



Broward Office Market Report.

Snapshot & Outlook

Q2 2024

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The Florida Panthers' NHL Stanley Cup run - and all that surrounded it - are shining a bright light on the greater Fort Lauderdale / Broward County community. From the Amerant Bank Arena that the "cats" call home, to the beaches where the players and fans alike celebrated the championship, the activity showcased some \$110 million in economic activity in a couple of years - and revealed a landscape and lifestyle that spans from the seagrass to the sawgrass.

Tucked between the two shores - the Atlantic and the Everglades - is a commercial real estate marketplace enjoying steady increases in growth, demand and rates. The county experienced positive returns when Q2 and Q1 were balanced out. The first quarter saw strong leasing activity across the market, in both downtown and suburban submarkets, with slightly negative absorption. The second quarter was flipped, with below average leasing activity, particularly in suburban submarkets, but slightly positive absorption.

The county remains a picture of conflicting returns. Over the last five quarters, the Broward office market saw 102,000 SF of occupancy loss, mostly in the suburbs. The second quarter, however, saw 37,000 SF of positive absorption, bringing year to date occupancy gains to 23,000 SF. Contrasting the negative absorption out west was 116,000 SF in Q2 positive absorption to the east in Downtown Fort Lauderdale, and two adjacent suburban submarkets, outer Fort Lauderdale and Cypress Creek.

Leasing activity in Q2 was off 9% compared to Q1, though in line with the historical five-year quarterly average. The total leasing activity in Q2 of 484,000 SF brought YTD leasing to 1.02 million SF. Combined with strong first quarter activity, leasing activity for the first half of the year slightly outpaced historical averages.

Greater Fort Lauderdale and South Florida are in many ways belying national trends. Steady demand has continued and vacancies in various submarkets has remained steady or declined- faring well for Broward. The vacancy rate is only 40 basis points higher than it was before the pandemic and until new projects come online such as Hines T3 FAT Village in Downtown Ft. Lauderdale planned to deliver in 2026, the county is expected to enjoy vacancies below the national average.

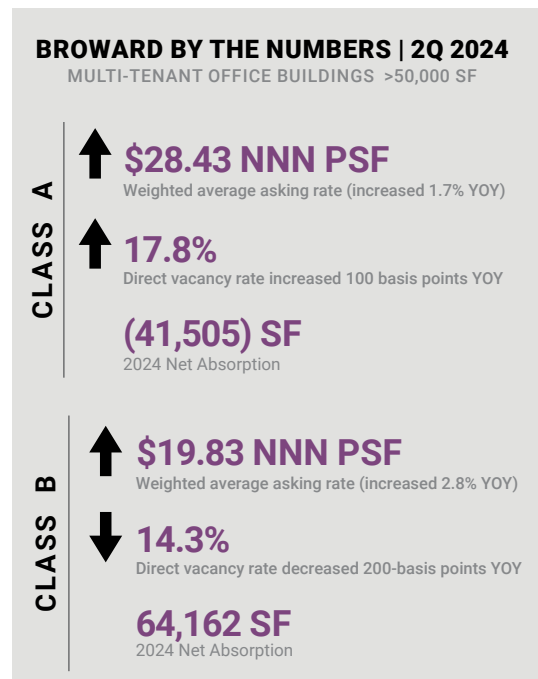
Rental rates in the Broward County office market continue to increase, up 17.5% since Q1 2020, exceeding the national average growth rate of around 1.0%. This puts the overall weighted average asking rate up 3.4% over the prior year to \$25.71 PSF NNN, atop a similar 3.4% increase in asking rates in the past year.

There's ample room for growth. Broward has 2.0 million SF of deals currently active in the market, with 25% of that

demand originating from tenants outside Broward County, both new-to-market tenants, and some from Miami and Palm Beach. Notwithstanding, increasing optimism in the capital markets and improving economic conditions, along with Broward's high quality of life, lower cost of housing than its neighboring counties to the north and south, and a host of lifestyle amenities, Broward is expected to enjoy sustained growth.

Across South Florida and in Broward, quality-of-life improvements continue to be made. The Brightline high speed rail has won praise as a reliable and efficient leisure and business connection between South Florida and Orlando. To further ease the region's commuting woes, the U.S. Department of Transportation's Federal Transit Administration will infuse \$272.4 million in the Miami/ Fort Lauderdale transit infrastructure. In downtown Fort Lauderdale, investments in Huizenga Park create a signature urban gathering place, with spaces for leisure, dining, physical activity, events, and meet-ups. To the north, the Baptist Health IcePlex, built on the grounds of the historic War Memorial Auditorium, is both the primary practice facility for the Panthers, as well as centerpiece for amateur skating and cultural events as part of the larger 93-acre Holiday Park.

The overall outlook countywide remains generally positive. Expected clarity and improved economic conditions through year-end, along with continued return of tenants to the market, translate to growth through the remainder of 2024. Just as the Panthers' showcased the franchise as "Broward's team," greater Fort Lauderdale continues to earn nods as a winning commercial real estate marketplace for local, domestic and international tenants.





Demand

In Broward County, the first half of the year presented a varied array of demand metrics, generally trending positively. The first quarter of the year offered strong leasing activity across the market, with minor negative absorption due to isolated occupancy losses. In contrast, the second quarter recorded below average leasing activity, particularly in suburban submarkets, but slightly positive absorption. Broward County is not immune to the effects of the growing hybrid workforce and

general macroeconomic headwinds that persist in real estate. However, those effects are not equally distributed across the market, as suburban markets face more challenges, with larger tenants that are more susceptible to downsizing. With anticipated economic clarity and improvement expected in the second half of the year, the outlook remains strong as tenants reengage, sparking growth for the rest of the year.

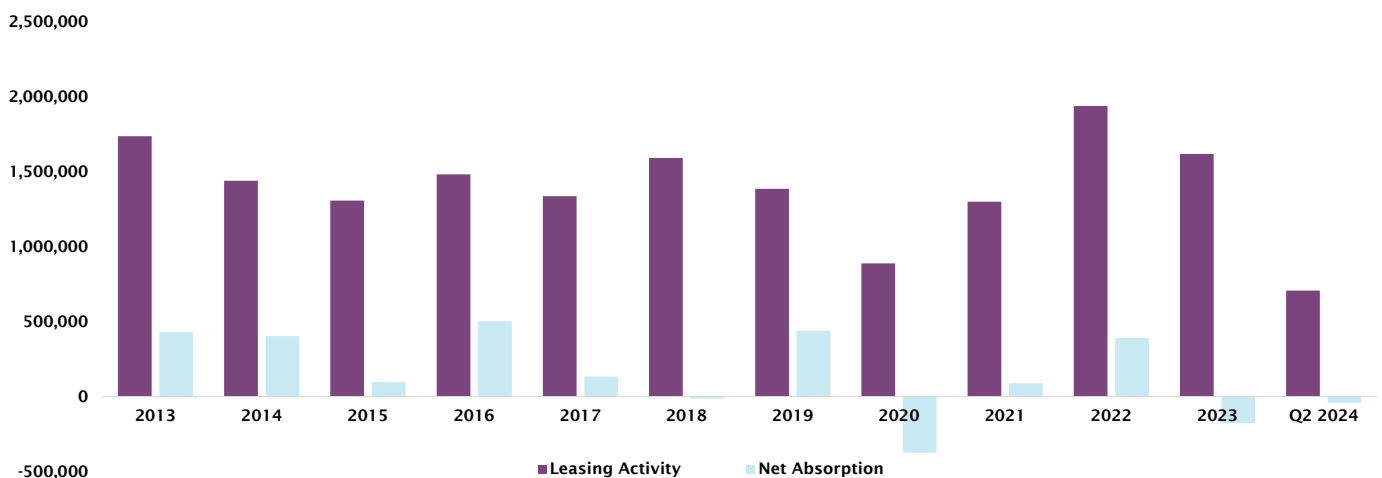
The Broward office market recorded 37,000 SF of positive absorption in the second quarter. Growth in the second quarter was driven by Downtown Fort Lauderdale, and two neighboring suburban submarkets, outer Fort Lauderdale and Cypress Creek. Those three submarkets recorded 116,000 SF of positive absorption in the second quarter. In outer Fort Lauderdale where the submarket recorded 74,000 SF of occupancy gains, MSC Cruises signed a 34,000 SF lease at BayView Corporate Tower, relocating and expanding in their move from Cypress Creek. Additionally, Multi-Bank Securities renewed and expanded by 24,000 SF at Costal Tower. In Downtown Fort Lauderdale, the second-best performing submarket this quarter, ABA Centers of America expanded by 16,000 SF for the second time since moving to 110 E Broward in 2022. The ABA therapy provider has been one of the fastest growing tenants in Broward County.

Over the last five quarters, the Broward office market posted 102,000 SF of occupancy loss, largely concentrated in the suburbs. The second quarter showed marked improvement as Broward recorded positive absorption, bringing year to date occupancy gains to 23,000 SF. This growth occurred despite the substantial space reduction by the MacNeil Group, which terminated its 37,000 square foot lease in Sawgrass. The market successfully offset this loss through expansion from the existing tenant base.

While there was significant improvement in absorption in the second quarter, leasing activity lagged behind the first quarter levels but was in line with historical averages. Leasing activity totaled 484,000 SF in the second quarter, bringing year to date leasing to 1.02 million SF, decreasing 9% from the first quarter of 2024, but only 2% off the five-year quarterly average. With the strong first quarter of activity, leasing activity for the first half of the year slightly outpaced historical averages. Leasing activity has remained steady over the past couple of years despite limited new-to-market leasing, which has been impacted by lack of available top-tier space.

Mirroring absorption trends, leasing activity was largely concentrated in Downtown Fort Lauderdale and adjacent suburban submarkets. The largest lease of the quarter was Greenberg Traurig's 49,000 SF renewal at 401 E Las Olas in Downtown Fort Lauderdale. The Miami-founded law firm renewed their lease for 15 years retaining its existing premises, bucking a national trend of law firms downsizing. With nine out of the ten largest leases of the quarter involving tenants maintaining or increasing their footprint, the outlook for continued recovery remains strong.

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





Supply

For the first time since the data has been tracked, the US office vacancy rate surpassed the 20% barrier, according to Moody's Analytics. Many major US metros areas have vacancy rates north of 20% driven by shrinking demand and an oversupply of commodity office. While not immune to the issues, particularly

in suburban areas, the Broward County office market, along with its neighboring counties, continues to outperform similar metros. Limited supply additions and strong demand has the Broward County office vacancy at a healthy level.

In Broward County, the vacancy rate is only 40 basis points higher than it was before the pandemic. New projects are expected to be delivered in the next twenty-four months, with additional projects in the planning stages. In the meantime, limited supply additions and steady demand will help Broward maintain a vacancy rate well below the national average.

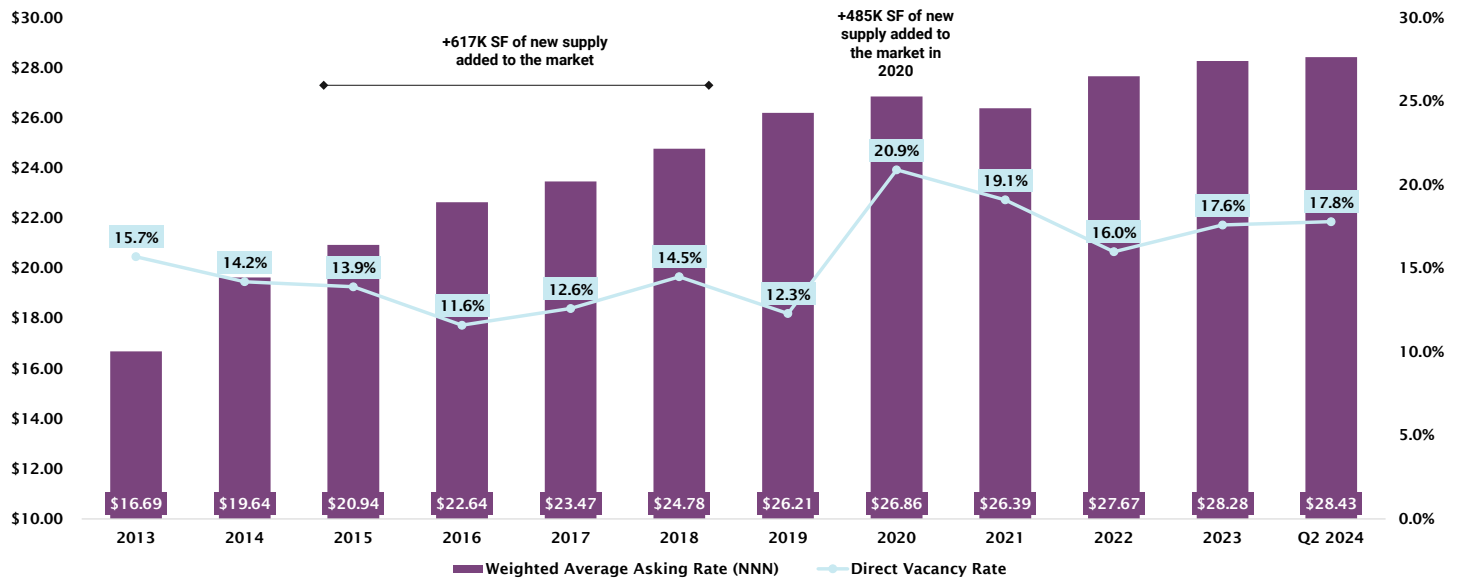
There has been little change in the vacancy rate over the past year. The overall direct vacancy rate ended the quarter at 16.5%, unchanged from the last two quarters and down only 10 basis points from this time last year. With the office supply largely stagnant, the vacancy rate has closely mirrored absorption trends over the past few years. Since the delivery of The Main in Downtown Fort Lauderdale, which coincided with the onset of the pandemic, occupancy grew across the market. In 2021 and 2022, the market recorded positive absorption and no deliveries pushing the vacancy rate down to 16.0%. Over the last six quarters the vacancy rate has increased slightly to 16.5%, with much of the increase occurring in the first half of 2023.

Over the last year, Class A vacancy has increased 100 basis points to 17.8%. While tenants that are relocating are largely choosing to improve the quality of their office space, the

downsizing of large tenants in suburban markets has put continued pressure on Class A vacancy. A notable exception is Downtown Fort Lauderdale, where Class A vacancy has decreased by 60 basis points to 16.6%, driven by decreasing vacancy amongst the Class A Tier I buildings which this quarter recorded 13.0%. Class B continues to perform well, capturing demand from tenants seeking lower cost options, reducing vacancy by 200 basis points over the prior year, ending the quarter at 14.3%.

In addition to the improvement in direct vacancy, the amount of sublease space on the market decreased over the past year. Sublease availability decreased 7.0% over the past year, now accounting for 3.3% of inventory. Like direct vacancy, sublease availability is higher than historical averages for Broward County, but is still below the national sublease levels, which have doubled since 2019. All submarkets outside Downtown Fort Lauderdale and Southwest Broward have seen decreases in the amount of available sublease space, partially due to tenants backfilling sublease spaces and the natural expiration of leases. The decreasing levels of sublease availability are another positive sign for the market.

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





Rates

Following two consecutive quarters of minor increases in weighted average asking rates, the asking rates in the Broward County office market increased 0.7% from the prior quarter. While this growth surpasses the last two quarters, the 0.7%

growth is still a measured increase compared to the previous two years. As a result of the continued rent growth, the overall weighted average asking rate has risen 3.4% over the prior year to \$25.71 NNN.



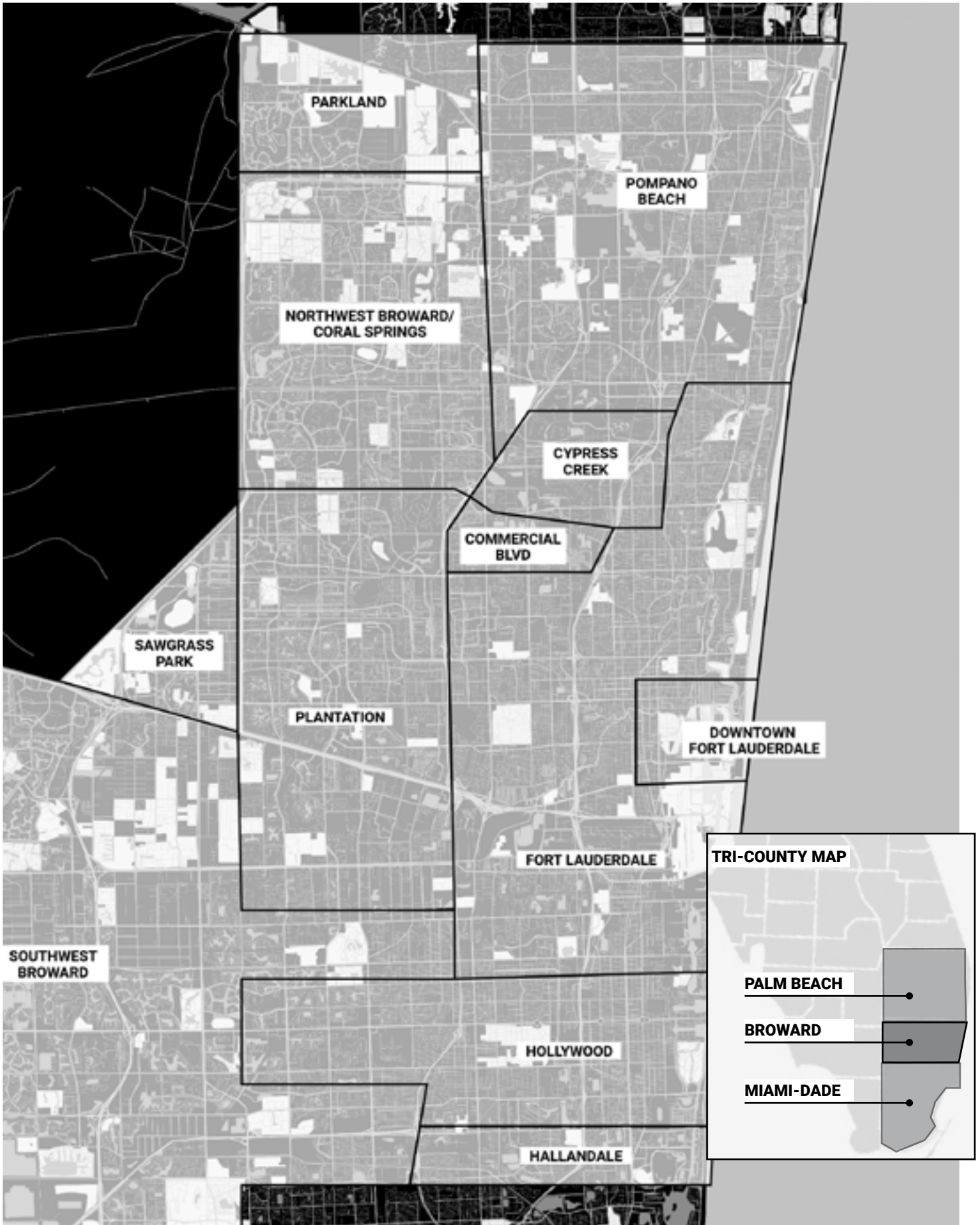
This consistent growth has resulted in a 17.5% increase in asking rates since Q1 2020, despite a plateau in vacancy rates over the past two years. Moreover, Broward County's rental rate growth continues to outpace the national average, which has hovered around 1.0%.

While the overall asking rate increased 0.7% over the prior quarter, Class A rates decreased 0.5% over the previous quarter. Despite the slight decrease in the second quarter, Class A asking rates have increased 1.7% over the prior year, half of the growth in the overall rate.

Looking beyond the topline number, Class A rents have fared better at the submarket levels. In outer Fort Lauderdale, Cypress Creek, and Downtown Fort Lauderdale, Class A rents increased 9.2%, 7.5%, and 3.2% respectively. Across leasing, absorption, and vacancy rates these submarkets have performed well as tenants have gravitated towards downtown and well connected, easily accessible locations. We expect this trend to continue in the downtown and surrounding markets, where most of the premium office projects are located.

Growth in the second quarter of the year is a welcome sign for the Broward County office market. On the heels of the pandemic, there was significant activity across the Broward County office market, driven by both new-to-market and existing tenants. In the five quarters before Q2 2024, activity had plateaued, partially due to the limited availability of top-tier office spaces, coupled with general economic headwinds. Both nationally and locally, tenants have shown a willingness to pay a significant premium for high quality office space, as they have looked to entice employees back to the office. In Miami, this has been evident in the success of recently delivered projects in Miami Beach, as well as the soon to be delivered 830 Brickell. In Palm Beach, numerous projects in the CBD have been fully leased to tenants paying significantly above the market average. In Broward, The Main Las Olas has shown that tenants prioritize high-quality office buildings to bring employees back.

There are currently 2.0 million SF of active deals in the market with 25% 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. With the groundbreaking of T3 FAT Village last quarter, there is Class AAA office product in the pipeline that will be able to accommodate demand from tenants seeking to offer employees a quality workplace experience. Submarkets such as Flagler Village offering premium buildings and amenities will remain the preference for tenants seeking to enter the market or relocate their presence in the region. As uncertainty around the capital markets wanes and overall economic conditions improve, Broward County is poised to overcome challenges and return to sustained levels of growth.



Broward Submarkets – Class A

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate NNN	YTD 2024 Net Absorption	YTD 2024 Direct Leasing Activity (SF)	Under Construction
6 MAJOR SUBMARKETS							
Downtown Fort Lauderdale	19	4,970,927	16.6%	\$36.65	34,623	265,808	180,000
Fort Lauderdale	5	1,216,739	12.3%	\$26.98	54,156	83,744	-
Southwest Broward	20	2,070,390	18.6%	\$24.30	37,077	103,401	-
Sawgrass Park	14	1,685,255	25.4%	\$23.74	(70,935)	110,512	-
Cypress Creek	15	1,839,983	17.7%	\$22.74	(56,260)	70,315	-
Plantation	10	1,339,346	14.1%	\$28.19	(495)	28,017	-
SUBTOTAL	83	13,122,640	17.5%	\$28.90	(1,834)	661,797	180,000
Commercial Blvd	2	183,137	20.6%	\$22.50	2,592	12,938	-
Hallandale							
Hollywood	3	499,645	11.3%	\$25.42	(4,619)	13,058	-
NW Broward/Coral Springs	5	538,784	19.9%	\$24.44	(12,439)	5,707	-
Pompano Beach	3	348,696	30.6%	\$25.99	(25,205)	13,323	-
SUBTOTAL	13	1,570,262	19.6%	\$24.92	(39,671)	45,026	-
TOTAL	96	14,692,902	17.8%	\$28.43	(41,505)	706,823	180,000

Broward Submarkets – Class B

Submarket	Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Weighted Average Asking Rate NNN	YTD 2024 Net Absorption	YTD 2024 Direct Leasing Activity (SF)
6 MAJOR SUBMARKETS						
Downtown Fort Lauderdale	10	836,817	4.0%	\$24.48	18,009	11,654
Fort Lauderdale	10	1,470,345	22.0%	\$19.76	(13,425)	16,918
Southwest Broward	7	606,873	17.9%	\$24.56	(4,627)	12,052
Sawgrass Park	4	1,050,394	8.0%	\$20.21	3,758	67,080
Cypress Creek	19	1,806,382	12.9%	\$16.91	45,347	96,975
Plantation	15	1,321,515	14.8%	\$21.39	9,165	76,239
SUBTOTAL	65	7,092,326	13.8%	\$20.14	58,227	280,918
Commercial Blvd						
Hallandale	4	477,402	14.1%	\$17.62	(8,722)	
Hollywood	4	273,649	7.0%	\$23.68	3,043	18,053
NW Broward/Coral Springs	1	54,223	40.0%	\$15.00	1,319	
Pompano Beach	10	650,196	20.3%	\$18.93	10,295	19,804
SUBTOTAL	19	1,455,470	16.5%	\$18.58	5,935	37,857
TOTAL	84	8,547,796	14.3%	\$19.83	64,162	318,775



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