

MARKETVIEW

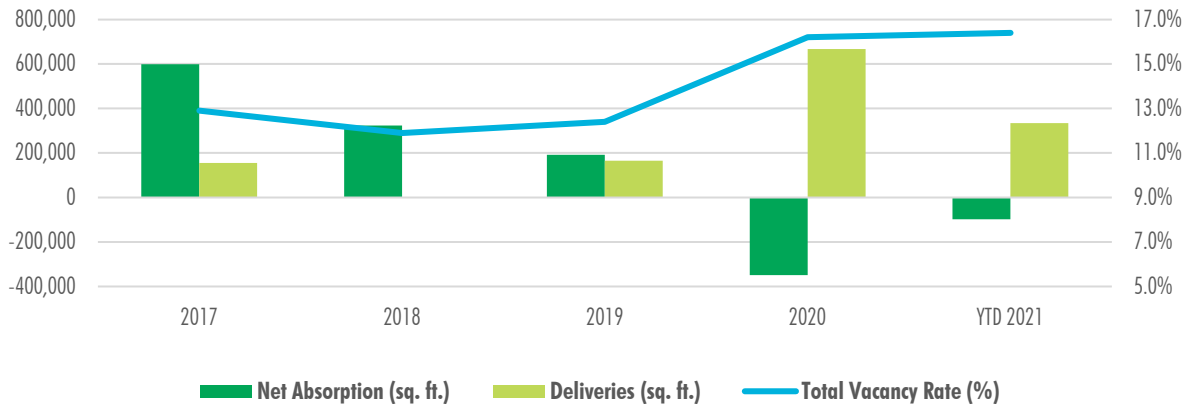
Q1 2021

Broward Office

Market softening, yet outlook is positive

▶ Inventory 23.9M SF
▼ New Deliveries 0 SF
▶ Under Const. 484,200 SF
▲ Total Vacancy 16.4%
▼ Net Absorption (92,900)
▲ Lease Rate \$24.97/SF

Historical Absorption, Deliveries and Vacancy



- Broward County outperforms the metro overall as unemployment sits at 5.3 percent, 110 basis points below the average.
- Leasing activity is down 52.0% percent year-over-year, but a growing number of tenants in the market should begin to shift the trajectory by the second half of 2021.
- Cypress Financial Center which first hit the market for sale nearly a year ago, traded in the first quarter. This sale is the first multi-tenant office building in the submarket to sell for more than \$200 per sq. ft.

OVERVIEW

Broward County closed the first quarter of 2021 far stronger and with more optimism compared with the uncertainty experienced at close the first quarter of 2020. As business to continue to reopen, economic indicators are bouncing back. Unemployment dropped in January to 5.3 percent (non seasonally adjusted), 990 basis points below the peak in May 2020 and 110 basis points below the average for South Florida.

Since office indicators tend to follow economic trends the continued employment growth should be welcome news for office landlords who saw limited activity in the first quarter that the tides may shifting.

However, some systemic changes coming out of the pandemic may need to be ironed out before we see growth of office indicators in Broward County during this cycle. Over the previous 12-months there was -463,600 sq. ft. of negative absorption in Broward County, propelled by limited leasing activity, an increase in sublease space, and an oversized share of tenants downsizing/vacating space upon their lease expiration.

DEMAND

While many tenants are choosing to consolidate, occupiers continue to assert confidence in the future of office with long term lease commitments. A prime example of this, Morgan Stanley renewed approximately 25,000 sq. ft. and expanded by 11,700 sq. ft at 350 Las Olas. While a net-positive transaction for Downtown Fort Lauderdale, this deal was part of a consolidation. Morgan Stanley looks to be giving back 23,000 sq. ft. at Coastal Tower in the Cypress Creek submarket.

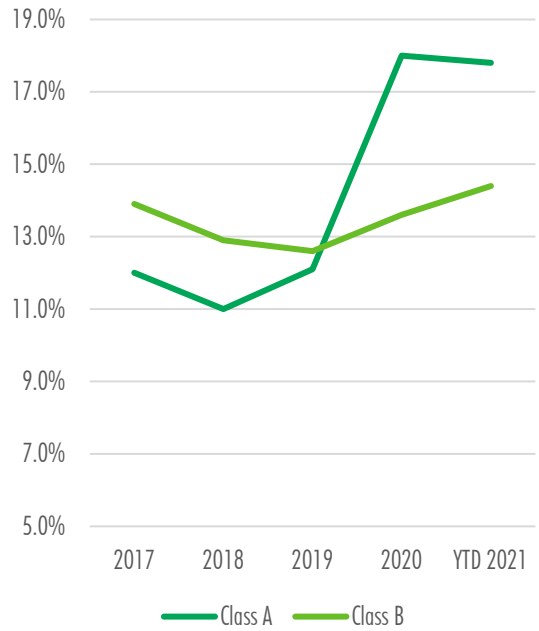
Likewise, investors are validating their confidence in the local office market. Investment activity continued to pick up, a carry over from last quarter, as transactions which were put on-hold due to the pandemic traded. Most notably, Cypress Financial Center was purchased by Vison Properties for \$213 psf – a highwater mark for multi-tenant office product in Cypress Creek and 36.0% above the previous trade in 2014.

PRICING

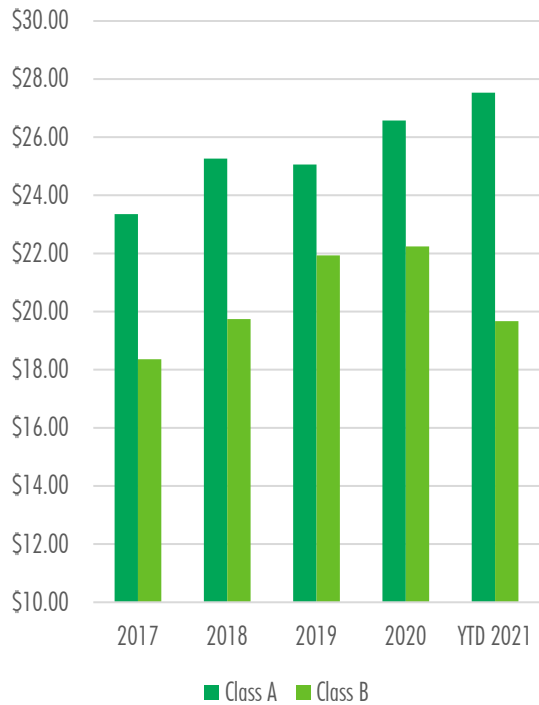
While a small number of buildings have dropped asking rents, to date, this has not been a meaningful trend. In fact, average asking rents in Broward County are up 5.0% year-over-year to \$24.97 per sq. ft. This growth can be attributed to the quality of existing availabilities and the delivery of The Main in the fourth quarter rather than Landlords increasing asking rents.

The quality blocks of space provide new opportunity for occupiers. Credit tenants touring the market today, have more options than they did this time last year. This has resulted in a dynamic change as tenants gain more leverage to procure more favorable deal terms.

Vacancy Rate



Asking Rates (\$/sq. ft. NNN)



OUTLOOK

The outlook for the United States economy is becoming very positive as COVID-19 vaccines are deployed at a rapid pace. At the close of the first quarter over a quarter of Americans have received at least one dose of the vaccine. The rate of daily vaccinations has accelerated to 2.5 million, making societal and economic normalization possible by mid-year.

A reopening of the economy would support near 7% GDP growth this year—the strongest pace seen since the early 1980s. This expansion is poised to be broad-based, with personal consumption being a critical factor.

As social distancing measures subside much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 30% below pre-COVID levels, compared to 5% for total employment (excluding leisure and hospitality). Overall, the U.S. economy is estimated to create upward of 7 million total new jobs in 2021. This burst of activity will push inflation above the Federal Reserve’s traditional 2% target but this is likely to be transitory as 18 million workers remain on the sidelines and the wall of fiscal stimulus represents a one-time jolt rather than a constant flow of dollars.

Q1 2021 Statistical Snapshot

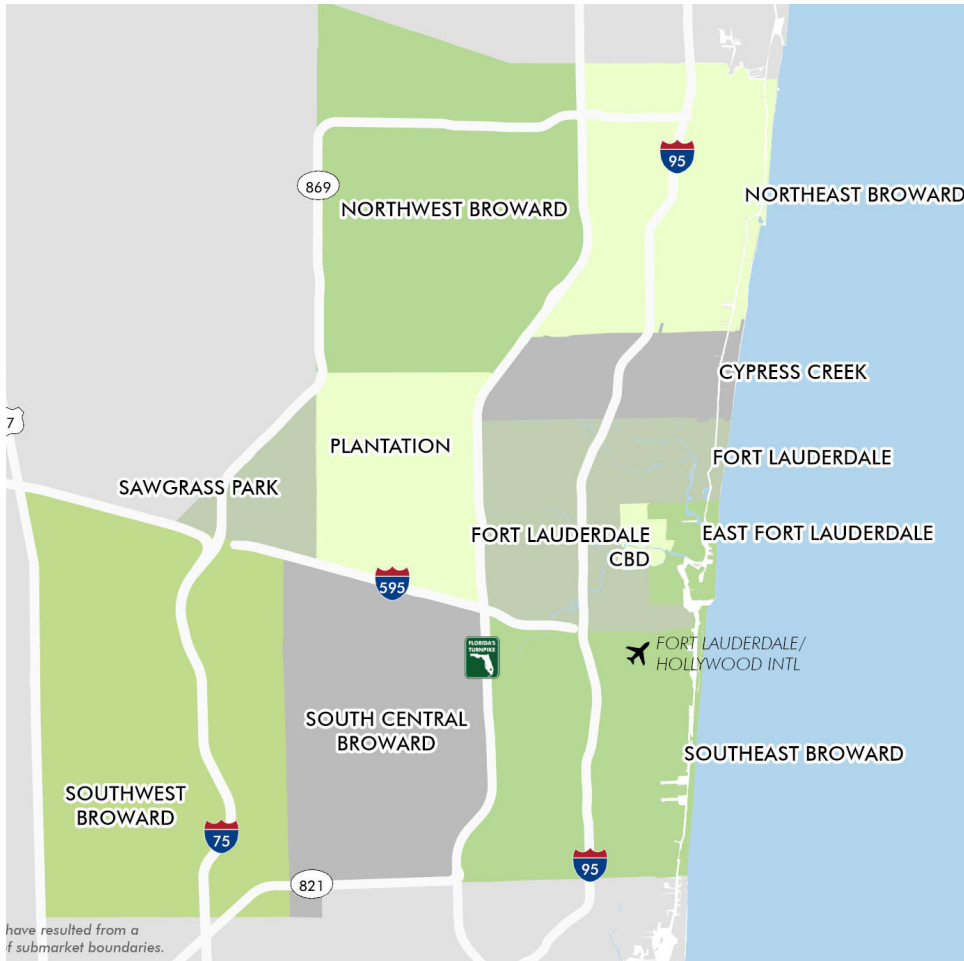
Submarket	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q 1 2021 Net Absorption	YTD 2021 Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	5,267,700	17.0%	22.4%	(13,832)	(13,832)	0	\$ 18.58
East Fort Lauderdale	259,500	2.0%	6.3%	11,671	11,671	0	\$ 26.49
Fort Lauderdale CBD	4,776,700	24.5%	29.6%	(4,510)	(4,510)	0	\$ 34.70
NE Broward	1,443,500	17.4%	22.5%	(30,365)	(30,365)	0	\$ 18.82
NW Broward	789,800	11.2%	17.9%	(12,796)	(12,796)	0	\$ 20.60
Plantation	3,662,000	11.0%	19.5%	(20,627)	(20,627)	0	\$ 22.90
Sawgrass Park	2,851,000	15.5%	28.5%	(46,408)	(46,408)	0	\$ 21.55
SE Broward	2,180,700	13.7%	23.2%	(16,730)	(16,730)	484,200	\$ 24.33
SW Broward	2,525,900	14.3%	18.7%	45,838	45,838	0	\$ 23.67
Total	23,756,900	16.4%	23.4%	(92,948)	(92,948)	484,200	\$ 24.97

Q1 2021 – Fort Lauderdale CBD – Class A

Submarket	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q1 2021 Net Absorption	YTD 2021 Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/NNN)
Las Olas	1,644,100	27.2%	30.1%	(8,000)	(8,000)	0	\$43.94
Off Las Olas	2,526,000	25.3%	30.7%	(3,500)	(3,500)	0	\$29.67
Total	4,170,100	26.1%	30.4%	(11,500)	(11,500)	0	\$35.46

Q1 2021 Notable Leases

Tenant	Submarket	Building Name	Class	Lease Type	Size (sq. ft.)
Morgan Stanley	Fort Lauderdale CBD	350 E Las Olas	Trophy	Renewal/Expansion	36,700
Hartford Insurance	Sawgrass Park	Sawgrass Tech Park	A	New	24,700
GSA – Homeland Security	Miramar Center I	SW Broward	A	Renewal	11,500



CONTACTS

David J. Bateman
Managing Director
+1 954 331 1722
david.bateman@cbre.com

Marc L. Miller
Associate Field Research Director
+1 305 381 6428
marc.miller1@cbre.com

Ilyssa M. Ettelman
Field Research Manager
+1 954 331 1797
ilyssa.ettelman@cbre.com

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/research-and-reports.

CBRE Fort Lauderdale
401 E Las Olas Boulevard
Suite 1500
Ft. Lauderdale, FL 33301

Market Coverage: Includes all competitive Class A and B office buildings 30,000 sq. ft. and greater in size in Broward County. Excludes: single occupancy, government and medical buildings.

Note: Tracked inventory was audited to reflect prevailing perception of the market. Class C product was removed from the tracked set, and Class changes were implemented where necessary to better capture current status. All changes are reflected historically in the data and analysis but cannot be compared to previously released Research reports.

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.