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Broward Office Market Report.

Snapshot & Outlook

Q1 2024

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Greater Fort Lauderdale's commercial market continues to evolve, finding a fresh future thanks in large part to emerging new development opportunities. Broward County is primed for continued growth and future opportunities for current and new-to-market tenants with new projects focused on delivering sustainably built Class A office and mixed-use projects connected to mass transit.

Today's significant projects bode well for tomorrow's opportunities. One is T3 from FAT Village Project LLC, a subsidiary of Houston-based global real estate development company Hines. Financed with a recent $220 million construction loan from OZK, the 5.6-acre assemblage's first phase will include 180,000-square-feet of Class A office, over 600 apartments, and 74,000 square feet of retail in the Flagler, Arts, and Technology (FAT) Village enclave of downtown Fort Lauderdale's Flagler Village neighborhood. Named for Hines' "timber, transit and technology" model, T3 completion is on track for completion in early 2026, joining other locations around the world where tenants include, Meta, Xcel Energy, and KPMG.

Another transformative project proposed is led by Denver-based Aimco after its $64 million parcel acquisition in 2022 to transform the 1950s-era, 5.7-acre "Searstown" parcel just north of downtown into "901 North." The three-tower project is proposed to bring 797 apartments, a 188-room hotel, and an eight-story parking complex ringed by offices, retail, residences, a grocery store and gym, along with a two-story glass building with retail and artist studios and large sidewalks serving as an entry into downtown just to the south.

Lastly, on the western edge of the downtown Ft. Lauderdale market, Natiivo Fort Lauderdale, is proposed to combine short-term rental condos, ground-floor restaurants, and six floors of office space. The 1.08-acre site was acquired by Newgard for $31.24 million in December 2023.

Projects located near the downtown Ft. Lauderdale Brightline station for the Brightline commuter passenger rail service that now connects downtown Fort Lauderdale to downtown Miami, Aventura, Boca Raton, downtown West Palm Beach and Orlando at the Orlando International Airport, are at the hub of urban growth. The addition of new Class A office space will augment a market that is yearning for a new office delivery since the successful completion and lease up of The Main Las Olas.

Growth isn't exclusive to the east. In Sunrise, the mixed-use project renamed Radius by GL Commercial proposed on 32 acres has been approved for 750,000 square feet of offices, plus retail and multifamily residential. However, it has been reported that Atlas Airlines is committed to taking space, altering the plan to include 250,000 SF of office and simulator training space and a 300-room hotel.

These additions set a strong foundation for future growth. As almost 1,000 new residents and businesses continue to come to Florida, regions like Southeast Florida and Broward County in particular, are primed for success.

Diversity has been at the core of Broward county's tenant base. Five large recent leases came from the area's major sectors, including law and engineering firms, healthcare, and education. Broward County's tenant base diversity is reflected in the overall leasing activity, with no one industry capturing more than 17% of leasing activity providing a strong base for long term success.

Transit and sustainability are common themes in the Greater Fort Lauderdale and South Florida markets. The arrival and continued expansion of Brightline, and the increased use of the TriRail train, is encouraging proactive, transit-oriented development. Additionally, the U.S. Department of Commerce's Economic Development Administration in 2023 named the South Florida Climate Resilience Tech Hub one of 31 such Tech Hubs in the United States. The designation opens the area up to potential funding of up to $75 million, positioning the region to drive and be at the forefront of environmental and sustainable solutions.

Along with the region's educated and diverse workforce, especially those proactive in IT, data sciences and the "blue/green" economy, Greater Fort Lauderdale is primed to own a leading role in the region's surge into the 21st Century marketplace.

BROWARD BY THE NUMBERS | 4Q 2023

MULTI-TENANT OFFICE BUILDINGS >50,000 SF

CLASS A

↑ **28.56 NNN PSF**
Weighted average asking rate (increased 2.9% YOY)

↑ **17.6%**
Direct vacancy rate increased 50-basis points YOY

(20,941) SF
2024 Net Absorption

CLASS B

↑ **$19.25 NNN PSF**
Weighted average asking rate (increased 4.5% YOY)

↓ **14.7%**
Direct vacancy rate decreased 150-basis points YOY

6,156 SF
2024 Net Absorption

Demand

In Broward County, most fundamentals remain strong despite some recent isolated occupancy losses. With its suburban tenant base featuring many large tenants that are more susceptible to downsizes, Broward County is not immune to the effects that hybrid work has on occupancy levels. Over the past few years, Broward County has been able to more than offset those occupancy losses with new-to-market tenants, as well as from growth within its existing tenant base. However, a combination of macroeconomic headwinds and limited availability of top-tier office space has slowed some of the activity that had previously driven market growth. Overall, the outlook for the Broward County office market remains strong as economic improvement and the dissipation of the "wait and see" approach should spark growth through the rest of the year.

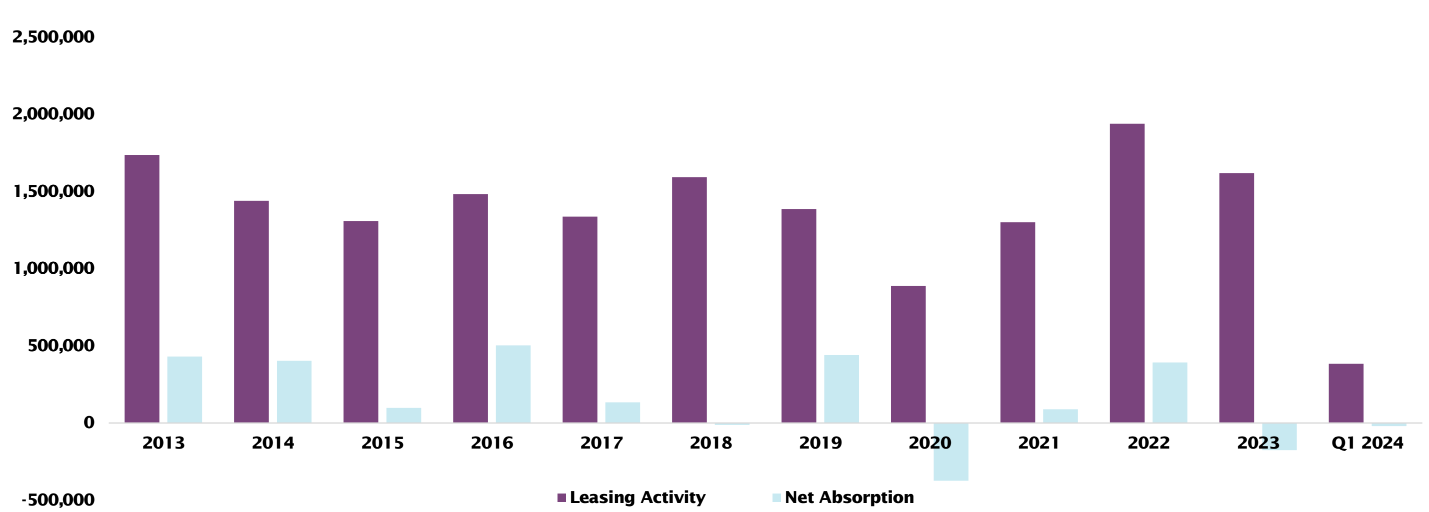
Following 87,000 SF of negative absorption in 2023, the Broward County office market recorded only15,000 SF of occupancy loss in the first quarter of 2024. In similar fashion to last year, the bulk of negative absorption can be attributed to a couple of suburban tenants. In 2023, Humana and United Health gave back a combined 125,000 SF of primarily back-office space across two Class A buildings in Miramar. In the first quarter of 2024, Kaplan University gave back 52,000 SF while extending some of their space in Cypress Creek, and T-Mobile vacated 25,000 SF in Sawgrass Park.

While some of the submarkets with isolated occupancy losses lagged the overall market in the first quarter, there was still some growth amongst submarkets, especially those with higher quality product. Downtown Fort Lauderdale and Plantation continued their strong growth from last year and recorded 23,000 SF and 15,000 SF of positive absorption, respectively. Additionally, Southwest Broward rebounded from the occupancy losses in Miramar last year, recording nearly 36,000 SF of positive absorption in the first quarter. Top-tier product in those submarkets, especially in select micro markets like Weston, Pembroke Pines, and Las Olas, continued to capture the majority of activity as tenants seek high quality office space in highly accessible locations to attract employees back to the office.

Leasing activity remained strong to start the year. Leasing activity totaled 541,000 SF in the first quarter, in line with 2023 levels, and 9.5% higher than the five-year quarterly historical average. Leasing activity has remained strong over the past couple of years despite limited new-to-market leasing, which has been slowed by lack of available top-tier space.

Broward County's tenant base diversity was reflected in the overall leasing activity, with no one industry capturing more than 17% of leasing of leasing activity. All major industries, including professional and business services, financial services, legal services, technology, education and medical, all captured between 8%-17% of overall leasing activity. This diversity of the tenant base is also reflected in the largest leases of the quarter, including Cigna's 48,000 SF renewal in Sawgrass Park, Kimley-Horn's 36,000 SF extension and expansion in Plantation, Comcast's 29,000 SF extension in SW Broward, Kaplan University's downsize in Cypress Creek, and Gunster's 22,000 SF renewal in Downtown Fort Lauderdale. The top leases span all major submarkets in Broward County and cover a wide range of industries.

HISTORICAL BROWARD DIRECT LEASING ACTIVITY & NET ABSORPTION (SF)
CLASS A MULTI-TENANT OFFICE BUILDINGS > 50,000 SF



Supply

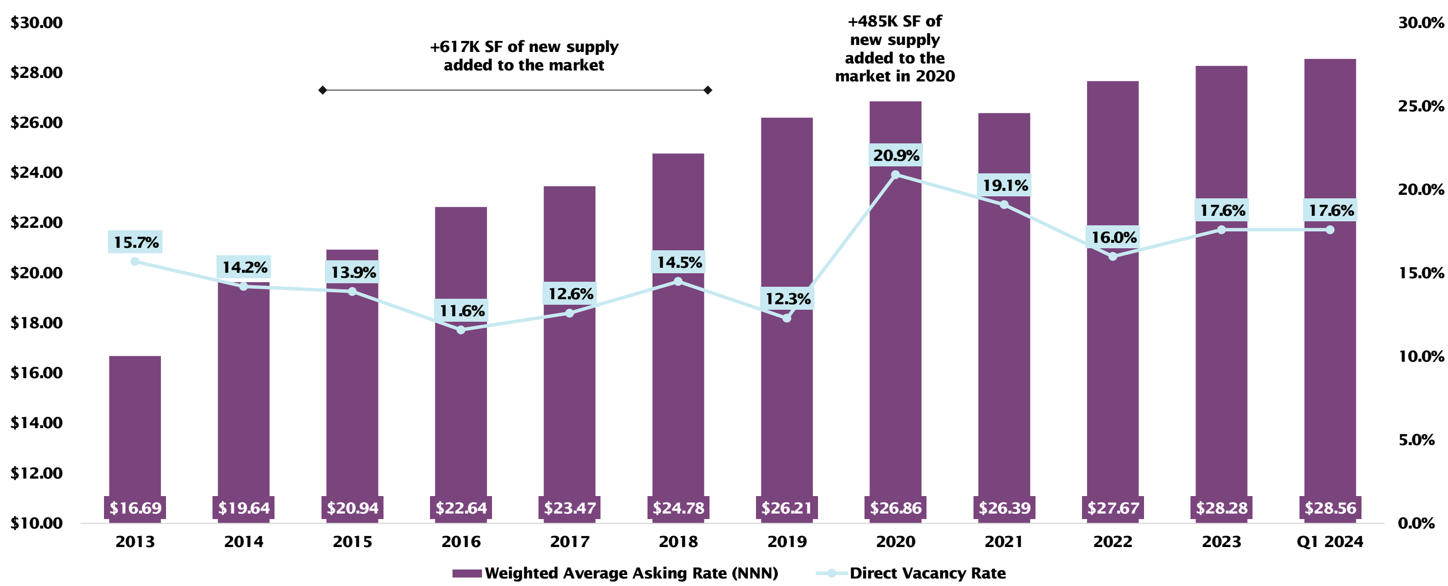
National headlines about the office don't reflect the reality of what is happening in South Florida overall, and in Broward County. With reports that vacancy rates have reached all time highs and that there is more than a billion square feet available for lease across the United States, it is reasonable to believe that affect is being felt everywhere across the country. However, in Broward County the direct vacancy rate is only 40 basis points higher than it was before the pandemic. Limited supply additions, and the lease up of the space that was delivered, coupled with strong growth has helped maintain a vacancy rate well below the national average.

Over the past year, the overall direct vacancy rate decreased 30 basis points to 16.5%, unchanged from the end of last year. Since the first quarter of 2021, when the vacancy rate was 20.9%, the vacancy rate has continued to tick down with no new deliveries over that time. The vacancy rate remains slightly elevated compared to the latter part of the 2010's but has significantly outperformed the national office vacancy rate.

For tenants relocating, flight to quality is still one of the major factors determining where the tenants sign leases. With many studies proving that high quality office buildings perform better in regard to employees returning to the office, decision makers are leveraging their real estate to bring employees back. However, given the isolated space give backs that have occurred in Class A offices over the past two years, the vacancy rate does not reflect that trend. Class A direct vacancies have increased 50 basis points over the prior year to 17.6%, while Class B vacancies have decreased 150 basis points over the prior year to 14.7%. Despite the elevated Class A vacancy rate, key submarkets with the higher quality office product have vacancy rates below the market average, including Downtown Fort Lauderdale, Cypress Creek, and Plantation.

One of the most optimistic signs for the Broward County office market, specifically Downtown Fort Lauderdale, was the groundbreaking for Hines' T3 FAT Village. After receiving a $220 million construction loan from Bank OZK at the end of 2023, Hines and Urban Street Development broke ground and are underway with the construction of this significant mixed-use development in March. When completed in early 2026, the project will include 603 apartments, 74,000 SF of retail, and 180,000 SF of Class A Trophy office space in Phase I of the project. The scope of the project, which includes a sustainably built Class A office component not yet pre-leased, speaks to the confidence in the project and the city, as the office looks to fill a major need for top-tier office space in Downtown Fort Lauderdale.

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



Rates

For the second consecutive quarter, weighted average asking rates in the Broward County office market increased 0.3% from the prior quarter, a measured increase compared to growth over the past couple of years. As a result of the continued rent growth, the overall weighted average asking rate has increased 3.5% over the prior year to $25.52 NNN.

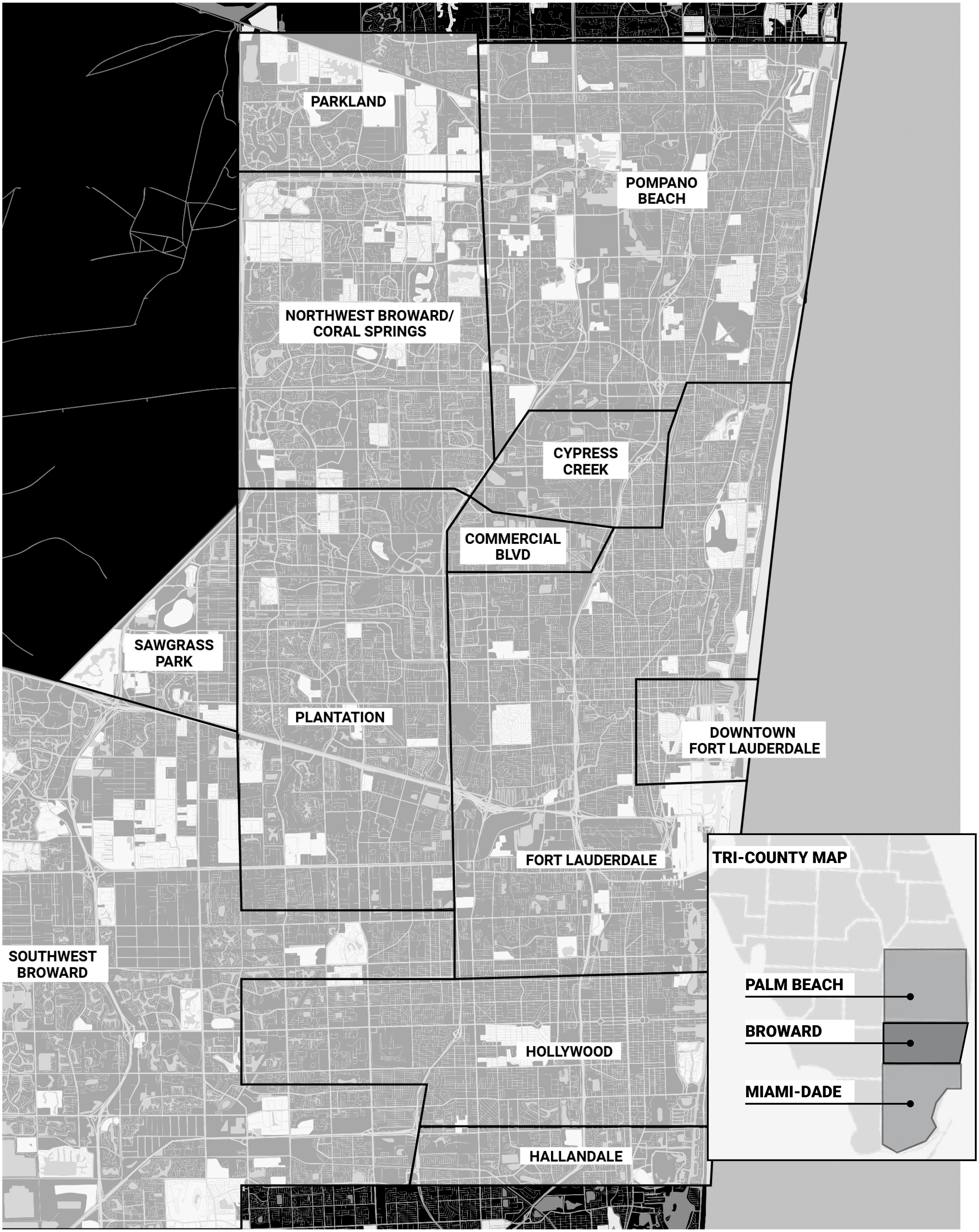
With another 3.5% increase in asking rates in the last year, the overall asking rate in Broward County has increased 16.6% since Q1 2020. Even as vacancies have plateaued over the past two years, Broward's rental rate growth continues to exceed the national average growth rate, which has hovered around 1.0%.

The growth in overall asking rate has increased has been higher than the growth in Class A rates over the past year, which have increased 2.8%. However, growth in Class A rents have started this year strong with 0.9% growth over the prior quarter.

Driving the 16.6% increase in Class A rates since the first quarter of 2020 has been the increases in asking rates in Downtown Fort Lauderdale, Cypress Creek, & Plantation. Both Downtown Fort Lauderdale and Cypress Creek have recorded asking rate increases of approximately 16.0%, which equates to a roughly 4% average annual growth rate. Plantation, however, has seen significant rent growth over that same period. The Class A weighted average asking rate in Plantation has increased 59.4% since Q1 2020, driving a 52.9% growth across the submarket.

Following the onset of the pandemic there was significant growth across the Broward County office market. Over the last five quarters, activity has slowed, partially due to the limited availability of top-tier office spaces. Tenant's willingness to pay a significant premium for high quality office space, as evidenced by the success of The Main Las Olas, and numerous projects across Miami and Palm beach, has increased as they look for a way to entice employees back to the office. Migrating companies from other major cities across the U.S. are also in the sidelines eager to acquire new top quality office space connected to mass transit and that offers the right amenities in a vibrant urban neighborhood.

There are currently 2.1 million SF of active deals in the market, with 23% of that demand originating from tenants outside Broward County, both new-to-market tenants, and some from Miami and Palm beach who typically prefer high quality work environments. While T3 FAT Village will be able to accommodate a portion of that demand, there remains excess demand for high quality office space. Until the delivery of the space, submarkets offering premium buildings and amenities will likely remain attractive for tenants seeking to enter the market or expand their presence in the region this year. 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 office market is poised to overcome challenges and return to sustained levels of growth as the year progresses.


PARKLAND
POMPANO BEACH
NORTHWEST BROWARD/ CORAL SPRINGS
CYPRESS CREEK
COMMERCIAL BLVD
SAWGRASS PARK
PLANTATION
DOWNTOWN FORT LAUDERDALE
FORT LAUDERDALE
TRI-COUNTY MAP
SOUTHWEST BROWARD
PALM BEACH
BROWARD
HOLLYWOOD
MIAMI-DADE
HALLANDALE

Broward Submarkets — Class A

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate NNN	Q1 2024 Net Absorption	Q1 2024 Direct Leasing Activity (SF)	Under Construction
6 MAJOR SUBMARKETS							
Downtown Fort Lauderdale	19	4,970,927	17.3%	$36.54	3,876	108,210	180,000
Fort Lauderdale	5	1,216,739	17.6%	$25.76	(10,332)	17,164	-
Southwest Broward	20	2,070,390	18.6%	$24.49	35,914	92,331	-
Sawgrass Park	14	1,685,255	22.3%	$23.46	(18,487)	81,305	-
Cypress Creek	15	1,839,983	16.2%	$22.53	(29,994)	40,156	-
Plantation	10	1,339,346	13.5%	$28.02	7,410	19,362	-
SUBTOTAL	83	13,122,640	17.6%	$28.93	(11,613)	358,528	180,000
Commercial Blvd	2	183,137	15.5%	$22.50	11,943	12,938	-
Hallandale							
Hollywood	3	499,645	11.3%	$25.94	(4,964)	2,673	-
NW Broward/Coral Springs	5	538,784	20.0%	$24.56	(12,742)	-	-
Pompano Beach	3	348,696	24.3%	$27.34	(3,565)	10,632	-
SUBTOTAL	13	1,570,262	17.7%	$25.48	(9,328)	26,243	-
TOTAL	96	14,692,902	17.6%	$28.56	(20,941)	384,771	180,000

Broward Submarkets — Class B

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate NNN	Q1 2024 Net Absorption	Q1 2024 Direct Leasing Activity (SF)
6 MAJOR SUBMARKETS						
Downtown Fort Lauderdale	10	836,817	3.9%	$24.29	18,925	11,654
Fort Lauderdale	10	1,470,345	22.6%	$19.81	(22,960)	7,218
Southwest Broward	7	606,873	17.1%	$23.69	(137)	-
Sawgrass Park	4	1,050,394	8.5%	$20.11	(1,432)	19,832
Cypress Creek	19	1,806,382	15.1%	$16.66	6,929	38,202
Plantation	15	1,321,515	14.9%	$21.01	7,529	48,995
SUBTOTAL	65	7,092,326	14.5%	$19.77	8,854	125,901
Commercial Blvd						
Hallandale	4	477,402	11.7%	$17.09	2,801	-
Hollywood	4	273,649	6.9%	$23.95	3,282	18,053
NW Broward/Coral Springs	1	54,223	42.4%	$15.00	-	-
Pompano Beach	10	650,196	19.6%	$16.07	(8,781)	12,694
SUBTOTAL	19	1,455,470	15.5%	$16.87	(2,698)	30,747
TOTAL	84	8,547,796	14.7%	$19.25	6,156	156,648

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