



# BROWARD OFFICE MARKET

SNAPSHOT & OUTLOOK

Greater Fort Lauderdale has been called “the 50-yard line” of South Florida. Almost equidistant from the epicenter of downtown Fort Lauderdale south to Miami or north to West Palm Beach, Broward County has enjoyed much of the same promise as other regional markets, while benefiting from its own attributes.

In Q3 2023, the county experienced continued growth, resulting in strong leasing momentum, as well as investments in new infrastructure and housing construction. Third quarter leasing was 61% higher than the five-year quarterly average with 742,000 SF of completed transactions, up significantly from the first half of the year. Year-to-date leasing activity totaled 1.9 million SF, surpassing the five-year average. Leases over 20,000 SF dominated the bulk of leasing activity which included home-grown workforce management and human resource management services firm UKG’s (formerly Ultimate Software) renewal and expansion of its headquarters location in the suburban Weston submarket. Long-time tech pioneer Motorola also recommitted to Broward with the execution of an 87,000 SF lease for a build-to-suit flex and research facility on the same Plantation campus where its scientists created the first cell phone generations ago.

The western reaches of the county showed robust commercial activity in the third quarter across the warehouse / logistics space as well as multifamily housing. An affiliate of Mill Creek Residential is planning a 361-unit, luxury apartment building to join a sister complex in its Cornerstone mixed-use development in Coral Springs. Farther west in the city along the western corridor that also includes Tamarac and Sunrise, logistics space has taken root among what is much of the county’s last undeveloped land. In nearby Miramar, long-time TV station WSVN is relocating its headquarters and broadcasting facility to the site of a major mixed-use project, from North Bay Village in Miami-Dade County, where

another major mixed-use development is planned.

Q3 activity, however, has delivered mixed returns for Broward County with absorption flat during the past several quarters (and 14,000 SF negative for the quarter). This has been mostly driven by tenants leasing large footprints with significant back-office components who have elected to adopt hybrid workplace strategies and have opted to downsize their footprints.

Similar to Miami, new-to-market tenant activity decelerated - 11,000 SF for the quarter, and 50,000 SF through the end of the third quarter in Broward County. Some attribute the sluggish absorption to current economic uncertainty and lack of availability of top-tier office space.

Asking rate increases held steady at 2% for the quarter, double the previous quarter, and 5% over the prior year. Given the tightness of inventory, desirable product isn’t staying on the market long even with the continuing rent growth.

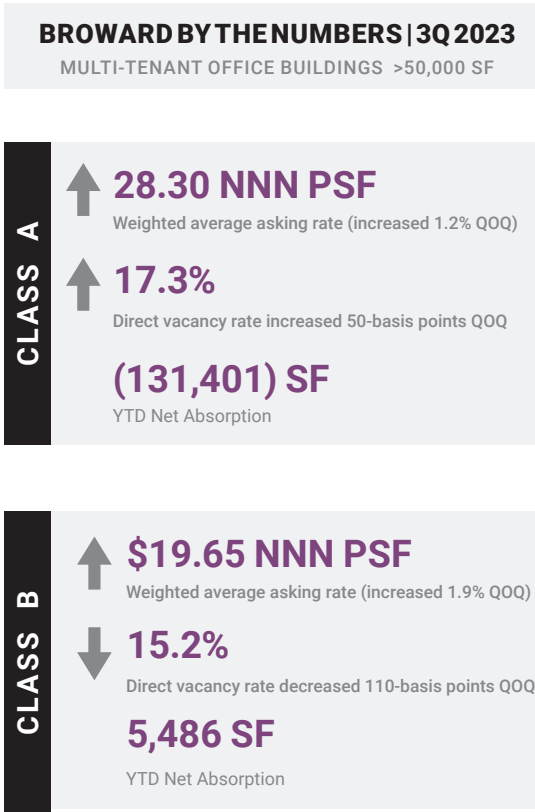
There is enthusiasm around the expected rise of construction cranes in now-hot markets - the T3 development in Flagler Village, the redevelopment of the former Searstown parcel to the north, the Pompano Beach to the east and Hallandale Beach to the south - varied commercial and residential projects planned to be built in the foreseeable future.

Infrastructure programs are ramping up. Plans are underway for a \$404 million, fifth terminal at Fort Lauderdale-Hollywood International Airport for fast-growing tenant JetBlue Airlines. The \$1.3 billion expansion of the Broward County Convention Center and hotel complex is expected to be delivered in 2025. The \$30 million restoration of the historic Parker Playhouse already is attracting additional musical and performing arts to the region.

Expansion of the Brightline rail service from Fort Lauderdale south to new terminals in Miami and

north through Boca Raton, West Palm Beach and now Orlando, bodes well for business and leisure travel throughout the state. Discussions are ongoing for a Brightline train tunnel in Fort Lauderdale to reduce traffic congestion - and a park atop the site.

By train, plane or moving van, residents and businesses continue to arrive in greater Fort Lauderdale and the South Florida region. Planned new commercial, residential and infrastructure construction promises to meet the area’s growing needs - keeping the county squarely at the 50-yard line of future growth.





# Demand

Activity ramped up across the Broward office market from the first half of the year with strong leasing activity, particularly in Southwest Broward, Plantation and Downtown Fort Lauderdale, where much of the best office product is located. The uptick in leasing has not translated yet to positive absorption as growth from some tenants has been offset by back-office space reductions. Strong third quarter leasing will potentially serve as a prelude to occupancy growth heading into 2024 and a dissipation of the “wait and see” approach many tenants had been following earlier this year while wary of a recession.

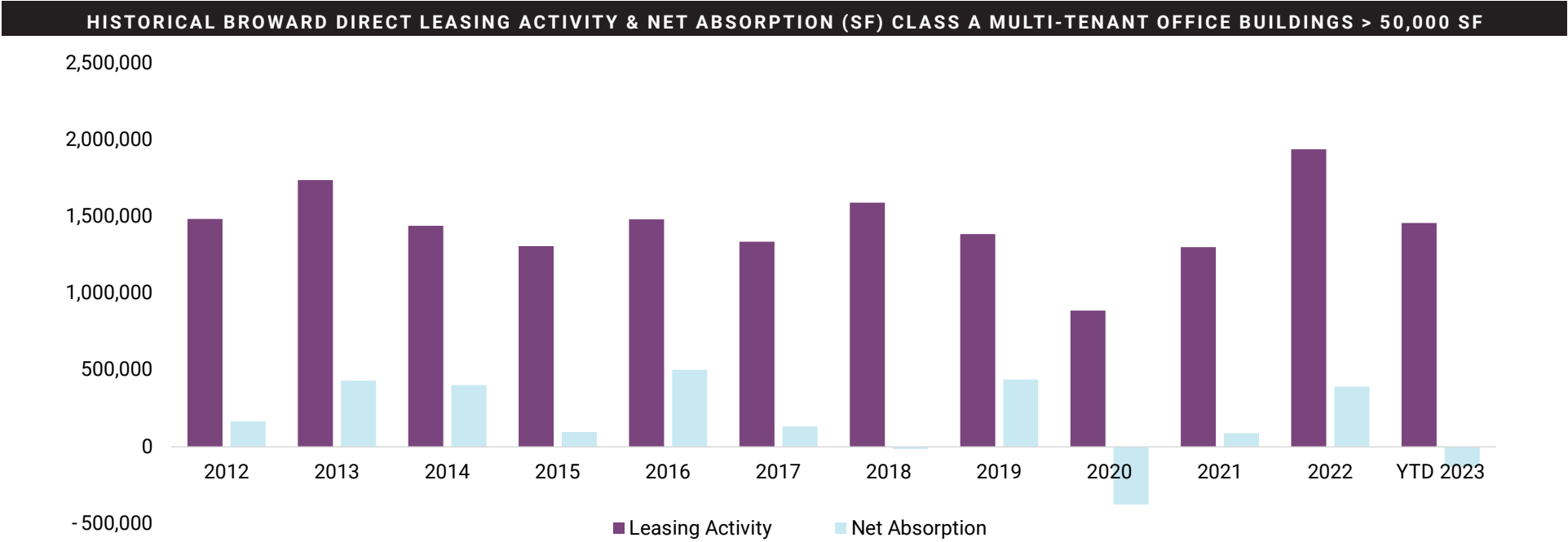


While summer months tend to be slower for office leasing, the opposite was true in Broward County. Leasing totaled 742,000 SF in the third quarter, a significant boost from the first half of the year. The voracious leasing activity was 23% higher than the first half of the year and 61% higher than the five-year quarterly average. Leasing for the first three quarters of the year totaled 1.9 million SF, already surpassing the five-year average for yearly leasing activity. Leases over 20,000 SF are driving the increase in leasing this quarter, with eight leases accounting for 386,000 SF of leasing activity, 70% higher than the five-year quarterly average.

Two of those large leases were signed by suburban Broward’s largest employers totaling 238,000 SF in the third quarter. UKG, formerly Ultimate Software, which was founded in Weston in 1990, renewed its 141,000 SF lease at Weston Pointe in Southwest Broward and expanded by 14,000 SF. The renewal was important for the Weston office market as the company considered multiple Broward submarkets. Another long-time Broward tenant, Motorola, signed an 87,000 SF build-to-suit lease at Plantation Pointe, where they currently reside. The 87,000 SF facility being developed by Torburn Partners will consist of 54,000 SF of office space and 30,000 SF of testing and manufacturing space.

New to market leasing has slowed across the region including across Broward County. The 11,000 SF of new to market leasing is 70% off the five-year quarterly average. The demand from new to market tenants has been directly impacted by the limited availability in top-tier office buildings.

After absorption was slightly positive in the second quarter, absorption flipped slightly negative in the third quarter with 14,000 SF of negative absorption. 53,000 SF of negative absorption across Class A office space offset the 39,000 SF of positive absorption in Class B. Overall occupancy losses have reached 126,000 SF through the first three quarters, largely concentrated in older Fort Lauderdale and Southwest Broward Class A product where large operation centers had leased large blocks of space and had begun downsizing prior to COVID. However, Plantation and Pompano Beach have been silver linings in the county, accounting for 144,000 SF of positive absorption. In these submarkets, professional and business services as well as financial services accounted for a large portion of the leasing activity. While traditional industries accounted for most of the leasing, other industries in one-off deals drove absorption. In Plantation, the Federal Aviation Administration’s move from Miramar was the largest contributor to absorption, while Titan America’s lease in Pompano Beach accounted for 30,000 SF of positive absorption.





# Supply

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*With no new deliveries since 2020 when The Main Las Olas obtained its TCO, Broward's vacancy rate has mirrored the changes in market absorption. In the past year, there was a 160-basis point increase in the overall Class A and B vacancy, up to 16.5%, which is significantly lower than the national average of 20%. Class A vacancies increased by 220 basis points compared to the previous year and 50 basis points compared to the prior quarter, now standing at 17.3%. This increase further illustrates the space give backs of existing tenants and slowdown in new to market tenants. Class B vacancy has performed better, increasing slightly by 50 basis points to 15.2%.*



One puzzling aspect of market dynamics across the Broward office market has been the comparative performance of Class A and Class B office space over the last year. While flight to quality has been a dominant trend across most office markets in the United States, that trend has not held true across Broward in 2023. The year over year increase in Class A direct vacancy has been more than four times the increase in Class B vacancy. One potential factor driving this dynamic is an aging Class A inventory, where less than 9% of the inventory was built after 2010. Additionally, some of the larger

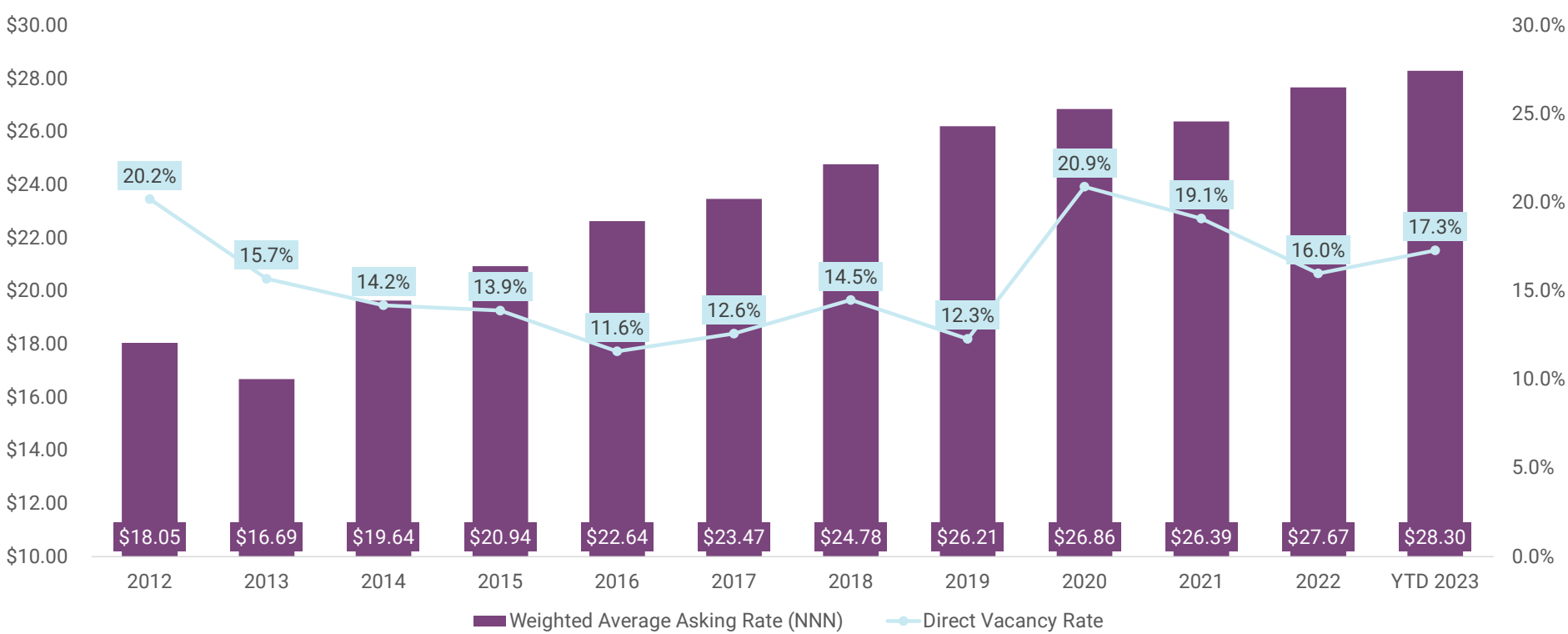
space givebacks impacted Class A product where tenants elected to extend their lease terms but with a smaller footprint.

Although large blocks of sublease space have been successfully relet over the past couple of years, sublease vacancy increased this quarter to 2.8% of inventory in Q3, a 70-basis point increase over the prior year. Like direct vacancy, the uptick has been more pronounced dated in Class A product, where sublease vacancy has increased 130-basis points to 4.0%. Southwest Broward Class A vacancy recorded the largest jump in sublease vacancy, tripling

over the prior year. Carnival Corporation (63,000 SF) & Arise Virtual Systems (35,000 SF), both in Huntington Square in Miramar, have contributed to much of the increase.

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.

HISTORICAL BROWARD DIRECT WEIGHTED AVERAGE RATE & VACANCY | CLASS A MULTI-TENANT BUILDINGS > 50,000 SF





# Rates & Outlook

*After two consecutive quarters of 0.9% rent growth, the overall weighted average asking rates in the Broward County office market markedly increased 2.0% to \$25.37 NNN. With consecutive quarterly growth asking rates increased 5.0% 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 increased 4.8% over the prior year to \$28.30 NNN. Even with increasing vacancies, Broward's rental rate growth continues to exceed the national average growth rate, which has hovered around 1.0%.*



For overall and Class A asking rates, secondary submarkets have outperformed the six major submarkets in Broward County. Secondary submarket rents have increased 6.3% over the prior year, compared to only 1.3% for the major submarkets. Pompano Beach and Hollywood have recorded overall rent growth of 7.9% and 5.4% respectively over the prior year.

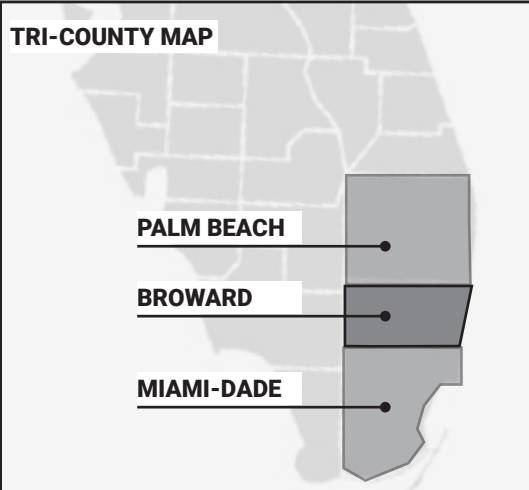
The Broward County office market appears to be on a positive trajectory, but its performance hinges heavily on the availability of top-tier office spaces. Currently, there are 2 million square feet of active requirements in the market, with 25% of these demands originating from tenants located outside Broward County, including some from Miami and Palm Beach, as well as new-to-market, who typically prefer high-quality workplace environments.

To meet the growing demand from tenants looking to establish a presence in

Broward County, there is a pressing need for a more robust development pipeline. In the short term, submarkets offering premium buildings and amenities will likely remain the top choice for tenants seeking to enter the market or expand their presence in the area. Nevertheless, the landscape may shift in the long term, influenced by the large-scale mixed-use developments.

Broward County's central location within South Florida, combined with a steadily expanding and well-educated workforce, will continue to make it an appealing destination for businesses seeking relocation. The Broward office market remains in good health, boasting a vacancy rate below the national average and experiencing moderate rent growth over the past year. With strong fundamentals and a controlled development pipeline, the Broward office market is well-positioned to navigate challenges and anticipate further growth in late 2023 and into 2024.





Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate NNN	YTD 2023 Net Absorption	YTD 2023 Direct Leasing Activity (SF)
<b>6 MAJOR SUBMARKETS</b>						
Downtown Fort Lauderdale	19	4,970,927	17.8%	\$35.60	12,658	335,440
Fort Lauderdale	5	1,216,739	16.6%	\$25.26	(70,723)	60,257
Southwest Broward	20	2,070,390	20.1%	\$24.72	(79,553)	325,072
Sawgrass Park	14	1,685,255	22.0%	\$23.54	(33,032)	217,084
Cypress Creek	14	1,743,035	14.7%	\$21.41	22,277	248,598
Plantation	10	1,339,346	13.0%	\$27.99	(28,966)	171,337
<b>SUBTOTAL</b>	<b>82</b>	<b>13,025,692</b>	<b>17.7%</b>	<b>\$28.63</b>	<b>(177,339)</b>	<b>1,357,788</b>
Commercial Blvd Hallandale	2	183,137	11.1%	\$22.00	(3,636)	7,986
Hollywood	3	499,645	10.9%	\$26.18	(3,485)	25,123
NW Broward/Coral Springs	5	538,784	16.2%	\$23.63	15,577	45,790
Pompano Beach	3	348,696	16.8%	\$26.40	37,482	20,704
<b>SUBTOTAL</b>	<b>13</b>	<b>1,570,262</b>	<b>14.0%</b>	<b>\$24.85</b>	<b>45,938</b>	<b>99,603</b>
<b>TOTAL</b>	<b>95</b>	<b>14,595,954</b>	<b>17.3%</b>	<b>\$28.30</b>	<b>(131,401)</b>	<b>1,457,391</b>



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<b>6 MAJOR SUBMARKETS</b>						
Downtown Fort Lauderdale	10	836,817	6.5%	\$25.92	(14,518)	24,912
Fort Lauderdale	10	1,470,345	24.6%	\$19.79	(66,735)	40,899
Southwest Broward	7	606,873	16.1%	\$23.74	(36,771)	13,342
Sawgrass Park	4	1,050,394	8.4%	\$19.98	4,583	41,045
Cypress Creek	19	1,806,382	14.1%	\$16.61	(29,119)	42,961
Plantation	15	1,321,515	15.7%	\$21.82	112,328	178,962
<b>SUBTOTAL</b>	<b>65</b>	<b>7,092,326</b>	<b>15.0%</b>	<b>\$20.12</b>	<b>(30,232)</b>	<b>342,121</b>
Commercial Blvd						
Hallandale	4	477,402	12.1%	\$17.97	6,631	18,959
Hollywood	4	273,649	14.0%	\$23.31	15,371	34,580
NW Broward/Coral Springs	1	54,223	39.0%	\$15.00	(8,970)	6,320
Pompano Beach	10	650,196	18.9%	\$16.06	22,686	65,046
<b>SUBTOTAL</b>	<b>19</b>	<b>1,455,470</b>	<b>16.5%</b>	<b>\$17.58</b>	<b>35,718</b>	<b>124,905</b>
<b>TOTAL</b>	<b>84</b>	<b>8,547,796</b>	<b>15.2%</b>	<b>\$19.65</b>	<b>5,486</b>	<b>467,026</b>

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