



BROWARD OFFICE MARKET

SNAPSHOT & OUTLOOK

The Broward County commercial real estate market reflects South Florida’s strengths as a growing business destination, and its own strengths as an amenity-rich option for those seeking enhanced quality of life.

The office market dynamics in Broward County in the second quarter and the first half of 2023 evidence its enduring allure with steady, consistent demand.

Call it a “flight to quality of life.” Greater Fort Lauderdale (aka, Broward County) has access to three international airports and a growing business sector. It also benefits from less congested urban markets in the South Florida region. Earlier this year, Sunrise was named by site relocation firm The Boyd Co. as one of the 30 “Top U.S. Cities Named for the Post-Pandemic Corporate Headquarters Office”. To that end, Bain Capital-backed Enhance Health is adding 800 positions in Sunrise.

Larger tenants growing their spaces in Broward County include NationsBenefits and Moss Construction, which reflects a trend toward backfilling or subletting (from Sunshine Health and Citrix, respectively) move-in ready space. In fact, the Broward sublease vacancy market is a healthy 2.7% of inventory, versus 4% nationally.

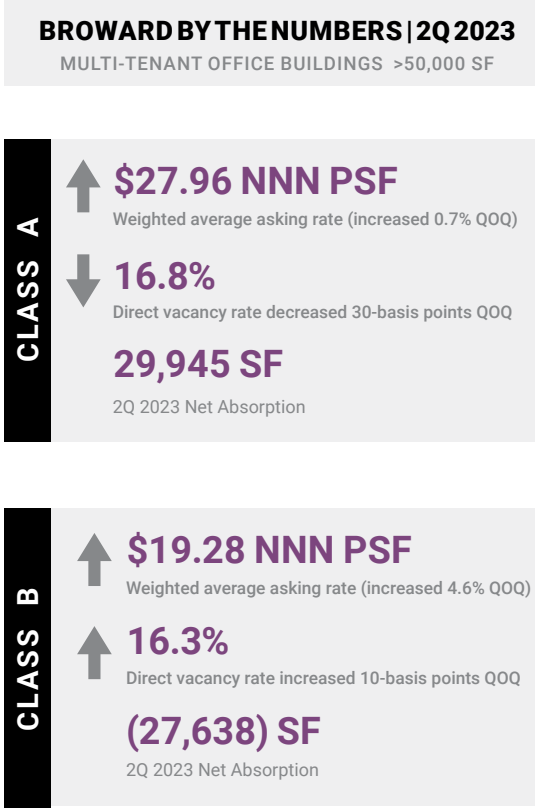
Only one significant high-rise office tower, The Main Las Olas, delivered since 2021 in Broward County, and it was fully leased within 18 months of delivery. Greater Fort Lauderdale is therefore facing an overall lack of top-tier product and near-term scheduled deliveries.

This gap in deliveries is destined to change in the coming years, as developers prove bullish on the market and the flight to quality of life persists. In Flagler Village, a development hub just north of downtown, Hines is developing T3 FAT Village. Planned adjacent to downtown Fort Lauderdale’s Brightline Station, T3 FAT Village is a 5.6-acre Class AA office, apartment and retail project in one of South Florida’s most sought-after destinations. Denver-based AIMCO also revealed plans for another significant mixed-use development a few blocks northeast of FAT Village. It will transform the 5.6-acre, former Searstown site to include apartments, offices, retail and a hotel across three towers.

Like other South Florida cities, and the state, Greater Fort Lauderdale enjoys the region’s allure. The state’s moderate climate combined with the favorable tax and regulatory regimes are welcoming to residents and businesses alike.

Cultural amenities and sports and entertainment place the county and region on the global map. In July, international soccer star Lionel Messi made official his decision to join Major League Soccer team, Inter Miami, which plays at the team’s temporary stadium less than 10 miles from downtown Fort Lauderdale. In Q2, the region also hosted the ATP Miami Open tennis tournament and the Formula 1 Crypto.com Miami Grand Prix. Furthermore, it saw two pro teams - the Miami Heat and Florida Panthers - play in their respective league championships.

Whether long-time residents or new arrivals, those who call Broward home know it as a live, work and play destination with the educational, workforce and amenity-rich lifestyle components to help business thrive.



Demand

The Broward office market recorded strong leasing activity across its downtown and suburban submarkets, including Cypress Creek, Sawgrass and Plantation. The leasing of available sublease space and demand from tenants increasing their footprints defined some of the larger transactions of the past several quarters.





Similarly, as Miami and West Palm Beach, Broward has captured new to market tenants. Canadian-based Saputo signed a lease at 501 E. Las Olas Blvd. As if to highlight the role Broward plays for some, the company originally selected 17,000 SF on Miami's Brickell Avenue but elected to relocate to Fort Lauderdale, a more central location in South Florida to shorten commuting times for its employees. As more companies continue migrating to South Florida and some settle into their offices in Miami and Palm Beach, Fort Lauderdale will continue to attract those that are especially focused on an amenity-rich experience and seeking enhanced quality of life in a central location as equally ideal to attract and retain talent

The largest lease transactions in 2Q 2023 included Moss & Associates' 48,000 SF lease extension and expansion of 70,000 SF in the five-story Cypress Creek office building that once was home to Citrix Systems; the Federal Aviation Administration 63,000 SF lease at Plantation Corporate Center to move its operations from nearby Miramar; and law firm Morgan & Morgan's lease extension and expansion at Crossroads II in Plantation.

While leasing activity through 2Q 2023 is tracking below 2022 levels, overall activity was positive, with 1.2 million SF leased for the first half of the year, 35% greater than the five-year average of 900,000 SF for the same half-year period. In Broward, as was the case in Miami-Dade in 2Q 2023, the existing tenant base is driving the overall leasing activity with expansions, in-market relocations and right-sizing adapting to the hybrid work modality.

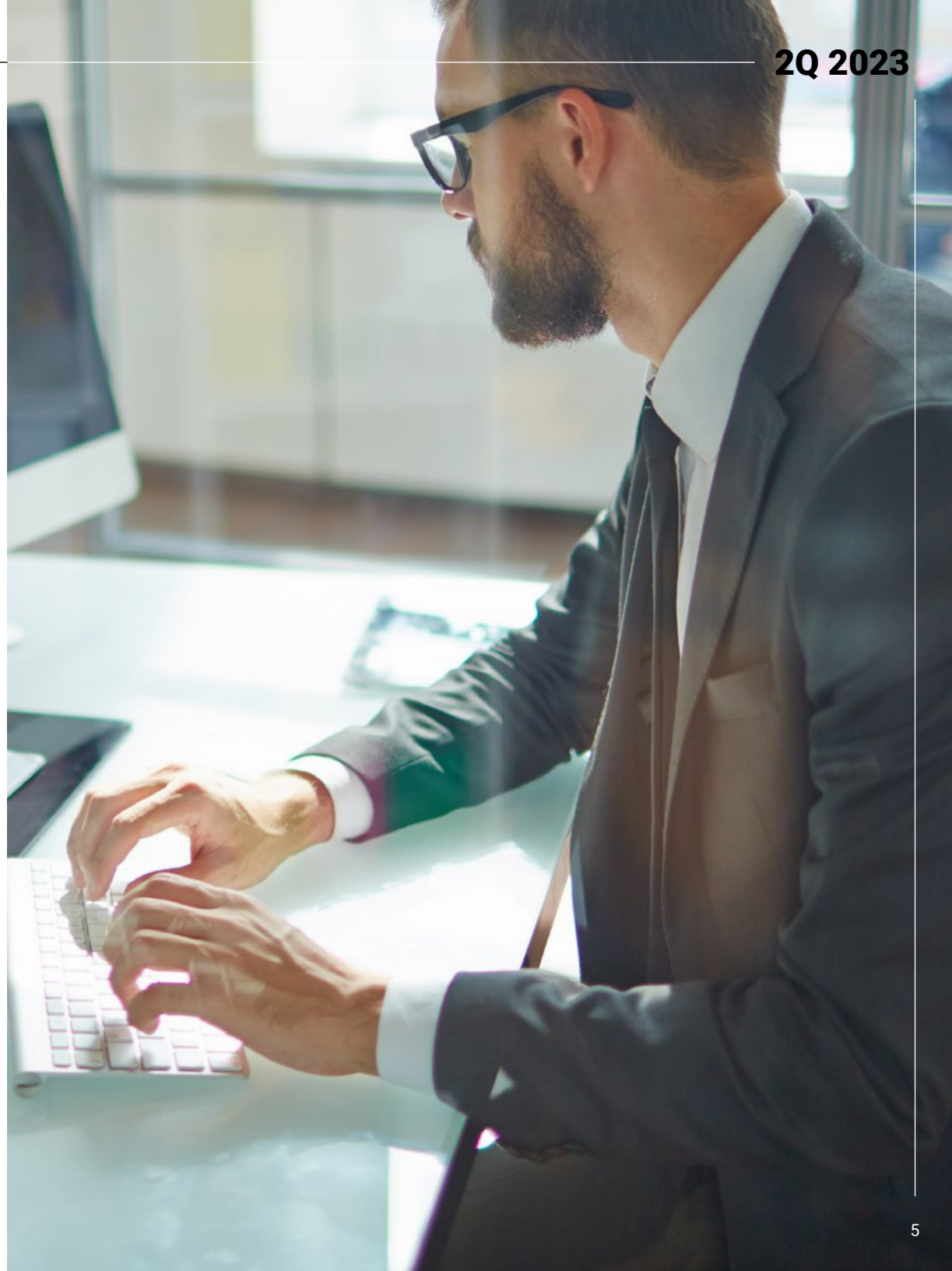
New-to-market activity in Broward County totaled 42,000 SF of the lease transactions completed for the first half of this year, 40% lower than the five-year average, while the existing tenant demand is up 41%. Limited availability in top-tier office buildings has directly impacted the demand from new-to-market tenants.

The positive absorption in the second quarter demonstrates the market's resiliency, helping to offset Human's 96,000 SF contraction in the first quarter. In the second quarter, occupancy gains of 30,000 SF in Class A office offset the 28,000 SF loss in Class B. This flight-to-quality trend holds true over the past year as well, where 91,000 SF of positive absorption in Class A offset 63,000 SF of Class B occupancy loss.

Supply

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With no new deliveries since 2021, when The Main Las Olas received its TCO, Broward's vacancy rate has directly reflected the absorption changes in the market. Overall, Class A & B vacancies decreased a modest 20 basis points over the prior year to 16.6%, significantly below the national level of 20%. Class A vacancy has decreased 100 basis points over the prior year, and 30 basis points over the prior quarter to 16.8%, further evidencing the flight-to-quality demand by existing and new-to-market tenants. Class B vacancy remains below Class A at 16.3% but has increased 110 basis points over the prior year.



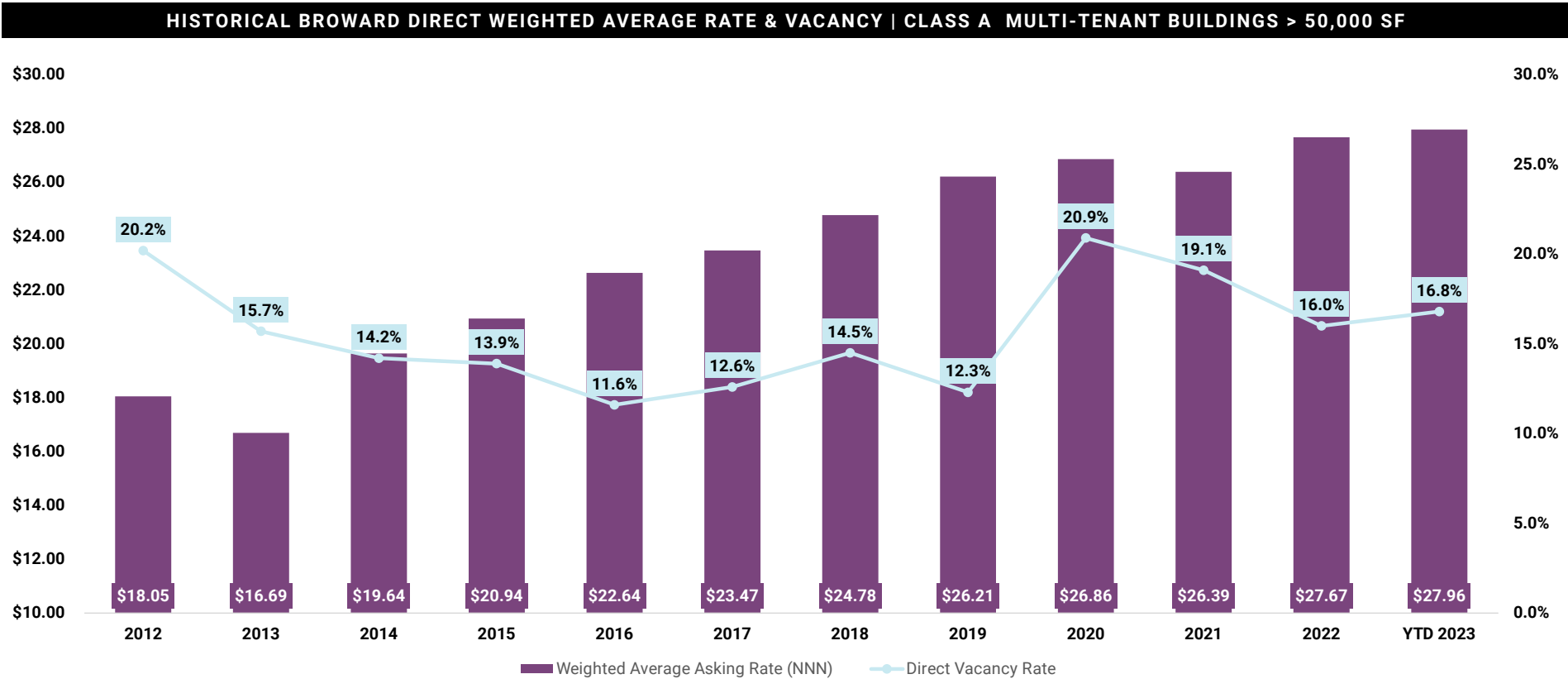
The flight to quality trend has not benefited all submarkets equally, a reflection of national trends not favoring commoditized suburban offices lacking convenient amenities. Over the past year, Downtown Fort Lauderdale, Plantation, Pompano Beach and Cypress Creek (albeit reflected in sublease absorption) have all recorded occupancy gains as tenants seek space near major transit corridors in highly amenitized buildings.

Although sublease space has been the preference for some tenants requiring large footprints,

including Moss & Associates this quarter, sublease vacancy has increased 40 basis points over the prior quarter, representing 2.7% of total office inventory. Southwest Broward and Downtown Fort Lauderdale have recorded the largest increases of sublet vacancies over the past year, with current sublease vacancy at 6.2% and 3.5%, respectively.

The increase in sublet vacancy has been driven by tenants across multiple industries adjusting to stabilized hybrid work trends.

The future of office development in the region will be largely tied to large mixed-use projects in emerging areas across the county. In Downtown Fort Lauderdale, Hines' T3 FAT Village and AIMCO's Searstown developments are looking to capitalize on the growing Flagler Village neighborhood, which has recorded a 106% growth in population since 2010.



Rates & Outlook

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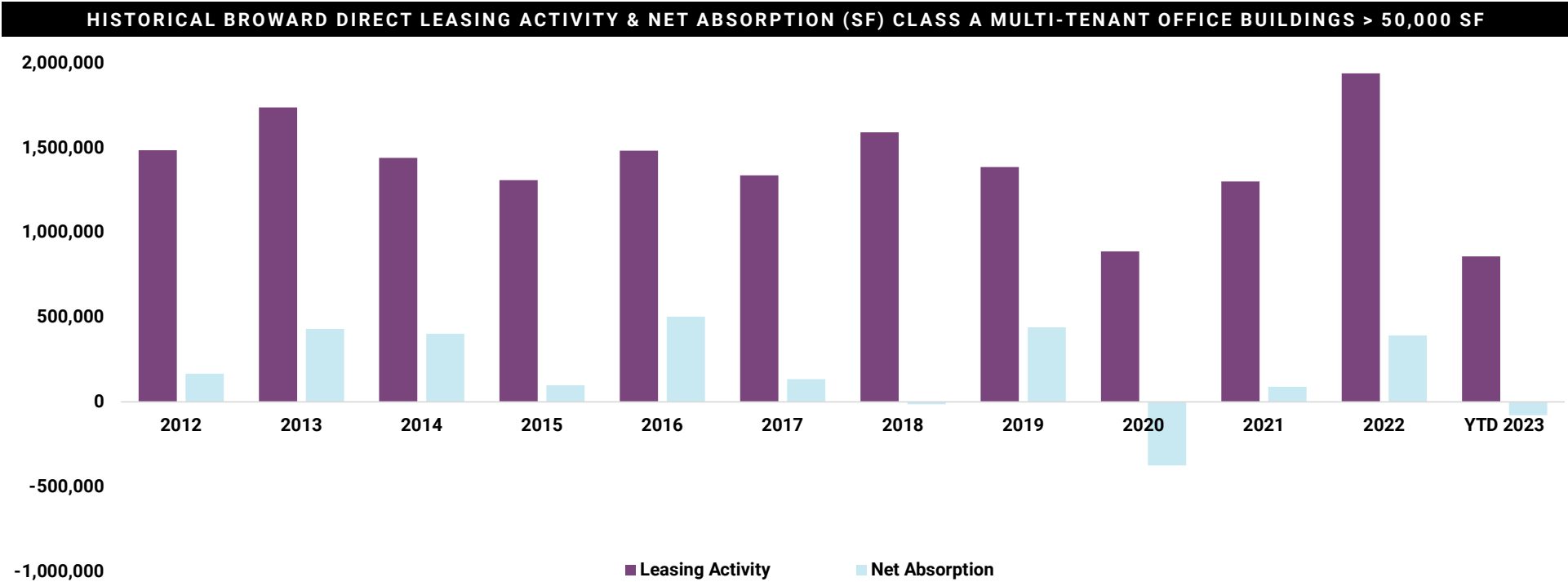
Overall weighted average asking rates in the Broward County office market slightly increased 0.9% for the second consecutive quarter to \$24.86 NNN, a 3.8% increase over the prior year. The increase in rates has largely been driven by rental growth in the Class A segment of the market, which has also increased 3.8% over the prior year to \$27.96 NNN. With 3.8% growth year over year, Broward's rental rate growth continues to exceed the national average growth rate, which has hovered around 1.0%.

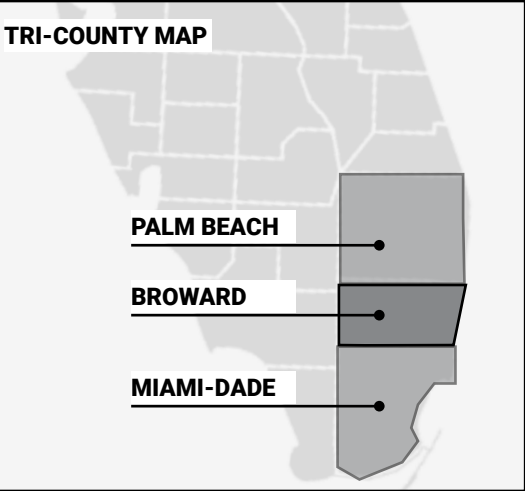
The outlook for the Broward County office market remains positive, although performance will heavily rely on the availability of top-tier space. There are 2 million SF of active requirements in the market, with 20% of those requirements coming from tenants outside Broward County who have traditionally preferred a high-quality workplace environment. A more robust development pipeline will be needed to accommodate the demand for tenants looking to expand into Broward County. In the short term, the submarkets that have commanded the lion's

share of demand through high quality buildings and amenities will likely continue to be the preference of tenants in the area. However, large-scale mixed-use development and the yet-to-be uncovered effect from the Live Local Act, a comprehensive, statewide workforce housing strategy, may shift employers' preferences for office space over the long term.

Overall, Broward County's central location in South Florida, coupled with a growing, educated

workforce, will continue to provide new tenants an attractive option when looking to relocate. The Broward office market remains healthy with a below national average vacancy rate and moderate rent growth over the past year. The solid fundamentals and tight development pipeline will allow the Broward office market to navigate the headwinds leading to more growth at the end of the year and heading into 2024.





Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate NNN	YTD 2023 Net Absorption	YTD 2023 Direct Leasing Activity (SF)
6 MAJOR SUBMARKETS						
Downtown Fort Lauderdale	19	4,970,927	17.3%	\$35.28	20,944	207,592
Fort Lauderdale	5	1,216,739	13.6%	\$24.71	(35,051)	55,267
Southwest Broward	20	2,070,390	20.7%	\$24.42	(91,193)	109,264
Sawgrass Park	14	1,685,255	20.8%	\$23.47	(13,053)	167,783
Cypress Creek	14	1,743,035	15.0%	\$21.15	17,789	192,721
Plantation	10	1,339,346	12.4%	\$27.81	(20,516)	36,620
SUBTOTAL	82	13,025,692	17.1%	\$28.35	(121,080)	769,247
Commercial Blvd Hallandale	2	183,137	11.8%	\$21.00	(4,927)	7,986
Hollywood	3	499,645	11.7%	\$25.50	(7,524)	19,313
NW Broward/Coral Springs	5	538,784	15.8%	\$23.31	17,695	41,468
Pompano Beach	3	348,696	16.8%	\$24.75	37,482	20,704
SUBTOTAL	13	1,570,262	14.2%	\$24.04	42,726	89,471
TOTAL	95	14,595,954	16.8%	\$27.96	(78,354)	858,718

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6 MAJOR SUBMARKETS						
Downtown Fort Lauderdale	10	836,817	5.6%	\$25.62	(7,499)	24,912
Fort Lauderdale	10	1,470,345	24.7%	\$19.73	(68,251)	37,318
Southwest Broward	7	606,873	16.1%	\$23.78	(36,513)	11,381
Sawgrass Park	4	1,050,394	8.4%	\$19.59	4,583	32,155
Cypress Creek	19	1,806,382	15.7%	\$16.62	(13,588)	11,412
Plantation	15	1,321,515	17.9%	\$21.91	82,832	145,103
SUBTOTAL	65	7,092,326	15.7%	\$20.00	(38,436)	262,281
Commercial Blvd						
Hallandale	4	477,402	10.8%	\$16.37	12,791	17,023
Hollywood	4	273,649	14.4%	\$21.07	14,294	31,326
NW Broward/Coral Springs	1	54,223	43.8%	\$15.00	(11,595)	6,320
Pompano Beach	10	650,196	25.8%	\$15.60	(10,582)	6,523
SUBTOTAL	19	1,455,470	19.4%	\$16.45	4,908	61,192
TOTAL	84	8,547,796	16.3%	\$19.28	(33,528)	323,473

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