Industrial market conditions remains strong at the start of 2024

▲ 3.8% Direct Vacancy

▼ 281,903 SF Net Absorption

▼ 171,983 SF Construction

▲ 186,105 SF Delivered

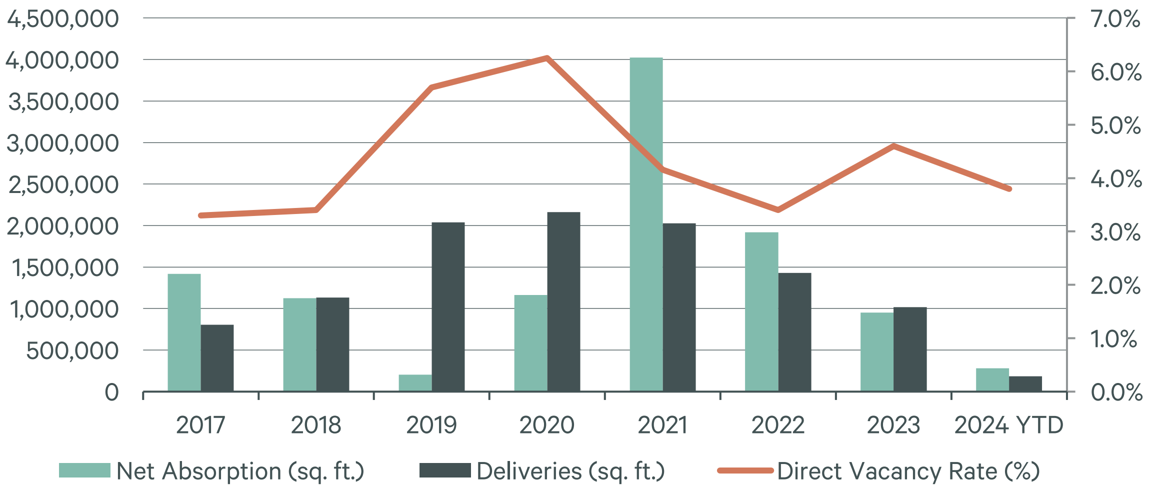
▲ $15.70 NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

Overview

- Broward begins the new year with positive absorption. However, the decrease in construction starts will leave the market with less competition in the long term.
- After record- high rent growth over the past two years, Broward's industrial rent increases have slowed but remain on par with the 10-year average of 8%.
- Vacancy presently stands at 3.8%, dropping 80 basis points quarter-over-quarter. A combination of only a few new deliveries and an onslaught of sizeable move-ins is driving the decrease.
- The industrial development pipeline in the Broward market has been delivering properties at a regular cadence over most of the past decade, but early in 2024, construction starts have declined over the past few quarters to the lowest level since early 2012.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

Like many other markets, demand for Broward's industrial space is cooling down from its white-hot performance achieved during 2021 and 2022. Over the past 12-months, leasing levels are down almost 30% from the average volume set from 2015 through 2019. Yet, tenant demand is resilient as Broward records fewer space givebacks than most U.S markets.

The market's absorption rate saw a notable increase of 280,000 square feet, driven by the occupancy of 216,000 square feet by CTS Engines and 135,900 square feet by USPS. Primarily, move-ins were from tenants occupying spaces below 50,000 square feet, accounting for 84% of Broward's absorbed square footage in Q1 2024. Some noteworthy transactions this quarter include Chick-fil-A (201,000 sq. ft.), Yachting Promotions (199,000 sq. ft.), and Propulsion Technologies (124,300 sq. ft.). Although Chick-fil-A's owner-user sale occurred this quarter, they are not expected to occupy their space until early 2025.

VACANCY & PRICING

Broward's vacancy rate is tighter than U.S average by at least 100 basis points, a position it will likely maintain throughout 2024 as the volume of speculative development completitions each quarter has already begun to decline significantly. Sunrise began the year with a vacancy rate of 1.4%, the healthiest of Broward's seven submarkets. Southwest Broward and Central Broward followed behind with 3.2% and 3.3%, respectively.

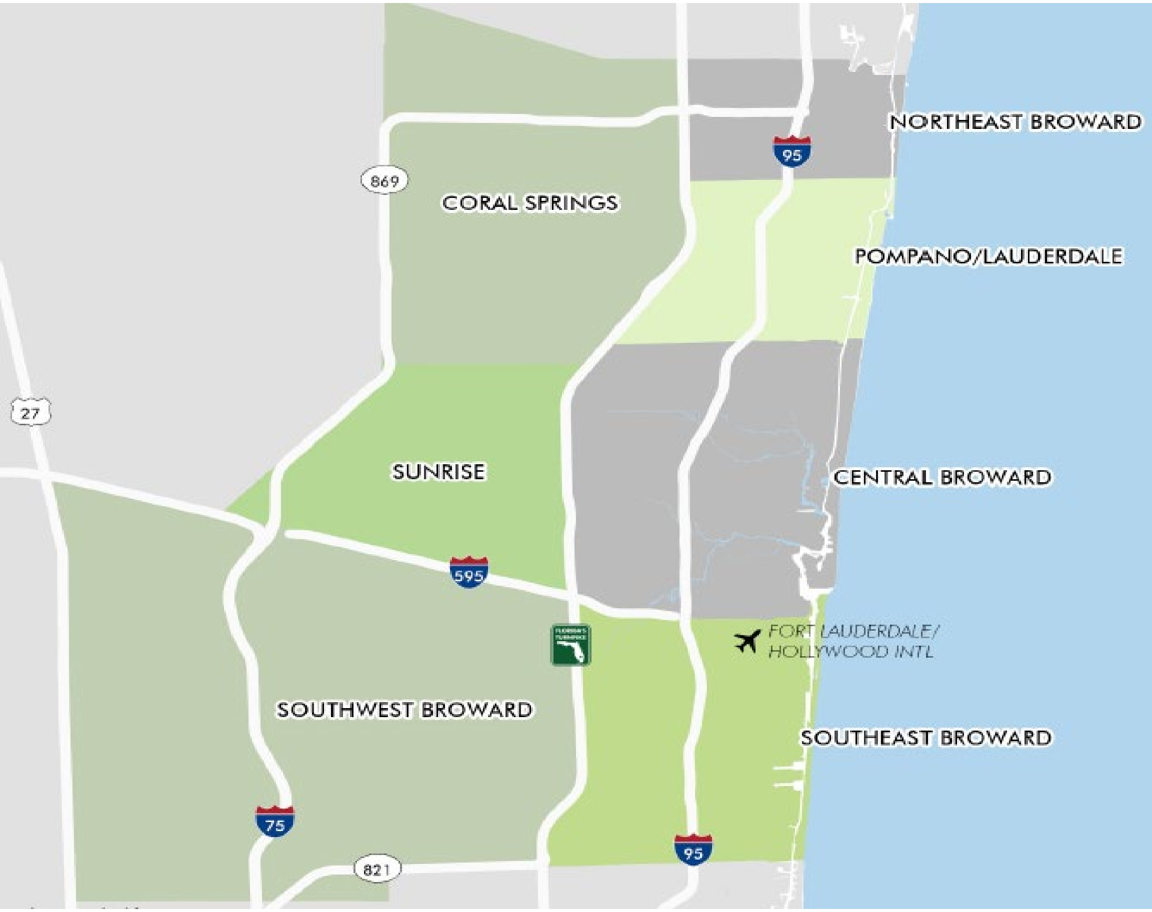
Landlords are adjusting to occupancy losses, lackluster leasing activity and rising availability and are no longer pushing rents higher. Market rents nearly flatlined at the beginning of 2024 and register a change of 0.3% in the trailing quarter.

FIGURE 2: Statistical Snapshot Q1 2024

Submarket	Total Inventory (SF)	Direct Vacancy Rate (%)	Direct Availability Rate (%)	Q1 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate ($/NNN)
Central Broward	18,576,151	3.30%	4.22%	-78,478	-78,478	0	$15.10
Coral Springs	9,318,900	3.81%	4.78%	255,552	255,552	0	$15.05
Northeast Broward	11,596,543	4.69%	5.87%	9,800	9,800	0	$16.54
Pompano/Lauderdale	25,313,654	3.53%	6.30%	-7,305	-7,305	0	$15.03
Southeast Broward	16,679,200	5.65%	7.41%	-32,503	-32,503	171,983	$17.10
Southwest Broward	17,766,515	3.23%	4.93%	141,871	141,871	0	$16.40
Sunrise	5,932,697	1.42%	4.46%	-7,034	-7,034	0	$14.03
Grand Total	105,183,660	3.81 %	5.59 %	281,903	281,903	171,983	$15.70

Source: CBRE.com

Market Area Overview



Economic Outlook

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a 'soft landing'. GDP growth should be less than half 2023's pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity. More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

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