

MARKET REPORT

Office
Fort Lauderdale Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2Q/22

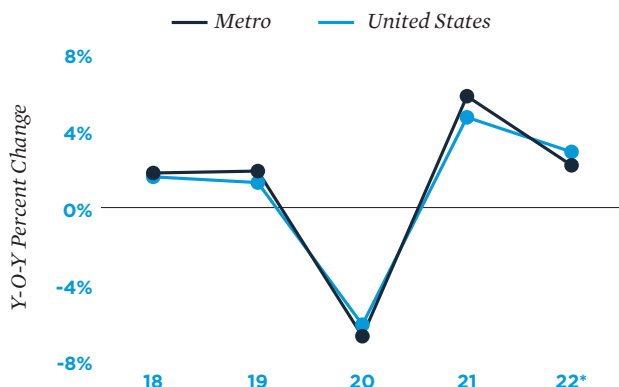
Construction Favors Southeastern Areas; Lower-Cost Zones Draw Range of Tenants

Southern Broward County targeted for speculative development.

Of this year's deliveries, over 400,000 square feet stem from mostly-unleased projects in Hallandale and Hollywood. These completions will expand the Class A supply between the two submarkets by over 50 percent, translating to an acute increase in availability here upon delivery. However, these areas' coastal locations, in tandem with their proximity to Miami-Dade County and I-95, should enhance their ability to attract firms expanding in South Florida, while remaining outside of the urban core. Further mitigating the broader impact of these deliveries, more than two-thirds of space in the active pipeline is preleased, indicating completions will not weigh excessively on vacancy in areas closer to Downtown Fort Lauderdale. Construction should also ease moving forward, as over 70 percent of the square footage underway is scheduled to deliver this year.

Tenants heighten pursuit of inland opportunities. In the first quarter, the marketwide net absorption total exceeded 600,000 square feet, the highest figure achieved here since the onset of the health crisis. The resulting drop in vacancy placed availability in mid- and lower-tier properties at its lowest level since 2008. High amounts of square footage in these segments were absorbed in the market's inland portions, led by Plantation and Southwest Broward County. Leasing here was driven by a mix of smaller firms and headline names like Aetna drawn to lower average rents than the Fort Lauderdale CBD or adjacent Miami-Dade County.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Office 2022 Outlook



**19,000
JOBS**

will be created

EMPLOYMENT:

Broward County's traditionally office-using employers are on track to add 5,000 jobs this year, a 2 percent increase in this labor segment. An unemployment rate 30 basis points above the 2019 low indicates job counts still have room to grow.



**600,000
SQ. FT.**

will be completed

CONSTRUCTION:

Stock expansion in 2022 stems from a few large-scale projects, headlined by a 330,000-square-foot tower in Hallandale. Speculative deliveries will be limited to the county's southern half, with supply expansion more tepid elsewhere.



**110
BASIS POINT**

decrease in vacancy

VACANCY:

Some larger corporate move-ins will support the first year-end net absorption total exceeding 1 million square feet in more than half a decade, pushing Broward County's vacancy rate down to 14.1 percent.



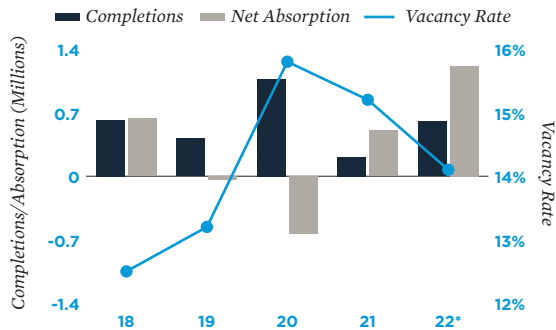
**5.4%
INCREASE**

in asking rent

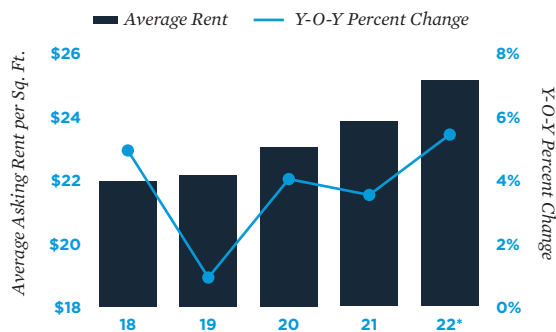
RENT:

Rapidly retreating vacancy should translate to the quickest pace of rent gains since the onset of the health crisis. The average marketed rent will end the year at \$25.10 per square foot, the highest total on record.

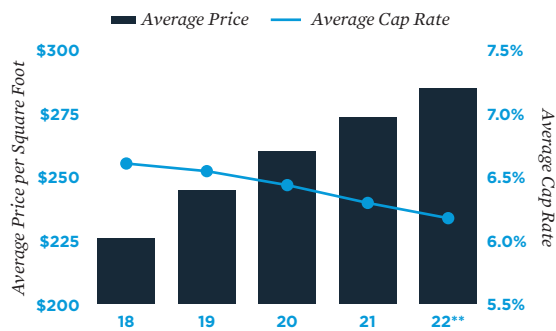
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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1Q 2022 - 12-Month Period



CONSTRUCTION

10,000 sq. ft. completed

- A historically low 12-month completion total was headlined by a three-story facility finalized in Southwest Broward County.
- While finalizations were scant during the yearlong period ending March, the current pipeline exceeded 700,000 square feet, indicating a higher amount of space scheduled for late this year and 2023.



VACANCY

230 basis point decrease in vacancy Y-O-Y

- The 611,000 square feet absorbed in the first quarter pushed the yearlong net absorption total over 1.4 million square feet, dropping metrowide vacancy to 14.2 percent, 100 basis points above the year-end 2019 rate.
- Suburban Fort Lauderdale observed a 250-basis-point vacancy compression to 13.2 percent, and the CBD dropped 80 basis points to 20.8 percent.



RENT

5.6% increase in the average asking rent Y-O-Y

- In March, Broward County saw the most rapid 12-month rent growth since 2018, with the mean marketed rate reaching \$24.35 per square foot.
- Rent gains were led by Class B/C properties this period. The average asking rent in these tiers posted a 7.6 percent gain, entering April at \$23.27 per square foot. Class A rents advanced 1.9 percent during the same span.

Investment Highlights

- Ameliorating health crisis conditions, in tandem with Florida's business-friendly environment, translated to a 12-month record for transaction velocity over the yearlong span ended March, surpassing 2019 annual deal flow by over 20 percent. Bidding drove an 8 percent pricing gain, lifting the average sale price per square foot to \$284 during this span.
- Frenetic bidding activity in Palm Beach County has brought office cap rates there to par with the current Fort Lauderdale average of 6.2 percent. Higher entry costs in West Palm could influence some investors who previously looked north for higher yields to put capital here.
- Robust fundamentals have resulted in a substantial increase in out-of-state capital coming into the market. While office assets have performed solidly compared to other major markets, a dearth in institutional activity has been noted on the buyer side, with private investors comprising nearly all of the recent purchasing activity in the office sector.
- Medical office trades nearly doubled over the previous 12-month span ended March, bolstered by solid fundamentals during the pandemic and one of the nation's most rapidly growing 65-plus demographics.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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