

BROWARD COUNTY INDUSTRIAL NEWSLETTER

North Broward • South Broward Submarkets

FOURTH QUARTER 2017

LOCAL FACTS

FORT LAUDERDALE,
FLORIDA

Did you
know?



Broward County unemployment rate stands at 3.6% in Q4. Job growth in the Broward market increased by 22,100 jobs or 2.6% over the past year.

SUBMARKET SNAPSHOT

Quick Stats :: Broward County

	Change from last		
	Current	Yr.	Qtr.
Total Vacancy	3.8%	↓	↑
Avg Dir Asking Lease Rate	\$7.25	↓	↔
Qtr Net Absorption	161K	↓	↓
Construction	1.4M	↑	↑
Completions	330K	↑	↓

*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



11500 Miramar Pkwy,
Suite 100

Miramar, FL 33025

±63,800 SF

SPACE AVAILABLE FOR LEASE

CBRE

CBRE, Inc. | Licensed Real Estate Broker

General Market Summary

The Broward County industrial market performed as forecasted by turning in another solid performance across the board in 2017. Broward Counties positive absorption for the year was 1.2M square feet, which is slightly lower than 2015 & 2016 but still well within our historical averages. We saw the overall vacancy rate stabilize at around 3.8% which indicates a healthy supply & demand ratio. We should see this vacancy number increase 200 or 300 basis points as a surge of new and second-generation product comes to market over the next 2 or 3 quarters. However, this moderate increase should add some deal making room to the marketplace which is needed right now, especially in the smaller space range under 20,000 SF.

The data over the fourth quarter continues to point to the further stabilization of lease rates. The bad news is lease rates aren't increasing as rapidly as 2015 & 2016, the good news is we aren't seeing them decrease either. The development pipeline of 1.49M SF is slightly above Broward's 5-year average, but should be well received by the marketplace as tenants continue to demand more efficient buildings. We officially delivered 733,500 SF of new product and are happy to report that 80% of this product has been leased leaving only 146,700 SF of new construction vacancy. Finally, Broward's large deal flow fell in-line with forecast of delivering three deals over 100,000 SF (Fanatics, Apotex and Sonny's). With another 5 or 6 deals between 50,000 to just under 100,000 SF. Pending any unforeseen macro issues, we are forecasting 2018 to be another strong year in Broward County. Below are the four main projections or trends we will be watching in 2018.

1) Land Pricing – We continue to see developers push the envelope on how much they're willing to pay for development sites. At this point in the cycle, we are seeing developers well above the average of \$35-\$40 PSF under the building, with pricing now approaching over \$50 PSF. With lease rates stabilizing, it will be interesting to see if their gamble that lease rates will start to grow again and demand will remain strong pays off as product delivers on these sites over the next 12-24 months.

2) Tenant Improvements – The days of building out a shell for \$7.00 are long gone, most developers are now facing the realities of it costing \$9.00 - \$11.00 PSF to get 10% office, lighting, half a demising wall and a few upgrades on the loading docks. We have not seen any relief on this pricing, nor do we feel that it will decrease in 2018. Second generation space is facing increased costs as well, even when doing simple renewals everyone is finding out that the old rule of thumb of \$1.00 -\$1.50 PSF doesn't cut it. Now a days, you can't even buy an office paint job and some new flooring for that. These costs are now closer to \$2.00 -\$3.00 PSF.

3) Elephant Hunting (The New Buildings vs. The Old Buildings) – When it comes to the velocity of big deals in Broward everyone knows that regardless of what was underwritten and when it was built, you've got to chase them even if it hurts. With five to seven (if you count subleases) second generation vacant spaces on the market, it will be interesting to see if the old guard obtains higher pricing or if the new guard has to drop rate. Keeping in mind historically you only have between 3 and 5 large deals a year in Broward. Some owners may be left in the cold if they don't see all the right deals in the market.

4) The influx and continued demand from eCommerce and last mile tenants either direct or via a 3PL model – Of course, everyone continues to focus on the biggest player (Amazon), however we saw plenty of deal flow from other players like Wayfair, Spohn Global and UPS. With South Florida's booming affluent population, we will see more users position themselves to provide "last mile" distribution as well as hub & spoke networks. Additionally, we will start to see some of these users willing to take a lower class of building in order to be closer to the consumer due to limited infill land for development. When you consider a lot of these users roll inventory so quickly that they don't rack buildings, clear height isn't an issue making this option more likely.

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

South Broward Industrial Parks	Total SF	Direct	Sub-lease	Total SF Available	Vacancy %	Size Range Available	Asking Base Rent	Expenses
Seneca Industrial Park (TH & Prologis)	±1,688,824	93,351	0	93,351	5%	27,256- 66,095	\$7.75 - \$8.00 NNN	\$2.65 -\$3.04
Miramar Park of Commerce - Sunbeam	±2,980,000	82,306	0	82,306	4%	18,490 - 34,471	\$8.95 - \$9.75 Gross	\$2.90 -\$3.31
Miramar Business Ctr. / Centre - IDI / GLP	±1,800,883	0	0	0	0%	0	\$7.75 NNN	\$2.65
Port 95 Business Center - Private	±419,252	0	0	0	0%	0	\$7.75 NNN	\$2.95
I-75 Distribution Ctr. /Flamingo - GLP	±729,705	60,747	320,000	380,747	8%	60,747 - 320,000	\$6.75/8.25 NNN	\$2.35
Pointe West I & II Principal	±269,554	15,479	0	15,479	3%	6,600 -8,879	\$13.00 - \$15.00 NNN	\$3.55
Port 95 - Prologis	±1,460,174	0	0	0	0%	0	\$8.00 NNN	\$2.63
Port 95 - TA	±197,669	0	0	0	0%	0	0	\$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	0	0	0	0%	0	\$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	24,695	0	24,695	1%	24,695	\$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	10,015	0	10,015	1%	10,015	\$6.75 NNN	\$3.02
Sample 95 - EastGroup	±173,448	0	0	0	0%	0	\$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 Partners	±624,486	63,440	0	63,440	10%	16,640 -63,440	\$7.25 NNN	\$2.79
Pompano Prologis Park - Prologis	±240,000	0	0	0	0%	0	\$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	0	0	0	0%	0	\$7.65 NNN	\$2.64
CenterPort - Prologis	±376,000	0	0	0	0%	0	\$7.50 NNN	\$2.56
Quorum Business Center - IVY	±275,000	17,339	0	17,339	0%	8,412 - 8,927	\$7.75 NNN	\$3.14
Quiet Waters - Prudential	±670,000	0	0	0	0%	0	\$7.50 NNN	\$2.50
Quadrant	±280,000	0	10,610	10,610	3%	0	\$6.95 - \$7.95 NNN	\$2.85
Bridge I-95	±306,000	30,214	0	30,214	10%	30,214	\$8.75 NNN	\$2.95
Pompano Ctr. of Commerce II - BlackRock	±376,644	355,444	0	355,444	95%	18,000 - 133,262	\$7.75 NNN	\$2.75

NOTABLE CBRE TEAM TRANSACTIONS IN FOURTH QUARTER 2017

 <p>Weston Business Center 2915 Weston Road Weston, FL ±152,178 SF Landlord: TH Real Estate Tenant: Anda</p>	 <p>Pompano Business Center 2009 NW 25th Avenue Pompano Beach, FL ±84,230 SF Landlord: Clarion Partners Tenant: JBK Group Florida</p>	 <p>Prologis Port 95 3131 SW 42nd Street Hollywood, FL ±32,300 SF Landlord: Prologis Tenant: Circuitronix</p>
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MEET THE TEAM



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