

Q3 2017

**Industrial Insight**

# Broward's industrial market continues to ride the expansion wave

- Demand is coming from a variety of industries.
- New space coming online by year-end will help offset the demand and supply imbalance experienced since 2009.
- Rents are at an all time high, but not all submarkets are expensive.

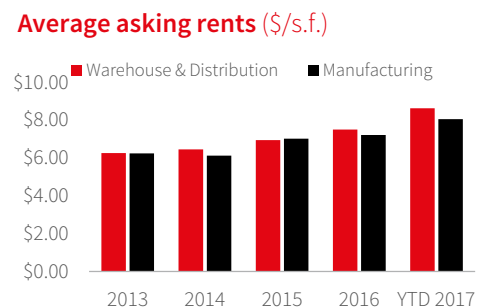
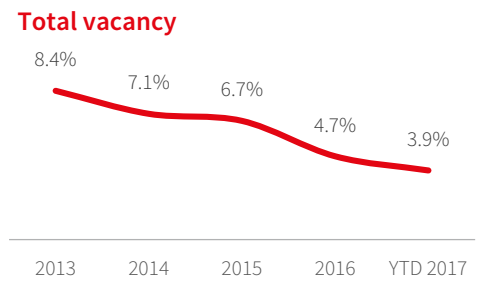
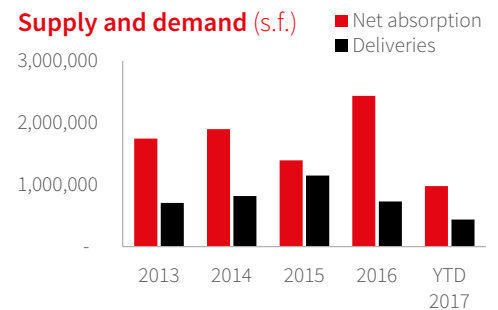
As we enjoy the benefits of an extended positive real estate cycle, industrial occupiers remained busy leasing up space as the Broward market reached 96.1 percent in occupancy in the third quarter– an 11 year high. With almost 1.0 million square feet of positive year-to-date net absorption, heading into the end of the year, the market continued to experience solid growth in demand for quality warehouse space. Demand is coming from a diverse cross-section of industries including pharmaceutical, logistics, food & beverage, and manufacturing. Currently, there is an abundance of leasing activity up to 100,000 square feet in submarkets such as Central Broward and Northeast Broward where developers have taken note. In fact, due to Broward's continued broad-based economic expansion, strong tenant demand and historically low vacancy rates, demand has been outpacing supply since 2009. To offset this imbalance, however, more than 700,000 square feet is slated to come online by year-end in the Northeast, Southeast and West Broward submarkets.

It stands to reason, then, that rents are spiking to record territory as the vacancy continues to decline. As a matter of fact, rents have increased by more than 37.0 percent between 2013 and 2017 to \$8.60 per square foot for warehouse space. For comparison, a decade ago, rates ran about \$7.33 per square foot countywide. Sure enough, rents are at an all-time high, but price sensitive tenants looking for quality space can look in submarkets such as Southwest Broward, where rents stand around \$7.90 per square foot.

**Outlook**

As you look at the overall vacancy and absorption across our 91.2 million-square-foot industrial market, all signs point to a tight, positive industrial market for the near to medium term. Activity will continue to heat up especially after new product comes to the market in the next 12 months.

| Fundamentals              | Forecast         |
|---------------------------|------------------|
| YTD net absorption        | 977,761s.f. ▲    |
| QTD net absorption        | 242,966 s.f. ▲   |
| Under construction        | 1,371,051 s.f. ▲ |
| Total vacancy             | 3.9% ▼           |
| Average asking rent (NNN) | \$8.60 p.s.f. ▲  |
| Tenant improvements       | Stable ►         |



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*Broward*

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## Industrial Statistics

|                          | Inventory<br>(s.f.) | Quarterly<br>total net<br>absorption<br>(s.f.) | YTD<br>total net<br>absorption<br>(s.f.) | YTD<br>total net<br>absorption<br>(% of stock) | Total<br>vacancy<br>(%) | Total<br>availability<br>(%) | Average<br>total asking<br>rent<br>(\$ p.s.f.) | Quarterly<br>completions<br>(s.f.) | YTD<br>completions<br>(s.f.) | Under<br>construction<br>(s.f.) |
|--------------------------|---------------------|--|--|--|-------------------------|------------------------------|--|------------------------------------|------------------------------|---------------------------------|
| <b>Broward Totals</b>    |                     |  |  |  |                         |                              |  |                                    |                              |                                 |
| Warehouse & Distribution | 83,595,067          | 235,491  | 1,017,702                                | 1.2%   | 3.7%                    | 7.8%                         | \$8.64   | 0                                  | 437,268                      | 1,371,051                       |
| Manufacturing            | 7,630,241           | 7,475  | -39,941                                  | -0.5%  | 5.6%                    | 7.1%                         | \$8.06   | 0                                  | 0                            | 0                               |
| <b>Totals</b>            | <b>91,225,308</b>   | <b>242,966</b>                                 | <b>977,761</b>                           | <b>1.1%</b>                                    | <b>3.9%</b>             | <b>7.7%</b>                  | <b>\$8.60</b>                                  | <b>0</b>                           | <b>437,268</b>               | <b>1,371,051</b>                |
| <b>Submarkets</b>        |                     |  |  |  |                         |                              |  |                                    |                              |                                 |
| <b>Central Broward</b>   |                     |  |  |  |                         |                              |  |                                    |                              |                                 |
| Warehouse & Distribution | 11,288,265          | -111,441                                       | -27,051                                  | -0.2%  | 5.1%                    | 6.2%                         | \$9.99   | 0                                  | 306,466                      | 221,542                         |
| Manufacturing            | 1,302,489           | 9,815  | 16,465                                   | 1.3%   | 0.7%                    | 0.7%                         | \$7.04   | 0                                  | 0                            | 0                               |
| <b>Totals</b>            | <b>12,590,754</b>   | <b>-101,626</b>                                | <b>-10,586</b>                           | <b>-0.1%</b>                                   | <b>4.6%</b>             | <b>5.6%</b>                  | <b>\$9.95</b>                                  | <b>0</b>                           | <b>306,466</b>               | <b>221,542</b>                  |
| <b>Northeast Broward</b> |                     |  |  |  |                         |                              |  |                                    |                              |                                 |
| Warehouse & Distribution | 30,302,371          | 9,158  | 242,853                                  | 0.8%   | 2.9%                    | 6.6%                         | \$8.57   | 0                                  | 0                            | 320,549                         |
| Manufacturing            | 3,185,527           | -4,220   | -67,017                                  | -2.1%  | 3.6%                    | 6.1%                         | \$7.20   | 0                                  | 0                            | 0                               |
| <b>Totals</b>            | <b>33,487,898</b>   | <b>4,938</b>                                   | <b>175,836</b>                           | <b>0.5%</b>                                    | <b>3.0%</b>             | <b>6.6%</b>                  | <b>\$8.45</b>                                  | <b>0</b>                           | <b>0</b>                     | <b>320,549</b>                  |
| <b>Southeast Broward</b> |                     |  |  |  |                         |                              |  |                                    |                              |                                 |
| Warehouse & Distribution | 18,195,529          | 182,571  | 327,161                                  | 1.8%   | 2.4%                    | 6.0%                         | \$9.30   | 0                                  | 0                            | 221,855                         |
| Manufacturing            | 1,643,843           | -12,000  | -19,773                                  | -1.2%  | 2.5%                    | 2.5%                         | \$7.25   | 0                                  | 0                            | 0                               |
| <b>Totals</b>            | <b>19,839,372</b>   | <b>170,571</b>                                 | <b>307,388</b>                           | <b>1.5%</b>                                    | <b>2.4%</b>             | <b>5.7%</b>                  | <b>\$9.26</b>                                  | <b>0</b>                           | <b>0</b>                     | <b>221,855</b>                  |
| <b>Southwest Broward</b> |                     |  |  |  |                         |                              |  |                                    |                              |                                 |
| Warehouse & Distribution | 12,685,596          | 96,631   | 216,800                                  | 1.7%   | 6.3%                    | 14.1%                        | \$7.90   | 0                                  | 130,802                      | 170,373                         |
| Manufacturing            | 598,573             | 13,880   | 28,384                                   | 4.7%   | 43.4%                   | 49.4%                        | \$8.75   | 0                                  | 0                            | 0                               |
| <b>Totals</b>            | <b>13,284,169</b>   | <b>110,511</b>                                 | <b>245,184</b>                           | <b>1.8%</b>                                    | <b>8.0%</b>             | <b>15.6%</b>                 | <b>\$8.02</b>                                  | <b>0</b>                           | <b>130,802</b>               | <b>170,373</b>                  |
| <b>West Broward</b>      |                     |  |  |  |                         |                              |  |                                    |                              |                                 |
| Warehouse & Distribution | 11,123,306          | 58,572   | 257,939                                  | 2.3%   | 3.8%                    | 8.1%                         | \$8.35   | 0                                  | 0                            | 436,732                         |
| Manufacturing            | 899,809             | 0  | 2,000                                    | 0.2%   | 0.0%                    | 0.0%                         | \$9.57   | 0                                  | 0                            | 0                               |
| <b>Totals</b>            | <b>12,023,115</b>   | <b>58,572</b>                                  | <b>259,939</b>                           | <b>2.2%</b>                                    | <b>3.5%</b>             | <b>7.5%</b>                  | <b>\$8.35</b>                                  | <b>0</b>                           | <b>0</b>                     | <b>436,732</b>                  |

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