

## BROWARD COUNTY INDUSTRIAL

### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Broward Employment	991K	1.01M	▲
Broward Unemployment	3.6%	2.8%	▼
U.S. Unemployment	4.1%	3.7%	▼

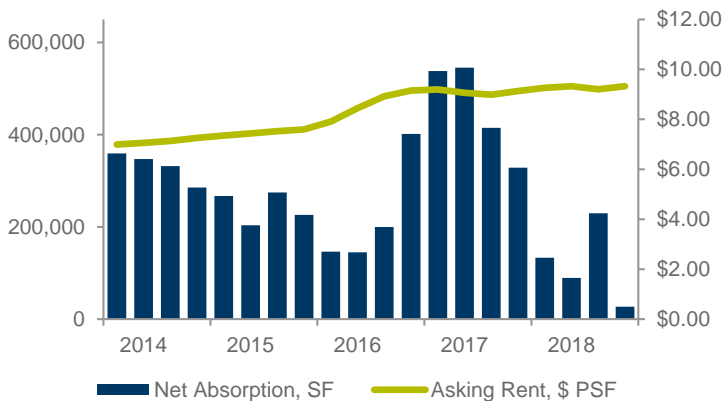
\* Numbers above are monthly figures, Aug 2018, FL Dept. Economic OPP.

### Market Indicators (Overall, All Property Types)

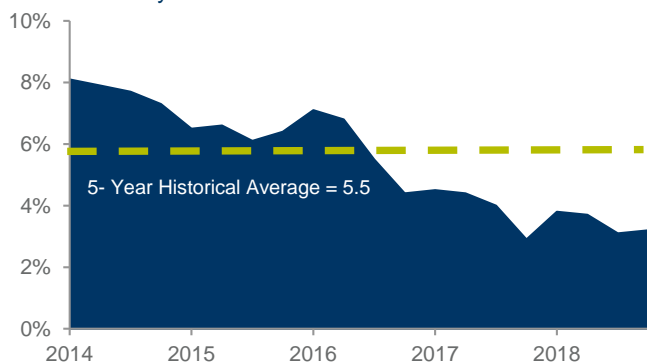
	Q4 17	Q4 18	12-Month Forecast
Vacancy	2.9%	3.2%	■
YTD Net Absorption (sf)	514k	166K	▲
Under Construction (sf)	1.5M	1.2 M	■
Average Asking Rent*	\$9.27	\$9.75	▲

\*Rental rates reflect net asking \$psf/year

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



### Overall Vacancy



## Economy

Broward County added +17,300 jobs in 2018 as a strong economy drove the unemployment rate down to 2.8%, a decline of -80-basis-points (bps) year-over-year (YOY). Industrial landlords benefited from steady employment gains which had a positive impact on space demand, especially in the transportation, warehousing, and utilities sectors, which grew by 13% year-to-date (YTD), adding 3,700 jobs. The construction sector also posted strong YOY growth, adding 3,300 jobs.

## Market Overview

The overall vacancy rate for industrial space in Broward County remained near a historic low at 3.2%; 230 bps below the 5-year historical average of 5.5%. The strongest YOY gains in occupancy were witnessed in North Broward, the County's largest industrial submarket, with overall vacancy dropping 130 bps to 2.1%. Vacancy for Southwest Broward, the second largest submarket in the County, dropped 210 bps to 5.2%. Overall vacancy for warehouse/distribution space rose a marginal 50 bps YOY in response to the delivery of 1.5 million square feet (msf) of space in 2018. 63.0% or 1.2 msf was delivered vacant across Central, North, and Southwest Broward

Overall asking rates increased by almost +5.0% since year-end 2017 to \$9.75 per square foot (psf) triple net, as landlords rose rents in an effort to offset rising build-out costs and keep up with demand. Warehouse/distribution assets across Broward County saw a strong yearly increase in direct average rates, up 4.8% to \$9.20 psf triple net. Pompano Beach led the County in YOY overall asking rate gains, up 11.5% to \$9.18 psf triple net.

Absorption exceeded 160,000 square feet (sf) YTD, driven down slightly by tenant move-outs in the manufacturing sector. Warehouse/distribution assets alone posted 334,708 sf of absorption YTD as eCommerce and third-party logistics firms grew rapidly and demand for warehouse and last-mile distribution space remained in high demand. Since the end of the Recession in 2009, annual overall absorption for Broward County averaged 759,893 sf and totaled over 7.6 million square feet (msf) during that period. Strong demand for newly constructed space with greater ceiling heights, as well as lower-cost second-generation space, was responsible for over 4.5 msf of leasing activity YTD, up 11.3% since the end of 2016.

Investment sales volume in Broward County, across all industrial asset classes, totaled 3.3 msf in 2018, with over 2.9 msf trading across warehouse/distribution assets alone. Activity was especially high in Pompano Beach which accounted for 51% of the total sales volume, or just over 1.7 msf. Strong investor sentiment was evident during 2018, as foreign and domestic investors alike contended for well-positioned assets.

Broward County has 30 census tracts designated as opportunity zones, most of which are located within core industrial markets. Opportunity Zones are a new community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities. The program provides a tax incentive for investors to re-invest their unrealized capital gains back into areas that have not traditionally been the target of new investment, which can stimulate the local economy and open previously overlooked corridors to redevelopment.

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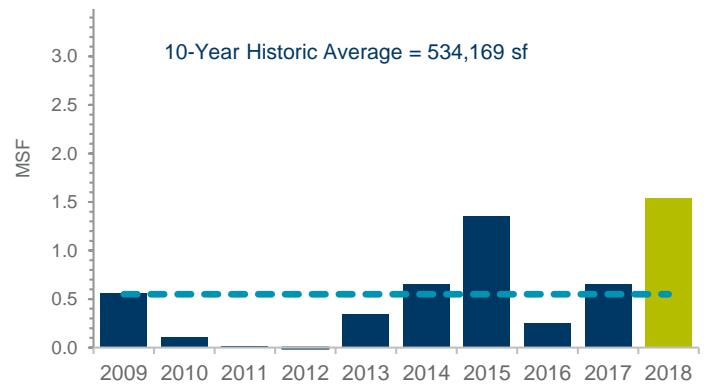
Construction activity across Broward County picked up during 2018, posting one of the strongest years since 2009. 1.2 msf of speculative, institutionally owned warehouse/distribution product was under construction across the County, up 46% since year-end 2014. The largest assets under construction were part of larger projects with multiple buildings and phases. Some notable developments underway include Seneca Commerce Center in Southeast Broward, Bergeron Distribution Center in Southwest Broward, Bridge Point Powerline Road in North Broward, and I-595 Business Center in Central Broward. As the expansion continues, many projects should continue to see strong construction activity well into 2020. Tenant confidence in market fundamentals influenced developers to move forward with several proposed projects in the pipeline, and an uptick in absorption and leasing activity will be expected once these projects deliver.

As Broward County's last remaining parcels are built-out or rezoned for alternative uses, developers and users alike will be forced to turn to creative solutions to meet their real estate demands. This could include filling lakes, redeveloping functionally obsolete assets, and working with municipalities to create additional industrial zoned properties.

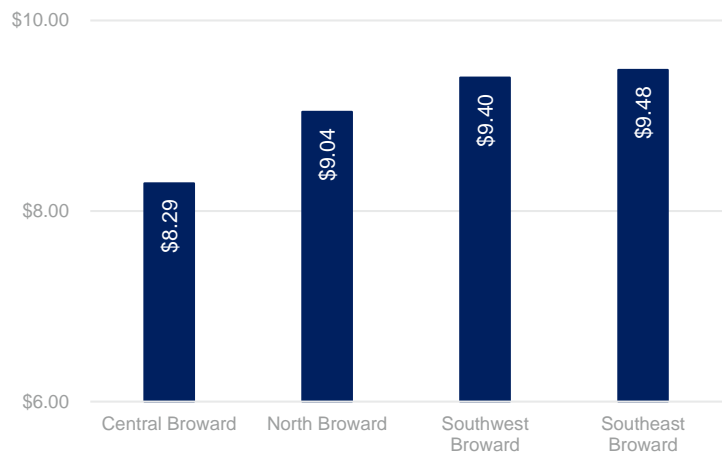
## Market Highlights

- Key market fundamentals are expected to strengthen into 2019, in-line with the growth trajectory witnessed over the past 5 years.
- Tenant interest from expanding eCommerce, transportation, and third-party logistics firms should remain high, and will lead the way to more significant growth.
- 1.2 msf of warehouse/distribution space is currently under construction across the County and is set to deliver during the first half of 2019.

## New Supply (msf)

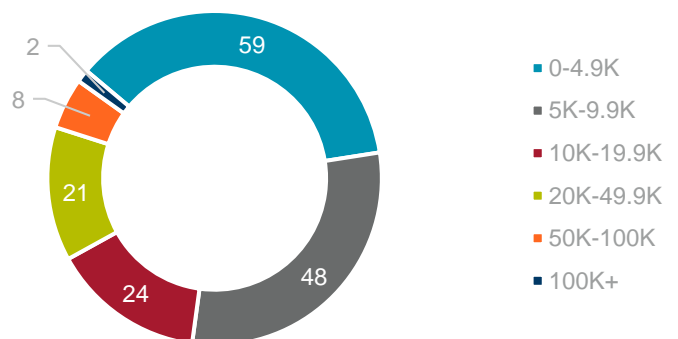


## Warehouse/Distribution Asking Rents by Submarket (NNN)



## Availability by Size Segment

OVERALL VACANCIES IN ONE SUITE



# MARKETBEAT

## Broward County

Industrial Q4 2018



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (WD)*
<b>Central Broward</b>	<b>532</b>	<b>20,832,295</b>	<b>266,254</b>	<b>2.0%</b>	<b>242,597</b>	<b>122,000</b>	<b>221,542</b>	<b>\$7.65</b>	<b>\$13.76</b>	<b>\$8.29</b>
Ft. Lauderdale - Central	186	7,492,616	90,254	1.6%	134,343	0	221,542	\$0.00	\$12.94	\$7.47
Ft. Lauderdale - East/Central	203	6,239,593	69,000	2.5%	57,296	0	0	\$0.00	\$0.00	\$8.34
Ft. Lauderdale - Airport/Dania	143	7,100,086	107,000	1.9%	50,958	122,000	0	\$7.65	\$14.86	\$8.79
<b>North Broward</b>	<b>714</b>	<b>38,029,475</b>	<b>2,542,940</b>	<b>2.1%</b>	<b>16,309</b>	<b>439,205</b>	<b>996,805</b>	<b>\$10.18</b>	<b>\$11.65</b>	<b>\$9.04</b>
Pompano Beach	444	22,222,476	1,733,329	1.9%	133,275	439,205	318,064	\$10.00	\$10.75	\$9.18
Deerfield Beach	143	8,557,385	289,131	1.9%	71,861	0	312,205	\$0.00	\$13.00	\$8.53
Coral Springs/Margate	127	7,249,614	520,480	2.6%	(188,827)	0	366,536	\$10.25	\$13.85	\$9.29
<b>Southwest Broward</b>	<b>318</b>	<b>22,761,106</b>	<b>326,210</b>	<b>5.2%</b>	<b>278,105</b>	<b>375,813</b>	<b>336,903</b>	<b>\$8.50</b>	<b>\$12.56</b>	<b>\$9.40</b>
Davie/Plantation/Sunrise	172	9,699,182	30,450	5.5%	365,561	375,813	186,523	\$8.50	\$12.01	\$9.85
Pembroke Pines/Miramar/Weston	146	13,061,924	295,760	5.1%	(87,456)	0	150,380	\$0.00	\$13.55	\$9.13
<b>Southeast Broward</b>	<b>135</b>	<b>7,059,080</b>	<b>239,540</b>	<b>7.0%</b>	<b>(370,674)</b>	<b>284,321</b>	<b>0</b>	<b>\$7.50</b>	<b>\$0.00</b>	<b>\$9.48</b>
Hollywood/Hallendale	135	7,059,080	239,540	7.0%	(370,674)	284,321	0	\$7.50	\$0.00	\$9.48
<b>BROWARD TOTALS</b>	<b>1,699</b>	<b>88,681,956</b>	<b>3,374,944</b>	<b>3.2%</b>	<b>166,337</b>	<b>1,221,339</b>	<b>1,555,250</b>	<b>\$8.72</b>	<b>\$12.57</b>	<b>\$9.18</b>

\*Rental rates reflect asking \$psf/year

FLEX = Flex Space MF = Manufacturing OS = Office Service/Flex WD = 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)**	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	1,043	62,097,033	2,996,304	3.6%	334,708	1,221,339	3,618,341	1,555,250	\$9.18	\$9.20
Manufacturing	294	12,693,368	92,030	1.2%	-448,102	0	206,408	0	\$8.72	\$8.72
Office Service/Flex	362	13,891,555	286,610	3.6%	279,731	0	658,014	0	\$12.57	\$12.65

### Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3245 Meridian Parkway	232,000	USL Cargo Services	New Lease	Southwest Broward
2965 West Corporate Lakes Drive	224,650	Postal Center International	New Lease	Southwest Broward
4050 NW 126 <sup>th</sup> Avenue	215,486	Emser Tile	New Lease	Northwest Broward
2201 W Broward Boulevard	170,447	ShipMonk	New Lease	Central Broward

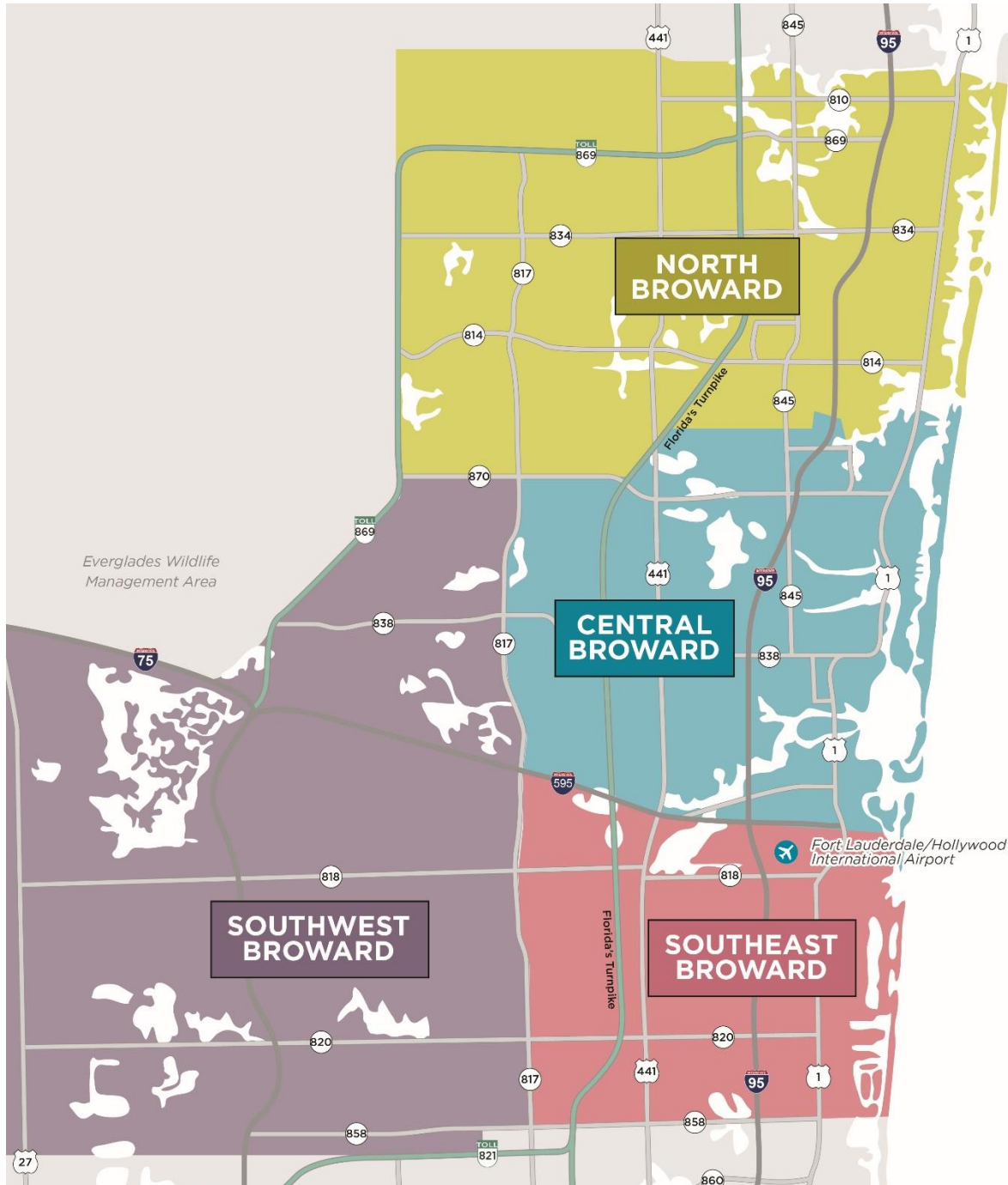
### Key Sales Transactions 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Quadrant Business Center	286,611	STRS Ohio/Adler Kawa	\$35,150,000/\$131	Northeast Broward
Weston Distribution Center	225,760	Becknell/GLL RE Partners	\$30,350,000/\$134	Southwest Broward
Park Central Business Park	112,660	KEI Properties/Berkeley Partners	\$15,000,000/\$133	Northeast Broward
Powerline Business Center	83,304	Rising Tide Development/PBC Investors I	\$9,051,800/\$109	Central Broward

MARKETBEAT

# Broward County

Industrial Q4 2018



Cushman & Wakefield, LLC  
303 Banyan Boulevard  
Suite 301  
West Palm Beach, FL 33401  
[cushmanwakefield.com](http://cushmanwakefield.com)

For more information, contact:  
JD Brussels  
Senior Analyst  
Tel: +1 954 377 0492  
[jd.brussels@cushwake.com](mailto:jd.brussels@cushwake.com)

Chris Owen  
Director, Florida Research  
Tel: +1 407 541 4417  
[chris.owen@cushwake.com](mailto:chris.owen@cushwake.com)

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