

Low Vacancy Rates Hold Steady in Broward County as New Development Continues to Deliver Throughout the Market

The positive momentum created in 2018 carried over into the beginning of 2019 as Broward County's industrial market recorded moderate gains during the first quarter. Population growth, job creation, and robust demand for logistics space continues to drive the market as consumer expectations continuously evolve. Significant leasing activity took place throughout the first quarter as tenants seek out space in Broward County due to its port activity and convenient rail access. Net absorption ended the quarter in positive territory at 205,390 sf. Vacancy rates remain near record lows and well below the national average despite the county experiencing record-breaking new development deliveries throughout 2018. Land scarcity continues to drive rents with the average triple net asking rate climbing to \$9.78 per sf in the first quarter. Rising construction costs, a prolonged permitting process, and a shortage of labor is also contributing to the rise in rental rates.

Significant leasing activity occurred in the Southwest Broward and Pompano Beach submarkets including large renewals for Propulsion Technologies International at the Miramar Centre Business Park and Fair & Swanson at the Center Port Distribution Center. In an effort to lock in a high rental rate and keep large tenants in their existing space, a trend of landlords approaching tenants for early renewals is emerging as new class A industrial product delivers to the market. Broward County's industrial market is expected to see further growth in 2019 as investment activity remains strong and new development is underway.



1.6 million SF

of new industrial development is expected to deliver in Broward County by the end of the second quarter

Industrial Market Snapshot

- Industrial investment sales activity surged over the trailing 12-month period ending March 2019 with investment sales volume totaling \$752.4 million, an impressive 52% increase from the same period the year prior. The largest sale of the first quarter was Stockbridge Capital Group's \$62.3-million purchase of Powerline Business Park, a 443,720-sf small-bay industrial park in Deerfield Beach. This transaction is indicative of the growing demand from institutional investors and REITs for smaller class B assets with value-add opportunities to create rent growth.
- Port Everglades International Logistics Center LLC will be breaking ground on a 295,000-sf industrial project at Port Everglades in May of 2019. The project will include two logistics buildings, one 150,000-sf speculative building and one 145,000-sf building that is 100 percent preleased to an unspecified tenant. Both buildings are scheduled to be completed in May 2020.
- During the first quarter, the speculative 215,486-sf building D of Exeter Property Group's Coral Springs Commerce Center delivered

in the Northwest Broward submarket. The second phase of the project is also underway with the remodeling of a 193,200-sf existing warehouse, expected to deliver in May of this year, and three future speculative industrial buildings.

- Butters Construction & Development recently proposed the construction of the Tamarac Exchange Center, a two-building 355,000-sf speculative industrial project in the Northwest Broward submarket. Facing increasing land constraints, the Tamarac site is the last large buildable tract near the major thoroughfares of Commercial Boulevard and the Sawgrass Expressway.
- The Federal Reserve announced in late March that it would not continue to raise interest rates during 2019, and that it would instead hold interest rates steady at the target range between 2.25 and 2.5 percent, which was set in December. The decision was made on the basis that the economy's growth is slowing somewhat more than previously expected.

96.9 MSF

Total industrial inventory in the Broward County market

205,390 SF

Direct Y-T-D net absorption as of 1Q-2019

3.18%

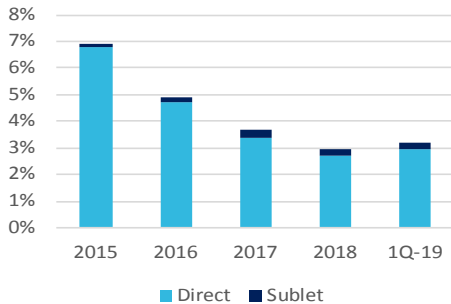
Overall Vacancy

\$9.78/SF/NNN

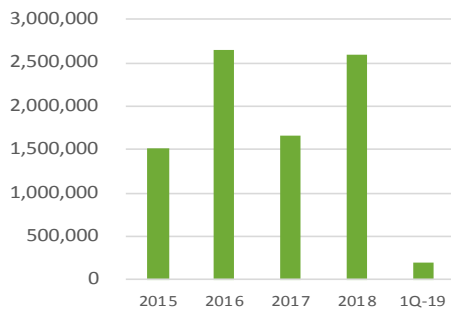
Average asking rental rate

Statistical Snapshot

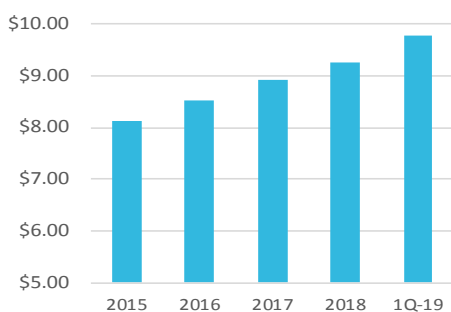
Vacancy Rate



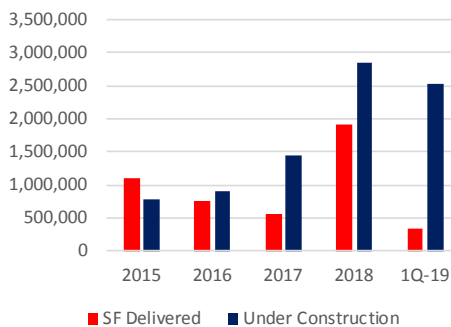
YTD Net Absorption (SF)



Average Asking Rent Rate (\$/SF/FS)



Construction Pipeline



Broward County Industrial Market At A Glance

Demographics & Economy



126.1 million
visitors to Florida during 2018, up
6% from the record set in 2017



1.5%
one-year population growth in
Broward County according to the
Florida Trend's 2019 Economic Outlook

3.5%
FEB-2018



3.3%
FEB-2019

change in the Broward County
unemployment rate

15,400

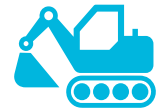
increase in total non-farm
employment since 1Q-2018

Development

Rock Lake Business Center



IDI Logistics broke ground on
the 119,222-sf building B of the
Rock Lake Business Center in the
Pompano Beach submarket.



2.35 MM

square feet under construction
in Broward County

Port Everglades



\$437.5 Million
planned for the largest ever
expansion project at Port
Everglades



38%
OF DEVELOPMENT
UNDERWAY

is located in the Pompano
Beach submarket

Market Influencers



**\$752.4
MILLION**

in total industrial sales volume
during the T-12 months ending 1Q-19



45.6%

of total industrial investment sales in
Broward County during 1Q-19 were
institutional investors



The dwindling supply of developable
land is causing upward pressure on
average rental rates



Increasing demand for class B industrial
redevelopment properties and value-add
opportunities

Broward County Industrial Market Report

First Quarter 2019



| Broward County | | | | | | | | | | |
|--------------------------|-------------------|------------------|------------------|---------------|---------------|--------------|----------------|---------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | Occupancy | Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | Net Absorption |
| Bulk Distribution | 20,823,680 | 1,430,383 | 61,120 | \$8.56 | 93.13% | 6.87% | 0.29% | 7.16% | 1,391,220 | 253,668 |
| Flex | 19,443,304 | 577,126 | 89,069 | \$12.64 | 97.03% | 2.97% | 0.46% | 3.43% | 0 | 25,173 |
| Manufacturing | 8,148,250 | 76,148 | 32,600 | \$9.35 | 99.07% | 0.93% | 0.40% | 1.33% | 0 | 51,746 |
| Warehouse / Distribution | 48,458,252 | 794,442 | 18,008 | \$9.94 | 98.36% | 1.64% | 0.04% | 1.68% | 963,126 | (125,197) |
| Total | 96,873,486 | 2,878,099 | 200,797 | \$9.78 | 97.03% | 2.97% | 0.21% | 3.18% | 2,354,346 | 205,390 |

| Central Broward | | | | | | | | | | |
|--------------------------|-------------------|------------------|------------------|---------------|---------------|--------------|----------------|---------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | Occupancy | Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | Net Absorption |
| Bulk Distribution | 528,007 | 51,180 | 0 | \$9.50 | 90.31% | 9.69% | 0.00% | 9.69% | 0 | 0 |
| Flex | 2,963,543 | 64,537 | 0 | \$10.81 | 97.82% | 2.18% | 0.00% | 2.18% | 0 | 49,975 |
| Manufacturing | 1,376,161 | 1,700 | 0 | \$7.50 | 99.88% | 0.12% | 0.00% | 0.12% | 0 | 0 |
| Warehouse / Distribution | 6,249,324 | 120,702 | 0 | \$9.18 | 98.07% | 1.93% | 0.00% | 1.93% | 63,720 | (15,844) |
| Total | 11,117,035 | 238,119 | 0 | \$9.68 | 97.86% | 2.14% | 0.00% | 2.14% | 63,720 | 34,131 |

| Northeast Broward | | | | | | | | | | |
|--------------------------|-------------------|------------------|------------------|---------------|---------------|--------------|----------------|---------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | Occupancy | Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | Net Absorption |
| Bulk Distribution | 2,824,132 | 177,223 | 0 | \$8.54 | 93.72% | 6.28% | 0.00% | 6.28% | 0 | 0 |
| Flex | 2,042,374 | 31,136 | 0 | \$16.10 | 98.48% | 1.52% | 0.00% | 1.52% | 0 | 13,815 |
| Manufacturing | 867,428 | 0 | 0 | \$0.00 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Warehouse / Distribution | 4,576,736 | 64,135 | 17,658 | \$9.73 | 98.60% | 1.40% | 0.39% | 1.79% | 0 | 31,162 |
| Total | 10,310,670 | 272,494 | 17,658 | \$9.68 | 97.36% | 2.64% | 0.17% | 2.81% | 0 | 44,977 |

| Northwest Broward | | | | | | | | | | |
|--------------------------|------------------|------------------|------------------|---------------|---------------|--------------|----------------|---------------|--------------------|-----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | Occupancy | Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | Net Absorption |
| Bulk Distribution | 1,626,689 | 254,387 | 0 | \$7.08 | 84.36% | 15.64% | 0.00% | 15.64% | 0 | 0 |
| Flex | 1,556,040 | 41,306 | 10,600 | \$12.74 | 97.35% | 2.65% | 0.68% | 3.34% | 0 | (386) |
| Manufacturing | 779,686 | 3,126 | 32,600 | \$12.00 | 99.60% | 0.40% | 4.18% | 4.58% | 0 | (2) |
| Warehouse / Distribution | 1,985,413 | 10,576 | 0 | \$9.50 | 99.47% | 0.53% | 0.00% | 0.53% | 0 | (10,576) |
| Total | 5,947,828 | 309,395 | 43,200 | \$7.96 | 94.80% | 5.20% | 0.73% | 5.93% | 0 | (10,964) |

| Pompano Beach | | | | | | | | | | |
|--------------------------|-------------------|------------------|------------------|---------------|---------------|--------------|----------------|---------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | Occupancy | Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | Net Absorption |
| Bulk Distribution | 3,249,149 | 86,174 | 0 | \$8.50 | 97.35% | 2.65% | 0.00% | 2.65% | 598,890 | 30,076 |
| Flex | 4,267,397 | 126,202 | 930 | \$10.99 | 97.04% | 2.96% | 0.02% | 2.98% | 0 | (9,643) |
| Manufacturing | 2,489,460 | 54,733 | 0 | \$7.50 | 97.80% | 2.20% | 0.00% | 2.20% | 0 | 2,473 |
| Warehouse / Distribution | 13,299,405 | 166,319 | 0 | \$9.20 | 98.75% | 1.25% | 0.00% | 1.25% | 360,486 | 74,962 |
| Total | 23,305,411 | 433,428 | 930 | \$9.37 | 98.14% | 1.86% | 0.00% | 1.86% | 959,376 | 97,868 |

| Southeast Broward | | | | | | | | | | |
|--------------------------|-------------------|------------------|------------------|---------------|---------------|--------------|----------------|---------------|--------------------|------------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | Occupancy | Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | Net Absorption |
| Bulk Distribution | 2,567,346 | 297,006 | 0 | \$7.59 | 88.43% | 11.57% | 0.00% | 11.57% | 222,145 | 0 |
| Flex | 2,897,331 | 124,843 | 13,364 | \$13.48 | 95.69% | 4.31% | 0.46% | 4.77% | 0 | (4,102) |
| Manufacturing | 1,522,767 | 0 | 0 | \$0.00 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Warehouse / Distribution | 12,512,808 | 277,241 | 0 | \$9.69 | 97.78% | 2.22% | 0.00% | 2.22% | 448,305 | (164,584) |
| Total | 19,500,252 | 699,090 | 13,364 | \$9.48 | 96.41% | 3.59% | 0.07% | 3.65% | 670,450 | (168,686) |

| Southwest Broward | | | | | | | | | | |
|--------------------------|-------------------|------------------|------------------|----------------|---------------|--------------|----------------|---------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | Occupancy | Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | Net Absorption |
| Bulk Distribution | 8,161,117 | 495,187 | 61,120 | \$9.83 | 93.93% | 6.07% | 0.75% | 6.82% | 570,185 | 223,592 |
| Flex | 3,013,874 | 154,911 | 120 | \$13.78 | 94.86% | 5.14% | 0.00% | 5.14% | 0 | (15,647) |
| Manufacturing | 618,045 | 1,589 | 0 | \$21.00 | 99.74% | 0.26% | 0.00% | 0.26% | 0 | 45,275 |
| Warehouse / Distribution | 5,484,219 | 78,541 | 350 | \$10.36 | 98.57% | 1.43% | 0.01% | 1.44% | 45,015 | (4,718) |
| Total | 17,277,255 | 730,228 | 61,590 | \$10.75 | 95.77% | 4.23% | 0.36% | 4.58% | 615,200 | 248,502 |

| West Broward | | | | | | | | | | |
|--------------------------|------------------|------------------|------------------|----------------|---------------|--------------|----------------|---------------|--------------------|-----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | Occupancy | Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | Net Absorption |
| Bulk Distribution | 1,867,240 | 69,226 | 0 | \$8.50 | 96.29% | 3.71% | 0.00% | 3.71% | 0 | 0 |
| Flex | 2,702,745 | 34,191 | 64,055 | \$10.72 | 98.73% | 1.27% | 2.37% | 3.64% | 0 | (8,839) |
| Manufacturing | 494,703 | 15,000 | 0 | \$14.52 | 96.97% | 3.03% | 0.00% | 3.03% | 0 | 4,000 |
| Warehouse / Distribution | 4,350,347 | 76,928 | 0 | \$13.45 | 98.23% | 1.77% | 0.00% | 1.77% | 45,600 | (35,599) |
| Total | 9,415,035 | 195,345 | 64,055 | \$11.30 | 97.93% | 2.07% | 0.68% | 2.76% | 45,600 | (40,438) |

Reporting Methodology: This report includes all industrial buildings and parks 20,000 SF and greater in Broward County that are not government owned. All rents are reported on a triple-net basis and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

New construction of industrial product in Broward County is up 25% over the trailing 12-month period ending March 2019, indicating solid investor confidence in the market.

Leading Indicators (Y-O-Y 1Q-2018 to 1Q-2019)

| Vacancy Rate | Net Absorption | Average Asking Rate (NNN) | New Construction | Total Employment |
|--------------|----------------|---------------------------|------------------|------------------|
| 3.18% | 205,390 SF | \$9.78 | 2,354,346 SF | 1.00 MM |

Significant First Quarter 2019 Lease Transactions - Sorted by SF

| Tenant | Property | Type | SF | Submarket |
|--|---------------------------------|-------------------|---------|-------------------|
| Propulsion Technologies International | Miramar Centre Business Park | Renewal | 124,280 | Southwest Broward |
| Fairn & Swanson | Center Port Distribution Center | Renewal/Expansion | 95,540 | Pompano Beach |
| Sonny's Enterprises* | Westpoint Distribution Center | Renewal/Expansion | 66,270 | West Broward |
| Southern Furniture Leasing | Superior Commerce Park | Renewal | 50,660 | Pompano Beach |
| Badcock's Economy Furniture | Park Central 2101 | New | 35,828 | Pompano Beach |
| Electriduct, Inc. | Pompano Center of Commerce II | New | 28,787 | Pompano Beach |
| Florida International Marketing Distribution | 1201 NE 38th Street | New | 28,000 | Central Broward |
| Basanite Industries | 2041 NW 15th Avenue | New | 25,740 | Pompano Beach |

* Avison Young handled this transaction

Significant First Quarter 2019 Sales Transactions - Sorted by Sale Price

| Property | SF | Sale Price | Price/SF | Buyer | Submarket |
|--|---------|--------------|----------|-----------------------------|-------------------|
| Powerline Business Park | 443,720 | \$62,250,000 | \$140 | Stockbridge Capital Group | Northeast Broward |
| Bridge Point Miramar | 304,428 | \$38,000,000 | \$125 | Bridge Development Partners | Southwest Broward |
| Deerfield Corporate Park | 247,079 | \$36,300,000 | \$147 | Brookfield Property Group | Northeast Broward |
| South Florida Distribution Center - Building A | 224,572 | \$35,000,000 | \$155 | Vital Pharmaceuticals, Inc. | Southwest Broward |

Vital Pharmaceuticals purchases recently constructed distribution warehouse

One of the largest industrial sales of the first quarter was Vital Pharmaceutical's \$35-million acquisition of the recently completed 244,572-sf warehouse at the South Florida Distribution Center in Southwest Broward. The company, which manufactures Bang energy drinks and other health-centric products, purchased the building from Core5 Industrial Partners and Helms Development and will be relocating its corporate headquarters in Weston to building A in the business park.





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