

BROWARD COUNTY INDUSTRIAL NEWSLETTER

North Broward • South Broward Submarkets

FIRST QUARTER 2017

LOCAL FACTS

FORT LAUDERDALE,
FLORIDA

Did you
know?



Did you know: Port Everglades is the
#1 Producing Port in Florida.

SUBMARKET SNAPSHOT

Quick Stats :: Broward County

	Current	Change from last	
		Yr.	Qtr.
Total Vacancy	5.0%	↔	↔
Avg Dir Asking Lease Rate	\$7.10	↔	↑
Qtr Net Absorption	25,762	↓	↓
Construction	925K	↑	↑
Completions	202K	↑	↑

*The arrows indicate a trend and do not represent a positive or negative value for the underlying statistic (e.g. net absorption could be negative, but still represent a positive trend over the time period.)

FEATURED PROPERTY



13801 NW 4th Street
Sunrise, FL 33324

±24,067 SF

SPACE AVAILABLE FOR LEASE

General Market Summary

The first quarter of 2017 was dominated in Broward County by two large new deals being completed in the Miramar submarket, while the other submarkets report relatively muted activity. One of these large deals was Apotex Pharmaceuticals paying IDI Gazeley a record price for a 304,000 SF building in Miramar Business Centre. The price equates to around \$165 PSF, which is well above the previous high watermark paid by a user for a building of this size in Broward. Our team along with Larry Dinner of CBRE represented IDI Gazeley in the off-market transaction. The other large deal was Fanatics taking down 200,000 SF of the AeroTurbine sublease, where CBRE controlled both the subtenant and sublessor. These users already had a presence in Broward, but are committing to taking additional square footage and raising their employment counts. Even with these two large deals reported, the overall absorption numbers were well below our average, with Broward County only reporting 25,762 SF of positive absorption for the quarter.

Market level feedback from the brokerage community is that deals are still taking a very long time to get final approval and signed by corporate. Although most business owners we speak with feel more confident than ever about their businesses, every lease agreement is being vetted and scrutinized numerous times before getting final approval. While tenants and Landlords keep looking for any sign of the perceived impending slowdown or at least some weakness in user sale prices, no catalyst or trend has yet to be identified. Interest rate fluctuations have affected several capital markets deals of mostly single tenant net leased assets while most expect another two or three modest rate increases this year. At this time in the cycle, not many feel the industrial market is close to being overbuilt bucking the renewed South Florida whispers of the overbuilt condo market Part II. Our market seems to be taking any potential headwinds in a healthy stride. The controlled amount of new product being developed, the strong list of new tenants out in the market and the fact Broward has a

5% vacancy rate should provide a good buffer even if some unforeseen headwinds start to pick up momentum.

Another interesting topic that has emerged amongst the market leaders in Broward is with regards to rental rates. If you review the lease comps over the last 12 months it seems to back the philosophy that rents have stabilized. We witnessed a nice run in rental rates from 2014 to 2015, but growth stabilized around the second quarter of 2016 and has remained flat since. We are still within 10% of 2007 peak rents leaving more room to run if we can continue to push rents on behalf of clients. We should start seeing a few new projects deliver later this year that may prove to make that difficult. Rents for first and second-generation distribution space are falling between \$6.50 - \$7.50 PSF NNN across Broward. The good news is we are seeing very little deal activity, even for Class C product, get signed below the \$6.50 PSF NNN range. We are seeing some big new construction lease comps in the \$7.75 - \$8.75 PSF NNN range but when you back out the factored in amortization they fall within the rates outlined above.

As we move into the second quarter of 2017, we will continue to watch the impact tenant improvement costs are having on deals. We again are surprised that office space is now costing \$80.00 - \$90.00 PSF to build inside a warehouse. This increase in pricing is forcing new product developers to now look at tenant improvement contributions of \$10.00 or \$11.00 PSF (for the typical affordable deal) versus the historical \$7.00 or \$8.00 PSF. Our project management team is telling us you can't even do 5-8% office finish with standard T5 or LED lighting for \$7.00 PSF anymore. This trend will continue to allow second-generation space to compete for deals and force landlords to keep market rents high. You just can't afford to do a first generation deal much below \$7.25 PSF NNN and expect to hit your underwriting assumptions without a below market land basis.



AVAILABLE SF - SOUTH / NORTH BROWARD SUBMARKETS - FIRST QUARTER 2017

South Broward Industrial Parks	Total SF	Direct	Sublease	Total SF Available	Vacancy %	Size Range Available	Asking Base Rent	Expenses
Seneca Industrial Park (TIAA & Prologis)	±1,688,824	89,644	40,320	129,964	7%	23,549 -66,095	\$6.25- \$8.25 NNN	\$2.65 -\$3.04
Miramar Park of Commerce - Sunbeam	±2,980,000	129,688	0	129,688	4%	8,917 -51,230	\$8.95 - \$9.25 IG	\$2.90 -\$3.31
Miramar Business Ctr. / Centre - IDI /GLP	±1,800,883	12,157	0	12,157	1%	4,867 -7,290	\$9.75 NNN	\$2.65
Port 95 Business Center - Private	±419,252	47,095	0	47,095	11%	19,913 - 47,095	\$7.75 NNN	\$2.95
I-75 Distribution Ctr. /Flamingo - INCOR	±729,705	60,747	0	60,747	8%	60,747	\$8.25 NNN	\$2.13
Pointe West I & II	±269,554	30,583	0	30,583	11%	5,300 - 30,853	\$7.95 - \$15.00 NNN	\$3.55
Port 95 - Prologis	±1,460,174	26,500	0	26,500	1%	26,500	\$8.00 NNN	\$2.63
Port 95 - Principal	±197,669	30,732	0	30,732	15%	30,732	\$8.00 NNN	\$2.69
Broward International Commerce Center	±250,000	0	0	0	0%	0	\$6.75 NNN	\$3.14
Prologis Hollywood Showrooms	±520,000	0	0	0	0%	0	\$9.00 NNN	\$2.92
Davie Business Center - IDI A & B	±289,350	33,175	0	33,175	11%	33,175	\$7.75 NNN	\$2.75
Meridian Business Campus - UBS	±650,000	211,160	0	211,160	32%	60,160 - 151,000	\$6.50 - \$7.60 NNN	\$2.85

North Broward Industrial Parks	Total SF	Direct	Sublease	Total SF Available	Vacancy %	Size Range Available	Asking Base Rent	Expenses
Atlantic Business Park - Duke	±1,265,590	0	0	0	0%	0	\$7.50 NNN	\$4.26
Pompano Distribution Ctr I & II - Zurich	±330,626	0	0	0	0%	0	\$6.50 NNN	\$2.50
Park Central - Duke	±712,700	83,306	0	83,306	11%	63,406 - 83,306	\$6.75 NNN	\$3.02
Sample 95 - EastGroup	±173,448	14,018	0	14,018	8%	14,018	\$8.00 NNN	\$3.03
2500 Commerce Center - DCT	±102,897	0	0	0	0%	0	\$7.95 NNN	\$2.95
Copans Business Park - Duke	±384,711	9,600	0	9,600	2%	9,600	\$6.50 NNN	\$3.20
Sample 95 - Duke	±469,300	25,280	0	25,280	5%	25,280	\$6.75 NNN	\$3.36
Pompano Business Center - Clarion	±624,486	78,738	0	78,738	12%	31,418 - 47,320	\$7.25 NNN	\$2.79
Pompano Prologis Park - Prologis	±240,000	27,507	0	27,507	11%	27,507	\$7.75 NNN	\$2.51
Pompano Commerce Center - Duke	±224,000	0	0	0	0%	0	\$6.75 NNN	\$2.64
Pompano Commerce Center II - Duke	±180,178	21,030	12,412	33,442	18%	21,030	\$7.65 NNN	\$2.64
CenterPort - Prologis	±376,000	19,018	0	19,018	5%	19,018	\$7.35 NNN	\$2.56
Deerfield Corporate Park- IVY	±275,000	0	0	0	0%	0	\$7.75 NNN	\$3.63
Quiet Waters - Prudential	±670,000	15,932	0	15,932	2%	15,932	\$7.50 NNN	\$2.50
Quadrant - Ohio	±280,000	0	0	0	0%	0	\$6.95 - \$7.95 NNN	\$2.85
Bridge I-95 - Bridge	±306,000	166,370		166,370	54%	30,000 -166,370	\$7.75 NNN	\$2.65

NOTABLE TEAM TRANSACTIONS IN FIRST QUARTER 2017



Miramar Centre Business Park
15501 SW 29th Street
Miramar, FL
±304,428 SF
Landlord: IDI Gazeley
Tenant: Apotex



Davie Business Center
3350 South Davie Road
Davie, FL
±67,000 SF
Landlord: IDI Gazeley
Tenant: Aviall



Bridgeport I-95
2200 West Sunrise Blvd.,
Fort Lauderdale, FL
±57,340 SF
Landlord: Bridge
Tenant: Broward Motor Sports

MEET THE TEAM



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