

INVESTMENT FORECAST

Office
Fort Lauderdale

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2022

Value-Seeking Investors Explore Fort Lauderdale; Fundamentals Catching Up to Rest of Region

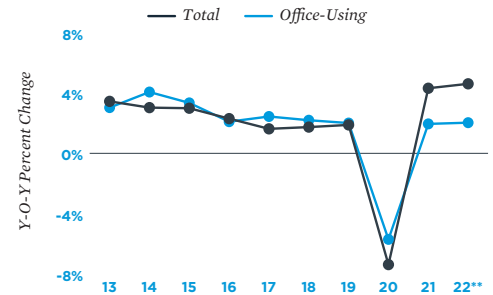
Broward County hardest hit among South Florida markets. At the end of 2019, all three metros in the region had vacancy rates ranging from the low-12 percent area to the high-13 percent range. The impact of the health crisis has since caused Fort Lauderdale employers to reexamine their space needs. This, combined with a nearly 3 percent stock increase over the past two years, has pushed availability well above Miami and West Palm Beach. On the supply side, relief is expected this year as deliveries slow and most buildings underway already have full leasing commitments. Office firms are also cementing long-term plans more frequently. Of the 10 largest leases signed in 2021, six were inked in the fourth quarter, including Envision Healthcare's sublease of nearly 100,000 square feet from Kaplan University. Among the traditional office-using sectors, the metro is 10,000 jobs below the pre-recession peak. As the pace of additions surpasses those in 2021, employers are expected to halve that deficit by year-end.

Investment activity surpasses 2019 levels. Buyers are becoming more active in Broward County, capitalizing on average cap rates that are 50 basis points higher than adjacent Miami. Entering 2022, the average first-year yield was in the mid-6 percent range, a station they have held since 2018. Much of the recent increase in sales is due to private buyers expanding their holdings in the \$1 million to \$10 million area. Transaction activity for these deals accelerated in each quarter last year as confidence in South Florida's economy increased. Institutional investors are participating at approximately the same rate as prior to the recession, though the number of available properties is generally limited. The average cap rate for these transactions has fallen as buyers shy away from buildings that have a significant amount of unoccupied space. Although sales are dispersed, most deals occur in Pompano Beach, Hollywood and the city of Fort Lauderdale. Capital searching for investments before interest rates rise could expand search parameters in 2022.

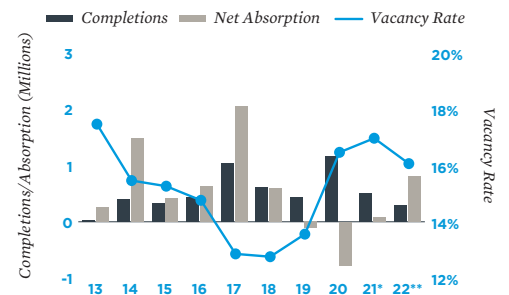
2022 Market Forecast

- Employment**
up 4.6%
Total payrolls surpass the pre-recession level by the end of the year as 39,000 jobs are generated.
- Construction**
300,000 sq. ft.
Following a 0.8 percent rise in 2021, the pace of supply growth dips to just 0.5 percent this year as builders finalize the least amount of space since 2013.
- Vacancy**
down 90 bps
Improving demand will outpace move-outs in 2022, facilitating a year-end vacancy rate of 16.1 percent. Last year, availability increased by 50 basis points.
- Rent**
up 4.1%
Tightening vacancy will help push up the average asking rent for available space to \$23.44 per square foot. Rent held fairly firm in 2021, rising 0.5 percent.
- Investment**
Medical office space is a favorite among investors seeking assets in the county. The average cap rate for these deals ticked down last year to near 6.0 percent.

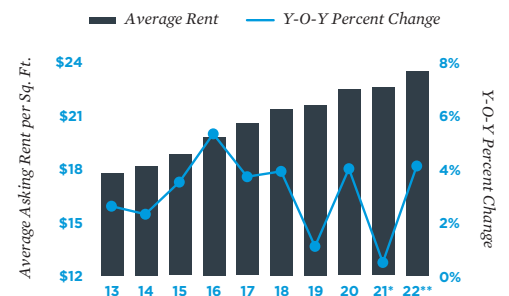
Employment Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2021. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.