

Q2 2020 | FLORIDA INDUSTRIAL RENTS

ECONOMY

Unemployment Reaches Historic High

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

Florida's unemployment rate was 10.4% in June 2020, down 330 basis points (bps) from the month prior and 720 bps from one year ago. Florida's consumer driven market and heavy reliance on tourism meant that large swaths of working age people were laid off or furloughed.

ASKING RENTS

Year-to-Date Analysis and Demand Dynamics

Second quarter rents reflect a minimal impact 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 8.3%**, and average statewide rents were now 12.9% higher than previous cycle highs.

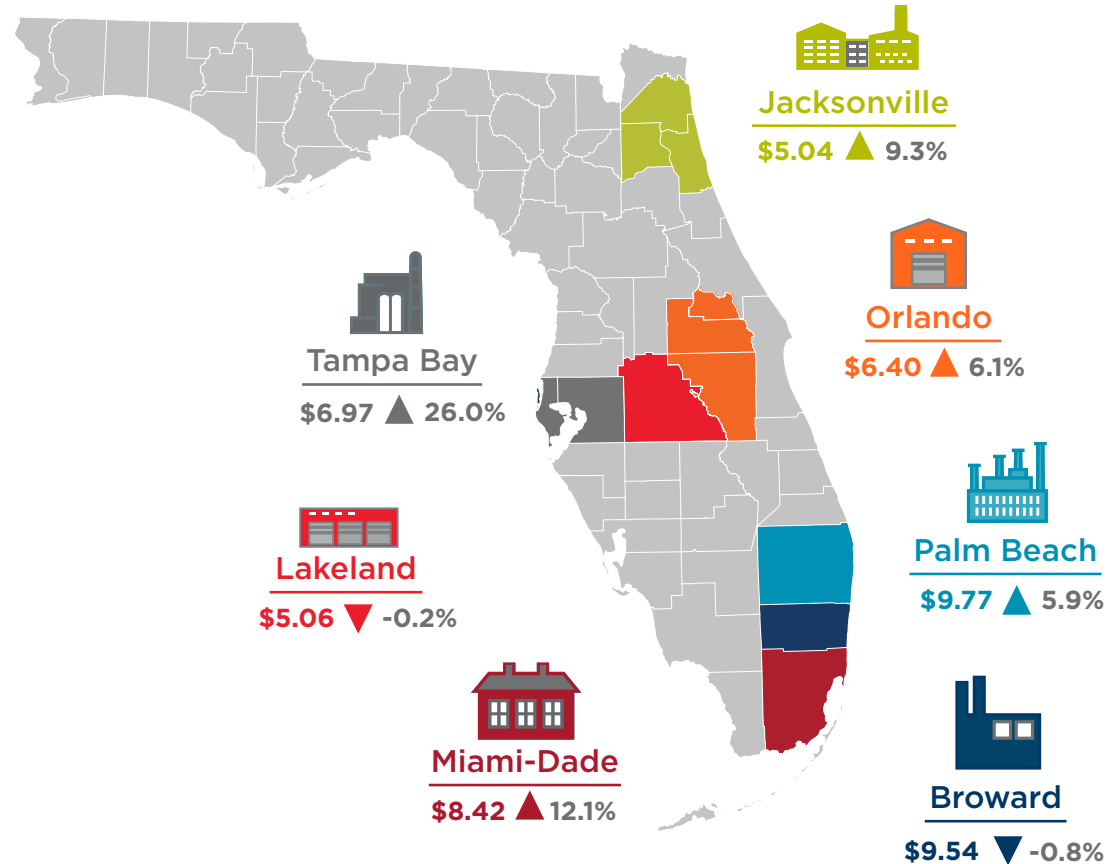


Direct figures for Florida, Asking Rent is quoted full service.

MAJOR FLORIDA MARKETS

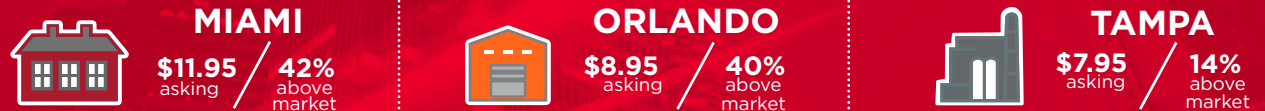
Direct Triple Net Asking Rents | Year-Over-Year Percentages

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.



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 approximately 4.2 msf while all other markets have some type of activity. For year-to-date 2020 completions, approximately 8.6 msf was delivered. Across the state the construction pipeline was heavily weighted in speculative space as it accounted for nearly 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 mid-year 2020.

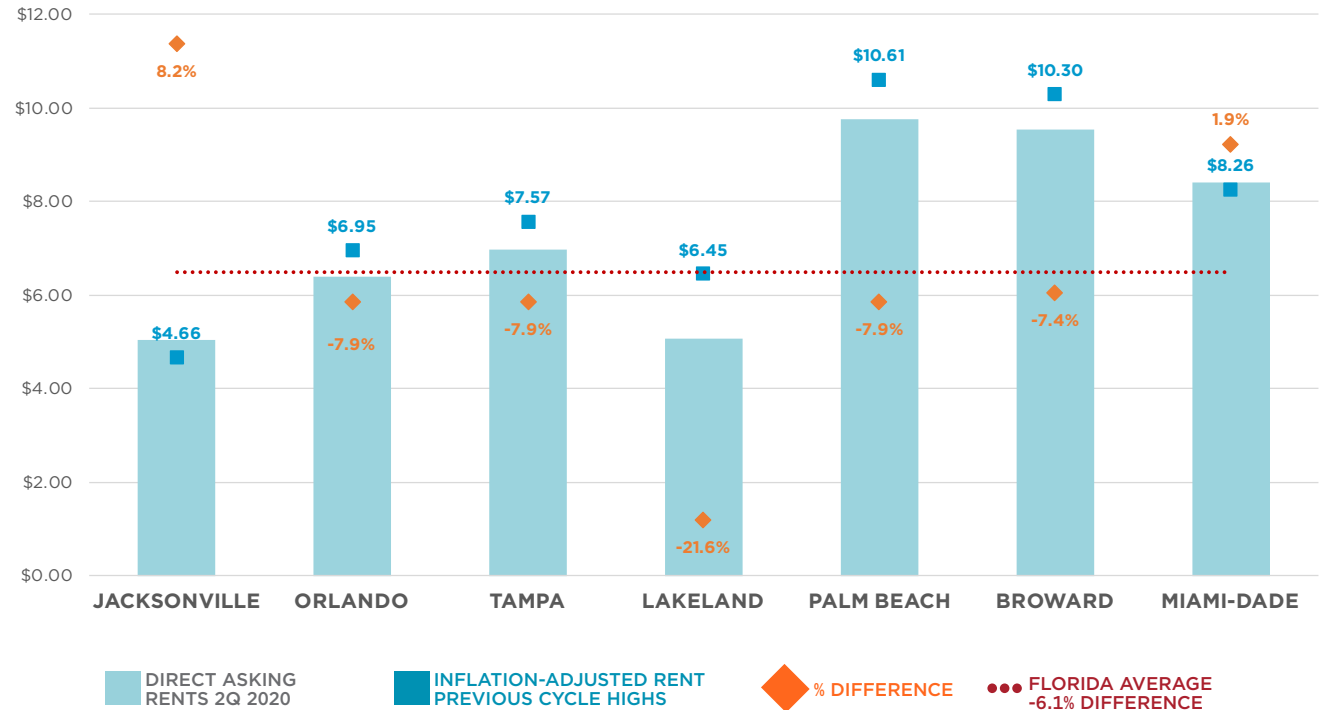
INFLATION ADJUSTED RENTS

Most Florida Rents Lag Historic Highs

Using the Bureau of Labor Statistics' Consumer Price Index, overall prices in 2019 were 20.2% higher than average prices in 2009 for an annual inflation rate of 1.8%. Only Jacksonville and Miami 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 6.1% 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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