

Broward County

Market Fundamentals Remain Solid as a Massive Amount of New Industrial Product Comes Online

Broward County's industrial market experienced moderate growth during 2019 as strong employment, continued population growth, and robust port activity supported the market amid a decelerating global economy. Mirroring a national trend, job growth within the local manufacturing sector declined to -1.7% in November 2019. Although ongoing trade wars, escalating tensions in the Middle East, and uncertainty surrounding the upcoming political election season may present some notable headwinds in 2020, some fears have been mitigated by the passing of the USMCA (United-States-Mexico-Canada Agreement) in the House during December.

Leasing activity remained solid during the fourth quarter with notable leases being signed in the Southeast Broward and Pompano Beach submarkets. Coming off of an already impressive year in 2018, construction completions during 2019 set a new all-time record delivering a total of nearly 2.7 million square feet of new industrial space, the largest amount completed in a single year since 2002. Of the total construction completions during 2019, 1.1 million sf alone delivered in Pompano Beach, which included the significant completions of three buildings at Bridge Point Powerline Road (+467,832 sf), and buildings B and D at Rock Lake Business Center (+255,184 sf). As a result of the sizeable addition of speculative space to the market, the vacancy rate rose significantly to 4.9%. However, much of the new industrial product delivered in the latter half of 2019, so it is likely that the vacancy may begin to decrease in 2020 and remain stable around a low 4% as the space takes time to be absorbed into the market. The overall average asking rate continued to rise to \$9.75 per sf, a solid 5.2% increase from year-end 2018. Moving into 2020, Broward County's industrial market is positioned for continued growth as demand for well-located premium quality logistics space persists.



2.7 million SF of new industrial space delivered during 2019, the most new space delivered in a single year in almost two decades

Industrial Market Snapshot

- In the largest lease of the fourth quarter of 2019, PODS Enterprises leased the entire 92,165 sf at Building 1 of Bridge Point FLL Logistics Park. The tenant is the first at the newly built industrial park and plans to occupy the space during the first quarter of 2020.
- A year after the rapidly expanding logistics startup Shipmonk leased 170,447 sf at the 221,542-sf Bridge Point Riverbend building, the company has signed a 51,180-sf lease to occupy the remainder of the building, now renamed Riverbend @ 95 Logistics Center after being sold to ASB Capital earlier this year. The addition marks the company's fifth expansion within the last five years.
- IMC Equity Group has proposed an industrial project on a parking lot behind Festival Flea Market in Pompano Beach. The project would include a 148,000-sf warehouse and a 25,000-sf office and industrial building. IMC Equity Group acquired the entire Festival Flea Market in 2018. It began renovations on the flea market building and also has plans to build three additional retail buildings there. Once approved, the developer aims to break ground on the project by the summer of 2020.
- Institutional investors continue to be attracted to Broward County's industrial market due to its centralized location, strong employment, and robust port activity. During 2019, investment sales grew significantly totaling \$784.5 million, up 47.6% from the total investment sales reported at the end of 2018. Of the total investment sales, 66.4% were sold to institutional investors.
- During the fourth quarter, Silver Airways signed a 29,438-sf lease to relocate and expand at the Hollywood Design & Distribution Center. The airline plans to relocate from its 17,000-sf headquarters at 1100 Lee Wagener Blvd in Fort Lauderdale to the new space during the first quarter of 2020.
- Space Coast Credit Union, the third largest credit union in the state of Florida, will be relocating its existing South Florida operations to 48,604 sf of flex space at the newly completed MPC-25B building in the Miramar Park of Commerce. The company chose to relocate to the park citing its convenient access to major thoroughfares. The move is currently scheduled for February 2020.

99.2 MSF

Total industrial inventory in the Broward County market

844,605 SF

Direct Y-T-D net absorption as of 4Q-2019

4.94%

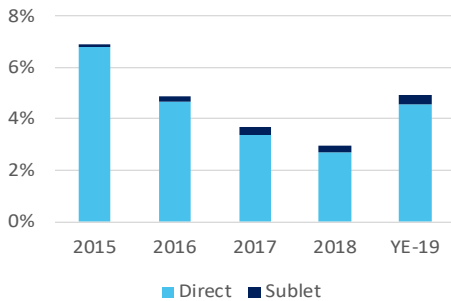
Overall Vacancy

\$9.19/SF/NNN

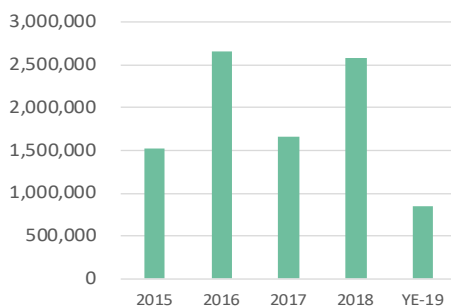
Average rental rate for industrial space (excluding flex)

Statistical Snapshot

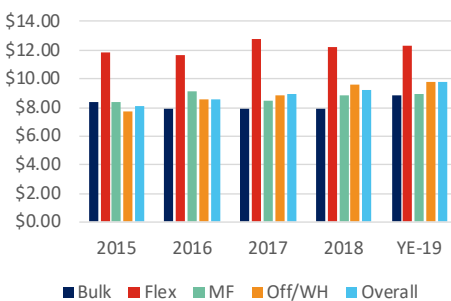
Vacancy Rate



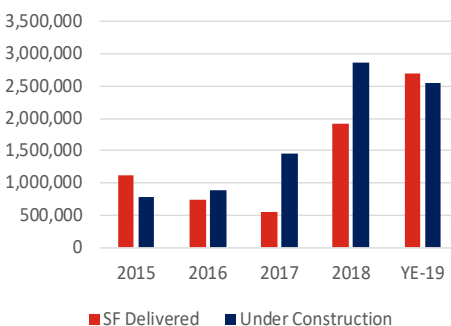
YTD Net Absorption (SF)



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



Construction Pipeline



Broward County Industrial Market At A Glance

Demographics & Economy

USMCA Trade Deal
The United States-Mexico-Canda Agreement passed in the House and will now go to the Senate.

11,200
increase in total non-farm employment since 4Q-2018

1

According to new data compiled by U-Haul, Florida has surpassed Texas as the number one state for population growth.

3.1% **2.6%**
NOV-2018 **NOV-2019**
change in Broward County's unemployment rate

Development

BRIDGE POINT 595

is gearing up to break ground on 677,314 sf of new industrial space in Davie. Completion is expected in 3Q20.

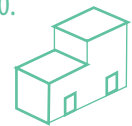


FIRST SAWGRASS COMMERCE CENTER

is currently underway with 103,790 sf of warehouse space in Coconut Creek. The project is currently set to deliver in 3Q20.



2.6 MSF
square feet of industrial space currently under construction in Broward County



1.1 MSF
of industrial space delivered in Pompano Beach during 2019

Market Influencers



\$784.5 million
in total industrial sales volume during the T-12 months ending 4Q19



12.1%
increase in the bulk distribution average rental rate over the trailing 12 months ending 4Q-2019



16.9%
According to new data released by the U.S. Census Bureau, e-commerce sales increased by 16.9% over the trailing 12 months ending 3Q19.



66.4%
of total investment sales during 2019 were to institutional investors

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	22,235,122	2,180,823	173,979	\$8.88	90.19%	9.81%	0.78%	10.59%	1,343,990	866,935
Flex	19,467,987	807,462	61,785	\$12.33	95.85%	4.15%	0.32%	4.47%	150,113	(150,875)
Manufacturing	8,203,250	229,924	0	\$8.91	97.20%	2.80%	0.00%	2.80%	130,000	(9,030)
Warehouse / Distribution	49,279,719	1,317,331	125,432	\$9.74	97.33%	2.67%	0.25%	2.93%	931,608	137,575
Total	99,186,078	4,535,540	361,196	\$9.75	95.43%	4.57%	0.36%	4.94%	2,555,711	844,605

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	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	51,180
Flex	3,027,263	139,510	0	\$10.09	95.39%	4.61%	0.00%	4.61%	0	38,722
Manufacturing	1,376,161	16,115	0	\$8.06	98.83%	1.17%	0.00%	1.17%	0	(14,415)
Warehouse / Distribution	6,249,324	111,319	0	\$8.59	98.22%	1.78%	0.00%	1.78%	0	(67,021)
Total	11,180,755	266,944	0	\$9.35	97.61%	2.39%	0.00%	2.39%	0	8,466

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	138,184	0	\$8.55	95.11%	4.89%	0.00%	4.89%	0	39,039
Flex	2,042,374	74,848	0	\$12.36	96.34%	3.66%	0.00%	3.66%	0	(29,897)
Manufacturing	867,428	10,000	0	\$8.75	98.85%	1.15%	0.00%	1.15%	0	(10,000)
Warehouse / Distribution	4,576,736	199,153	34,000	\$9.91	95.65%	4.35%	0.74%	5.09%	0	(95,729)
Total	10,310,670	422,185	34,000	\$9.87	95.91%	4.09%	0.33%	4.42%	0	(96,587)

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	217,624	40,000	\$7.48	86.62%	13.38%	2.46%	15.84%	0	36,763
Flex	1,556,040	70,988	0	\$12.31	95.44%	4.56%	0.00%	4.56%	0	(30,068)
Manufacturing	779,686	91,009	0	\$6.88	88.33%	11.67%	0.00%	11.67%	130,000	(49,885)
Warehouse / Distribution	1,985,413	19,000	0	\$10.67	99.04%	0.96%	0.00%	0.96%	283,550	(19,000)
Total	5,947,828	398,621	40,000	\$8.35	93.30%	6.70%	0.67%	7.37%	413,550	(62,190)

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	3,984,001	441,114	101,966	\$8.92	88.93%	11.07%	2.56%	13.63%	435,856	419,212
Flex	4,267,397	151,360	930	\$11.52	96.45%	3.55%	0.02%	3.57%	0	(34,801)
Manufacturing	2,489,460	77,555	0	\$7.86	96.88%	3.12%	0.00%	3.12%	0	(20,349)
Warehouse / Distribution	13,522,044	371,209	48,530	\$8.81	97.25%	2.75%	0.36%	3.10%	203,532	92,711
Total	24,262,902	1,041,238	151,426	\$9.18	95.71%	4.29%	0.62%	4.92%	639,388	456,773

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	2,789,491	430,486	0	\$8.45	84.57%	15.43%	0.00%	15.43%	380,988	88,665
Flex	2,812,694	106,586	0	\$12.10	96.21%	3.79%	0.00%	3.79%	0	(40,877)
Manufacturing	1,577,767	21,000	0	\$18.28	98.67%	1.33%	0.00%	1.33%	0	34,000
Warehouse / Distribution	13,027,518	423,835	41,402	\$9.62	96.75%	3.25%	0.32%	3.57%	296,207	220,159
Total	20,207,470	981,907	41,402	\$9.56	95.14%	4.86%	0.20%	5.06%	677,195	301,947

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	8,615,562	876,238	32,013	\$9.42	89.83%	10.17%	0.37%	10.54%	168,494	252,076
Flex	3,013,874	218,577	0	\$14.69	92.75%	7.25%	0.00%	7.25%	150,113	(79,313)
Manufacturing	618,045	14,245	0	\$14.80	97.70%	2.30%	0.00%	2.30%	0	32,619
Warehouse / Distribution	5,568,337	116,143	500	\$11.23	97.91%	2.09%	0.01%	2.09%	148,319	41,798
Total	17,815,818	1,225,203	32,513	\$10.59	93.12%	6.88%	0.18%	7.06%	466,926	247,180

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	77,177	0	\$9.50	95.87%	4.13%	0.00%	4.13%	358,652	(20,000)
Flex	2,748,345	45,593	60,855	\$11.00	98.34%	1.66%	2.21%	3.87%	0	25,359
Manufacturing	494,703	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	19,000
Warehouse / Distribution	4,350,347	76,672	1,000	\$13.67	98.24%	1.76%	0.02%	1.79%	0	(35,343)
Total	9,460,635	199,442	61,855	\$11.45	97.89%	2.11%	0.65%	2.76%	358,652	(10,984)

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.

Robust demand for well-located quality logistics space has sparked new development throughout the county. As a result, Broward's industrial inventory has grown by 4.6% over the last two years.

Leading Indicators (Y-O-Y 4Q-2018 to 4Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	Total Employment
4.94%	844,605 SF	\$9.75	2,555,711 SF	1.02 MM

Significant Fourth Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
PODS Enterprises	Bridge Point FLL Logistics Point - Bldg A	New	92,165	Southeast Broward
Shipmonk	Riverbend @ 95 Logistics Center	Expansion	51,180	Central Broward
Velocity Areospace Group	Bridge Point Powerline Road - Bldg 2	New	51,000	Pompano Beach
AMD Supply	Hillsboro Technology Center - Bldg F	New	39,043	Northeast Broward
Sonny's Enterprises*	6501 Nob Hill Road	New	37,500	West Broward
SFF Auto Parts	1570 SW 13th Ct	New	34,000	Pompano Beach
Silver Airlines	Hollywood Commerce Center	New	29,438	Southeast Broward
Jarlin Cabinet Distributors	2551 SW 39th St	Renewal	25,600	Southeast Broward
BTG	Atlantic Business Center	New	24,695	Pompano Beach
Black & Veatch	Port 95 Industrial Park	New	21,880	Southeast Broward

* Avison Young handled this transaction

Significant Fourth Quarter 2019 Sales Transactions - Sorted by Sale Price

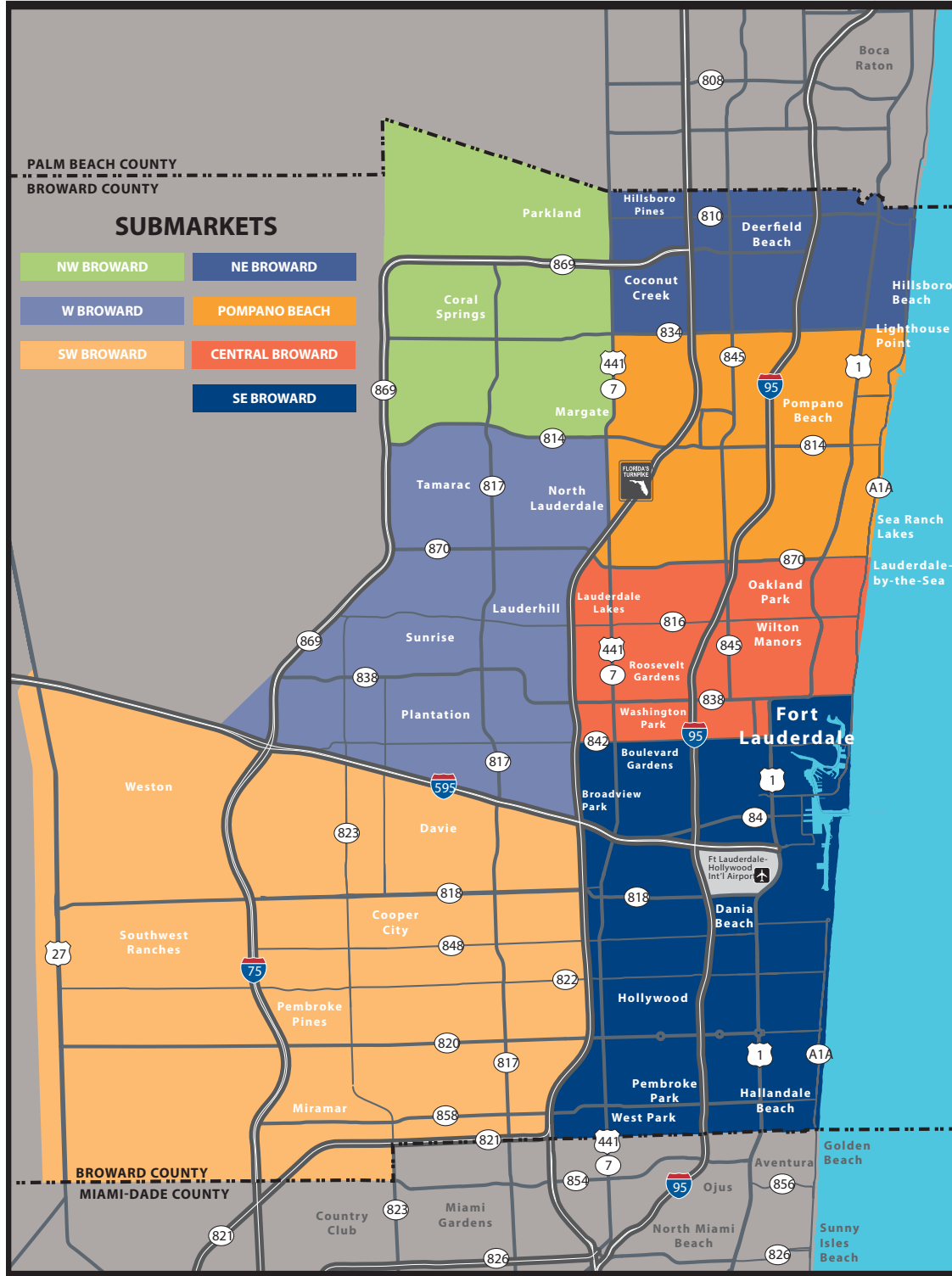
Property	SF	Sale Price	Price/SF	Buyer	Submarket
Bridge Point Powerline Road*	467,832	\$68,950,276	\$147	Morgan Stanley	Pompano Beach
Weston Business Center - Bldg B	225,335	\$32,415,000	\$144	Black Creek Group	Southwest Broward
Deerfield Corporate Park*	140,058	\$27,650,000	\$198	Denholtz Properties	Northeast Broward
Superior Commerce Park	339,354	\$26,250,000	\$77	Refearn Capital / Foundation Capital / Wheelock Street Capital	Pompano Beach
10315 USA Today Way	56,072	\$12,000,000	\$214	Zaragon Holdings	Southwest Broward

* Denotes a portfolio sale



Bridge Point Powerline Road Sold for \$68.9 MM in Highly Sought-After Pompano Beach Submarket

Shortly after completing construction on the three-building Bridge Point Powerline Road in Pompano Beach, Bridge Development Partners sold the project to Morgan Stanley for \$68.9 million, or \$147 per sf. The sale was the largest in Broward County during 2019. With building 3 and most of building 2 still available, the sale demonstrates the strength of investor confidence in Broward's industrial market, especially in an active and highly sought-after submarket like Pompano Beach.



Contact Information

Tom Viscount
Principal
954.903.1810
tom.viscount@avisonyoung.com

Wayne Schuchts
Principal
305.607.3845
wayne.schuchts@avisonyoung.com

Bobby Benton
Brokerage Services
954.903.1811
bobby.benton@avisonyoung.com

Evie Linger
Research Analyst
954.903.3714
evie.linger@avisonyoung.com



avisonyoung.com

