

FIGURES | BROWARD INDUSTRIAL | Q1 2022

Broward continues to prove strength in new year



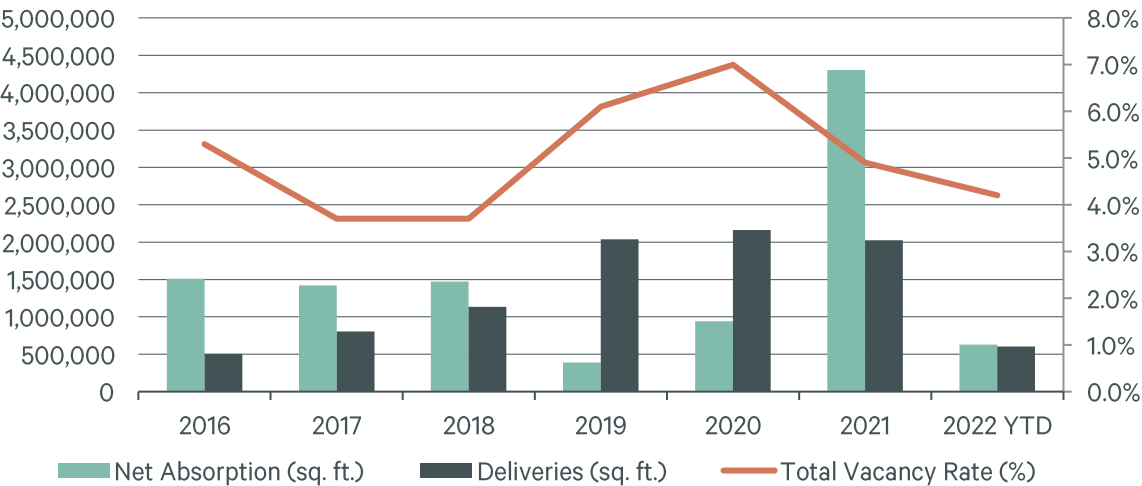
Note: Arrows indicate change from previous quarter.

Overview

- The vacancy rate sits at 4.2%, driven by AMD Supply, Fuse Appliances and Georg Fisher occupying space in Q1 2022. Four submarkets now boast below-4.0% rates; Central Broward, Coral Springs, Pompano/Lauderdale and Sunrise.
- Asking rents rose 6.8% since last quarter to \$10.88 per sq. ft. The warehouse and distribution rate climbed to \$9.80 per sq. ft., and for the first time, every submarket in Broward demands more than \$10.00 per sq. ft.
- Southwest Broward recorded 40% of total leasing activity, with three of the largest leases of the quarter signed in this submarket.

The market experienced yet another strong quarter with more than half a million sq. ft. of positive net absorption. Competition for space in the region continues to intensify, and development is keeping pace with demand. There were more than 2.6 million sq. ft. of new deliveries in the past 12-months, bringing the 2022 total to 600,000 sq. ft. Another 1.2 million sq. ft. remains under construction. Despite the flurry of development activity, vacancy rates are reaching their lowest points in some submarkets. Landlord friendly conditions caused rents to soar by 14% to \$10.88 per sq. ft. over the past year, the highest annual increase on record.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

Continued tenant demand and constraints to supply resulted in another strong quarter for the Broward market. All submarkets were well-represented in recent leasing activity, which totaled 1.4 million sq. ft., driven by small to mid-sized deals. Some of the most notable deals include International Distribution Group (116,000 sq. ft.), ShipMonk (110,000 sq. ft.), GMI Stone (51,000 sq. ft.), Veho Tech (49,000 sq. ft.) and Challenge Warehousing (41,000 sq. ft.).

VACANCY

Total net absorption reached 630,000 sq. ft., over the last three months. This activity, largely within new product, compressed the vacancy rate by 70 basis points to 4.2%, year-over-year. We expect the vacancy rate to remain low, as we track over 400,000 sq. ft. of future move-ins targeting the second quarter alone.

PRICING

Limited supply of developable land and existing warehouse and distribution space have driven rents up in recent years. The recent stockpiling of inventories and surging activity at Port Everglades have intensified competition for space, fueling bidding wars among tenants. Asking rents grew by 14% over the past year, more than double the average pace seen over the past five years and topping record set in the previous quarter. This growth was driven primarily by well-located modern space and small bay product, which appeals to the bread-and-butter demand in Broward.

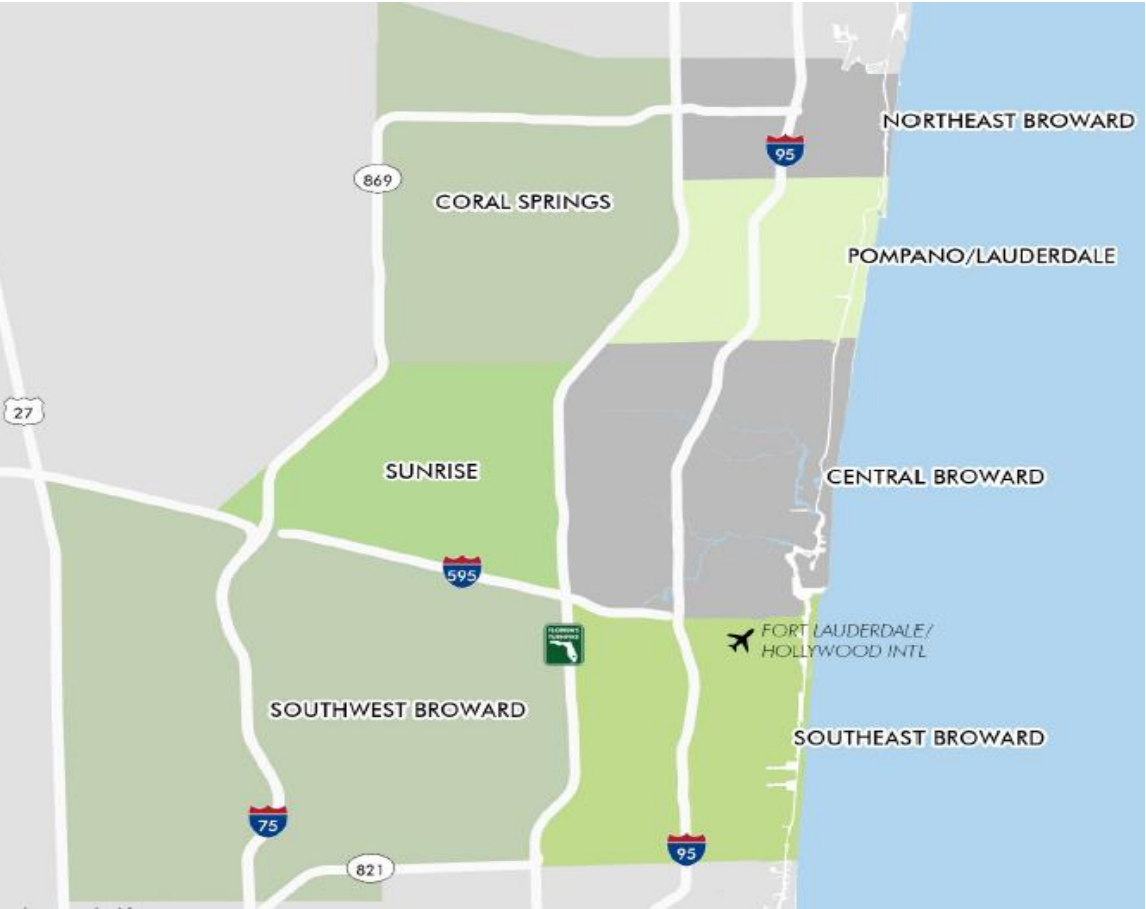
Additionally, ballooning costs of land and construction materials are being passed on to tenants as developers raise rents to justify the cost of new projects. Therefore, landlords can expect rapid rent growth to persist through the remainder of the year.

FIGURE 2: Statistical Snapshot Q1 2022

Submarket	Total Inventory (SF)	Direct Vacancy (%)	Available Vacant (%)	Q1 2022 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/NNN)
Central Broward	18,730,434	3.7%	2.5%	(41,902)	(41,902)	0	\$10.76
Coral Springs	8,559,835	1.5%	1.5%	9,635	9,635	131,680	\$10.60
Northeast Broward	11,369,487	9.0%	6.5 %	302,991	302,991	374,460	\$10.10
Pompano/ Lauderdale	25,305,399	4.0%	3.3%	244,805	244,805	0	\$10.79
Southeast Broward	15,725,243	3.2%	2.4%	56,955	56,955	699,558	\$12.57
Southwest Broward	17,008,129	6.1%	3.3%	113,332	113,332	0	\$10.52
Sunrise	5,828,397	2.4%	1.5%	(55,200)	(55,200)	0	\$12.24
Grand Total	102,526,924	4.2%	3.1%	630,616	630,616	1,205,698	\$10.86
Manufacturing	6,778,518	2.1%	2.1%	(22,000)	93,479	0	\$12.58
R&D/Flex	12,661,672	3.2%	3.0%	64,132	165,734	0	\$12.66
Warehouse/Distribution	82,749,988	4.7%	2.8%	1,692,652	4,046,304	1,205,698	\$9.80

Source: CBRE.com

Market Area Overview



Economic Outlook

Sentiment has taken a turn for the worse during the first quarter with Russia's invasion of Ukraine magnifying existing economic concerns. Specifically, the exclusion of Russian oil & gas from global markets is pushing up gasoline prices for U.S. consumers already rattled by inflation. American consumers are more sensitive to energy prices shifts than those in other OECD countries. Energy prices will likely remain heightened throughout this year, which will increase our inflation forecast to over 6% for 2022.

The prospects of weaker global growth—especially in Germany and China—and rising interest rates are causing some alarm. Bond markets are pricing in rate hikes through 2023 with a terminal Fed Funds Rate of 3% to 3.5%. On the upside, consumer demand should remain heightened this year driven by excess savings, especially among more affluent households, and a very strong labor market. This should translate into another year of above-trend annual growth, at 2.4%. It is possible that these tailwinds will fade quicker than the downside risks and weaker economic growth should be expected next year. The beginnings of an inverted yield curve are hinting at a recession in 2023. This is not our base case, and there is plenty of momentum left in the U.S. economy, but medium-term risks are rising, with an increasingly hawkish Fed. being the main cause for concern.

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