

# Broward County

## Positive Market Fundamentals Driving Strong Leasing Activity and Rent Growth as New Supply Comes Online

Broward County's industrial market continued to experience significant growth during the third quarter of 2019 as national concerns began to increase regarding a global economic slowdown and deteriorating trade relations. July marked the longest economic expansion in U.S. history and in an effort to prolong that expansion, the Federal Reserve issued two interest rate cuts during the third quarter lowering the benchmark interest rate to between 1.75 and 2%. Broward County recorded significant gains in net absorption, totaling just under 1 million sf for the year-to-date, and the overall vacancy rate remains below 4.0% despite 1.9 million sf of industrial space delivering to the market so far during 2019.

Leasing activity has been swift with the largest transaction during the third quarter being the Florida Home Improvement Associates' lease of 103,000 sf at the Port 95 Distribution Center. Although leasing activity has predominately been in the Pompano Beach and Southwest Broward submarkets for the last several quarters, a spike in leasing and development activity emerged in the Northwest Broward submarket during the third quarter. Exeter Property Group broke ground on buildings 2 and 3 at Coral Springs Commerce Center II, where Medgluv has leased 21,692 sf at building 3. Victory Van Lines also signed a lease for 38,901 sf at Building A at Coral Springs Commerce Center I. Rental rates continue to climb in Broward County as the average asking rental rate for bulk distribution space increased to \$8.70 per sf, a substantial 10.8% increase from the third quarter of 2018. Fundamentals are expected to remain in check as strong population growth and robust port activity continue to drive demand for logistics space in Broward County.



**1.9 million SF** of industrial space has delivered in Broward County for the year-to-date, on track to surpass total completions during 2018.

### Industrial Market Snapshot

- One of the largest leases of the third quarter was The Stone Collection's (formerly known as Marble of the World) 94,261-sf lease at the newly completed Pompano Business Center II. The company, one of South Florida's largest marble importers and distributors, will relocate from its 75,000-sf space at 6001 Powerline Rd to the new building in February of 2020, becoming the building's first tenant.
- One of the most significant speculative industrial deliveries during the third quarter of 2019 was the completion of the three-building Bridge Point Powerline Road in the Pompano Beach submarket. The three buildings delivered a total of 467,832 sf and Building 1 has been entirely leased to TSF Sportswear, which took occupancy at the beginning of October. Building 2 has three leases pending for the entire 172,927 sf and Building 3 remains available with 121,978 sf.
- Industrial investment sales have surged during 2019 with investment volume totaling \$774.9 million over the trailing 12 months ending September of 2019, an impressive 84% jump over the total investment volume for the same time period in 2018. Investors continue to be attracted to Broward's industrial market due to the convenience of its centralized location, consistently low vacancies, and robust port activity. Of the total industrial investment sales for the year-to-date, 50.7% were to institutional investors, up from 45.1% during the same period in 2018.
- While industrial assets continue to attract significant investment interest from institutional investors, nontraditional industrial buyers are now starting to take an interest in the industrial market. A prime example was the recent announcement from Thor Equities, a real estate development, leasing, and management firm that primarily specializes in office, retail, hotel and residential assets, that it would be launching a new division called ThorLogis that will focus exclusively on logistics assets.
- In an off-market deal during the third quarter of 2019, Exclusive Trim and Doors purchased a site within Coral Springs Corporate Park to build a new 117,000-sf manufacturing facility. The company will build two buildings at the site and will relocate and expand its manufacturing facility there from its current 34,000-sf location at 4880 N Hiatus Road. The buildings are currently scheduled to deliver by the second quarter of 2020.

**98.4 MSF**

Total industrial inventory in the Broward County market

**984,456 SF**

Direct Y-T-D net absorption as of 3Q-2019

**3.83%**

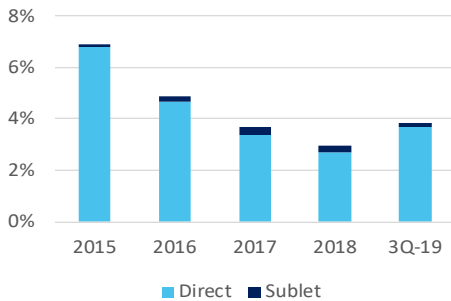
Overall Vacancy

**\$9.82/SF/NNN**

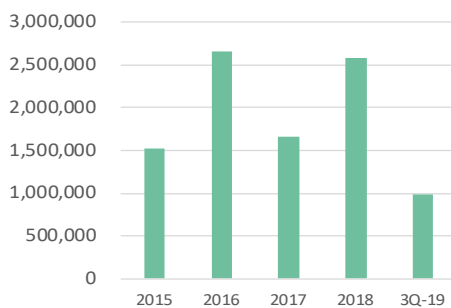
Average rental rate for industrial space (includes flex)

### Statistical Snapshot

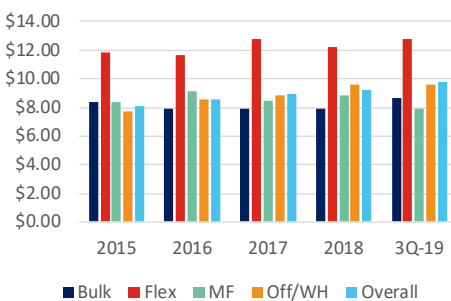
#### Vacancy Rate



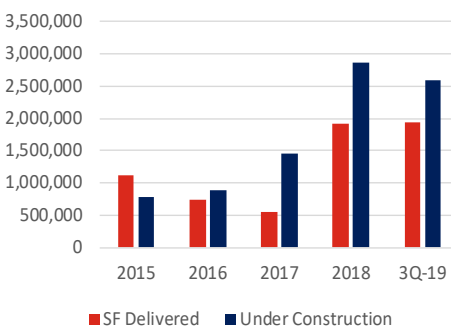
#### YTD Net Absorption (SF)



#### Average Asking Rent Rate (\$/SF/NNN)



#### Construction Pipeline



### Broward County Industrial Market At A Glance

#### Demographics & Economy



**22 Million**

State demographers are projecting that Florida's population will surpass 22 million by 2022.

**11,400**

increase in total non-farm employment since 3Q-2018



U.S. GDP growth fell from 3.1% in the first quarter to 2.0% in the second quarter of 2019.

**3.4%**  
AUG-2018



**3.3%**  
AUG-2019

change in Broward County's unemployment rate

#### Development

#### BRIDGE POINT 595

is gearing up to break ground on 677,314 sf of new industrial space in Davie early in 4Q19. Completion is expected in 3Q20.



**2.6 MSF**

square feet of industrial space currently under construction in Broward County



**310 K**

square feet of new industrial development underway in Northwest Broward



**770,807 SF**

of speculative industrial development has delivered in Pompano Beach so far in 2019

#### Market Influencers



**\$774.9 million**

in total industrial sales volume during the T-12 months ending 3Q19



**10.8%**

increase in bulk distribution average rental rate over the trailing 12 months ending 3Q-2019



**50.7%**

of total investment sales for the year-to-date were to institutional investors



Amazon's recent dedication to a one-day delivery service for Prime members is fueling demand for last-mile logistics space.

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	21,730,933	1,520,695	0	\$8.70	93.00%	7.00%	0.00%	7.00%	1,298,697	1,022,874
Flex	19,527,987	776,958	80,749	\$12.80	96.02%	3.98%	0.41%	4.39%	150,113	(65,339)
Manufacturing	8,203,250	215,889	0	\$7.96	97.37%	2.63%	0.00%	2.63%	130,000	5,005
Warehouse / Distribution	48,961,472	1,119,711	58,153	\$9.63	97.71%	2.29%	0.12%	2.41%	1,020,599	21,916
<b>Total</b>	<b>98,423,642</b>	<b>3,633,253</b>	<b>138,902</b>	<b>\$9.82</b>	<b>96.31%</b>	<b>3.69%</b>	<b>0.14%</b>	<b>3.83%</b>	<b>2,599,409</b>	<b>984,456</b>

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	\$9.15	90.31%	9.69%	0.00%	9.69%	0	0
Flex	3,027,263	121,214	0	\$10.99	96.00%	4.00%	0.00%	4.00%	0	57,018
Manufacturing	1,376,161	16,115	0	\$8.06	98.83%	1.17%	0.00%	1.17%	0	(14,415)
Warehouse / Distribution	6,249,324	106,878	0	\$8.60	98.29%	1.71%	0.00%	1.71%	0	(62,580)
<b>Total</b>	<b>11,180,755</b>	<b>295,387</b>	<b>0</b>	<b>\$9.65</b>	<b>97.36%</b>	<b>2.64%</b>	<b>0.00%</b>	<b>2.64%</b>	<b>0</b>	<b>(19,977)</b>

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	85,295	0	\$12.59	95.82%	4.18%	0.00%	4.18%	0	(40,344)
Manufacturing	867,428	10,000	0	\$8.75	98.85%	1.15%	0.00%	1.15%	0	(10,000)
Warehouse / Distribution	4,576,736	182,630	16,008	\$9.92	96.01%	3.99%	0.35%	4.34%	0	(79,206)
<b>Total</b>	<b>10,310,670</b>	<b>455,148</b>	<b>16,008</b>	<b>\$9.86</b>	<b>95.59%</b>	<b>4.41%</b>	<b>0.16%</b>	<b>4.57%</b>	<b>0</b>	<b>(129,550)</b>

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	216,493	0	\$7.49	86.69%	13.31%	0.00%	13.31%	0	37,894
Flex	1,556,040	63,064	10,600	\$11.99	95.95%	4.05%	0.68%	4.73%	0	(22,144)
Manufacturing	779,686	91,009	0	\$6.88	88.33%	11.67%	0.00%	11.67%	130,000	(49,885)
Warehouse / Distribution	1,985,413	13,300	0	\$10.87	99.33%	0.67%	0.00%	0.67%	180,194	(13,300)
<b>Total</b>	<b>5,947,828</b>	<b>383,866</b>	<b>10,600</b>	<b>\$8.20</b>	<b>93.55%</b>	<b>6.45%</b>	<b>0.18%</b>	<b>6.63%</b>	<b>310,194</b>	<b>(47,435)</b>

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	3,728,817	236,930	0	\$8.03	93.65%	6.35%	0.00%	6.35%	691,040	368,212
Flex	4,267,397	104,344	930	\$11.98	97.55%	2.45%	0.02%	2.47%	0	12,215
Manufacturing	2,489,460	79,835	0	\$7.90	96.79%	3.21%	0.00%	3.21%	0	(22,629)
Warehouse / Distribution	13,522,044	429,051	21,030	\$8.53	96.83%	3.17%	0.16%	3.33%	137,632	34,869
<b>Total</b>	<b>24,007,718</b>	<b>850,160</b>	<b>21,960</b>	<b>\$8.75</b>	<b>96.46%</b>	<b>3.54%</b>	<b>0.09%</b>	<b>3.63%</b>	<b>828,672</b>	<b>392,667</b>

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	2,789,491	483,602	0	\$7.96	82.66%	17.34%	0.00%	17.34%	0	35,549
Flex	2,872,694	152,487	8,364	\$13.07	94.69%	5.31%	0.29%	5.60%	0	(31,746)
Manufacturing	1,577,767	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	55,000
Warehouse / Distribution	12,793,389	254,523	19,615	\$9.85	98.01%	1.99%	0.15%	2.14%	470,336	160,310
<b>Total</b>	<b>20,033,341</b>	<b>890,612</b>	<b>27,979</b>	<b>\$9.37</b>	<b>95.55%</b>	<b>4.45%</b>	<b>0.14%</b>	<b>4.59%</b>	<b>470,336</b>	<b>219,113</b>

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	8,366,557	355,267	0	\$10.93	95.75%	4.25%	0.00%	4.25%	249,005	524,042
Flex	3,013,874	220,472	0	\$14.55	92.68%	7.32%	0.00%	7.32%	150,113	(81,208)
Manufacturing	618,045	12,930	0	\$14.17	97.91%	2.09%	0.00%	2.09%	0	33,934
Warehouse / Distribution	5,484,219	39,746	500	\$13.41	99.28%	0.72%	0.01%	0.73%	232,437	34,077
<b>Total</b>	<b>17,482,695</b>	<b>628,415</b>	<b>500</b>	<b>\$12.42</b>	<b>96.41%</b>	<b>3.59%</b>	<b>0.00%</b>	<b>3.60%</b>	<b>631,555</b>	<b>510,845</b>

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	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	358,652	57,177
Flex	2,748,345	30,082	60,855	\$11.06	98.91%	1.09%	2.21%	3.31%	0	40,870
Manufacturing	494,703	6,000	0	\$10.00	98.79%	1.21%	0.00%	1.21%	0	13,000
Warehouse / Distribution	4,350,347	93,583	1,000	\$12.91	97.85%	2.15%	0.02%	2.17%	0	(52,254)
<b>Total</b>	<b>9,460,635</b>	<b>129,665</b>	<b>61,855</b>	<b>\$12.34</b>	<b>98.63%</b>	<b>1.37%</b>	<b>0.65%</b>	<b>2.02%</b>	<b>358,652</b>	<b>58,793</b>

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.

The overall vacancy rate rose 93 basis points over the trailing 12 months ending in September 2019, largely attributable to several significant speculative deliveries.

### Leading Indicators (Y-O-Y 3Q-2018 to 3Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	New Construction	Total Employment
3.83%	984,456 SF	\$9.82	2,599,409 SF	1.02 MM

### Significant Third Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Florida Home Improvement Associates	Port 95 Distribution Center	New	103,000	Southeast Broward
The Stone Collection	Pompano Business Center II	New	94,261	Pompano Beach
4Ocean	Hillsboro Technology Center - Building D	Sublease	41,704	Northeast Broward
KSM Electronics	Westpoint Industrial Center	Renewal	41,520	West Broward
Victory Van Lines	Coral Springs Commerce Center - Building A	New	38,901	Northwest Broward
Event Effects Group	Pompano Center of Commerce II	New	37,786	Pompano Beach
SSF Audio	1570 SW 13th Ct	New	33,000	Pompano Beach
Carvalla	Davie Business Center - Building D	New	32,060	Southwest Broward
Life Electric Vehicles	Hillsboro Technology Center - Building D	Sublease	31,669	Northeast Broward
SouthernCarlson Inc.*	I-595 Business Center	New	27,379	Southeast Broward
Defense and Development Enterprises*	Meridian Business Campus	New	27,000	West Broward
MedGluV, Inc.*	Coral Springs Commerce Center II - Building 3	New	21,692	Northwest Broward

\*Avison Young handled this transaction

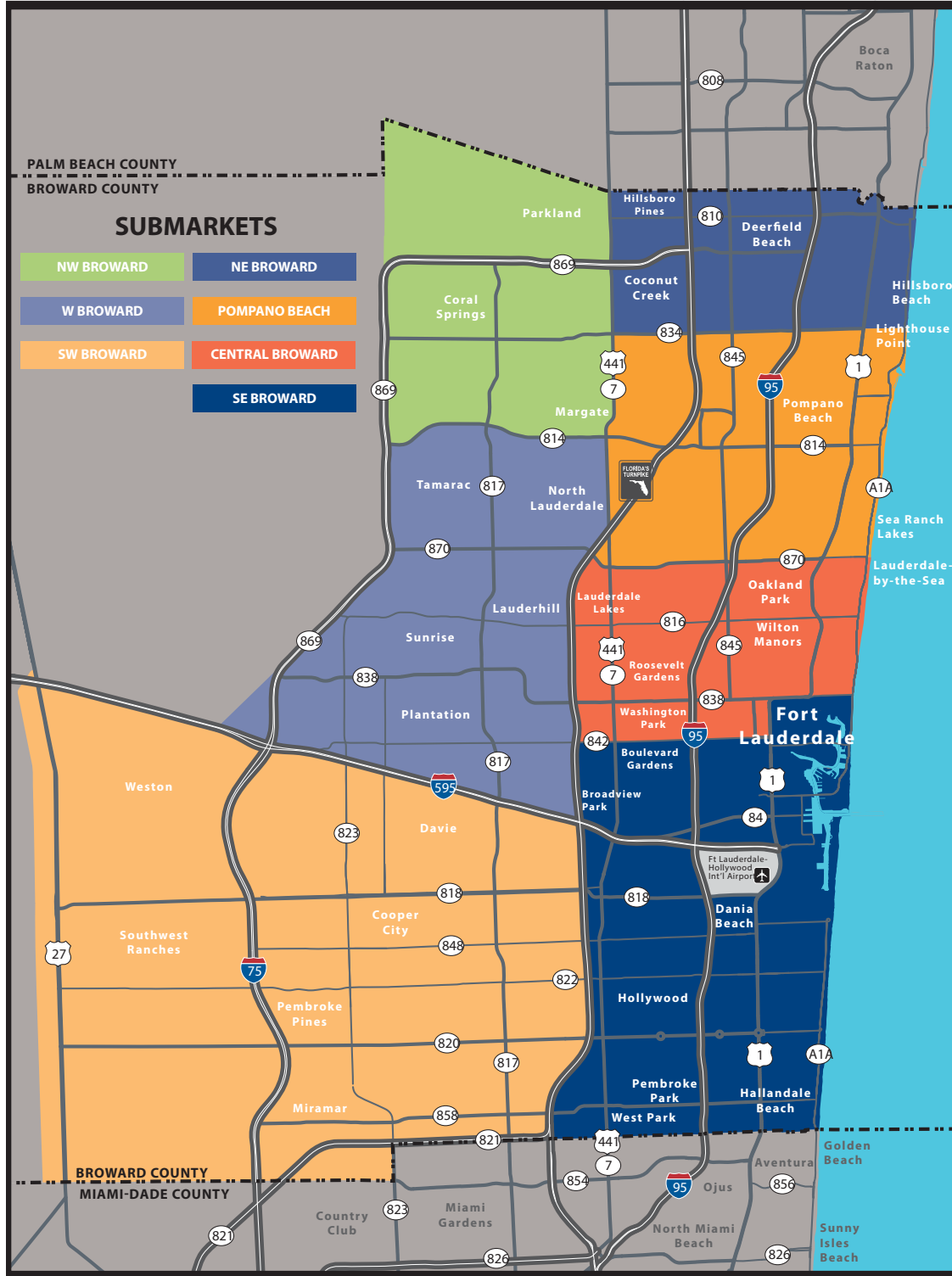
### Significant Third Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
IDI Logistics Industrial Portfolio (5 Bldgs)	607,546	\$116,500,000	\$192	Stockbridge Capital Group	Southwest Broward
3201 SW 15th St	104,000	\$12,900,000	\$124	HCA Healthcare Inc.	Northeast Broward
2121 NW 15th Ave	88,000	\$10,600,000	\$120	Elion Partners	Pompano Beach



### Stockbridge Capital Purchases Five Buildings in Miramar for \$116.5MM

Mid-way through the third quarter of 2019, IDI Logistics sold a five-building portfolio of industrial assets in Miramar to San Francisco-based Stockbridge Capital Group for \$116.5 million. The acquisition totaled 607,546 sf and the sale price equated to about \$192 per sf. Stockbridge Capital Group has been an active buyer of South Florida industrial assets. Early in 2019, the company also acquired the 443,720-sf Powerline Business Park in Pompano Beach for \$62.3 million.



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