

# Industrial vacancy low, 2.4 million feet under construction

BY SUSAN DANSEYAR

Miami's industrial sector has demand outpacing supply, with a number of tenants signing leases over 75,000 square feet, a trend brokerage specialists expect to continue once new Class A warehouses come online at the end of 2016, and certainly in 2017 when speculation over the presidential election is over.

Through June, 8 million square feet of warehouse space has been leased in Miami-Dade County, according to George Pino, president and founder of State Street Realty. He said State Street has leased 1.250 million square feet of industrial space this year alone, which outpaces 2015.

Several of those leases have been large, including one the company completed last week in the Doral area: 85,000 square feet for Adornus Cabinetry in Beacon Industrial Park, which was expanding from a 50,000-square-foot-space. Mr. Pino said he's seen quite a few companies expanding their lease spaces this year.

The way he defines a large lease is 75,000 square feet or above, Mr. Pino said, given that 60% of the average tenants in the Medley/airport area are in spaces of 30,000 square feet or less.

Other large leases State Street has brokered include 149,000 square feet in Medley for Withers Transfer & Storage at the Flagler Station Business Park and 120,000 square feet for Ace



George Pino, at Beacon Lakes industrial park in 2014, cites 8 million square feet of leased warehousing.

Photo by Maxine Usdan

Transport in Hialeah Gardens, a new submarket that Mr. Pino said started just last month with this first development called Bridgeport Crossroad West. It's a brand new Class A building, with state-of-the-art features such as higher ceilings, dock height doors and office space that certain industries have been taking advantage of for supply-chain re-configuration.

Miami's industrial sector is experiencing single-digit vacancies as of second-quarter market reports, and despite roughly 2.4 million square feet under active construction, demand is outpacing supply.

According to ComReal's

mid-year industrial market report published in August, average lease rates have increased slightly to \$9.41 per square foot. The largest lease transaction of the second quarter, the report states, was Pricemart's new 330,000-square-foot warehouse space at Flagler Station in Medley.

Eco Window leased a 149,980-square-foot warehouse at 8502 NW 80th St., and Neutralogistics, a 105,920-square-foot facility at the same address.

The trend has been tight inventory and landlords have taken advantage of that, particularly in the past two years,

said Gabriel Garcia-Menocal, executive director of industrial brokerage services for NAI Miami.

"They're moving the hash marks: tightening up on concessions and movement from the asking price per square foot," Mr. Garcia-Menocal said. Thus, he said, it's important to be creative and pay attention to the negotiation process.

With supply tight, he said it's challenging to find what clients are looking for among the vacancy remaining, which often lacks adequate office space, dock height doors, refrigeration in some cases and adequately high ceilings.

Mr. Garcia-Menocal worked with brokers from JLL on what he calls a good-sized lease for Prologis: 50,000 square feet at Nippon Express in Beacon Lakes.

He and Mr. Pino are both members of the Society of Industrial and Office Realtors, the highest designation for commercial real estate brokerage specialists after reaching extensive benchmarks. They predict the market will continue to prosper, but Mr. Garcia-Menocal has seen something a bit unusual this summer.

"For the last couple of years we have not seen any slowdown in industrial leases but did this summer," he said. "It's picking up a bit now, but I think the velocity of transactions may have slowed because of the upcoming election and the unfounded perception that the economy will get worse that makes people uncomfortable."

In 2017, Mr. Garcia-Menocal predicted, the market will be back to the status quo and transactions will increase at the rate they were attaining for the past few years.

Mr. Pino said he's been very pleased with the market so far this year and anticipates it will remain robust. Certainly, he said, demand is outpacing supply for new Class A warehouses but there will be plenty of new development—underway right now—delivered in Medley, Miami airport submarkets and Hialeah submarkets by the end of 2016.