

MARKETBEAT

Broward County

Industrial Q3 2019



BROWARD COUNTY INDUSTRIAL

Economic Indicators

| | Q3 18 | Q3 19 | 12-Month Forecast |
|----------------------|-------|-------|-------------------|
| Broward Employment | 852k | 863k | ▲ |
| Broward Unemployment | 3.4% | 3.3% | ▼ |
| U.S. Unemployment | 3.8% | 3.7% | ▲ |

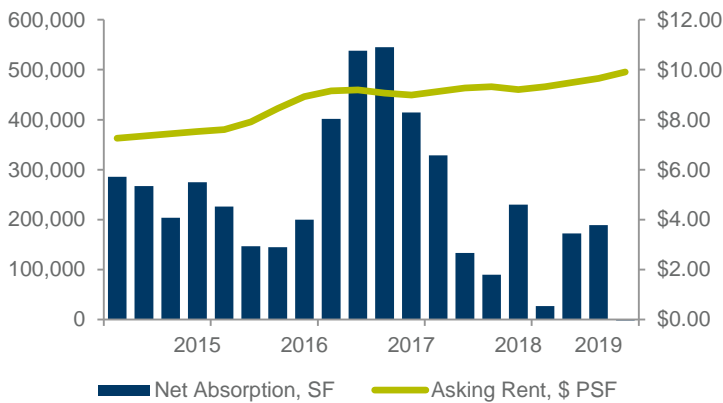
* Numbers above are monthly figures, August 2019, FL Dept. Economic OPP.

Market Indicators (Overall, All Property Types)

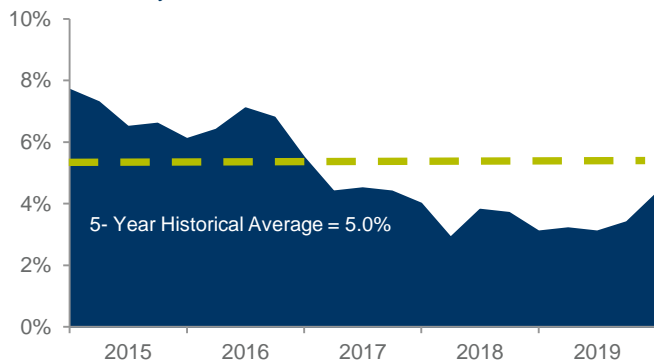
| | Q3 18 | Q3 19 | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| Vacancy | 3.1% | 4.3% | ▲ |
| YTD Net Absorption (sf) | 463k | 290k | ▼ |
| Under Construction (sf) | 1.6M | 1.9M | ▲ |
| Average Asking Rent* | \$8.73 | \$9.80 | ▲ |

*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 in August 2019 was 3.3%, down 10 basis-points (bps) year-over-year (YOY). The County added 11,400 jobs over the year for an annual growth rate 1.3%. While job growth was positive overall in the County, industrial using sectors shed jobs over the last 12 months. The Trade, Transportation & utilities sector lost 2,100 jobs and the construction industry gave back over 1,300 jobs.

Market Supply

The overall industrial vacancy rate increased by 120 bps to 4.3% at the end of the third quarter. The North Broward submarkets of Pompano Beach, Deerfield Beach and Coral Springs/Margate recorded 140, 440 and 570 bps increases, respectively. Tenant demand in Hollywood/Hallandale and in the Southwest Broward submarkets drove vacancy rate decreases even as new construction delivered.

Over 1.9 million square feet (msf) was under construction and expected to deliver within six months. Approximately 16% has been preleased with the expectation that more space will be taken by tenants as buildings deliver. The bulk of projects under construction consisted of big-box distribution centers in centrally located submarkets. Hollywood/Hallandale has three of the four largest projects under development. Prologis has recently completed the construction of a 222,145-sf and a 62,176-sf building at Prologis Seneca Park and has another two buildings of 190,494-sf each scheduled for 2020 delivery.

Construction completions year-to-date (YTD) were running ahead of deliveries when compared to this point in 2018. New additions were spread throughout the county with most larger submarkets seeing some type of new space options. Pompano Beach and Coral Springs/Margate had the largest deliveries to date with projects still under construction in both submarkets. Several developers phased projects to increase flexibility and address shifting needs by tenants.

Market Pricing

Asking rental rates for all industrial types continued to rise due to the tight overall market, up 12.2% to \$9.80 per square foot (psf). Broward County's elevated rents were due to a large portion of industrial buildings that catered to tenants ranging in size from 15,000 to 40,000 sf. Spaces in these types of buildings remained tighter than the overall market which allowed building owners to be aggressive with pricing. Overall rental increases in Southwest Broward and Hollywood/Hallandale submarkets were most acute. For warehouse/distribution space, the Coral Springs/Margate submarket saw an impressive gain of 38.3% to \$7.25 psf on new availabilities.

There were over 1.0 msf in user sales for Broward County YTD, with 75% occurring in the Pembroke Pines/Miramar/Weston submarket. Investment sales volume, for all industrial asset classes, totaled 4.6 msf in the first nine months, with approximately 3.3 msf traded in warehouse/distribution assets. Activity was especially high in Southwest Broward, which accounted for 65% of total sales volume, or just over 3.0 msf. Strong investor appetite for well-positioned warehouse/distribution assets, close to customers and logistic networks fueled demand which should continue into 2020.

Asking rental rates for increases by 12.2% YOY to \$9.80 psf, triple net.

Market Demand

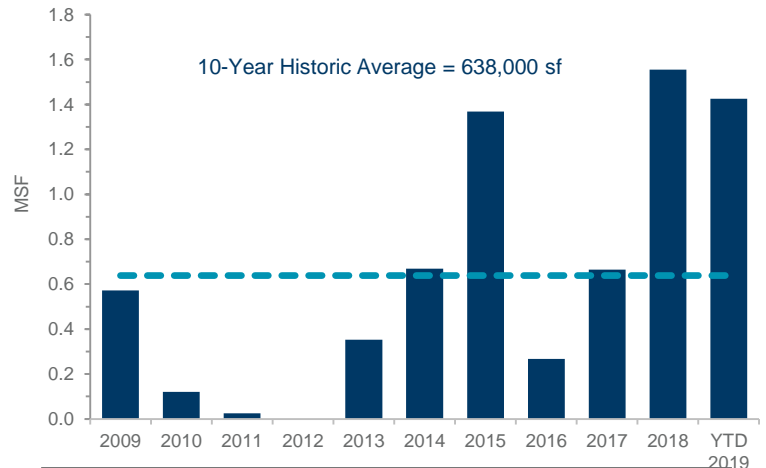
Leasing activity averaged 900,000 sf each quarter in 2019. The YTD leasing total was 2.8 msf, down almost 24% from the level recorded in the first nine months of 2018. Over 82% of all activity YTD was in warehouse/distribution space with every submarket seeing some level of tenant interest. The bulk of leasing activity occurred in the North Broward submarkets with 1.2 msf leased. Pompano Beach represented approximately 65% of all activity on interest by eCommerce and third-party logistics firms.

Overall absorption YTD was positive on tenant move-ins in the Southwest Broward and Hollywood/Hallandale submarkets. Absorption figures through the third quarter were 43% less than levels at this time in 2018. Significant tenant moveouts in Deerfield Beach and in Coral Springs/Margate added almost 315,000 sf of negative absorption to the market. Absorption in office services and manufacturing assets were also negative YTD, with -10,067 and -40,370 sf, respectively.

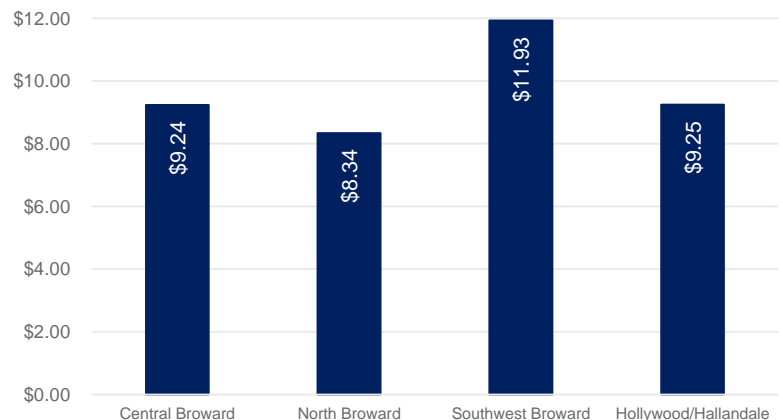
Market Outlook

- Population and job growth fuels expansion by users looking for last mile options close to customers.
- Overall occupancy levels should decrease slightly as new inventory comes online in the next six months.
- Construction should slow as the market takes a breather and allow tenants to occupy new space.

New Supply (msf)

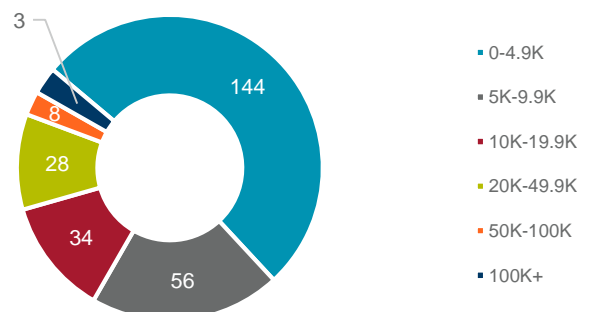


Warehouse/Distribution Asking Rents by Submarket (NNN)



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 | 21,473,457 | 449,604 | 3.3% | -11,624 | 81,964 | 150,000 | \$14.31 | \$13.81 | \$9.24 |
| Ft. Lauderdale - Central | 172 | 8,367,103 | 359,268 | 2.6% | 11,469 | 0 | 0 | N/A | \$12.19 | \$9.15 |
| Ft. Lauderdale - East/Central | 190 | 5,785,943 | 20,336 | 2.7% | -91,496 | 81,964 | 0 | N/A | N/A | \$9.67 |
| Ft. Lauderdale - Airport/Dania | 135 | 7,320,411 | 70,000 | 4.7% | 68,403 | 0 | 150,000 | \$14.31 | \$16.97 | \$9.11 |
| North Broward | 728 | 39,134,549 | 1,126,306 | 4.8% | 1,642 | 831,120 | 785,168 | \$8.87 | \$12.05 | \$8.34 |
| Pompano Beach | 453 | 22,603,532 | 689,464 | 3.4% | 214,640 | 612,203 | 375,241 | \$10.89 | \$11.34 | \$8.81 |
| Deerfield Beach | 142 | 8,762,593 | 307,514 | 5.0% | -184,315 | 0 | 0 | N/A | \$12.03 | \$9.04 |
| Coral Springs/Margate | 133 | 7,768,424 | 129,328 | 8.6% | -28,683 | 218,917 | 409,927 | \$7.55 | \$17.09 | \$7.25 |
| Southwest Broward | 316 | 23,545,797 | 3,010,298 | 3.7% | 147,591 | 363,779 | 205,440 | \$11.07 | \$15.92 | \$11.93 |
| Davie/Plantation/Sunrise | 169 | 10,102,808 | 1,123,355 | 2.7% | 232,415 | 114,774 | 205,440 | \$11.07 | \$16.46 | \$10.65 |
| Pembroke Pines/Miramar/Weston | 147 | 13,442,989 | 1,886,943 | 4.5% | -84,824 | 249,005 | 0 | N/A | \$14.01 | \$12.24 |
| Southeast Broward | 134 | 7,789,733 | 47,000 | 6.0% | 151,919 | 642,451 | 284,321 | \$10.00 | N/A | \$9.25 |
| BROWARD TOTALS | 1,675 | 91,943,536 | 4,633,208 | 4.3% | 289,528 | 1,919,314 | 1,424,929 | \$9.57 | \$14.26 | \$9.39 |

*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 | 1,083 | 67,680,162 | 2,837,421 | 5.0% | 339,965 | 1,919,314 | 2,297,027 | 1,424,929 | \$9.39 | \$9.39 |
| Manufacturing | 261 | 11,813,970 | 681,946 | 2.2% | -40,370 | 0 | 92,488 | 0 | \$9.57 | \$9.57 |
| Office Service/Flex | 331 | 12,449,404 | 425,797 | 2.5% | -10,067 | 0 | 373,783 | 0 | \$14.26 | \$14.26 |

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

Key Lease Transactions Q3 2019

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|--------------------------------------|---------|-------------------------------------|------------------|-------------------|
| 3801-3899 SW 30 th Avenue | 103,000 | Florida Home Improvement Associates | New Lease | Southeast Broward |
| 3001 W Coopans Road | 94,261 | The Stone Collection | New Lease | Pompano Beach |
| 400 Hillsboro Technology | 41,704 | 4 Ocean | New Lease | Deerfield Beach |

* Renewals are not included in Leasing Activity.

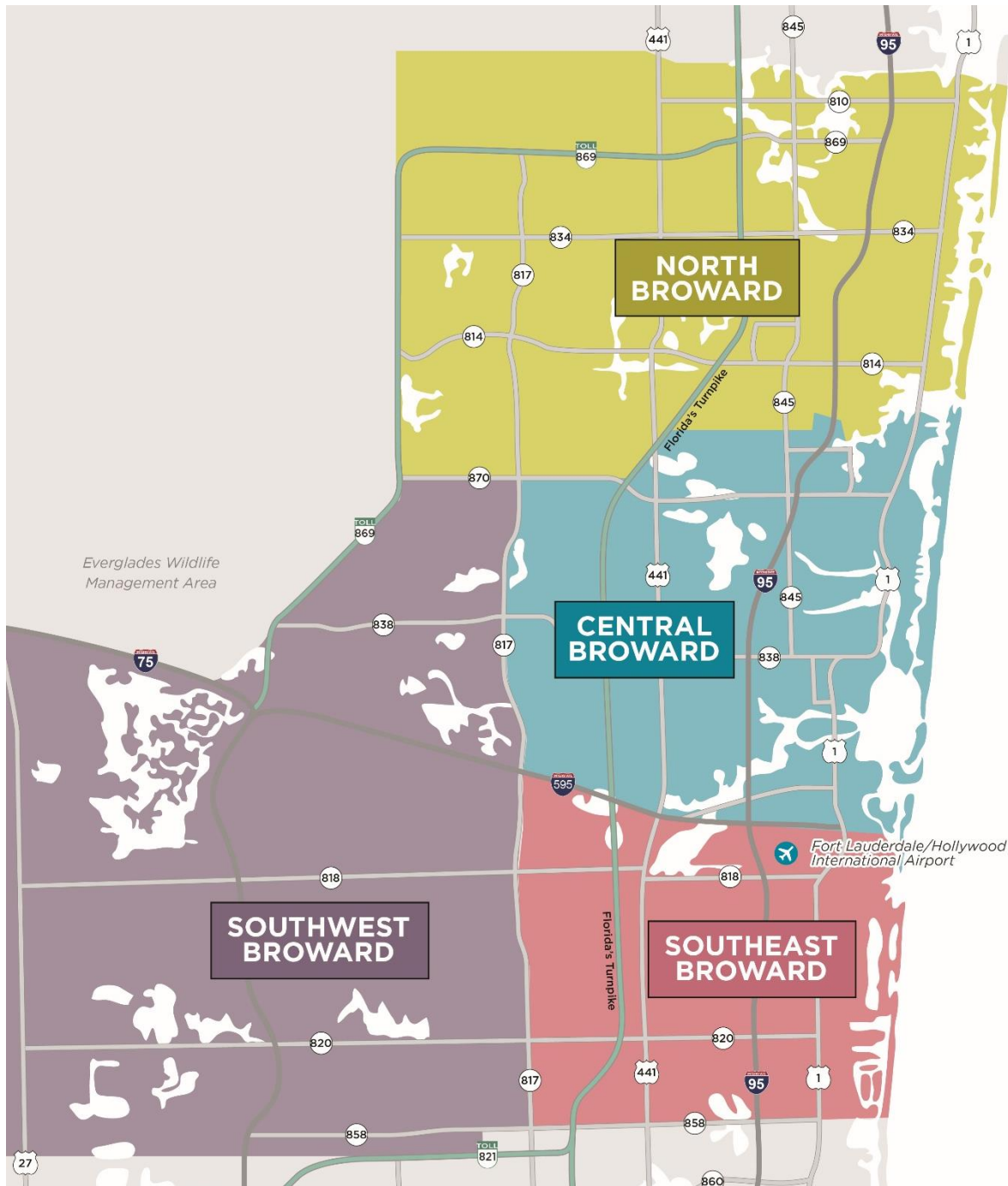
Key Sales Transactions Q3 2019

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|---|---------|---|---------------------|-----------|
| Miramar Parkway Portfolio (5 Buildings) | 607,223 | IDI Logistics/Stockbridge Capital Group | \$116,500,000/\$192 | Miramar |

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