

Q1 2020 | FLORIDA INDUSTRIAL RENTS



ECONOMY

Unemployment Reaches Historic High

The arrival of the COVID-19 pandemic has created a shock to the global economy. Policies initiated to “flatten the curve” of potential infection include the voluntary and mandated shutdowns of large sectors of the economy. Florida’s consumer market and reliance on tourism means large swaths of working age people have been laid off or furloughed. April 2020 job numbers from the State of Florida state employment was down by 1,066,100 month-to-month and the unemployment rate jumped 8.5 percentage points to 12.9%. The leisure/hospitality industry accounted for 45% of the losses with over 479,000 jobs lost.

ASKING RENTS

Year-to-Date Analysis and Demand Dynamics

First quarter rents do not reflect impacts from COVID-19. Warehouse/Distribution direct rents increased to near record highs in several markets based on confidence in demand pre-COVID.

Average rent growth YOY in Florida was 3.7%, and average statewide rents were now 8.3% higher than previous cycle highs.

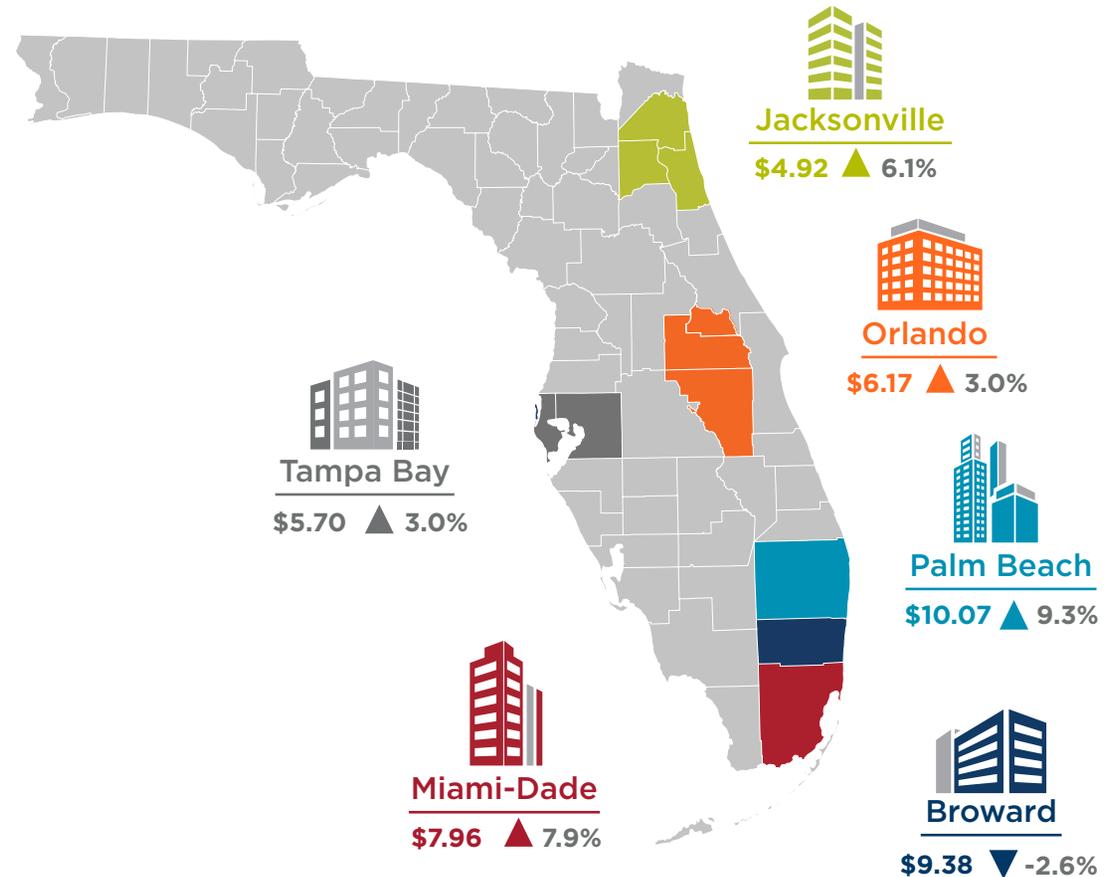
	YoY Chg	12-Mo. Forecast
\$6.57 Asking Rent, PSF	▲	▲
6.3% Vacancy Rate	▼	▲
3.3 M Completions, SF	▼	▲
16.5 M Under Construction, SF	▼	▲

Direct figures for Florida, Asking Rent is quoted full service.

MAJOR FLORIDA MARKETS

Direct Triple Net Asking Rents | Year-Over-Year Percentages

This graph highlights industrial market fundamentals and compares the current quarter’s rental rates to those at the height of the last real estate cycle (2008-2009). Rental rates are full-service and based solely on Class A properties in each market. Source: Cushman & Wakefield Research, Moody’s Analytics, 2020



TROPHY RENTS: Best of the Best, 45% Premium for Top Tier Space

Trophy Rents are achieved in the best buildings in the best locations.



MIAMI

\$11.95 asking / **50%** above market



ORLANDO

\$8.95 asking / **45%** above market



TAMPA

\$7.95 asking / **39%** above market

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Source: Cushman & Wakefield Research, Moody's Analytics, 2020

CONSTRUCTION

Spec Space Drives Construction

Miami leads the pack in 2020 in square feet under construction with over 4.5 msf while all other markets have some type of activity. For year-to-date 2020 completions, approximately 3.3 msf was delivered. Across the state the construction pipeline was heavily weighted in speculative space as it accounted for over 80% of the total. Given the current climate, some projects may get delayed but the demand for warehouse/distribution space remained strong throughout the state through the first quarter.

INFLATION ADJUSTED RENTS

Most Florida Rents Lag Historic Highs

Using the Bureau of Labor Statistics' Consumer Price Index, overall prices in 2019 were 19.2% higher than average prices in 2009 for an annual inflation rate of 1.8%. Only Jacksonville surpassed rent levels on both a numerical and inflation adjusted basis to previous market cycle highs. **If market performance in past downturns are any indication, some industrial markets in Florida could potentially post rent increases for the next several quarters.**

Current warehouse/distribution rents were off 15.6% statewide on an inflation adjusted basis from the previous market highs. In most markets, the high point for rent numerically was at the end of the first quarter of 2020.

INFLATION ADJUSTED TRIPLE NET RENTS



[CLICK HERE](#) To view Cushman & Wakefield's Recovery Readiness Guide.

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