

FORT LAUDERDALE 3Q17 INDUSTRIAL MARKET

FORT LAUDERDALE

The Broward County industrial market experienced its 24th consecutive quarter in demand outpacing supply, albeit with a modest 36,153 square feet of positive net absorption. Overall vacancy remained unchanged from the previous quarter and fell 70 basis points from the 5.3% rate recorded one year ago to 4.6% at the close of third-quarter 2017. Although the market has seen easing in demand, the occupancy rate remained over 95.0%, still giving landlords the upper hand in negotiations. Improved economic conditions, diminished space opportunities and high-end industrial developments have favored the landlords, causing rent increases and tenant concessions to fade. The county posted the second-highest quoted average rent in Florida, with rates breaking the \$9.00/SF barrier for the first time since 2007. The recorded average increased \$0.59/SF to \$9.29/SF in the third quarter. This widened the gap with Miami-Dade's average to \$1.36/SF and fell short of Palm Beach's average this quarter by \$0.05/SF. Industrial developers have unleased the industrial projects with two buildings totaling 306,500 square feet delivered so far this year. Another 10 buildings reaching over 1.1 million square feet were underway, with 71.0% still available for lease at the close of the third quarter. This should contribute to increased vacancy, as will continued increases in asking rents, over the next 12 months. Industrial construction reached pre-recession levels not seen since 2008.

Leasing & Demand Activity

Leasing activity ticked downward in third-quarter 2017, as 179 transactions totaling 1.0 million square feet were reported. Year-to-date, the market has recorded 577 deals totaling more than 3.6 million square feet, a decrease of 160 basis points from the 4.3 million square feet leased one year ago. The warehouse/distribution segment led the market with leases totaling 3.0 million square feet. General industrial space trailed with 441,000 square feet, followed by R&D/flex with deals totaling 87,000 square feet. The Southwest Broward submarket led the region with 377,000 square feet of mid- to large-sized transactions, while Pompano Beach was on its heels with 374,000 square feet. The Southeast submarket rounded out the top three with 297,000 square feet of transactions recorded. The retail/wholesale segment signed most of the mid-to larger-size lease deals at the midyear point, totaling 444,000 square feet. The logistics and distribution sector held the number-two spot with 347,000 square feet, while the food and beverage industry took third place with 163,000 square feet in deal activity.

Investment Activity

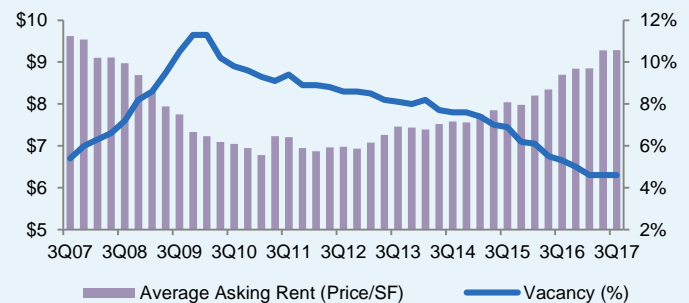
Twelve sales totaling 1.2 million square feet and valued at more than \$165.2 million occurred during the third quarter. So far this year, 34 sales totaling 2.3 million square feet of industrial investments changed hands for a combined \$290.1 million dollars, whereas 14 sales totaling 1.4 million square feet for a total of \$158.4 million took place at the same time last year. Investor interest in well-leveraged properties remained high, while owners are selling properties for top dollar with a slight increase in sale price, from \$113/SF one year ago to \$116/SF.

Current Conditions

- Broward County's vacancy rate remained level for the third consecutive quarter.
- Warehouse/distribution space still dominated demand with 85.0% of total leased space for 2017.
- Effective rent averages exceeded \$7.10/SF, as free rent and tenant concessions have diminished.
- Industrial development has jumped to over 1.0 million square feet.

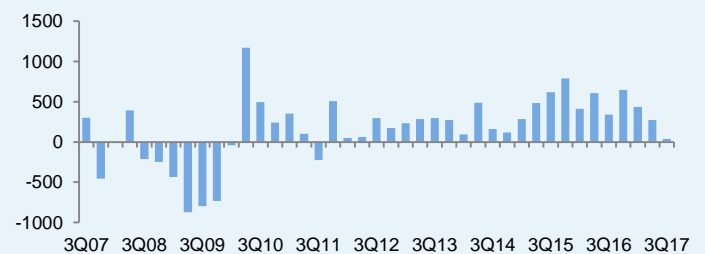
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Hundred Thousands



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	105.6 MSF	105.6 MSF	104.9 MSF	↑
Vacancy Rate	4.6%	4.6%	5.3%	↑
Quarterly Net Absorption	36,153	270,363	339,198	↔
Average Asking Rent	\$9.29	\$9.28	\$8.70	↑
Under Construction	1,101,858	827,840	741,731	↓
Deliveries	0	306,466	0	↑

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Fort Lauderdale Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central Broward	17,042,997	355,374	5.1 %	-11,026	182,203	\$8.28	\$9.35	\$8.23
Coral Springs	4,720,456	363,210	7.1 %	39,870	91,538	\$10.75	\$10.22	\$6.97
Northeast Broward	9,789,895	0	5.0 %	30,427	95,932	\$9.05	\$11.60	\$9.80
Pompano Beach	25,412,695	88,891	1.9 %	10,983	71,442	\$7.05	\$10.45	\$8.56
Southeast Broward	24,713,758	0	2.6 %	14,485	329,383	\$7.74	\$20.88	\$12.10
Southwest Broward	15,647,497	207,593	9.3 %	-50,686	-35,401	\$7.59	\$10.93	\$8.95
West Sunrise	8,250,345	86,790	6.7 %	2,100	6,570	\$6.71	\$11.82	\$9.46
Totals	105,577,643	1,101,858	4.6 %	36,153	741,667	\$7.72	\$12.47	\$9.29

Fort Lauderdale /User Transactions

Tenant	Building	Submarket	Type	Square Feet
Velocity Wheel Florida	Seneca Park 2-3860 Pembroke Rd	Southeast Broward	Renewal	36,410
InNeuroCo Inc	Bergeron Dist Ctr=19700 Stirling Rd	Southwest Broward	Direct	35,385
Premier Group	Port 95 Dist Ctr 800-3301 SW 42nd	Southeast Broward	Direct	26,642
TrueGreen Lawn Care	Park Central 3760-3760 Pk Ctrl Blvd	Pompano Beach	Direct	19,900

Fort Lauderdale Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
*Bridge Pointe A & B-2200 Sunrise Blvd	Central Broward	\$54,825,000	\$179	306,466
4250 Coral Ridge Dr	Coral Springs	\$14,880,000	\$62	240,000
Pompano Bus Ctr O-2500 NW 19 th St	Pompano Beach	\$22,650,000	\$132	172,120
Pompano Dist Ctr II-4000 N Dixie Hwy	Pompano Beach	\$15,000,000	\$117	128,400

*Denotes Portfolio Sale