

MARKET REPORT

Industrial

Fort Lauderdale Metro Area

IPA INSTITUTIONAL
PROPERTY
ADVISORS

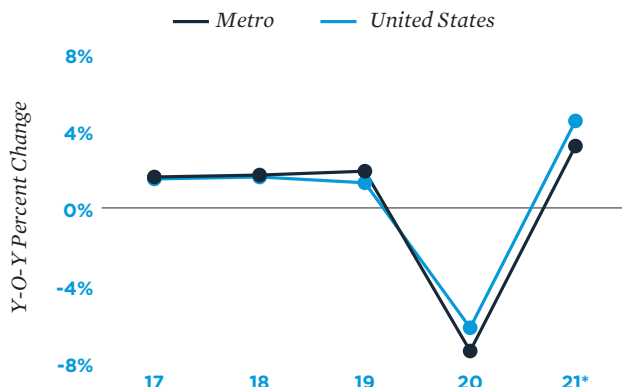
4Q/21

Tourism to Provide Future Industrial Gains; Online Retail Generating Current Demand

Local economy awaits key sector recovery. Broward County is highly dependent on the tourism industry, which supports many industrial properties as hotels, restaurants and other visitor-related establishments need to stockpile inventory. However, the recent surge in COVID-19 cases in the state has kept tourists at bay, delaying a stronger economic recovery. Through August, leisure and hospitality employment was still more than 10,000 jobs, or 11 percent, below the pre-recession peak. A recent sharp decline in positive cases across Florida, along with colder weather in northern states, could provide a boost in visitors through the winter months and drive demand at industrial properties.

Other industries fill tourism's void. Overall, fundamentals are softer than prior to the health crisis, which is expected as a key economic sector has been hamstrung due to the health crisis. However, the rise in online shopping has helped keep local warehouse and distribution centers in Broward County in demand by local firms. Retail sales have climbed nearly 14 percent over the yearlong period ending in the third quarter. As the county enters the holiday shopping season and more people visit, space demand for industrial assets should increase, pulling down vacancy in the fourth quarter. Additionally, white-collar professionals have moved to the area from the Northeast to work remotely. Many of these workers are expected to remain in Broward, supporting space demand.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2021 Outlook



**26,000
JOBS**

will be created

EMPLOYMENT:

Payrolls will expand 3.2 percent this year, building on the 18,000 jobs created in the market through August. A return of leisure and hospitality positions following the recent spike in cases will help propel the job market.



**2,900,000
SQ. FT.**

will be completed

CONSTRUCTION:

Builders will expand inventory by 2.7 percent this year, eclipsing the 2.1 percent rise in 2020 when 2.2 million square feet was completed. Only 600,000 square feet is anticipated in the second half of this year.



**40
BASIS POINT**

increase in vacancy

VACANCY:

As construction eases in the second half of the year, vacancy will fall to 7.1 percent in the fourth quarter, which is nevertheless still above last year's rate. In 2020, the vacancy increased 100 basis points as tourism-related demand subsided.



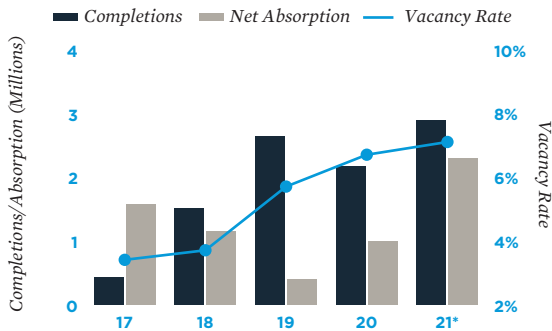
**2.7%
INCREASE**

in asking rent

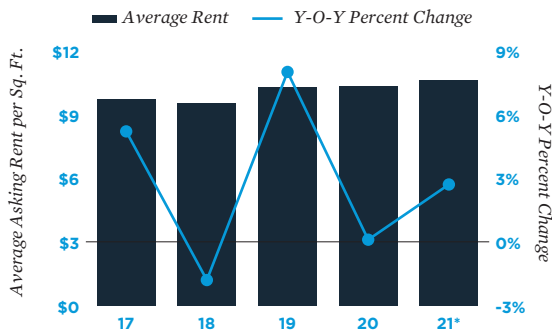
RENT:

Following a modest 0.1 percent increase last year, the average asking rent for marketed space will rise more quickly this year, reaching \$10.60 per square foot. The average asking rent is expected to finish the year at an all-time high.

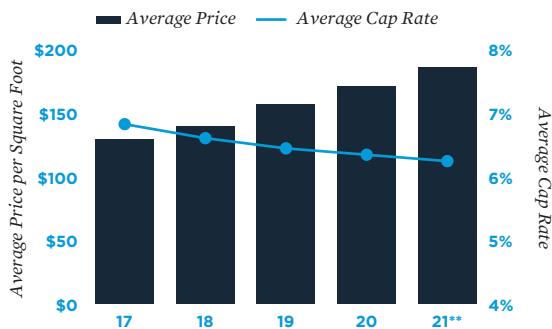
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

2Q21 – 12-Month Period

CONSTRUCTION 3,560,000 sq. ft. completed

- Development activity was robust during the 12-month period ending in June as inventory expanded 3.4 percent. In the previous year, industrial supply grew 1.9 percent.
- The pace of deliveries should ease in the coming months as just 1.2 million square feet was underway at the start of the fourth quarter.

VACANCY 150 basis point increase in vacancy Y-O-Y

- Vacancy peaked at 7.6 percent at midyear due to the impact of 2.1 million square feet completed during the first six months of 2021.
- The Southeast and Southwest Broward submarkets posted vacancy gains of 140 basis points and 690 basis points, respectively, in the year ending in June. Pompano Beach recorded a 180-basis-point decline.

RENT 2.4% increase in the average asking rent Y-O-Y

- In the second quarter, the average asking rent for available space was \$10.55 per square foot. Four quarters earlier, the average asking rent was \$10.30 per square foot after climbing 4.4 percent.
- West Sunrise was the only large submarket that recorded a dip in asking rents over the 12 months ending at midyear, slipping 1.4 percent.

Investment Highlights

- Buyers increased the pace of acquisitions during the 12-month period ending in June as industrial properties in Florida remained popular through the health crisis. Overall, deal flow ticked up 15 percent year over year, with most deals occurring between \$1 million and \$10 million for warehouse and distribution centers. Deals priced over \$10 million have increased in the second and third quarters of 2021.
- A combination of a relatively healthy local economy and strong demand for industrial properties supported a 13 percent rise in the average sale price to \$185 per square foot during the yearlong period ending in the spring period.
- The average cap rate compressed 20 basis points to 6.2 percent year over year through June. While mean first-year returns are at a 20-year low, upward pressure could emerge in the coming months as investors more frequently target assets with a larger vacancy component in an effort to elevate rents.