

BROWARD INDUSTRIAL MARKET

Q3 2023



TRENDLINES

	Q3 2023	Q3 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.0	2.9	↑	4.6	↑
NET ABSORPTION (MSF)	-0.6	0.2	↓	0.4	↑
OVERALL VACANCY RATE	4.4%	3.9%	↑	5.2%	↑
OVERALL VACANT SF (MSF)	4.8	4.2	↑	5.4	↑
UNDER CONSTRUCTION (MSF)	1.3	1.1	↑	2.0	↑
ASKING RENT, NNN (PSF)	\$16.13	\$12.53	↑	\$10.94	↑
SALES VOLUME (MILLIONS)	\$324.6	\$124.7	↑	\$276.2	↑

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

FUNDAMENTALS MODERATE

Following a steady tightening trend during the past three quarters, the Broward industrial real estate market softened a bit during Q3 2023. The vacancy rate inched up 50 basis points to 4.4%, reaching its highest level in seven quarters, although it remained 50 basis points below the national average of 4.9%. Negative net absorption was recorded for the first time since 2019. However, there was a significant uptick in leasing activity, suggesting the potential for absorption recovery in the upcoming quarters. Total space under construction remained above the one million square foot mark for the third consecutive quarter. Notably, 17% more space under construction was leased in Q3, leaving 68% still available. Transportation and warehousing companies have overtaken retailers as the most active lessees in Broward.

Despite a recent uptick, Broward's labor market remains strong, with an overall unemployment rate of 3.0%. Industrial employment in Broward has rebounded after experiencing a decline in the first half of 2023.

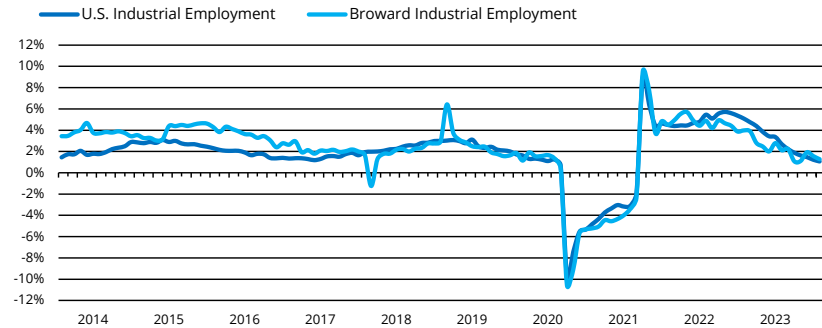


ECONOMY

Construction Labor Decreases

- The U.S. unemployment rate averaged 3.7% during Q3, relatively unchanged from last quarter, and has ranged between 3.4% and 3.8% since Q1 2022.
- U.S. labor participation continued to increase and is now within 50 basis points of February 2020 pre-pandemic levels.
- Jobs supporting the industrial real estate sector increased by 1.1% nationwide during the past 12 months, the lowest year-over-year growth since early 2021. Trucking employment, impacted by Yellow's bankruptcy, fell considerably in August.
- Despite a slight uptick, Broward's present unemployment rate of 3.0% still remains about 60 basis points below the national average.

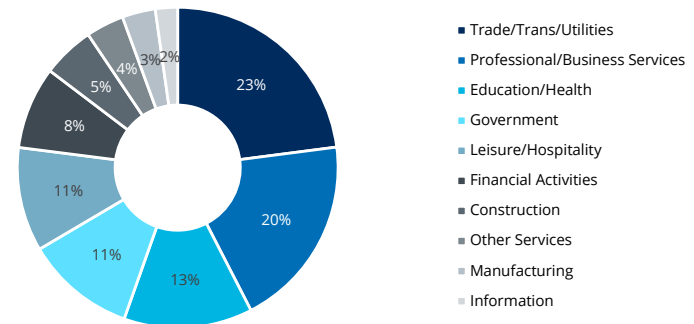
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

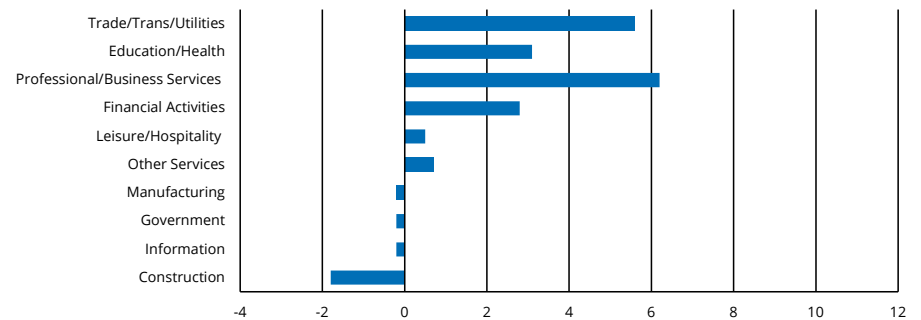
Broward | August 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Broward | August 2023



Source: Bureau of Labor Statistics, Transwestern

In Thousands

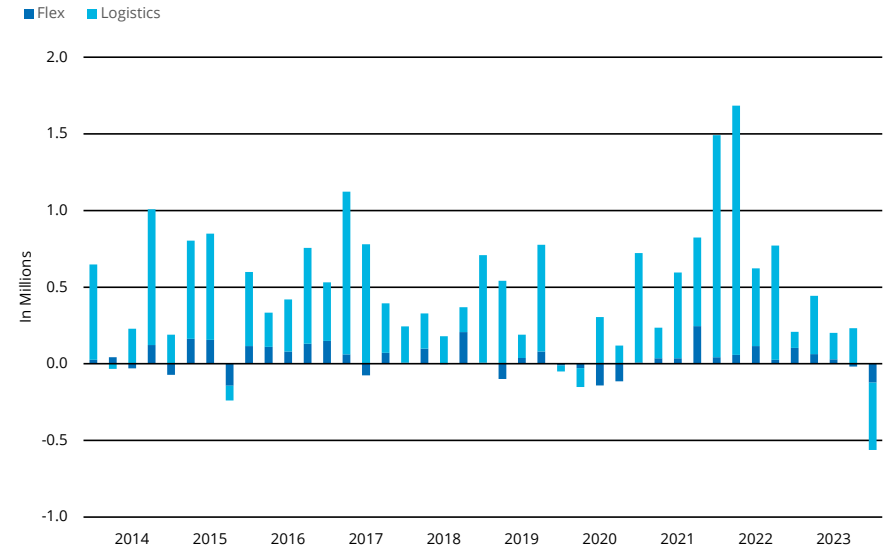


NET ABSORPTION

Net Absorption Turns Red, But Leasing Activity Remains Strong

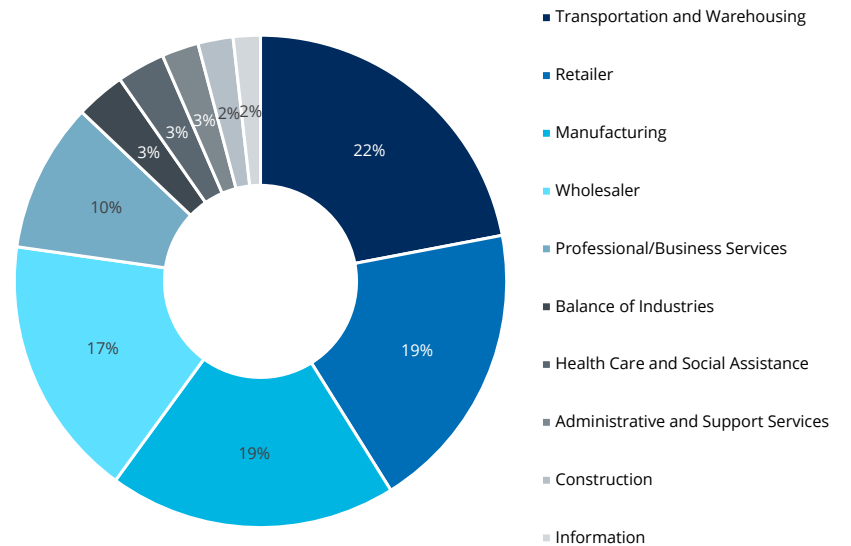
- Broward’s industrial real estate market experienced negative net absorption for the first time since Q4 2019, returning over 560,000 SF to the market.
- Net absorption in three of Broward’s submarkets, Northeast Broward, Pompano Beach, and Southeast Broward, was negative in Q3. Coral Springs was the only submarket to record positive net absorption in Q3 and has had a strong performance year-over-year, accounting for 500,000 SF of the nearly 1.0 million SF absorbed in Broward year-over-year.
- Despite a cooling of absorption in recent quarters, the overall absorption has fared well with four of the seven submarkets, Coral Springs, Northeast Broward, Pompano Beach, and Southeast Broward, which showed positive year-over-year net absorption.
- While overall absorption slowed in Q3 and some submarkets have been mixed year-to-date, leasing activity pitched up in Q3, which should bode well for mid-2024 and beyond.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY



Source: CoStar, Transwestern

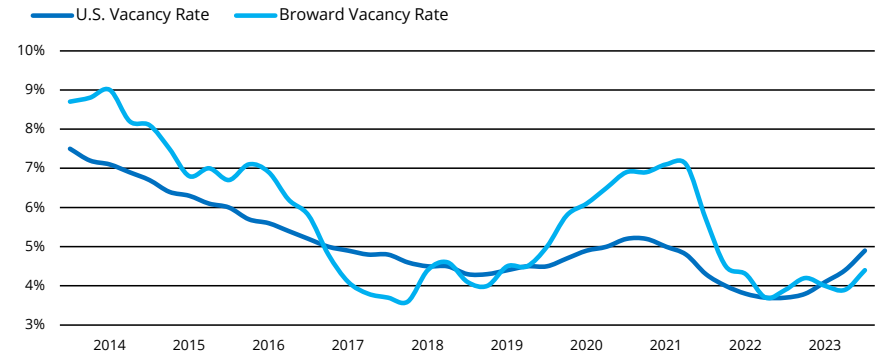


VACANCY

An Uptick Due to Limited Quality Options

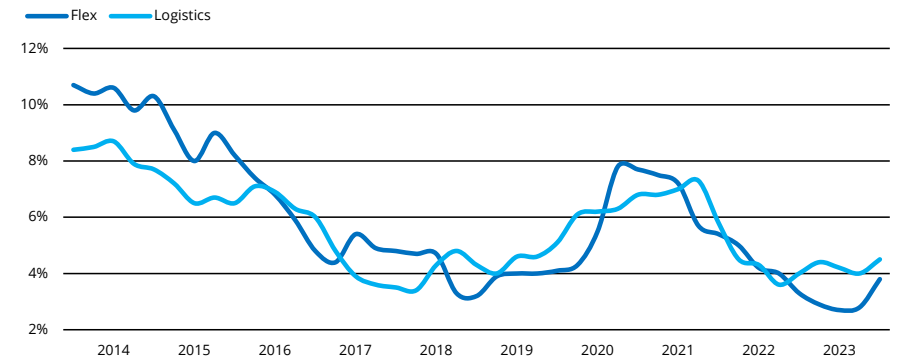
- After four quarters of continuous improvement, Broward’s vacancy rate increased to 4.4% in Q3, a 50 basis point jump from Q2.
- An uptick in vacancy comes after several large move-outs, such as ProCare RX, which held 81,000 SF.
- The uptick in vacancy was not a big surprise as the market experienced a lower lease roll in Q3 and a few large relocations in prior quarters finally returned legacy space to the market, like Williams-Sonoma’s 54,000 SF.
- Despite its recent rise, Broward’s vacancy is still 50-basis points healthier than the U.S. average. On a submarket level, Southeast Broward and Coral Springs report remain very tight with a healthy vacancy rate of 1.8%.

OVERALL VACANCY RATE



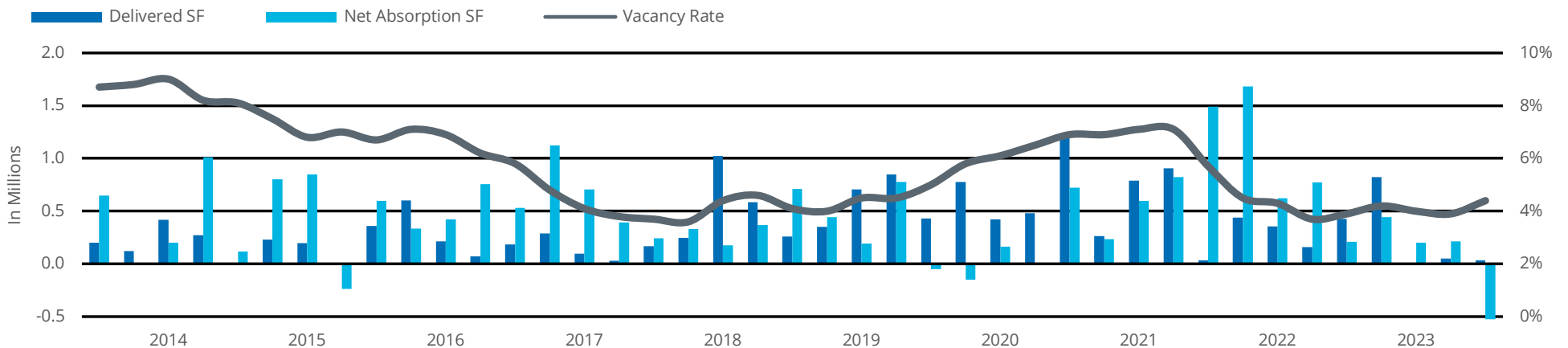
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

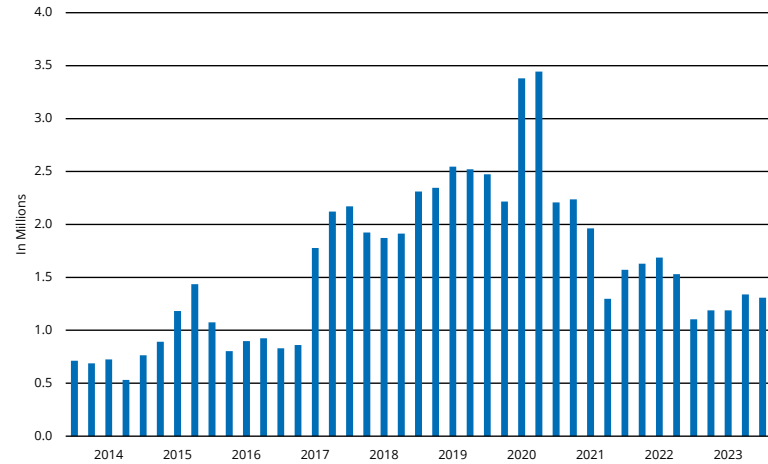


UNDER CONSTRUCTION

More Supply Coming

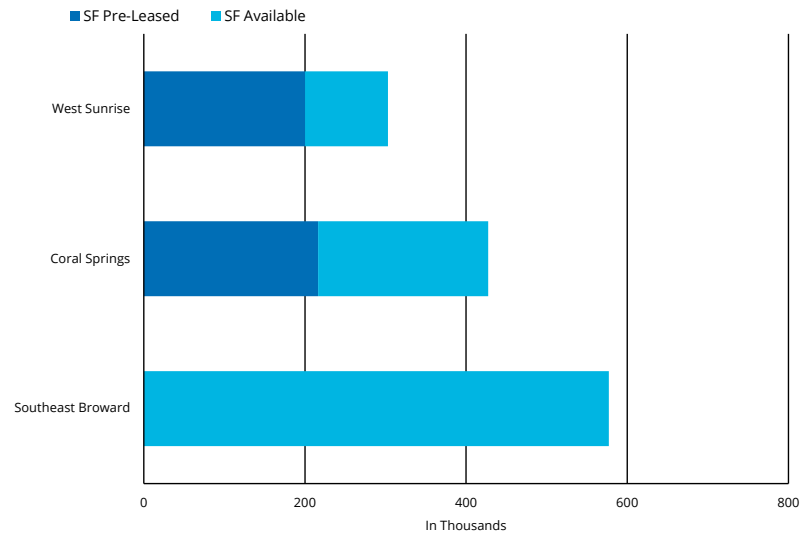
- With 1.3 million SF underway as of Q3, construction levels have slowed to below the five-year average of 2.0 million SF. Although levels remained stable throughout 2023, deliveries have been minimal, which should keep the market tight.
- Projects are underway in only three of seven submarkets, which are also Broward’s tightest submarkets, a reflection of disciplined development where demand is in the greatest need.
- Of the new product under construction in Q3, 32% is pre-leased, a 17% improvement from when only 15% was pre-leased in Q2.
- With strong long-term fundamentals, developers continue to seek opportunities to bring more high-quality product online. However, a challenging debt market has slowed the pace of new projects being proposed and developers remain discipline.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

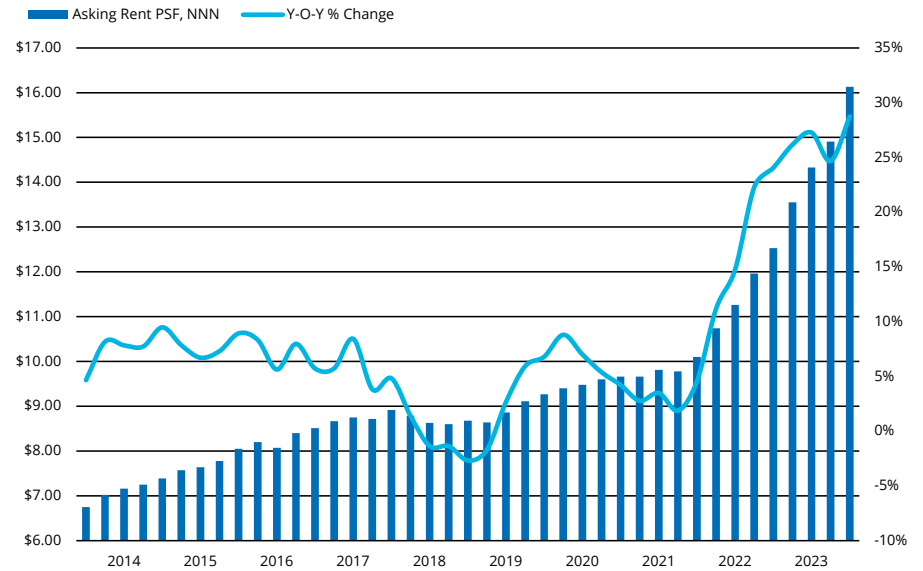


RENTAL RATES

Pushing Higher

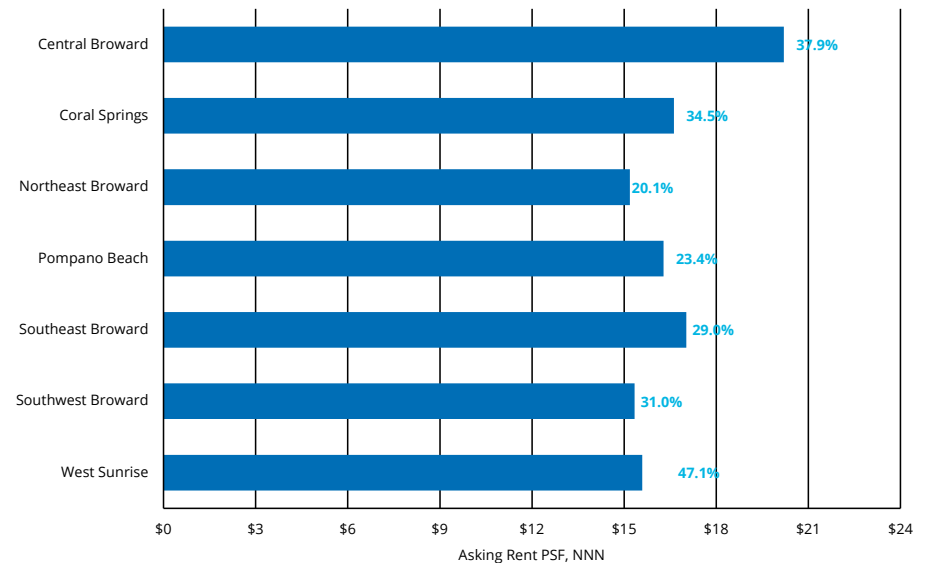
- In Q3 2023, the average asking rent, now at \$16.13/SF, has surged by nearly 29% since Q3 2022, marking the highest year-over-year growth on record.
- Prior to 2022, quarterly rent growth has typically averaged just shy of 4%. However, since Q1 2022, growth has accelerated to a quarterly average of 6%.
- Coral Springs, West Sunrise, and Central Broward stand out among Broward submarkets, having witnessed the most substantial quarterly rent increases. Although West Sunrise retains its position as the third-lowest average asking rate in Broward, it experienced an astonishing 47.1% year-over-year growth, a dramatic shift from just a year ago.
- Almost every submarket now commands an average asking rent exceeding \$15.00/SF, with Central Broward leading at an impressive \$17.48/SF.
- While various economic indicators may suggest a cooling economy and demand, the persisting scarcity of quality space and South Florida's well-balanced economic drivers should provide ongoing support for rent growth, albeit at a slower pace.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

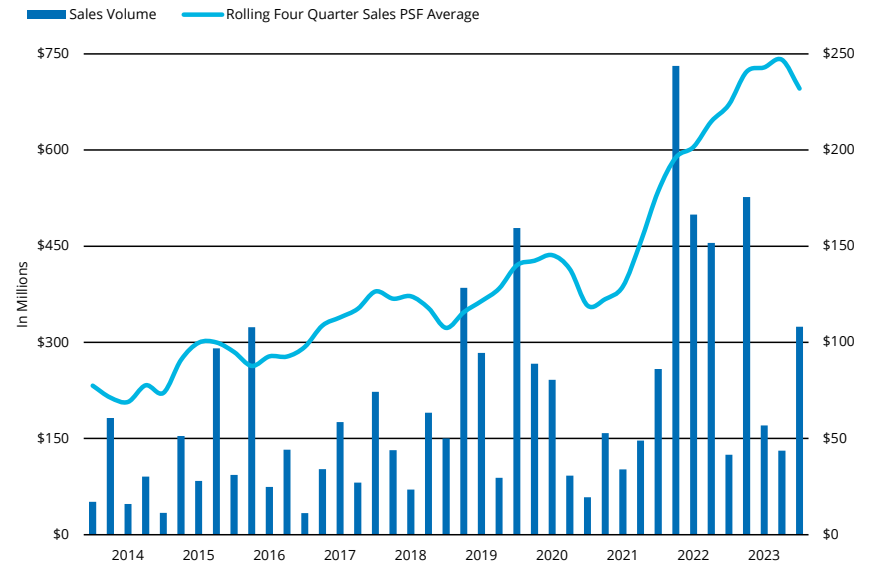


SALES

Somewhat Rebounds, But Challenges Persist

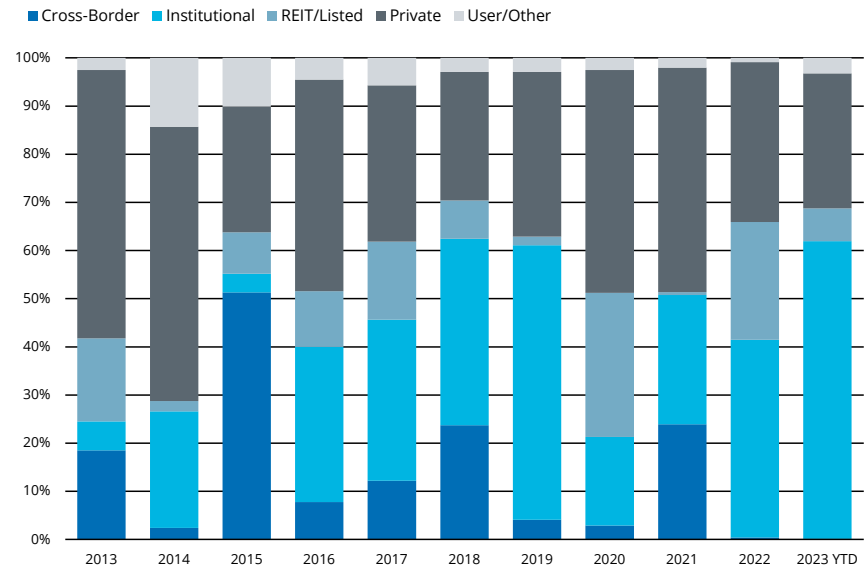
- The Broward market has shown signs of resilience following two consecutive quarters of sluggish sales activity. However, in 2023, sales have been roughly half of 2022 levels due to the influence of higher interest and cap rates.
- Out of the past nine quarters, only three failed to reach a sales volume of \$200 million, two of which were Q1 and Q2 of 2023. This year's sales volume amounts to over \$626 million, a notable decrease from the over \$1.1 billion traded in the first three quarters of 2022.
- In Q2, the average sale price per square foot reached a historic high at \$247/SF year-over-year, but it saw a decline for the first time in 12 quarters in Q3, settling at an average of \$232/SF. Despite this dip, the average sale price per square foot still registers a 4% increase compared to a year ago.
- While lending is expected to remain stringent, creating challenges for many prospective buyers, Broward's robust industrial market fundamentals continue to make it an attractive destination for capital investment.

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
ALL GLASS PRODUCTION	South Florida Distribution Center 20351 Sheridan St	Southwest Broward	New	249,700
ALLIGANY TECHNOLOGY INC. (ATI)	First Gate Logistics Center 5301 W Copans Rd	Coral Springs	New	131,683
STANLEY BLACK & DECKER	Miramar Park of Commerce 850 Premier Pky	Southwest Broward	Renewal	150,000
BADCOCK HOME FURNITURE & MORE	Copans Business Park; Park Central Business Park	Pompano Beach	Renewal	122,531
PRIMELINE	Port 95 Industrial Center 2800 SW 42nd St	Southeast Broward	New	57,654

= Transwestern deal

Source: CoStar, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
SOUTH FLORIDA DISTRIBUTION CENTER 20311 Sheridan St	Southwest Broward	\$39,844,000	224,572	\$177	Summit Real Estate Group	Vital Pharmaceuticals, Inc.
QUIET WATERS BUSINESS PARK 740 S Powerline Rd - Bldg M	Northeast Broward	\$35,799,129	152,613	\$235	Link Logistics Real Estate	PGIM Real Estate
POMPANO DISTRIBUTION CENTER II 4000 N Dixie Hwy	Northeast Broward	\$24,250,000	128,342	\$189	Sterling Investors	Zurich Alternative Asset Management
LYONS TECHNOLOGY CENTER 4811 Lyons Technology Pky - Bldg B	Coral Springs	\$17,750,000	48,835	\$363	Stockbridge Capital Group	Principal Real Estate Investors
2550 NW 4TH CT	Central Broward	\$4,800,000	13,059	\$368	Ozan Bacak	Global Parts Support Corp

= Transwestern deal

Source: CoStar, Real Capital Analytics, Transwestern

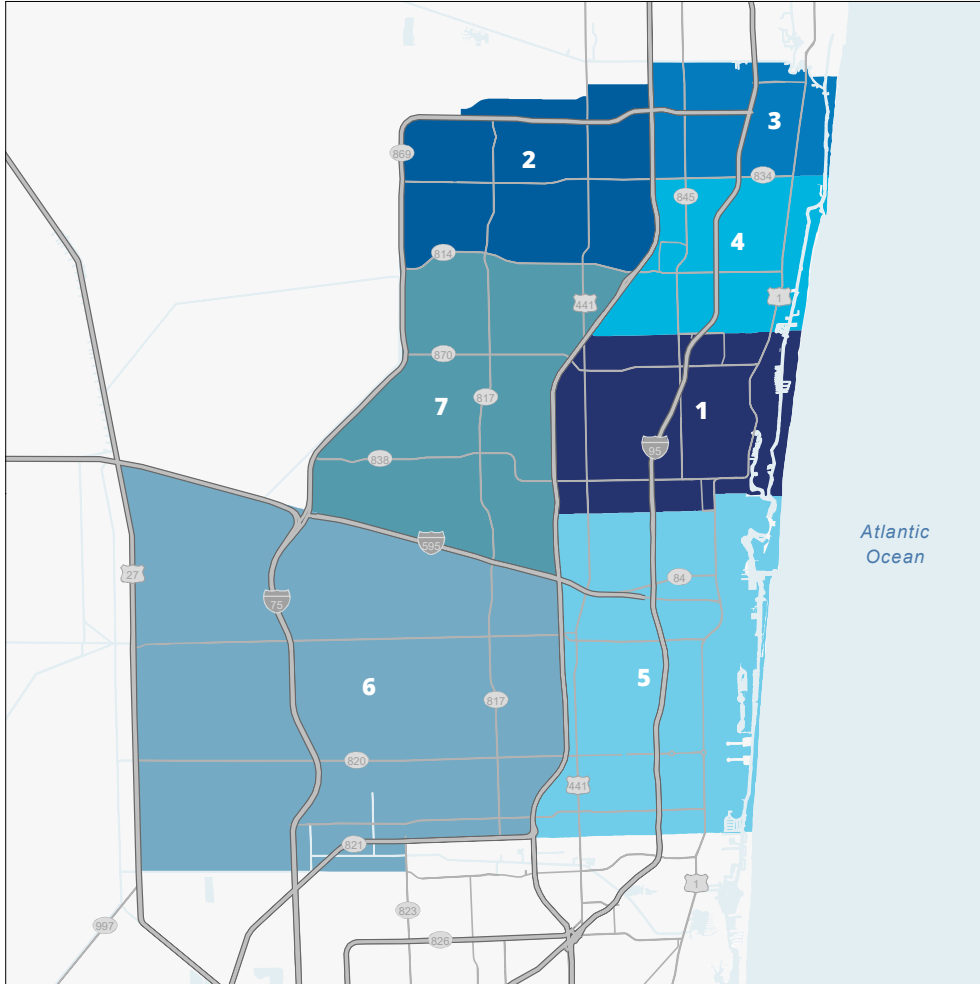


MARKET INDICATORS

Q3 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
CENTRAL BROWARD	12,200,288	598,918	4.9%	59,703	658,621	5.4%	0	(124,425)	(273,891)	\$17.48	\$34.08
CORAL SPRINGS	6,750,316	92,331	1.4%	26,400	118,731	1.8%	427,515	110,262	510,914	\$16.62	-
NORTHEAST BROWARD	11,935,579	829,892	7.0%	34,574	864,466	7.2%	0	(161,621)	116,852	\$14.80	\$18.59
POMPANO BEACH	26,625,637	957,752	3.6%	317,790	1,275,542	4.8%	0	(236,799)	27,581	\$16.22	\$16.82
SOUTHEAST BROWARD	22,852,139	399,254	1.7%	11,950	411,204	1.8%	576,978	(84,458)	267,828	\$16.41	\$19.42
SOUTHWEST BROWARD	19,276,033	443,620	2.3%	646,712	1,090,332	5.7%	0	(48,459)	(344,258)	\$15.50	\$14.63
WEST SUNRISE	9,459,746	181,863	1.9%	200,000	381,863	4.0%	303,060	(16,223)	(5,133)	\$13.98	\$20.71
TOTAL	109,099,738	3,503,630	3.2%	1,297,129	4,800,759	4.4%	1,307,553	(561,723)	299,893	\$14.80	\$16.01

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 Miami 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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