

South Florida Industrial Market Report

Industrial Still Going Strong As Economic Recovery Begins

The market saw its strongest first-quarter performance in four years, recording over 1.5 million square feet of positive net absorption as robust demand held despite the pandemic. Approximately 1.3 million square feet of absorbed space came from the warehouse/distribution segment, while R&D/flex space saw over 154,000 square feet of positive net absorption. General industrial space saw demand outpace supply by 98,000 square feet during the first quarter of 2021. Sixteen buildings totaling more than 2.9 million square feet of new industrial inventory were delivered during the first three months, increasing vacancy by 40 basis points from the previous quarter one year ago. Despite the record-breaking construction completions during the quarter, the strong leasing of newer supply held fast. Over 2.8 million square feet of this industrial inventory is projected to be occupied throughout 2021. Another 23 buildings totaling 4.5 million square feet were under construction, with over 31.0% already spoken for. This should prevent industrial vacancy from increasing to levels where a significant amount of available space comes to the market. The quoted average asking rent pushed past the \$9.00/SF mark for the first time as rent growth momentum slowed over the past year. General industrial space saw a slight increase to \$8.57/SF from \$8.42/SF, while R&D/flex saw rents rise to \$12.17/SF from \$11.05/SF recorded one year ago. The warehouse/distribution segment held level at \$8.60/SF as secondary space has more of an impact on the average, while new inventory is taken off the market.

Leasing Demand

There were 643 deals totaling approximately 6.2 million square feet during first-quarter 2021, a significant increase from the 3.8 million square feet leased during the same period one year ago. Warehouse/distribution space still dominated, posting 5.1 million square feet, followed by R&D/flex with 707,000 square feet, while general industrial space had 323,000 square feet leased. South Florida saw an increase in midsize to large lease deals from the 2.1 million square feet of deals signed during first-quarter 2020, with more than 3.2 million square feet inked at the close of the quarter. The retail/wholesale industry still accounted for the bulk of mid to large-size lease deals, with 22 deals comprising more than 2.4 million square feet. Logistics and distribution companies lagged, totaling 110,000 square feet leased, while the aviation-aerospace sector moved into third place, with 76,000 square feet.

Investment Sales

Investment sales significantly increased from one year ago, with 24 sales totaling over 1.6 million square feet, for a combined total of \$232.7 million. This was up from the 961,000 square feet sold for \$129.8 million as demand for industrial investment properties remained bullish. The average sales price for investments ticked upward to \$139/SF from the \$135/SF recorded one year ago.

Current Conditions

The region saw demand increase from the positive net absorption seen during first-quarter 2020 as the ecommerce sector continued to dominate deal activity.

Amazon leased another 1.0 million square feet throughout South Florida during the first quarter after leasing 3.0 million square feet in 2020.

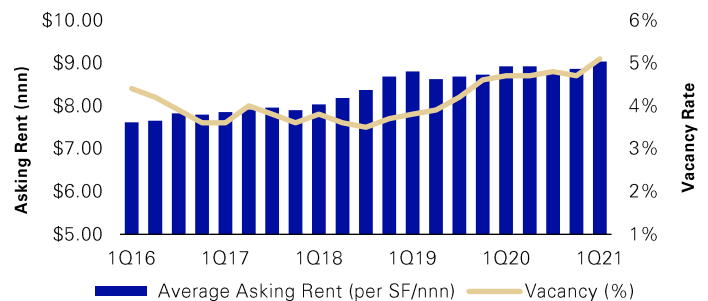
South Florida recorded more than 3.2 million square feet of lease deals in the first quarter, staying on track with the previous year's deal-breaking activity.

Robust construction activity held, with approximately 3.0 million square feet delivered in the first quarter and another 4.5 million square feet of new inventory underway.

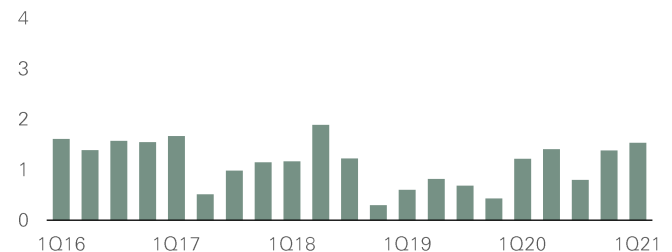
Investment sales gained momentum from one year ago as industrial properties remained in high demand.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	382.7M	379.8M	375.6M	↑
Vacancy Rate	5.1%	4.7%	4.7%	↔
Quarterly Net Absorption (SF)	1.5M	1.4M	1.2M	↓
Average Asking Rent/SF	\$9.03	\$8.86	\$8.92	↔
Under Construction (SF)	4.5M	6.7M	4.6M	↓
Deliveries	2.9M	1.2M	1.4M	↓

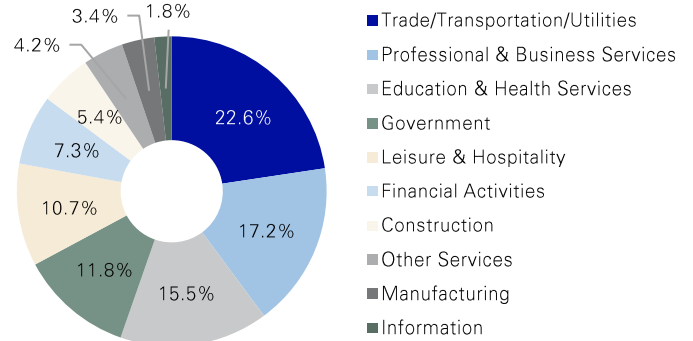
Economic Conditions

South Florida's unemployment rate fell to 6.3% from the 13.7% peak back in May of 2020 from the national shut down throughout the region in late March for three months. Year-over-year, a total of 160,100 jobs remained lost as a result from the pandemic, a slight improvement from the 167,000 year-over-year job losses from fourth-quarter 2020. Palm Beach County's 4.5% unemployment remained the lowest throughout the region after peaking at 14.7% in May of 2020. Broward's unemployment rate of 5.6% was the strongest improvement in the region after reaching 17.4% in May as well, while Miami-Dade was the only county to see unemployment increase 20 basis points to 8.2% from the previous quarter but remained well below the 13.7% peak during second-quarter of 2020.

South Florida's strong ties to tourism continued to devastate the leisure and hospitality industry, still reporting the most year-over-year jobs lost with 60,300 from one year ago and only a gain of 3,000 jobs from the previous quarter. The trade, transportation and utilities sector moved into the second spot for job losses, totaling more than 31,300 from this time last year as professional and government moved into the third spot with 18,300 jobs lost from this time last year. All key industries continued to feel the impacts from the sudden economic downturn as none showed year-over-year increases.

Employment By Industry

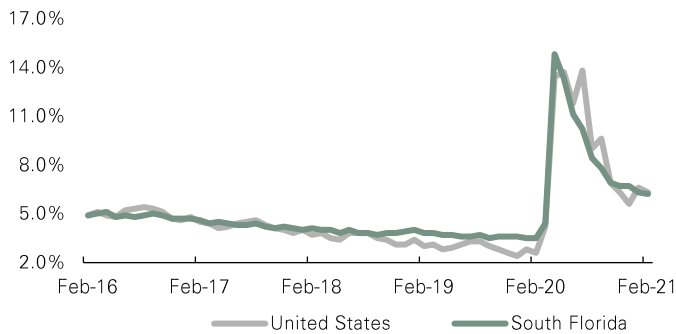
South Florida MSA, Feb 2021 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

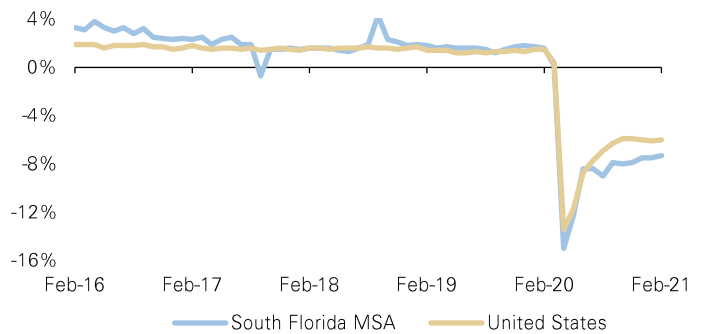
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

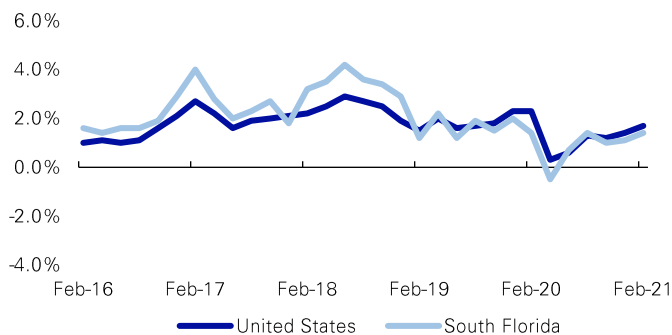
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

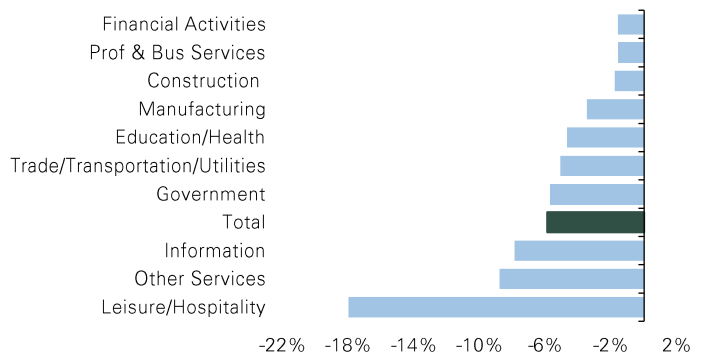
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

South Florida, Feb 2021, MSA, 12-Month % Change



Source: U.S. Bureau of Labor Statistics | Not Seasonally Adjusted