

BROWARD INDUSTRIAL MARKET

FOURTH QUARTER 2016

Demand reaches 10-year high point Asking rents rise to a new cycle peak

ECONOMY

Trade and tourism continue to dominate

Broward County has seen moderate job growth in recent months, and as of November 2016 unemployment in Broward was 4.6%, below state and national averages and one of the lowest in Florida. Wage growth has outpaced the national rate in recent months, and employment is steady in the area's warehousing and distribution sectors, as global trade and shipping continue at the world's second busiest port. Tourism remains strong in Broward as well, with a rise in leisure and hospitality jobs and increasing trade and travel through the airport and Port Everglades.

VACANCY

Vacancy hits lowest point in a decade

Broward's industrial vacancy rate has steadily declined during this decade, reaching 5.2% in Q4. This is the lowest rate posted since 2007 and reflects increasing demand for space in Broward County. Vacancy is lowest in the Pompano Beach, Central, and Southeast Broward submarkets, but nearly submarket reports vacancy below 6%.

ABSORPTION

Strongest demand in more than a decade

In Q4 Broward's industrial market absorbed 868,110 SF, the strongest single-quarter performance seen since 2005. This figure contributes to annual absorption of 2.4 million SF, the county's highest level in more than a decade. Absorption in Q4 was strongest in the Coral Springs and Southeast Broward submarkets, while Southeast and Pompano Beach saw the highest levels of annual absorption.

SUPPLY AND DEMAND

Spec construction slows, leaving fewer options for users

Just over 750,000 SF of new space was delivered in 2016, below the previous year's level. This leaves 434,289 SF under construction at year's end, with most of that set in Central Broward in two projects. Approximately 32% of the space under construction has been preleased, and nearly all of the projects are expected to deliver in the first quarter of 2017.

FORECAST

Rising rents & strong demand should inspire more development

Broward should continue to see strong absorption, as long as users can find spaces to meet their needs. Asking rents will continue to rise in the near term, and developers are likely to launch more projects in the first half of the new year.

QUARTERLY SNAPSHOT

VACANCY



5.2%

Lowest level since 2007

ABSORPTION



868,110 SF

Strongest quarterly demand since 2005

RENTAL RATE



\$8.64 PSF

Highest asking rent since 2008

UNDER CONSTRUCTION



434,289 SF

Most of this in Central Broward

AVERAGE SALE PRICE



\$107 PSF

Down slightly from previous quarter

JOB GROWTH



2.9%

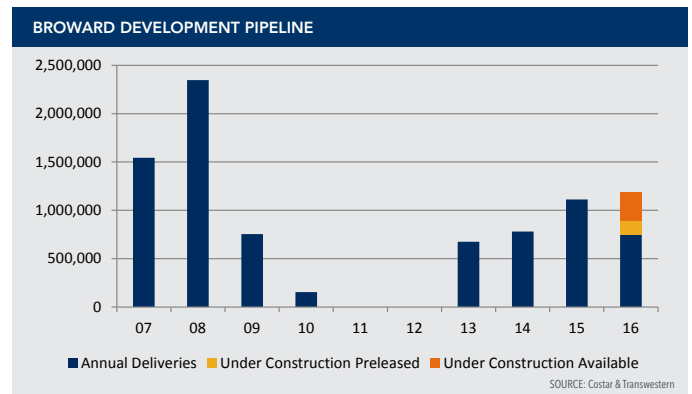
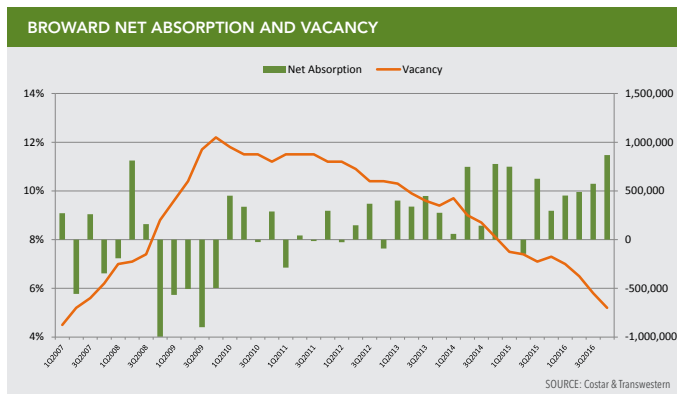
Annual growth in 2016 outpaces the U.S. average

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Broward Industrial Market Indicators

SUBMARKET	BUILDINGS	INVENTORY	DIRECT VACANT	DIRECT VACANCY RATE	SUBLEASE SF	TOTAL SF VACANCY	OVERALL VACANCY	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	RENTAL RATE PSF
Central Broward	269	11,264,694	457,167	4.1%	5,000	462,167	4.1%	-52,476	-133,730	306,466	\$9.24
Coral Springs	110	5,583,544	244,323	4.4%	60,000	304,323	5.5%	347,613	399,598	0	\$7.23
Northeast Broward	175	10,211,386	714,732	7.0%	17,838	732,570	7.2%	39,185	140,427	0	\$8.79
Pompano Beach	445	23,138,316	611,293	2.6%	4,000	615,293	2.7%	95,382	542,824	26,933	\$8.40
Southeast Broward	412	19,733,278	992,488	5.0%	11,450	1,003,938	5.1%	339,593	707,944	30,000	\$8.74
Southwest Broward	217	16,016,726	1,324,316	8.3%	15,542	1,339,858	8.4%	145,882	380,282	70,890	\$8.82
West Sunrise	145	8,984,423	448,686	5.0%	64,489	513,175	5.7%	-47,069	345,692	0	\$8.53
Grand Totals	1,773	94,932,367	4,793,005	5.0%	178,319	4,971,324	5.2%	868,110	2,383,037	434,289	\$8.64



Transaction Highlights

Notable Industrial Lease Deals

Completed between 10/1/16 and 12/31/16

Tenant	Building	Lease (SF)	Comments
Challenge Warehouse	3501 46th Avenue	48,600	New lease
BF Aerospace	Prologis I-595 Center	45,536	New lease
DMR Creative Marketing	Pompano Commerce Center	45,044	New Lease

Notable Industrial Building Sales

Completed between 10/1/16 and 12/31/16

Building	Total (SF)	Price	Price (PSF)	Comments
Weston Park of Commerce	134,400	\$14.3 million	\$107	Sold to EastGroup for redevelopment
6520-6560 NW Powerline Rd	62,489	\$6 million	\$96	Fully leased; Acquired by Dezer Properties
Park Central Business Park (6 bldgs.)	185,110	\$14.75 million	\$80	88% leased; Acquired by KEI Properties

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METHODOLOGY

The information in this report is the result of Transwestern's ongoing analysis of Broward County's key for-lease industrial and flex properties. We compile our quarterly statistics based on a defined inventory of existing buildings of 20,000 square feet or more in size.



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