

# MARKET REPORT

OFFICE

Fort Lauderdale Metro Area

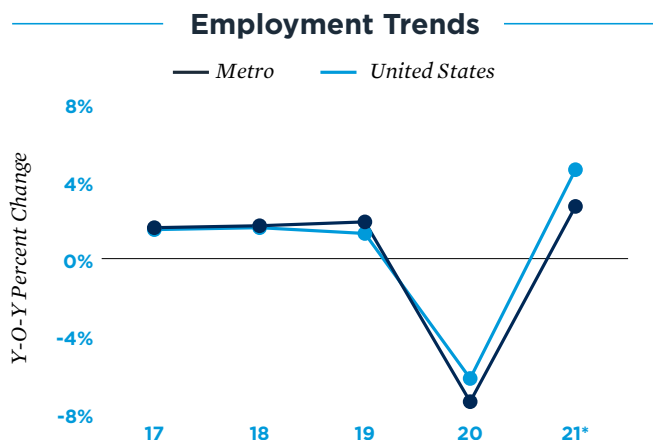
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ADVISORS

2Q/21

## Firms Favoring Specific Locales When Leasing; Large Projects Escalate Supply Pressure

**Downtown and near-airport offices generating leasing activity.** Dating back to July 2020, more than three-fourths of leases signed or renewed for spaces larger than 10,000 square feet were split between two submarkets. The Central Business District and the Cypress Creek area, which encompasses Fort Lauderdale Executive Airport, have attracted the majority of firms seeking space in the metro. Despite parallel demand tailwinds, performance metrics in these two corridors have contrasted each other. In Cypress Creek, no space was added over the past 12 months while net absorption was positive 119,000 square feet, dropping vacancy 150 basis points. Conversely, downtown added more than 385,000 square feet as net absorption totaled 28,000 square feet, producing a 350-basis-point vacancy rise. Nevertheless, rent growth in the core was stronger, boosted by Class A space returning to the market.

**Several big projects slated to finalize.** The 2021 pipeline is notably larger than recent years, but most of the space can be attributed to a few developments. The biggest is a 405,000-square-foot building in Deerfield Beach that will serve as JM Family Enterprise's new headquarters. On the South end of the metro in Hallandale, the Optima Onyx Tower will contribute an additional 334,000 square feet; roughly 50 percent has commitments. Other sizable developments include a pair of 100,000-square-foot-plus medical offices in Hallandale and Plantation. These two buildings will bring a combined 210,000 square feet of unleased space to market.



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Office 2021 Outlook



**22,000  
JOBS**

*will be created*

### EMPLOYMENT:

The job recovery in the metro has been comparatively sluggish and that is expected to continue through 2021. At the end of the first quarter Fort Lauderdale's personnel count was down 5.5 percent annually, compared with a 4.5 percent decline for the entire U.S.



**1,120,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

Supply additions will elevate significantly this year as several large developments reach completion. Over the past 10 years, annual delivery volume has averaged 336,000 square feet, just 30 percent of what is expected to finalize in 2021.



**50  
BASIS POINT**

*increase in vacancy*

### VACANCY:

The market's 1.8 percent stock expansion will outweigh improved demand, lifting availability for the third straight year. The vacancy rate will jump to 17.2 percent, the highest since 2013 but still 170 basis points below the financial crisis peak in 2011.



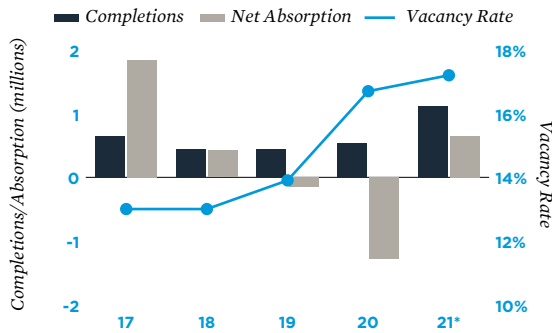
**0.4%  
INCREASE**

*in asking rent*

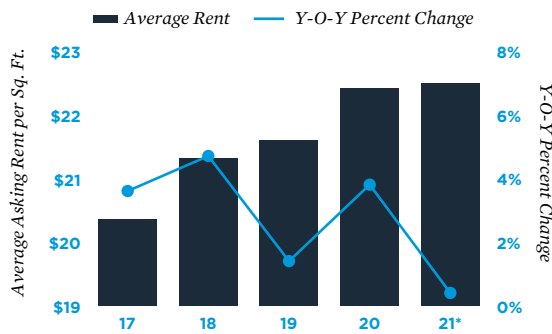
### RENT:

Bolstered by luxury arrivals and high-quality space that has been vacated, the average asking rent will advance to \$22.50 per square foot. Rates have climbed in each of the past eight years, growing by an average of 3.4 percent annually during that span.

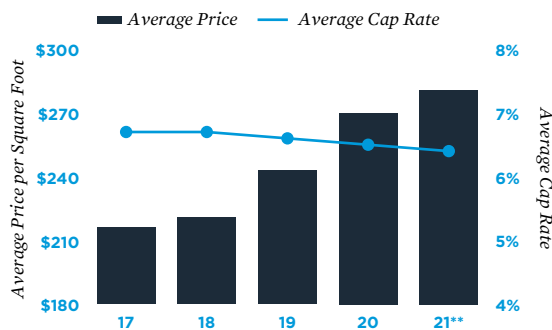
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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## 1Q21 – 12-Month Period



### CONSTRUCTION

**536,000** square feet completed

- Heightened by the 385,000-square-foot Main Las Olas building that finalized downtown last October, delivery volume over the past 12 months was roughly 20,000 square feet larger than the prior year.
- Approximately 1.8 million square feet was under construction as of April with scheduled completion dates extending into 2022.



### VACANCY

**260** basis point increase in vacancy Y-O-Y

- Class A vacancy jumped 630 basis points to 25.1 percent, marking a nine-year high for the tier and pushing the overall rate to 17.0 percent.
- Cypress Creek was the only submarket to note an annual vacancy decline. Four straight quarters of positive Class B/C absorption here dictated a 630-basis-point decline in availability within the segment.



### RENT

**1.1%** increase in the average asking rent Y-O-Y

- Rent growth slowed from the 2.1 percent annual gain recorded in the previous year yet remained positive over the past four quarters. The metrowide average asking rent was \$22.32 per square foot in March.
- Quality space that became available for lease in the CBD contributed a 4.2 percent annual increase here to \$31.51 per square foot on average.

## Investment Highlights

- Trading activity fell 6 percent annually over the trailing 12 months ending in March. Deal flow in the last two quarters, though, was 18 percent higher than in the same six-month span during the previous year. Medical office transaction velocity held more firm with buyers remaining active in the suburbs, especially Hollywood.
- Fort Lauderdale's average sale price climbed 12 percent over the past four quarters to \$281 per square foot, the second highest growth in the nation among major markets. Sizable gains have become the norm as annual pricing jumps exceeded 9 percent in four of the past five years.
- The average cap rate dipped 20 basis points year over year ending in March to 6.4 percent. Compared with neighboring markets, average initial returns are 10 basis points higher than Miami-Dade and 30 basis points below West Palm Beach.
- Downtown lures out-of-state investors seeking core-located assets in submarkets noting strong price growth. Buyers are willing to pay entry costs well above the metro average, with Class C properties in the core often trading for prices greater than \$500 per square foot.

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. Note: 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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