

SOUTH FLORIDA INDUSTRIAL MARKET

A SOLID START TO 2020 AS DEVELOPMENT SLOWED

The industrial market saw demand outpace supply at a consistent pace from one year ago as 737,000 square feet of absorption was posted in the first quarter of 2020. Warehouse/distribution dominated with over 772,000 square feet of absorbed space. General industrial lagged with only 54,000 square feet of net absorption, while R&D/flex had 89,000 square feet of supply returned to the market. Despite continued demand growth, robust construction activity pushed vacancy up 100 basis points from one year ago to settle at 4.8%. This was the most substantial year-over-year increase and was the result of more than 7.6 million square feet of new inventory delivered in South Florida since the start of 2019. The addition of high-end new industrial inventory also pushed the quoted average asking rate past the \$9.00/SF mark for the first time in South Florida's history, increasing by \$0.22/SF from the \$8.82/SF rate recorded last year at this time. However, year-over-year growth slowed, as general industrial space saw the largest year-over-year increase, to \$8.45/SF from \$8.17/SF. Followed by warehouse/distribution space, which rose to \$8.73/SF from \$8.61/SF. More than 3.6 million square feet of new inventory was under construction at the close of the first quarter, a significant decrease from the 5.6 million square feet that was underway this time last year.

LEASING DEMAND & INVESTMENT SALES

There were 432 deals totaling more than 3.8 million square feet during first-quarter 2020, a decrease from the 4.2 million square feet leased during the same period one year ago. Warehouse/distribution space still dominated, posting 3.0 million square feet, followed by general industrial with 649,000 square feet, while R&D/flex space lagged behind with 112,500 square feet leased in first-quarter 2020. South Florida saw a significant downturn in midsize to large lease deals from the 2.7 million square feet of deals signed during first-quarter 2019 as 1.0 million square feet was inked at the close of this quarter. The retail/wholesale industry still accounted for the bulk of mid- to large-size lease deals, with 10 deals comprising 659,000 square feet. The largest deal was Anixter Inc's 148,000-square-foot new lease at Prologis Miami International Tradeport in the Medley submarket. Logistics and distribution companies lagged behind with three deals totaling 110,000 square feet leased, while the aviation-aerospace sector moved into third place with 76,000 square feet..

Eight sales, totaling 961,000 square feet for a combined value of \$129.8 million, occurred during first-quarter 2020. This was down from the 2.6 million square feet sold this time last year as the average sales price for investments saw a year-over-year increase to \$135/SF from \$110/SF.

CURRENT CONDITIONS

Net absorption more than doubled from the previous quarter as build-to-suit completions helped demand surge during first quarter.

The pace of development appeared to be slowing with construction down by almost 2.0 million square feet from one year ago.

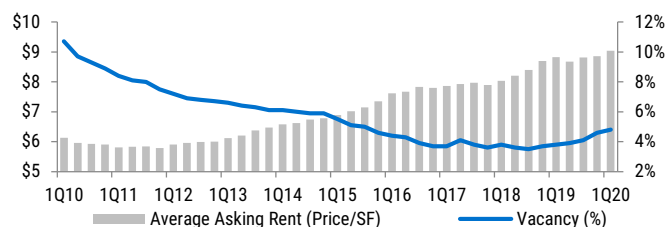
Average asking rates ticked upward pushing to continued record heights, but have decelerated from previous year-over-year gains.

Vacancy rates inched upward as a result of returned space to the market coupled with new construction completions.

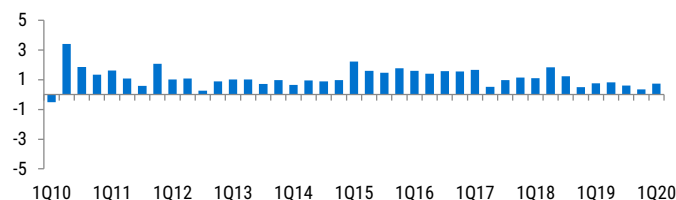
Market fundamentals and regional economic conditions are likely to weaken as a result from the impacts of the Covid-19 pandemic outbreak.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

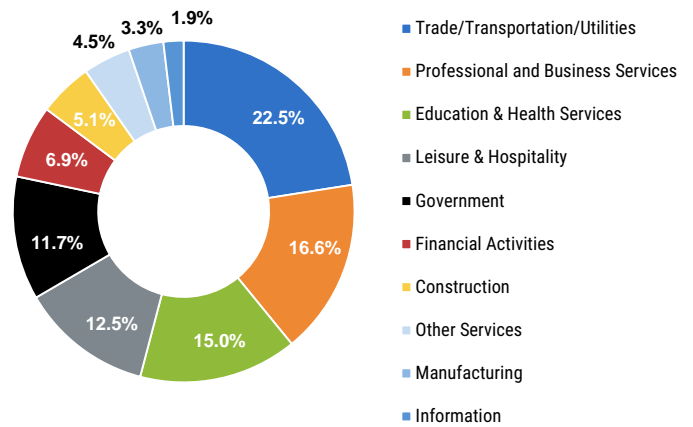
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	376.8 MSF	375.3 MSF	370.1 MSF	↑
Vacancy Rate	4.8%	4.6%	3.8%	↑
Quarterly Net Absorption	737,434	346,741	753,605	↓
Average Asking Rent	\$9.04	\$8.86	\$8.82	↔↔
Under Construction	3.7 MSF	3.3 MSF	5.6 MSF	↓
Deliveries	1.5 MSF	2.0 MSF	904,301 SF	↓

ECONOMIC CONDITIONS

South Florida's unemployment rate ticked downward 100 basis points to 2.3%, with 28,800 additional jobs added from February of 2019. This was the region's lowest unemployment rate recorded going back to 1990. Miami-Dade County reported the region's strongest drop in unemployment rate, down 50 basis points to 1.5% from one year ago. Palm Beach's rate saw a smaller decrease of 40 basis points to 3.0%, while Broward recorded the same decrease, dropping 50 basis points to 2.9% from last year during the same period. Looking back from the first quarter-2019, although job growth held through February, it was the lowest annual increase in jobs added seen since the economic recovery began. The professional and business services segment took the lead providing the largest increase with 7,300 jobs created while the leisure and hospitality moved into the number two spot with an increase of 6,800 jobs, while the trade, transportation and utilities industry moved into the third spot 6,300 jobs added over the past 12 months. Construction jobs continued to slow in the start of 2020 dropping to 700 jobs added from one year ago. Most remaining sectors experienced moderate improvements with the information sector continuing to struggle with 300 jobs lost while manufacturing jobs decreased by 1,100 from one year ago. South Florida's job growth slowed during the first quarter and with unemployment claims on the rise at the close of the quarter, impacts from the Covid-19 outbreak have yet to be accounted for.

EMPLOYMENT BY INDUSTRY

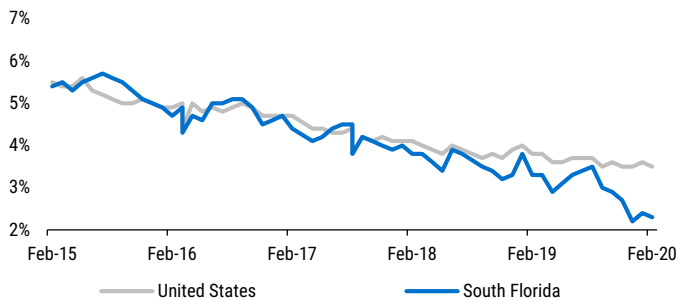
South Florida MSA, Feb 2020 Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

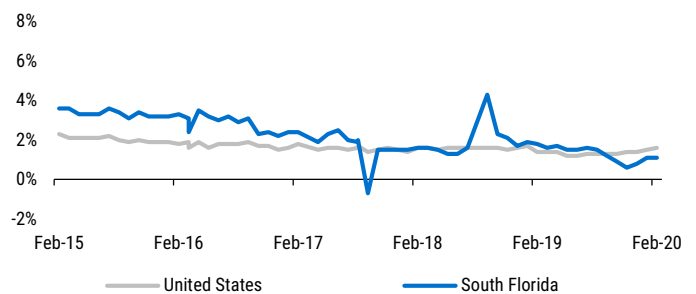
South Florida Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

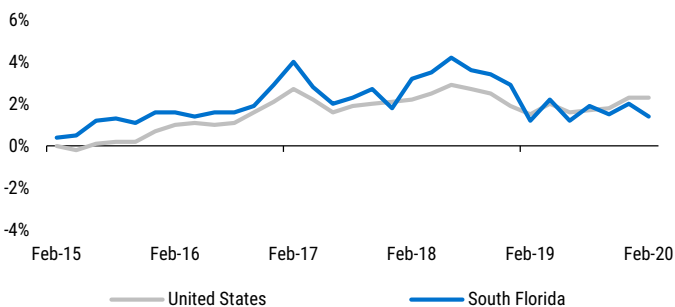
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

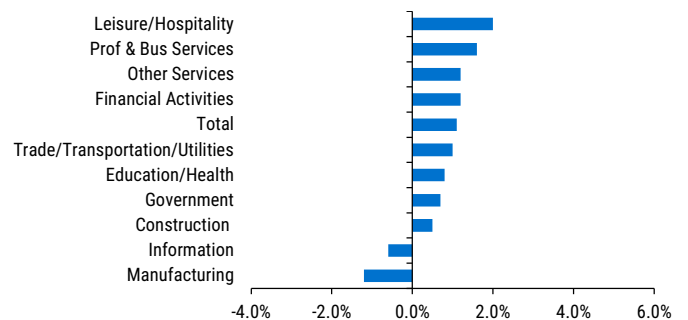
All Items, 12-Month % Change, Not Seasonally Adjusted,



Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

South Florida, Feb 2020, MSA, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics