

2Q24

# Broward Office Market Overview



# Market Observations

## Economy

- The market’s unemployment increased by 46 basis points year over year to 3.2% at the end of May 2024, but remained below the national average of 4.0%.
- Despite recent national economic headwinds, jobs in Broward grew by 2.8% year over year to 935,100 by the end of May 2024.
- Six of the 10 employment sectors reported year-over-year growth, with the other services sector leading job gains at 11.5% over the past twelve months.
- Office-using jobs declined 0.6% year over year to 264,530, with all three office-using sectors seeing employment contraction. Information declined 2.0%, financial activities declined 0.7% while business and professional saw a 0.4% decline.

## Major Transactions

- Law firm Greenberg Traurig signed the largest deal of the quarter, renewing 48,790 SF they have occupied since 2006 in Fort Lauderdale CBD submarket.
- Three of the largest deals signed in the second quarter of 2024 were renewals, notably the same size as the original lease deal, suggesting stable office demand.
- The top five deals were in three different submarkets, which included the quarter’s biggest lease deal in the Fort Lauderdale CBD, and two deals each in the Sawgrass Park and Cypress Creek submarkets.

## Leasing Market Fundamentals

- Annual full-service asking rental rates increased to a new historical high of \$38.08/SF, a 9.4% increase year over year.
- Vacancy decreased 20 basis points year over year, ending the second quarter of 2024 at 15.3%, driven in part by a 132,638 SF move-in that resulted in 129,523 SF of positive absorption at the end of the quarter.
- There is one, 174,790 SF project currently under-construction, the T3 FAT Village East project developed by Hines. There had been no new construction in the prior three quarters.
- Total leasing activity closed the quarter at 680,932 SF, a 7.1% quarter-over-quarter decline. Leases signed averaged 2,948 SF per deal, continuing a trend of smaller lease deals compared to the pre-pandemic deal size of 3,607 SF between 2008 to 2019.

## Outlook

- The Broward County office market will continue to see growth, albeit somewhat muted, driven in part by the decline in office-using employment. Office investment activity will remain low in the near term due to a steeper cost of debt and investors seeking opportunities in markets with higher levels of distress.
- Rents will continue to increase, driven by demand for newer, higher-class space.
- The rent spread between Class A and Class B assets will likely continue to narrow, potentially pushing 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

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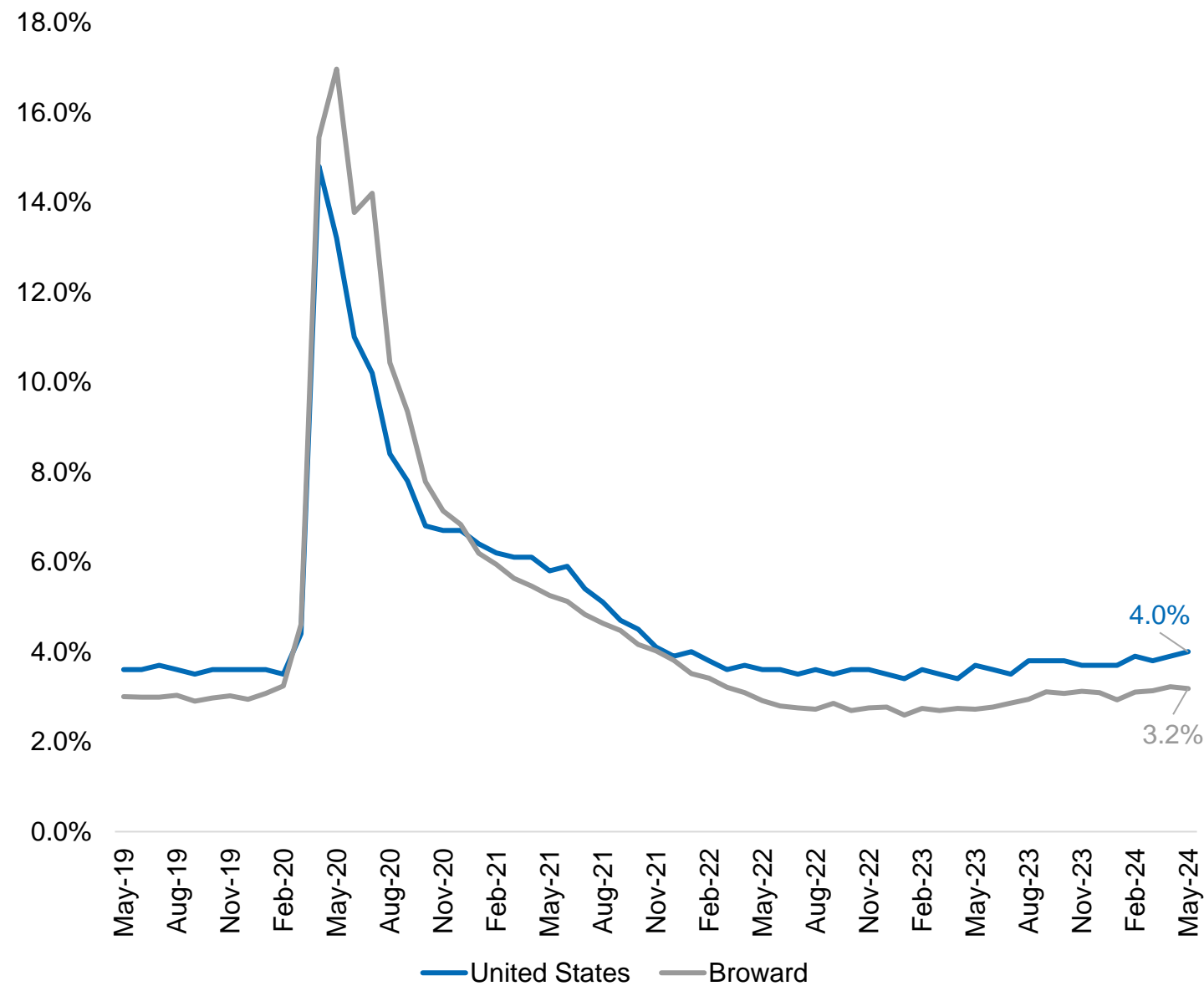
# Economy



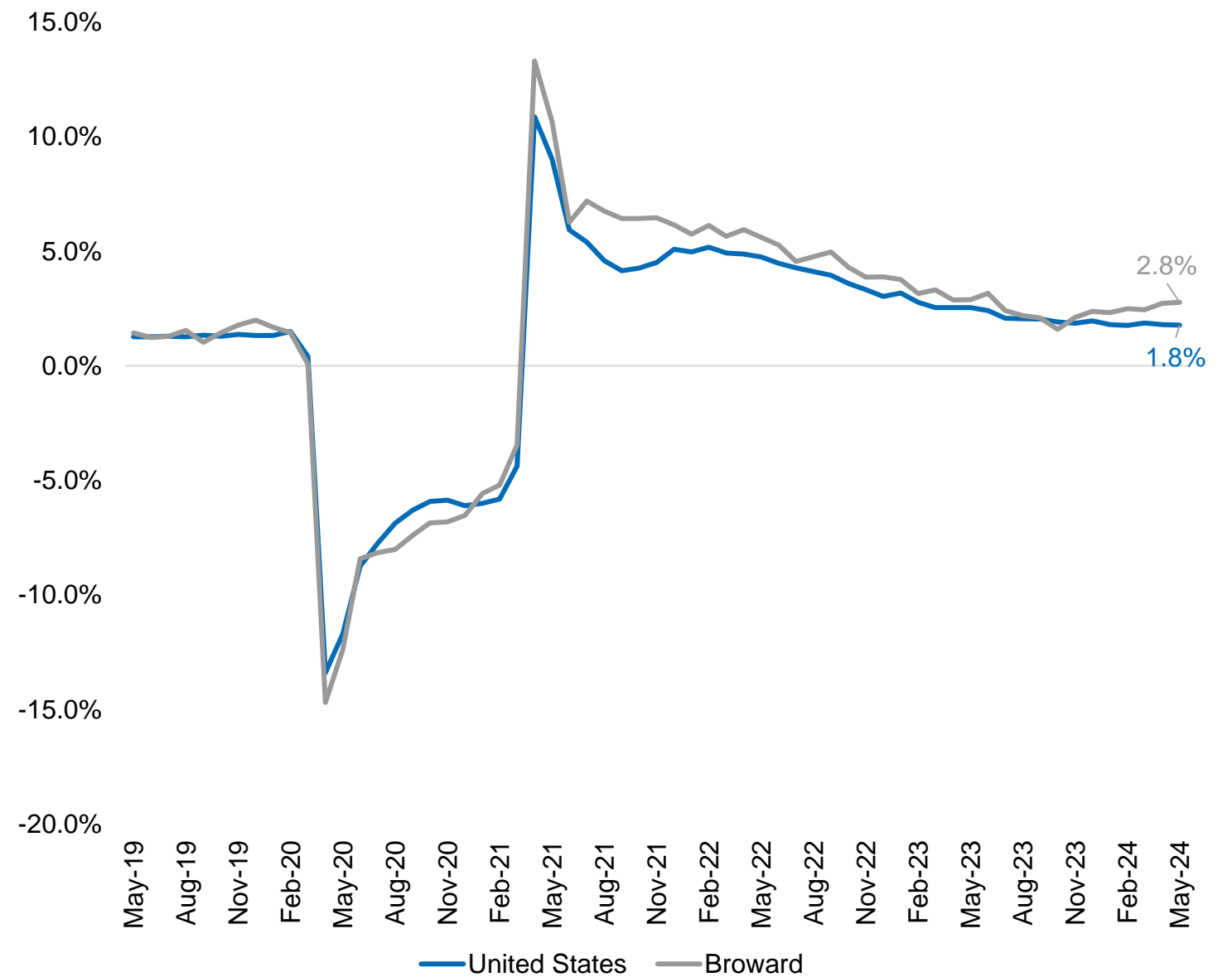
# Metro Employment Trends Continue Signaling a Slowing Economy

The Broward market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. Continued national slowing growth have pushed the region's unemployment rate to increase by 46 basis points year over year to 3.2%, but still 82 basis points below the national rate. Employment growth increased 2.8% year over year to 935,100 jobs at the end of the second quarter of 2024.

Unemployment Rate, Seasonally Adjusted



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

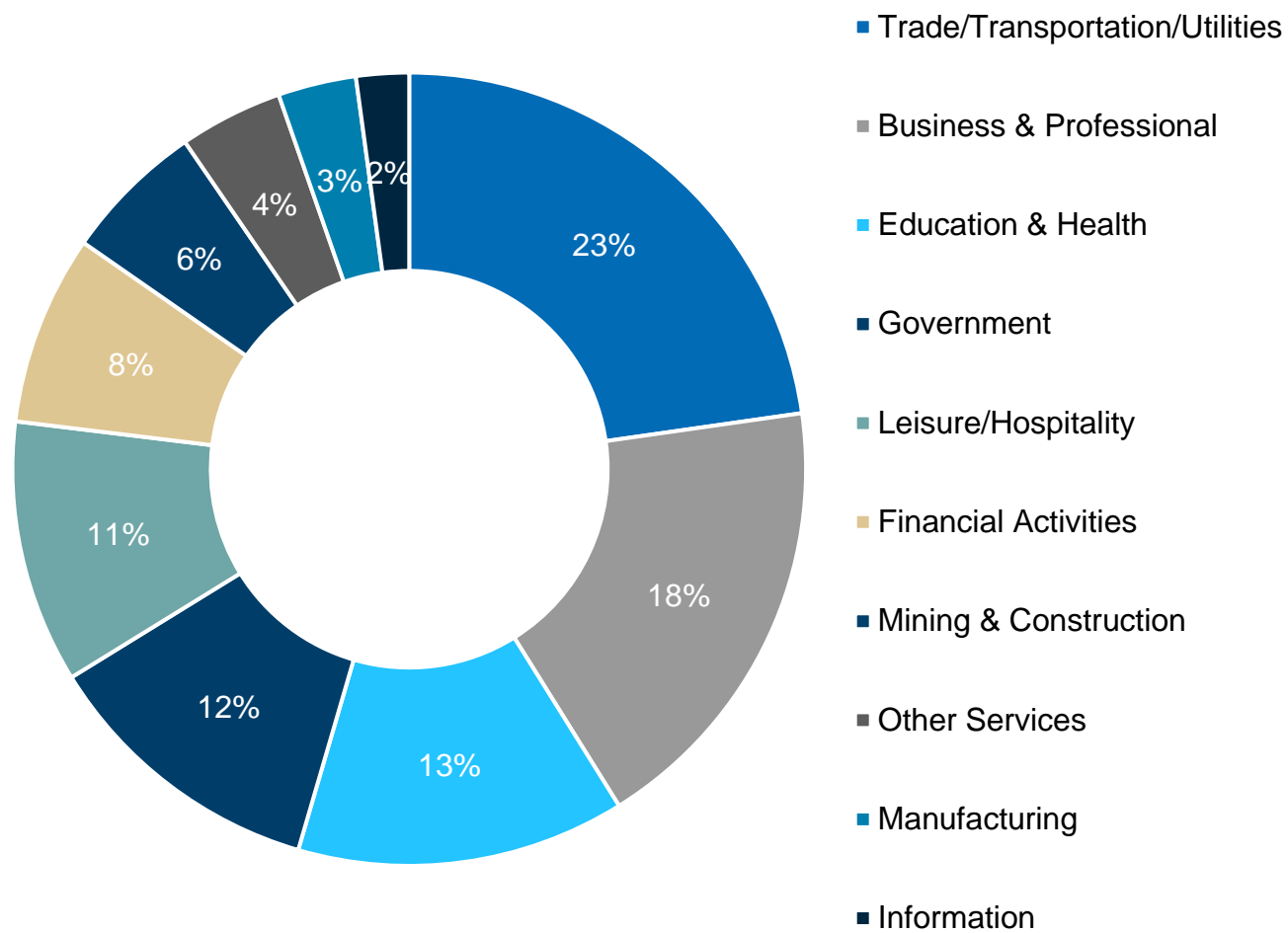


Source: U.S. Bureau of Labor Statistics, Broward County

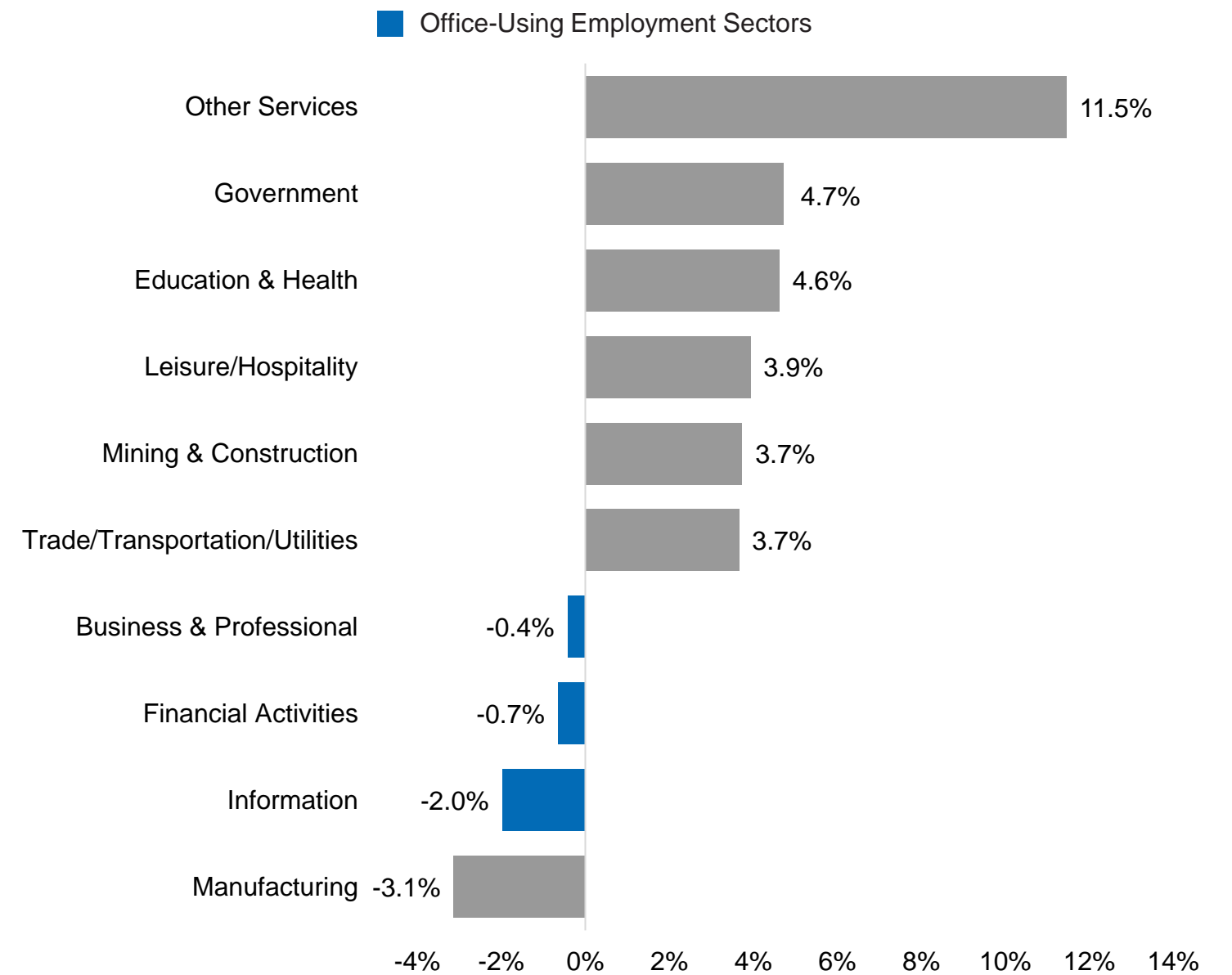
# Employment Growth Continues In Some Sectors Despite Declines in Office-Using Employment

The Broward market has a high industry diversity with the top two industries, accounting for only 41.1% of the market's industry employment share. The office-using employment's business and professional sector is the second-largest industry sector in the metro at 18.4%. Six of the 10 employment sectors in Broward reported growth, with three of the four contracting industries being office-using. The information, financial activities and business and professional sectors contracted by 2.0%, 0.7% and 0.4% respectively.

Employment by Industry, May 2024



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

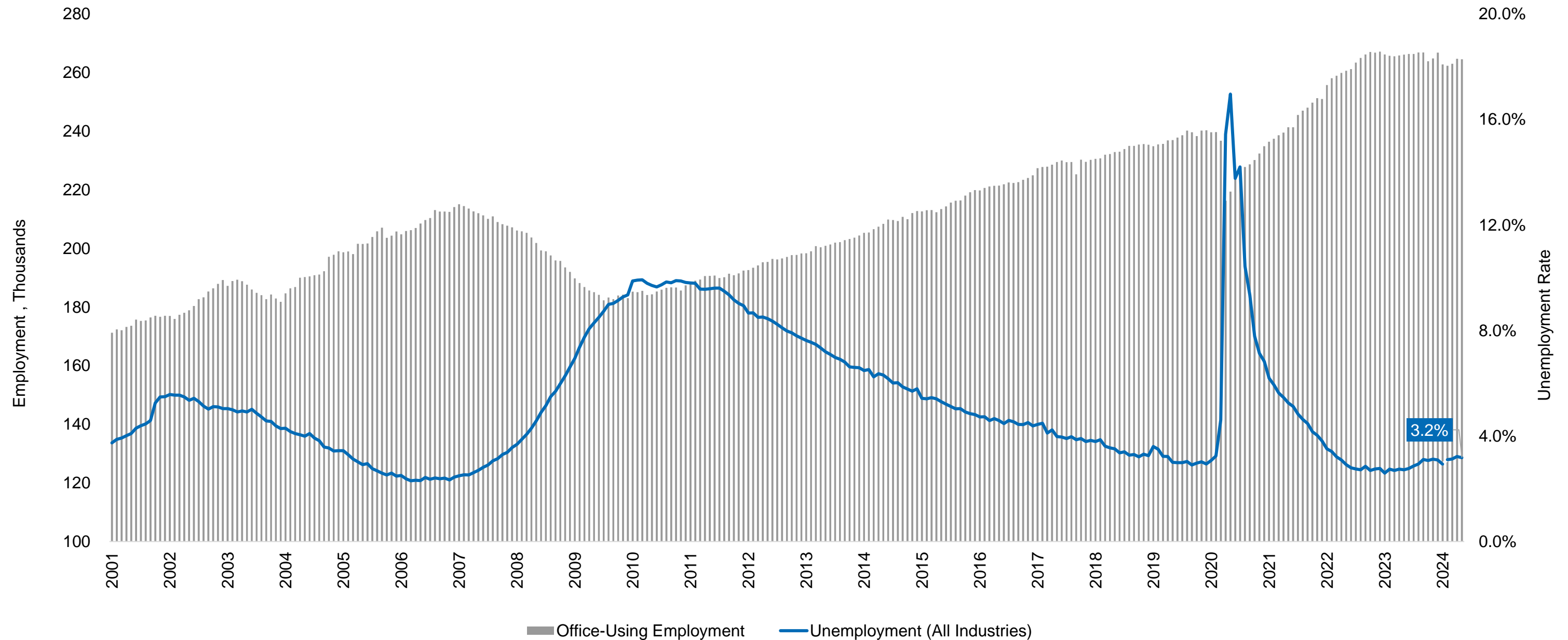


Source: U.S. Bureau of Labor Statistics, Broward County

# Overall Office-Using Employment Reports Second Quarterly Decline

Office-using employment in the Broward market decreased by 0.6% year over year to 264,530 employees. The decline represents a 1.0% decline from the all-time historical high reached in December 2022 of 267,160 employees. Currently, the seasonally adjusted unemployment rate is at 3.2%, 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.

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# Leasing Market Fundamentals

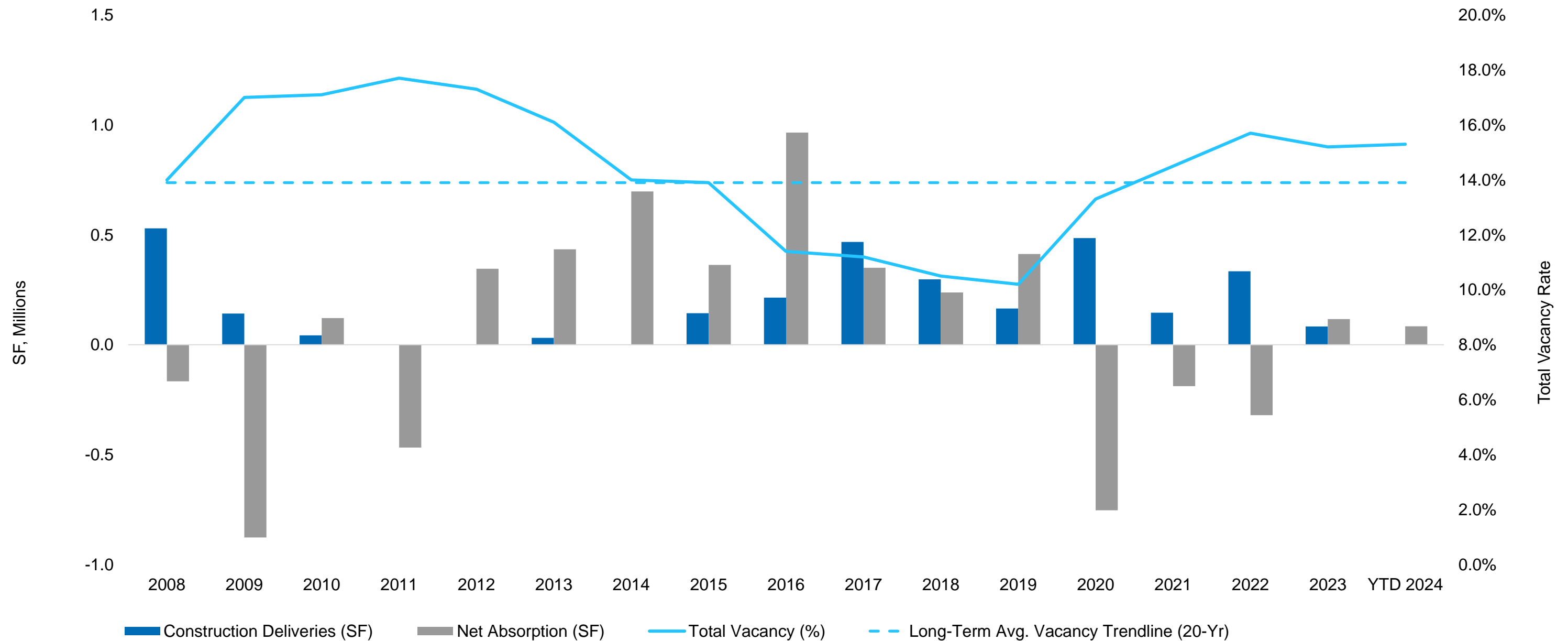




# Demand Outpaces Supply, Driving Vacancy Down Slightly

The Broward office vacancy rate decreased by 10 basis points quarter over quarter to 15.3% in the second quarter of 2024. The decrease was driven largely by the 132,638 SF move-in by toymaker Jazwares, which helped the second quarter's 129,523 SF in positive absorption, while there were also no new deliveries in the quarter. As demand continues to remain in closer balance with supply, vacancy rates will likely remain stable.

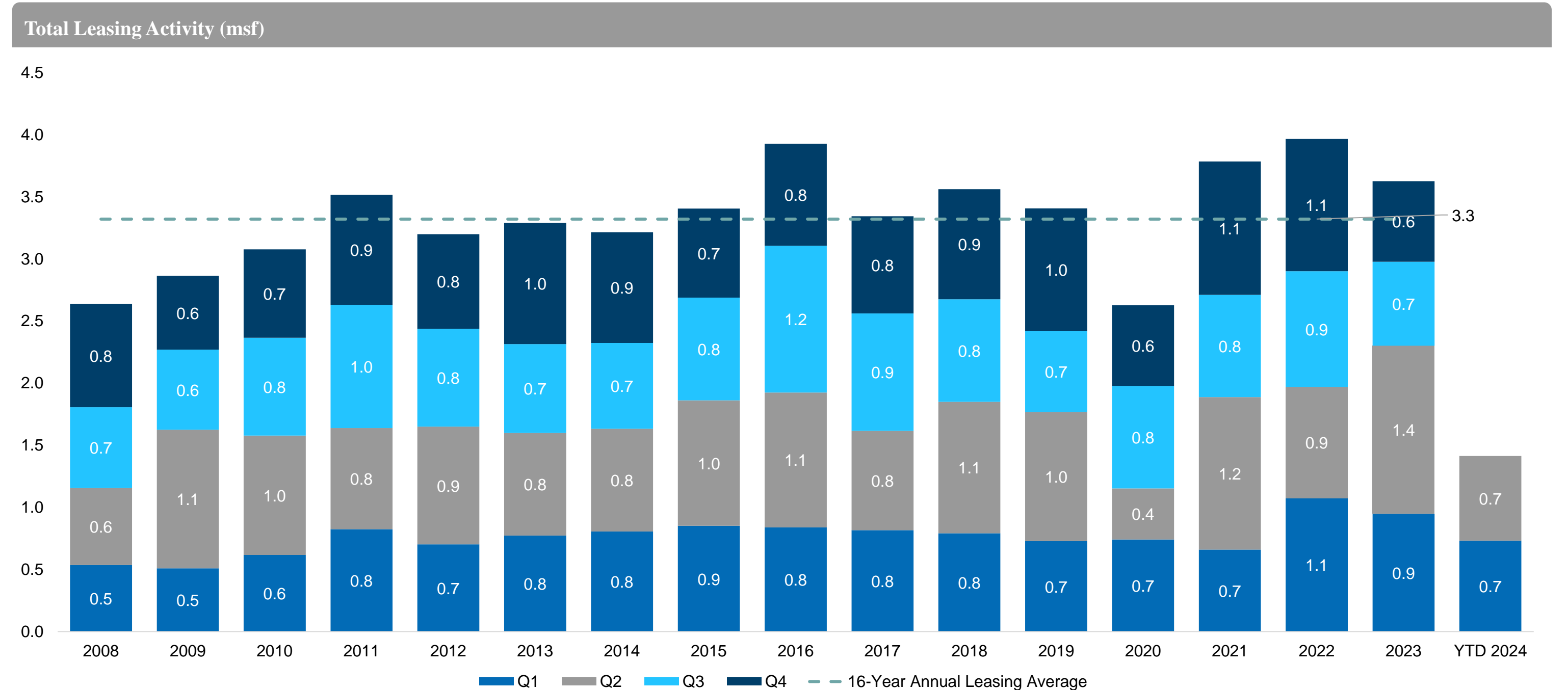
## Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

# Leasing Activity Decreases Quarter Over Quarter

Leasing activity in the second quarter of 2024 decreased 7.1% quarter over quarter to 680,932 SF and was also 27.3% below the 937,109 SF average for leasing activity in the second quarter over the last 16 years. Deal size averaged 2,948 SF in the second quarter, a 118 SF increase quarter over quarter. The recent trend of smaller deals being done compared to the 2008 to 2019 pre-pandemic deal size of 3,607 SF has recently been driven by tenants often reducing their average footprint size while simultaneously seeking higher quality space.

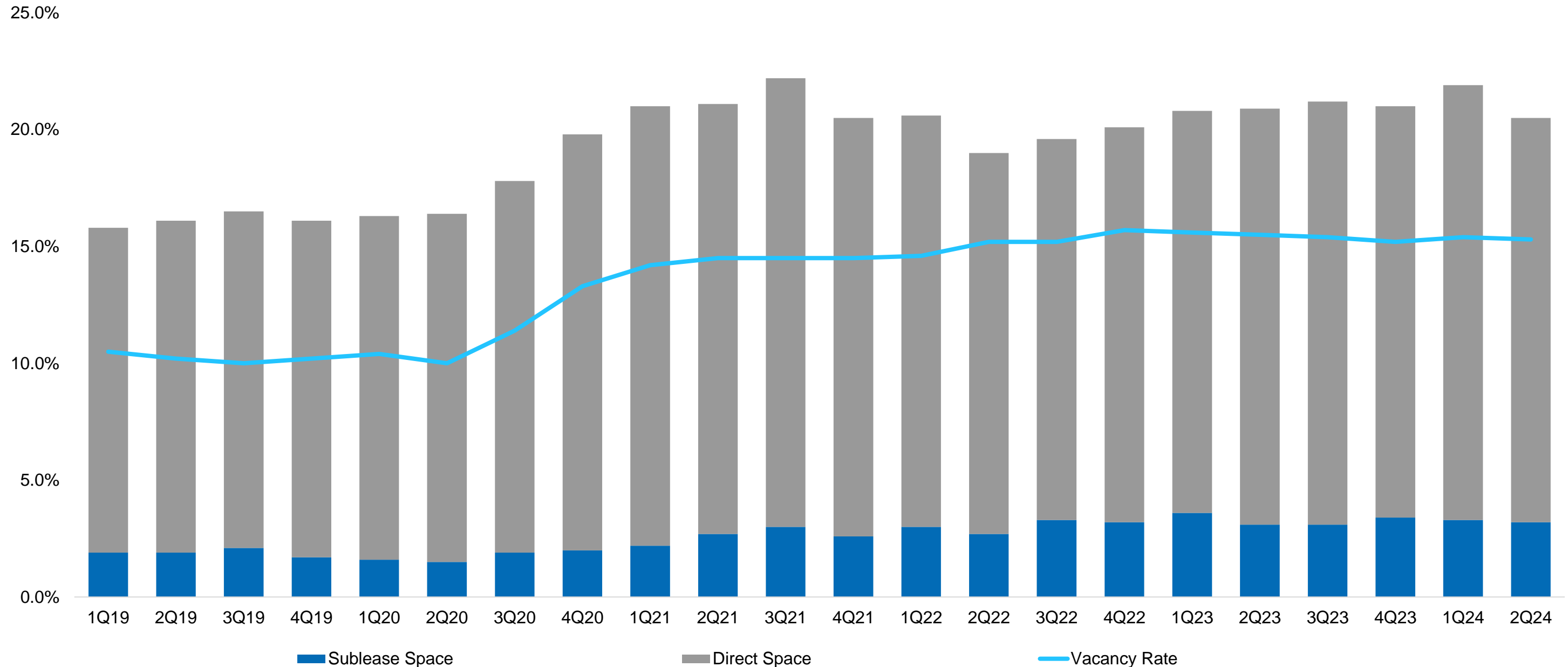


Source: Newmark Research, CoStar

# Availability Decreases

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 second quarter of 2024, sublease availability declined 10 basis points quarter over quarter to 3.2% and has declined 40 basis points from the peak in the first quarter of 2023. Direct availability in the second quarter of 2024 decreased 130 basis points quarter over quarter to 17.3%. Vacancy ended the second quarter of 2024 at 15.3%, a quarter-over-quarter decline of 10 basis points.

Available Space as Percent of Overall Market

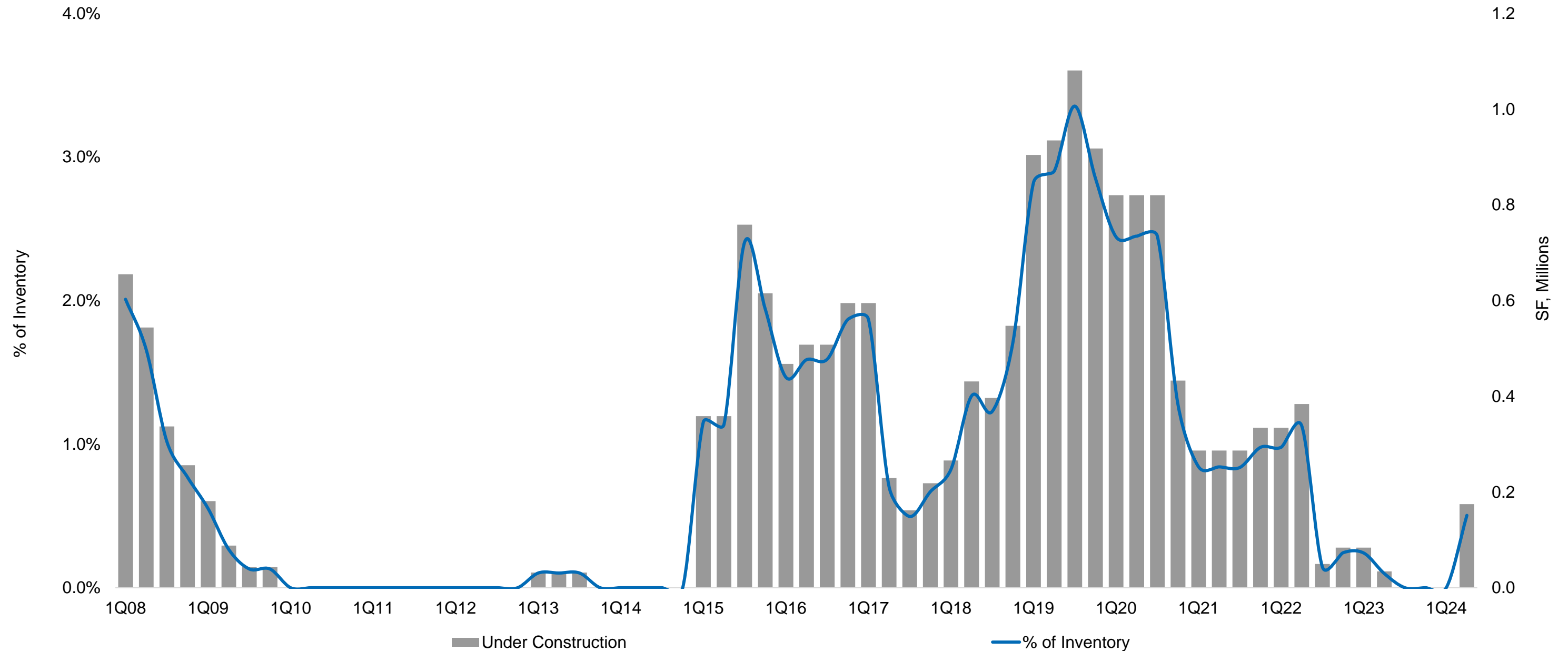


Source: Newmark Research, CoStar

# Construction Activity Picks Up

As of the second quarter of 2024, the market had 174,790 SF under construction, represented by one project Hines is developing in the Fort Lauderdale CBD submarket called T3 FAT Village East. The pipeline 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 more muted level of construction, with the second quarter of 2024 representing only 0.5% of inventory, should keep supply more in balance with demand.

Office Under Construction and % of Inventory

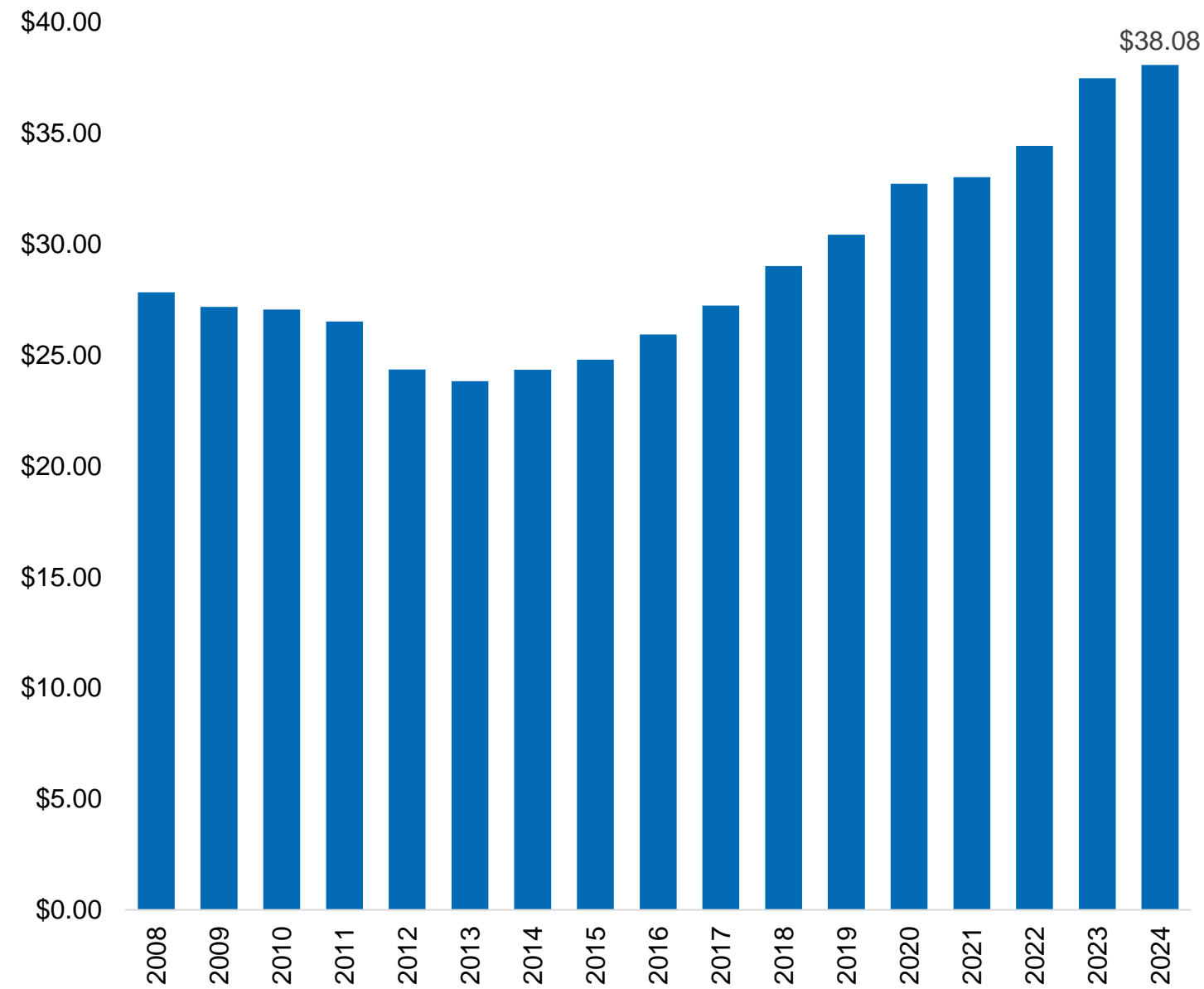


Source: Newmark Research, CoStar

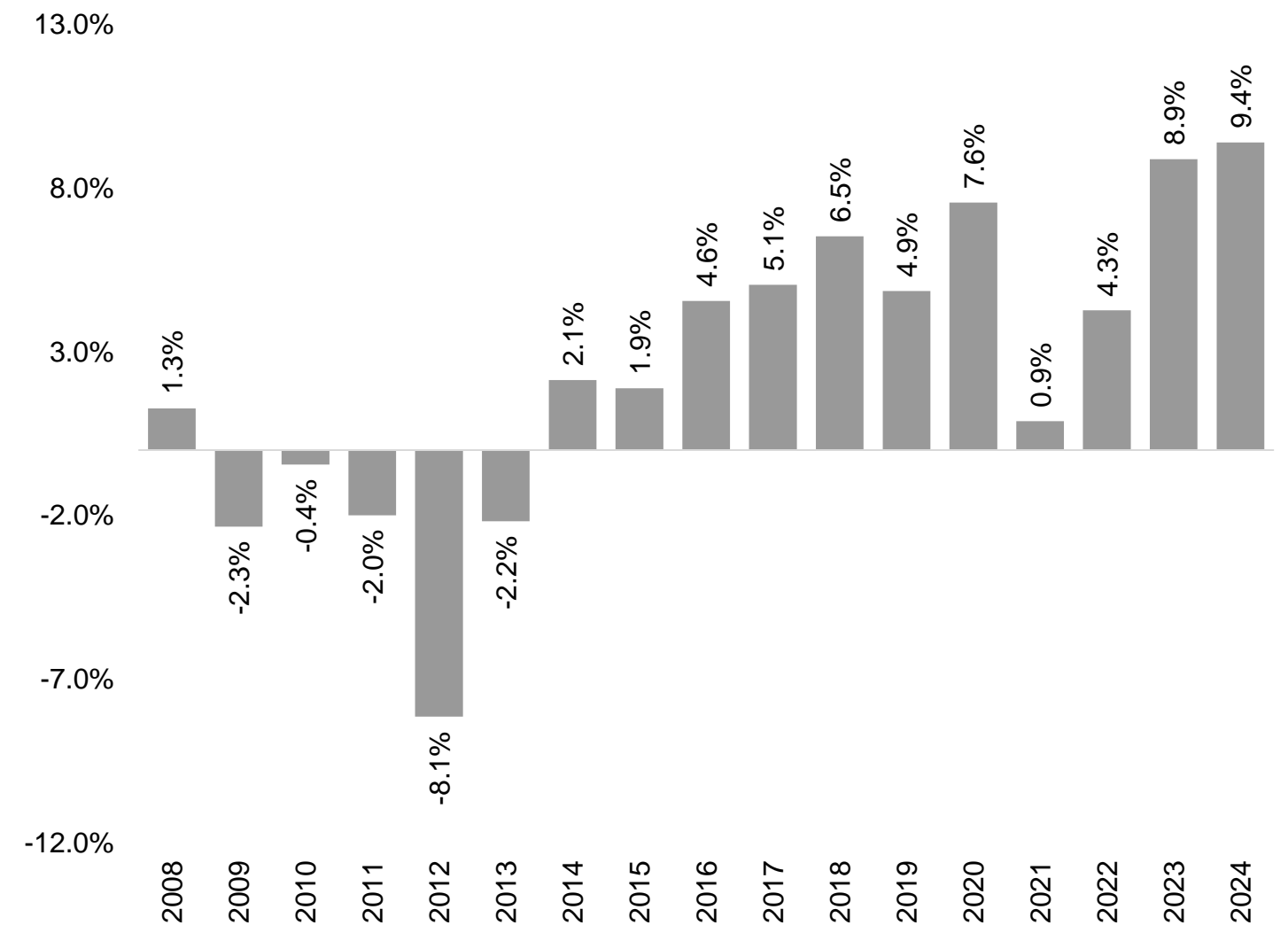
# Rents Reach All-Time High

Rents continued increasing in the second quarter of 2024, reaching an all-time historical high of \$38.08/SF, an 9.4% increase year over year. The pace of rental rates continued trending upwards, driven both by rising operating expenses and the constrained supply of higher quality, in-demand space. Asking rents are likely to remain elevated, as newer inventory will command premium rates.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

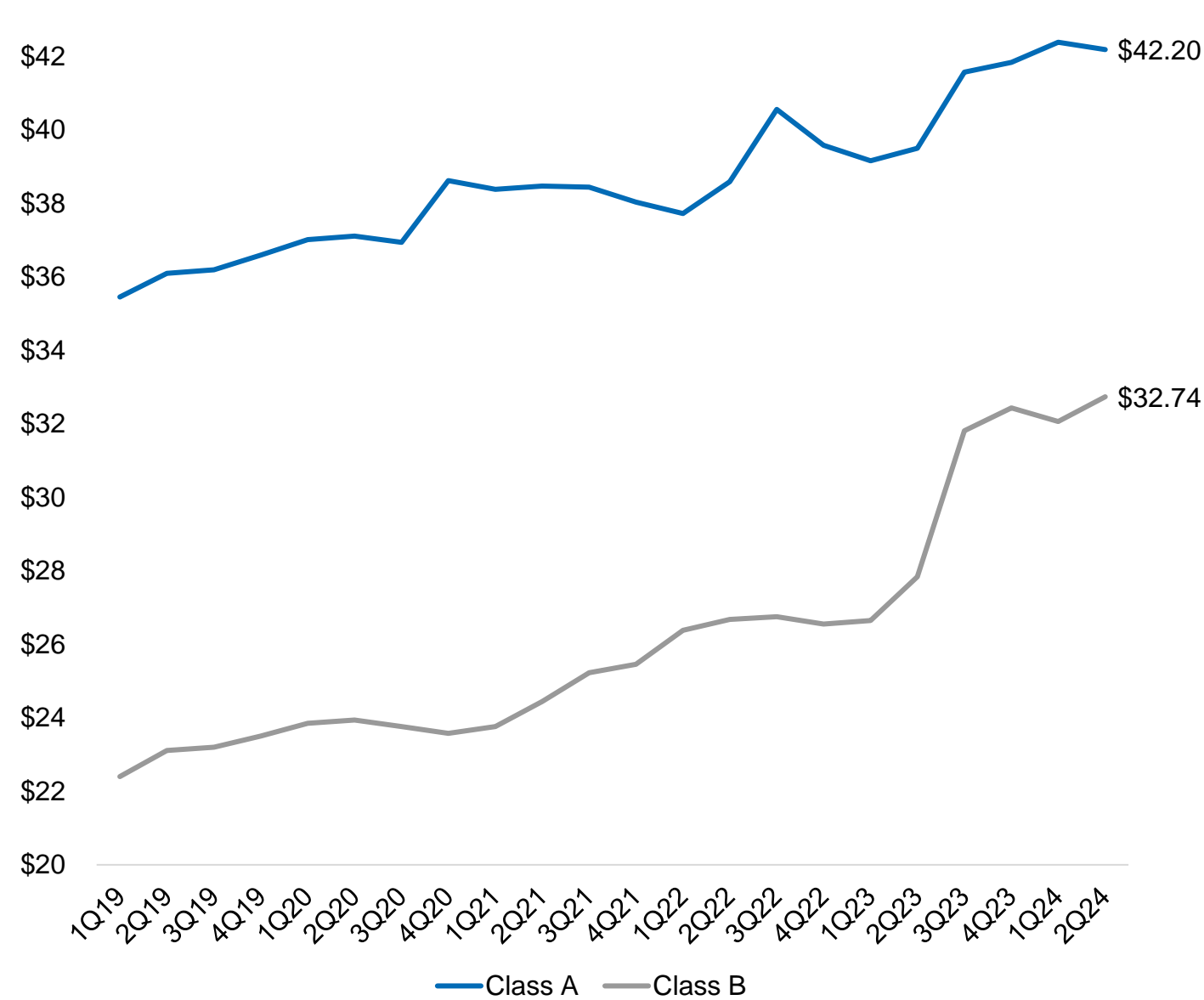


Source: Newmark Research, CoStar

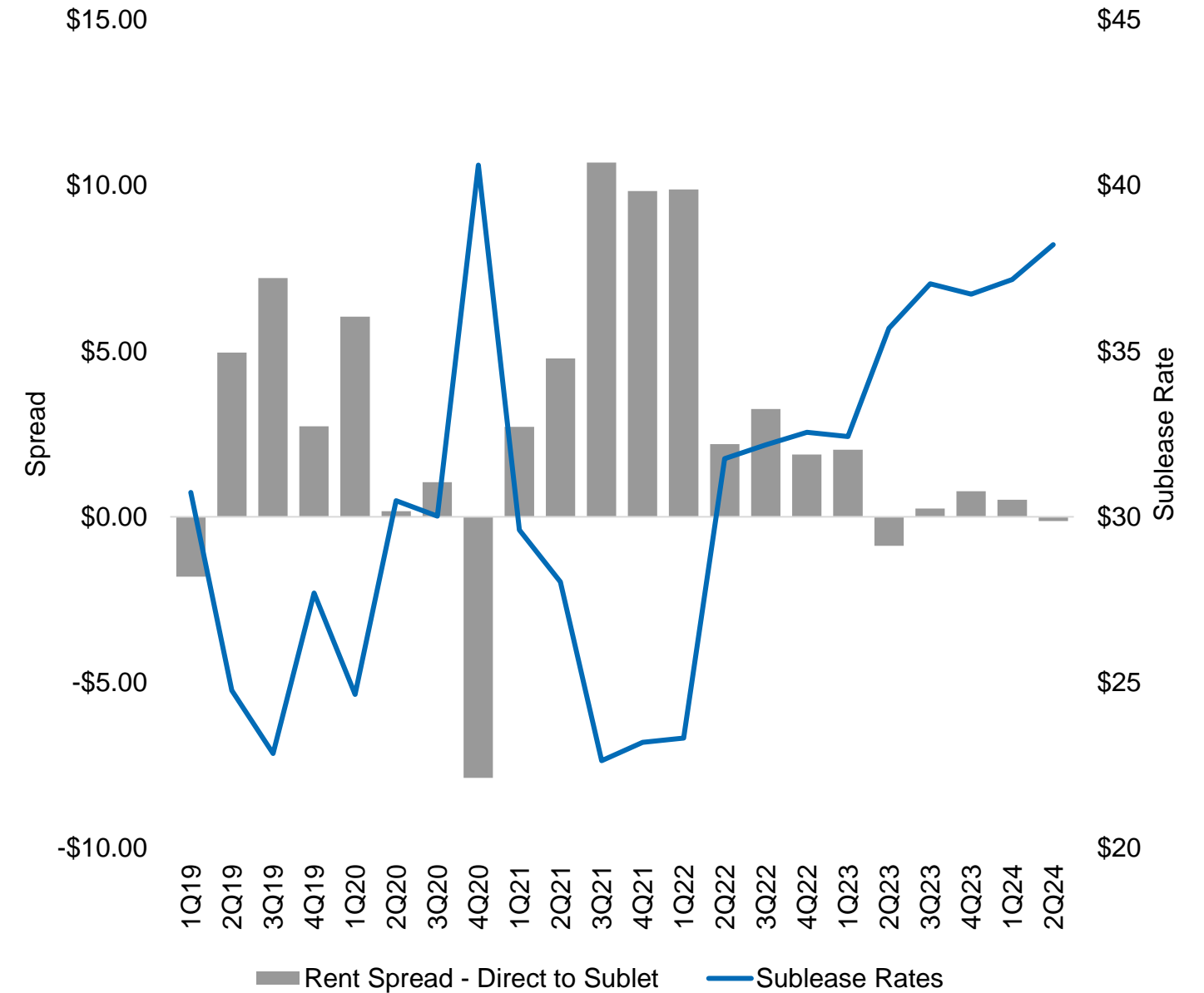
# Class A and Class B Rent Gap Narrows

As of the end of the second quarter of 2024, Class A rents ended at \$42.20/SF, a 0.5% quarter over quarter decline. Class B reported \$32.74/SF, a 2.1% quarter over quarter increase. The spread between the two classes decreased by 8.4% to \$9.46 from the previous quarter, continuing the general trend of a declining gap in recent quarters. Sublease rates ended the second quarter of 2024 at \$38.21/SF, a 2.8% increase quarter over quarter.

**Class A and Class B Asking Rents**



**Sublease Rates**



Source: Newmark Research, CoStar

# Renewals Constitute the Quarter's Biggest Deals

Three of the top five deals signed in the quarter were renewals for the same space size as the original lease deal, suggesting stable office demand. Favored submarkets in the second quarter of 2024 were Sawgrass Park and Cypress Creek.

## Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Greenberg Traurig, PA	Bank of America Plaza at Las Olas – 401 E Las Olas Blvd	Fort Lauderdale CBD	Renewal	48,790
<i>The international law firm renewed their lease for a 15-year term. They originally moved into their space on the 19<sup>th</sup> and 20<sup>th</sup> floors in 2014.</i>				
Cigna Corporate Services	Sawgrass Corporate Center II – 1571 Sawgrass Corporate Pkwy	Sawgrass Park	Renewal	47,879
<i>The healthcare and insurance company renewed the space they have occupied since at least 2006.</i>				
HCFS Healthcare Financial Services	Sawgrass Technology Park - Building H – 1643 NW 136th Ave	Sawgrass Park	Renewal	38,906
<i>The company, which provides debt collection and third-party eligibility services, renewed their suburban space in the Sawgrass Park submarket.</i>				
MSC Cruises	Bayview Corporate Tower – 6451 N Federal Hwy	Cypress Creek	Direct New	33,827
<i>The cruise operator signed a five-year lease. They also have 130,000 SF space currently under construction in Miami's core.</i>				
Department of Children and Families	Cypress Corporate Center – 1901 W Cypress Creek Rd	Cypress Creek	Direct New	25,775
<i>The organization, which is under the Florida State government, provides aid and services to Florida residents.</i>				



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