

Q3 2017

Office Insight

Leasing activity trends vary across the county – which submarkets are performing best?

- Downtown growth continues to shift to off Las Olas assets which provide a 16.6 percent cost savings compared with Trophy properties.
- Leasing activity in the Western suburban markets is focused on Class A assets.
- Cypress Creek remains an exception to trends as leasing activity there is focused on Class B properties.

Over the previous 12-months the pace of growth has slowed. So where is the market going? Currently, trends remain positive across most submarkets, but it seems there is less room to grow as many rents are already above peak levels and the majority of prime assets have already traded. When we look at the downtown, average Class A asking rents are nearly \$42 per square foot (full service) and most key assets have changed hands during this cycle (some are beginning to re-trade). While the submarket remains strong from a big picture perspective, the growth downtown has definitely subsided as total leasing activity within Class A assets has declined every year since 2011 when it peaked over the 600,000 square foot threshold. Leasing activity last year was less than half of that seen in 2011. And, so far this year, we are on track to do about the same (total square feet). Year-to-date, there have been 233,600 square feet of deals executed, the majority of which have been done in the off Las Olas properties.

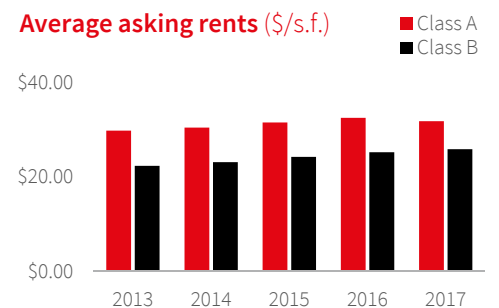
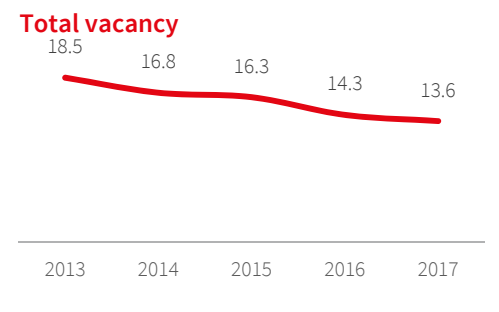
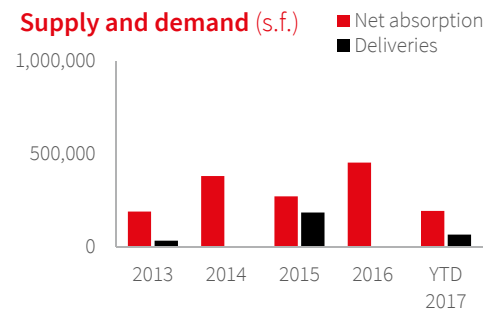
While downtown tenants are taking advantage of the obvious cost savings within the off Las Olas assets, suburban tenants seem to be more keyed in on the most “prime” assets within the submarket. The Class A properties are seeing the majority of leasing activity. Year-to-date leasing activity within the activity tracked suburban properties is currently 765,000 square feet. The Class A leasing activity accounts for 64.2 percent of the deals compared with 58.5 percent of the inventory. While this spread among the overall market isn’t significant (right around five percent), there is a more clear trend within certain submarkets. In Sawgrass Park and Plantation the net spread is more than 15.0 percent between Class A leasing activity and inventory. In Sawgrass Park Class A leasing activity accounts for 81.7 of the activity in the market so far this year (Class A assets account for 63.9 percent of inventory). And, in Plantation, Class A leasing activity accounts for 77.3 percent of the total year-to-date (compared with 60.5 percent of inventory). Cypress Creek remains the exception as leasing activity there remains more focused on Class B assets.

Outlook

While the overall growth in market remains slower than what we have seen over the previous 18-24 months, some areas are still seeing substantial growth and most indicators remain positive. Further, while rents and absorption are expected to remain positive for the near term, the growth rate is not expected to pick back up to the levels seen previously anytime soon.

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Fundamentals	Forecast
YTD net absorption	191,900 s.f. ▲
Under construction	27,400 s.f. ▲
Total vacancy	13.6% ▼
Average asking rent (gross)	\$29.14 p.s.f. ▲
Concessions	Stable ►



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Office Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD completions (s.f.)	Under construction (s.f.)
Downtown	Totals	4,742,348	-9,898	-77,338	-1.6%	13.3%	14.4%	\$39.14	0	27,388
CBD	Totals	4,742,348	-9,898	-77,338	-1.6%	13.3%	14.4%	\$39.14	0	27,388
Cypress Creek	Totals	5,270,705	41,549	90,077	1.7%	16.6%	18.1%	\$25.06	0	0
Plantation	Totals	2,522,902	3,757	58,194	2.3%	12.8%	12.9%	\$27.26	0	0
Sawgrass Park	Totals	2,626,877	25,601	35,311	1.3%	7.7%	8.5%	\$28.04	0	0
Southwest Broward	Totals	3,940,104	1,526	100,599	2.6%	10.5%	10.9%	\$28.74	64,431	0
Northwest Broward	Totals	1,483,798	-17,383	-17,551	-1.2%	15.9%	16.0%	\$23.85	0	0
Southeast Broward	Totals	2,018,884	6,863	2,583	0.1%	9.4%	10.6%	\$30.41	0	0
Suburbs	Totals	17,863,270	61,913	269,213	1.5%	12.6%	13.3%	\$26.66	64,431	0
Fort Lauderdale	Totals	22,605,618	52,015	191,875	0.8%	12.7%	13.6%	\$29.14	64,431	27,388
Core Las Olas	Trophy	1,382,372	4,321	-45,242	-3.3%	7.3%	7.5%	\$47.03	0	0
Off Las Olas	A	2,123,511	3,653	-36,465	-1.7%	11.7%	14.0%	\$39.43	0	0
CBD	A	3,505,883	7,974	-81,707	-2.3%	10.0%	11.5%	\$41.57	0	0
Cypress Creek	A	2,747,481	1,256	11,562	0.4%	16.9%	19.3%	\$27.40	0	0
Plantation	A	1,527,563	238	48,407	3.2%	7.7%	7.8%	\$32.64	0	0
Sawgrass Park	A	1,679,694	21,639	42,907	2.6%	8.4%	9.5%	\$30.14	0	0
Southwest Broward	A	2,450,873	11,539	100,725	4.1%	10.6%	11.3%	\$29.66	64,431	0
Northwest Broward	A	781,402	6,673	15,750	2.0%	14.2%	14.3%	\$24.98	0	0
Southeast Broward	A	534,732	3,374	-23,768	-4.4%	8.4%	12.5%	\$33.97	0	0
Suburbs	A	9,721,745	44,719	195,583	2.0%	11.7%	13.0%	\$29.02	64,431	0
Fort Lauderdale	A	13,227,628	52,693	113,876	0.9%	11.2%	12.6%	\$31.80	64,431	0
Downtown	B	1,236,465	-17,872	4,369	0.4%	22.6%	22.7%	\$35.29	0	27,388
CBD	B	1,236,465	-17,872	4,369	0.4%	22.6%	22.7%	\$35.29	0	27,388
Cypress Creek	B	2,523,224	40,293	78,515	3.1%	16.4%	16.8%	\$22.14	0	0
Plantation	B	995,339	3,519	9,787	1.0%	20.7%	20.8%	\$22.59	0	0
Sawgrass Park	B	947,183	3,962	-7,596	-0.8%	6.5%	6.5%	\$25.61	0	0
Southwest Broward	B	1,489,231	-10,013	-126	0.0%	10.3%	10.3%	\$25.99	0	0
Northwest Broward	B	702,396	-24,056	-33,301	-4.7%	17.8%	17.8%	\$23.12	0	0
Southeast Broward	B	1,484,152	3,489	26,351	1.8%	9.8%	9.9%	\$28.24	0	0
Suburbs	B	8,141,525	17,194	73,630	0.9%	13.6%	13.7%	\$23.93	0	0
Fort Lauderdale	B	9,377,990	-678	77,999	0.8%	14.8%	14.9%	\$25.88	0	27,388

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