

# South Florida Industrial Market Report

## Another Solid Quarter For Industrial Construction Reaches Record Level

2022 is off to a strong start for the industrial segment with over 1.8 million square feet of absorbed space recorded during the first quarter of 2022. This was down from the previous quarter but still stronger than the 1.5 million square feet of positive net absorption during the same period one year ago. Approximately 2.4 million square feet of net inventory was also delivered during the first three months of the year, the second highest on record and slightly down from the 2.8 million square feet delivered at the close of the first quarter of 2021. Despite the robust delivery, the overall vacancy rate in South Florida only increased 10 basis points from the previous quarter but was still down 150 basis points from this time last year. Miami-Dade held onto the lead for demand within the region as Broward County also saw another strong quarterly performance. Palm Beach's industrial market saw another consistent performance of demand outpacing supply. Over 1.3 million square feet of absorbed space came from the warehouse/distribution segment, while the general industrial sector trailed to take the number-two spot with over 482,000 square feet of positive net absorption. The R&D/flex sector saw a more balanced approach with a modest 12,130 square feet of absorption, a significant slowdown from one year ago. Developers have yet to slow down on breaking ground of new projects, with 39 buildings totaling approximately 8.0 million square feet of new inventory. This is the highest amount of new industrial product underway in recorded history. Healthy pre-leasing of buildings under construction, coupled with tight market conditions, pushed the overall quoted average asking rate closer to the \$11.00/SF mark. The \$1.64/SF increase from one year ago marked a 18.2% rise in the overall average, which was the largest annual increase ever as landlords accelerated asking rents upward and will likely continue to do so throughout 2022.

### Leasing Demand

There were 389 deals totaling 6.0 million square feet of lease activity during the first quarter of 2022. This was slightly down from the previous quarter but was still on par with the 6.2 million square feet leased at the same time last year. Warehouse/distribution saw most deals done with over 5.1 million square feet, followed by general industrial, with over 884,000 square feet. R&D/flex space saw a significant drop in deal activity with a modest 261,000 square feet, after seeing a surge during 2020 and 2021 due to the pandemic. More than 3.8 million square feet of those deals were midsize to large lease transactions over 20,000 square feet, as the logistics and distribution industry regained the top spot with approximately 1.9 million square feet. Retail and ecommerce companies fell to second place with 677,000 square feet, while the building supply sector moved into third with over 546,000 square feet.

### Investment Sales

Investment sales dipped from the previous quarter with 3.1 million square feet for a combined total of \$571.3 million. Notably, this was almost double the 1.6 million square feet sold one year ago as the price-per-square-foot average jumped to \$182/SF from \$139/SF recorded during the first quarter of 2021.

### Current Conditions

South Florida's industrial sector held strong with strong demand continuing throughout the region.

Developers' optimism grew as construction activity reached record levels and healthy pre-leasing of new inventory underway remained.

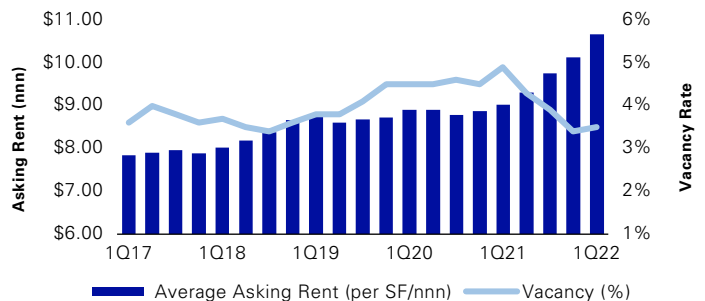
Despite the completions of more than 2.4 million square feet of new industrial product, vacancy rates ticked upward 10 basis points.

Midsize and large lease deals fell slightly from the 2.1 million square feet seen this time last year but remained strong with 1.8 million square feet at the close of the quarter.

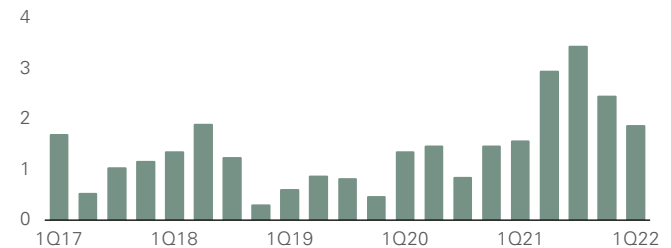
Investment sales practically doubled from the same period last year as investors still showed strong interest in the industrial sector.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (SF, Millions)



### Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	387.7M	385.4M	382.4M	↑
Vacancy Rate	3.5%	3.4%	4.9%	↔
Quarterly Net Absorption (SF)	1.9M	2.4M	1.6M	↔
Average Asking Rent/SF	\$10.67	\$10.13	\$9.03	↑
Under Construction (SF)	7.9M	7.6M	4.9M	↓
Deliveries	2.4M	666,343	2.9M	↔

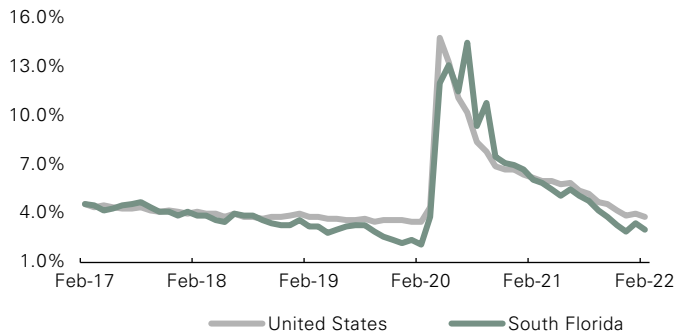
### Economic Conditions

South Florida's unemployment rate fell another 60 basis points to 3.0% from the previous quarter and continued its downward trend from the 14.5% peak back in May of 2020. 147,000 jobs were gained from this time last year. Miami-Dade County tied for the lowest unemployment rate in the region with 3.0%, a 360 basis point drop from one year ago. Palm Beach County followed suit dropping 210 basis points to 3.0% from this time last year. Broward County's unemployment rate fell 310 basis points, dropping from 6.1% one year ago to 3.1% at the close of first quarter. The region has consistently seen gains in employment but has yet to reach the 2.1% low achieved at the start of 2020, prior to impacts from the pandemic began to take hold.

South Florida's strong ties to tourism continued to aid the leisure and hospitality industry after feeling the strongest impacts from the pandemic. Travel and tourism has almost fully recovered with another strong gain of 45,900 jobs from one year ago. The trade, transportation and utilities sector moved into second, totaling 39,200 new jobs and professional and business services jobs dipped to round out the top three with 23,200 jobs gained from this time last year. All key industries but one saw year-over-year job growth for the second consecutive quarter after impacts from the global pandemic surfaced. Government jobs held level from one year ago, not seeing any increase or decrease over the past 12 months.

### Unemployment Rate

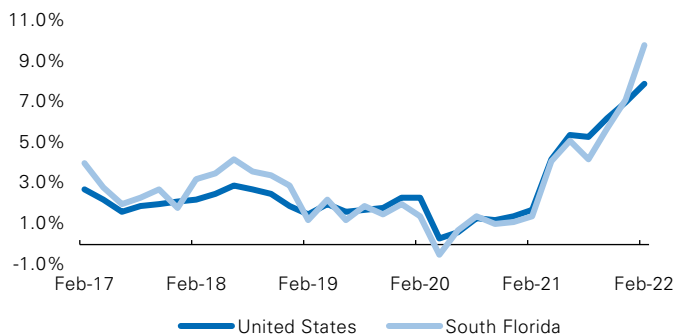
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

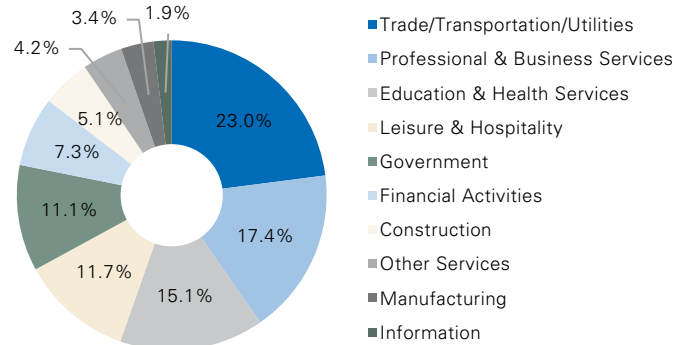
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Employment By Industry

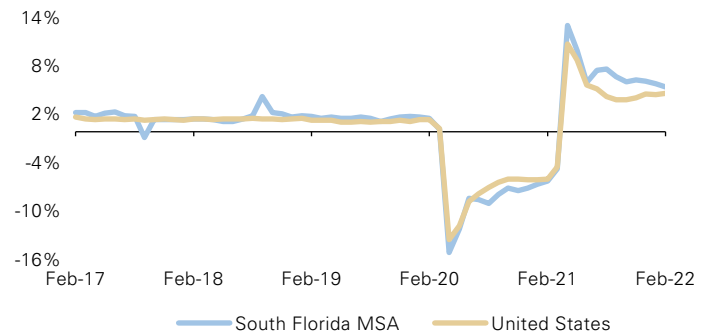
South Florida MSA, December 2021 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

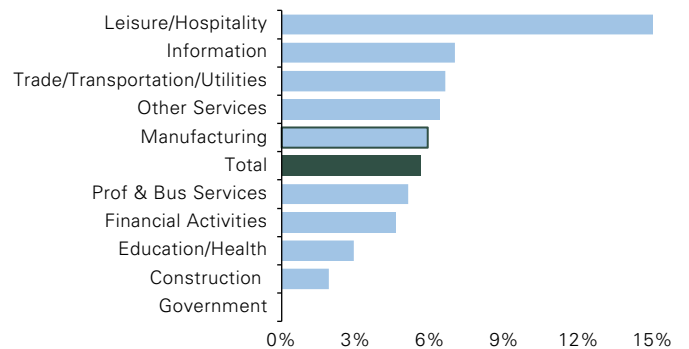
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

South Florida, December 2021, MSA, 12-Month % Change



Source: U.S. Bureau of Labor Statistics | Not Seasonally Adjusted