



FORT LAUDERDALE

EXECUTIVE SUMMARY

- Robust population growth and persistent job creation are fuelling the commercial real estate market.
- Major new office deliveries in 2020 will place upward pressure on vacancy rates.
- Leasing activity for industrial product is likely to pick up as large blocks of new speculative space come online.
- Retail development is being driven by a boom in multifamily development.
- Overall investment volume has been increasing but may remain flat in 2020 due to global economic headwinds.

Positive economic fundamentals, an expanding labor market, and steady population gains have played pivotal roles in the growth of Fort Lauderdale's commercial real estate market. Broward County's consistently low unemployment rate, currently at 2.8%, and its central location and regional connectivity remains attractive to investors or corporations alike. An uptick in new development and strong investor sentiment have aided in positioning Fort Lauderdale for continued growth in 2020.

Healthy leasing activity, corporate expansions, and continued job creation all contributed to an active office market in Fort Lauderdale during 2019. Suburban submarkets continue to perform well as tenants search outside the CBD for large blocks of high-quality office product. This demand for large blocks of premium office space has encouraged a surge of development in the CBD for the first time in over a decade, with 357,000 sf delivering during the fourth quarter of 2020 with the completion of Main Las Olas. Net absorption has remained stable and relatively flat during 2019 when compared with 2018, however, it is important to note the incremental rise in sublease space since 2017, which could indicate a softening of market fundamentals. With construction competitions expecting to double in 2020, the overall vacancy rate will experience a significant rise as the new supply is absorbed.

Fort Lauderdale's industrial market remains strong due to its central location and convenient access to rail lines and major thoroughfares. The delivery of just over 3 million sf speculative industrial space during 2019 placed upward pressure on the overall vacancy rate at the end of the year, however, leasing activity remains strong and much of the new

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑	↑	↑↑
Vacant Space	↑↑	→	↓
Construction Levels	↑↑↑	→	↓
Leasing Volume	↑	↑	↑
Investment Volume	→	→	↑

industrial product will likely be absorbed quickly in 2020 as the demand for premium logistics space intensifies with the rapid expansion of the ecommerce industry. As construction costs continue to rise and concerns surrounding trade negotiations remain ongoing, it is likely that construct starts may slow down in 2020 and result in fewer construction completions than in 2019.

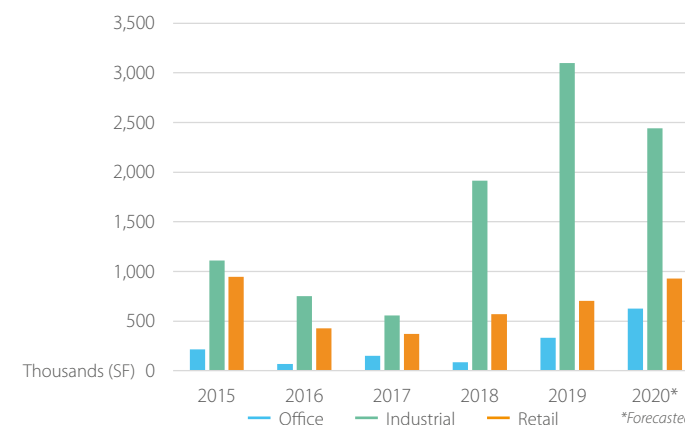
Fort Lauderdale's retail market performed well during 2019 despite the volatility of the retail sector nationally. Despite the shuttering of several national retailers, Fort Lauderdale has often been able to backfill the empty boxes with new retailers or non-traditional users like gyms or specialty grocers. A boom in multifamily development in Flagler Village, located just outside the immediate downtown area, is driving the demand for more retail development near the urban core. Following a national trend, much of the new retail being proposed has been incorporated into mixed-use or multifamily developments in an effort to create an urbanized, vibrant and walkable community for its residents. A prime example is the recently announced plan for a massive new mixed-use project called Fat Village that will

After over 10 years, Downtown Fort Lauderdale will be delivering its first major class A office tower since The Automation Building which was built in 2008. Main Las Olas, a premiere mixed-use development with 357,000 sf of office, 341 apartments, and a Publix-anchored ground floor retail element will be delivering in the forth quarter of 2020.

include a retail, office, apartment, and hotel component. The second phase of Dania Pointe, one of the largest mixed-use developments in South Florida, is also expected to be completed during 2020. The retail market is expected to remain on par with the same growth during 2019 for 2020.

Overall investment sales volume continued an upward trajectory in Broward County during 2019 with office and industrial assets experiencing a significant increase in investment from the previous year, while the multifamily and retail sectors experienced a slight decline. Several large sales of trophy office assets contributed to the boost in office investment sales including the \$117 million sale of One Financial Plaza in Downtown Fort Lauderdale. While three interest rate cuts during 2019 have helped to prolong the U.S.' record-breaking economic expansion, when paired with uncertainty surrounding trade negotiations, weakness in U.S. manufacturing and an approaching global economic slowdown, it is likely that commercial real estate investment sales will remain relatively flat during 2020.

CONSTRUCTION COMPLETIONS



Source: Avison Young and CoStar Realty Information, Inc.