

1Q24

Broward Office Market Overview



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.
- Office-using jobs decreased 1.2% year over year to 262,500 employees, easing off the all-time historical high of 267,160 employees in December 2022.

Major Transactions

- Logistics company Seabulk inked the largest deal of the quarter, signing a new lease for 31,216 at the Design Center of the Americas in the CBD submarket.
- Four of the largest five deals signed in the first quarter of 2024 were new leases, indicating that there is still an appetite for office space in the market.
- Each of the top five deals were in different submarkets, which included Fort Lauderdale CBD, Southwest Broward, Cypress Creek, Sawgrass Park and Hollywood, signaling continued office demand across several submarkets.

Leasing Market Fundamentals

- Annual full-service asking rental rates increased to a new historical high of \$37.62/SF, a 9.2% increase year over year.
- Vacancy increased 20 basis points year over year, ending the first quarter of 2024 at 15.5%, which also represents the average vacancy rate over the past seven quarters since the third quarter of 2022.
- Under-construction remained flat at 384,790 SF in progress for the past three quarters.
- Total leasing activity closed the quarter at 665,683 SF, which is 14.3% lower than the average first quarter leasing activity over the past 16 years at 777,044 SF. Leases signed averaged 2,762 SF per deal, continuing a trend of smaller lease deals compared to the pre-pandemic deal size of 3,639 SF.

Outlook

- The Broward County office market will continue to see muted growth, driven by national economic headwinds as reflected in the unemployment rate. Office investment activity will remain low in the near term due to a steeper cost of debt.
- Rents will continue to increase, driven by demand for Class A space.
- Although the rent spread between Class A & Class B assets ticked up in the first quarter of 2024, the gap has generally been closing, which will likely push more tenants to shed unused space and lease smaller footprints in higher-quality assets.
- Demand is expected to continue remaining in balance with supply, keeping vacancy rates stable.

1. Economy
2. Leasing Market Fundamentals

1Q24

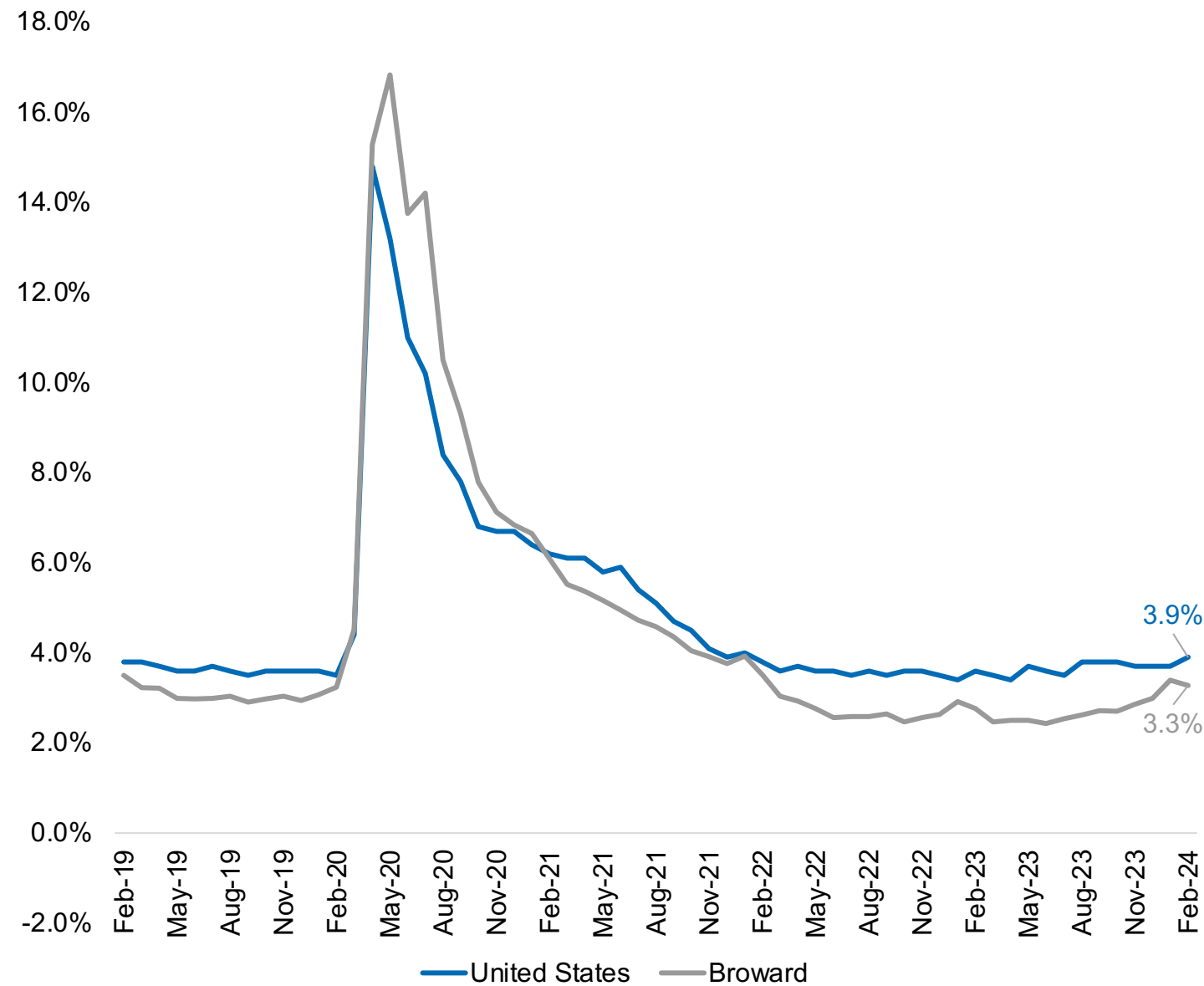
Economy



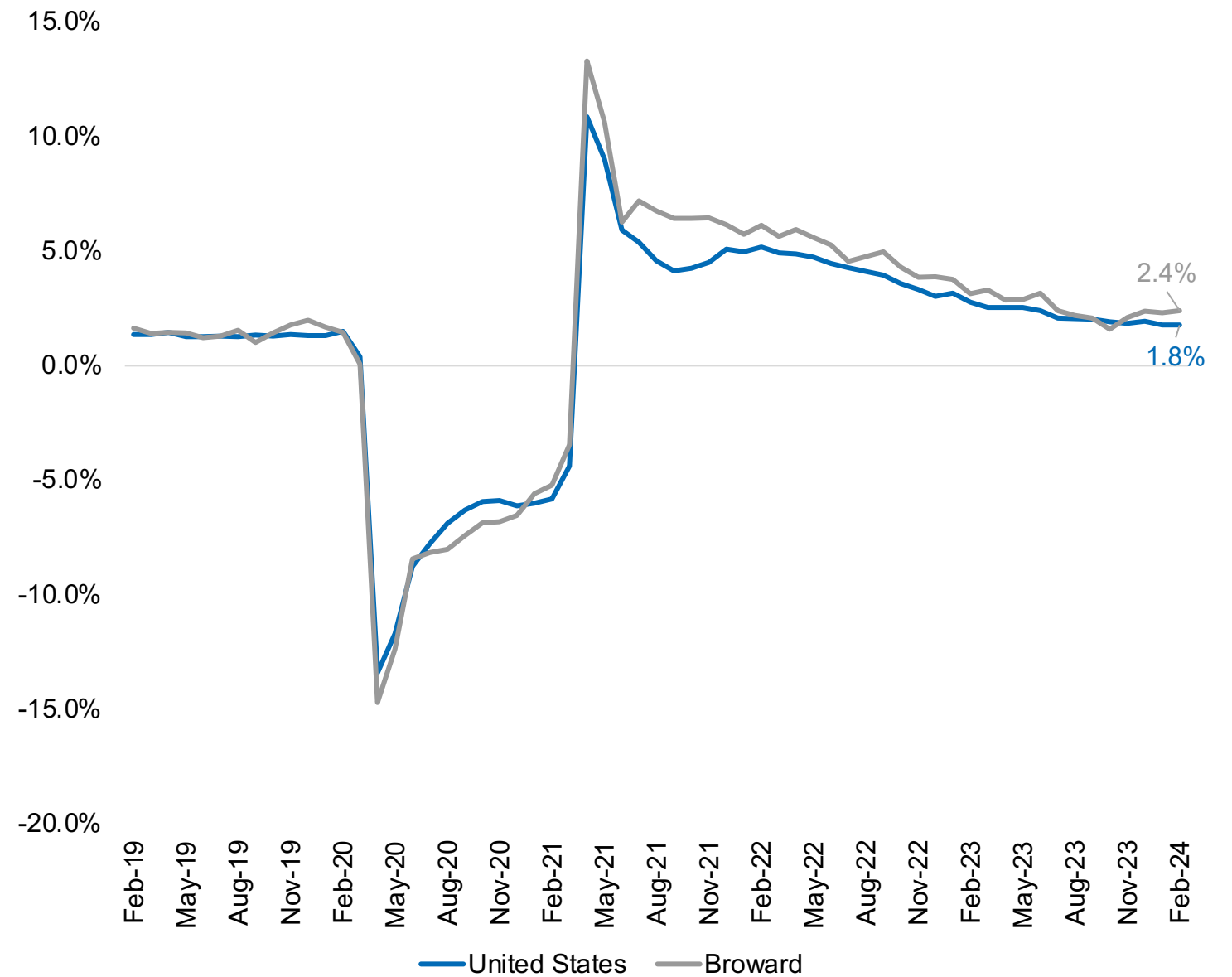
Metro Employment Trends Continue Signaling a Slowing Economy

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

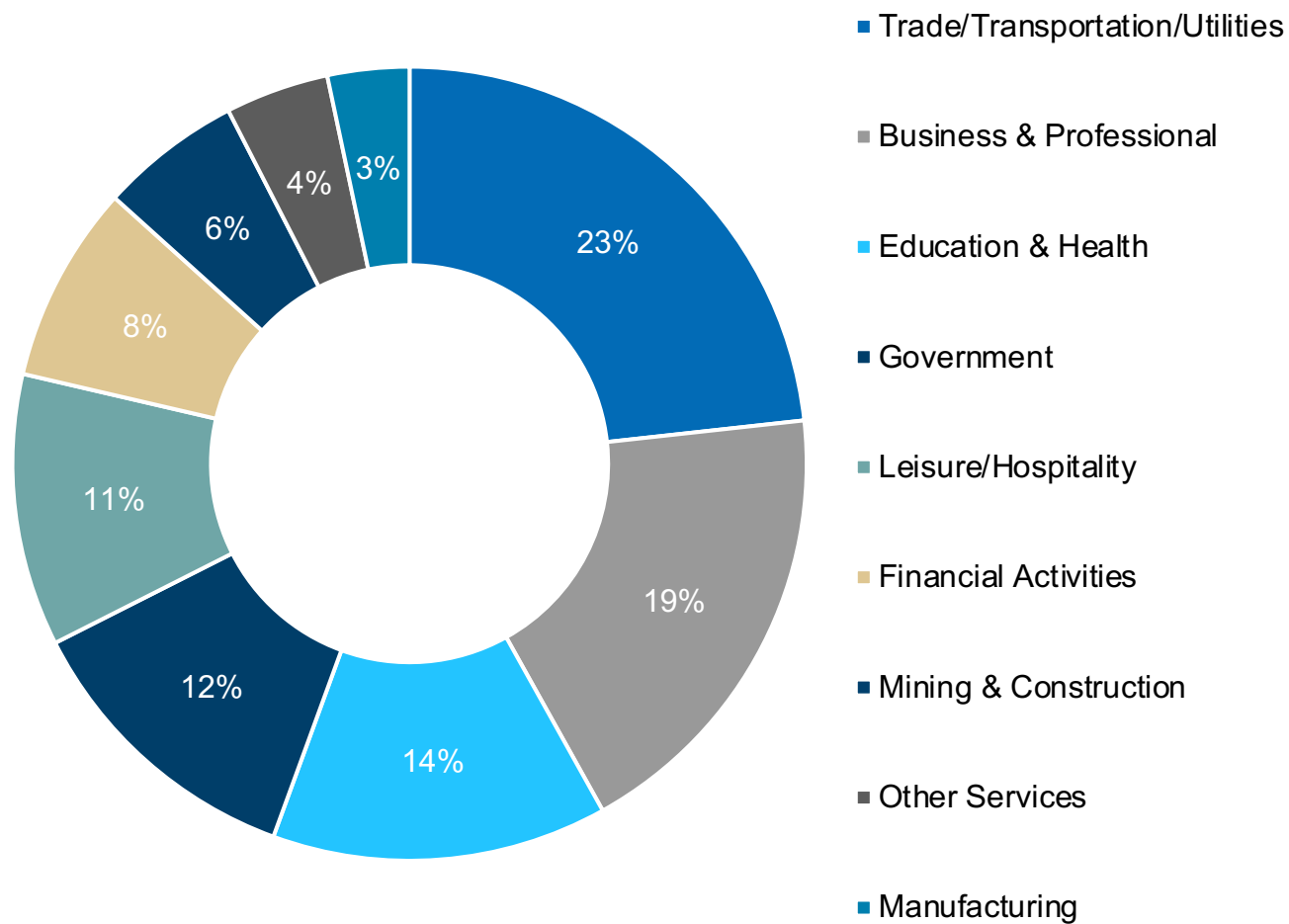


Source: U.S. Bureau of Labor Statistics, Broward County

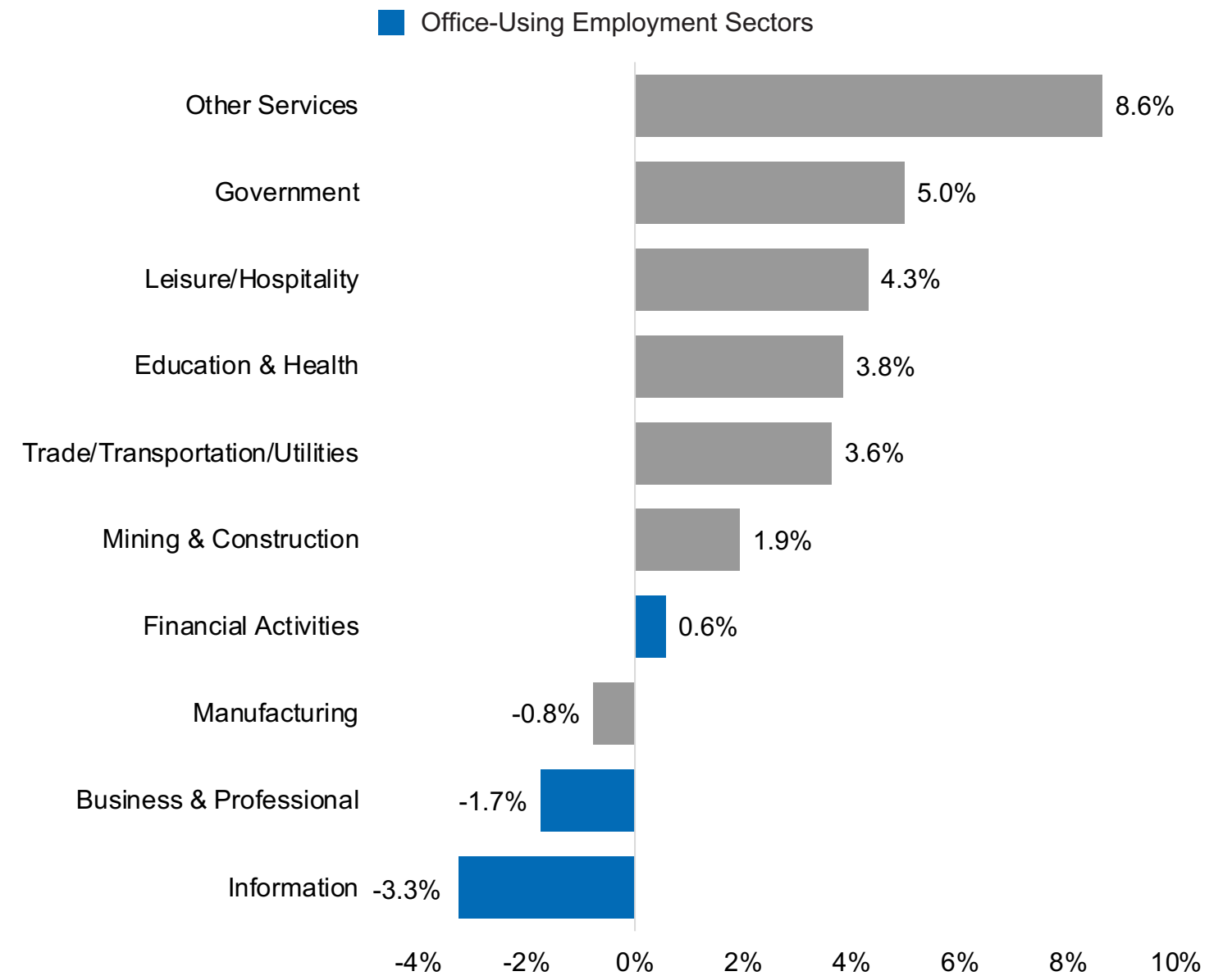
Employment Growth Continues Across Most Sectors

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 office-using employment's business and professional sector is the second-largest industry sector in the metroplex at 18.2%. Most industries in Broward reported growth, with the exception of three industries which included the office-using information and business and professional sectors, which contracted by 3.3% and 1.7% respectively. Financial activities grew by 0.6%.

Employment by Industry, February 2024



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

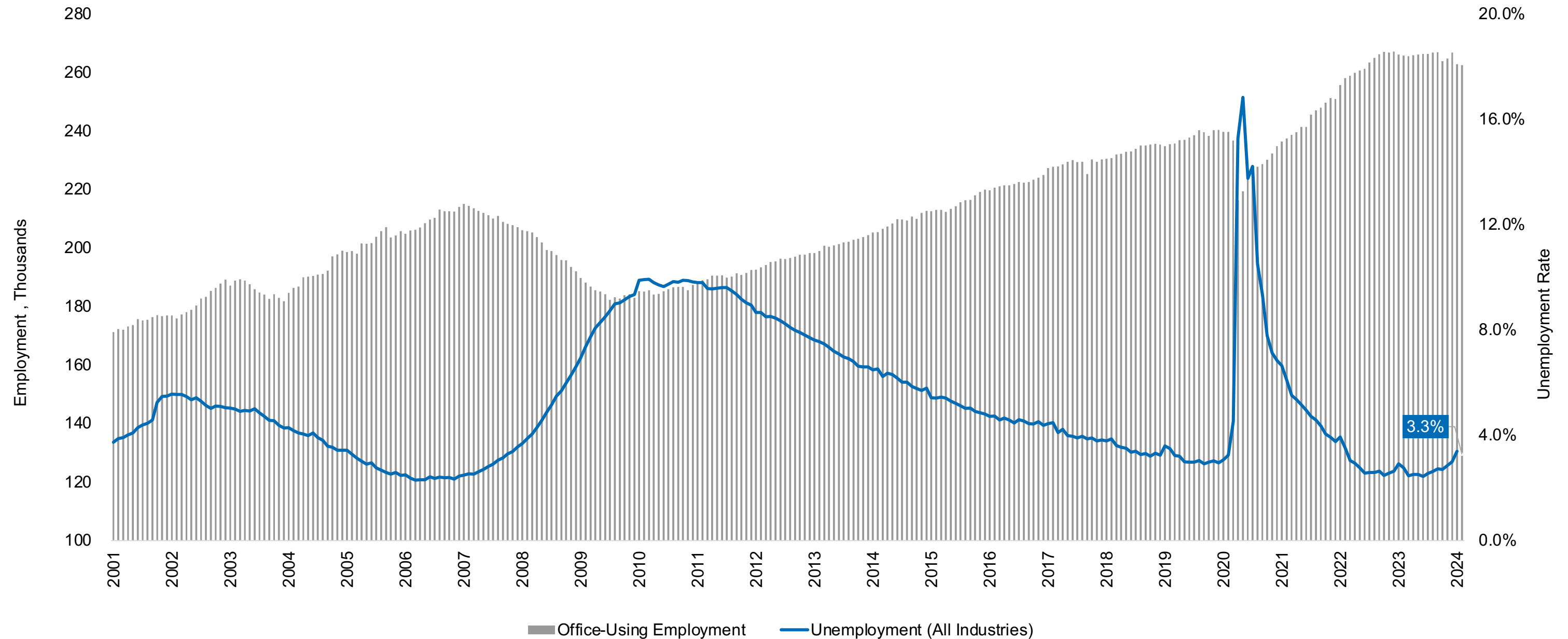


Source: U.S. Bureau of Labor Statistics, Broward County

Overall Office-Using Employment Eases From Recent Historical Highs

Office-using employment in the Broward market decreased by 1.2% year over year to 262,500 employees. The decline represents a 1.7% decline from the all-time historical high reached in December 2022 at 267,160 employees. Currently, the seasonally adjusted unemployment rate is at 3.3%, above the 3.1% average levels reported in 2019, indicating that office-using jobs likely contributed to the increasing unemployment rate.

Office-Using Employment* and Unemployment Across All Industries



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

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

1Q24

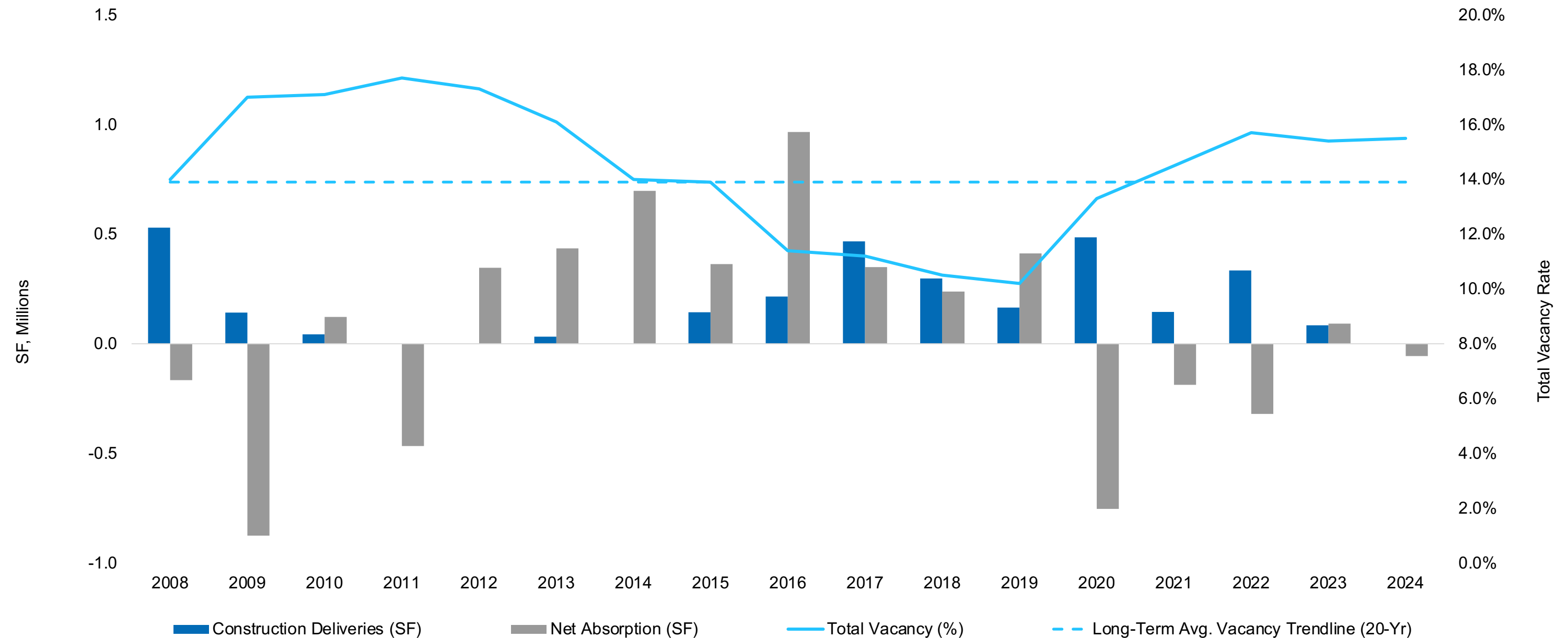
Leasing Market Fundamentals



Vacancy Ticks Up Slightly

The Broward office vacancy rate increased by 20 basis points year over year to 15.5% in the first quarter of 2024. The increase was driven by a slightly negative net absorption of 56,565 SF in the quarter. There were no new deliveries in the quarter. As demand continues to remain in closer balance with supply, vacancy rates will likely be relatively stable.

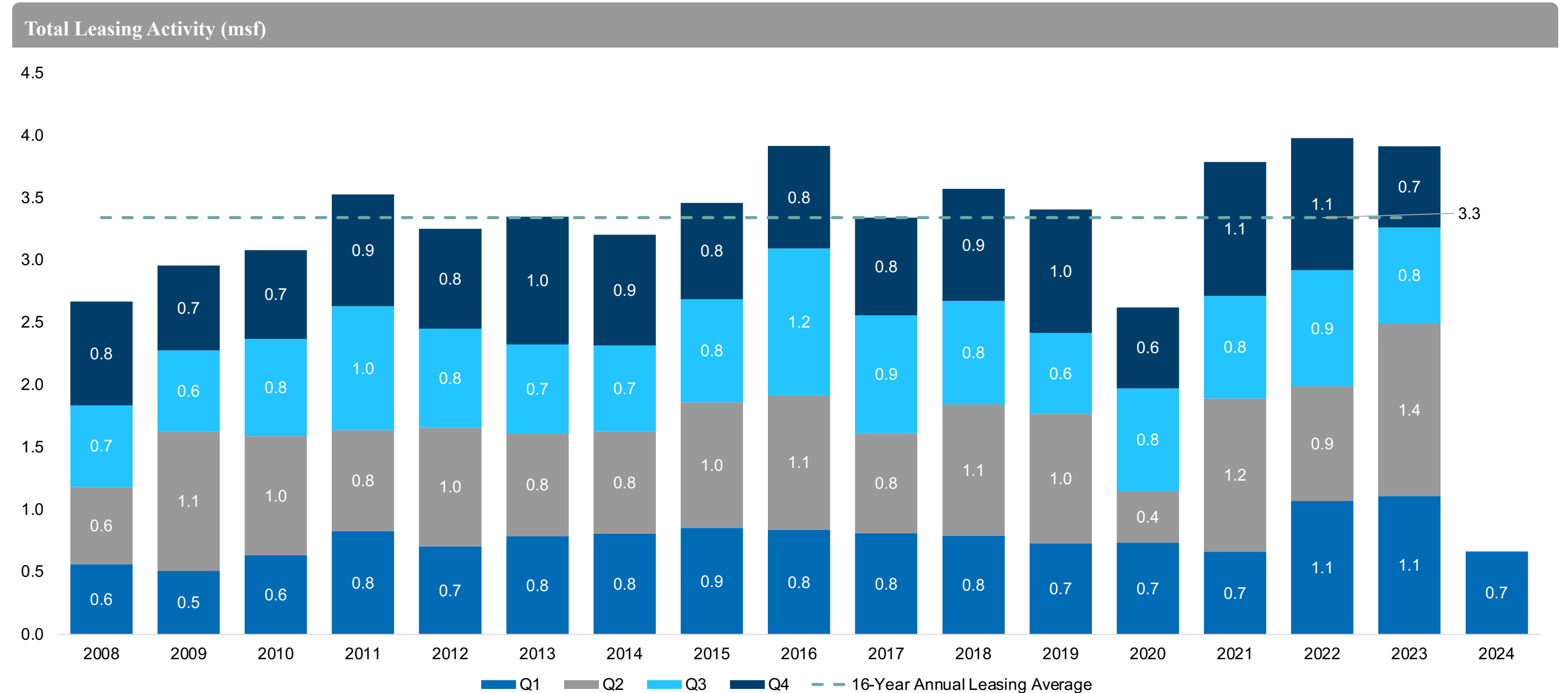
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Ticks Up Compared to Previous Quarter

Leasing activity in the first quarter of 2024 increased 1.9% quarter over quarter to 665,683 SF. The first quarter of 2024 is 14.3% below the 777,044 SF average for leasing activity in the first quarter over the last 16 years. Deal size averaged 2,762 SF in the first quarter of 2024, a slight 64 SF increase over the previous quarter. The recent trend of smaller deals being done compared to the pre-pandemic deal size of 3,639 SF can likely be attributed to a more challenging debt liquidity environment impacting larger deals from occurring as easily.

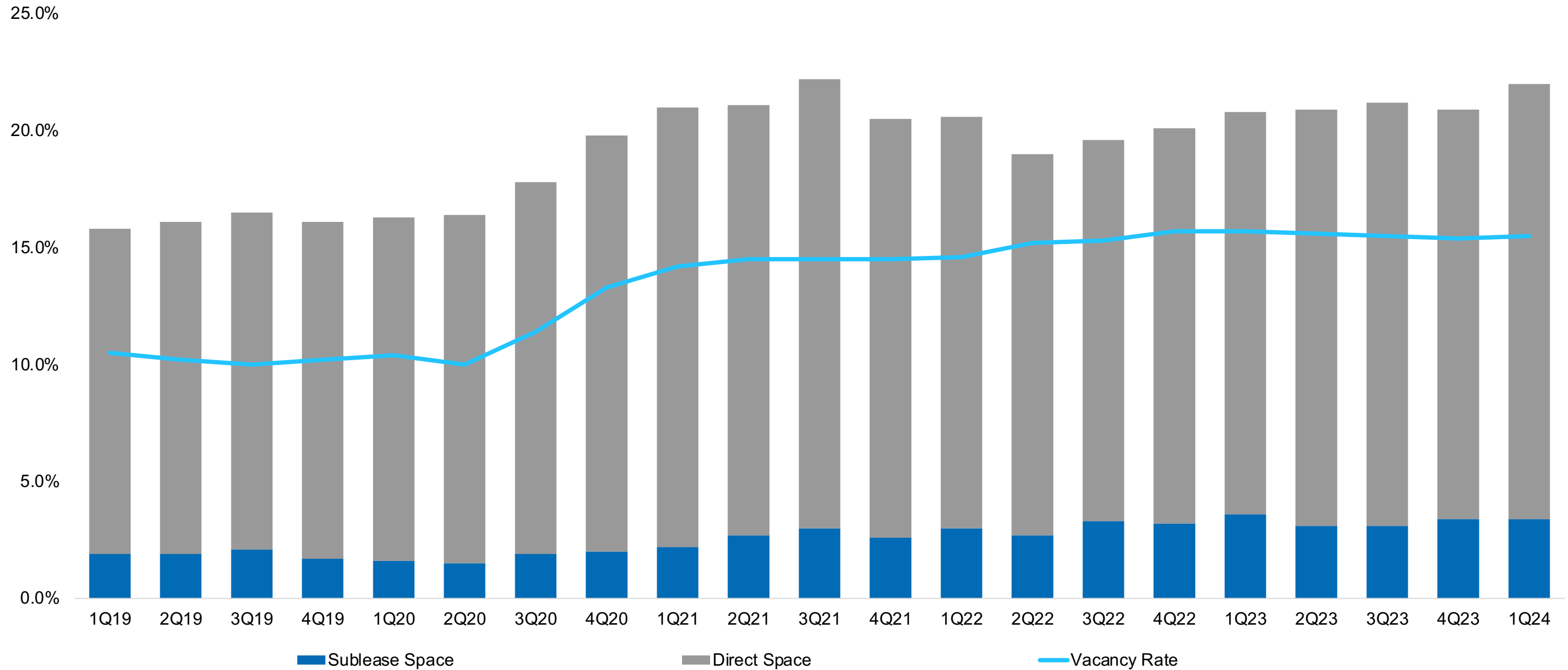


Source: Newmark Research, CoStar

Availability Increases

Sublease availability in Broward has generally been on the rise since the pandemic, reaching a peak in the first quarter of 2023. As of the first quarter of 2024, sublease availability continues to remain elevated at 3.4% but has declined from the peak by 20 basis points. Direct availability in the first quarter of 2024 increased 110 basis points quarter over quarter to 18.6%. Vacancy ended the first quarter of 2024 at 15.5%, remaining level with the average rate over the past seven quarters.

Available Space as Percent of Overall Market

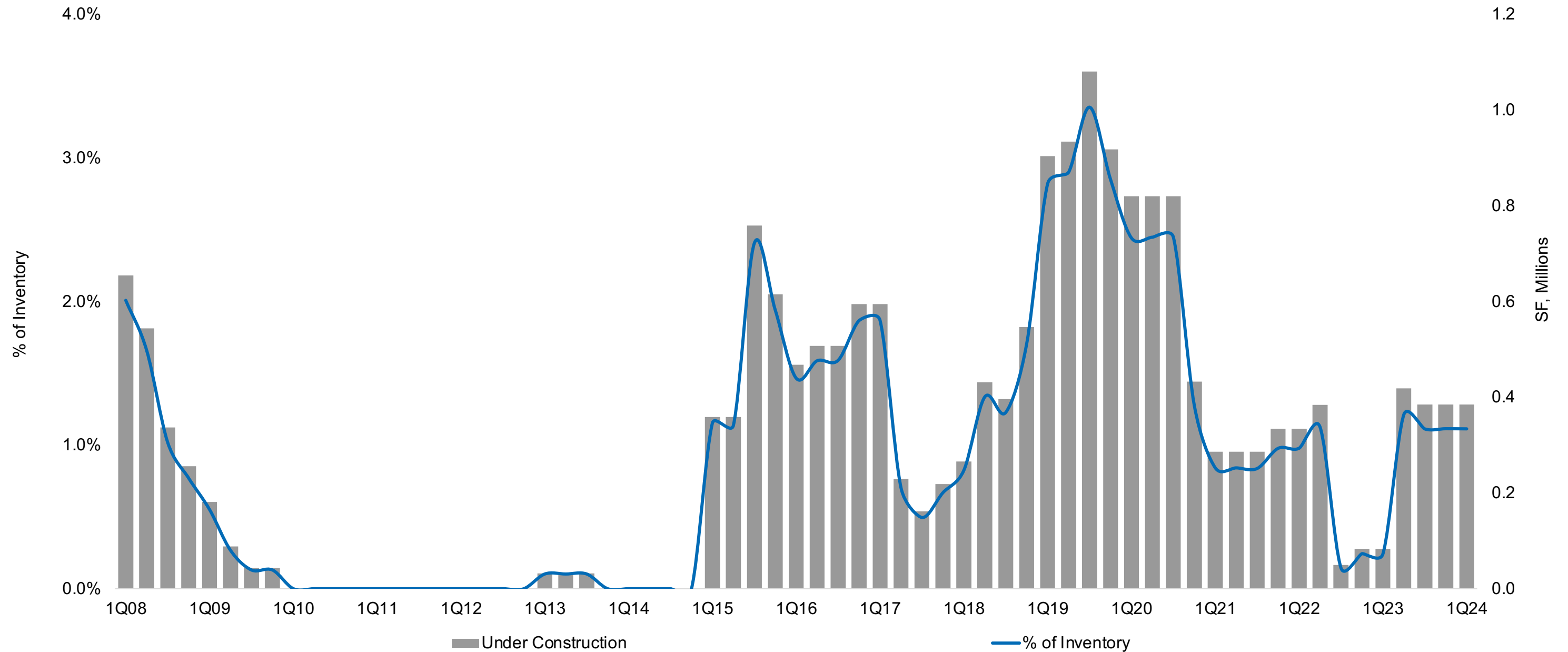


Source: Newmark Research, CoStar

Construction Activity Remains Flat

As of the first quarter of 2024, the market had 384,790 SF under construction. This represents a sharp decline from elevated levels seen in 2019, when the market peaked at 1.1 MSF under construction in the third quarter of 2019. The lower level of construction will likely reduce the risk of overbuilding, with the current under construction volume representing 1.1% of the market's inventory and is continually supported by demand for new, high-quality space.

Office Under Construction and % of Inventory

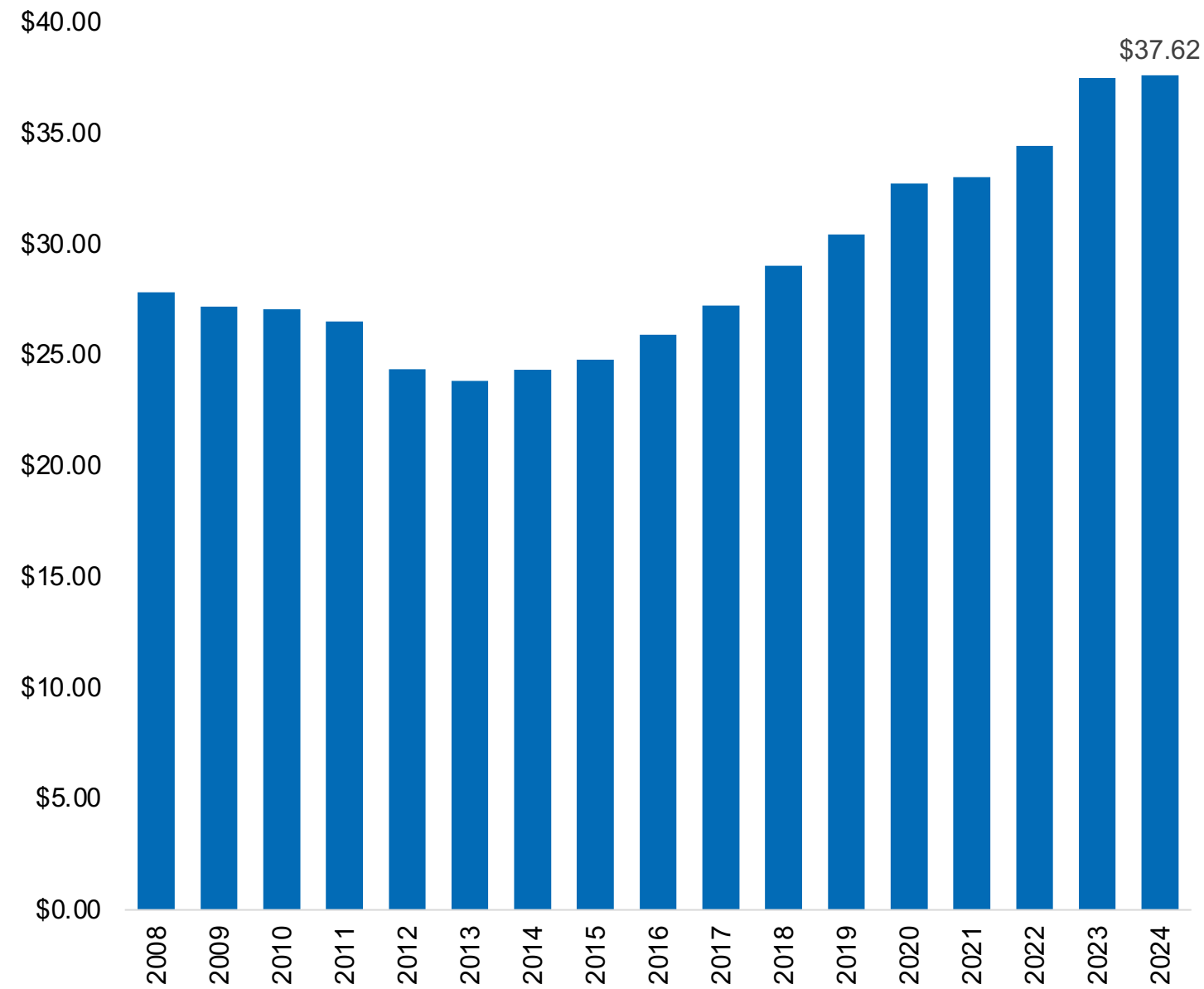


Source: Newmark Research, CoStar

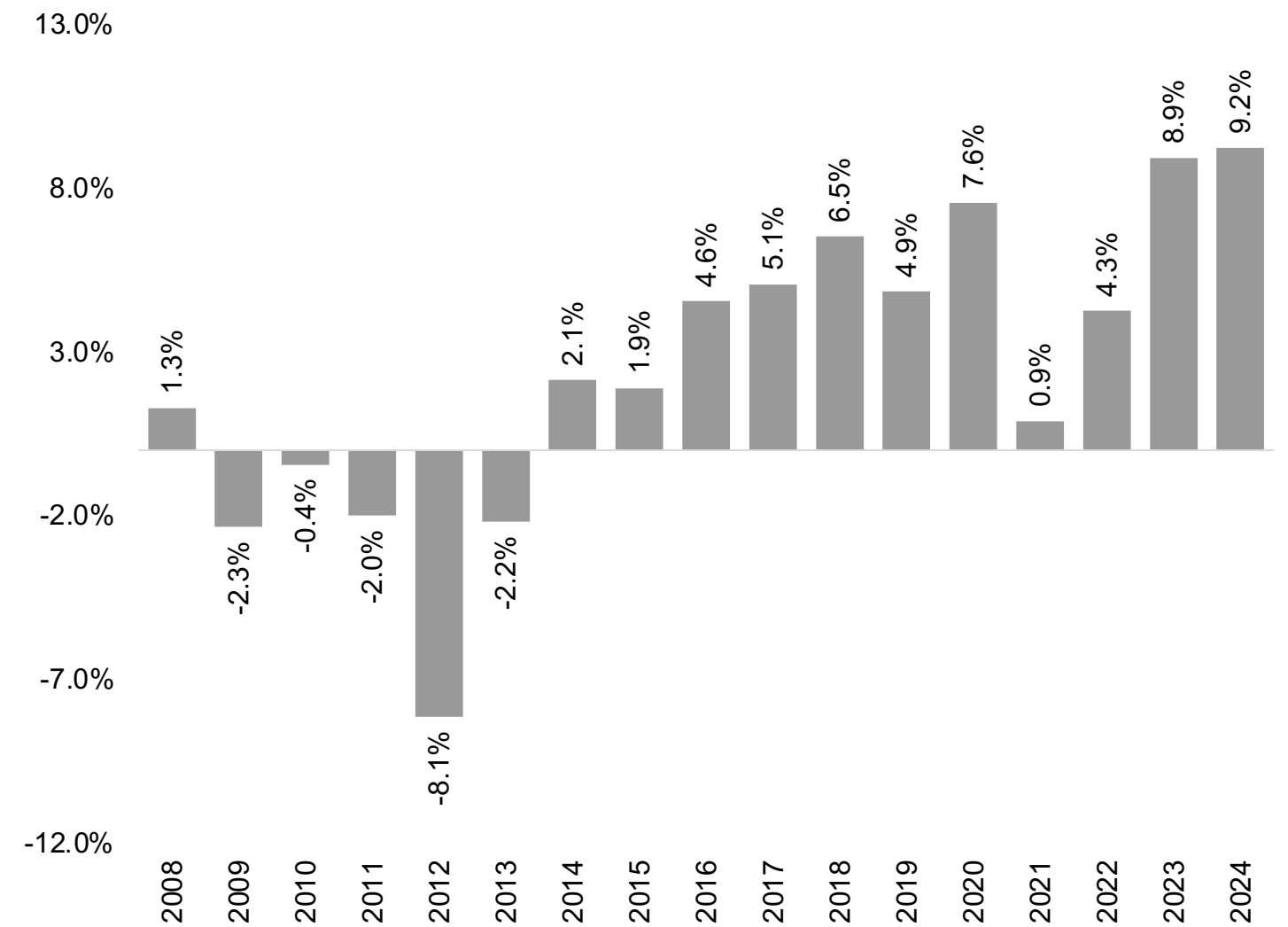
Rents Reach All-Time High

Rents continued increasing in the first quarter of 2024, reaching an all-time historical high of \$37.62/SF, an 9.2% increase year over year. Rental rates continued trending upwards due to rising operating expenses and inflation. Asking rents are likely to remain elevated, while concessions are expected to increase to help offset high asking rates as market demand softens.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

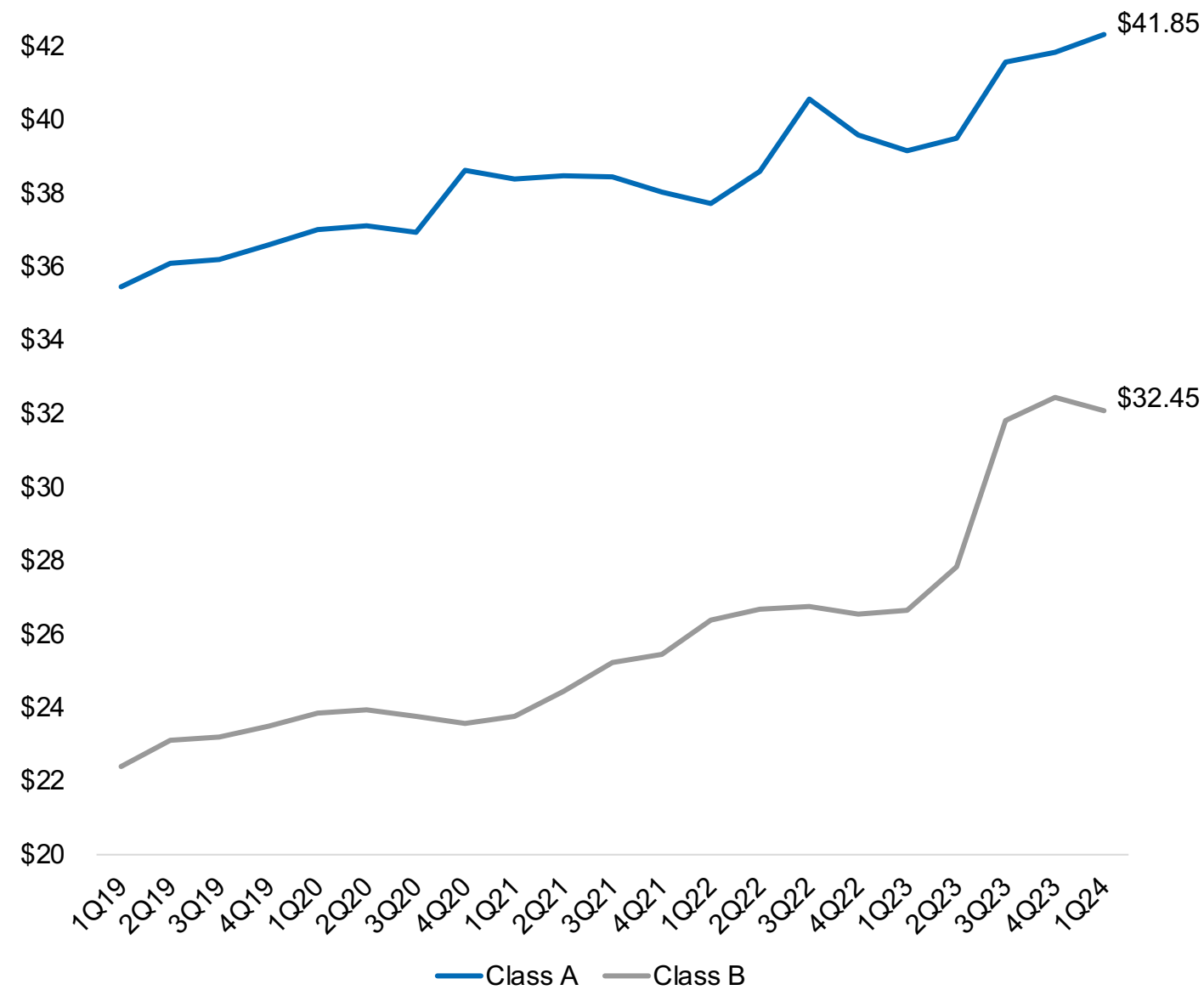


Source: Newmark Research, CoStar

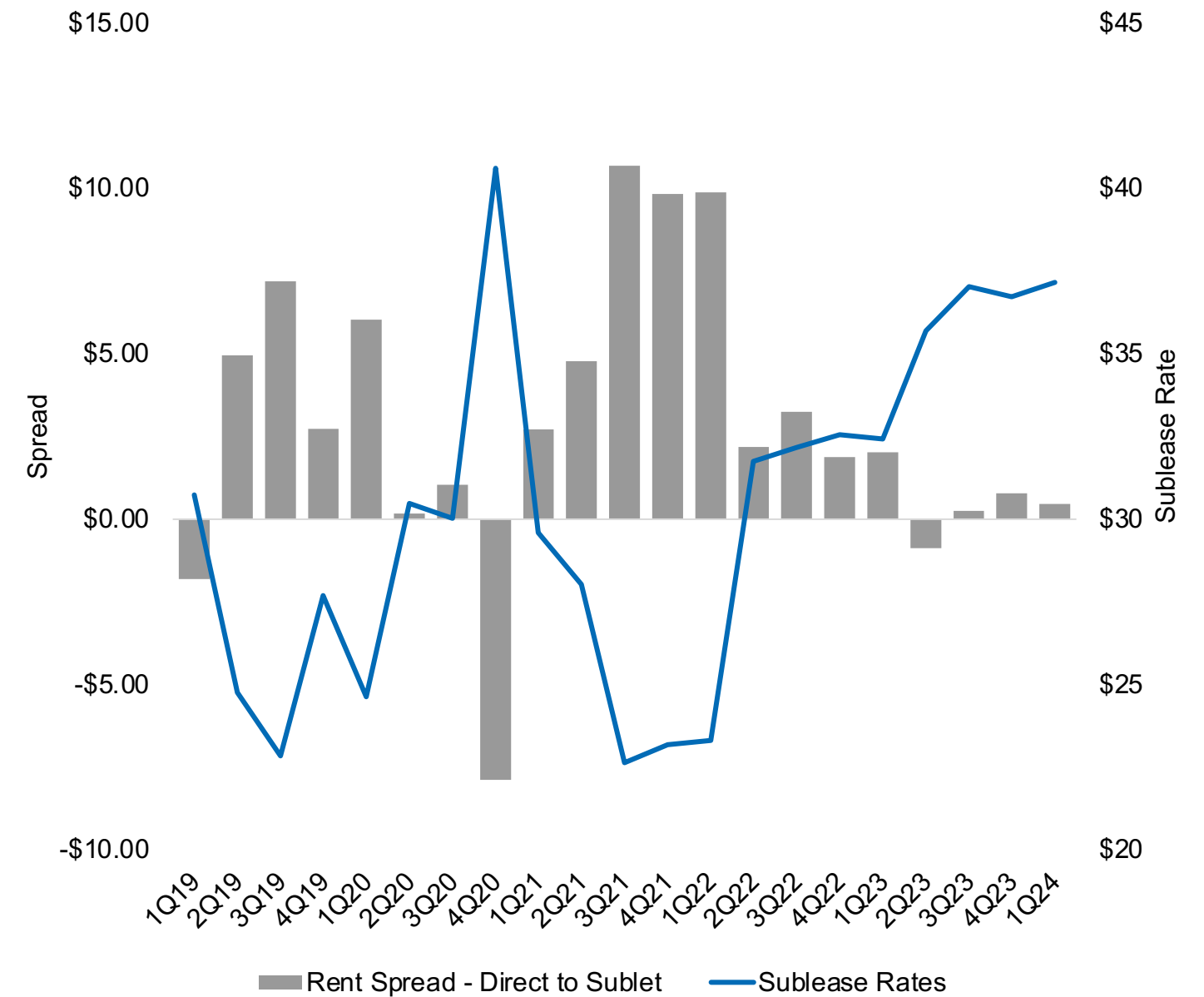
Class A and Class B Rent Gap Widens

As of the end of the first quarter of 2024, Class A rents ended at \$42.33/SF, while Class B reported \$32.09/SF. The spread increased 8.9% to \$10.24 from the previous quarter, reversing the trend of a declining gap in recent quarters. Sublease rates ended the first quarter of 2024 at \$37.16/SF, a 1.2% decrease quarter over quarter.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Leasing Activity Steady

Leasing activity moved closer to average historical levels, while the trend of smaller average deal size remains. Four of the top five deals signed in the first quarter were new leases, indicating that there is still appetite for office space in the market.

Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Seabulk	DCOTA – 1855 Griffin Rd	Fort Lauderdale CBD	Direct New	31,216
<i>Logistics and transport solutions company Seabulk signed a new lease at the Design Center of The Americas. Their parent company SEACOR is an existing tenant in the same submarket.</i>				
Comcast	The Edison – 1200 SW 145 th Ave	Southwest Broward	Direct New	28,890
<i>Media company Comcast will be occupying approximately 18% of The Edison, which delivered in 2019.</i>				
Kaplan University	Fort Lauderdale Landings – 1515 W Cypress	Cypress Creek	Renewal	25,731
<i>Private, online for-profit university Kaplan renewed their space at 1515 W Cypress. The location houses their real estate education department.</i>				
Choice Home Warranty	Sawgrass Commerce Center – Building B	Sawgrass Park	Direct New	19,832
<i>Home warranty provider Choice Home Warranty is new to market. The company is headquartered in New Jersey.</i>				
Memorial Healthcare System	Venture Center – 3440 Hollywood Blvd	Hollywood	Direct New	18,053
<i>One of Florida’s largest hospital systems, Memorial Healthcare recently acquired land they plan to develop a few blocks from where the subject lease was signed.</i>				



Please reach out to your
Newmark business contact for this information

For more information:

Neil Matthee

Research Manager, Southeast

neil.matthee@nmrk.com

Ching-Ting Wang

Head of Southeast Research

chingting.wang@nmrk.com

Miami

1111 Brickell Ave

Suite 2000

Miami, FL 33131

t 305-350-0915

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK