INVESTMENT FORECAST

Industrial

Fort Lauderdale

IPA INSTITUTIONAL PROPERTY ADVISORS

2022

Industrial Properties Gain Prominence in Broward County; Investors Elevate Activity

Conditions tighten as economy heats up. An improvement in the local tourism sector will help the county recoup all the jobs lost during the recession, providing an additional boost to local industrial properties. The leisure and hospitality sector still accounts for roughly 25 percent of the unrecovered positions, and a resurgence in the cruise industry will be necessary to fully repair the local economy. Last year, the number of cruise ship calls at Port Everglades was only 23 percent of the level recorded in 2019. Despite the slow recovery in the important tourism sector, industrial fundamentals are performing better than prior to the health crisis. Occupancy and rents continue to move higher, as pandemic trends, such as online shopping, have taken a foothold necessitating warehouse and distribution space. Further improvement is anticipated this year as local businesses welcome back visitors to the area, requiring an increase in inventory.

Buyers return to Broward County. Following the slowest transaction year since 2013, investors ramped up activity last year, taking advantage of low interest rates and strong operating fundamentals. A repeat of last year's performance may be challenging in 2022, due to the rising cost of capital and pricing that has some investors seeking other markets. Since 2019, valuations have soared nearly 25 percent, while the average cap rate has tightened to 6.2 percent — just 20 basis points above adjacent Miami-Dade County. Fort Lauderdale is traditionally seen as an arbitrage play relative to Miami, but the comparative evenness of first-year returns is preventing those acquisitions. Still, Broward County's industrial market remains attractive, and offers strong returns for an area farther along in its economic recovery. Furthermore, demographic tailwinds like population growth indicate that more industrial space will be necessary in the future.

2022 Market Forecast

Employment up 4.6% — Payrolls surpass pre-recession levels this year as 39,000 positions are created, exceeding the 35,000 spots generated in 2021.

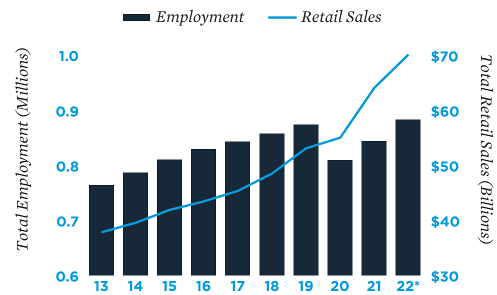
Construction 1.4 million sq. ft. — Development eases to 1.4 million square feet in 2022, lifting inventory by 1.3 percent. Last year's 2.3 million square feet contributed to a 2.2 percent rise in stock.

Vacancy down 20 bps — Vacancy continues to tighten. By year-end, the availability rate will fall to 4.2 percent.

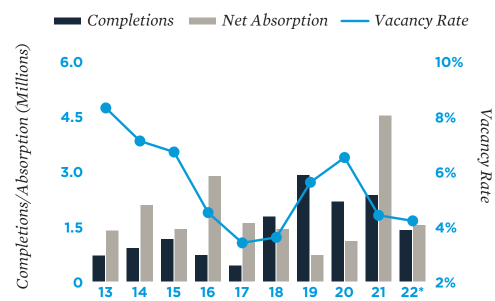
Rent up 4.3% — After recording an impressive 10.8 percent gain last year, the pace of growth will slow in 2022. Operators are expected to ask for an average of $11.89 per square foot at the end of the year.

Investment — International investors are playing a larger role in industrial purchases, supplementing the acquisitions made by out-of-state buyers. This trend should continue in the near term, as capital seeks safe havens in the face of challenging economic times.

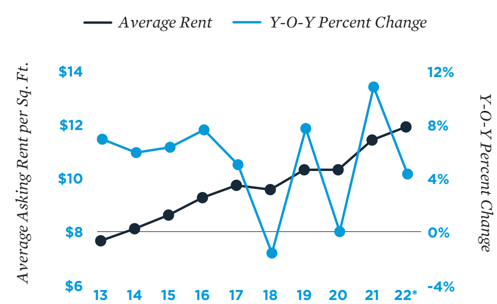
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.