

MARKETBEAT

Broward County

Industrial Q2 2019



BROWARD COUNTY INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Broward Employment	853k	864k	▲
Broward Unemployment	3.2%	3.0%	▼
U.S. Unemployment	3.9%	3.6%	▼

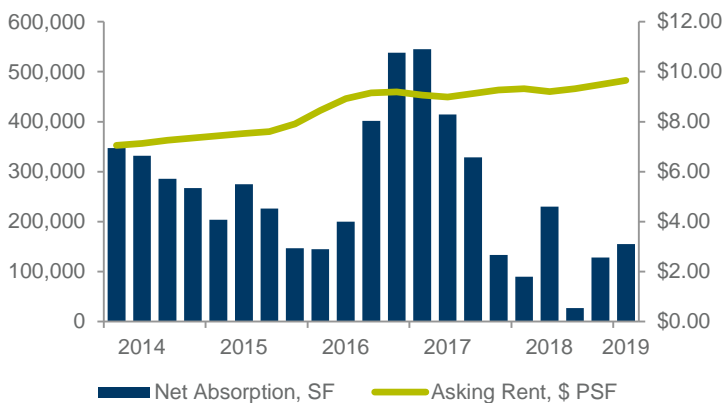
* Numbers above are monthly figures, May 2019, FL Dept. Economic OPP.

Market Indicators (Overall, All Property Types)

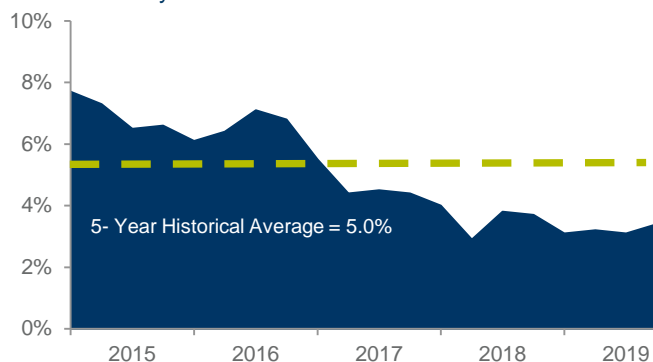
	Q2 18	Q2 19	12-Month Forecast
Vacancy	3.7%	3.4%	▲
YTD Net Absorption (sf)	-278k	176k	▼
Under Construction (sf)	1.2M	2.0M	▲
Average Asking Rent*	\$9.36	\$10.01	▲

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Broward County's unemployment rate was 3.0% in May 2019, down 20 basis-points (bps) year-over-year (YOY) on 11,200 new jobs added. The County's labor force rose to be over 1.0 million strong with less than 31,000 currently unemployed. Industrial-using sectors, including Manufacturing, Construction and Trade, Transportation & Utilities all posted positive job gains which contributed to improvement in the industrial market's fundamentals.

Market Supply

The overall vacancy rate for industrial space was down 30 bps to 3.4% at the end of the quarter and 210 bps below the 5-year historical average of 5.5%. The strongest YOY gains in occupancy were witnessed in Southwest Broward, the County's second largest industrial submarket, where vacancy dropped 180 bps to 4.5% even as new availabilities were added in the second quarter. Overall vacancy for warehouse/distribution space fell 20 bps YOY to 3.9%. Tenants moving into vacant space in Southeast Broward were the most active pushing the vacancy rate down 430 bps to 4.3% overall. Nearly 2.0 million square-feet (msf) of speculative warehouse/distribution space was under construction and 85% available for lease. Construction activity throughout Broward County was strong during the first half of the year. A handful of key institutional players including Bridge Development, IDI Logistics and Prologis are driving the speculative warehouse/distribution product under construction. 65% of under construction space, or 1.3 msf, was centered in two submarkets. Southeast Broward and Pompano Beach accounted for a third of the total inventory in Broward County. During this cycle to date, most new projects were part of larger developments with multiple phases spread out over a period of quarters or years. Notable multi-phased developments included Seneca Commerce Center in Southeast Broward, Bergeron Distribution Center in Southwest Broward and Bridge Point Powerline Road in North Broward. During the first half of the year, there were 480,000 sf of construction completions, primarily in the Southwest and North Broward submarkets.

Market Pricing

Countywide asking rates for warehouse/distribution space increased 8.8% YOY to \$9.62 per square foot (psf) triple net (NNN). The lack of available space, pipeline of new construction and landlord confidence in demand pushed rents higher in a land-constrained market. For the second quarter in a row, Southeast Broward led the County in warehouse/distribution rent growth, up 18.2% YOY to \$10.50 psf NNN, followed by gains in Central Broward, which had 14.0% bumps in asking rates YOY to \$9.03 psf. Overall, all industrial asset classes witnessed a yearly increase in average asking rates, up 6.9% to \$10.01 psf NNN, the second quarter in a row where that overall average rent has topped \$10.00 psf, NNN.

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Investment sales volume in Broward County, for all industrial asset classes, totaled 3.9 msf in the first six months of 2019, with nearly 2.8 msf trading across sought-after warehouse/distribution assets. Activity was especially high in Southwest Broward, which accounted for 82.1% of the total sales volume, or just over 2.3 msf. In the first six months of 2019, strong investor appetite for well-positioned warehouse/distribution assets, close to customers and logistic networks was evident and expected to continue through the end of the year.

Countywide asking rates for warehouse/distribution space increased 8.8% YOY to \$9.62 psf, NNN.

Market Demand

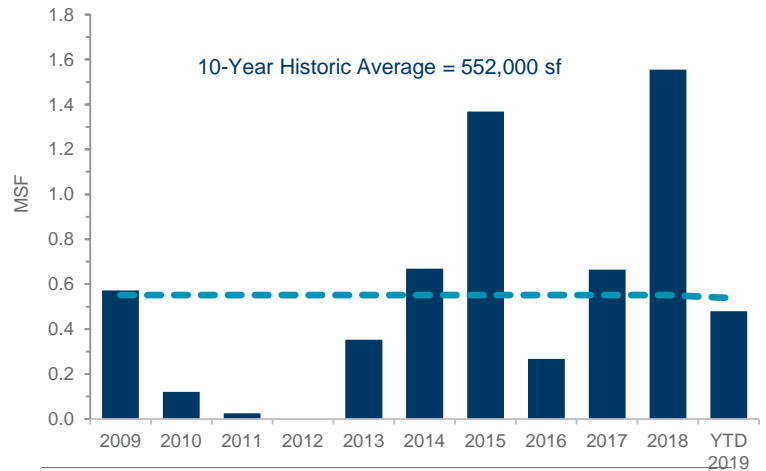
Year-to-date (YTD) leasing activity was 1.5 msf, down almost 30% from the activity recorded at this time in 2018. Most leasing came from submarkets in North and Southwest Broward, which were responsible for 63% of the County's total industrial leasing activity of 1.0 msf. Tenants from third-party logistics firms and construction companies were responsible for the largest portion of leases signed in 2019. The greatest increases in leasing YOY came in Southeast Broward, which rose by over 219%. Overall net absorption was positive for the first half of 2019 with the bulk of tenants taking 184,000 sf of space in the first six months in the Pompano Beach submarket and 87,000 sf in the Davie/Plantation/Sunrise submarket. Absorption in office services and manufacturing assets was slightly negative over the first half of the year.

As the expansion continued this cycle, leasing activity and new construction should remain active well into 2020. Tenant confidence in Broward County's market fundamentals, including strong population and job growth, provide long-term confidence in the growth of the industrial market.

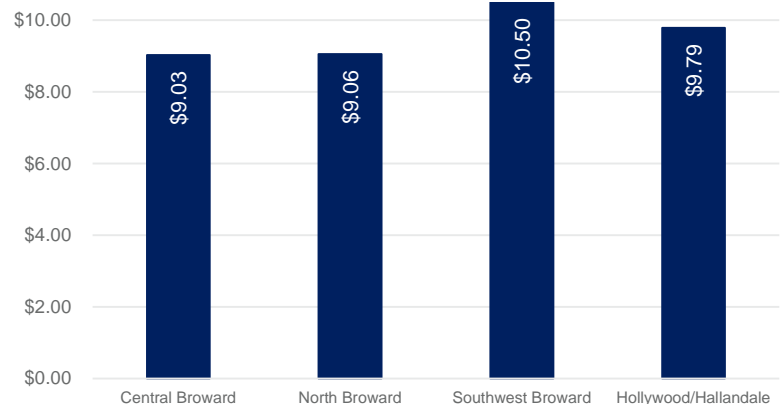
Market Outlook

- Overall rent growth for the remainder of 2019 should remain positive on high occupancies.
- Tenant interest from expanding ecommerce, logistics and building supply companies should drive growth in new construction.
- 2.0 msf of warehouse/distribution space was currently under construction across the County and over 1.0 msf was set to deliver by yearend.

New Supply (msf)

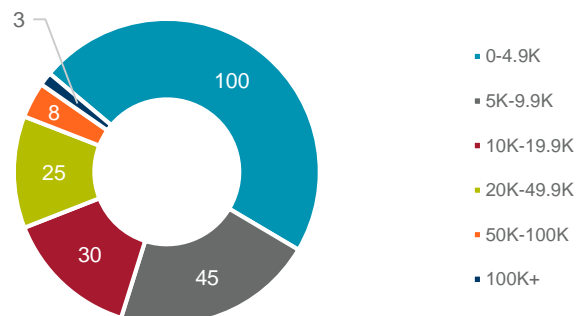


Warehouse/Distribution Asking Rents by Submarket (NNN)



Availability by Size Segment

OVERALL VACANCIES IN ONE SUITE



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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTRUCTION COMPLETIONS (SF)	YTD WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*
Central Broward	497	21,367,129	429,268	2.9%	-65,669	231,964	0	\$16.28	\$12.40	\$9.03
Ft. Lauderdale - Central	174	8,405,515	359,268	2.2%	51,031	0	0	\$0.00	\$12.42	\$8.51
Ft. Lauderdale - East/Central	190	5,784,359	0	2.0%	-45,893	81,964	0	\$0.00	\$0.00	\$9.67
Ft. Lauderdale - Airport/Dania	133	7,177,255	70,000	4.6%	-70,807	150,000	0	\$16.28	\$12.36	\$9.11
North Broward	726	38,559,000	1,150,368	2.8%	186,245	785,130	212,063	\$8.08	\$11.59	\$9.06
Pompano Beach	454	22,543,263	784,859	2.8%	184,102	785,130	212,063	\$10.87	\$11.41	\$9.25
Deerfield Beach	141	8,692,907	307,514	2.7%	-21,799	0	0	\$0.00	\$11.03	\$8.78
Coral Springs/Margate	131	7,322,830	57,995	2.8%	23,942	0	0	\$5.95	\$17.50	\$8.71
Southwest Broward	314	23,504,247	2,318,528	4.5%	-21,251	363,779	205,440	\$10.67	\$15.37	\$10.50
Davie/Plantation/Sunrise	167	10,059,258	1,034,684	4.5%	87,244	114,774	205,440	\$10.67	\$15.60	\$11.05
Pembroke Pines/Miramar/Weston	147	13,444,989	1,283,844	4.5%	-108,495	249,005	0	\$0.00	\$14.59	\$10.19
Southeast Broward	133	7,567,582	47,000	4.3%	76,175	603,139	62,176	\$14.65	\$0.00	\$9.79
BROWARD TOTALS	1,670	90,997,958	3,945,164	3.4%	175,500	1,984,012	479,679	\$10.34	\$13.38	\$9.62

*Rental rates reflect asking \$psf/year

FLEX = Flex Space MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

ASSET TYPE	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)**	CONSTRUCTION COMPLETIONS (SF)	YTD OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	1,074	66,777,820	2,837,421	3.9%	210,711	1,984,012	1,247,481	479,679	\$9.62	\$9.60
Manufacturing	261	11,776,562	681,946	2.0%	-7,980	0	7,020	0	\$10.34	\$10.34
Office Service/Flex	335	12,443,576	425,797	2.1%	-27,231	0	248,645	0	\$13.38	\$13.38

**Leasing activity includes only new and expansion leases and does not include Renewals

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2200 SW 45th Street	104,688	Toyota Tsusho America	New Lease	Central Broward
5607 Hiatus Road	66,270	Sonny's Enterprises	New Lease	North Broward
3420-3470 NW 53rd Street	56,820	GA Telesis Composite Repair Group, LLC	Renewal*	Central Broward
2900 Commerce Parkway	51,863	Convey Health Solutions	New Lease	Southwest Broward

* Renewals are not included in Leasing Activity.

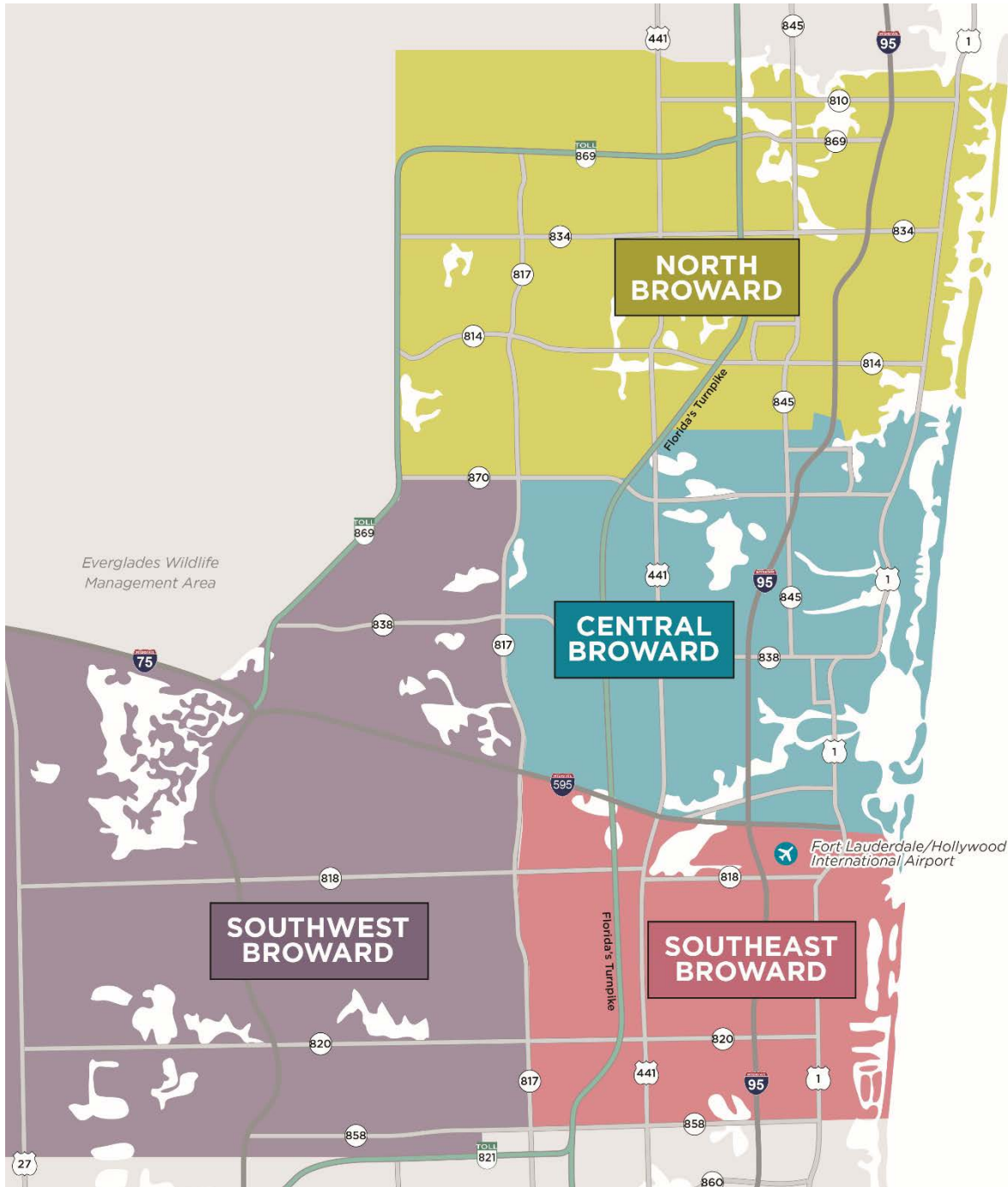
Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
201 W Broward Boulevard	221,815	Bridge Development Partners/ASB Capital MGMT	\$38,215,638/\$172	Central Broward
450 E Copans Road	50,200	Beaver Properties/Steven Cohen	\$6,600,000/\$131	North Broward
3851 NW 126th Avenue	34,197	VLO Investments/Ron Livni	\$3,500,000/\$102	North Broward
3651 NW 120th Avenue	23,798	Glass & Mirror/Joseph Dagostino	\$2,800,000/\$118	North Broward

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