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1Q24

# Broward Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- The market's unemployment rate ticked up by 51 basis points year over year to 3.3% at the end of February 2024 but remained below the national average of 3.9%.
- Despite recent national economic headwinds, jobs in Broward grew by 2.4% year over year to 927,500 by the end of February 2024.
- Most employment sectors reported year-over-year growth except manufacturing, business and professional and information, with the other services sector leading job gains at 8.6% over the past twelve months.
- The industrial-using trade, transportation and utilities reported a new historical high of 211,000 employees, a 3.6% year-over-year increase. Manufacturing employment reported 30,190 employees, a 0.8% decline year over year.

## Major Transactions

- Yachting Promotions (Informa PLC), signed a direct new lease for 199,643 SF, the quarter's biggest deal, indicating there is still appetite for doing bigger deals in the market.
- The Southwest Broward submarket continues to be top locational pick, with three of top five leases for the second consecutive quarter.
- Class A warehouse activity increased 268 basis points quarter over quarter to 39.1% of all leasing for the first quarter of 2024.

## Leasing Market Fundamentals

- The market realized 216,943 SF of positive absorption in the first quarter of 2024, a decline of 66.9% quarter over quarter.
- Overall asking rental rates in the first quarter of 2024 decreased 1.4% quarter over quarter to \$14.30/SF, but grew by 9.7% on a year over year.
- The under-construction pipeline ended the first quarter of 2024 at 171,983 SF, a 78.2% decrease quarter over quarter, reflecting a decline for the third consecutive quarter.
- Supply outpaced demand by 401,066 SF in the first quarter of 2024, causing vacancy to increase by 20 basis points quarter over quarter to 4.8%.

## Outlook

- The Broward industrial market will see decreased deliveries, given the smaller under-construction pipeline, with demand potentially outpacing supply.
- Vacancy rates are expected to be largely flat near-term as supply slows and is outpaced by occupancies.
- Asking rents will likely continue to increase, albeit at a lower pace, due to the pipeline of quality new product commanding higher pricing coming online.

1. Economy
2. Leasing Market Fundamentals



1Q24

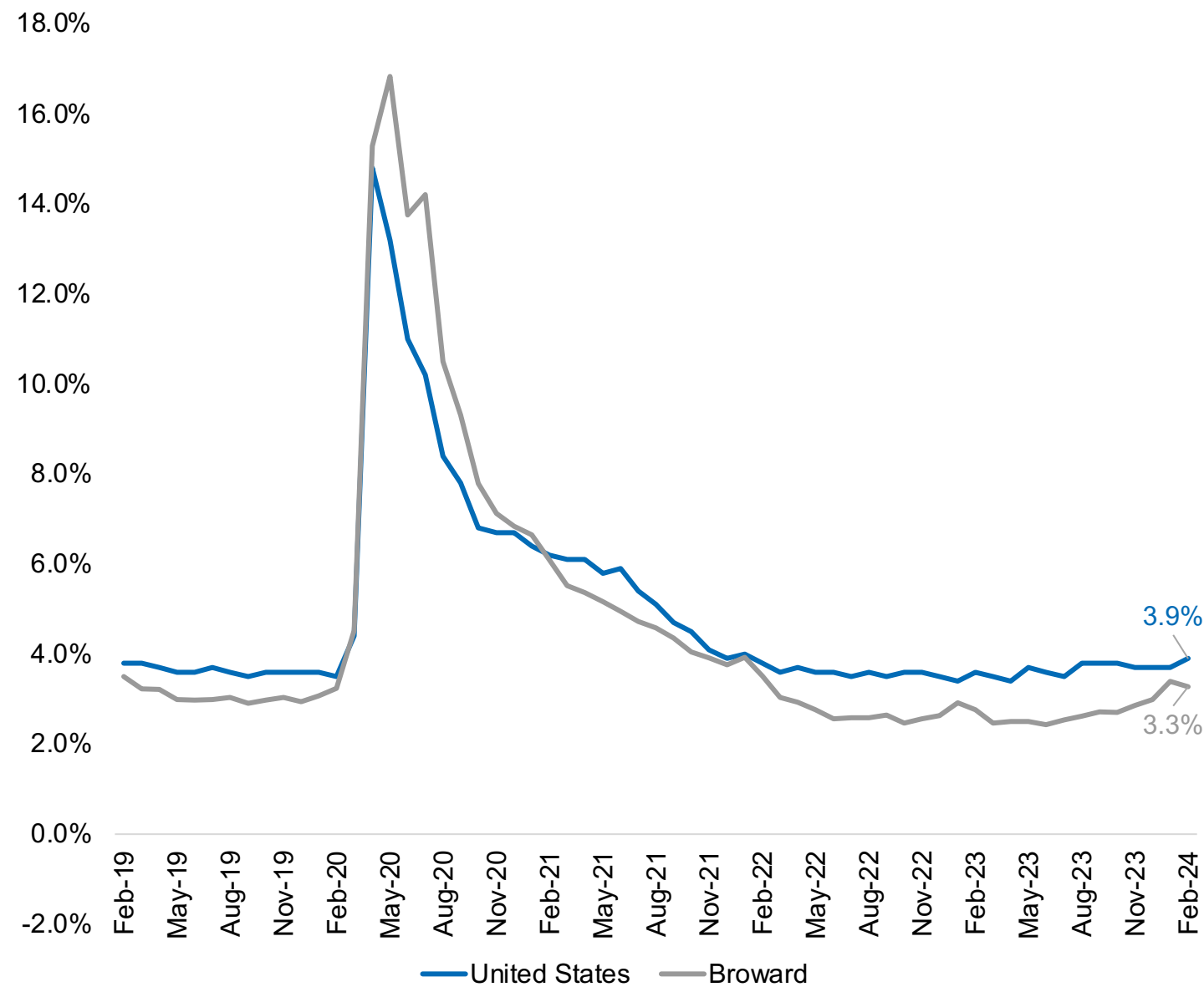
# Economy



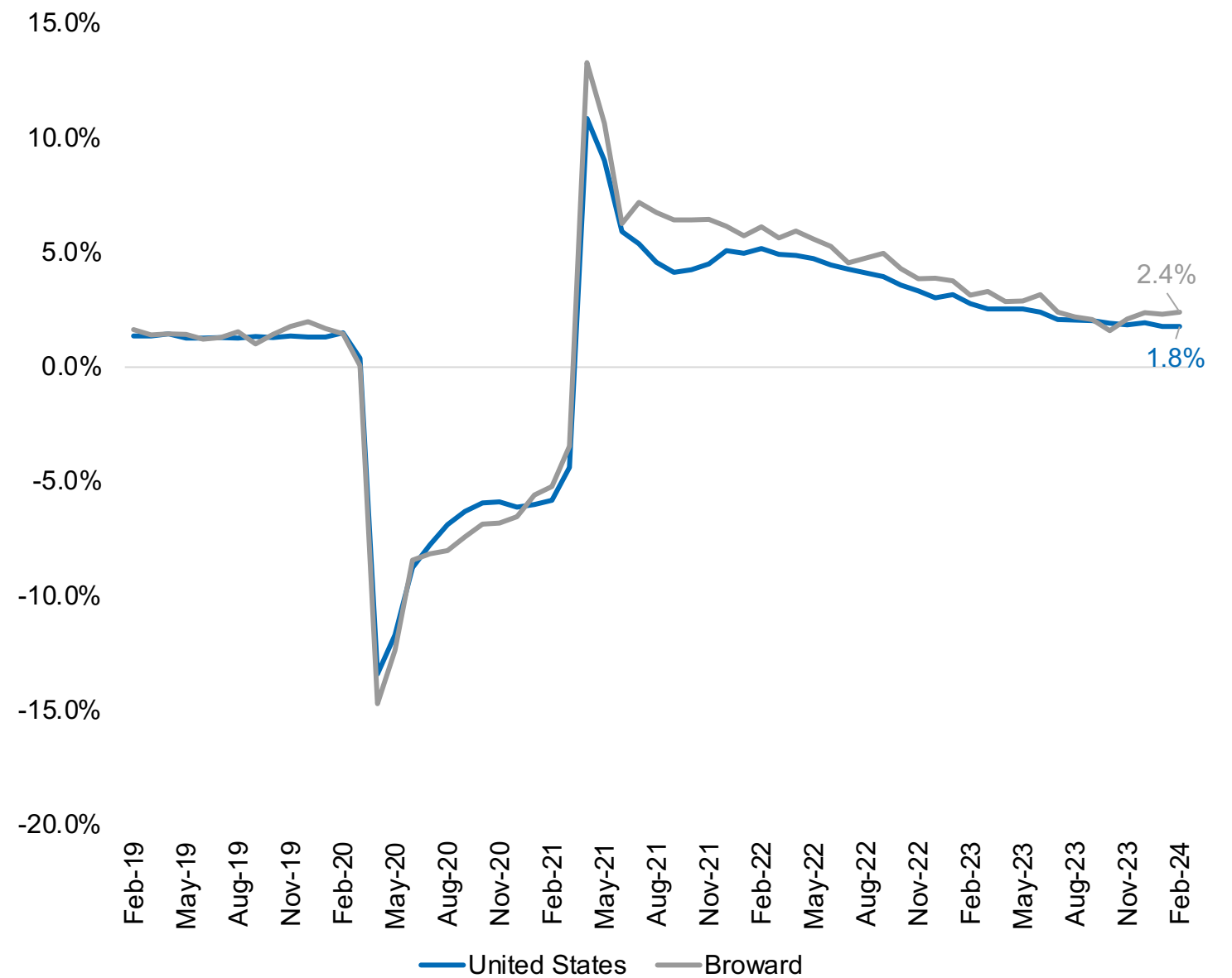
# Metro Employment Trends Continue Signaling a Slowing Economy

The Broward market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. Recent national economic headwinds have pushed the region's unemployment rate to increase by 51 basis points year over year to 3.3%, but still 62 basis points below the national rate. Employment growth was 2.4% at the end of the first quarter of 2024, reflecting a decline of 75 basis points year over year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, Broward County

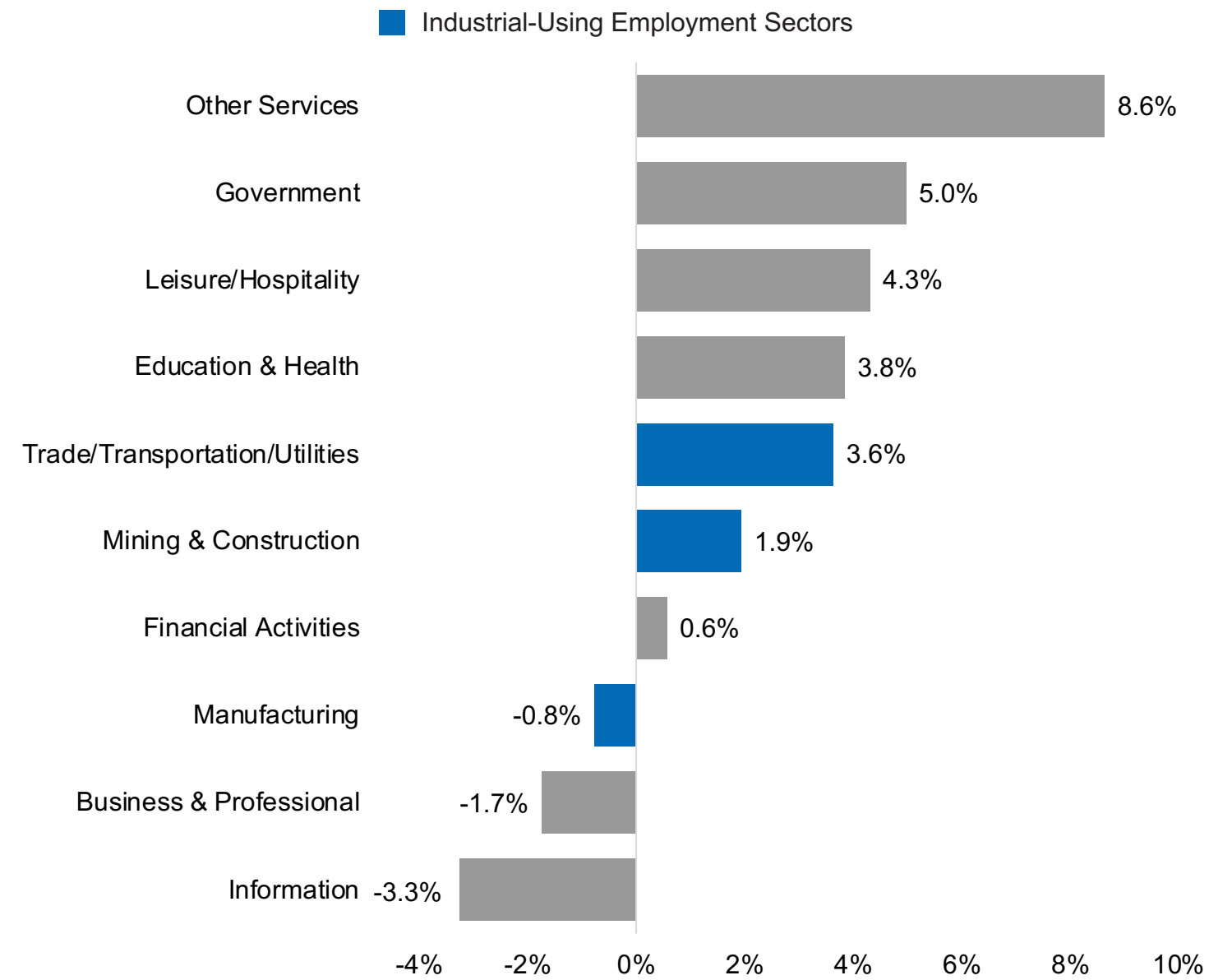
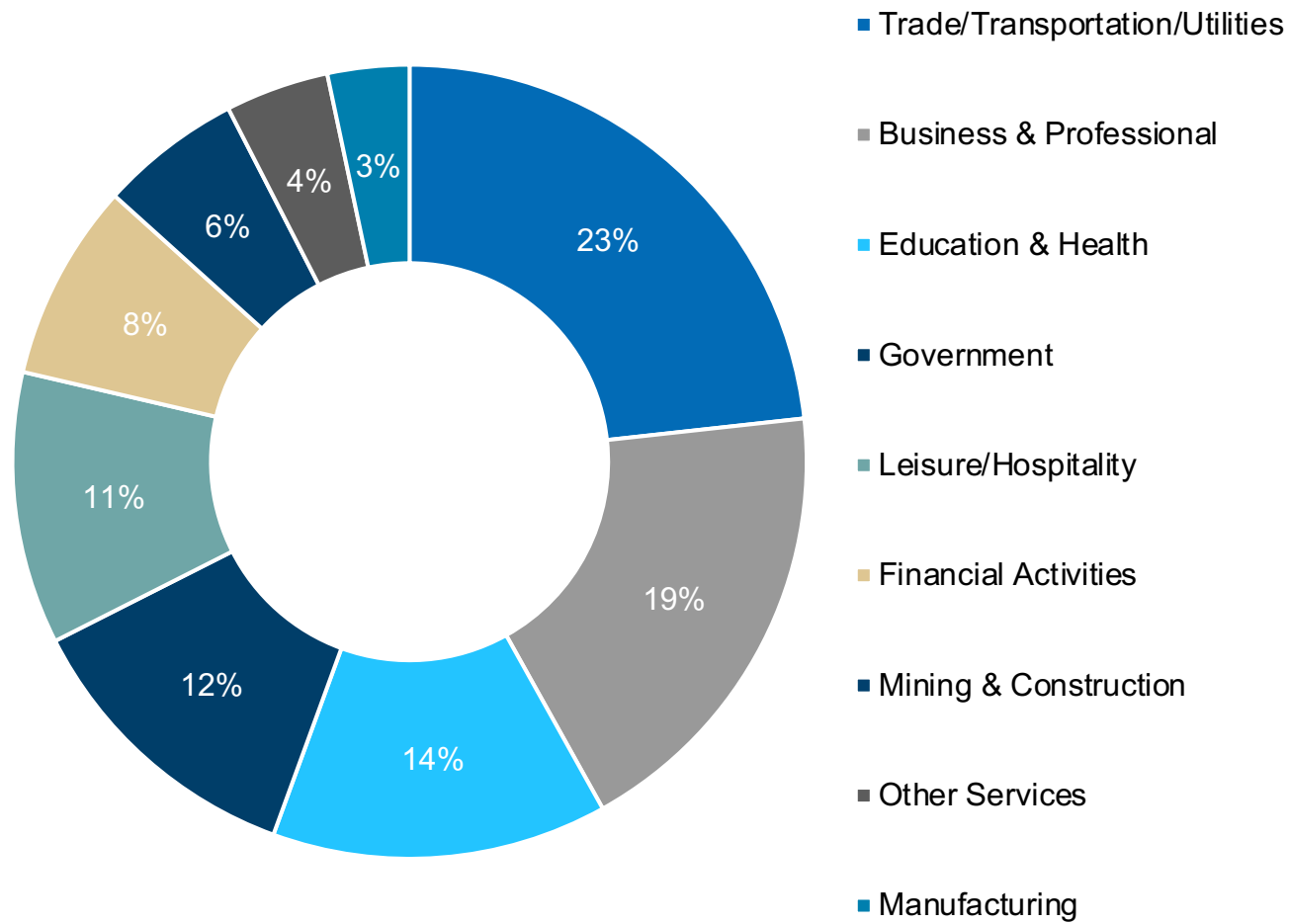


# Employment Growth Continues Across Most Industrial-Using Sectors

The Broward market has a high industry diversity with the top two industries, accounting for only 41.0% of the market's industry employment share. The industrial-using trade, transportation and utilities sector is the largest industry sector in the metroplex at 22.7%. Most industries in Broward reported growth, with the exception of three industries which included the industrial-using manufacturing sector, which contracted by 0.8%. Construction and the trade, transportation and utilities sectors grew by 1.9% and 3.6% respectively.

Employment by Industry, February 2024

Employment Growth by Industry, 12-Month % Change, February 2024



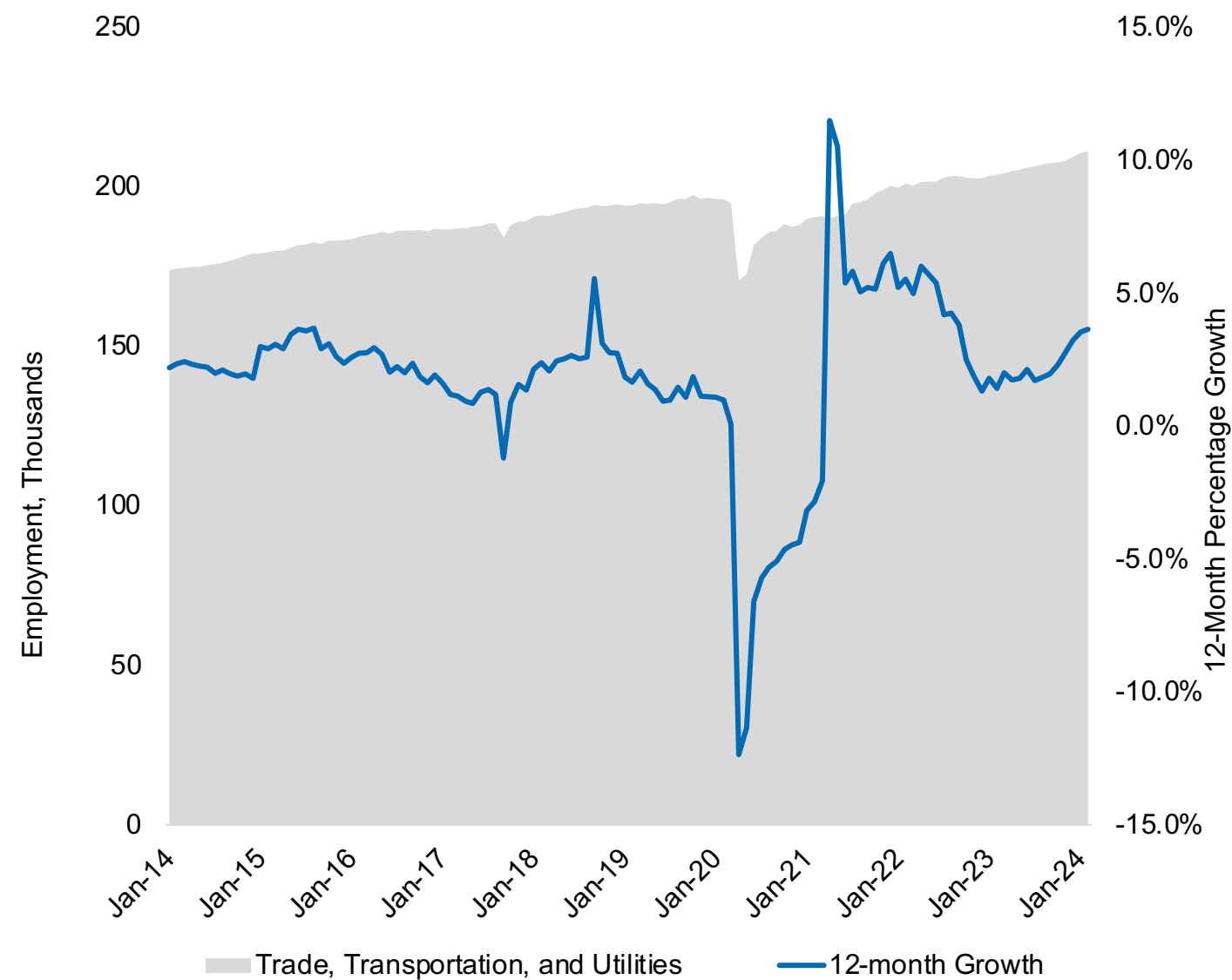
Source: U.S. Bureau of Labor Statistics, Broward County

# Industrial Employment Reports Mixed Growth Results

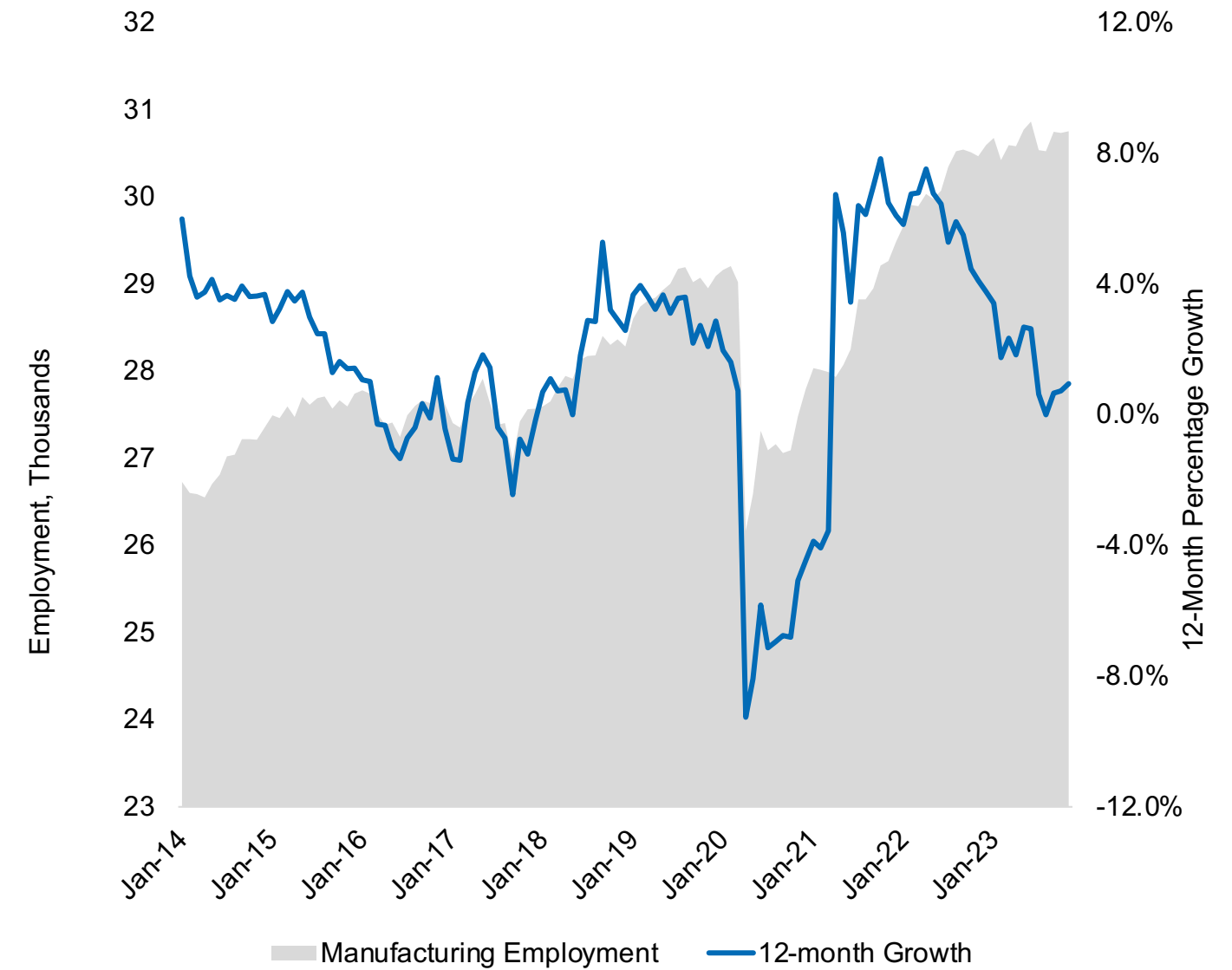
Trade, transportation and utilities employment in Broward reached a new historical high, reporting 211,000 employees as of February 2024, a 3.6% year-over-year increase.

Manufacturing employment in the same period reported 30,190 employees, a 0.8% decline year over year and a 2.2% decline from the historical high of 30,860 employees reported in June 2023.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Broward County



1Q24

# Leasing Market Fundamentals

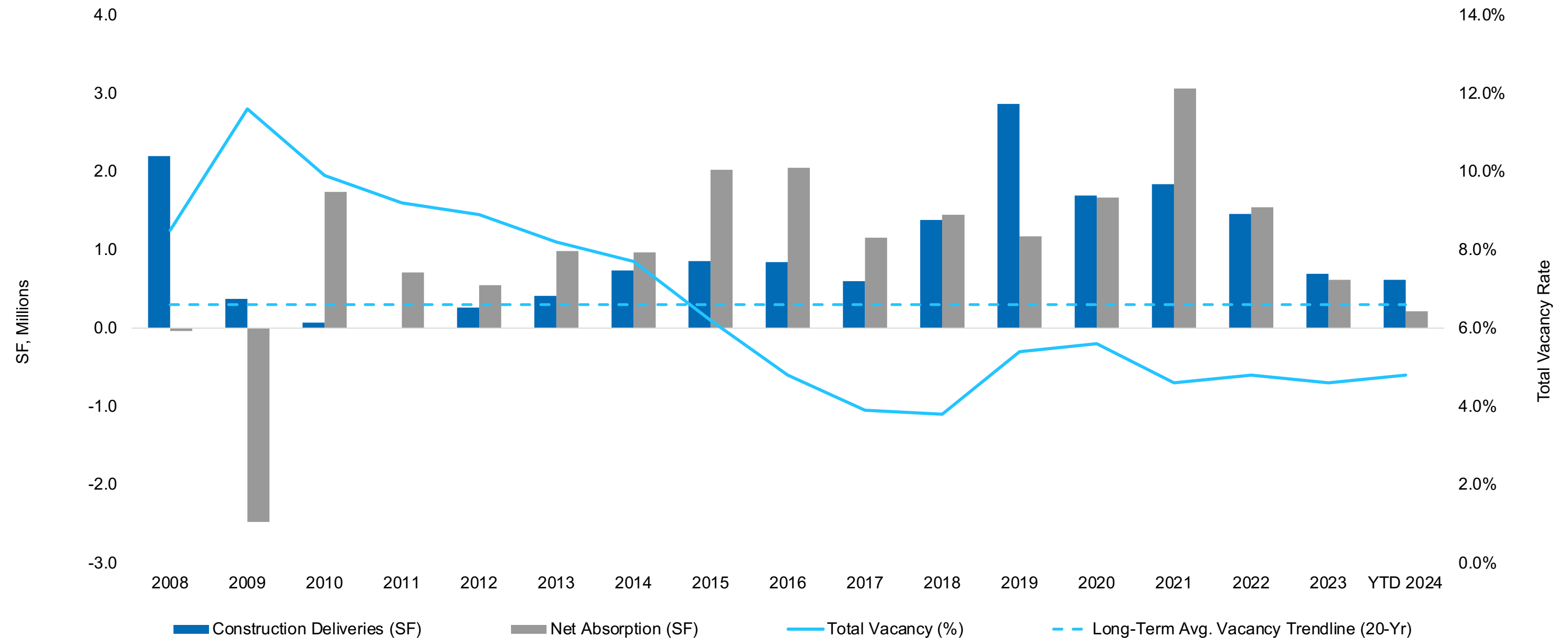




# Deliveries Outpace Net Absorption

The Broward market reported 618,009 SF of deliveries in first quarter of 2024, a 58.4% increase quarter over quarter but close to the 693,211 SF delivered for all of 2023. Net absorption in the first quarter of 2024 decreased 66.9% quarter over quarter to 216,943 SF. As a result of deliveries outpacing absorption by 401,066 SF, the vacancy rate increased by 20 basis points quarter over quarter to 4.8% in the first quarter of 2024.

## Historical Construction Deliveries, Net Absorption, and Vacancy

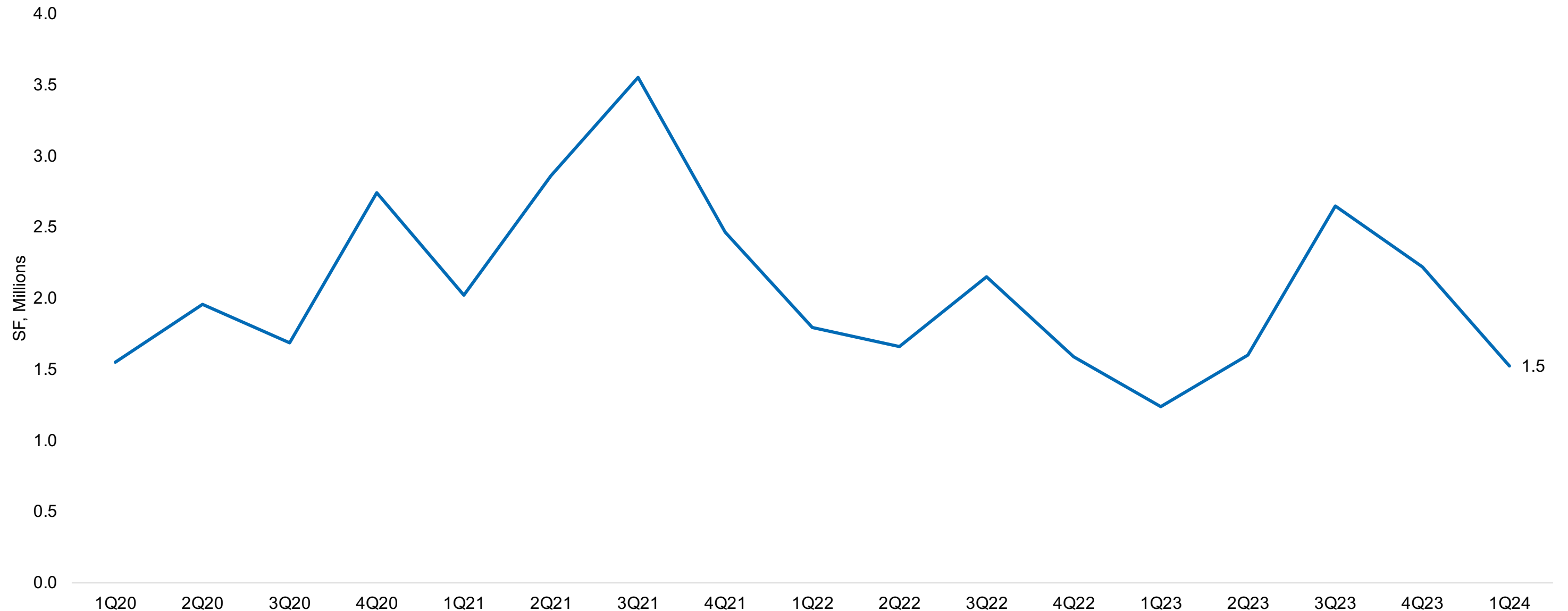


Source: Newmark Research, CoStar

# Industrial Leasing Activity In Line With Historical Average

In the first quarter of 2024, leasing activity decelerated from historical highs reported post pandemic, ending the quarter at 1.5 MSF, a 31.4% decline quarter over quarter. Despite the slower leasing activity, volume in the quarter represented a 23.1% year-over-year increase and was in line with the 20-year quarterly averages of 1.5 MSF reported between 2003 and 2023.

Total Leasing Activity (SF)



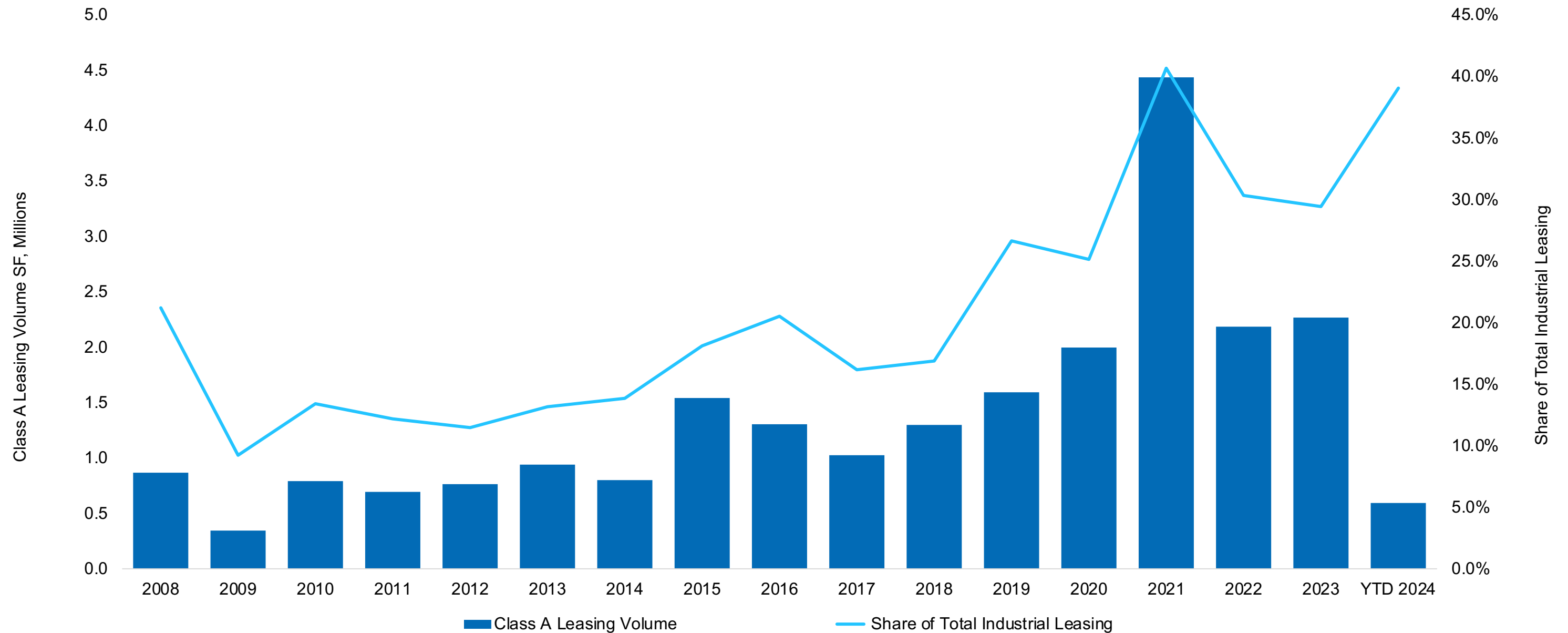
Source: Newmark Research, CoStar



# Class A Warehouse Leasing Picks Up

In the first quarter of 2024, Class A warehouse leasing activity increased 117.9% quarter over quarter to 595,612 SF. The market's Class A leasing activity not only increased by 141.2% year over year in the first quarter of 2024, but also reflected more than twice as much activity compared to average quarterly leasing volume of 249,319 SF from 2008 to 2019 prior to the pandemic. Class A warehouse leasing represented 39.1% of overall activity in the first quarter of 2024, a 268-basis point increase quarter over quarter.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

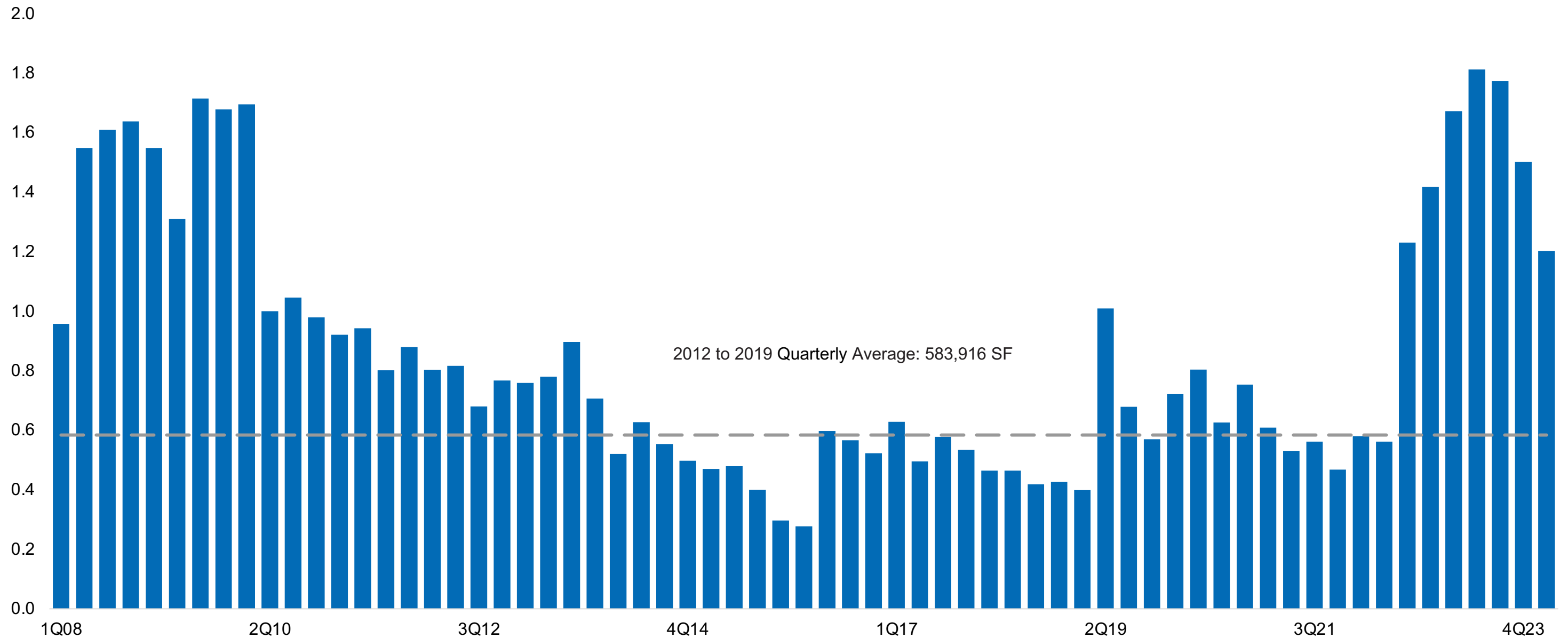


Source: Newmark Research, CoStar

# Industrial Sublease Availability Continues to Decline

Sublease volume ended the first quarter of 2024 at 1.2 MSF, a 19.9% decrease quarter over quarter and the third consecutive quarterly decline. The declines reverse the surge in subleases that began in the second half of 2022. Sublease levels remained elevated, driven by higher interest rates and declining consumer demand, which are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.

Available Industrial Sublease Volume (msf)



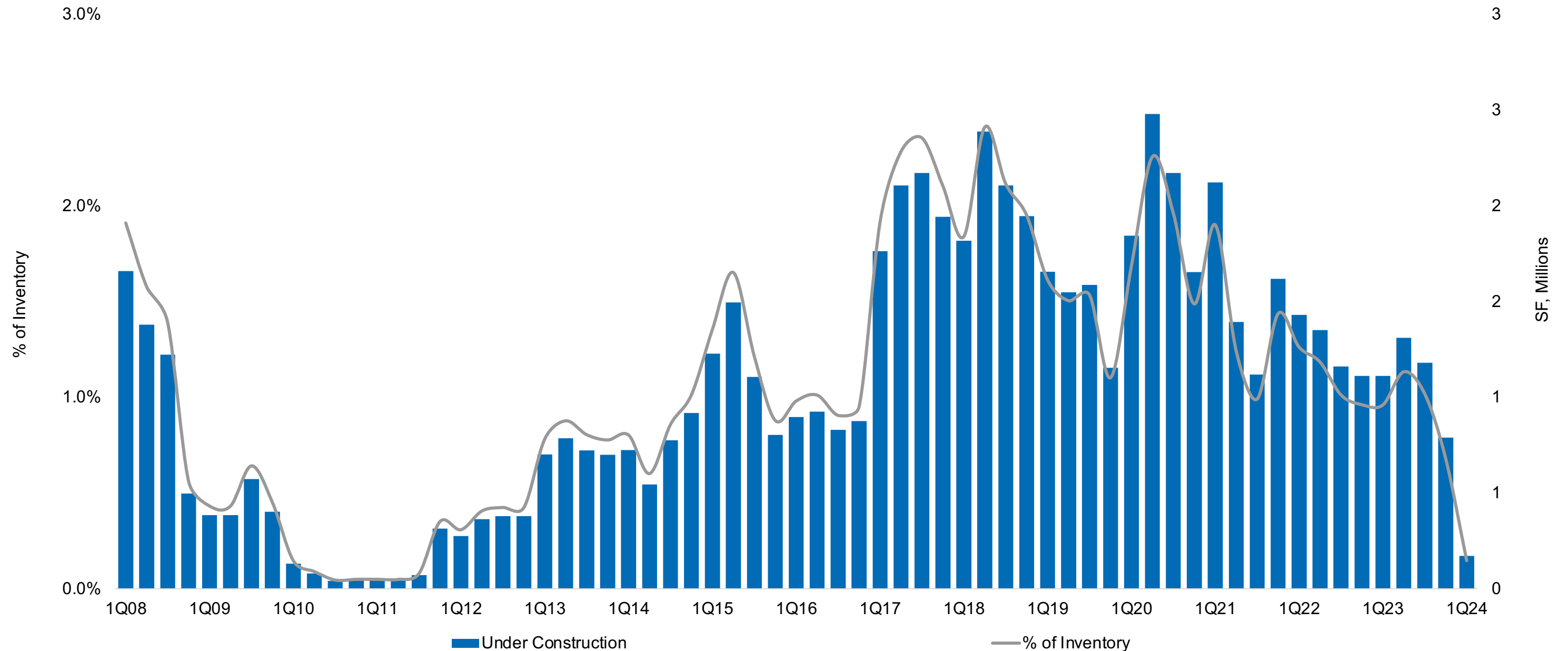
Source: Newmark Research, CoStar



# Industrial Supply Pipeline Continues Declining

The construction pipeline declined 78.2% quarter over quarter to end the first quarter of 2024 at 171,983 SF, the third consecutive quarterly decline. Some developers are pausing new development amid slowing leasing activity and a challenging financing environment for new construction. The decline creates the possibility for potential supply constraints as economic conditions improve later in 2024 and 2025.

## Industrial Under Construction and % of Inventory

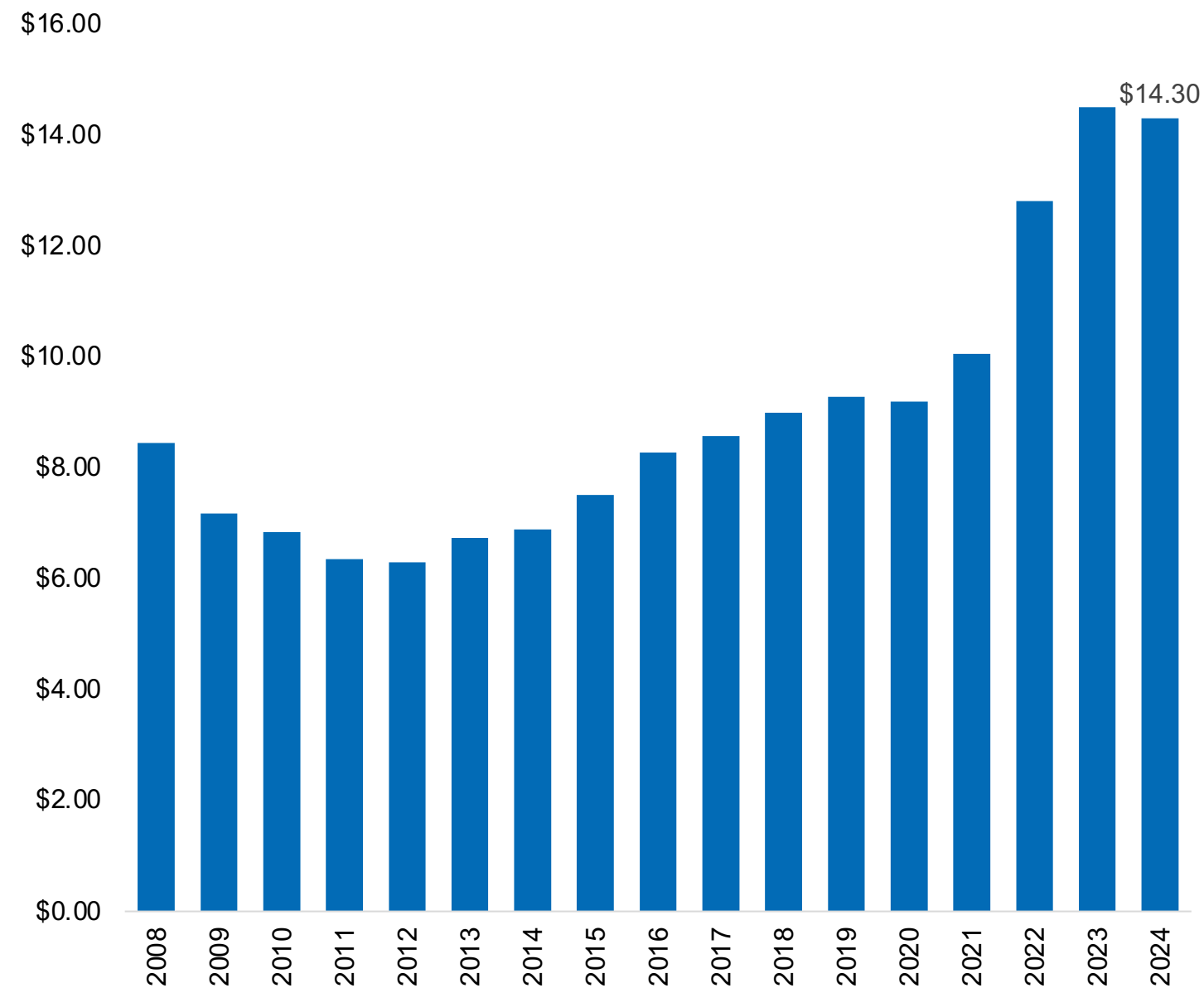


Source: Newmark Research, CoStar

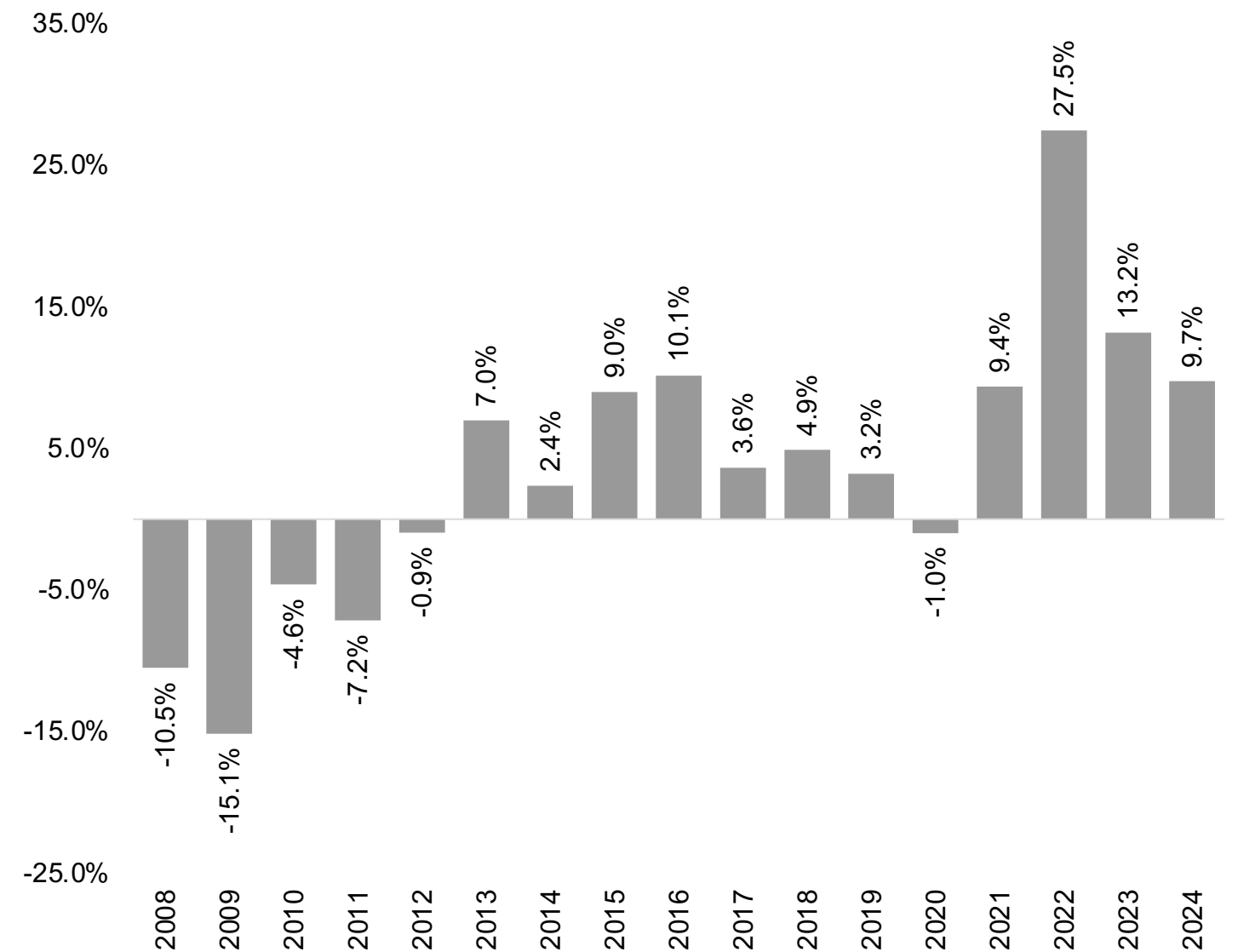
# Asking Rents Ease Off Recent High

Industrial average asking rents declined 1.4% quarter over quarter to \$14.30/SF in first quarter of 2024, although it increased 9.7% on a year-over-year comparison. The pace of rent growth had initially spiked immediately post-pandemic, peaking at 27.5% year-over-year rent growth in 2022, but since then appears to be slowing.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



# Notable 1Q24 Lease Transactions

Leasing activity in the first quarter of 2024 declined 31.4% quarter over quarter to 1.5 MSF. Despite the decline, the volume of activity is in line with the 20-year quarterly averages of 1.5 MSF reported between 2003 and 2023. There is currently one 171,983 SF project under construction in the Southeast Broward submarket which is not released.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Yachting Promotions (Informa PLC) <i>Informa, a boat show producer, signed a new full-building lease for the recently completed warehouse, which is adjacent to Port Everglades.</i>	Seagis at Port Everglades – 1700 Eller Dr	Southeast Broward	Direct New	199,643
Propulsion Technologies International <i>Propulsion Technologies, an aircraft maintenance company, renewed their full-building lease. The company has been the tenant since delivery in 2007.</i>	Miramar Centre Business Park - Bldg D	Southwest Broward	Renewal	124,280
Sciens Logistics <i>Warehouse solutions company Sciens Logistics signed up for direct space, expanding their building footprint, after having sublet 23,910 three years prior.</i>	Quiet Water Business Park - Bldg 4	Northeast Broward	Direct	55,770
Coleman World Group <i>Coleman is a relocation services provider headquartered in Midland City, Alabama. The company signed a full-building lease to expand their operations.</i>	2401 College Ave	Southwest Broward	Direct New	49,655
Trane U.S. Inc. <i>Trane renewed their space at in Miramar. The company produces heating, ventilation and air-conditioning systems.</i>	Miramar Business Center - Bldg A	Southwest Broward	Renewal	34,000





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