

MARKET REPORT

INDUSTRIAL

Fort Lauderdale Metro Area

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

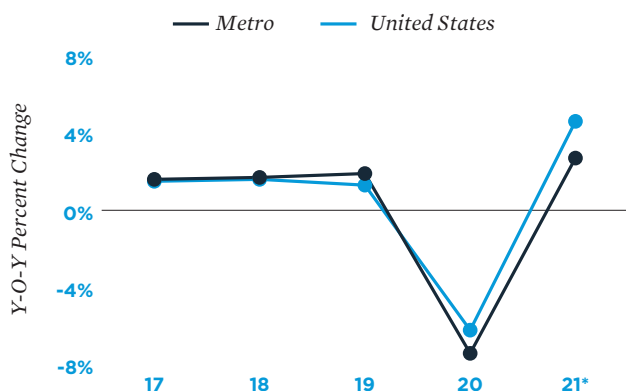
2Q/21

Broward County Industrial Sector Benefits From Florida's Booming Local Economy

Aggressive reopening sets stage for strong recovery. Florida has been among the nation's leaders in dropping COVID-19 restrictions, increasing occupancy to pre-pandemic levels and bringing students back into classrooms. Those decisions enabled workers to return more quickly and resulted in a statewide unemployment rate of 4.7 percent at the end of the first quarter, 130 basis points below the national level. Broward County is outperforming the state, posting an unemployment rate of 4.5 percent at the end of March, elevating spending and supporting the industrial market's return to normal operations. The state is also dropping the federal unemployment benefit on June 26, which could encourage more workers to reenter the job market in the coming weeks.

Local industrial operations stabilize. Space demand remained level during the health crisis as leasing activity was focused on distribution and last-mile distribution centers, though absorption is projected to begin to improve this year. As the county emerges from the most significant impacts of the pandemic, traditional industrial space demand will match the pace of new development. Last-mile distribution also remains desirable as many of the area's residents continue to use online shopping along with in-store visits. Additionally, elevated vaccination rates will support a return to stores for some of the older residents that were more likely to avoid crowds during the pandemic, supporting the need for industrial space to maintain stock at brick-and-mortar retailers.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2021 Outlook



**22,000
JOBS**

will be created

EMPLOYMENT:

Through the first quarter, total employment remains 7 percent below the pre-recession rate. The 2.7 percent rise in payrolls this year should make significant headway for the county's local employment market.



**2,800,000
SQ. FT.**

will be completed

CONSTRUCTION:

Developers are projected to increase supply by 2.6 percent this year. In the first quarter, more than 850,000 square feet came online. Despite the rise in inventory, vacancy reversed course and dipped 20 basis points in this year's winter period.



**0
BASIS POINT**

change in vacancy

VACANCY:

This year, vacancy is projected to match the rate at the end of 2020 at 7.7 percent as supply and demand are balanced. As development begins to ease, the rate could begin to contract again in 2022.



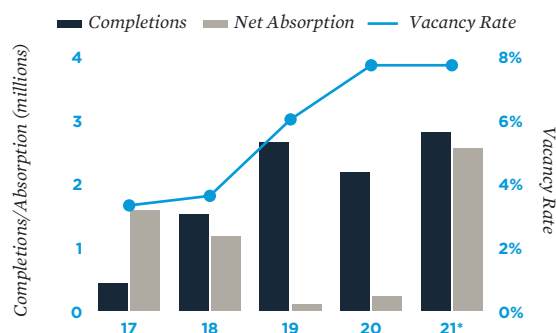
**2.5%
INCREASE**

in asking rent

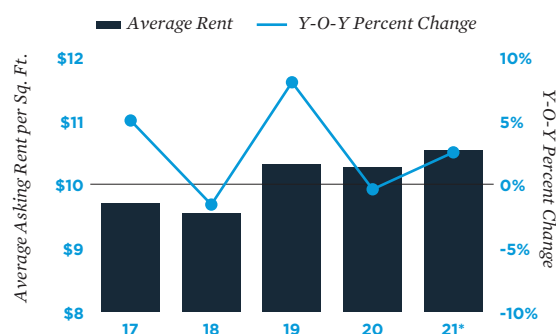
RENT:

An increase in more expensive supply is projected to lift the average marketed rent to \$10.53 per square foot. Florida's booming population could push that forecast higher this year as 900 people per day move to the Sunshine State.

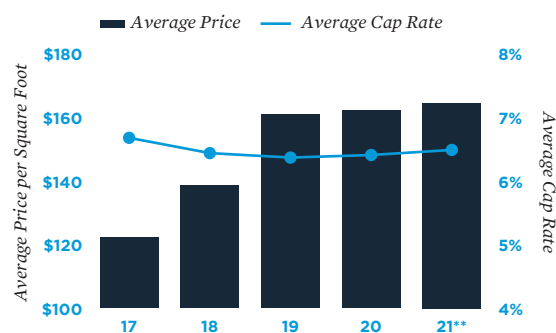
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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1Q21 — 12-Month Period



CONSTRUCTION

2,628,000 square feet completed

- Developers increased inventory 2.5 percent during the 12-month period ending in the first quarter. Only 1.1 million square feet is underway across Broward County.
- Most of the under construction projects are relatively small distribution centers. Nonetheless, pre-leasing is only at 26 percent.



VACANCY

140 basis point increase in vacancy Y-O-Y

- The vacancy rate finished this year's opening period at 7.5 percent. Although the rate is up year over year, vacancy tightened 20 basis points as leasing activity accelerated.
- Vacancy varies significantly across the metro. The largest submarkets, Pompano Beach and Southeast Broward, have a below-average rate.



RENT

1.7% increase in the average asking rent Y-O-Y

- Although the availability rate rose over the past year, the increase in new, expensive space supported a rise in the marketed rate to \$10.50 per square foot in the first quarter.
- Southeast Broward, the second largest submarket by inventory, recorded a 10.9 percent rise in the average marketed rent.

Investment Highlights

- Despite the health crisis, deal flow only dipped 15 percent during 2020 as investors were more open to adding industrial properties to their portfolios. Thus far in 2021, sales velocity is on pace with last year's level. Buyers are expanding their industrial targets to include assets such as light manufacturing.
- During the 12-month period that ended in this year's opening quarter, the average price was \$164 per square foot, up 2 percent from the prior year. Industrial prices are at an all-time high and little downward pressure is being applied by supply growth or a lack of demand.
- Although prices ticked up, the average cap rate inched up 10 basis points to 6.5 percent year over year. Buyers are bullish on the market and targeting assets with value-add potential as Broward County, and Florida in general, are among the current economic leaders.
- Last year, investors targeted assets in core industrial locations, including Pompano Beach and Southeast Broward. In 2021, buyers' risk tolerance has increased and properties in smaller submarkets are trading more frequently.

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. Note: 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: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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