

MARKET REPORT

Industrial
Fort Lauderdale Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

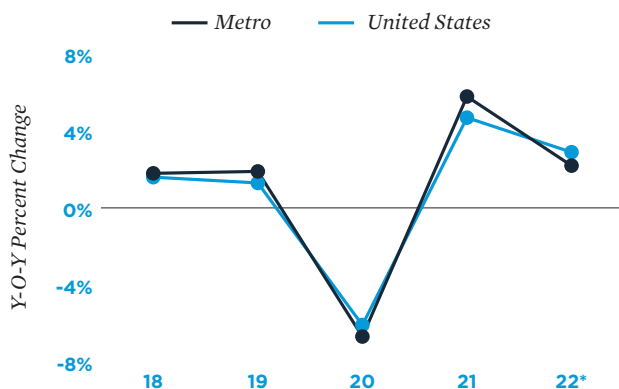
Midyear 2022

Industrial Users Drawn to Inland Zones; Tenants Pursuing Smaller Leases

Lower-cost submarket highlights metro performance. A net of 4.3 million square feet was taken off the market during the 12-month period ending in March, strongly exceeding the trailing half-decade average of 1.5 million. Southwest Broward accounted for 1.3 million square feet of net absorption during the recently-ended span, with tenants drawn to the submarket's below-average rents and proximity to Miami-Dade County. Multiple distributors and logistics firms, including Tire Rack, ShipMonk and Ryder Logistics, have inked 100,000-plus-square-foot leases here with 2022 move-in dates. Asking rents in this submarket have grown at a 9.8 percent clip over the yearlong span ended in March. The area retains the second-lowest average marketed rent in the metro, which should help draw cost-conscious tenants to the area over the near term.

Mid-size buildings dominate 2022 supply additions. Industrial development is decelerating in the metro. During 2022, builders are expected to complete less than 2 million square feet for the first time since 2018. Rising land costs and a lack of prime parcels available for development have disincentivized the construction of larger properties. A 225,000-square-foot warehouse in Southwest Broward, slated for late 2022 delivery, represents the largest facility in the active pipeline. Further motivating developers to pass on large-scale facilities, tenants are favoring smaller and mid-size buildings. Since the start of 2020, leases signed in Broward County have averaged under 10,000 square feet, less than half the nationwide mean.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2022 Outlook



**19,000
JOBS**

will be created

EMPLOYMENT:

Expanding 2.2 percent this year, the metro's employment base will post a full recovery some time in late 2022. Broward County's trade, transportation and utilities sector entered April with a near-record number of employees registered on payrolls.



**1,650,000
SQ. FT.**

will be completed

CONSTRUCTION:

The majority of stock added this year will come online in the cities of Pompano Beach and Dania Beach as developers focus on parcels with quick access to I-95. Nearly all projects in the pipeline range between 100,000 and 225,000 square feet.



**50
BASIS POINT**

decrease in vacancy

VACANCY:

Availability declines to 3.9 percent as demand exceeds supply additions for a second consecutive year. The rapid pace of stock expansion during the pandemic will prevent a full recovery to pre-2020 vacancy lows.



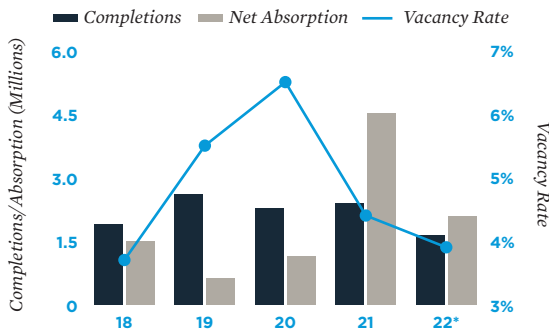
**13.1%
INCREASE**

in asking rent

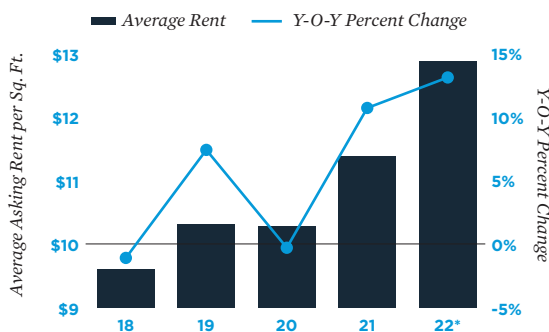
RENT:

Following a 10.7 percent increase in 2021, the metro will again record double-digit rent growth this year. The mean marketed rate is expected to reach to \$12.88 per square foot, nearly matching the average rent in Miami-Dade County.

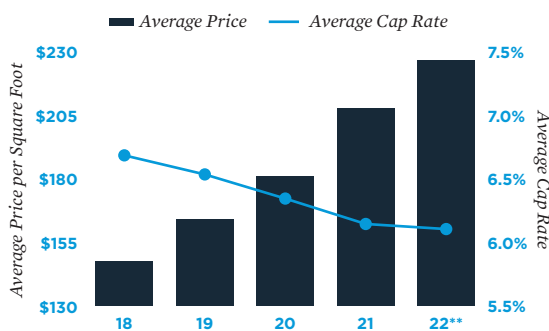
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

1,652,000 sq. ft. completed

- Completions during the 12-month period ended in March were the lowest recorded across any yearlong span in Broward County since 2018.
- The largest project finalized during the trailing year was a 581,000-square-foot distribution center in Davie completed in April 2021. The average square footage of other projects only marginally exceeded 100,000.



VACANCY

250 basis point decrease in vacancy Y-O-Y

- Entering April, Broward County observed its largest year-over-year decline in vacancy since 2005, bringing availability to 4.1 percent.
- Coral Springs saw the most rapid vacancy decline, with a 690-basis-point drop reported. At 3.1 percent, Southeast Broward has the lowest vacancy among submarkets with more than 6 million square feet of inventory.



RENT

14.8% increase in the average asking rent Y-O-Y

- Advancing more than \$1.50 per square foot over the trailing year, the average rent observed the most substantial 12-month gain in over two decades, entering April at \$12.05 per square foot.
- Northeast and Central Broward saw rent gains exceeding 20 percent. In both locales, asking rents were recovering from pandemic slumps.

Investment Highlights

- The combination of solid rent performance and robust regional economic growth is supporting historically strong sales activity in the local industrial sector. Deal flow during the trailing yearlong period ended in March more than doubled trading velocity recorded during the prior 12-month span. Heightened bidder enthusiasm drove a 21 percent price gain over the past year, the strongest registered across major Florida markets. This increase advanced the metro's average sale price to \$227 per square foot.
- Elevated trading activity has resulted in continued cap rate compression in Broward County. Nevertheless, Fort Lauderdale's 6.1 percent average cap rate is at least 30 basis points above all other South Florida metros. Moving forward, investors seeking higher returns during a period of rising interest rates could begin to shift more capital here from nearby markets.
- Closings in Fort Lauderdale proper and adjacent municipalities, where buyers are pursuing warehouses well-suited for last-mile operations, drove the recent improvement in trading activity. Yields on these properties range from mid-5 to 6 percent, though minimum returns can fall to the mid-3 percent zone, depending on property specifics.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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