

Miami-Dade County



Market Facts

180.6 MSF

Total inventory in the
Miami-Dade industrial market

5,608,171 SF

Direct net absorption
for 2016

2.37%

Overall Vacancy

\$6.82 PSF

Average rental rate for
industrial space in Miami-Dade
County on a triple-net basis

Miami Industrial Market Remains Red Hot

Regional Economic Influence

National and statewide economic growth continues to drive the expansion of Miami-Dade County's industrial market. Market fundamentals remain relatively sound as demonstrated by a healthy decline in overall vacancy, along with positive net absorption throughout the county. As market conditions continue to tighten, developers are capitalizing on this opportunity in the development of high quality industrial space, most notably in the Medley and Airport submarkets. Investors are also playing an active role with several key transactions closing over the course of the year.

Miami-Dade continues to experience positive economic activity as indicated by the 5.0% local unemployment rate – a 60-bps decrease over the past 12 months ending November 2016. Industrial market fundamentals

remain relatively strong with positive net absorption, significant active speculative construction, and an increase in nonagricultural employment by over 11,000 jobs in that same period.

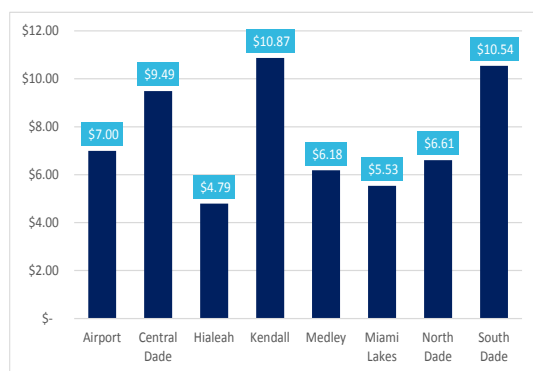
Medley and Airport Continue to Lead the Market

The Miami-Dade industrial market experienced robust growth in 2016. The Medley and Airport submarkets were the strongest performers of this past year, accounting for the largest lease deals and nearly half of the industrial market's total net absorption.

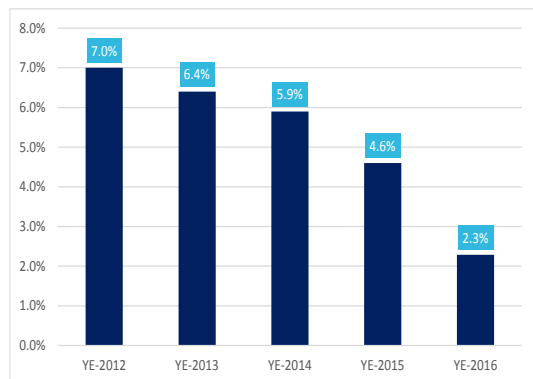
Major lease activity for the year was led by KLX Aerospace Solutions Group (ASG), which committed to 500,000 sf at Countyline Corporate Park to house their new global headquarters and distribution hub. There were several economic incentives secured not only by the office of Florida Governor

There is 3.4 million sf of industrial space under construction, along with an abundance of space currently in development that awaits groundbreaking. Many of these development projects are speculative, fueled by a high rate of preleasing.

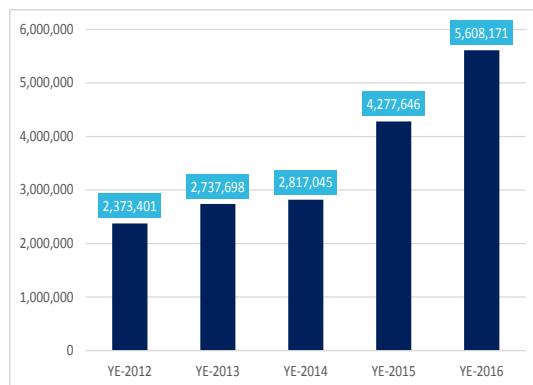
Average Asking Lease Rates (NNN)



Direct Vacancy Rate



Net Absorption (SF)



Rick Scott, but also by Enterprise Florida, Miami-Dade County, the Florida Department of Economic Opportunity and Beacon Council. At Prologis Beacon Lakes, Telemundo Studios signed a 467,000 lease to serve as their international headquarters and television studio. Amazon also made a big move in the market by expanding its footprint to occupy over 175,000 sf at South Florida Logistics Center. The relocation and expansion of these major organizations highlights Miami-Dade as one of the fastest growing global trade, transportation and logistics hubs.

Massive Industrial Parks Continue to Lead Development

As market conditions tighten, new construction continues to take place in Miami-Dade’s most active industrial submarkets. In addition to the 1.7 million sf of space delivered in 2016, there is 3.4 million sf under construction and an abundance of space currently in development that awaits groundbreaking. Many of these development projects are speculative, fueled by a high rate of preleasing.

The most notable of the projects is Prologis Beacon Lakes with over 700,000 of industrial product currently under construction and a large amount of land cleared and ready for groundbreaking. These large, established sites haven’t prevented new development such as the recently approved Carrie Meek Foundation deal at Opa-locka airport. In July, county commissioners approved plans that call for a 900,000-sf warehouse to be occupied by Amazon,

potentially bringing 1,000 jobs to the local community.

The Federal Reserve’s Impact on the Local Labor Market

The Federal Reserve recently raised key interest rates by 25 bps in December of 2016. While this may only mark the second increase for short-term interest rates in the last ten years, many economists, including Federal Reserve chairwoman Janet Yellen, are optimistic in regard to the national economy’s performance.

Florida’s economy has experienced tremendous growth since the last recession and is projected to expand at an average annualized rate of 2.7% through 2019 in terms of Gross Domestic Product, according to the University of Central Florida’s Institute for Economic Competitiveness. The economic strength of the state has already been demonstrated in the South Florida markets, specifically in Miami-Dade County. For the 12 months ending November 2016, Miami-Dade County experienced a 0.8% increase non-agricultural employment.

Looking Ahead

Overall market vacancy has reached a near historic low and is unlikely to decline much further with a general shortage of available product on the market. There is currently an abundance of development in the planning and construction phases that is being actively pursued by prospective tenants. Overall economic conditions are likely to remain strong and increased demand will continue to place upward pressure on lease rates.

MIAMI-DADE COUNTY MSA TOTAL

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	26,476,239	794,839	72,601	\$6.38	97.00%	3.00%	0.27%	3.28%	3,289,869	2,064,702
Flex	14,405,830	368,642	0	\$9.95	97.44%	2.56%	0.00%	2.56%	0	268,237
Manufacturing	22,387,075	178,620	34,153	\$7.34	99.20%	0.80%	0.15%	0.95%	0	200,305
Warehouse / Distribution	117,336,884	2,784,922	47,335	\$6.50	97.63%	2.37%	0.04%	2.41%	80,450	3,074,927
Market Total	180,606,028	4,127,023	154,089	\$6.82	97.71%	2.29%	0.09%	2.37%	3,370,319	5,608,171

Airport

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	10,856,929	161,393	20,000	\$6.50	98.51%	1.49%	0.18%	1.67%	1,324,427	847,103
Flex	7,684,131	61,495	0	\$11.60	99.20%	0.80%	0.00%	0.80%	0	100,604
Manufacturing	3,274,844	103,646	0	\$6.69	96.84%	3.16%	0.00%	3.16%	0	(22,746)
Warehouse / Distribution	44,970,409	1,517,493	23,000	\$6.88	96.63%	3.37%	0.05%	3.43%	0	3,074,927
Submarket Total	66,789,313	1,844,027	43,000	\$7.00	97.24%	2.76%	0.06%	2.83%	1,324,427	1,279,356

Central Dade

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	228,000	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	10,500
Flex	513,415	61,600	0	\$12.01	88.00%	12.00%	0.00%	12.00%	0	(35,000)
Manufacturing	1,818,935	31,574	0	\$10.81	98.26%	1.74%	0.00%	1.74%	0	56,391
Warehouse / Distribution	7,770,529	205,687	0	\$8.53	97.35%	2.65%	0.00%	2.65%	0	874,066
Submarket Total	10,330,879	298,861	0	\$9.49	97.11%	2.89%	0.00%	2.89%	0	905,957

Hialeah

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Flex	158,755	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	6,344,921	0	34,153	\$0.00	100.00%	0.00%	0.54%	0.54%	0	54,202
Warehouse / Distribution	13,856,894	188,285	0	\$4.79	98.64%	1.36%	0.00%	1.36%	0	930,293
Submarket Total	20,360,570	188,285	34,153	\$4.79	99.08%	0.92%	0.17%	1.09%	0	984,495

Kendall

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Flex	1,821,304	86,310	0	\$11.30	95.26%	4.74%	0.00%	4.74%	0	28,093
Manufacturing	755,071	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	3,000
Warehouse / Distribution	6,079,598	21,446	0	\$9.13	99.65%	0.35%	0.00%	0.35%	0	69,894
Submarket Total	8,655,973	107,756	0	\$10.87	98.76%	1.24%	0.00%	1.24%	0	100,987

Medley

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	12,568,772	539,164	52,601	\$5.98	95.71%	4.29%	0.42%	4.71%	1,166,015	1,181,525
Flex	610,372	3,420	0	\$12.00	99.44%	0.56%	0.00%	0.56%	0	(3,420)
Manufacturing	3,254,100	1,400	0	\$9.42	99.96%	0.04%	0.00%	0.04%	0	0
Warehouse / Distribution	11,139,413	115,427	24,335	\$6.93	98.96%	1.04%	0.22%	1.25%	47,500	135,871
Submarket Total	27,572,657	659,411	76,936	\$6.18	97.61%	2.39%	0.28%	2.67%	1,213,515	1,313,976

Miami Lakes

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	947,000	94,282	0	\$8.50	90.04%	9.96%	0.00%	9.96%	197,427	25,574
Flex	1,644,803	80,000	0	\$5.78	95.14%	4.86%	0.00%	4.86%	0	47,019
Manufacturing	2,136,913	42,000	0	\$6.25	98.03%	1.97%	0.00%	1.97%	0	1,960
Warehouse / Distribution	6,641,236	366,797	0	\$4.63	94.48%	5.52%	0.00%	5.52%	0	202,237
Submarket Total	11,369,952	583,079	0	\$5.53	94.87%	5.13%	0.00%	5.13%	197,427	276,790

North Dade

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	1,875,538	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	602,000	0
Flex	1,185,091	48,957	0	\$9.23	95.87%	4.13%	0.00%	4.13%	0	16,081
Manufacturing	4,660,061	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	107,498
Warehouse / Distribution	23,272,253	369,787	0	\$6.26	98.41%	1.59%	0.00%	1.59%	0	292,657
Submarket Total	30,992,943	418,744	0	\$6.61	98.65%	1.35%	0.00%	1.35%	602,000	416,236

South Dade

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Flex	787,959	26,860	0	\$10.54	96.59%	3.41%	0.00%	3.41%	0	114,860
Manufacturing	142,230	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,603,552	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	32,950	215,514
Submarket Total	4,533,741	26,860	0	\$10.54	99.41%	0.59%	0.00%	0.59%	32,950	330,374

Reporting Methodology: This report includes all industrial buildings and parks 20,000 SF and greater in the Miami-Dade MSA that are not government owned. All rents are reported on a triple-net basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but not guaranteed.

Greatly improved logistic capacity and access to global markets are, in part, fueling demand for high quality industrial space.

Leading Indicators

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	South FL Job Growth
2.37%	5,608,171 SF	\$6.82/SF	3,370,319	2.93 MM

Shipping Expansion Projects Drive Industrial Growth

The expanded Panama Canal opened its gates this year after nearly a decade of construction. Originally scheduled to open in 2014, the \$5.5 billion canal expansion faced many challenges to provide U.S. ports with greater access to global markets. The expanded canal will now be able to accommodate vessels 25% longer, 50% wider and nearly 300% of the prior container capacity. As a result, PortMiami has made major improvements to accommodate these larger “mega ships.” In 2015, PortMiami completed its expansion project and is now the only major logistics hub south of Virginia capable of handling the post-Panamax vessels. Improved tunnel connections now provide the port with fast and convenient access to the Interstate Highway System and new cranes can now service cargo vessels up to 22 containers wide, with 9 containers above deck and 11 containers below deck.

Greatly improved logistic capacity and access to global markets are, in part, fueling demand for high quality industrial space. City officials are pushing continued development in Miami’s most active submarkets, attracting major companies such as Amazon and KLX Aerospace Solutions Group. Furthermore, investors are reacting as demonstrated by the sale of some of South Florida’s largest industrial parks. As “mega-ships” continue to funnel into PortMiami, the industrial market will react with the continued development of high quality space.

Significant 2016 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Qtr Leased	Submarket
KLX Aerospace Solutions	Countyline Corporate Park	New	500,000	4Q16	Medley
Telemundo Studios	Prologis Beacon Lakes	New	467,000	1Q16	Airport
Amazon	South Florida Logistics Center	New	175,000	1Q16	Airport
Kuehne + Nagel Inc	DCT Commerce Center II	New	152,400	3Q16	Airport
Eco Windows	Airport North Logistics Park	New	149,980	2Q16	Airport
Withers Worldwide	Flagler Station	New	149,278	2Q16	Medley
PrimeSource Building Products, Inc.	Flagler Station	Renewal	139,105	2Q16	Medley
Rana Furniture	10000 NW 25th St	New	133,376	1Q16	Airport
7000 Logistics	7000 NW 25th St	New	123,381	4Q16	Airport
ACE Transport Miami, LLC.	Bridge Point Crossroads	New	121,656	2Q16	Medley

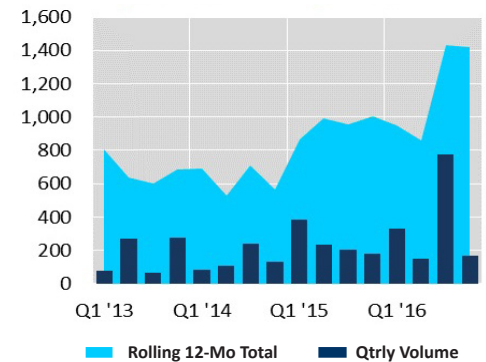


Banking Giant Acquires Major Ownership Stake in Flagler Station

Investment sales throughout the year have been comprised principally of private and institutional investors accounting for 74% of the capital flow, followed by public listed/REITs capital accounting for 18%, users accounting for 5% and cross-border accounted for 3%. In 2016, nearly \$1.4 billion in total volume traded for \$137 per square foot on average. This represents a 41% increase in total volume and a 36% increase in the average price per square foot compared to the prior year.

The most significant investment transaction of the year was Blackstone's acquisition of an equal ownership stake in Flagler Station. The private equity real estate giant purchased a 50% share of the three-phase development for \$258,000,000 or \$104 per sf in September of 2016. The 2.5 million-sf industrial park is located in the Medley submarket and includes office and retail space. Also significant was Florida East Coast Industries' sale of the 200-acre South Florida Logistics Center near Miami International Airport to an entity of J.P. Morgan Asset Management. That property sold for \$233.6 MM, or \$212 per sf.

Sales by Total \$ Volume
(in millions)



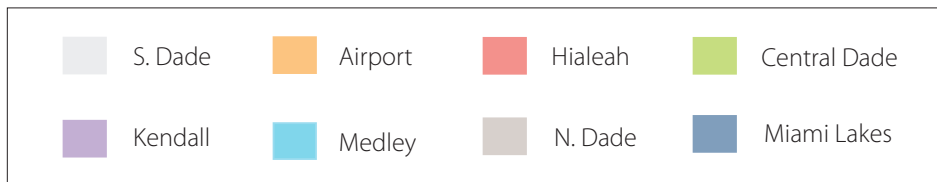
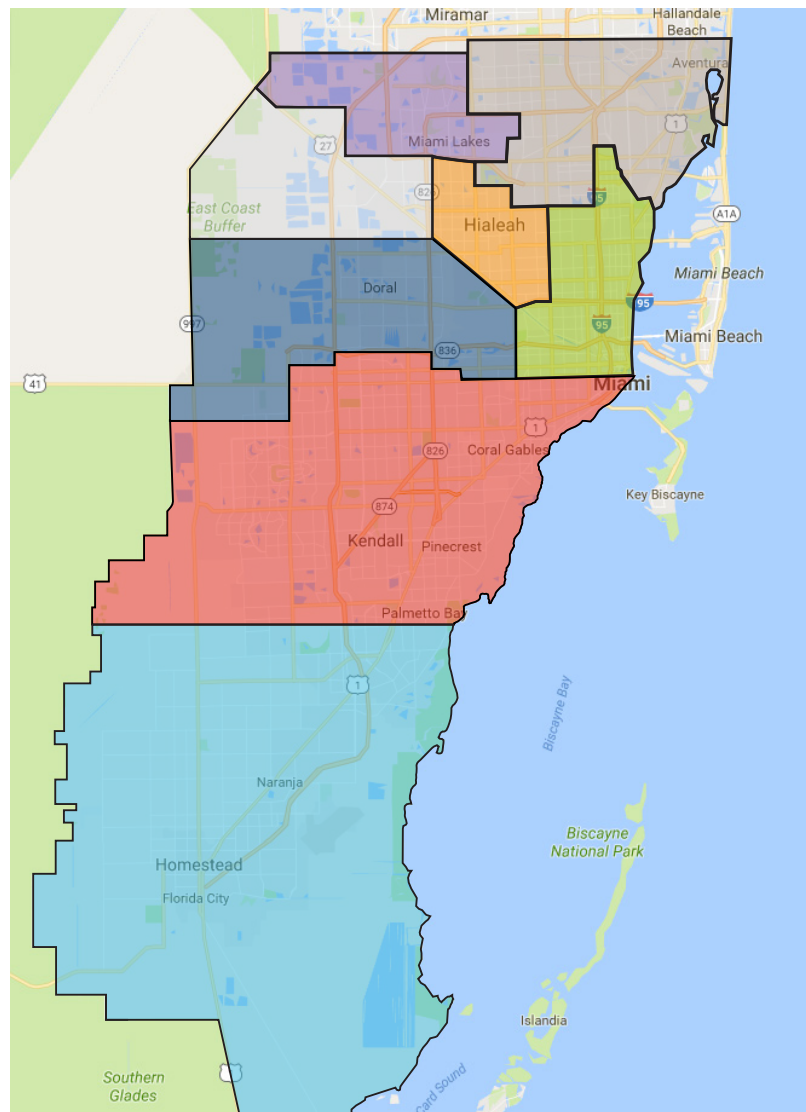
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Significant 2016 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Cap Rate	Buyer	Qtr Sold	Submarket
Flagler Station Phase I, II & III	4,764,000	\$496,999,650	\$104	N/A	Blackstone	3Q16	Medley
South Florida Logistics Center 1-5	938,000	\$209,150,000	\$233	4.0%	JP Morgan	4Q16	Airport
Valassis	162,097	\$24,495,500	\$151	N/A	Invesco RE	1Q16	Miami Lakes
2229 NW 1st Ct	31,630	\$22,000,000	\$696	N/A	RedSky Capital / JV JZ Capital Partners Limited	1Q16	Central Dade
Turnpike Park	136,500	\$18,154,500	\$133	N/A	Clarion Partners	2Q16	Medley
Airport East Distribution Center	397,585	\$17,500,000	\$44	6.5%	Commercial Florida	4Q16	Hialeah
Webster Business Park	164,000	\$16,600,000	\$101	5.8%	COFE Properties	2Q16	Airport
2330 Northwest 82nd Avenue	100,805	\$15,434,200	\$153	N/A	Invesco RE	1Q16	Airport
12102 - 12180 SW 114th Place	186,771	\$13,700,000	\$73	N/A	Axiom Capital Advisors	4Q16	Kendall
5800 NW 163rd St	120,194	\$13,442,700	\$112	N/A	Invesco RE	4Q16	Miami Lakes



Industrial Submarkets Map



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