



TRANSWESTERN

# BROWARD INDUSTRIAL MARKET

## Q2 2023

### TRENDLINES

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.5	2.8	↓	4.7	↑
NET ABSORPTION (MSF)	0.2	0.8	↓	0.5	↑
OVERALL VACANCY RATE	4.0%	3.7%	↑	5.2%	↑
OVERALL VACANT SF (MSF)	4.3	4.0	↑	5.4	↑
UNDER CONSTRUCTION (MSF)	1.3	1.5	↓	2.0	↑
ASKING RENT, NNN (PSF)	\$14.92	\$11.94	↑	\$10.56	↑
SALES VOLUME (MILLIONS)	\$126.4	\$452.1	↓	\$265.6	↑

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

### MUCH NEEDED SUPPLY ON THE WAY

The Broward industrial real estate market continued to tighten to close out the first half of 2023. After ticking up at the end of 2022, the vacancy rate fell for the second consecutive quarter for a total of a 30-basis points improvement since the start of the year. Net absorption outpaced deliveries for the sixth time in the past eight quarters. Developers are responding as product under construction, which reached a six-year low at the end of 2022, has increased in the past three quarters. This should provide opportunities for prospective tenants as more than 85% of the space under construction remains available.

Retailers continued to be the most active lessees of warehouse space in Broward, widening the gap with transportation and warehousing companies. Broward’s labor market remains strong, with an overall unemployment rate of 2.5%. However, industrial-using employment in Broward fell for the second consecutive quarter, as a decrease in construction jobs offset growth in manufacturing and transportation labor.



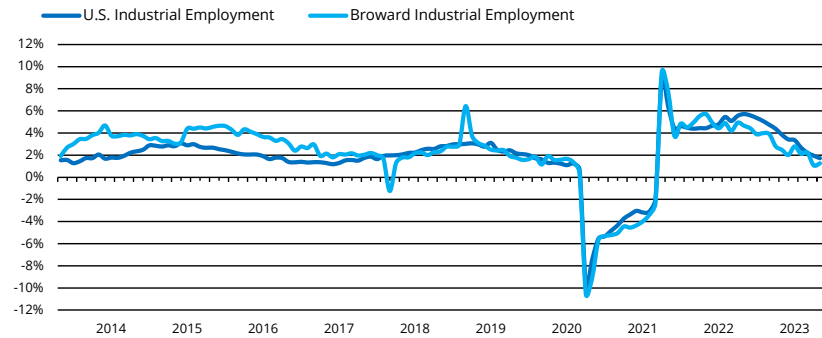


### ECONOMY

#### Construction Labor Decreases

- The U.S. unemployment rate remained ticked up slightly to 3.6% during the quarter and has ranged between 3.5% and 3.7% since Q1 2022.
- U.S. labor participation was unchanged during the quarter and remains 70 basis points below the pre-pandemic level in February 2020.
- The growth rate for U.S. employment supporting the industrial real estate sector accelerated during the quarter, boosted by an increase in trucking jobs.
- Broward's unemployment rate remained low, ticking up 10 basis points to 2.5% following a record-setting Q1.
- Though the pace of loss slowed, industrial-using employment in Broward fell for the second consecutive quarter, largely due to a decrease in construction labor.

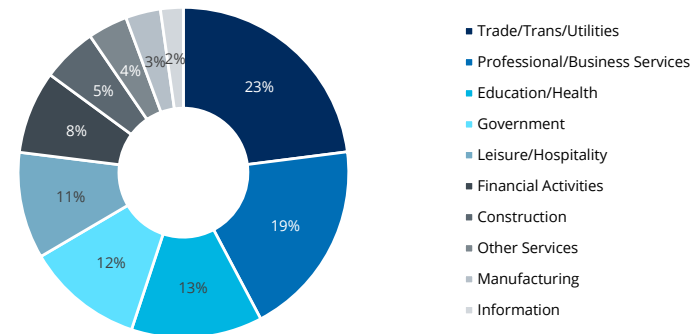
### Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

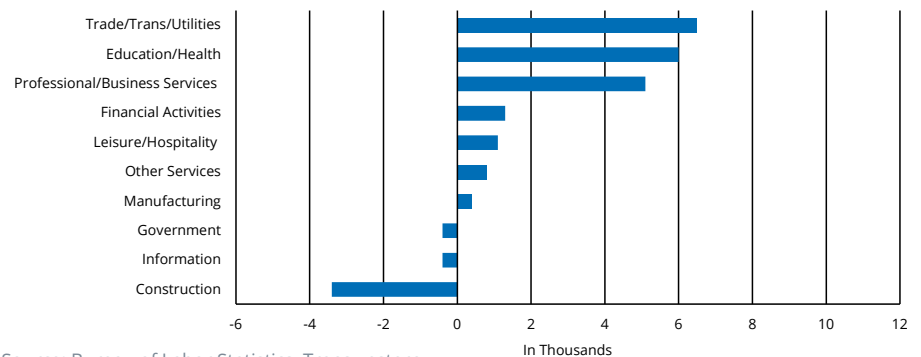
Broward | May 2023



Source: Bureau of Labor Statistics, Transwestern

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

Broward | May 2023



Source: Bureau of Labor Statistics, Transwestern

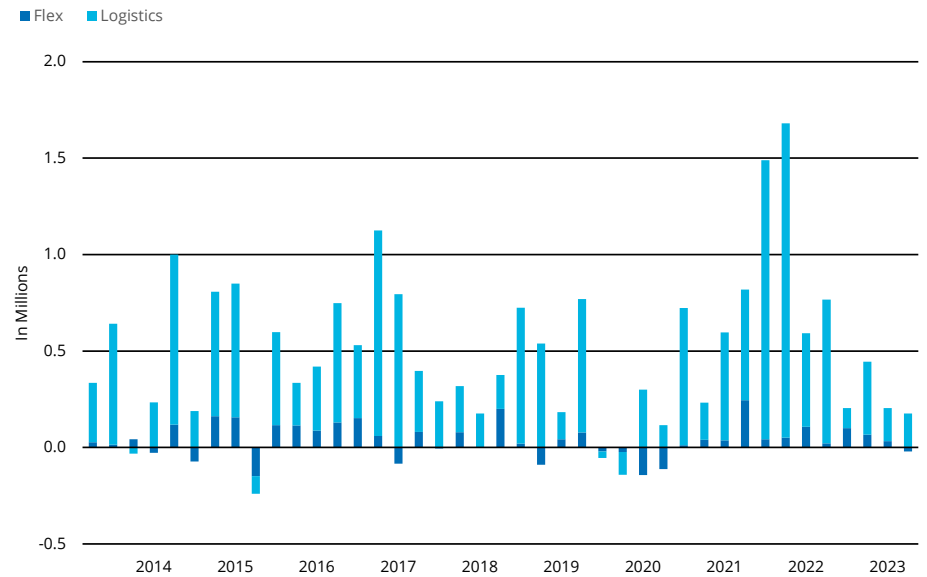


### NET ABSORPTION

#### Leasing Activity Increased Slightly

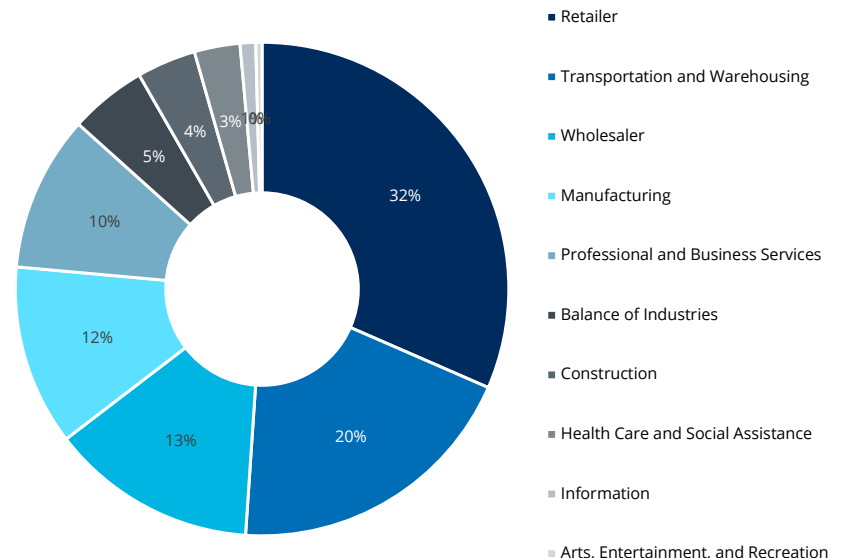
- Broward’s industrial real estate market absorbed less than 200,000 SF for the first quarter in three years, though an increase in leasing activity bodes well for future growth.
- The amount of positive net absorption during the first half of 2023 is the lowest total for the first six months of a year since 2020.
- Quarterly occupancy growth was recorded in all but two submarkets, while year-over-year growth occurred in four of the seven. Southeast Broward leads the way accounting for more than half of the space absorbed in the region during both the quarter and the past 12 months.
- After achieving its highest level of occupancy growth in Q1, Coral Springs experienced a slowdown in subsequent months. The Northeast Broward, Pompano Beach, and Southeast Broward submarkets also witnessed a decline in net absorption, though they remained positive.
- In contrast, the Southwest Broward submarket managed to rebound from a substantial occupancy loss in Q1, showing positive absorption.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

### SHARE OF LEASING ACTIVITY BY INDUSTRY



Source: CoStar, Transwestern

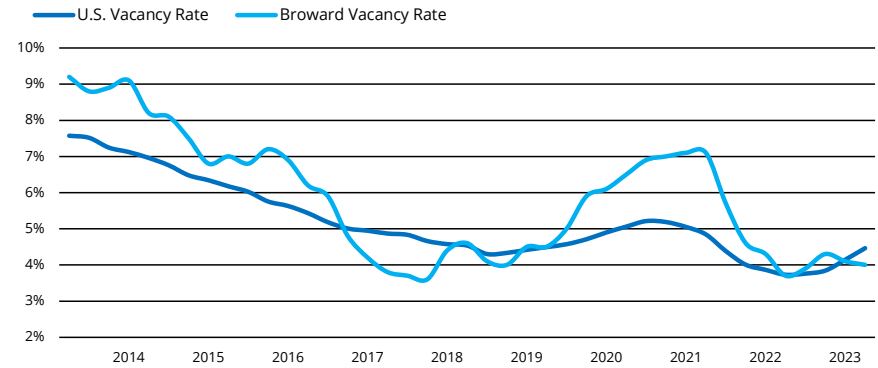


### VACANCY

#### Limited Quality Options

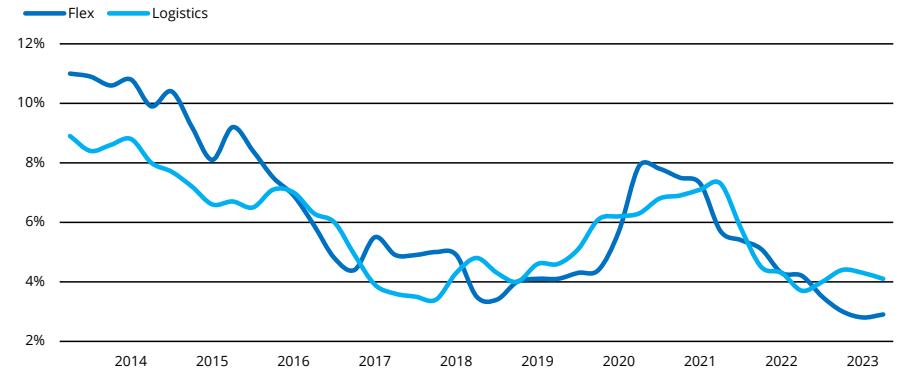
- After ticking up to close out 2022, the vacancy rate fell for consecutive quarters for a total of a 30-basis points improvement since the start of the year.
- The overall occupancy level has improved 300 basis points since Q2 2021.
- The drop in vacancy during the past two years occurred despite an additional three million square feet of new inventory being delivered to the market.
- Vacancy is less than 6.5% in all of Broward's submarkets, including two with less than 2.0% of its inventory unoccupied, led by Southeast Broward reporting the lowest rate at 1.6%.
- Broward's overall vacancy rate is below the U.S. average for consecutive quarters for the first time since 2018.

### OVERALL VACANCY RATE



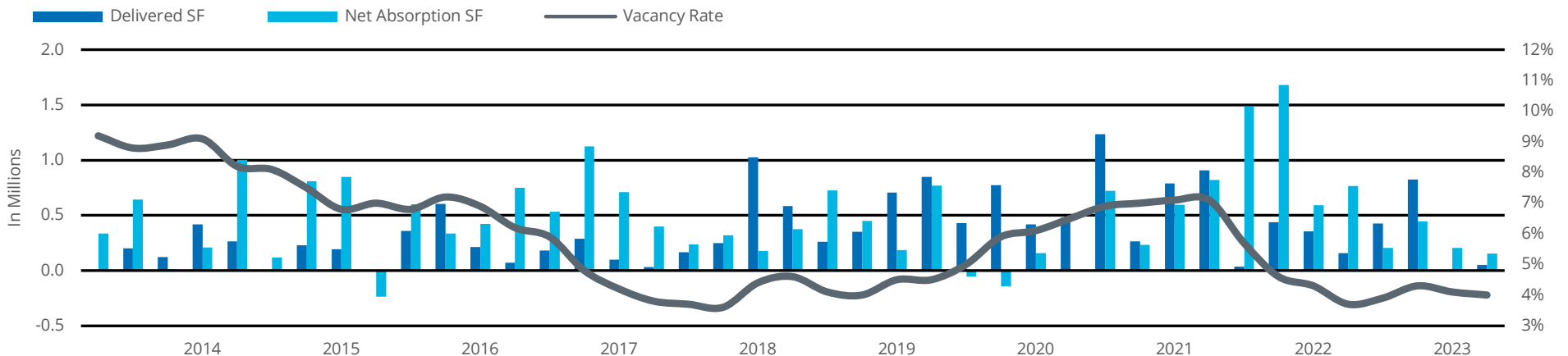
Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

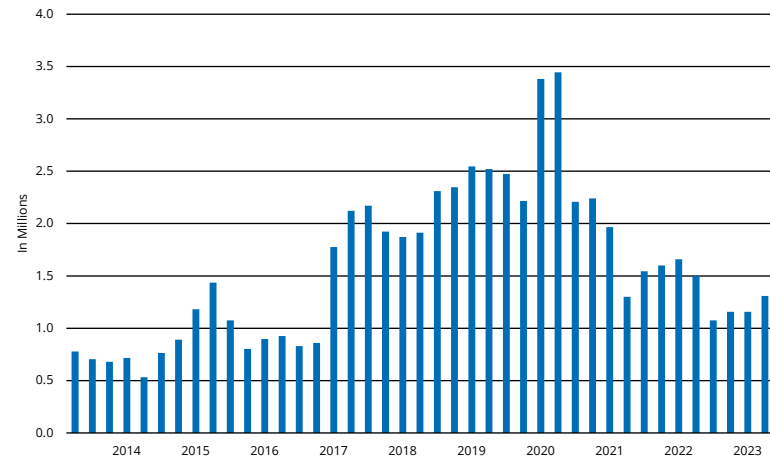


## UNDER CONSTRUCTION

### More Supply Coming

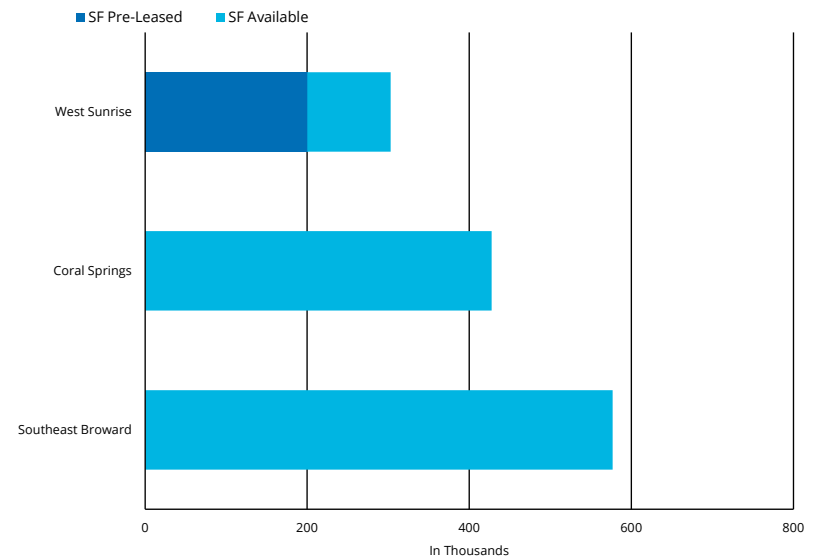
- After a brief halt in Q1, new supply was delivered in Q2, albeit a minimal amount.
- Demand continues to outstrip supply as net absorption outpaced deliveries for the sixth time in the past eight quarters.
- Construction reached a six-year low at the end of 2022 but has increased in the past three quarters.
- Projects are underway in three of seven submarkets, and more than 85% of the space under construction remains available.
- One-third of the 1.8 MSF of new construction that was delivered since 2022 remains unoccupied.

## UNDER CONSTRUCTION



Source: CoStar, Transwestern

## UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

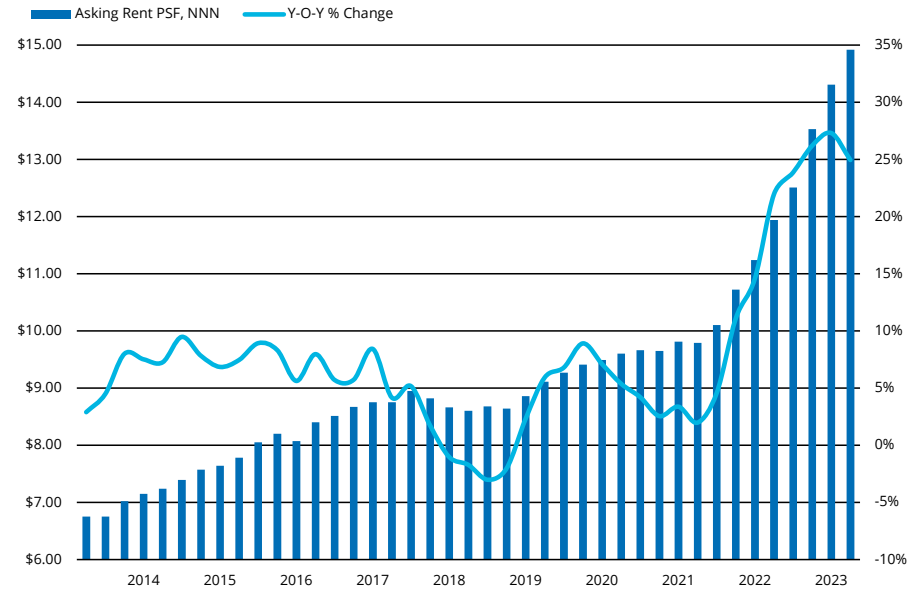


### RENTAL RATES

#### Pushing Higher

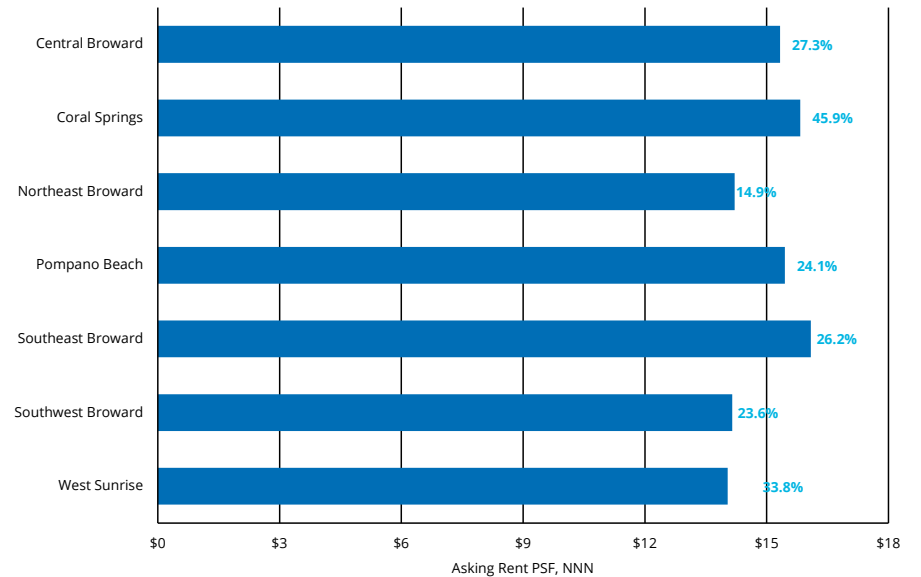
- The asking rent average of \$14.92/SF is up from \$14.31/SF the previous quarter and \$11.94/SF when compared year-over-year.
- The 25.0% year-over-year rent growth during Q2 decelerated slightly from consecutive record-setting levels in the previous two quarters.
- Four of seven submarkets exceed a \$15.00/SF asking rent average for logistics space, led by Southeast Broward.
- Industrial properties in Coral Springs, West Sunrise, Central Broward, and Southwest Broward recorded the highest quarterly rent gains. With the second-lowest asking rent in Q2 2022, Coral Springs witnessed a remarkable 45.9% year-over-year growth, positioning it as the second-highest in Q2 2023.
- Rents for industrial space in Broward rank among the highest in the nation, asking nearly 70% more than the U.S. average.

### ASKING RENT



Source: CoStar, Transwestern

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



Source: CoStar, Transwestern

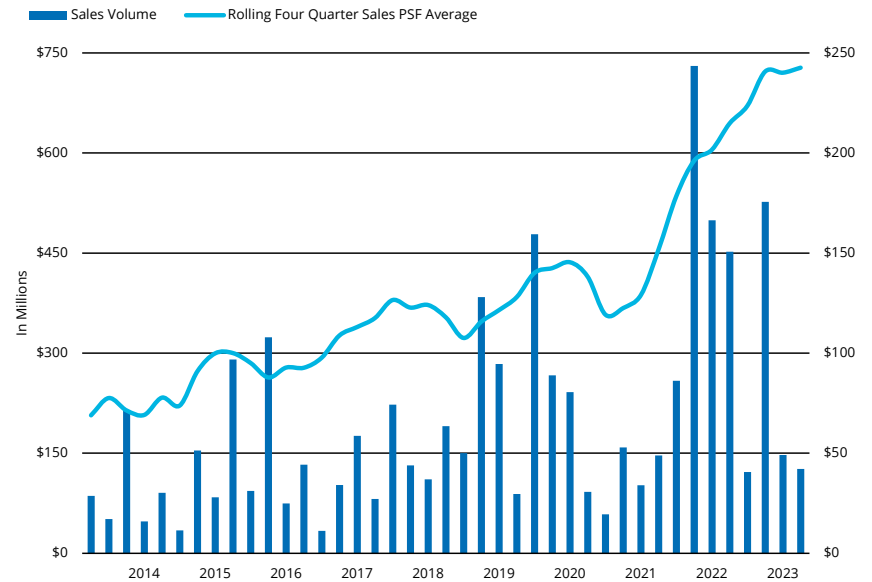


### SALES

#### Activity Remains Scarce

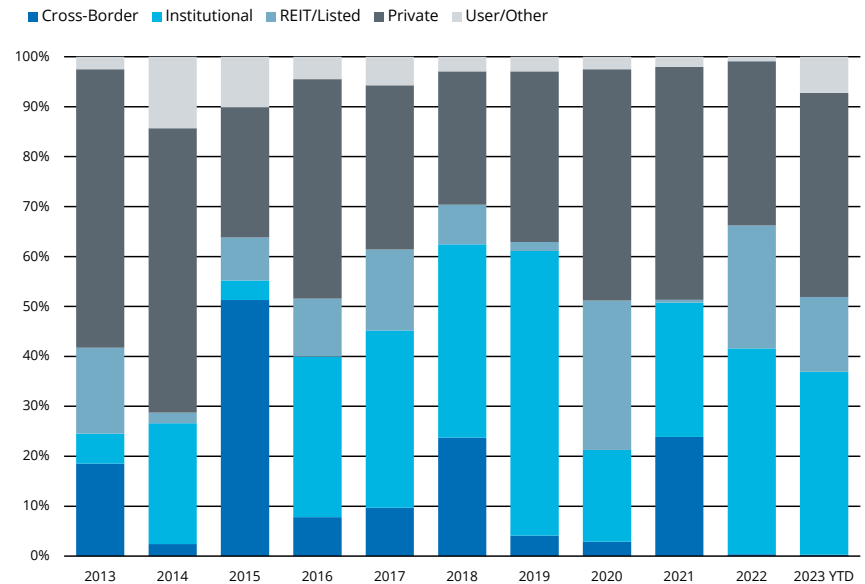
- The Broward market followed up a strong fourth quarter of 2022 with two consecutive quarters of slower sales activity.
- Total sales volume failed to reach \$200 million for only the third time in the past eight quarters.
- The average sale price/SF increased slightly from the previous quarter, jumping 13% when compared year-over-year.
- The largest property which changed hands in Broward during the quarter was part of a large, multi-state portfolio sale.
- While lending is expected to tighten, continued strong demand for South Florida warehouse space keeps Broward as a favorable place to deploy capital.

### SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

### BUYER CAPITAL COMPOSITION



Source: CoStar, Real Capital Analytics, Transwestern



## NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
<b>SPECIALIZED FREIGHT CARRIERS</b>	1951 N Commerce Pky	Southwest Broward	New	134,400
<b>SCIENS LOGISTICS</b>	650 Hillsboro Technology Dr	Northeast Broward	New	76,374
<b>PUBLIC STORAGE</b>	680 S Dixie Hwy	Pompano Beach	New	50,000
<b>GOODWIN BIOTECHNOLOGY INCORPORATED</b>	1850 NW 69th Ave	West Sunrise	New	37,911
<b>S&amp;V GROUP</b>	3301-3499 SW 42nd St	Southeast Broward	New	32,827

= Transwestern deal

Source: CoStar, Transwestern

## NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
<b>CYPRESS POINTE DISTRIBUTION CENTER 1800 SW 13TH CT (PART OF PORTFOLIO)</b>	Pompano Beach	\$41,100,000	153,496	\$268	Prologis	Blackstone
<b>POMPANO BUSINESS CENTER 2700 NW 19TH ST - BLDG M</b>	Pompano Beach	\$28,600,000	123,062	\$232	Blackstone Inc, Link Logistics Real Estate	IDI Logistics
<b>5200 NW 108TH AVE</b>	West Sunrise	\$14,200,000	61,660	\$230	BF Aerospace	Chauvet Realty Investments, LLC
<b>PLANTATION TECHNOLOGY PARK 1850 NW 69TH AVE</b>	Pompano Beach	\$9,400,500	37,911	\$199	Forte Capital Management, LLC	Goodwin Biotechnology Incorporated
<b>3220 SW 2ND AVE</b>	Southeast Broward	\$8,500,000	35,959	\$236	Herman De Veer	Bluewater Chairs

= Transwestern deal

Source: CoStar, Real Capital Analytics, Transwestern

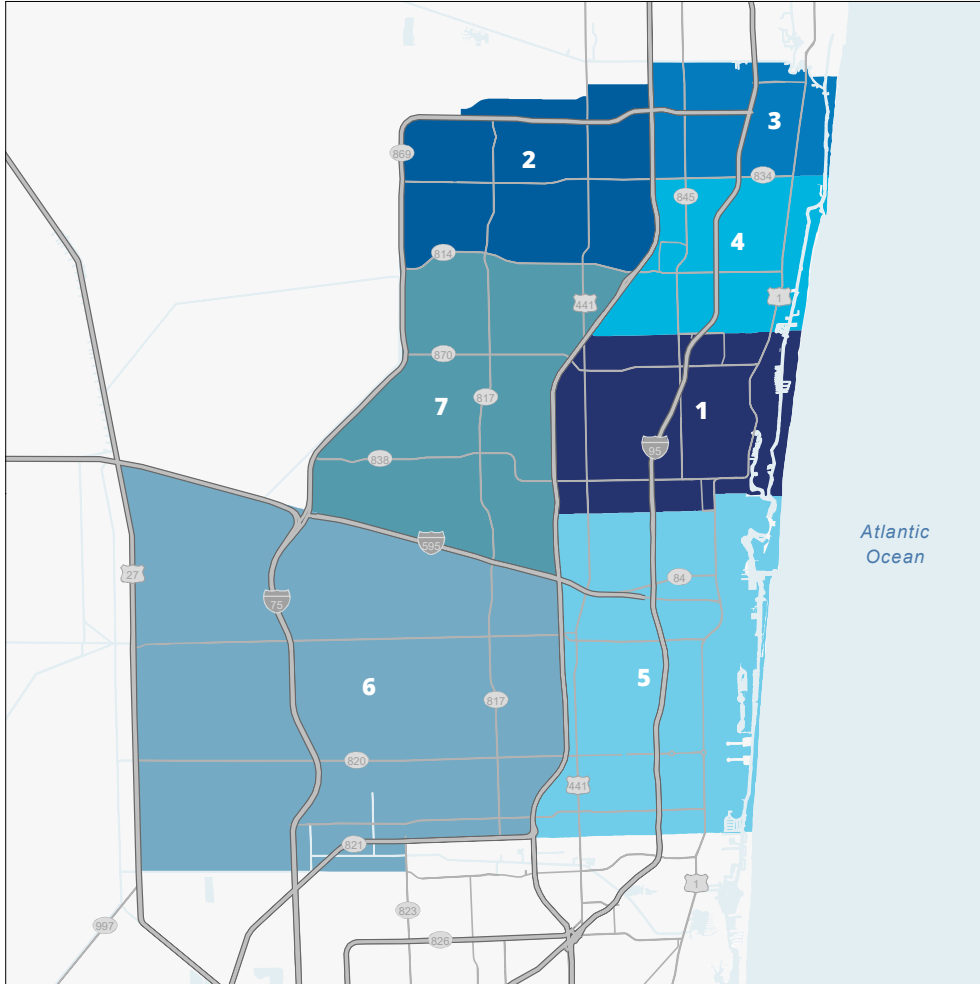


**MARKET INDICATORS**

Q2 2023

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-O-Y NET ABSORPTION SF	LOGISTICS ASKING RENT PSF, NNN	FLEX ASKING RENT PSF, NNN
<b>CENTRAL BROWARD</b>	12,135,025	486,506	4.0%	42,961	529,467	4.4%	0	(48,374)	(259,033)	\$15.38	\$14.31
<b>CORAL SPRINGS</b>	6,655,759	221,993	3.3%	0	221,993	3.3%	427,515	21,247	201,000	\$15.83	-
<b>NORTHEAST BROWARD</b>	11,932,787	713,067	6.0%	34,574	747,641	6.3%	0	66,214	292,996	\$13.92	\$18.09
<b>POMPANO BEACH</b>	26,573,705	729,289	2.7%	309,454	1,038,743	3.9%	0	39,890	283,487	\$15.38	\$16.31
<b>SOUTHEAST BROWARD</b>	22,753,357	334,874	1.5%	19,913	354,787	1.6%	576,978	83,940	572,865	\$16.12	\$19.40
<b>SOUTHWEST BROWARD</b>	19,276,033	499,984	2.6%	541,889	1,041,873	5.4%	0	27,044	(52,598)	\$14.16	\$14.10
<b>WEST SUNRISE</b>	9,443,286	183,640	1.9%	200,000	383,640	4.1%	303,060	(34,699)	(25,756)	\$13.92	\$15.71
<b>TOTAL</b>	<b>108,769,952</b>	<b>3,169,353</b>	<b>2.9%</b>	<b>1,148,791</b>	<b>4,318,144</b>	<b>4.0%</b>	<b>1,307,553</b>	<b>155,262</b>	<b>1,012,961</b>	<b>\$14.80</b>	<b>\$16.01</b>

Source: CoStar, Transwestern



**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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