

FIGURES | BROWARD OFFICE | Q2 2023

# Positive absorption trend continues into the second quarter

▼ 19.0%  
Total Vacancy Rate

▶ 97,129  
SF Quarterly Net Absorption

▶ 59,756  
SF Construction

▲ \$25.23  
NNN / Lease Rate

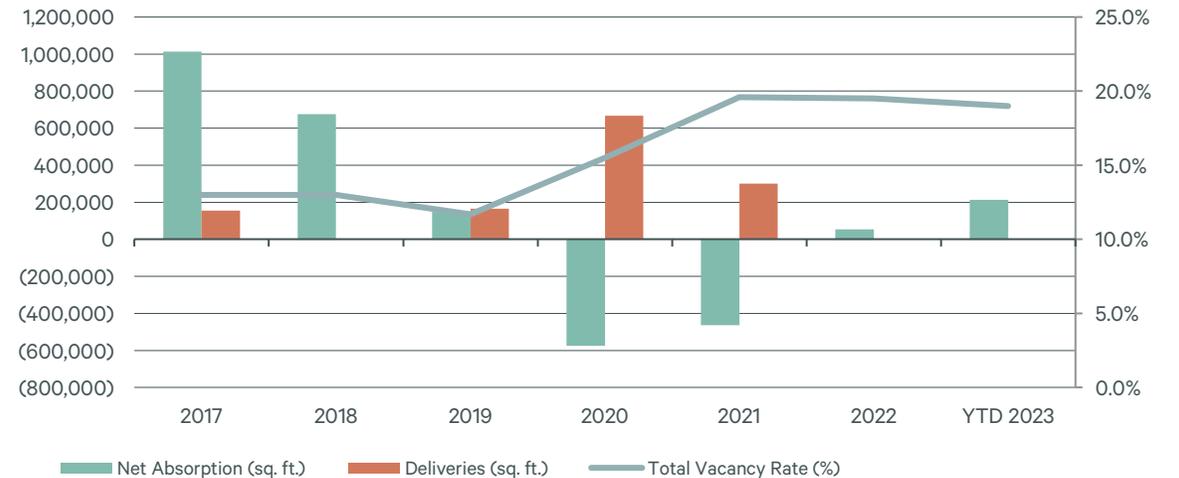
Note: Arrows indicate change from previous year.

## OVERVIEW

- Direct office vacancy has decreased by 70 basis points from 18.1% year-over-year with availability rate hovering at 23.4%, which is down from 25.0% this time last year.
- Overall asking rents in the county are up by 10.5% compared with pre-pandemic levels in Q4 2019 to \$25.23/sq. ft. (NNN), which is a record high and the first time rents eclipsed the \$25.00 mark.
- The development pipeline remains limited with only one building under construction, which should help continue the trend of declining vacancy and increasing rents.

Momentum continued in Broward in the second quarter, buoyed by large tenant activity. Most notably NationsHearing took occupancy of over 145,000 sq. ft. at 1700 N University in Plantation, backfilling space that Centene originally leased but never occupied (they subsequently put it on the market for sublease). They are moving out of the 1801 Building and expanding by roughly 55,000 sq. ft. In addition to this, Moss construction, which had subleased roughly 40,000 sq. ft. at Park Center in Cypress Creek last year, expanded to take the remainder of the building, accounting for 71,000 sq. ft. of positive absorption.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

## SUPPLY

Office vacancy has decreased by 180 basis points year-over-year to 19.0%. However, direct vacancy actually increased quarter-over-quarter as the space given back by NationsHearing at the 1801 Building was initially sublet space, the landlord took it back to market direct. Despite the decrease in vacancy overall, though, the western suburban markets still have an elevated vacancy rate – particularly Sawgrass Park and Southeast Broward, which have been more effected by the hybrid work environment than other submarkets like the CBD or Plantation.

## LEASING ACTIVITY

The positive absorption in the Plantation, Southeast Broward and the CBD submarket helped continue the trend into the second quarter So far this year tenants have taken occupancy of nearly 214,000 sq. ft. This is the large level of absorption for the first half of the year since 2018. This quarter was the fifth consecutive quarter of positive absorption.

The Plantation and the CBD submarket had the highest net absorption due to Nations Hearing occupying approximately 146,000 square feet at 1700 Plantation Pointe. ABA Centers of America, Discover Builders and The Whiting Turner Contracting Co. have moved in at 110 East. Moss Construction expanded into the entire building at Park Center. Watches of Switzerland and several tenants have occupied 29,000 square feet at Sawgrass Lake Center.

## SALES ACTIVITY

Stockbridge Capital Group sold the 2-office building portfolio located at 100 & 110 East Broward Boulevard in Fort Lauderdale to Pebb Capital, Intalex Capital and CDS International holdings for \$43 million, or approximately \$125 per square foot. Stockbridge originally purchased the properties for \$41.1 million in 2018. This markets the first sale in the CBD since Related purchased 515 E Las Olas Blvd in Q1 2022 for \$99.5 million.

FIGURE 2: Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	5,491,698	12.6%	14.5%	52,464	26,706	-	\$ 19.76
Fort Lauderdale CBD	4,822,414	18.0%	19.2%	41,052	119,272	-	\$ 35.80
NE Broward	1,453,210	13.8%	17.8%	(14,978)	4,524	-	\$ 21.66
NW Broward	942,865	23.4%	25.5%	812	2,804	-	\$ 21.14
Plantation	4,140,447	16.7%	17.7%	19,333	107,461	-	\$ 24.11
Sawgrass Park	3,032,875	21.8%	22.3%	(7,436)	-5,345	-	\$ 23.11
SE Broward	2,436,973	24.8%	26.2%	23,806	39,210	59,756	\$ 23.89
SW Broward	2,882,738	15.3%	18.1%	(17,924)	(80,803)	-	\$ 24.13
Suburban Total	20,380,806	17.2%	19.0%	56,077	38,480	59,756	\$ 22.39
Total	25,203,220	17.4%	19.0%	97,129	213,829	59,756	\$ 25.23

FIGURE 3: Class A Fort Lauderdale CBD Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Trophy*	1,659,865	15.6%	16.5%	(11,577)	(17,034)	-	\$ 49.31
Class A	2,691,671	20.2%	21.0%	67,630	152,023	-	\$ 31.22
Total	4,351,563	18.4%	19.3%	56,053	137,103	-	\$ 36.13

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

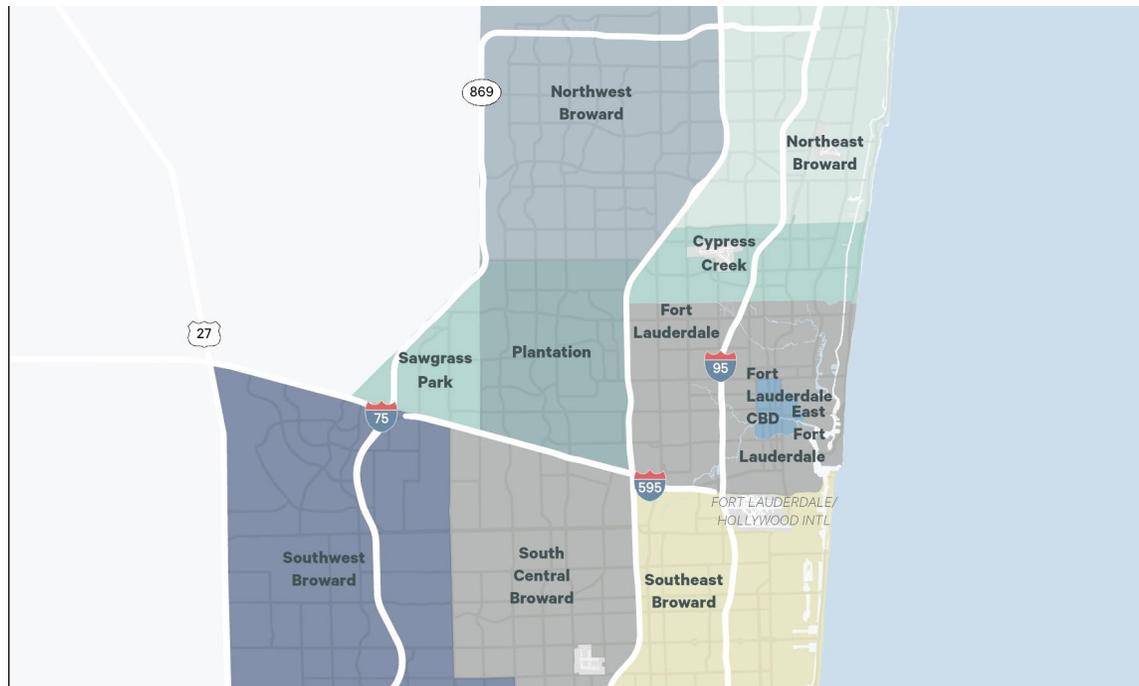
FIGURE 4: Class A Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	2,247,697	13.9%	15.6%	3,440	(10,744)	-	\$ 22.58
FTL CBD	4,351,563	18.4%	19.3%	56,053	137,103	-	\$ 36.13
NE Broward	259,605	17.7%	33.1%	(6,092)	(9,508)	-	\$ 19.97
NW Broward	511,582	10.8%	14.6%	1,703	4,102	-	\$ 23.74
Plantation	2,256,200	15.5%	17.1%	124,465	217,581	-	\$ 26.59
Sawgrass Park	1,791,049	16.7%	17.6%	(7,436)	(9,889)	-	\$ 23.70
SE Broward	921,176	39.5%	42.5%	(19,113)	(17,295)	59,756	\$ 25.00
SW Broward	2,437,751	17.0%	20.4%	(17,924)	(84,108)	-	\$ 24.88
<b>Suburban Total</b>	<b>10,425,060</b>	<b>17.7%</b>	<b>20.1%</b>	<b>79,043</b>	<b>90,229</b>	<b>59,756</b>	<b>\$ 23.98</b>
<b>Total</b>	<b>14,776,596</b>	<b>17.9%</b>	<b>19.9%</b>	<b>135,096</b>	<b>227,332</b>	<b>59,756</b>	<b>\$ 27.81</b>

FIGURE 5: Class B Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Cypress Creek	3,244,001	11.7%	13.7%	49,024	37,450	-	\$ 17.03
FTL CBD	470,878	13.7%	18.0%	(15,001)	(17,831)	-	\$ 24.77
NE Broward	1,193,605	12.9%	14.4%	(8,886)	14,032	-	\$ 22.90
NW Broward	431,283	38.4%	38.4%	(891)	(1,298)	-	\$ 18.44
Plantation	1,884,247	18.1%	18.5%	(105,132)	(110,120)	-	\$ 21.54
Sawgrass Park	1,241,826	29.1%	29.1%	-	4,544	-	\$ 22.18
SE Broward	1,515,797	15.8%	16.3%	42,919	56,505	-	\$ 23.33
SW Broward	444,987	5.6%	5.6%	-	3,215	-	\$ 18.11
<b>Suburban Total</b>	<b>9,955,746</b>	<b>16.7%</b>	<b>17.7%</b>	<b>(22,966)</b>	<b>4,328</b>	<b>-</b>	<b>\$ 20.33</b>
<b>Total</b>	<b>10,426,624</b>	<b>16.6%</b>	<b>17.7%</b>	<b>(37,967)</b>	<b>(13,503)</b>	<b>-</b>	<b>\$ 20.41</b>

### Market Area Overview



### ECONOMIC OUTLOOK

For the last six months the consensus amongst economists has been that H2 would bring the United States to the brink of recession and possibly push it over the edge. Recently, this narrative has been challenged by a surprisingly resilient consumer and labor market. Indeed, GDP growth in Q2 2023 is poised to hit the mid-2% range (p.a.). Beneath this veneer of health lies a fragile economy, which will probably lapse into recession, albeit a little later than previously expected.

The chief concern is credit conditions tightening at a magnitude that typically precedes a recession. The consequences are already manifest in the housing market, and particularly across the Western U.S. where valuations are most disconnected from local incomes. Other rate sensitive sectors, such as manufacturing, are also under pressure—both domestic and abroad—exemplified by cooling capital goods orders and PMI data. And while the labor market is objectively tight, it is softer than one year ago when we saw higher quit rates and stronger wage growth. Tighter credit conditions are also likely to catch up with Americas small and medium sized industries (restaurants, cafes) in the service sector in the next two quarters.

Perhaps the key question is: Will the inflation slow fast enough to avert further rate hikes? CBRE’s baseline view is that there is no need for further rate hikes because inflation is coming under control, but because of strong recent data the Fed will make one more rate hike, just to make sure the job is done. This will slightly exacerbate the coming slowdown and lead the Fed to begin cutting rates at the end of the year. The long-expected slowdown in the U.S. economy is still on track but will start in earnest at the end of Q3 a last through to the end of Q1 2024 by which time, inflation will have slowed up, and rates will be falling.

**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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