

South Florida Industrial Market Report

Demand Remains Strong Amid Global Uncertainty

The national economic outlook dimmed in the second quarter of 2022 as elevated inflation and resultant interest rate hikes impacted consumers and corporations, supply chain woes continued, and the global geopolitical landscape remained fraught. Yet, the South Florida industrial market demonstrated resiliency, buoyed by favorable demographic and economic trends. According to Moody's Analytics, forty-six million people moved to a different zip code in the past 12 months, the most in any 12-month period since at least 2010. After Texas, Florida gained the largest share of new residents, with its population expanding by nearly 3.0% since February 2020. South Florida has also fully recuperated employment losses from the pandemic and is flourishing as a site for company headquarters relocations: more than 120 companies have either expanded or opened main or regional headquarters within Miami alone in the past 18 months. Additionally, substantial investment has been planned for the expansion of PortMiami, one of the top-10 busiest seaports in the country and poised for growth on the heels of a reshuffling in global trade and production more aligned with Mexico and Latin America.

All these trends fundamentally support the long-term need for more industrial supply in the South Florida market, despite any near-term choppiness as companies reassess evolving post-pandemic consumer spending patterns and implications for their industrial footprint. In the meantime, demand for new construction remains strong; South Florida's second-quarter net absorption totaled 1.8 million square feet, and the vast majority of new move-ins took place in recently-delivered buildings. At this mid-year point, supply and demand are beginning to come back into equilibrium after nearly two years of an imbalance. Year-to-date, industrial deliveries have exceeded net absorption, allowing for a little bit of breathing room in the ultra-slim vacancy rate, which has ticked up 20 basis points from its all-time low at the close of 2021, to 3.6% in second-quarter 2022. Yet, at 3.6% vacancy, the market is still historically tight. Competition for limited available space continues to push rates higher: average asking rents are up 27.0% year-over-year.

Current Conditions

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

Despite completions of more than 2.1 million square feet of new industrial product, vacancy remained level at 3.4% from the previous quarter.

The pace of development appeared to be slowing, with construction down by almost 1.6 million square feet from one year ago.

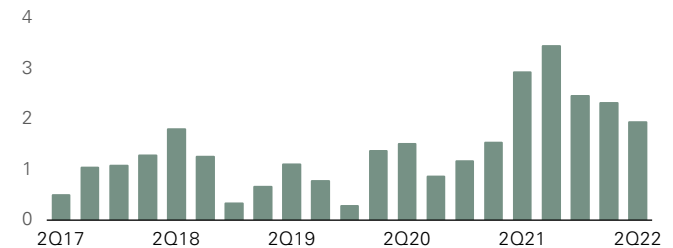
Investment sales gained momentum from one year ago as industrial properties remained in high demand.

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)	334.1M	331.4M	327.3M	↑
Vacancy Rate	3.4%	3.4%	4.5%	↔
Quarterly Net Absorption (SF)	1.9M	2.3M	2.9M	↔
Average Asking Rent/SF	\$11.69	\$10.61	\$9.3	↑
Under Construction (SF)	5.1M	6.7M	5.4M	↓
Deliveries	2.1M	1.6M	876,152	↔

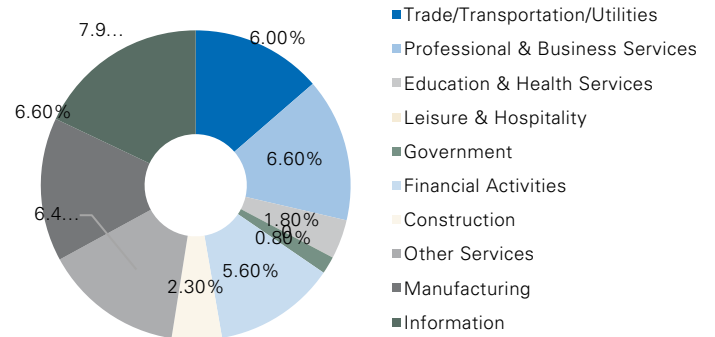
Economic Conditions

Economic growth continued in South Florida in the second quarter of 2022 as numerous local companies are in expansion mode and companies from elsewhere in the country continue to move or set up operations in South Florida to benefit from the business-friendly climate. Notably, Chicago-based financial services company Citadel and Israel’s national carrier, ELAL Airlines, with U.S. headquarters in New York City, both announced headquarters relocation to Miami in the past three months.

Demonstrating positive momentum, South Florida’s employment base rose 5.3% year-over-year in May 2022 to 2.8 million, finally eclipsing pre-pandemic employment levels from February 2020. The unemployment rate declined to 2.4%, nearing record lows. While the pace of job growth is slowing as the region nears full employment, and macroeconomic factors such as inflation and higher interest rates are causing companies to adopt a more conservative outlook in the face of recessionary fears, the economic outlook for South Florida is strong, especially in relation to peer markets around the country.

Employment By Industry

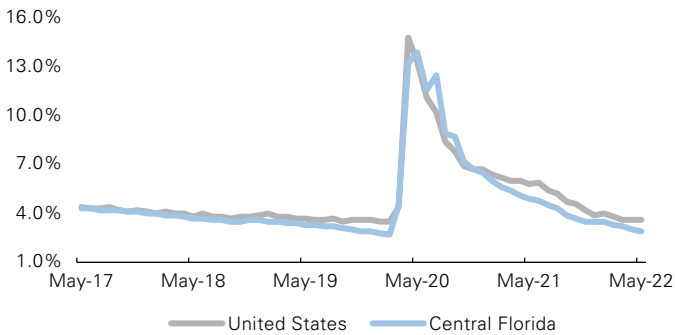
South Florida MSA, May 2022 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

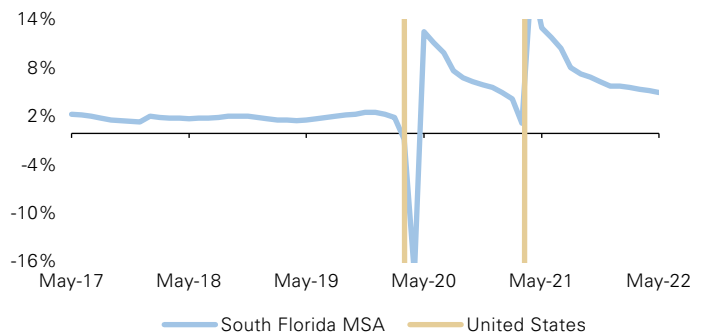
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

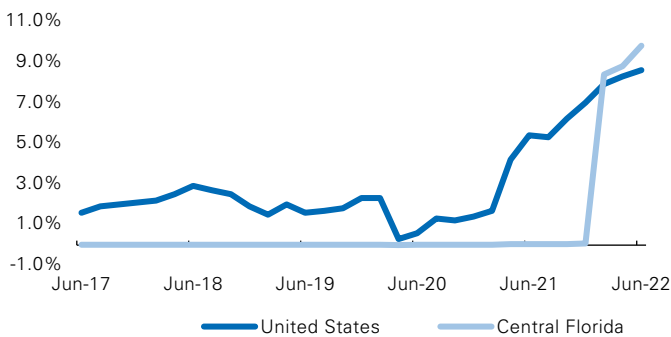
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

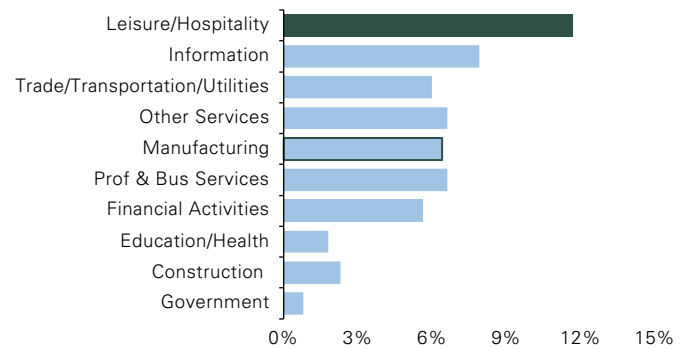
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

South Florida, May 2022, MSA, 12-Month % Change



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