

# Broward County Office MarketView

Q3 2013

CBRE Global Research and Consulting

▼ VACANCY  
19.1%

▲ ASKING RATE  
\$16.74

▲ ABSORPTION  
11 K

● CONSTRUCTION  
0

● COMPLETIONS  
0

▼ UNEMPLOYMENT  
5.8%

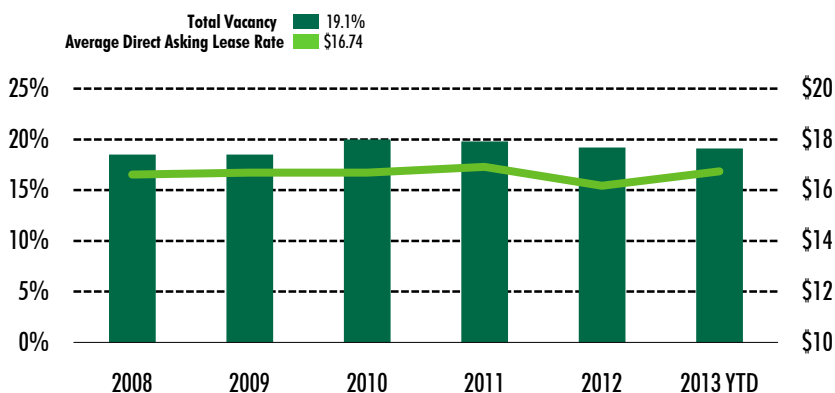
\*Arrows indicate change from previous year.

## OFFICE VACANCY RATES EXPERIENCING DECLINE IN THE BROWARD COUNTY CENTRAL BUSINESS DISTRICT (CBD)

### Hot Topics

- U.S. Gas & Electric, a supplier of natural gas and electricity to commercial and residential consumers, plans to combine its headquarters into a 46,000 sq. ft. facility at 3700 Lakeside Drive in Miramar, Florida.
- Spirit Airlines now occupies 70,819 sq. ft. of space after expanding by 14,625 sq. ft.; signing a 10-year lease at its headquarters located at 2844–2854 Corporate Way, Miramar.
- Holocaust Documentation and Education Center is moving its Hollywood headquarters to a 25,000 sq. ft. space located at 303 S. Federal Highway, Dania Beach.
- Unipharm, a Venezuelan pharmaceutical company has announced that it is establishing operations as a US company and moving its headquarters to Tamarac, bringing 100 jobs to Broward County.
- Sentry Data Systems plans to move its headquarters to Deerfield Beach, occupying 21,615 sq.-ft. of space in the 800 Fairway office building.

### Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Source: CBRE Research Q3 2013.

### Leasing Activity

The migration of companies from the downtown market to the suburbs has reversed course as many businesses seek space along the Las Olas corridor and the Downtown CBD in Broward County. Although still comparatively high, overall vacancy rates in downtown Fort Lauderdale have shifted downward for the fourth consecutive quarter to 18.2% in Q3 2013, down from the 22% posted a year ago.

In the Las Olas corridor, vacancy rates decreased to 12.3% from 13.5% Q2 2013. This trend is expected to continue into the new year as businesses that signed leases during 2013 will take occupancy in 2014.

The downtown market posted 40,237 sq. ft. of positive absorption this quarter as companies made the move into the new urban fabric of the Broward County CBD. Legal firm Kubicki Draper renewed its lease for 10,000 sq. ft. of space at 1 East Broward. RBC Bank and Eppy Financial absorbed 8,900 sq. ft. and 5,183 sq. ft. of space, respectively, at 500 E. Broward Blvd.

Companies that have signed leases to move to the CBD during 2014 include: Prolexic Technologies, scheduled to move from Hollywood submarket Q2 2014 to 32,937 sq. ft. of space at 200 E. Las Olas Boulevard, law firm Becker & Poliackoff moving from Hollywood, FL to 46,300 sq. ft. at 1 East Broward Boulevard and the law firm of Waldman, Trigoboff, Hildebrandt, Marx & Calnan moved Q3 2013, from the SW Broward submarket to 500 E. Broward Boulevard.

Asking rates in the downtown submarket increased to \$19.89 per sq. ft. during Q3 2013, up from the Q3 2012 rate of \$19.15 per sq. ft.

Overall, the Broward County office market experienced a year-over-year drop in the vacancy rate of 70 basis points, closing Q3 2013 at 19.1%. Asking rates increased by \$0.54 per sq. ft. year-over-year to \$16.74 per sq. ft. Class A properties increased slightly in Q3 2013 to \$18.53 per sq. ft., compared to \$18.32 per sq. ft. at this time last year.

## Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Total Vacancy (%)	Qtrly Net Absorption	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Commercial	1,994,497	18.7	19.1	(9,256)	13,757	0	\$13.90
Cypress Creek	4,030,104	17.9	19.2	(28,057)	(62,303)	0	\$14.06
Deerfield Beach	924,224	22.5	22.5	(10,136)	8,075	0	\$12.02
Downtown/CBD	5,185,507	17.0	18.2	40,237	122,635	0	\$19.89
Fort Lauderdale	1,963,999	19.7	24.1	12,650	4,611	0	\$16.37
Hollywood	2,196,788	16.0	16.2	0	23,787	0	\$18.00
Northwest Broward	1,254,874	34.8	34.9	0	18,213	0	\$15.52
Plantation	2,993,103	14.5	16.7	3,823	40,274	0	\$17.51
Pompano Beach	915,388	32.6	32.9	(6,906)	(120,875)	0	\$15.97
Sawgrass	2,482,597	13.7	13.8	9,152	20,616	0	\$17.02
Southwest Broward	2,734,986	13.1	13.3	0	11,388	0	\$19.78
<b>Total Suburban</b>	<b>21,490,560</b>	<b>18.2</b>	<b>19.3</b>	<b>(28,767)</b>	<b>(42,457)</b>	<b>0</b>	<b>\$15.95</b>
<b>Total Broward</b>	<b>26,675,067</b>	<b>18.0</b>	<b>19.1</b>	<b>11,507</b>	<b>80,178</b>	<b>0</b>	<b>\$16.74</b>
Class A	13,259,318	17.9	19.1	17,579	125,422	0	\$18.53
Class B	9,851,134	17.1	18.1	(8,080)	66,819	0	\$15.01
Class C	3,565,615	20.8	21.6	2,008	(112,063)	0	\$14.25

Source: CBRE Research Q3 2013.

Class A properties in Broward County saw a 150 basis point decrease in vacancy year-over-year to 19.1%, and 17,579 sq. ft. of positive absorption during the quarter. Class B average asking rates increased to \$15.01 per sq. ft. from the Q3 2012 rate of \$13.79 per sq. ft., but posted 8,080 sq. ft. of negative absorption this quarter. Vacancy rates for Class B properties declined 50 basis points, year-over-year, to a current 18.1%. Class C properties saw an increase in rental rates to \$14.25 per sq. ft. – compared to \$11.40 per sq. ft. in Q3 2012. Class C vacancy rates increased by 120 basis points year-over-year and experienced 2,008 sq. ft. of positive absorption.

Modest leasing momentum continues to push the office market toward recovery mode. Landlords are offering free rent concessions and tenant improvement allowances on second-generation space to attract new tenants to the market. Programs offered in Broward County have proven successful in getting businesses to move their headquarters to the area, creating over 80,178 sq. ft. of positive absorption year-to-date.

Demand for office space has been consistently positive for multiple consecutive quarters, a trend we expect to continue as companies continue to show interest in the Broward County area.

## Development

Due to low levels of construction and steadily declining vacancy rates, rents are expected to rebound modestly in the near term. However, there is not enough upward pressure on rates or demand to encourage developers to begin construction on office space.

There was no change in construction activity this past quarter, and new construction is expected to remain dormant throughout the year. If employment growth and business expansion continues in a positive direction, vacancy rates will decrease throughout all markets and spur new construction in years to come.

## Investment Sales Activity

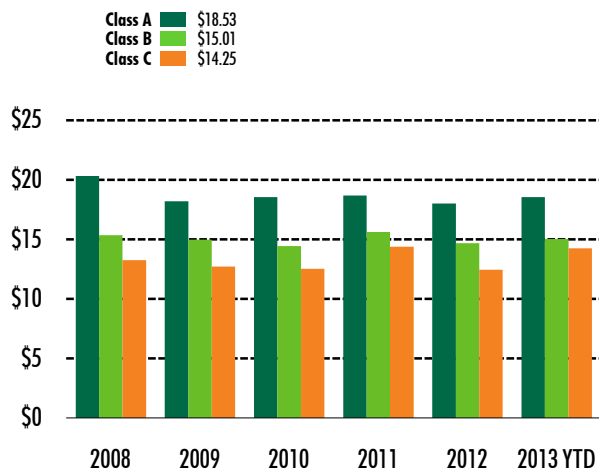
Investment sales were sluggish in Broward County during Q3 2013 as potential purchasers sought discounts from property owners, and sellers held firm on price.

While investors want to buy prime office buildings in core markets, competition is leading many out to secondary markets. Even so, the office property market is up, with a year-over-year increase in price per sq. ft. in primary markets.

Acquisitions during the Q3 2013 included:

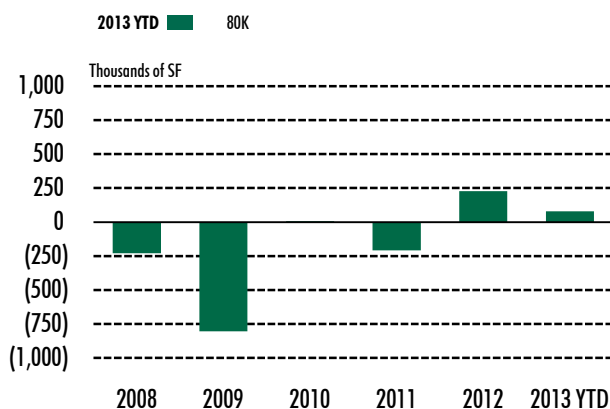
- Lakeside Office Center, a 134,443 sq. ft. Class A office building, located at 600 N. Pine Island Road in the city of Plantation was acquired at a 7.6% capitalization rate, for \$21.5 million or \$159.92 per sq. ft. The building was 75% leased at the time of sale.
- The Burley Building, a 17,082-sq.-ft. Class B office building located at 3625 W. Broward Boulevard in the city of Fort Lauderdale, sold for \$2.6 million, or \$156.30 per sq. ft.

## Average Dir Asking Lease Rates (NNN)



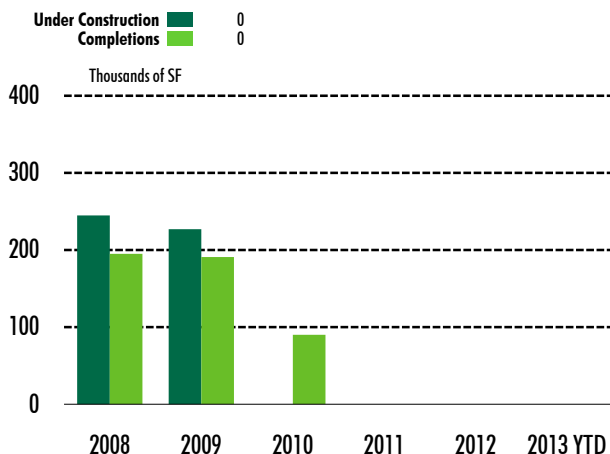
Source: CBRE Research Q3 2013.

## Net Absorption



Source: CBRE Research Q3 2013.

## Under Construction and Completions



Source: CBRE Research Q3 2013.

## Economic Influence

Broward County continues to work towards facilitating businesses by offering incentive programs to propel growth of national and international organizations. The county also assist in the creation of new businesses to the area as well as and aid existing companies with expansion or relocation within the county. Job diversification continues to impact the county's economy with growth of information technology companies, along with health-related and aviation-related businesses. Some of the beneficiaries of these programs include: Cyalume Technologies Holdings, Inc. which will relocate its corporate headquarters from West Springfield, Massachusetts, to a new facility in Fort Lauderdale, creating 25 new jobs. Citrix, a provider of technology solutions will expand its Fort Lauderdale offices. The expansion will generate 200 jobs in Broward County and Parallon announces expansion of its headquarters in Sunrise, and will add 125 new jobs to the area.

With the increase of companies moving to the area, the housing market is showing strong demand and rising prices in Broward County. Developers have planned new multi-family units to meet this growing need. A 240-unit apartment complex is planned in the 5400 block, west of South University Drive, in the City of Davie. Veranda Site, located at 599 NW 82nd Avenue, Plantation, has broken ground for a 197-unit multi-family housing complex and The Pearl at Flagler Village, north of Federal Highway & NE 6th Street 330-unit complex is under construction.

New multi-family projects delivered and leasing include Modera Miramar, a 1,400-unit complex located at 113398 S.W. 45 Place in the City of Miramar; Altis Coconut Creek, a 270-unit apartment community located at N.W. 45th Street & SR 7 in Coconut Creek and a Broadstone a 396-unit apartment complex located at Cypress Hammocks, on W. Hillsboro, south of SR 7 in Coconut Creek.

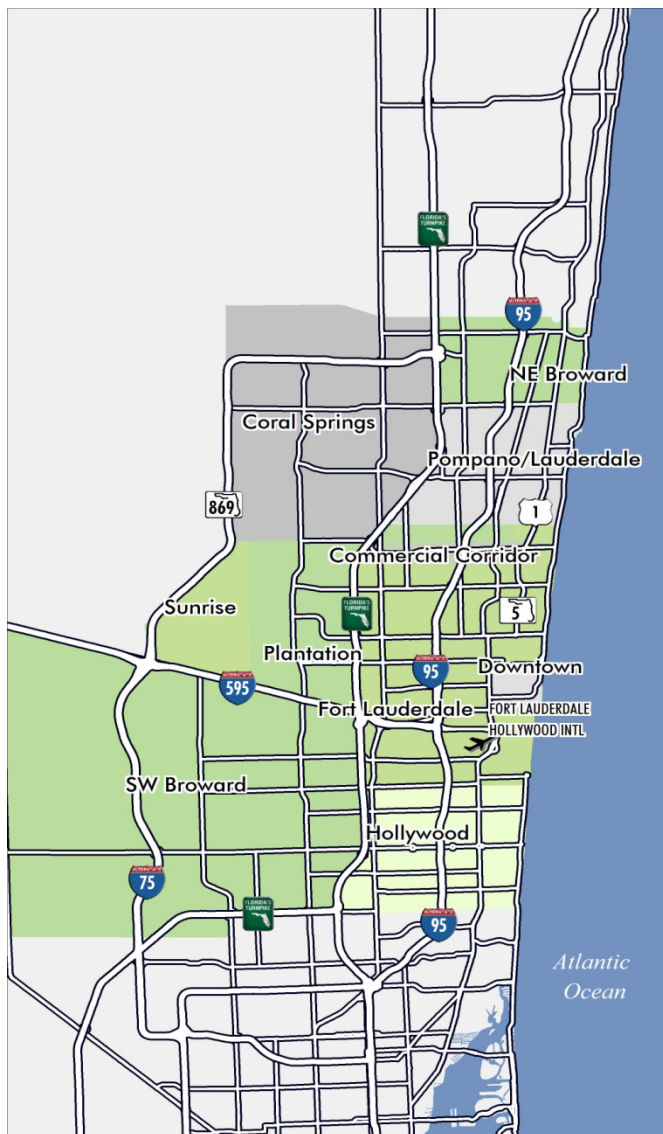
Broward County's unemployment rate of 5.8% was among the lowest in the state of Florida. The total civilian labor force (non-seasonally adjusted) for Broward County in August 2013 was 1,034,916, of which 974,384 were employed and 60,532 were unemployed. The unemployment rates break out as follows:

County	Labor Force	Unemp%
Broward County	1,034,916	5.8%
Miami-Dade	1,277,084	8.4%
Palm Beach	640,239	7.5%
Florida	9,446,000	7.1%
US	155,971,000	7.3%

## Outlook

Broward County continues to see improvement in the office market. The flourishing housing market and low unemployment rates set the pace for a slow and steady recovery. Numerous companies have announced new job openings totaling more than 7,500 jobs year-to-date. Expect rents to continue to increase gradually during the remainder of 2013.

Concessions as free rent and tenant improvement allowances will continue, although less than seen in previous quarters. The Downtown CBD market will remain prosperous while Broward County works towards revitalizing the area with a focus on additional multi-family housing units, improving transportation and bringing more businesses to the area.



**Market Coverage:** Includes all competitive office buildings 30,000 square feet and greater in size in Broward County.

## CONTACTS

For more information about this Local MarketView, please contact:

### Broward Research

#### Valerie Tatum

Research Coordinator

Broward Research

CBRE

200 E Las Olas Blvd

Suite 1620

Fort Lauderdale, FL 33301

**t:** +1 954 331 1702

**e:** [valerie.tatum@cbre.com](mailto:valerie.tatum@cbre.com)

#### Ken Krasnow

Managing Director

South Florida

CBRE

5100 Town Center Circle

Tower 2, Suite 600

Boca Raton, FL 33486

**t:** +1 561 393 1649

**e:** [ken.krasnow@cbre.com](mailto:ken.krasnow@cbre.com)

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