

MARKETBEAT

Miami-Dade

Industrial Q4 2018



MIAMI-DADE INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Miami-Dade Employment	1.18M	1.21M	▲
Miami-Dade Unemployment	4.7%	3.8%	▼
U.S. Unemployment	4.1%	3.7%	▼

*Numbers above are monthly figures, August 2018, FL Dept. Economic OPP.

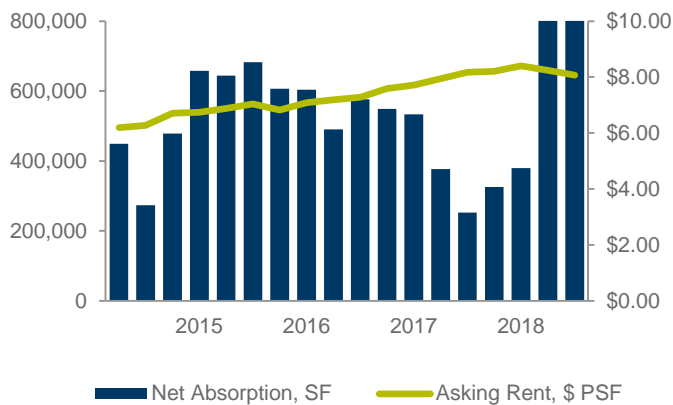
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	4.7%	3.7%	▲
YTD Net Absorption (sf)	1.3M	3.7M	▲
Under Construction (sf)	3.2M	2.6M	▼
Average Asking Rent*	\$8.45	\$7.57	▲

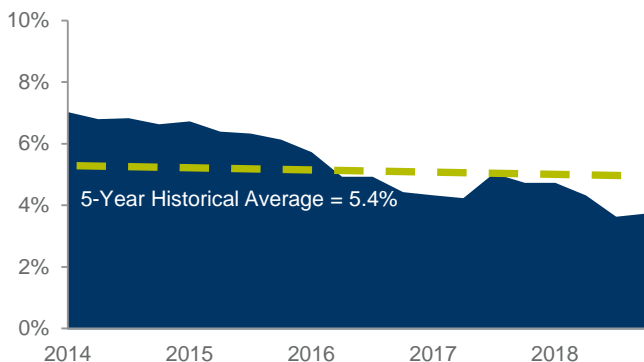
*Rental rates reflect net asking \$psf/year.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Miami-Dade industrial market continued to prosper over the last 12 months, as owners and investors capitalized on ideal market conditions for new and existing projects. Economic fundamentals were strong with the unemployment rate in Miami-Dade at 3.7%, down 90 basis points (bps) year-over-year (YOY), with the addition of 24,200 new jobs. Highlighting the strength of the industrial sector, new positions in the Construction sectors drove job gains, which accounted for over 33.1% of all new jobs created in Miami-Dade in 2018.

Market Overview

Even with the addition of new construction, the vacancy rate continued to fall throughout the year. Overall vacancy levels dropped at a record pace to 3.7%, down a significant -100 bps since the fourth quarter of 2017. This was a result of heavy demand for warehouse/distribution space, which led with occupancy gains and had an overall vacancy rate of 3.9%, or down -110 bps.

Overall asking rents ended the fourth quarter at \$7.57 per square foot (psf) triple net, up by +0.14, or 1.9% YOY. Rates have increased, as tenant demand favored a landlord's market. In comparison, average rates in Class A new construction for warehouse/distribution space increased from \$6.75 to \$9.50 psf to between \$7.25 to \$10.00 psf YOY. Part of the rise in costs was a result of land values rising, coupled with higher expenses for construction.

Amazon had the largest lease transaction in 2018, when it added an 855,000 square foot (sf) fulfillment center to its existing distribution base in Miami-Dade. Companies in logistics, e-commerce, and light manufacturing completed the bulk of lease transactions in Miami-Dade, with 7.0 million square feet (msf) leased in 2018. Year-to-date (YTD) leasing activity was up 6.9% over last year's figures, or higher by 488,100 sf. Airport North, Airport West and Northwest Central Dade saw the most leasing activity, as they remained the top contenders of speedy distribution channels.

The 3.7 msf in positive absorption YTD surpassed each of the annual totals from the last 10 years. Warehouse/distribution saw over 3.5 msf absorbed throughout the year, with most of the activity occurring in the second and third quarters. KLX moved into their 540,000k built-to-suit upon completion, while Amazon moved into their new digs.

Investors' sustained interest in industrial product in Miami-Dade did not waver through 2018. There was a total of 118 buildings sold, with 9.6 msf in transactions throughout the market. This was slightly down by -11.4% versus the YTD total in 2017.

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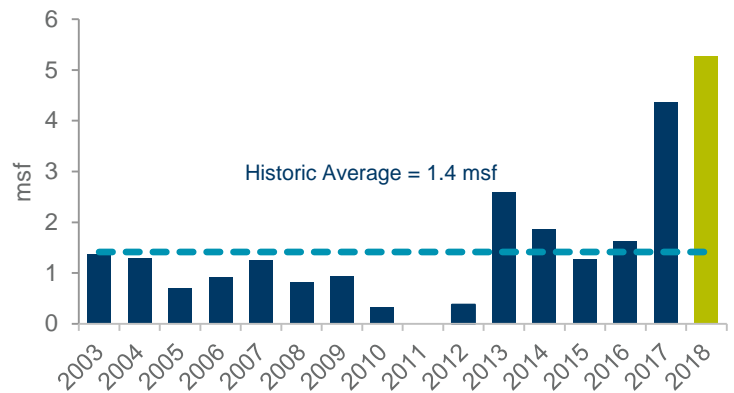
In 2018, there was an all-time record of construction completions, with 5.3 msf that delivered to the market. Speculative construction completions totaled 2.7 msf for the year, with 63.2% of space preleased to tenants prior to delivery. The near-term pipeline for speculative space under construction in the market stood at 2.5 msf at the end of 2018, with an additional 4.4 msf in late-stage planning for future development within the next 18-to-24 months. The Northwest Dade submarket saw the bulk of completions in 2018, with 2.0 msf that delivered this year. A new trend in construction was developers considered raising ceiling heights to 36' and offering trailer spots for anticipated ecommerce use.

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Miami-Dade's booming economy and continued job growth bode well for industrial market fundamentals in 2019. Consumer demand and continued trade will support the industrial market in the foreseeable future. Cushman & Wakefield anticipates a large portion of the new warehouse/distribution space being added will be pre-leased with the remainder providing opportunities for growth for new and expanding tenants.

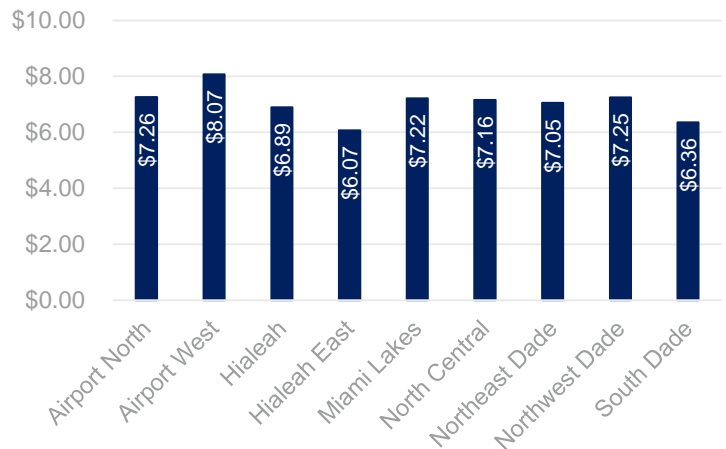
New Supply (msf)

NEW SUPPLY EXCEEDED THE HISTORICAL AVERAGE BY 272.4%



Warehouse/Distribution Asking Rents by Submarket (NNN)

AIRPORT WEST HAS HIGHEST ASKING RENT IN THE MARKET

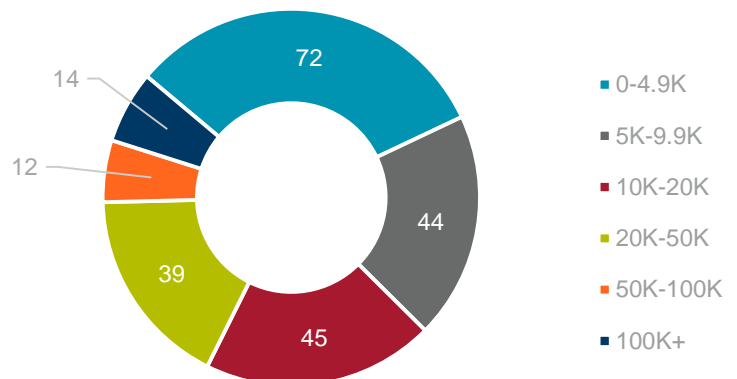


Market Highlights

- Cushman & Wakefield anticipates steady rent hikes and a slight increase in vacancy, as 1.7 msf gets delivered to the market in 2019.
- In the long term, vacancy will level out as the influx of tenants touring the market remains consistent.
- The market will see an increase in redevelopment projects, as a shortage of available land sites persists.

Availability by Size Segment

OVERALL VACANCIES IN ONE SUITE



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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Airport North/Medley	427	34,044,917	621,724	3.8%	505,328	498,424	463,013	N/A	\$12.28	\$7.26
Airport West	692	45,889,883	3,429,965	3.7%	482,773	350,000	948,147	\$9.00	\$11.75	\$8.07
Hialeah	272	8,678,616	318,184	1.4%	241,412	0	383,933	\$7.39	\$8.80	\$6.89
Hialeah East/Downtown	601	26,685,814	1,545,887	4.8%	-146,495	0	0	\$8.39	\$12.84	\$6.07
Miami Lakes	72	5,162,202	218,000	1.6%	204,739	0	0	N/A	\$12.63	\$7.22
North Central Dade	439	28,607,035	2,390,003	3.2%	1,261,778	1,108,566	1,149,098	\$7.35	\$6.01	\$7.16
Northeast Dade	39	1,643,372	0	6.4%	3,815	387,194	357,500	N/A	N/A	\$7.05
Northwest Dade	9	2,887,369	1,062,149	7.3%	1,429,296	252,000	1,970,149	N/A	N/A	\$7.25
South Dade	202	8,085,277	32,950	3.7%	-302,711	0	0	\$8.00	\$11.82	\$6.36
MIAMI-DADE TOTALS	2,753	161,684,485	9,618,862	3.7%	3,679,935	2,596,184	5,271,840	\$8.22	\$11.51	\$7.19

*Rental rates reflect asking \$psf/year **Numbers do not match national report

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

CLASSES	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTORS SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)**	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	2,200	133,318,584	7,175,938	3.9%	3,542,419	2,596,184	6,906,706	4,620,907	\$7.19	\$7.20
Manufacturing	353	18,549,642	1,249,073	1.9%	15,596	0	332,061	467,000	\$8.22	\$8.22
Office Service/Flex	200	9,816,259	1,193,851	5.0%	121,920	0	314,223	183,933	\$11.51	\$12.05

*Does not include Renewals

Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
8501 NW 80 th Street	257,000	Nestle Water North America	New	Airport North
10801 NW 103 rd Street	254,800	Essendant Co.	New	Airport North
NW 137 th Ave and NW 17 th Street	200,000	Dufry	New	Airport West
10205 NW 108 th Avenue	179,672	Crowley Maritime Corp.	New	

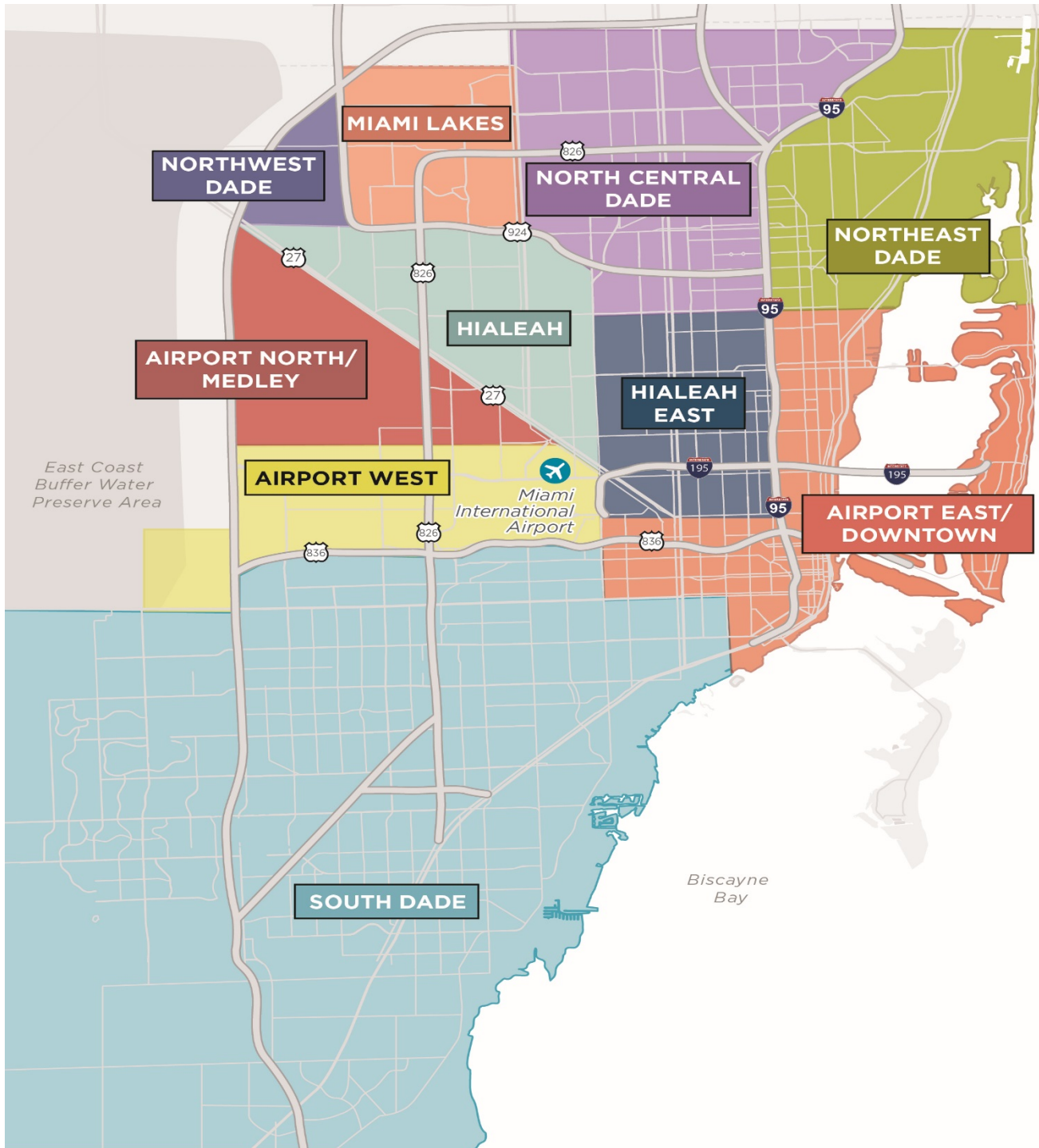
Key Sales Transactions 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Portfolio (Countyline Corporate Park)	1,059,238	Florida East Coast/Duke	\$180,000,000/\$170	Northwest Dade
7000 NW 32 nd Avenue	400,000	Equitable Real Estate/The Oak Brook	\$22,960,000/\$57	Airport East/Downtown
213-215 SE 10 th Avenue	301,983	Terreno Realty/ASB Capital	\$24,300,000/\$80	Hialeah East
7777 Northwest 41 st Street	232,919	Bottling Group/Terra Group	\$40,270,000/\$173	Airport West

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