

# SOUTH FLORIDA INDUSTRIAL MARKET

## INDUSTRIAL GROWTH MODERATING BUT STILL HOLDING

The second quarter of 2019 saw consistent growth in demand from the previous quarter, as positive net absorption exceeded 543,000 square feet, bringing midyear net absorption to 1.1 million square feet. This represents a decrease of roughly 60.0% from one year ago and was the most modest decline from prior midyear performances since 2010, when the recovery began. The development of 4.3 million square feet of new supply over the past 12 months barely impacted the market, as vacancy ticked up 30 basis points to 4.0%. This is a sign that demand fundamentals still held strong, as companies still desire newer warehouse/distribution space. Robust construction activity throughout South Florida has increased vacancies from new developments to such an extent that they have begun to impact average rents. Nevertheless, the quoted average asking rent remained practically level from the first quarter of 2019, as the region's tight market conditions translated into a gain of \$0.68/SF from this time last year to \$8.97/SF. Warehouse/distribution rents saw the largest year-over-year increase, to \$8.22/SF from \$7.36/SF.

## LEASING AND DEMAND

There were 465 deals totaling 4.7 million square feet of lease activity during second-quarter 2019, for a total of more than 10.0 million square feet of transactions in the first half of the year. This was up from the 8.9 million square feet reported at the same time last year, which can be attributed to Home Depot's lease of 1.1 million square feet in Miami's Hialeah/Hialeah Gardens submarket. Warehouse/distribution ruled with 711 deals posting 9.2 million square feet, followed by general industrial with 162 transactions totaling 619,000 square feet. R&D/flex space trailed even further with 62 deals totaling 232,000 square feet so far this year. The retail/wholesale industry accounted for the bulk of mid- to large-sized lease deals, totaling more than 2.2 million square feet. Logistics and distribution companies remained in second place with 1.4 million square feet, while the aviation and aerospace sector rounded out the top three with 490,000 square feet. The region was on track to beat 2018's record of more than 8.2 million square feet of mid- to large-sized lease deals, with more than 5.0 million square feet recorded at the midyear point of this year.

## INVESTMENT SALES

Twenty-nine investment sales totaling 3.5 million square feet occurred during the first half of the year for a combined \$398.5 million. This is consistent in volume from one year ago but a decrease from second-quarter 2018's value of \$547.2 million. The average sales price on investments decreased slightly to \$113/SF from \$116/SF one year ago. Investors remained bullish, as sale prices for high-end and well-leased properties remained in demand. The highest average sale prices recorded were \$238/SF in Miami and \$172/SF in Broward County. With very few owners of institutional-quality buildings willing to sell, investors and developers continue to acquire as much land as possible. Much of the land being bought requires significant investments of time and capital to get entitled for industrial development.

## CURRENT CONDITIONS

Demand growth in the region continued to slow, but reports of tenants in the market remained quite healthy with some good size lease deals projected to close in the second half.

Construction activity remained robust with approximately 5.3 million square feet and more projected to break ground in the second half of 2019.

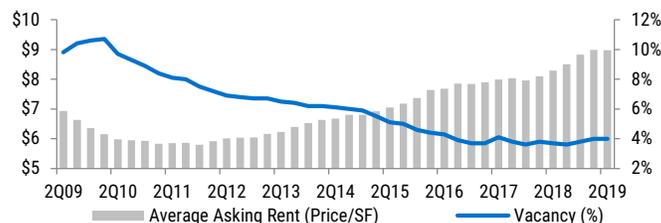
Industrial rents held steady in the second quarter but should pass last quarter's record and will likely pass above the \$9.00/SF mark before year end.

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

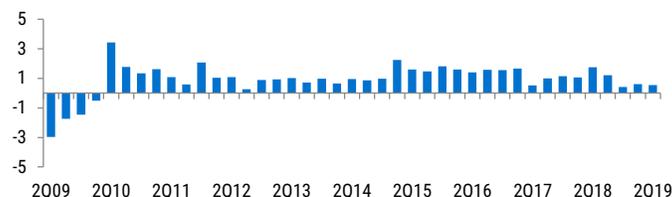
Investors interest remained bullish on South Florida's land for industrial development, particularly in Miami and Broward Counties.

## MARKET ANALYSIS

### Asking Rent and Availability



### Net Absorption (SF, Millions)



## MARKET SUMMARY

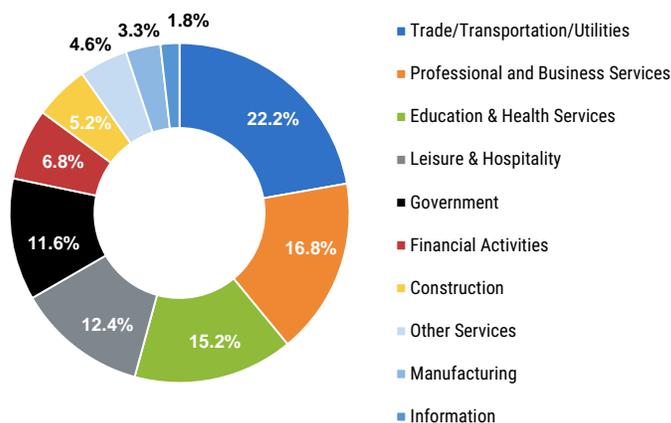
	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	371.3 MSF	370.5 MSF	366.8 MSF	↑
Vacancy Rate	4.0%	4.0%	3.7%	↑
Quarterly Net Absorption	543,741	608,455	1,742,291	↔
Average Asking Rent	\$8.97	\$8.99	\$8.29	↔
Under Construction	5,299,600	5,700,497	5,424,980	↓
Deliveries	1,151,229	904,301	1,156,558	↔

## ECONOMIC CONDITIONS

South Florida's unemployment rate ticked downward 30 basis points to 3.1%, with 54,300 additional jobs added from May of 2018. Miami-Dade County reported the region's strongest drop in unemployment rate, down 50 basis points to 3.2% from one year ago. Palm Beach's rate saw a smaller decrease of 20 basis points to 3.1%, while Broward also decreased by 20 basis points to 3.0% from last year during the same period. Looking back from the second quarter-2018, the education and health sector took the lead in the strongest percentage growth of any industry in South Florida while also providing the largest increase with 17,100 jobs created. The professional and business services segment moved into the second spot with an increase of 14,800 jobs over the past 12 months. Rounding out the top three included leisure and hospitality industry with the creation of 7,300 new positions. Construction jobs slowed during the first half of the year, seeing a modest increase of 5,100 jobs from one year ago. Most remaining sectors experienced moderate improvements with the information sector continuing to struggle with another 300 jobs lost since May 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 and into the first half of 2020. The regions is well positioned to weather an economic downturn depending on the severity.

## EMPLOYMENT BY INDUSTRY

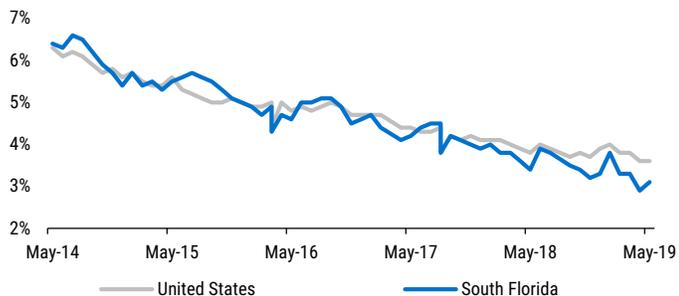
South Florida MSA, May 2018 Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

## UNEMPLOYMENT RATE

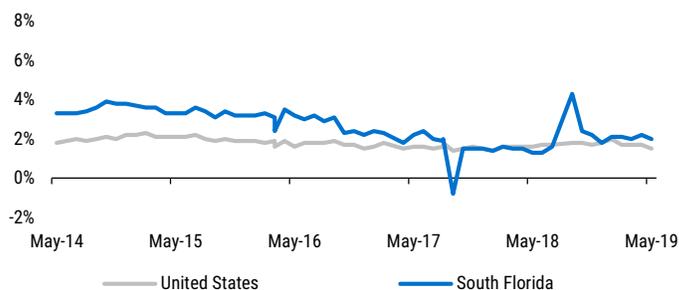
South Florida Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

## PAYROLL EMPLOYMENT

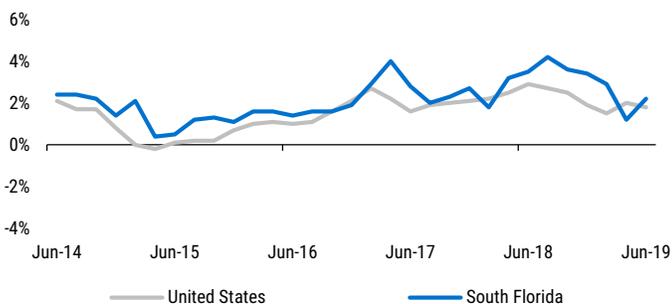
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## CONSUMER PRICE INDEX (CPI)

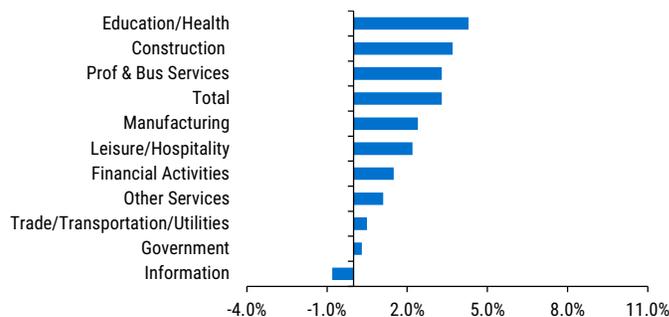
All Items, 12-Month % Change, Not Seasonally Adjusted,



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