

Miami-Dade County

Miami's Industrial Market Experiences Robust Leasing Activity and Rising Vacancy Rates Amid New Construction Deliveries

Miami's industrial market continues to outperform other asset classes as the U.S. economy entered into its longest expansion period in history during the third quarter of 2019. Robust population growth, largely fueled by migration from high-tax states in the northeast, as well as the rapid growth of e-commerce continue to propel demand for logistics space near growing population centers. Economic fundamentals held steady as Miami's unemployment rate declined to 3.5% as of August 2019, a 50-basis point (bps) decrease from the year prior. Although leasing activity has been strong throughout 2019, net absorption has slowed in the latter half of 2019 (up by 325,706 sf over the quarter) as speculative space continues to be absorbed into the market. Also, almost all significant leasing activity that took place during the third quarter was dedicated to pre-leasing at buildings currently under construction and will not be included in net absorption until those buildings deliver later this year. Since the beginning of 2018, Miami-Dade County has had 6.8 million sf of speculative development delivered, of which 83% has already been leased. The overall vacancy rate rose to 3.41% during the third quarter, an increase of 64 bps over the trailing 12 months ending September 2019, largely attributable to the delivery of new speculative projects. Average asking rental rates continue to surge higher as demand continuously outpaces supply. As of the third quarter, the average asking rental rate reached \$9.00 per sf for the first time, up \$0.22 from the third quarter of 2018. Bulk distribution rental rates also experienced an increase to \$8.27, up \$0.73 over that same time. Despite global headwinds, Miami-Dade County's industrial market has more runway left for continued growth.



Of the 6.8 million sf of speculative development that has delivered since the beginning of 2018, 83% has already been leased

Industrial Market Snapshot

- During the third quarter of 2019, Florida East Coast Industries proposed building a 1.1 million sf distribution warehouse facility for Home Depot within its Countyline Corporate Park development. The project would have two buildings, one for a market distribution center and one for a flatbed distribution center. There will also be a "cross-dock" design for the buildings.
- After a boom in speculative construction activity in 2018, several speculative developments have been added to the market throughout 2019. During the third quarter of 2019, a total of 1.1 million sf of speculative development delivered with notable completions including Building 8 of Countyline Corporate Park (+241,187sf), Building 9 of the South Florida Logistics Center (+190,850 sf), Building 5 of Gateway Commerce Center (+186,182 sf) and buildings 1 and 2 of Miami Central Commons (+318,043 sf).
- Following a slight lag in investment sales volume during the second quarter of 2019, industrial investment sales surged during the third quarter. Investment sales volume totaled \$1.26 billion for the trailing 12 months ending September 2019, a substantial 18.5% increase over the same time last year. For the third quarter alone, Miami-Dade County industrial investment sales totaled \$462.3 million. Also during the third quarter, Miami-Dade County recorded the largest industrial sale of the year in the state of Florida. RREEF purchased the three-building Centergate at Gratigny industrial park for \$178 million, or \$112 per sf. The largest of the three buildings last traded for \$78 million in 2015, or \$80 per sf.
- While industrial assets continue to attract significant investment interest from institutional investors, nontraditional industrial buyers are now starting to take an interest in the industrial market. A prime example was the recent announcement from Thor Equities, a real estate development, leasing, and management firm that primarily specializes in office, retail, hotel and residential assets, that it would be launching a new division called ThorLogis that will focus exclusively on logistics assets.
- Although there has been some concern surrounding the industrial market regarding a global economic slowdown and escalating trade tensions, Miami-Dade County, and South Florida as a whole, are likely to weather any threats posed by tariffs more easily than other industrial markets due to the region's vigorous population growth and robust port activity.

188.1MSF

Total industrial inventory in the Miami-Dade County market

1,896,801 SF

Direct Y-T-D net absorption as of 3Q-2019

3.41%

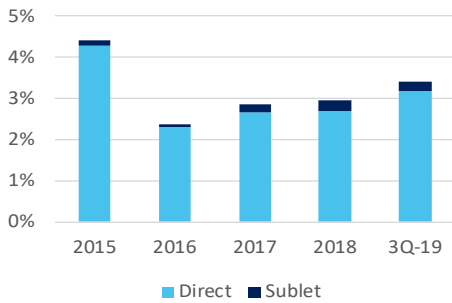
Overall Vacancy

\$9.00/SF/NNN

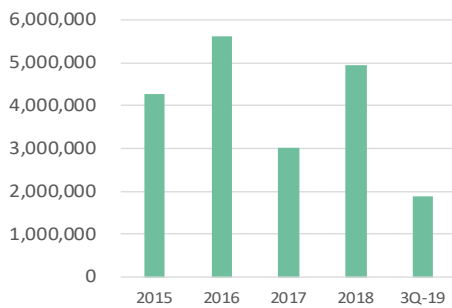
Average rental rate for industrial space (includes flex)

Statistical Snapshot

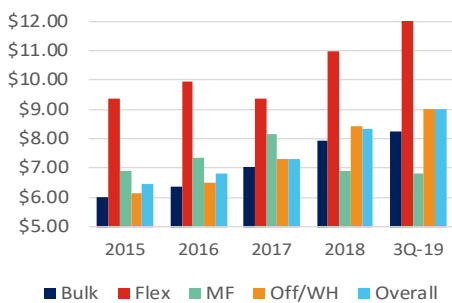
Vacancy Rate



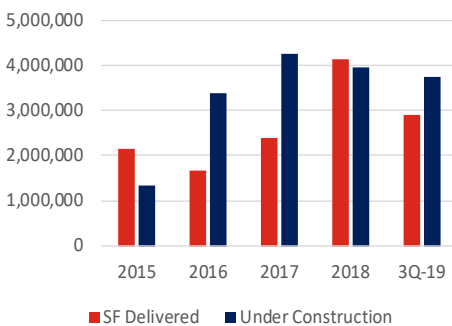
YTD Net Absorption (SF)



Average Asking Rent Rate (\$/SF/NNN)



Construction Pipeline



Miami-Dade County Industrial Market At A Glance

Demographics & Economy



22 Million

State demographers are projecting that Florida's population will surpass 22 million by 2022.

28,500

increase in total non-farm employment since 3Q-2018

4.4%



12-month increase in employment in the construction sector

4.0%
AUG-2018



3.5%
AUG-2019

change in Miami-Dade County's unemployment rate

Development



\$3.5 BILLION

CAPITAL IMPROVEMENT PLAN to be spent over 5 years for all Florida seaports, of which 22.5% will be dedicated to PortMiami

1.5 MSF



expected to be competed in Northeast Dade by the end of 2019



3.7 MSF

square feet of industrial space currently under construction in Miami-Dade County

As land continues to grow scarce, several industrial development projects have emerged in Homestead.



Market Influencers



\$1.26 billion

in total industrial sales volume during the T-12 months ending 3Q19



9.6%

increase in bulk distribution average rental rate over the trailing 12 months ending 3Q-2019

Rising construction costs are leading to fewer construction starts across the South Florida region.



Amazon's recent dedication to a one-day delivery service for Prime members is fueling demand for last-mile logistics space.

Miami-Dade County

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	38,760,551	2,330,226	227,845	\$8.27	93.99%	6.01%	0.59%	6.60%	2,666,897	1,718,062
Flex	16,194,496	674,991	18,121	\$13.47	95.83%	4.17%	0.11%	4.28%	208,800	(177,310)
Manufacturing	22,946,613	594,485	4,000	\$6.81	97.41%	2.59%	0.02%	2.61%	220,000	(468,655)
Warehouse / Distribution	110,185,644	2,383,091	185,254	\$9.00	97.84%	2.16%	0.17%	2.33%	633,626	824,704
Total	188,087,304	5,982,793	435,220	\$9.00	96.82%	3.18%	0.23%	3.41%	3,729,323	1,896,801

Airport West

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	13,220,261	1,182,017	17,385	\$8.80	91.06%	8.94%	0.13%	9.07%	216,780	358,940
Flex	8,453,319	404,897	9,246	\$13.41	95.21%	4.79%	0.11%	4.90%	0	(84,091)
Manufacturing	3,419,124	54,544	0	\$10.00	98.40%	1.60%	0.00%	1.60%	0	(14,045)
Warehouse / Distribution	43,611,520	996,392	151,639	\$9.29	97.72%	2.28%	0.35%	2.63%	0	601,280
Total	68,704,224	2,637,850	178,270	\$9.72	96.16%	3.84%	0.26%	4.10%	216,780	862,084

Central Dade

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Flex	759,809	90,179	3,875	\$17.17	88.13%	11.87%	0.51%	12.38%	0	(63,724)
Manufacturing	1,719,611	12,260	0	\$8.96	99.29%	0.71%	0.00%	0.71%	0	(1,000)
Warehouse / Distribution	6,159,252	56,602	0	\$14.32	99.08%	0.92%	0.00%	0.92%	0	70,628
Total	8,638,672	159,041	3,875	\$15.52	98.16%	1.84%	0.04%	1.89%	0	5,904

Hialeah

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	1,390,873	0	40,000	\$0.00	100.00%	0.00%	2.88%	2.88%	212,760	113,086
Flex	158,755	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	6,457,038	337,780	0	\$6.24	94.77%	5.23%	0.00%	5.23%	0	(337,780)
Warehouse / Distribution	12,381,349	493,001	13,253	\$8.51	96.02%	3.98%	0.11%	4.09%	202,700	(213,762)
Total	20,388,015	830,781	53,253	\$7.59	95.93%	4.07%	0.26%	4.34%	415,460	(438,456)

Kendall

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Flex	2,006,309	60,040	5,000	\$11.89	97.01%	2.99%	0.25%	3.24%	38,000	(16,860)
Manufacturing	751,598	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	21,601
Warehouse / Distribution	5,923,542	104,200	7,862	\$10.30	98.24%	1.76%	0.13%	1.89%	0	(24,635)
Total	8,681,449	164,240	12,862	\$10.88	98.11%	1.89%	0.15%	2.04%	38,000	(19,894)

Medley

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	14,893,873	672,873	157,674	\$7.77	95.48%	4.52%	1.06%	5.58%	199,410	412,676
Flex	653,913	2,973	0	\$14.00	99.55%	0.45%	0.00%	0.45%	170,800	(1,773)
Manufacturing	3,203,935	82,601	4,000	\$7.81	97.42%	2.58%	0.12%	2.70%	220,000	(82,601)
Warehouse / Distribution	11,711,830	197,550	0	\$8.66	98.31%	1.69%	0.00%	1.69%	169,058	361,457
Total	30,463,551	955,997	161,674	\$7.97	96.86%	3.14%	0.53%	3.67%	759,268	689,759

Northwest Dade

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	3,843,838	88,112	12,786	\$7.40	97.71%	2.29%	0.33%	2.62%	596,681	475,860
Flex	1,503,936	44,536	0	\$12.36	97.04%	2.96%	0.00%	2.96%	0	(19,234)
Manufacturing	2,214,580	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	6,908,109	225,209	12,500	\$6.19	96.74%	3.26%	0.18%	3.44%	147,768	(140,769)
Total	14,470,463	357,857	25,286	\$7.26	97.53%	2.47%	0.17%	2.65%	744,449	315,857

Northeast Dade

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	5,131,194	387,224	0	\$7.73	92.45%	7.55%	0.00%	7.55%	1,441,266	357,500
Flex	1,771,752	67,952	0	\$11.22	96.16%	3.84%	0.00%	3.84%	0	803
Manufacturing	4,985,630	107,300	0	\$6.00	97.85%	2.15%	0.00%	2.15%	0	(54,830)
Warehouse / Distribution	20,132,175	295,021	0	\$9.75	98.53%	1.47%	0.00%	1.47%	114,100	170,979
Total	32,020,751	857,497	0	\$8.49	97.32%	2.68%	0.00%	2.68%	1,555,366	474,452

South Dade

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	280,512	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Flex	886,703	4,414	0	\$9.36	99.50%	0.50%	0.00%	0.50%	0	7,569
Manufacturing	195,097	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,357,867	15,116	0	\$8.68	99.55%	0.45%	0.00%	0.45%	0	(474)
Total	4,720,179	19,530	0	\$8.83	99.59%	0.41%	0.00%	0.41%	0	7,095

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

Although vacancy rates have risen over the last 12 months, much of the rise is attributed to new construction deliveries in the latter half of 2019.

Leading Indicators (Y-O-Y 3Q-2018 to 3Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	Total Employment
3.41%	1,896,81 SF	\$9.00	3,729,323 SF	1.38 MM

Significant Third Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Nearly Natural	Countyline Corporate Park - Building 8	New	209,697	Northwest Dade
Preferred Freezer Services	Countyline Corporate Park - Building 9	New	185,731	Northwest Dade
Mr. Greens Produce	Eastview Commerce Center - Building 1	New	157,400	Northeast Dade
Suddath	Countyline Corporate Park - Building 6	New	132,821	Northwest Dade
Landing Gear Technologies	Countyline Corporate Park - Building 7	New	117,509	Northwest Dade
AAR Landing Gear	9301-9401 NW 100th St	Renewal	107,306	Medley
National Molding	14427 NW 60th Ave	Renewal	105,871	Northwest Dade
Advance Tire Wholesale	11801 NW 101st Rd	Renewal	90,000	Medley
DASI	11900-11990 SW 128th St	Renewal	82,174	Kendall

Significant Third Quarter 2019 Sales Transactions - Sorted by Sale Price

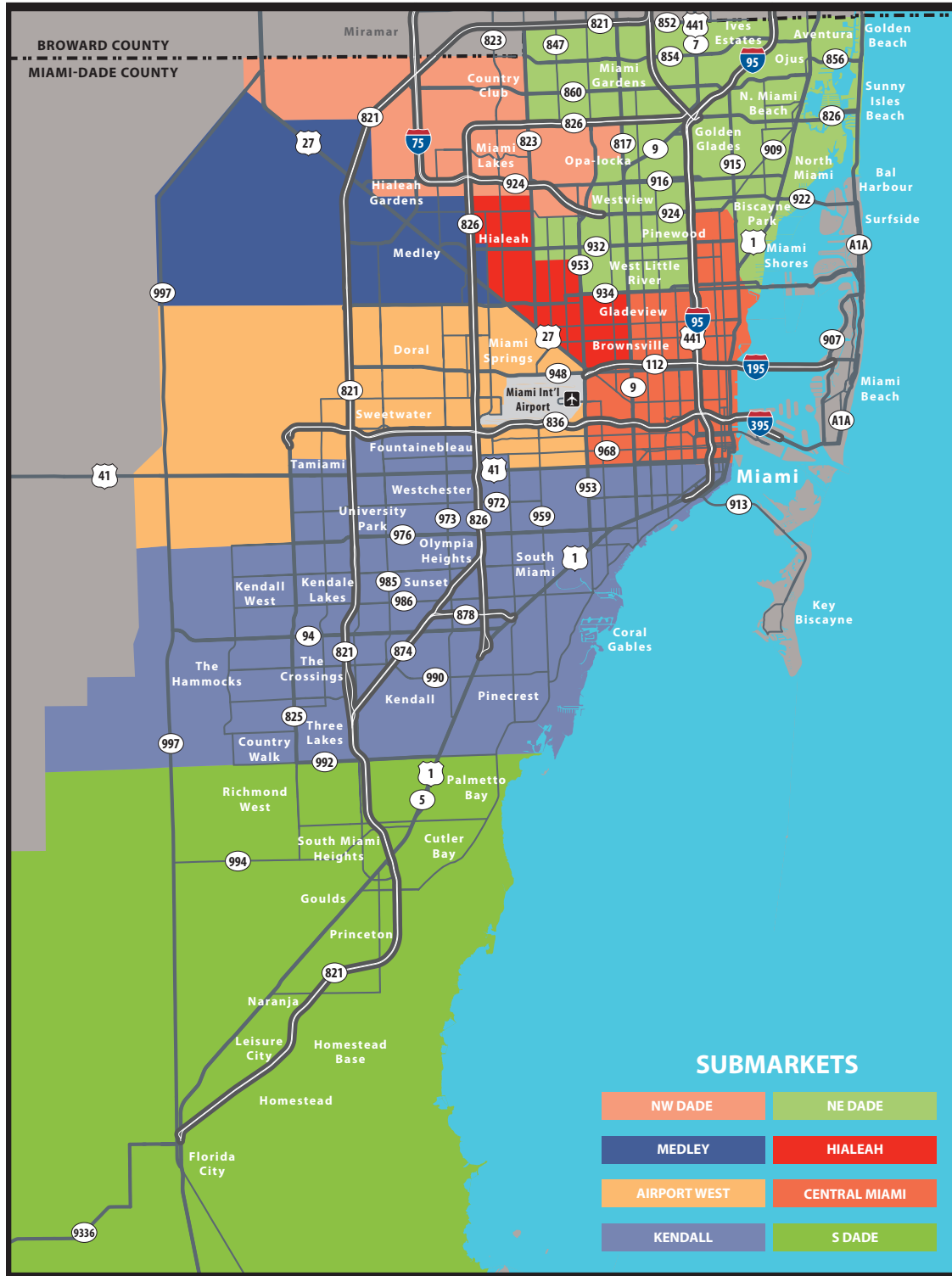
Property	SF	Sale Price	Price/SF	Buyer	Submarket
Centergate at Gratigny	1,580,821	\$177,500,000	\$112	RREEF America	Northeast Dade
Airport Trade Center	367,848	\$56,000,000	\$152	Blackstone Group	Airport West
South Florida Logistics Center - Building 9	190,850	\$32,732,700	\$172	J.P. Morgan Asset Management	Airport West
1400 NW 159th Street	211,436	\$25,000,000	\$118	Longpoint Realty Partners	Northeast Dade
7500 NW 35th Terrace	179,972	\$19,500,000	\$108	Brookfield Asset Management	Airport West



South Florida Logistics Center - Building 9

Final Building at the South Florida Logistics Center Sold for \$32.7MM

During the third quarter of 2019, Florida East Coast Industries (FECI) and its subsidiary, Flagler Global Logistics, sold the recently completed final building of the South Florida Logistics Center to J.P. Morgan Asset Management for \$32.7 million, or \$172 per sf. FECI originally sold the first five buildings of the park to J.P. Morgan back in 2015 for \$209.2 million and signed an agreement to sell the additional four buildings to the group upon construction completion. Now that all nine buildings have been sold at the park, the total transaction value is \$295.2 million.



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