

BROWARD COUNTY OFFICE

Economic Indicators

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

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

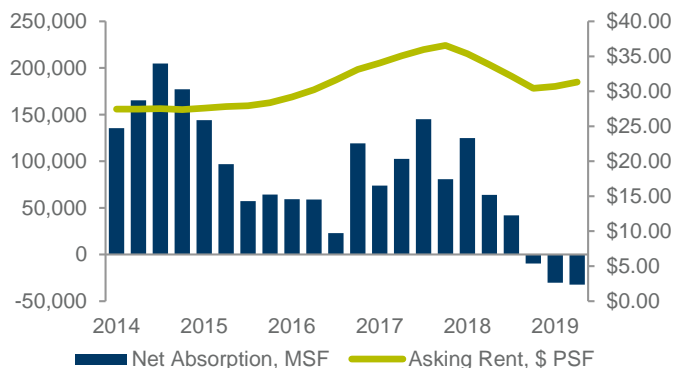
Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	11.7%	11.5%	▼
YTD Net Absorption (sf)	-8k	-99k	▲
Under Construction (sf)	255k	622k	▲
Average Asking Rent*	\$30.48	\$32.91	▲

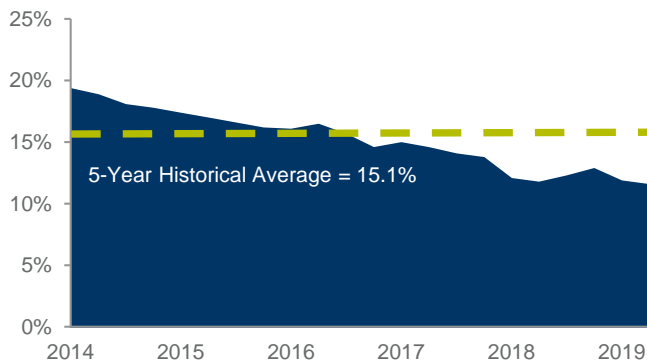
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in Broward County was 3.0% in May 2019, down 20 basis-points (bps) year-over-year (YOY) on 11,200 new jobs added. Employment gains over the past 12 months in the Professional & Business Services and Education & Health Services sectors outpaced gains in all other metro areas statewide, posting increases of 4.0% and 3.7% respectively. The 10,100 jobs created from these two sectors, as well as the 1,100 new jobs in Financial Activities, supported fundamentals in the office market including solid leasing activity.

Market Pricing

Overall asking rents increased substantially by 7.3% YOY to \$32.91 per square foot (psf) full service. The positive momentum for office demand throughout Broward County drove rental gains in all three office classes. Rents were higher by 13.1% for Class C space, followed by the 4.3% gain for Class B and 3.8% for Class A. Overall Class A rents approached \$40.00 psf, historic highs for the market. Rents rose most acutely in suburban submarkets, up 5.1% as compared to the CBD, which only recorded increases of 2.2% YOY. Among the largest office submarkets, Cypress Creek/Commercial experienced the largest boost in rents over the previous 12 months, up 5.2%. For Class A availabilities, rents in the Miramar submarket jumped by 10.3% to \$37.29 psf, full service.

Rents quoted in this report are full service but many office buildings in South Florida, including those in Broward County, lease office space on a triple net basis. This allows landlords to pass potential rises in insurance and operating expenses directly to tenants, insulating owners from unpredictable fluctuations in expenses. Depending on the asset class and submarket, operating expenses in South Florida at the end of the second quarter ranged from below \$10.00 psf to over \$24.00 psf in some class A towers.

Market Demand

The overall vacancy rate for all asset classes dropped 20 bps YOY to 11.5%, another historic low for vacancy. Vacancy rates fell the most in submarkets in Northeast Broward and Northwest Broward, dropping by 480 and 430 bps YOY respectively. Several large move outs in the CBD caused vacancy rates to jump for both Class A and B assets, up by 230 and 630 bps, respectively YOY. While the increase in availabilities allowed more options for tenant move ins and expansions, there was also over 457,000 square feet (sf) of office space in two buildings under construction in the CBD. That could potentially impact the vacancy rate when the space delivers over the next 12-months. Both projects have some preleasing activity which could escalate as the projects get closer to completion. In the first half of 2019, Class B suburban assets continued to have the strongest occupancy gains where the overall vacancy rate fell by 2.4 bps to 10.0% in the second quarter.

MARKETBEAT

Broward County

Office Q2 2019



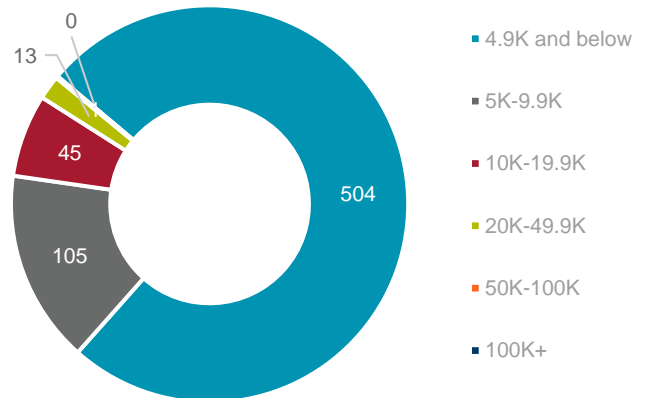
Several large tenant move-outs in the CBD and select suburban submarkets caused year-to-date (YTD) overall absorption to turn negative, evenly split between Class A and B assets. Approximately half the negative absorption came from the CBD. Move outs in Weston contributing the majority of newly vacated space in the quarter in the suburbs. YTD leasing activity topped 936,000 sf, down 11.7% compared to the mid-point last year. The CBD had the largest percentage slowdown, falling by 20.4% compared to the first six months of 2018 with leasing for Class A off by 26.3% YTD. With a pipeline of almost 1.0 million square feet (msf) of leasing activity in the first six month of the year, absorption was expected to increase towards the end of 2019.

Investment sales remained active in the first half of the year even though there was a sharp slowdown in sales volume in the second quarter. The 511,000 sf in activity was approximately 20.0% of the volume in the first quarter. YTD sales volume totaled 3.0 msf with 64.0% of sales for Class B assets and nearly 933,000 sf for Class A buildings. This marked a 72.5% increase in sales volume over the same period in 2018. Due to the torrid pace of acquisitions in the first half of the year, investor sentiment should remain high for office product.

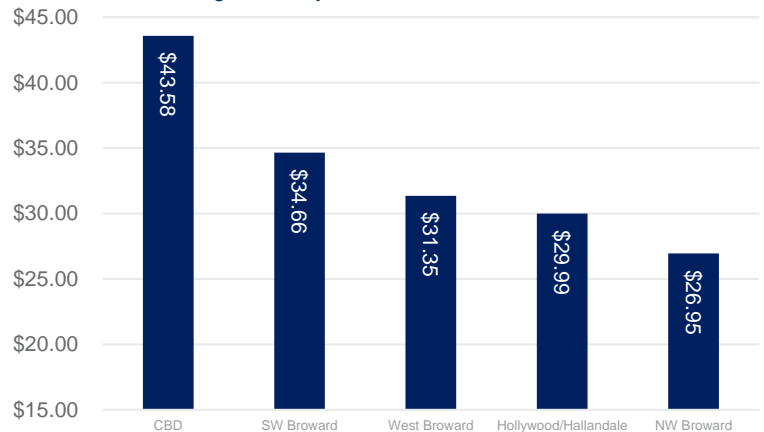
Market Supply

At the end of the second quarter, over 622,000 sf of office space was under construction in three separate projects. Nearly 18.0% of the available space has been preleased with the expectation that additional leases will be signed as the projects near completion. Broward County has been considered a small office tenant market and attracted many mid-sized startups, law-firms, engineering, and business services firms due to its central location in South Florida. Tenants with large square foot requirements remained rare during this cycle and was one reason why new office construction lagged compared to Miami's office submarkets directly to the south.

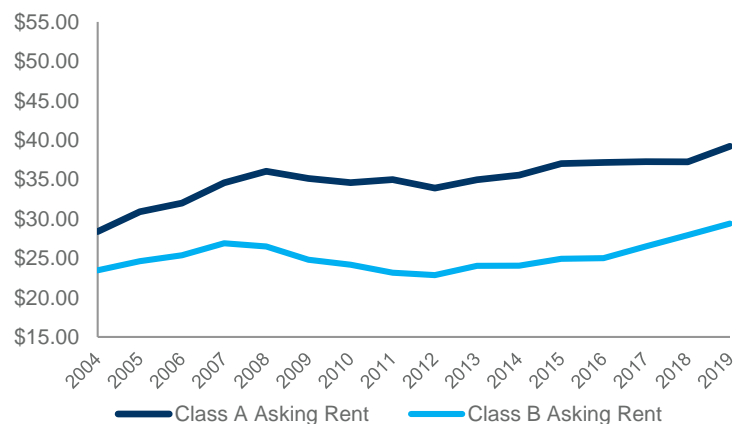
Direct Availability by Size Segment



Full Service Asking Rents by Submarket



CLASS A & B Asking Rent Trend



**This chart contains revised historical data, adjusted for

Market Highlights

- Short term vacancy rates will remain elevated and could be impacted by new availabilities from office completions in the coming year.
- Landlords remain confident in the long-term health of the office market due to limited new construction and strong demand indicators from technology and business services firms.
- Cushman & Wakefield anticipates overall market fundamentals to remain positive for the long term even as the number of availabilities increases.

MARKETBEAT

Broward County

Office Q2 2019



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Ft. Lauderdale CBD	5,203,589	81,825	744,310	15.9%	-44,085	-55,985	133,483	457,264	\$43.58	\$48.80
Suburban Broward County	22,966,905	112,690	2,294,791	10.5%	-56,484	-43,204	802,979	165,000	\$29.10	\$33.75
Cypress Creek/Commercial	6,329,094	74,264	970,095	16.5%	11,501	26,110	340,336	0	\$27.42	\$31.44
Hollywood/Hallandale	3,180,997	4,929	371,347	11.8%	-20,753	-11,570	83,498	0	\$30.54	\$39.72
WEST BROWARD	7,143,183	24,589	392,041	5.8%	-41,254	-28,418	232,359	0	\$31.62	\$34.28
Sunrise	3,058,054	2,632	187,459	6.2%	-3,015	-8,311	160,032	0	\$32.16	\$33.20
Plantation	3,246,127	20,130	138,116	4.9%	16,032	27,657	63,464	0	\$28.15	\$41.13
Weston	839,002	1,827	66,466	8.1%	-54,271	-47,764	8,863	0	\$27.05	\$39.43
NORTHEAST BROWARD	1,769,613	2,734	145,877	8.4%	3,652	9,071	35,728	0	\$23.52	\$30.07
Pompano Beach	654,269	1,250	79,445	12.3%	5,232	10,651	15,947	0	\$20.96	\$0.00
Deerfield Beach	1,115,344	1,484	66,432	6.1%	-1,580	-1,580	19,781	0	\$26.58	\$30.07
SOUTHWEST BROWARD	2,896,522	5,174	263,845	9.3%	-6,074	-39,625	70,794	165,000	\$34.66	\$37.38
Pembroke Pines/Cooper City	848,918	1,500	77,812	9.3%	-1,796	-4,715	37,135	165,000	\$30.59	\$39.00
Miramar	2,047,604	3,674	186,033	9.3%	-4,278	-34,910	33,659	0	\$36.36	\$37.28
NORTHWEST BROWARD	1,647,496	1,000	151,586	9.3%	-3,556	1,228	40,264	0	\$26.91	\$31.00
Coral Springs	1,188,628	1,000	118,301	10.0%	-11,419	-9,928	28,007	0	\$28.64	\$31.00
Tamarac/Margate	458,868	0	33,285	7.3%	7,863	11,156	12,257	0	\$20.89	\$0.00
BROWARD TOTALS	28,170,494	194,515	3,039,101	11.5%	-100,569	-99,189	936,462	622,264	\$32.91	\$39.21

*Rental rates reflect gross asking \$psf/year **Does not include Renewals

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT AVERAGE ASKING RENT*
Class A	11,822,680	122,457	1,224,863	11.4%	-58,196	-68,326	360,267	622,264	0	\$39.48
Class B	13,027,320	52,207	1,447,482	11.5%	-39,326	-28,787	439,285	0	0	\$29.51
Class C	3,320,494	19,851	366,756	11.6%	-3,047	-2,076	136,910	0	0	\$24.54

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
110 SE 6th St	42,027	Florida Office of the Attorney General	Renewal*	Ft. Lauderdale CBD
2400 N Commerce Pkwy	39,029	The Ultimate Software Group, Inc.	Renewal*	Weston
1625 NW 136th Ave	38,087	Cross Country Home Services Inc	Renewal*	Sunrise

*Renewals are excluded from leasing activity

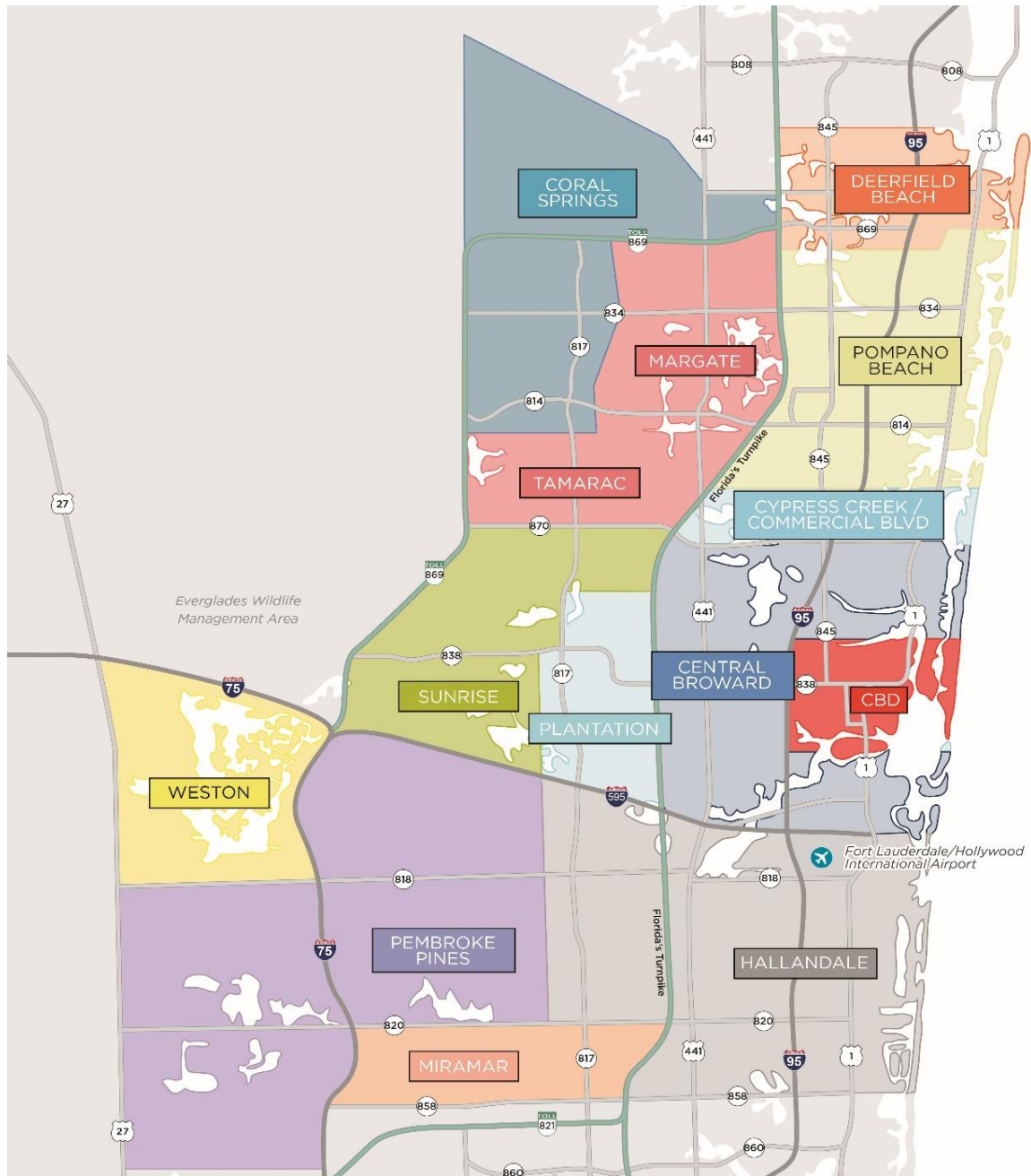
Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1000 Corporate Drive	129,000	Ghitis Property Group/Sergio R. Fernandez	\$24,165,000/\$187	Cypress Creek
14700 Royal Caribbean Way	128,540	Link Industrial Properties/Dayan Group Realty	\$45,000,000/\$350	Miramar
55 Weston Road	49,030	Park Centre West Corp/Omega Advisors, Inc.	\$8,500,000/\$173	Weston

MARKETBEAT

Broward County

Office Q4 2018



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About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 51,000 employees in approximately 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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