

MarketWatch: Broward County

OFFICE MARKET TRENDS
SECOND QUARTER 2013



Broward Office Fundamentals Improving

Available Sublet Space Lessens

Fundamentals continue to improve in Broward County's office market. Demand for office space, measured by net absorption, recorded 136,266 square feet in the second quarter of 2013 and has gained 205,000 square feet year-to-date. The second quarter vacancy rate was 19.0%, down from 19.7% at year-end 2012 and 20.1% from mid-year 2012 thanks to continued job growth. In May, the Broward County unemployment rate was measured at 5.7%, representing a reduction of 1.7 percentage points from May of 2012. Broward continues to outpace the rest of the nation in terms of employment gains as the U.S. unemployment rate is currently at 7.6%.

Another indication of a rebounding office market is the diminishing availability of sublet office space. When companies face distress—as many did over the last several years—jobs are cut, and consequently, less office space is required. Any excess space lacking a future intended use is typically offered back to the market as sublet space prior to the tenant's lease expiration. At the peak of the recession in 2009, Broward County had 373,000 square feet of sublet office space available compared to 229,000 square feet today. Representing a nearly 40% reduction in inventory, this trend has been fostered by an increase in leasing activity fueled by job growth and limited corporate downsizing and simply because many of the original lease terms have expired and a sublease term is no longer required by the tenant.

Downtown Fort Lauderdale led all Broward County submarkets in second quarter absorption with a total of 40,000 square feet. Sawgrass Park and Southwest Broward followed closely, adding additional occupancy gains of 30,000 square feet and 28,000 square feet, respectively. The largest lease transaction of the quarter came in the form of a renewal signed by Carnival Cruise Lines for 63,000 square feet at Huntington Square. Other notable moves this quarter include law firm Becker & Poliakoff's 46,000 square feet at 1 East Broward and a 17,000-square-foot move-in by Business Financial Services at One Charter Place in Northwest Broward. Overall, it appears that Broward County is heading for yet another year of positive absorption as market conditions continue to improve and the overall economy gains traction.

TRANSACTION HIGHLIGHTS

Notable Lease Deals

Completed between 4/1/13 and 6/30/13


Tenant	Building	Lease SF	Comments
Carnival Cruise Lines	Huntington Square	63,000	Renewal
Becker & Poliakoff	1 East Broward Boulevard	46,346	1Q2014 move-in
Premier Beverage	1 East Broward Boulevard	20,000	3Q2013 move-in
Landmark Education	Bayview Corporate Tower	12,300	Brings building to 80% leased

Notable Office Building Sales

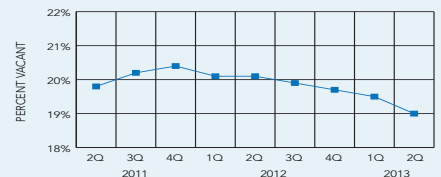
Completed between 4/1/13 and 6/30/13


Building	Total SF	Price	Price PSF	Buyer	Seller
3101 N Federal Highway	86,000	\$10,400,000	\$121	Atid Investments	Nivcab, Inc
4300 N University Drive	88,800	\$5,300,000	\$60	SF Partners	Boxer Property
Ideal Building	80,133	\$4,800,000	\$60	Florida Holding 4800	Lauderdale Office Center Inc

Market Trends

Vacancy Rate **19.0%**  3-Month Trend


Broward County vacancies shed 110 basis points in the last 12 months as market conditions continue to tighten.



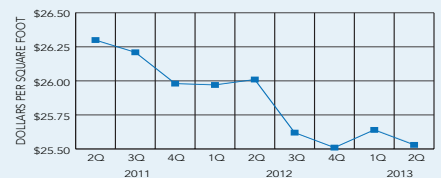
Absorption **136,266 SF** 


Second quarter's absorption total of more than 136,000 square feet marks the largest quarterly occupancy gain since the fourth quarter of 2007.



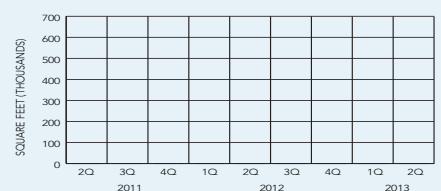
Rental Rates **\$25.53 PSF** 

At \$25.53 per square foot, average asking rents are down \$0.11 per square foot from the first quarter and by \$0.48 per square foot from this time a year ago.



New Deliveries **0 SF** 

The 31,750-square-foot project in Southwest Broward known as Riviera Point remains the only new office project under construction in Broward County.



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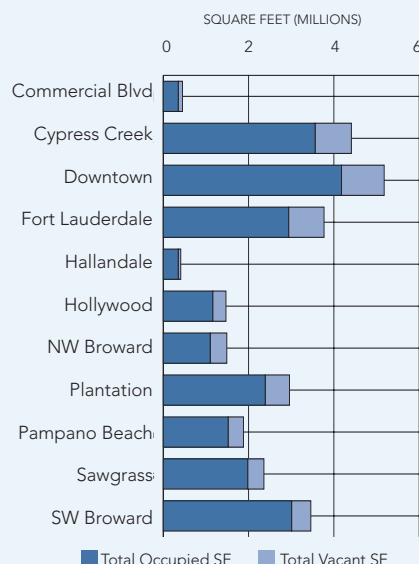
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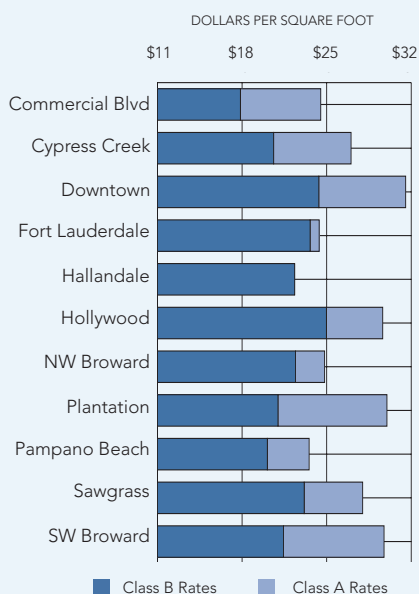
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Submarkets at a Glance

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

- Overall Broward County unemployment improved to 5.7%, dropping more than 310 basis points since May of 2011.
- Retail, hospitality, and manufacturing are leading the county's job growth; however, the office-using sectors are beginning to increase payrolls as well. The financial sector, which has shown little growth in the past year, added 900 jobs to the Broward County market in May.
- Broward and neighboring Miami-Dade County have been named by Biz2Credit, as the fifth-best area for small-business growth in the country.

Rental Rates and Concessions

- Class A average rents of \$28.61 per square foot remain more than \$4 per square foot higher than Class B average rents; however, the gap has been closing over the course of the last two years.
- In most instances, landlords are using less aggressive concession packages than they were three years ago. However, ample opportunity still exists for tenants to secure favorable rates and obtain competitive free rent, which typically includes a month of free rent per year of lease term.

Vacancy and Absorption

- Downtown Fort Lauderdale, which continues to be the most active Broward submarket in terms of leasing activity, has seen vacancies drop 260 basis points since peaking at 22.0% a year prior to a current level of 19.4%.
- Broward County's second quarter absorption total of more than 136,000 square feet marks the sixth consecutive quarter of positive absorption, the market's longest streak in more than seven years.

Leasing Activity

- Bayview Corporate Center, one of Broward's largest office buildings, recently inked 57,000 square feet of deals in the form of renewal and expansions by several tenants and has signed new deals, including 33,827 square feet to Whole Foods and 12,300 square feet to Landmark Education.
- Law firms remain particularly active in the Broward market, exemplified by Becker & Poliakoff's move from Hollywood to 1 East Broward in Downtown for a total of 46,000 square feet.

Investments

- A joint venture between Fifteen Group and Oaktree Capital acquired Sawgrass Technology Park, a 645,000-square-foot office/industrial park spanning 12 buildings located in Sunrise. Occupancy at the park was reported to be 90% at the time of sale, which went for \$52 million.
- At mid-year, 21 office properties totaling 20,000 square feet or larger traded hands, representing an aggregate total of more than \$131 million and at an average price of \$80.61 per square foot. This compares to the first half of 2012, where there were a total of 13 transactions with an aggregate total of \$75 million in volume at an average building price of \$104 per square foot.

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CURRENT STATISTICS		Total Inventory SF	Direct SF Vacant	Direct Vacancy Rate	Sublease SF	Total SF Vacant	Overall Vacancy Rate	2Q2013 Net Absorption	YTD Net Absorption	SF Under Construction	Average Quoted Rental Rate PSF (full service)
Submarket											
URBAN SUBMARKETS											
Ft. Lauderdale DT	Class A	4,163,474	812,243	19.5%	37,435	849,678	20.4%	39,922	56,675	0	\$31.54
	Class B	1,025,296	151,724	14.8%	2,945	154,669	15.1%	246	28,084	0	\$24.35
	Overall	5,188,770	963,967	18.6%	40,380	1,004,347	19.4%	40,168	84,759	0	\$30.44
SUBURBAN SUBMARKETS											
Commercial Blvd	Class A	173,768	25,130	14.5%	0	25,130	14.5%	3,296	7,542	0	\$24.51
	Class B	278,904	74,367	26.7%	1,364	75,731	27.2%	381	6,032	0	\$17.86
	Overall	452,672	99,497	22.0%	1,364	100,861	22.3%	3,677	13,574	0	\$19.84
Cypress Creek	Class A	1,999,222	354,389	17.7%	0	354,389	17.7%	-10,378	-9,933	0	\$27.02
	Class B	2,413,465	491,689	20.4%	5,000	496,689	20.6%	-2,510	-3,349	0	\$20.61
	Overall	4,412,687	846,078	19.2%	5,000	851,078	19.3%	-12,888	-13,282	0	\$23.31
Ft. Lauderdale	Class A	959,668	271,606	28.3%	0	271,606	28.3%	12,188	22,714	0	\$24.38
	Class B	2,807,506	550,627	19.6%	2,956	553,583	19.7%	14,096	2,692	0	\$23.63
	Overall	3,767,174	822,233	21.8%	2,956	825,189	21.9%	26,284	25,406	0	\$23.88
Hallandale	Class A	0	0	0.0%	0	0	0.0%	0	0	0	-
	Class B	402,042	55,546	13.8%	0	55,546	13.8%	11,027	12,352	0	\$22.35
	Overall	402,042	55,546	13.8%	0	55,546	13.8%	11,027	12,352	0	\$22.35
Hollywood	Class A	335,037	33,019	9.9%	0	33,019	9.9%	2,038	-6,008	0	\$29.64
	Class B	1,131,465	267,656	23.7%	5,000	272,656	24.1%	-2,380	-10,449	0	\$24.98
	Overall	1,466,502	300,675	20.5%	5,000	305,675	20.8%	-342	-16,457	0	\$26.03
NW Broward	Class A	594,019	194,635	32.8%	1,437	196,072	33.0%	25,448	29,711	0	\$24.83
	Class B	890,333	187,712	21.1%	2,500	190,212	21.4%	1,197	2,604	0	\$22.42
	Overall	1,484,352	382,347	25.8%	3,937	386,284	26.0%	26,645	32,315	0	\$23.42
Plantation	Class A	1,663,724	233,609	14.0%	99,481	333,090	20.0%	-11,109	449	0	\$29.99
	Class B	1,291,142	233,731	18.1%	0	233,731	18.1%	-15,027	-16,446	0	\$20.97
	Overall	2,954,866	467,340	15.8%	99,481	566,821	19.2%	-26,136	-15,997	0	\$25.71
Pompano Beach	Class A	328,755	134,697	41.0%	0	134,697	41.0%	7,027	7,027	0	\$23.55
	Class B	1,554,654	227,024	14.6%	0	227,024	14.6%	2,089	24,843	0	\$20.09
	Overall	1,883,409	361,721	19.2%	0	361,721	19.2%	9,116	31,870	0	\$21.17
Sawgrass Park	Class A	1,584,449	281,116	17.7%	0	281,116	17.7%	19,964	6,338	0	\$27.98
	Class B	772,735	74,607	9.7%	25,000	99,607	12.9%	10,048	10,048	0	\$23.14
	Overall	2,357,184	355,723	15.1%	25,000	380,723	16.2%	30,012	16,386	0	\$26.66
SW Broward	Class A	2,043,641	274,602	13.4%	45,953	320,555	15.7%	9,596	-2,775	31,750	\$29.75
	Class B	1,410,474	128,240	9.1%	0	128,240	9.1%	19,107	37,108	0	\$21.43
	Overall	3,454,115	402,842	11.7%	45,953	448,795	13.0%	28,703	34,333	31,750	\$27.01
SUBURBAN SUBMARKETS TOTAL											
Suburban	Class A	9,682,283	1,802,803	18.6%	146,871	1,949,674	20.1%	58,070	55,065	31,750	\$27.36
	Class B	12,952,720	2,291,199	17.7%	41,820	2,333,019	18.0%	38,028	65,435	0	\$22.03
	Overall	22,635,003	4,094,002	18.1%	188,691	4,282,693	18.9%	96,098	120,500	31,750	\$24.42
BROWARD COUNTY TOTAL											
TOTAL	Class A	13,845,757	2,615,046	18.9%	184,306	2,799,352	20.2%	97,992	111,740	31,750	\$28.61
	Class B	13,978,016	2,442,923	17.5%	44,765	2,487,688	17.8%	38,274	93,519	0	\$22.17
	Class A & B	27,823,773	5,057,969	18.2%	229,071	5,287,040	19.0%	136,266	205,259	31,750	\$25.53

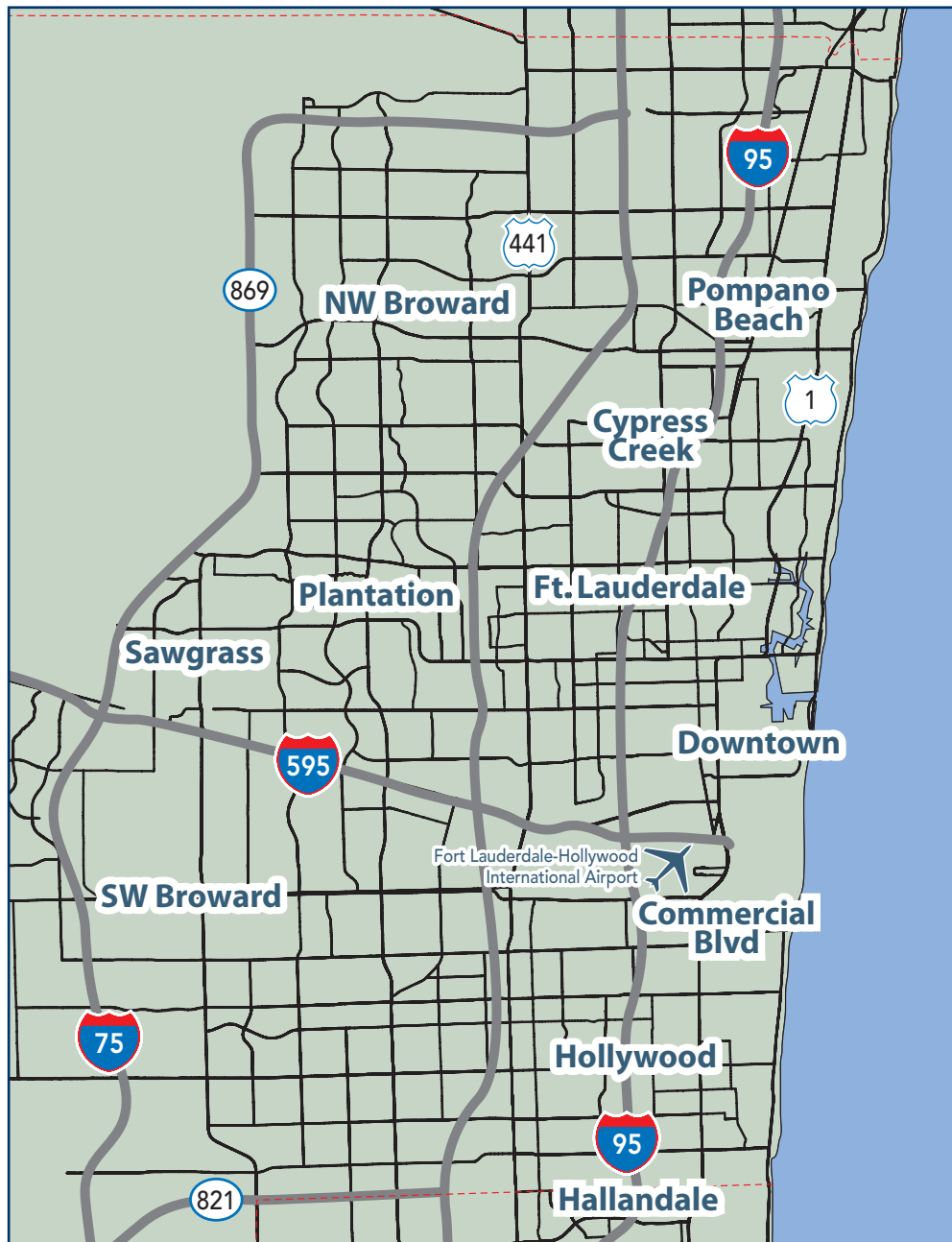
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Broward County Office Submarkets



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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.

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