Market conditions remain balanced in 2024

▲ 4.5%	▲ 22,805	▼ 310,957	▲ 171,983	▲ *$15.25
Total Vacancy (Q3 2024)	SF Net Absorption (Q3 2024)	SF Construction (Q3 2024)	SF Delivered (Q3 2024)	NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

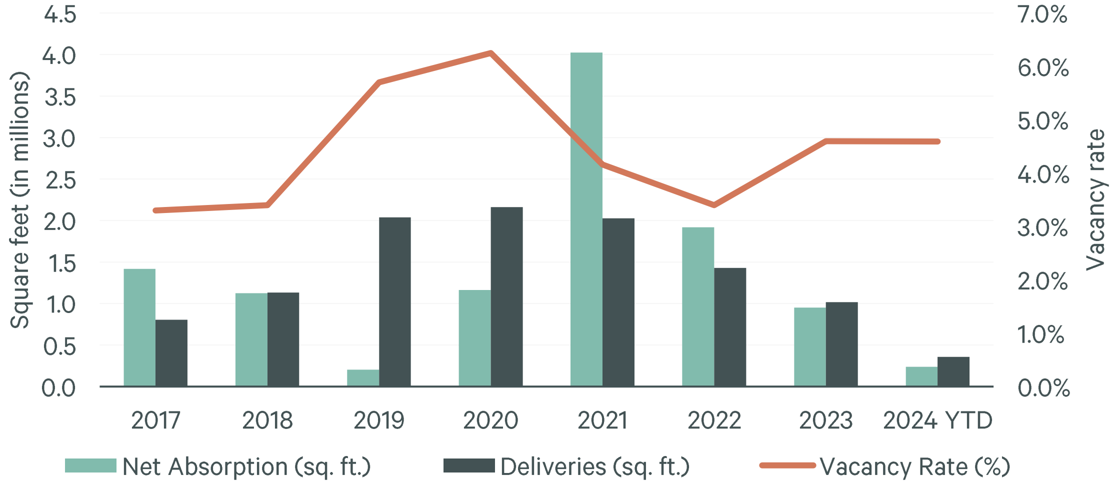
Market highlights

- Like the overall U.S., net absorption has been moderating from the breakneck pace seen during the post-pandemic demand boom. However, the market remains tight with a vacancy rate rate of 4.5%, the lowest in South Florida.

- Following a brief slowdown in construction starts in 2023, groundbreakings are anticipated to gain momentum by end of year, beginning with Race Track Logistics Pompano. The first phase of this major development, slated for completion in the summer of 2025, will feature four buildings totaling 621,243 sq. ft. of space.

- Following a broader trend that has impacted industrial markets across the nation, rent growth has slowed in the past two years. Annual rent growth stands at 5.8% as of the third quarter of 2024, well below the pandemic peak of 21.8%.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



*Asking rates have been revised historically
Source: CBRE.com

DEMAND

Broward's industrial market showed signs of stabilization in 2024. Although softer leasing trends have impacted net absorption, the slowdown in new deliveries over the past two years has helped keep vacancy rates steady, with minimal fluctuations over the past six months.

The majority of deals signed this year have been for spaces under 70,000 sq. ft., with only one major lease recorded so far: Yachting Promotions, which secured nearly 200,000 sq. ft.at Seagis Port Everglades in the first half of 2024. Leasing activity for spaces over 100,000 sq. ft. has slowed, particularly in the segment where much of the new development has been concentrated. Historically, Broward has been a small-bay market, with demand split between small-bay and large logistics facilities. Looking ahead, the leasing market will likely continue to be driven by strong demand for smaller industrial spaces.

VACANCY & PRICING

The vacancy rate has climbed to 4.5%, marking a 130-basis-point increase from the record low achieved in 2022. This rise is largely driven by new supply, with Broward experiencing two consecutive years (2022 and 2023) of over 1.0 million sq. ft. of deliveries. Notably, 47%of the space constructed since 2023 remains available for lease, signaling that it will take time for the current pipeline to be absorbed. Market participants are optimistic that demand from larger occupiers will increase, though significant leasing momentum for new space may not return until 2025.

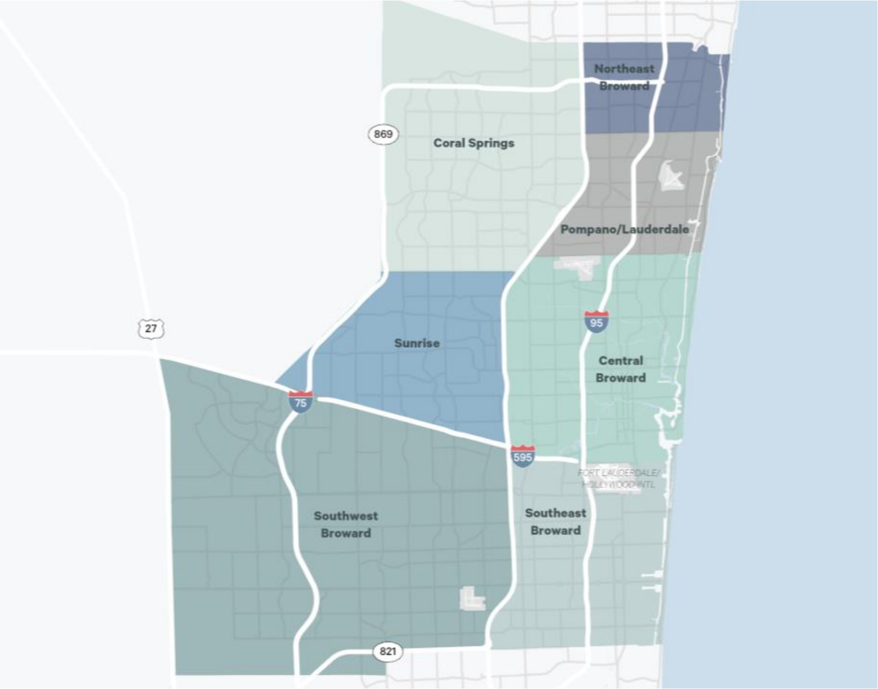
Slower leasing and additional supply will likely slow rent growth further through 2024. However, with the vacancy rate projected to peak in 2025 and a limited logistics supply pipeline set to deliver after that, annual gains are still expected to meet the region's historical norm of 3% to 4%.

FIGURE 2: Statistical Snapshot Q3 2024

Submarket	Total Inventory (SF)	Vacancy Rate	Q3 2024 Net Absorption (SF)	*YTD Net Absorption (SF)	Under Construction (SF)	Q3 2024 Deliveries (SF)	Avg. Asking Lease Rate ($/NNN)
Central Broward	18,576,151	4.2 %	-20,816	-197,421	0	0	$16.43
Coral Springs	9,274,627	3.5 %	32,770	433,245	0	0	$14.78
Northeast Broward	11,596,543	4.8 %	-816	59,317	0	0	$15.88
Pompano/Lauderdale	25,313,654	4.8 %	2,782	-199,636	84,000	0	$14.86
Southeast Broward	16,851,183	7.0 %	-46,497	-46,063	226,957	171,983	$15.25
Southwest Broward	17,856,891	3.3 %	41,386	245,047	0	0	$14.05
Sunrise	5,872,247	2.1 %	13,996	-54,491	0	0	$17.83
Grand Total	105,341,296	4.5 %	22,805	239,998	310,957	171,983	$15.25

Net absorption figures does not account for Chick-fil-A's upcoming move into 201,845 sq. ft. of space, which is anticipated to occur in early 2025.
All stated rents are estimates subject to size, credit, TI, and term.

Market Area Overview



CBRE Economic House View

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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