

## BROWARD COUNTY

Broward County's industrial vacancy increased to 4.4%, up 10 basis points from the previous quarter and 20 basis points from one year ago. Positive net absorption was recorded for the 28th consecutive quarter, the longest streak in demand in South Florida, as 351,672 square feet was absorbed in the third quarter. Despite construction activity, vacancy has hovered over the past year at around 4.4%, the same level reached during the previous industrial peak back in 2006. Industrial developers in the county have pulled the trigger on projects coming out of the ground for this economic cycle. Twelve buildings totaling almost 1.5 million square feet were completed over the past year, while nine buildings totaling more than 1.2 million square feet were under construction at the close of the quarter, with 97.0% still available for lease. This could contribute to a rise in vacancy over the next 12 months, in spite of the market's expectations for continued demand growth. Sturdy market fundamentals, diminishing space opportunities and high-end industrial developments have shifted conditions to favor landlords, causing rents to spike and tenant concessions to fade. The county posted the second-highest quoted average rent in South Florida, with rates exceeding \$9.00/SF for the first time in 10 years. The \$9.16/SF average remained below the \$9.63/SF record set during the first quarter of 2017. The warehouse/distribution sector increased \$0.60/SF from \$7.58/SF, while general industrial rents increased \$0.21/SF from \$8.57/SF recorded at this time last year. R&D/flex rents rose by \$0.38/SF from \$11.10/SF.

## LEASING AND DEMAND

Leasing activity remained steady in third-quarter 2018, as 155 transactions totaling 1.2 million square feet were reported. Year-to-date, the market has recorded 500 deals totaling more than 3.7 million square feet, down from the 4.3 million square feet recorded from one year ago. The warehouse/distribution segment led the market with leases totaling 2.4 million square feet. General industrial space trailed with 1.1 million square feet, followed by R&D/flex, with deals totaling 227,000 square feet. Expansions and relocations led activity so far this year. The holding trend that emerged in the previous two years included increased demand for smaller deals below 20,000 square feet. The Southwest submarket continued to lead the county with 987,000 square feet of mid- to large-sized transactions, while Pompano Beach remained in second place with 331,000 square feet. The retail/wholesale sector came in at number one again with 689,000 square feet of larger-sized deals, while logistics and distribution followed with 784,000 square feet. Food and beverage rounded out the top three with 479,500 square feet leased so far in 2018.

## INVESTMENT SALES

Investment sales remained tepid compared to Miami, with four sales totaling 607,000 square feet occurring during the third quarter. So far this year, only 23 sales totaling 2.3 million square feet of industrial investments changed hands for a combined \$223.3 million, whereas 34 sales totaling 2.3 million square feet and sold for \$290.1 million had taken place by the same time last year. Investor interest in well-leveraged properties remained high, while owners are placing properties on the market at pre-recession levels. A slight increase in sales price took place, from \$113/SF to \$121/SF from one year ago.

## CURRENT CONDITIONS

Broward County saw another quarter of modest positive absorption as vacancy ticked upward for the second consecutive quarter.

Three buildings of totaling more than 587,000 square feet of construction completions contributed to the slight rise in vacancy in spite of demand outpacing supply.

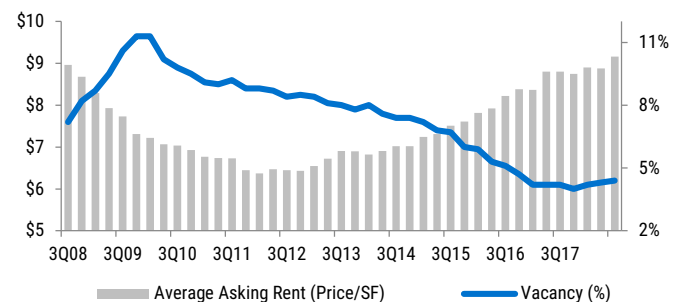
Almost 1.3 million square feet remained under construction with the majority available for lease.

Vacancy rates are likely to climb upward as speculative construction space comes online over the next four quarters.

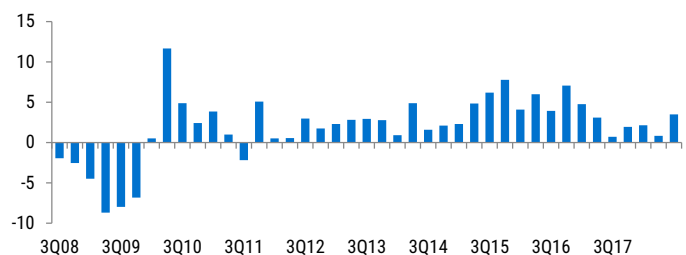
The average asking rate remained below the previous record of \$9.63/SF recorded over a decade ago.

## MARKET ANALYSIS

### Asking Rent and Availability



### Net Absorption (SF, 100,000)



## MARKET SUMMARY

|                          | Current Quarter | Prior Quarter | Year Ago Period | 12 Month Forecast |
|--------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory          | 106.0 MSF       | 105.4 MSF     | 104.8 MSF       | ↑                 |
| Vacancy Rate             | 4.4%            | 4.3%          | 4.2%            | ↑                 |
| Quarterly Net Absorption | 351,672         | 85,073        | 71,921          | ↓                 |
| Average Asking Rent      | \$9.16          | \$8.88        | \$8.80          | ↑                 |
| Under Construction       | 1,249,821       | 2,231,860     | 1,225,305       | ↓                 |
| Deliveries               | 587,112         | 166,433       | 0               | ↑                 |

## FORT LAUDERDALE / BROWARD COUNTY 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   | 17,389,565           | 62,176                  | 6.3 %              | -27,312             | 112,033             | \$7.84                         | \$10.70                         | \$8.23                       |
| Coral Springs     | 4,838,666            | 0                       | 3.0 %              | 202,263             | 323,621             | \$13.79                        | \$12.41                         | \$8.93                       |
| Northeast Broward | 9,789,895            | 275,155                 | 1.3 %              | 24,149              | 224,020             | \$9.39                         | \$11.76                         | \$10.77                      |
| Pompano Beach     | 25,712,680           | 362,905                 | 2.1 %              | 32,798              | 96,161              | \$9.33                         | \$10.10                         | \$9.47                       |
| Southeast Broward | 24,129,913           | 344,145                 | 3.4 %              | -109,167            | -330,278            | \$8.38                         | \$14.35                         | \$9.45                       |
| Southwest Broward | 15,843,772           | 205,440                 | 9.5 %              | 192,547             | 63,816              | \$7.04                         | \$11.27                         | \$9.36                       |
| West Sunrise      | 8,337,135            | 0                       | 5.1 %              | 36,394              | 160,291             | \$5.93                         | \$10.40                         | \$8.78                       |
| <b>Totals</b>     | <b>106,041,626</b>   | <b>1,249,821</b>        | <b>4.4 %</b>       | <b>351,672</b>      | <b>649,664</b>      | <b>\$8.18</b>                  | <b>\$11.48</b>                  | <b>\$9.16</b>                |

## FORT LAUDERDALE LEASE/USER TRANSACTIONS

| Tenant                  | Building                                     | Submarket         | Type    | Square Feet |
|-------------------------|--|-------------------|---------|-------------|
| USL Cargo Services      | Meridian Bus Campus-3245 Meridian Pkwy       | Southwest Broward | Direct  | 232,000     |
| Amazon                  | Sawgrass Int'l Cor Pk-251 Int'l Pkwy         | West Sunrise      | Direct  | 179,000     |
| Aldora Aluminum & Glass | Coral Springs Com Ctr II-4250 Coral Ridge Dr | Coral Springs     | Direct  | 105,000     |
| AMD Supply              | 2650 SW 145 <sup>th</sup> Avenue             | Southwest Broward | Direct  | 82,000      |
| JGA-Beacon              | 1150 SW 32 <sup>nd</sup> Way                 | Northeast Broward | Renewal | 60,000      |

## SELECT SALE TRANSACTIONS

| Building                                       | Submarket         | Sale Price   | Price/SF | Square Feet |
|--|-------------------|--------------|----------|-------------|
| 9439 W Commercial Blvd                         | West Sunrise      | \$25,720,000 | \$91     | 281,634     |
| *Seneca Com Ctr I-2092 SW 38 <sup>th</sup> Ave | Southeast Broward | \$38,875,375 | \$175    | 221,145     |
| Hollywood Com Ctr-2850 Greene St               | Southeast Broward | \$7,350,000  | \$123    | 60,000      |
| Park Central 3400-3400 Pk Central Blv N        | Pompano Beach     | \$4,150,000  | \$97     | 43,000      |

\*Denotes part of portfolio sale