



# South Florida Industrial Market Report

## Leasing Activity Dips; Investment Sales Continue Upward Trajectory

The demand for industrial space in South Florida mirrors the trend across the country. Absorption in the first quarter of 2023 totaled 1.4 million square feet, up from 1.1 million square feet last quarter.

Vacancy rates for industrial product in the Tri-County region have stabilized over the course of the past year. The quarterly vacancy rate closed at 3.7%, down 10 basis points from last quarter, but up 20 basis points from this time last year. Miami-Dade remains the tightest market, with a vacancy rate of 2.9%.

Average rents in the Tri-County region increased to \$13.21/SF in the first quarter of 2023, up from \$12.90/SF last quarter and \$10.71/SF one year ago. Miami-Dade County average asking rents closed at \$13.32/SF, followed by \$13.15/SF in Broward County and \$12.96/SF in Palm Beach County.

Construction activity continues to thrive in South Florida, with 13.3 million square feet of space under development, up from 10.4 million square feet one year ago. The amount of space in the pipeline represents 3.5% of current market inventory.

### Leasing and Demand

Tri-County leasing activity closed at 4.1 million square feet, down 13.3% from the fourth quarter of 2022, when volume totaled 4.7 million square feet. Activity was also 38.2% below the long-term average of 6.6 million square feet.

The two largest deals during the first quarter of 2023 were both larger than 180,000 square feet and signed in the Miami-Dade County market. The largest deal was a new lease signed by JAS for 198,0108 square feet in Miami-Dade County in the Hialeah/Hialeah Gardens submarket. The second-largest deal was also a new lease signed in the same submarket by Logistics Plus for 181,051 square feet.

### Investment Sales Activity

Sales volume has fallen considerably as interest rates continue to increase, raising the cost of capital. First quarter of 2023 sales volume through February totaled \$225.0 million across 26 transactions, down from \$3.1 billion in volume in the fourth quarter of 2022. Pricing on these deals averaged \$222/SF.

### Current Conditions

South Florida's industrial market remains robust, with absorption of 1.4 million square feet and a declining vacancy rate of 3.7%.

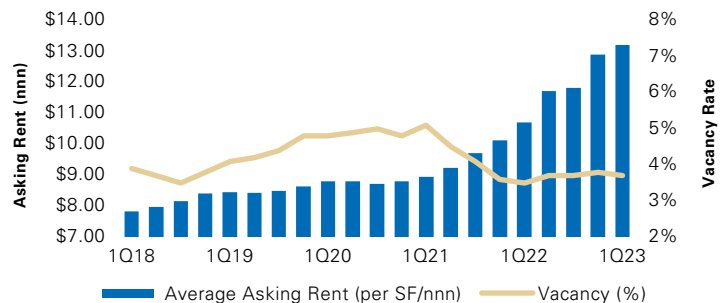
Average asking rents continued to increase, closing the first quarter at \$13.21/SF, a five-year high.

The pace of new construction continues to flourish, with 13.3 million square currently under construction.

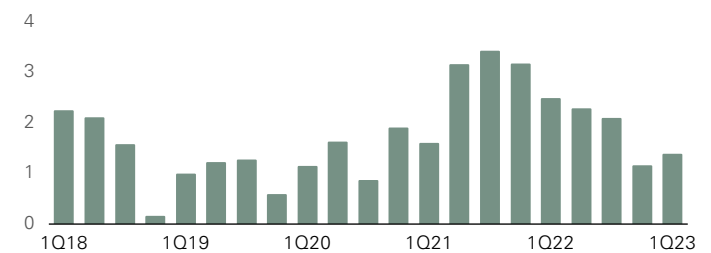
Leasing volumes declined to 4.1 million square feet from 4.7 million square feet last quarter with average deal size declining by 15.7% to 8,159 square feet.

### 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)	383.3M	381.8M	373.5M	↑
Vacancy Rate	3.7%	3.8%	3.5%	↑
Quarterly Net Absorption (SF)	1.4M	1.1M	2.5M	↑
Average Asking Rent/SF	\$13.21	\$12.90	\$10.71	↑
Under Construction (SF)	13.3M	11.9M	10.4M	↓
Deliveries (SF)	1.2M	933,983	2.3M	↑

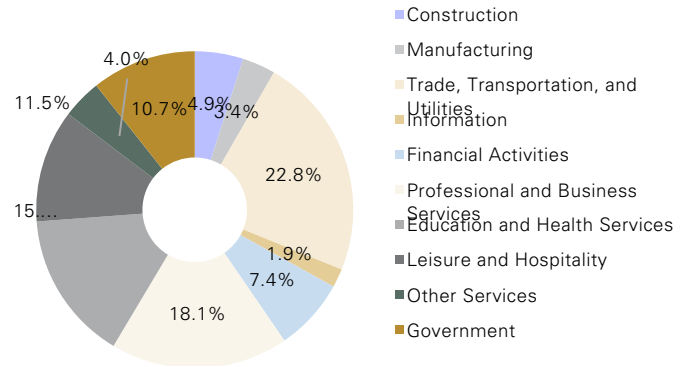
### Economic Conditions

The South Florida economic landscape remains robust. Unemployment in the market closed at 2.5%, more than a full percentage point below the national average of 3.6%. Despite the positive unemployment landscape, inflation remains prevalent as the CPI remains elevated beyond desired levels. The Federal Reserve has continued its process of raising rates over the course of the path several quarters in an attempt to tame inflation.

Coinciding with the pace of interest rates has been a gradual decline in the rate of job growth. As of February 2023, job growth over the past year improved by just 3.8%. The largest gains were recorded in the leisure and hospitality industry, followed by manufacturing and education and health services. Each of these industries outpaced the overall average across sectors.

### Employment By Industry

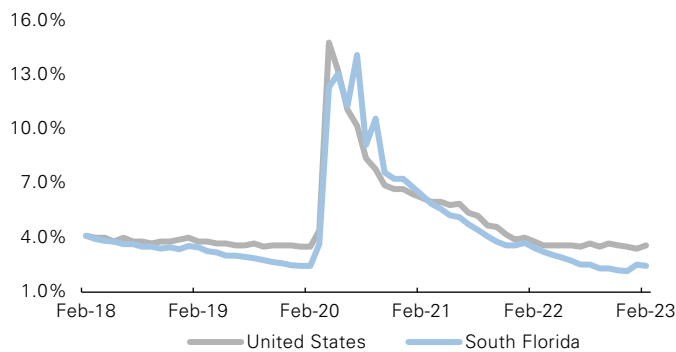
South Florida (Miami MSA), February 2023 | Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Unemployment Rate

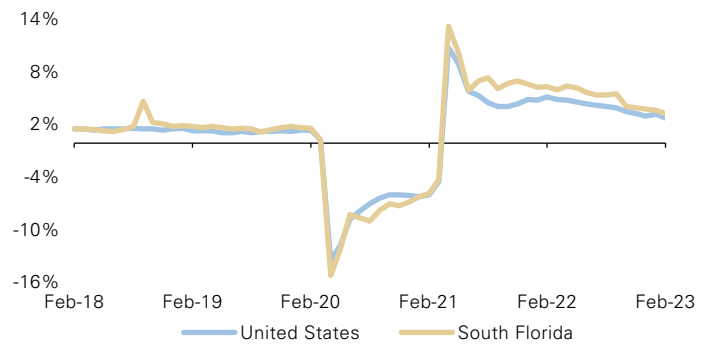
South Florida (Miami MSA), Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

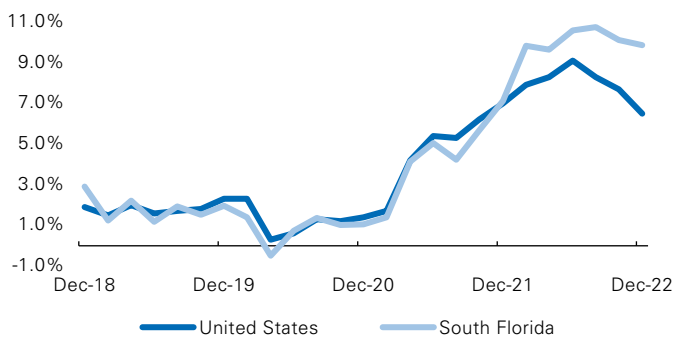
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

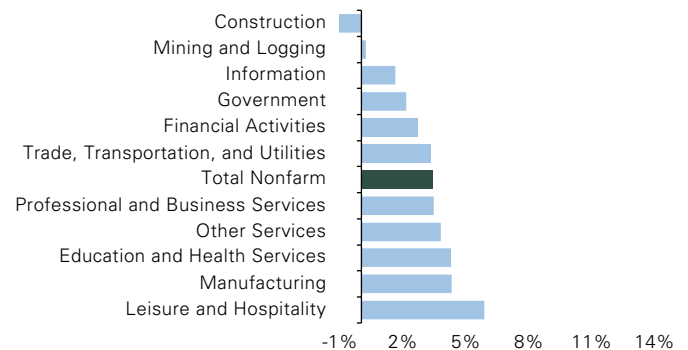
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

South Florida (Miami MSA), February 2023, MSA, 12-Month % Change



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