

Florida Industrial, Q3 2015

Strengthening fundamentals point to strong finish to 2015

▼ Total Vacancy
6.4%

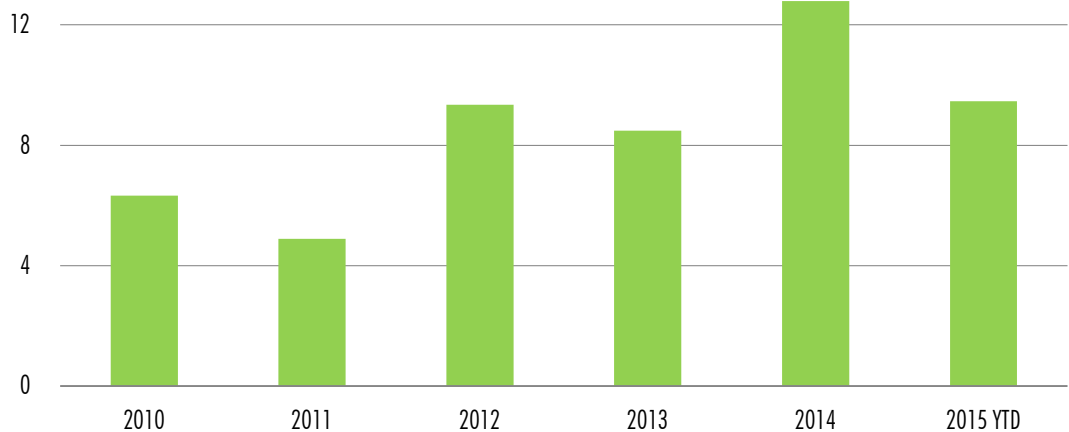
▲ Lease Rate
\$5.60 PSF

▼ Net Absorption
2.7 MSF

▼ Completions
2.2 MSF

*Arrows indicate change from previous year.

Figure 1: Net Absorption (MSF)



Source: CBRE Research, Q3 2015.

LEASING ACTIVITY

- Statewide vacancy has tightened 100 basis points (bps) and lease rates have improved 3.5% year over year.
- Net absorption anticipated to meet or exceed 2014 levels.
- Construction deliveries are on track to exceed the square footage completed in 2014.
- Florida's economy remains strong despite tapering consumer sentiment.

Leasing fundamentals show continued expansion of Florida's industrial markets. Vacancy rates trended down, net absorption was strong and asking lease rates rose. At the close of Q3 2015 statewide total vacancy stood at 6.4%, a 100-basis-point (bps) decrease year over year. North Florida markets – Jacksonville, Orlando and Tampa – exhibited a year-over-year improvement of 120 bps and South Florida markets – Broward County, Palm Beach County and Miami – improved 90 bps. The strongest year-over-year improvements were recorded in

Figure 2: Market Statistics

Market	Total Inventory (SF)	Total Available (%)	Total Vacancy (%)	Q3 2015 Net Absorption (SF)	YTD Net Absorption (SF)	YTD Completions (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/NNN)
Miami	208,101,876	5.5	3.8	266,132	2,086,074	1,304,605	814,334	5.73
Broward	92,102,236	8.6	6.1	529,860	1,432,468	838,487	521,147	7.65
Palm Beach	45,033,239	7.4	4.2	348,081	1,054,195	745,634	250,000	8.49
Tampa	135,342,501	12.1	7.0	323,461	883,574	395,062	341,620	5.52
Polk	38,980,004	10.9	8.4	303,625	421,017	753,400	2,104,027	4.70
Orlando	108,787,259	13.4	9.2	494,752	2,567,349	2,104,380	556,775	5.47
Jacksonville	97,880,855	13.1	8.3	357,825	1,022,706	367,546	745,630	4.05
Total State of Florida	726,227,970	9.7	6.4	2,623,736	9,467,383	6,509,114	5,333,533	5.60
Total South Florida	345,237,351	6.6	4.4	1,144,073	4,572,737	2,888,726	1,585,481	6.81
Total North Florida	380,990,619	12.6	8.1	1,479,663	4,894,646	3,620,388	3,748,052	5.03

Source: CBRE Research, Q3 2015.

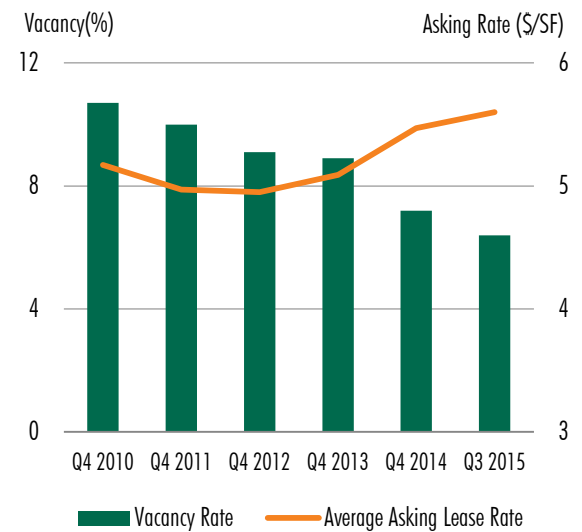
Polk County (290 bps) followed by Jacksonville (130 bps) and Tampa (120 bps). Miami and Palm Beach County exhibited year-over-year vacancy declines of 70 bps and 80 bps, respectively, and Broward County recorded a 100 bps decline.

At the close of the third quarter, statewide year-to-date net absorption was robust; but it lagged 2014 data for the same period. Year-to-date net absorption recorded in the third quarter was nearly 9.5 million sq. ft. compared to 10.3 million sq. ft. recorded for the first three quarters of 2014. Net absorption in 2015 has been driven predominantly by occupancies of leased space, as opposed to acquisitions of vacant properties by owner/users or occupancies of build-to-suit projects. Occupancies of leased space have increased as a share of overall leasing activity as build-to-suits have declined year over year. In 2014 there were two new build-to-suit deliveries of over 1 million sq. ft. in both the Tampa and Polk markets, which significantly contributed to absorption. In 2015, there was one build-to-suit delivery of a 1 million sq. ft. building in the Orlando market.

The statewide average lease rate increased 3.5% year over year and stood at \$5.60 at the close of

the third quarter. The average rate for North Florida markets exhibited a 5.5% increase, with Polk in particular showing significant improvement (11.1%). South Florida markets posted an average third-quarter lease rate of \$6.81, a 3.2% increase from the same period a year ago. Palm Beach County showed the greatest rate increase of 10.4% year over year.

Figure 3: Total Vacancy –vs– Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q3 2015.

The North Florida markets are beginning to see an uptick in leasing momentum as existing tenants expand and new tenants enter the market and take occupancy of high-quality space in core locations. However, these markets still house an abundance of obsolete inventory that will ultimately keep vacancy rates high. Developers understand the need for quality space and started to increase construction activity in 2014. Deliveries to date are nearly leased up. There are numerous sites in the North Florida markets either under construction or poised for development as users enter the market.

South Florida markets have witnessed industrial-sector expansion since 2012. In that year, Miami went from having less than 500,000 sq. ft. under construction to over 1 million sq. ft. Spillover demand from Miami pushed 2013 construction starts in Palm Beach and Broward. Demand for industrial space started to increase earlier in South Florida than in North Florida, and therefore the southern markets began to tighten before the northern markets. In recent quarters, however, the pace of vacancy and lease-rate improvements in South Florida markets has become more incremental, and now the north outpaces the south.

DEVELOPMENT

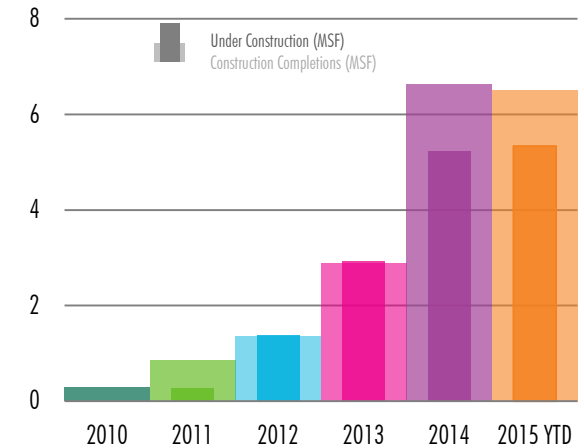
Industrial deliveries continue to climb, putting 2015 on track to record the highest annual rate of completions (measured in sq. ft.) since the beginning of the current market cycle. Year-to-date deliveries at the close of the third quarter were over 6.5 million sq. ft. At that pace, nearly 2.2 million sq. ft. per quarter, 2015 deliveries have the potential to outpace 2014 by nearly 2.0 million sq. ft. With 5.3 million sq. ft. under construction statewide, and 3.0 million scheduled to deliver by the close of the year, 2015 certainly has enough space in the pipeline to move ahead of 2014.

At the close of the third quarter, 55% of statewide deliveries year to date (3.6 million sq. ft.) and 70% of statewide space under construction (3.7 million sq. ft.) were located in North Florida markets. The largest delivery of the year occurred in Orlando with the completion of the 1 million sq. ft. Publix distribution center. The largest delivery for the quarter was recorded in the Polk market with the delivery of the 407,400 sq. ft. speculative warehouse, Building E, located in the Central Florida Intermodal Logistics Center.

Forty-eight percent of the space under construction in Q3 2015 was build-to-suit product with most of the buildings located in the North Florida markets. Speculative space under construction accounted for 43% of the statewide total, predominately located in the South Florida markets. The remaining nine percent of space under construction was an unknown classification at the close of Q3 2015.

Strong statewide industrial construction activity is anticipated to continue in the near term. This expectation is supported by the positive trends in leasing activity as well as the nearly 8.7 million sq. ft. of space planned for Florida markets over the next two years. Florida's industrial markets have a lot to offer and developers are ready to deliver product to

Figure 4: Under Construction and Completions



Source: CBRE Research, Q3 2015.

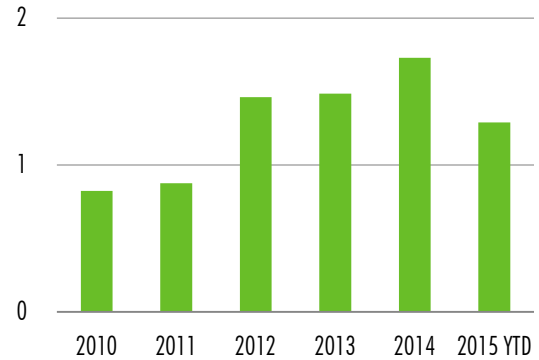
accommodate growth. Most notably, the Miami market is a gateway for trade with the Caribbean and Latin America and has some of the most sought-after real estate in the nation and one of the tightest vacancy rates. Additionally, Central Florida's prominence as a growing logistics hub will continue to attract manufacturing and logistics companies looking to capitalize on supply chain efficiencies that the centralized location offers.

INVESTMENT ACTIVITY

Statewide sales activity is on track to meet or exceed the transaction volume during 2014. Sales volume year to date was nearly \$1.3 billion for 18.9 million sq. ft. of inventory. On average, there have been fewer sales per quarter in 2015 (88) than in 2014 (130), but the buildings sold have been larger. The bulk of the sales activity occurred in the South Florida markets, led by Miami. Orlando led the North Florida markets in terms of sales count while Jacksonville led in terms of dollar volume.

According to Real Capital Analytics, cross-border capital accounted for 40% of Florida transactions by dollar volume, private buyers accounted for 30%, institutional buyers accounted for 16%, publically traded REITS accounted for 8% and users/other buyers accounted for the remaining 6%. There was a considerable uptick in cross-border investment in 2015 compared to 2014, when this buyer type accounted for 8% of the transaction volume. Year-to-date data for 2015 show that investors from Singapore, Norway and Canada were the most active sources of cross-border capital entering Florida's industrial markets.

Figure 5: Sales Volume (Billions of \$)



Source: CBRE Research, Q3 2015.

Figure 6: Sales Volume by Market

2015 YTD	# Deals	Volume (\$)	Total SF	\$ Per SF
Miami	72	406,847,025	4,548,771	89
Broward	65	235,356,233	2,700,022	87
Palm Beach	29	74,825,000	1,087,829	69
Tampa	25	70,374,000	1,872,916	38
Polk	4	10,375,340	292,766	35
Orlando	42	174,705,930	3,447,512	51
Jacksonville	28	303,646,077	4,925,945	62
State of Florida	265	1,276,129,606	18,875,761	68

Source: CBRE Research, Q3 2015.

ECONOMIC INFLUENCE

Florida’s economy remains strong as unemployment continues to trend down. As of September, statewide non-seasonally adjusted unemployment was 5.3%, an improvement of 90 bps year over year. Job creation continues to be encouraging, with 234,500 jobs added over the past year for a growth rate of 3.0%. Job growth at the state level exceeded the national increase of 2.0%. The state job growth was in part attributed to 44,500 new trade, transportation and utilities jobs (a 2.7% increase) and 26,700 new construction jobs (a 6.6% increase).

According to Florida Realtor’s September 2015 single-family home sales data, the state’s housing market strengthened year over year. The median number of days on the market declined 11.5% to 46, the median sale price increased 11.1% to \$199,900, and the average ratio of sale price to original list price increased 110 bps to 94.3%.

Despite the strength of the Florida economy, consumer sentiment tapered in the third quarter. According to the University of Florida’s Bureau of Economic and Business Research, consumer sentiment fell three points in September to 87.9. Perceptions and expectations of personal finance over the next year fell along with expectations of U.S. economic conditions. However, consumer sentiment rose regarding the outlook for the purchase of big-ticket items. The index shows that Floridians are cautious about future expectations given recent volatility in both the stock market and the Chinese economy.

OUTLOOK

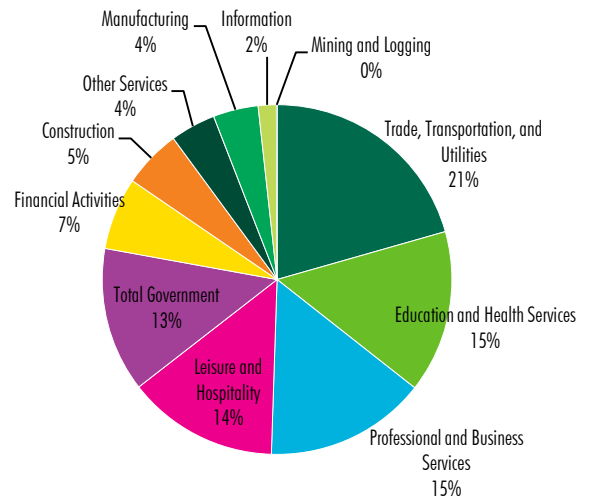
Florida’s industrial market is expected to continue to strengthen by year end. Statewide, vacancy has tightened and average asking lease rates are up. The state has a strong development pipeline and is ready for delivery of quality space. Industrial space users and investors see the merit and strategic advantages of locating in Florida markets, as shown by the continued expansion of this asset type throughout the state.

Figure 7: Labor Market Statistics

County/MSA	Labor Force	Employment	Unemployment	Unemployment %
Jacksonville MSA	721,643	685,175	36,468	5.1
Orlando MSA	1,231,667	1,171,951	59,716	4.8
Tampa MSA	1,446,538	1,374,518	72,020	5.0
Palm Beach	685,033	649,128	35,905	5.2
Broward	1,00,765	951,761	49,004	4.9
Miami-Dade	1,314,771	1,233,031	81,740	6.2
Florida	9,645,000	9,131,000	514,000	5.3
United States	156,607,000	148,980,000	7,628,000	4.9

Source: U.S. Department of Labor, Bureau of Labor Statistics, October 2015.

Figure 8: Jobs by Industry



Source: U.S. Department of Labor, Bureau of Labor Statistics, October 2015.

Figure 9: Top 10 Projects Under Construction as of 09/30/2015

Market	Property Name	Address	Building SF
Polk	S. Wine & Spirits Expansion	4440 Old Tampa Hwy, Lakeland	440,000
Polk	Park 27, Building III	230 Deen Still Rd, Davenport	414,032
Jacksonville	Ja-Ru	12901 Gran Pkwy, Jacksonville	352,677
Polk	FedEx	Waverly Barn Rd, Davenport	310,000
Polk	Rooms To Go Expansion	1475 Airport Rd, Lakeland	300,000
Palm Beach	FedEx Ground	Florida Turnpike/Pike Rd, West Palm Beach	250,000
Polk	Lakeland Logistics Center	2011 W Memorial Blvd, Lakeland	245,000
Jacksonville	Westside Industrial Park	4948 Bulls Bay Hwy, Jacksonville	237,000
Polk	Park 27, Building IV	210 Deen Still Rd, Davenport	188,995
Miami	AVE Aviation & Commerce Ctr, Building J	5499 NW 145th St, Opa Locka	170,437

Source: CBRE Research, Q3 2015.

Figure 10: Top 10 Deliveries in Q3 2015

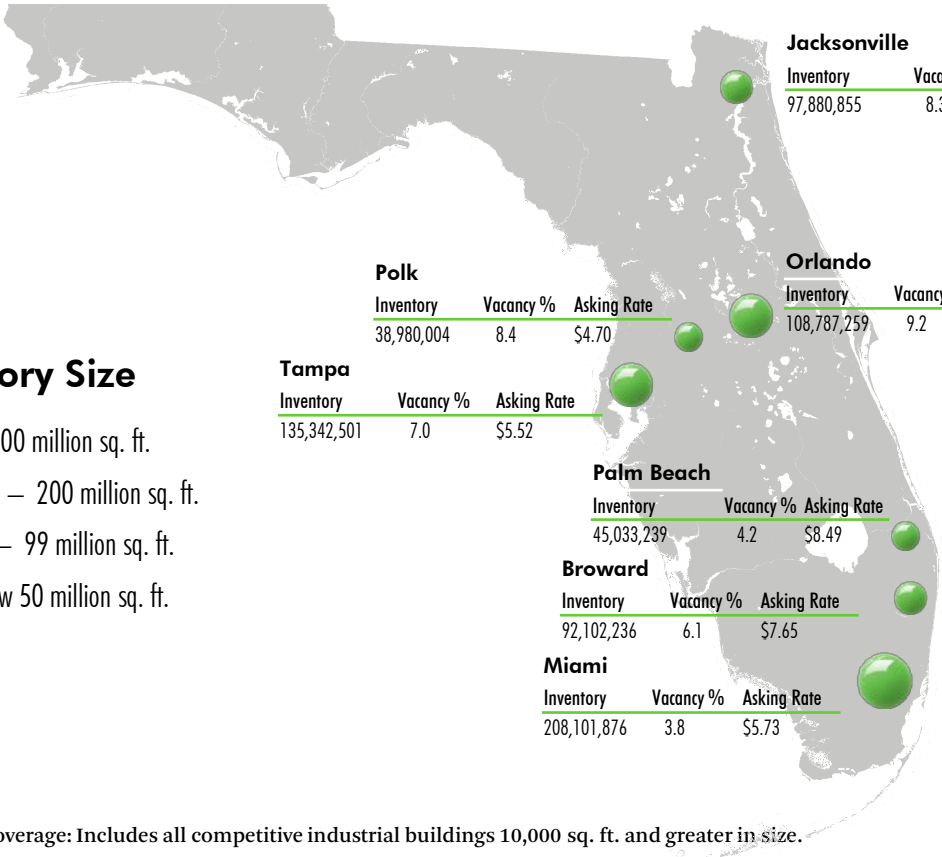
Market	Property Name	Address	Building SF
Polk	Central Florida Intermodal Logistics Cnt, Bld E	100 Intermodal Dr, Winter Haven	407,400
Orlando	Bent Oak Industrial Park, Building 200	1701 W. Boice Pond Rd, Orlando	220,840
Tampa	GE Center of Excellence	1925 Calumet St, Tampa	190,000
Orlando	Liberty Park at AIPO - 2	2307 Tradeport Dr, Orlando	172,875
Broward	Bridge Point Davie	3501 Burriss Rd, Davie	145,800
Miami	Flagler Station, Phase III, Building 1	11255 NW 106 th St, Miami	139,265
Miami	Turnpike Park	11500 NW 123 rd St, Medley	136,500
Broward	Pompano Distribution Center II	4000 N Dixie Hwy, Pompano Beach	128,400
Polk	Premier Transportation	S Pipkin Rd, Lakeland	121,000
Broward	Miramar Park of Commerce, MPC – 29A	9625 Premier Pkwy, Hollywood	116,667

Source: CBRE Research, Q3 2015.

Figure 11: Top 10 Sales in Q3 2015

Market	Property Name/Address	Buyer	Building SF	Price (\$)
Jacksonville	Coach Leather/1Coach Way, Jacksonville	Intercontinental Real Estate Corp	847,207	90,500,000
Jacksonville	Northport Log Ctr/11530 New Berlin Rd, Jacksonville	Real Capital Solutions	872,627	33,000,000
Broward	Bridge Pt Marina Mile/3301 SW 26 th Ter, Ft. Lauderdale	Premier Asset Management	189,620	22,375,200
Broward	Yachting Promotions Warehouse	Federated Companies	89,950	17,800,000
Miami	8455 NW 74 th St, Miami	Terreno Realty	155,000	17,266,667
Miami	6950 NW 77 th Ct, Miami	The Apollo Group, Inc.	213,131	15,000,000
Broward	4250 Coral Ridge Dr, Pompano Beach	Hoerbigler Corporation of America	245,000	12,850,000
Miami	Silver Eagle Dis/1000 Park of Comm Blvd, Homestead	Major Brands, Inc.	126,479	10,925,000
Orlando	Rocket Court/10400 Rocket Ct, Orlando	Publix Supermarkets	241,486	8,500,000
Broward	675 SW 12th Ave, Pompano Beach	Jose Medina	55,723	7,000,000

Source: CBRE Research, Q3 2015.



Inventory Size

- + 200 million sq. ft.
- 100 – 200 million sq. ft.
- 50 – 99 million sq. ft.
- Below 50 million sq. ft.

Jacksonville

Inventory	Vacancy %	Asking Rate
97,880,855	8.3	\$4.05

Orlando

Inventory	Vacancy %	Asking Rate
108,787,259	9.2	\$5.47

Polk

Inventory	Vacancy %	Asking Rate
38,980,004	8.4	\$4.70

Tampa

Inventory	Vacancy %	Asking Rate
135,342,501	7.0	\$5.52

Palm Beach

Inventory	Vacancy %	Asking Rate
45,033,239	4.2	\$8.49

Broward

Inventory	Vacancy %	Asking Rate
92,102,236	6.1	\$7.65

Miami

Inventory	Vacancy %	Asking Rate
208,101,876	3.8	\$5.73

Market Coverage: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size.

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