



Low Vacancy Rates Hold Steady in Broward County as New Development Continues to Deliver Throughout the Market

The positive momentum created in 2018 carried over into the beginning of 2019 as Broward County's industrial market recorded moderate gains during the first quarter. Population growth, job creation, and robust demand for logistics space continues to drive the market as consumer expectations continuously evolve. Significant leasing activity took place throughout the first quarter as tenants seek out space in Broward County due to its port activity and convenient rail access. Net absorption ended the quarter in positive territory at 205,390 sf. Vacancy rates remain near record lows and well below the national average despite the county experiencing record-breaking new development deliveries throughout 2018. Land scarcity continues to drive rents with the average triple net asking rate climbing to \$9.78 per sf in the first quarter. Rising construction costs, a prolonged permitting process, and a shortage of labor is also contributing to the rise in rental rates.

Significant leasing activity occurred in the Southwest Broward and Pompano Beach submarkets including large renewals for Propulsion Technologies International at the Miramar Centre Business Park and Fair & Swanson at the Center Port Distribution Center. In an effort to lock in a high rental rate and keep large tenants in their existing space, a trend of landlords approaching tenants for early renewals is emerging as new class A industrial product delivers to the market. Broward County's industrial market is expected to see further growth in 2019 as investment activity remains strong and new development is underway.



1.6 million SF
of new industrial development is expected to deliver in Broward County by the end of the second quarter

Industrial Market Snapshot

- Industrial investment sales activity surged over the trailing 12-month period ending March 2019 with investment sales volume totaling \$752.4 million, an impressive 52% increase from the same period the year prior. The largest sale of the first quarter was Stockbridge Capital Group's \$62.3-million purchase of Powerline Business Park, a 443,720-sf small-bay industrial park in Deerfield Beach. This transaction is indicative of the growing demand from institutional investors and REITs for smaller class B assets with value-add opportunities to create rent growth.
- Port Everglades International Logistics Center LLC will be breaking ground on a 295,000-sf industrial project at Port Everglades in May of 2019. The project will include two logistics buildings, one 150,000-sf speculative building and one 145,000-sf building that is 100 percent preleased to an unspecified tenant. Both buildings are scheduled to be completed in May 2020.
- During the first quarter, the speculative 215,486-sf building D of Exeter Property Group's Coral Springs Commerce Center delivered in the Northwest Broward submarket. The second phase of the project is also underway with the remodeling of a 193,200-sf existing warehouse, expected to deliver in May of this year, and three future speculative industrial buildings.
- Butters Construction & Development recently proposed the construction of the Tamarac Exchange Center, a two-building 355,000-sf speculative industrial project in the Northwest Broward submarket. Facing increasing land constraints, the Tamarac site is the last large buildable tract near the major thoroughfares of Commercial Boulevard and the Sawgrass Expressway.
- The Federal Reserve announced in late March that it would not continue to raise interest rates during 2019, and that it would instead hold interest rates steady at the target range between 2.25 and 2.5 percent, which was set in December. The decision was made on the basis that the economy's growth is slowing somewhat more than previously expected.

96.9 MSF

Total industrial inventory in the Broward County market

205,390 SF

Direct Y-T-D net absorption as of 1Q-2019

3.18%

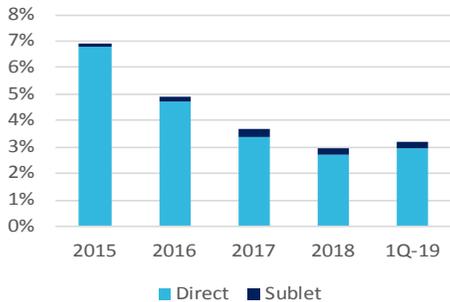
Overall Vacancy

\$9.78/SF/NNN

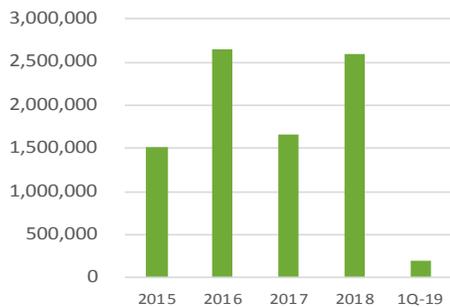
Average asking rental rate

Statistical Snapshot

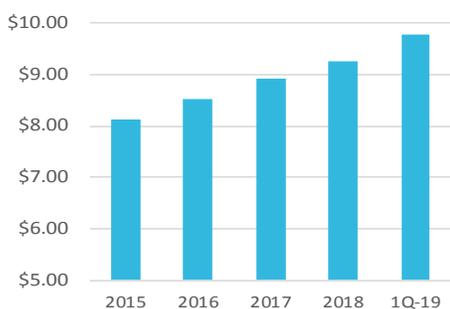
Vacancy Rate



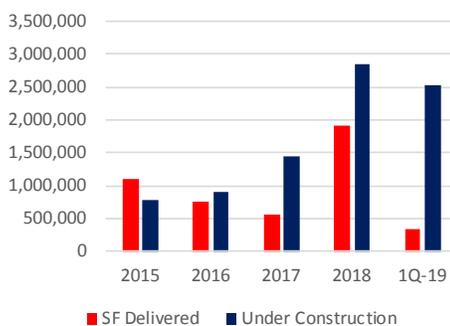
YTD Net Absorption (SF)



Average Asking Rent Rate (\$/SF/FS)



Construction Pipeline



Broward County Industrial Market At A Glance

Demographics & Economy



126.1 million
visitors to Florida during 2018, up
6% from the record set in 2017



1.5%
one-year population growth in
Broward County according to the
Florida Trend's 2019 Economic Outlook

3.5%
FEB-2018



3.3%
FEB-2019

change in the Broward County
unemployment rate

15,400

increase in total non-farm
employment since 1Q-2018

Development

Rock Lake Business Center



IDI Logistics broke ground on
the 119,222-sf building B of the
Rock Lake Business Center in the
Pompano Beach submarket.



2.35 MM

square feet under construction
in Broward County

Port Everglades



\$437.5 Million
planned for the largest ever
expansion project at Port
Everglades



38%
OF DEVELOPMENT
UNDERWAY

is located in the Pompano
Beach submarket

Market Influencers



**\$752.4
MILLION**

in total industrial sales volume
during the T-12 months ending 1Q-19



45.6%

of total industrial investment sales in
Broward County during 1Q-19 were
institutional investors



The dwindling supply of developable
land is causing upward pressure on
average rental rates



Increasing demand for class B industrial
redevelopment properties and value-add
opportunities

Broward County										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	20,823,680	1,430,383	61,120	\$8.56	93.13%	6.87%	0.29%	7.16%	1,391,220	253,668
Flex	19,443,304	577,126	89,069	\$12.64	97.03%	2.97%	0.46%	3.43%	0	25,173
Manufacturing	8,148,250	76,148	32,600	\$9.35	99.07%	0.93%	0.40%	1.33%	0	51,746
Warehouse / Distribution	48,458,252	794,442	18,008	\$9.94	98.36%	1.64%	0.04%	1.68%	963,126	(125,197)
Total	96,873,486	2,878,099	200,797	\$9.78	97.03%	2.97%	0.21%	3.18%	2,354,346	205,390

Central Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	528,007	51,180	0	\$9.50	90.31%	9.69%	0.00%	9.69%	0	0
Flex	2,963,543	64,537	0	\$10.81	97.82%	2.18%	0.00%	2.18%	0	49,975
Manufacturing	1,376,161	1,700	0	\$7.50	99.88%	0.12%	0.00%	0.12%	0	0
Warehouse / Distribution	6,249,324	120,702	0	\$9.18	98.07%	1.93%	0.00%	1.93%	63,720	(15,844)
Total	11,117,035	238,119	0	\$9.68	97.86%	2.14%	0.00%	2.14%	63,720	34,131

Northeast Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	2,824,132	177,223	0	\$8.54	93.72%	6.28%	0.00%	6.28%	0	0
Flex	2,042,374	31,136	0	\$16.10	98.48%	1.52%	0.00%	1.52%	0	13,815
Manufacturing	867,428	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	4,576,736	64,135	17,658	\$9.73	98.60%	1.40%	0.39%	1.79%	0	31,162
Total	10,310,670	272,494	17,658	\$9.68	97.36%	2.64%	0.17%	2.81%	0	44,977

Northwest Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	1,626,689	254,387	0	\$7.08	84.36%	15.64%	0.00%	15.64%	0	0
Flex	1,556,040	41,306	10,600	\$12.74	97.35%	2.65%	0.68%	3.34%	0	(386)
Manufacturing	779,686	3,126	32,600	\$12.00	99.60%	0.40%	4.18%	4.58%	0	(2)
Warehouse / Distribution	1,985,413	10,576	0	\$9.50	99.47%	0.53%	0.00%	0.53%	0	(10,576)
Total	5,947,828	309,395	43,200	\$7.96	94.80%	5.20%	0.73%	5.93%	0	(10,964)

Pompano Beach										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	3,249,149	86,174	0	\$8.50	97.35%	2.65%	0.00%	2.65%	598,890	30,076
Flex	4,267,397	126,202	930	\$10.99	97.04%	2.96%	0.02%	2.98%	0	(9,643)
Manufacturing	2,489,460	54,733	0	\$7.50	97.80%	2.20%	0.00%	2.20%	0	2,473
Warehouse / Distribution	13,299,405	166,319	0	\$9.20	98.75%	1.25%	0.00%	1.25%	360,486	74,962
Total	23,305,411	433,428	930	\$9.37	98.14%	1.86%	0.00%	1.86%	959,376	97,868

Southeast Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	2,567,346	297,006	0	\$7.59	88.43%	11.57%	0.00%	11.57%	222,145	0
Flex	2,897,331	124,843	13,364	\$13.48	95.69%	4.31%	0.46%	4.77%	0	(4,102)
Manufacturing	1,522,767	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	12,512,808	277,241	0	\$9.69	97.78%	2.22%	0.00%	2.22%	448,305	(164,584)
Total	19,500,252	699,090	13,364	\$9.48	96.41%	3.59%	0.07%	3.65%	670,450	(168,686)

Southwest Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	8,161,117	495,187	61,120	\$9.83	93.93%	6.07%	0.75%	6.82%	570,185	223,592
Flex	3,013,874	154,911	120	\$13.78	94.86%	5.14%	0.00%	5.14%	0	(15,647)
Manufacturing	618,045	1,589	0	\$21.00	99.74%	0.26%	0.00%	0.26%	0	45,275
Warehouse / Distribution	5,484,219	78,541	350	\$10.36	98.57%	1.43%	0.01%	1.44%	45,015	(4,718)
Total	17,277,255	730,228	61,590	\$10.75	95.77%	4.23%	0.36%	4.58%	615,200	248,502

West Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	1,867,240	69,226	0	\$8.50	96.29%	3.71%	0.00%	3.71%	0	0
Flex	2,702,745	34,191	64,055	\$10.72	98.73%	1.27%	2.37%	3.64%	0	(8,839)
Manufacturing	494,703	15,000	0	\$14.52	96.97%	3.03%	0.00%	3.03%	0	4,000
Warehouse / Distribution	4,350,347	76,928	0	\$13.45	98.23%	1.77%	0.00%	1.77%	45,600	(35,599)
Total	9,415,035	195,345	64,055	\$11.30	97.93%	2.07%	0.68%	2.76%	45,600	(40,438)

Reporting Methodology: This report includes all industrial buildings and parks 20,000 SF and greater in Broward County that are not government owned. All rents are reported on a triple-net basis and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

New construction of industrial product in Broward County is up 25% over the trailing 12-month period ending March 2019, indicating solid investor confidence in the market.

Leading Indicators (Y-0-Y 1Q-2018 to 1Q-2019)



Significant First Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Propulsion Technologies International	Miramar Centre Business Park	Renewal	124,280	Southwest Broward
Fairn & Swanson	Center Port Distribution Center	Renewal/Expansion	95,540	Pompano Beach
Sonny's Enterprises*	Westpoint Distribution Center	Renewal/Expansion	66,270	West Broward
Southern Furniture Leasing	Superior Commerce Park	Renewal	50,660	Pompano Beach
Badcock's Economy Furniture	Park Central 2101	New	35,828	Pompano Beach
Electriduct, Inc.	Pompano Center of Commerce II	New	28,787	Pompano Beach
Florida International Marketing Distribution	1201 NE 38th Street	New	28,000	Central Broward
Basanite Industries	2041 NW 15th Avenue	New	25,740	Pompano Beach

* Avison Young handled this transaction

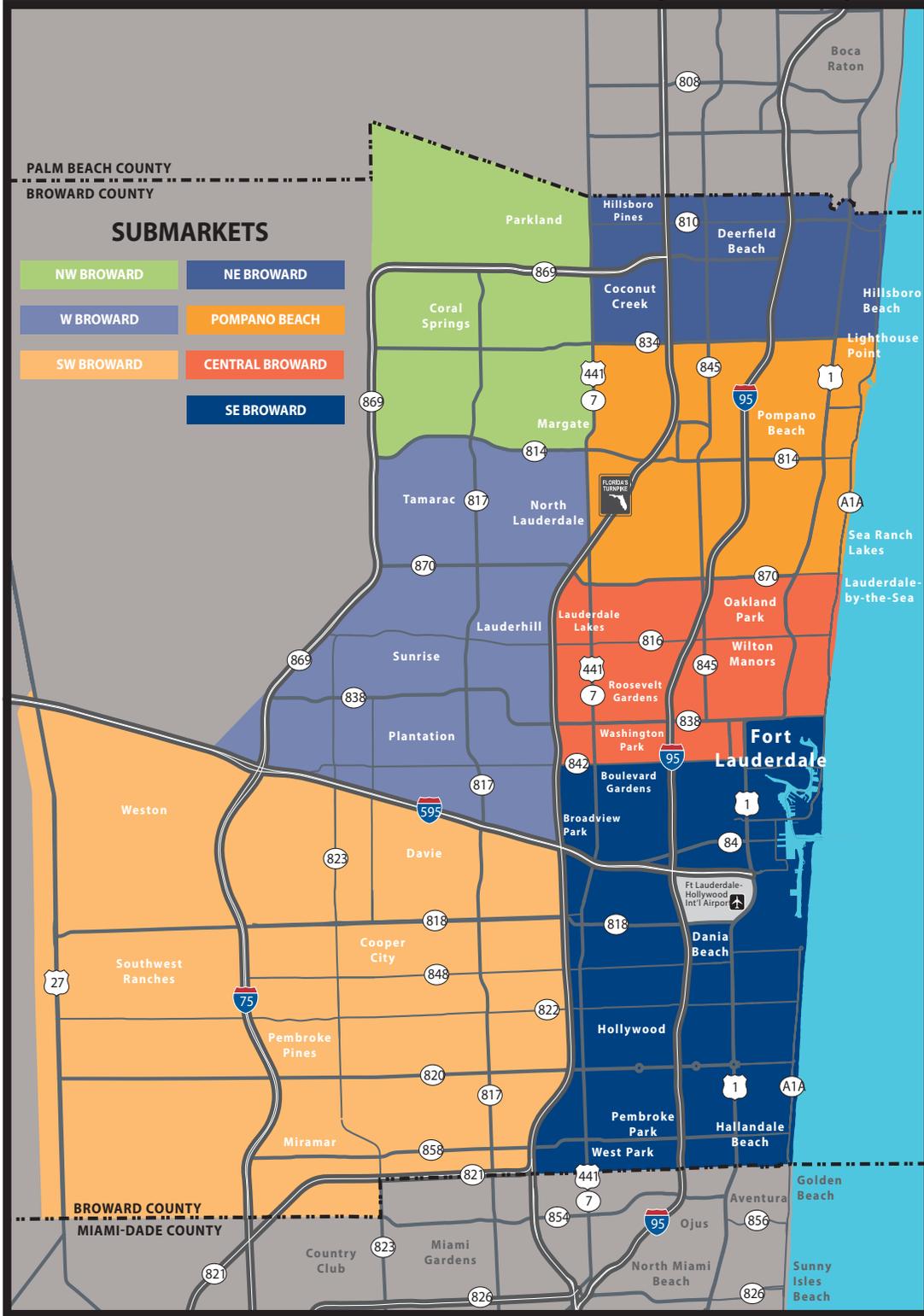
Significant First Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Powerline Business Park	443,720	\$62,250,000	\$140	Stockbridge Capital Group	Northeast Broward
Bridge Point Miramar	304,428	\$38,000,000	\$125	Bridge Development Partners	Southwest Broward
Deerfield Corporate Park	247,079	\$36,300,000	\$147	Brookfield Property Group	Northeast Broward
South Florida Distribution Center - Building A	224,572	\$35,000,000	\$155	Vital Pharmaceuticals, Inc.	Southwest Broward

Vital Pharmaceuticals purchases recently constructed distribution warehouse

One of the largest industrial sales of the first quarter was Vital Pharmaceutical's \$35-million acquisition of the recently completed 244,572-sf warehouse at the South Florida Distribution Center in Southwest Broward. The company, which manufactures Bang energy drinks and other health-centric products, purchased the building from Core5 Industrial Partners and Helms Development and will be relocating its corporate headquarters in Weston to building A in the business park.





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