

INVESTMENT FORECAST

Industrial
Miami-Dade

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2022

Tight Conditions and Land Constraints Support Rent Gains; Capital from Across the Nation Active in Miami

Development gains signify pent-up demand. South Florida's industrial sector recovered from the impact of the health crisis faster than the overall economy, though payrolls will not reach pre-pandemic levels until later this year. This job growth, along with stimulus funds, will contribute to retail sales, which grew nearly 25 percent between 2019 and 2021. Consumer spending included a sizable surge in online shopping, necessitating the need for more distribution and last-mile industrial space. As a result, vacancy is at its lowest rate in two decades, despite consistent deliveries over the last several years; development picks up this year, however, as builders find infill locations to expand stock. Of the nearly 6 million square feet of industrial space slated for delivery, only one project surpasses the 500,000-square-foot threshold. Speculative construction is prominent though, with more than half the underway space without leasing commitments.

Industrial assets attract out-of-area buyers. Deal flow rebounded last year, following the pandemic-induced slowdown in sales activity. Investors are particularly keen on local warehouses, which can trade at first-year returns in the low-5 percent range in some cases. Properties located in infill areas, where land sells at a premium, are the most attractive for out-of-state investors and industrial-focused institutions. Specifically, buildings proximate to major freeways that operate as last-mile distribution centers, and those equipped with cold storage have seen a significant bump in transactions during the past year — a trend that is expected to continue well into 2022. The rising cost of capital is unlikely to deter investors focused on South Florida from acquiring assets in Miami. The average cap rate heading into this year was 6.0 percent, only 20 basis points below the average in both Broward and Palm Beach counties.

2022 Market Forecast

Employment up 4.7%



Payrolls grow by 56,000 positions this year, surpassing the pre-recession peak.

Construction 5.8 million sq. ft.



Developers are ramping up construction this year, expanding inventory by 2.7 percent. In 2021, new construction constituted 1.6 percent of existing stock.

Vacancy up 40 bps



The impact of supply additions will place upward pressure on vacancy this year, lifting the rate to 3.1 percent. Last year, availability tightened by 170 basis points.

Rent up 6.0%



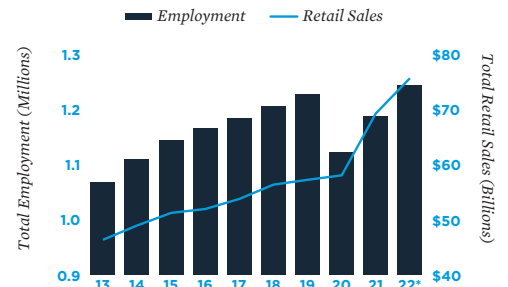
After an impressive 11.6 percent jump in 2021, the average marketed rate for available space is projected to finish this year at \$12.55 per square foot.

Investment

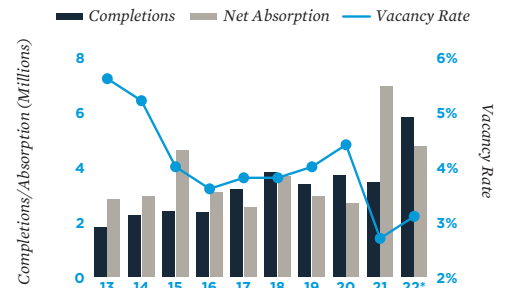


International investors are expected to take a more active role this year, particularly for recently constructed properties that become available.

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.