

Broward County Has Reached a Post-Recession Record for Retail Space Under Construction

Executive Summary

At the end of the fourth quarter of 2019, close to 1.2 million square feet of retail space was under construction in Broward County, the largest amount since the Great Recession. While there is some concern of oversupply, the County has balanced incoming supply with a consistently low vacancy rate of below 5 percent since the start of 2016. In the fourth quarter of 2019, the vacancy rate stood at 4.3 percent, a minimal increase of only 10-basis points quarter-over-quarter.

Much of the space completed in Broward County in the quarter were portions of large developments like Dania Pointe, University Pointe at Downtown Davie, Atlantic Village and The Grove at Miramar. Mixed-use developments that include a retail portion continue to dominate construction. Among the 1.1 million square feet left under construction in Broward County many are located within mixed-use developments such as Dania Pointe, Quantum at Flagler Village, Pembroke Pines City Center, and Plantation Walk. Developers have found success in the live-work-play concept that these developments embody by including residential, retail, office, hospitality, and public event space.

Aside from mixed-use activity, the off-price retail sector activity is on the rise in South Florida. Specifically in Broward County, Aldi delivered a 21,000 square foot store and has a 13,000 square foot store under construction. Additionally, the second largest lease of the quarter, 23,474 square feet, was signed in Pompano Beach by dd's Discounts, an off-price department store. The largest lease of quarter, 34,716 square feet, occurred in Fort Lauderdale, and is a sale/lease back deal. Bed Bath & Beyond sold their building for \$11 million, or \$317 per square foot, and executed a lease back deal with Oak Street Real Estate Capital. Investor interest seemed to be in neighborhood centers, accounting for three of the top five sales in the fourth quarter of 2019, two of which collected more than \$300 per square foot.

Summary Statistics

Q4 2019 Retail Market	Broward, FL
Vacancy Rate	4.3%
Change From Q3 2019 (Percent)	+0.1%
Absorption (Square Feet)	59,917
New Construction (Square Feet)	166,356
Under Construction (Square Feet)	1,165,647

Asking Rents

Per Square Foot Per Year	
Current Quarter	\$22.85
Previous Quarter	\$23.33
Year Ago	\$20.44

Market Indicators

Relative to Prior Period	Q4 2019	Q1 2020*
Vacancy	↑	↔
Net Absorption	↑	↑
Construction	↑	↔
Rental Rates	↓	↓

*Projected

Market Highlights

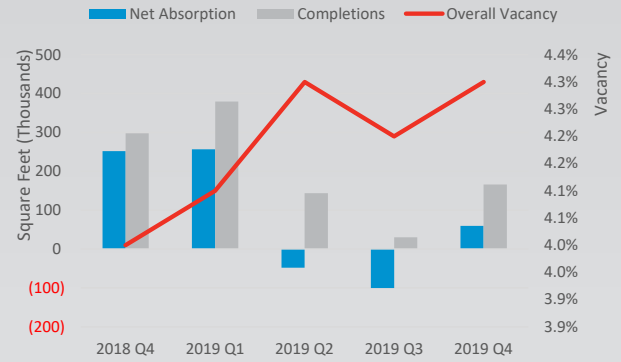
- › Broward County’s retail vacancy rate has remained below 5 percent since the start of 2016 despite a consistent inflow of new supply.
- › The live-work-play concept lives on with many completed and under construction projects contributing to the rise in mixed-use development. For example, Dania Pointe, though still under construction, delivered 294,000 square feet throughout 2019 with approximately 40,000 square feet delivered in the fourth quarter.
- › Retail sales activity in Broward County was concentrated on neighborhood center’s in the fourth quarter of 2019. Three of the top five sales were neighborhood centers, bringing in as much as \$322 per square foot.
- › Activity in the off-price retail sector has increased, not only through leasing but also through construction. Broward County saw a dd’s Discounts lease and an Aldi completion in the fourth quarter.

South Florida - Retail Market Trends

Emerging Retail Trends in 2020 and Beyond

- › **Omnichannel:** Online Retailers adding a physical footprint in the “clicks to bricks” movement.
- › **AR & VR:** Advancements in in-store technology like augmented and virtual reality (AR and VR) showrooms.
- › **Investor Demand:** Retail is expected to gain plenty of investor attention in 2020, particularly assets ripe for re-development.
- › **Work Where You Shop:** Coworking companies are attracted to retail centers as workers have access to a flexible and amenity-rich environment.
- › **Sense of “Place”:** Tenants and customers seek in-store experiences and creative uses of common space.
- › **Expanding F&B:** New food concepts have been a major driver of retail success, especially as food halls rapidly expand across South Florida.
- › **Retail Absorption:** Entertainment, and health & wellness and Food & Beverage concepts will drive absorption, mostly at mixed-use destinations.
- › **E-Commerce:** Continues to be a looming threat for retailers that don’t adapt, however, online stores now see the value of a complementary physical store.

Completions, Absorption and Vacancy Rates

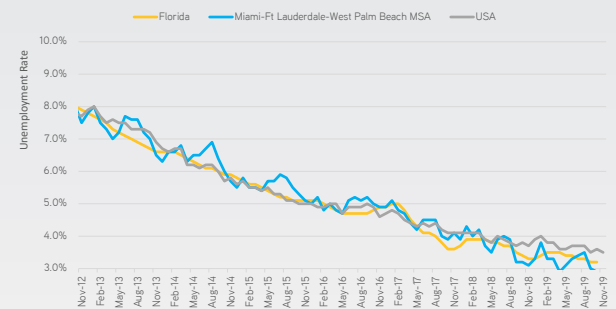


Completions and Net Absorption Rebound

Retail completions and net absorption in Broward County have rebounded from the previous quarter. With more than 150,000 square feet completing and nearly 60,000 square feet of positive net absorption, vacancy increased this quarter.

Source: Colliers International, CoStar

Unemployment Trends



The Miami-Fort Lauderdale-West Palm Beach MSA unemployment rate posted 2.7 percent* in November 2019, representing a 12.9 percent decrease from November 2018. The state of Florida rate posted a 3.1 percent* unemployment rate for November 2019,* below the national average of 3.5 percent.

*preliminary

Source: US Bureau of Labor Statistics

SUBMARKET BREAKDOWN

SUBMARKET	# OF BUILDINGS	TOTAL INVENTORY SF	DIRECT VACANCY %	TOTAL VACANCY %	NET ABSORP. CURRENT QTR. SF	NEW COMPLETIONS SF	UNDER CONSTRUCTION	AVG. DIRECT ASKING RATE NNN
CENTRAL BUSINESS DISTRICT								
Commercial Boulevard	31	1,318,102	8.5%	8.5%	(16,426)	0	0	\$15.49
Downtown Fort Lauderdale	81	3,271,488	3.8%	3.8%	(26,238)	0	260,361	\$30.95
Fort Lauderdale	397	13,429,270	4.7%	4.7%	(25,383)	39,937	128,971	\$26.56
Hollywood	196	8,511,990	4.5%	4.5%	(77,951)	0	41,000	\$24.02
Pompano Beach	320	13,095,452	5.8%	5.8%	18,662	21,200	33,378	\$19.46
SUBURBAN								
Cypress Creek	58	2,076,652	5.8%	5.8%	13,008	0	23,150	\$26.38
NW Broward/Coral Springs	252	11,795,845	4.5%	4.7%	18,929	0	0	\$17.89
Outlying Broward County	12	396,405	3.7%	3.7%	3,209	0	0	\$21.90
Plantation	211	10,141,697	4.5%	4.6%	12,119	0	190,405	\$20.20
Sawgrass Park	48	4,356,655	1.7%	1.7%	0	0	0	\$22.50
Southwest Broward	272	14,320,943	2.3%	2.3%	110,977	79,219	374,378	\$29.64

BROWARD COUNTY OVERALL MARKET

YEAR & QUARTER	# OF BUILDINGS	TOTAL INVENTORY SF	DIRECT VACANCY %	TOTAL VACANCY %	NET ABSORP. CURRENT QTR.	NET ABSORP. YTD	NEW COMPLETIONS	UNDER CONSTRUCTION	AVG. DIRECT ASKING RATE NNN
2019 Q4	1,971	85,801,162	4.2%	4.3%	59,917	168,944	166,356	1,165,647	\$22.85
2019 Q3	1,965	85,665,618	4.1%	4.2%	(100,039)	109,027	30,128	1,026,128	\$23.33
2019 Q2	1,965	85,831,254	4.2%	4.3%	(47,859)	209,066	143,736	958,638	\$21.91
2019 Q1	1,963	85,702,618	4.0%	4.1%	256,925	256,925	379,282	1,050,132	\$21.06
2018 Q4	1,957	85,387,274	3.9%	4.0%	251,791	197,834	297,549	1,065,209	\$20.44
2018 Q3	1,953	85,123,883	3.9%	4.0%	27,109	(53,957)	64,230	1,029,956	\$20.43
2018 Q2	1,950	85,059,653	3.9%	4.0%	(131,351)	(81,066)	108,722	874,662	\$20.58
2018 Q1	1,945	84,950,931	3.7%	3.7%	50,285	50,285	248,494	611,084	\$20.59
2017 Q4	1,940	84,730,687	3.5%	3.5%	167,758	1,204,398	159,360	445,909	\$19.54
2017 Q3	1,934	84,594,315	3.5%	3.5%	134,983	1,036,640	92,600	456,244	\$19.33
2017 Q2	1,931	84,746,382	3.8%	3.9%	166,218	901,657	68,080	492,540	\$20.48
2017 Q1	1,929	84,993,302	4.2%	4.3%	735,439	735,439	179,777	431,081	\$19.88
2016 Q4	1,925	84,812,725	4.9%	5.0%	252,911	1,098,126	83,763	538,858	\$20.25

SALES ACTIVITY

PROPERTY ADDRESS	PROPERTY TYPE	BUYER NAME	SIZE (SF)	SALES PRICE	SUBMARKET
Palm Square - 9801-9965 Pines Blvd	Storefront Retail	Galium Capital	77,621	\$20,500,000 (\$264)	Hollywood
The Stirling Town Center - 8637-8861 Stirling Road	Neighborhood Center	IMC Equity Group	53,389	\$16,400,000 (\$306)	Southwest Broward
Palm Johnson Plaza - 701 NW 99th Ave	Neighborhood Center	Milbrook Properties Ltd	90,226	\$13,500,000 (\$150)	Hollywood
University Palm Square (2 Property Sale)	Neighborhood Center	Ross Realty Investments Inc	40,746	\$13,100,000 (\$322)	NW Broward/Coral Springs
CVS Pharmacy - 10001 Sheridan St	Drug Store	Bronxville Properties LLC	14,593	\$12,300,000 (\$843)	Hollywood

LEASING ACTIVITY

PROPERTY ADDRESS	SPACE TYPE	TENANT NAME	SIZE (SF)	LEASE TYPE	SUBMARKET
2701 N Federal Hwy	Freestanding Retail	Bed Bath & Beyond	34,716	Renewal	Fort Lauderdale
Palm Aire Marketplace - 13-279 S Pompano Pky	Neighborhood Center	dd's Discounts	23,474	New	Pompano Beach
Inverrary Plaza West - 7301-7345 W Oakland Park Blvd	Neighborhood Center	Believers Faith Outreach Ministry	13,650	New	Plantation
202 S Federal Hwy	Freestanding Retail	Walgreens	13,355	Renewal	Hollywood
Pembroke Crossing - 11870 Pines Blvd	Freestanding Retail	David's Bridal	12,960	Renewal	Southwest Broward

SUBMARKET MAP



17,000 professionals in
68 countries

- US \$3.3 billion in annual revenue
- 2 billion* square feet under management
- 69,000 total sale/lease transactions
- \$127+ billion USD in total transaction value

*Square footage includes office, industrial and retail property under management. Residential property is excluded from this total. All statistics are for 2018.



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