

# Florida Industrial and Flex Market Topics & Trends – Q2 2021

Since June 2011, following the Great Recession, the US Industrial market displayed steadily rising prices through Q2 2021. As exhibited below, the RCA CPPI index has been increasing for the last 10 years with no current signs of slowing down. A big driver of this growth is the emergence of e-commerce and proliferation of warehouses and logistics facilities.

## Regional Industrial and Flex Market

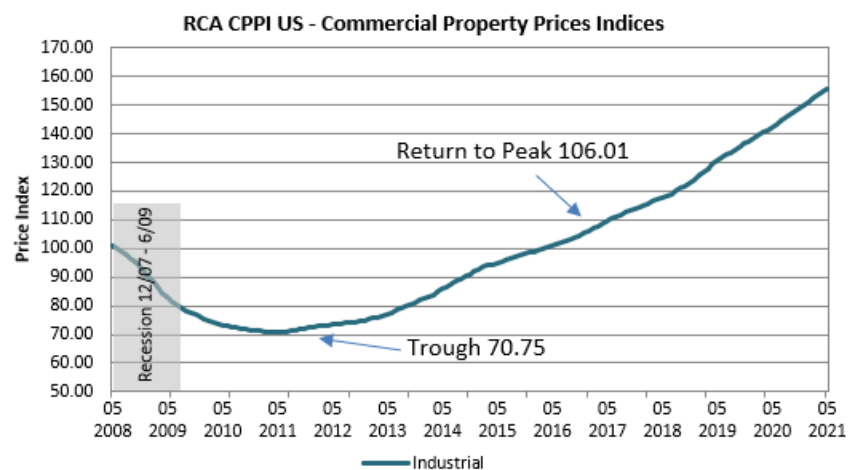
The Florida region is a mature area that is in high demand. The industrial and flex market plays a pivotal role in the regional economy. Within the region, there are 58,381 buildings with a total of 1.37 billion square feet of space. This is a fundamentally sound and strong market, and one that has been prospering since the end of the Great Recession in 2009.

This report analyzes the trends in market fundamentals and investment sales in the Florida industrial and flex market.

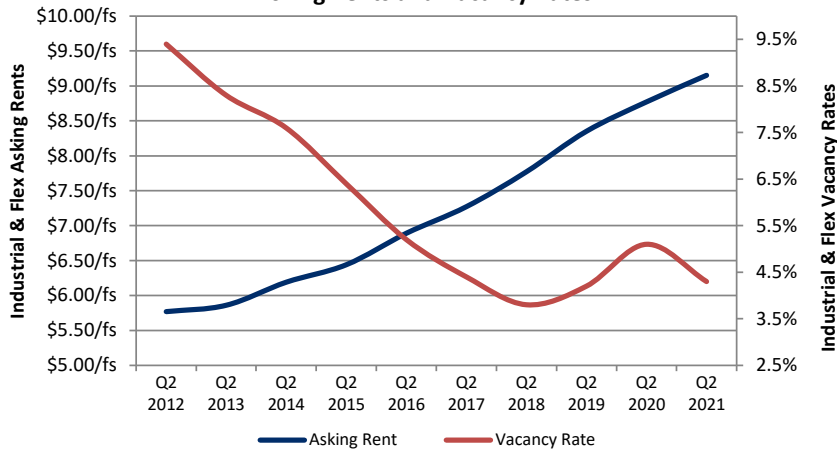
## FEATURE: COVID-19 and its Impact on the Market

In Mid-March 2020, the Global COVID-19 Pandemic brought much of the Florida region to a halt. However, the State was able to bounce back quicker than other states as mandated lockdowns were short-lived compared to other states. This was a benefit to the industrial and flex market.

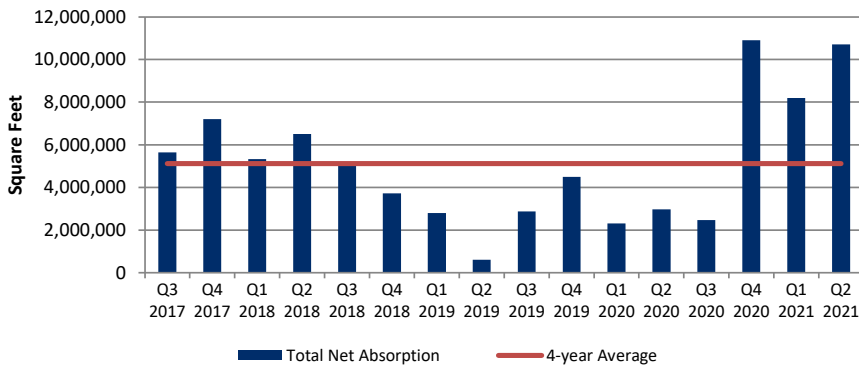
The industrial and flex markets have seen increases pertaining to total sales volume and pricing per square foot in Q2 2021. Additionally, the leasing, absorption, and cap rate trends suggest this market is performing well. The market has been buoyed by the rise in e-commerce and last mile distribution, which has sent industrial demand to new levels. Amazon plays a significant role in leasing and development activity in the state.



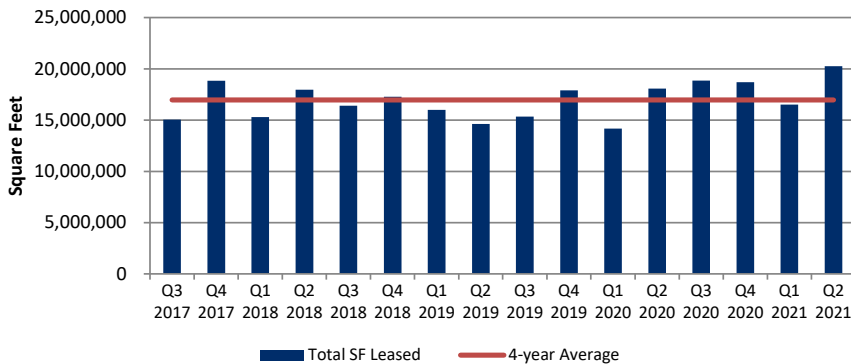
Asking Rents and Vacancy Rates



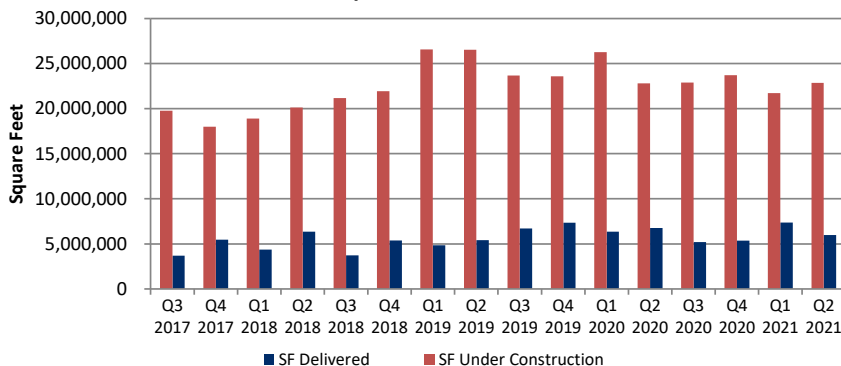
Total Net Absorption



Total SF Leased



Space Additions

**MARKET FUNDAMENTALS:****Average Asking Rents & Vacancy**

The industrial and flex market is currently outperforming most other property types. Vacancy rates decreased each year, from 2012 to 2018, before increasing from 3.8% to 4.2% from 2018 to 2019 and 4.2% to 5.1% from 2019 to 2020. Vacancy has ranged from a low of 3.8% (Q2 2018) to a high of 9.4% (Q2 2012). Meanwhile, asking rents have continued to increase throughout the period, undeterred by COVID-19. Rents have ranged from \$5.77/sf (Q2 2012) to \$9.15/sf (Q2 2021).

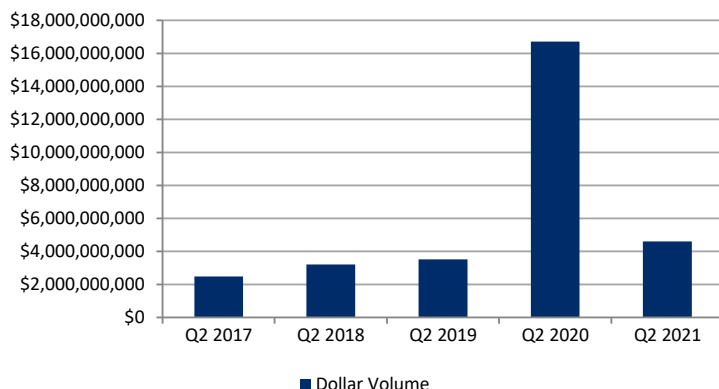
**Net Absorption and Leasing Activity**

Total net absorption was trending downward and exhibited low levels from Q3 2018 to Q3 2020. Net absorption once again increased and remained above-average levels in Q4 2020 through Q2 2021. Leasing activity decreased slightly in Q1 2021 but bounced back to all-time highs in Q2 2021.

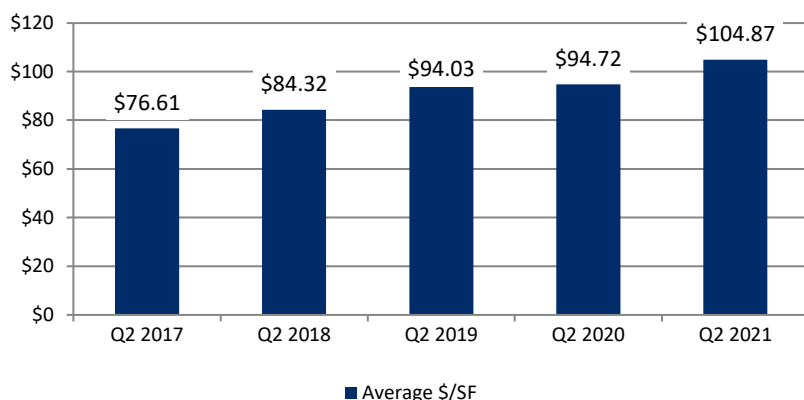
**Space Addition Activity**

The last several quarters show steady, high levels of space addition activity, and there is a relatively large amount of space under construction that is waiting to be delivered, indicating an active construction pipeline. One driver for the increase in construction since Q4 2017 is related to e-commerce and last mile delivery. With the dense population in this region, warehouse and logistics facilities are being developed to meet demand. Industrial development is underway in most parts of the study area, a large amount of which is the result of Amazon's activity in Florida.

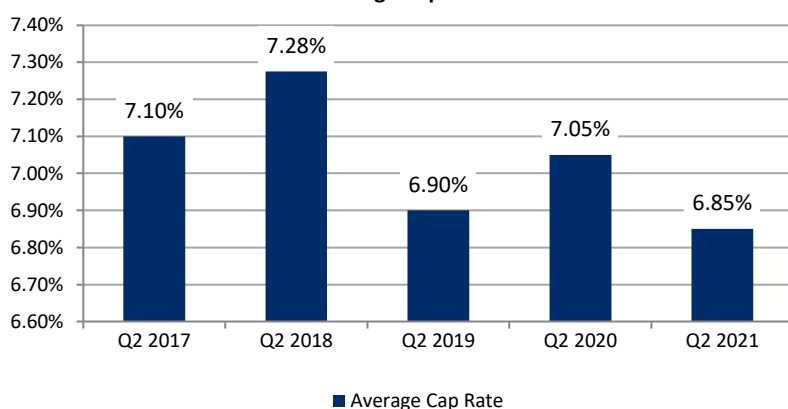
**Florida Industrial & Flex Building  
Dollar Volume**



**Florida Industrial & Flex Building  
Average \$/SF**



**Florida Industrial & Flex Building  
Average Cap Rate**



### SALES (5 YEAR TREND – YE Q2): Volume

Total dollar volume for investment sales of industrial and flex buildings in the Florida region has increased steadily over the last five years aside from a large spike in Q3 2019. Over the period, transaction volume has ranged from \$2.5 billion (YE Q2 2017) to \$16.7 billion (YE Q2 2020).

### Average Pricing Per SF (YE Q2)

Pricing in this sector has steadily increased over time, indicating an upward trend. Although there were nominal increases from 2019 to 2020, average pricing per square foot saw a strong increase of 10.7% from YE Q2 2020 to YE Q2 2021.

### Capitalization Rates (YE Q2)

The average cap rate for industrial and flex buildings in the Florida region decreased 20 basis points in the last year, following a 15-basis point increase from YE Q2 2019 to YE Q2 2020. We expect deal volume to continue to increase in 2021 and price discovery to become more obvious.

### Summary

Through Q2 2021, the regional Industrial and Flex market held strong fundamentals despite troubling underlying economic conditions. Evidence over the last three quarters suggests this market has been slightly impacted by COVID-19, but not to the extent seen in other asset classes.

SOURCE: CoStar, RCA, and Marshall & Stevens



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