

MARKET ANALYSIS

INTRODUCTION

The market analysis completed herein is intended to help guide the planning team with an understanding of market-driven development opportunities for the Hollywood/SR7 area (defined by an approximate one-half mile radius), including a mix of uses and primarily focusing on residential, retail, and office. It is also intended assist in identifying the opportunity for transit oriented development within (or near to) the Hollywood/SR7 intersection. Based upon the potential development opportunities and findings derived from this assessment, and provided as the final component of the market analysis section, the team will be prepared to move forward with conceptual planning stages and provide an understanding of any physical and/or regulatory challenges associated with the site planning process.

MARKET HIGHLIGHTS FROM PREVIOUS STUDY

The first step of the analysis herein considers a profile of information and analysis within previous studies associated with the Hollywood/SR7 corridor and, namely, identifying key observations within Hollywood/SR7 FDOT Report completed in 2016.

As it relates to the market analysis, the FDOT report provides a general overview of the economic and demographic conditions affecting the Hollywood/SR7 corridor. The analysis then narrows its focus on the residential, retail, and office markets sectors. The research and data highlights trends at the County and City level, and tapers into radii between 0.25 and 1.0 miles of the main intersection. In brief, the results of the report indicate 630,000 sf of development potential demanded annually through 2020 – presumably demand among all uses. This level of development is not supported by any of the trend analysis provided in the report itself. Nor, does the study provide a methodology for estimating this level of demand.

The study recommends market-driven goals and suggests increased density and broadened mix of uses around TOD. This is generally agreeable from a broader perspective, but is not reflective of what we have seen from recent or planned development activity in this market.

The study does make recommendation for a Park-and-Ride at the northwest corner of the Hollywood/SR7 intersection; however, a Park-and-Ride is not the type of TOD that is known to drive development. Furthermore, the illustrative concepts within the FDOT report are helpful, but not supported by any substantive market data.

Lastly, the report provides financial proformas that are helpful for testing development feasibility. The development costs (and specifically related to apartments) appear to be low; particularly if structured parking is required. These costs would need to be further vetted should they be advanced. Even at the lower levels of investment shown in the report, there are still significant “gaps” in funding.

SUMMARY OF GENERAL ECONOMIC & REAL ESTATE MARKET CONDITIONS

The following is a summary of general economic and real estate market conditions that support the planning effort associated with this study for the Hollywood/SR7 corridor.

TABLE M-1: DEMOGRAPHIC HIGHLIGHTS

Source: US Census; ACS 2011-2015 (Note: Census Tract Boundaries Different than 2015)

	HB/SR7 Trade Area (10-15m Drive)	City of Hollywood	Broward County
2011 – 2015 ACS Population Estimate	57,400	146,791	1,896,425
2000 Population	58,569	139,357	1,632,000
2010 Population	54,810	140,768	1,748,066
2011-2015 ACS Total Households	18,170	55,823	670,284
2011-2015 ACS Avg. HH Size	3.14	2.6	2.73
2011-2015 ACS Median HH Income	\$45,645	\$46,791	\$51,968
2011-2015 ACS Per Cap Income	\$20,326	\$26,357	\$28,381
2011-2015 ACS Owner Occupied Households %	65.2%	58.6%	63.5%
2011-2015 ACS Renter Occupied Households %	34.8%	41.4%	36.5%
2011-2015 ACS Median Age	38.9	41.9	40.0

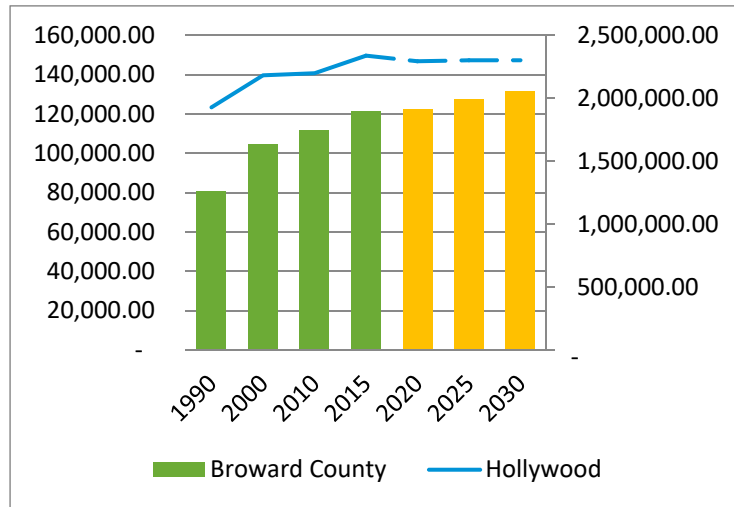
County and City Population Growth Trend/Projection

Between 2000 and 2010, Broward County’s population increased at an average annual rate of 0.69% and at rate of 0.10% for the City. Between 2010 and 2015 the County population sped up a bit and increased at an average annual rate of 0.82% and a 0.62% for the City.

The County’s population is projected to grow at an average annual rate of 0.49% until 2030, while the City is projected to have no growth at all

FIGURE M-1: DEMOGRAPHIC HIGHLIGHTS

Source: US Census; BEBR

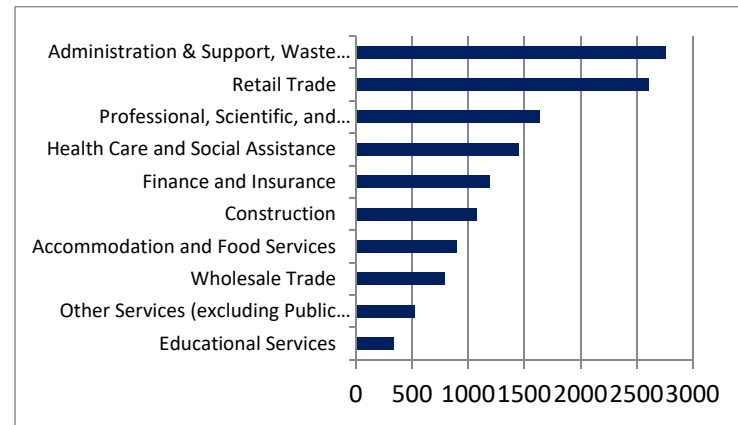


Trade Area Employment Profile

According to *Census On the Map*, the strongest industries in the Trade Area with more than 1,000 jobs present in the area include: Admin & Support, Waste Management & Remediation, as well as Retail Trade; Professional Services; Health Care & Social Institutions and Construction. The heaviest employment activity can be seen along South State Road 7 and to the west of 95 in the Park East area.

FIGURE M-2: EMPLOYMENT BY SECTOR AND DENSITY

Source: Census on the Map



Trade Area Employment Migration

The Trade area benefits from a strong inflow of workers that do not live inside the trade area. As most workers are residents from other areas most residents are employed outside of the trade area, only 5.3% of residents in the area actually work in the trade area.

FIGURE M-3: INFLOW / OUTFLOW OF EMPLOYMENT AT A 10 MIN DRIVING DISTANCE

Source: Census On The Map

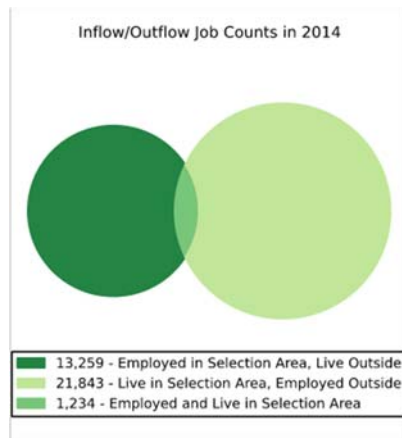
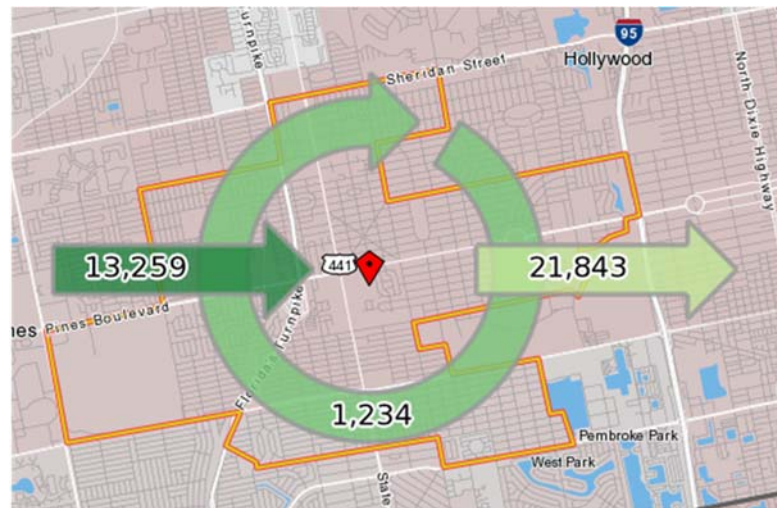


TABLE M-2: COUNT AND PERCENTAGE OF EMPLOYMENT AT A 10 MIN DRIVING DISTANCE

Source: Census On The Map

2014	Count	Share
Employed in the Selection Area	14,493	100%
Employed in the Selection Area but Living Outside	13,259	91.5%
Employed and Living in the Selection Area	1,234	8.5%
Living in the Selection Area	23,077	100%
Living in the Selection Area but Employed Outside	21,843	94.7%
Living and Employed in the Selection Area	1,234	5.3%

Based upon the analyses above, there are a few key economic trends affecting the study area:

- Local and regional population growth are anticipated to be modest;
- The Hollywood/SR7 trade area benefits from relatively strong influx of workers, which creates an opportunity to leverage retention for area worker housing; and,
- Foreseeable growth within Hollywood/SR7 study area will be not be largely driven by expanding population, but the opportunity to enhance and improving activity within the area.

RETAIL MARKET HIGHLIGHTS

The retail market profile highlights historic, current and foreseeable growth trends within Hollywood/SR7 study area. The two figures on the following page delineate the boundaries for two main sub-sectors: Broader Sub-Market Area which encompasses an area generally defined within a 10-15 minute drive time; and, SR7 Corridor Area which narrows the market focus to the more immediate area.

The following provides key market indicators within each sub-area:

HIGHLIGHTS – BROADER SUB-MARKET AREA

- There are 205 Buildings ranging from <1,000 sf to 325,000 sf
- There is a total 2.1 million square feet of space, with average building at 10,500± square feet;

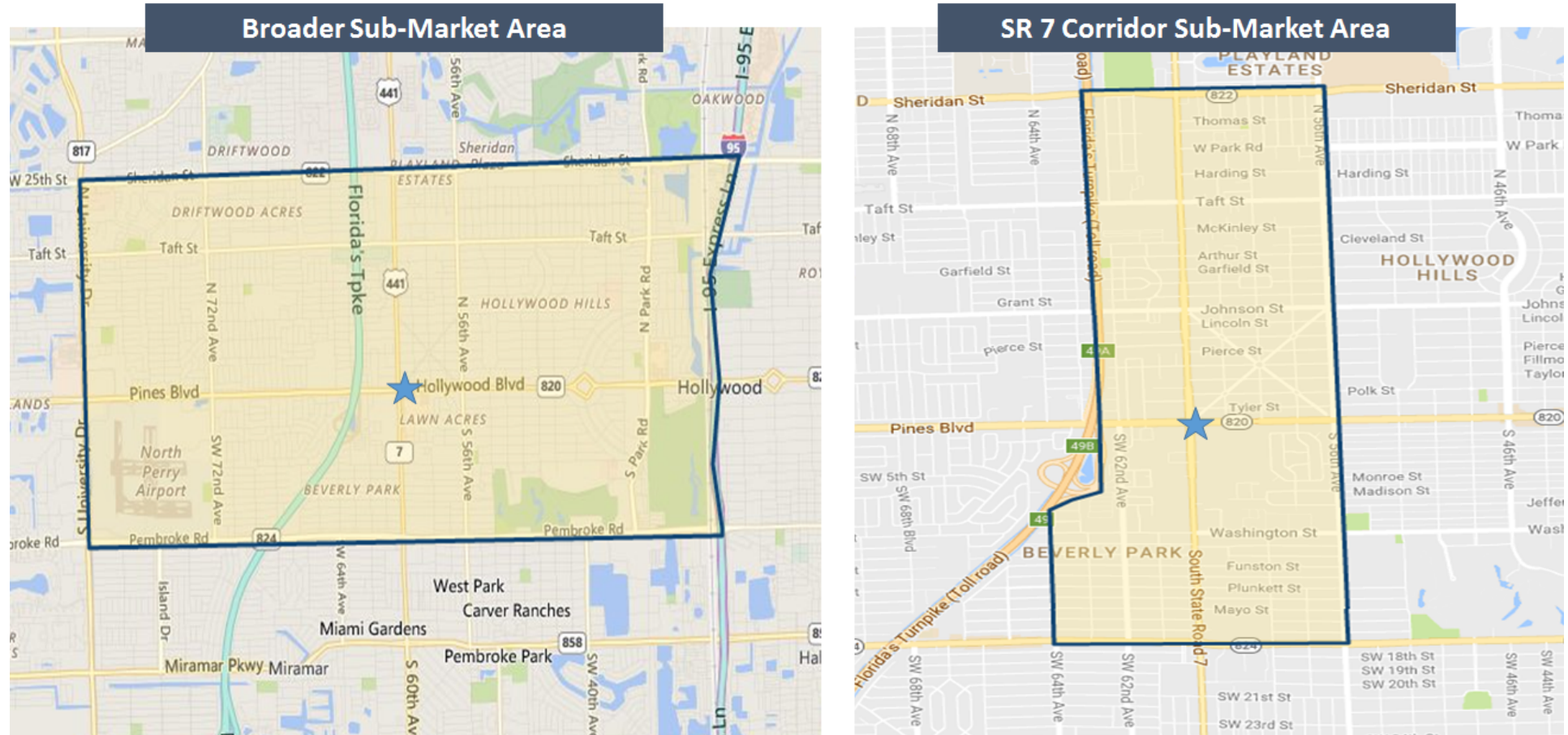
Economic / Demographic Headlines

- 363,000 square feet of retail has built in past 20 years, with Hollywood Place (Walmart) representing 250,000 square feet – the repositioning of Fashion Square.
- Retail occupancy is strong at 96+%
- The City overall has average Lease Rates of \$20.40/sf, the 3rd lowest among 12 submarkets in Broward County (County average of \$21.10/sf)
 - Premium locations upward \$40/sf net,
 - \$20-\$30/sf, net for inline space (buildings in fair to good condition)
 - \$15-\$20/sf, net for Class C properties (which represents a large portion of area's inventory)
- Net Absorption was 234,000 sf; Gross Absorption was 261,000 (in 2016)
 - Effectively Hollywood Place (Walmart)

HIGHLIGHTS – SR7 CORRIDOR AREA

- There are 114 Buildings ranging from <1,000 sf to 250,000 sf
- Total 920,000 sf, with average building at 8,000± sf
- 294,000 sf built in past 20 years
 - Hollywood Place (Walmart) represents 250,000 sf – repositioning of Fashion Square
- Occupancy is strong at 96+%
- Lease Rates for most strip centers \$15-\$20/sf net, \$20-\$30/sf net for inline space (buildings in fair to good condition), premium space with prime frontage potentially \$40/sf net

FIGURE M-4: SURROUNDING SUB-MARKET AREA BOUNDARIES

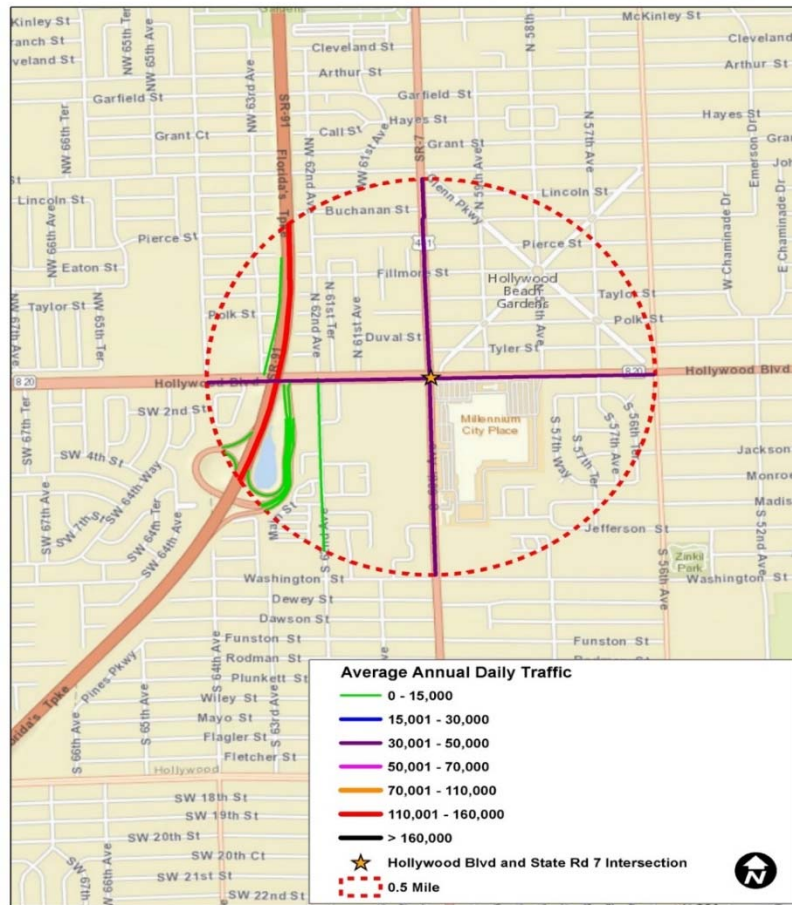


Hollywood/SR7 Mobility Hub Master Plan

As noted in the headline findings above, the Hollywood/SR7 corridor retail is performing well from an occupancy standpoint. The fact is, it is a well-established commercial corridor that has average daily traffic (ADT) counts in the 30,000 to 50,000 range, which is a relatively strong threshold for not only local businesses, but large national chains as well.

FIGURE M-5: TRAFFIC COUNT MAP WITHIN 0.5 MI OF HOLLYWOOD/SR7 INTERSECTION

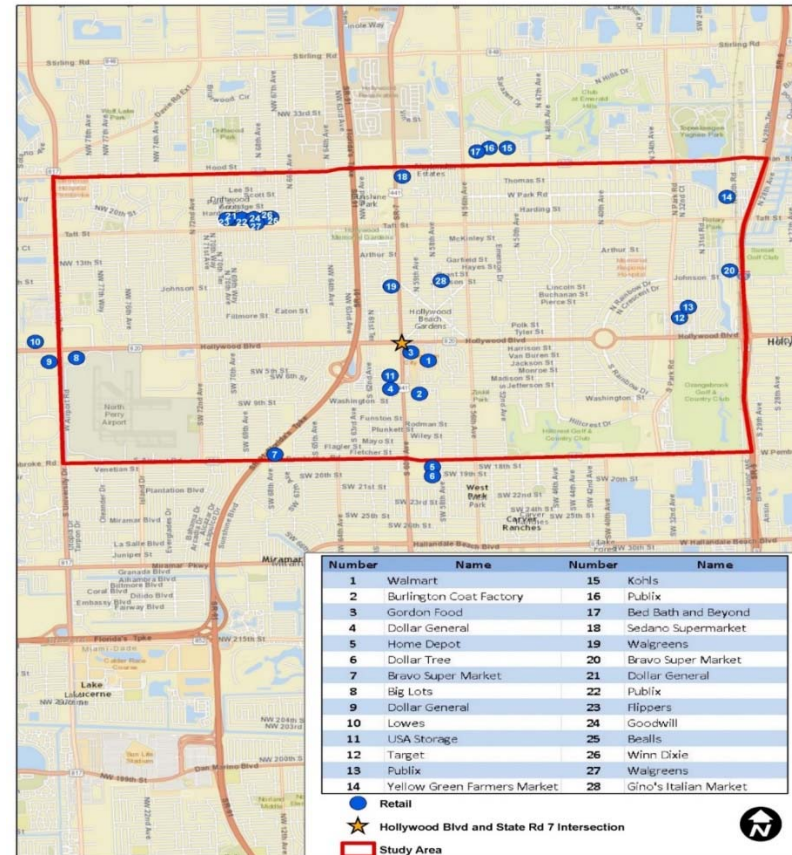
Source: FDOT



Lastly, the broader sub-market area is well served by big box retailers, national chains and grocers. Walmart's recent entry, and Aldi's planned entry, into the SR7 Corridor submarket provides a strong indication of retail demand in the area, which is benefited by its location and accessibility. Walmart should continue to help strengthen the area's retail overall, and represent a potential draw for other large national discount stores.

FIGURE M-6: MAP OF NATIONAL CHAINS & BIG BOX RETAIL IN/AROUND TRADE AREA

Source: FDOT



RETAIL DEMAND OVERVIEW

Based upon the economic, demographic and market conditions outlined above, the primary assessment of retail demand for the Hollywood/SR7 corridor is summarized as follows:

- Retail demand is driven from three primary sources within a trade area: residents, non-resident daytime workers, and visitors;
- In the absence of residential development of critical mass, net new retail demand from population growth will be modest.
- There is limited daytime worker growth projected for the area; particularly office workers that generate stronger expenditure potential.
- Primary driver of future retail demand will be from visitors (vehicular access) and pulling demand from surrounding areas that may be underserved by certain retail sectors.
- As Walmart, Aldi’s and other discount box stores help “pull” demand, additional retail may be supported, including:
 - Restaurant, convenience and services (generally considered inline space)
 - Big box potential; however, there are a limited number of existing sites that could accommodate

OFFICE MARKET HIGHLIGHTS

The office market profile highlights historic, current and foreseeable growth trends within Hollywood/SR7 study area and within the respective submarkets as noted in the section above.

HIGHLIGHTS – BROADER AREA

- 250 buildings ranging from <1,000 sf to 280,000 sf
- Total 2.4M sf, with average building at 9,600± sf
- 51,000 sf (4 properties) built in past 20 years
- Occupancy is strong at 93%
- Lease rates at \$28-\$30/sf full service for premium buildings (Presidential and Venture Corporate), and \$18 to \$22 full service for most buildings in “fair” condition
- Gross Absorption in 2016 was 105,000 sf; -23,000 of Net Absorption in 2016, which indicates a larger amount of office space was vacated as opposed to more tenants moving-in.

The average office tenant in Broward County is less than 3,500± square feet, which makes it a challenge to build large office buildings in most submarkets.

HIGHLIGHTS – SR7 CORRIDOR SUBMARKET

- 57 buildings ranging from <1,000 sf to 99,500 sf
- Total 408,000 sf, with average building at 7,100 sf
- One building (10,500 sf) built in past 30 years
- Occupancy estimated to be 91%
- Average lease rates at \$18-\$22/sf (full service)
- Duty Free is premier building, 19% vacancy, asking \$30/sf

OFFICE MARKET SUMMARY

- Limited demand for speculative office development during near to mid term
- New quality office space may serve as supporting use to longer term mixed use development
- Economics of supporting new office development is challenging
 - Particularly if structured parking is required

MARKET RATE RENTAL HOUSING MARKET HIGHLIGHTS

HIGHLIGHTS – BROADER AREA & SR7 SUBMARKET

- More than 5,500 units identified (225 buildings) ranging from duplex to 600 units per building
 - Average 24 units per building
 - 1,200 units (12 properties) built in past 20 years
 - 600 units in Upton Apartments
- Occupancy > 95%
- Rental Rates per month range from:
 - Average \$1,600± (1.65± per sf) for Class A/B+ properties
 - Average \$1,000+ (1.30+ per sf) for Class B-/C properties
- Market Study for rental housing on Park Road supports demand
- New housing development at Hillcrest Golf Course should have considerable impact on broader area

RESIDENTIAL MARKET HEADLINES

- Modest new multifamily residential built in trade area past 20+ years
 - Average 60+ units/year
- Based upon forecast population growth for City, housing demand from new resident growth will likely remain modest during foreseeable future
- The trade area’s rental housing market is tight (95+% occupancy), indicating some level of “pent-up” demand for new supply
- Based upon a housing demand model that considers estimated household growth, household income, and housing characteristics within the Trade Area, we believe there may be an opportunity for new market rate multifamily rental development in trade area in near term and in the range of 170 to 200 units.
 - There are other sites in the trade area that are better located for housing in the Hollywood/SR7 corridor (See Figure 9 which summarizes market rate rental housing demand within 10-15 minutes drive time from 2017 – 2022.)
 - Any need/requirement for structured parking to accommodate density within Hollywood/SR7 corridor marginalizes economic viability

STAKEHOLDER INTERVIEW INSIGHTS

Five stakeholders who are property owners, developers, and/or brokers were interviewed. Stakeholder interviews were conducted with the following:

- Victory Development, March 16 (Owner NEC/SEC Washington St. and SR7)
- Duval Landings, March 20 (Owner/Developer at 6032 Duval Street)
- KOA Property, March 21 (Owner KOA and NEC HB/SR7)
- Darca, March 21 (Owner Walmart property, Aldi's, Hollywood Plaza)
- CBRE, March 30 (Investment sales broker, representative)

General findings are highlighted below.

- There is consensus that the area is generally improving and this is supported by recent investment
 - Both public investment (i.e., Florida DOT linear park) and private (i.e., Walmart)
- SR7 Corridor is primarily a commercial thoroughfare
 - Focus on commercial development serving broader regional market
- Properties located at the primary intersection present strong long-term redevelopment opportunities
 - Near term the market does not support transit oriented uses (limited to gas, convenience, etc.)
- Few large parcels available to support new development of large scale
- Near term, market cannot support higher density development (single use or mixed use) requiring structured parking

PRELIMINARY FINDINGS & RECOMMENDATIONS

Based upon the analysis of economic, demographic and real estate market conditions above, the following provides insight into the key preliminary findings and recommendations for the Hollywood/SR7 planning efforts:

- Population and employment growth within the study's trade area will be modest for the foreseeable future. Nonetheless, there is an opportunity for market rate rental housing during the next 5± years, as well as the opportunity to reposition under-utilized retail properties.
- Hollywood/SR7 area benefits from position on a strong vehicular corridor; transit access is beneficial but secondary.
- Foreseeable growth will come from enhancing the concentration of activity in the core area, building on existing major attractors and continuing to improve the business environment.
- There are a few notable challenges to near term redevelopment in the Hollywood/SR7 corridor including:
 - To the north, there are few large parcels readily available for development as this part of the corridor comprises mostly smaller, individually owned properties
 - To the south, there are a few large parcels on both sides for SR7 that would be suitable for development of critical mass; however, recent investment on the largest parcel likely mitigates the near-term prospect for redevelopment.
- The City of Hollywood should establish clear core area development standards (access management, lot size minimums, shared parking) as part of the initial planning stages.