

BROWARD INDUSTRIAL MARKET

Q4 2023



TRENDLINES

	Q4 2023	Q4 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.0	2.6	↑	4.6	↑
NET ABSORPTION (MSF)	0.1	0.4	↓	0.4	↑
OVERALL VACANCY RATE	4.7%	4.1%	↑	5.1%	↑
OVERALL VACANT SF (MSF)	5.1	4.5	↑	5.4	↑
UNDER CONSTRUCTION (MSF)	1.0	1.2	↓	1.9	↑
ASKING RENT, NNN (PSF)	\$16.52	\$13.52	↑	\$11.32	↑
SALES VOLUME (MILLIONS)	\$167.1	\$526.7	↓	\$266.8	↑

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

FUNDAMENTALS MODERATE

Amidst economic cooling and elevated interest rates prompting caution among tenants and investors, Broward’s market fundamentals concluded 2023 as a mixed bag. Despite an occupancy gain of 110,000 SF in Q4 2023, negative absorption in Q3 kept year-over-year net absorption slightly in the red. As a result, Broward’s vacancy inched back up nearly 100 basis points in the second half of 2023 to 4.7%, closer to its five-year average. Broward’s construction activity tempered to its lowest level in seven years, yet development persists in the most constrained submarkets where demand is the strongest. Meanwhile, average asking rents showed no signs of slowing as it surged to an all-time high of \$16.52/SF in Q4. This marks a 22% year-over-year increase and the seventh consecutive quarter of substantial growth. On the sales side, Broward’s industrial market recorded \$823 million in sales volume in 2023, while slower than 2022, it’s still the fourth-highest year in the past decade. The average sale price, though down 10% year-over-year, remains relatively healthy at \$218/SF. Despite facing challenges in net absorption and a slight increase in vacancy rates, Broward’s industrial real estate sector displayed resilience to close out 2023.

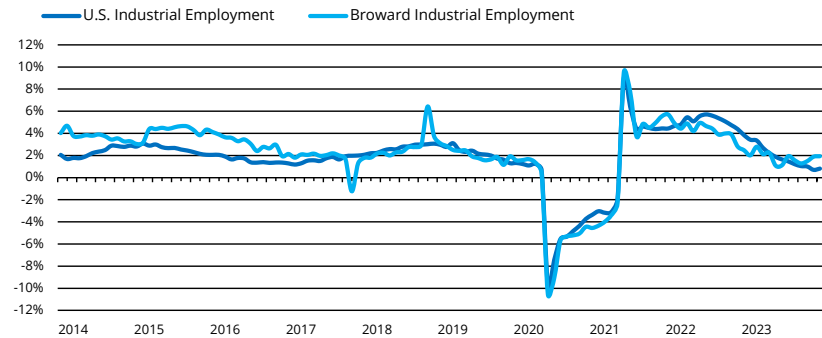


ECONOMY

Continued Job Growth

- The U.S. unemployment rate averaged 3.7% during Q4, relatively unchanged from last quarter, and has ranged between 3.4% and 3.8% since Q1 2022.
- As the industrial real estate sector digests a record-high number of jobs, national employment growth has tempered to 0.8% during the past 12 months, one of the lowest year-over-year growth rates since early 2021.
- Broward's unemployment rate averaged 3.0% in Q4, slightly above the two-year average, as labor participation reached an all-time high in Q4.
- Broward's industrial employment growth has exceeded national growth since June 2023 and hasn't recorded a year-over-year decline since March 2021. At 1.9% in November 2023, industrial employment growth is now 100 basis points above the U.S. growth rate average.

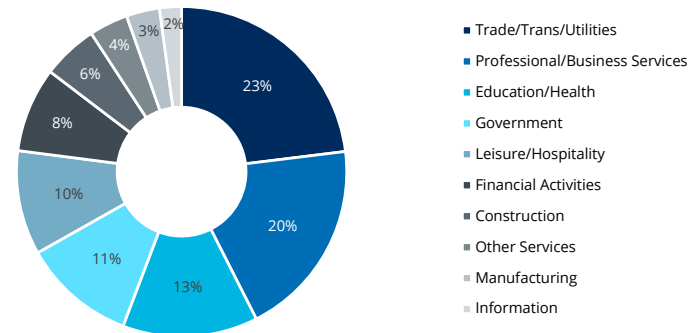
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

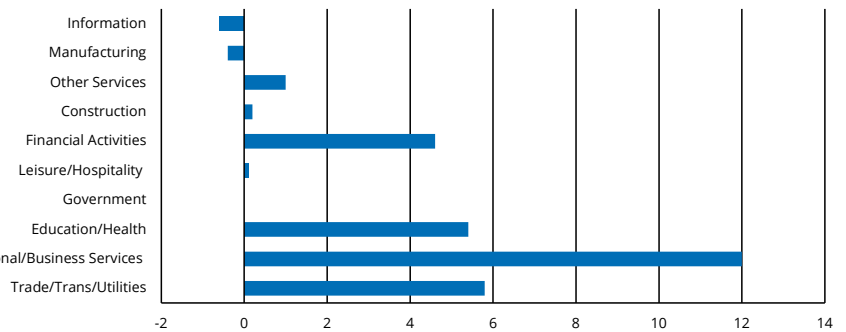
Broward | November 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Broward | November 2023



Source: Bureau of Labor Statistics, Transwestern

In Thousands

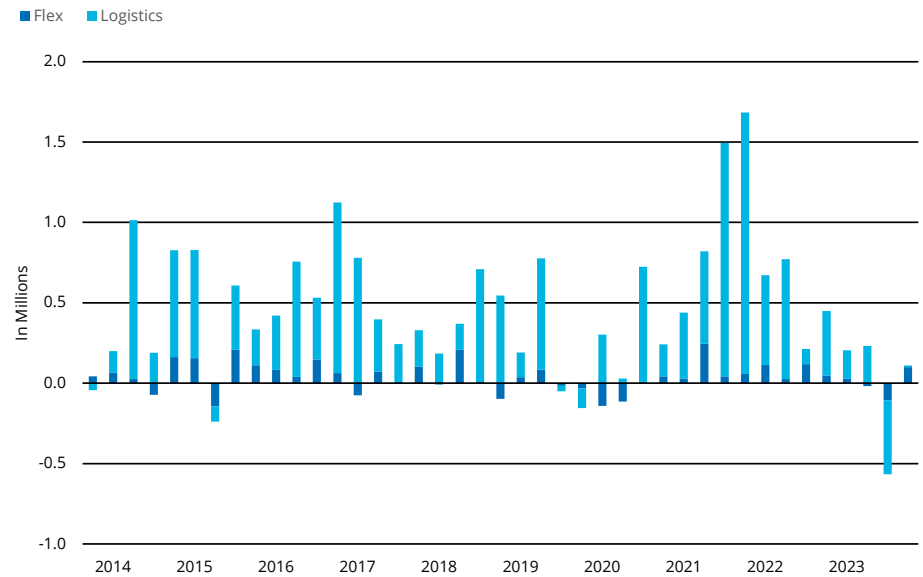


NET ABSORPTION

Net Absorption Cooled as Limited New Product Delivered

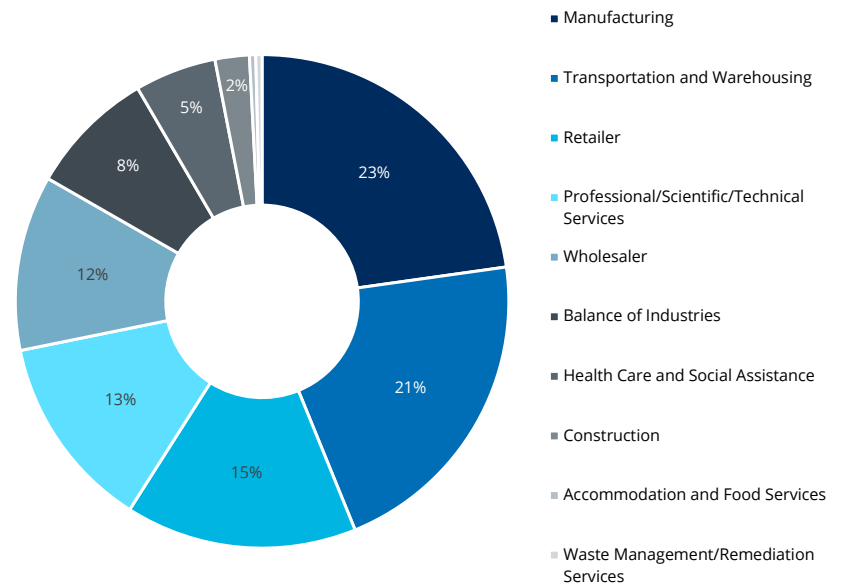
- Broward’s 110,000 SF of occupancy growth in Q4 was not enough to bring net absorption out of the red by year-end 2023 after a 566,000 SF occupancy loss in Q3. However, this is not expected to impact market fundamentals significantly, as Broward saw an occupancy loss of only 37,000 SF in 2023. A slowdown was expected as deliveries of highly sought-after new space fell +/- 75% below the previous five-year annual average of 2.2 million SF.
- After only one of Broward’s seven submarkets recorded a positive quarterly absorption in Q3, four recorded an occupancy gain in Q4 2023. Year-over-year absorption showed mixed results as the most active submarkets of Coral Springs, Northeast Broward, and Southeast Broward recorded an occupancy gain. Broward’s smallest submarket, Coral Springs, led the way with 451,000 SF of positive net absorption.
- Leasing activity is expected to remain lower for the next 18 months due to fewer expirations and caution from tenants as a result of some cooling sectors of the economy.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY



Source: CoStar, Transwestern

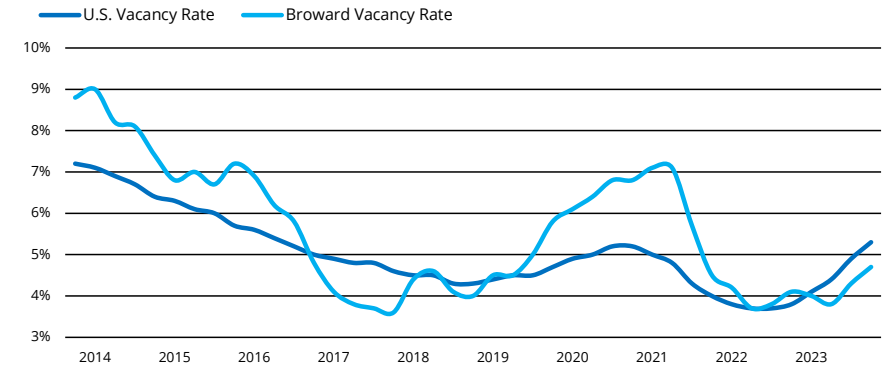


VACANCY

An Uptick Due to Limited Quality Options

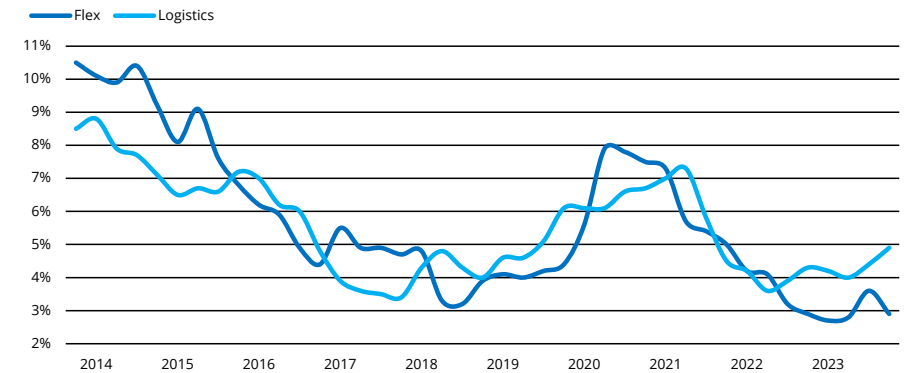
- Although Broward’s vacancy rate increased every quarter in 2023 to 4.7% in Q4, it’s still relatively healthy compared to the market’s historical rates and the national average of 5.3%.
- Coral Springs ended 2023 with a vacancy rate of 2.7%, the healthiest of Broward’s seven submarkets. Southeast Broward and West Sunrise followed behind with 3.5% and 4.3% respectively. Despite Northeast Broward having the highest vacancy rate in Broward, it dropped from 7.2% in Q3 to 6.3% in Q4 after the submarket recorded the highest quarterly occupancy growth within Broward.
- A moderating economy and decelerated leasing velocity have had a nominal impact on Broward’s vacancy rate. South Florida’s balanced economy and large domestic demand from a dense population are expected to keep Broward’s vacancy rate low.

OVERALL VACANCY RATE



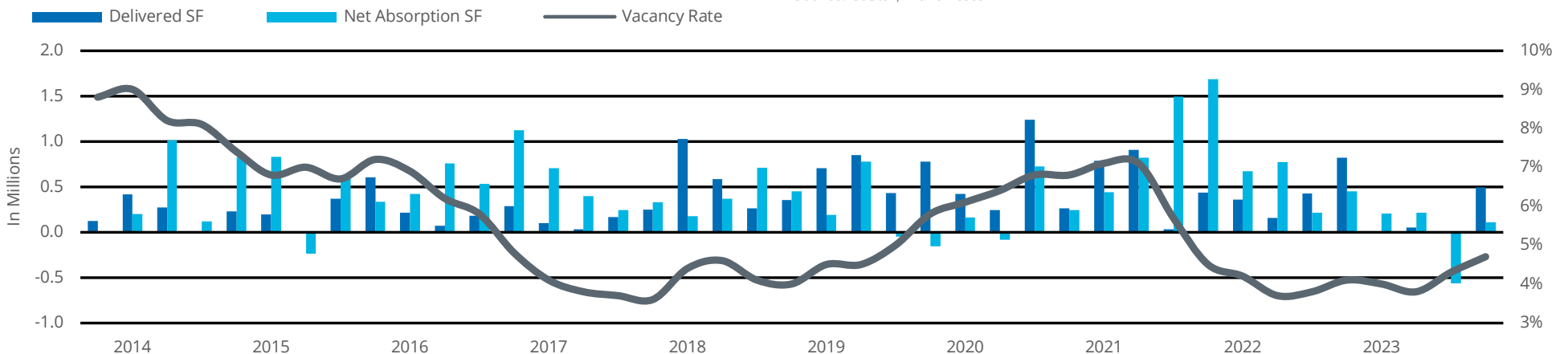
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

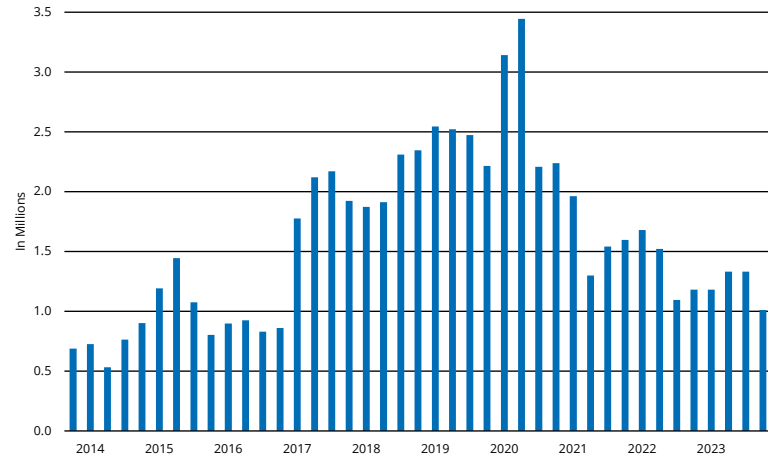


UNDER CONSTRUCTION

Limited Supply Coming

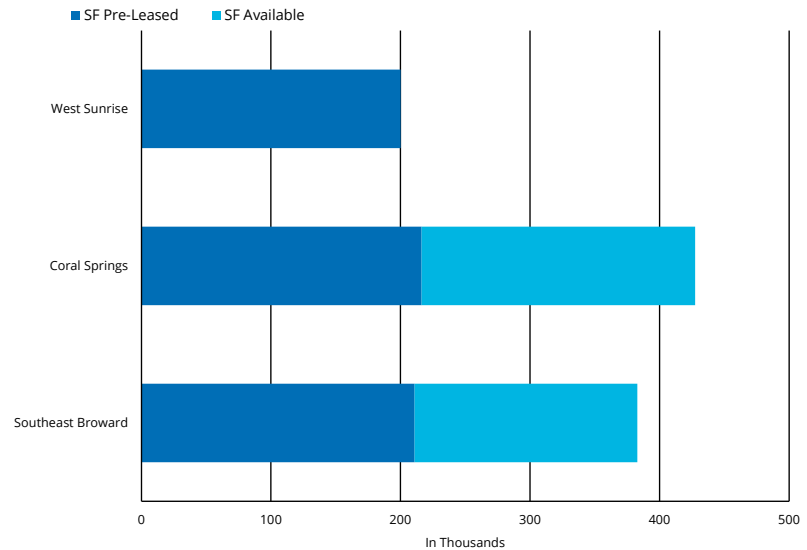
- Developers have responded quickly to the moderating market dynamics as Broward's construction levels cooled to 1.0 million SF in Q4, the lowest level in seven years. This construction is concentrated in Coral Springs, Southeast Broward, and West Sunrise, where space is constrained and demand is greatest.
- The 200,000 SF at Seagis @ Port Everglades, the 186,000 SF at Prologis Seneca Park, and the 102,000 SF at Sunrise Logistics Center were the largest projects delivered in Q4. However, only Hallandale Pharmacy, which is also the owner-user of the 102,000 SF at Sunrise Logistics Center, has occupied the new product.
- Only two properties under construction remain available for lease in Q4, including the 172,000 SF at Bridge Point Port Everglades, which broke ground in Q4 and is expected to be delivered in June 2024. The other includes one of the two projects underway in Osprey Logistics Park, which are expected to deliver over 211,000 SF each in Q1 2024.
- Long-term market fundamentals remain strong, though a challenging debt market has slowed the pace of proposed new projects. While remaining cautious about changing levels of demand, developers continue to seek opportunities to bring more high-quality product online.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

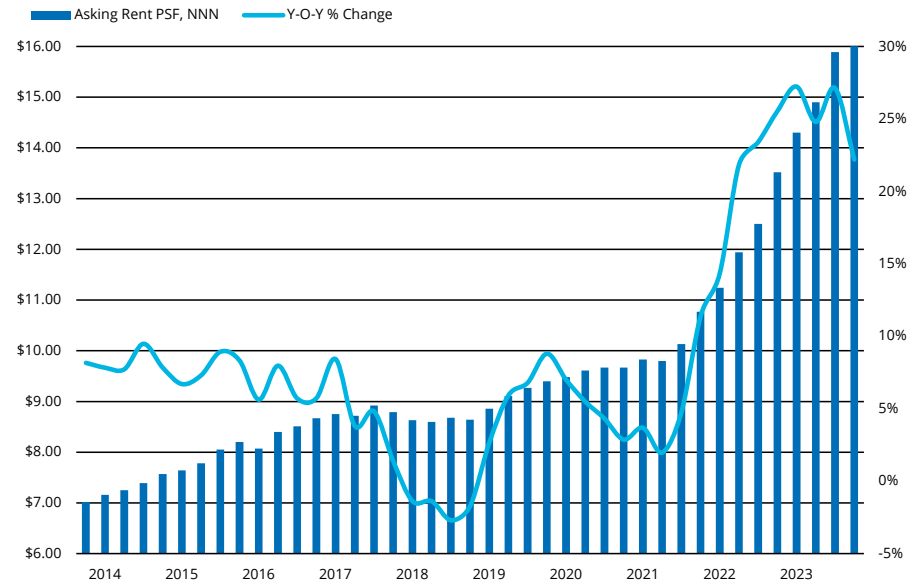


RENTAL RATES

All Around Growth

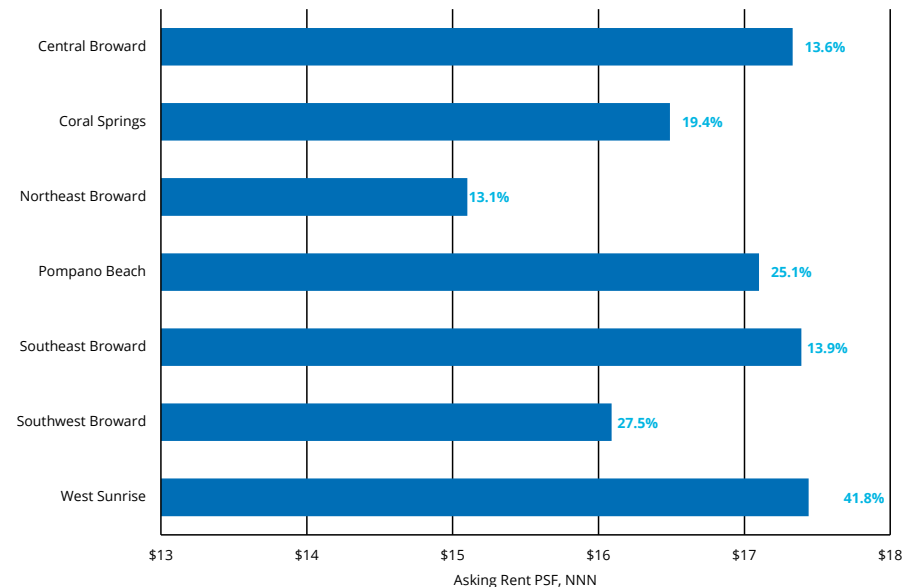
- Average asking rents continued a five-year escalation to end 2023 at \$16.52/SF, an all-time high.
- Year-over-year rent growth was 22% in Q4, Broward’s seventh consecutive quarter of 21%-plus year-over-year growth. Overall, average rents have grown 47% since Q1 2022.
- Although all of Broward’s submarkets witnessed double-digit year-over-year growth, West Sunrise, Southwest Broward, and Pompano Beach each spiked over 25% since Q4 2022. West Sunrise, having the lowest rental rate out of Broward’s submarkets in Q4 2022, held the top spot in Q4 2023 at \$17.44/SF after experiencing a 42% year-over-year growth.
- Pricing among Broward’s submarkets remains tight, as all submarkets command an asking rent between \$15.10-\$17.44/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

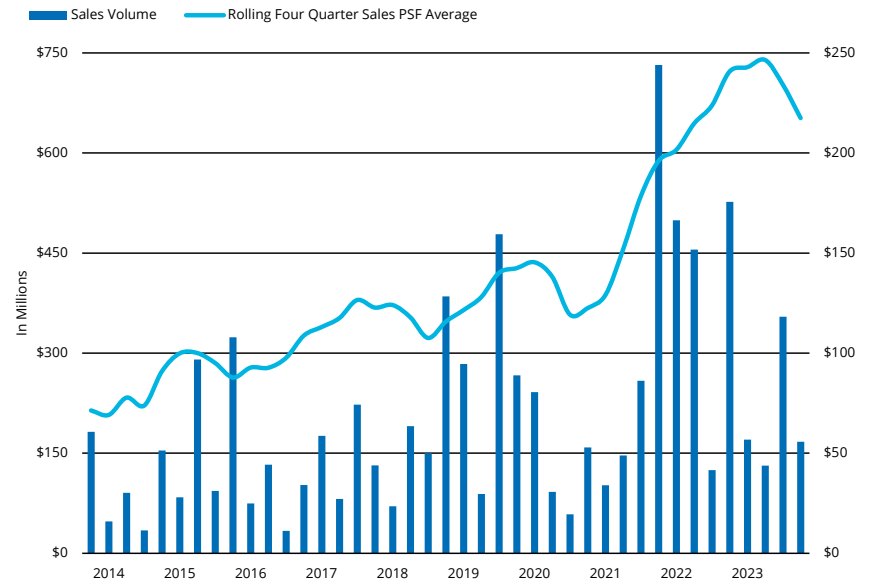


SALES

Hindered, but Not Extinguished

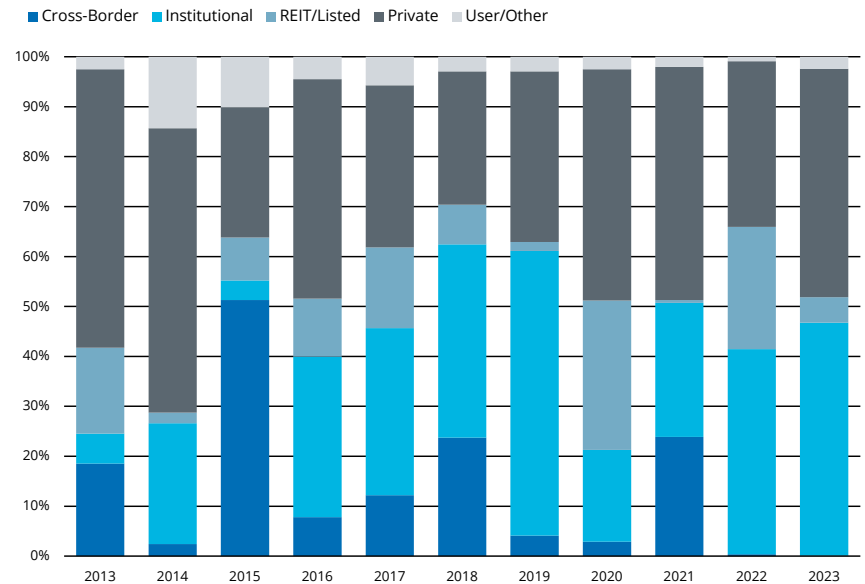
- The continued effect of high-interest rates on sales volume has hindered but not extinguished investment activity in Broward’s industrial market. Volume in 2023 topped out at \$823 million after a record \$1.6 billion in 2022.
- However, 2023’s sales volume still managed to solidify its position as the fourth-highest in the past ten years despite high-interest rates and increasing cap rates, showcasing South Florida’s strength as a core institutional market.
- After the average sale price reached a record-high \$247/SF year-over-year in Q2, it has reversed to \$218/SF to close out 2023 as a reflection of prolonged heightened interest rates and institutions holding out to higher quality product as they wait for the market to stabilize. Despite this 10% year-over-year dip, pricing remains relatively healthy compared to pre-2022 prices.
- While lending is expected to remain stringent, creating challenges for many prospective buyers, Broward’s robust industrial market fundamentals continue to attract institutional and private buyers.

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
AVI AVIATION	Sawgrass Technology Park 1655 NW 136th Ave	West Sunrise	Renewal	128,144
MIAMI SOUVENIRS	Miramar Park of Commerce 3501 Commerce Pky	Southwest Broward	New	85,059
OBSESSION OPERATING	2650 SW 145th Ave	Southwest Broward	New	81,727
SEAL AFTERMARKET PRODUCTS	Seneca North Industrial Park 2301 SW 32nd Ave	Southeast Broward	New	56,530
SOUTHEASTERN	Port 95 Industrial Center 2551 SW 39th St	Southeast Broward	New	38,095

Source: CoStar, Real Capital Analytics, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
*PARKWAY COMMERCE CENTER - 6 Bldgs 1919 NW 19th St	Central Broward	\$47,085,400	240,229	\$196	Longpoint Realty Partners	Seagis Property Group LP
SUNRISE LOGISTICS CENTER 6801 W Sunrise Blvd	West Sunrise	\$29,850,000	102,913	\$290	Hallandale Pharmacy	Arvinder Bajaj
*SAWGRASS EAST BUSINESS PARK - 3 Bldgs 4300-4314 NW 120th Ave	Coral Springs	\$16,270,000	75,866	\$214	Midtown Capital Partners LLC	Sylvia Verre
GATEWAY INDUSTRIAL CENTER 2700 Gateway Dr	Pompano Beach	\$9,177,500	45,522	\$202	Zev Supplies	Alliance Partners HSP, LLC
928-932 NW 1ST ST	Central Broward	\$4,000,000	12,007	\$333	David Morales	Euro Motor Sport, Inc

**Buyer purchased properties within a portfolio/bulk deal. Prices PSF equate to the average price PSF of all bought buildings within the specified park.*

Source: CoStar, Real Capital Analytics, Transwestern

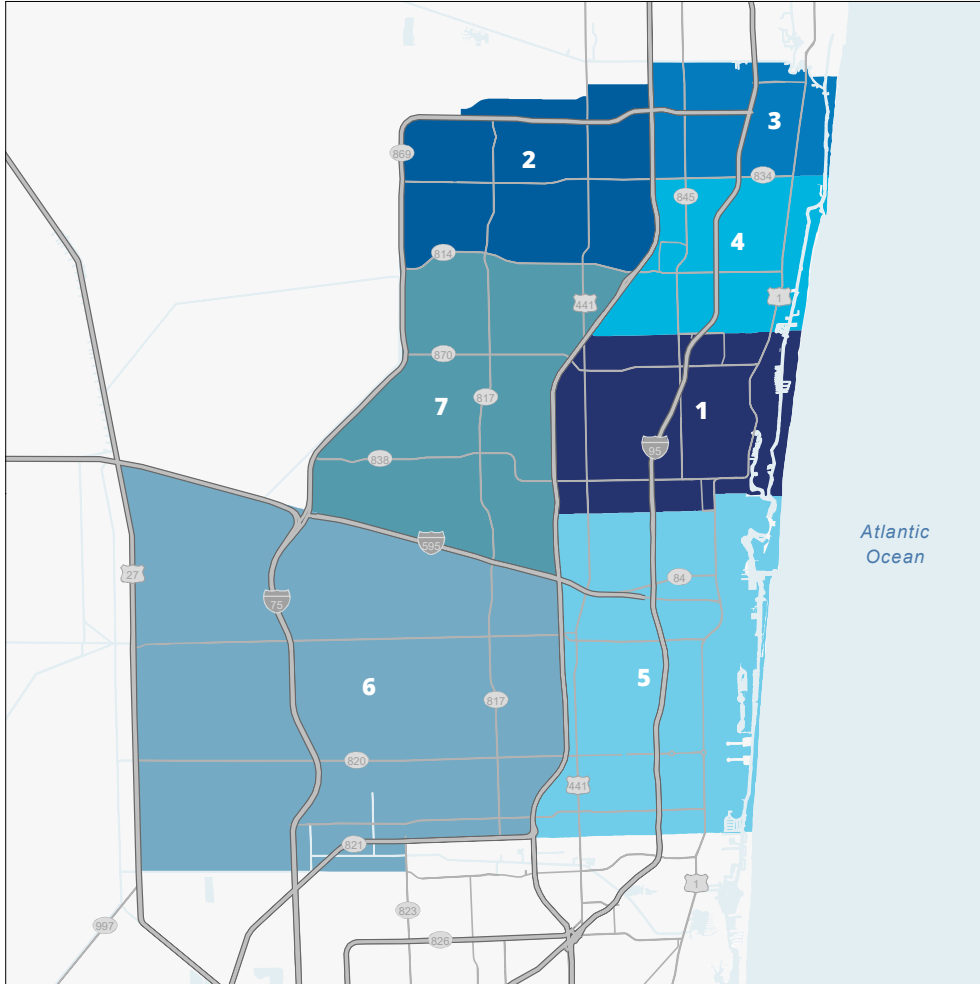


MARKET INDICATORS

All Property Types | Q4 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	12,163,298	542,282	4.5%	34,578	576,860	4.7%	0	56,929	(250,558)	\$17.56	\$14.79
CORAL SPRINGS	6,818,302	160,974	2.4%	26,400	187,374	2.7%	427,515	(66,613)	450,680	\$16.49	\$12.95
NORTHEAST BROWARD	11,935,579	693,702	5.8%	59,989	753,691	6.3%	0	110,775	189,762	\$14.68	\$18.59
POMPANO BEACH	26,408,141	996,408	3.8%	320,354	1,316,762	5.0%	0	(41,220)	(166,458)	\$17.19	\$16.37
SOUTHEAST BROWARD	23,096,367	775,363	3.4%	39,000	814,363	3.5%	382,810	(29,527)	193,197	\$16.93	\$19.36
SOUTHWEST BROWARD	19,330,325	493,882	2.6%	541,083	1,034,965	5.4%	0	55,367	(385,236)	\$16.35	\$14.91
WEST SUNRISE	9,630,364	253,727	2.6%	157,200	410,927	4.3%	200,147	23,849	(68,673)	\$16.58	\$20.77
TOTAL	109,382,376	3,916,338	3.6%	1,178,604	5,094,942	4.7%	1,010,472	109,560	(37,286)	\$16.41	\$17.30

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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