

## Vigorous Industrial Fundamentals Allow for Impressive Y-O-Y Growth in Sales Volume

2018 was a very good year for the U.S. industrial market, which benefited from a strong labor market, a thriving e-commerce sector, healthy construction and manufacturing industries, and the need to manage the flow of goods due to flourishing global trade. The nation's industrial sector hit an all-time record high for deal volume, surpassing the previous record by almost \$14 billion. Florida's industrial markets are experiencing ever tightening vacancy rates, incremental gains in rental rates, strong net absorption, and a speculative development pipeline that has not yet put supply and demand in equilibrium. Competition for key industrial assets remains fierce as investors continue to aggressively pursue them due in large part to the higher returns they achieve compared to other sectors. That said, there are fewer opportunities given the total volume traded over the last several years.

## Industrial Investment Influencers During 2018

- Despite some headwinds, the overall U.S. economy remains solid, with a strong labor market continuing to fuel industrial growth across Florida. Robust population growth has fueled business expansion, and Florida's primary markets are at or quickly approaching full employment, which may temper the pace of job growth moving into 2019 should population growth slow.
- The Federal Reserve raised short-term interest rates once again in December, a widely expected move that the central bank felt was necessary to keep the U.S. economy thriving. The latest move by the Fed brings interest rates up a quarter point to a range of 2.25 percent to 2.5 percent, and two additional hikes expected in 2019 have been postponed.
- Industrial cap rates in Florida compressed further during 2018 to a current 5.6%, although they will likely accelerate to a slight degree during 2019. According to Real Capital Analytics, cap rates nationwide on industrial properties in opportunity zones are only 10-20 bps higher than in the rest of the market.
- Growth in the industrial sector is largely tied to global trade, and even though political tensions caused some disruption in overall trade relations during 2018, the industrial market outperformed expectations once again. Moving forward in 2019, Florida's industrial markets are expected to continue to impress due to strong economic and population growth, increasing construction costs, the robust e-commerce market, and steady development near Miami and Orlando International Airports, in Jacksonville, and within the critical I-4 corridor.
- The largest entity-level transactions during 2018 involved Prologis' \$8.3 billion purchase of DCT Industrial Trust and Blackstone's \$6.4 billion acquisition of Gramercy Property Trust.

### \$4.5 billion

total statewide industrial transaction volume during 2018

### 51.2 million

total sf sold during 2018

### 383

total industrial sales >\$2.5MM and >20,000 sf during 2018

### \$88

avg price/sf for all industrial sales >20,000 sf closed during 2018

Industrial sales volume in Florida during 2018 was up 38.4% over the previous year, with a sharp 100.1% gain in total dollar volume in Jacksonville. The Orlando, Tampa and South Florida markets were once again consistent Y-O-Y performers.

# South Florida

**Total Y-O-Y investment sales volume increased by 22% due in part to a significant rise in the average asking price per sf.**

South Florida's industrial market has been on fire throughout 2018, fueled by the consistent demand for quality logistics space due to the rapid growth of e-commerce, healthy job growth resulting in a rise in consumer confidence, and South Florida's location as a major international trade hub. Total transaction volume during 2018 was \$2.2 billion, outperforming 2017 by an impressive 22%. The significant increase in transaction volume was due in large part to the 19% rise in the average asking price per sf as the market continues to tighten amid its increasing land constraints.

Vacancy rates for the entire South Florida region remain near record lows, falling just below 3%, despite consistent new deliveries to the market. As of year-end, there was over 7.1 million sf under construction across the tri-county region, most of which was speculative development, indicating strong investor confidence in the South Florida industrial market.

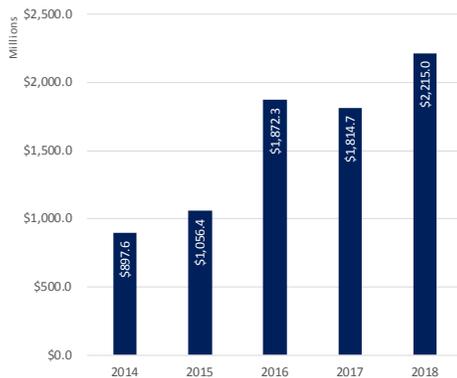
The largest transaction of 2018 was Duke Realty's

purchase of the first three completed buildings at Countyline Corporate Park in Northwest Dade for \$180 million, or \$180 per sf. Duke Realty later purchased the fourth building at the industrial park during the fourth quarter for \$34.4 million, or \$165 per sf.

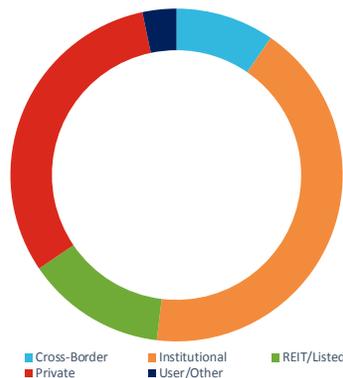
Cross-border investors and institutional investors were net buyers during 2018, with cross-border investors experiencing the most significant growth as they more than tripled their volume of acquisitions from 2017. Foreign investment in industrial assets across the U.S. has increased due to the ability to place large amounts of capital in a safe haven through large portfolio purchases. Investment activity through REITs remained relatively flat while private investors were net sellers during 2018.

Avison Young anticipates another successful year for South Florida's industrial market in 2019 as investor demand remains strong and robust development activity continues.

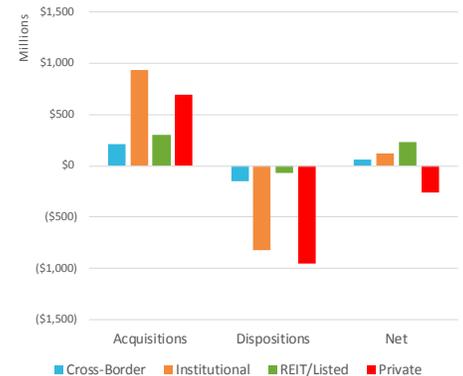
### 5-Yr Industrial Sales Volume Trend



### Buyer Composition in 2018



### Capital Flows in 2018



## Significant 2018 Industrial Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Countyline Corporate Park 1-3	2Q-2018	1,000,442	\$180,000,000	\$180	Duke Realty Corp.	Northwest Dade/Miami Lakes
Supervalu Distribution Ctr	4Q-2018	787,500	\$95,000,000	\$121	CenterPoint Properties	Pompano Beach
Cofe Medley Hialeah Portfolio	3Q-2018	932,516	\$92,250,000	\$99	TA Realty	Medley/Hialeah
MDH Partners Last Mile Portfolio*	4Q-2018	657,011	\$85,200,000	\$130	Blackstone Real Estate Income Trust, Inc.	Northeast Dade
Supervalu Distribution Center**	2Q-2018	787,500	\$67,410,000	\$86	Fortress Investment Group	Pompano Beach
Hellmann Worldwide Miami	2Q-2018	246,936	\$43,100,000	\$175	ILPT REIT	Airport
Windsor Commerce Center	4Q-2018	158,460	\$40,800,000	\$257	Harbor Group International	North Palm Beach
Port 95 Distribution Portfolio (2 bldgs)	3Q-2018	218,326	\$36,100,000	\$165	TA Realty	Southeast Broward
Aljoma Lumbers	1Q-2018	452,109	\$35,700,000	\$79	Duke Realty Corp.	Medley/Hialeah
Quadrant Business Ctr	4Q-2018	268,611	\$35,150,000	\$131	Adler Kawa Real Estate Advisors	Northeast Broward

\*Part of a \$951.6 million, 82-property Southeastern U.S. last mile industrial portfolio \*\*Part of a \$483 million national portfolio purchase

# Tampa Bay

**Y-O-Y total deal volume in Tampa Bay was up 63% during 2018, outpacing total deal volume in Orlando and South Florida.**

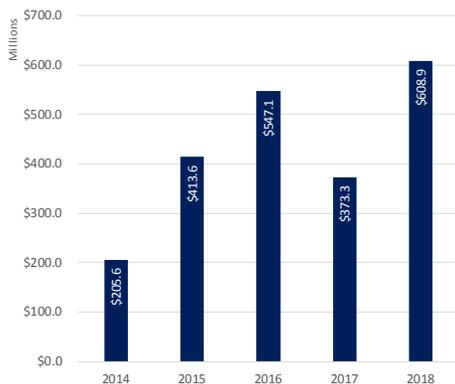
A strong sense of investor enthusiasm, surging e-commerce demand, and growth in the manufacturing and construction sectors fueled Tampa Bay's industrial market fundamentals during 2018. Investors are increasingly focusing on quality investments as the current cycle grows longer, and are utilizing stable investment strategies to better ensure future performance. Investment opportunities within the East Side and Lakeland markets, the area that forms the pivotal I-4 corridor, are perfect targets given the area's dynamics. Freight forwarders, last-mile operators, e-commerce users and distributors are clustered along this corridor, and represent the strongest sectors in the overall industrial market.

Total transaction volume in Tampa Bay during 2018 was up sharply over the previous year, fueled in large part by the acquisition of massive

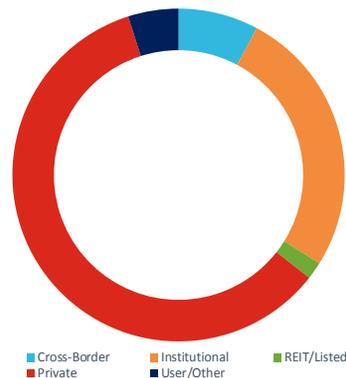
industrial centers along the I-4 corridor (primarily in Lakeland), and the number of properties sold was up 16% during that same time frame. There were fewer portfolio sales and individual properties offered for sale during 2018 and cross-border capital investment came primarily from Germany and Canada.

Total industrial investment sales volume during 2018 totaled \$608.8 million, accounting for over 8.8 million sf, a 63% increase in total volume from the previous year. 86% of all transactions were acquired by institutional and private buyers, followed by cross-border capital (7.8%), and users (4.9%), with limited investment from REITs. Investor interest in this market's industrial sector remains strong, and its position along the pivotal I-4 Corridor will continue to fuel its attractiveness for both tenants and investors.

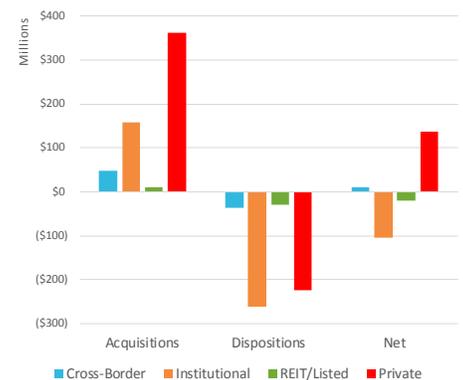
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CenterState Logistics Ctr	1Q-2018	605,412	\$59,600,000	\$98	Griffin Capital Essential Asset REIT	Lakeland
Key Logistics Building 100	4Q-2018	520,000	\$42,463,754	\$82	DHL Supply Chain	Lakeland
8800 East Adamo Dr	1Q-2018	383,615	\$20,300,000	\$53	TriGate Capital	East Side
Center Point Business Park	3Q-2018	236,229	\$19,500,000	\$83	JCR Capital Investment Corp.	East Side
3401 Queen Palm Dr	3Q-2018	157,788	\$18,579,800	\$118	Angelo Gordon	East Side
Executive Industrial Park	4Q-2018	201,620	\$17,550,000	\$87	Geneva Property Group	Airport/Westshore
330 N Ingraham Ave	4Q-2018	232,127	\$17,464,000	\$75	New Mountain Capital	Lakeland
11316 N 46th St	3Q-2018	379,884	\$17,000,000	\$45	Federated Companies	East Side
1407 US Hwy 301	2Q-2018	212,000	\$16,866,186	\$80	Goodwill Industries	East Side
Westshore Logistics Ctr	4Q-2018	166,255	\$16,300,000	\$98	Equitable Real Estate Partners	Airport/Westshore

# Orlando

Orlando's Y-O-Y deal volume in 2018 was impressive, growing by 45%, but still ranked behind Jacksonville and Tampa Bay.

Vigorous tenant demand and competition for space drove both speculative construction activity and industrial values in Orlando during 2018. The area's industrial investment market has experienced rapid growth over the last several years, much of which has been a direct reaction to increasing consumer demand for goods, primarily e-commerce related fulfillment services. Total transaction volume in Orlando during 2018 was \$634.4 million, up an impressive 45% over 2017. The number of properties sold was up 25% over 2017, and overall cap rates declined by roughly 20 bps during the same period.

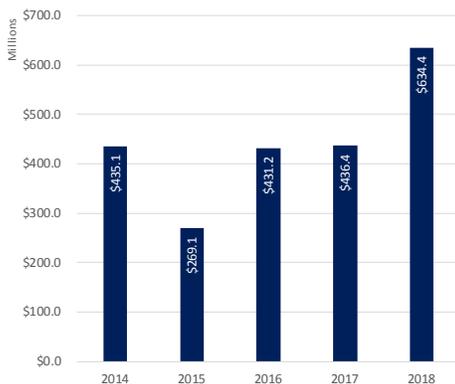
Rent growth continues to drive upward momentum in pricing among key industrial assets as steady demand for quality space continues to compress the market's overall vacancy rate and demand shows no current sign of slowing.

REITs and institutional investors were net buyers during 2018, although to a lesser extent than they were in 2017. All investors continue to seek premium assets in core locations within growth areas.

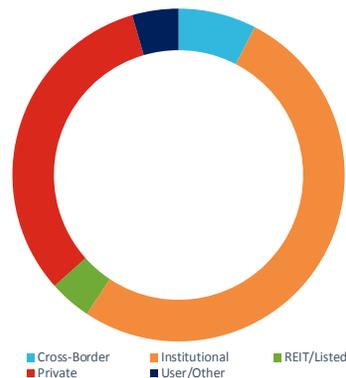
The largest deal on a total dollar basis during 2018 was MDH's acquisition of a portfolio of last-mile locations, although that transaction was primarily an equity raise. Also notable was the sale of The Park @ 429 in the fast-growing Northwest submarket. The property sold to Black Creek Industrial REIT IV for \$45.7 million, or \$104 per sf.

Sustained job growth, strong leasing and robust development activity drove industrial growth and investor demand in Orlando during 2018, and that trend is expected to continue through 2019.

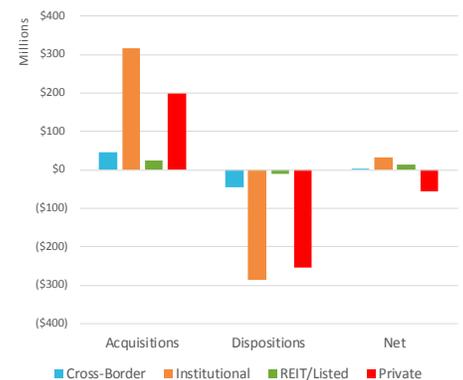
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MDH Last Mile Portfolio*	4Q-2018	1,866,804	\$153,500,000	\$82	Blackstone Real Estate Income Trust, Inc.	Multiple
The Park @ 429	2Q-2018	441,000	\$45,700,000	\$104	Black Creek Industrial REIT IV	Northwest
West Park (11 bldgs)	2Q-2018	529,150	\$37,100,000	\$70	West Park Owner LLC	33rd Street
3825 Forsyth Rd	3Q-2018	306,374	\$17,000,000	\$55	LBA Realty	University/East Side
Vantage Point Business Ctr	3Q-2018	110,000	\$13,400,000	\$122	Step by Step Management	Longwood/Lake Mary/Sanford
7100 Municipal Dr	2Q-2018	98,777	\$12,500,000	\$127	The Walt Disney Company	Orlando Central Park
La Quinta Distribution Ctr I	1Q-2018	181,394	\$11,000,000	\$61	Cabot Properties	Airport/Southeast
Monroe CommerCenter	3Q-2018	118,680	\$9,600,000	\$81	Charles Wayne Properties	Longwood/Lake Mary/Sanford
5159 L B McLeod Rd	4Q-2018	119,468	\$9,100,000	\$76	Exeter Property Group	33rd Street
Northpark Commerce Ctr	1Q-2018	148,882	\$9,000,000	\$60	Harvest Holdings	North Central

\*Part of a \$951.6 million, 82-property Southeastern U.S. last mile industrial portfolio

# Jacksonville

Deal volume rose by 100.1% in 2018 over the previous year but still remains below the high-water mark set in 2015.

Surging e-commerce demand, a pivotal location along the Interstate 95 corridor, and access to a major port continue to bolster Jacksonville's position as an expanding logistics hub. During the fourth quarter of 2018, New Jersey-based LaRose Industries, LLC announced it had selected Jacksonville over Tampa for a planned manufacturing and distribution facility, and major developments are moving ahead for UPS (which is planning a \$196 million expansion), Pattillo Development, and Kansas City-based NorthPoint Development.

Investors continue to pursue quality investment opportunities in key submarkets and overall volume during 2018 was up 100.1% from 2017 with \$589 million transacted in the industrial sector. With 42 total transactions totaling 10.3 million sf during 2018, the average transaction was 245,500 sf and just over \$14 million.

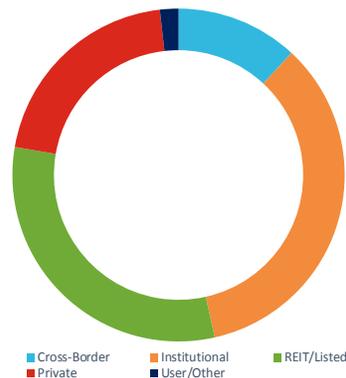
With regard to capital flows, cross-border capital (primarily from Signagore) and REITs were net buyers in 2018 and private investors were net sellers, with institutional investors closely balancing what they purchased against what they sold. The most significant industrial investment transaction during 2018 was Gramercy Industrial Trust's \$95.4 million purchase of a 1.1-million sf Amazon fulfillment center in the Riverside area.

Investment activity in Jacksonville will continue to gain ground in 2019 as Amazon grows its regional presence, distributors and manufacturers continue to expand, and investors increasingly turn to the Jacksonville area as a more affordable alternative to other primary and secondary markets in the Southeast where the bid/ask spread is still too high and competition remains fierce. Avison Young anticipates that class A warehouse product will continue to be a sought-after investment during 2019.

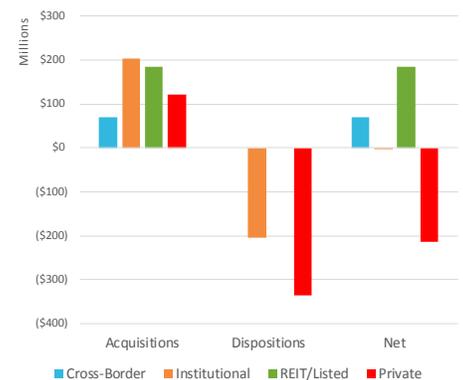
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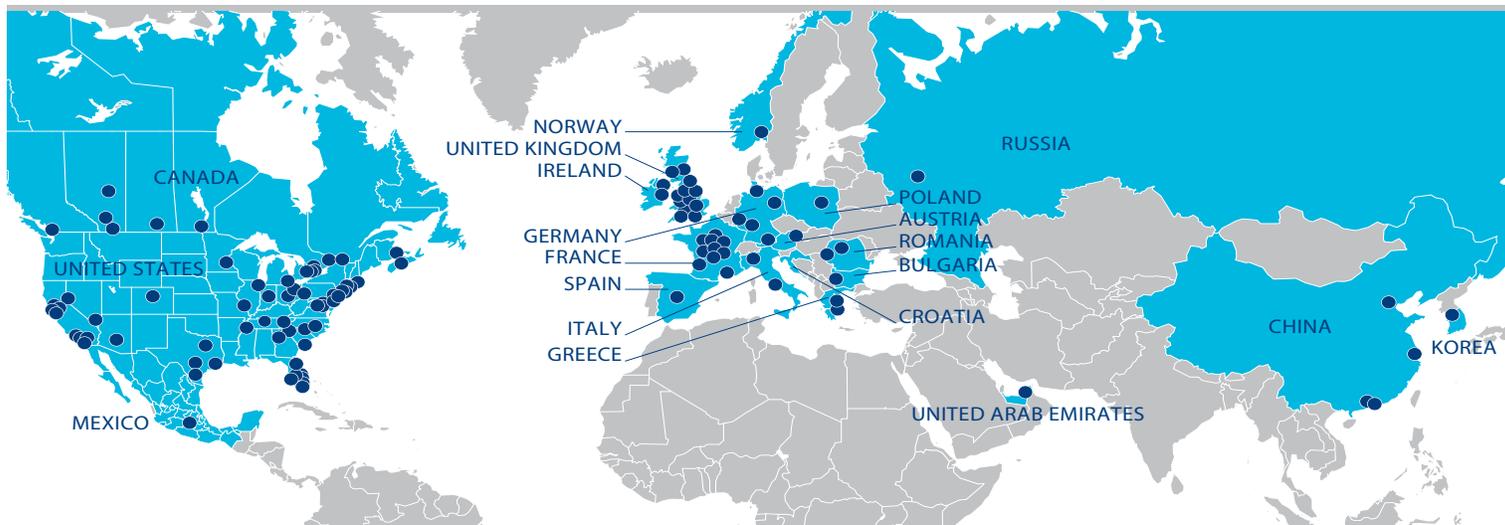
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Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Amazon Fulfillment Ctr	1Q-2018	1,016,080	\$95,456,810	\$94	Gramercy Property Trust	Riverside
Westside Industrial Park	1Q-2018	1,289,360	\$77,500,000	\$60	Colony NorthStar	Westside
One Imeson Distribution Ctr	2Q-2018	1,702,505	\$47,750,000	\$28	Real Capital Solutions	Ocean Way
Sears Logistics Services Building	2Q-2018	734,544	\$32,250,000	\$44	LBA Realty	Ocean Way
4660 New World Avenue	4Q-2018	407,435	\$30,734,664	\$75	Mapletree Investments	Riverside
Interstate South Commerce Ctr	1Q-2018	260,072	\$25,300,000	\$97	Perimeter Realty, Inc.	Butler Corridor
5233 Commonwealth Ave	4Q-2018	588,000	\$15,008,333	\$26	IP Capital Partners	Westside
13500 Tradeport Cir E	1Q-2018	126,000	\$10,537,000	\$84	Colony NorthStar	Northside
Eastpark Business Center	2Q-2018	180,054	\$8,455,000	\$47	Liongate Investment LLC	Butler Corridor

# A Growing, Multinational Presence

Founded: **1978**  
 Total Real Estate Professionals: **5,000**  
 Offices: **120**  
 Countries: **20**  
 Brokerage Professionals: **1,600**  
 Property Under Management: **290 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its Principals. Founded in 1978, with legacies dating back more than 200 years, the company comprises approximately 5,000 real estate professionals in 120 offices in 20 countries. The firm's experts provide value-added, client-centric investment sales, leasing, advisory, management and financing services to clients across the office, retail, industrial, multi-family and hospitality sectors.



## Transaction Services

- Tenant representation, lease acquisition and disposition
- Investment acquisition and disposition for owners and occupiers
- Landlord representation— all property types—office, industrial, retail, build-to-suit, land and multi-family

## Investment Management

- Acquisitions
- Asset management
- Portfolio strategy
- Capital repositioning

## Consulting & Advisory Services

- Portfolio review and analysis
- Valuation and appraisal
- Benchmarking
- Transaction management
- Asset rationalization
- Mergers and acquisitions
- Workplace solutions
- Acquisitions and dispositions
- Property tax services

## Debt Capital Services

- Permanent & construction
- Structured finance
- Portfolio mark to market
- Mezzanine & bridge

## Management Services

- Project management
- Property and operations review
- Property/facility management
- Tenant relations
- Financial reporting
- Lease administration
- Operations consulting
- Asset management
- Portfolio management

## Enterprise Solutions

- Integrated services coordination
- Transaction management
- Optimization strategies
- Portfolio lease administration
- Project coordination and reporting

## Additional U.K. Services:

- Building advisory
- Business rates liability
- Town planning
- Site assembly and regeneration
- Partnerships advisory
- Sustainability strategy and reporting
- Environmental impact assessment
- Strategic advisory

## Florida Capital Markets Team

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