

Stable growth as direct and sublease availability continue to decline

▼ 17.6%

Total Vacancy Rate

▼ 51,400

SF Quarterly Net Absorption

► 179,900

SF Construction

▲ \$25.69

NNN / Lease Rate

Note: Arrows indicate change from previous year.

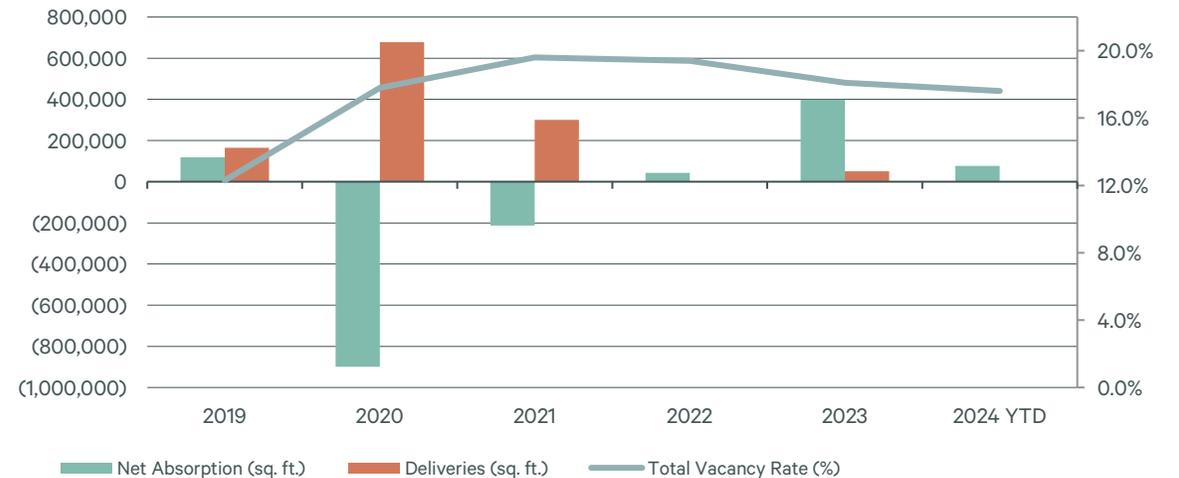
OVERVIEW

- Sublease availability is at its lowest levels since 2020 currently sitting at 2.8%.
- Downtown Fort Lauderdale is the only submarket to experience vacancy decline compared with 2020 levels.
- Rent growth remains relatively flat as we seem to enter a period where most buildings keeping rents the same, rather than pushing rents as they did in previous years.

The Broward County office market remains stable with a second straight quarter of positive absorption. And, while availability remains 240 basis points above pre-covid levels at 22.6%, it continues to decline.

When total availability peaked (Q3 2021) 27.6% inventory was marketed for lease. However, this doesn't mean that all that space was vacant. Landlords and sublessors had been, amidst much uncertainty of renewals and future space needs, publishing a lot of future potential vacancy as available for lease. Sublease availability in the market has been a large part of this meaningful shift back downward. Today there is 675K square feet listed available for sublease; comparably it peaked at more than one million square feet in 2021 and was 450K square feet in Q1 2020. Current, sublease availability is at its lowest levels since 2020.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

DEMAND

Absorption remained positive, to close the third quarter. However, it could have been a very different story given the sale and vacancy of most of the Citrix Building (899 W Cypress Creek Road) which brought more than 90K SF of negative absorption to the market. Citrix did a sale lease back and is occupying three floors of the 140,400 square foot building. Fortunately, this was the only true large block negative absorption which occurred this quarter. The positive absorption that we ended with was a result of several smaller move-ins; all under 20K square feet. This shows the true health of the market which remains stable despite some shift from large block tenants in recent quarters.

VACANCY

While vacancy declined slightly quarter-over-quarter overall market vacancy remains elevated compared to Q1 2020. Current direct vacancy sits at 16.4%, that is 380 basis points higher than pre-covid levels. This story of elevated direct vacancy is true across submarkets with one exception. Downtown Fort Lauderdale has experienced vacancy decline over this period as it has fallen 120 basis points from 17.8% in Q1 2020 to 16.6% today. Class B properties have seen clear growth with a direct vacancy today of 5.8% compared with 13.3% in Q1 2020. However, Class A assets also hold a lower vacancy over the same period even with the delivery of two office buildings. Class A vacancy has declined just 70 basis points to 17.6%. However, the market has absorbed more than 270K square feet of Class A office space, which is equivalent to 6.1% of current inventory.

RENT GROWTH

Rent growth remains quite limited with asking rents nearly the same as this time last year at \$25.69 per square feet. The strong rent growth we saw earlier in the cycle seems to have slowed with limited buildings changing their stated rates.

FIGURE 2: Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	5,509,600	14.0%	15.0%	(23,300)	(83,700)	-	\$21.30
Fort Lauderdale CBD	4,851,100	16.6%	18.1%	42,500	5,200	179,900	\$36.81
NE Broward	1,452,100	15.6%	15.6%	(14,700)	14,200	-	\$22.10
NW Broward	874,500	12.7%	15.3%	24,100	62,000	-	\$21.96
Plantation	3,474,600	11.9%	12.1%	33,000	181,100	-	\$25.32
Sawgrass Park	2,843,400	22.6%	23.9%	(35,600)	(137,500)	-	\$23.07
SE Broward	2,531,400	23.8%	25.0%	27,600	33,800	-	\$22.95
SW Broward	2,882,700	15.1%	17.7%	2,900	900	-	\$23.42
Suburban Total	19,568,200	16.4%	17.5%	8,900	70,900	-	\$22.78
Total	24,419,200	16.4%	17.6%	51,400	76,100	179,900	\$25.69

FIGURE 3: Class A Fort Lauderdale CBD Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Trophy*	1,783,500	12.1%	15.5%	-	(32,600)	-	\$48.80
Class A	2,665,800	21.3%	21.3%	-	5,800	179,900	\$32.66
Total	4,449,300	17.6%	19.0%	-	(26,800)	179,900	\$37.42

Note: All spaces at The Main have been marked as fully occupied as of Q1 2024.

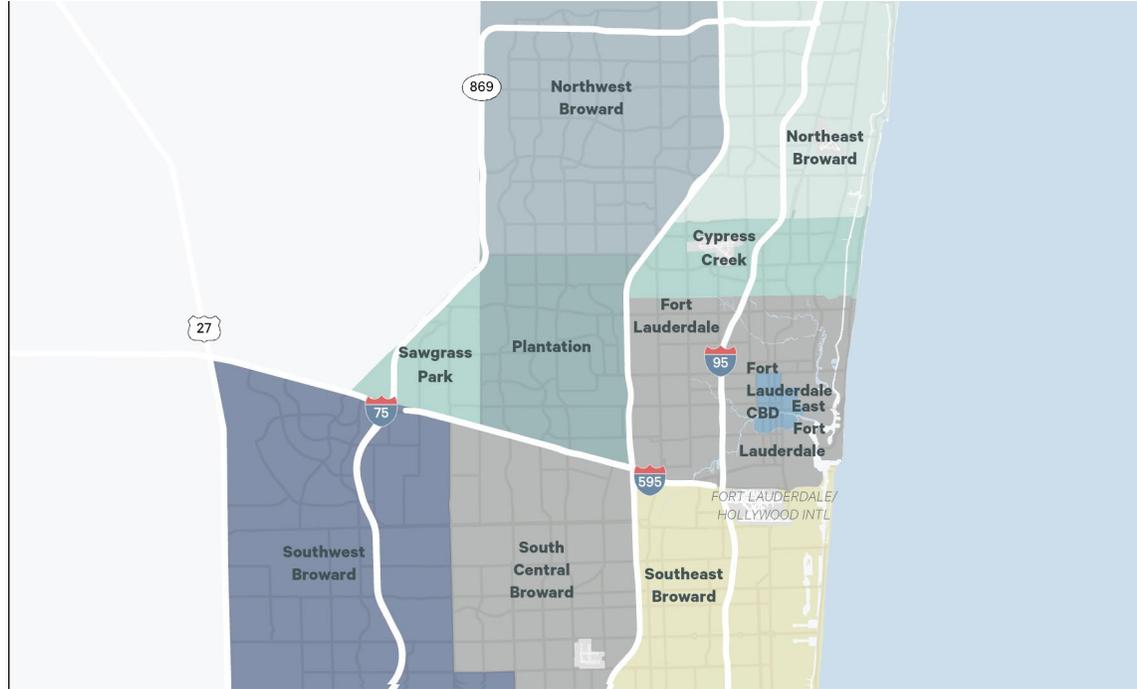
FIGURE 4: Class A Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	2,390,300	16.5%	17.4%	(41,600)	(86,100)	-	\$24.00
FTL CBD	4,449,300	17.6%	19.0%	29,200	(26,800)	179,900	\$37.42
NE Broward	229,000	22.1%	22.1%	(7,000)	(17,900)	-	\$24.00
NW Broward	461,600	12.0%	13.5%	23,200	53,800	-	\$25.19
Plantation	2,262,500	9.2%	9.3%	14,100	161,800	-	\$27.81
Sawgrass Park	1,791,000	21.8%	23.2%	(38,400)	(109,500)	-	\$24.07
SE Broward	1,015,600	31.6%	34.4%	(300)	8,500	-	\$25.35
SW Broward	2,437,800	17.0%	19.5%	10,000	2,500	-	\$24.18
Suburban Total	10,587,800	17.3%	18.7%	(40,000)	13,100	-	\$24.59
Total	15,037,100	17.4%	18.8%	(10,800)	(13,700)	179,900	\$28.37

FIGURE 5: Class B Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	3,119,300	12.0%	13.3%	13,300	2,400	-	\$17.68
FTL CBD	401,700	5.8%	8.4%	13,300	32,000	-	\$26.51
NE Broward	1,223,100	14.4%	14.4%	(7,800)	32,100	-	\$21.34
NW Broward	412,900	13.5%	17.4%	1,000	8,300	-	\$17.76
Plantation	1,052,400	17.0%	17.2%	18,900	19,300	-	\$22.67
Sawgrass Park	1,052,400	23.8%	25.0%	2,700	(28,100)	-	\$21.02
SE Broward	1,515,800	18.6%	18.7%	27,900	25,300	-	\$21.97
SW Broward	445,000	4.7%	7.9%	(7,100)	(1,600)	-	\$17.09
Suburban Total	8,980,400	15.2%	16.2%	48,900	57,800	-	\$20.13
Total	9,382,100	14.8%	15.8%	62,200	89,800	-	\$20.35

Market Area Overview



ECONOMIC OUTLOOK

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand, companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

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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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