



**FORT LAUDERDALE
3Q16 INDUSTRIAL MARKET**

FORT LAUDERDALE

Broward County’s industrial vacancy continued to fall with a 150-basis-point drop from the 6.9% rate recorded one year ago. Positive net absorption was recorded for the 20th consecutive quarter, with more than 355,500 square feet absorbed in the third quarter. The region has fully recovered from the Great Recession; its 5.4% vacancy rate was the lowest in nine years. Industrial developers in the county have pulled the trigger on projects coming out of the ground for this economic cycle. Nine buildings totaling 762,000 square feet were under construction during the quarter, with 95.0% still available for lease. This could contribute to a rise in vacancy over the next six months, in spite of the market’s expectations for continued demand growth.

Strengthening market fundamentals, diminishing space opportunities and high-end industrial developments have shifted conditions to favor landlords, causing significant rent increases and tenant concessions to fade. The county posted the second-highest quoted average rent in South Florida, with rates reaching \$8.70/SF, the highest seen since 2008. The warehouse/distribution sector increased \$0.86/SF from \$6.86/SF, while general industrial rents increased \$0.73/SF from \$7.24/SF recorded at this time last year. R&D/flex rents rose by \$0.10/SF from \$11.37/SF.

Leasing & Demand Activity

Leasing activity ticked upward in third-quarter 2016, as 227 transactions totaling 1.3 million square feet were reported. Year-to-date, the market has recorded 671 deals totaling more than 4.3 million square feet. The warehouse/distribution segment led the market with leases totaling 3.5 million square feet. General industrial space trailed with 770,000 square feet, followed by R&D/flex with deals totaling 77,000 square feet. Expansions and relocations led activity so far this year. The holding trend that emerged earlier this year included increased demand from mid-sized deals. The Pompano Beach submarket leads the region with 560,000 square feet of mid- to large-sized transactions, while Southeast Broward took second place with 232,000 square feet. The West Sunrise submarket rounded out the top three with 168,000 square feet of transactions recorded year-to-date.

Investment Activity

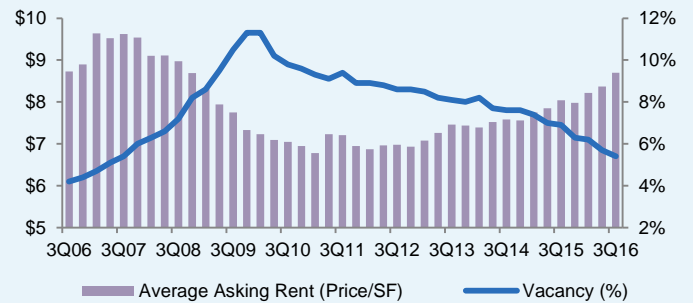
Four sales totaling 375,976 square feet and valued at more than \$46.2.2 million occurred during the third quarter. So far this year, only 11 sales totaling 1.4 million square feet of industrial investments changed hands for a combined \$158.4 million dollars, whereas 34 sales totaling 1.3 million square feet and sold for \$122.3 million took place by the same time last year. Investor interest in well-leveraged properties remained high, while owners are placing properties on the market at pre-recession levels. The notable difference was an increase in sales price from \$94/SF one year ago to \$113/SF at the close of third-quarter 2016.

Current Conditions

- Broward County could see increases in vacancy due to upcoming completions of new industrial projects.
- Warehouse/distribution space continued to dominate industrial demand.
- Tenant concessions have diminished significantly, while asking rents have pushed upward.
- Effective rates range from \$8.00/SF to over \$10.00/SF.

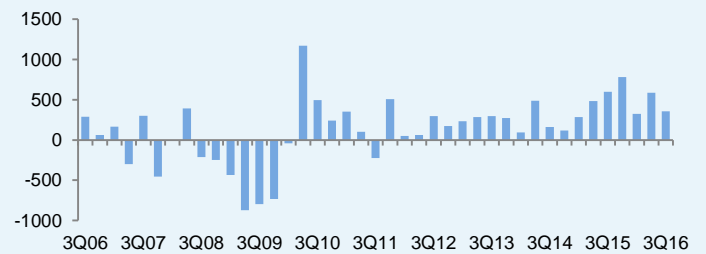
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousands



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	104.9 MSF	104.8MSF	104.3MSF	↑
Vacancy Rate	5.4%	5.7%	6.9%	↔
Quarterly Net Absorption	355,567	585,476	597,009	↔
Average Asking Rent	\$8.70	\$8.37	\$8.04	↑
Under Construction	762,069	623,331	669,387	↓
Deliveries	138,728	0	559,666	↔


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Fort Lauderdale Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central Broward	16,735,631	306,466	4.6 %	70,624	36,752	\$9.36	\$9.64	\$8.52
Coral Springs	4,720,456	-	9.4 %	21,901	63,930	\$9.96	\$9.28	\$8.35
Northeast Broward	9,452,511	357,722	3.1 %	105,779	96,107	\$8.17	\$10.81	\$9.56
Pompano Beach	25,498,084	26,933	2.8 %	117,947	377,673	\$6.88	\$10.95	\$7.65
Southeast Broward	24,713,248	-	5.5 %	247,625	501,496	\$8.27	\$21.85	\$10.50
Southwest Broward	15,576,549	70,948	10.2 %	-232,780	-12,016	\$7.04	\$7.60	\$7.56
West Sunrise	8,250,345	-	6.6 %	24,471	192,424	\$7.50	\$11.92	\$9.63
Totals	104,946,824	762,069	5.4 %	355,567	1,256,366	\$7.72	\$11.47	\$8.70

Fort Lauderdale /User Transactions

Tenant	Building	Submarket	Type	Square Feet
Graybar	Bridge Point Port 95-3200 SW 30 th	Southeast Broward	Direct	161,443
Salt International	Seneca Ind Pk D-2700 SW 32 nd Ave	Southeast Broward	Direct	55,454
Tran	Atlantic Bus Ctr 7-2100 SW 2 nd St	Pompano Beach	Renewal	52,081
Challenge Warehouse	3501 46 th Ave	Southeast Broward	Direct	48,600
DMR Creative Marketing	Pompano Com Ctr-3151 NW 27 th	Pompano Beach	Direct	45,044

Fort Lauderdale Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Pompano Dist Ctr 1-3901 NE 12 th Ave	Pompano Beach	\$23,600,000	\$117	202,226
Pompano Ind Ctr-1280 NW 22 nd St	Pompano Beach	\$6,570,000	\$95	68,806
Megacenter Miramar-7451 Riviera Blvd	Southwest Broward	\$5,998,720	\$114	52,472



PALM BEACH
3Q16 INDUSTRIAL MARKET

PALM BEACH

The Palm Beach industrial market showed another durable quarter, as overall vacancy dropped 10 basis points from the 4.8% recorded in the previous quarter and 50 basis points from 5.2% one year ago. Palm Beach County held on to the second-lowest vacancy in Florida, as industrial occupancy reached its highest level since the beginning of 2007, before the market was impacted by the recession. Although the market is seeing healthier mid-sized lease transactions, the majority of third-quarter 2016 transactions involved less than 5,000 square feet, as smaller local businesses remained the Palm Beach industrial market's bread and butter.

Disciplined development prior to the economic downturn aided the market's quicker recovery. Projects have begun to increase from one year ago with three speculative buildings being delivered so far in 2016, totaling 454,000 square feet with 45.0% available for lease. Eight buildings totaling 646,000 square feet remained under construction. The Turnpike Business Center is a four-building, 263,600-square-foot, speculative warehouse project in the North Central submarket. Boutwell Business Center, a 252,000-square-foot warehouse/distribution project was underway in the South Central submarket.

The average asking rate in Palm Beach increased \$0.85/SF to \$9.03/SF during third-quarter 2016, the highest for industrial space in Florida. Warehouse/distribution space rose \$0.94/SF from the \$7.20/SF rate, while the general industrial segment followed with a bump of \$0.84/SF from \$7.74/SF one year ago. R&D/flex space saw the healthiest increase, with a \$1.02/SF increase from one year ago.

Leasing & Demand Activity

Leasing activity remained level in third-quarter 2016, as 108 transactions totaling 325,000 square feet were recorded, bringing year-to-date activity to more than 1.6 million square feet. Warehouse/distribution space overshadowed the other segments with 276 leases for a combined 1.2 million square feet, followed by general industrial with 109 deals totaling 386,000 square feet. The R&D/flex segment continued its lackluster performance, with 16 deals totaling 40,816 square feet.

Investment Activity

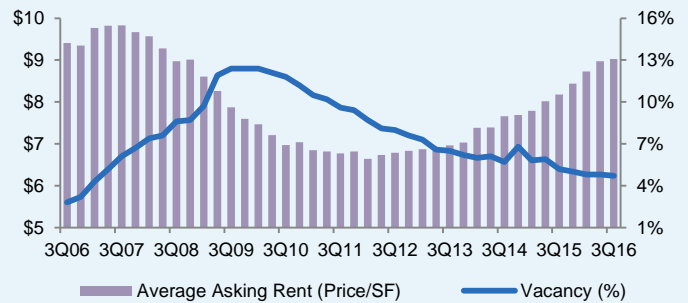
No sales occurred during the third quarter of 2016, as six sales totaled 576,471 square feet sold for \$56.4 million year-to-date. The lack of third-quarter sales caused a decrease from the 772,500 square feet sold for \$57.5 million by the same time last year. One key difference is that owner/user and lower-tier investment sales constituted the majority of last year's deals, whereas 2016 saw a slight uptick in sales of higher-end industrial properties. The average sales price per square foot increased to \$98/SF from \$74/SF one year ago.

Current Conditions

- Vacancy fell below the 5.0% barrier for the first time in nine years.
- Palm Beach broke the \$9.00/SF barrier, with the average asking rents remaining the highest in Florida.
- Sturdy construction activity will likely push vacancy upward as most space being delivered is speculative.
- Slowing economic growth coupled with tepid GDP could translate into decreased demand for industrial space needs over the next 12 months.

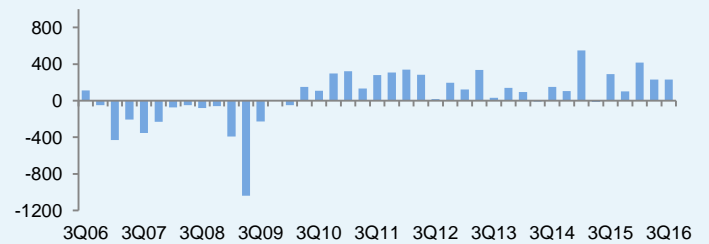
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousand



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	47.2MSF	46.9MSF	46.6MSF	↑
Vacancy Rate	4.8%	4.8%	5.9%	↔
Quarterly Net Absorption	232,237	415,337	-14,494	↑
Average Asking Rent	\$8.97	\$8.73	\$8.02	↑
Under Construction	802,711	517,093	0	↓
Deliveries	229,074	225,198	0	↑


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Palm Beach Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Boca Raton	8,641,081	-	5.5 %	90,552	177,956	\$8.67	\$12.93	\$10.65
North Central	24,641,165	394,446	4.6 %	115,819	490,316	\$7.85	\$9.61	\$7.92
North County	3,542,407	-	3.5 %	23,465	21,373	\$10.30	\$10.13	\$10.15
South Central	10,553,386	252,000	4.9 %	645	188,410	\$8.36	\$11.58	\$9.75
Totals	47,378,039	646,446	4.7 %	230,481	878,055	\$8.14	\$11.05	\$9.03

Palm Beach Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
UMI	Gateway Ctr-1926 High Ridge Rd	South Central	Direct	32,523
Basik Trading	Turnpike Crossing-1315 Jog Rd	North Central	Direct	29,950
Opustone	Turnpike Crossing-1333 Jog Rd	North Central	Direct	21,687
Charlie Bear	Gateway Ctr-1103 Gateway Blvd	South Central	Direct	12,800
Carlin LLC	Delray Com Ctr-855 NW 17 th Ave	South Central	Direct	12,000

Palm Beach Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
No sale activity took place during 3Q16				