



SOUTH FLORIDA 1Q17 INDUSTRIAL MARKET

INDUSTRIAL SEES ANOTHER ROBUST START TO THE YEAR

The first quarter of 2017 saw another stellar performance in demand, recording over 1.2 million square feet of positive net absorption. More than 1.5 million square feet of new industrial inventory was delivered during the first three months, increasing vacancy by 10 basis points from the previous quarter. However, the strong leasing of supply over the past 12 months pushed vacancy down 50 basis points from one year ago to 4.1%. Demand growth has accounted for more than 13.6 million square feet of absorbed space over the past two years, increasing occupancy to 95.9%, a high not experienced since 2006. The quoted average asking rent remained unchanged from last quarter but still climbed 5.5% from last year at this time. South Florida's tight market conditions, coupled with the delivery of higher-end distribution space, translated into a continued increase in asking rates. General industrial space saw the largest year-over-year increase, to \$8.29/SF from \$7.71/SF, followed closely by warehouse/distribution space, which saw rents rise to \$7.26/SF from \$6.89/SF during the same time period.

Leasing & Demand Activity

There were 534 deals totaling 3.4 million square feet of lease activity during first-quarter 2017, up slightly from previous quarterly performances. Warehouse/distribution still dominated with 1.9 million square feet, followed by general industrial with 1.1 million square feet. R&D/flex space lagged behind with the remainder of deals totaling just over 400,000 square feet. The logistics and distribution industry still ruled a large portion of mid- to large-size lease deals during first-quarter 2017, accounting for 756,000 square feet. The retail and wholesale segment came in second, with 343,000 square feet, which was attributed to one lease signed by Bel Inc. in the Medley Logistics Park. The food and beverage sector rounded out the top three, with 300,000 square feet. Other solid performers included the automotive and aerospace and aviation industries, with over 100,000 square feet of leasing each.

Development & Investment Activity

There were 23 buildings totaling 3.5 million square feet of new inventory underway. Demand for new industrial properties remained healthy with 39.0% spoken for at the end of first-quarter 2017. This is down slightly from the 60.0% of the 4.4 million square feet underway at the close of 2016.

Twenty-nine investment sales totaling 1.9 million square feet occurred during the first quarter for a combined \$208.1 million. This represents a similar performance from one year ago, when the same square feet sold for slightly less. The notable difference was the average sales price increase to \$117/SF from \$103/SF one year ago. Investors are bullish on strong market conditions, as sale prices are back to record levels, and properties are once more changing hands for top dollar.

Current Conditions

- Warehouse/distribution space dominated first-quarter space requirements with 75.0% of total net absorption.
- More than 3.5 million square feet of new supply is poised to hit the market over the next six months.
- Landlord favorable conditions are here to stay, as high rents and low concessions are the name of the game.
- Investment sale prices are once again exceeding \$100/SF, as owners are getting top dollar for well-leveraged properties.

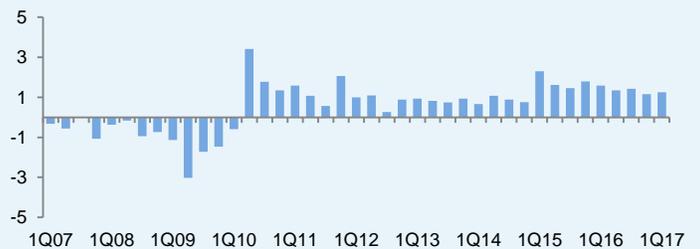
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	362.2 MSF	360.5 MSF	358.5 MSF	↑
Vacancy Rate	4.1%	4.0%	4.6%	↔
Quarterly Net Absorption	1,245,182	1,148,999	1,578,105	↓
Average Asking Rent	\$8.30	\$8.30	\$7.87	↑
Under Construction	3,553,640	4,416,398	2,539,498	↓
Deliveries	1,588,270	850,749	699,169	↑



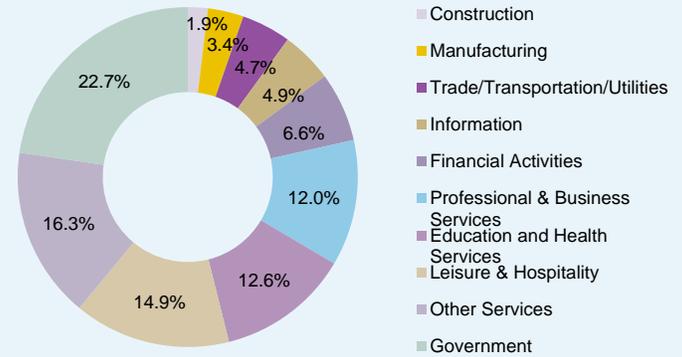
SOUTH FLORIDA
1Q17 INDUSTRIAL MARKET

ECONOMIC CONDITIONS

South Florida's unemployment rate dropped by 10 basis points to 5.1%, as 56,800 additional jobs were added since February of 2016. Broward County reported the lowest unemployment rate for the region at 5.0%, while Miami-Dade followed closely, with an unemployment rate that at 5.1%, Palm Beach County saw a slight uptick from one year ago to 5.2%. Looking back from one year ago, the construction sector regained the lead in strongest 12-month percentage growth by industry with a 5.2% annual increase. Education and health services posted the region's largest job creation, with 15,200 positions added. Professional and business services followed with an increase of 9,900 jobs, while the trade, transportation and utilities segment rounded out the top three with 8,200 jobs added. Information services remained sluggish with job losses totaling 200 and the financial services sector lagged behind, reporting losses totaling 1,200 from one year ago.

Employment By Industry

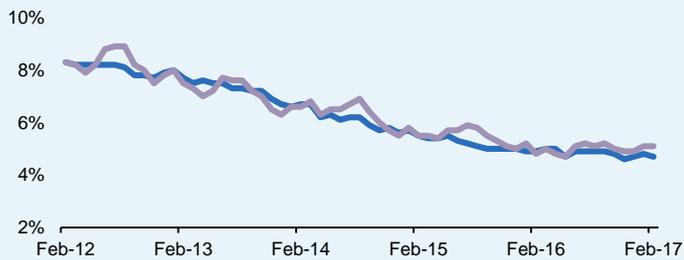
South Florida, February 2016 Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

South Florida, Not Seasonally Adjusted

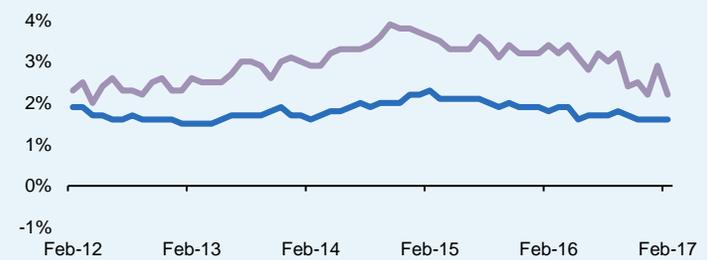


United States South Florida MSA

Source: U.S. Bureau of Labor Statistics

Payroll Employment

Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change

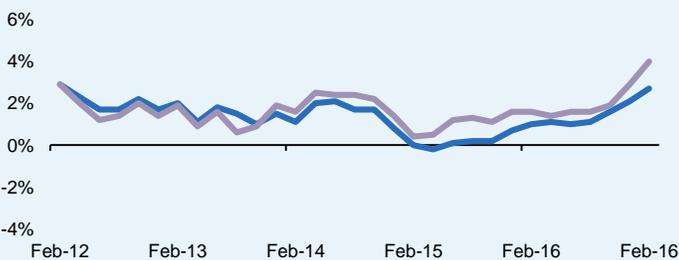


United States South Florida MSA

Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

All Items, 12-Month % Change, Not Seasonally Adjusted

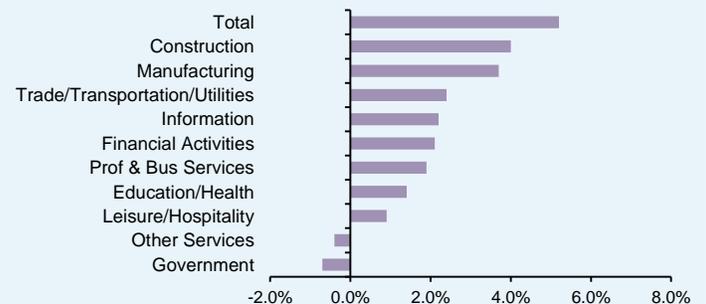


United States South Florida MSA

Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

South Florida, Aug 2016, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics



MIAMI
1Q17 INDUSTRIAL MARKET

MIAMI

The Miami industrial market posted its 18th consecutive quarter of demand outpacing supply, as nearly 571,000 square feet of positive absorption took place. Six buildings totaling over 1.3 million square feet of new inventory delivered during first-quarter 2017, pushing vacancy up 40 basis points to settle at 3.8%. Despite robust speculative construction, the vacancy rate continued remained low, and occupancy held at pre-recession levels at 96.2%. The strong market fundamentals translated into an asking average rental rate of \$7.73/SF, an increase of \$0.35/SF from one year ago. In spite of Miami's commanding growth, the average rate remained below the other two counties in South Florida, making it more affordable to the competition northward, a trend that did not occur in the previous two real estate cycles. Tenant-favorable conditions are long gone, as landlords are limiting tenant concessions to larger deals with terms longer than five years. The 3.5% rise in warehouse/distribution rents to \$6.85/SF was not enough to surpass the record rate of \$7.64/SF posted in 2008, while the general industrial segment saw healthier growth, with a 7.6% increase from \$7.72/SF, and R&D/flex average rents increased \$0.81/SF, to start 2017 at \$11.45/SF.

Leasing & Demand Activity

Leasing activity in first-quarter 2017 remained healthy, with 191 transactions totaling 1.5 million square feet. This is down slightly from the 1.8 million square feet recorded one year ago. Warehouse/distribution space led with 124 leases for a combined 719,000 square feet, followed by general industrial with 691,000 square feet of activity. R&D/flex space continued to lag behind, with only 36 lease transactions totaling 88,000 square feet. Most of the occupancy gains since the start of 2017 came from the logistics and distribution sector, which accounted for 650,000 square feet of leasing activity. Retail and wholesale claimed the second spot with 343,000 square feet leased by Bel Inc. in the Medley submarket. Food and beverage companies rounded out the top three with 300,000 square feet of leases transacted.

Development & Investment Activity

Miami had the most construction activity going on in South Florida, with 13 buildings totaling 2.7 million square feet. The good news is that over 40.0% of that space is pre-leased and projected to create healthy positive net absorption in 2017. Vacancy should increase slightly over the next year, although this is not likely to impact the market too significantly.

Fourteen sales totaling 1.2 million square feet took place during first-quarter 2017, worth a combined total of \$126.8 million. This is in stark contrast to the 400,000 square feet worth a combined \$37.1 million that sold one year ago. Notably, the average sales price increased slightly to \$115/SF from \$105/SF one year ago. An increase in investment sales took place this quarter, as property owners are seeing this as the right time to sell.

Current Conditions

- Miami's vacancy rose slightly due to new development.
- Over 76.0% of South Florida's construction projects are taking place in Miami-Dade County.
- Gains in asking rents appeared to be slowing, but the record average climbed for the third straight quarter.
- Investment sales picked up, as record-breaking prices may have inspired owners to sell

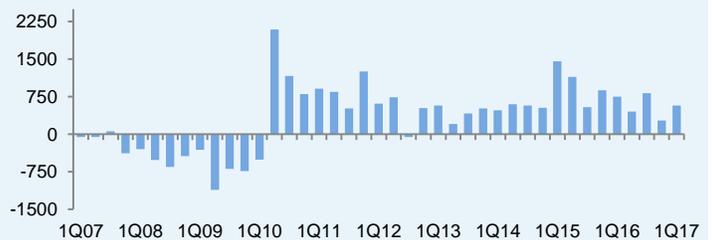
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousands



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	209.1 MSF	207.7 MSF	206.8 MSF	↑
Vacancy Rate	3.8%	3.4%	3.7%	↑
Quarterly Net Absorption	570,944	273,753	748,601	↔
Average Asking Rent	\$7.73	\$7.72	\$7.38	↔
Under Construction	2,694,993	3,383,053	1,476,297	↓
Deliveries	1,336,270	224,257	203,281	↔


MIAMI
1Q17 INDUSTRIAL MARKET
Miami Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Airport East/Central Miami-Dade	27,862,138	270,180	5.8 %	-64,636	-64,636	\$9.12	\$11.34	\$11.74
Airport West	69,163,120	986,000	3.1 %	181,386	181,386	\$7.11	\$12.08	\$8.11
Hialeah/Hialeah Gardens	29,680,962	664,603	4.2 %	19,015	19,015	\$6.63	\$17.01	\$6.11
Medley	25,093,202	537,210	4.4 %	216,457	216,457	\$6.19	\$9.97	\$5.87
Miami Lakes	6,019,613	0	3.4 %	96,122	96,122	\$7.23	\$8.58	\$7.41
N Central Miami	24,202,839	0	3.9 %	132,394	132,394	\$4.72	\$11.25	\$5.26
Northeast Miami-Dade	10,021,550	0	3.8 %	56,673	56,673	\$6.71	\$10.27	\$7.84
South Miami-Dade	17,106,251	237,000	2.1 %	-66,467	-66,467	\$8.71	\$9.91	\$8.80
Totals	209,149,675	2,694,993	3.8 %	570,944	570,944	\$6.85	\$11.45	\$7.73

Miami Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Bel Inc	Medley Log Pk-12610 NW 115 th Ave	Medley	Renewal	342,750
Gordon Food Service	Seaboard Ind Pk-3301 NW 125 th St	Northeast Miami-Dade	Renewal/Expansion	300,000
Iron Mountain	3355 NW 114 th St	N Central Miami	Renewal	109,267
American Consolidated & Logistics	South Florida Logistics	Airport West	Sublet	100,000
H Greg Miami Inc	Bristol Log Ctr-1900 NW 92 nd Ave	Airport West	Direct	96,920

Miami Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Gratigny/Seaboard Pk-12300 NW 32nd	Northeast Miami-Dade	\$25,750,000	\$76	340,000
Bridge Point Crossroads West	Hialeah/Hialeah Gardens	\$31,650,000	\$130	243,296
*Americas Gateway Pk-880 NW 24 th Ter	Airport West	\$19,992,925	\$112	179,199
Medley Palms-10300 NW South River	Medley	\$12,606,100	\$115	110,000
Palmetto Airport Ctr-6100 NW 74 th Ave	Airport East/Central Miami-Dade	\$6,190,012	\$74	83,141

* Denotes Portfolio Sale



**FORT LAUDERDALE
1Q17 INDUSTRIAL MARKET**

FORT LAUDERDALE

The Broward County industrial market continued its winning streak with 22 consecutive quarters of demand growth; the longest consecutive period of demand growth in recorded history. 435,000 square feet of positive absorption took place during first-quarter 2017. This, coupled with no construction completion, pushed vacancy downward 40 basis points to 4.6% from the previous quarter. The occupancy rate of 95.6% marked the second-highest occupancy in history, falling just behind the 95.8% recorded in 2006. Warehouse/distribution space led the market with 229,000 square feet of positive absorption. The general industrial segment saw demand outpace supply with 125,190 square feet of positive absorption, and the R&D/flex sector recorded an improved 80,945 square feet absorbed. The steady rise of asking rents that began in 2013 continued into this year, as the first quarter ended with rents up 8.5% from the \$8.22/SF reported at the end of first-quarter 2016. The county posted its highest average rental rate in nine years, coming closer to breaking the \$9.00/SF mark. Year-over-year, general industrial average rents increased from \$7.50/SF to \$8.09/SF, and warehouse/distribution rents increased from \$7.12/SF to \$7.86/SF. R&D/flex average rental rates pushed above the \$12.00/SF mark for the first time ever.

Leasing & Demand Activity

Leasing activity remained strong, as 228 transactions totaling 1.2 million square feet took place during first-quarter 2017. This is down slightly from the 1.4 million square feet recorded at this time last year. The warehouse/distribution segment led the market with 138 leases totaling just over 854,618 square feet. The R&D/flex segment took over the second position with 79 deals totaling 232,538 square feet, followed by 11 general industrial deals totaling 209,603 square feet. Expansions and relocations led activity with most activity came in the form of midsize deals ranging below 10,000 square feet. Broward County's strong ties to aerospace engineering continued, as the aviation sector signed most of the midsize to larger lease deals during the quarter, totaling 67,000 square feet of transaction activity. The retail/wholesale industry trailed closely with 63,400 square feet in deal activity, and the automotive industry rounded out the top three, with 57,300 square feet leased. Logistics and distribution companies continued to struggle, achieving a lackluster 21,000 square feet in total deal activity, while the construction industry saw no deals above 20,000 square feet in first-quarter 2017.

Development & Investment Activity

Four buildings remained under construction, totaling 464,201 square feet. There has been a disciplined approach to development, as investors take a "build-as-needed" attitude. Only 17.3% of the new inventory underway was spoken for at the close of the first quarter.

Investment sale activity consisted of eight buildings totaling 410,610 square feet that changed hands for a combined total of \$48.7 million. This was down from the 827,000 square feet of industrial inventory sold at the same time one year ago. Notably, the price per-square-foot remained level at \$107/SF, since half of the properties that changed hands were upper-tier distribution space.

Current Conditions

- Broward County's vacancy rate has dropped to its second-lowest level in recorded history.
- Warehouse/distribution space still dominated demand.
- Tenant concessions have diminished significantly, while asking rents are pushing toward the \$9.00/SF mark.
- Effective rates range from \$8.00/SF to over \$10.00/SF.
- The limited delivery of new product should aid market strength.

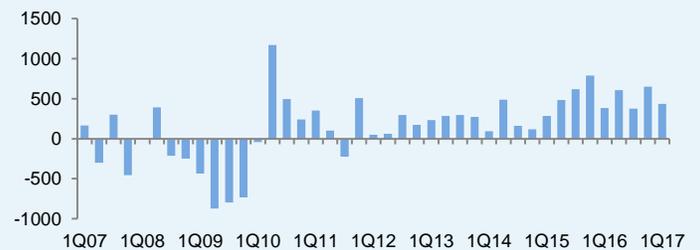
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousands



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	105.4 MSF	105.4 MSF	104.8 MSF	↑
Vacancy Rate	4.6%	5.0%	5.3%	↔
Quarterly Net Absorption	435,151	649,653	381,667	↔
Average Asking Rent	\$8.92	\$8.87	\$8.22	↑
Under Construction	464,201	333,399	546,108	↓
Deliveries	0	408,332	270,690	↓


**FORT LAUDERDALE
1Q17 INDUSTRIAL MARKET**
Fort Lauderdale Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central Broward	16,735,631	437,268	4.0 %	97,564	97,564	\$9.46	\$9.77	\$8.93
Coral Springs	4,720,456	0	9.0 %	3,828	3,828	\$10.95	\$9.56	\$7.20
Northeast Broward	9,789,895	0	5.5 %	47,813	47,813	\$8.81	\$11.39	\$9.32
Pompano Beach	25,498,084	26,933	2.2 %	3,371	3,371	\$7.09	\$11.00	\$8.13
Southeast Broward	24,713,248	0	3.2 %	184,409	184,409	\$8.02	\$20.90	\$11.16
Southwest Broward	15,647,497	0	8.5 %	91,976	91,976	\$7.47	\$9.02	\$8.13
West Sunrise	8,250,345	0	6.3 %	6,190	6,190	\$7.58	\$12.46	\$9.92
Totals	105,355,156	464,201	4.6 %	435,151	435,151	\$7.86	\$12.08	\$8.92

Fort Lauderdale /User Transactions

Tenant	Building	Submarket	Type	Square Feet
Aviall	Davie Bus Ctr B-3350 SW 64 th Ave	Southwest Broward	Direct	67,000
Masters Building Products	Gateway Ind Ctr-2775 NW 63 rd Ct	Pompano Beach	Direct	59,912
Broward Motor Sports	Bridge Point B-2200 W Sunrise Blvd	Central Broward	Direct	57,340
Thunder Group	Tamarac Com Pk-10599 NW 67 th St	West Sunrise	Direct	52,901
Hurok Marble	Atlantic Bus Ctr- 2022 Atlantic Blvd	Pompano Beach	Renewal	43,093

Fort Lauderdale Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Bridge Point Crossroads-3501 46 th Ave	Southeast Broward	\$22,000,000	\$151	145,800
2200 Airport Center-2130 SW 45 th St	Southeast Broward	\$13,122,395	\$95	137,500
601 Fairway Dr	Northeast Broward	\$4,500,000	\$120	37,460
Flagler Place-115 NW 6 th St	Central Broward	\$2,600,000	\$108	24,000



PALM BEACH
1Q17 INDUSTRIAL MARKET

PALM BEACH

Industrial space demand held steadfast for Palm Beach at the start of 2017, as more than 239,000 square feet of positive absorption was posted in the first quarter. Overall vacancy remained unchanged from the previous quarter, in large part due to the completion of 252,000 square feet of new inventory. The 95.9% occupancy rate remained the highest in over 11 years. Among the property segments, warehouse/distribution led the way with 70.0% of total absorbed space, trailed by general industrial with 67,619 square feet. The R&D/flex sector continued to perform tepidly, with year-to-date net absorption totaling 6,545 square feet.

Sturdy market conditions continued to hold the average asking rate at the highest level, increasing to \$9.39/SF from \$8.74/SF one year ago. Notably, this is slightly down from the \$9.42/SF rate recorded in the previous quarter; this decrease can be attributed to the leasing of higher-tier space recently delivered to the market. Year-over-year, warehouse/distribution average rents rose from \$7.81/SF to \$8.18/SF, while general industrial rents increased from \$8.30/SF to \$8.85/SF. R&D/flex average rents jumped from \$10.28/SF to \$12.65/SF, the largest increase for the market.

Leasing & Demand Activity

Leasing activity saw a slight uptick from previous first-quarter performances, as 115 transactions totaling 697,658 square feet were recorded. Warehouse/distribution space led the other segments with 59 leases for 317,512 square feet, followed very closely by general industrial with 15 deals totaling 265,500 square feet. The R&D/flex segment experienced an improvement from previous quarters, with 41 deals totaling 114,600 square feet. The majority of activity came from local companies, as renewals and small expansions still dominate lease transactions. Only two deals over 20,000 square feet took place during the quarter. Both transactions were from logistics and distribution companies, totaling the entire 85,145 square feet. All other sectors continued to lag behind, achieving no midsize to large lease deals in the first quarter.

Development & Investment Activity

Three buildings totaling 201,618 square feet were under construction at the close of the quarter with only 12.3% pre-leased. Developers have been diligent in not overbuilding this economic cycle as projected construction completions should have little impact as market conditions should remain tight.

Seven sales totaling 267,548 square feet sold for \$32.6 million during first-quarter 2017. By comparison, nine sales totaling 716,000 square feet sold for \$65.6 million at the same time last year. The average sales price per-square-foot increased to \$117/SF in the first quarter from \$87/SF one year ago. Investment activity will likely remain slow in Palm Beach, as the majority of owners appear to be holding onto properties.

Current Conditions

- New construction did not push vacancy upward, as tight market conditions remained.
- Palm Beach boasted the highest average asking rents in Florida.
- Slowing economic growth has not translated into decreased demand for industrial space.
- New projects are less likely to break ground without pre-leasing.
- Investment sales remained limited throughout the county.

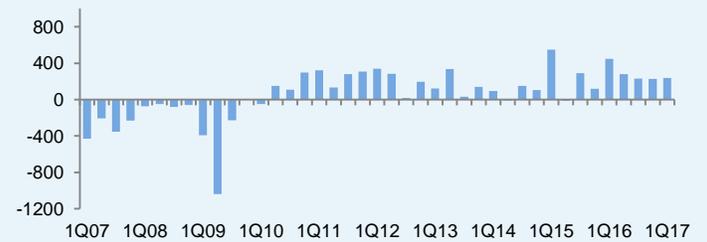
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousand



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	47.6 MSF	47.4 MSF	46.9 MSF	↑
Vacancy Rate	4.1%	4.1%	4.6%	↔
Quarterly Net Absorption	239,087	225,593	447,837	↔
Average Asking Rent	\$9.39	\$9.42	\$8.74	↑
Under Construction	394,446	699,946	517,093	↓
Deliveries	239,087	218,160	447,837	↔



PALM BEACH

1Q16 INDUSTRIAL MARKET

www.ngkf.com

Palm Beach Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Boca Raton	8,641,081	0	3.9 %	131,607	131,607	\$9.91	\$13.68	\$11.87
North Central	24,643,065	394,446	3.9 %	76,311	76,311	\$7.68	\$11.86	\$8.36
North County	3,542,407	0	2.1 %	3,154	3,154	\$9.72	\$12.51	\$10.64
South Central	10,805,386	0	5.2 %	28,015	28,015	\$7.86	\$11.67	\$9.06
Totals	47,631,939	394,446	4.1 %	239,087	239,087	\$8.18	\$12.65	\$9.39

Palm Beach Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Undisclosed Technology Company	Boutwell Business Ctr B-701	Boutwell South Central	Direct	63,000
Woodfield Distribution	Arvida Pk of Comm-6500 Pk of Com	Boca Raton	Renewal	55,145
Pods	Turnpike Bus Ctr 4-401 N Cleary	North Central	Direct	30,000
Wurth Industries	Boutwell Bus Ctr A-701 Boutwell Rd	South Central	Direct	23,733
Horizon	Blue Heron dis Ctr II-7840 Ctr Ind Dr	North Central	Renewal/Downsize	20,000

Palm Beach Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Arivda Pk of Com-Volvo Aero	Boca Raton	\$13,050,000	\$115	113,191
Pennock Industrial Building	North County	\$4,900,000	\$93	52,500
Haverhill Bus Pk Portfolio	North Central	\$6,775,000	\$150	45,020
Simplex Grinnell Building	North County	\$4,000,000	\$200	20,000

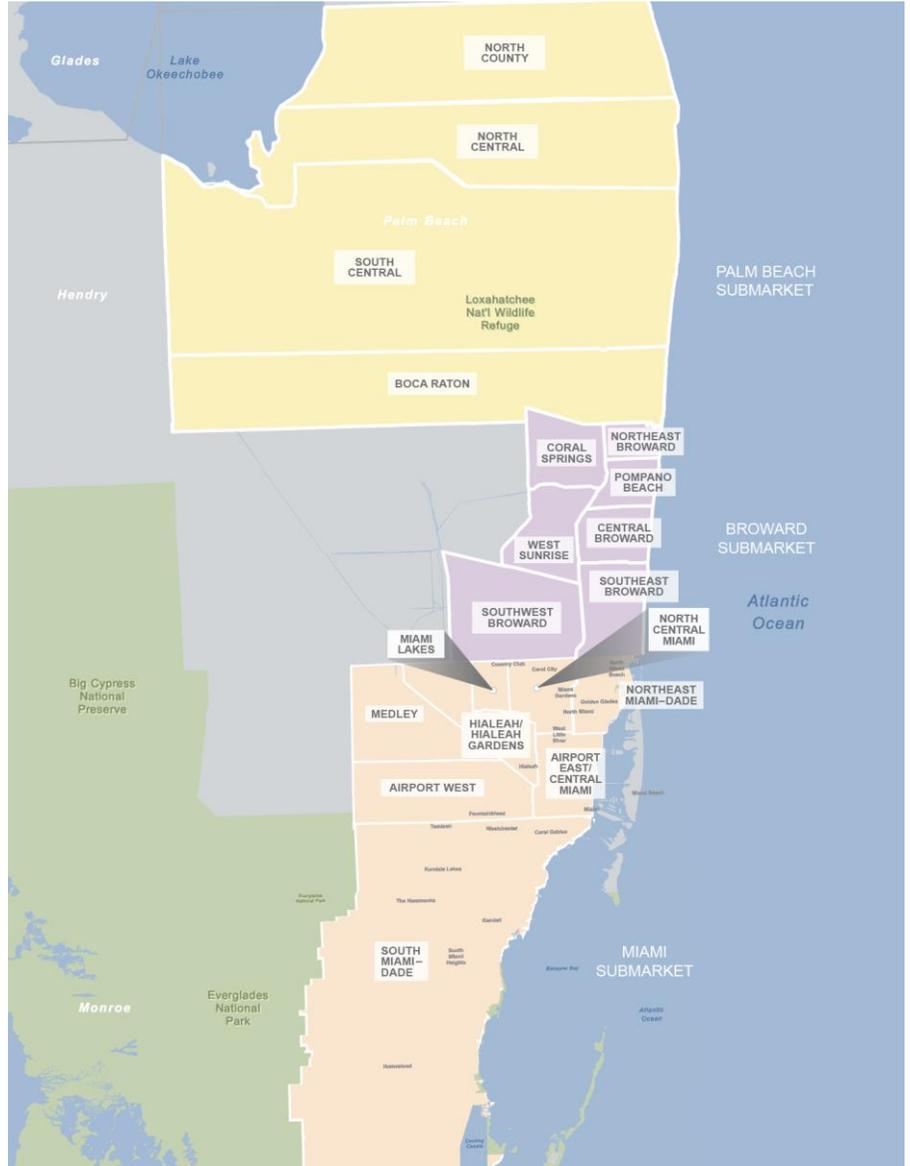


South Florida
 1111 Brickell Avenue
 Suite 2000
 Miami, FL 33131
 305.982.4100

Boca Raton
 1801 N Military Trail
 Suite 202
 Boca Raton, FL 33431
 561.995.5150

Eric Messer
 561.893.6234
 emesser@ngkf.com

South Florida Industrial Submarkets



Newmark Grubb Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.

Newmark Grubb Knight Frank Research Reports are also available at www.ngkf.com/research

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark Grubb Knight Frank (NGKF) has not verified any such information, and the same constitutes the statements and representations only of the source thereof, and not of NGKF. Any recipient of this publication should independently verify such information and all other information that may be material to any decision that recipient may make in response to this publication, and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial, and tax aspects and implications.

Any recipient of this publication may not, without the prior written approval of NGKF, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.

