



3Q14

FORT LAUDERDALE-BROWARD COUNTY OFFICE MARKET

Newmark Grubb Knight Frank

SMALL BUSINESS GROWTH AIDING STRONG DEMAND

Fort Lauderdale's office market remained stable in the third quarter of 2014. Vacancy inched downward 50 basis points from the second-quarter rate to 13.9%, bringing year-over-year occupancy up 230 basis points to 86.1%. Demand continued to chip away at supply, as occupancy reached levels not seen since the recession.

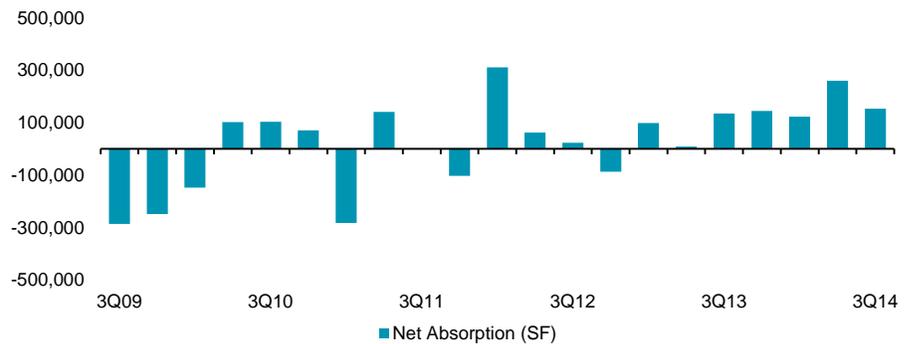
Expansions and relocations dominated mid-sized to larger tenant movement, while growth in small office requirements appeared to pick up steam. This was made evident by the Class B segment leading net absorption for the second quarter in a row, posting 106,855 square feet. Class A space recorded a modest 42,315 square feet of net gains in occupancy, an almost exact replica of the previous quarter's performance. The Class C sector continued to muddle along with 3,000 square feet of net absorption, as demand outpaced supply.

The move by Memorial Healthcare Systems into 35,943 square feet at Sawgrass Technology Park combined with the owner/user occupation by People's Trust of 26,000 square feet in Pompano Beach contributed to just over half of the 90-basis-point drop in Class B vacancy from the second quarter, which ended the third quarter at 14.9%. The remainder of activity came from small business deals for less than 5,000 square feet.

Asking Rent and Vacancy



Absorption



Key Indicators			
Total Inventory (SF)	32,051,199		
	3Q14	2Q14	3Q13
Asking Rent (Price/SF)	\$24.29	\$24.21	\$24.24
Vacancy Rate (%)	13.9%	14.4%	16.1%
Under Construction (SF)	0	0	0
	3Q14	2Q14	YTD
Net Absorption (SF)	152,170	259,167	533,952
Deliveries (SF)	0	0	0

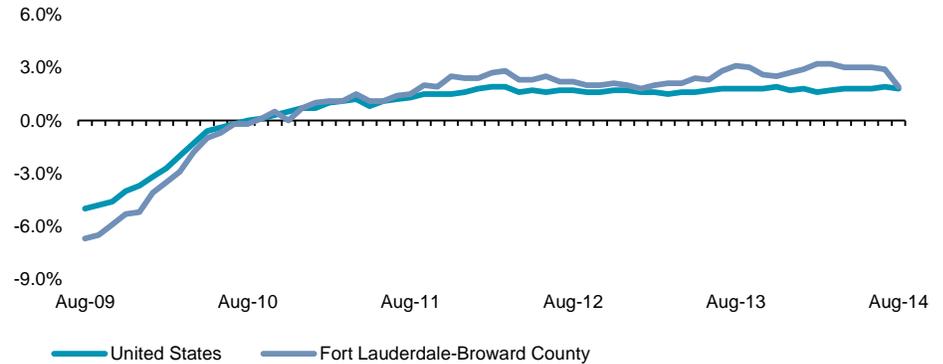


The overall weighted average asking rental rate saw a slight increase from the \$24.24/SF full service gross rate recorded in the third quarter of 2013. This can be attributed to Class B and Class C availabilities continuing to weigh down the average asking rate rather than an actual change in quoted rents. The Class A average led the pack with a \$0.77 rise from the \$28.96/SF full service gross rate quoted last year at this time. Class C space followed suit with a \$0.28 increase from the \$15.64/SF full service gross rate, while Class B saw a decrease of \$0.82 from the \$20.42/SF full service gross rate one year ago.

Investment activity was in full swing, as sales appear to be picking up. Six sales totaling over 1.0 million square feet were recorded in the third quarter of 2014. All were investment deals, almost doubling the 1.1 million square feet of sales achieved in the first half of the year. The Downtown Submarket saw Invesco bring the Class A New River Center to the market for sale, while Broward Financial Centre remained on the market. This type of activity is further proof that core Class A properties will be harder to come by in the near future.

Payroll Employment

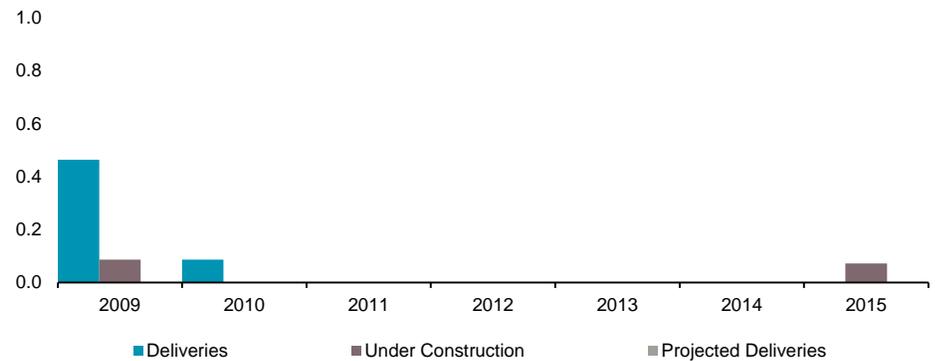
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, millions



Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Bayview Loan Servicing LLC	Crown Ctr.-1425 W Cypress Creek Rd	Cypress Creek	62,000
Signature Consultants Inc	Broward Trade Ctr.-200 W Cypress Creek Rd	Cypress Creek	20,400
The Kirlin Group	Lakeshore Bus. Ctr.-3125 W Commercial Blvd	Commercial Blvd	15,309
Experian Information Solutions Inc	800 Fairway-800 Fairway Dr	Pompano Beach	13,500
Office of the Chapter 13 Standing Trustee	Huntington Centre II-2801 SW 149th Ave	Southwest Broward	11,283

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
Royal Palm @ Southpointe I & II	Plantation	449,500	\$119,500,000	\$265
PNC Center-200 E Broward Blvd	Fort Lauderdale CBD	225,500	\$66,400,000	\$294
Cypress Fin. Ctr.-5900 N Andrews Ave	Cypress Creek	205,428	\$32,550,000	\$158
Newport Center-1300 E Newport Ctr Dr	Northeast Broward	55,300	\$5,400,000	\$98



Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
CBD Total	5,368,774	0	13.4%	38,403	160,733	\$34.69	\$22.63	\$32.23
Commercial Blvd	1,615,465	0	16.4%	9,288	-75,763	\$22.97	\$22.00	\$20.95
Cypress Creek	4,574,841	0	18.6%	-31,137	-26,290	\$29.19	\$18.75	\$23.29
Ft. Lauderdale Suburban	3,330,713	0	14.7%	21,298	71,169	\$26.55	\$18.87	\$20.95
Hallandale	460,866	0	10.9%	6,690	17,563	\$37.25	\$25.59	\$26.62
Hollywood	2,545,554	0	9.8%	2,149	118,127	\$27.27	\$24.64	\$23.30
NW Broward/Coral Springs	1,867,382	0	21.1%	-11,772	-27,641	\$23.05	\$15.40	\$19.15
Plantation	3,505,430	0	11.9%	27,701	113,859	\$30.79	\$20.65	\$22.98
Pompano Beach	2,644,522	0	13.4%	24,882	111,521	\$25.52	\$16.21	\$18.32
Sawgrass Park	2,786,740	0	13.2%	43,134	60,329	\$25.99	\$20.41	\$25.33
SW Broward	3,350,912	0	8.9%	21,534	10,345	\$30.74	\$22.60	\$29.92
Suburban Total	26,682,425	0	14.0%	113,767	373,219	\$27.69	\$19.36	\$22.55
Totals	32,051,199	0	13.9%	152,170	533,952	\$29.73	\$19.60	\$24.29



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Glossary of Terms

Absorption

A measure of the change in occupied space

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries

The total RBA of properties added to the inventory once construction has been completed

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

Newmark Grubb Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.

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