

BROWARD COUNTY OFFICE

Economic Indicators

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

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

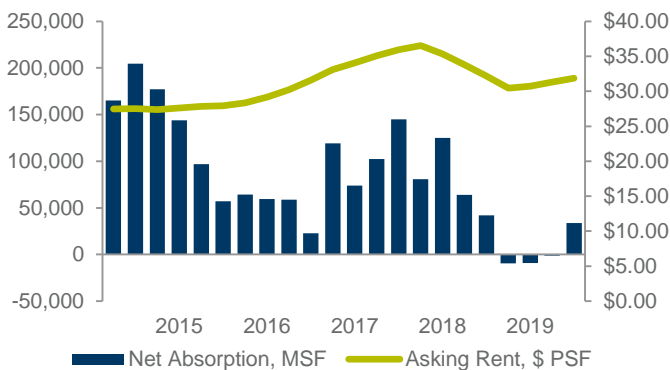
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	12.2%	11.2%	▼
YTD Net Absorption (sf)	14k	188k	▲
Under Construction (sf)	306k	603k	▲
Average Asking Rent*	\$30.72	\$32.92	▲

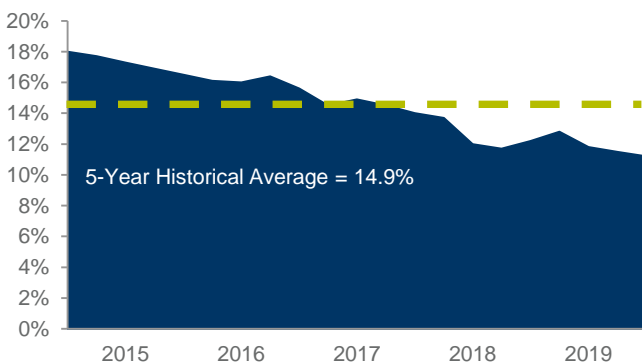
*Rental rates reflect gross asking \$psf/year

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%. Office using sectors drove gains in jobs over the year while industrial using sectors contracted. Industry sectors jobs were in Professional & Business Services, Education & Health Services, Financial Activities, and Leisure & hospitality, which combined added up to over 11,800 new jobs in 12 months.

Market Supply

At the close of the third quarter, there was approximately 600,000 square feet (sf) of office space under construction. The Central Business District (CBD) led Broward County with 457,264 SF in development. Notable projects included the 550 Building which will feature a 62,000 sf office component in a mixed-use building. In addition, The Main Las Olas was under way with 300,000 sf in the CBD submarket. The project was approximately 20% preleased and was expected to deliver in the second half of 2020. Many of Broward's future construction projects were still in the initial planning stages. If all of the projects moved forward, delivery would be in 2021 through 2022.

Market Pricing

Rental rates fell overall in Broward County with a 10.4% decrease YOY. The Weston submarket saw the largest decrease with a 23.7% YOY change to \$26.43 per square foot (psf) full service gross. Approximately half of the buildings in Weston were Class B, which was the segment that decreased significantly with an average rental rate of \$23.85 psf full service.

Class A rates in Fort Lauderdale's CBD recorded a 5.7% increase YOY. Tamarac led Broward County in terms of rental gains, with overall rates increasing 26.1% to \$21.01. Other submarkets recorded significant rent growth including Miramar, Pompano Beach, and Cypress Creek/Commercial with increases of 7.2%, 5.3%, and 5.7% respectively.

Asking rental rates 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 third quarter saw light leasing activity with over 321,000 sf of space leased with 1.5 million square feet (msf) sf year to date (YTD). Leasing activity at this point in 2018 reached over 500,000 sf with a year end of 1.9 msf . As tenants moved into space over the last three months, overall vacancy compressed by 10 basis points (bps) YOY. The Northwest Broward market, which consists of the Coral Springs and Tamarac/Margate submarkets led the County with a 470 bps decrease in vacancy. The Weston submarket experienced increases in lower priced availabilities for both Class A & B space which drove rents down to create more interest in the market. Southwest Broward saw a 330 bps increase in vacancy of availabilities priced higher than the submarket average. Pembroke Pines/Cooper City showed a steep increase with 30% YOY change.

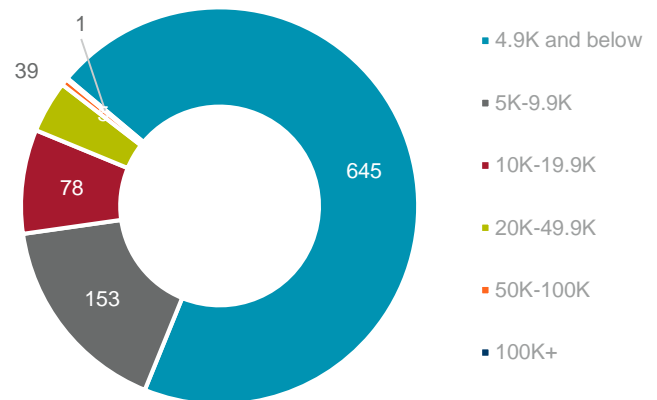
Overall net absorption trended upward with over 180,000 sf YTD. Suburban Class B space was the driver in the third quarter with approximately 150,000 sf absorbed in Broward's suburban submarkets. Cypress Creek/Commercial led the County with 250,000 sf absorbed due to the major occupancies at the Federal Express Building and 550 W Cypress Creek Road. Universal Property & Casualty Insurance Company occupied at the Federal Express Building while Vertiv IT Systems was the major tenant occupying space at 550 w Cypress Creed Road.

Investment sales continued to trend downward with a total sales volume of nearly 300,000 sf YTD. The Cypress Creek submarket recorded the bulk of the sale activity. The major sale of both buildings at Cypress Creek Concourse totaled 190,000 sf in sales volume. With many projects in development in multiple submarkets, the amount of product available on the market is scarce due to investors waiting out builds.

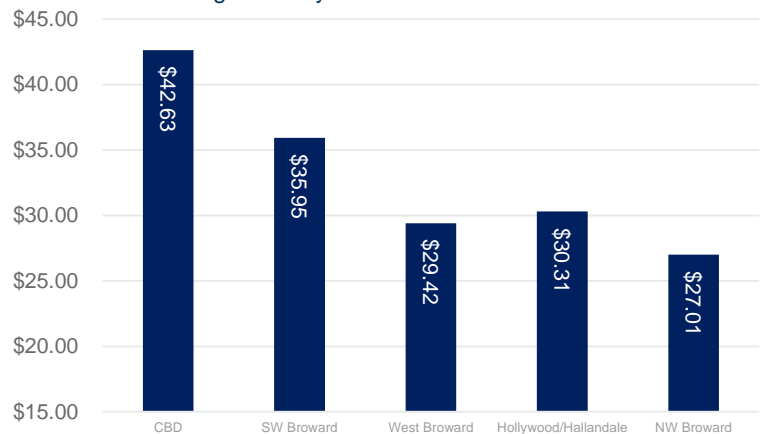
Market Highlights

- Overall rental rate in Broward County dropped by 10.4% YOY to \$32.92 psf full service gross.
- Absorption increased by 180,000 sf YTD with the third quarter seeing the highest increase in 12 months at 160,000 sf absorbed.
- Cypress Creek led the county in absorption and sales and also experienced rent growth and vacancy compression.

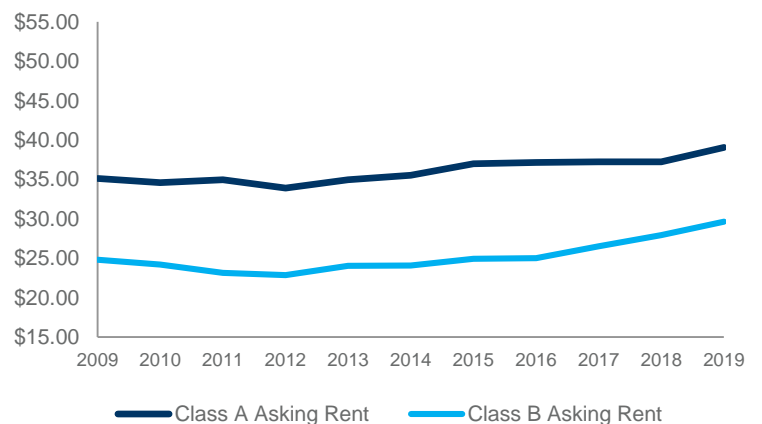
Direct Availability by Size Segment



Full Service Asking Rents by Submarket



CLASS A & B Asking Rent Trend



**This chart contains revised historical data, adjusted for

MARKETBEAT

Broward County

Office Q3 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	93,145	751,734	16.2%	-29,120	-59,038	215,662	457,264	\$42.63	\$47.81
Suburban Broward County	23,028,841	101,183	2,215,506	10.1%	191,848	247,000	1,294,091	145,983	\$29.49	\$34.64
Cypress Creek/Commercial	6,278,463	45,953	811,886	13.7%	157,256	250,018	426,161	0	\$27.32	\$32.65
Hollywood/Hallandale	3,163,049	11,665	342,519	11.2%	11,985	6,480	162,152	0	\$30.31	\$39.27
WEST BROWARD	7,123,292	27,662	365,306	5.5%	16,032	6,578	472,192	145,983	\$29.42	\$34.40
Sunrise	3,042,152	4,103	140,945	4.8%	32,909	37,293	371,890	145,983	\$31.70	\$32.98
Plantation	3,242,138	21,732	154,315	5.4%	-13,327	20,629	87,344	0	\$28.83	\$41.40
Weston	839,002	1,827	70,046	8.6%	-3,550	-51,344	12,958	0	\$26.43	\$38.02
NORTHEAST BROWARD	1,752,613	2,535	178,524	10.3%	-34,606	-17,398	86,722	0	\$25.46	\$30.07
Pompano Beach	637,269	0	102,669	16.1%	-23,233	-13,905	46,316	0	\$24.37	N/A
Deerfield Beach	1,115,344	2,535	75,855	7.0%	-11,373	-3,493	40,406	0	\$26.91	\$30.07
SOUTHWEST BROWARD	3,061,522	7,386	394,991	13.1%	26,320	-22,143	88,724	0	\$35.95	\$36.58
Pembroke Pines/Cooper City	1,013,918	0	205,836	20.3%	33,154	19,601	41,785	0	\$35.34	\$35.61
Miramar	2,047,604	7,386	189,155	9.6%	-6,834	-41,744	46,939	0	\$36.62	\$37.41
NORTHWEST BROWARD	1,649,902	5,982	122,280	7.8%	14,861	23,465	58,140	0	\$27.07	\$32.85
Coral Springs	1,191,034	5,982	92,377	8.3%	10,829	8,003	41,241	0	\$28.92	\$32.85
Tamarac/Margate	458,868	0	29,903	6.5%	4,032	15,462	16,899	0	\$21.01	N/A
BROWARD TOTALS	28,232,430	194,328	2,967,240	11.2%	162,728	187,962	1,509,753	603,247	\$32.92	\$39.05

*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	11,987,680	128,475	1,265,355	11.6%	90,242	43,540	645,022	603,247	0	\$38.92
Class B	12,990,612	65,853	1,329,695	10.7%	85,135	142,530	678,535	0	0	\$29.80
Class C	3,254,138	0	372,190	11.4%	-12,649	1,892	186,196	0	0	\$23.13

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
110 E Broward Blvd	25,500	BB&T	Renewal*	Ft. Lauderdale CBD
1901 W Cypress Creek Rd	24,407	TQL	New Lease	Cypress Creek/Commercial
2307 W Broward Blvd	17,858	Broward County Service Division	New Lease	Ft. Lauderdale CBD

*Renewals are excluded from leasing activity

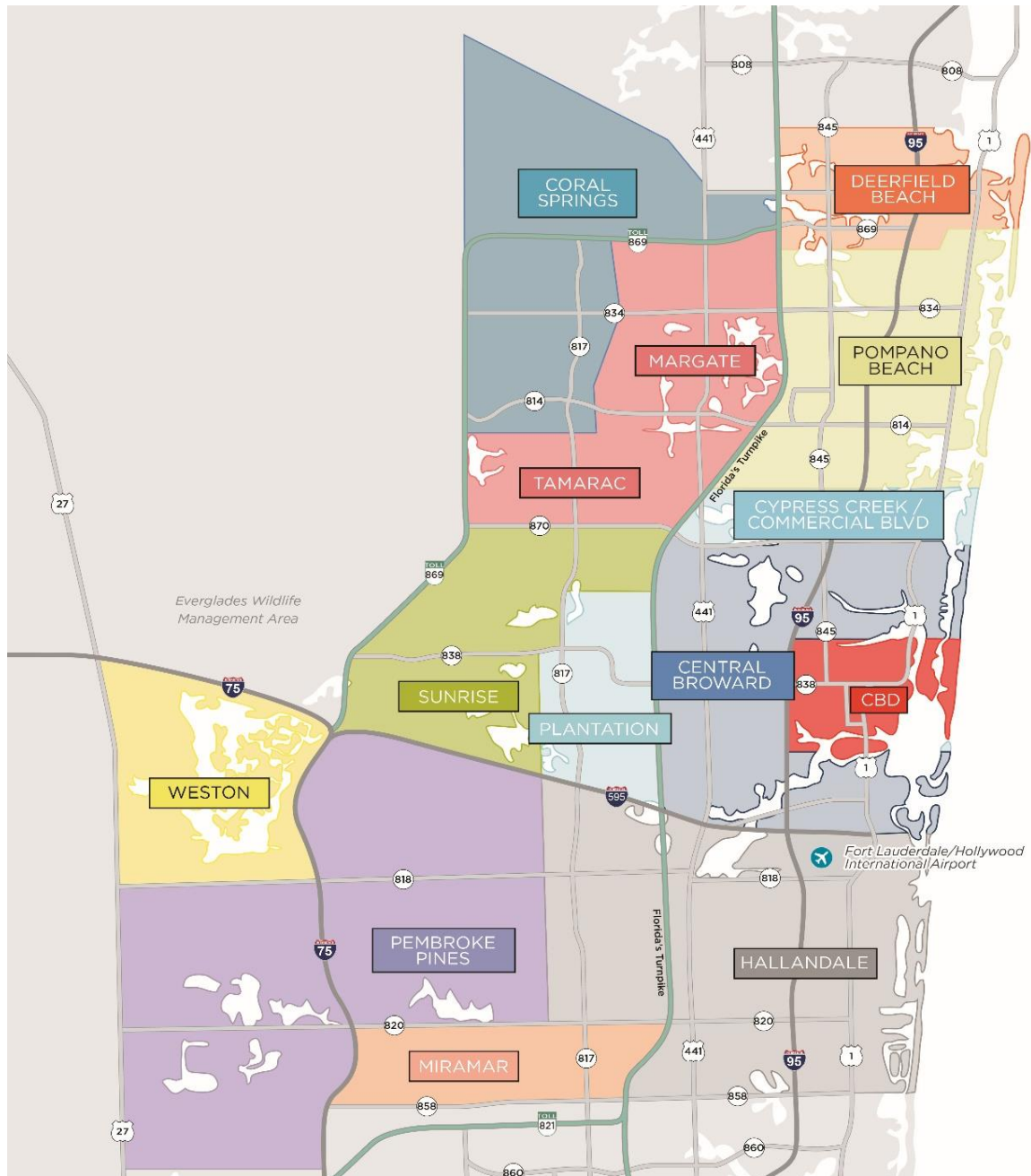
Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1515-1525 W Cypress Creek Road Portfolio Sale (2 Buildings)	196,948	The Alter Group LLC/Sheldon Gross	\$36,500,000/\$188	Cypress Creek/Commercial
1340 Concord Terrace	100,710	United Trust Fund/Harbor Group	\$32,450,000/\$322	Sunrise

MARKETBEAT

Broward County

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