

# INVESTMENT FORECAST

OFFICE

Fort Lauderdale Metro Area

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2020

## New Supply Hampers Broward County Top-Tier Office Fundamentals; Class B/C Shines

**Construction cycle sets new high watermark, weighing on Class A fundamentals.** Developers more than double the pace of supply growth this year, applying upward pressure to vacancy in the top tier. Pre-leasing stands at less than 50 percent, and Class A vacancy rests well above 15 percent entering 2020, which will test the market's ability to attract and retain tenants in the near term. Competition for tenants also comes from nearby South Florida markets Miami and Palm Beach, where top-tier vacancy is elevated. Nonetheless, the long-term outlook remains bright in Broward County. Spirit Airlines, for example, recently announced a \$250 million headquarters in Dania Beach that will house 1,200 employees, while Sunshine State Health committed to nearly 150,000 square feet in Plantation during the second half of last year. In the Class B/C sector, vacancy is closer to the 12 percent range. Only Cypress Creek faces a significant supply overhang entering the year.

**Investors remarkably consistent in Broward County.** Buyers are targeting mid-tier office buildings with a modest vacancy component near 30 percent in an effort to create additional value after acquisition. Core locations and Plantation are top investor targets, though well-priced assets in nearly every area of the county generate interest among local investors. Class A and Class C deals, meanwhile, are exhibiting divergent trends. Institutions are ramping up top-tier acquisitions in Broward County in an effort to balance their portfolios with higher-cap-rate metros after binging on gateway market offerings. First-year returns for these deals can be 50 to 100 basis points higher than nearby Miami. Class C sales velocity, meanwhile, has slowed over the past couple of years, particularly in suburban areas. Buyer demand for Class C listings in core locations remains sturdy.

## 2020 Market Forecast

**Employment**  
up 1.6%



Payrolls expand by 14,000 positions in 2020, up modestly from the 13,700 spots generated last year. Office-using employment grows 2 percent as 4,800 jobs are created.

**Construction**  
980,000 sq. ft.



Developers more than double the pace of construction, lifting countywide stock by 1.6 percent.

**Vacancy**  
up 40 bps



New construction lifts vacancy to 13.7 percent. Last year, vacancy climbed 70 basis points.

**Rent**  
up 2.7%



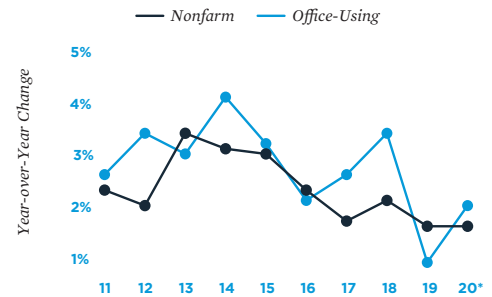
Average asking rent ticks up \$29.74 per square foot this year, advancing faster than the 2.0 percent increase in 2019.

**Investment**

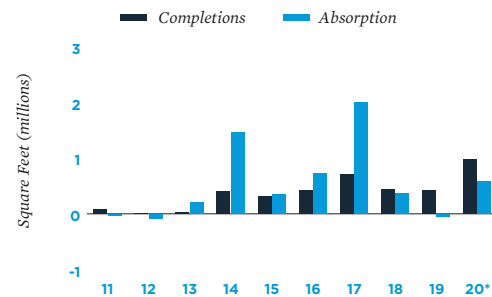


Mid-tier properties with a vacancy factor attract local investors, while core Class C listings also generate substantial interest. Out-of-state capital in search of Class A properties with favorable cap rates remains active.

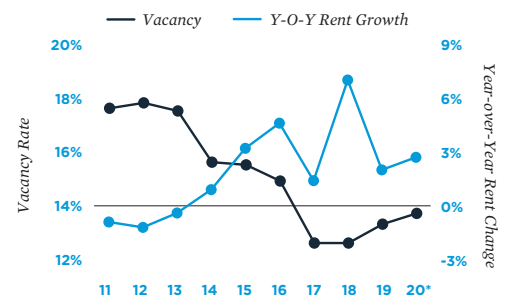
### Employment Trends



### Office Supply and Demand



### Vacancy and Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2018. Asking rent is based on the full-service marketed rental rate. 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 office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guaranty, 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.