



Fort Lauderdale industrial market report

Q4 2022

**AVISON
YOUNG**

Fort Lauderdale industrial market trends

4.6%

total vacancy signals a tight market despite development

Overall vacancy continued its downward trend at the end of the fourth quarter, dipping to 4.6%, the lowest point since 2018, despite more than 1.7 million square feet (msf) of new inventory delivering during 2022. Positive net absorption for the year totaled nearly 1.9 msf, the second strongest year on record since 2016. Although leasing activity began to slow during the fourth quarter with total leasing volume down 32.6% from 3Q22, the supply pipeline also began to decelerate. With just under 1 msf that remains under construction at the end of 2022, vacancies are likely to tighten further in 2023 as supply remains limited in the near-term.

\$14.69

asking rates continue growth as availability remains low

Industrial asking rates continued to climb during the fourth quarter to an overall average of \$14.65 per square foot (psf) (NNN), up 6% from the third quarter and 35% year-over-year. Total availability remains near pre-pandemic lows despite an influx of sublease space that came back onto the market in 2022, which was largely due to Amazon shedding much of its warehouse space in the wake of weakening consumer spending. Even with sublease availability rising 70 basis points (bps) year-over-year to 1.2% of inventory, direct availability saw a marked decline of 90 bps to 5.2% indicating strong leasing fundamentals leading into 2023.

0.6 msf

quarterly absorption signals market's continued strength

Annual net annual absorption jumped 66.6% in the fourth quarter, with 621,099 square feet (sf) worth of move-ins pushing Fort Lauderdale's annual total to 1.8 msf. This brings the region back in line with pre-pandemic absorption numbers despite Covid-19's lingering impacts on buildout expenses, borrowing costs and inflation. Strong leasing activity during the back half of 2022, with leases from market-leading tenants like Williams-Sonoma (208,000 sf) and Walmart (81,000 sf), has laid the groundwork for strong absorption in 2023.

Fort Lauderdale industrial market indicators

1.7 msf

industrial deliveries during 2022,
with 934,059 sf remaining under
construction

1.8 msf

annual net absorption, up 634,248 sf in
the fourth quarter

\$14.69 NNN

average asking rents, up 6% from the
third quarter

-10.8%

decrease in direct availability in the
fourth quarter amid wave of deliveries

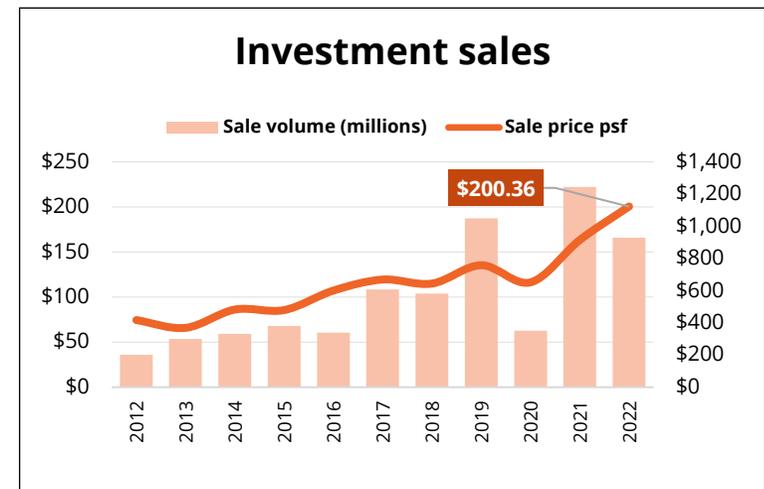
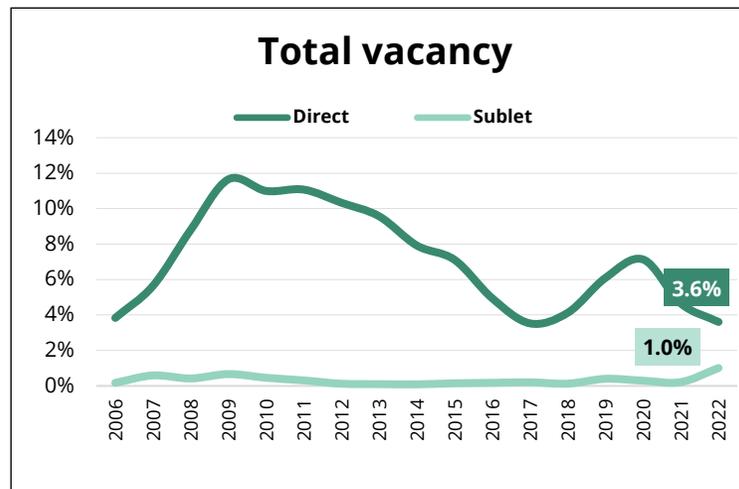
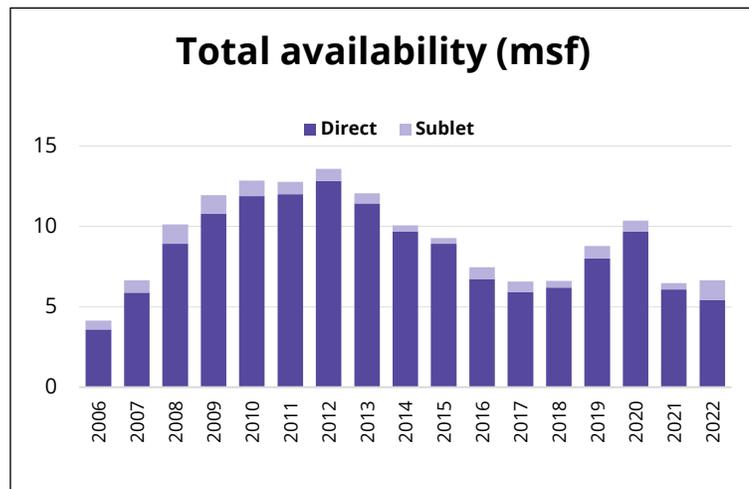
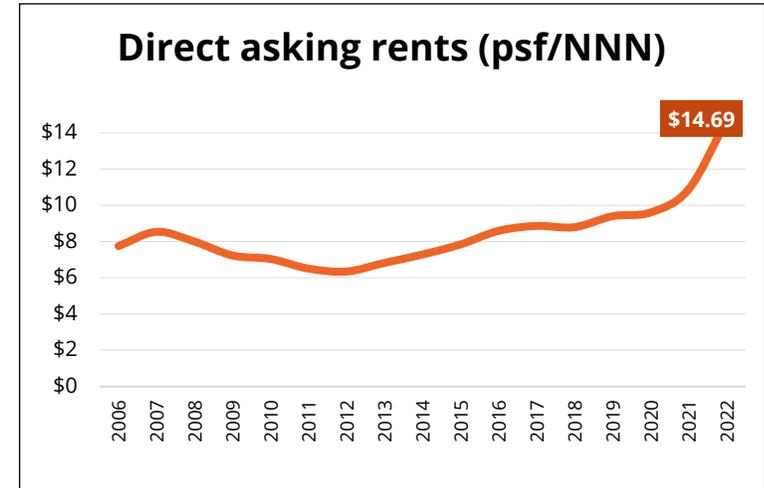
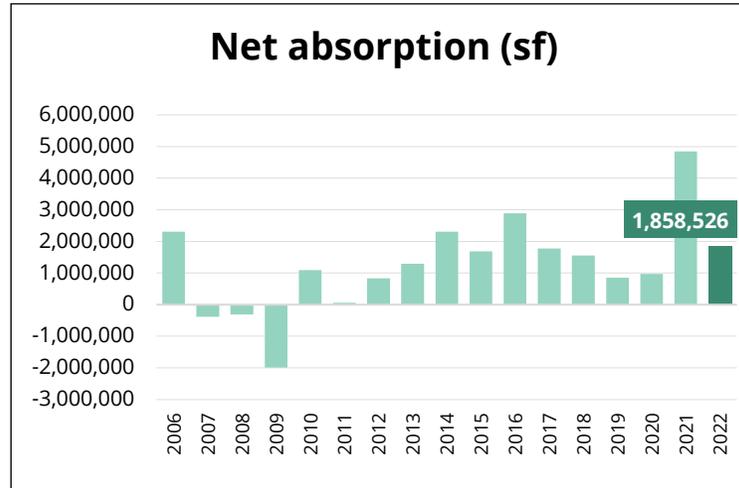
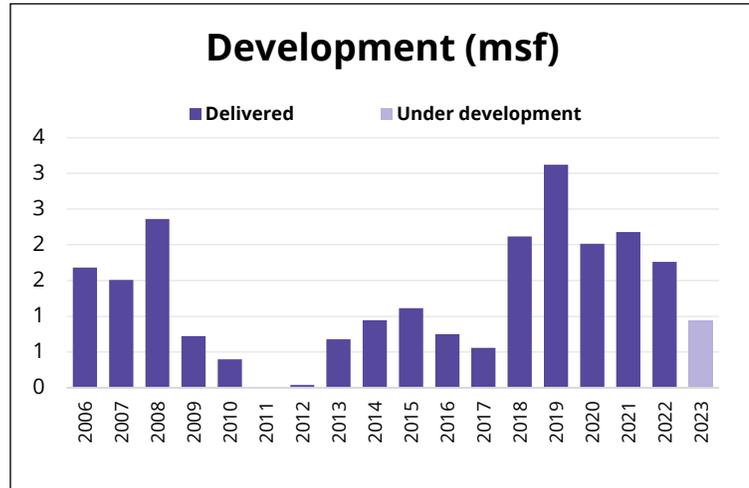
4.6%

total vacancy, the lowest on record
since year-end 2018

\$200.36 psf

average investment sale price with just
under \$1 billion sold in 2022

Fort Lauderdale industrial market indicators



Fort Lauderdale industrial market activity

Recent leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
Williams Sonoma	Prologis I-595 Distribution Ctr, Bldg. 2 4040 South State Road 7	Dec. 2022	208,800	Direct	New	Southeast Broward
Index Computer Remarketing	Port 95 Distribution Center, Bldg. 500 3951-4049 SW 30th Ave.	Dec. 2022	130,026	Direct	Renewal	Southeast Broward
Baer's Furniture	International Center 800-900 International Pkwy.	Nov. 2022	81,984	Direct	New	West Broward
Walmart	Bridge Point Powerline Road, Bldg. 2 1981 N Powerline Rd.	Nov. 2022	81,000	Direct	Renewal	Pompano Beach
NationsBenefits	Seneca Industrial Park , Bldg. G/H 2500 SW 32nd Ave.	Oct. 2022	70,861	Sublease	New	Southeast Broward

Recent sales activity

Buyer	Address	Sale date	Building Size (sf)	Sale price	Sale price psf	Seller
Morgan Stanley	Pompano Business Center 2 3001 W Copans Rd.	Dec. 2022	133,814	\$25,500,000	\$191	IDI Logistics
Elion Partners	1301 NW 3rd St.	Nov. 2022	74,000	\$15,600,000	\$211	Tesco South
Soflo Jeeps	Powerline/MLK Commerce Center 1501 Powerline Rd.	Dec. 2022	41,520	\$10,729,500	\$258	BTH Development

Top projects under development

Property	Address	Delivery Date	Building Size (sf)	% Preleased	Developer	Submarket
Prologis Seneca Park, Bldg 1000 & 1100	2300 Commerce Center Way 2400 Commerce Center Way	Nov. 2023	190,494 190,494	0%	Prologis	Southeast Broward
Future HQ of Sonny's Enterprises	5601 N Hiatus Rd.	Oct. 2023	200,147	100%	Butters Construction & Development	Southwest Broward
Seagis Port Logistics Center	1700 Eller Dr.	June 2023	199,624	0%	Seagis Property Group	Southeast Broward

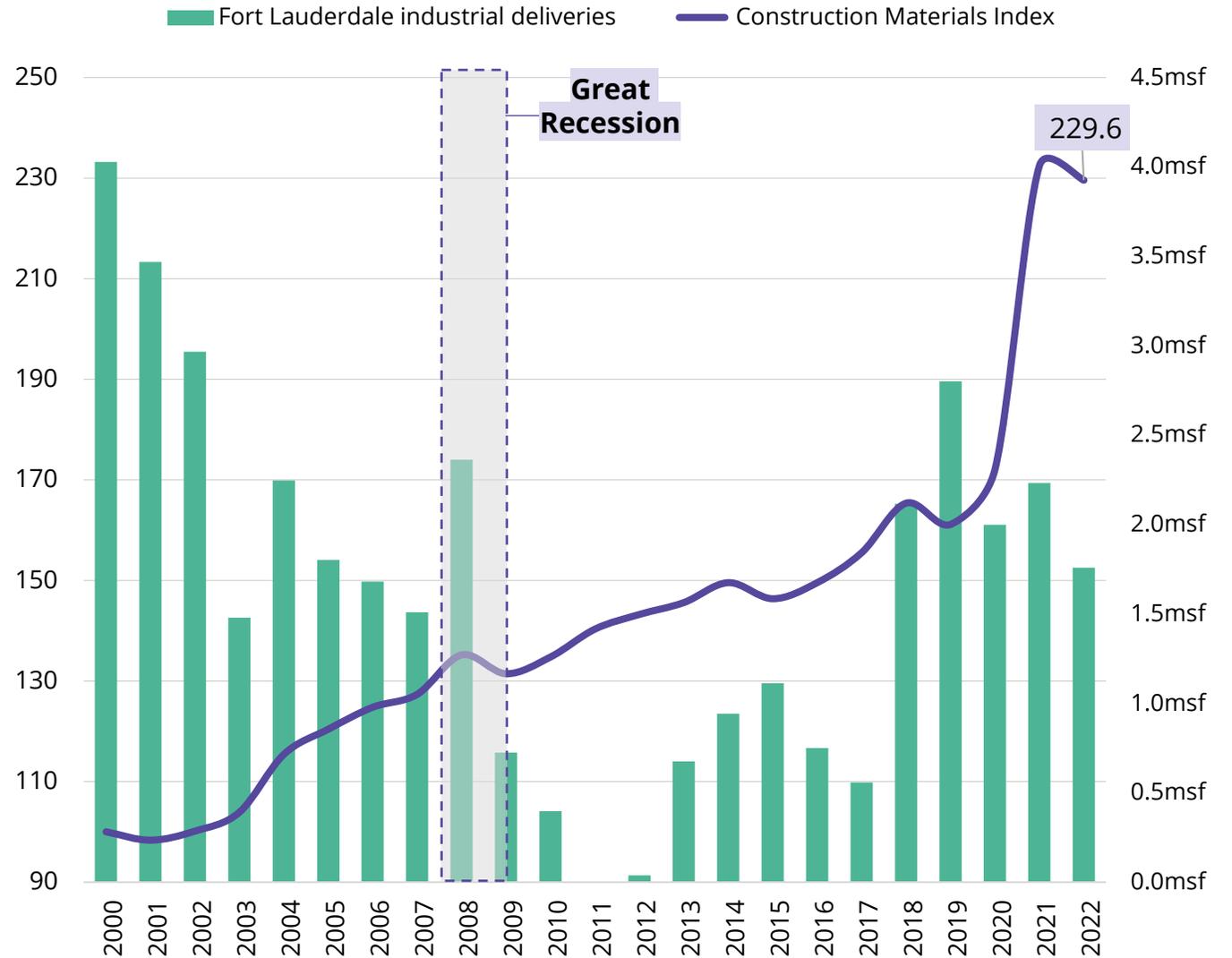
Cost of construction materials

-1.2%

decrease in cost of construction materials in the U.S. from November 2021 to November 2022

While the cost of construction materials surged in 2021 and remained high through 2022, construction costs are beginning to trend downward. As a result, construction activity has begun to slow down after reaching a peak in 2019. Although 1.7 msf delivered during 2022, total deliveries were down 21.2% from 2021.

Construction Material Index (index = 2000)



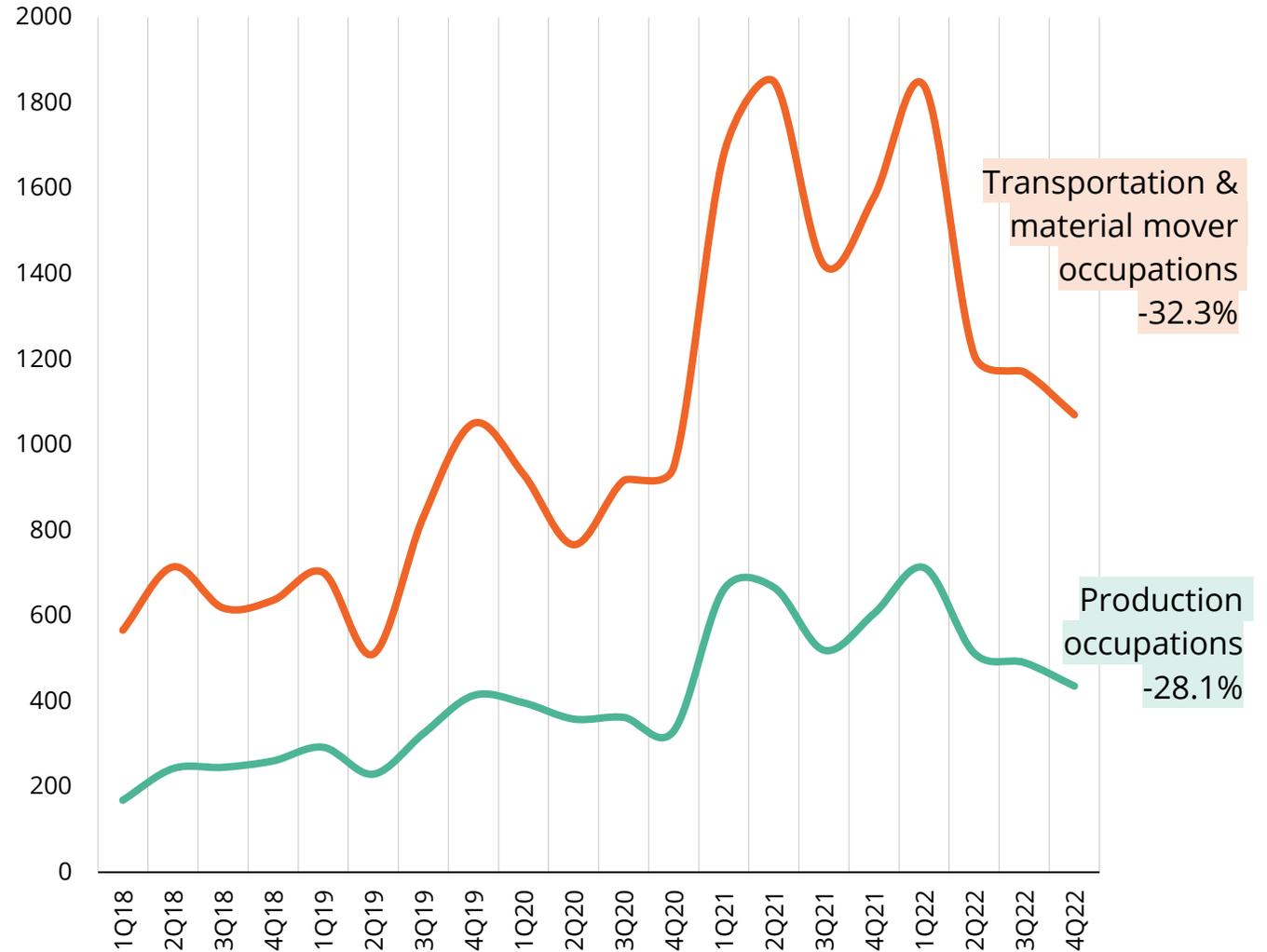
Note: Data not seasonally adjusted
Source: AVANT by Avison Young, Bureau of Labor Statistics

Industrial job postings in Fort Lauderdale

-32.3%

decline year-over-year in job postings for transportation & material mover occupations

After reaching a peak in mid-2021, job postings for transportation & material mover occupations and production occupations within Broward County have started to decline at the end of 2022, a leading indicator for weakening demand.



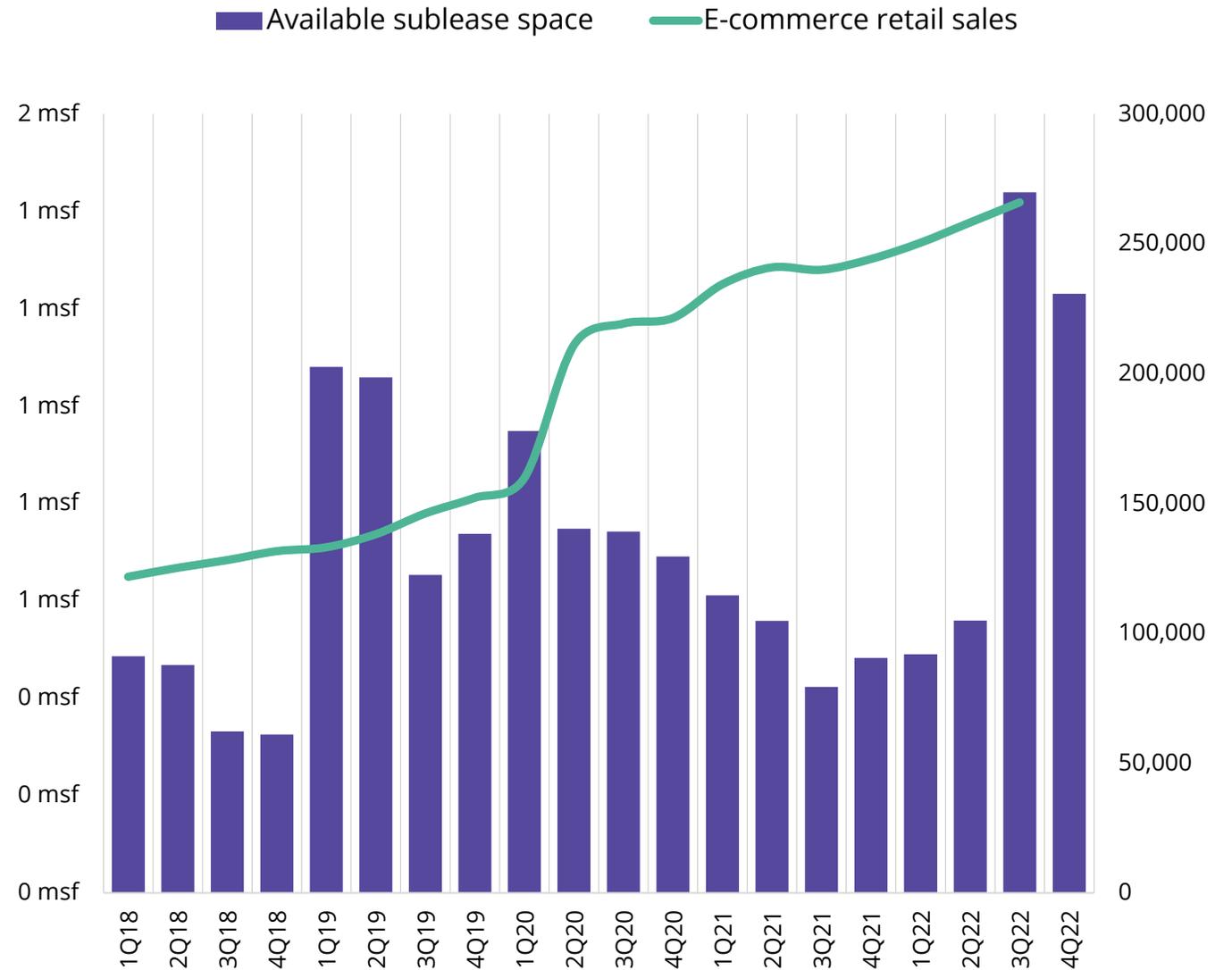
Source: EMSI

E-commerce sales vs. sublease space

+0.7 msf

increase in available sublease space in Broward year-over-year

Although sublease space fell sharply following the surge in e-commerce sales during the onset of the pandemic, e-commerce sales have begun to level off and companies like Amazon that were very bullish on acquiring warehouse space have begun to pull back, resulting in a wave of sublease space hitting the market in the latter half of 2022.



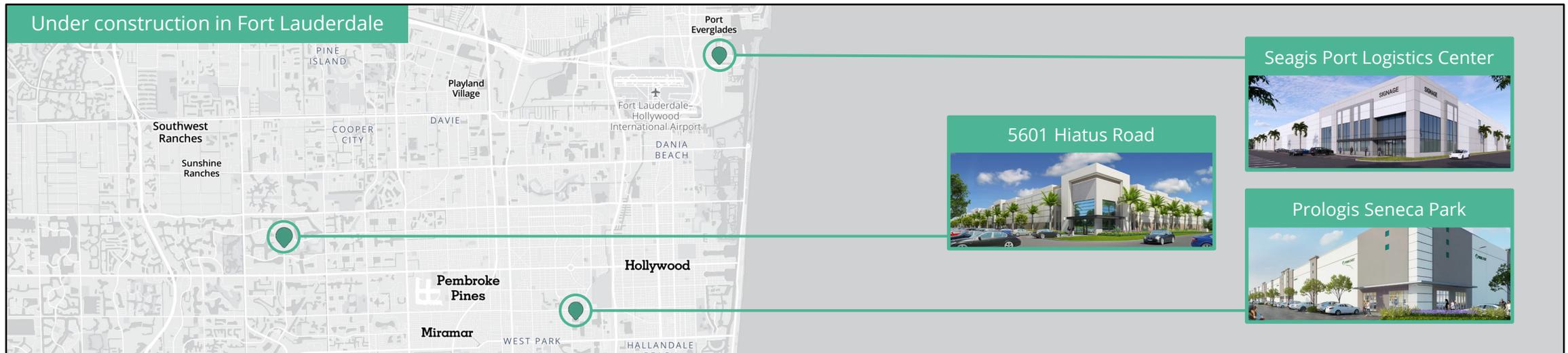
Source: U.S. Census Bureau, Costar

Fort Lauderdale industrial market stats

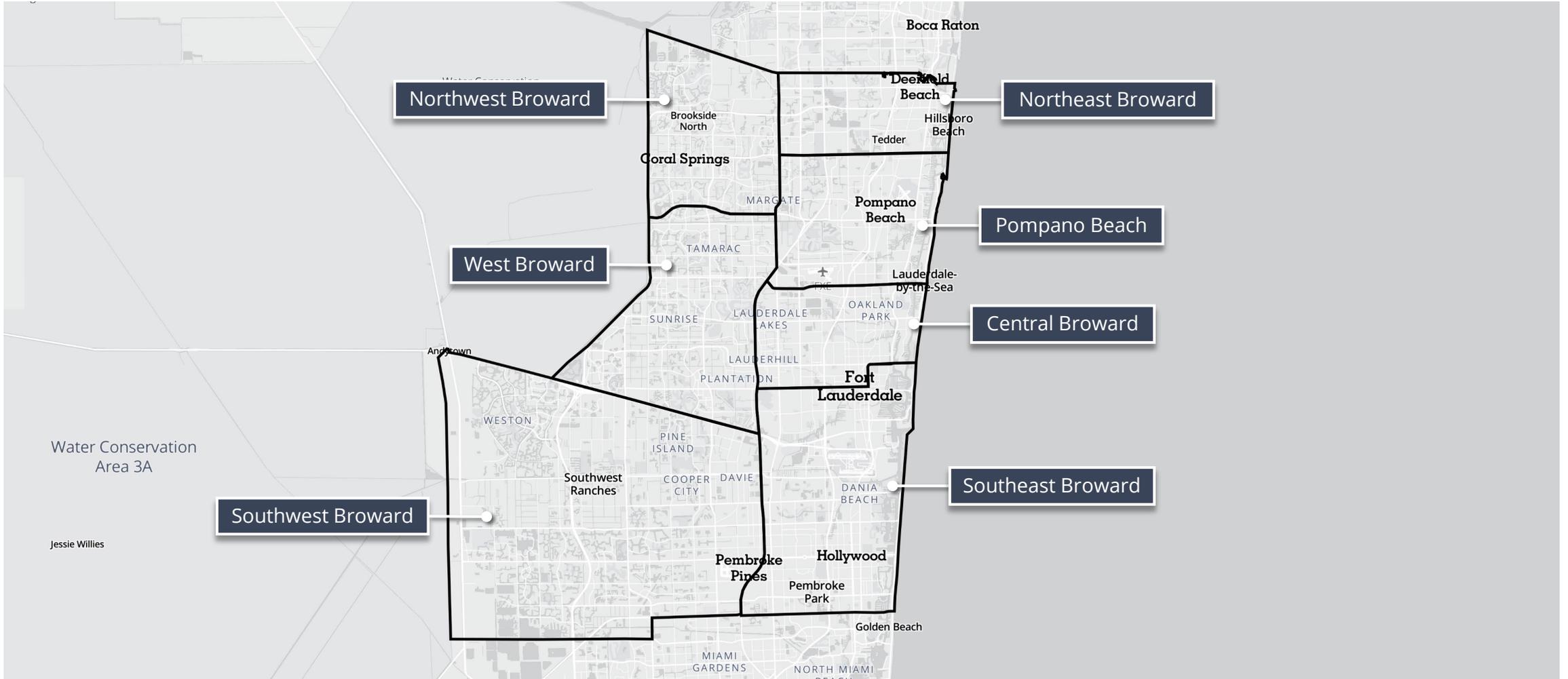
By Submarket	Inventory (sf)	Total %	Vacancy		Net Absorption		SF Under	Average Asking Rent		
			W / D	Flex	4Q22	YTD	Construction	Total	W / D	Flex
Central Broward	7,015,476	3.8%	4.3%	2.1%	22,693	-103,143	-	\$17.77	\$17.32	\$20.90
Northeast Broward	13,776,867	7.0%	8.0%	3.1%	93,748	625,973	-	\$15.02	\$14.44	\$18.15
Northwest Broward	3,545,658	12.9%	17.5%	0.4%	-15,171	-210,881	-	\$9.32	\$8.86	\$16.96
Pompano Beach	29,877,618	4.2%	3.9%	5.1%	97,331	377,601	-	\$14.57	\$14.69	\$14.17
Southeast Broward	20,333,433	2.9%	2.9%	2.5%	117,139	393,461	580,612	\$15.41	\$15.31	\$16.72
Southwest Broward	18,868,980	4.0%	3.0%	8.4%	272,014	878,719	200,147	\$13.74	\$13.58	\$14.75
West Broward	7,589,968	4.9%	5.8%	2.1%	33,345	-103,204	103,300	\$13.98	\$13.13	\$16.23
Market Total	101,008,000	4.6%	4.7%	4.2%	621,099	1,858,526	934,059	\$14.69	\$14.16	\$15.51

Fort Lauderdale industrial market stats by type

By Type	Inventory (sf)	Vacancy	4Q Absorption	YTD Absorption	SF Under Construction	Available Sublease (sf)
Warehouse and Distribution	123,456,78	4.7%	365,151	1,807,033	934,059	1,154,183
Flex	20,392,470	4.2%	255,948	51,493	0	76,519
Market total	101,008,000	4.6%	621,099	1,858,526	934,059	1,230,702



Fort Lauderdale industrial submarket map



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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Putting people and the planet first

There is a vital role for our sector to create healthy, productive workplaces for employees, cities that are centers of prosperity for their citizens, and built spaces and places that create a net benefit to the economy, the environment and the community.

Global ESG Report



Manufacturing in motion

Reshoring and nearshoring are not new topics in the U.S., but they do have new life – and perhaps for good cause. In the past it's only produced inconsistent results across industries and is continuing to ebb and flow over time and within the American psyche.

U.S. Reshoring and Nearshoring



Tracking U.S. employment trends

Rising layoffs and declining job postings are also indicating that the economy is becoming distressed. Employment data and industries are analyzed across cycles for a real-time and historical look at economic conditions.

U.S. Employment Overview

For more market insights and information visit **avisonyoung.com**

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