

Broward’s industrial market sees a large uptick in vacancy as new deliveries come online

The industrial market in Broward held steady during the third quarter with net absorption still trending positive and healthy leasing fundamentals. Prior to the onset of COVID-19, Broward had begun to see supply catch up with demand as numerous speculative projects delivered each quarter, and that trend has persisted. Although leasing velocity still remained active, net absorption remained fairly flat during the third quarter.

A wave of construction deliveries has pushed vacancy to new heights with an increase of 233 basis points (bps) to 6.16% over the trailing 12 months ending in September. The uptick in vacancy is almost solely due to the considerable number of speculative deliveries over the last few quarters and not from significant tenant move-outs. So far, 1.5 million sf of new industrial space has delivered during 2020, 84% of which has yet to be leased. Nearly 3 million sf remains under construction, most of which is set to deliver by the end of this year and in the first quarter of next year.

Demand continues in Pompano Beach and Northwest Broward

Leasing activity has remained solid in Broward County throughout the pandemic, most notably in the Pompano Beach and Northwest Broward submarkets. Amazon in particular has been extremely active in South Florida during the pandemic as an uptick in online ordering fueled a stronger need

for increased warehouse space. Since the beginning of the second quarter, Amazon has signed over 3.5 million sf of space in South Florida alone and according to a report by IBM’s U.S. Retail Index, the pandemic has accelerated the shift to e-commerce by five years.

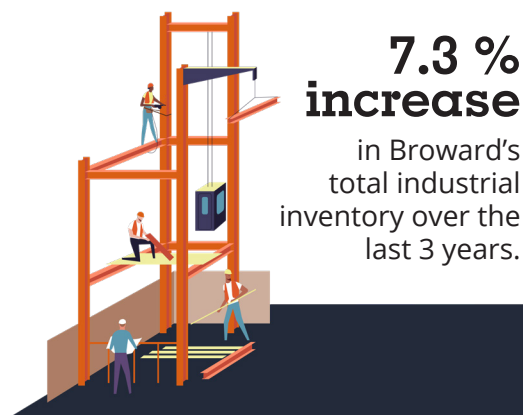
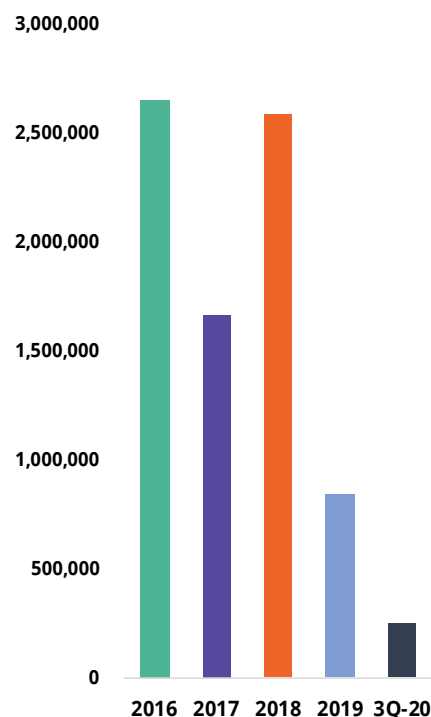
Investment activity beginning to pick up

Investment activity has begun to accelerate slightly, however it still lags considerably when compared to sales volume last year. The total volume for the trailing 12 months ending in September was \$488.9 million, down significantly by 57% from the same time one year prior. The largest sale of the quarter was a portfolio of buildings that Blackstone purchased from Elion Partners in South Florida for \$93.5 million, \$33.2 million of which was in Broward County.

Looking ahead toward 2021

Despite the influx of supply, demand still remains strong in Broward and market fundamentals have been healthy. A brief pause in construction starts due the pandemic may allow some time for demand to catch up with supply and for vacancies to compress. Even with the increase in online ordering during the pandemic, e-commerce still only accounted for 15.1% of retail sales according to data released by the US Census Bureau, leaving plenty of room for runway in the coming years and allowing growth to continue in Broward.

Historical 5-Year Net Absorption Trend



100.3 MSF

Total inventory in the Broward Industrial market

253,265 SF

Direct Y-T-D net absorption as of 3Q-2020

6.16%

Overall vacancy

\$8.94/SF/NNN

Average rental rate for industrial space (excluding flex)

Market by the numbers

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	22,488,102	2,369,305	132,173	\$8.32	89.46%	10.54%	0.59%	11.12%	1,907,877	423,132
Flex	21,022,321	1,158,211	43,730	\$13.42	94.49%	5.51%	0.21%	5.72%	70,335	(129,914)
Manufacturing	8,168,009	221,975	0	\$9.91	97.28%	2.72%	0.00%	2.72%	130,000	50,857
Warehouse / Distributi	48,638,094	2,134,617	118,901	\$9.54	95.61%	4.39%	0.24%	4.63%	816,650	(90,810)
Total	100,316,526	5,884,108	294,804	\$9.83	94.13%	5.87%	0.29%	6.16%	2,924,862	253,265

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	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Flex	2,797,207	111,445	0	\$11.43	96.02%	3.98%	0.00%	3.98%	0	10,883
Manufacturing	1,423,664	63,279	0	\$8.32	95.56%	4.44%	0.00%	4.44%	0	339
Warehouse / Distributi	6,176,619	169,570	66,800	\$10.30	97.25%	2.75%	1.08%	3.83%	0	(59,651)
Total	10,925,497	344,294	66,800	\$10.30	96.85%	3.15%	0.61%	3.76%	0	(48,429)

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	2,812,115	180,544	0	\$8.68	93.58%	6.42%	0.00%	6.42%	151,870	(42,360)
Flex	2,003,327	76,418	0	\$15.89	96.19%	3.81%	0.00%	3.81%	0	(1,570)
Manufacturing	867,428	51,500	0	\$8.00	94.06%	5.94%	0.00%	5.94%	0	(41,500)
Warehouse / Distributi	4,694,717	205,613	0	\$10.14	95.62%	4.38%	0.00%	4.38%	144,161	(21,620)
Total	10,377,587	514,075	0	\$10.27	95.05%	4.95%	0.00%	4.95%	296,031	(107,050)

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	1,821,130	444,647	40,000	\$7.50	75.58%	24.42%	2.20%	26.61%	0	(32,582)
Flex	1,556,040	59,831	270	\$12.81	96.15%	3.85%	0.02%	3.86%	0	11,157
Manufacturing	790,668	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	130,000	91,009
Warehouse / Distributi	2,165,918	101,817	0	\$7.50	95.30%	4.70%	0.00%	4.70%	103,356	97,377
Total	6,333,756	606,295	40,270	\$8.02	90.43%	9.57%	0.64%	10.21%	233,356	166,961

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	4,450,733	627,007	0	\$8.42	85.91%	14.09%	0.00%	14.09%	0	249,963
Flex	4,493,067	217,475	6,919	\$12.59	95.16%	4.84%	0.15%	4.99%	70,335	(78,287)
Manufacturing	2,489,460	30,200	0	\$7.41	98.79%	1.21%	0.00%	1.21%	0	47,355
Warehouse / Distributi	13,685,706	618,538	27,118	\$8.93	95.48%	4.52%	0.20%	4.72%	439,830	(97,525)
Total	25,118,966	1,493,220	34,037	\$9.22	94.06%	5.94%	0.14%	6.08%	510,165	121,506

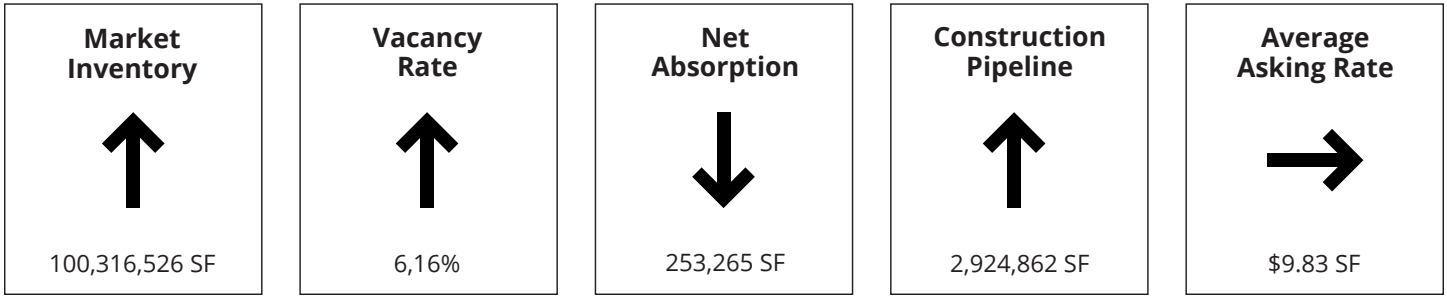
Southeast Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	Occupancy	Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	Net Absorption
Bulk Distribution	2,942,052	443,728	0	\$8.59	84.92%	15.08%	0.00%	15.08%	545,998	(13,242)
Flex	3,162,213	132,553	0	\$11.77	95.81%	4.19%	0.00%	4.19%	0	(10,939)
Manufacturing	1,611,302	67,346	0	\$13.62	95.82%	4.18%	0.00%	4.18%	0	(46,346)
Warehouse / Distributi	12,703,521	516,700	24,983	\$9.91	95.93%	4.07%	0.20%	4.26%	0	156,502
Total	20,419,088	1,160,327	24,983	\$9.83	94.32%	5.68%	0.12%	5.80%	545,998	85,975

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	8,200,925	673,379	92,173	\$8.49	91.79%	8.21%	1.12%	9.33%	851,357	261,353
Flex	3,978,901	452,044	36,541	\$14.47	88.64%	11.36%	0.92%	12.28%	0	(41,918)
Manufacturing	469,096	9,650	0	\$12.50	97.94%	2.06%	0.00%	2.06%	0	0
Warehouse / Distributi	5,698,443	387,825	0	\$9.67	93.19%	6.81%	0.00%	6.81%	129,303	(136,572)
Total	18,347,365	1,522,898	128,714	\$10.59	91.70%	8.30%	0.70%	9.00%	980,660	82,863

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	1,733,140	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	358,652	0
Flex	3,031,566	108,445	0	\$13.40	96.42%	3.58%	0.00%	3.58%	0	(19,240)
Manufacturing	516,391	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distributi	3,513,170	134,554	0	\$10.21	96.17%	3.83%	0.00%	3.83%	0	(29,321)
Total	8,794,267	242,999	0	\$11.63	97.24%	2.76%	0.00%	2.76%	358,652	(48,561)

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.

Leading Indicators (Y-O-Y Q3-2019 to Q3-2020)



Significant Third Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Amazon	1111 SW 30th Ave	New	158,000	Northeast Broward
Amazon	Rock Lake Business Park 1	New	138,538	Pompano Beach
Amazon	Rock Lake Business Park 2	New	119,898	Pompano Beach
US Cabinet Depot	First Sawgrass Commerce Center	New	103,356	Northwest Broward
Group III International	Pompano Business Center - Bldg G	Renewal	98,380	Pompano Beach
Ferguson Enterprises	Coral Springs Commerce Center II - Bldg 3	New	56,687	Northwest Broward
Good Greek Moving & Storage	Bridge Point FLL Logistics Center - Bldg B	New	24,893	Southeast Broward
Windy City Wire	Pompano Business Center - Bldg O	Renewal	24,000	Pompano Beach

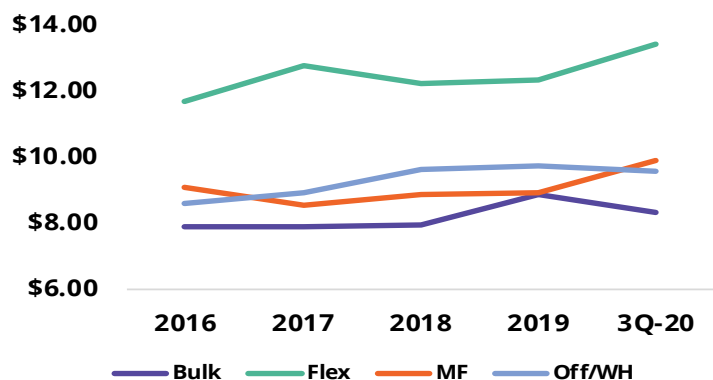
Significant Third Quarter 2020 Sales Transactions - Sorted by SF

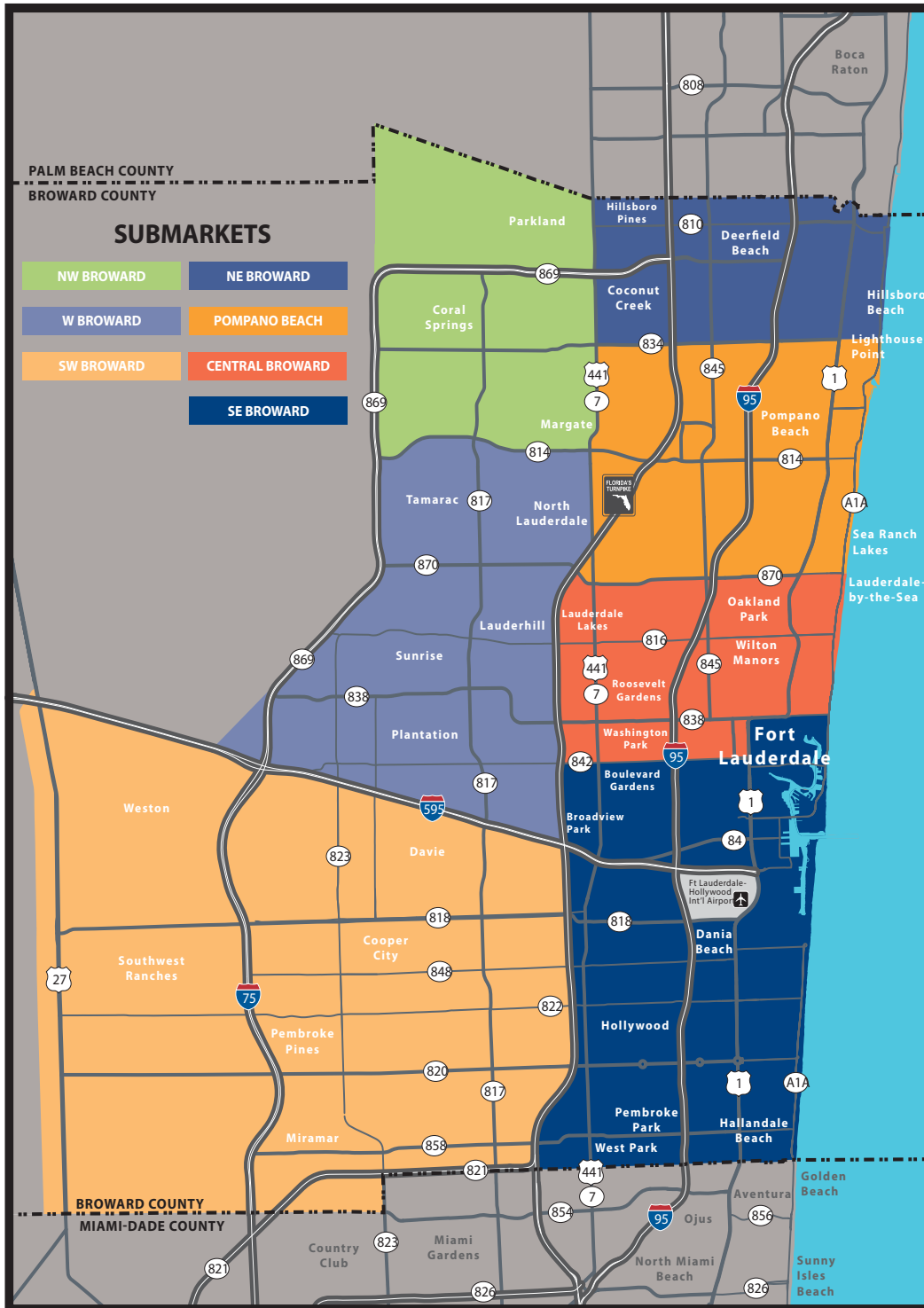
Property	SF	Sale Price	Price/SF	Buyer	Submarket
Elion Partners FL Portfolio*	205,746	\$33,200,000	\$161	Blackstone/Link Logistics	Pompano Beach / Northwest Broward
3811 Pembroke Rd	33,690	\$7,000,000	\$207	The Carlyle Group / Dayton Street Partners	Southeast Broward
4300 NW 124th Ave	30,318	\$4,250,000	\$140	Thomas Smith	Northwest Broward

*Denotes a 13-building portfolio sale in Florida totaling \$93.5 million.

Asking rents begin to decline as vacancies rise

The overall asking rate (excluding flex space) has seen a slight decrease year-over-year to \$8.94 per sf (-\$0.07). Pompano Beach, a submarket that has been booming with development, has had some of the strongest rent growth with the overall rate (excluding flex) increasing to \$8.64 per sf (+\$0.34) year-over-year.





Broward Market Contacts

Tom Viscount
Principal
954.903.1810
tom.viscount@avisonyoung.com

Wayne Schuchts
Principal
305.607.3845
wayne.schuchts@avisonyoung.com

Bobby Benton
Brokerage Services
954.903.1811
bobby.benton@avisonyoung.com

Get more market information

Evie Linger
Research Analyst
+1 954 903 3714
evie.linger@avisonyoung.com

Avison Young - Fort Lauderdale
500 W Cypress Creek
Suite 350
Fort Lauderdale, FL 33309

