

South Florida Industrial Market Report

Robust Demand Created Record Shattering Year For Industrial

Another strong quarterly performance pushed positive net absorption to over 10.3 million square feet for South Florida in 2021, never seen before in recorded history and more than doubling the 5.0 million square feet absorbed during 2020. Over 5.8 million square feet of absorption was recorded during the second half of the year. The overall vacancy rate in South Florida returned to its record low of 3.4%, dropping 120 basis points from this time last year, despite 6.0 million square feet of new inventory added during 2021, another record-setting number never seen before in a 12-month period. Miami-Dade continued to dominate demand for the region as Broward County also saw a significant improvement from previous quarterly performances. Palm Beach's market continued to see moderate gains as the smaller industrial market still made headway, despite little speculative development. Almost 9 million square feet of absorbed space came from the warehouse/distribution segment. The R&D/flex sector saw a significant rise in demand, with over 606,000 square feet of positive net absorption, a number not seen in over a decade. General industrial space saw demand outpace supply by more than 741,000 square feet during 2021. Developers continued to break ground on new projects, with 30 buildings totaling more than 5.8 million square feet under construction. Tight market conditions, coupled with healthy demand fundamentals, pushed the overall quoted average asking rate over the \$10.00/SF market for the first time. The \$1.27/SF increase from one year ago marked a 14.3% rise in the average, which was the largest annual increase ever as landlords accelerated asking rents upward with strong market fundamentals in place.

Leasing Demand

There were 464 deals totaling 6.1 million square feet of lease activity during the fourth quarter of 2021, to combine for more than 30.6 million square feet of transactions for the entire year. This was an approximate 50.0% increase from the record 20.7 million square leased during 2020. Warehouse/ distribution posted 26.6 million square feet, followed by general industrial, with over 2.9 million square feet. R&D/flex space trailed with 1.2 million square feet, which was noticeably up from previous years. More than 15.3 million square feet of those deals were midsize to large lease transactions over 20,000 square feet, surpassing last year's record high by 2.3 million square feet. The retail/ wholesale industry accounted for the bulk of these deals with 5.7 million square feet. Logistics and distribution companies held in second place with 3.9 million square feet, while the food and beverage sector saw 1.7 million square feet.

Investment Sales

Investment sales increased by 1.2 million square feet from the previous quarter, totaling over 3.9 million square feet during fourth quarter. Investors' bullish appetite for industrial acquisitions grew during 2021, more than doubling from the previous year to 9.7 million square feet for a combined value over \$1.6 billion. One notable difference from one year ago was the increase of newer, high-end industrial buildings changing hands, which could be seen with the increase in the average price to \$167/SF from \$122/SF one year ago.

Current Conditions

South Florida's industrial sector saw its strongest annual performance on the record books, surpassing its previous best in 2005.

Developers' optimism held as construction activity increased, with more projected to break ground during 2022 as pre-leasing levels of new inventory remained healthy.

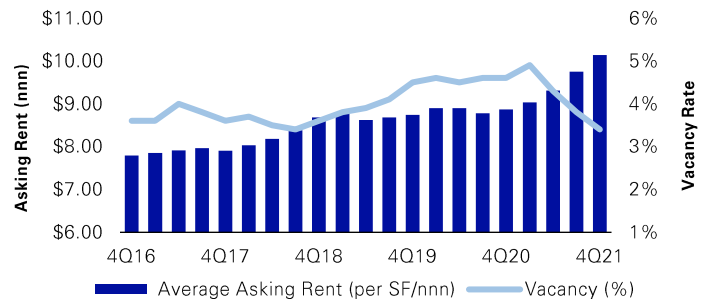
Despite the considerable development of new industrial inventory, vacancy rates decreased from the previous quarter and one year ago, to drop to the region's all-time low of 3.4%.

Midsize and large lease deals surpassed 2020's recorded levels, with over 15.3 million square feet.

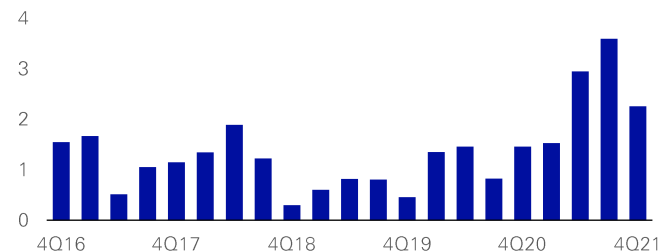
Investment sales reached a fever pitch, with just under 10 million square feet sold throughout South Florida.

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)	385.6M	385.1M	379.8M	↑
Vacancy Rate	3.4%	3.8%	4.6%	↑
Quarterly Net Absorption (SF)	2.3M	3.6M	1.5M	↓
Average Asking Rent/SF	\$10.14	\$9.75	\$8.87	↑
Under Construction (SF)	5.9M	5.2M	5.9M	↓
Deliveries	586,844	1.7M	1.1M	↔

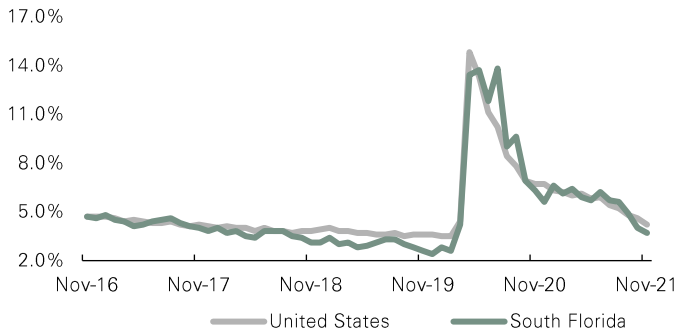
Economic Conditions

South Florida's unemployment rate fell another 30 basis points to 3.7% from the previous quarter and continued its downward trend from the 13.7% peak back in May of 2020. 132,400 jobs were gained from this time last year. Miami-Dade County took the lead for the lowest unemployment rate in the region with 1.4%, a 680 basis point drop from one year ago. Palm Beach County followed suit dropping 90 basis points to 3.5% from this time last year. Broward County's unemployment rate fell 140 basis points, dropping from 5.2% one year ago to 3.8% at the close of fourth quarter. The region has consistently seen gains in employment after impacts from the pandemic climaxed but has yet to reach the 2.6% low achieved toward the end of 2019.

South Florida's strong ties to tourism continued to aid the leisure and hospitality industry after feeling the strongest impacts from the pandemic. Travel and tourism has almost fully recovered with another strong gain of 40,600 jobs from one year ago. The professional and business services sector moved into second, totaling 32,500 new jobs and the trade, transportation and utilities industry dipped to round out the top three with 27,600 jobs gained from this time last year. All key industries saw year-over-year job growth for the first time since impacts from the global pandemic began. The manufacturing and information industries continue to struggle with less than 2,000 jobs added from the close of 2020.

Unemployment Rate

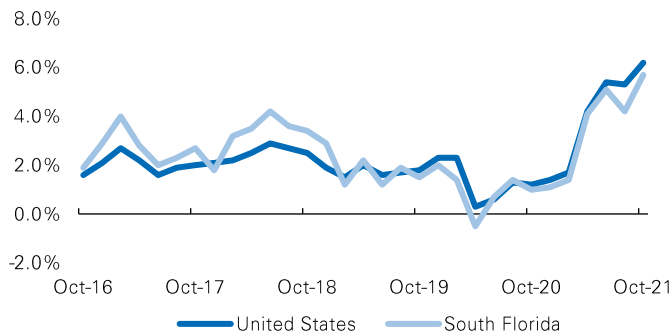
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

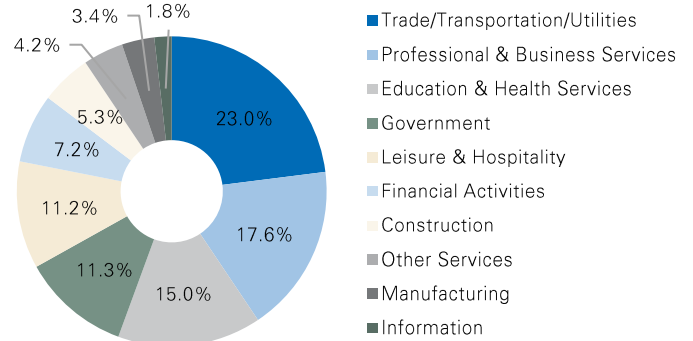
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment By Industry

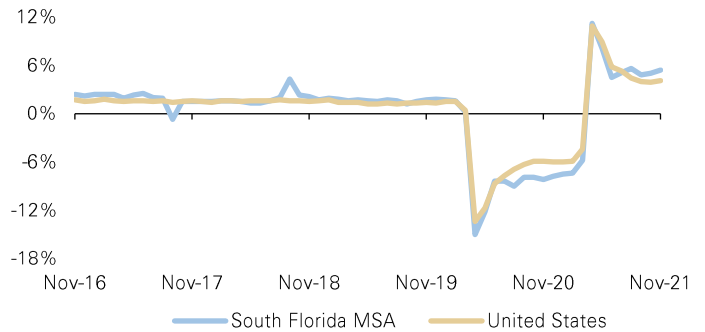
South Florida MSA, December 2021 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

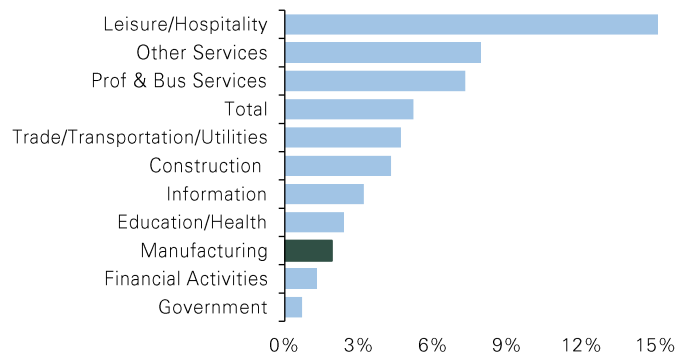
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



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