Broward Office Market Report.

Snapshot & Outlook

4Q 2023

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Executive Summary

Past and future success in Broward County hinges on quality product being delivered across all asset types. To borrow the line from Field of Dreams, "if you build it, they will come." Broward County has experienced reliable growth over the past few years with an evolving live, work, play environment, and the delivery of high quality residential, retail and hotel offerings - all of which add to its appeal as an ideal office destination for companies across various industries. The market experienced strong performance through the pandemic, and its commercial real estate has held steady with consistent leasing activity and an uptick in rental rates. In 2023, Broward County recorded 2.2M SF of office lease transactions, a slight decrease from the previous year but 20% higher than the five-year historical average.

Looking to the future, Greater Fort Lauderdale has reason for bullish optimism. In December 2023, Hines secured a $220 million construction loan for FAT Village, the mixed-use project in downtown's Flagler Village - arguably the hub of the city's and county's growth in population, business, and tech-sector. When completed, the project will deliver 603 apartments, 180,000-square-feet of Class A Trophy office in Phase I (T3 FAT Village), and about 74,000 square feet of retail spanning 5.6 acres. The scope of FAT Village - and the value of the financing - speaks to the confidence in the project and the City and its ability to fill a need in the local market.

Macroeconomics also played a role in the market. Of note, leasing activity in Broward County was 9.6% of total inventory, compared to 8.2% in Miami-Dade County. New-to-market leasing totaled 61,000 SF for the year, accounting for 3% of total leasing activity, significantly off the historical average, but attributable mostly to the constrained supply of top-tier office space.

Greater Fort Lauderdale and South Florida in general continue to defy national trends. National office space vacancies are at their highest since Moody's began tracking the sector in 1979, the company reported. That is, except in South Florida. The national vacancy average among top cities was 19.6% in 2023, thanks in large part to the continuing impact of Covid and employee pushback regarding returning to the office. Greater Fort Lauderdale's vacancy rate, however, is about 16.5%.

Development of The Main Las Olas and T3 FAT Village, speak to a bullishness on tomorrow. Just as Miami's Brickell Avenue market didn't emerge confidently and create the foundation for a flourishing market until ten years ago, Greater Fort Lauderdale seems to be poised for similar tidings. Residents are here, and employers are following the talent that is diverse, educated, and aspirational. Today's luxury renter is tomorrow's luxury home buyer and lifestyle resident. To wit, New York-based Naftali Group is planning a two-tower, 936-unit apartment development near downtown while Aimco's proposed Searstown development will add an additional 797 apartments along with a hotel, retail, and office space in Flagler Village.

Employees, C-suite executives, and new-to-market arrivals who continue to make Florida their home by the hundreds daily are driving strong and steady growth. They are finding a lifestyle market once sought as a tourism retreat, only to be transformed into a market built upon robust fundamentals to become what ULI and PwC ranked as a leading 18-Hour City for the third year in a row. While Greater Fort Lauderdale's office numbers were mixed for 2023, bullish development promises to keep it a solid office and lifestyle destination for years to come.

BROWARD BY THE NUMBERS 4Q 2023

MULTI-TENANT OFFICE BUILDINGS >50,000 SF

	CLASS A	CLASS B
Weighted average asking rate	**$28.28 NNN PSF** (increased 2.2% YOY)	**$19.63 NNN PSF** (increased 6.9% YOY)
Direct vacancy	**17.6%** Direct vacancy increased 160 basis points YOY	**14.7%** Direct vacancy decreased 130 basis points YOY
2023 Net Absorption	**(176,034) SF**	**88,771 SF**

Demand

Following consecutive years of occupancy growth in the Broward County, office market demand slightly plateaued across the market in 2023. The combination of macroeconomic headwinds, a slowdown in new-to-market leasing due to limited available top tier space, and adoption by major insurance companies of hybrid work contributed to the drop off in leasing and moderate occupancy gains across various submarkets. However, overall economic improvements and dissipation of the "wait and see" approach should return 2024 activity to previous levels.

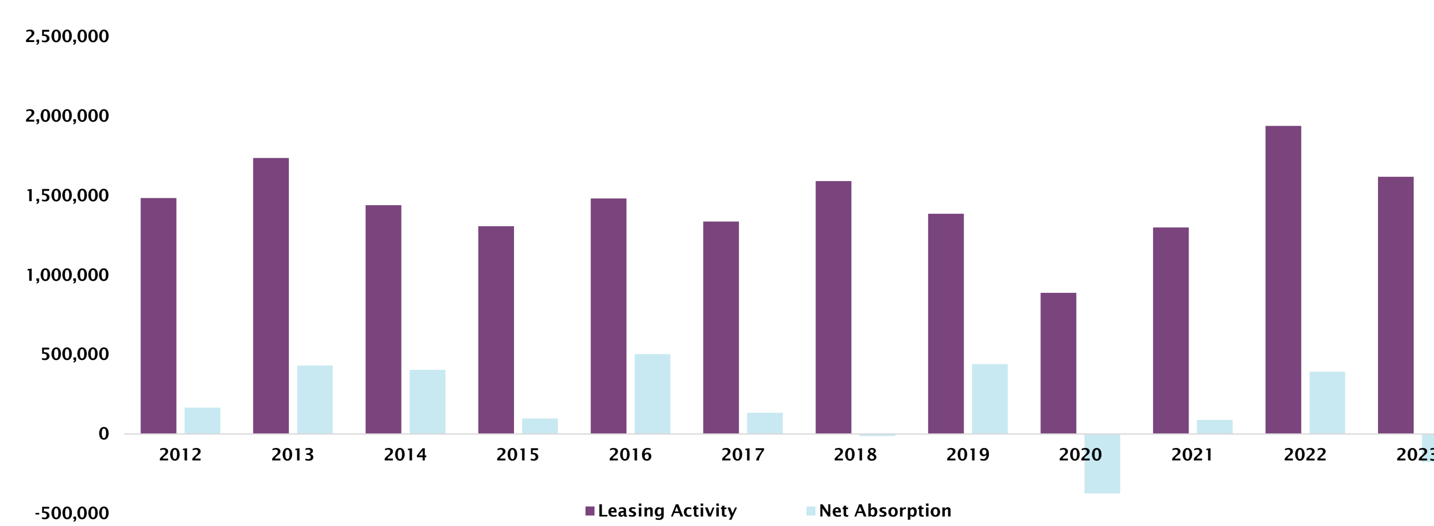
In 2023, the office market in Broward County recorded 87,000 SF of negative absorption, a drop from the prior two years. The bulk of the negative absorption was concentrated in Class A product in the suburban Miramar submarket. A further examination of the occupancy loss provides optimism that conditions are stronger than the headline numbers indicate. Most of the occupancy loss can be attributed to two insurance providers giving back space in Miramar; Humana and United Health gave back a combined 125,000 SF of primarily back-office space across two Class A buildings.

Increased work from home, especially amongst back-office workers, is especially evident in suburban markets, which is reflected in the occupancy loss dynamics. There is optimism as some of the tenants that have given back space post-Covid have reengaged the market looking for space in the amenity rich downtown market to encourage return to work.

While most submarkets recorded negative or flat absorption levels in 2023, several did see occupancy gains for the year. Plantation, Pompano Beach, and Downtown Fort Lauderdale accounted for 138,000 SF of positive absorption in 2023. In Downtown Fort Lauderdale, growth was driven by a handful of in-market expansions at Bank of America Plaza, as well as the City of Fort Lauderdale signing leases at Tower 101 and 1 East Broward. In Plantation the largest contributor to growth was the Federal Aviation Administration, who relocated from single tenant product in Miramar, taking 63,000 SF at Plantation Corporate Center. And in Pompano Beach, Titan America expanded their South Florida presence, taking 32,000 SF at 800 Fairway.

Despite the occupancy losses, leasing activity was still 20% higher than the five-year historical average and 308,000 SF of leasing activity in the fourth quarter brought 2023 leasing activity to 2.2 million SF. Overall leasing activity was buoyed by large leases spread across multiple submarkets with 14 leases above 25,000 SF accounting for 671,000 SF, 31% of total leasing activity. Some of the more notable large leases of the year included expansions of the tenant's space, an encouraging sign for the market. UKG renewed and expanded their lease at Weston Pointe in Southwest Broward; Ford Motor renewed and expanded in Sawgrass Park, as did Morgan & Morgan in Plantation. These expansions by some of Broward's largest employers helped mitigate the overall occupancy losses.

Historical Broward Direct Leasing Activity & Net Absorption (SF)
Class A Multi-Tenant Office Buildings > 50,000 SF



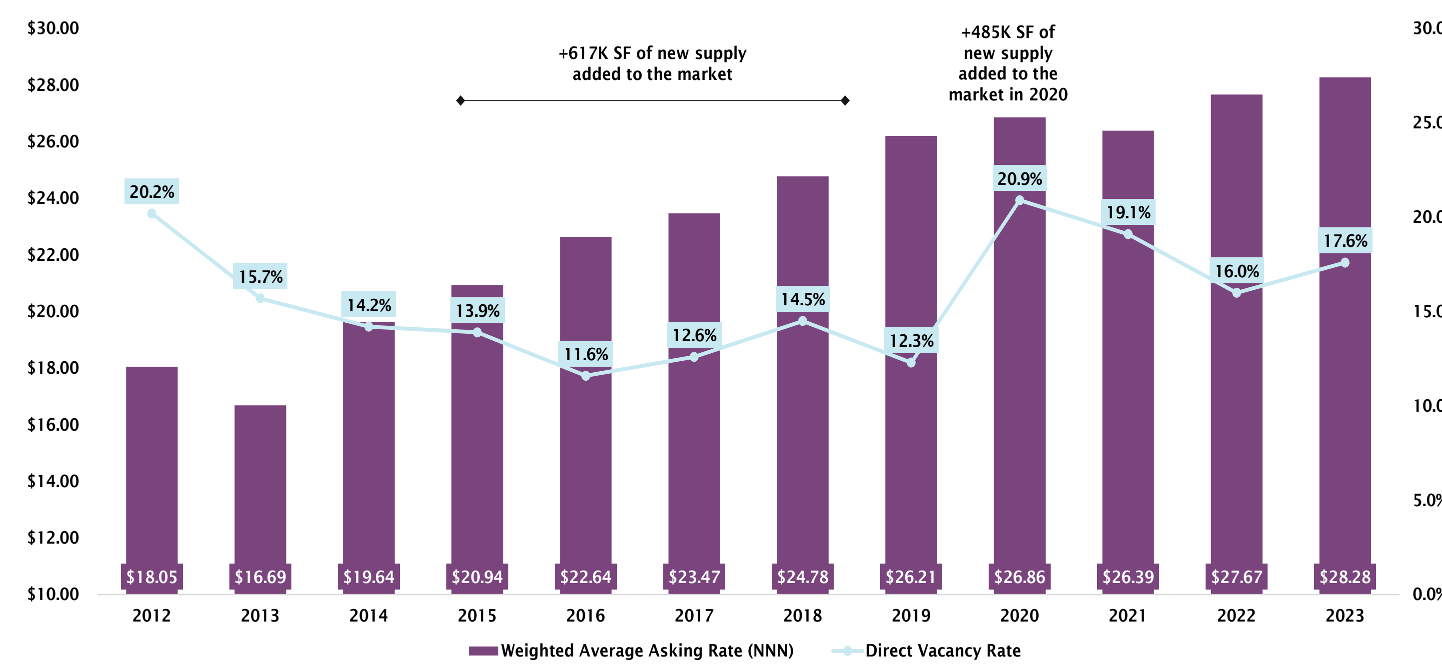
Supply

According to Moody's Analytics, the vacancy rate for office buildings in major metro areas has reached its highest recorded level at nearly 20%. The previous high watermark for national office vacancy occurred in 1991. At the last peak, the Fort Lauderdale office market had one of the highest vacancy rates in the country. However, this time around, the Greater Fort Lauderdale area boasts a vacancy rate comfortably below the national average.

At the end of 2022, the Class A, Class B, and overall direct vacancy for each stood at 16.0%. With no new supply additions in 2023, the effect of the negative absorption on the vacancy rate was limited. Overall vacancy increased 50 basis points over the prior year, ending the year at 16.5%. While still elevated above pre-pandemic levels, the overall vacancy has decreased by nearly 20% since its peak in 2020. The increase in the overall vacancy this past year was driven by a spike in Class A vacancy which increased 160 basis points to 17.6%. A reversal of trends from the prior two years, Class B product outperformed Class A across Broward County in 2023, largely due to back-office suburban downsizing. Class B vacancy decreased 130 basis points over the prior year, now sitting at 14.7%.

Although large blocks of sublease space have been successfully relet over the past couple of years, sublease vacancy has been on the rise across the Broward County office market. Sublease vacancy has increased ~30% over the prior year, with 858,000 SF of sublease space available across Broward County. In the past year most of the sublease increase has been in Southwest Broward and Downtown Fort Lauderdale, where 155,000 SF of sublease space has been added to the market. The average size of the subleases added to those submarkets was 9,400 SF and primarily driven by law firms in Downtown Fort Lauderdale and cruise lines and technology companies in Southwest Broward.

Historical Broward Direct Weighted Average Rate & Direct Vacancy
Class A Multi-Tenant Office Buildings > 50,000 SF



Rates

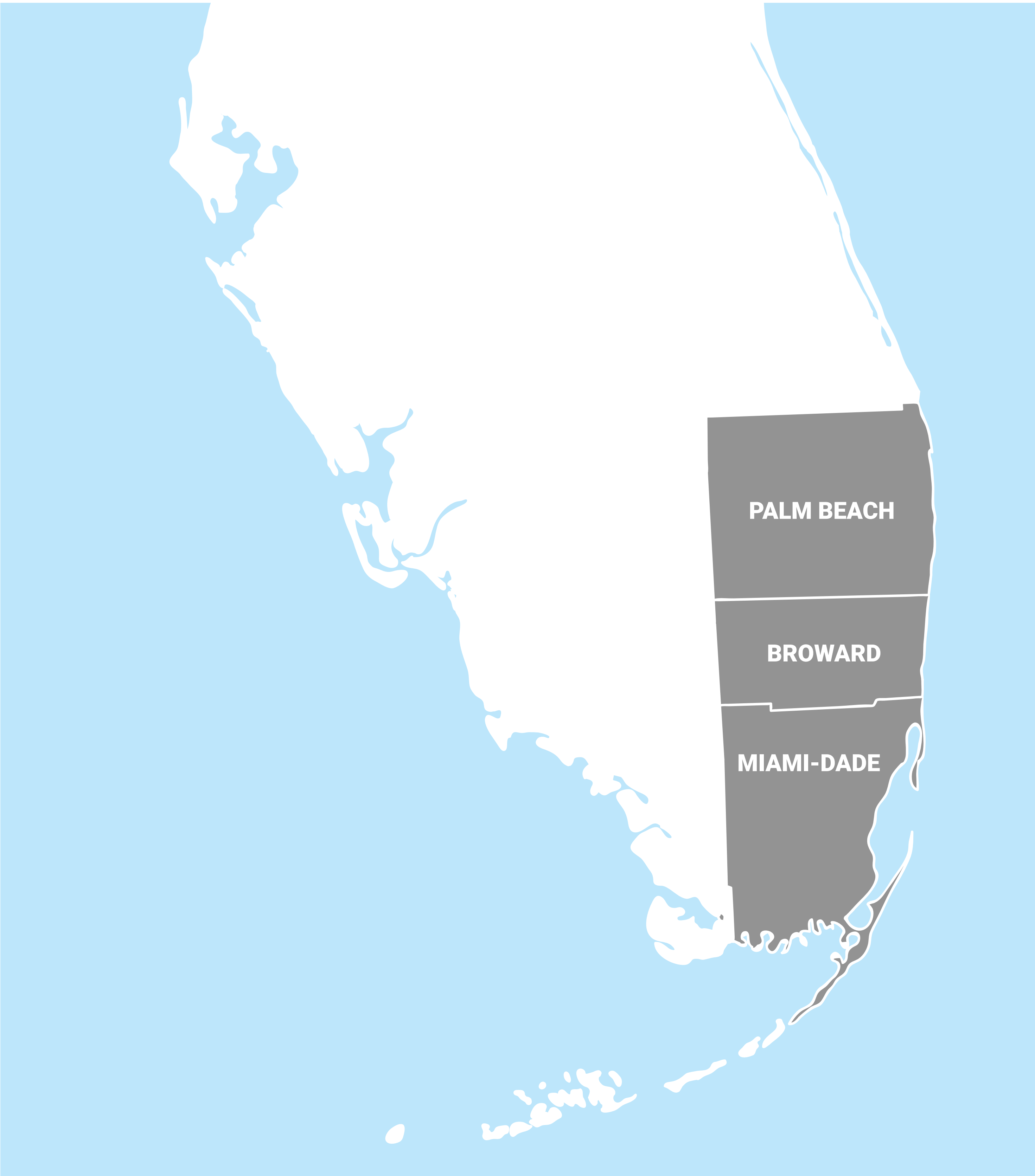
After the overall weighted average asking rates in the Broward County office market increased 2.0% last quarter, the rent growth was more measured in the fourth quarter, increasing by 0.3% over the prior quarter. As a result of the continued rent growth, overall weighted average asking rates increased 4.2% over the prior year to $25.45 NNN. The 4.2% annual growth rate for overall asking rates is a significant improvement from 2022, when rates increased by only 1.4%. Even with increasing vacancies, Broward's rental rate growth continues to exceed the national average growth rate, which has hovered around 1.0%.

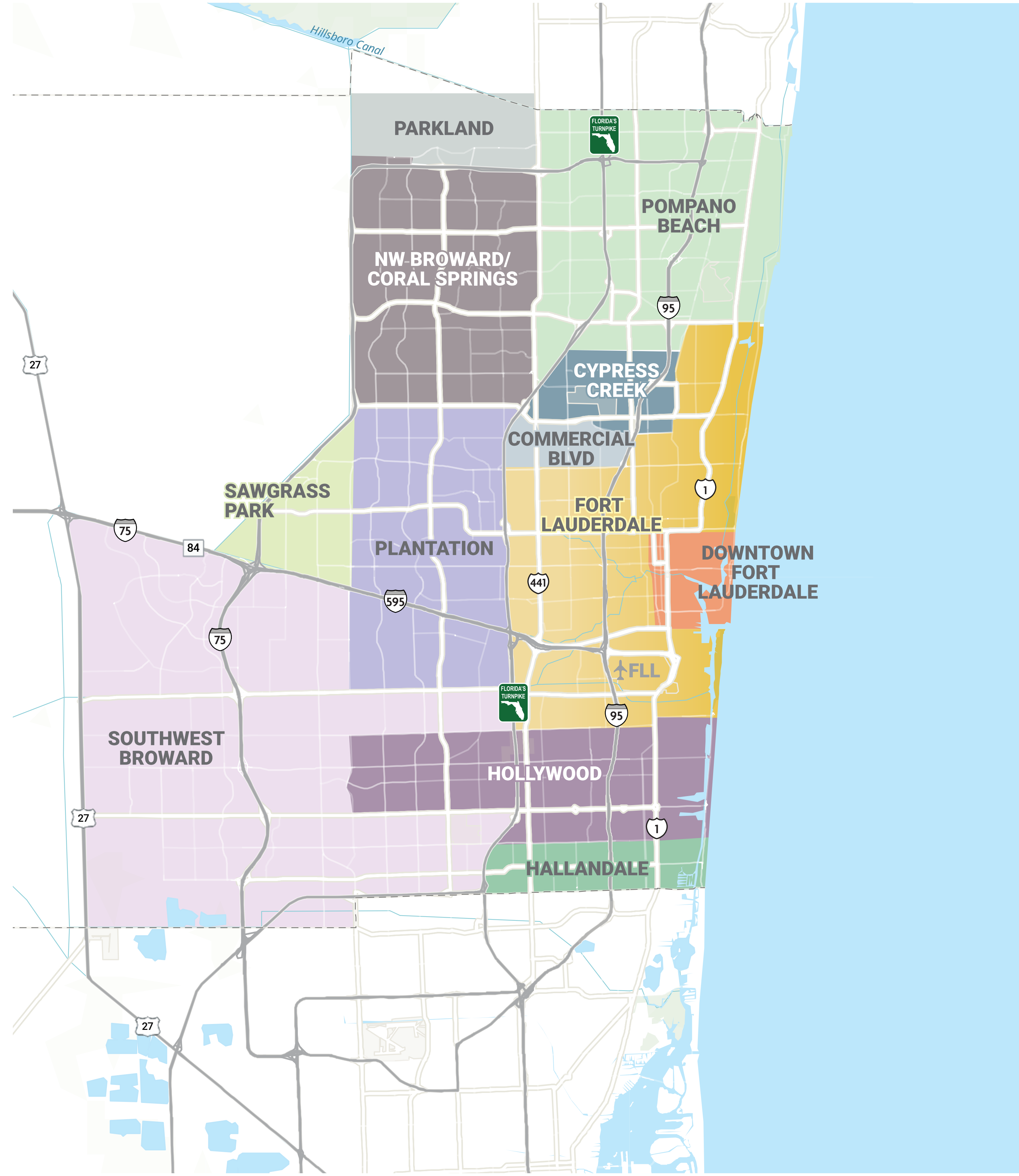
For overall and Class A asking rates, secondary submarkets have outperformed the six major submarkets in Broward County. Secondary submarket rents have increased 6.8% over the prior year, compared to only 2.7% for the major submarkets. Pompano Beach and Hollywood have recorded overall rent growth of 15.5% and 11.9% respectively over the prior year, after limited growth in the years prior. Of the major submarkets, year over year rent growth has been driven by Plantation and Downtown Fort Lauderdale, two highly-amenitized, well-located submarkets, where overall asking rates increased 8.6% and 5.4% respectively.

After significant growth in the first two years that followed the onset of the pandemic, the Broward County office market has slowed over the last year, partially due to the limited availability of top-tier office spaces. With tenants willing to pay a significant premium for high quality office space – as evidenced by the leasing success of The Main Las Olas – to entice employees back to the office, the performance of the Broward County office market hinges heavily on the availability of top-tier office space.

There are 1.9 million SF of active deals in the market, with 30% of that demand originating from tenants located outside Broward County, including both new-to-market tenants, and some from Miami and Palm Beach, who typically prefer high-quality work environments. The path to meeting the growing demand from tenants looking to establish a presence in Broward County has begun with the financing of T3 FAT Village. The delivery of creative trophy Class A office space that addresses the sustainability requirements sought after today by employers and employees, multifamily units and retail connected to mass transit in a vibrant urban village setting, in one of the fastest growing neighborhoods of Downtown Fort Lauderdale, will provide the market with some of the supply needed to meet the demand of today's modern tenants.

In the short term, submarkets offering premium buildings and amenities will likely remain attractive for tenants seeking to enter the market or expand their presence in the region in 2024. Broward County's regional centrality in South Florida, coupled with a consistently growing and highly educated workforce, will maintain its attractiveness for businesses looking to relocate. The Broward County office market continues to be resilient, showcasing a vacancy rate below the national average and experiencing moderate rent growth over the past year. Supported by robust fundamentals, the Broward office market is poised to overcome challenges and foresee additional growth throughout 2024 and beyond.


PALM BEACH
BROWARD
MIAMI-DADE


Hillsboro Canal
PARKLAND
POMPANO BEACH
NW BROWARD/ CORAL SPRINGS
CYPRESS CREEK
COMMERCIAL BLVD
SAWGRASS PARK
FORT LAUDERDALE
PLANTATION
DOWNTOWN FORT LAUDERDALE
FLL
SOUTHWEST BROWARD
HOLLYWOOD
HALLANDALE
27
75
84
595
441
95
1

Broward Submarkets — Class A

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate NNN	2023 Net Absorption	2023 Direct Leasing Activity (SF)
6 MAJOR SUBMARKETS						
Downtown Fort Lauderdale	19	4,970,927	17.3%	$36.12	36,113	432,237
Fort Lauderdale	5	1,216,739	16.7%	$25.36	(72,770)	64,519
Southwest Broward	20	2,070,390	20.4%	$24.45	(84,859)	346,568
Sawgrass Park	14	1,685,255	21.2%	$23.53	(19,940)	242,946
Cypress Creek	14	1,743,035	15.4%	$21.49	9,987	261,627
Plantation	10	1,339,346	14.0%	$27.93	(42,689)	171,337
SUBTOTAL	82	13,025,692	17.7%	$28.70	(174,158)	1,519,234
Commercial Blvd	2	183,137	22.0%	$22.00	(23,663)	7,986
Hallandale					-	
Hollywood	3	499,645	10.3%	$25.38	(791)	25,123
NW Broward/Coral Springs	5	538,784	17.6%	$23.87	7,828	45,790
Pompano Beach	3	348,696	23.3%	$26.73	14,750	20,704
SUBTOTAL	13	1,570,262	17.1%	$24.75	(1,876)	99,603
TOTAL	95	14,595,954	17.6%	$28.28	(176,034)	1,618,837

Broward Submarkets — Class B

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate NNN	2023 Net Absorption	2023 Direct Leasi Activity (SF)
6 MAJOR SUBMARKETS						
Downtown Fort Lauderdale	10	836,817	6.2%	$26.49	(12,062)	24,912
Fort Lauderdale	10	1,470,345	21.1%	$19.60	(15,148)	75,997
Southwest Broward	7	606,873	17.1%	$23.50	(42,607)	25,240
Sawgrass Park	4	1,050,394	8.4%	$19.98	4,583	49,215
Cypress Creek	19	1,806,382	15.4%	$16.81	(14,309)	90,762
Plantation	15	1,321,515	15.5%	$21.66	114,742	214,982
SUBTOTAL	65	7,092,326	14.6%	$20.02	35,199	481,108
Commercial Blvd						
Hallandale	4	477,402	12.3%	$17.63	5,718	18,959
Hollywood	4	273,649	8.1%	$24.31	31,522	34,580
NW Broward/Coral Springs	1	54,223	42.4%	$15.00	(10,842)	6,320
Pompano Beach	10	650,196	18.2%	$17.28	27,174	73,299
SUBTOTAL	19	1,455,470	15.3%	$17.83	53,572	133,158
TOTAL	84	8,547,796	14.7%	$19.63	88,771	614,266

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Landlord Representation

Property Acquisition and Disposition

Property Management

Development Consulting

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15M SF

Total square footage of office lease transactions since 2009

47

Professionals across services lines

35%

Market share for the last 7 years

40%

Leasing revenue for the company derived from Tenant Advisory Services

5M SF

Representing 64% of all new developments delivered in Miami since 2009 - 40% pre-leased at TCO

3

Offices in Miami-Dade and Broward

#8

SFBJ ranking for top commercial real estate firms

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