

## Robust Transaction Volume Across Florida Fueled by Institutional and Private Investors

Nationwide, the industrial sector has benefited considerably from the steady rise in e-commerce activity (which now accounts for 9% of all U.S. retail sales), and fundamentals remain sound in the midst of the current economic expansion. Florida's industrial markets remain well entrenched in the expansion phase, with net absorption levels and total completions often running in tandem. Many investors feel the industrial sector has further room to grow, and that the tailwinds of e-commerce will fuel continued expansion in 2018. Additionally, industrial trades in key markets now exceed replacement cost, which will serve to stimulate additional development in areas without significant land constraints. Buyers continue to primarily target warehouse/distribution facilities in pivotal locations close to urban centers that can facilitate both traditional distribution needs as well as the "last mile" requirements critical for e-commerce tenants, and that trend is expected to continue in 2018.

### Industrial Investment Influencers During 2017

- The steadily strengthening U.S. economy has shown no signs of abatement, with a strong labor market continuing to fuel industrial growth across Florida. Many economists believe that the U.S. is quickly approaching, if not already at, full employment, which could temper the pace of job growth moving into 2018.
- U.S. industrial sales volume was \$55.2 billion in 2017, driven largely by a number of massive portfolio sales nationwide. According to Real Capital Analytics, industrial investment sales volume during the first nine months of 2017 was the third highest of any year since 2008.
- The Federal Reserve instituted a 25-bps interest rate hike in December, taking the fed funds target range to between 1.25% and 1.50%, with three additional hikes expected during 2018. Jerome Powell will take over as head of the Federal Reserve in February but the course of monetary policy is expected to be largely unchanged. He is, however, expected to be somewhat less rigid toward the financial sector on the regulatory front.
- Industrial cap rates in Florida at year-end 2017 were down approximately 18 bps over the trailing 12-month period, although they may begin to slowly rise in 2018. Average rents are also expected to rise in the coming year, with incremental gains in key markets until new supply added begins to sate pent-up demand.

**\$3.2 billion**

total statewide industrial transaction volume during 2017

**40.3 million**

total sf sold during 2017

**337**

total industrial sales >\$2.5MM and >20,000 sf during 2017

**\$80**

avg price/sf for all industrial sales >20,000 sf closed during 2017

Industrial sales volume in Florida during 2017 was up 38.5% over the previous year, with a sharp 108.5% gain in total dollar volume in Jacksonville. The Orlando, Tampa and South Florida markets were also consistent performers.

# South Florida

Foreign investors are beginning to capitalize on assets purchased early in the last U.S. recession.

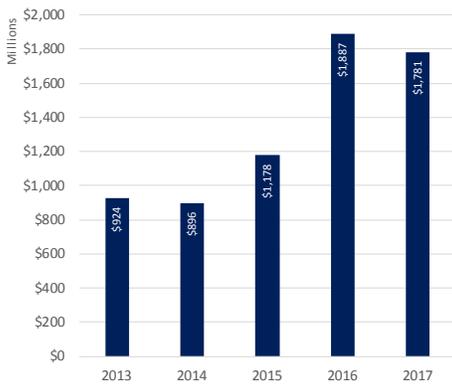
South Florida's investment sales market continues to thrive amid active speculative and build-to-suit development. In 2017 alone, over 4.4 million sf of new industrial space was brought to market, increasing the overall supply and expanding the availability of high-efficiency space. Due in large part to lack of available land, many developers are finding innovative ways to compete for sites by utilizing creative redevelopment designs in existing infill locations. The 221,542-sf Riverbend distribution building planned by Bridge Development Partners on a 17.7-acre site just west of I-95 is indicative of this trend. This new wave of industrial development has led to an increasing divide in the market as older properties struggle to compete with newer, larger and more efficient space.

This new class of industrial property has also led

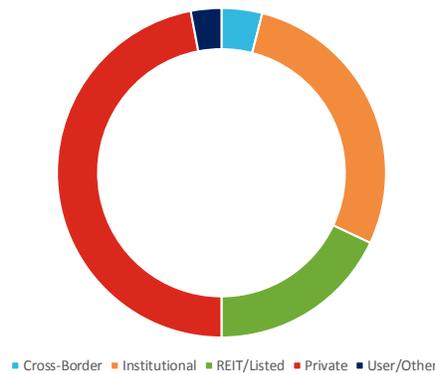
to increased investment activity from private buyers. In 2017, these investors accounted for 47% of South Florida's \$1.8 billion in industrial sales volume, which was more than the combined capital sourced from institutional and REITs/publicly listed companies. At the same time, foreign investment was largely negative as demonstrated by the disposition of nearly \$200 million in total assets. Investors who made investments early in the last U.S. recession are now seeking to capitalize upon the market's rapid appreciation over the last five years.

Overall, the South Florida industrial market remains relatively stable and while the market is unlikely to appreciate significantly in 2018, Avison Young anticipates newly delivered and fully occupied properties to remain attractive investments for investors of all types.

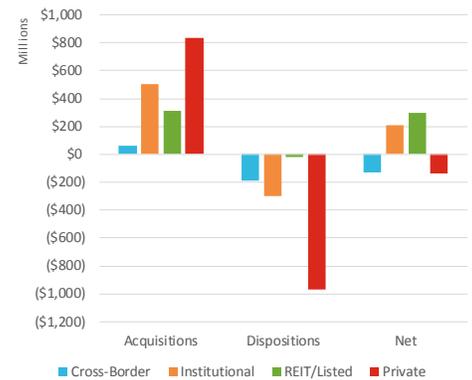
5-Yr Industrial Sales Volume Trend



Buyer Composition in 2017



Capital Flows in 2017



## Significant 2017 Industrial Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Miami Free Zone	4Q-2017	850,000	\$85,500,000	\$101	Foundry Commercial	Airport / Doral
Winn Dixie Distribution Center	3Q-2017	961,345	\$59,000,000	\$61	CenterPoint Properties	Hialeah
Bridge Point I-95	3Q-2017	306,625	\$54,825,000	\$179	Duke Realty	Central Broward
Miramar Centre Business Park - B	1Q-2017	304,420	\$50,000,000	\$164	Apotex Corp	Southwest Broward
Bridgepoint Crossroads East	2Q-2017	420,989	\$49,706,300	\$118	Duke Realty	Medley
FedEx Ground Distribution	2Q-2017	236,975	\$38,347,933	\$162	Monmouth REIT	South Dade
FedEx Miami	2Q-2017	103,337	\$37,250,000	\$360	Lalezarian Developers	Central Miami
1604 W 31st Place	4Q-2017	372,136	\$32,500,000	\$87	COFE Properties	Medley
Bridgepoint Crossroads West	1Q-2017	243,000	\$31,650,000	\$130	TA Realty	Medley
Interstate Business Center	3Q-2017	251,292	\$30,257,000	\$130	Silverman Group	Palm Springs / Lake Worth

# Tampa Bay

Private investors were net buyers during 2017, accounting for nearly 70% of all deal volume during the year.

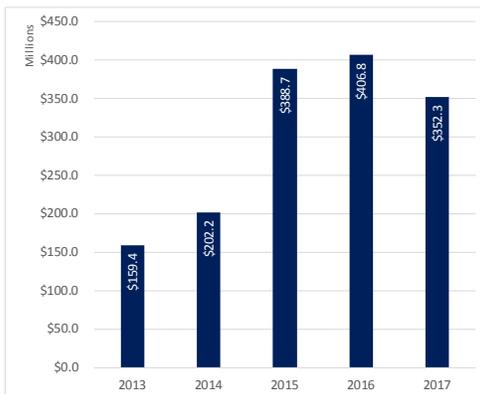
Broad-based demand fueled Tampa Bay's industrial market fundamentals during 2017 and created considerable investor demand for newer, more functionally efficient industrial product. Total transaction volume in Tampa Bay during 2017 was \$352.3 million, down 13% over 2016 and the number of properties sold was down 16% during that same time frame. There were fewer portfolio sales and individual properties offered for sale during 2017, which contributed to the dropoff in volume. 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.

Private investors were net buyers during 2017, accounting for nearly 70% of all deal volume during the year. REITs/publicly listed companies and foreign investors were net sellers, and institutional

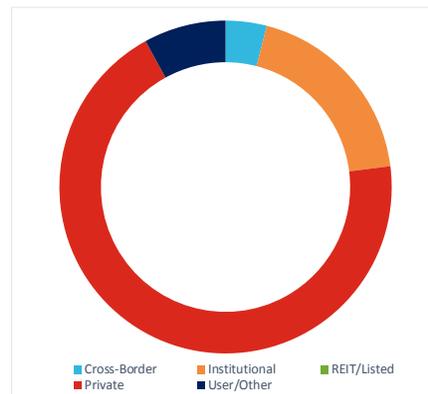
investment was relatively flat over 2016. The largest industrial sale of the year occurred when Tratt Properties acquired the 1.3 million sf Amazon fulfillment center within the I-4 Corridor's Lakeland submarket from USAA Realty Real Estate Co. for \$87.7 million.

Overall vacancy continued to compress in 2017 and is expected to continue in 2018, especially as attention shifts away from extremely land-constrained urban areas to less constrained secondary markets like Tampa where some quality land sites are still available. Moving forward, sustained employment growth, a thriving e-commerce industry, healthy net absorption and robust development activity (particularly on the East Side and up the I-4 Corridor) will drive both industrial growth and investor demand in 2018.

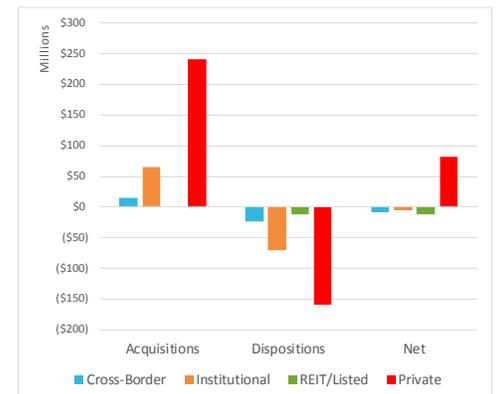
### 5-Yr Industrial Sales Volume Trend



### Buyer Composition in 2017



### Capital Flows in 2017



## Significant 2017 Industrial Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Amazon Fulfillment Center	1Q-2017	1,296,300	\$87,657,600	\$68	Tratt Properties	Lakeland
Gateway Business Park	3Q-2017	469,410	\$49,370,000	\$105	Ivanhoe Cambridge, Inc.	Mid-Pinellas/Gateway
Thompson Center	1Q-2017	578,013	\$37,250,000	\$64	iStorage	Airport/Westshore
Metropointe Commerce Center	3Q-2017	355,526	\$28,930,000	\$81	Ivanhoe Cambridge, Inc.	Mid-Pinellas/Gateway
5802-5912 Breckenridge Pky	3Q-2017	334,279	\$22,500,000	\$67	MLG Capital	East Side
9300 28th St N*	3Q-2017	197,600	\$22,100,000	\$112	Ivanhoe Cambridge, Inc.	Mid-Pinellas/Gateway
Westmount Realty Cap Portfolio	4Q-2017	330,313	\$21,300,200	\$64	Citimark Management Co.	Airport/Westshore
Gateway Commerce Center	1Q-2017	301,805	\$15,675,000	\$52	iStorage	Mid-Pinellas/Gateway
Tampa East Industrial Park	2Q-2017	410,000	\$15,200,000	\$37	Agellan Commercial REIT	East Side
9251 Belcher Rd N	4Q-2017	150,055	\$14,500,000	\$97	Madico Inc.	Mid-Pinellas/Gateway

\* Part of a 157-property national portfolio sold Jul-2017 for \$979.7 million to a Canadian buyer that previously had no significant industrial component in its portfolio

# Orlando

Orlando is only one of two major markets in Florida that recorded Y-O-Y improvement in total deal volume.

Orlando's industrial investment market has been on fire for the last couple of years, fueled in large part by the surging e-commerce and logistics industries, construction activity as a result of a thriving housing market, and broad-based industrial demand. Total transaction volume in Orlando during 2017 was \$465.0 million, up 1.5% over 2016. The number of properties sold was relatively flat but the average price per sf was up 23%, indicative of this market's consistent strengthening. Orlando is only one of two major markets in Florida, along with Jacksonville, that recorded year-over-year improvement in total deal volume.

REITs and publicly listed companies were net buyers during 2017, with nearly four times the volume of acquisitions vs dispositions over the previous year. Institutional investors were net

sellers, and private investment was relatively flat over 2016, which is significant as private investors also accounted for 57% of all sales during the year. There was no significant cross-border industrial investment activity during 2017.

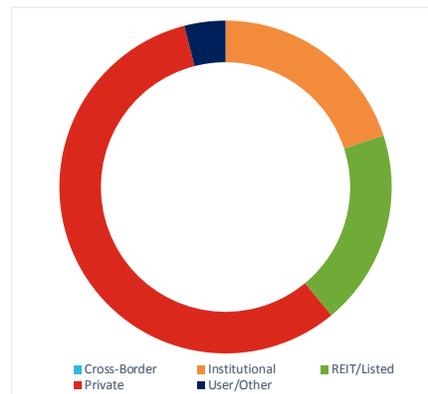
In one of the largest deals in Orlando's history, Colony NorthStar Inc. ("Colony"), through its Dallas-based industrial fund, added nearly 1 million square feet to its Orlando industrial portfolio in a \$67.1 million purchase of four buildings in the Southwest submarket. Colony now controls 2 million sf of industrial space in the Orlando area.

Sustained job growth, strong leasing and robust development activity drove industrial growth and investor demand in Orlando during 2017, and that trend is expected to continue through 2018.

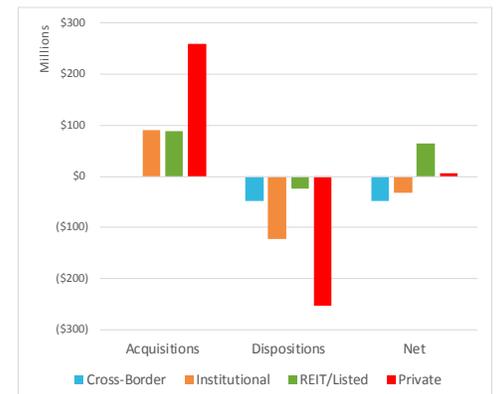
### 5-Yr Industrial Sales Volume Trend



### Buyer Composition in 2017



### Capital Flows in 2017



## Significant 2017 Industrial Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Beachline Distribution Ctr I & II	1Q-2017	520,704	\$34,753,853	\$67	Colony NorthStar Inc	Airport/Southeast
Crossroads Business Park V & VI	1Q-2017	484,630	\$32,346,131	\$67	Colony NorthStar Inc	Airport/Southeast
1401 Tradeport Drive	1Q-2017	343,860	\$20,925,285	\$61	MDH Partners	Airport/Southeast
1001 Tradeport Drive	1Q-2017	261,964	\$15,696,600	\$60	MDH Partners	Airport/Southeast
Southport Center	2Q-2017	126,230	\$12,450,000	\$99	Equity Office Management	Airport/Southeast
6325 N Orange Blossom Trail	1Q-2017	148,882	\$12,269,012	\$82	DRA Advisors	Silver Star
Silver Star Commerce Center	4Q-2017	254,915	\$12,050,000	\$47	Denholtz Assoc. JV Militello Capital	Silver Star
Lee Vista Business Commons	3Q-2017	82,663	\$12,000,000	\$145	Tryumph View LLC	Airport/Southeast
Prologis Chancellor Square	2Q-2017	141,778	\$11,974,800	\$84	B Development	Orlando Central Park
Lake Point Business Park	2Q-2017	134,389	\$11,850,000	\$88	Raith Capital Partners	Airport/Southeast

# Jacksonville

Deal volume rose by 108% in 2017 over the previous year but remained 42% below the high-water mark set in 2015.

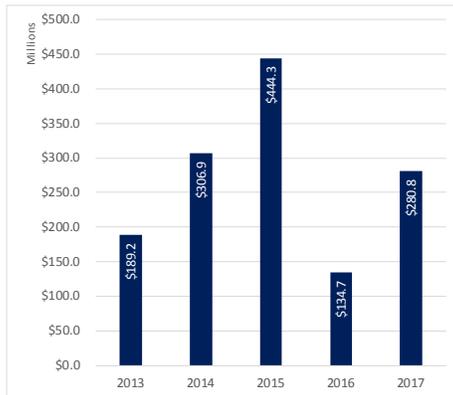
The industrial vacancy rate in Jacksonville has dipped below 5% and healthy economic growth, business expansion, strong e-commerce activity and growing investor demand is expected to result in new speculative construction. There is currently more than 1.5 million sf of industrial space proposed in the Northside and Westside submarkets of Jacksonville, and the vacancy rate will tighten further should a solar company code-named "Project Volt" (rumored to be Chinese company JinkoSolar) select Jacksonville for its new headquarters, taking 1.2 million sf in two Northside industrial buildings. Key development projects are planned by Pattillo Industrial Real Estate in Westside Industrial Park and NorthPoint Industrial Park, Lake Washington Partners is planning a 373,650-sf distribution facility on New Kings Rd, and Jackson-Shaw is planning a 200,000-sf building adjacent to Jacksonville International Airport.

Industrial investment sales volume rose sharply during 2017 over the previous year, increasing by 108.5% to \$280.8 million, however it remained well below the high-water mark of \$444.3 million that was set in 2015.

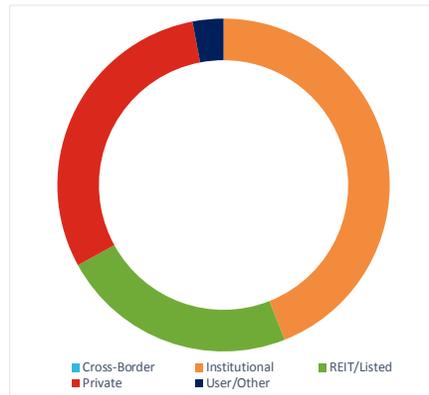
Private investors were largely net sellers in 2017, with institutional owners acquiring nearly as much as they sold during the year. Only REITs were net buyers, acquiring \$64.5 million in industrial assets with no significant disposition activity.

Investment activity in Jacksonville is expected to continue to gain ground in 2018 as Amazon grows its regional presence and investors continue to look to the metro area as a more affordable alternative to other primary and secondary markets in the Southeast where the bid/ask spread is too high and competition is too fierce.

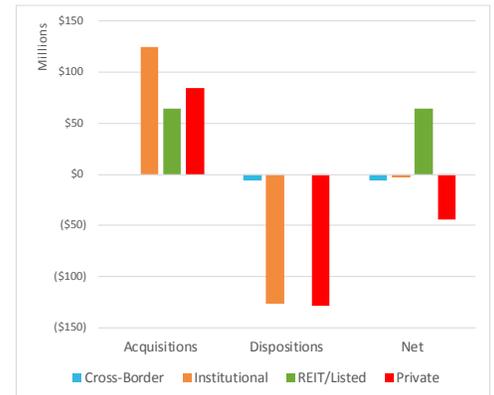
5-Yr Industrial Sales Volume Trend



Buyer Composition in 2017



Capital Flows in 2017



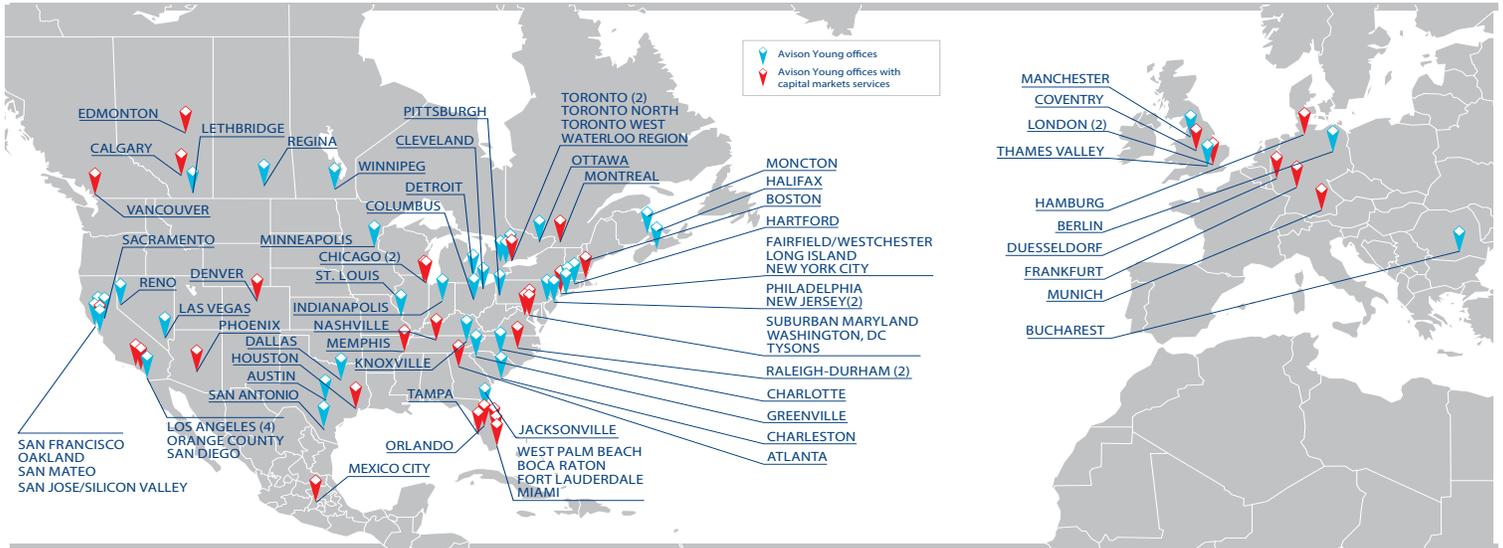
## Significant 2017 Industrial Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Samsung Electronics	4Q-2017	399,688	\$30,350,000	\$76	Blackstone	Westside
Sub Zero Southeast Distribution	4Q-2017	354,111	\$24,380,000	\$69	Blackstone	Northside
Creekside Distribution Center	3Q-2017	334,000	\$24,050,000	\$72	Colony NorthStar	Northside
Perimeter West VW	4Q-2017	260,122	\$21,620,000	\$83	Blackstone	Westside
Westgate Distribution Center	3Q-2017	147,420	\$7,430,000	\$50	Eisenberg Group	Westside
ERC Orange Park	2Q-2017	35,640	\$6,182,512	\$173	Private Individual	Clay County
EastPark Business Center	4Q-2017	85,259	\$6,100,000	\$72	Colony NorthStar	Southside
ERC Jacksonville	2Q-2017	32,781	\$5,617,488	\$171	Private Individual	Southside
2020 W 26th Street	3Q-2017	203,163	\$5,388,000	\$27	2020 Beast Holdings LLC	Northside
fmr Havertys Furniture Outlet	4Q-2017	100,424	\$5,075,000	\$51	Wolfenden R Separate Prop L & Trust	Southside

# A Growing, Multinational Presence

Founded: **1978**  
 Total Real Estate Professionals: **2,600**  
 Offices: **82**  
 Brokerage Professionals: **1,100**  
 Property Under Management: **100 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, the company comprises 2,600 real estate professionals in 82 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



## 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

## Florida Capital Markets Team

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