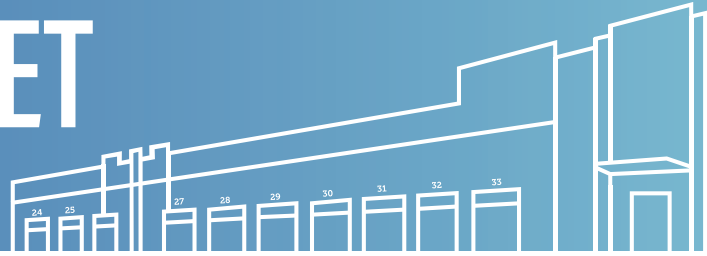


# INDUSTRIAL MARKET



## Healthy Demand Leads to Tighter Market

Despite Economic Challenges, Broward's Industrial Sector Starts 2021 Strong

### ECONOMY

#### Recovery Is Underway but Will Be Slow

Broward County's job growth had slowed even before the onset of COVID-19 due to a tight labor market (3.0% unemployment as of January 2020) and a lack of in-migration. Since then, of course, circumstances have changed, with Broward's unemployment rate rising to a 30-year peak last spring before declining to 5.6% as of February 2021. Broward will continue to see the effects of COVID-19 challenge the local economy in 2021, but the recovery will be slower than in neighboring Miami-Dade.

According to Moody's Analytics, difficulties in major sectors like tourism and construction will limit GDP growth over the next two years, as will a lack of developable land in one of the most densely populated areas of the country. Broward County's location and international character will fuel long-term growth, but residents and businesses will feel the strain for the next several months.

### DEMAND

#### Absorption Roars Back in Broward

Broward's industrial market posted negative absorption throughout most of 2019 as well as the first half of 2020. Given the economic uncertainty caused by COVID, it is interesting that demand for industrial space in Broward rose in the second half of 2020 - and then rose even more sharply in Q1 2021. Q1 saw Broward gain nearly 1.1 million SF of net new occupancy, more than the past two years combined. Demand in Q1 was notable in the Pompano Beach, Coral Springs, and Northeast and Southeast Broward submarkets, while the others reported slow or negative absorption during the quarter.

### VACANCY

#### Vacancy Ticks Downward From 2020 High

Broward's industrial vacancy rate declined steadily during most of this decade, reaching a historic low of 3.8% in 2017 before ticking upward again. As of Q1 2021 vacancy is 8.2%, down from 8.5% in Q4 2020 due to healthy demand. Vacancy is between 5.5% and 7.5% in Southeast and Central Broward and Pompano Beach, while the other submarkets report vacancy rates near or above 10%. Coral Springs reports the highest vacancy rate at 12.1%, though this is down from the previous quarter.

### TRENDLINES

5-YEAR TREND      CURRENT QUARTER

#### JOB GROWTH



**5.6%** UNEMPLOYMENT  
Down from COVID peak of 13.3%

#### ABSORPTION



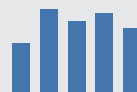
**1.1 MSF**  
Strongest single-quarter demand in four years

#### VACANCY



**8.2 %**  
Down from Q4 2020

#### UNDER CONSTRUCTION



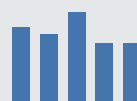
**2.1 MSF**  
All of that due in 2021, and 28% pre-leased

#### RENTAL RATE



**\$9.80 PSF**  
Asking rents rise across property types

#### INDUSTRIAL SALES



**\$108 PSF**  
Unchanged from year-end 2020

**DEVELOPMENT**

**Construction on Pace for a Record Year**

In 2020 Broward saw the delivery of more than 2.2 million SF of new industrial product, followed by another 825,000 in Q1 2021. At the end of Q1 there were nearly 2.1 million SF under construction, with all of that space due to be completed later this year. Approximately 28% of space under construction has been pre-leased as of this writing. At this pace, Broward could see record levels of new product delivered in 2021. Southwest Broward has nearly 950,000 SF underway, while Pompano Beach is home to another 660,000 SF under development. The remainder is found in the Northeast and Southeast Broward submarkets.

**RENTAL RATES**

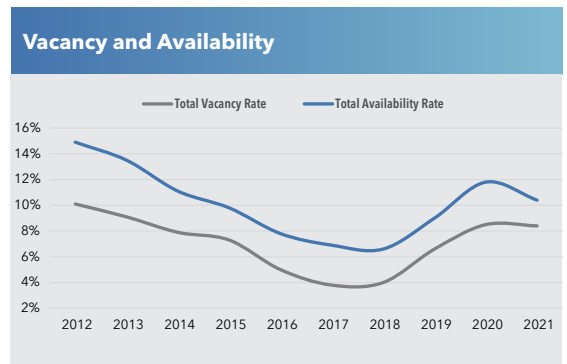
**A Return to Rent Growth**

At the end of Q1 asking rents for both warehouse/distribution space and flex product were up from the end of 2020. Warehouse/distribution rents averaged \$9.35 PSF in Q1, while flex rents rose slightly to \$13.45 PSF; the blended rate of \$9.80 PSF is up 2.4% from Q4 2020 to the highest level reported in Broward in years. Most submarkets saw stable or rising asking rents during Q1, but no part of the market saw drastic changes. Warehouse/distribution rents average \$10.15 PSF in Southeast Broward, the highest asking average for that sector in the area, while flex rents are highest in Northeast Broward at an average of \$15.75 PSF.

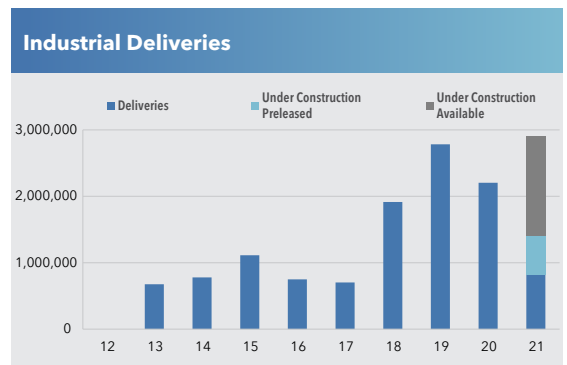
**FORECAST**

**Industrial Demand will Lift Broward's Economy in 2021**

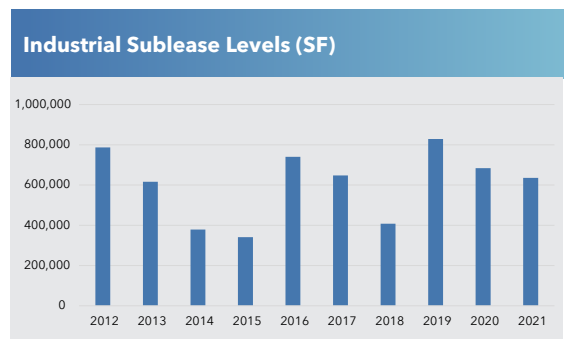
As the effects of COVID-19 continue to impact South Florida, economic growth will likely remain constrained through at least the first half of 2021. Tourism, leisure & hospitality, and small businesses are likely to feel the greatest impact until widespread vaccine adoption eases the strain. Many economists forecast the economy to expand in 2021, but Broward may feel the pinch for at least another year. Nevertheless, Broward's industrial market is enjoying robust demand, which brings with it rent growth and an accelerating construction pipeline. If this trend holds, the industrial sector will lift Broward's economy with help from robust e-commerce and international trade.



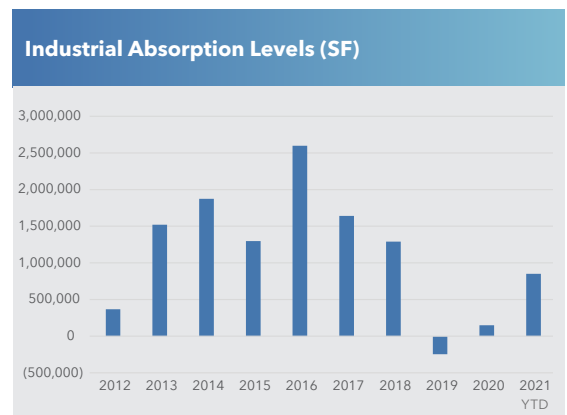
SOURCE: CoStar, Transwestern



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SOURCE CoStar, Transwestern



SOURCE CoStar, Transwestern

Industrial Under Construction Broward Market   Q1 2021		
SUBMARKET	SUBLEASE SPACE (SF)	% OF SUPPLY
Southwest Broward	948,081	29%
Pompano Beach	662,598	45%
Northeast Broward	296,901	0%
Southeast Broward	165,010	7%
<b>TOTAL</b>	<b>2,072,590</b>	<b>28%</b>

## Broward Industrial Market Indicators

Submarket	Buildings	Inventory	Direct Vacant	Direct Vacancy Rate	Sublet SF	Total SF Vacant	Overall Vacancy Rate	Q1 Net Absorption	Under Construction	WH/Dist Asking Rent PSF	Flex Asking Rent PSF
Central Broward	280	12,100,755	629,915	5.2%	106,529	736,444	6.1%	47,287	0	\$9.25	\$12.00
Coral Springs	121	6,645,146	762,130	11.5%	40,250	802,380	12.1%	270,361	0	\$9.00	\$12.90
Northeast Broward	177	11,242,863	1,091,475	9.7%	16,830	1,108,305	9.9%	308,657	296,901	\$9.00	\$15.75
Pompano Beach	458	25,337,785	1,737,057	6.9%	97,984	1,835,041	7.2%	438,367	662,598	\$9.55	\$12.65
Southeast Broward	427	21,590,310	1,191,883	5.5%	44,871	1,236,754	5.7%	237,831	165,010	\$10.15	\$12.70
Southwest Broward	236	18,229,240	1,865,312	10.2%	78,139	1,943,451	10.7%	-201,777	948,081	\$8.90	\$14.25
West Sunrise	150	9,773,422	985,493	10.1%	0	985,493	10.1%	-34,837	0	\$9.30	\$10.70
<b>Grand Totals</b>	<b>1,849</b>	<b>104,919,521</b>	<b>8,263,265</b>	<b>7.9%</b>	<b>384,603</b>	<b>8,647,868</b>	<b>8.2%</b>	<b>1,065,889</b>	<b>2,072,590</b>	<b>\$9.35</b>	<b>\$13.45</b>

## Transaction Highlights

### Q1 Notable Industrial Lease Deals

TENANT	PROPERTY	SUBMARKET	LEASE (SF)	COMMENTS
Unique Wholesale Distributors	3141 10th Street SW	Pompano Beach	93,873	New Lease
Great Healthworks	Port 95 Industrial Center	SE Broward	52,900	Renewal
Closet Factory	Enterprise Commerce Center	NE Broward	39,814	Renewal

### Q1 Notable Industrial Building Sales

BUILDING	SUBMARKET	RBA (SF)	PRICE	PRICE PSF	COMMENTS
1951 N Powerline Road	Pompano Beach	22,750	\$5.3 million	\$233	Sold to Auto Nation for use
940-950 Eller Drive (2 Bldgs.)	SE Broward	53,000	\$10.4 million	\$196	Fully occupied; Sold to Triarch Capital Group
10200 NW 67th Street	West Sunrise	135,000	\$26 million	\$193	Fully occupied; Sold to Morgan Stanley

#### CONTACT

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#### METHODOLOGY

The information in this report is the result of a compilation of information on key for lease office properties located in the Broward area. We compile our quarterly statistics based on a defined inventory of Class A and B multi-tenant office buildings of 20,000 SF or more in size and exclude all medical, government, owner occupied and office condo buildings.

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