

Broward County

Leasing Activity Remains Strong in the Suburbs as New Office Deliveries Reach a 10-Year High

Broward County's office market ended the year with another quarter of solid growth amid a decelerating global economy. Expanding business development and strong growth in office-using employment continue to bolster demand for office space. For several consecutive quarters, Broward County has outpaced both Miami-Dade and Palm Beach Counties in rates of job creation with the unemployment rate reaching a new low of 2.6% in November 2019. The strongest employment growth was within the Financial Activities sector, which grew by 3.7%. Moving into 2020, economic and geopolitical headwinds will persist and as a result U.S. GDP may decelerate to a degree as the economy feels impacts of the ongoing trade war, escalating tensions in the Middle East, and uncertainty surrounding the upcoming political election season.

Leasing activity remained solid during the fourth quarter of 2019, with six new leases over 20,000 sf taking place, most of which were located in suburban submarkets. Net absorption remained healthy at 408,745 sf at the end of 2019, up from the 291,000 sf recorded at the end of 2018. The most significant gains in absorption were within class A product located in the suburbs, where large blocks of premium quality office space are more readily available with the addition of new office projects in 2018 and 2019. This trend is likely to persist in 2020 as companies continue to seek out Broward County for corporate relocations and expansions. Broward's overall vacancy rate rose slightly to 11.04% (+0.35%) since year-end 2018, which is unsurprising given that a significant amount of speculative office space delivered near the end of the year including The Edison in September, and more recently the 550 Building in Downtown Fort Lauderdale in October. During 2019, Broward delivered 313,816 sf of new office product, the largest amount in a decade.



313,816 SF

of new office product delivered in Broward County during 2019, the largest amount since the last building boom ended in 2009

Office Market Snapshot

- In one of the biggest announcements of 2019, Spirit Airlines revealed that it would be purchasing a development site within Dania Pointe, a massive \$800 million mixed-use development in Dania Beach, from Kimco Realty to build a 500,000-sf headquarters campus. The land acquisition closed near the end of December and construction on the new headquarters is slated to begin in 2021. Spirit will be relocating its headquarters operations from its Miramar location to Dania Pointe midway through 2022. The company has also pledged to create 225 jobs over the next five years.
- During the fourth quarter of 2019, the 100,316-sf 550 Building delivered in Downtown Fort Lauderdale. The delivery marks the first significant addition of office development in Downtown Fort Lauderdale since the completion of the AutoNation building in 2008. The building had little pre-leasing activity prior to delivery but has added highly sought-after large blocks of office space within the CBD.
- Office investment activity remained solid during the fourth quarter of 2019 with investment volume for the year totaling \$984.3 million, an impressive 40% jump from the total investment sales during 2018. Investment activity was especially high for well positioned suburban assets in 2019, and investor sentiment should remain strong leading into 2020 as market fundamentals remain in check.
- GL Homes, a well-known residential developer in Florida, recently announced plans to build its first commercial office project called The Radius in Sunrise after purchasing a development site from Stiles Corp. for \$34 million. The development site was originally slated for 750,000 sf of office space, 750 apartment units, and 50,000 sf of commercial space. GL Homes does not intend to move its headquarters to the new site, but instead will be leasing the space.
- Encore Capital Management released revised and approved plans for phase two of Plantation Walk, a \$350 million mixed-use development currently underway in Plantation. The new plans scrap a grocery store, fitness center, learning center, and an apartment building, and replace them with a 135-room Springhill Suites by Marriott, a nine-story senior living center, 180,000-sf office building, and a parking garage. Phase one's recently renovated 172,959-sf office building also inked five lease deals totaling 66,381 sf during the fourth quarter, which brings the building to 81% occupancy just a year after completing renovations.
- Virgin Trains USA, formerly known as Brightline, has been approved to build three new train stations in South Florida. The first two stations will be in Aventura and Boca Raton and are on schedule to begin service by October 2020. The third will be at PortMiami and will begin service by the end of 2020.

31.4MSF

Total office inventory in the Broward County market

408,745 SF

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

11.04%

Overall Vacancy

\$39.13/SF/FS

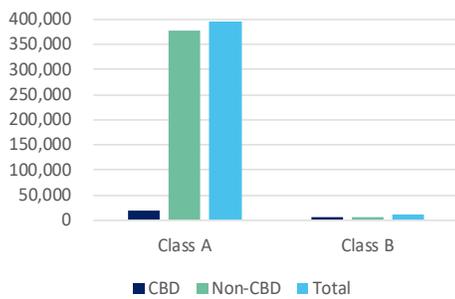
Average rental rate for class A space

Statistical Snapshot

Vacancy Rate



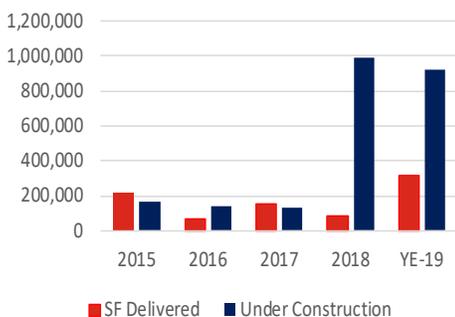
YTD Net Absorption (SF)



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



Construction Pipeline



Broward County Office Market At A Glance

Demographics & Economy

202,000

private sector jobs added in the U.S. in the month of December



11,200

increase in total non-farm employment since 4Q-2018



3.7%

year-over-year employment growth in the Financial Activities job sector

3.1%

NOV-2018



2.6%

NOV-2019

change in Broward County's unemployment rate

Development



550 BUILDING COMPLETED

The 550 Building delivered 100,316 sf in Downtown Ft. Lauderdale during the fourth quarter of 2019.

This is downtown's most significant addition of office space since the completion of the AutoNation Building in 2008.

THE OPTIMA ONYX TOWER

The 28-story, 269,566-sf Optima Onyx Tower recently topped off in Hallandale Beach. Completion of the tower is slated for 3Q20.



4,142

multifamily units under construction in Downtown Ft. Lauderdale at the end of 2019



922 K

square feet currently under construction in Broward County

Market Influencers



\$984.3 million

in total office sales volume during the T-12 months ending 4Q19



Virgin Trains USA has received approval to build new train stations in Boca Raton, Aventura, and PortMiami.



2.3%

increase in the average asking rate over the trailing 12-months ending 4Q19



Migration of individuals from the northeast escaping high-tax states is fueling population growth

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	13,929,876	1,434,548	80,977	\$39.13	89.70%	10.30%	0.58%	10.88%	922,497	396,250
Class B	17,515,274	1,835,153	121,083	\$27.05	89.52%	10.48%	0.69%	11.17%	0	12,495
Total	31,445,150	3,269,701	202,060	\$32.35	89.60%	10.40%	0.64%	11.04%	922,497	408,745

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	4,116,879	618,220	44,090	\$45.40	84.98%	15.02%	1.07%	16.09%	356,948	19,688
Class B	985,423	68,998	15,156	\$38.94	93.00%	7.00%	1.54%	8.54%	0	5,169
Total	5,102,302	687,218	59,246	\$44.75	86.53%	13.47%	1.16%	14.63%	356,948	24,857

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	9,812,997	816,328	36,887	\$34.38	91.68%	8.32%	0.38%	8.69%	565,549	376,562
Class B	16,529,851	1,766,155	105,927	\$26.59	89.32%	10.68%	0.64%	11.33%	0	7,326
Total	26,342,848	2,582,483	142,814	\$29.05	90.20%	9.80%	0.54%	10.35%	565,549	383,888

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	2,656,961	269,381	6,203	\$31.34	89.86%	10.14%	0.23%	10.37%	0	111,458
Class B	3,589,144	532,160	0	\$23.69	85.17%	14.83%	0.00%	14.83%	0	65,597
Total	6,246,105	801,541	6,203	\$26.26	87.17%	12.83%	0.10%	12.93%	0	177,055

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	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	2,558,910	346,258	2,197	\$27.74	86.47%	13.53%	0.09%	13.62%	0	(49,383)
Total	2,558,910	346,258	2,197	\$27.74	86.47%	13.53%	0.09%	13.62%	0	(49,383)

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	4,116,879	618,220	44,090	\$45.40	84.98%	15.02%	1.07%	16.09%	356,948	19,688
Class B	985,423	68,998	15,156	\$38.94	93.00%	7.00%	1.54%	8.54%	0	5,169
Total	5,102,302	687,218	59,246	\$44.75	86.53%	13.47%	1.16%	14.63%	356,948	24,857

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	70,000	8,546	0	\$40.00	88.57%	11.43%	0.00%	11.43%	269,566	61,454
Class B	500,355	81,556	0	\$33.96	83.70%	16.30%	0.00%	16.30%	0	4,068
Total	570,355	90,102	0	\$34.54	84.30%	15.70%	0.00%	15.70%	269,566	65,522

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	351,624	28,586	10,687	\$36.25	91.87%	8.13%	3.04%	11.17%	0	24,729
Class B	1,460,770	81,835	2,000	\$28.94	94.40%	5.60%	0.14%	5.74%	0	36,110
Total	1,812,394	110,421	12,687	\$30.83	93.91%	6.09%	0.70%	6.79%	0	60,839

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	509,089	49,726	3,981	\$32.06	90.23%	9.77%	0.78%	10.55%	0	27,506
Class B	1,323,866	65,623	180	\$22.74	95.04%	4.96%	0.01%	4.97%	0	10,985
Total	1,832,955	115,349	4,161	\$26.76	93.71%	6.29%	0.23%	6.52%	0	38,491

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	1,461,223	67,647	0	\$38.37	95.37%	4.63%	0.00%	4.63%	145,983	30,644
Class B	2,211,364	165,150	98,386	\$23.85	92.53%	7.47%	4.45%	11.92%	0	(8,072)
Total	3,672,587	232,797	98,386	\$28.07	93.66%	6.34%	2.68%	9.02%	145,983	22,572

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	36,262	0	\$30.82	90.35%	9.65%	0.00%	9.65%	150,000	1,254
Class B	1,851,674	193,705	0	\$27.41	89.54%	10.46%	0.00%	10.46%	0	(44,049)
Total	2,227,366	229,967	0	\$27.95	89.68%	10.32%	0.00%	10.32%	150,000	(42,795)

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	1,687,573	69,166	4,103	\$34.78	95.90%	4.10%	0.24%	4.34%	0	33,864
Class B	1,332,895	124,691	2,914	\$26.29	90.65%	9.35%	0.22%	9.57%	0	(11,367)
Total	3,020,468	193,857	7,017	\$29.32	93.58%	6.42%	0.23%	6.65%	0	22,497

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	2,700,835	287,014	11,913	\$36.68	89.37%	10.63%	0.44%	11.07%	0	85,653
Class B	1,700,873	175,177	250	\$31.92	89.70%	10.30%	0.01%	10.31%	0	3,437
Total	4,401,708	462,191	12,163	\$34.88	89.50%	10.50%	0.28%	10.78%	0	89,090

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.

The overall average asking rate has risen by 2.3% since year-end 2018. Rent growth is beginning to slow as new office product is added to the market. We can expect this trend to persist as two major office developments will deliver by the end of 2020.

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

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
↑	↑	↑	↓	↑
11.04%	408,745 SF	\$32.35	922,497 SF	1.02 MM

Significant Fourth Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Memorial Health Systems	Sawgrass Technology Park	Renewal	35,962	Sawgrass Park
New York Life	Lake Shore Plaza II	Renewal/Expansion	32,941	Sawgrass Park
HCA	Plantation Walk	New	26,494	Plantation
US Health	500 E Broward Blvd	New	25,907	Downtown Ft. Lauderdale
FAME	BayView Corporate Tower	New	25,503	Cypress Creek
XOJET Aviation	Cypress Executive Center	Sublease	25,000	Cypress Creek
Kimley-Horn & Associates, Inc.*	Crossroads Business Park I	New	23,835	Plantation
Scripps Media	Atrium Office Park	New	22,318	Plantation
T-Mobile	1300 Concord Ter	Renewal	21,104	Sawgrass Park
Geico	Lakeside Office Center	New	15,535	Plantation
BioMatrix	Atrium Office Park	New	14,755	Plantation
Keefe McCullough & Co.	Port Royale Financial Center	Renewal	14,393	Cypress Creek
DentalPlans.com*	Crossroads Business Park III	Renewal	13,244	Plantation
GridIron	Plantation Walk	New	11,792	Plantation

* Avison Young handled this transaction

Significant Fourth Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Sawgrass International Corporate Park Portfolio*	350,386	\$80,250,000	\$229	Brookdale Group	Sawgrass Park
789-799 International Parkway	112,791	\$32,650,000	\$289	MG3 Developers Group	Sawgrass Park
Silver Lakes Professional Campus	35,960	\$10,082,600	\$280	Claudio Maggi	Southwest Broward
105 N Federal Highway	27,388	7,415,000	\$271	Link Coworking	Downtown Ft. Lauderdale

* Denotes a Portfolio Sale

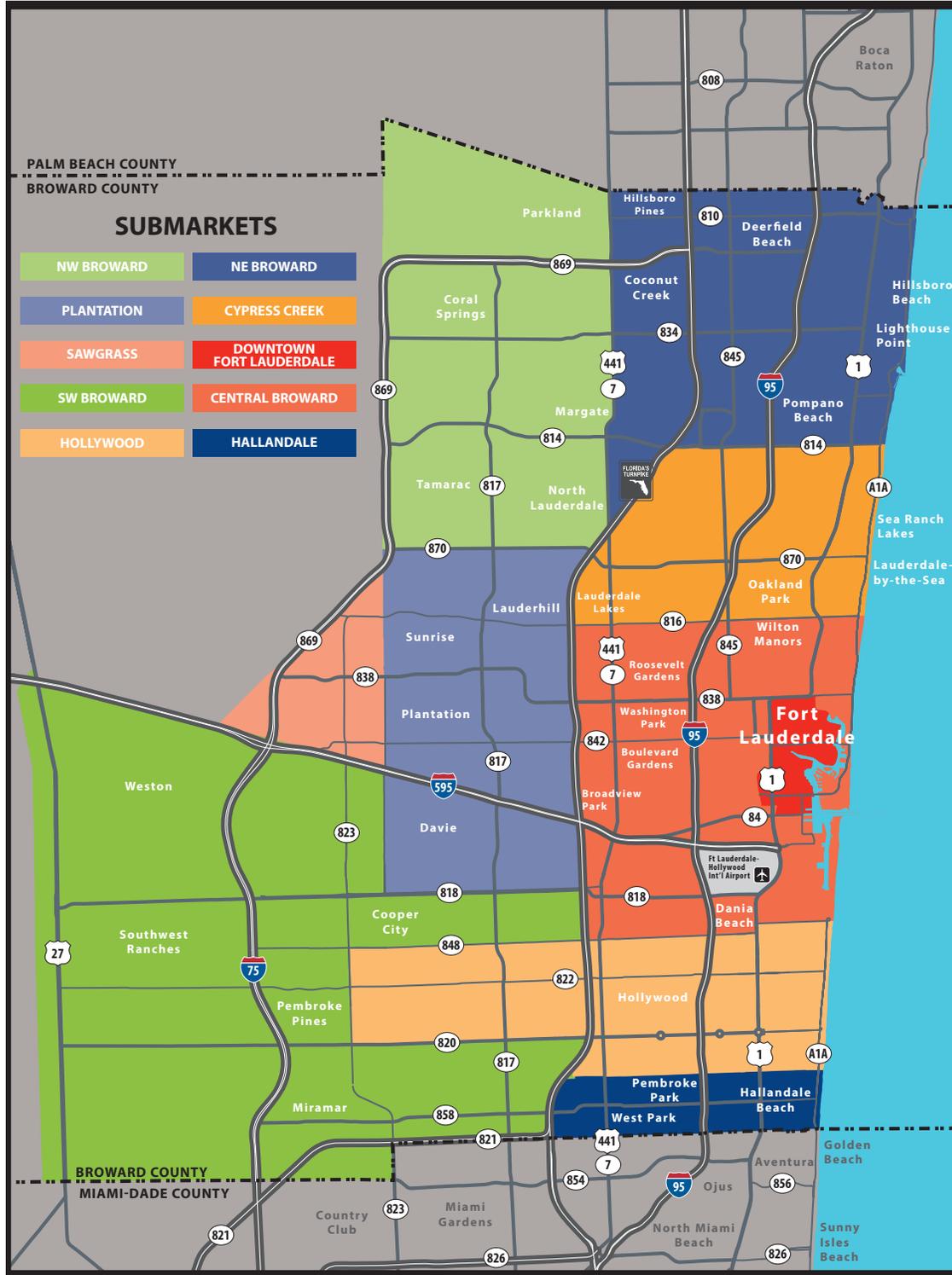


Sawgrass International Corporate Park



Solid Investment Activity in Sawgrass Park during 4Q19

Investment activity was significant in Sawgrass Park during the fourth quarter of 2019. A four-building portfolio in Sawgrass International Corporate Park traded hands in November for \$80.3 million, or \$229 per sf, to the Brookdale Group. Also in the Sawgrass submarket, two buildings totaling 112,791 sf at 789 and 799 International Parkway sold to MG3 Developers Group for \$32.7 million, or \$289 per sf.



Contact Information

Greg Martin
Principal
954.903.1815
greg.martin@avisonyoung.com

David Duckworth
Principal
954.903.1815
david.duckworth@avisonyoung.com

Justin Cope
Principal
954.903.3701
justin.cope@avisonyoung.com

Lisa Blumer
Senior Associate
954.903.3703
lisa.blumer@avisonyoung.com

Berkley K. Bloodworth
Associate
954.938.1804
berkley.bloodworth@avisonyoung.com

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



avisonyoung.com

