1Q 2020 **SOUTH FLORIDA OFFICE MARKET**

BROWARD

The office market saw its first correction in three years with over 41,000 square feet of negative net absorption recorded during first-quarter 2020. This minimal rise in supply coupled with the completion of a 97,700-square-foot building with more than 87.5% still available for lease at 550 S Andrews Avenue pushed vacancy rates up 40 basis points to 10.3% from the previous quarter and one year ago. Despite this slight hiccup, Broward County still holds the lowest office vacancy in the region. All three class sectors saw supply just outpace demand as Class A space saw 12,500 square feet of negative net absorption while the Class B segment gave back 16,300 square feet. The Class C sector recorded 12,300 square feet of negative net absorption. After leading South Florida in growth for six consecutive quarters, Broward County has likely begun to cool off with a more balanced approach between demand and supply. Landlords held asking rents level as the overall average rate ticked downward $0.03/SF from the previous quarter but was 4.2% higher from the $28.68/SF recorded one year ago. The Class A and Class C sectors saw the same occurrence of dipping slightly from the previous quarter, but still higher than last year at this time. The Class B segment continued to see rates climb upward. These slight fluctuations signify more of a modest change between the amount of available space in higher-end buildings within each segment versus landlords decreasing asking rents. This trend could shift as economic impacts from the Coronavirus begin to surface. Luckily, developers remained disciplined with only three buildings combining for over 789,500 square feet underway with one-third already pre-leased.

LEASING AND DEMAND

The office sector remained consistent with previous quarterly performances, recording 171 lease deals totaling more than 531,000 square feet during first-quarter 2020. Class A held the lead for the market with 62 transactions combining for more than 290,500 square feet, while Class B deals held level with 89 lease deals comprising 219,000 square feet. Notably, the Class C office segment accounted for the fewest lease deals, with only 20 transactions totaling 21,700 square feet leased. Broward County fell to second in total midsize to large lease deal activity with 12 deals totaling 178,000 square feet during the first quarter. This was up from the five deals totaling 120,000 square feet leased one year ago. The medical industry led with five deals totaling 86,400 square feet. Three deals placed the professional and business services sector in the number-two spot, accounting for 31,500 square feet, while two new lease deals in the insurance segment rounded out the top three with 30,000 square feet leased.

INVESTMENT SALES

Three sales totaling 135,000 square feet, worth a combined $25.8 million, occurred during first-quarter 2020. This was down from the 1.8 million square feet sold for $295.4 million during the same period last year. The sales from one year ago included six Class A properties over 767,000 square feet as the Class B sales during first-quarter 2019, totaled over 1.0 million square feet. The average price still increased slightly to $191/SF in first-quarter 2020 from $163/SF a year ago.

CURRENT CONDITIONS

Broward County had the only construction completion in South Florida during the first quarter with the completion of 97,700 square feet at 550 S Andrews Avenue in downtown Fort Lauderdale.

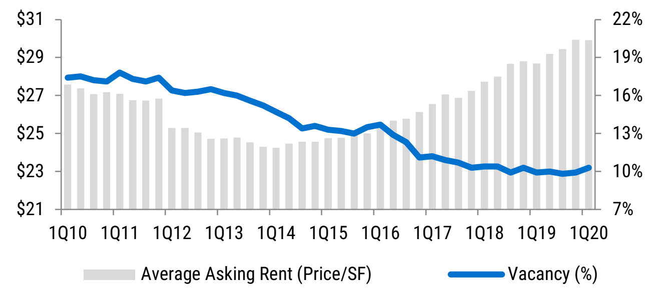
The office sector saw supply outpace demand for the first time in three years and although the market saw the largest quarterly rise in vacancy, Broward County still has the lowest vacancy in South Florida.

The overall average asking rate dipped slightly from the previous quarter as lower-tier Class B and Class C available space had more of an impact in first-quarter.

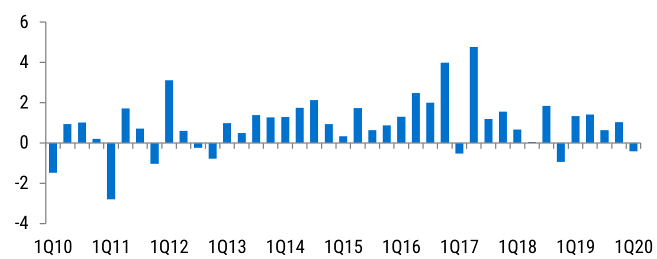
Leasing activity held level from previous quarters but the majority came in the form of renewals and lateral relocations from existing tenants already in the market.

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	34.2 MSF	34.2 MSF	33.9 MSF	↑
Vacancy Rate	10.3%	9.9%	9.9%	↑
Quarterly Net Absorption	(41,213)	103,066	132,650	↔
Average Asking Rent	$29.91	$29.94	$28.68	↑
Under Construction	789,560	887,260	452,532	↔
Deliveries	97,700	165,000	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	**5,466,474**	**357,000**	**12.9 %**	**5,797**	**5,797**	**$42.11**	**$32.31**	**$40.79**
Commercial Blvd	1,918,129	0	8.2 %	-10,519	-10,519	$24.43	$23.44	$22.57
Cypress Creek	4,657,695	0	8.2 %	11,021	11,021	$32.75	$22.37	$25.93
Ft. Lauderdale Suburban	3,297,965	0	17.8 %	-40,701	-40,701	$31.03	$22.83	$24.07
Hallandale	500,866	286,577	7.7 %	3,333	3,333	$37.25	$30.44	$30.09
Hollywood	2,545,554	0	7.8 %	-13,575	-13,575	$33.27	$26.98	$28.32
NW Broward/Coral Springs	1,745,326	0	11.7 %	6,981	6,981	$29.33	$21.14	$26.49
Plantation	4,372,996	145,983	8.1 %	7,092	7,092	$32.75	$23.92	$28.30
Pompano Beach	2,679,490	0	10.1 %	2,602	2,602	$30.48	$19.80	$21.65
Sawgrass Park	3,234,738	0	8.8 %	-9,736	-9,736	$34.05	$21.89	$31.44
SW Broward	3,784,987	0	9.1 %	-3,508	-3,508	$35.27	$24.18	$32.72
Suburban Total	**28,737,746**	**432,560**	**9.8 %**	**-47,010**	**-47,010**	**$32.83**	**$22.94**	**$27.10**
Totals	**34,204,220**	**789,560**	**10.3 %**	**-41,213**	**-41,213**	**$35.89**	**$23.41**	**$29.91**

FORT LAUDERDALE LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Galen Health	The Edison-1200 SW 145h Ave	SW Broward	Direct	45,466
Xeendo Inc	Cypress Financial Ctr-5900 N Andrews	Cypress Creek	Sublease	18,300
Hull	Oakwood Bus Ctr II-2 Oakwood Blvd	Hollywood	Direct	16,070
Neba	Herald Plaza-2010 SW 145h Ave	SW Broward	Direct	14,916

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Courthouse Place-12 SE 7th St	Ft. Lauderdale CBD	$18,200,000	$275	66,261
Cypress Creek Ctr-1000 NW 65th St	Cypress Creek	$4,800,000	$124	38,707
Ravenswood Office Ctr-5201 Ravenswood Rd	Ft. Lauderdale Suburban	$2,827,000	$93	30,258