

MIAMI INDUSTRIAL MARKET

FIRST QUARTER 2018

A very tight market leads to more construction activity

Rents are also rising as users compete for quality space

ECONOMY

Strong fundamentals support the Miami market

Miami's unemployment rate has fallen to its lowest level in a decade, with job growth particularly evident in the international trade, tourism, and transportation sectors. In recent months wage growth has slowed, making this a more competitive market for attracting business. Moody's Analytics predicts that Miami's economic growth will continue to outpace the nation due to its ability to attract a talented and productive workforce.

ABSORPTION

A brief pause in demand

In Q4 2017 Miami's industrial market absorbed 297,912 SF, up from Q3 and contributing to nearly 1.75 million SF in annual absorption in 2017. Miami absorbed 76,730 SF in Q1, representing a short-term slowing in activity. Based on current leasing activity and build-to-suit construction, absorption is expected to return to more typical levels later in the year. Demand in Q1 was strongest in the Miami Airport and Miami Lakes submarkets, which together absorbed nearly 400,000 SF, but this was offset by occupancy losses in some of the smaller submarkets.

VACANCY

Vacancy remains very low across Miami

As of Q1 2018 Miami's vacancy rate is 4.8%, up slightly from Q4 2017's 4.6% but still very near the recent low of 4.1% seen in 2017. This was due to the delivery of some vacant space combined with limited absorption 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 4.4% and Miami Airport at 4.1%. The Medley submarket reports vacancy at 7.4%, a temporary bump caused by the completion of more than 2.0 million SF during 2017, about half of which is still on market for lease.

DEVELOPMENT

Construction activity starts the year strong

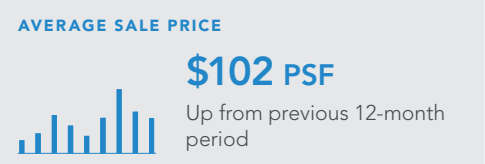
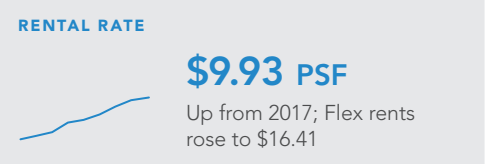
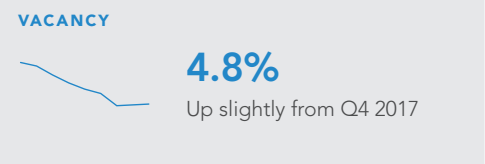
In 2017, Miami saw nearly 3.6 million SF of new deliveries, with more than half of that space already leased. In Q1 2018, the market saw 660,000 SF of new delivered space and another 3.3 million SF under construction, indicating that 2018 could offer the cycle's highest level of new deliveries. Most of the new construction is focused in the North Miami Beach and Miami Airport submarkets, but large projects are also underway in Medley and Hialeah. Overall, 57% of the product currently under construction has already been leased, showing a strong level of demand for quality new product.

FORECAST

More construction and rent growth in 2018

Demand has consistently exceeded the level of new supply for several years, leading to single-digit vacancy. In 2017 absorption was very healthy but construction levels ran ahead of demand, leading to a small upward bump in vacancy that continued in the early months of 2018. Still, demand is strong for new space and developers are responding with appropriate levels of new product. While the market will absorb much of this new product over the next few quarters, the vacancy rate should stay near or below 5% for the foreseeable future, while rent growth will continue at a moderate pace.

QUARTERLY SNAPSHOT

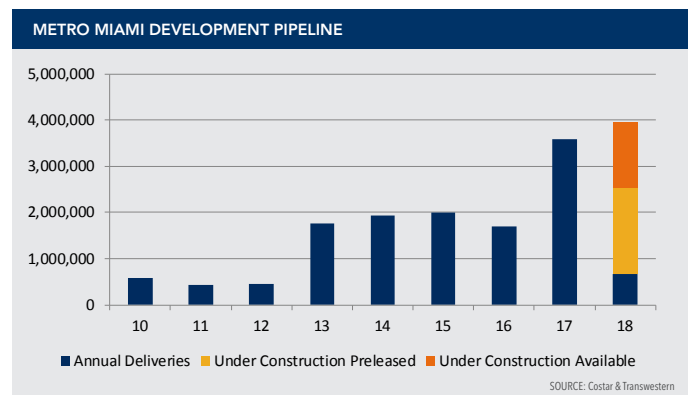
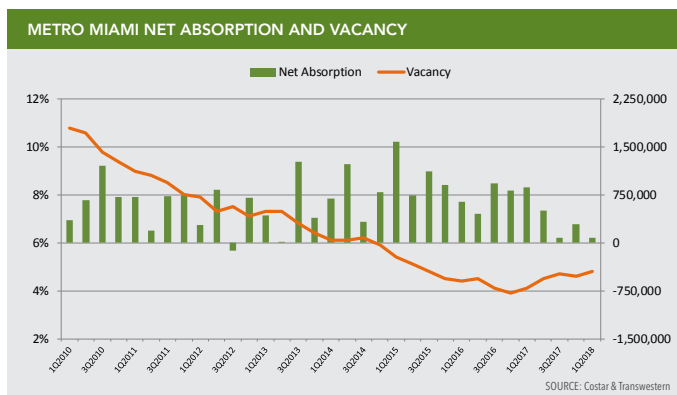


MIAMI INDUSTRIAL MARKET

FIRST QUARTER 2018

Metro Miami Industrial Market Indicators

SUBMARKET	BUILDINGS	INVENTORY	DIRECT VACANT	DIRECT VACANCY RATE	SUBLEASE SF	TOTAL SF VACANCY	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	UNDER CONSTRUCTION	WH/DIST ASKING RENT PSF	FLEX ASKING RENT PSF
Miami Airport	1,132	68,933,615	2,644,543	3.8%	170,327	2,814,870	4.1%	245,269	1,065,846	\$10.84	\$22.95
Medley	366	30,276,747	2,100,521	6.9%	150,106	2,250,627	7.4%	-44,013	703,104	\$9.15	-
Hialeah	425	20,853,587	856,840	4.1%	61,000	917,840	4.4%	16,819	243,892	\$9.25	-
Central Miami	41	1,858,073	112,037	6.0%	0	112,037	6.0%	-3,937	0	\$10.00	-
Miami Lakes	195	11,431,256	286,351	2.5%	0	286,351	2.5%	140,833	99,130	\$7.94	\$13.00
North Miami Beach	505	31,939,018	1,473,277	4.6%	36,079	1,509,356	4.7%	-111,181	1,149,098	\$7.35	\$11.88
Southwest Dade	180	6,634,651	70,943	1.1%	0	70,943	1.1%	-30,184	0	\$11.95	\$10.82
East Miami	56	2,123,607	224,418	10.6%	5,375	229,793	10.8%	-58,061	30,000	\$15.65	-
South Central Miami	161	6,641,815	680,788	10.3%	0	680,788	10.3%	-76,669	0	\$24.00	\$26.25
South Dixie Hwy	121	5,005,705	184,781	3.7%	0	184,781	3.7%	-8,709	0	\$13.50	\$10.75
West Miami	68	2,668,703	41,994	1.6%	0	41,994	1.6%	6,563	0	\$12.35	-
Grand Totals	3,250	188,366,777	8,676,493	4.6%	422,887	9,099,380	4.8%	76,730	3,291,070	\$9.93	\$16.41



Transaction Highlights

Notable Industrial Lease Deals

Completed between 1/1/18 and 3/31/18

Tenant	Building	Lease (SF)	Comments
Nestle Waters	Airport North Logistics Park	257,074	New Lease
GRM Information Services	15801 NW 49th Avenue	142,565	New Lease
DSV Air & Sea	Beacon Lakes Building 6	95,000	Renewal

Notable Industrial Building Sales

Completed between 1/1/18 and 3/31/18

Building	Total (SF)	Price	Price (PSF)	Comments
So. Florida Logistics Center Bldg. 7	168,693	\$28,930,900	\$172	New construction; sold to JPMorgan Chase
Lakeview Business Center	38,265	\$6,300,000	\$165	88% leased; sold to Miami Partners Realty
Aljoma Lumber	459,086	\$35,700,000	\$78	100% leased; sold to Duke Realty

CONTACT

Keith Pierce
 Director of Research, Southeast Region
 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 © 2018 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.