

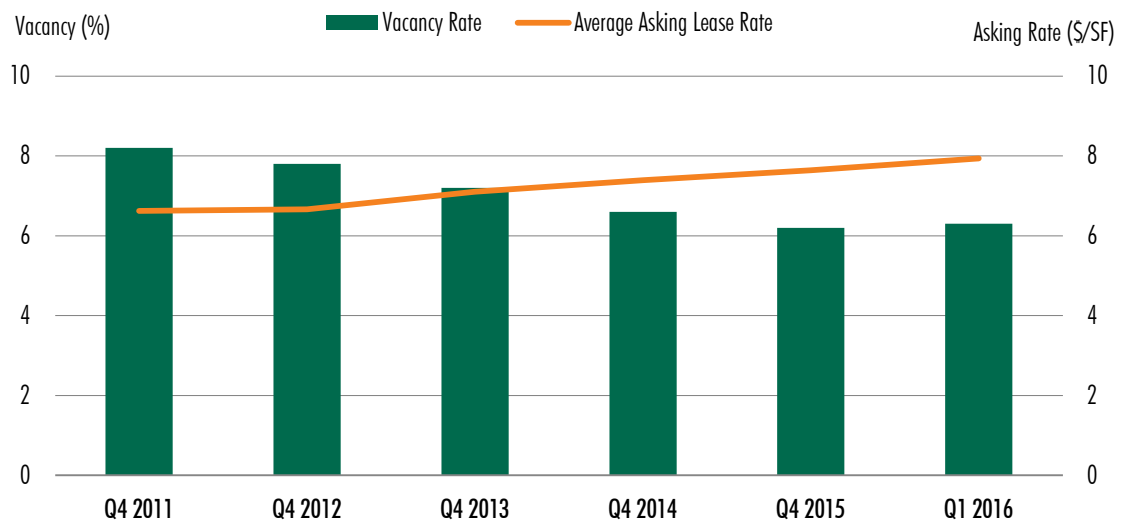
Broward County Industrial, Q1 2016

# Eighth consecutive quarter of positive net absorption recorded

Warehouse: ▶ Total Vacancy 6.2% ▲ Lease Rate \$7.49 PSF ▼ Net Absorption 84,000 SF ▲ Under Construction 490,000 SF

\*Arrows indicate change from previous year.

Figure 1: Total Vacancy –vs– Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q1 2016.

- Net absorption for Q1 2016 was 125,000 sq. ft. marking the eighth consecutive quarter of positive absorption
- Vacancy rate stays below 7% for sixth consecutive quarter closing at 6.3%.
- The average asking rate for Broward County in Q1 2016 was \$7.94 per sq. ft.
- Year-to-date capital flows have been dominated by private (64%) and institutional buyers (36%).

## LEASING ACTIVITY

Q1 2016 marked the eighth consecutive quarter of positive net absorption for the Broward County industrial market. The first quarter closed with a net absorption number of 125,000 sq. ft. The submarkets experiencing the most activity were SE Broward (166,600) and SW Broward (28,300). Much of the positive activity in SE Broward can be attributed to a several mid-sized move-ins including Tubelite Company, Inc. and PharmaCore moving into 28,000 sq. ft. respectively at Port 95 Business Center in Dania Beach further buoying the SE Broward net absorption number.

Figure 2: Market Statistics

| Submarket                 | Total Inventory (SF) | Total Vacancy (%) | Total Availability (%) | Q1 2016 Net Absorption (SF) | 2016 YTD Net Absorption (SF) | Under Construction (SF) | Avg. Asking Lease Rate (\$/SF/NNN) |
|---------------------------|----------------------|-------------------|------------------------|-----------------------------|------------------------------|-------------------------|------------------------------------|
| Central Broward           | 15,331,816           | 5.8               | 9.0                    | (49,794)                    | (49,794)                     | 0                       | 10.55                              |
| Coral Springs             | 4,772,598            | 8.3               | 9.3                    | 4,654                       | 4,654                        | 59,904                  | 7.25                               |
| Northeast Broward         | 9,963,638            | 6.5               | 7.8                    | (28,541)                    | (28,541)                     | 403,269                 | 7.66                               |
| Pompano / Fort Lauderdale | 22,227,717           | 4.3               | 7.4                    | (17,850)                    | (17,850)                     | 0                       | 7.41                               |
| Southeast Broward         | 18,210,585           | 7.2               | 9.6                    | 166,574                     | 166,574                      | 30,000                  | 8.19                               |
| Southwest Broward         | 16,315,685           | 7.4               | 11.0                   | 28,269                      | 28,269                       | 0                       | 7.64                               |
| West Sunrise              | 5,700,558            | 7.6               | 8.6                    | 21,837                      | 21,837                       | 0                       | 8.44                               |
| <b>Totals</b>             | <b>92,522,597</b>    | <b>6.3</b>        | <b>8.9</b>             | <b>125,149</b>              | <b>125,149</b>               | <b>493,173</b>          | <b>7.94</b>                        |
| Warehouse/Distribution    | 73,331,581           | 6.2               | 8.7                    | 83,865                      | 83,865                       | 493,173                 | 7.49                               |
| Flex/R&D                  | 12,478,358           | 5.4               | 7.8                    | 57,264                      | 57,264                       | 0                       | 11.49                              |
| Manufacturing             | 6,712,658            | 8.9               | 12.8                   | (15,980)                    | (15,980)                     | 0                       | 7.24                               |

Source: CBRE Research, Q1 2016.

In terms of total lease transactions, a majority were centered in SE Broward, followed by SW Broward, and Pompano/Fort Lauderdale. The industry types most active in Q1 2016 were related to specialized freight trucking activities, wireless telecommunications, and furniture related manufacturing. A couple of deals of note include RTA Products signing a 93,000 sq. ft. lease at Seneca Industrial Park in SE Broward and the Glove Store’s 54,000 sq. ft. deal at Seneca Lakes in SE Broward. Of the top 10 deals for Q1 2016, a majority were distributed between the SE and SW Broward submarkets, which should prove to support continued positive net absorption activity in these submarkets over the coming quarters.

As leasing activity remained steady, so did the decline in vacancy in this increasingly tight market. Q1 2016 saw vacancy stay below the 7% mark (6.3%) for the sixth consecutive quarter which marks the longest stretch since 2008. The 6.3% rate represents a quarter-over-quarter increase of 10 basis points (bps) and no change year-over-year. The submarkets that

recorded the lowest vacancy at the close of Q1 2016 were Pompano/Fort Lauderdale (4.3%) and Central Broward (5.8%).

The average asking rate for Q1 2016 was \$7.94 per sq. ft. This rate represents a \$0.30 increase quarter-over-quarter and a \$0.26 increase year-over-year. The submarkets that continue to command the highest rates are Central Broward and West Sunrise. Coral Springs is at the opposite end of the spectrum closing out Q1 2016 at \$7.25 per sq. ft. This submarket also has the market’s highest vacancy, which will continue to apply downward pressure on the average asking rate.

**DEVELOPMENT**

Q1 2016 saw the delivery of two buildings representing over 270,000 sq. ft. of new industrial space. In the SW Broward submarket, a 167,000 sq. ft. speculative warehouse was delivered at the Davie Business Center. The property features 39 dock doors, 2 drive-in ramps, 225 parking spaces, and a

clear height of 30'. While in West Sunrise, construction wrapped up on a 108,000 sq. ft. speculative warehouse at 6201 N Nob Hill Road in Tamarac. The property was 30% leased upon delivery and features 24' clear height and a 1/1000 parking ratio.

In addition to these deliveries, over 493,000 sq. ft. is now under construction across the Broward County industrial market. A majority of the activity is centered in the NE Broward submarket, followed by Coral Springs, and SE Broward. One of largest of these projects is the 300,000 sq. ft., spread across buildings C and D at the Hillsboro Technology Center. Upon completion the park is expected to feature over 925,000 sq. ft. of industrial, office, and hotel space.

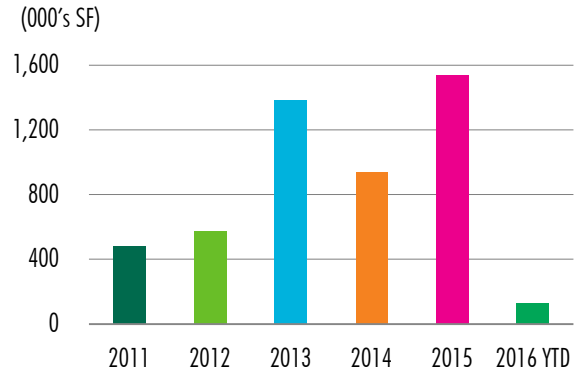
The Broward industrial pipeline is also full with several planned projects with one of the largest being slated for Pompano Beach. In addition to a 143,000 development application for Pompano Business Center II, IDI Gazeley has also submitted an application for 500,000 sq. ft. on 36 acres along Florida's Turnpike. IDI has not broken ground in Pompano Beach since 2008.

It is unclear at this juncture how shortages in the existing labor force could impact timelines for these pipeline projects but this robust activity and interest speaks to the perceived strength of the Broward industrial market.

**INVESTMENT ACTIVITY**

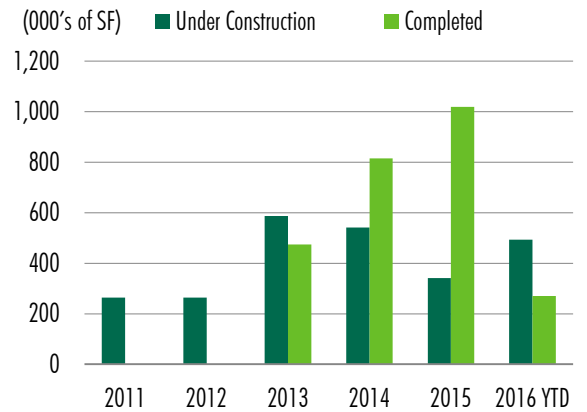
A total of 15 transactions amounting to over \$33 million in sales were tracked in Q1 2016. This figure excludes the \$38 million Prologis sale of seven industrial buildings across Broward and Palm Beach Counties to Adler Kawa Real Estate Advisors, as well as the \$98 million partial interest transfer of seven industrial properties to Invesco Advisors across Broward and Dade Counties. Excluding these sales, the average price per sq. ft. of traded assets came to \$84 per sq. ft. The Pompano/Fort Lauderdale

Figure 3: Net Absorption



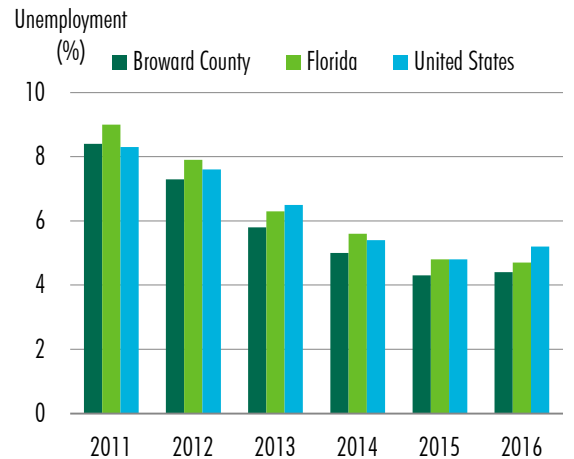
Source: CBRE Research, Q1 2016.

Figure 4: Under Construction and Completions



Source: CBRE Research, Q1 2016.

Figure 5: Unemployment



Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2016.

submarket experienced a majority of the activity followed by Central Broward.

According to Real Capital Analytics (RCA), year-to-date capital flows have been dominated by private (64%) and institutional buyers (36%). The percentage of private money outpaced the national percentage (25%) by over 3900 bps. Year-to-date national capital flows have been dominated by institutional dollars (58%) with very limited cross-border investment. In Broward County the story is much the same with regard to cross border investment which defined capital flows in 2015 (70%).

**ECONOMIC INFLUENCE**

According to the Bureau of Economic Analysis, Q4 2015 GDP growth contracted slightly to a rate of 1.4% down from 2.0% in quarter three. Much of the growth can be linked to personal consumption expenditures, federal government spending, and residential fixed investment. The Federal Reserve has projected GDP growth of about 2% for 2016 which is down slightly from previous projections at the close of 2015.

On the unemployment front, Broward County continues to outperform the state (4.7%) and country (5.2%), recording an unemployment rate of 4.4% in February. The February rate represents a 40 bps drop over the previous month and a 90 bps drop year-over-year. Year-over-year gains in employment, in the Fort Lauderdale Metro Division, amongst the construction (7.2%) and transportation, warehouse, and utilities (6.6%) sectors proved to bolster numbers and were among the best performing segments over that timeframe. Leisure and hospitality jobs continue to drive growth as well, supported by the highest 2015 hotel occupancy levels in all of Florida.

Port Everglades also remains a boon for the county. At year-end 2015, 13,300 local residents were employed by companies who provide services to the port. An improving cargo business can only help to

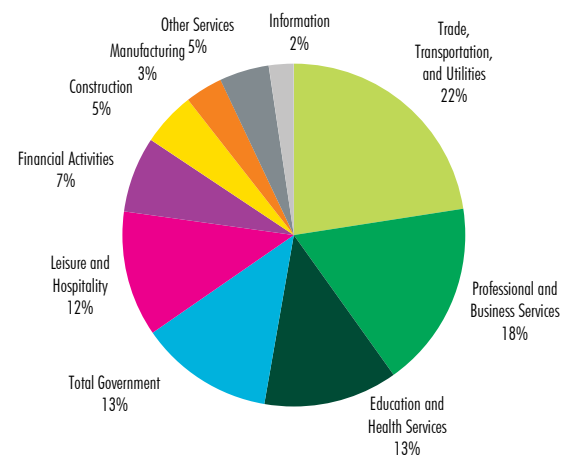
buoy said employment numbers and help the port maintain its position as Florida’s #1 seaport by revenue.

**OUTLOOK**

The March release of the University of Florida’s Consumer Sentiment Index (CSI) showed a more bullish outlook amongst participants. The component that showed the greatest increase was in regard to the expectations of one’s personal financial situation a year from now. Despite instability abroad, cautious optimism has slowly given way to assured confidence with regard to the future economic situation of the state. Nonetheless, such an outlook is not shared nationally, and the Fed is closely monitoring global market developments and assessing the need to intervene.

As the country arrives at a point of greater stability and equilibrium, and the recovery fully takes hold, the Broward County industrial market will certainly be a catalyst for growth for South Florida. A strong development pipeline, spurred on by rising rates and dwindling vacancies, will help set the tone for 2016 and help the market maintain its positive trajectory.

**Figure 6: Fort Lauderdale - Pompano Beach - Deerfield Beach Metro Division Jobs by Sector**



Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2016.



Market Coverage: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Broward County.

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