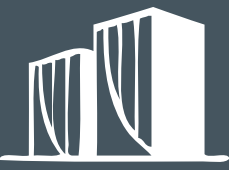




## Broward County Office Market Remains Steady Amid Rising Rental Rates Due to Job Growth and New Development

Strong economic fundamentals continue to fuel Broward County's office market due to consistent job growth and strong in-migration. The overall employment outlook remains positive as the non-seasonally adjusted unemployment rate declined to 3.5% as of August 2018, a 50-basis point (bps) decrease from the previous year. Additionally, during the trailing 12-month period, nonfarm employment increased by 10,600 jobs. Steady leasing activity occurred during the third quarter despite a 115-bps quarter-over-quarter increase in the overall vacancy rate to 10.6%. Net absorption within the CBD was negative due to a handful of large tenant move outs and tenant downsizing as companies continue to efficiently utilize their office space. Also in the CBD, the overall asking rental rate rose to \$44.43 per sf, an impressive 11% increase since the third quarter of 2017. As asking rates continue to rise, it is likely that landlords will need to offer more attractive tenant improvement (TI) packages to remain competitive. Suburban submarkets outperformed the CBD with the most significant leasing activity occurring in Cypress Creek, Northwest Broward, and Northeast Broward. An acceleration in rental rates and a limited supply of large blocks of office space have pushed some tenants to search for more affordable quality office space outside of the urban core, however, demand for high quality office space persists with 941,273 sf of office space currently under construction. The recent opening of the Brightline high speed rail service connecting Fort Lauderdale to Miami and West Palm has sparked new development interest for transit-oriented property near the rail line. Florida East Coast Industries recently announced its plans to build a 14-story office tower, 101 Fort Lauderdale, near its passenger rail station in Progresso Village. The 175,000-sf building is a prime example of the demand for live-work-play developments.



**452,480 SF**  
of class A  
construction is  
currently underway  
in Downtown Fort  
Lauderdale

### Office Market Snapshot

- Office investment activity remained solid in Broward County during the third quarter of 2018 with \$738.4 million in transaction volume, accounting for 4.3 million sf. Although this sales volume was a 33% decrease from the same time period in 2017, economic factors including the increase in cap rates due to rising interest rates and increased construction costs due to trade relations could be delaying investment decisions with some developers as they take a "wait and see" approach.
- Landlords are responding to the rising demand for amenity-rich workplaces in an effort to attract and retain top talent in an increasingly tight labor market. A national trend toward outdoor amenities is developing in new class A office projects as developers are including rooftop terraces, open courtyards, gardens, etc. A prime example of this is The Edison development, a 335,000-sf office project currently under construction in Southwest Broward, which has incorporated a large courtyard amenity with indoor/outdoor collaborative spaces.
- The largest office sale during the third quarter was Cardinal Pointe Management's acquisition of the Coastal Tower building located in the Cypress Creek submarket. The 261,676 -sf class A office building sold for \$47.5 million, or \$182 per sf.
- Development of new class A office product continues to grow throughout the county with two new office tower projects breaking ground during the third quarter. Stiles Corp.'s 201 E Las Olas building is underway in Downtown Fort Lauderdale. The 356,948-sf office tower is set to deliver in November of 2020 and will be the largest class A office building since the construction of the AutoNation building over a decade ago. Additionally, the Optima Plaza North office project has begun construction. The 286,577-sf development currently straddles the county line between Hallandale and Aventura with the north tower landing in the Hallandale side of the project, and will connect to the existing Optima Plaza East and West buildings in Aventura.

**32.5 MSF**

Total office inventory in the Broward County market

**257,653 SF**

Direct Y-T-D net absorption as of 3Q-2018

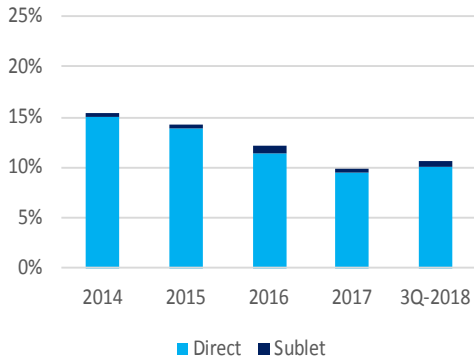
**10.57%**

Overall Vacancy

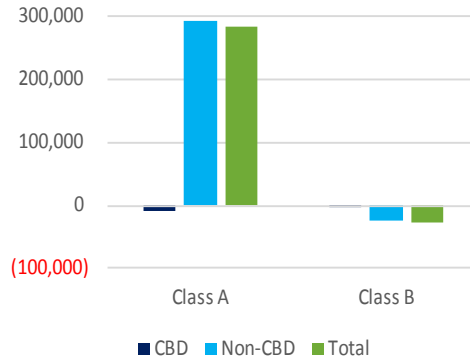
**\$36.06/SF/FS**

Average rental rate for class A space

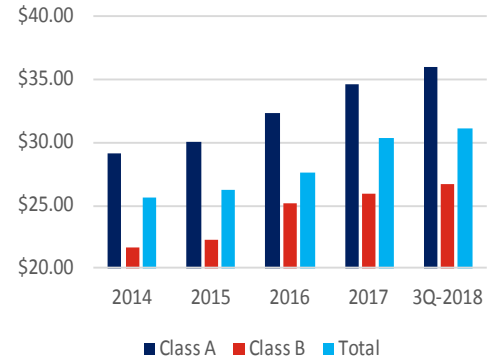
**Vacancy Rate**



**YTD Net Absorption (SF)**



**Average Asking Rent Rate (\$/SF/FS)**



**BROWARD COUNTY OFFICE MARKET AT A GLANCE**

**4.0%**  
AUG-2017

↓

**3.5%**  
AUG-2018

CHANGE IN BROWARD COUNTY UNEMPLOYMENT RATE



THE RECENT OPENING OF THE BRIGHTLINE HAS SPURRED INTEREST IN TRANSIT-ORIENTED DEVELOPMENT



**941,273 SF**  
SQUARE FEET CURRENTLY UNDER CONSTRUCTION



**10,600**

INCREASE IN TOTAL NON-FARM EMPLOYMENT SINCE 3Q-2017



**4.0%**  
RENTAL RATE INCREASE OVER THE TRAILING 12-MOS ENDING 3Q-2018



WITH 919 PEOPLE MOVING TO FLORIDA EACH DAY, BROWARD COUNTY'S POPULATION IS EXPECTED TO EXCEED 2 MILLION BY 2025



TENANTS ARE ALLOCATING LESS SQUARE FOOTAGE PER EMPLOYEE TO CREATE EFFICIENT UTILIZATION OF OFFICE SPACE



**8.4%**  
STRONGEST Y-O-Y JOB GROWTH OCCURRING IN THE CONSTRUCTION SECTOR



**\$738.4 million**  
IN TOTAL OFFICE SALES VOLUME DURING THE T-12 MONTHS ENDING 3Q-2018

Broward County										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	13,704,278	1,542,646	102,138	\$36.06	88.74%	11.26%	0.75%	12.00%	905,057	283,723
Class B	18,801,566	1,708,859	80,697	\$26.67	90.91%	9.09%	0.43%	9.52%	36,216	(26,070)
<b>Total</b>	<b>32,505,844</b>	<b>3,251,505</b>	<b>182,835</b>	<b>\$31.12</b>	<b>90.00%</b>	<b>10.00%</b>	<b>0.56%</b>	<b>10.57%</b>	<b>941,273</b>	<b>257,653</b>

CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	3,982,367	557,067	56,794	\$45.31	86.01%	13.99%	1.43%	15.41%	452,480	(9,187)
Class B	1,064,631	70,706	0	\$37.51	93.36%	6.64%	0.00%	6.64%	36,216	(3,080)
<b>Total</b>	<b>5,046,998</b>	<b>627,773</b>	<b>56,794</b>	<b>\$44.43</b>	<b>87.56%</b>	<b>12.44%</b>	<b>1.13%</b>	<b>13.56%</b>	<b>488,696</b>	<b>(12,267)</b>

Non-CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	9,721,911	985,579	45,344	\$30.84	89.86%	10.14%	0.47%	10.60%	452,577	292,910
Class B	17,736,935	1,638,153	80,697	\$26.20	90.76%	9.24%	0.45%	9.69%	0	(22,990)
<b>Total</b>	<b>27,458,846</b>	<b>2,623,732</b>	<b>126,041</b>	<b>\$27.94</b>	<b>90.44%</b>	<b>9.56%</b>	<b>0.46%</b>	<b>10.01%</b>	<b>452,577</b>	<b>269,920</b>

Cypress Creek										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	2,919,248	446,156	37,737	\$29.19	84.72%	15.28%	1.29%	16.58%	0	81,638
Class B	3,031,178	469,630	40,962	\$23.51	84.51%	15.49%	1.35%	16.84%	0	(24,809)
<b>Total</b>	<b>5,950,426</b>	<b>915,786</b>	<b>78,699</b>	<b>\$26.28</b>	<b>84.61%</b>	<b>15.39%</b>	<b>1.32%</b>	<b>16.71%</b>	<b>0</b>	<b>56,829</b>

Central Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	3,347,156	426,094	4,000	\$26.23	87.27%	12.73%	0.12%	12.85%	0	188
<b>Total</b>	<b>3,347,156</b>	<b>426,094</b>	<b>4,000</b>	<b>\$26.23</b>	<b>87.27%</b>	<b>12.73%</b>	<b>0.12%</b>	<b>12.85%</b>	<b>0</b>	<b>188</b>

Downtown Fort Lauderdale										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	3,982,367	557,067	56,794	\$45.31	86.01%	13.99%	1.43%	15.41%	452,480	(9,187)
Class B	1,064,631	70,706	0	\$37.51	93.36%	6.64%	0.00%	6.64%	36,216	(3,080)
<b>Total</b>	<b>5,046,998</b>	<b>627,773</b>	<b>56,794</b>	<b>\$44.43</b>	<b>87.56%</b>	<b>12.44%</b>	<b>1.13%</b>	<b>13.56%</b>	<b>488,696</b>	<b>(12,267)</b>

Hallandale										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	286,577	0
Class B	500,355	60,839	30	\$32.38	87.84%	12.16%	0.01%	12.17%	0	(10,706)
<b>Total</b>	<b>500,355</b>	<b>60,839</b>	<b>30</b>	<b>\$32.38</b>	<b>87.84%</b>	<b>12.16%</b>	<b>0.01%</b>	<b>12.17%</b>	<b>286,577</b>	<b>(10,706)</b>

Hollywood										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	281,600	28,280	3,862	\$35.40	89.96%	10.04%	1.37%	11.41%	0	3,563
Class B	1,571,172	135,838	0	\$31.56	91.35%	8.65%	0.00%	8.65%	0	(29,383)
<b>Total</b>	<b>1,852,772</b>	<b>164,118</b>	<b>3,862</b>	<b>\$32.22</b>	<b>91.14%</b>	<b>8.86%</b>	<b>0.21%</b>	<b>9.07%</b>	<b>0</b>	<b>(25,820)</b>

Northwest Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	505,504	53,692	0	\$31.16	89.38%	10.62%	0.00%	10.62%	0	9,006
Class B	1,357,479	82,495	1,200	\$23.58	93.92%	6.08%	0.09%	6.17%	0	61,344
<b>Total</b>	<b>1,862,983</b>	<b>136,187</b>	<b>1,200</b>	<b>\$26.57</b>	<b>92.69%</b>	<b>7.31%</b>	<b>0.06%</b>	<b>7.37%</b>	<b>0</b>	<b>70,350</b>

Plantation										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,461,223	136,427	0	\$37.43	90.66%	9.34%	0.00%	9.34%	0	79,851
Class B	2,364,688	140,041	11,706	\$26.11	94.08%	5.92%	0.50%	6.42%	0	(1,090)
<b>Total</b>	<b>3,825,911</b>	<b>276,468</b>	<b>11,706</b>	<b>\$31.70</b>	<b>92.77%</b>	<b>7.23%</b>	<b>0.31%</b>	<b>7.53%</b>	<b>0</b>	<b>78,761</b>

Northeast Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	375,692	18,257	0	\$30.28	95.14%	4.86%	0.00%	4.86%	0	64,437
Class B	2,381,318	123,318	0	\$24.12	94.82%	5.18%	0.00%	5.18%	0	(37,843)
<b>Total</b>	<b>2,757,010</b>	<b>141,575</b>	<b>0</b>	<b>\$24.91</b>	<b>94.86%</b>	<b>5.14%</b>	<b>0.00%</b>	<b>5.14%</b>	<b>0</b>	<b>26,594</b>

Sawgrass Park										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	1,689,146	119,923	3,745	\$33.80	92.90%	7.10%	0.22%	7.32%	0	(7,307)
Class B	1,228,718	105,344	19,832	\$28.37	91.43%	8.57%	1.61%	10.19%	0	5,326
<b>Total</b>	<b>2,917,864</b>	<b>225,267</b>	<b>23,577</b>	<b>\$31.26</b>	<b>92.28%</b>	<b>7.72%</b>	<b>0.81%</b>	<b>8.53%</b>	<b>0</b>	<b>(1,981)</b>

Southwest Broward										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	2,489,498	182,844	0	\$27.24	92.66%	7.34%	0.00%	7.34%	166,000	61,722
Class B	1,954,871	94,554	2,967	\$30.45	95.16%	4.84%	0.15%	4.99%	0	13,983
<b>Total</b>	<b>4,444,369</b>	<b>277,398</b>	<b>2,967</b>	<b>\$28.33</b>	<b>93.76%</b>	<b>6.24%</b>	<b>0.07%</b>	<b>6.31%</b>	<b>166,000</b>	<b>75,705</b>

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in Broward County that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Rising rental rates in the CBD are fueling demand for quality office space in suburban submarkets. Total average asking rates in the CBD increased by 11% Y-O-Y as of 3Q-2018.

### Leading Indicators (Y-O-Y 3Q-2017 to 3Q-2018)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
↓	↓	↑	↑	↑
10.57%	257,653 SF	\$31.12	941,273 SF	0.99 MM

### Significant Third Quarter 2018 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
MacNeil Group, Inc.	Sunrise Corporate Plaza I	Renewal	37,818	Sawgrass Park
VITAS Healthcare	Crystal Lake Office Plaza	New	25,600	Northeast Broward
Tambourine*	Trade Centre South	New	24,946	Cypress Creek
Fortinet	Sawgrass Lake Center	Renewal/ Expansion	20,157	Sawgrass Park
Amcor Rigid Plastics*	Huntington Centre II	Renewal	16,716	Southwest Broward
Early Learning Coalition	Crown Center	New	15,552	Cypress Creek

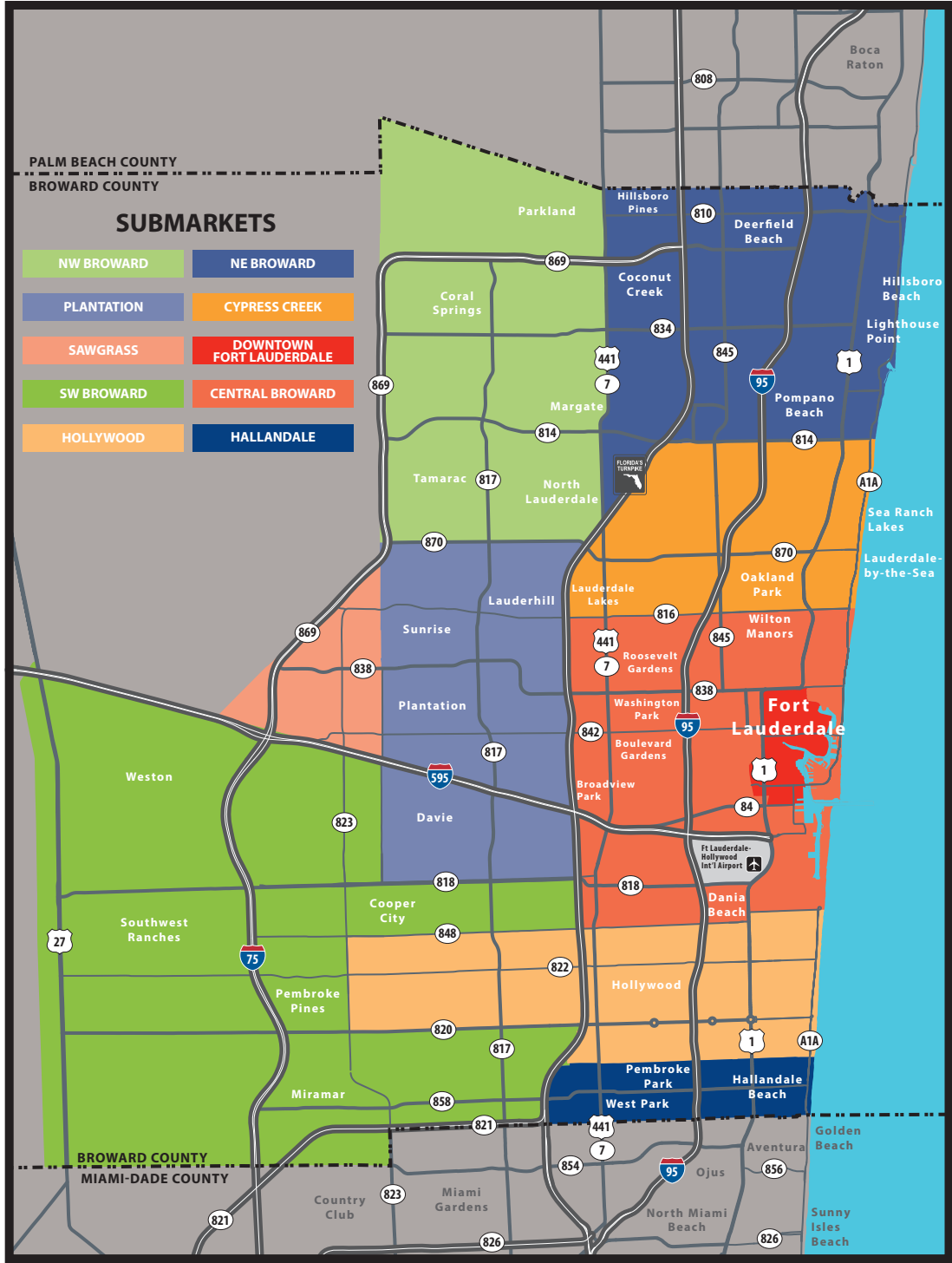
\* Avison Young handled this transaction

### Significant Third Quarter 2018 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Coastal Tower	261,676	\$47,500,000	\$182	Cardinal Pointe Management	Cypress Creek
Sawgrass Pointe II	92,362	\$27,250,000	\$295	Barron Collier / Vanderbilt Office Properties	Sawgrass Park
Southpoint*	79,464	\$18,500,000	\$233	The Green Companies	Plantation

\* Avison Young handled this transaction





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