

MARKET REPORT

Office
Fort Lauderdale Metro Area

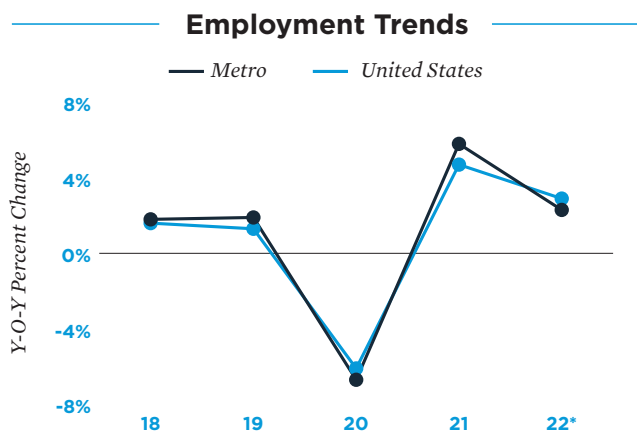
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4Q/22

Availability Tightens as Fort Lauderdale's Regionally Low Rents Attract Firms to Southeast Florida

Relocations aid vacancy compression across submarkets. Companies looking to relocate to Southeast Florida have begun to increasingly consider Fort Lauderdale for its regionally low average asking rent and business-friendly tax environment. All 11 of Fort Lauderdale's submarkets with inventories over 1 million square feet reported year-over-year vacancy declines in June, resulting in five consecutive quarters of positive net absorption since 2021. Consequently, overall vacancy declined by 230 basis points year-over-year to reach 13.9 percent in the second quarter. Several companies have confirmed their intentions to relocate to the Fort Lauderdale metro this year, such as El Al Israel Airlines Ltd., which announced in May it would relocate its U.S. headquarters to Broward County.

Companies seek out core adjacent space. Among submarkets with more than 1 million square feet of inventory, Commercial Boulevard and Hollywood noted the lowest vacancy rates in the second quarter, both at 8.6 percent. Hollywood is expecting inventory to expand by 130,000 square feet this year, but Commercial Boulevard is space-constrained and has seen almost no change in stock since 2008. As companies sought out space adjacent to Fort Lauderdale proper, the submarket held a record-low vacancy rate through the first quarter of this year. An average asking rent lower than those found downtown and in the city limits has further drawn companies looking to relocate to the submarket, such as American Queen Voyages inking a lease here to house its new headquarters.



* Forecast
Sources: BLS; CoStar Group, Inc.

Office 2022 Outlook



19,500

JOBS

will be created

EMPLOYMENT:

Traditional office-using employment will rise by 4.8 percent in 2022, as 12,000 new positions are added. This job creation and hiring in the leisure and hospitality sector will support a 2.3 percent rate of overall annual employment growth.



570,000

SQ. FT.

will be completed

CONSTRUCTION:

Inventory will expand 0.9 percent by the end of 2022. Hallandale is slated to receive over half of this year's deliveries, with the remaining space divided between Hollywood and Downtown Fort Lauderdale.



110

BASIS POINT

decrease in vacancy

VACANCY:

Availability in the metro will continue its rapid annual compression, as the current pipeline notes strong pre-leasing. Vacancy will be 14.1 percent by year-end, with net absorption being positive for a second straight year.



4.5%

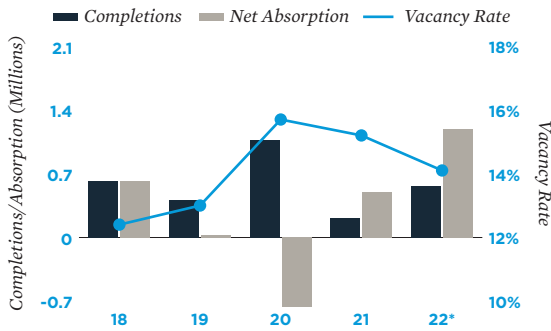
INCREASE

in asking rent

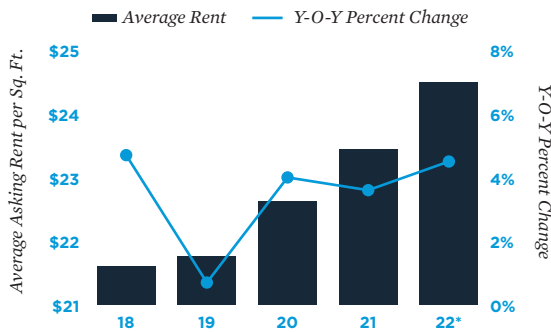
RENT:

Following a 3.6 percent annual gain in 2021, the average asking rent in Fort Lauderdale will swell to \$24.50 per square foot. This rate is around 20 percent lower than that of West Palm Beach, and nearly 40 percent lower than the mean Miami asking rent.

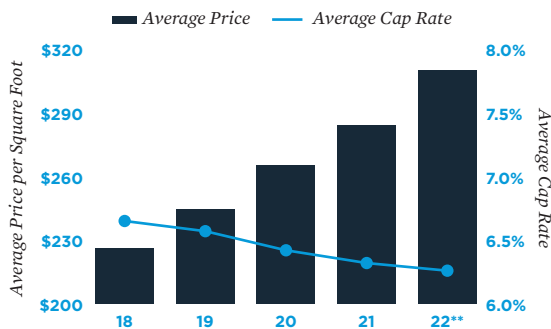
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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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: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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2Q 2022 - 12-Month Period



CONSTRUCTION

10,000 sq. ft. completed

- Supply additions in the trailing 12 months ended in June reached the lowest annual level since 2012. Nearly all of these builds came online in the fourth quarter of 2021 and were in Southwest Broward.
- The Optima Onyx Tower was the largest project underway as of September, and it will expand Hallandale's stock by over 300,000 square feet.



VACANCY

230 basis point decrease in vacancy Y-O-Y

- Amid a dearth of completions over the past year, vacancy compressed to 13.9 percent in June, as positive net absorption was recorded in each of the last four quarters.
- The Class B/C sector logged a 100-basis-point year-over-year compression in June, while the Class A segment recorded a 480-basis-point drop.



RENT

5.9% increase in the average asking rent Y-O-Y

- The average asking rent rose to \$24.19 per square foot in the second quarter. Hollywood noted one of the greatest contributing rent gains, as the mean asking rent grew by 12.3 percent to \$25.64 per square foot.
- Class B/C rents rose the fastest, with a 74 percent gain lifting the mean rate to \$22.93 per square foot, nearly \$4 below the Class A average.

Investment Highlights

- Supported by an increase in Class B/C property trades, specifically those in the \$1 million to \$10 million price tranche, overall transaction velocity rose by over 30 percent in the trailing 12 months ended in June. In contrast, Class A sales dropped in the first half of this year, falling below pre-pandemic deal flow for this segment.
- At \$310 per square foot, the metro retained the lowest average price among Southeast Florida markets over the past year, despite registering a 13 percent annual increase. Fort Lauderdale is also home to the highest mean first-year return in the region, as the metro's average cap rate held in the low-6 percent range for a third consecutive yearlong period. Investors are again targeting the Hollywood submarket, following several years of limited trading in the area. Here, Class B/C properties are changing hands in the high-\$100 to low-\$200 per square foot range, a draw for buyers seeking lower entry costs and higher cap rates, often around 7 to 8 percent.
- Medical office properties in Fort Lauderdale proper are attracting an elevated number of out-of-state investors amid strong population growth and an older mean age. These assets are predominantly selling for \$100 to \$200 per square foot, with mean cap rates in the high-6 percent band.