

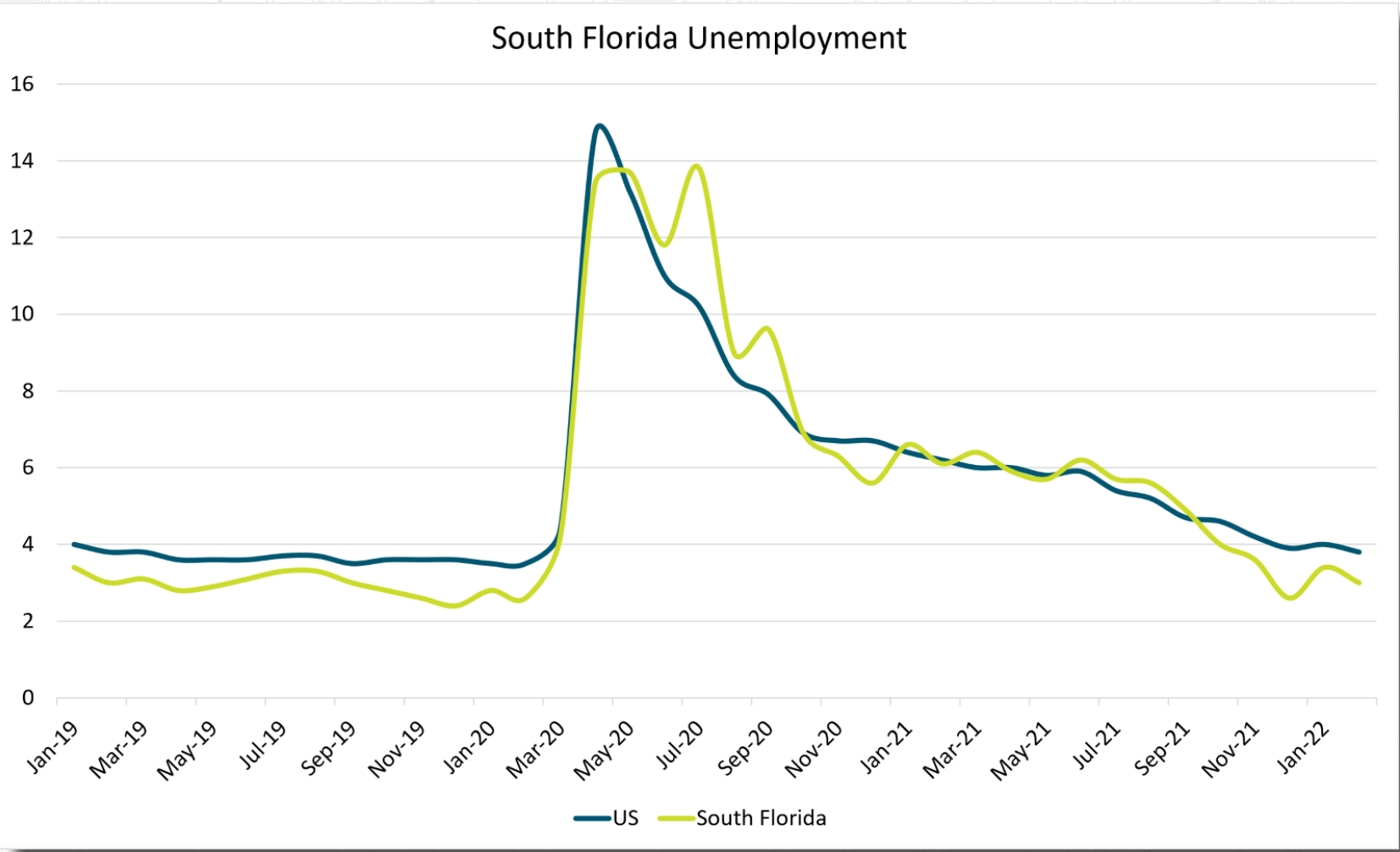
SOUTH FLORIDA

Q1-22 Industrial Report

 FranklinStreet

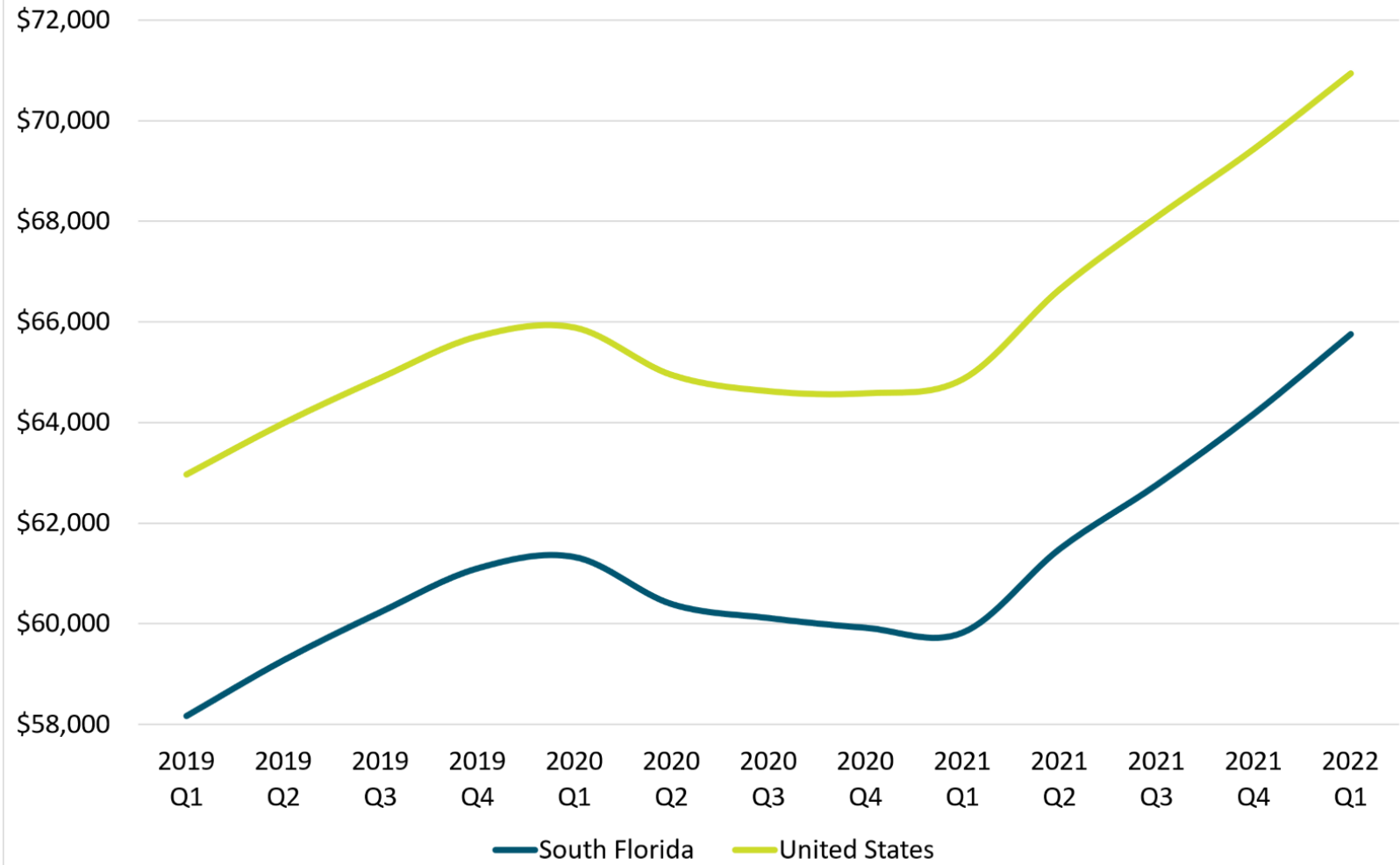
Franklinst.com

MSA Unemployment



South Florida's employment market has fully recovered from the pandemic, ending Q1-22 80 basis points below the national average at 3.0%. This is largely due to South Florida's ability to attract major companies and employees to the region who are drawn to its many amenities, great weather, favorable tax environment and, recently, fewer covid-related restrictions.

South Florida Median Household Income

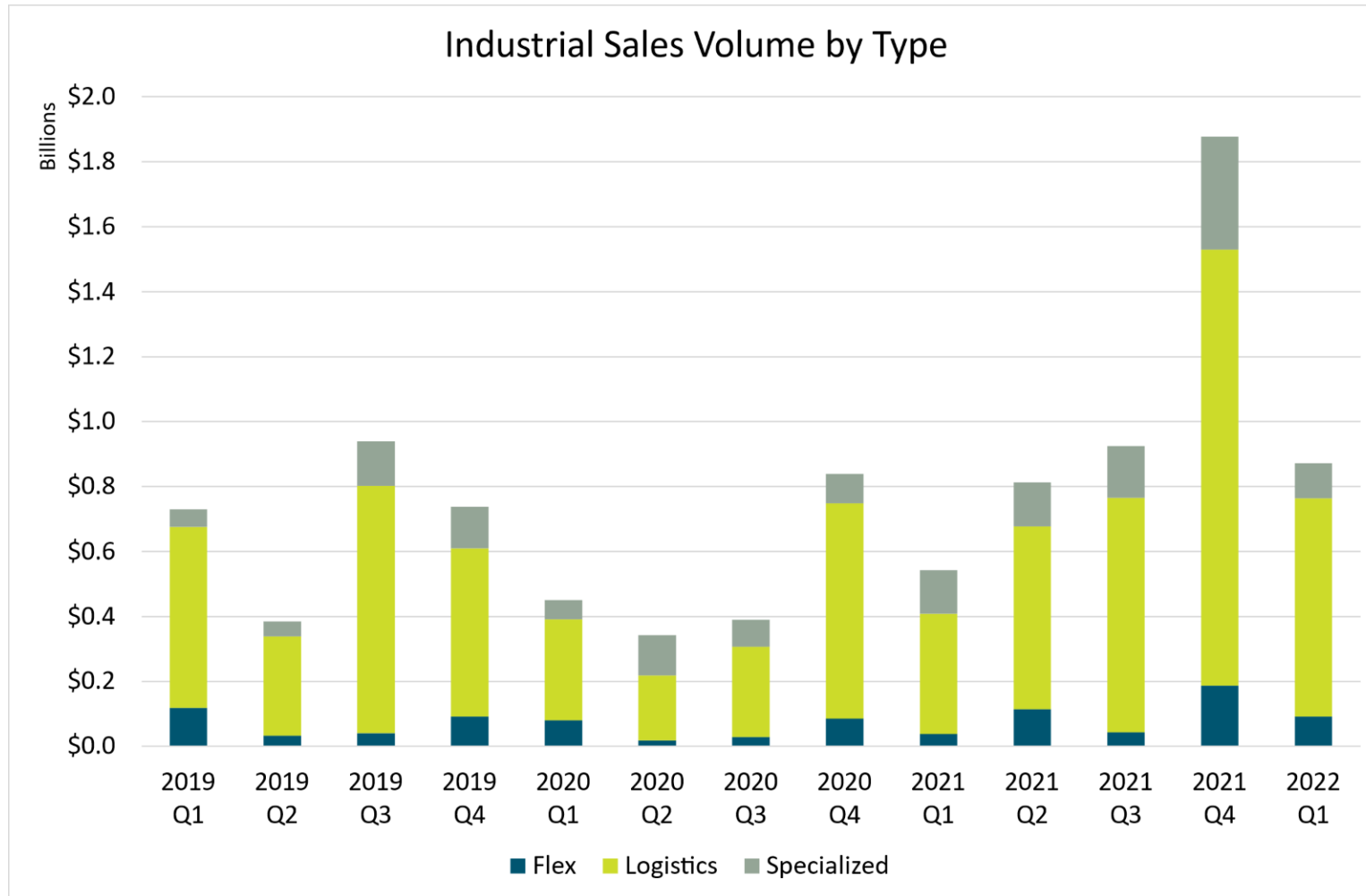


South Florida Median Household Income

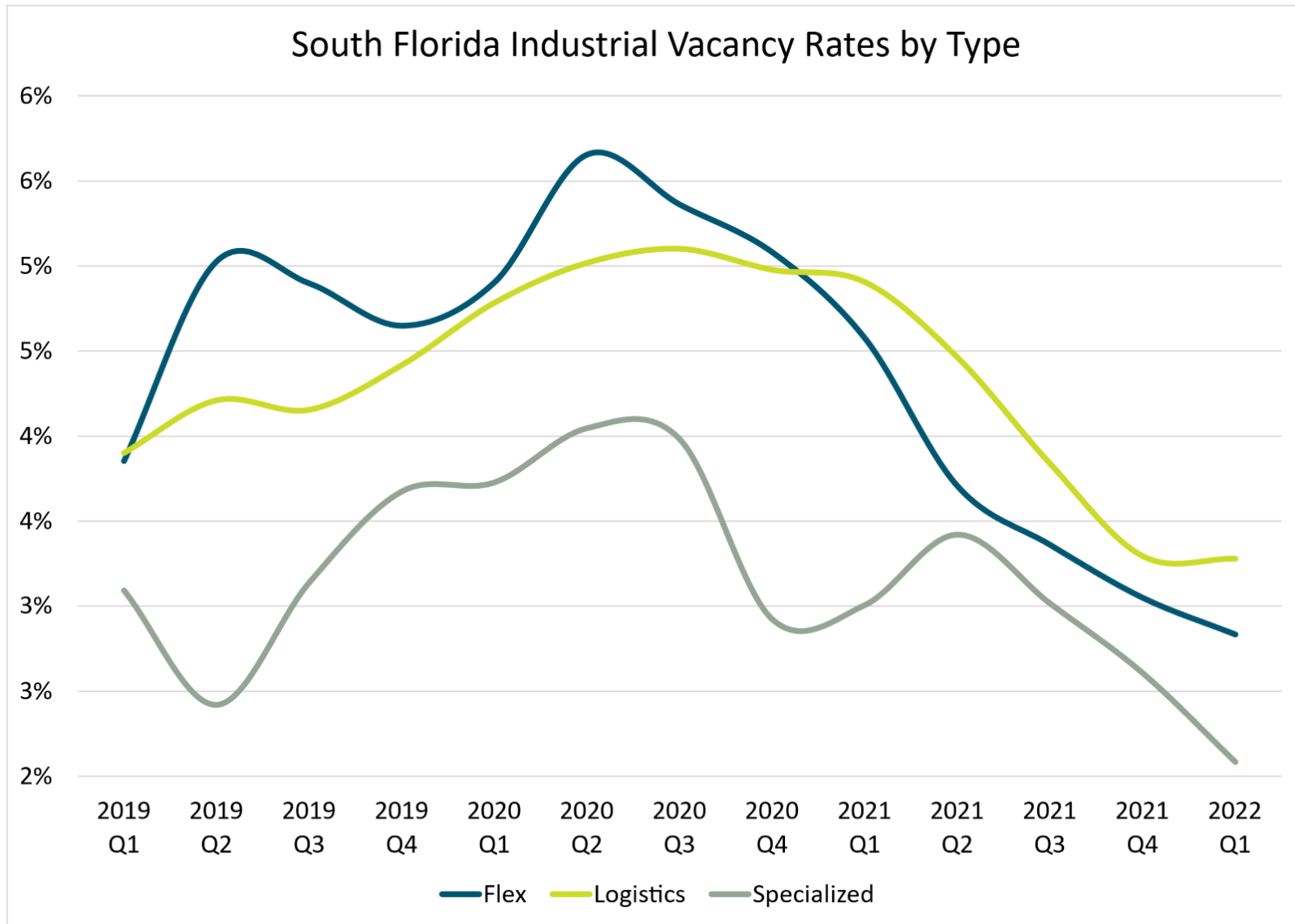
The median household income in South Florida has been slightly below the national average for a long time. Today, it is \$5,184 lower than the national average, at \$65,757. In contrast, the cost of living in South Florida is among the highest in the state, making this area of Florida the least affordable for residents.

Industrial Sales Volume

Sales volume in Q1 2022 was higher than the first quarters of 2019, 2020, and 2021. Q4 2021 was a record-breaking quarter, and this year started off very strong. With over \$872 million in total sales volume, flex space recorded over \$92 million total sales, logistics space recorded over \$672 total sales, and specialized space recorded over \$107 million total sales. It is unclear whether these extreme sales volumes are being driven by unusually high demand or investors rushing to secure acquisitions ahead of incoming interest rate hikes from the Fed. Either way, the South Florida market will benefit.

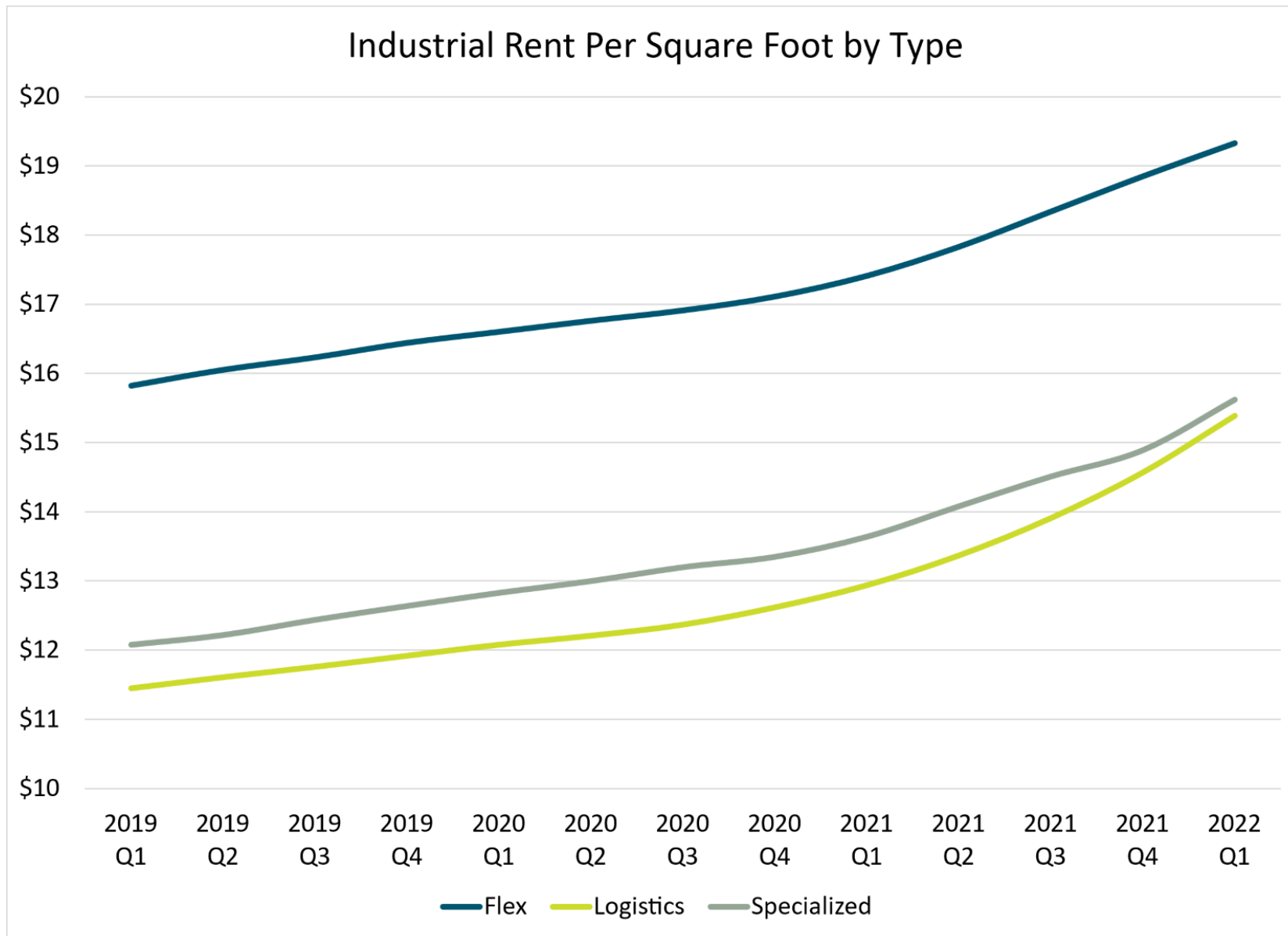


Gainesville: Industrial Sales Volume



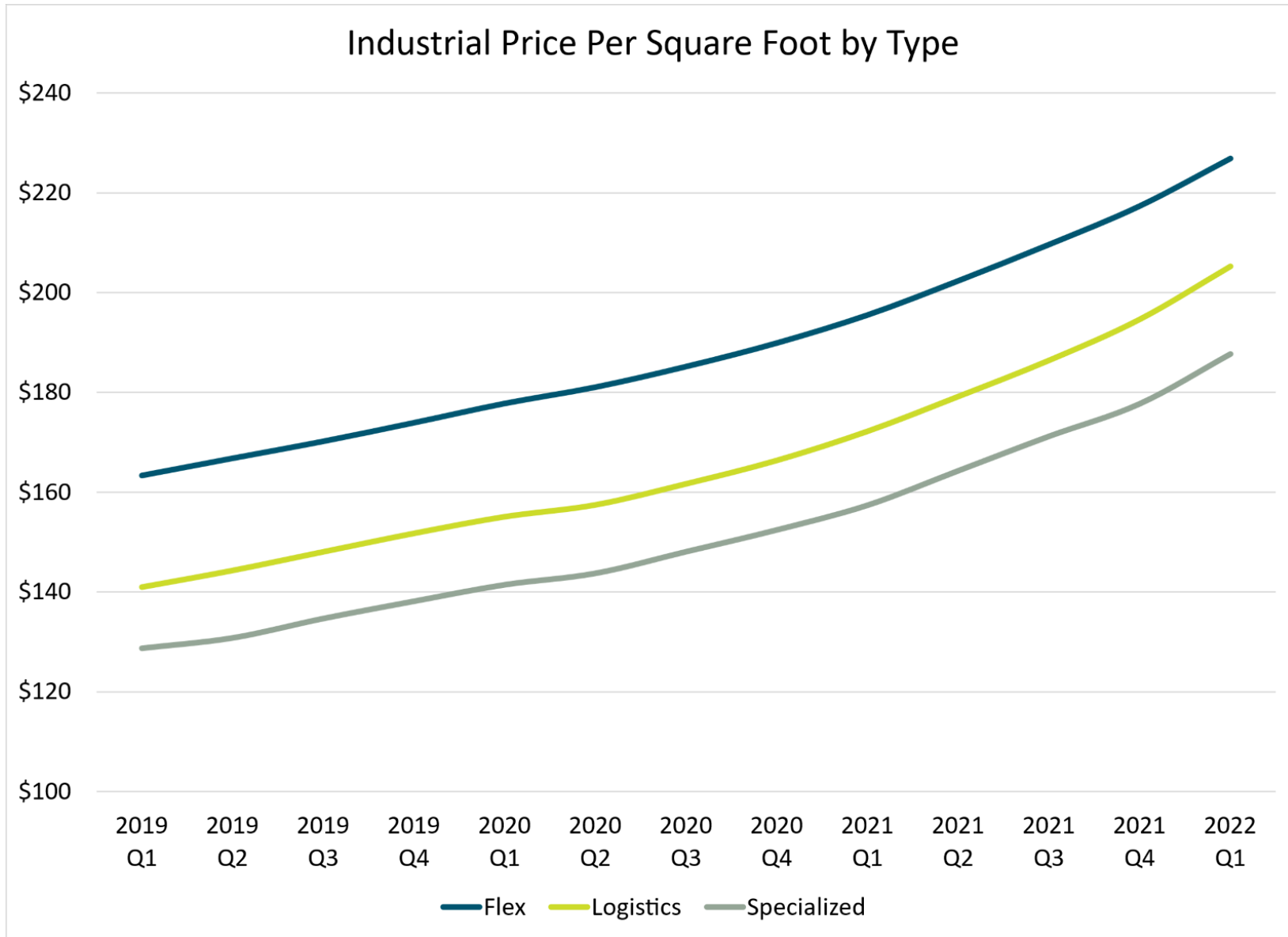
While demand for industrial space is high in South Florida, so is competition. Vacancy rates for all three of the main industrial types are at all-time lows. Currently, vacancy in flex space is at 2.83%, vacancy in logistics space is 3.28%, and vacancy in specialized space is at 2.08%. Vacancy rates are one of the best representations of current demand. Also, record low vacancy could also be a signal for the pace of development, which we will discuss later in the report.

Industrial Rent



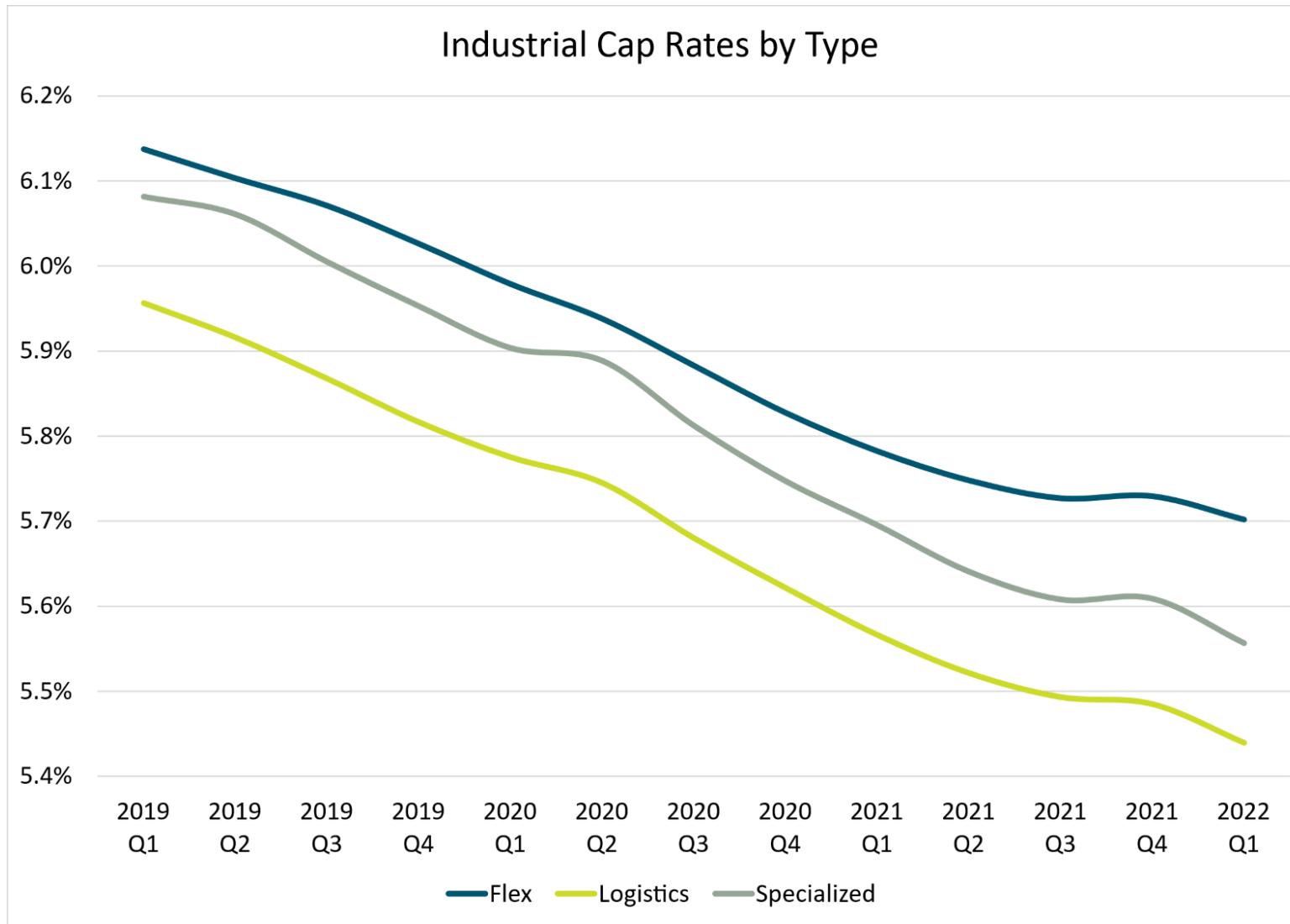
All-time high vacancy rates are directly correlated with all-time high rental rates, which South Florida has clearly been exhibiting. The rental rate for flex space is currently priced \$19.33, the highest in any Florida market. Logistics and specialized space are currently priced at \$15.39 and \$15.62, which are also considerably high for all Florida markets. With demand so high, it is unlikely that this trend will lose momentum in 2022.

Industrial Price



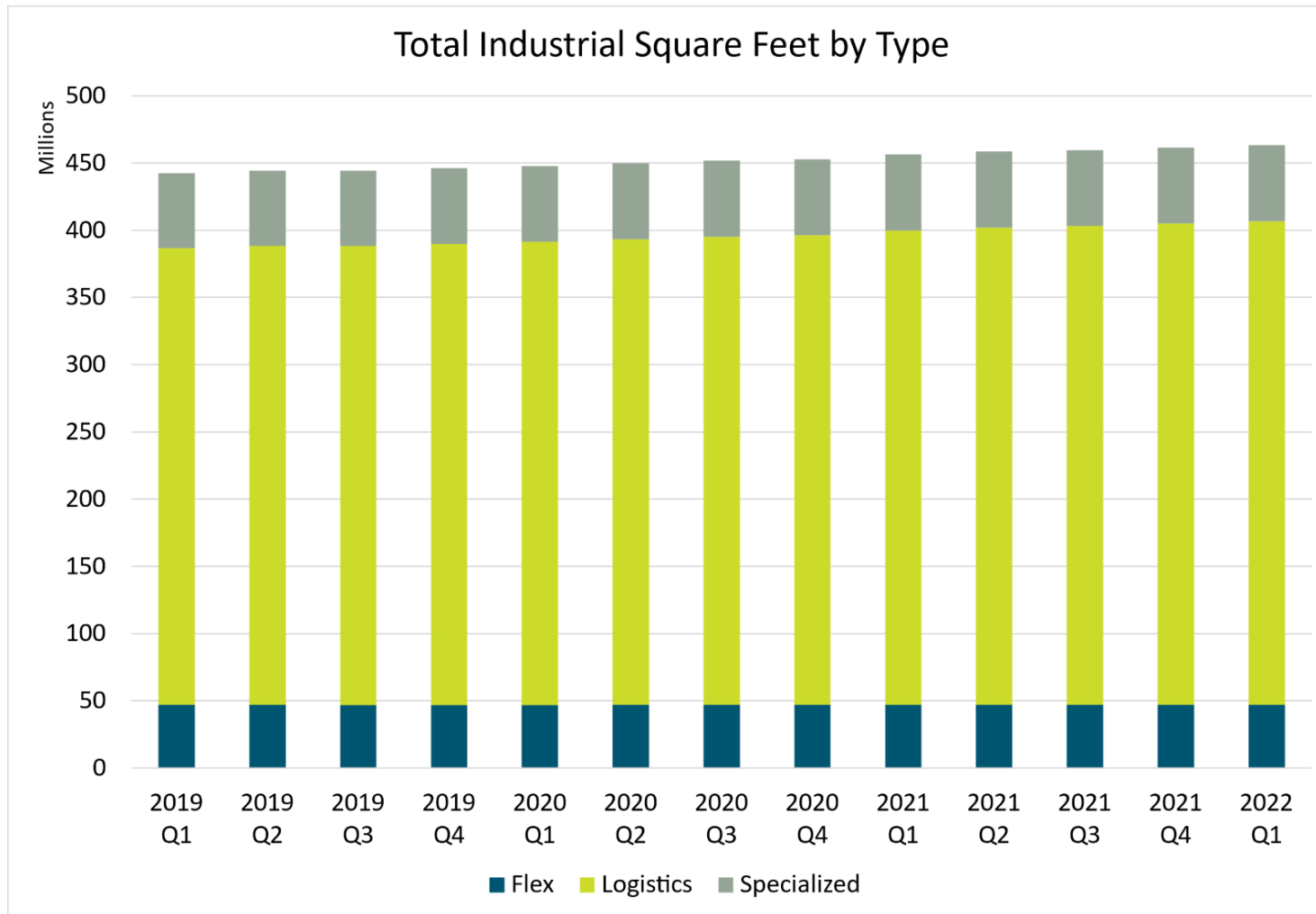
Also influenced by elevated vacancy rates, the sale price per square foot for industrial space is also at record levels. Transaction data in the area is indicating that the current market price for flex space is averaging \$226.89, \$205.23, and \$187.70 per square foot for flex, logistics, and specialized industrial space, respectively. Prices in the market have followed this trend for several years and do not show signs of abating throughout 2022. The industrial asset class will remain a very attractive investment.

Industrial Cap Rates



As we have stated before, cap rates and asset prices share an inverse relationship. Where the upward pressure in prices puts downward pressure on cap rates. We are seeing this on display in the South Florida market. Flex space cap rates are around 5.70%, logistics space cap rates are around 5.44%, and specialized space cap rates are around 5.56%. While all three are exhibiting the lowest cap rates on record, it does not seem to have had any impact on demand for the asset class. The market sentiment seems to be that industrial will remain highly sought-after throughout 2022 and will continue to provide favorable returns.

Gainesville: Industrial Vacancy Rates



As mentioned earlier in the report, we believe that the record low vacancy rates throughout South Florida are at least in part related to the slow pace of industrial space development in the market. Since 2019, there has only been 20.6 million total square feet added to the South Florida market. We believe the pandemic to be a major factor, along with elevated labor and material costs to be major contributors to the slow development tempo. As of Q1 2022, there is 47.1 million square feet of flex space, 359.5 million square feet of logistics space, and 56.5 million square feet of specialized space for a total of 463.2 million total industrial square feet available in the market.

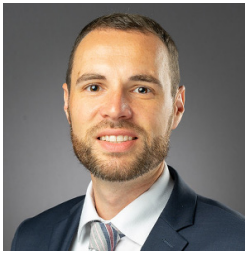
Geography Name	Asset Value	Vacancy Rate	Market Rent/SF	Market Rent Growth 12 Mo	Inventory SF	Net Delivered SF 12 Mo	Under Construction SF	Net Absorption SF 12 Mo	Market Sale Price Per SF	Market Cap Rate
Central Broward	\$4,285,647,360	2.7%	\$16.22	15.8%	20,905,233	21,465	67,356	338,373	\$204.40	6.0%
Coral Springs	\$1,715,596,544	3.4%	\$16.34	16.1%	7,855,355	59,685	206,683	569,913	\$212.90	6.2%
Northeast Broward	\$2,827,652,608	6.0%	\$15.20	17.4%	14,209,145	296,908	374,776	527,035	\$193.89	5.8%
Pompano Beach	\$6,879,027,200	3.3%	\$14.98	16.6%	33,626,918	362,342	263,496	1,021,455	\$202.98	5.8%
Central Miami	\$651,764,992	1.8%	\$15.81	18.8%	3,300,057			103,622	\$197.50	5.4%
East Miami	\$1,298,419,328	4.7%	\$22.88	17.8%	4,378,455			154,123	\$296.55	5.2%
Hialeah	\$5,112,387,072	2.0%	\$11.76	18.7%	31,273,663		128,844	585,893	\$162.80	5.4%
North Miami Beach	\$7,573,364,736	2.1%	\$14.38	19.2%	40,810,240	52,468	1,071,228	1,111,227	\$180.83	5.2%
Outlying Miami-Dade	\$1,632,976,896	11.0%	\$10.58	18.0%	5,577,581	1,362,820	998,953	1,150,568	\$237.78	4.7%
South Central Miami	\$4,198,949,888	2.4%	\$26.00	18.7%	13,429,940	-21,734		268,026	\$312.61	5.2%
Southwest Dade	\$2,255,275,008	1.4%	\$18.79	18.7%	10,577,946	83,000	53,250	21,498	\$213.78	5.7%
Boca Raton East	\$709,261,568	2.8%	\$19.09	10.3%	3,239,080			-60,929	\$218.97	5.7%
Boca Raton West	\$24,559,908	0.0%	\$13.49	14.9%	137,707				\$178.35	5.5%
Boynton Beach	\$927,683,520	1.6%	\$13.72	12.7%	5,332,752		19,540	351,454	\$173.32	5.7%
Delray Beach	\$581,160,384	1.8%	\$16.62	11.3%	2,830,977			23,091	\$205.25	5.6%
Jupiter	\$727,113,472	0.6%	\$18.08	10.5%	3,113,738			34,315	\$233.52	5.8%
Palm Beach Gardens	\$161,925,744	0.3%	\$17.46	11.0%	754,874			14,832	\$214.51	5.4%

The background of the slide is a detailed, light-colored architectural floor plan. It features various rooms, corridors, and structural elements, including circular and rectangular shapes, lines representing walls and doors, and some furniture-like symbols. The overall style is technical and precise, typical of a professional architectural drawing.

South Florida Industrial Market Outlook

South Florida has been a hub for distribution centers for years. Between the Port of Miami and Port Everglades, there has always been high demand for industrial real estate. Today, with the growth in ecommerce demand, the area has become more vital than ever. Despite headwinds from geopolitical turmoil and growing concerns about inflation, industrial assets continue to perform at a high level. For investors looking for solid long-term returns, South Florida industrial space should be a cornerstone of their portfolio.

Industrial Advisory Team



SCOTT EDWARDS
Senior Associate
Industrial Real Estate

Orlando, FL
404.832.1250 x 0663
Scott.Edwards@FranklinSt.com



MIKE SALIK
Director
Industrial Landlord Representation

Jacksonville, FL
904.271.0850 x 0850
Mike.Salik@FranklinSt.com



PATRICK KELLY
Regional Managing Director
Office Real Estate

Tampa, FL
813.839.7300 x 0349
Patrick.Kelly@FranklinSt.com



ANDREW CONDON
Data & Analytics Manager
Data & Research

Tampa, FL
813.839.7300 x 0421
Andrew.Condon@FranklinSt.com



IAN MAHONEY
Research Analyst
Data & Research

Tampa, FL
813.839.7300 x 0421
Ian.Mahoney@FranklinSt.com