

**Sublease vacancy grows, but Broward’s office market fundamentals remain steady**

Broward County’s office market began to soften during the third quarter as uncertainty regarding the pandemic began to have an impact. However the market still remains steady, and although unemployment rose to a peak of 15.2% in May, the labor market has begun to recover adding back 54,800 non-farm employment jobs since April. While Broward’s Leisure and Hospitality job sector was predictably hit the hardest by the virus (-28.7% y-o-y), office-using job sectors like Financial Activities (-0.3% y-o-y) and Professional and Business Services (-5.5% y-o-y) have recovered remarkably well.

Overall vacancy rose by 80 basis points (bps) to 13.5% over the quarter, of which sublease vacancy accounted for a 24-basis point increase. The rise in vacancy was attributable to a handful of mid-sized move-outs during the quarter and a few notable subleases that came on the market including Uniform Advantage (+49,582 sf) in Downtown Fort Lauderdale, and FIS (+38,037 sf) and Automatic Healthcare Solutions (+19,330 sf) in Sawgrass Park. A majority of the space that came back online this quarter was within class A product, an indicator that tenants may be seeking more cost-efficient alternatives.

**Leasing activity accelerating and supported by short-term renewals**

Leasing activity has picked up significantly after a very quiet second quarter. Two of the largest leases

this quarter were by government agencies including the General Services Administration, which leased 64,582 sf to take the entire building at University Professional Center, and the Department of Justice which leased 31,438 sf at Lakeshore Business Center. Renewals were also quite active this quarter as tenants opted to sign 12-18 month extensions while waiting out the full effects of the virus and re-evaluating their space needs.

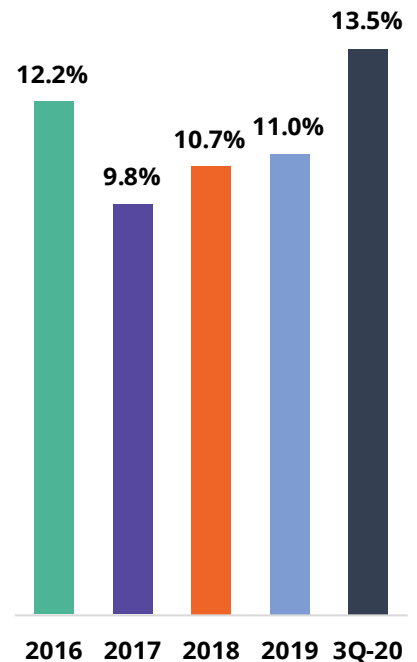
**Investment activity sees resurgence**

Investment sales activity gained some momentum in the third quarter after nearly coming to a halt in the previous quarter. Year-to-date sales volume was boosted significantly by the notable \$82.5 million sale of BayView Corporate Tower to Somerset Properties and Ten Capital Management, signaling investor confidence in Broward’s office market.

**Looking ahead toward 2021**

Following the reopening of the state, there is a greater sense of optimism as workers slowly trickle back into the workplace. While there are certainly still headwinds on the horizon, market fundamentals remain sound in Broward and positive gains in the local labor market are signaling affirmative signs that the market is on the road to recovery.

Historical 5-Year Vacancy Trend



**213 BPS**

increase in sublease vacancy over the quarter in the Sawgrass Park submarket



**32.2 MSF**

Total office inventory in the Broward office market

**(316,164) SF**

Direct Y-T-D net absorption as of 3Q-2020

**13.52%**

Overall vacancy

**\$38.69/SF/FS**

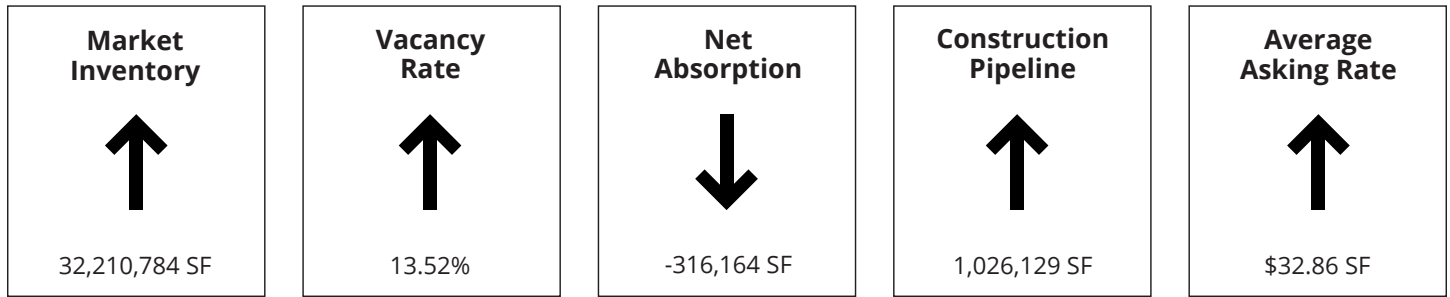
Average rental rate for class A space

Market by the numbers

Broward County										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	15,324,979	1,912,287	362,324	\$38.69	87.52%	12.48%	2.36%	14.84%	1,026,129	(243,354)
Class B	16,885,805	1,841,532	238,142	\$26.80	89.09%	10.91%	1.41%	12.32%	0	(72,810)
<b>Total</b>	<b>32,210,784</b>	<b>3,753,819</b>	<b>600,466</b>	<b>\$32.86</b>	<b>88.35%</b>	<b>11.65%</b>	<b>1.86%</b>	<b>13.52%</b>	<b>1,026,129</b>	<b>(316,164)</b>
CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	4,043,030	680,358	113,990	\$45.71	83.17%	16.83%	2.82%	19.65%	356,948	(31,140)
Class B	1,085,360	99,834	15,890	\$34.45	90.80%	9.20%	1.46%	10.66%	0	(7,870)
<b>Total</b>	<b>5,128,390</b>	<b>780,192</b>	<b>129,880</b>	<b>\$44.27</b>	<b>84.79%</b>	<b>15.21%</b>	<b>2.53%</b>	<b>17.75%</b>	<b>356,948</b>	<b>(39,010)</b>
Non-CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	11,281,949	1,231,929	248,334	\$34.81	89.08%	10.92%	2.20%	13.12%	669,181	(212,214)
Class B	15,800,445	1,741,698	222,252	\$26.36	88.98%	11.02%	1.41%	12.43%	0	(64,940)
<b>Total</b>	<b>27,082,394</b>	<b>2,973,627</b>	<b>470,586</b>	<b>\$29.86</b>	<b>89.02%</b>	<b>10.98%</b>	<b>1.74%</b>	<b>12.72%</b>	<b>669,181</b>	<b>(277,154)</b>
Cypress Creek										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	2,654,169	335,085	115,449	\$33.01	87.38%	12.62%	4.35%	16.97%	0	(65,704)
Class B	3,497,917	543,852	22,016	\$25.01	84.45%	15.55%	0.63%	16.18%	0	6,152
<b>Total</b>	<b>6,152,086</b>	<b>878,937</b>	<b>137,465</b>	<b>\$28.06</b>	<b>85.71%</b>	<b>14.29%</b>	<b>2.23%</b>	<b>16.52%</b>	<b>0</b>	<b>(59,552)</b>
Central Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,037,666	191,449	10,675	\$34.48	81.55%	18.45%	1.03%	19.48%	0	(53,617)
Class B	1,618,635	266,578	880	\$23.57	83.53%	16.47%	0.05%	16.52%	0	(6,286)
<b>Total</b>	<b>2,656,301</b>	<b>458,027</b>	<b>11,555</b>	<b>\$28.13</b>	<b>82.76%</b>	<b>17.24%</b>	<b>0.44%</b>	<b>17.68%</b>	<b>0</b>	<b>(59,903)</b>
Downtown Fort Lauderdale										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	4,043,030	680,358	113,990	\$45.71	83.17%	16.83%	2.82%	19.65%	356,948	(31,140)
Class B	1,085,360	99,834	15,890	\$34.45	90.80%	9.20%	1.46%	10.66%	0	(7,870)
<b>Total</b>	<b>5,128,390</b>	<b>780,192</b>	<b>129,880</b>	<b>\$44.27</b>	<b>84.79%</b>	<b>15.21%</b>	<b>2.53%</b>	<b>17.75%</b>	<b>356,948</b>	<b>(39,010)</b>
Hallandale										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	97,744	11,752	0	\$43.37	84.09%	15.91%	2.60%	18.51%	373,198	4,869
Class B	469,681	85,853	0	\$28.54	81.72%	18.28%	0.00%	18.28%	0	(13,269)
<b>Total</b>	<b>567,425</b>	<b>97,605</b>	<b>0</b>	<b>\$30.33</b>	<b>82.13%</b>	<b>17.87%</b>	<b>0.45%</b>	<b>18.32%</b>	<b>373,198</b>	<b>(8,400)</b>
Hollywood										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	487,354	66,190	5,758	\$35.33	86.42%	13.58%	1.18%	14.76%	0	(32,266)
Class B	1,325,040	103,356	10,387	\$30.06	92.20%	7.80%	0.78%	8.58%	0	(26,859)
<b>Total</b>	<b>1,812,394</b>	<b>169,546</b>	<b>16,145</b>	<b>\$32.11</b>	<b>90.65%</b>	<b>9.35%</b>	<b>0.89%</b>	<b>10.25%</b>	<b>0</b>	<b>(59,125)</b>
Northwest Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	759,657	105,982	0	\$31.49	86.05%	13.95%	0.00%	13.95%	0	(57,537)
Class B	1,111,690	72,493	225	\$23.47	93.48%	6.52%	0.02%	6.54%	0	(21,455)
<b>Total</b>	<b>1,871,347</b>	<b>178,475</b>	<b>225</b>	<b>\$28.23</b>	<b>90.46%</b>	<b>9.54%</b>	<b>0.01%</b>	<b>9.55%</b>	<b>0</b>	<b>(78,992)</b>
Plantation										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,595,666	115,438	7,582	\$38.10	92.77%	7.23%	0.48%	7.71%	145,983	(39,591)
Class B	2,817,817	175,620	129,339	\$24.44	93.77%	6.23%	4.59%	10.82%	0	19,930
<b>Total</b>	<b>4,413,483</b>	<b>291,058</b>	<b>136,921</b>	<b>\$29.85</b>	<b>93.41%</b>	<b>6.59%</b>	<b>3.10%</b>	<b>9.70%</b>	<b>145,983</b>	<b>(19,661)</b>
Northeast Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	375,692	43,374	0	\$31.63	88.45%	11.55%	0.00%	11.55%	150,000	(7,112)
Class B	1,800,771	195,685	0	\$26.84	89.13%	10.87%	0.00%	10.87%	0	1,730
<b>Total</b>	<b>2,176,463</b>	<b>239,059</b>	<b>0</b>	<b>\$27.71</b>	<b>89.02%</b>	<b>10.98%</b>	<b>0.00%</b>	<b>10.98%</b>	<b>150,000</b>	<b>(5,382)</b>
Sawgrass Park										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,618,196	119,492	64,973	\$35.56	92.62%	7.38%	4.02%	11.40%	0	(45,861)
Class B	1,356,173	134,793	59,405	\$28.94	90.06%	9.94%	4.38%	14.32%	0	4,898
<b>Total</b>	<b>2,974,369</b>	<b>254,285</b>	<b>124,378</b>	<b>\$32.05</b>	<b>91.45%</b>	<b>8.55%</b>	<b>4.18%</b>	<b>12.73%</b>	<b>0</b>	<b>(40,963)</b>
Southwest Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	2,655,805	243,167	43,897	\$37.07	90.84%	9.16%	1.65%	10.81%	0	84,605
Class B	1,802,721	163,468	0	\$32.60	90.93%	9.07%	0.00%	9.07%	0	(29,781)
<b>Total</b>	<b>4,458,526</b>	<b>406,635</b>	<b>43,897</b>	<b>\$35.28</b>	<b>90.88%</b>	<b>9.12%</b>	<b>0.98%</b>	<b>10.10%</b>	<b>0</b>	<b>54,824</b>

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in Broward County that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross 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.

Leading Indicators (Y-O-Y Q3-2019 to Q3-2020)



Significant Third Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
General Services Administration	University Professional Center	New	64,582	Plantation
Greenspoon Marder	200 East Broward	Renewal	61,994	Downtown Ft. Lauderdale
Department of Juvenile Justice	Lakeshore Business Center 2	New	31,438	Cypress Creek
USPS	Huntington Square 1	Renewal	22,076	Southwest Broward
Kawa Capital Management	Optima Onyx Tower	New	19,500	Hallandale
Regus	Royal Palm 1	Renewal	19,340	Plantation
Attorney Tile Fund Services	Crown Center - 1201 Building	Renewal	11,885	Cypress Creek
Kubicki Draper	110 East	New	11,811	Downtown Ft. Lauderdale
Ubicquia	Bank of America Plaza	New	10,000	Downtown Ft. Lauderdale

Significant Third Quarter 2020 Sales Transactions - Sorted by SF

Property	SF	Sale Price	Price/SF	Buyer	Submarket
BayView Corporate Tower	413,833	\$82,500,000	\$199	Somerset Properties / Ten Capital Management	Cypress Creek
MedArts in the Springs 1 & 2	90,597	\$32,450,000	\$358	Welltower	Northwest Broward

**Asking rents increase slightly with the strongest growth in class B buildings**

The overall asking rate increased slightly to \$32.86 per sf (+\$0.22) over the quarter. The strongest rent growth occurred within class B buildings, which increased to \$26.80 per sf (+\$0.37) as they begin to compete for tenants exiting higher quality buildings in search of cost savings.

