

# Broward County

## Leasing Activity Remains Strong in the Suburban Submarkets as Rental Rates Experience Healthy Growth and New Supply Delivers

Leading into the longest economic expansion period in U.S. history, Broward County's office market continued to experience moderate, positive gains during the third quarter of 2019. Sound economic fundamentals continue to drive demand for high-quality office space throughout the county. Although the unemployment rate remains the lowest in Broward County out of the tri-county area at 3.3%, employment growth began to decelerate during the last half of 2019, marking only a slight 10-basis point decline in unemployment over the trailing 12 months ending August of 2019. A pro-business environment, as well as a central location and overall affordability when compared to Miami-Dade, continues to establish Broward as a top location for corporate expansions and relocations.

Leasing activity remained solid throughout the third quarter with the most significant leases signed occurring in highly sought-after submarkets outside of the CBD. Top performing submarkets for the year-to-date include Cypress Creek, Sawgrass Park, and Southwest Broward. Class A assets have consistently outperformed class B assets as tenants continue to seek out premium, highly-amenitized spaces. Growth of the overall average asking rate continued at a healthy pace of 4.0% to \$32.35 per sf over the trailing 12 months ending September of 2019. During that same time, class A rents grew by 6.8% to \$38.52, while class B rents grew at a slower pace of 1.3% to \$27.03. The overall vacancy rate rose slightly to 11.23%, a 66-bps increase from the third quarter of 2018, due largely to the delivery of 166,446 sf at The Edison project in Southwest Broward.



6.8%

increase in class A rental rates over the trailing 12 months ending with the third quarter of 2019

### Office Market Snapshot

- The largest transaction during the third quarter of 2019 was a 145,322-sf build-to-suit opportunity for Centene at a new building in Plantation Pointe, a technology-centered office park that is currently home to Magic Leap. Torburn Partners broke ground on the four-story building for the healthcare solutions company in July 2019. Centene will be vacating approximately 150,000 sf amongst three separate buildings at Sawgrass Corporate Park. Additionally, plans have been approved for another 150,000-sf building to rise within the office complex which is expected to be completed by the fourth quarter of 2021.
- Office investment activity has been robust through the first nine months of 2019 with sales volume totaling \$887 million over the trailing 12 months ending September of 2019, a 6% increase over the same time period in 2018. Facing the headwinds of a potential global economic slowdown and increasing trade tensions, investors have been much more cautious during their due diligence process. However, activity is likely to pick up through the end of 2019 due to the decision by the Federal Reserve to lower the benchmark interest rate range twice during the third quarter to between 1.75 and 2%.
- A massive 5-acre mixed-use project was recently proposed in Flagler Village, one of Fort Lauderdale's fastest growing neighborhoods.
- The project called Fat Village would rise 13 stories and have both an east and a west side. At full build-out, the project will include a total of 188,692 sf of office space, 51,603 sf of retail space, 432 apartments, and a 145-room hotel.
- Large blocks of premium class A office space remain in high demand for users touring the market. Several large users have reportedly been touring the Broward office market for 50,000 to 150,000 sf. Spirit Airlines is also reportedly negotiating a large lease for a new headquarters location at the proposed office phase of the mixed-use Dania Pointe development.
- Following a boom in office construction over the trailing 12 months in Broward County, Phase I of The Edison project in Pembroke Pines reached completion during the month of September, delivering 166,446 sf of class A office space in the Southwest Broward submarket. The first tenant at the project, Aquila Software, will be taking 28,890 sf on the third floor. Market fundamentals have remained tight due to a limited construction pipeline over the last several years, however with major deliveries like The Main Las Olas expected for late 2020, a loosening of fundamentals can be expected as the new office product takes time to be absorbed by the market.

**31.3MSF**

Total office inventory in the Broward County market

**275,632 SF**

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

**11.23%**

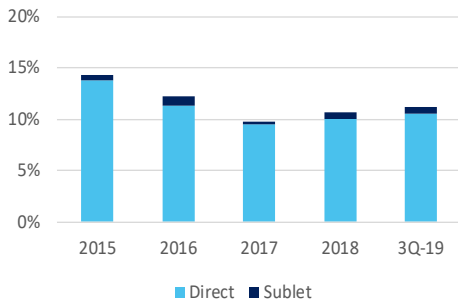
Overall Vacancy

**\$38.52/SF/FS**

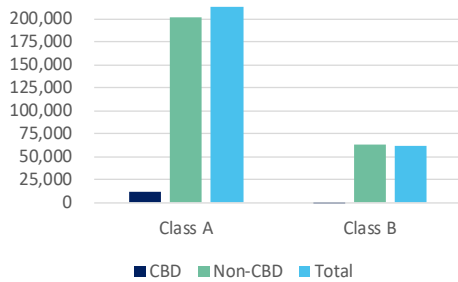
Average rental rate for class A space

### Statistical Snapshot

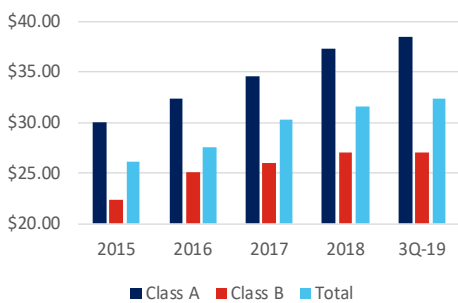
#### Vacancy Rate



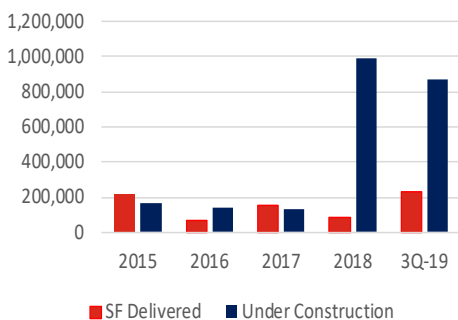
#### YTD Net Absorption (SF)



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



#### Construction Pipeline



### Broward County Office Market At A Glance

#### Demographics & Economy

**213,000**

private sector jobs added in the state of Florida in the first eight months of 2019



**11,400**

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



**3.6%**

12-month employment increase in the Professional and Business Services job sector

**3.4%**

AUG-2018



**3.3%**

AUG-2019

change in Broward County's unemployment rate

#### Development



#### 550 BUILDING NEARING COMPLETION

Currently projected for an October 2019 delivery, the 550 Building will deliver 95,532 sf of office space in Downtown Ft. Lauderdale

This will be downtown's first significant delivery since the Autonation building almost 10 years ago.

#### 145,322 SF in Plantation Pointe

broke ground during the third quarter of 2019. The building is fully leased as it was a build-to-suit opportunity for Centene.



**1,343**

multifamily units to deliver in Fort Lauderdale by the end of 2019



**868 K**

square feet currently under construction in Broward County

#### Market Influencers



**\$887 million**

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



Virgin Trains USA has announced plans to build additional train stations in Boca Raton, Aventura, and PortMiami



Migration of individuals from the northeast escaping high-tax states is fueling population growth



**4.0%**

increase in the average asking rate over the trailing 12-months ending 3Q19

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	13,851,060	1,538,267	72,296	\$38.52	88.89%	11.11%	0.52%	11.63%	868,029	213,715
Class B	17,492,157	1,785,731	123,460	\$27.03	89.79%	10.21%	0.71%	10.91%	0	61,917
<b>Total</b>	<b>31,343,217</b>	<b>3,323,998</b>	<b>195,756</b>	<b>\$32.35</b>	<b>89.39%</b>	<b>10.61%</b>	<b>0.62%</b>	<b>11.23%</b>	<b>868,029</b>	<b>275,632</b>

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	547,678	32,198	\$45.16	86.44%	13.56%	0.80%	14.36%	452,480	11,414
Class B	985,423	75,092	2,080	\$38.64	92.38%	7.62%	0.21%	7.83%	0	(925)
<b>Total</b>	<b>5,023,486</b>	<b>622,770</b>	<b>34,278</b>	<b>\$44.38</b>	<b>87.60%</b>	<b>12.40%</b>	<b>0.68%</b>	<b>13.08%</b>	<b>452,480</b>	<b>10,489</b>

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	9,812,997	990,589	40,098	\$34.84	89.91%	10.09%	0.41%	10.50%	415,549	202,301
Class B	16,506,734	1,710,639	121,380	\$26.52	89.64%	10.36%	0.74%	11.10%	0	62,842
<b>Total</b>	<b>26,319,731</b>	<b>2,701,228</b>	<b>161,478</b>	<b>\$29.57</b>	<b>89.74%</b>	<b>10.26%</b>	<b>0.61%</b>	<b>10.88%</b>	<b>415,549</b>	<b>265,143</b>

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	260,915	10,807	\$31.38	90.18%	9.82%	0.41%	10.23%	0	119,924
Class B	3,589,144	549,582	6,700	\$23.75	84.69%	15.31%	0.19%	15.50%	0	48,175
<b>Total</b>	<b>6,246,105</b>	<b>810,497</b>	<b>17,507</b>	<b>\$26.21</b>	<b>87.02%</b>	<b>12.98%</b>	<b>0.28%</b>	<b>13.26%</b>	<b>0</b>	<b>168,099</b>

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	2,558,910	293,876	0	\$27.32	88.52%	11.48%	0.00%	11.48%	0	2,999
<b>Total</b>	<b>2,558,910</b>	<b>293,876</b>	<b>0</b>	<b>\$27.32</b>	<b>88.52%</b>	<b>11.48%</b>	<b>0.00%</b>	<b>11.48%</b>	<b>0</b>	<b>2,999</b>

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	547,678	32,198	\$45.16	86.44%	13.56%	0.80%	14.36%	452,480	11,414
Class B	985,423	75,092	2,080	\$38.64	92.38%	7.62%	0.21%	7.83%	0	(925)
<b>Total</b>	<b>5,023,486</b>	<b>622,770</b>	<b>34,278</b>	<b>\$44.38</b>	<b>87.60%</b>	<b>12.40%</b>	<b>0.68%</b>	<b>13.08%</b>	<b>452,480</b>	<b>10,489</b>

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	70,000	9,993	0	\$40.00	88.57%	11.43%	0.00%	11.43%	269,566	60,007
Class B	500,355	79,368	0	\$31.79	84.14%	15.86%	0.00%	15.86%	0	6,256
<b>Total</b>	<b>570,355</b>	<b>89,361</b>	<b>0</b>	<b>\$32.71</b>	<b>84.68%</b>	<b>15.32%</b>	<b>0.00%</b>	<b>15.32%</b>	<b>269,566</b>	<b>66,263</b>

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	40,920	10,687	\$36.62	88.36%	11.64%	3.04%	14.68%	0	12,395
Class B	1,460,770	97,365	978	\$29.31	93.33%	6.67%	0.07%	6.73%	0	20,580
<b>Total</b>	<b>1,812,394</b>	<b>138,285</b>	<b>11,665</b>	<b>\$31.47</b>	<b>92.37%</b>	<b>7.63%</b>	<b>0.64%</b>	<b>8.27%</b>	<b>0</b>	<b>32,975</b>

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	67,707	3,981	\$31.34	86.70%	13.30%	0.78%	14.08%	0	9,525
Class B	1,323,866	67,362	5,180	\$21.63	94.91%	5.09%	0.39%	5.48%	0	9,246
<b>Total</b>	<b>1,832,955</b>	<b>135,069</b>	<b>9,161</b>	<b>\$26.50</b>	<b>92.63%</b>	<b>7.37%</b>	<b>0.50%</b>	<b>7.87%</b>	<b>0</b>	<b>18,771</b>

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	150,388	2,984	\$37.60	89.71%	10.29%	0.20%	10.50%	145,983	(52,097)
Class B	2,211,364	182,428	108,522	\$25.59	91.75%	8.25%	4.91%	13.16%	0	(25,350)
<b>Total</b>	<b>3,672,587</b>	<b>332,816</b>	<b>111,506</b>	<b>\$31.02</b>	<b>90.94%</b>	<b>9.06%</b>	<b>3.04%</b>	<b>12.10%</b>	<b>145,983</b>	<b>(77,447)</b>

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	38,342	0	\$30.74	89.79%	10.21%	0.00%	10.21%	0	(826)
Class B	1,851,674	185,365	0	\$27.12	89.99%	10.01%	0.00%	10.01%	0	(35,709)
<b>Total</b>	<b>2,227,366</b>	<b>223,707</b>	<b>0</b>	<b>\$27.74</b>	<b>89.96%</b>	<b>10.04%</b>	<b>0.00%</b>	<b>10.04%</b>	<b>0</b>	<b>(36,535)</b>

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	81,225	4,103	\$34.61	95.19%	4.81%	0.24%	5.06%	0	21,805
Class B	1,309,778	81,189	0	\$26.51	93.80%	6.20%	0.00%	6.20%	0	32,135
<b>Total</b>	<b>2,997,351</b>	<b>162,414</b>	<b>4,103</b>	<b>\$30.56</b>	<b>94.58%</b>	<b>5.42%</b>	<b>0.14%</b>	<b>5.56%</b>	<b>0</b>	<b>53,940</b>

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	2,700,835	341,099	7,536	\$37.11	87.37%	12.63%	0.28%	12.91%	0	31,568
Class B	1,700,873	174,104	0	\$32.20	89.76%	10.24%	0.00%	10.24%	0	4,510
<b>Total</b>	<b>4,401,708</b>	<b>515,203</b>	<b>7,536</b>	<b>\$35.45</b>	<b>88.30%</b>	<b>11.70%</b>	<b>0.17%</b>	<b>11.88%</b>	<b>0</b>	<b>36,078</b>

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.

Consistent gains in employment growth continue to drive demand for office space in Broward. Currently Broward County holds the lowest unemployment rate in South Florida at 3.3%.

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

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
↑	↔	↑	↓	↑
11.23%	275,632 SF	\$32.35	868,029 SF	1.02 MM

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

Tenant	Property	Type	SF	Submarket
Centene	Plantation Pointe	New	145,322	Plantation
TQL	Cypress Executive Center	New	24,407	Cypress Creek
Broward County	2307 W Broward Blvd	New	17,858	Central Broward
Full Circle Education	2001 W Sample Rd	New	12,710	Cypress Creek
Kahane & Associates*	Crossroads I	Renewal	13,192	Plantation
Jacobs Engineering*	Pinnacle II	Renewal/Expansion	10,171	Cypress Creek

\* Avison Young handled this transaction

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

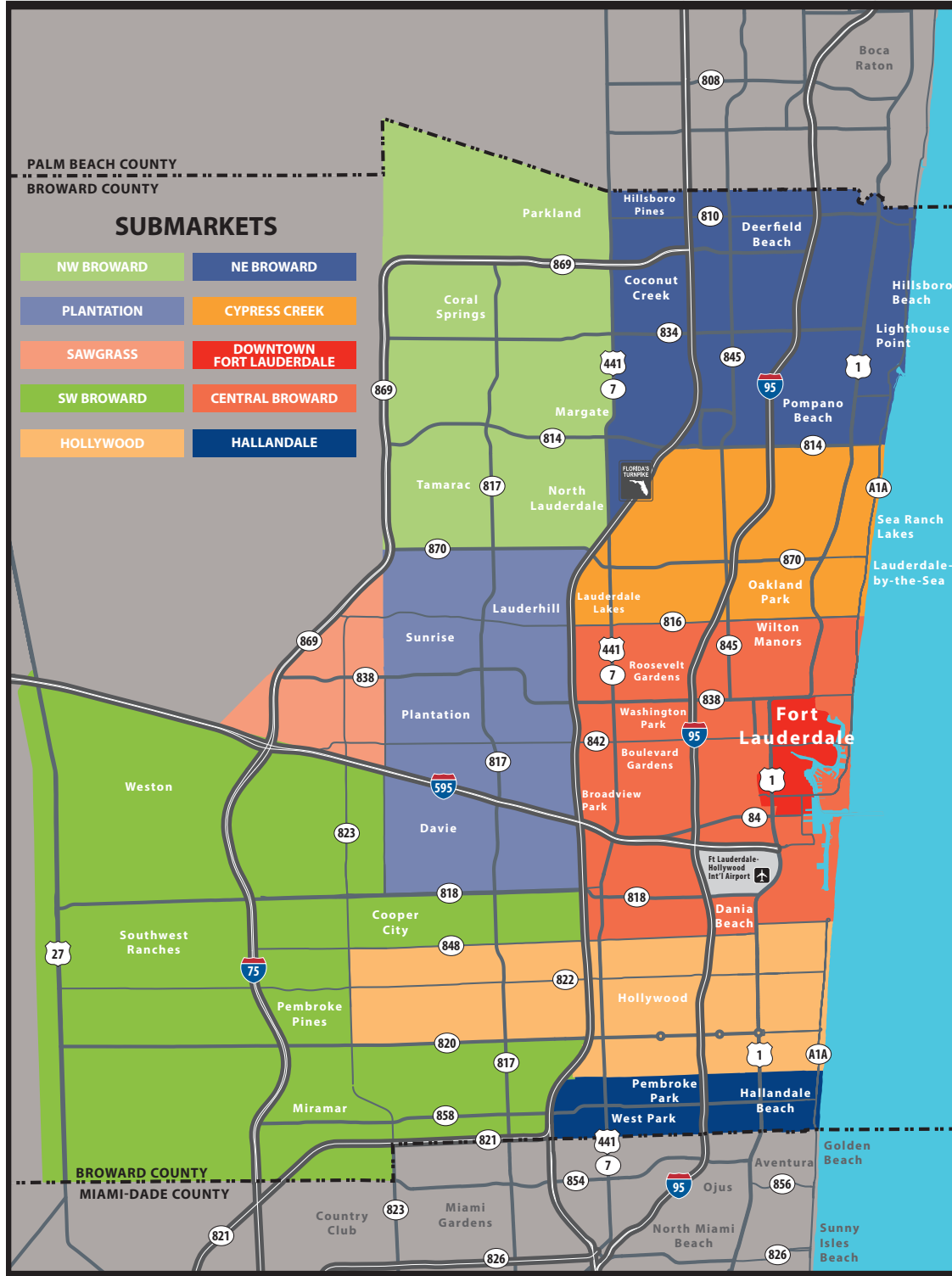
Property	SF	Sale Price	Price/SF	Buyer	Submarket
One Financial Plaza	298,046	\$117,000,000	\$393	Alliance Partners HSP LLC	Downtown Ft. Lauderdale
1515-1525 W Cypress Creek Rd	193,896	\$36,500,000	\$188	Sheldon Gross	Cypress Creek
1340 Concord Terrace	100,710	\$32,500,000	\$323	Harbor Group International	Sawgrass Park
1391 NW 139th Ave	64,241	\$18,050,000	\$281	Midtown Realty Group	Sawgrass Park
Flamingo Commons	81,959	\$17,025,000	\$208	Prive Group	Southwest Broward
501 S Andrews Ave	65,643	\$16,250,000	\$248	501 S Andrews Avenue LLC	Downtown Ft. Lauderdale



One Financial Plaza

### Alliance Executes Largest Broward Office Deal of the Year

At the close of the third quarter of 2019, Walton Street Capital and Crocker Partners sold the One Financial Plaza in Downtown Fort Lauderdale for \$117 million. The sale was part of two separate transactions to Alliance Partners HSP, the first of which was \$81.9 million for the office building and \$35.1 million for the land underneath One Financial Plaza. Since the building was last purchased in 2017, it has undergone \$8 million in interior renovations to the common areas, lobby, gym, conference center, and restrooms. It is also undergoing a \$2 million exterior overhaul to move the main entrance to the building's east side.



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