

FIGURES | BROWARD OFFICE | Q1 2024

# Downtown trends defy overall market trends.

▼ 18.6%	▼ (46,100)	▲ 180,000	▲ \$25.44
Total Vacancy Rate	SF Quarterly Net Absorption	SF Construction	NNN / Lease Rate

Note: Arrows indicate change from previous year.

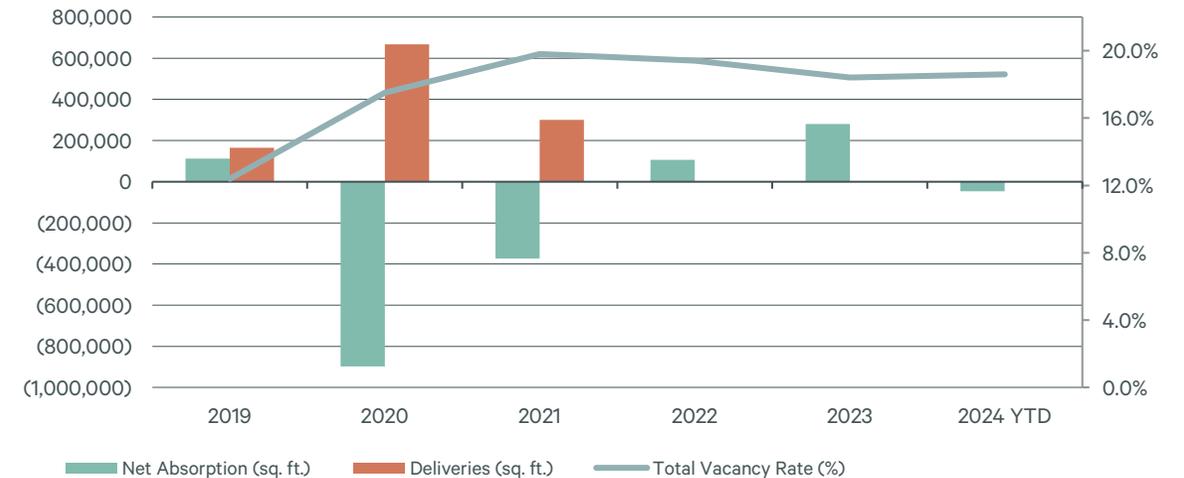
## OVERVIEW

- Rent growth was slightly positive this quarter. This was a result of more expensive space coming back online and a handful of buildings which raised their rents.
- Large block availability remains elevated particularly in the suburban submarkets as tenants give back space.
- The groundbreaking of Fat Village in Q1 marks the first new office building in the CBD since The Main.

Broward County saw its first downtown office development break ground since 2018; Fat Village is a 180,000 square foot office building located in the Flagler Village district of Downtown Fort Lauderdale just north of the Core CBD and Broward Blvd. The Flagler Village district has seen significant multifamily development over the past decade, but this office development marks a major milestone for the area as the first meaningful office project. This development comes as direct vacancy within the Trophy set in the Downtown sits at its lowest levels since the delivery of The Main at 12.8%. In comparison the suburban office market saw direct vacancy increase to 16.7% this 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

The ongoing downsizing trend among businesses has continued, with several large block move-outs concentrated in Broward’s suburban markets. This quarter the market had four occupiers over 20,000 square feet give back space; MacNeil, the largest, gave back 38,000 square feet at 1300 Sawgrass Corporate Parkway.

## Sublease

Sublease availability in Broward county remains inflated compared with pre-pandemic levels; sublease availability sits at 3.4% compared with 2.3% in Q1 2020. Large spaces remain the biggest driver of sublease space in Broward; the 10 largest spaces account more than 40% of total sublease availability.

## Rent Growth

Rent growth was positive this quarter, albeit slower than in the past. The average asking rent have increased 2.1% (\$0.53 per square foot) year-over-year to \$25.44 per square foot. This is more a result of more expensive spaces coming online rather than landlords actively raising their rents.

## Investment

While investment in development was a major story this quarter as the new Fat Village development by Hines broke ground, capital market activity remains muted. There were no major office transactions in the first quarter. Market expectation is for this to slowly improve as a handful of major buildings are on the market for sale.

FIGURE 2: Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	5,367,000	13.6%	15.5%	(21,300)	(21,300)	-	\$20.79
Fort Lauderdale CBD	4,862,800	16.7%	17.6%	31,300	31,300	180,000	\$36.68
NE Broward	1,422,600	15.6%	16.0%	(5,100)	(5,100)	-	\$22.21
NW Broward	874,500	14.5%	20.7%	15,100	15,100	-	\$22.44
Plantation	4,146,800	15.0%	15.8%	7,400	7,400	-	\$23.62
Sawgrass Park	3,032,900	22.7%	24.2%	(85,900)	(85,900)	-	\$22.95
SE Broward	2,531,400	23.2%	25.6%	20,500	20,500	-	\$23.92
SW Broward	2,882,700	14.0%	18.9%	(8,300)	(8,300)	-	\$23.20
Suburban Total	20,258,800	16.7%	18.8%	(77,500)	(77,500)	-	\$22.43
Total	25,120,600	16.7%	18.6%	(46,100)	(46,100)	-	\$25.44

FIGURE 3: Class A Fort Lauderdale CBD Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Trophy*	1,751,500	12.8%	14.0%	(3,900)	(3,900)	-	\$49.40
Class A	2,709,600	20.0%	20.3%	23,900	23,900	180,000	\$32.04
Total	4,461,100	17.2%	17.9%	22,700	22,700	180,000	\$37.11

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

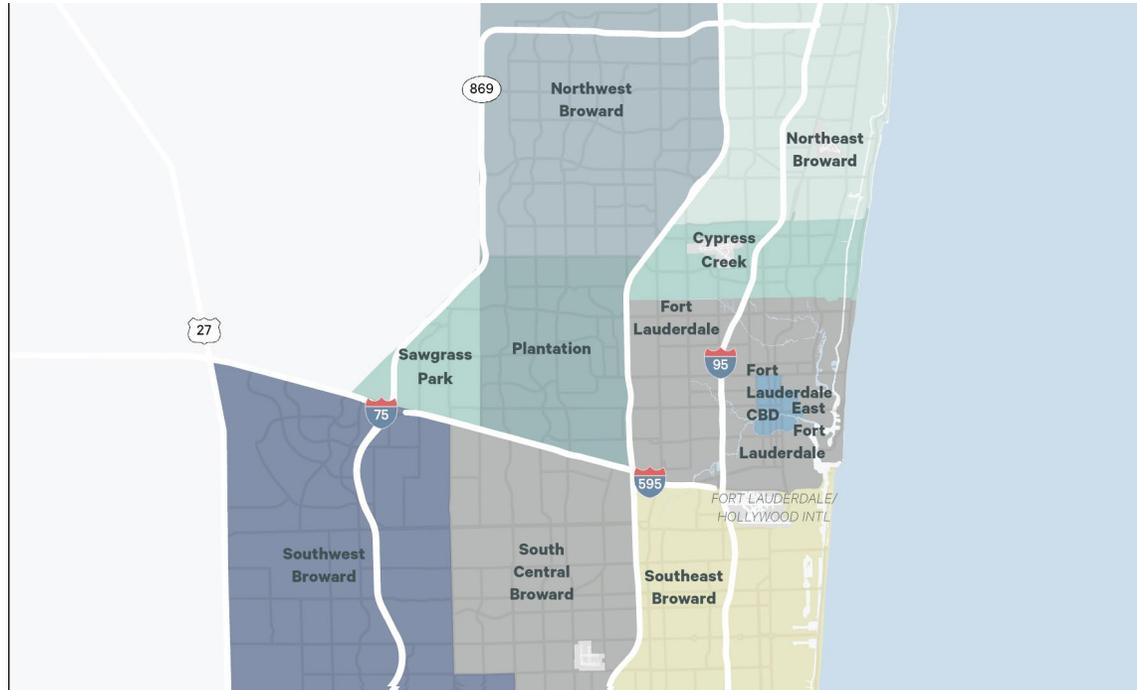
FIGURE 4: Class A Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	2,247,700	13.7%	15.0%	(11,800)	(11,800)	-	\$23.88
FTL CBD	4,461,100	17.2%	17.9%	22,700	22,700	180,000	\$37.11
NE Broward	229,000	21.9%	21.9%	(17,500)	(17,500)	-	\$24.00
NW Broward	461,600	13.5%	21.8%	15,500	15,500	-	\$25.71
Plantation	2,262,500	15.1%	16.4%	16,800	16,800	-	\$27.70
Sawgrass Park	1,791,000	20.6%	22.4%	(77,400)	(77,400)	-	\$23.50
SE Broward	1,015,600	31.3%	34.0%	12,000	12,000	-	\$25.61
SW Broward	2,437,800	15.8%	21.1%	(11,900)	(11,900)	-	\$24.02
Suburban Total	10,445,200	17.5%	20.3%	(74,200)	(74,200)	-	\$24.38
Total	14,906,300	17.4%	19.6%	(51,500)	(51,500)	180,000	\$28.48

FIGURE 5: Class B Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2024 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	3,119,300	13.5%	15.8%	(9,500)	(9,500)	-	\$17.30
FTL CBD	401,700	11.0%	14.2%	8,600	8,600	-	\$26.44
NE Broward	1,193,600	14.4%	14.9%	12,400	12,400	-	\$21.50
NW Broward	412,900	15.6%	19.5%	(400)	(400)	-	\$17.70
Plantation	1,884,200	14.9%	15.1%	(9,400)	(9,400)	-	\$20.60
Sawgrass Park	1,241,800	25.8%	26.7%	(8,500)	(8,500)	-	\$22.27
SE Broward	1,515,800	17.8%	19.9%	8,500	8,500	-	\$23.02
SW Broward	445,000	4.3%	6.7%	3,700	3,700	-	\$17.35
Suburban Total	9,812,600	15.8%	17.3%	(3,200)	(3,200)	-	\$20.13
Total	10,214,300	15.6%	17.2%	5,400	5,400	-	\$20.28

## 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.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily 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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