



TRANSWESTERN

# BROWARD INDUSTRIAL MARKET

## Q4 2022

### TRENDLINES

	Q4 2022	Q4 2021	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.6	3.9	↓	4.8	↑
NET ABSORPTION (MSF)	0.4	1.7	↓	0.5	↑
OVERALL VACANCY RATE	4.3%	4.6%	↓	5.3%	↓
OVERALL VACANT SF (MSF)	4.7	4.9	↓	5.4	↓
UNDER CONSTRUCTION (MSF)	1.2	1.6	↓	2.1	↑
ASKING RENT, NNN (PSF)	\$13.55	\$10.72	↑	\$9.97	↑
SALES VOLUME (MILLIONS)	\$516.7	\$701.9	↓	\$267.3	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

### RENTS SOAR AS DEVELOPERS DELIVER

The Broward industrial market experienced another year of growth in 2022. Total occupancy continued to improve, albeit at the slowest pace since 2020. Developers increased activity and new deliveries outpaced net absorption in consecutive quarters to close the year. Constrained market conditions and new development contributed to accelerated rent growth. Despite the slowdown in leasing activity, it is anticipated that developers will continue to seek opportunities as the amount of new inventory that has been added since the onset of the pandemic has been outpaced by net occupancy growth.

Broward’s labor market remained strong with only 2.5% of its workforce unemployed, the lowest level post-pandemic. Trucking employment slowed during the second half of the year, though earlier estimates were revised upward. In total, Broward added nearly 10,000 industrial-using jobs during 2022, more than 80% of those in the past three months. Expansion is expected to continue in the region, which continues to benefit from business growth in and population migration to the Sun Belt.



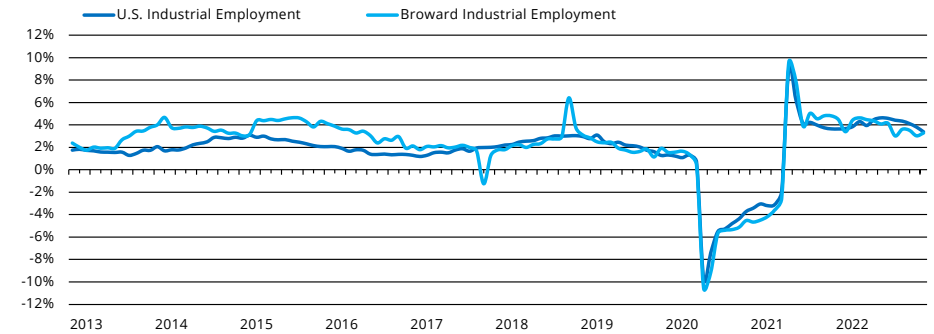


### ECONOMY

#### Industrial Employment Accelerates

- The U.S. unemployment rate stabilized during Q4, remaining at 3.5%. This rate is lower by 50 basis points when compared to the close of 2021.
- Labor participation also stayed the same during the quarter, while U.S. industrial employment continued to increase, though at the slowest year-over year pace post pandemic.
- While trucking employment slowed during the second half of the year, earlier estimates were revised upward, indicating the sector remains strong.
- The Broward area unemployment rate fell to 2.5%, matching the lowest level post-pandemic.
- Broward added nearly 10,000 industrial-using jobs during 2022, more than 80% of those in the past three months.

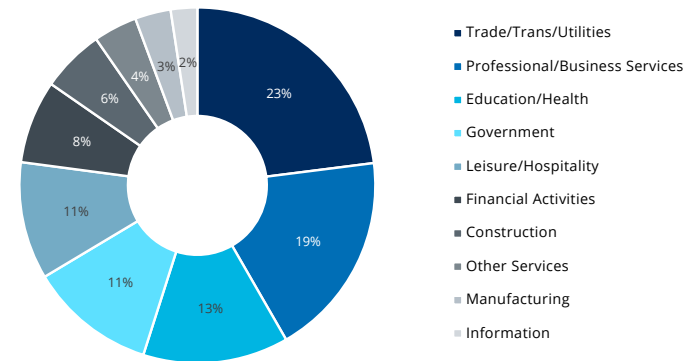
### Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

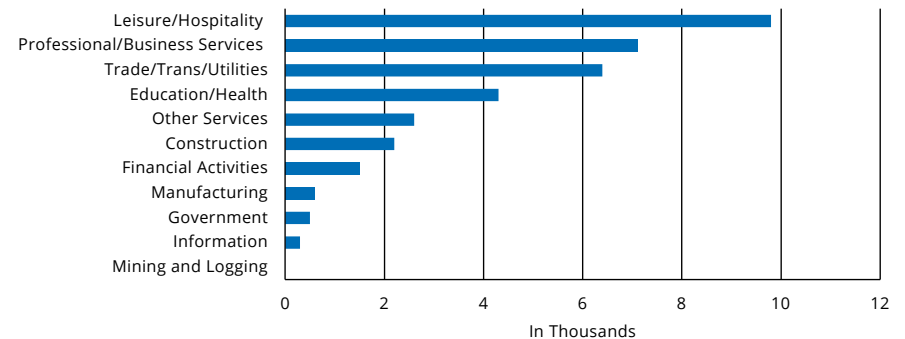
Broward | November 2022



Source: Bureau of Labor Statistics, Transwestern

### Y-O-Y CHANGE IN JOBS BY INDUSTRY

Broward | November 2022



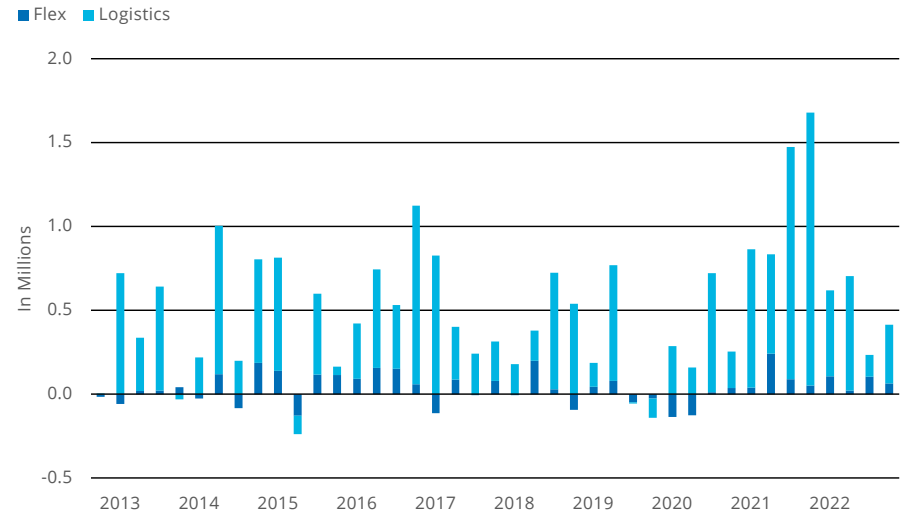


### NET ABSORPTION

#### Another Solid Year

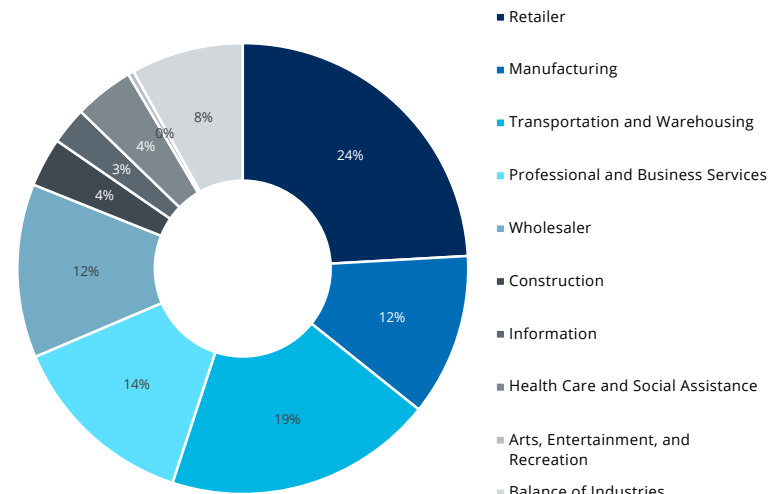
- Total occupancy continued to improve, albeit slightly, registering the 12th consecutive quarter of growth.
- The amount of positive net absorption during Q4 was nearly double the previous quarter but below the three-year average and the second lowest level since Q2 2020.
- Occupancy growth was recorded in five of the seven studied submarkets during Q4 and year-over-year.
- Nearly two million SF of industrial space was absorbed in 2022, the second highest calendar year total since 2016, behind a record-setting 2021.
- Retailers led warehouse space leasing activity in 2022, followed by transportation/warehousing companies.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

### SHARE OF LEASING ACTIVITY BY INDUSTRY Q4 2022



Source: CoStar, Transwestern

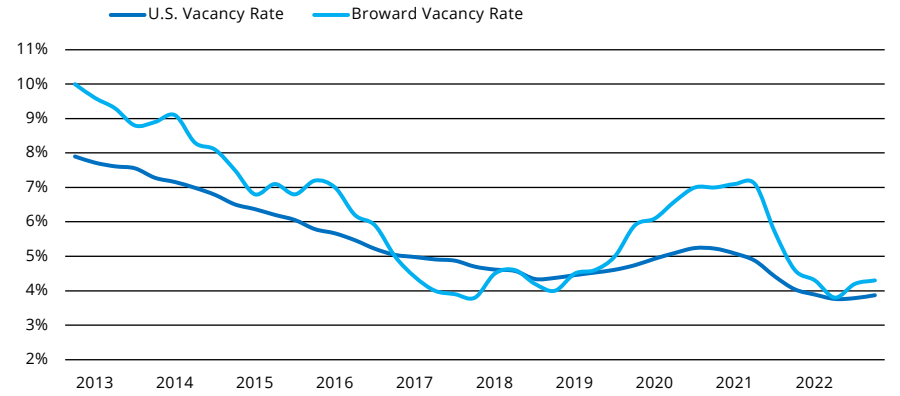


### VACANCY

#### Trending Upward

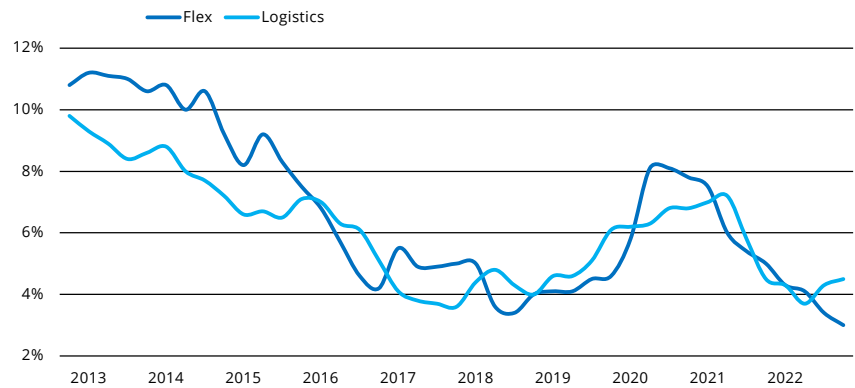
- The overall vacancy rate ticked higher during the quarter but improved by 30 basis points year-over-year.
- The level of vacant space is 280 basis points lower than the pandemic peak.
- Vacancy is single digits in all of Broward’s submarkets nearly three-quarters of submarkets below 3%.
- Sublease space represents 20% of market vacancy, down slightly from the previous quarter but five times higher when compared year-over-year.
- Broward’s overall vacancy rate remains 40 basis points higher than the U.S. average.

### OVERALL VACANCY RATE



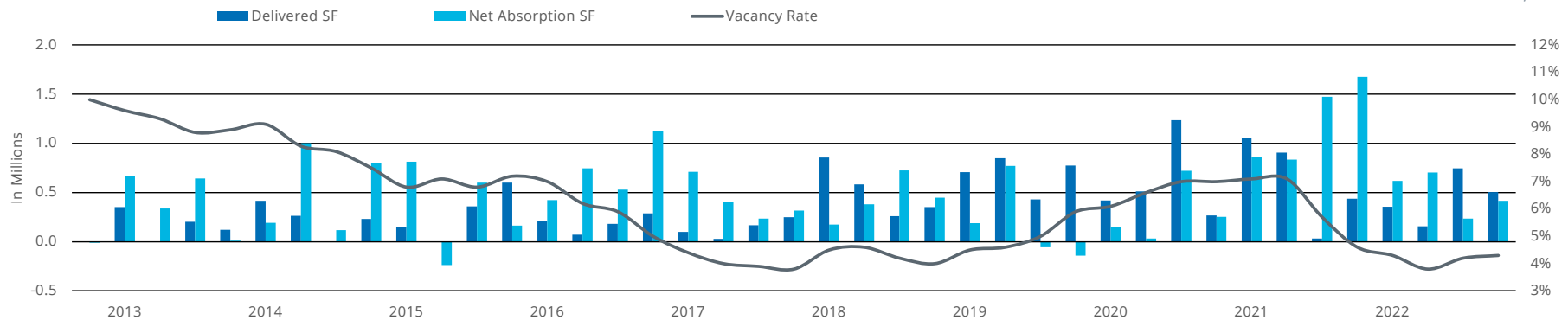
Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

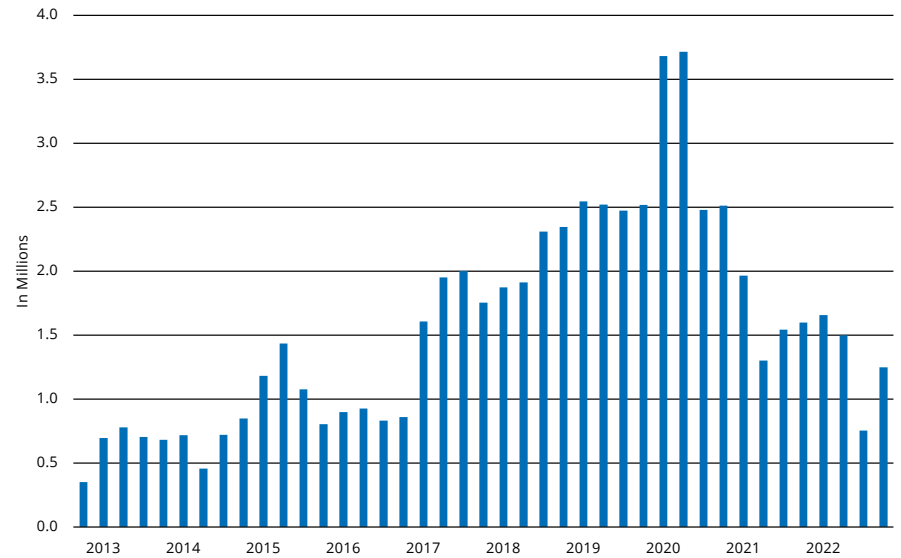


## CONSTRUCTION

### Increased Development

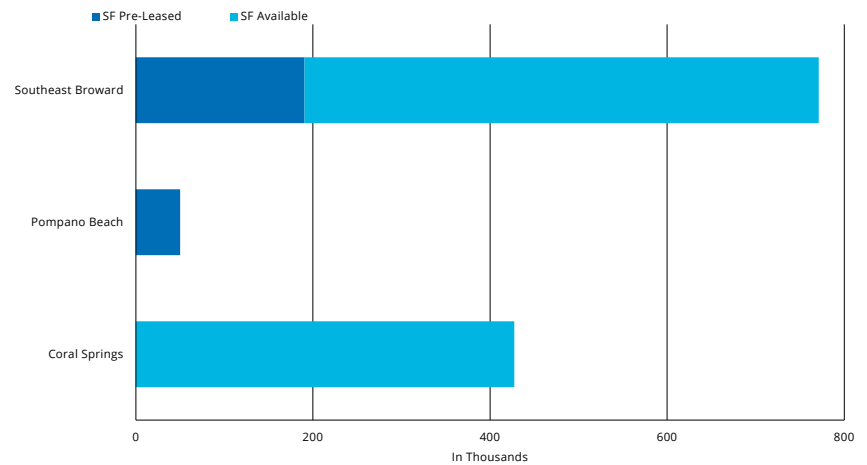
- Slightly more than half of a million square feet was delivered to the market during the fourth quarter, the second highest level since Q2 2021.
- New deliveries during Q3 outpaced net absorption for the second consecutive quarter.
- Construction rebounded to push back above one million SF, after falling beneath that level for the first time in nearly six years during the previous quarter.
- Projects are underway in three of seven submarkets and more than 80% of the space under construction remained available.
- Despite the increase of new deliveries during the second half of 2022, the market remains underserved as the 6.2 MSF of new inventory that has been added since the onset of the pandemic has been outpaced by 7.8 MSF of net occupancy growth.

## UNDER CONSTRUCTION



Source: CoStar, Transwestern

## UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

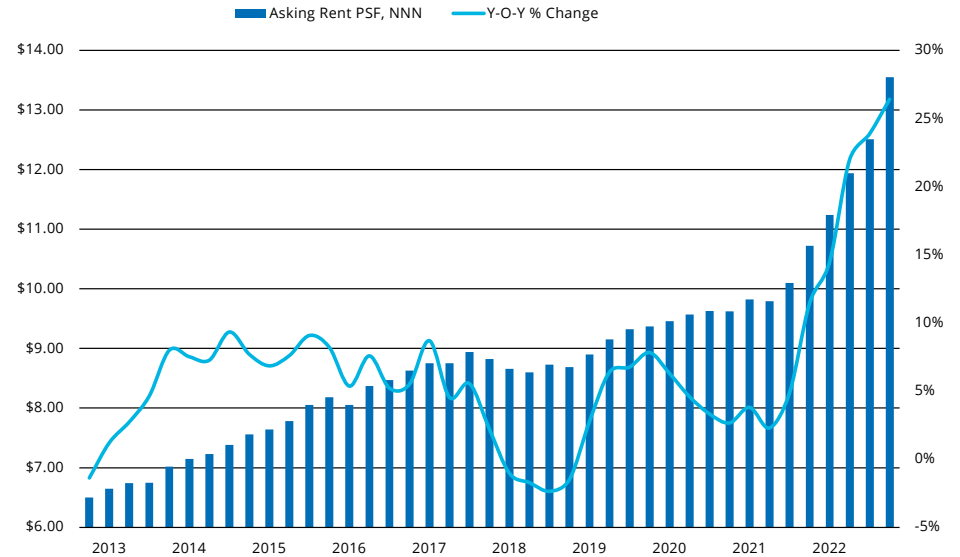


### RENTAL RATES

#### Relentless Rent Growth

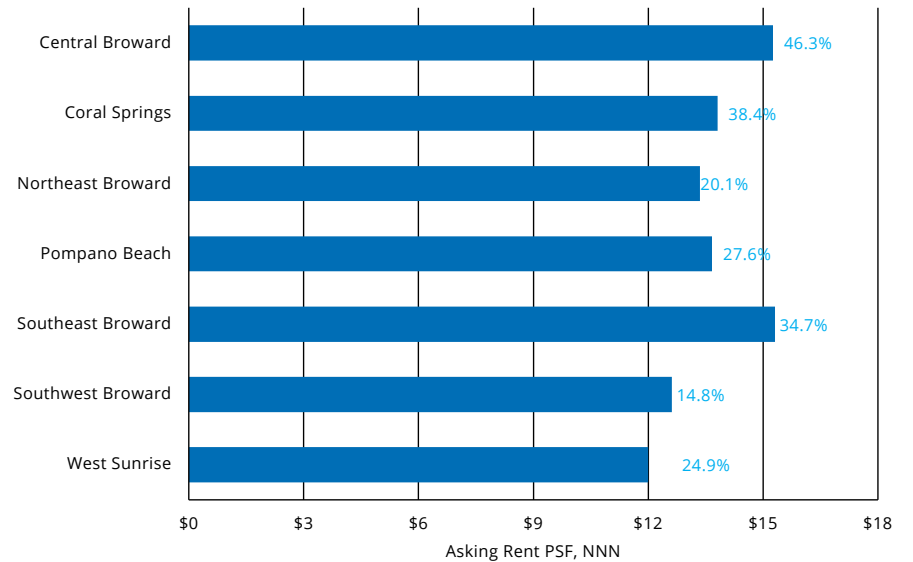
- After surpassing \$12.00/SF during the previous quarter, industrial asking rents in Broward increased by more than 8%, soaring to \$13.55/SF.
- The quarterly average increase in asking rents in 2022 was more than triple the average of the previous two years.
- The 26.4% rise in asking rents during the past 12 months is the highest year-over-year increase on record, topping the previous high of 23.9% set the previous quarter.
- Logistics rent averages in Q4 were more than 30% higher year-over-year in four of seven submarkets, with Central Broward and Coral Springs recording greater than 50% growth.
- Rents for industrial space in Broward rank among the highest in the nation, with rates nearly 68% above the U.S. average.

### ASKING RENT



Source: CoStar, Transwestern

### ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

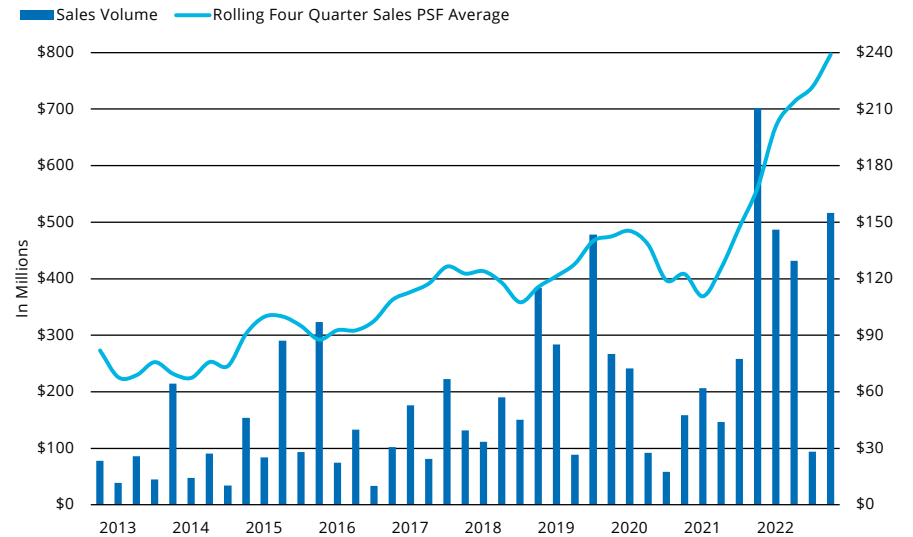


### SALES

#### Institutions Lead Acquisition Activity

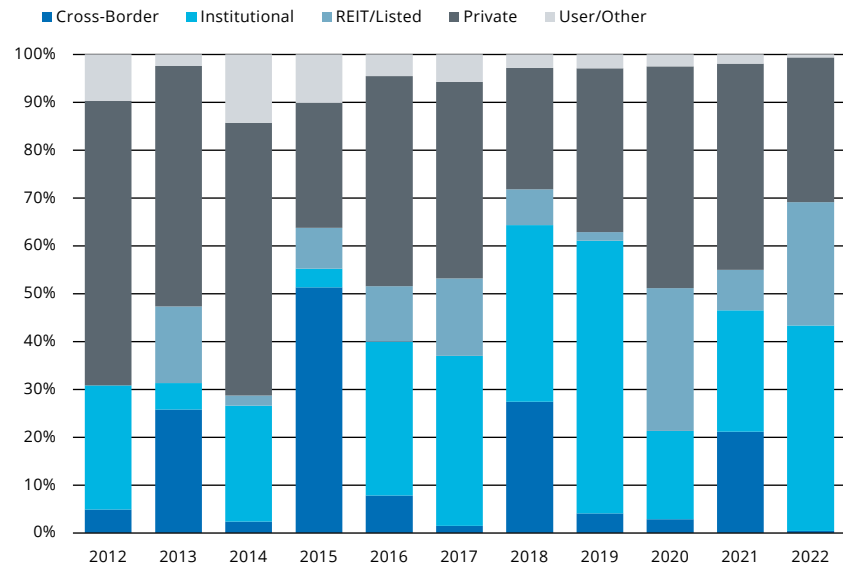
- Total sales activity rebounded in the Broward market during the past three months, largely due to the completion of the Prologis-Duke merger.
- The average sale price increased minimally during Q3, but closed 2022 more than 50% higher when compared to a year ago.
- Three of the top five sales, including the highest-priced transaction, took place in the Pompano Beach submarket.
- Institutions made up about 43% of total buyer capital in 2022, leading the buyer pool for the first time since 2019.
- After leading the buyer pool in 2020 and 2021, private investment fell slightly, representing 30% of acquisitions in 2022. REITs accounted for 26% of purchases while cross-border buyers represented less than one percent of sales in 2022.

### SALES VOLUME



Source: CoStar, Transwestern

### BUYER CAPITAL COMPOSITION



Source: CoStar, Transwestern



## NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
WILLIAMS SONOMA	4040 South State Road 7	Southeast Broward	New	208,800
VALLEY FORGE	6682-6830 NW 16th Ter	Pompano Beach	New	96,538
BAER'S FURNITURE	800-900 International Pkwy	West Sunrise	New	81,984
WALMART	1981 N Powerline Rd	Pompano Beach	Renewal	81,000
HECTOR TURF	1301 NW 3rd St	Northeast Broward	Renewal	74,000

## NOTABLE SALES

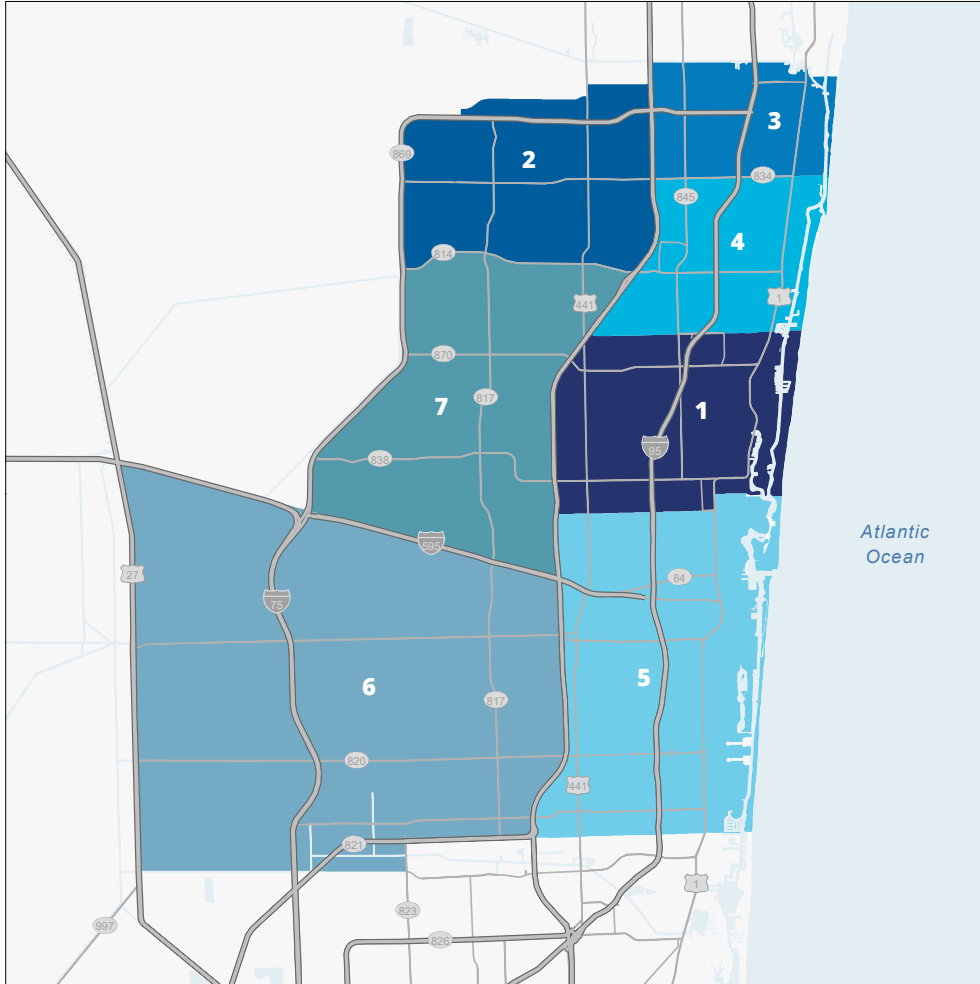
PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
POMPANO BUSINESS CENTER II	Pompano Beach	\$25,500,000	133,814	\$191	Morgan Stanley	Ivanhoe Cambridge (IDI), Oxford Properties Group
1301 NORTHWEST 3RD STREET	Northeast Broward	\$15,600,000	74,000	\$211	Elion Partners	Tesco South Inc
1721 NW 33RD STREET	Pompano Beach	\$12,925,000	46,044	\$281	Alliance HP	Sills Family LP
1291 WEST ATLANTIC BOULEVARD	Pompano Beach	\$12,000,000	64,163	\$187	Alliance Partnership	Jennaro Building LLC
3201 SOUTH ANDREWS AVENUE	Southeast Broward	\$8,005,000	52,745	\$152	Triarch Capital Group	3200 Florida LLC



## MARKET INDICATORS

All Property Types | Fourth Quarter 2022

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	TOTAL VACANT SF	OVERALL VACANCY RATE	UNDER CONST. SF	NET ABSORPTION SF	Y-T-D NET ABSORPTION SF	LOGISTICS ASKING RENT PSF, NNN	FLEX ASKING RENT PSF, NNN
CENTRAL BROWARD	12,687,423	349,366	2.8%	0	349,366	2.8%	0	24,626	4,442	\$15.15	\$17.88
CORAL SPRINGS	6,715,635	417,008	6.2%	219,016	636,024	9.5%	427,238	(6,379)	(121,747)	\$13.81	\$12.95
NORTHEAST BROWARD	11,963,271	930,305	7.8%	21,815	952,120	8.0%	0	36,865	482,333	\$13.02	\$16.41
POMPANO BEACH	26,400,114	747,695	2.8%	315,072	1,062,767	4.0%	50,000	205,774	263,301	\$13.67	\$13.75
SOUTHEAST BROWARD	22,174,173	579,672	2.6%	77,543	657,215	3.0%	771,106	(29,804)	354,507	\$15.34	\$15.10
SOUTHWEST BROWARD	19,624,364	604,319	3.1%	92,726	697,045	3.6%	0	96,345	1,033,946	\$11.70	\$15.95
WEST SUNRISE	9,365,534	107,341	1.1%	200,000	307,341	3.3%	0	87,389	(51,172)	\$11.30	\$16.54
<b>TOTAL</b>	<b>108,930,514</b>	<b>3,735,706</b>	<b>3.4%</b>	<b>926,172</b>	<b>4,661,878</b>	<b>4.3%</b>	<b>1,248,344</b>	<b>414,816</b>	<b>1,965,610</b>	<b>\$13.26</b>	<b>\$15.72</b>



**Broward Industrial Submarkets**

- 1** Central Broward
- 2** Coral Springs
- 3** Northeast Broward
- 4** Pompano Beach
- 5** Southeast Broward
- 6** Southwest Broward
- 7** West Sunrise

**RESEARCH METHODOLOGY**

The information in this report is the result of a compilation of information on Industrial properties located in the Broward metropolitan area. This report includes single tenant, multi-tenant and owner-user properties 20,000 SF and larger.

**FOR MORE INFORMATION**

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