

MARKET REPORT

INDUSTRIAL

Miami-Dade Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2H/19

Tight Supply Dynamics and Broad-Based Demand Encourage Investment in Miami's Industrial Sector

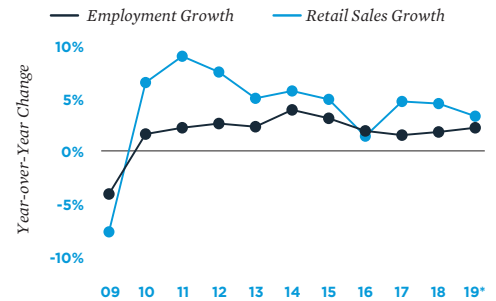
E-commerce and 3PL providers driving demand for logistics space, pushing rents higher. Miami-Dade's industrial sector enters 2020 on a solid foundation with no signs of slowing as strong in-migration trends and robust job growth contribute to a healthy economy and stable consumption. E-commerce has steadily become a more significant factor in the sector, spurring demand for logistics space while also fueling the need for urban infill properties as retailers work to keep pace with rapid delivery demands in a constrained market. Home Depot, Amazon and third-party logistics providers such as UPS and Freight Logistics International inked new leases recently in order to expand their distribution networks, focusing on new Class A space in Miami Gardens, Hialeah, Medley and the Miami Airport area. Exceptional space demand and land restrictions led logistics space to rent for \$12 per square foot on average in the second quarter, motivating developers to grow the pipeline with warehouse and distribution facilities on remaining vacant lots on the western edge of the county. Just over 3.7 million square feet is underway in Miami-Dade, headlined by the Bridge Point Commerce center in Miami Gardens where the first phase will deliver more than 1.1 million square feet this year.

Strength of the industrial sector boosts liquidity across the market as investors deploy capital. Strong property metrics and a healthy long-term outlook has kept private and institutional groups active in the search for yield. Buyers have concentrated on the Miami Airport submarket where the average cap rate sits in the low-7 percent band and placed greater focus on North Miami Beach as of recent, where first year yields fall closer to 5 percent. On a marketwide basis, the average industrial cap rate over the past 12 months rested in the low-6 percent territory, driven lower by strong pricing increases in recent years. The average price climbed 6.9 percent year over year in June to \$169 per square foot. Elevated investor perceptions and stable tenant demand will keep buyers active through the rest of the year.

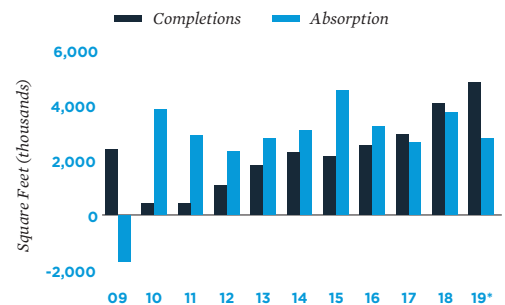
2019 Market Forecast

- Employment** up 2.2%
Employers will add 26,000 workers to company payrolls this year, an increase from the 1.8 percent pace of expansion posted in 2018.
- Construction** 4.8 million sq. ft.
Exceptional demand pushes supply growth to its highest level in more than a decade with 4.8 million square feet scheduled for delivery, up by more than 700,000 square feet from last year.
- Vacancy** up 90 bps
A strong year for deliveries outpaces net absorption of more than 2 million square feet, bringing the market vacancy rate up to 4.7 percent this year. One year ago the rate rose 10 basis points.
- Rent** down 1.9%
The average asking rent falls to \$10.75 per square foot this year amid greater supply availability, reversing the 1.9 percent increase posted last year.
- Investment**
Redevelopment of outdated industrial buildings to other asset classes will keep competition elevated for modern and functional space in submarkets such as Hialeah, Medley and Doral.

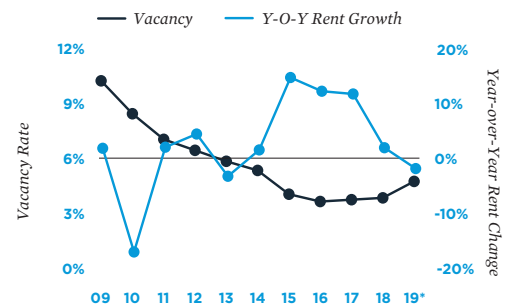
Employment vs. Retail Sales Trends



Industrial Completions



Asking Rent and Vacancy Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; Moody's Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of September 2019. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and industrial data are made during the third quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.