example, having signed a lease for 58,147 sq. ft. at International Corporate Park, double that of what it occupied in a second generation Class A building at America's Gateway. Other examples include Total Cargo Services and International Cruise Duty Free, which leased 56,135 sq. ft. and 29,783 sq. ft., respectively, at Flagler Station Building 31, which will be completed in Q4 2013. Total Cargo Services will move from a smaller space in Bart Development in Airport/Doral in Q4 2013, and International Cruise Duty Free will move from an 18,000-sq.-ft. Class B space in Miami International Business Park during Q1 2014. Pinto Transfer & Packing signed a lease for 20,913 sq. ft. in Beacon Centre, and has already moved

from an older 9,000-sq.-ft. building in Airport/Doral. Despite numerous large leases signed during Q2 2013, the majority of the activity remains in the 15,000-50,000-sq.-ft. range.

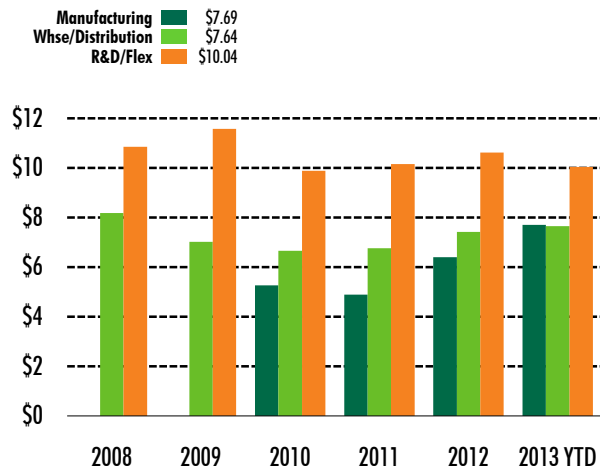
Several sizable tenants took occupancy during Q3 2013, contributing to the 733,737 sq. ft. of positive net absorption. Logistics firm Ryder Integrated Logistics signed a lease for 102,884 sq. ft. during Q3 2013, taking immediate occupancy at Beacon at 97<sup>th</sup>, bringing the complex to 100% occupancy. Vista Color took occupancy of its 75,000-sq.-ft. space in Airport/Doral, moving from a user-owned 12,000-sq.-ft. building within the submarket. Forward Air expanded within Flagler Station, moving into the 65,000-sq.-ft. space that was leased during Q1 2013. Pro Ag moved into a brand new 44,000-sq.-ft. space at DCT Commerce Center, moving from a 32,000 sq. ft. space in Beacon Industrial Park. Also at DCT Commerce Center, Laptop Plaza moved into a 17,000-sq.-ft. space leased in Q2 2013.

Healthy leasing activity and movement within the industrial market during the quarter had a positive effect on vacancy. Vacancy continued to decline, now 4.9%, down 40 basis points from Q2 2013, and down 120 basis points from Q3 2012. The strong demand and activity are having an impact on asking and effective rates as well, with the average asking rate up to \$7.81 per sq. ft. in Q3 2013, which is \$0.43 per sq. ft. greater than the average asking rate in Q3 2012.

### Sales Activity

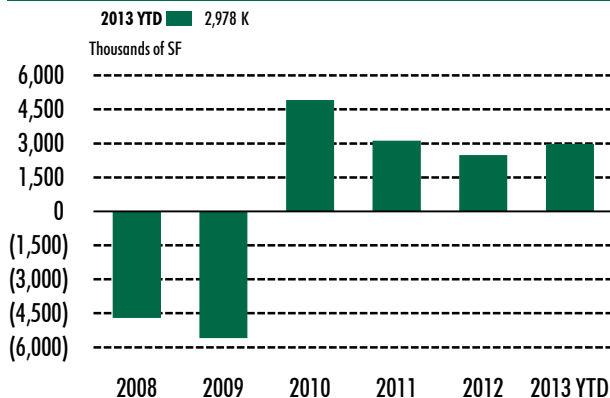
Shrinking vacancy, climbing rental rates, and a reputation for being the gateway to Latin America and the Caribbean, Miami continues to be one of the most desirable investment markets in the country. Not only are institutions making significant investment acquisitions, but private investment firms are as well. The recent sale of SanPer Industrial Park in Airport/Doral is a prime example. Swezy Realty purchased 39 of the 46 condominium units that make up the complex, comprising 162,515 sq. ft., for \$9.25 million, close to \$57 per sq. ft.

## Average Dir Asking Lease Rates (IG)



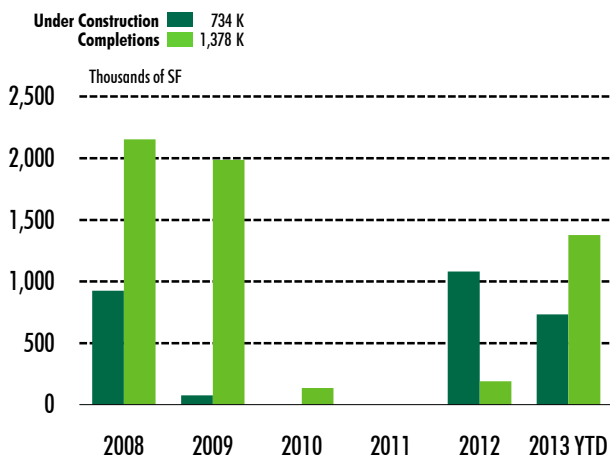
Source: CBRE Research, Q3 2013.

## Net Absorption



Source: CBRE Research, Q3 2013.

## Under Construction and Completions



Source: CBRE Research, Q3 2013.

As development continues, and developable land becomes scarcer, land prices continue to rise. In Airport/Doral, land prices have reached peak levels, fetching as much as \$1 million per acre. This was witnessed by the recent acquisition of a 4.2-acre parcel by SkyNet Worldwide Express, which paid \$3.9 million, or \$21.26 per sq. ft.

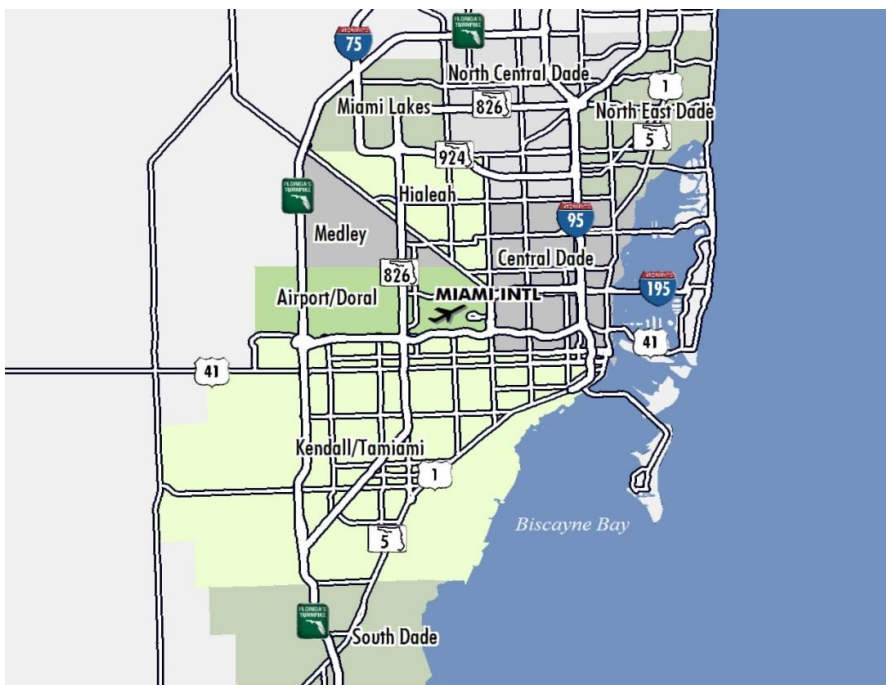
Even with on- and off-market deals attracting substantial investor attention and offers, some users have been able to purchase as well. Monaco Foods made the largest user sale of the year with their purchase of a 75,526-sq.-ft. warehouse in North Central Dade, paying nearly \$4.7 million for the property, or \$61.69 per sq. ft. The company will move from a 22,000-sq.-ft. facility in Pompano Beach.

## Economic Influence

One of Miami's key economic drivers continues to be international trade. Miami International Airport is ranked #1 in the United States for international freight, moving over 1.8 million tons of international freight annually, and handling over 80% of air shipments to and from Latin America and the Caribbean. PortMiami is ranked one of the busiest ports in the U.S. for container traffic. In 2012, PortMiami moved more than 8.1 million tons of cargo, a 13% increase from 2009, over half of which went to and came from Latin America and the Caribbean. Port officials expect this to grow once the \$2 billion capital improvement projects currently taking place at the port are completed, with a goal of tripling the amount of container cargo by 2034. Boring of the tunnel that will connect the port directly to the interstate has been completed, and once opened in 2014, trucks will have the ability to access the highway without encountering downtown traffic. Once dredging of Government Cut is complete, PortMiami will be the only port south of The Port of Virginia able to accommodate post-Panamax vessels. Four new super-sized gantry cranes are scheduled to arrive at the port in early Q4 2013, which will allow the port to offload ships faster, increasing efficiency. Also expected for Q4 2013 is the re-introduction of on-port rail service, which was destroyed by Hurricane Wilma in 2005, allowing cargo that arrives at PortMiami to reach 70% of the U.S. population in one to four days, as well as provide greater reliability than trucking. Another infrastructure improvement to Miami-Dade County is the improvements being made to S.R. 826 and S.R. 836. The project is expected to reduce congestion and travel time by creating new connections between the expressways, enhance access to and from expressways and widening of the expressways, as well as improve safety through the use of Intelligent Transportation Systems cameras and sensors.

## Outlook

Industrial product continues to be the most valuable commodity in one of the most desirable markets in the country. Vacancy is expected to continue to decline as current tenants expand and new tenants enter the market. Numerous large tenants have signed leases and will be taking occupancy in the coming quarters, which will have a positive effect on absorption. Despite numerous large transactions, the 15,000-50,000-sq.-ft. range continues to be the most in demand, and consequently, spaces in this range are expected to continue to see a rise in effective rates. Several sizable investments sales, both institutional and private, are expected to close during Q4 2013, resulting in a boost in sales volume. Market professionals anticipate that Miami's position as a gateway city and global logistics hub will only strengthen in the future.



**Market Coverage:** Includes all competitive industrial buildings 10,000 square feet and greater in size in Miami-Dade county.

## CONTACTS

For more information about this Local MarketView, please contact:

### Miami Research

**Kyle Kujala**  
Researcher  
Miami Research  
CBRE  
777 Brickell Avenue  
Suite 900  
Miami, FL 33133  
t: +1 305 428 6336  
e: kyle.kujala@cbre.com

**Ana M. Gonzalez**  
Researcher  
Miami Research  
CBRE  
777 Brickell Avenue  
Suite 900  
Miami, FL 33133  
t: +1 305 381 6432  
e: ana.gonzalez@cbre.com

**Ken Krasnow**  
Managing Director  
South Florida  
CBRE  
777 Brickell Avenue  
Suite 900  
Miami, FL 33133  
t: +1 305 428 6342  
e: ken.krasnow@cbre.com

### + FOLLOW US



### Global Research and Consulting

This report was prepared by the CBRE U.S. Research Team which forms part of CBRE Global Research and Consulting – a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.

### Disclaimer

Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of the CBRE Global Chief Economist.