



TRANSWESTERN

BROWARD INDUSTRIAL MARKET

Q3 2021

TRENDLINES

	Q3 2021	Q3 2020	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	5.3	12.4	↓	4.9	↓
NET ABSORPTION (MSF)	1.5	0.7	↑	0.4	↑
OVERALL VACANCY RATE	6.2%	7.3%	↓	5.4%	↓
OVERALL VACANT SF (MSF)	6.6	7.6	↓	5.5	↓
UNDER CONSTRUCTION (MSF)	1.3	2.5	↓	2.1	↔
ASKING RENT, NNN (PSF)	\$10.10	\$9.65	↑	\$9.22	↑
SALES VOLUME (MILLIONS)	\$179.4	\$17.9	↑	\$150.3	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

STRONG INDUSTRIAL DEMAND THROUGHOUT 2021

Broward County’s tight labor market and relative lack of in-migration made growth challenging before the onset of COVID-19, but Broward’s unemployment rate is down to 4.9% as of August after rising to a 30-year peak in 2020. Broward’s economy is now in the midst of recovery but will likely see the effects of COVID-19 continue to challenge the area for several more months. Unemployment for industrial-using sectors in Broward is even lower at 2.9%, below the national average for these sectors.

With job growth particularly strong in the Trade, Transportation, & Utilities sector that supports the industrial sector, demand for industrial space has risen steeply in Broward throughout 2021. Quarterly absorption reached a record high in Q3, and asking rents also hit a new peak as a result of these trends. Additionally, investor interest is on the rise. While the local economy is still recovering, the industrial market has moved forward into its next expansion, and we expect this pattern to continue into the next year.



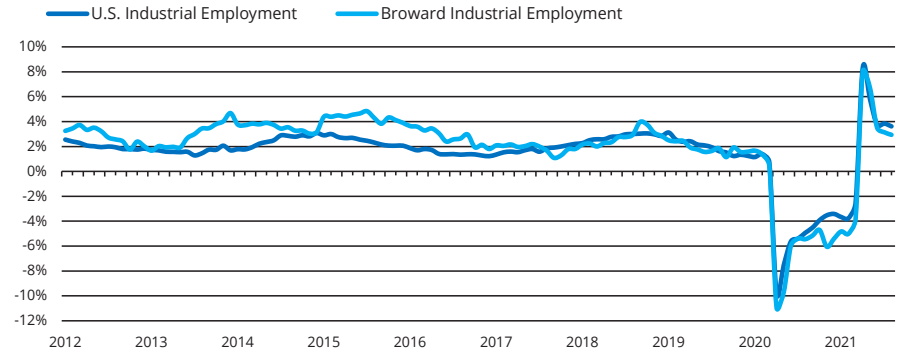


ECONOMY

Recovery Advances Across Most Industries

- Broward’s recovery has begun to accelerate in recent months after lagging the state and national recoveries. Business services and manufacturing jobs have not fully recovered, but tourism is up and leisure & hospitality jobs have grown as a consequence. Still, tourism is not expected to reach pre-COVID levels until 2023 according to Moody’s Analytics.
- Tourism has benefitted greatly from caution surrounding international travel, driving many eager travelers toward locales in Florida. Cruises from Port Everglades resumed this summer, and visitor counts continue to rise.
- The Trade, Transportation, & Utilities sectors have also seen job gains, and these sectors provided the lion’s share of industrial leasing activity in recent months.
- Construction jobs are also rising, but the homebuilding industry has yet to ramp back up. This sector is likely to see further growth in the spring of 2022 based on housing demand.
- While manufacturing jobs have not seen much growth, leasing activity in this sector is healthy. It is worth remembering that automation gains create a gap between job growth and space needs in many sectors.
- Moody’s Analytics forecasts stronger growth in Broward County in 2022 due to pent-up travel demand and the return of international visitors, as well as gains in office-using jobs. The area continues to benefit from low business costs and a prime location in South Florida.

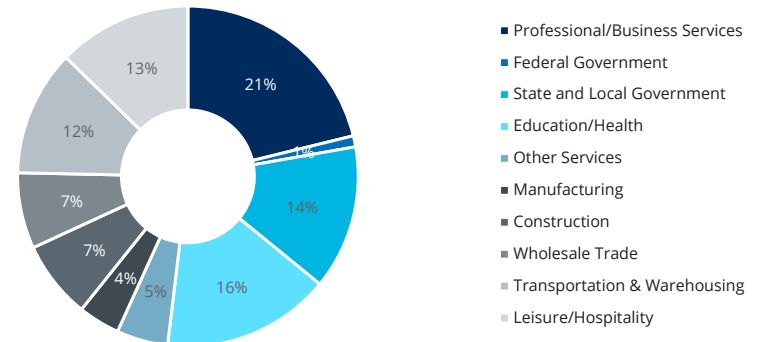
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

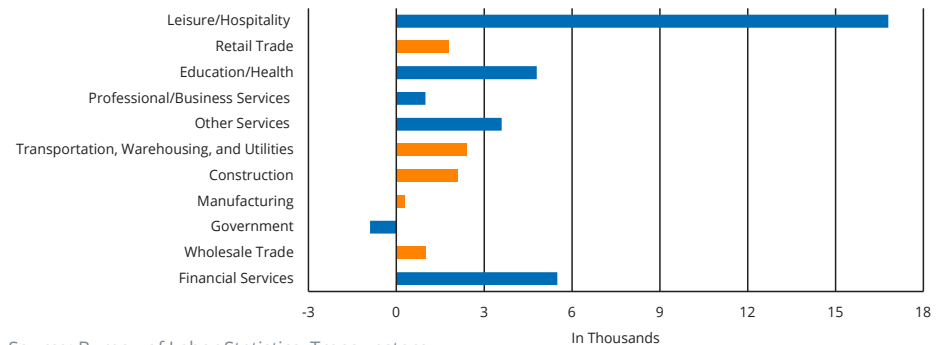
Broward | August 2021



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

Broward | August 2021



Source: Bureau of Labor Statistics, Transwestern

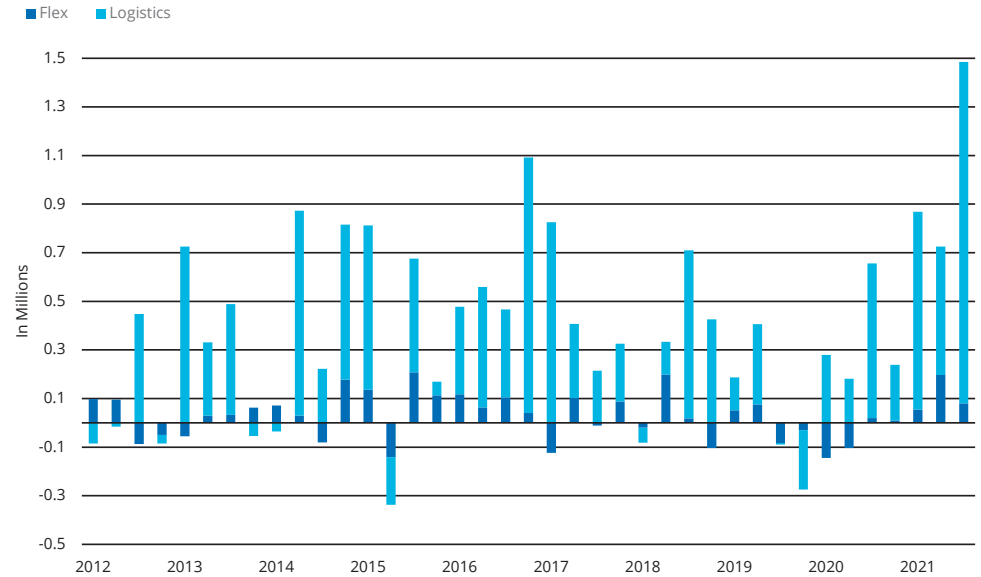


NET ABSORPTION

Occupancy Gains Set a Record in Q3

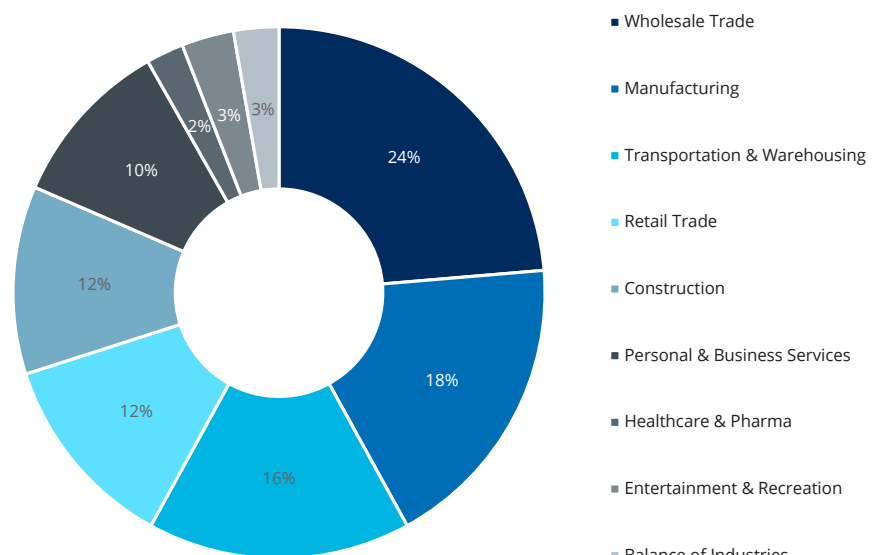
- Demand in 2021 has been very strong in Broward County's industrial market, with more than 3.0 million SF already absorbed year-to-date. This is more than we have seen in any full year since 2005, and the year is not over.
- Broward is on pace to see record demand in 2021, driven by e-commerce, international trade, and manufacturing.
- Q3's industrial absorption was nearly 1.5 million SF, more than double what was reported in Q2 and the strongest single-quarter figure we have ever reported for Broward County.
- Demand levels in Q1 and Q2 each exceeded any single quarter in recent years, suggesting that Q3's record demand is not a one-time fluke. The market benefits from pent-up demand and increasing confidence on the part of users.
- While every submarket reported positive absorption for both Q3 and the year to date, the greatest gains to date in 2021 have been seen in Pompano Beach and Southwest Broward. Q3's greatest occupancy gains by far were found in Southwest Broward.
- The largest leases signed to date this year have represented the logistics, manufacturing, and retail sectors. We expect these industries to continue driving demand in Broward due to the growing need for rapid delivery of consumer and business goods.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY Q3 2021



Source: CoStar, Transwestern

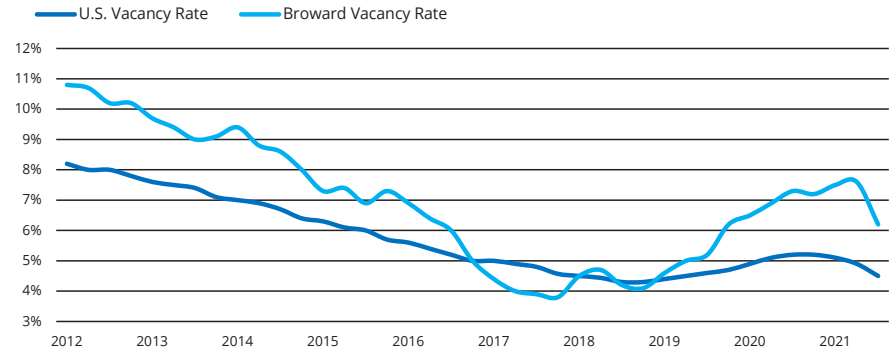


VACANCY

Vacancy Declines due to Strong Absorption

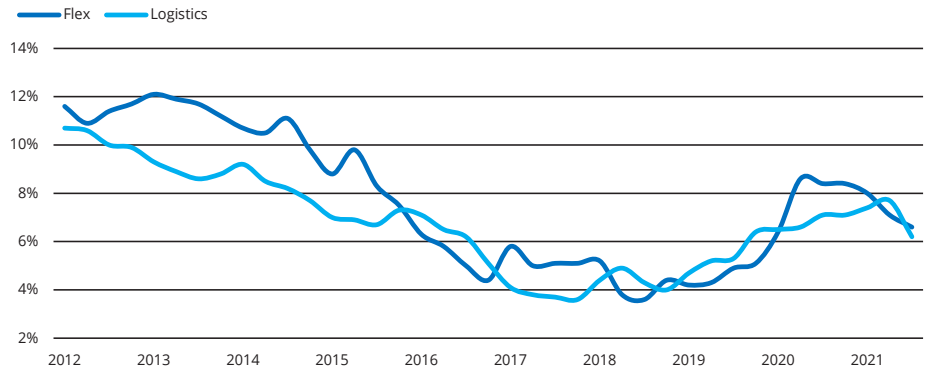
- In Q3 the vacancy rate in Broward’s industrial market dipped to 6.2% from Q2’s rate of 7.6%. This is the lowest rate reported here since 2019, before the pandemic began.
- Vacancy is below 10% in all but one of Broward’s submarkets. Central and Southeast Broward each report vacancy rates below 4%, while vacancy is highest in Southwest Broward at 10.2%.
- Broward has enjoyed vacancy rates in the single digits for a decade, but during most of that time vacancy was higher than the national average.
- Following a steep rise in flex vacancy during 2020 the market has tightened this year, and vacancy is expected to dip below 6% within the next two quarters.

OVERALL VACANCY RATE



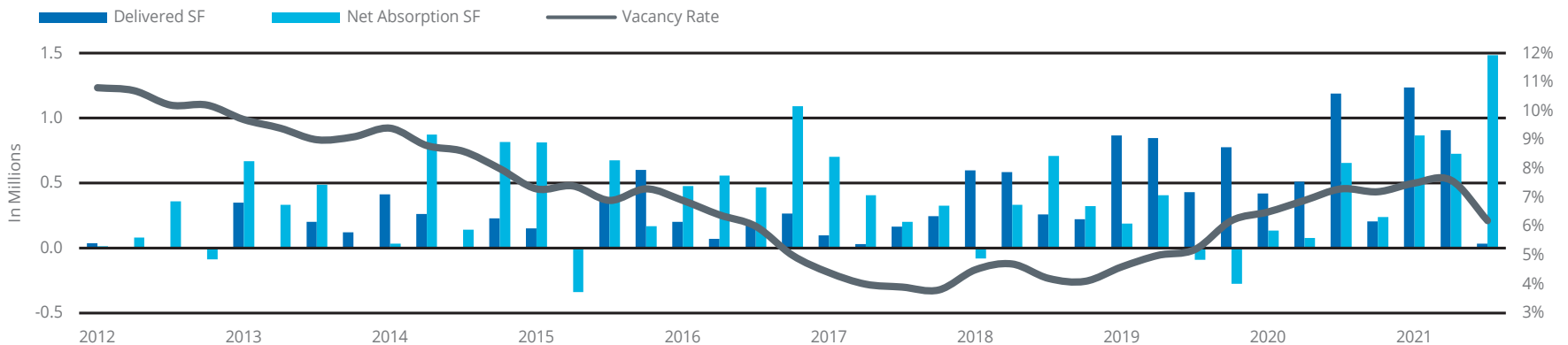
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

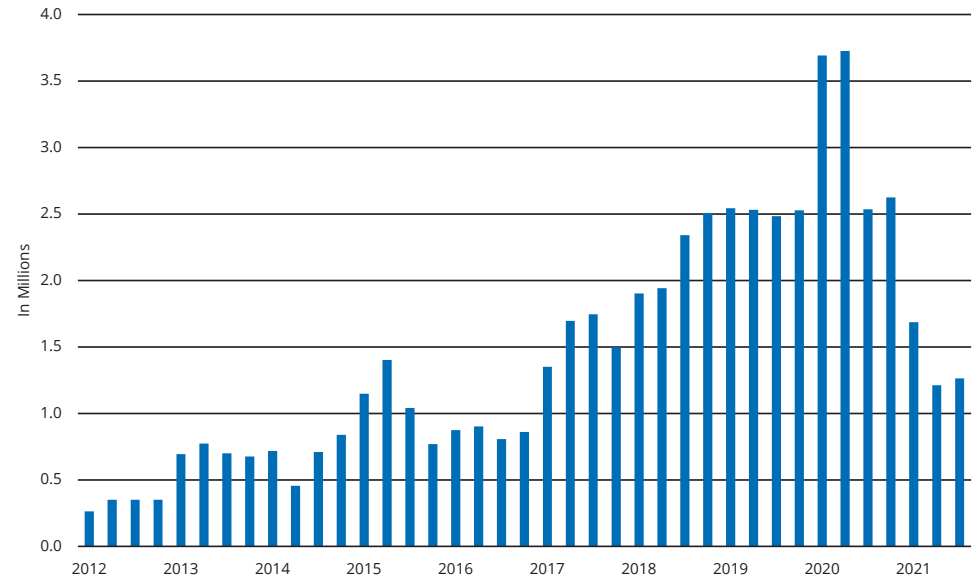


UNDER CONSTRUCTION

Construction Activity is Steady, but Pre-Leasing is Slow

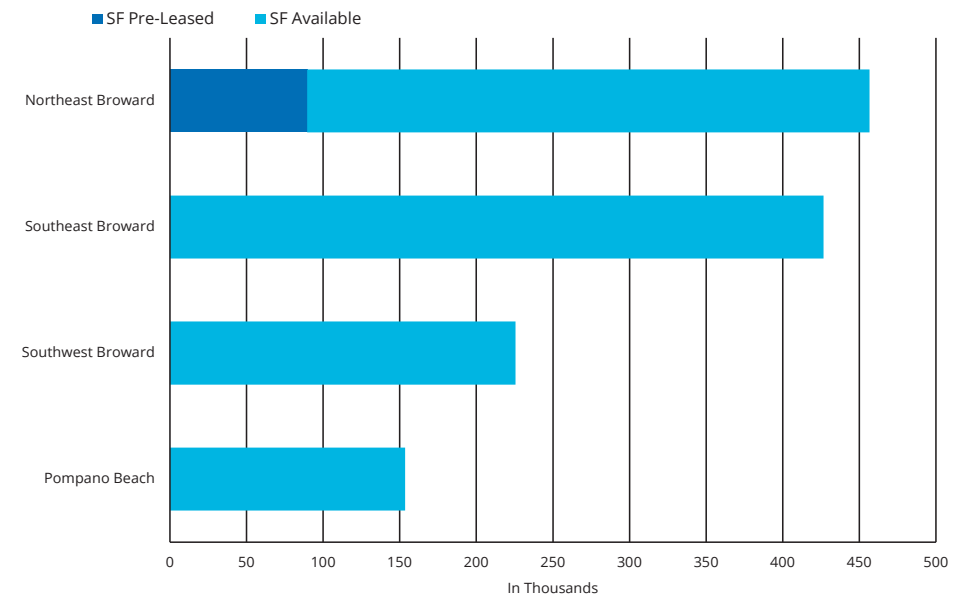
- As of the end of Q3 Broward’s industrial market had nearly 1.3 million SF under construction, following the completion of 2.3 million SF in the first nine months of 2021.
- Projects are underway in most of the larger submarkets, with just over 7% of space under construction already leased.
- Approximately one-third of the space under construction is due to be completed in 2021, with the remainder expected to deliver in 2022.
- Most of the space currently underway is divided between the Northeast and Southeast Broward submarkets, Southwest Broward and Pompano Beach each have one property under construction.
- All of these properties are intended for logistics or warehousing uses, and the average building size is just under 160,000 SF for properties under construction.
- It is likely that some of the space on market for lease will be committed prior to completion, which may encourage developers to launch more projects in the first half of 2022.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

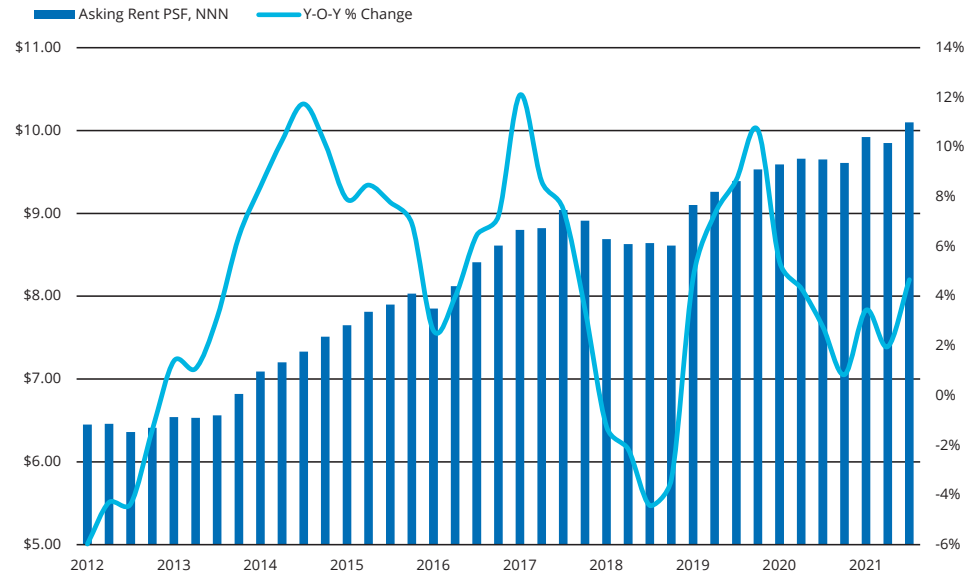


RENTAL RATES

Rent Growth Continues Across Broward

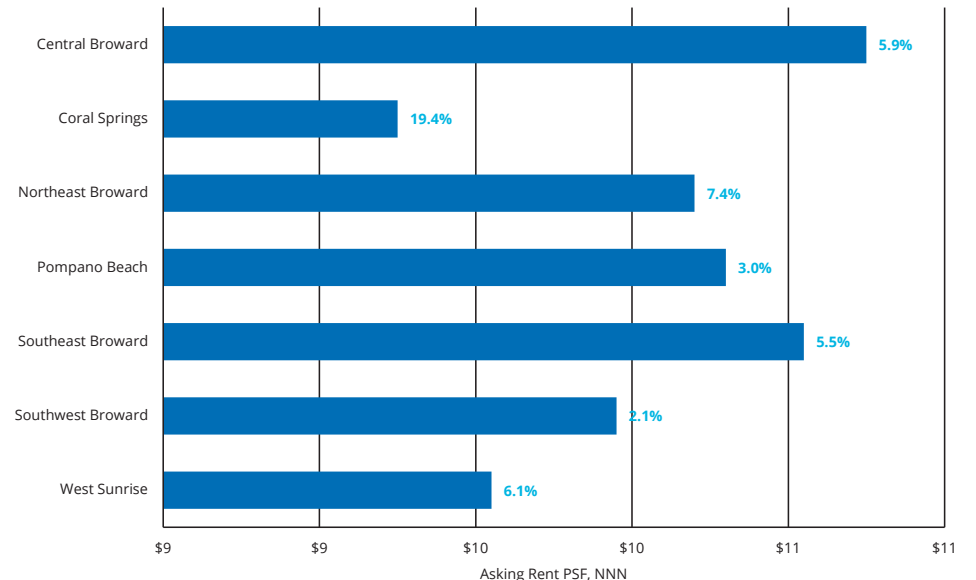
- In Q3 industrial asking rents in Broward rose to an average of \$10.10/SF from \$9.85 in Q2. This is the highest blended average we have reported in Broward.
- Rents rose in logistics space during Q3 to an average of \$9.70/SF from Q2's average of \$9.50, while flex rents rose from \$13.10/SF in Q2 to \$13.40 in Q3.
- Rents rose in nearly every submarket and sector during Q3. Likewise, year-over-year rent growth can be seen in every part of Broward County, with the highest annual rent gains seen in Coral Springs and Northeast Broward.
- Asking rents have been above \$9.00/SF since 2018, but 2021 saw rents rise from a plateau and surpass \$10.00/SF for the first time.
- Logistics/warehouse rents are highest in Southeast Broward, but Broward County submarkets currently report very similar rents for that sector.
- Flex rents exhibit more variety, with Northeast Broward reporting flex rents at \$15.55/SF while Pompano Beach quotes an average of \$12.55/SF.
- Rents are expected to continue rising through the remainder of the year, though it is too soon to know whether these strong rates of increase we have seen recently will continue.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

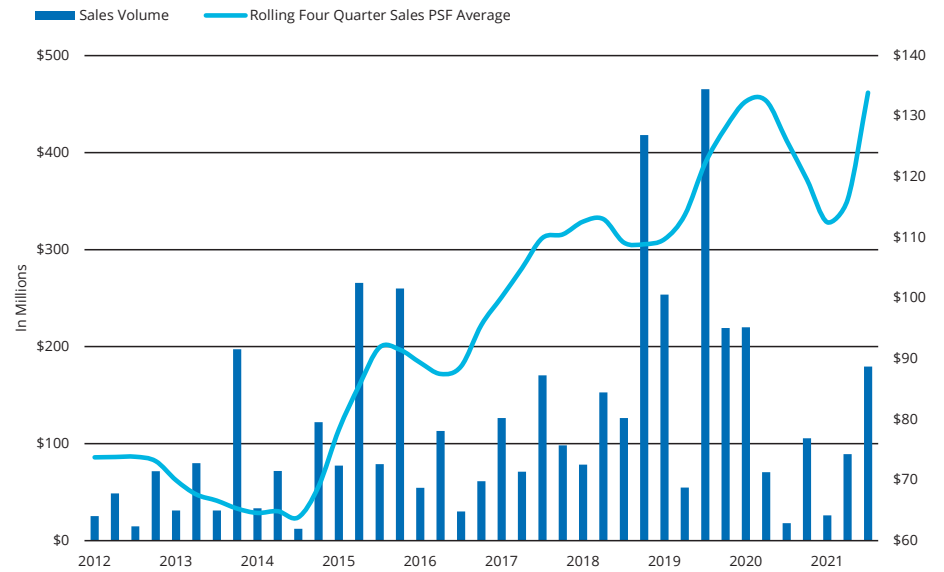


SALES

Steep Increases in Sales Volume and Pricing

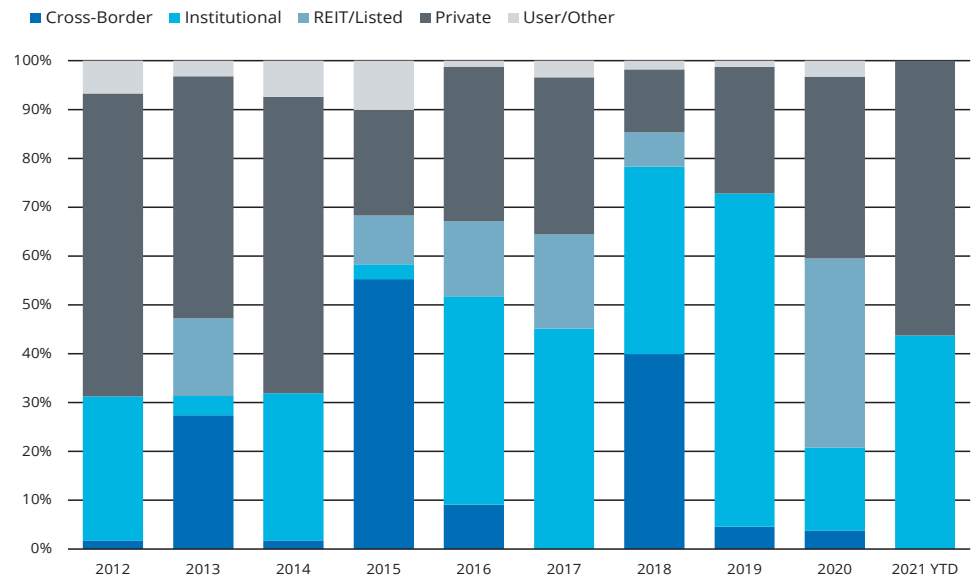
- Sales volume in Q3 nearly doubled in Q3 from the previous quarter, rising from \$89.2 million in Q2 to \$179.4 million in Q3. This contributes to a rolling four-quarter total of just over \$400 million. This puts the Broward industrial market on track to exceed 2020's annual volume, though recent pre-pandemic years saw much higher annual volumes.
- Annual sales volume in 2018 and 2019 ranged between \$750 million and \$1.0 billion, which were historic high points for industrial investment in Broward County.
- Pricing has risen steeply in recent quarters, with an average of \$134/SF in Q3 well above Q2's average to reach a new record.
- Significant sales this quarter include recently completed and well-leased properties, as well as buildings purchased for use or even redevelopment. Southwest Broward was home to several of the quarter's significant sales, several submarkets saw sales activity in Q3.
- Buyer composition has been heavily weighted toward institutional and private capital in 2021, but REITs are expected to raise their allocations in the new year.
- Buyers continue to seek out industrial properties with long lease terms and strong locations. With relatively low vacancy and healthy port activity, investors will continue to look closely at Broward properties, which should keep values elevated for some time.

SALES VOLUME



Source: CoStar, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Transwestern



NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
AMERANT BANK	Miramar Park of Commerce	Southwest Broward	New	56,494
PANACHE EVENTS	Pompano Business Center	Pompano Beach	New	40,414
AUDREY MORRIS COSMETICS	1501 Green Road	Northeast Broward	New	15,254
BIKES	Miramar Park of Commerce	Southwest Broward	New	11,940

NOTABLE SALES

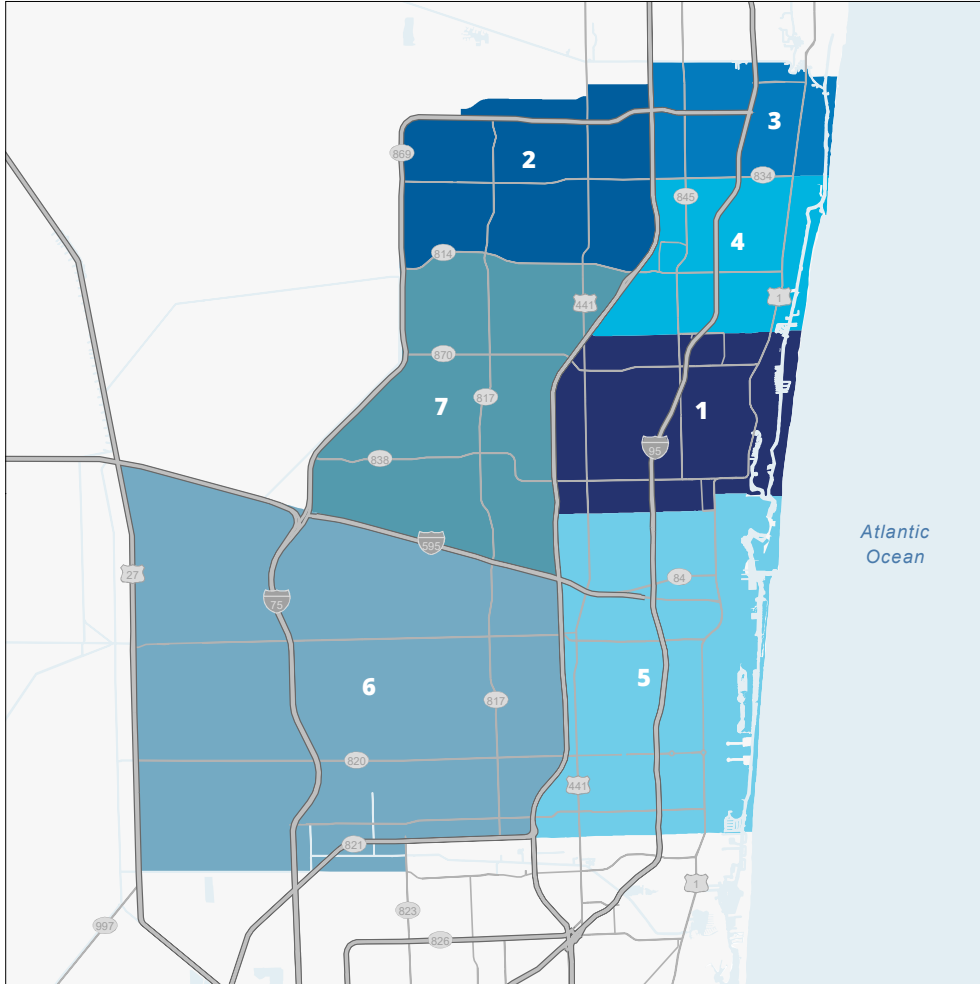
PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
15501 SW 29TH ST	Southwest Broward	\$71,550,000	302,864	\$236	Cabot Properties	Bridge Dev. Partners
10315 USA TODAY WAY	Southwest Broward	\$18,000,000	56,462	\$319	Clayco	Zaragon Holdings
1840 NW 16TH ST	Pompano Beach	\$14,610,000	75,800	\$193	Group III International	Cabot Properties
7601 RIVIERA BLVD	Southwest Broward	\$9,700,000	59,332	\$163	LBA Realty	iHeartMedia, Inc.
850 NW 61ST ST	Central Broward	\$54,000,000	34,791	\$155	Eddie Kane Steel Products	Soto Oscar
5555 N. NOB HILL RD	West Sunrise	\$4,900,000	34,896	\$140	Overton Moore Properties	Wood Business Systems



MARKET INDICATORS

All Property Types | Third Quarter 2021

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	TOTAL VACANT SF	OVERALL VACANCY RATE	UNDER CONST. SF	NET ABSORPTION SF	Y-T-D NET ABSORPTION SF	LOGISTICS ASKING RENT PSF, NNN	FLEX ASKING RENT PSF, NNN
CENTRAL BROWARD	12,010,530	302,468	2.5%	66,075	368,543	3.1%	0	47,782	319,052	\$10.00	\$12.75
CORAL SPRINGS	6,708,045	665,624	9.9%	525	666,149	9.9%	0	27,396	308,436	\$9.20	\$13.25
NORTHEAST BROWARD	11,302,355	802,869	7.1%	0	802,869	7.1%	456,720	106,986	479,577	\$9.50	\$15.55
POMPANO BEACH	25,656,319	1,388,169	5.4%	32,541	1,420,710	5.5%	153,496	163,934	972,617	\$9.90	\$12.55
SOUTHEAST BROWARD	21,670,247	742,409	3.4%	56,816	799,225	3.7%	426,557	216,275	209,406	\$10.30	\$12.95
SOUTHWEST BROWARD	19,308,264	1,871,579	9.7%	97,667	1,969,246	10.2%	225,580	850,460	606,701	\$9.40	\$13.90
WEST SUNRISE	9,214,891	589,554	6.4%	0	589,554	6.4%	0	72,570	182,580	\$9.40	\$14.00
TOTAL	105,870,651	6,362,672	6.0%	253,624	6,616,296	6.2%	1,262,353	1,485,403	3,078,369	\$9.70	\$13.40



Broward Industrial Submarkets

- 1** Central Broward
- 2** Coral Springs
- 3** Northeast Broward
- 4** Pompano Beach
- 5** Southeast Broward
- 6** Southwest Broward
- 7** West Sunrise

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on Industrial properties located in the Miami metropolitan area. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger.

FOR MORE INFORMATION

[Keith Pierce](#)

Vice President- Research
keith.pierce@transwestern.com
404 842 6534

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. An integrated approach formed from fresh ideas drives value for clients across commercial real estate services, development, investment management and opportunistic programs for high-net-worth investors. The firm operates through 30+ U.S. offices and global alliances with BNP Paribas Real Estate and Devencore. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).