

FLORIDA INVESTMENT SECTORS: STRENGTHS & WEAKNESSES



SOMEWHAT CAUTIOUS

FEELING VERY GOOD

- Last Mile Logistics
- Self-Storage
- NNN Drug Stores
- High Street Retail
- Medical Office
- Data Centers
- Senior Housing
- Experiential Retail
- Premier Shopping Centers
- Suburban Office Class A/B
- Millennial Multifamily

- New Office Construction
- High Street Retail
- Discount Retail
- Food Halls
- OZ Development Sites

- Luxury Apartment
- Hospitality Sector
- Big Box Retail
- Class A Malls
- Cold Storage

SERIOUS CONCERNS

- Older Bulk Warehouse
- B/C Suburban Malls
- Unanchored Retail/Strip
- Suburban Office Class B/C

FEELING VERY GOOD

BUYER'S MARKET

\$39.3 billion in investment sales for all property types in 2018, an increase of 8.3% over 2017 figures.

EXPANDING ECONOMY

Added over 231,200 jobs in 2018, for a growth rate of 2.7%, Florida now has a \$1 trillion economy that is one of the strongest in the country.

ECOMMERCE DISRUPTION

Last Mile facilities and big box distribution are popping up near Florida's major markets. No signs of a slowdown in tenant demand or new construction.

OFFICE CONSTRUCTION

Speculative office construction was disciplined with the exception of Miami. Built-to-suits drove activity in Tampa and Jacksonville.

MULTIFAMILY HOUSING NEEDS

The population in Florida will grow to 1.4 million residents in 5-years, for an annual growth rate of 1.4%, 70 basis points higher than the U.S. average.

GROWING SELF STORAGE NEEDS

Florida's additional population means more stuff to store. Self-storage's low-risk investment profile and resilience during economic cycles raises its in state profile.

SENIOR HOUSING

1 in 5 Florida residents are 65+ and will increase by 389,000 seniors in 5 years. From active living to hospice care, demand for housing will exceed supply.

EXPERIENTIAL RETAIL

Class A locations continue to thrive with food-centric and unique retail concepts that engage customers with an experience that can't be found on a computer.

SOMEWHAT CAUTIOUS

OPPORTUNITY ZONES (OZ)

Billions raised. Still unknown how to set up to be successful. OZs have the potential to change low income areas otherwise passed over for investment.

LABOR SHORTAGES

Logistics firms and the construction sector confront ongoing challenges of a tight labor market. Increased labor costs and longer timelines to staff projects.

FOREIGN DUE DILIGENCE

Florida draws attention internationally. Insatiable foreign demand for core assets - sometimes ignoring the fundamentals, simply parking cash.

LUXURY APARTMENTS

Everyone likes to build them but not every resident can afford them. Competition with for sale condos. Several markets push for more workforce housing.

BIG BOX REDEVELOPMENT

As brick-and-mortar retail transforms, many investors are rethinking empty big boxes as repurposed office, mixed-use and even last mile facilities.

HOSPITALITY

Florida's hotel values rose sky high in 2018 and could lose some steam in a slowing economy/financing costs. There are a lot of hotel rooms in the state.

SERIOUS CONCERNS

LACK OF PRODUCT

Florida is awash in money. Capital superabundance is driving up acquisition costs by chasing too few assets.

RISING INTEREST RATES

Rising interest rates will cause headwinds for investors as the cost of capital increases while assets may not necessarily be showing higher value to offset.

COST OF CONSTRUCTION

Labor and material costs are rising, not only due to interest rates hikes but also uncertainty on trade policy and the immigration crackdown.

MID-QUALITY OFFICE

Flat growth is expected in the office sector in 2019 with mid-quality assets feeling the most pain, including secondary submarkets in most Florida metros.

TRADITIONAL RETAIL

11,000 stores closed in 2018 across the U.S. Consumer and tourism markets in Florida insulate some of the impact in high demand areas.

BUILDING LATE IN THE CYCLE

Market timing is key to avoiding the boom and bust cycles that have plagued Florida real estate for generations. Be extra cautious with due diligence.

FOR MORE INFORMATION, PLEASE CONTACT

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