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Fort Lauderdale market fundamentals

FLORIDA INDUSTRIAL MARKET REPORT
Q3 2021

Key industrial takeaways



Economic conditions

- South Florida's economy continued to rebound during the third quarter with the unemployment rate declining to **5.6%** as of August 2021, an 810-basis point drop from the high of 13.7% in May 2020.
- Industrial jobs in South Florida have increased by **4.1%** year-over-year as of August 2021. The strongest growth has been within the transportation, warehousing and utilities sector, which increased by **8.1%**.
- Inflation rates have increased sharply in South Florida by **4.2%** since August 2020. The most significant increase was in energy prices, which have risen by 24.1%.



Recovery rate

- According to recently released 2Q21 data from the Bureau of Economic Analysis, Florida's GDP grew by **6.7%** over the quarter, which is on par with the average for the U.S. The real estate and leasing sector grew by 0.95% over the quarter, and the construction and wholesale industries also made some positive gains, growing by 0.41% and 0.22%, respectively.



Industrial demand

- Leasing activity for the year-to-date is up significantly by **7.5%** from total leasing activity during 2020. Much of demand has been driven by e-commerce, wholesale, and biotech/life sciences tenants.
- A handful of large move-ins by Amazon occurred this quarter following a wave of new lease signings within the last year. As a result, net absorption has reached a five-year high of **2.9 million sf**. Amazon took occupancy of Buildings B and D at Rock Lake Business Center in Pompano Beach and Building 2 of Tamarac Business Park in West Broward during the third quarter.

Key industrial takeaways



Industrial supply

- Development is beginning to pick back up after construction starts slowed during 2020 amid supply chain disruptions and uncertainty regarding the pandemic. As of the third quarter, there were **eight properties** under construction in Broward County totaling **1.3 million sf** and a healthy development pipeline planned for 2022.
- Overall vacancy has declined to **6.3%**, a 140-basis point decrease from year-end 2020. Record construction deliveries from 2018 through 2020 inflated vacancies for the last couple of years, but demand is now beginning to outpace supply and vacancies are contracting.



Pricing trends

- Asking rents have increased by **8.5%** since year-end 2019 to **\$10.19 per sf**, an all-time high for the market. Asking rates have been rising steadily in Fort Lauderdale since 2012. The submarkets with the strongest year-over-year rent growth included Northwest Broward, Pompano Beach and Northeast Broward.



Capital markets

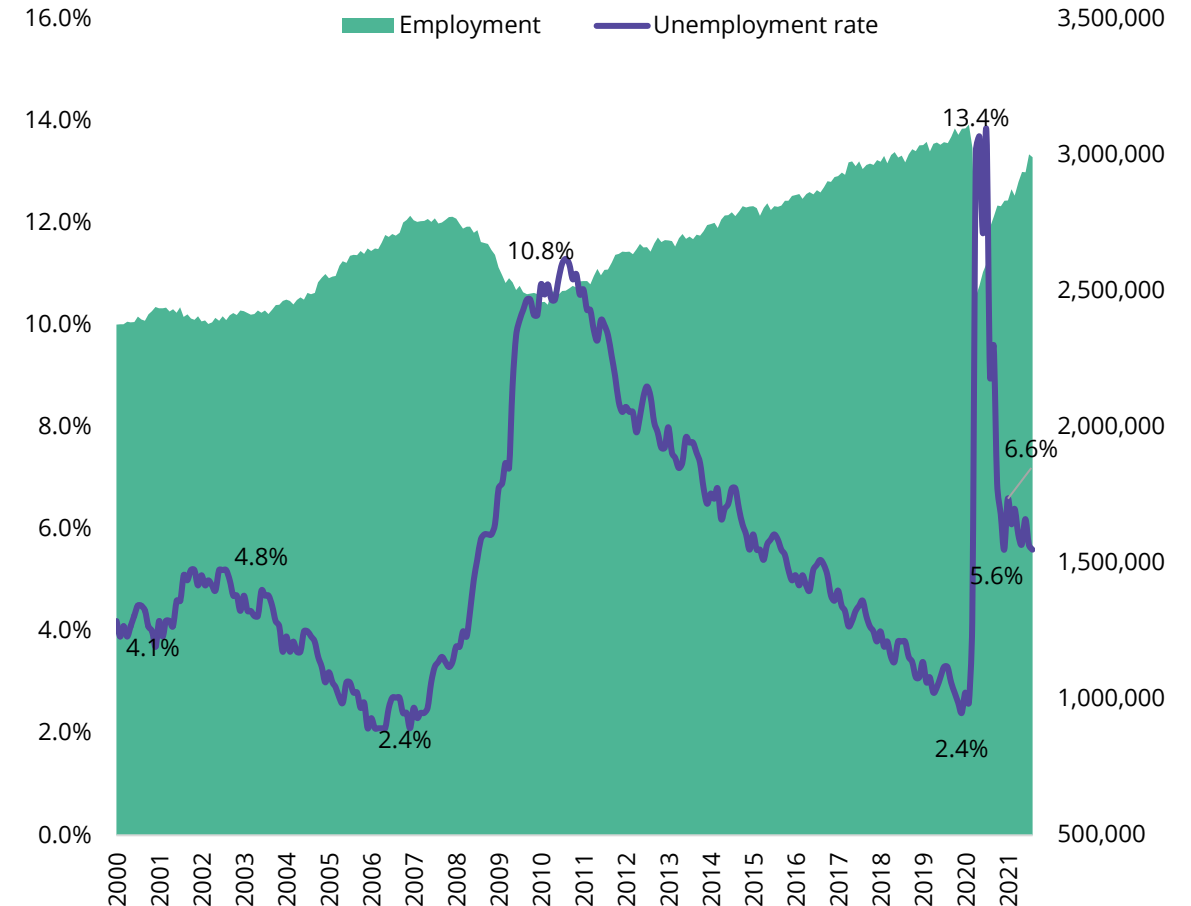
- Fort Lauderdale year-to-date industrial investment activity totaled **\$0.4B**, up **26.8%** from total volume during 2020. Institutional investors remain attracted to Fort Lauderdale for its healthy market fundamentals and growing population base.
- The largest sale of the quarter was Cabot Properties' acquisition of Bridge Point Miramar in Southwest Broward for **\$71.6 million**, or \$236 per sf, nearly doubling the buildings' value from its last sale in 2019 for \$38 million.

Employment and unemployment rate

5.6%

South Florida unemployment rate as of August 2021, a sharp decline from the height of the pandemic

Before the pandemic, unemployment was at historical lows. The economy has added back over 509,602 jobs since 2020, up 20.5%, and unemployment has declined by 780 basis points to near pre-pandemic levels.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

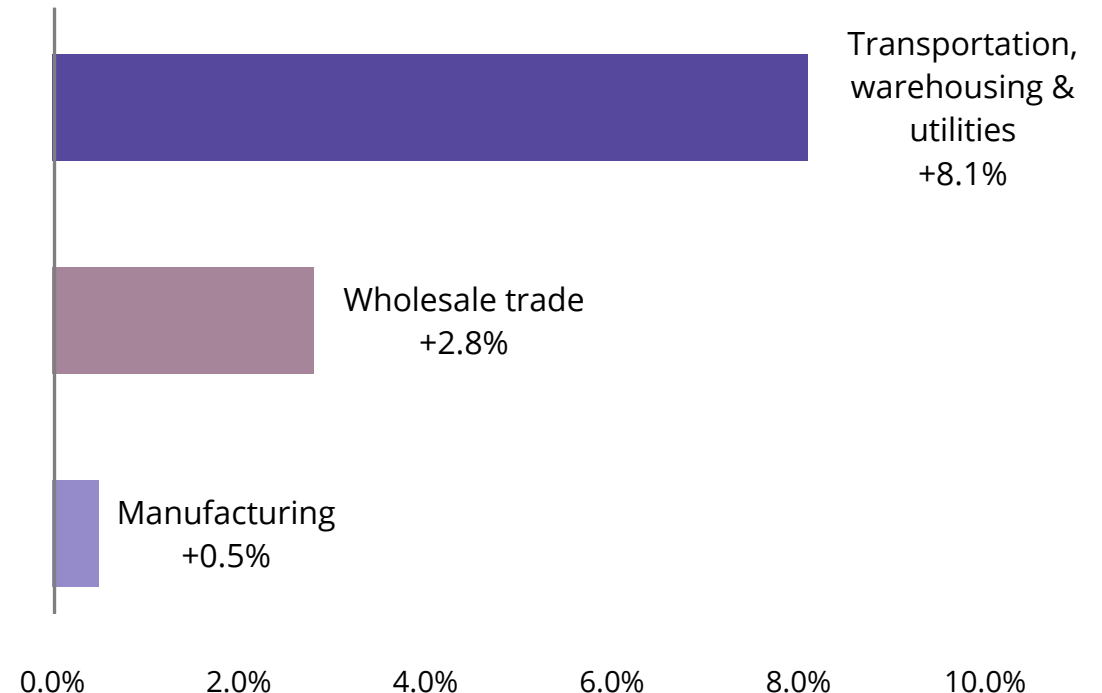
+4.1%

Change in industrial employment from August 2020 to August 2021

The South Florida metro area has experienced job additions totaling 4.1% over the trailing 12 months ending in August, particularly in the critical areas of transportation and logistics. These job gains have remained strong throughout the year, with the transportation, warehousing and utilities sector growing by 8.1%.

Total change in South Florida MSA* job gains/(losses)

August 2020 to August 2021



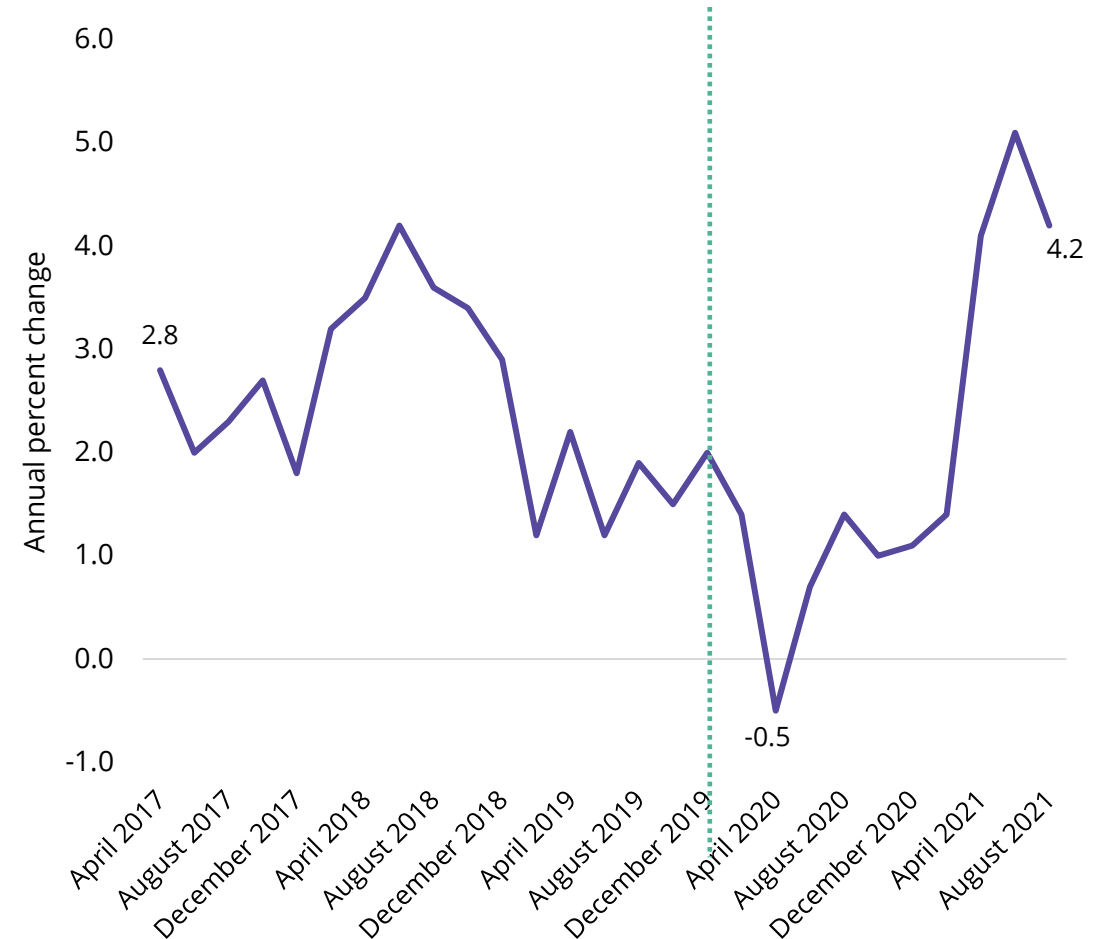
Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Inflation rates

+4.2%

Year-over-year change in Consumer Price Index for South Florida, all items

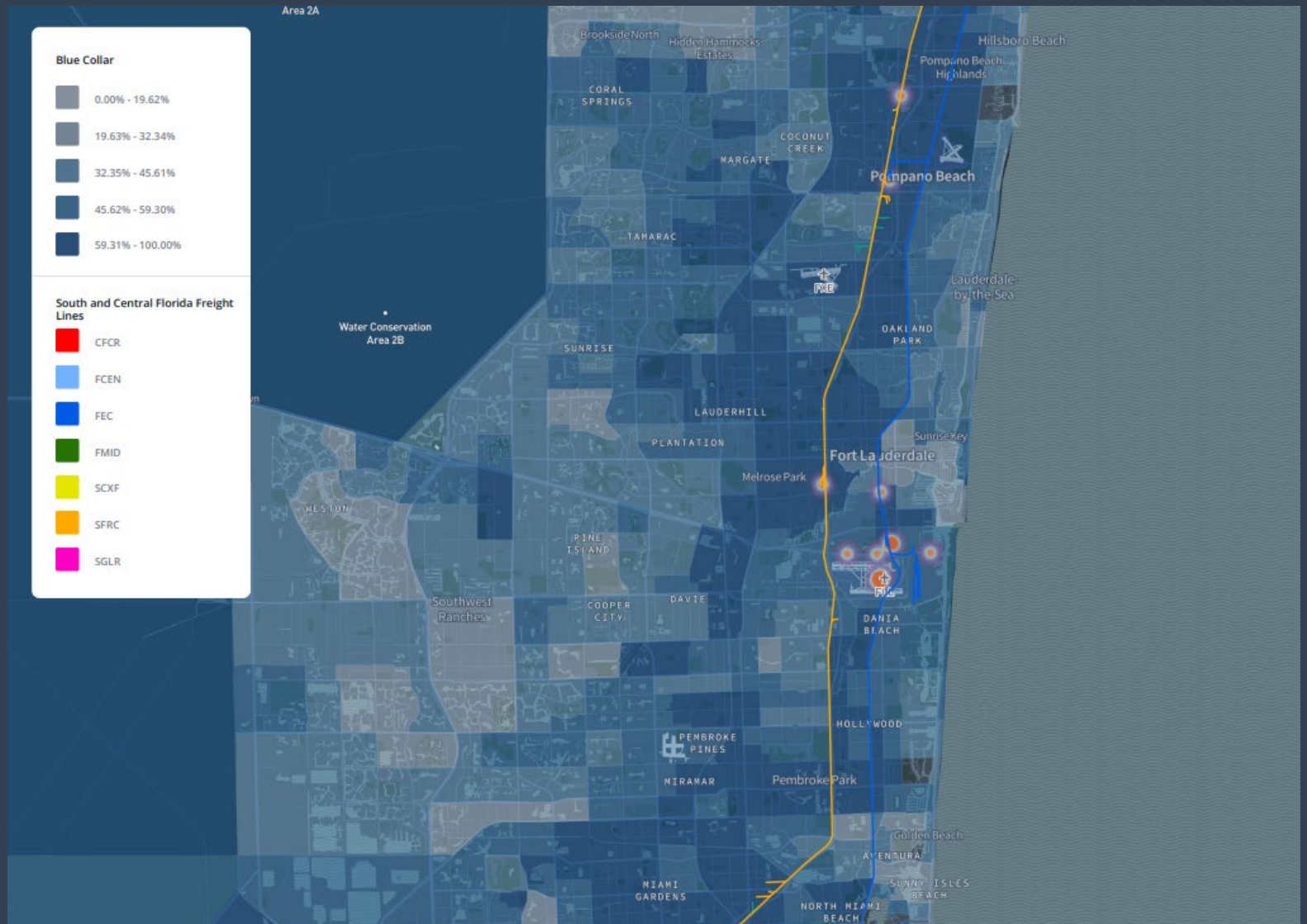
South Florida consumer prices have increased sharply since the onset of the pandemic. Despite stabilizing near the end of 2020, lingering supply chain disruptions have contributed a sustained rise in inflation levels. As of August 2021, South Florida housing prices increased by 3.5% year-over-year, but the most notable impact on inflation has been energy prices which have soared by 24.1%.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Freight rail & intermodal facilities

Source: AVANT by Avison Young, ESRI
Intermodal facilities are clustered around seaport submarkets and major throughout corridors, with Class I rail lines providing connectivity throughout the country

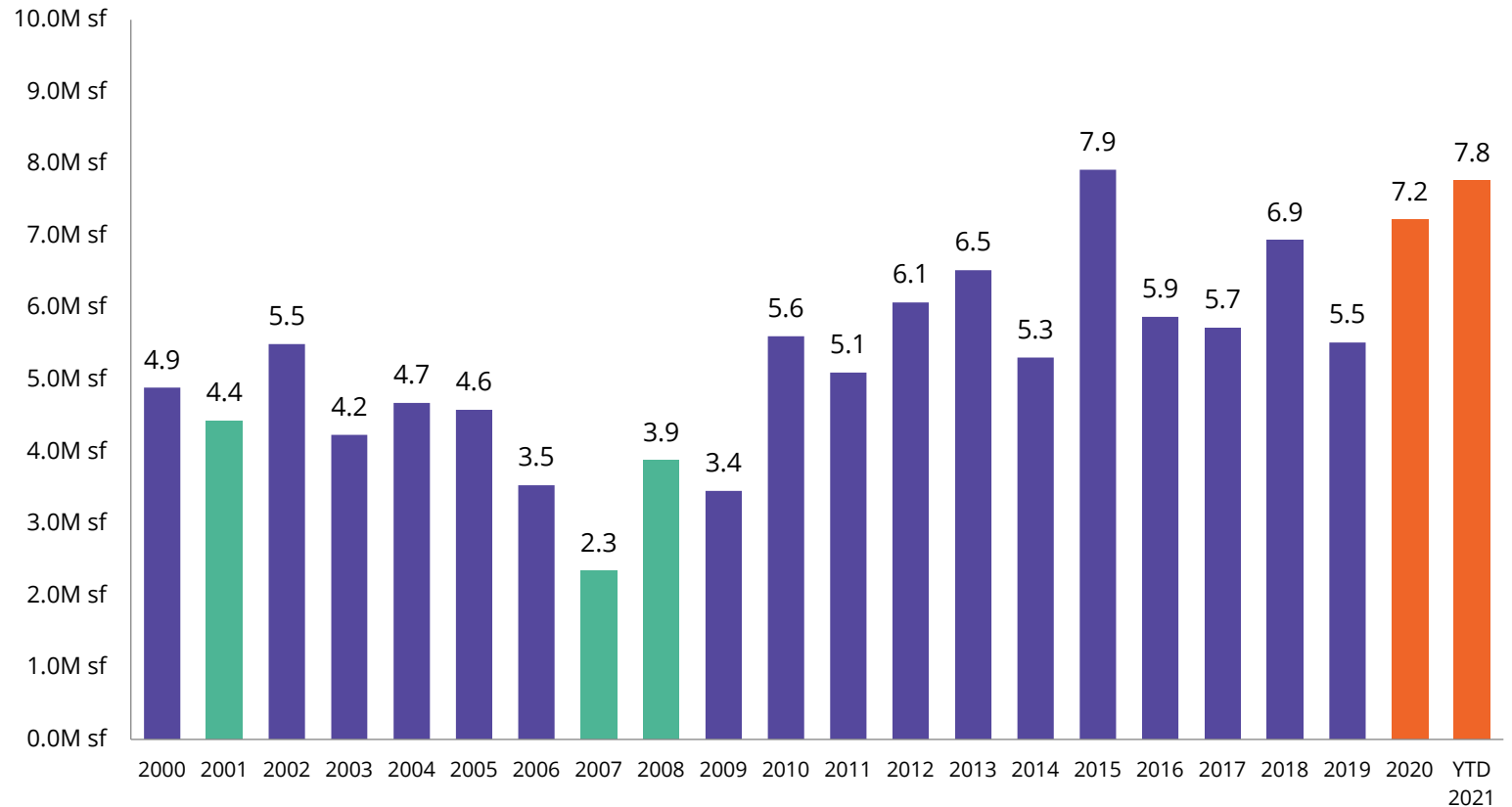


Industrial leasing activity

+7.5%

Year-to-date 2021 leasing activity is up compared to total 2020 activity

Year-to-date leasing activity is up significantly by 5.6% from total activity in 2020 and is on track to surpass the previous high of 7.9 million sf, recorded in 2015.



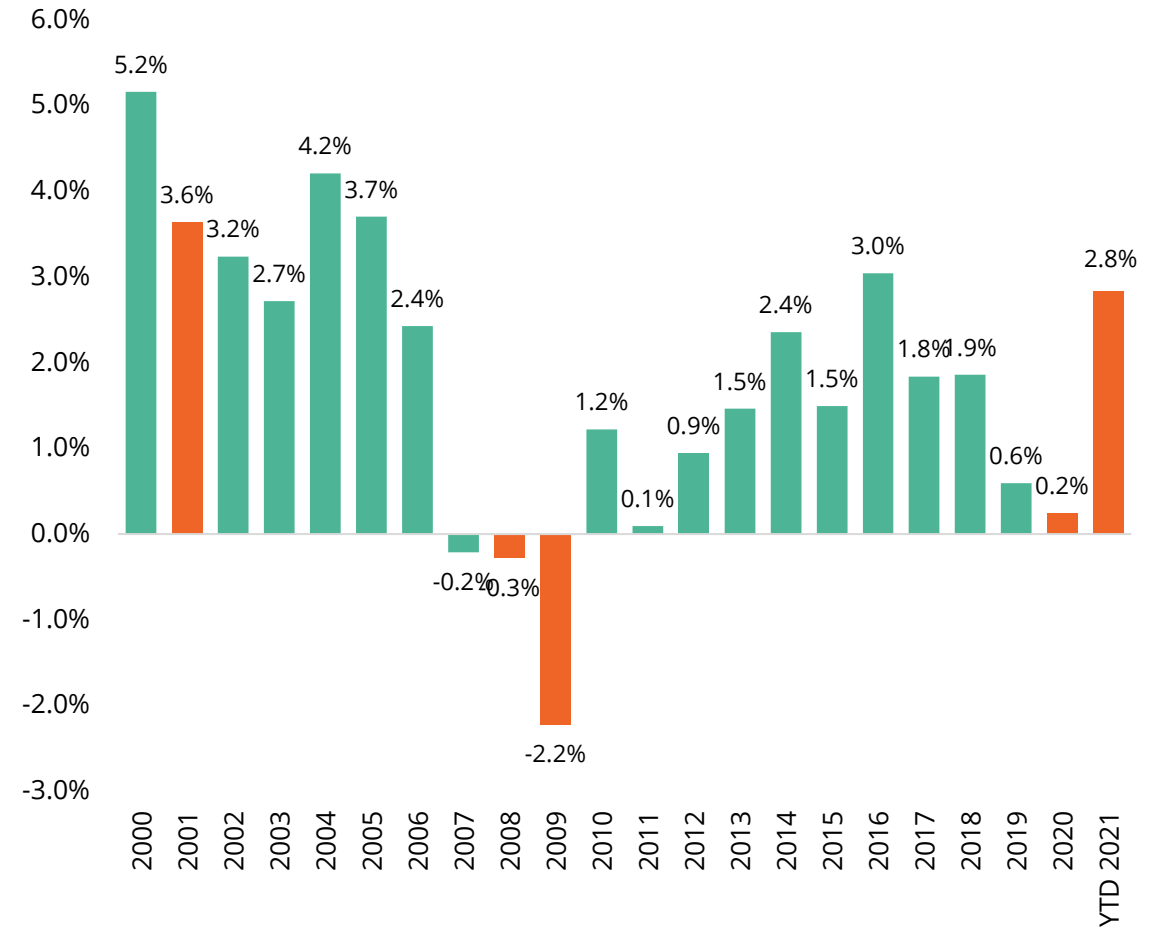
Source: CoStar

Industrial net absorption

2.8%

Net absorption as a percentage of inventory, through Q3 2021

Fort Lauderdale's net absorption rebounded dramatically in 2021 when compared to 2020. Net absorption has reached a five-year high at 2.9 million sf year-to-date, surpassing the 2.8 million sf recorded for all of 2016 and on pace to be one of the strongest years on record for Fort Lauderdale.



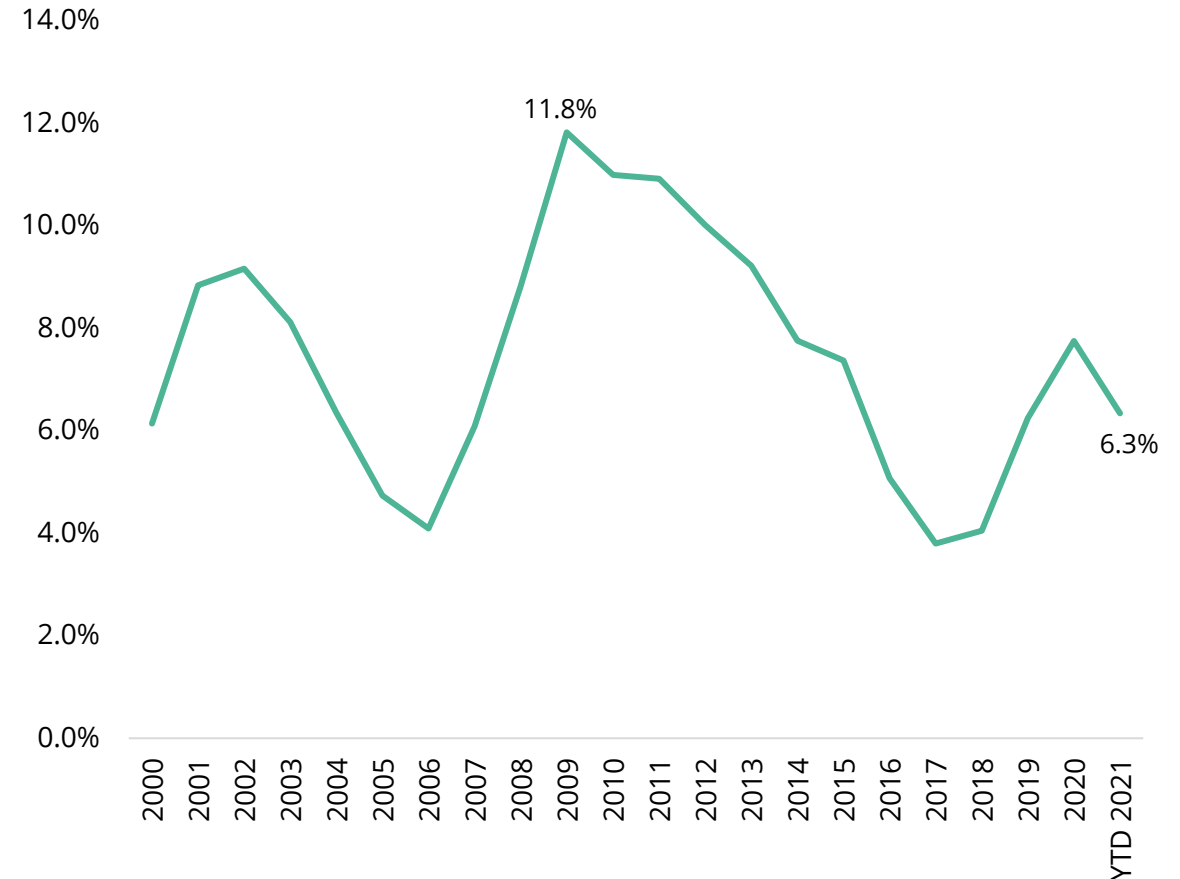
Note: Absorption is measured as the year-over-year change in occupied square feet.
Source: CoStar

Industrial vacancy rate

6.3%

Vacancy begins to tighten in 3Q21 following a development boom

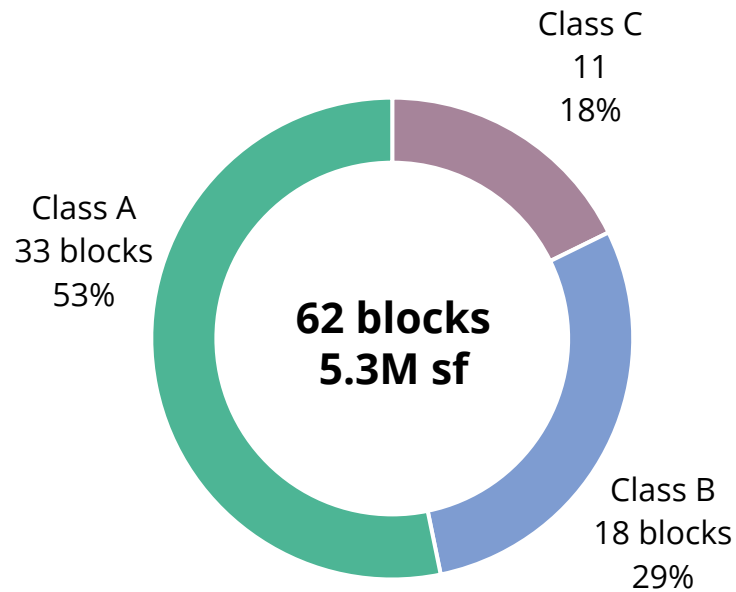
Fort Lauderdale's overall vacancy declined to 6.3% during the third quarter, a 140-basis point decrease from year-end 2020. Vacancies had experienced a steady increase over the last three years due to a record number of construction deliveries, however demand is now beginning to outpace supply and vacancies are trended downward.



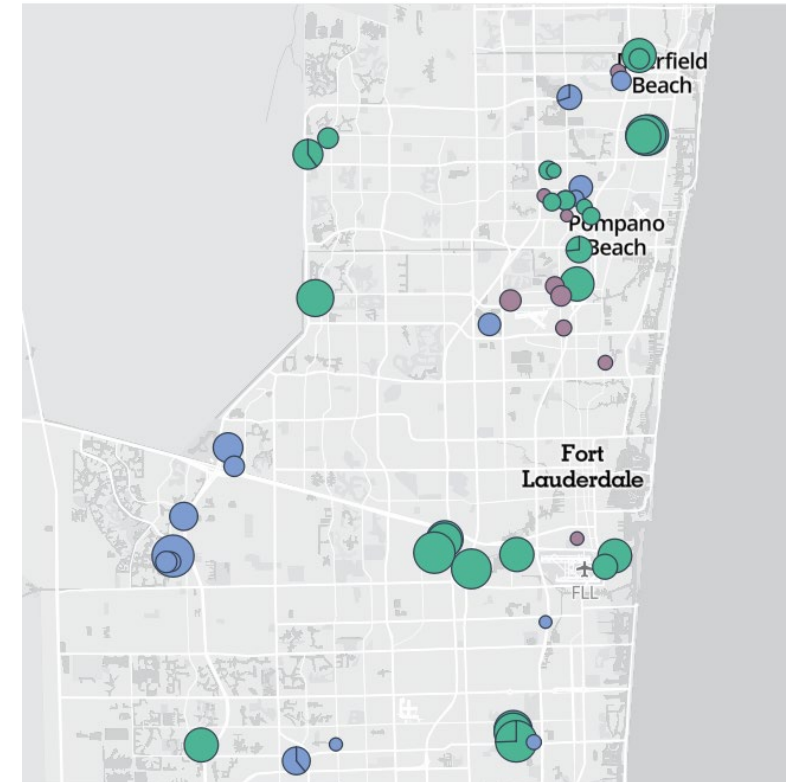
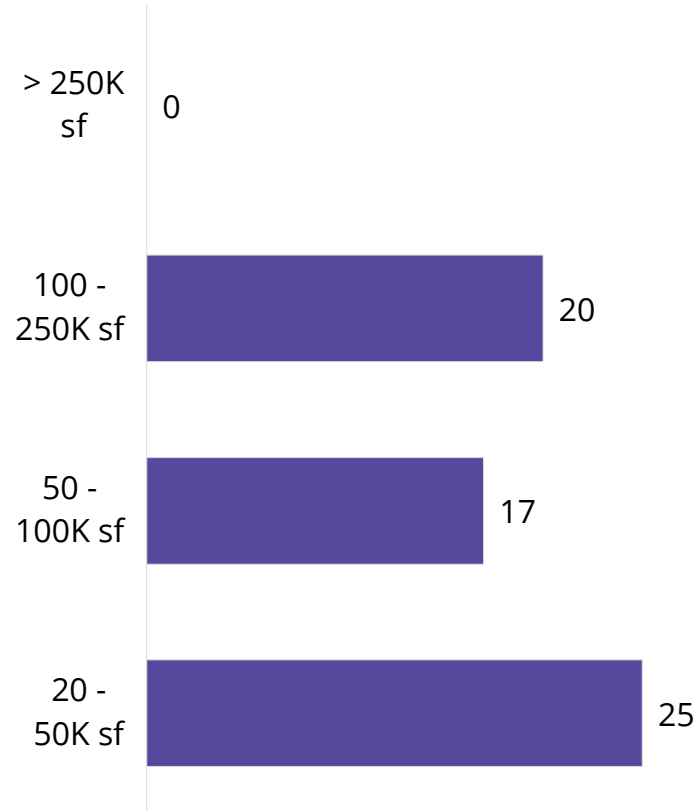
Source: CoStar

Industrial large-block availabilities

Building class



Space size ranges



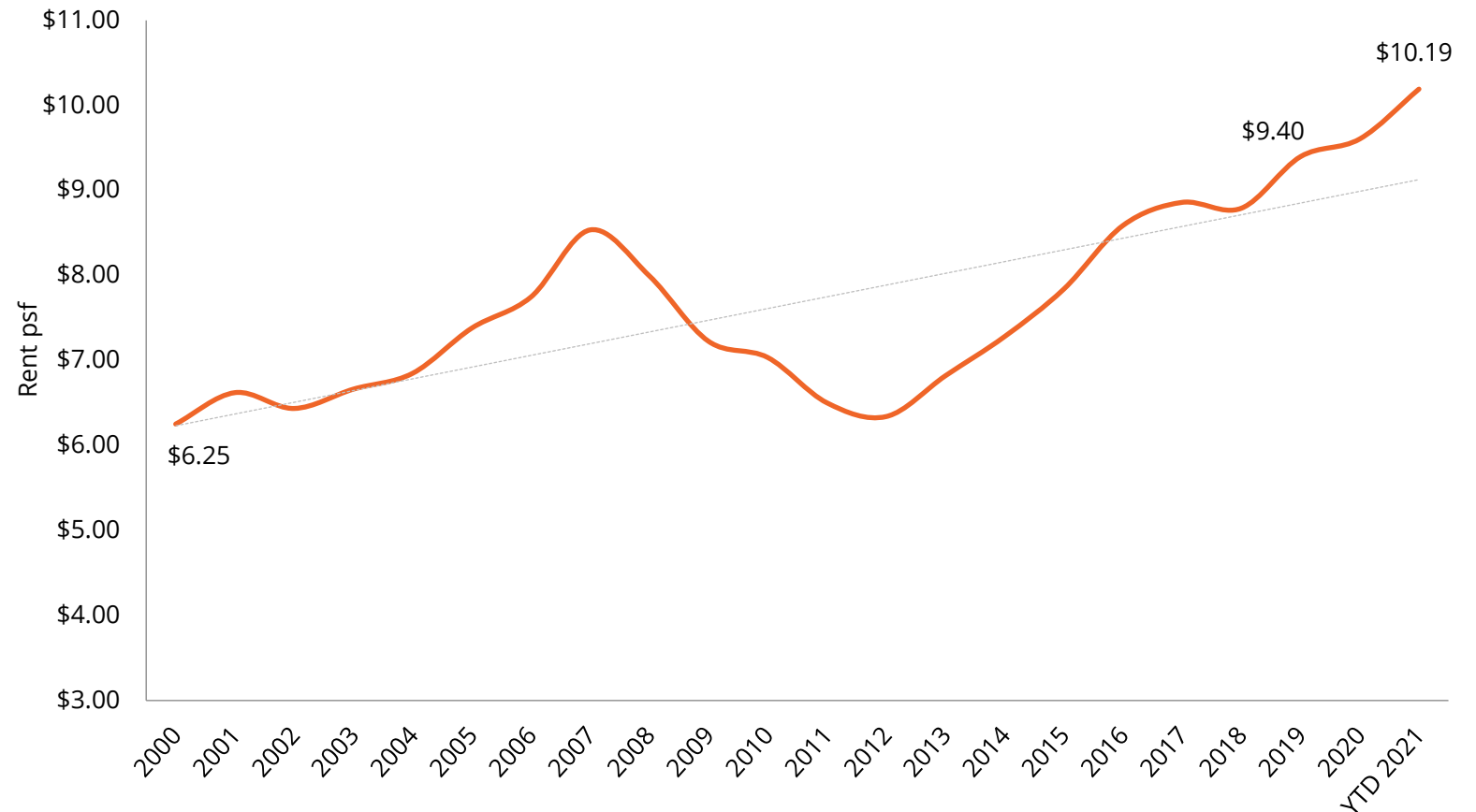
Source: AVANT by Avison Young

Asking rents

+8.5%

Asking rents since the onset of the pandemic

Asking rents have risen by 8.5% since year-end 2019. New deliveries as well as rising construction costs and increased demand have fueled rent growth in Fort Lauderdale.



Source: AVANT by Avison Young

Industrial development pipeline

25 properties

proposed or under construction

4.1 msf

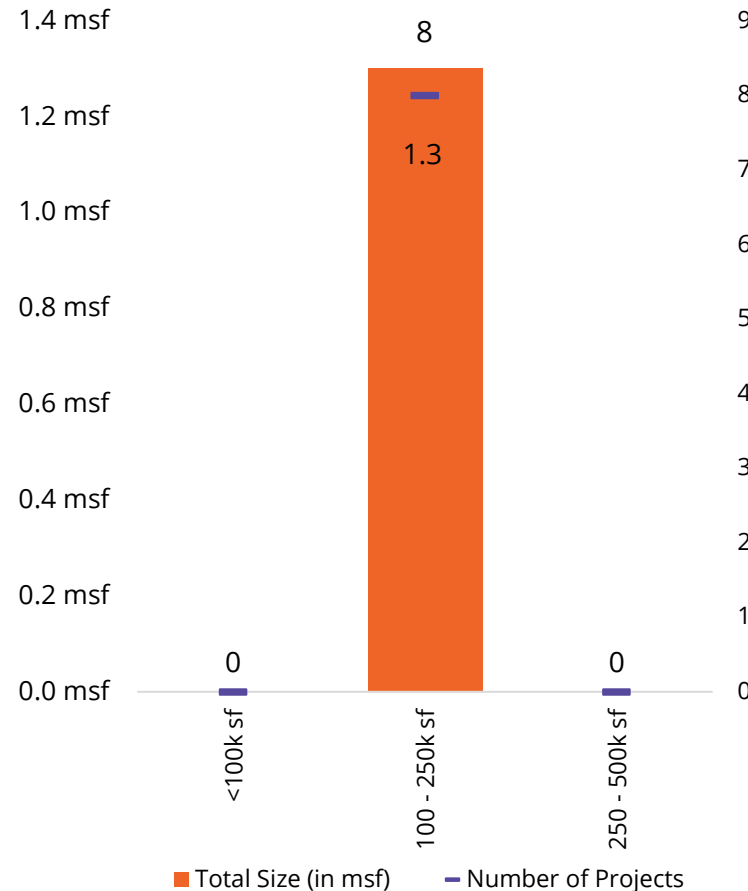
proposed or under construction

6.0%

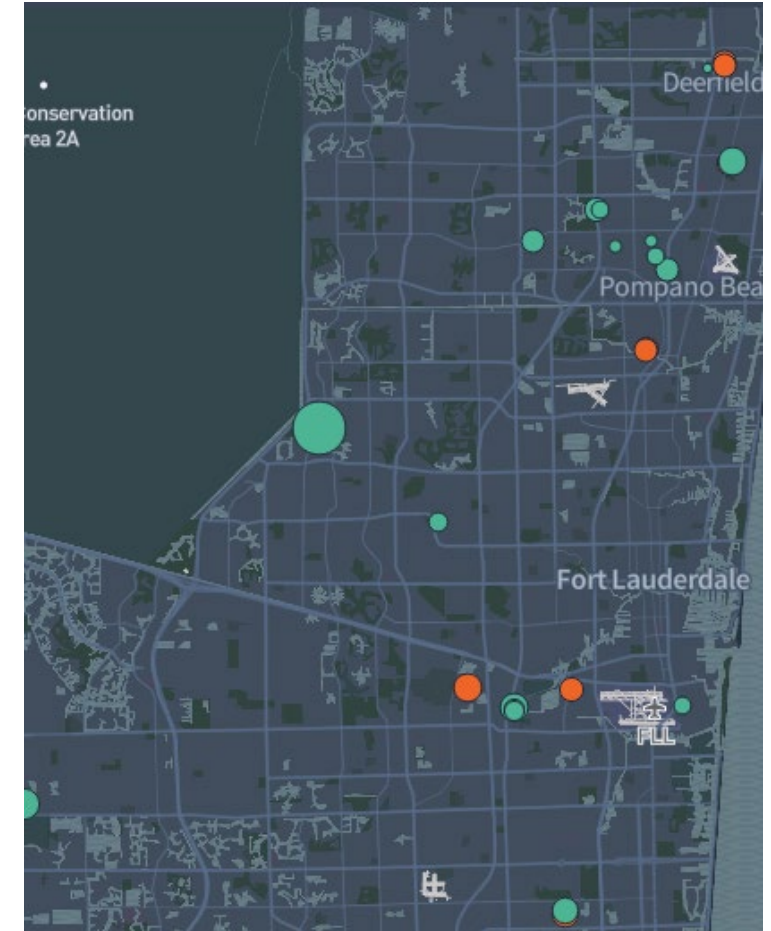
share of industrial inventory

Northeast Broward

submarket with the most development under construction at 0.5 msf



Source: AVANT by Avison Young

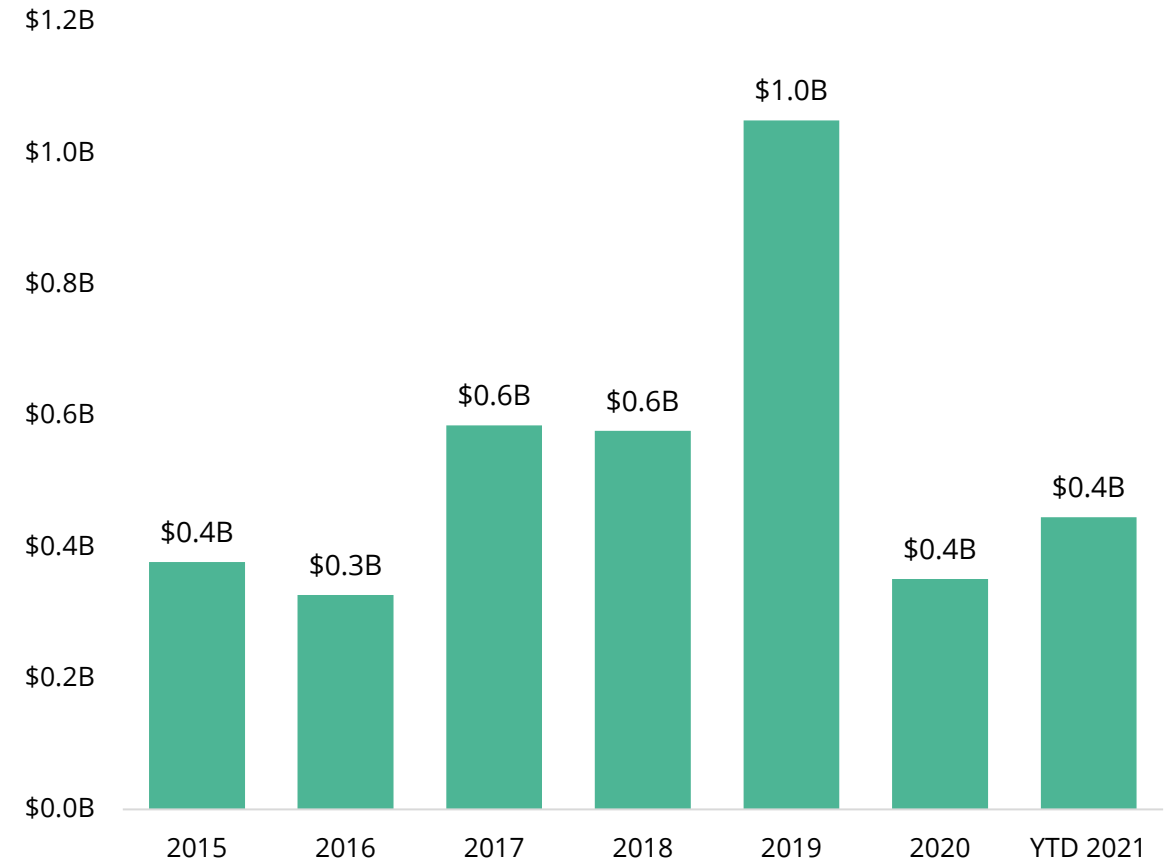


Investment dollar volume

\$0.4B

**Industrial dollar volume,
year-to-date 2021**

Industrial investment activity has been steady with year-to-date volume totaling \$444.9 million, up 26.8% from total investment volume during 2020. However, sales volume remains down 23.7% from the previous five-year average.



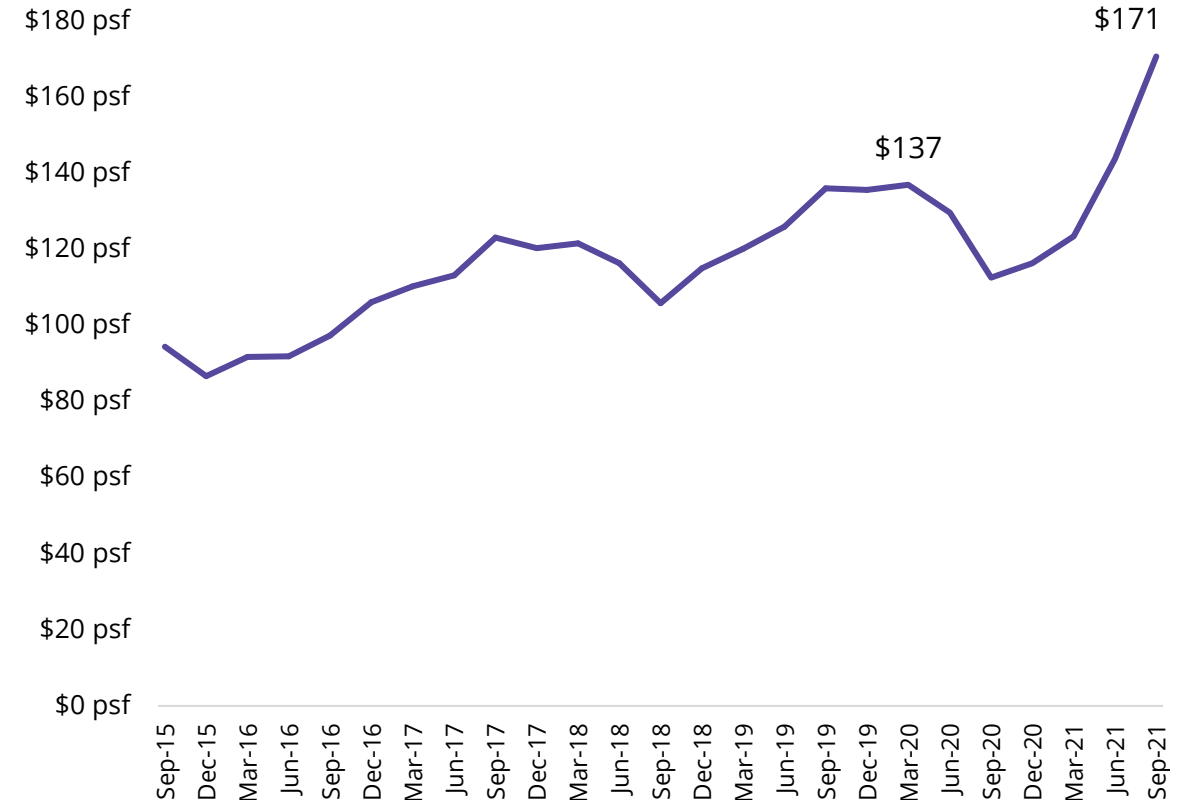
Source: AVANT by Avison Young
RCA

Industrial asset pricing

+24.6%

**Fort Lauderdale industrial pricing,
March 2020 to September 2021**

Pricing for Fort Lauderdale industrial assets has risen steeply since year-end 2019, increasing by 24.6%. Institutional investment in Fort Lauderdale's industrial market has represented 43.9% of all year-to-date acquisitions, up from 28.1% in 2020.



Source: AVANT by Avison Young
RCA

Looking forward



Here's what we can expect

- Market fundamentals remain strong in Fort Lauderdale and **demand is beginning to outpace supply** as the abundance of new industrial product delivered over the last few years is being absorbed into the market. Leasing activity is expected to remain strong throughout the remainder of the year, particularly from logistics, e-commerce, and wholesale tenants.
- As the landscape for large blocks of available space becomes more competitive in Miami and the market continues to tighten, some **tenants may begin to look north to Fort Lauderdale** to accommodate their space needs.
- **Developers remain bullish** on Fort Lauderdale's industrial market and have been especially interested in the Pompano Beach, Northeast Broward, and Southeast Broward submarkets. Although construction starts took a brief pause during 2020, many new projects are gearing up to break ground by the end of the year.
- While **supply chain disruption** has been a challenge since the onset of the pandemic, backlogs of cargo ships at the Ports of LA and Long Beach in California could prove to be beneficial for South Florida as tenants may seek to relocate to avoid bottlenecks in the future.



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Let's talk

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