

FIGURES | BROWARD OFFICE | Q4 2023

Stable market growth offers ongoing opportunities for larger occupiers

▼ 18.4%

Total Vacancy Rate

▼ 65,000

SF Quarterly Net Absorption

▼ 0

SF Construction

▲ \$25.42

NNN / Lease Rate

Note: Arrows indicate change from previous year.

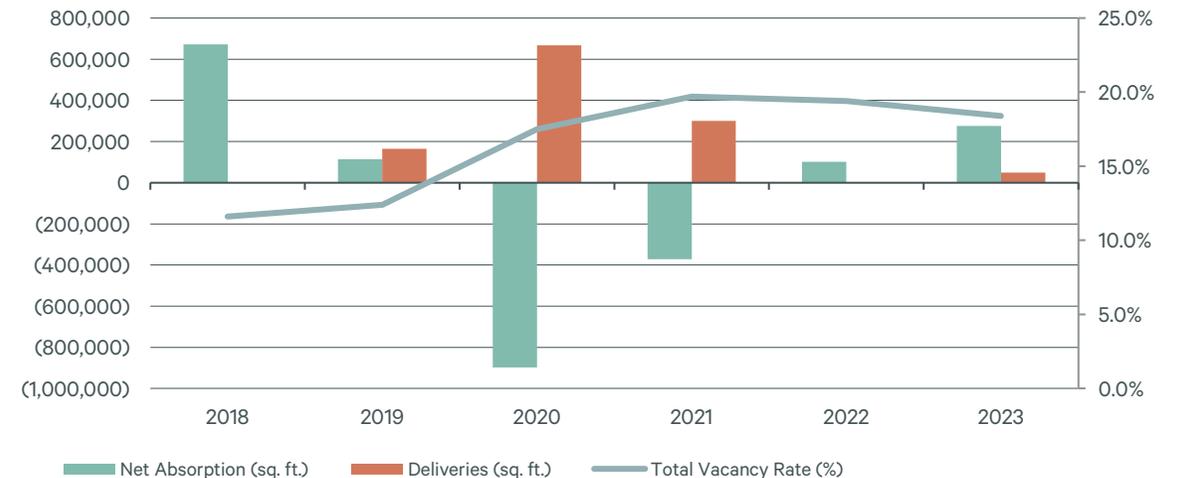
OVERVIEW

- Annual absorption hit the highest levels since 2018 propelled largely by expansions of existing tenants. Most of the growth came from Plantation and Downtown Fort Lauderdale.
- Modest rent growth coupled with numerous large blocks on the market could pose an opportunity for users in Miami-Dade and Palm Beach who may be looking for a value proposition.

Broward County continued slow but steady growth in 2023. While rents remain relatively flat, vacancy declined 100 bps in 2023 to 18.4%; now 220 bps below the peak levels seen in Q1 2022. Most of that growth came from Plantation and Downtown Fort Lauderdale. In Plantation vacancy declined 410 bps to 16.0%, and in Downtown Fort Lauderdale vacancy declined 350 bps to 18.1%. Growth in Plantation was spurred by existing tenants expanding or relocating to the submarket. Comparably, the two largest move-ins in downtown Fort Lauderdale were both new tenant locations, specifically two new executive suite operators.

While expansions in the market have spurred growth in 2023 there is still some long-term uncertainty with a considerable sum of large blocks and sublease space sitting on the market. Today there is 1.4 million square feet (5.7% of inventory) of direct large block space on the market (20,000 square feet or greater) and approximately 900K SF in Broward County (3.6% of inventory). Of the sublease space, at least 40% of the prime leases expire before year-end 2027.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

Leasing in Broward County remains muted as the market saw an average of 575K SF of leasing activity per quarter in 2023; this compares to 806K SF per quarter in 2022 and 780K per quarter in 2021. However, it is only slightly below the five-year pre-2020 average of 604K SF per quarter.

Contrary to this trend, there were several tenant expansions in the market which helped to propel the county to the strongest year of absorption since 2018 as YTD absorption eclipsed 275K SF. Direct absorption was +358K SF while sublease absorption for 2023 was -82K SF.

PRICING

Annual rent growth in Broward County fell just below the average market increases in leases of 3.0% with 2.4% rent growth this year. Broward County provides a good value proposition for tenants getting priced out of other parts of South Florida. Rents in Broward have increased 9.0% compared with Q1 2020. Comparably, average rents in Miami Dade County* are up 27.4% and average rents in Palm Beach County are up 31.0%.

INVESTMENT

Following national trends, investment in the office market has been limited in 2023. There were just a handful of office transactions and no new office projects under-construction. Retail development was also limited this year.

However, development of other major property types remains robust which is a positive indicator for future market growth. There are currently 12K multifamily units under-construction (0.9% of existing inventory), 1,200 hotel rooms (3.3% of existing inventory) and 358K square feet of industrial (0.3% of inventory); there was an additional 1.1 million square feet of industrial delivered this year.

Note: Miami-Dade rent growth is based of FSG rents while Broward and Palm Beach are NNN rents.

FIGURE 2: Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	5,367,000	13.4%	15.4%	(11,700)	(40,100)	-	\$ 20.27
Fort Lauderdale CBD	4,927,800	17.2%	18.1%	56,800	176,700	-	\$ 35.76
NE Broward	1,422,600	13.8%	17.7%	(1,600)	26,600	-	\$ 22.54
NW Broward	854,700	12.1%	19.7%	(2,600)	(27,100)	-	\$ 22.74
Plantation	4,146,800	15.2%	16.0%	14,000	172,000	-	\$ 23.46
Sawgrass Park	3,032,900	20.0%	21.4%	15,400	23,300	-	\$ 23.06
SE Broward	2,531,400	23.6%	25.9%	(4,500)	39,900	-	\$ 24.01
SW Broward	2,882,700	14.1%	18.6%	-700	(95,600)	-	\$ 23.61
Suburban Total	20,238,100	16.1%	18.5%	8,200	99,100	-	\$ 22.46
Total	25,165,900	16.3%	18.4%	65,000	275,700	-	\$ 25.42

FIGURE 3: Class A Fort Lauderdale CBD Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Trophy*	1,751,500	12.6%	14.0%	41,300	35,000	-	\$ 49.30
Class A	2,709,600	20.9%	21.2%	7,200	149,000	-	\$ 31.64
Total	4,461,100	17.7%	18.4%	48,600	184,000	-	\$ 36.19

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

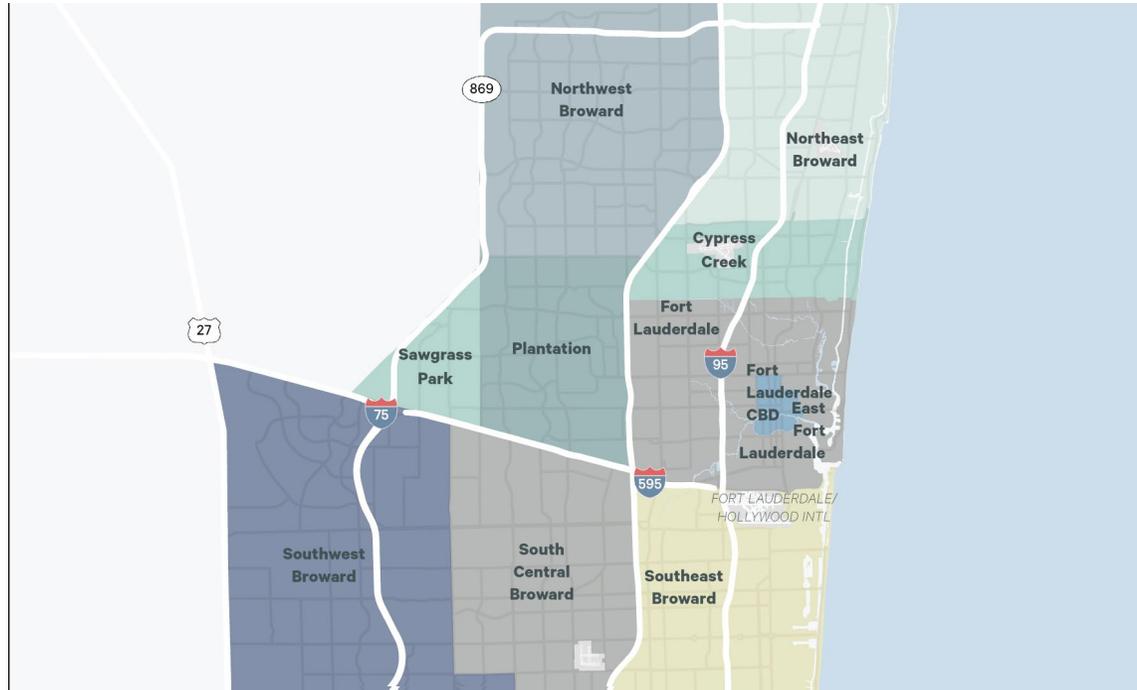
FIGURE 4: Class A Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	2,247,700	14.2%	15.8%	-6,900	(15,600)	-	\$ 23.03
FTL CBD	4,461,100	17.7%	18.4%	48,600	184,000	-	\$ 36.19
NE Broward	229,000	14.2%	31.7%	6,000	3,800	-	\$ 24.00
NW Broward	511,600	10.3%	22.1%	-10,700	(34,400)	-	\$ 25.65
Plantation	2,262,500	15.8%	17.1%	4,800	207,800	-	\$ 27.30
Sawgrass Park	1,791,000	16.3%	18.2%	5,200	(20,100)	-	\$ 23.55
SE Broward	1,015,600	32.9%	35.7%	600	30,800	-	\$ 25.61
SW Broward	2,437,800	15.7%	21.0%	900	(99,600)	-	\$ 24.45
Suburban Total	10,495,200	16.9%	20.3%	-	72,700	-	\$ 24.27
Total	14,956,300	17.1%	19.7%	48,600	256,600	-	\$ 28.34

FIGURE 5: Class B Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	3,119,300	12.8%	15.1%	-4,700	(24,500)	-	\$ 17.59
FTLCBD	466,700	13.1%	15.9%	8,200	(7,300)	-	\$ 26.97
NE Broward	1,193,600	13.7%	15.1%	-7,600	22,900	-	\$ 22.13
NW Broward	343,100	14.7%	16.2%	8,100	7,300	-	\$ 18.45
Plantation	1,884,200	14.5%	14.6%	9,100	(35,800)	-	\$ 20.58
Sawgrass Park	1,241,800	25.2%	26.0%	10,100	43,400	-	\$ 22.37
SE Broward	1,515,800	17.4%	19.4%	-5,200	9,100	-	\$ 23.30
SW Broward	445,000	5.4%	5.4%	-1,600	4,100	-	\$ 18.06
Suburban Total	9,742,900	15.3%	16.6%	8,200	26,400	-	\$ 20.43
Total	10,209,600	15.2%	16.6%	16,400	19,000	-	\$ 20.61

Market Area Overview



ECONOMIC OUTLOOK

The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages are helping to maintain higher, albeit decelerating, core inflation. This backdrop will likely translate into the Fed only slowly lower its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

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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.

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