

SOUTH FLORIDA INDUSTRIAL MARKET

INDUSTRIAL STARTED OFF 2019 WITH ANOTHER SOLID PERFORMANCE

The South Florida industrial market saw demand outpace supply at a more modest pace, as 419,000 square feet of positive net absorption was posted in the first quarter of 2019, compared with 1.0 million square feet one year ago. Despite continued demand growth, robust construction activity pushed vacancy up 20 basis points from one year ago to settle at 4.1%. This was a minimal increase compared with the more than 5.3 million square feet of new inventory that has been delivered in South Florida since the start of 2018. Strong market conditions pushed the quoted average asking rent to new record highs and climbed 10.8% from last year at this time. South Florida's tight market conditions coupled with the delivery of higher-end distribution space translated into the average asking rate approaching the \$9.00/SF mark for the region. Warehouse/distribution space saw the largest year-over-year increase, to \$8.25/SF from \$7.15/SF, followed closely by general industrial space, which saw rents rise to \$8.78/SF from \$7.98/SF during the same time period. Rents will likely increase throughout the remainder of the year. More than 5.7 million square feet of new inventory was under construction at the close of the first quarter, the most ever recorded in South Florida's history, as developers are bullish on the health of the industrial market.

LEASING AND DEMAND

There were 447 deals totaling more than 4.2 million square feet, a significant increase from the 2.7 million square feet leased in the previous quarter as well as an increase from the 3.6 million square feet leased at the close of the first quarter of 2018. Warehouse/distribution space still dominated, posting 3.4 million square feet, followed by general industrial with 665,000 square feet, while R&D/flex space lagged behind with 171,700 square feet leased for the first quarter of 2019. The retail/wholesale industry still accounted for the bulk of mid- to large-size lease deals during first-quarter 2019, with eight deals comprising 724,000 square feet. The largest deal was Coaster Company's 250,000-square-foot renewal at Seneca Industrial Park in the Southeast Broward submarket. Logistics and distribution companies followed closely with eight deals totaling 604,000 square feet leased, while the aviation-aerospace sector moved into third place with 250,000 square feet. The region's strong ties to Latin America and the Caribbean continued to fuel industrial growth.

INVESTMENT SALES

Demand for industrial properties remained high among investors, but sales tapered off from previous quarterly performances, as availability for high-end industrial product for sale was limited. Twenty-one sales totaling almost 2.6 million square feet for a combined value of \$283.5 million occurred during first-quarter 2019. This was down from the 3.8 million square feet sold in the previous quarter. The average sales price for investments saw a slight year-over-year decrease to \$110/SF from \$120/SF. This decrease can be attributed to the decrease in high-end industrial sales, which took place as lower-tier industrial properties still snagged strong prices but had more of an impact on the overall price per square foot.

CURRENT CONDITIONS

Demand growth in the region slowed from levels previously seen, but still beat out supply being returned to the market.

Construction activity remained robust shattering previous records with the most industrial inventory underway seen in recorded history.

Industrial rents continued to rise past record levels throughout the region approaching the \$9.00/SF mark.

The Warehouse/Distribution Sector dominated demand along with leasing, sales and construction activity in South Florida.

Leasing activity remained strong as the region is on track to meet the 8.0 million square feet level in midsize to large deals seen in 2018.

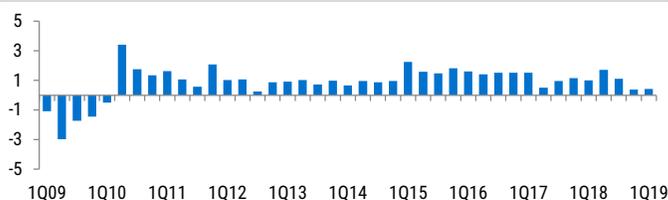
Investors interest is bullish on South Florida's industrial market, particularly in Miami and Broward counties.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

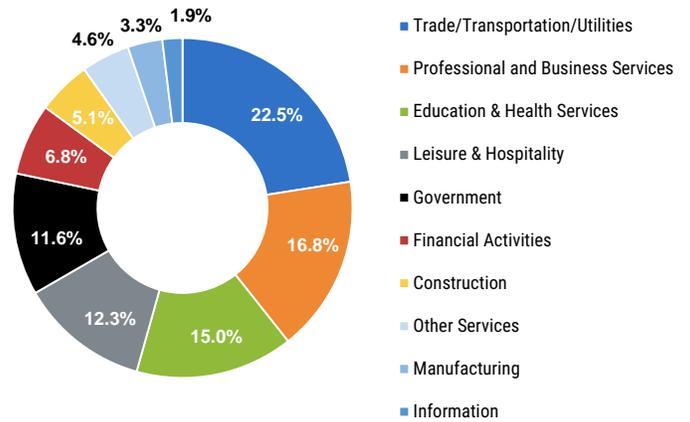
	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	370.3 MSF	369.0 MSF	365.8 MSF	↑
Vacancy Rate	4.1%	3.9%	3.9%	↑
Quarterly Net Absorption	419,115	372,960	1,003,261	↔
Average Asking Rent	\$8.92	\$8.76	\$8.05	↔
Under Construction	5,761,986	5,000,123	4,365,524	↓
Deliveries	632,655	1,121,964	1,563,218	↔

ECONOMIC CONDITIONS

South Florida's unemployment rate ticked downward 30 basis points to 3.3%, with 55,500 additional jobs added from February 2018. Miami-Dade County reported the region's strongest drop in unemployment rate, down 80 basis points to 3.2% from one year ago and taking the lead for the regions top employment numbers. Palm Beach's rate saw a smaller decrease of 30 basis points to 3.4% from last year during the same period, while Broward experienced a decrease of 20 basis points to 3.3%. Looking back from the first quarter-2018, the construction sector held onto the lead in the strongest percentage growth of any industry in South Florida while the professional and business services sector held the largest increase with 18,500 jobs created. The education and health segment moved into the second spot with an increase of 10,200 jobs over the past 12 months. Rounding out the top three included the trade, transportation and utilities industry with the creation of 7,500 new positions. Leisure and hospitality jobs slowed during the start of the year, seeing a modest increase of 4,800 jobs from one year ago. Most remaining sectors experienced moderate improvements with the information sector continuing to struggle with 400 jobs lost since February of 2018. South Florida's job growth held steady, outperforming overall levels of the Country as population growth and healthy development remained throughout the region. Healthy economic conditions should remain throughout 2019.

EMPLOYMENT BY INDUSTRY

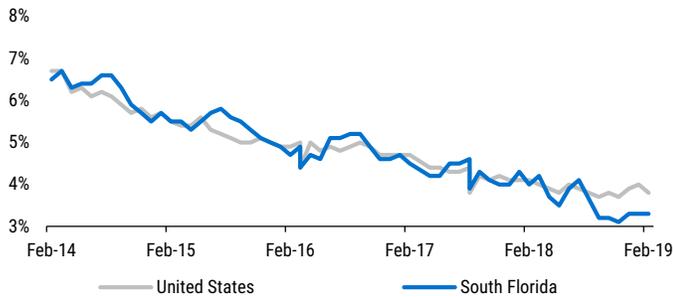
South Florida MSA, May 2018 Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

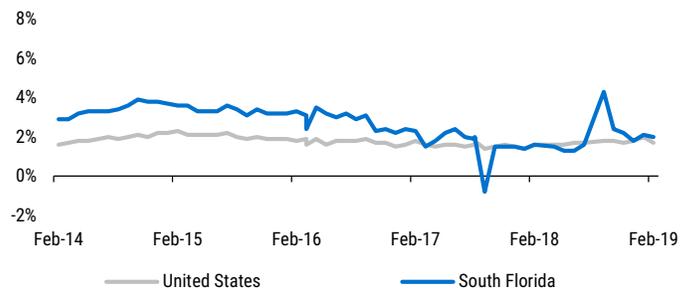
South Florida Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

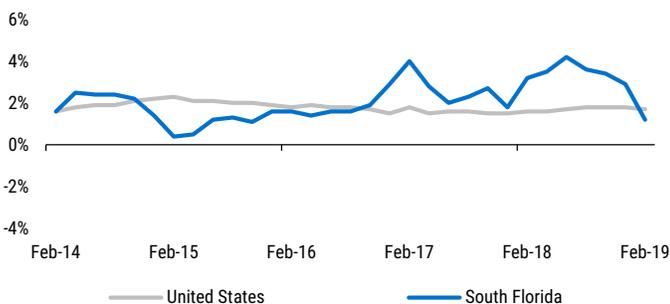
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

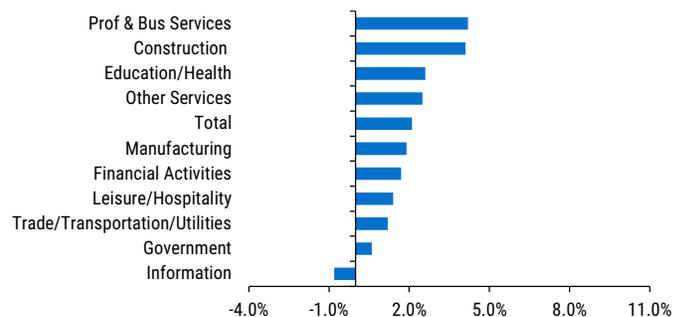
All Items, 12-Month % Change, Not Seasonally Adjusted,



Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

South Florida, Feb 2019, MSA, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics