

MarketWatch: Broward County

OFFICE MARKET TRENDS
FIRST QUARTER 2013



Favorable First Quarter Performance Reaffirms 2013 Outlook Technology Companies Drive Absorption

The first quarter of the year showed positive signs that the Broward County office market is off to another year of growth. In 2012, 170,000 square feet was absorbed throughout Broward County, helping to push down the vacancy. The first quarter of 2013 appears to have carried forward that momentum, capturing another 53,000 square feet of occupancy. Over the past two years, vacancies dipped to 19.6% overall while direct vacancies fell 110 basis points since the first quarter of 2011 to a current rate of 18.5%. While the figures do not suggest a robust market recovery, favorable market trends are expected to persist and perhaps accelerate as the labor market improves.

Drilling down from overall Broward County statistics into the building classes and leasing activity, two trends emerge: technology-focused companies remain active, and the "flight-to-quality" trend appears to be winding down. Within the Class A sector, the Broward office market had a net occupancy loss of 6,000 square feet, while the Class B segment absorbed more than 50,000 square feet. This, coupled with the fact that Class A rents rose more than \$0.20 per square foot on average in the past three months, is an indication the market is stabilizing, and users of office space are beginning to lose leverage to upgrade into a more desirable space.

Movement in the market, particularly from the technology sector, included Emerson Electric, a global manufacturing and technology company, who expanded its office footprint in Sawgrass to 27,500 square feet after taking an additional 9,500 square feet this quarter. This represents Emerson's second expansion in the last two years. Other tech companies making moves include EVault, who inked 3,000 square feet at 110 Tower in Downtown as well as ImmunoSite Technologies, who relocated and expanded in Southwest Broward.

Ultimately, the success of Broward County's office real estate market will depend upon sustained employment growth and job creation. Local government agencies are ramping up incentive programs, to include job growth cash incentives and capital investment tax credits that are intended to attract new-to-market employers despite the ongoing uncertainty that surrounds Washington. The good news is that as market fundamentals continue to improve in 2013 and demand for office space advances, we expect the investor pool interested in Broward to grow as well and the investment market to become more competitive than in years past.

TRANSACTION HIGHLIGHTS

Notable Lease Deals

Completed between 1/1/13 and 3/31/13


Tenant	Building	Lease SF	Comments
General Dynamics Itronix	Sawgrass Commerce Center	43,911	Renewal
Fifth Third Bank	New River Center	20,000	2Q2013 move-in
Business Financial Services	One Charter Place	16,776	May 2013 move-in
Udren Law	2101 W Commercial Boulevard	10,763	May 2013 move-in
Emerson	Lake Shore Plaza II	9,500	Expansion space

Notable Office Building Sales

Completed between 1/1/13 and 3/31/13


Building	Total SF	Price	Price PSF	Buyer	Seller
700 SE 3rd Avenue	54,342	\$4,925,000	\$91	AIDS Healthcare Foundation	Boies, Schiller & Flexner
1280 Gateway Drive	33,695	\$2,135,000	\$63	Doral Retail Holdings	PBE Companies

Market Trends

Vacancy Rate **19.6%**  3-Month Trend


At 19.6%, overall Broward vacancies tightened for the fifth consecutive quarter, dropping 80 basis points along the way.



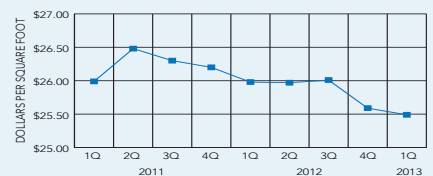
Absorption **53,078 SF** 


A total of 53,000 square feet was absorbed during the first three months of 2013, bolstered by Downtown Fort Lauderdale's 44,000-square-foot growth in occupancy.



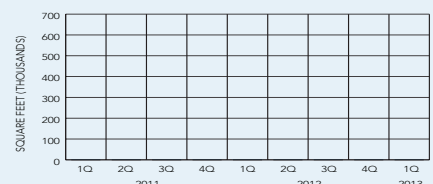
Rental Rates **\$25.61PSF** 

Average rental rates of \$25.61 per square foot are up over the previous quarter, yet remain nearly a quarter of a dollar lower as compared to where they were a year ago.



New Deliveries **0 SF** 

Broward's lone office product currently under construction in Miramar, Riviera Point, and slated for completion this fall represents the first new office product delivery since the first quarter of 2009.



MarketWatch: Broward County

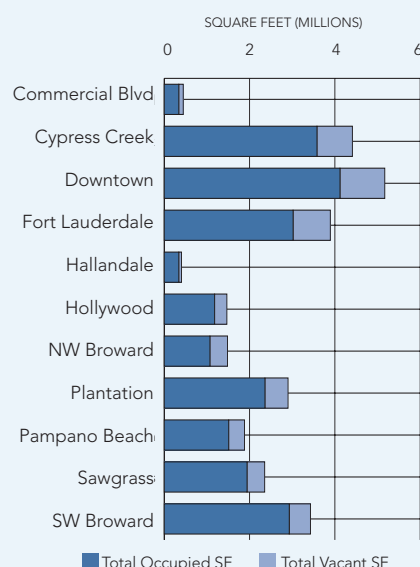
MarketWatch is a
Quarterly Publication Of:

TRANSWESTERN

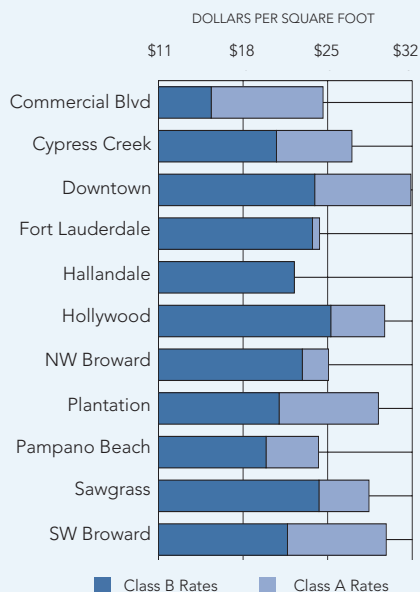
OFFICE MARKET TRENDS FIRST QUARTER 2013

Submarkets at a Glance

Size Comparison



Average Rental Rates



Methodology

The information in this report is the result of Transwestern's ongoing analysis of Broward County's key for-lease office properties. We compile our quarterly statistics based on a defined inventory of Class "A" and "B" multi-tenant office buildings of approximately 20,000 square feet or more in size.

Economic Conditions

- With the addition of more than 45,000 jobs, Broward County's preliminary unemployment figures as of February at 6.2% are 160 basis points lower than February 2012's rate of 7.8%.
- The 70,000-square-foot office complex, Riviera Point, currently under construction in Miramar, is the submarket's first new Class A development since 2009. The economic impact of the project bodes well for the area, resulting in the creation of a projected 441 new jobs necessary for the construction as well as the operation of the asset once completed later this year.

Rental Rates and Concessions

- Subdued office demand has kept the upper hand in favor of the tenant. In terms of negotiating lease terms with landlords, credit-worthy tenants can still expect to receive desirable concession packages, including rent abatements and tenant improvement allowances.
- Average rental rates of \$25.61-per-square-foot are up over the previous quarter, yet remain \$1.64-per-square-foot off of the market peak of \$27.25-per-square-foot set in the first quarter of 2008.

Vacancy and Absorption

- Downtown Fort Lauderdale outperformed the suburban submarkets in the first quarter with 44,591 square feet of positive absorption, allowing direct vacancies to fall under 20% for the first time in 18 months to a rate of 19.5%.
- In the suburban markets, nearly 60,000 square feet were absorbed in Class B product, reversing the trend of Class A dominance and suggesting that the "flight-to-quality" trend that was widely adopted during the real estate collapse of 2008 and 2009 may be beginning to fade.

Leasing Activity

- In the wake of federal indecisions and healthcare reform uncertainties, leasing activity slowed the latter part of 2012, which carried into the first quarter of the year. However, lease deals signed by Udren Law, Business Financial Services, and Fifth Third Bank this quarter all have move-in dates in the second quarter and will account for nearly 48,000 square feet of gross absorption.

Investments

- In an all cash deal, Doral Retail Holdings purchased the 33,695-square-foot office building known as the Headquarters at Gateway Lake for \$2,135,000, or \$63.36 per square foot.
- The 140,635-square-foot Cypress Executive Center is the latest Fort Lauderdale office building to hit the market – The Praedium Group is asking \$15.2 million, or \$108-per-square-foot, for the Cypress Creek asset that is currently 81.5% leased.

MarketWatch is a
Quarterly Publication Of:



CURRENT STATISTICS

Submarket		Total Inventory SF	Direct SF Vacant	Direct Vacancy Rate	Sublease SF	Total SF Vacant	Overall Vacancy Rate	1Q2013 Net Absorption	YTD Net Absorption	SF Under Construction	Average Quoted Rental Rate PSF (full service)
URBAN SUBMARKETS											
Ft. Lauderdale DT	Class A	4,140,391	853,667	20.6%	44,628	898,295	21.7%	16,753	16,753	0	\$31.89
	Class B	1,025,296	151,970	14.8%	0	151,970	14.8%	27,838	27,838	0	\$23.93
	Overall	5,165,687	1,005,637	19.5%	44,628	1,050,265	20.3%	44,591	44,591	0	\$30.55
SUBURBAN SUBMARKETS											
Commercial Blvd	Class A	173,768	28,426	16.4%	0	28,426	16.4%	4,246	4,246	0	\$24.62
	Class B	272,973	76,112	27.9%	0	76,112	27.9%	5,651	5,651	0	\$15.36
	Overall	446,741	104,538	23.4%	0	104,538	23.4%	9,897	9,897	0	\$18.35
Cypress Creek	Class A	1,999,222	344,011	17.2%	0	344,011	17.2%	445	445	0	\$27.01
	Class B	2,413,465	481,747	20.0%	5,000	486,747	20.2%	-839	-839	0	\$20.76
	Overall	4,412,687	825,758	18.7%	5,000	830,758	18.8%	-394	-394	0	\$23.44
Ft. Lauderdale	Class A	959,668	273,616	28.5%	10,178	283,794	29.6%	10,526	10,526	0	\$24.33
	Class B	2,929,012	586,970	20.0%	2,700	589,670	20.1%	-5,529	-5,529	0	\$23.74
	Overall	3,888,680	860,586	22.1%	12,878	873,464	22.5%	4,997	4,997	0	\$23.94
Hallandale	Class A	0	0	0.0%	0	0	0.0%	0	0	0	-
	Class B	402,042	63,573	15.8%	0	63,573	15.8%	1,325	1,325	0	\$22.24
	Overall	402,042	63,573	15.8%	0	63,573	15.8%	1,325	1,325	0	\$22.24
Hollywood	Class A	335,037	35,057	10.5%	0	35,057	10.5%	-8,046	-8,046	0	\$29.72
	Class B	1,133,161	246,283	21.7%	6,510	252,793	22.3%	-6,511	-6,511	0	\$25.26
	Overall	1,468,198	281,340	19.2%	6,510	287,850	19.6%	-14,557	-14,557	0	\$26.20
NW Broward	Class A	594,019	220,083	37.0%	1,437	221,520	37.3%	4,263	4,263	0	\$25.07
	Class B	890,333	183,744	20.6%	7,665	191,409	21.5%	1,407	1,407	0	\$22.90
	Overall	1,484,352	403,827	27.2%	9,102	412,929	27.8%	5,670	5,670	0	\$23.85
Plantation	Class A	1,663,724	222,337	13.4%	99,644	321,981	19.4%	11,558	11,558	0	\$29.20
	Class B	1,241,100	220,404	17.8%	0	220,404	17.8%	-1,419	-1,419	0	\$20.98
	Overall	2,904,824	442,741	15.2%	99,644	542,385	18.7%	10,139	10,139	0	\$25.59
Pompano Beach	Class A	328,755	141,724	43.1%	0	141,724	43.1%	0	0	0	\$24.24
	Class B	1,547,786	229,113	14.8%	0	229,113	14.8%	22,754	22,754	0	\$19.90
	Overall	1,876,541	370,837	19.8%	0	370,837	19.8%	22,754	22,754	0	\$21.30
Sawgrass Park	Class A	1,584,449	298,116	18.8%	2,964	301,080	19.0%	-13,626	-13,626	0	\$28.42
	Class B	772,735	88,003	11.4%	25,000	113,003	14.6%	-3,348	-3,348	0	\$24.28
	Overall	2,357,184	386,119	16.4%	27,964	414,083	17.6%	-16,974	-16,974	0	\$27.27
SW Broward	Class A	2,031,849	284,378	14.0%	65,773	350,151	17.2%	-32,371	-32,371	70,000	\$29.85
	Class B	1,400,478	134,218	9.6%	13,129	147,347	10.5%	18,001	18,001	0	\$21.67
	Overall	3,432,327	418,596	12.2%	78,902	497,498	14.5%	-14,370	-14,370	70,000	\$27.06
SUBURBAN SUBMARKETS TOTAL											
Suburban	Class A	9,670,491	1,847,748	19.1%	179,996	2,027,744	21.0%	-23,005	-23,005	70,000	\$27.79
	Class B	13,003,085	2,310,167	17.8%	60,004	2,370,171	18.2%	31,492	31,492	0	\$22.13
	Overall	22,673,576	4,157,915	18.3%	240,000	4,397,915	19.4%	8,487	8,487	70,000	\$24.65
BROWARD COUNTY TOTAL											
TOTAL	Class A	13,810,882	2,701,415	19.6%	224,624	2,926,039	21.2%	-6,252	-6,252	70,000	\$28.69
	Class B	14,028,381	2,462,137	17.6%	60,004	2,522,141	18.0%	59,330	59,330	0	\$22.28
	Class A & B	27,839,263	5,163,552	18.5%	284,628	5,448,180	19.6%	53,078	53,078	70,000	\$25.61

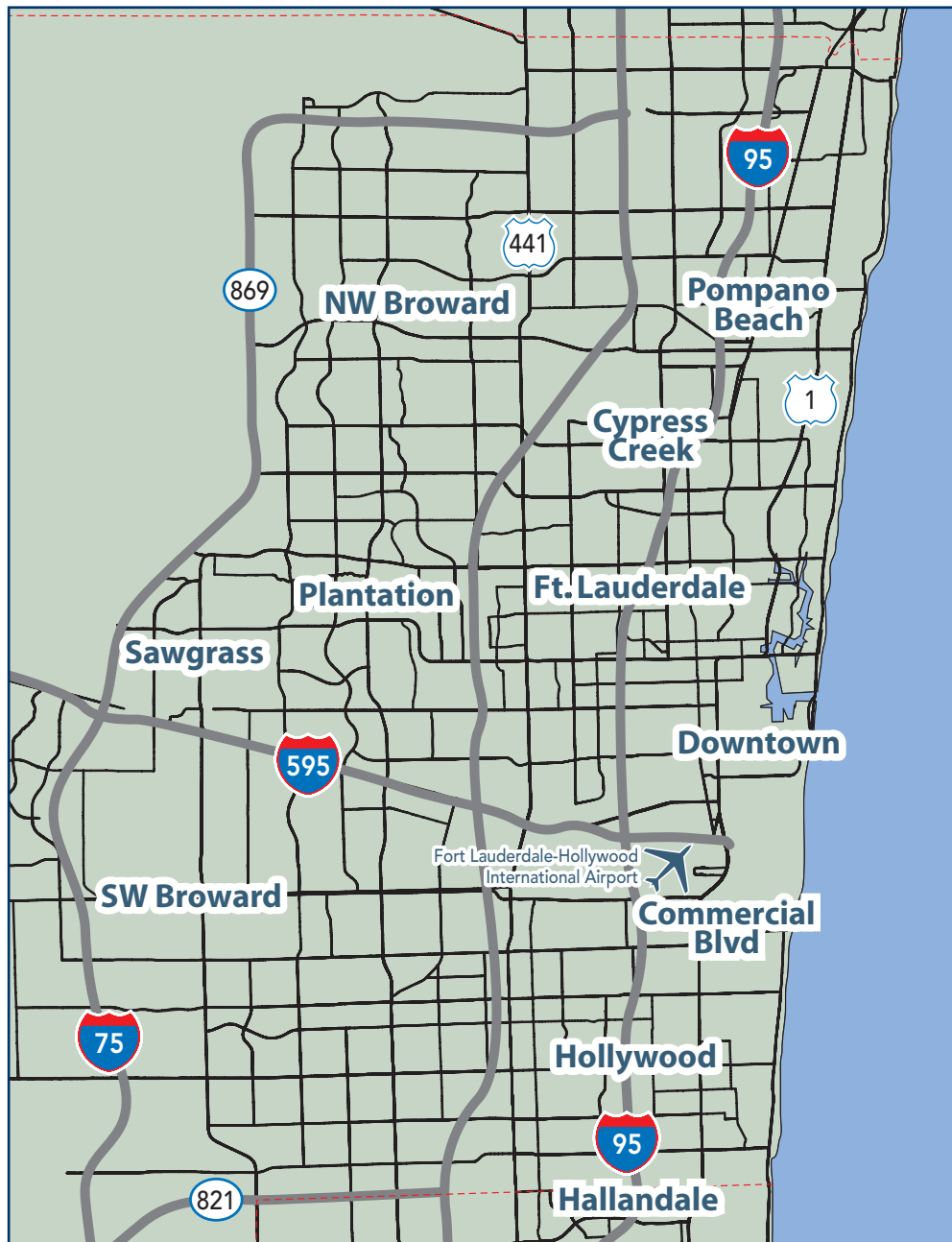
MarketWatch: Broward County

MarketWatch is a
Quarterly Publication Of:

OFFICE MARKET TRENDS FIRST QUARTER 2013

TRANSWESTERN

Broward County Office Submarkets



For more information, please contact:

Jonathan Majors, Regional Market Research Analyst
404.842.6534 • jonathan.majors@transwestern.net

Market Highlights

Fort Lauderdale is located in the middle of the Tri-County South Florida metropolitan area, which extends from Boca Raton and Palm Beach on the north down to Miami and Kendall to the south. Together, the area is home to more than 5.4 million residents and is one of the world's top tourist destinations as well.

The Fort Lauderdale and surrounding Broward County markets of Plantation, Sawgrass Park, Cypress Creek, Sunrise, Hollywood, and Pembroke Pines enjoy a robust, diversified business climate. A strong infrastructure, anchored by Port Everglades and the Fort Lauderdale-Hollywood International Airport, as well as the economic advantages offered by no or low tax structures and multiple free trade zones, have cemented Broward County's position as "the place to be" when it comes to doing business on a global scale.

With its growing population base, pro-business climate, abundant area amenities, and an outstanding quality of life, Fort Lauderdale and Broward County will continue to attract businesses, both big and small. With the South Florida and US economy now showing increasing momentum in terms of a recovery, the area is expected to once again outperform the nation in terms of job growth and other economic indicators.

Copyright © 2013 Transwestern. All rights reserved. No part of this work may be reproduced or distributed to third parties without written permission of the copyright owner. The information contained in this report was gathered by Transwestern from CoStar, REIS, Economy.com, and other sources believed to be reliable. Transwestern, however, makes no representation concerning the accuracy or completeness of such information and expressly disclaims any responsibility for any inaccuracy contained herein.

TRANSWESTERN

LICENSED REAL ESTATE BROKER

110 SE 6th Street, Suite 3000 • Ft. Lauderdale, FL 33301

PHONE: 954.607.6649 • FAX: 954.767.5910

www.transwestern.net/miami