



Presents

# The 2012 Industrial Market Report



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The CIASF would like to thank the following CIASF members and others for their contribution to this project.

**Debbie Colangelo**  
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Graphic Artist/Designer

**Chris Spear**  
ComReal Miami

## Summary

- The overall industrial market in the South Florida area is reported to be stronger than other US markets as a result of international trade. However, Miami-Dade is a divided county with strong demand for newer high quality properties and weak to no demand for older functionally obsolete buildings in all markets. New construction is expected in the stronger industrial markets.
- The economic strength of Latin America is holding up and South Florida as the center of commerce for worldwide trade is experiencing an increase in imports and exports though the Port of Miami and Miami International Airport. Retail/Office/Residential markets are still weak because of ties to the more local economy.
- Tenants with a positive future outlook are trying to lock in favorable rates for longer terms. On the negative side there are few new tenants moving into this area. Existing businesses continue to upgrade to better space when it is available at favorable rates. Some tenants are becoming energy conscious, seeking more efficient buildings with requests for T5 (high efficiency) lighting.

Institutional Grade (Class A) properties are being purchased for low cap rates while lower quality buildings are seeing much higher vacancy and capitalization rates. Older buildings are having issues with life safety/building codes, and the cost to remedy is not economically justified rendering them un-useable.

- Financing continues to be a major issue, with most single-tenant buildings being purchased by owner/users with cash or Small Business Administration loans. Larger multi-tenant buildings are being purchased by investment funds. Commercial foreclosures, short sales, and mortgage note sales (especially for Institutional/Sophisticated buyers) are expected to increase.

## Purpose of The Commercial Industrial Association of South Florida

The Commercial Industrial Association of South Florida Inc., "CIASF" is a non-profit organization of business leaders involved in the development, design, construction, sales, and leasing of Industrial and Commercial Real Estate in South Florida.

For information about membership or sponsoring an event call  
CIASF Executive Director Gail Ackermann at:

Commercial Industrial Association of South Florida  
11098 Marin Street, Coral Gables, FL 33156  
Phone: 305-667-7113 - Fax: 305-667-7116  
info@ciASF.com | www.ciASF.com

# 2012 Market Trends

2011

2010

2009

2008

2007

## Supply of Industrial Space in SF

North	30,799,000	30,766,000	30,760,000	30,760,000
NW/Medley	31,252,000	30,593,000	29,564,000	29,488,000
Hialeah	23,154,000	23,154,000	23,005,000	22,937,000
Central	22,760,000	22,754,000	22,747,000	22,747,000
Airport West	51,450,000	50,846,000	50,734,000	50,678,000
Bird/Tamiami	8,969,000	8,952,000	8,877,000	8,811,000
South	6,929,000	6,920,000	6,872,000	6,872,000
Totals	175,313,000	173,985,000	172,559,000	172,293,000

Based on information from the Miami-Dade County Property Appraiser's Office, the supply and distribution of industrial space was tabulated in square feet for each region for the years 2007, 2008, 2009, 2010.

## Annual Increase in Industrial Space in SF

North	33,000	6,000	0	159,000
NW/Medley	659,000	1,029,000	76,000	832,000
Hialeah	0	149,000	68,000	59,000
Central	6,000	7,000	0	0
Airport West	604,000	112,000	56,000	497,000
Bird/Tamiami	17,000	75,000	66,000	414,000
South	9,000	48,000	0	99,000
Totals	1,328,000	1,426,000	266,000	2,060,000

Based on information from the Miami-Dade County Property Appraiser's Office, annual increase of industrial space was tabulated in square feet for each region for the years 2007, 2008, 2009, 2010.

## Industrial Employment as of November

Manufacturing	33,900	35,000	40,800	45,300	46,800
Trucking & Warehousing	58,800	57,100	59,500	61,500	61,200
Wholesale Trading	68,800	69,800	74,700	75,800	77,100
Totals	161,500	161,900	175,000	182,600	185,100

Source: Florida Department of Labor Current Employment Statistics Program. www.labormarketinfo.com

## Total Freight

Miami Intl' Airport(tons)	1,750,140*	1,997,000	1,627,000	2,028,000	2,038,000
Port of Miami(tons)	8,221,756*	7,389,000	6,788,000	7,392,000	7,835,131
TEUs	906,607*	847,250	807,000	833,000	890,355

\* projections based on most current data

## Market Activity

### Warehouse Market Sales Transaction History - Over 10,000 SF

Year	# Sales	Total SF	Avg SF	Total Sales	Avg \$/SF
2011	79	2,877,551	36,425	\$158,213,694	\$55
2010	100	2,372,135	23,721	\$130,684,800	\$55
2009	74	1,571,300	21,234	\$108,328,400	\$69
2008	74	3,408,100	46,055	\$243,147,000	\$71
2007	144	5,711,900	39,666	\$485,599,800	\$85
2006	137	9,417,700	68,742	\$667,917,600	\$71

### Industrial Sales - Nov 2011 - Over 10,000 SF

REGION	NUMBER OF SALES	TOTAL SF	AVERAGE BUILDING SF	TOTAL SALE PRICE	AVERAGE YEAR BLT	AVERAGE \$/SF
NORTH	17	490,215	28,836	\$23,751,589	1974	\$48.45
NORTHWEST	7	365,274	52,182	\$23,665,200	1983	\$64.79
HIALEAH	19	804,204	42,327	\$28,916,670	1970	\$35.96
CENTRAL	12	343,924	28,660	\$12,415,000	1953	\$36.10
AIRPORT	19	795,877	41,888	\$62,280,235	1985	\$78.25
BIRD	5	78,057	15,611	\$7,185,000	1982	\$92.05
SOUTH	0	-	-	\$0		
<b>TOTAL</b>	<b>79</b>	<b>2,877,551</b>	<b>36,425</b>	<b>\$158,213,694</b>	<b>1975</b>	<b>\$54.98</b>

### Industrial Condo Sales - Nov 2011

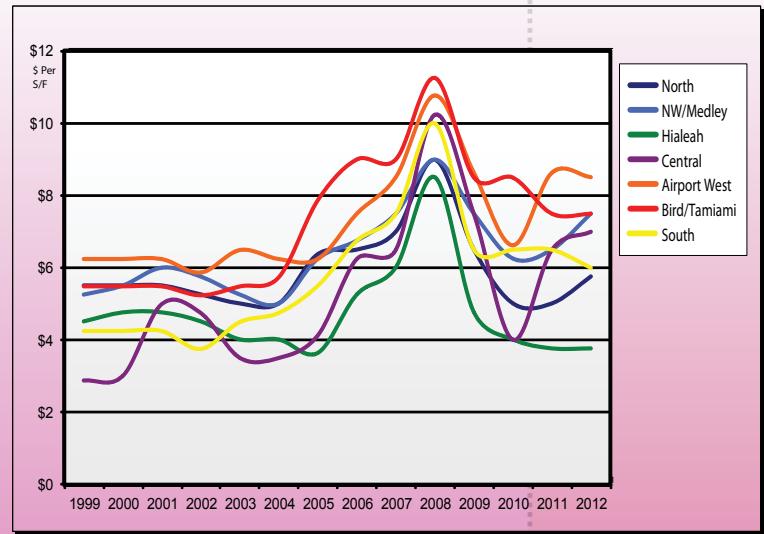
REGION	NUMBER OF SALES	TOTAL SF	AVERAGE BUILDING SF	TOTAL SALE PRICE	AVERAGE YEAR BLT	AVERAGE \$/SF
NORTH	47	110,124	2,343	\$8,624,591	1990	\$78.32
NORTHWEST	43	90,892	2,114	\$7,711,450	1994	\$84.84
HIALEAH	53	98,989	1,868	\$5,505,600	1986	\$55.62
CENTRAL	2	2,305	1,153	\$213,000	1987	\$92.41
AIRPORT	62	239,435	3,862	\$24,763,730	1991	\$103.43
BIRD	101	152,346	1,508	\$15,373,701	1995	\$100.91
SOUTH	12	15,354	1,280	\$988,000	1992	\$64.35
<b>TOTALS</b>	<b>320</b>	<b>709,445</b>	<b>2,217</b>	<b>\$63,180,072</b>	<b>1991</b>	<b>\$89.06</b>

### Condo Market Sales Transaction History

Year	# Sales	Total SF	Avg SF	Total Sales	Avg \$/SF
2011	320	709,445	2,220	\$63,180,072	\$89
2010	150	297,600	1,980	\$31,352,000	\$105
2009	165	411,021	2,490	\$50,382,200	\$123
2008	187	467,410	2,500	\$67,765,100	\$145
2007	349	726,193	2,080	\$107,900,500	\$149
2006	505	1,048,100	2,080	\$141,974,900	\$135

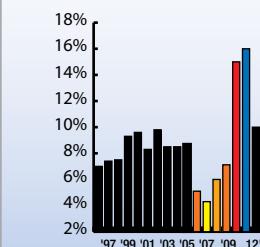
# Chart Data

## Rental Rates Per SF by Region

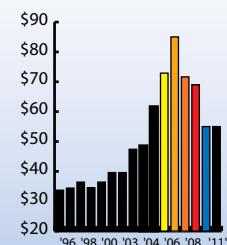


## Miami-Dade County Trends

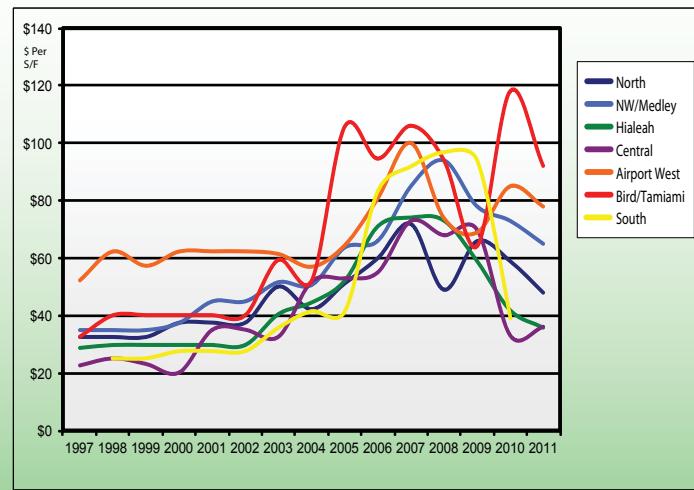
### Average Vacancy Rate (%)



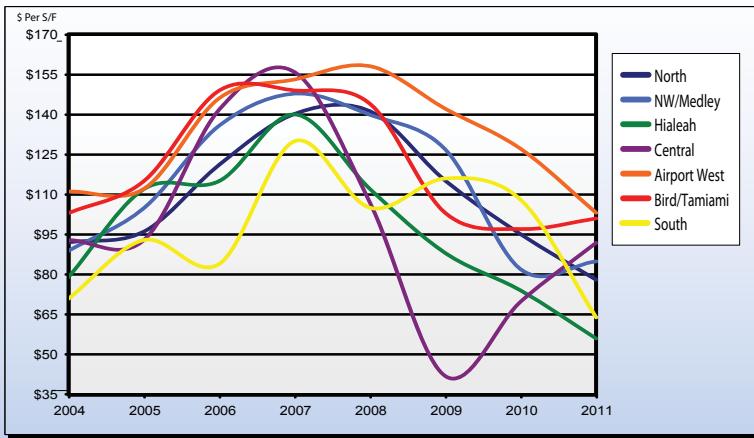
### Average Sales Prices \$/SF



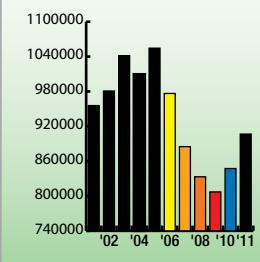
## Sales Prices Per SF by Region



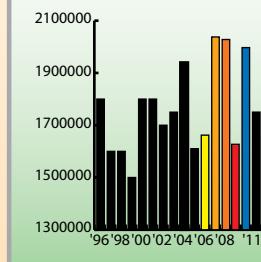
## Condo Sales Prices Per SF by Region



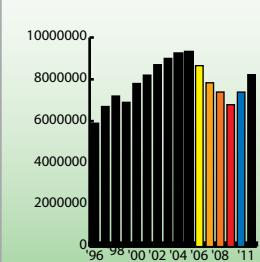
### Port of Miami Total Freight(TEU's)



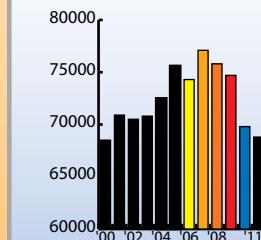
### Miami Int. Airport Total Freight(Tons)



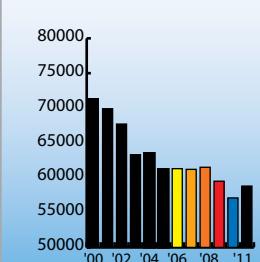
### Port of Miami Total Freight(Tons)



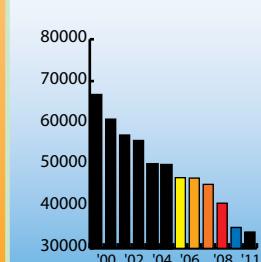
### Wholesale Trading Employment



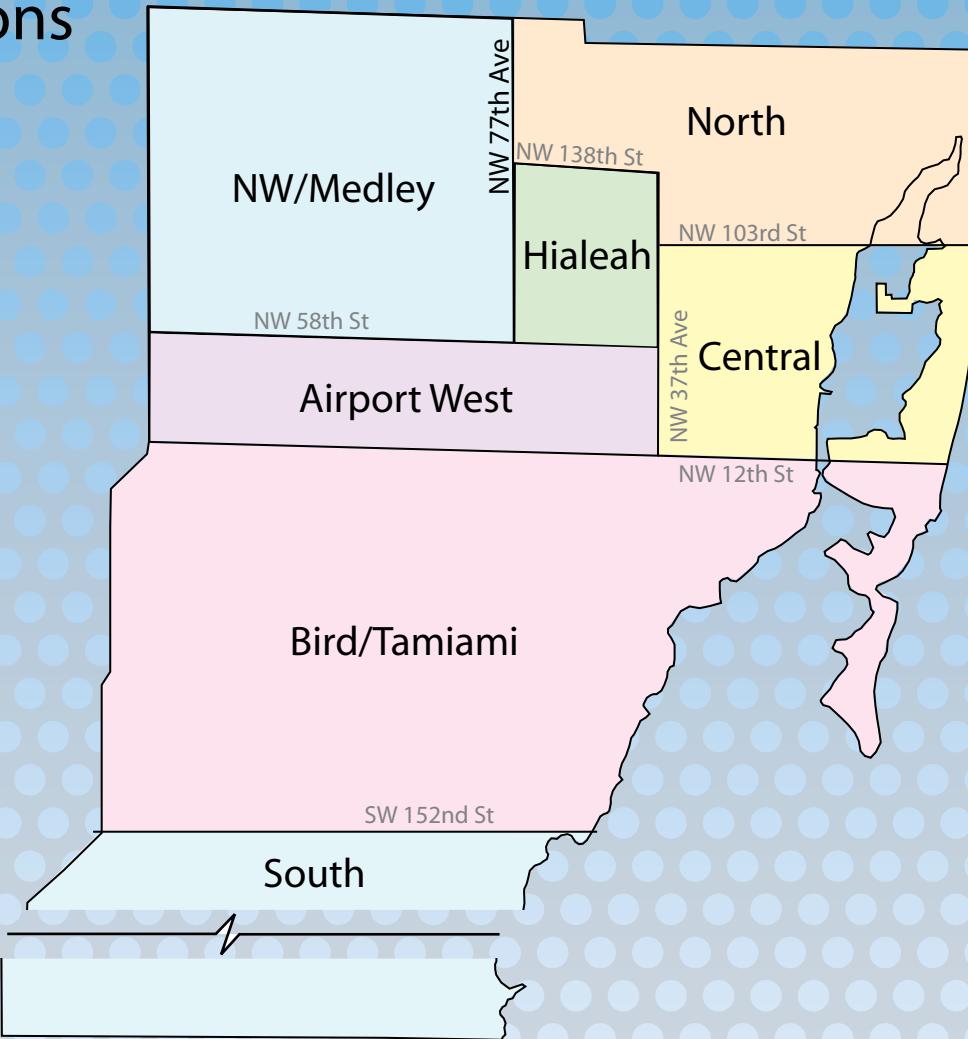
### Trucking & Warehousing Employment



### Manufacturing Employment



# Map Of Regions



## Airport West

*NW 58th Street to NW 12th Street, between NW 37th Avenue and Miami-Dade/Collier County line.*

### SALES MARKET - OVER 10,000 SF

	NUMBER OF BUILDINGS SOLD	TOTAL SF	AVERAGE BUILDING SF	TOTAL SALES	AVERAGE \$/SF
2012					
2011	19	795,877	41,900	\$62,280,235	\$78
2010	21	545,442	26,000	\$46,471,000	\$85
2009	15	414,388	27,600	\$28,549,000	\$69

### RENTAL MARKET

	NO OF AVAILABLE BUILDINGS	TOTAL SF	AVERAGE BUILDING SF	RENTAL RATE/SF	VACANCY RATE
2012	224	7,492,701	33,450	\$7.50-\$9.50	7%-9%
2011	333	8,578,600	25,762	\$7.50-\$9.50	8%-10%
2010	143	5,493,701	38,417	\$6.00-\$7.50	9%-11%
2009	144	5,319,153	36,939	\$7.50-\$9.75	9%

### CONDO MARKET

	CONDOS UNITS SOLD	TOTAL SF	AVERAGE UNIT SF	TOTAL SALES	AVG. PRICE PER SF
2011	62	239,435	3,862	\$24,763,730	\$103
2010	39	113,891	2,920	\$14,503,000	\$127
2009	51	188,891	3,704	\$26,777,100	\$142
2008	40	179,996	4,500	\$28,468,900	\$158

This region has a mixture of single and multi-tenant dock-height buildings designed for cargo distribution to the airport and seaport. In addition, because of its central location it is popular as a corporate headquarters for multi-nationals, third party logistic companies and industrial users requiring more office space. Buildings in this region are typically newer with higher land/building ratios and more tenant amenities.

### Rental Highlights:

- Actual: 2000 NW 97 Avenue, 25,000 SF, 2,500 SF office, 70-month term, 3% escalations, 3 months free rent, turn-key, \$8.60/SF (Gross)
- Actual: 3505 NW 107 Avenue, 50,000 SF, 5,000 SF office, 74-month term, 3% escalations, 6 months free rent, turn-key, \$7.50/SF (Gross)
- Listing: 4185 NW 77 Avenue, 43,260 SF, Built in 1972, at \$7.75/SF (Gross)
- Listing: 2200 NW 110 Avenue, 34,237 SF, Built in 2000, at \$8.25/SF (Gross)

# Regional Data

## Central

*NW 103rd Street to NW 12th Street, between NW 37th Avenue and Miami Beach.*

SALES MARKET - OVER 10,000 SF				
	NUMBER OF BUILDINGS SOLD	TOTAL SF	AVERAGE BUILDING SF	TOTAL SALES
2012				
2011	12	343,924	28,700	\$12,415,000
2010	20	719,605	36,000	\$23,557,000
2009	22	169,254	7,700	\$11,807,000

RENTAL MARKET				
	NO OF AVAILABLE BUILDINGS	TOTAL SF	AVERAGE BUILDING SF	RENTAL RATE/SF
2012	93	1,683,958	18,107	\$2.00-\$12.00
2011	229	4,256,962	18,589	\$3.00-\$10.00
2010	96	3,438,899	35,822	\$3.00-\$5.00
2009	54	1,021,631	18,919	\$6.50-\$8.50

CONDO MARKET				
	CONDOS UNITS SOLD	TOTAL SF	AVERAGE UNIT SF	TOTAL SALES
2011	2	2,305	1,153	\$213,000
2010	1	1,144	1,144	\$80,000
2009	1	2,458	2,458	\$102,000
2008	2	1,459	730	\$313,000

The Central Region is divided between those properties located on the east side of I-95 (Wynwood-Design District) and those on the west side. The smaller industrial buildings on the east side of I-95 are being converted to retail/commercial uses, such as art galleries, show rooms and studios. The properties on the west side of I-95 are older, larger and being used for more industrial type uses. The results are a wide range of rental rates, vacancies and market prices reported in the Central Regional Data.

### Rental Highlights:

- Actual: 1789 NW 22 Street, 5,000 SF, Built in 1981, 24-month term, 3% escalations, no concessions, As Is, \$7.20/SF (Gross)
- Actual: 525 NW 29 Street, 4,660 SF, Built in 1952, 24-month term, 3% escalations, no concessions, new HVAC, \$8.40/SF (Gross)
- Listing: 5575 NW 36 Avenue, 18,112 SF, Built in 1957, at \$3.75/SF (Gross)
- Listing: 5959 NW 35 Avenue, 55,415 SF, Built in 1961, at \$3.50/SF (Gross)

## NW/Medley

*Miami-Dade/Broward County line to NW 58th Street, between NW 77th Avenue and Miami-Dade/Collier County line.*

SALES MARKET - OVER 10,000 SF				
	NUMBER OF BUILDINGS SOLD	TOTAL SF	AVERAGE BUILDING SF	AVERAGE \$/SF
2012				
2011	7	365,274	52,200	\$23,665,200
2010	14	217,769	15,600	\$15,805,000
2009	8	288,925	36,100	\$22,480,000

Larger multi-tenant, dock-high and street level distribution and manufacturing buildings. Major industrial parks include Flagler Station, Lakeview Industrial Center, Medley International Business Park West, Medley International Business Park East, Miami International Logistics Park, Medley Commerce Center, Lincoln Logistics Park, North River Commerce Center and Medley Palms. This area continues to serve as a distribution hub for the tri-county area.

### Rental Highlights:

- Actual: 10051 NW 99 Avenue, 59,000 SF, 8,400 SF office, 120-month term, 3% escalations, 6 months free rent, \$6.00/SF tenant improvements, \$6.15/SF (Gross)
- Actual: 10205 NW 108 Avenue, 123,448 SF, 10,000 SF office, 84-month term, 3% escalations, 7 months free rent, \$8.00/SF tenant improvements, \$5.90/SF (Gross)
- Listing: 8285 NW 70 Street, 53,000 SF, Built 1983, at \$7.75/SF (Gross)
- Listing: 9202 NW 101 Street, 30,000 SF, Built in 1985, at \$6.50/SF (Gross)

RENTAL MARKET				
	NO OF AVAILABLE BUILDINGS	TOTAL SF	AVERAGE BUILDING SF	RENTAL RATE/SF
2012	110	2,400,189	21,820	\$6.00-\$9.00
2011	245	4,008,559	16,361	\$4.00-\$9.00
2010	113	3,913,424	34,632	\$5.00-\$7.50
2009	61	2,865,838	46,981	\$6.00-\$9.00

CONDO MARKET				
	CONDOS UNITS SOLD	TOTAL SF	AVERAGE UNIT SF	TOTAL SALES
2011	43	90,892	2,114	\$7,711,450
2010	11	23,103	2,100	\$1,899,800
2009	34	104,700	3,079	\$11,664,000
2008	44	110,996	2,523	\$15,556,300

# Regional Data

## North

*Miami-Dade/Broward County line to NW 138th Street, east of NW 77th Avenue; and from NW 138th Street, to NW 103rd Street, east of NW 37th Avenue.*

SALES MARKET - OVER 10,000 SF				
NUMBER OF BUILDINGS SOLD	TOTAL SF	AVERAGE BUILDING SF	TOTAL SALES	AVERAGE \$/SF
2012				
2011	17	490,215	28,800	\$23,751,589
2010	19	408,446	21,500	\$23,916,000
2009	7	134,631	19,200	\$8,836,000

RENTAL MARKET				
NO OF AVAILABLE BUILDINGS	TOTAL SF	AVERAGE BUILDING SF	RENTAL RATE/SF	VACANCY RATE
2012				
2011	86	3,341,383	38,853	\$5.00-\$6.50
2010	192	5,366,962	27,953	\$3.50-\$6.50
2009	123	4,722,809	38,397	\$4.00-\$6.00
	100	3,822,858	38,229	\$5.00-\$8.00

CONDO MARKET				
CONDO UNITS SOLD	TOTAL SF	AVERAGE UNIT SF	TOTAL SALES	AVG. PRICE SF
2011				
2010	47	110,124	2,343	\$8,624,591
2009	11	29,740	2,704	\$2,833,000
2008	7	17,098	2,443	\$1,961,000
	14	27,351	1,954	\$3,846,000

Larger single and multi-tenant, dock-high, storage and manufacturing buildings. Major industrial parks include Ave Aviation and Commerce Park, Miami Lakes, Palmetto Lakes, Sunshine State, Seaboard Industrial and Gratigny Central.

### Rental Highlights:

- Actual: 3595 NW 125 Street, 66,741 SF, 1,300 SF office, 56-month term, 3% escalations, 6 months free rent, \$4.50/SF tenant improvements, \$6.00/SF (Gross)
- Actual: 5960 Miami Lakes Drive, 106,000 SF, 15,000 SF office, 36-month term, 3% escalations, 2 months free rent, \$0.25/SF tenant improvements, \$6.75/SF (Gross)
- Listing: 5275 NW 163 Street, 34,000 SF, Built 1969, at \$7.00/SF (Gross)
- Listing: 16111 NW 13 Avenue, 76,000 SF, Built in 1965, at \$5.95/SF (Gross)

## Hialeah

*NW 138th Street to NW 58th Street, between NW 37th Avenue and NW 77th Avenue.*

SALES MARKET - OVER 10,000 SF				
NUMBER OF BUILDINGS SOLD	TOTAL SF	AVERAGE BUILDING SF	TOTAL SALES	AVERAGE \$/SF
2012				
2011	19	804,204	42,300	\$28,916,670
2010	23	457,435	19,900	\$19,330,000
2009	15	408,222	27,200	\$23,955,000

RENTAL MARKET				
NO OF AVAILABLE BUILDINGS	TOTAL SF	AVERAGE BUILDING SF	RENTAL RATE/SF	VACANCY RATE
2012				
2011	69	1,656,916	24,013	\$3.00-\$4.50
2010	244	4,381,731	17,958	\$3.00-\$4.50
2009	167	4,282,504	25,644	\$3.00-\$5.00
	91	3,703,431	40,697	\$4.00-\$5.50

CONDO MARKET				
CONDO UNITS SOLD	TOTAL SF	AVERAGE UNIT SF	TOTAL SALES	AVG. PRICE SF
2011				
2010	53	98,989	1,868	\$5,505,600
2009	8	23,959	2,995	\$1,762,000
2008	9	19,747	2,194	\$1,734,000
	14	34,964	2,497	\$3,914,800

This market consists of two separate market products. There is one market of older smaller street level manufacturing buildings, some of which are fully air-conditioned, have lower ceiling heights, minimal power and/or lack sewer.. These are typically occupied by small owner/users. The rental rates and demand for these buildings is stronger. The other market consists older (40 years or more) large buildings with minimal improvements. This market is weak with higher vacancies, and lower rents.

Therefore, in the Regional Data for Hialeah there is a very large range of rental rates, vacancies and market prices.

### Rental Highlights:

- Actual: 215 SE 10 Avenue, 301,983 SF, 23,328 SF office, 141-month term, 3% escalations, 9 months free rent, nominal tenant improvements, \$3.50/SF (Gross)
- Actual: 6301 East 10 Avenue, 474,680 SF, 31,212 SF office, 180-month term, 3% escalations, 2 months free rent, \$10.00/SF tenant improvements, \$6.30/SF (Gross)
- Listing: 651 West 20 Street, 72,183 SF, Built 1962, at \$3.50/SF (Gross)
- Listing: 13015 NW 45 Avenue, 34,250 SF, Built in 1972, at \$7.50/SF (Gross)

# Regional Data

## Bird/Tamiami

*NW 12th Street to SW 152nd Street, between Miami Beach and Miami-Dade/Collier County line.*

### SALES MARKET - OVER 10,000 SF

	NUMBER OF BUILDINGS SOLD	TOTAL SF	AVERAGE BUILDING SF	TOTAL SALES	AVERAGE \$/SF
2012					
2011	5	78,057	15,600	\$7,185,000	\$92
2010	2	8,696	4,300	\$1,025,000	\$118
2009	4	63,065	15,800	\$4,021,000	\$64

This region is almost two distinct markets. The northern portion contains properties used for marketing, servicing and distribution of goods to the local market. This sub-region (Bird Road District) is between SW 40th Street and SW 56th Street, east of State Road 826. This sub-region is experiencing low vacancy, high rental rates and high sales prices.

The southern portion contains a large number of small properties used by tradesmen, service providers and small business owners. This sub-region (Tamiami Airport District) is between SW 88th Street and SW 152nd Street, west of SW 117th Avenue. This sub-region is experiencing high vacancy, low rental rates and declining sales prices.

### Rental Highlights:

- Listing: 4300 SW 73 Avenue, 5,100 SF, Built 1967, at \$7.00/SF (Gross)
- Listing: 8835 SW 129 Street, 6,050 SF, Built in 1970, at \$5.95/SF (Gross)
- Listing: 12309 SW 131 Avenue, 10,000 SF, Built in 1982, at \$7.80/SF (Gross)

### RENTAL MARKET

	NO OF AVAILABLE BUILDINGS	TOTAL SF	AVERAGE BUILDING SF	RENTAL RATE/SF	VACANCY RATE
2012	85	705,465	8,300	\$6.00-\$9.00	5%-25%
2011	125	1,215,908	9,727	\$6.50-\$8.50	6%-9%
2010	42	652,949	15,546	\$7.00-\$10.00	6%-8%
2009	18	245,849	13,658	\$7.00-\$10.00	3%

### CONDO MARKET

	CONDOS UNITS SOLD	TOTAL SF	AVERAGE UNIT SF	TOTAL SALES	AVG. PRICE PER SF
2011	101	152,346	1,508	\$15,373,701	\$101
2010	78	103,149	1,322	\$9,993,900	\$97
2009	56	68,969	1,232	\$7,086,600	\$103
2008	68	103,420	1,521	\$14,848,400	\$144

## South

*SW 152nd Street to Miami-Dade/Monroe County line, between Biscayne Bay and Miami-Dade/Collier County line.*

### SALES MARKET - OVER 10,000 SF

	NUMBER OF BUILDINGS SOLD	TOTAL SF	AVERAGE BUILDING SF	TOTAL SALES	AVERAGE \$/SF
2012					
2011	0				
2010	1	14,742	14,700	\$580,000	\$39
2009	3	92,808	30,900	\$8,680,000	\$94

Small, multi-tenant street level warehouses generally used for manufacturing, repair and small businesses. This region is not a significant factor in Miami-Dade's overall industrial market. The demand for space continues to be weak with moderate levels of vacancy, occupancy and sales prices.

### Rental Highlights:

- Listing: 10776 SW 190 Street, 12,000 SF, Built 1987, at \$6.50/SF (Gross)
- Listing: 1300 NW 4 Street (Homestead), 22,000 SF, Built in 1977, at \$6.10/SF (Gross)
- Listing: 30 SW 12 Street (Florida City), 10,300 SF, Built in 1980, at \$8.50/SF (Gross)

### RENTAL MARKET

	NO OF AVAILABLE BUILDINGS	TOTAL SF	AVERAGE BUILDING SF	RENTAL RATE/SF	VACANCY RATE
2012	35	271,476	7,756	\$4.00-\$8.00	10%-20%
2011	60	806,507	13,442	\$5.00-\$8.00	8%-12%
2010	9	139,178	15,464	\$5.00-\$8.00	4%-6%
2009	8	99,977	12,497	\$5.00-\$8.00	5%

### CONDO MARKET

	CONDOS UNITS SOLD	TOTAL SF	AVERAGE UNIT SF	TOTAL SALES	AVG. PRICE PER SF
2011	12	15,354	1,280	\$988,000	\$64
2010	2	2,600	1,300	\$280,000	\$108
2009	7	9,158	1,308	\$1,057,500	\$115
2008	5	7,767	1,553	\$817,700	\$105

# Historical Findings of the Industrial Market Report

## 2011

- Industrial and warehouse users are moving from eastern to western Miami-Dade. This movement is due to better quality (newer) properties available at the same rates as older properties. These institutional grade industrial properties are in demand as the Miami-Dade market has the benefits of the Port of Miami, Miami International Airport and major expressway systems.
- Companies with vision for the future are securing longer term leases at the current favorable low rates.
- Miami is a worldwide (not just Latin American) trading hub with a majority of all US imported perishables passing through the Seaport and Airport. The completion of the railroad connection between the Port of Miami and Flagler Logistics Park on the west side of the Airport will further enhance Miami-Dade as a cargo destination.
- Financing is still a major issue for purchases and most are being done by owner/users acquiring Small Business Administration financing. In addition, commercial foreclosures, short sales, and mortgage note sales are occurring, but are not getting as much media attention as residential transactions.

## 2010

- First year rental rates have declined from the mid \$7.00/SF to as low as \$3.50/SF on a gross basis. Some industrial property owners in larger buildings are renting for \$1.00/SF plus all expenses (NNN) for the first year of a three year lease. This trend of declining rents will continue until the existing supply of space declines. Existing tenants are requesting rent rate reductions, abatement of rent or other concessions in exchange for longer term leases. Property owners are reviewing these requests on a case by case basis.
- Vacancy rates should continue to increase from 13% and could rise to as high as 18% as a result of no new companies moving into this market. Existing companies are relocating from older less efficient buildings to newer buildings taking advantage of the lower rental rates in newer buildings with better access, parking and loading areas. This is forcing properties with functional problems to become even more rate competitive.
- The major issues facing commercial property owners are the burden of additional governmental regulation and enforcement. Property owners are being forced to install expensive wired fire alarm systems and re-inspection for code compliance whenever a tenant applies for an occupational license.
- The encouraging news in cargo compared to other US Customs districts is that Miami's decline of 15% in trade from June 2008 to June 2009 was the smallest of all districts except Norfork/Mobile/Charleston. With the construction of two cargo facilities, the Miami International Airport will have an additional 800,000 SF of cargo space plus a new fumigation facility. At the Port of Miami the dredging of the channel to 50' depth will make Miami only one of three ports on the Eastern Seaboard with this depth which can take advantage of the widening of the Panama Canal. These factors will improve Miami's international trade as the economy recovers and secure Miami's future as a major air and sea port.

## 2009

- Landlords, to maintain high occupancy are accepting lower rents rather than holding out for higher rents. Landlords are offering tenant improvements, short term leases, free rent and in order to retain existing tenants are fixing offices, upgrading equipment and exterior areas.
- Rental rates are again being quoted on a "gross basis" with the landlord responsible for all building expenses. Operating expenses are stable with declines in insurance offset by increases in real estate taxes.
- Sale prices will depend more on the income potential rather than the potential resale value in the future. Based on higher capitalization rates, sales prices for industrial/warehouse properties have declined from 20% to 25% in some areas, from their peaks in 2005-2007, due to declining rents and concerns about the future of the economy.
- Owner/occupants of properties may pursue sale-leasebacks to obtain funds as the mortgage market is so restrictive. Also, in order to sell properties owners may be forced to offer owner financing.
- On the positive side, the weak US dollar has encouraged the expansion of international trade which requires industrial/warehouse space. As a result of the severe overbuilding of residential properties, vacant land which was zoned for residential usage may be rezoned for industrial uses, particularly in the Airport West area. However, due to the decline in rental rates and difficulty of obtaining financing new construction will decline for the next several years.

## 2008

- Tenants are "right-sizing" this is a trend to examine their needs and consolidate operations into smaller spaces. Although the number of businesses in the area remains constant they are consuming less square feet. This "right-sizing" could feature tenant's acceptance of a space's value based on the "cube" or volume of space and not just the "square footage".
- One effect of the increase in traffic congestion is the need for distribution companies supplying local needs to have a distribution hub in Miami with additional facilities in Broward and Palm Beach Counties.
- State government has not yet been able to reduce real estate taxes or insurance rates. These continued high costs have discouraged companies to relocate in South Florida. However the lack of any hurricanes for the past two years will theoretically result in lower windstorm insurance rates.
- As a result of the downturn in both the local and national economy rental rates for all sizes of industrial and warehouse properties have stabilized and are trending downward.
- With stable rental rates, industrial property values will be based more on the rental income potential rather than the resale value at a future date. This will result in higher capitalization rates and a decline in the rapid property value appreciation of prior years.

# Historical Findings of the Industrial Market Report

## **2007**

- Rental rates have increased up to \$1.00/SF, in some markets, during 2006 and are continuing to rise based on low vacancy levels, high insurance and real estate tax expenses. As a result of this, rental rates are beginning to be quoted on a "Triple Net," or net, net, net (or all expenses paid by tenant) basis as a result of unpredictable changes in expenses.
- Cultural similarity with Latin America places Miami at a competitive trade advantage over other cities. Offsetting this is the high cost of housing and the high cost of warehouse occupancy which discourages companies from opening and maintaining facilities in this area. However, trading companies continue to need a presence in Miami to service their customers, but may require less space.
- The decline in condo/residential development will impact tradesmen servicing the construction industry resulting in a lower demand for service and manufacturing space.
- Higher occupancy costs will encourage spoke-hub distribution systems, more efficient building use and an increased awareness of the importance of cubic space and pallet positions.
- Older buildings are becoming more attractive for renovation and modification due to the high cost of land and new construction.

## **2006**

- Increasing prices for land is causing developers to use industrial land for residential development and other more intensive uses. This results in a decline in construction for industrial facilities.
- Large numbers of smaller industrial users are attracted to condominium ownership of industrial space. This is due to a combination of favorable interest rates, very high loan to value ratios, and rising rental rates.
- Concentration of institutional ownership will influence rental rates to meet investment objectives, causing an overall rise in rental rates.
- Companies are considering locations outside the area due to traffic congestion, lengthy permitting process, hurricanes, and high cost of living (real estate taxes, insurance, and housing costs). Unless a company must be in Miami-Dade they are considering other locations.-- The importance of manufacturing in Miami-Dade County and throughout the US continues to decline. The decline of domestic manufacturing is having an affect on demand for industrial real estate.

## **2005**

- Institutional investors continue to acquire larger industrial properties due to low interest rates and other economic factors.
- Industrial land prices continue to increase as supply diminishes and industrial land is being purchased for residential and retail uses.
- There is a growing trend of smaller industrial buildings being converted to condominium ownership.
- As a result of declining vacancies rental rates have generally stabilized. There is a slight upward trend in rental rates associated with more functional buildings.
- The importance of manufacturing in Miami-Dade County and throughout the US continues to decline. The decline of domestic manufacturing is having an affect on demand for industrial real estate.

## **2004**

- The overall industrial market has improved due to the anticipation of improving economic conditions. However, vacancies continue to be above average.
- Vacancy and rental rates have declined in older industrial areas.
- Higher land cost has resulted in more intensive office and flex product type developments.
- Population growth in the South Miami-Dade region should stimulate industrial development.

## **2003**

- Due to a global recession, a decline in trade and the threat of war, the demand for industrial space continues to decline.
- The increase in supply of space at NW/Medley exceeded 2,000,000 SF as compared to 1,000,000 SF at Airport West.
- All regions are experiencing significant levels of vacant space for sublease, resulting in market rental rate decreases of up to 20%.
- The popularity of Central Dade is causing dramatic increases in demand for both rental and purchase of smaller industrial properties.

## **2002**

- Due to a national recession, a decline in trade and the effects of terrorism, the demand for industrial space has declined.
- The supply of space at both NW/Medley and Airport West increased by approximately 1,300,000 SF.
- All regions are experiencing significant levels of space for sublease.
- NW/Medley is a distribution hub to the tri-county area and continues to compete with the Airport West Region.
- Central Dade continues to offer redevelopment opportunities.

## **2001**

- The supply and demand of industrial space continues to remain in balance.
- The Airport West area is trending to more office space usage.
- Central Miami-Dade is showing strong upward rental, sales and land rates.
- Increase in industrial space exceeded 4,600,000 SF.
- Northwest/Medley area is becoming hub of distribution to tri-county area.