

FIGURES | BROWARD OFFICE | Q3 2023

Flight to quality defies overall market trends

▼ 18.9%
Total Vacancy Rate

▼ 17,900
SF Quarterly Net Absorption

▼ 0
SF Construction

▲ \$25.42
NNN / Lease Rate

Note: Arrows indicate change from previous year.

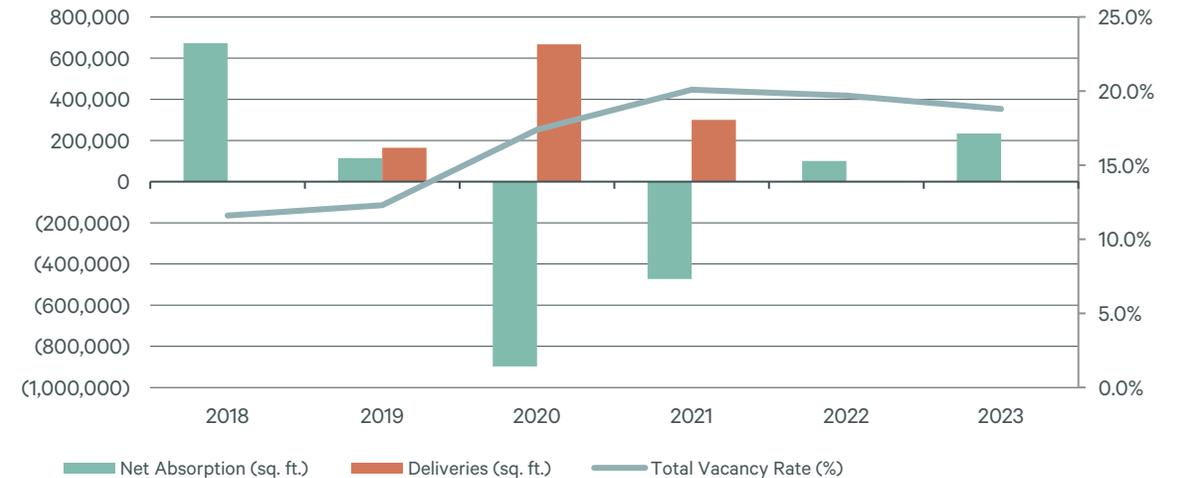
OVERVIEW

- The flight to quality continues. Among buildings built since 2000, direct vacancy is just 13.4%*. That is 340 basis points below the average in the market.
- Sublease availability increased of 20.4% compared with year-end 2022; however, it is still 22.4% lower than the peak levels seen in Q2 2021 at 3.3%.
- Tenant deal terms have remained relatively flat among Class A buildings in the market.

Following five consecutive quarters of positive absorption, Broward County closed the third quarter in the red with negative 17,900 square feet of absorption. There are three main themes that seem to be propelling this trend. First, is the continued flight to quality. Older buildings are experiencing negative absorption while buildings built since 2000 continue to outperform the market. When we look at buildings built since 2000, there has only been one quarter in the last ten with negative direct absorption. Second, is an increase in sublease space. This is a result of numerous large block and back-office users evolving real estate needs. Sublease vacancy currently sits at 2.1% and sublease availability sits at 3.3%. And, third is suburban large blocks. This quarter all the negative absorption occurred in the suburbs as four tenants over 20,000 square feet moved out of their space bringing the total negative absorption in the suburbs to 64,700 for the third quarter.

Note: Optima Onyx and 1895 Tyler, two newer buildings, still going through their initial lease up are not included.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

Leasing activity, both from the number of deals and total square footage, has slowed in 2023. So far in 2023 there has been 787 deals totaling 6.5 million square feet inked in Broward County. Comparatively, this time last year there had been 968 deals signed totaling 10.1 million square feet signed. While there is always some backdating of leases which are signed but not disclosed until a later date there will still be a delta and the trend is unlikely to change in a meaningful way when we look back on this one year from now.

PRICING and CONCESSIONS

While leasing has slowed, countywide rents and TI allowances have been relatively stable in 2023. The average asking rent among Class A buildings sits at \$28.16 per square foot (an increase of 2.7% compared with YE 2022). Additionally, the average TI for 2023 is \$56.94 per square foot compared with \$55.19 in 2022 (an increase of 3.2%). On the other hand, free rent among this same set of Class A deals has fallen 7.9% from 6.3 months in 2022 to 5.8 months in 2023. While the market remains stable, there are opportunities for tenants. Anecdotally, we are hearing of a growing number of early renewals by tenants who have cemented their long terms real estate plans and are taking advantage of this time to land better deals than they could have just 1-year ago.

INVESTMENT

There has been limited capital market activity in 2023. This has been primarily driven by rising interest rates and limited debt available. While several buildings continue to be marketed for sale, trade volume is likely to remain compressed until the financial markets stabilize. On the development side, 1895 Tyler Street was delivered this quarter. The building is approximately 50,000 square feet and doesn't seem to have any meaningful pre-leasing done.

FIGURE 2: Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	5,367,000	13.3%	15.1%	(26,500)	(26,500)	-	\$20.14
Fort Lauderdale CBD	4,927,800	17.2%	18.6%	36,600	153,000	-	\$35.81
NE Broward	1,422,600	14.1%	17.6%	22,600	28,300	-	\$23.94
NW Broward	956,100	22.2%	27.9%	(26,300)	(23,500)	-	\$22.70
Plantation	4,146,800	15.4%	16.3%	2,400	156,700	-	\$23.34
Sawgrass Park	3,032,900	20.5%	21.9%	8,200	7,200	-	\$23.26
SE Broward	2,541,500	24.0%	25.6%	(2,700)	34,200	-	\$24.11
SW Broward	2,882,700	14.1%	18.6%	(37,600)	(94,900)	-	\$24.00
Suburban Total	20,350,000	16.7%	19.0%	-64,700	81,400	-	\$22.62
Total	25,277,400	16.8%	18.9%	(28,100)	234,400	-	\$25.42

FIGURE 3: Class A Fort Lauderdale CBD Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Trophy*	1,751,500	14.0%	15.4%	9,000	10,000	-	\$48.98
Class A	2,709,600	20.2%	21.0%	18,800	153,600	-	\$31.45
Total	4,461,100	17.8%	18.8%	27,700	163,600	-	\$36.24

Note: All spaces at The Main have been marked as fully occupied as of Q4 2022.

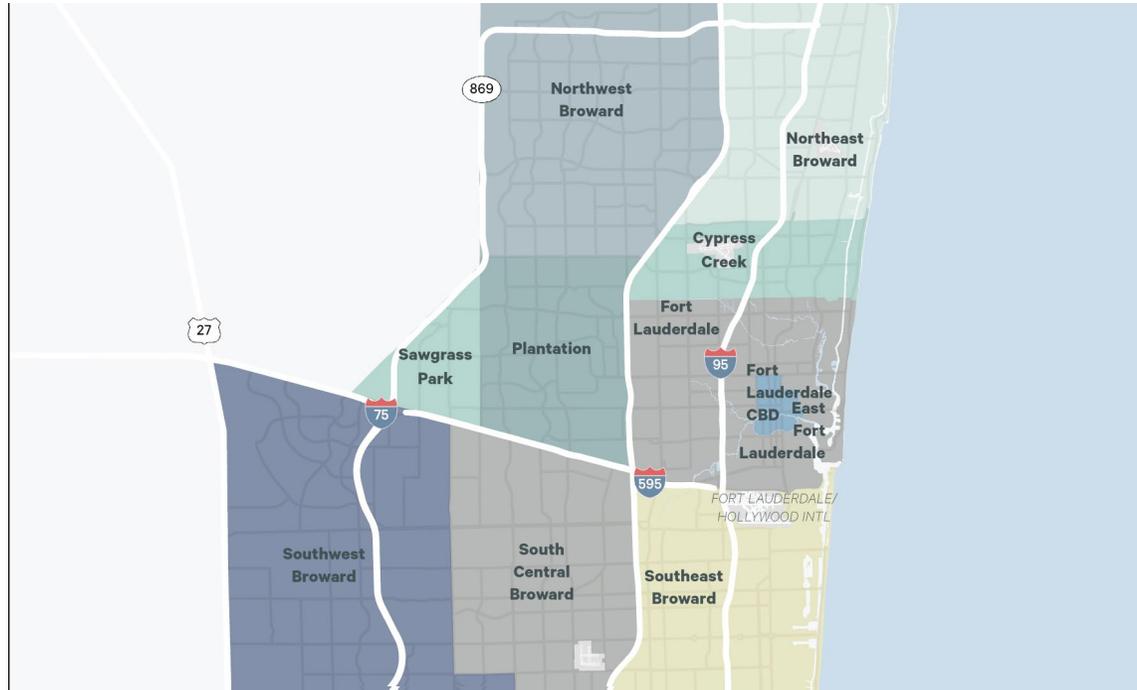
FIGURE 4: Class A Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	2,247,700	14.1%	15.5%	13,800	(8,700)	-	\$22.91
FTL CBD	4,461,100	17.8%	18.8%	27,700	163,600	-	\$36.24
NE Broward	229,000	16.9%	34.3%	7,300	(2,200)	-	\$24.00
NW Broward	511,600	10.3%	19.8%	(26,800)	(22,700)	-	\$25.60
Plantation	2,262,500	15.9%	17.3%	(900)	203,000	-	\$27.01
Sawgrass Park	1,791,000	16.7%	18.5%	1,200	(26,100)	-	\$23.74
SE Broward	1,025,700	32.7%	35.4%	1,500	19,900	-	\$25.62
SW Broward	2,437,800	15.8%	21.1%	(40,000)	(100,600)	-	\$24.81
Suburban Total	10,500,300	17.0%	20.3%	(44,000)	62,700	-	\$24.39
Total	14,966,400	17.2%	19.8%	(16,300)	226,300	-	\$28.16

FIGURE 5: Class B Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	3,119,300	12.7%	14.8%	(45,100)	(17,800)	-	\$17.41
FTLCBD	466,700	12.0%	16.6%	8,800	(10,600)	-	\$27.09
NE Broward	1,193,600	13.5%	14.4%	15,300	30,500	-	\$23.92
NW Broward	444,500	36.0%	37.1%	400	(900)	-	\$18.45
Plantation	1,884,200	14.9%	15.1%	3,400	(46,300)	-	\$20.17
Sawgrass Park	1,241,800	26.0%	26.8%	7,100	33,300	-	\$22.49
SE Broward	1,515,800	18.2%	19.1%	(4,100)	14,300	-	\$23.41
SW Broward	445,000	5.1%	5.1%	2,400	5,700	-	\$18.17
Suburban Total	9,844,300	16.4%	17.6%	(20,600)	18,700	-	\$20.42
Total	10,311,000	16.2%	17.5%	(11,800)	8,100	-	\$20.61

Market Area Overview



ECONOMIC OUTLOOK

The U.S. economy has defied expectations for a slowdown and has even exhibited some signs of acceleration despite sharp tightening of credit conditions and ongoing write-downs in the banking sector. This resilience due to a number of factors: 1) the Chips and IRA Acts have stimulated the construction sector; 2) the Fed. and the FDIC have provided prompt and effective support for the banks, and: 3) consumers are in good shape from a balance sheet and income perspective. Nevertheless, headwinds are intensifying: such as higher oil prices, resumption of student loan payments, and a weakening global economy. These headwinds, not serious in themselves, will hit home at a time when the squeeze from elevated interest rates is at its maximum. The upshot for real estate is that the Fed is likely finished with its tightening cycle, allowing a clearer path for real estate capital markets to unfold. Although we expect economic growth to deteriorate it is likely that valuations will stabilize during 1H 2024.

Contact

David J. Bateman

Managing Director
+1 954 331 1722
david.bateman@cbre.com

Marc L. Miller

Associate Field Research Director
+1 305 381 6428
marc.miller1@cbre.com

Ilyssa Ettelman

Research Manager
+1 954 331 1797
Ilyssa.ettelman@cbre.com

Survey Criteria: Includes all competitive Class A and Class B office buildings 30,000 sq. ft. and greater in size in Broward County. Beginning Q1 2022, single tenant non-owner-occupied buildings have been added to the set and their inclusion is reflected historically in the data. Excludes: government and medical buildings.

© 2023 CBRE, Inc. All rights reserved. This information has been obtained from sources believed reliable but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy, completeness, or reliability of the information contained herein. You should conduct a careful, independent investigation of the property and verify all information. Any reliance on this information is solely at your own risk. CBRE and the CBRE logo are service marks of CBRE, Inc. All other marks displayed on this document are the property of their respective owners, and the use of such marks does not imply any affiliation with or endorsement of CBRE. Photos herein are the property of their respective owners. Use of these images without the express written consent of the owner is prohibited.

