

BROWARD

The Broward County office market experienced another solid quarter of growth, leading South Florida in demand for the third consecutive quarter with just under 122,000 square feet of positive net absorption. This was the only market to see a dip in overall vacant space, which dropped 40 basis points from the previous quarter, helping the county boast the region's lowest vacancy rate since the fourth quarter of 2018. Class B space accounted for the majority of year-to-date absorption with more than 156,600 square feet of positive absorption, while Class A held on to the number-two spot during the third quarter with 123,000 square feet absorbed so far this year. Class C remained lackluster with a vacancy rate of 6.3%, an increase of 50 basis points, as 32,700 square feet was negatively absorbed. The Fort Lauderdale area office market also saw the region's strongest rent growth from one year ago, rising 5.8% to \$29.48/SF from one year ago. Unlike Miami, Broward County has not surpassed the previous peak level of \$29.91/SF average recorded in 2008. This can be attributed to the lack of available Class A space in the current market compared with the vast amounts of high-end available space from construction completions at the end of the last economic upswing. Quoted rates for Class A buildings along Las Olas in the Central Business District range from \$40.00/SF to \$45.00/SF, the highest ever for Downtown Fort Lauderdale and approaching Miami CBD asking rates. In key suburban submarkets, asking rents have increased dramatically over the past two years. These have not significantly impacted the weighted average, however, as little space remained available, allowing stronger influence from lower-tier properties.

LEASING AND DEMAND

Broward County's office sector saw a decrease in quarterly deal activity, which totaled more than 573,000 square feet during second-quarter 2019. However, healthy first-quarter activity kept year-to-date activity level from one year ago at just under 1.2 million square feet. Class A barely led the market in year-to-date activity with 566,000 square feet, while Class B gained momentum with 531,000 square feet. The Class C office segment accounted for the fewest lease deals with only 76,000 square feet leased. The medical industry took the lead with 120,800 square feet of leasing activity, followed closely by technology with more 120,300 square feet of deals in the first half of 2019. The insurance industry fell to third place with 68,000 square feet of leases transacted. Broward County was the only market to report well over 300,000 square feet of midsize to large lease deals in the first half of the year.

INVESTMENT SALES

Five sales totaling 373,000 square feet occurred during second-quarter 2019. As a result, sales for the first two quarters totaled 1.1 million square feet and were valued at \$243.2 million, down from 1.9 million square feet that sold for \$307.4 million at the same time last year. The main difference was the decreased sale of lower-tier office properties in the first half of 2019. Notably, seven Class A buildings totaling more than 742,000 square feet pushed the average price to \$218/SF from the \$161/SF recorded at this time last year. Interest from investors remains bullish for office properties throughout the county, and the opportunity for increased sales is there with 20 properties totaling approximately 1.0 million square feet on the market for sale.

CURRENT CONDITIONS

Broward County held the lowest vacancy rate in the region for the third consecutive quarter, dipping to the 10.0% market, it's lowest point since 2007.

The sale and occupation of a 70,000 square-foot building by Broward County accounted for more than half of the markets net absorption.

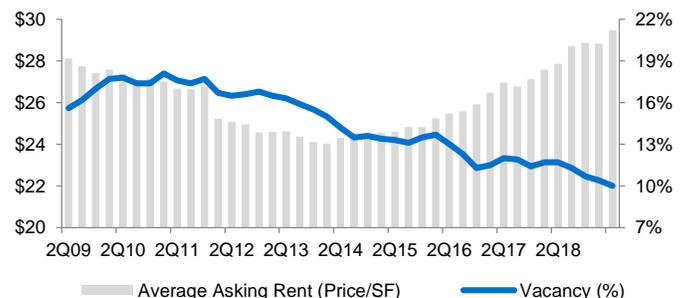
The Main at Las Olas, a 357,000-square foot development in Fort Lauderdale's CBD is the largest project underway in South Florida, with over 26.0% preleased when it is projected to be completed in the second half of 2020.

Rents rose in all class segments, pushing the overall average asking rate very close to the \$29.61/SF recorded back during first-quarter of 2008.

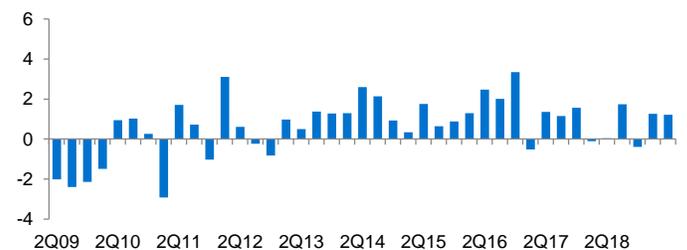
Class A office sales dominated investment sale activity, while lower-tier office sales dipped sharply from levels seen from one year ago.

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	34.0 MSF	34.0 MSF	34.1 MSF	↑
Vacancy Rate	10.0%	10.4%	11.7%	↔
Quarterly Net Absorption	121,927	126,003	3,328	↔
Average Asking Rent	\$29.48	\$28.83	\$27.86	↑
Under Construction	617,532	617,532	430,972	↑
Deliveries	0	0	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	452,532	12.1 %	-7,241	-10,400	\$43.68	\$34.60	\$42.15
Commercial Blvd	1,918,129	0	9.7 %	86,713	96,212	\$26.10	\$22.99	\$22.61
Cypress Creek	4,657,695	0	11.5 %	-11,595	67,566	\$32.03	\$22.07	\$26.28
Ft. Lauderdale Suburban	3,334,385	0	16.6 %	-30,403	-46,333	\$30.94	\$21.47	\$24.09
Hallandale	500,866	0	9.3 %	-725	-5,067	\$37.25	\$29.85	\$30.03
Hollywood	2,545,554	0	7.4 %	20,645	9,084	\$33.16	\$29.19	\$29.75
NW Broward/Coral Springs	1,867,382	0	15.2 %	575	27,870	\$28.90	\$20.98	\$25.46
Plantation	4,201,867	0	7.3 %	13,483	18,891	\$35.22	\$23.12	\$29.29
Pompano Beach	2,679,490	0	8.9 %	-9,346	-24,186	\$29.99	\$18.85	\$20.40
Sawgrass Park	3,182,738	0	7.0 %	33,443	63,008	\$31.79	\$20.18	\$28.32
SW Broward	3,698,067	165,000	4.9 %	26,378	51,285	\$31.96	\$24.85	\$31.17
Suburban Total	28,586,173	165,000	9.6 %	129,168	258,330	\$32.19	\$22.29	\$26.41
Totals	33,954,947	617,532	10.0 %	121,927	247,930	\$35.80	\$23.02	\$29.48

FORT LAUDERDALE LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
FL Office of the Attorney General	110 Tower-110 SE 6 th St	Ft. Lauderdale CBD	Renewal / Expansion	53,956
MD Live	Huntington Square III-3350 SW 148 th	Southwest Broward	Direct	23,105
Veritiv IT System	Pinnacle II-550 W Cypress Creek Rd	Cypress Creek	Direct	22,774
Alpha Staff Inc	Sunrise Corp Plaza I-1300 Sawgrass	Sawgrass Park	Direct	14,604

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Radice III-1000 Corporate Dr	Cypress Creek	\$24,165,000	\$187	129,000
Miramar II-14700 Royal Caribbean Way	Southwest Broward	\$45,000,000	\$350	128,540
Park Ctr West-55 Weston Rd	Southwest Broward	\$8,500,000	\$173	49,030
2950 W Cypress Creek Rd	Cypress Creek	\$4,397,000	\$132	33,346