

# MARKET REPORT

INDUSTRIAL

Fort Lauderdale Metro Area

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2H/19

## Population Growth Pushes Against Modest Vacancy, Encouraging Rent Gains and Added Investment

### Positive demographics and important trade linkages support low vacancy and rising rents.

Global trade and the logistical needs of an expanding population are driving demand for industrial space in Fort Lauderdale. The market is home to Port Everglades, the largest port in Florida by cargo volume, where various facilities are required to help distribute products regionally via nearby interstates, railways and airports. Additional distribution centers and warehouses are needed to meet the consumption requirements of the growing number of local residents, up 14 percent over the past decade. These demand sources are supporting the delivery of nearly 3 million square feet of industrial space in 2019, the largest annual total so far this economic cycle. Multiple warehouses over 200,000 square feet in size have been recently completed or are near finalization in Coral Springs, Davie and Pembroke Pines. Many of the projects have yet to be leased, pushing vacancy up in certain areas. The marketwide rate will nevertheless not advance past 5.0 percent this year, 560 basis points below the 2009 high of 10.6 percent. Historically low availability is helping to lift marketed rents after the average asking rate remained about flat between 2016 and 2018.

**Growing investor demand prompts rapid appreciation in sales prices.** Favorable long-term demand trends are encouraging greater investment in Fort Lauderdale industrial assets, as annual transaction velocity improved by nearly 40 percent year over year in June. Sales activity picked up notably in Pompano Beach, due in large part to a series of portfolio exchanges. Recent trades were clustered near I-95, a vital link to the rest of the southeast Florida region, and involved warehouses built before 1990 that spanned fewer than 50,000 square feet. More Deerfield Beach properties also changed hands over the past 12 months than in the prior period. The submarket lies just north of Pompano Beach and has entry costs that are on average \$25 per square foot lower. Marketwide, the average per square foot sales price appreciated by more than 17 percent over the past year to \$151 per square foot. Cap rates on these trades fell into the low-6 percent band most often.

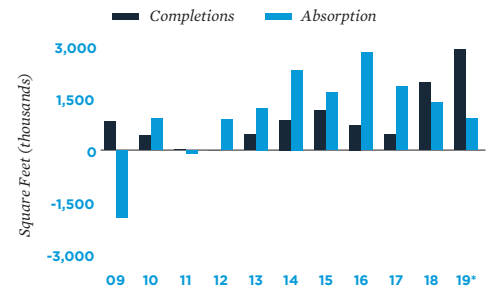
## 2019 Market Forecast

- Employment** up 1.8%  
The pace of hiring moderates from a reported 2.1 percent increase in 2018, as metro employers will create about 15,500 positions this year.
- Construction** 2.9 million sq. ft.  
The construction pipeline expands for the third consecutive year to its highest level since before 2007 as more than 1 million square feet will open just within the Pompano Beach area this year.
- Vacancy** up 180 bps  
Greater development activity is applying upward pressure to vacancy as the metrowide rate rises to 5.0 percent this year after achieving a cycle low of 2.7 percent in 2017. Availability remains below the historical average.
- Rent** up 6.8%  
The average marketed rent will climb to \$9.23 per square foot in 2019, erasing the 1.5 percent dip recorded in the average asking rate last year.
- Investment**  
Faster population growth, stronger rent gains and lower entry costs may prompt more buyers who normally target Miami-Dade to also consider industrial assets in Fort Lauderdale.

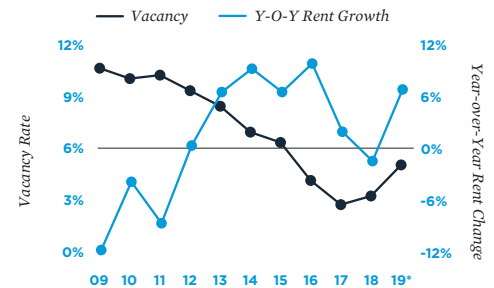
### Employment vs. Retail Sales Trends



### Industrial Completions



### Asking Rent and Vacancy Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; Moody's Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of September 2019. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and industrial data are made during the third 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.