

BROWARD COUNTY

Fort Lauderdale's office market continued to grow at a moderate pace through the end of 2018. Demand outpaced supply, as positive net absorption totaled more than 135,910 square feet. Vacancy dropped 70 basis points from both the previous quarter and the previous year to 10.7%, primarily as a result of the demolition of American Express's former 380,000-square-foot office headquarters in the Plantation submarket. The Class B office building was torn down for multi-family redevelopment, which allowed the county to record its lowest vacancy rate in over 11 years. Performance growth was held by Class A space, which led the year with more than 276,500 square feet of positive net absorption. The lower-tier sectors struggled during 2018, as the Class B segment recorded 93,000 square feet of negative absorption, while Class C trailed with 46,700 square feet of supply returned to the market. Asking rents climbed \$1.82/SF from \$27.12/SF recorded one year ago. The diminishing amount of high-end available space along with significant increases in lower-tier asking rents helped push the average rate closer to the record \$29.91/SF reported at the beginning of 2008. Class A space climbed from \$33.70/SF to \$35.23/SF, a noteworthy improvement, while the Class B weighted average rose to \$22.25/SF from \$20.75/SF one year ago. Even the third-tier Class C segment saw a rise of \$1.42/SF to \$18.27/SF from one year ago. Five construction completions totaling a lackluster 297,508 square feet took place during 2018. All were less than 100,000 square feet in size with healthy pre-leasing in place before completion, allowing little impact to the market. Two buildings totaling a little more than 382,000 square feet remained under construction, with another 357,000-square-foot Class A building projected to break ground in the first quarter of 2019.

LEASING AND DEMAND

The office sector saw 465,000 square feet in lease deals during fourth-quarter 2018, a slight increase from the prior quarter that brought year-to-date activity to 2.0 million square feet. This was slightly less than the 2.5 million square feet of transactions recorded at this time last year. Class A led the market in year-to-date activity with 1.0 million square feet, while Class B held strong for the year, closing out with more than 900,000 square feet. The Class C office segment accounted for the fewest lease deals, with only 85,000 square feet leased. The insurance sector regained the lead to close out 2018 with 132,000 square feet of leasing activity. Medical companies fell to the number two spot, just short of first place with 113,000 square feet of deals, while the technology segment moved up to third place with approximately 95,000 square feet of transactions. Broward County also dominated in midsize to large lease deals for the second consecutive year, with more than 765,000 square feet transacted in 2018.

INVESTMENT SALES

Seven sales totaling 605,000 square feet occurred during fourth-quarter 2018, a decrease from the previous quarter that brought year-to-date investment deals to more than 3.4 million square feet. This is a considerable increase from the 1.7 million square feet that sold one year ago. A slight uptick in the number of Class A properties sold in 2018 resulted in 1.7 million square feet of sale activity, enough to retake the lead from Class B investment transactions, which trailed closely with 1.6 million square feet of activity. One marquee Downtown sale took place at 1 East Broward during the fourth quarter.

CURRENT CONDITIONS

Broward County continued to lead the amount of midsize to large lease deals in South Florida for the second consecutive quarter.

The market was the only in the region to record positive absorption during fourth-quarter of 2018.

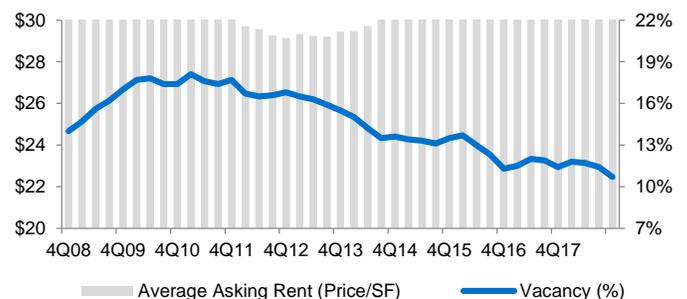
Class A asking rents continued to rise, breaking the \$35.00/SF mark as asking rates will likely push higher in 2019 with limited new development should hinder easing of tight market conditions.

The Main Las Olas, a 374,000-square foot development in Fort Lauderdale's CBD, is projected to begin construction in first quarter of 2019 and already has 3 tenants committed for 90,000 square feet.

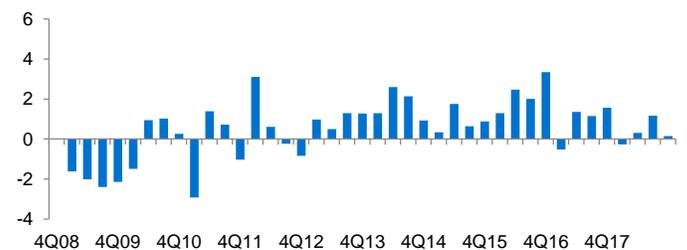
Broward County investment sales doubled in square feet from one year ago with the Class B segment making up almost half of total transactions.

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	34.0 MSF	34.1 MSF	34.0 MSF	↑
Vacancy Rate	10.7%	11.4%	11.4%	↔
Quarterly Net Absorption	15,241	115,978	156,786	↔
Average Asking Rent	\$28.94	\$28.78	\$27.12	↑
Under Construction	382,109	231,442	218,308	↑
Deliveries	135,910	34,530	0	↑

FORT LAUDERDALE / BROWARD COUNTY SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Ft. Lauderdale CBD	5,368,774	95,532	12.2 %	3,511	-8,418	\$43.33	\$32.98	\$41.67
Commercial Blvd	1,918,129	0	15.1 %	15,912	80,379	\$26.06	\$21.81	\$21.24
Cypress Creek	4,657,695	0	13.2 %	-42,369	-36,570	\$31.10	\$21.77	\$25.85
Ft. Lauderdale Suburban	3,334,385	0	15.0 %	9,665	3,961	\$30.75	\$20.09	\$23.08
Hallandale	500,866	286,577	8.3 %	4,987	33,060	\$37.25	\$30.98	\$31.24
Hollywood	2,545,554	0	7.2 %	4,595	-6,689	\$33.14	\$25.66	\$27.43
NW Broward/Coral Springs	1,867,382	0	17.4 %	-1,013	-9,137	\$28.84	\$20.87	\$25.66
Plantation	4,201,867	0	7.8 %	15,691	6,414	\$34.38	\$20.52	\$28.28
Pompano Beach	2,679,490	0	9.0 %	-43,386	-88,356	\$27.65	\$19.50	\$20.62
Sawgrass Park	3,182,738	0	7.2 %	-42,734	-125	\$30.39	\$20.12	\$28.71
SW Broward	3,698,067	0	6.3 %	90,382	161,360	\$30.98	\$25.23	\$30.18
Suburban Total	28,586,173	286,577	10.4 %	11,730	144,297	\$31.33	\$21.64	\$25.74
Totals	33,954,947	382,109	10.7 %	15,241	135,879	\$35.23	\$22.25	\$28.94

FORT LAUDERDALE LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Akerman LLP	The Main @ Las Olas-201 E Las Olas	Fort Lauderdale CBD	Direct	40,000
Ebuilder	Sawgrass Lake Ctr-13450 W Surnsie	Sawgrass Park	Direct	28,160
BBX Capital	The Main @ Las Olas-201 E Las Olas	Fort Lauderdale CBD	Direct	25,047

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
1 E Broward Blvd	Ft. Lauderdale CBD	\$108,500,000	\$309	351,705
B of A Plaza -1776 N Pine Island Rd	Plantation	\$13,850,000	\$173	79,942
Cornerstone Corp Ctr-1250 S Pine Island	Plantation	\$12,850,000	\$245	52,424