

New Development is Beginning to Stabilize Demand as Investment Activity Heats Up in Broward County

Broward County's office market grew at a moderate pace during the first quarter of 2019 as economic fundamentals remained positive and investment activity accelerated. Gains in the professional and business services job sector continue to drive office demand as the sector added 6,700 new jobs to the market over the trailing 12 months ending February 2019. Healthy leasing activity took place during the first quarter and moderate positive net absorption of 97,254 sf was recorded. A slow development pipeline in recent years has helped to keep market fundamentals in check, however a tightening supply of high-quality office product has sparked new development in Downtown Fort Lauderdale, Hallandale, and Southwest Broward. Existing tenants that are pre-leasing space at new buildings under construction are also freeing up much-needed space for larger tenants touring the market as well as tenants looking to expand their space. While rental rates have seen significant growth over the course of the cycle due to the limited supply of space, average asking rates are beginning to level off and remained flat over the quarter at \$31.66 per sf (+\$0.04) as supply is now catching up with demand.

Strong leasing activity took place in the Sawgrass Park, Cypress Creek, and Southwest Broward submarkets. The suburban office submarkets continue to perform well as they present a cheaper alternative to the CBD, and that growth can be expected to continue amid increasing traffic congestion across the region.



\$822.2 MM
in total office
investment sales
activity, which is up
18% over the trailing
12-months ending
1Q-2019

Office Market Snapshot

- The largest new lease signed during the first quarter of 2019 was Ultimate Software's 100,710-sf lease of the entire building at 1340 Concord Terrace in Sawgrass Park. The building is currently occupied by health insurance firm Aetna, who will be vacating the space at the end of April and relocating to their new office in the Plantation Walk mixed-use development. This transaction is a prime example of new development releasing large blocks of space back into the market to allow for organic expansion of local firms.
- Investment sales activity in Broward County gained sizable momentum and outperformed both Miami-Dade and Palm Beach counties during the first quarter of 2019, recording \$822.2 million in total sales volume during the trailing 12 months ending March 2019, an impressive 18% jump over the same period a year prior. In the first quarter of this year alone, Broward County office investment sales totaled \$338.5 million, accounting for 2,128,744 sf. This strong investor sentiment indicates the potential for future growth in Broward County's office market.
- During the first quarter of 2019, BB&T and SunTrust bank announced plans for a merger of the two companies, creating the sixth largest bank in the U.S. As both companies have a large presence in South Florida, it is likely that the merger will lead to the consolidating of multiple locations after the deal closes in the fourth quarter of 2019, allowing for prime real estate to land back on the market.
- Phase I of TPA Group's The Edison, a 165,000-sf class A development currently underway in Pembroke Pines, is near completion and is currently set to deliver in May of 2019. This quarter, the building pre-leased 28,890 sf to Mphasis, an IT service management company. As a premium class A office development with a competitive triple net asking rate of \$26.50 per sf, The Edison will serve as an attractive alternative to higher-priced class A space within the CBD.
- 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.

31.1 MSF

Total office inventory in the
Broward County market

97,254 SF

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

11.13%

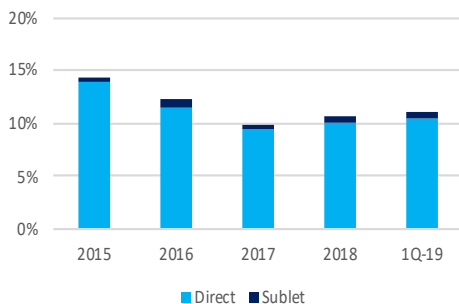
Overall Vacancy

\$37.86/SF/FS

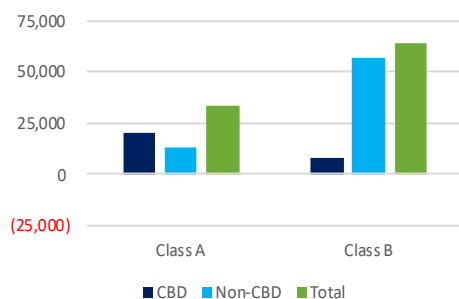
Average rental rate for
class A space

Statistical Snapshot

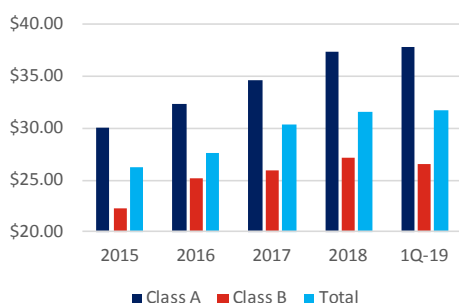
Vacancy Rate



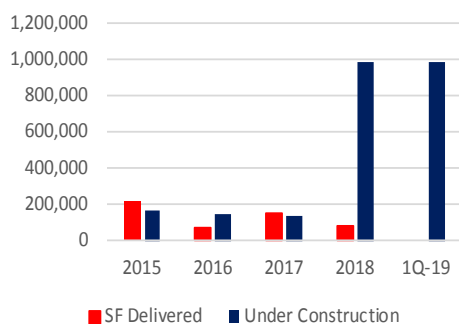
YTD Net Absorption (SF)



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



Construction Pipeline

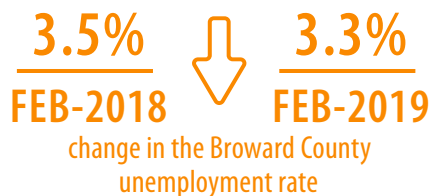


Broward County Office Market At A Glance

Demographics & Economy



High net worth individuals are relocating to South Florida from high-tax states like New York



Development

Plantation Walk Project
\$350 Million Mixed-Use
development broke ground in Plantation



4,935
multi-family units underway in Downtown Ft. Lauderdale



95,532 sf in Downtown
expected to deliver in 2Q-19 with the completion of the 550 Building



988K
square feet currently under construction in Broward County

Market Influencers



\$822.2 MILLION
in total office sales volume during the T-12 months ending 1Q-19

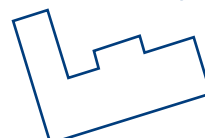


Rising construction costs and shortage of skilled labor is increasing the cost of office build-outs and tenant improvements



Tri-Rail Downtown Link

The Tri-Rail connection to the MiamiCentral station in downtown is scheduled to be completed by the end of 2019



New development deliveries on the horizon are freeing up large blocks of space at existing buildings

Broward County Office Market Report

First Quarter 2019



| Broward County | | | | | | | | | | |
|-----------------|-------------------|------------------|------------------|----------------|---------------|---------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 13,616,060 | 1,460,314 | 75,047 | \$37.86 | 89.28% | 10.72% | 0.55% | 11.28% | 951,707 | 33,128 |
| Class B | 17,483,676 | 1,762,318 | 164,885 | \$26.52 | 89.92% | 10.08% | 0.94% | 11.02% | 36,216 | 64,126 |
| Total | 31,099,736 | 3,222,632 | 239,932 | \$31.66 | 89.64% | 10.36% | 0.77% | 11.13% | 987,923 | 97,254 |

| CBD | | | | | | | | | | |
|-----------------|------------------|------------------|------------------|----------------|---------------|---------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 4,038,063 | 539,170 | 40,135 | \$44.90 | 86.65% | 13.35% | 0.99% | 14.35% | 452,480 | 19,922 |
| Class B | 985,423 | 66,601 | 3,330 | \$39.28 | 93.24% | 6.76% | 0.34% | 7.10% | 36,216 | 7,566 |
| Total | 5,023,486 | 605,771 | 43,465 | \$44.28 | 87.94% | 12.06% | 0.87% | 12.92% | 488,696 | 27,488 |

| Non-CBD | | | | | | | | | | |
|-----------------|-------------------|------------------|------------------|----------------|---------------|---------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 9,577,997 | 921,144 | 34,912 | \$33.73 | 90.38% | 9.62% | 0.36% | 9.98% | 499,227 | 13,206 |
| Class B | 16,498,253 | 1,695,717 | 161,555 | \$26.02 | 89.72% | 10.28% | 0.98% | 11.26% | 0 | 56,560 |
| Total | 26,076,250 | 2,616,861 | 196,467 | \$28.74 | 89.96% | 10.04% | 0.75% | 10.79% | 499,227 | 69,766 |

| Cypress Creek | | | | | | | | | | |
|-----------------|------------------|------------------|------------------|----------------|---------------|---------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 2,656,961 | 378,750 | 22,122 | \$31.16 | 85.74% | 14.26% | 0.83% | 15.09% | 0 | 2,089 |
| Class B | 3,589,144 | 536,207 | 19,648 | \$23.65 | 85.06% | 14.94% | 0.55% | 15.49% | 0 | 69,205 |
| Total | 6,246,105 | 914,957 | 41,770 | \$26.76 | 85.35% | 14.65% | 0.67% | 15.32% | 0 | 71,294 |

| Central Broward | | | | | | | | | | |
|-----------------|------------------|------------------|------------------|----------------|---------------|---------------|------------------|-----------------|--------------------|-----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 0 | 0 | 0 | \$0.00 | 0.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Class B | 2,550,429 | 299,342 | 0 | \$28.05 | 88.26% | 11.74% | 0.00% | 11.74% | 0 | (11,088) |
| Total | 2,550,429 | 299,342 | 0 | \$28.05 | 88.26% | 11.74% | 0.00% | 11.74% | 0 | (11,088) |

| Downtown Fort Lauderdale | | | | | | | | | | |
|--------------------------|------------------|------------------|------------------|----------------|---------------|---------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 4,038,063 | 539,170 | 40,135 | \$44.90 | 86.65% | 13.35% | 0.99% | 14.35% | 452,480 | 19,922 |
| Class B | 985,423 | 66,601 | 3,330 | \$39.28 | 93.24% | 6.76% | 0.34% | 7.10% | 36,216 | 7,566 |
| Total | 5,023,486 | 605,771 | 43,465 | \$44.28 | 87.94% | 12.06% | 0.87% | 12.92% | 488,696 | 27,488 |

| Hallandale | | | | | | | | | | |
|-----------------|----------------|------------------|------------------|----------------|---------------|---------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 0 | 0 | 0 | \$0.00 | 0.00% | 0.00% | 0.00% | 0.00% | 334,227 | 0 |
| Class B | 500,355 | 91,832 | 0 | \$32.46 | 81.65% | 18.35% | 0.00% | 18.35% | 0 | (4,226) |
| Total | 500,355 | 91,832 | 0 | \$32.46 | 81.65% | 18.35% | 0.00% | 18.35% | 334,227 | (4,226) |

| Hollywood | | | | | | | | | | |
|-----------------|------------------|------------------|------------------|----------------|---------------|--------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 351,624 | 50,444 | 0 | \$36.25 | 85.65% | 14.35% | 0.00% | 14.35% | 0 | 2,871 |
| Class B | 1,460,770 | 117,785 | 978 | \$29.55 | 91.94% | 8.06% | 0.07% | 8.13% | 0 | (8,740) |
| Total | 1,812,394 | 168,229 | 978 | \$31.56 | 90.72% | 9.28% | 0.05% | 9.34% | 0 | (5,869) |

| Northwest Broward | | | | | | | | | | |
|-------------------|------------------|------------------|------------------|----------------|---------------|--------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 509,089 | 45,635 | 0 | \$31.53 | 91.04% | 8.96% | 0.00% | 8.96% | 0 | 8,057 |
| Class B | 1,323,866 | 87,700 | 1,943 | \$22.35 | 93.38% | 6.62% | 0.15% | 6.77% | 0 | (11,092) |
| Total | 1,832,955 | 133,335 | 1,943 | \$25.49 | 92.73% | 7.27% | 0.11% | 7.38% | 0 | (3,035) |

| Plantation | | | | | | | | | | |
|-----------------|------------------|------------------|------------------|----------------|---------------|--------------|------------------|-----------------|--------------------|-----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 1,461,223 | 115,088 | 4,984 | \$37.93 | 92.12% | 7.88% | 0.34% | 8.22% | 0 | (16,797) |
| Class B | 2,211,364 | 155,637 | 113,853 | \$24.80 | 92.96% | 7.04% | 5.15% | 12.19% | 0 | 1,441 |
| Total | 3,672,587 | 270,725 | 118,837 | \$30.38 | 92.63% | 7.37% | 3.24% | 10.61% | 0 | (15,356) |

| Northeast Broward | | | | | | | | | | |
|-------------------|------------------|------------------|------------------|----------------|---------------|--------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 375,692 | 37,516 | 0 | \$30.30 | 90.01% | 9.99% | 0.00% | 9.99% | 0 | 0 |
| Class B | 1,851,674 | 152,532 | 0 | \$27.36 | 91.76% | 8.24% | 0.00% | 8.24% | 0 | (2,876) |
| Total | 2,227,366 | 190,048 | 0 | \$27.94 | 91.47% | 8.53% | 0.00% | 8.53% | 0 | (2,876) |

| Sawgrass Park | | | | | | | | | | |
|-----------------|------------------|------------------|------------------|----------------|---------------|--------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 1,687,573 | 81,254 | 2,632 | \$34.44 | 95.19% | 4.81% | 0.16% | 4.97% | 0 | 21,776 |
| Class B | 1,309,778 | 138,971 | 24,667 | \$20.81 | 89.39% | 10.61% | 1.88% | 12.49% | 0 | 10,063 |
| Total | 2,997,351 | 220,225 | 27,299 | \$25.84 | 92.65% | 7.35% | 0.91% | 8.26% | 0 | 31,839 |

| Southwest Broward | | | | | | | | | | |
|-------------------|------------------|------------------|------------------|----------------|---------------|--------------|------------------|-----------------|--------------------|----------------|
| Class Breakdown | Total RSF | Direct Vacant SF | Sublet Vacant SF | Lease Rate | % Occupied | % Vacant | % Sublet Vacancy | % Total Vacancy | Under Construction | Net Absorption |
| Class A | 2,535,835 | 212,457 | 5,174 | \$36.26 | 91.62% | 8.38% | 0.20% | 8.58% | 165,000 | (4,790) |
| Class B | 1,700,873 | 115,711 | 466 | \$31.98 | 93.20% | 6.80% | 0.03% | 6.83% | 0 | 13,873 |
| Total | 4,236,708 | 328,168 | 5,640 | \$34.75 | 92.25% | 7.75% | 0.13% | 7.88% | 165,000 | 9,083 |

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in Broward County that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross 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.

Broward County's professional and business services job sector grew by 4.4% during the trailing 12 months ending February 2019.

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

| Vacancy Rate | Net Absorption | Average Asking Rate (FS) | New Construction | Total Employment |
|--------------|----------------|--------------------------|------------------|------------------|
| | | | | |
| 11.13% | 97,254 SF | \$31.66 | 987,923 SF | 1.00 MM |

Significant First Quarter 2019 Lease Transactions - Sorted by SF

| Tenant | Property | Type | SF | Submarket |
|----------------------------|---------------------------|---------|---------|-------------------------|
| Drug Enforcement Agency | Weston Pointe IV | Renewal | 132,684 | Southwest Broward |
| Ultimate Software | 1340 Concord Ter | New | 100,710 | Sawgrass Park |
| Aquila Software* | The Edison | New | 28,890 | Southwest Broward |
| Infinity Behavioral Health | Headway Office Park | New | 28,608 | Cypress Creek |
| Motorola | Bank of America Plaza | New | 24,395 | Downtown Ft. Lauderdale |
| DataCore | Cypress Executive Center | New | 21,441 | Cypress Creek |
| Synechron Inc. | Sunrise Corporate Plaza I | New | 19,683 | Sawgrass Park |

* Avison Young handled this transaction

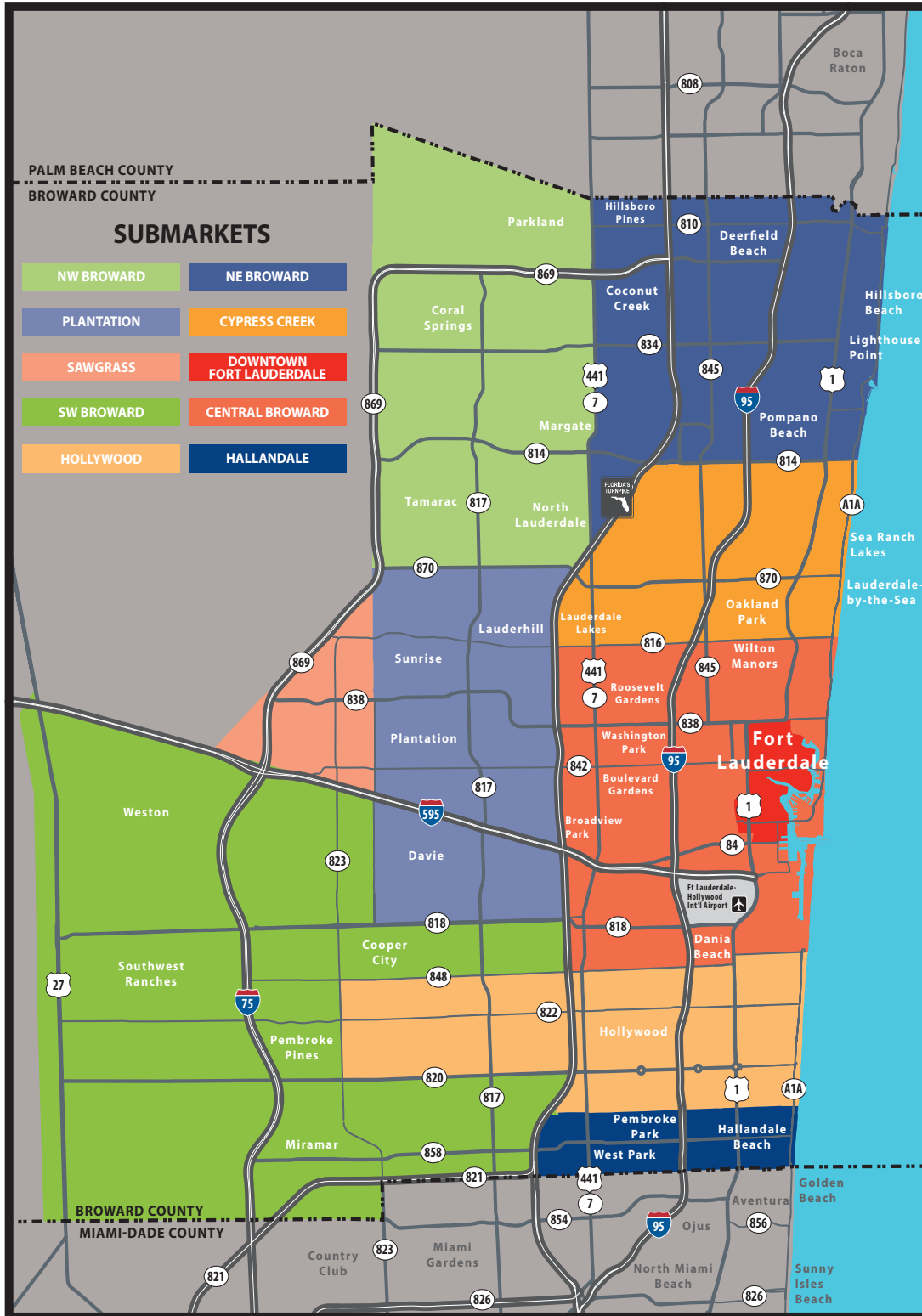
Significant First Quarter 2019 Sales Transactions - Sorted by Sale Price

| Property | SF | Sale Price | Price/SF | Buyer | Submarket |
|---------------------------|---------|--------------|----------|---|-------------------|
| Sawgrass Technology Park | 514,332 | \$74,250,000 | \$144 | Bridge Investment Group | Sawgrass Park |
| Trade Center South | 215,000 | \$41,680,000 | \$194 | Cardinal Point Management / Halstatt Real Estate Partners | Cypress Creek |
| Hillsboro Center | 216,114 | \$32,500,000 | \$150 | Grover & Corlew | Northeast Broward |
| Hillsboro Executive Park | 172,537 | \$30,400,000 | \$176 | Liberty Equities | Northeast Broward |
| Lakeshore Business Center | 237,682 | \$29,250,000 | \$123 | YMP Real Estate Management | Cypress Creek |
| Corporate Centre II | 91,221 | \$20,800,000 | \$228 | Barron Collier Cos. / Vanderbilt Partners | Sawgrass Park |
| 2300 SW 145th Avenue | 97,690 | \$19,000,000 | \$194 | Miramar 2300 Investors LLC | Southwest Broward |



Platinum member

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