

# BROWARD INDUSTRIAL MARKET

Q1 2024



## TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.0	2.4	↑	4.6	↑
NET ABSORPTION (MSF)	0.6	0.2	↓	0.4	↓
OVERALL VACANCY RATE	4.9%	4.0%	↑	5.2%	↓
OVERALL VACANT SF (MSF)	5.4	4.3	↑	5.5	↓
UNDER CONSTRUCTION (MSF)	0.2	1.2	↓	1.7	↑
ASKING RENT, NNN (PSF)	\$16.60	\$14.30	↑	\$11.71	↑
SALES VOLUME (MILLIONS)	\$187.4	\$147.3	↓	\$262.2	↑

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

## FUNDAMENTALS MODERATE

While a moderating economy and elevated interest rates have prompted caution among tenants and investors, Broward’s market fundamentals started 2024 strong after lukewarm results in the previous year. Following an occupancy loss in 2023, the market recovered in Q1 with 600,000 SF of positive net absorption. This was offset with 640,000 SF of new product delivery, holding Broward’s vacancy steady at 4.9%. With minimal new starts, Broward’s construction activity is now at its lowest level in a decade, which is anticipated to keep vacancy in check, while the market goes through a year of lower lease turnover. Meanwhile, the average asking rent showed its first signs of moderating as quarterly rent growth decelerated to a three-year low, although rates still remain at an all-time high of \$16.60/SF. On the sales front, volume has moderated since a strong 2021 and 2022. However, Broward’s industrial market posted \$187 million in sales volume in Q1 2024, outpacing the same quarter a year ago. The average sale price, though down 11% year-over-year, remains relatively healthy at \$213/SF. Despite facing economic challenges, Broward’s industrial real estate sector displayed resilient fundamentals to kick off 2024.

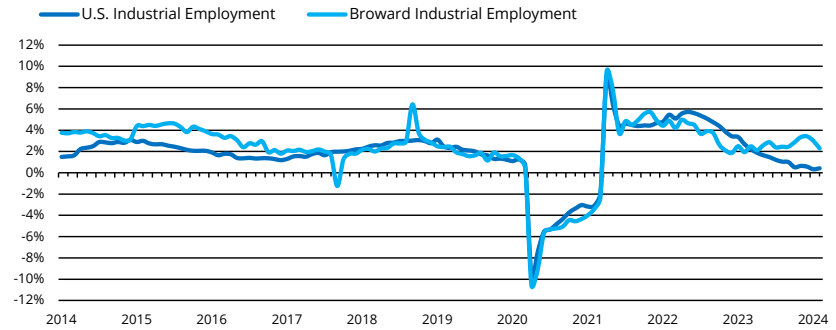


### ECONOMY

#### Job Growth and Unemployment Rate Settles

- The U.S. unemployment rate remained steady at an average of 3.8% during Q1, holding within the range of 3.4% to 3.9% since Q1 2022.
- With the industrial real estate sector absorbing a record number of jobs, national industrial employment growth slowed to 0.4% over the past year, showing signs of moderation.
- Broward’s unemployment rate averaged 3.0% in Q1, slightly above the two-year average.
- While Broward’s industrial labor participation slightly eased from record highs in Q4 2023, it hasn’t seen a year-over-year decline since March 2021. As of February 2024, its industrial employment year-over-year growth stands at 2.3%, a notable 190 basis points above the U.S. average growth rate, which Broward has outpaced since February 2023.

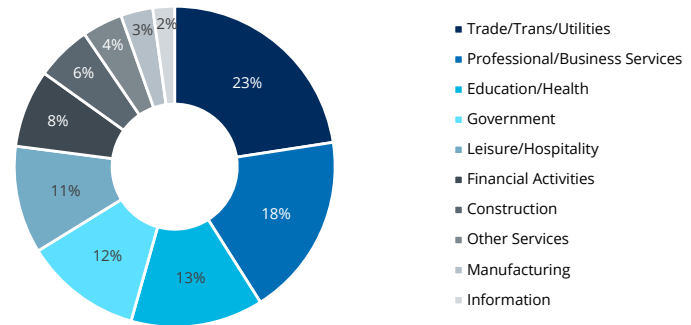
### Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

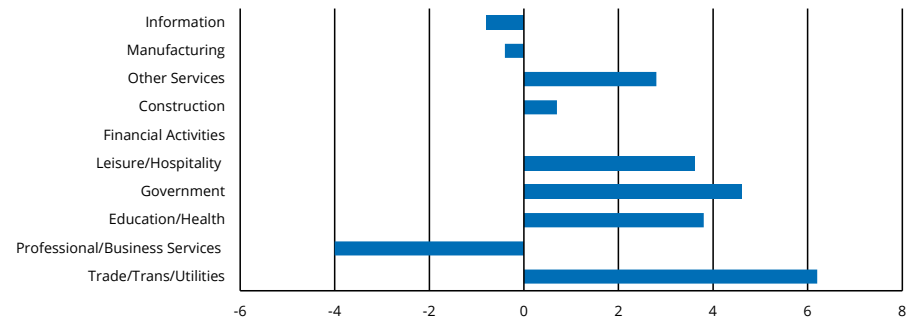
Broward | February 2024



Source: Bureau of Labor Statistics, Transwestern

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

Broward | February 2024



Source: Bureau of Labor Statistics, Transwestern

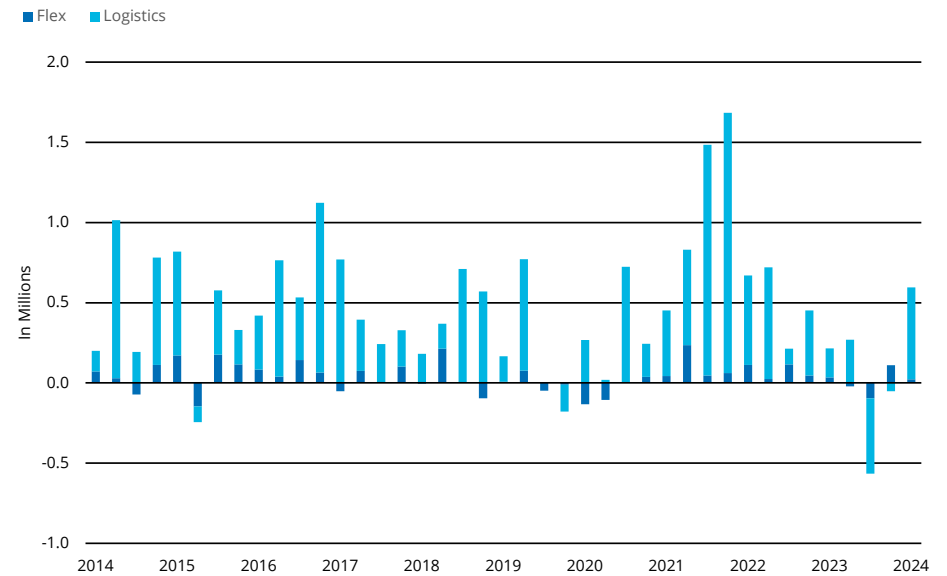


### NET ABSORPTION

#### Great Start to 2024

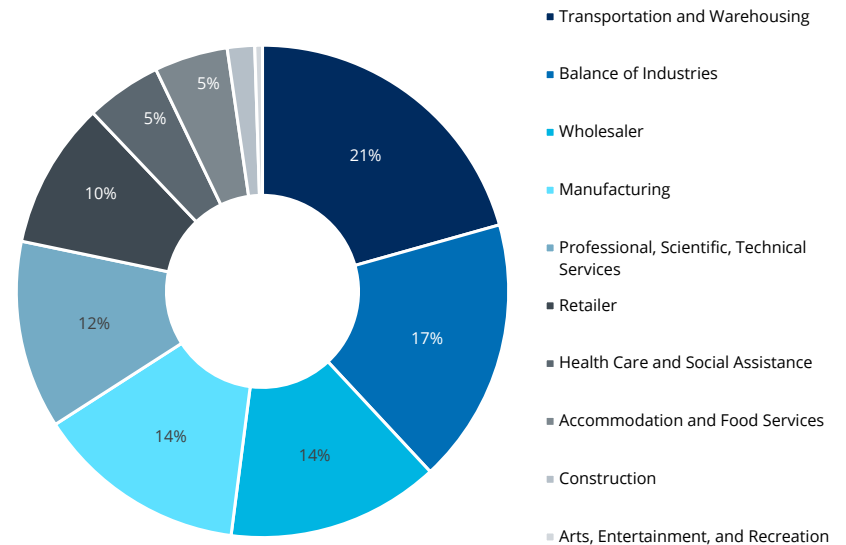
- Broward rebounded impressively in Q1 2024, with nearly 600,000 SF of positive net absorption following a period of negative absorption in 2023. This marked a robust quarter, especially considering the market’s historical average of 1.7 million SF of annual net absorption over the past six years. The timing coincided with the delivery of 638,000 SF of new product.
- Notably, Informa made a significant move-in by securing a 20-year lease in a newly constructed 199,624 SF building near Port Everglades.
- Q1 2024 saw positive quarterly absorption in five of Broward’s seven submarkets. Coral Springs, the smallest submarket, led the pack with 231,000 SF of positive net absorption, followed by Pompano Beach, the largest submarket, with 126,000 SF. While year-over-year absorption showed mixed results, active submarkets such as Coral Springs, Northeast Broward, West Sunrise, and Southwest Broward saw increased occupancy.
- Looking ahead, absorption is projected to moderate as construction activity decelerated, leaving the smallest pipeline in over a decade. Additionally, reduced lease turnover and tenant hesitancy due to economic uncertainty are anticipated to dampen activity in the upcoming quarters.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

### SHARE OF LEASING ACTIVITY BY INDUSTRY



Source: CoStar, Transwestern

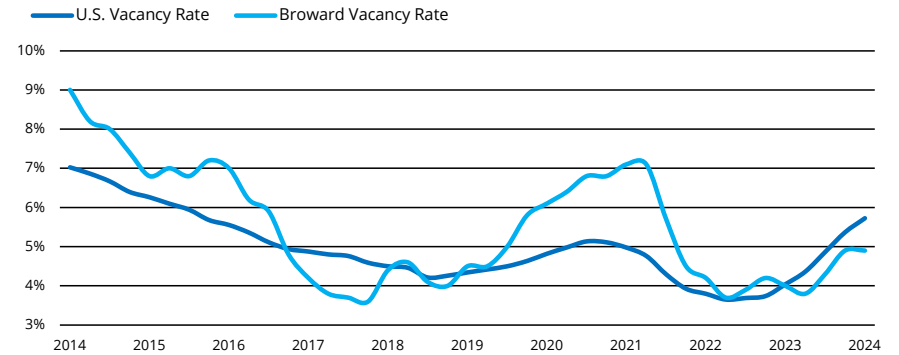


### VACANCY

#### Previous Upward Trend Haults

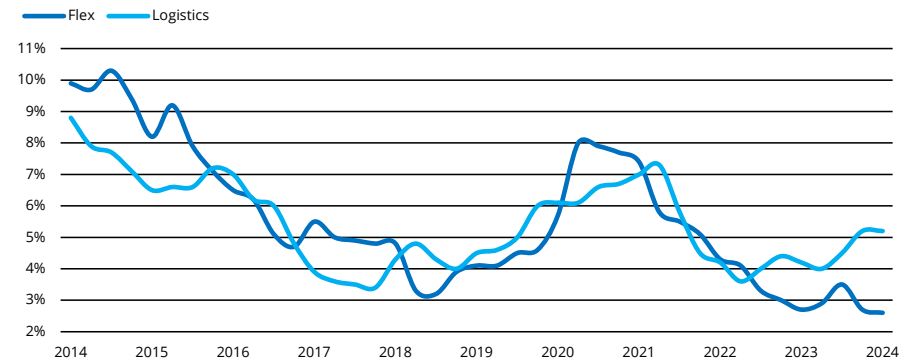
- In 2023, Broward saw a slight uptick in vacancy rates due to reduced absorption and steady new product deliveries. At the end of Q1 2024, the vacancy rate held steady at 4.9%, reflecting balanced new deliveries and absorption. Broward’s vacancy rate remains healthy compared to historical averages and the national rate of 5.7%.
- Most Broward submarkets maintained stable vacancy rates, with Coral Springs and Northeast Broward being exceptions. Coral Springs saw its vacancy rate rise from 1.8% to 4.3% in Q1 2024, as only half of its product delivered in Q1 has been leased, yet it remains the healthiest submarket. Meanwhile, Northeast Broward, despite having the highest vacancy rate, saw a drop from 7.3% to 5.8% over two quarters. The five other submarkets recorded vacancy rates all within 4.7%-5.0%.
- Despite a moderating economy and slower leasing, Broward’s vacancy remains low thanks to South Florida’s balanced economy and robust local demand. With limited construction in progress, supply-related pressures should keep Broward’s vacancy down.

### OVERALL VACANCY RATE



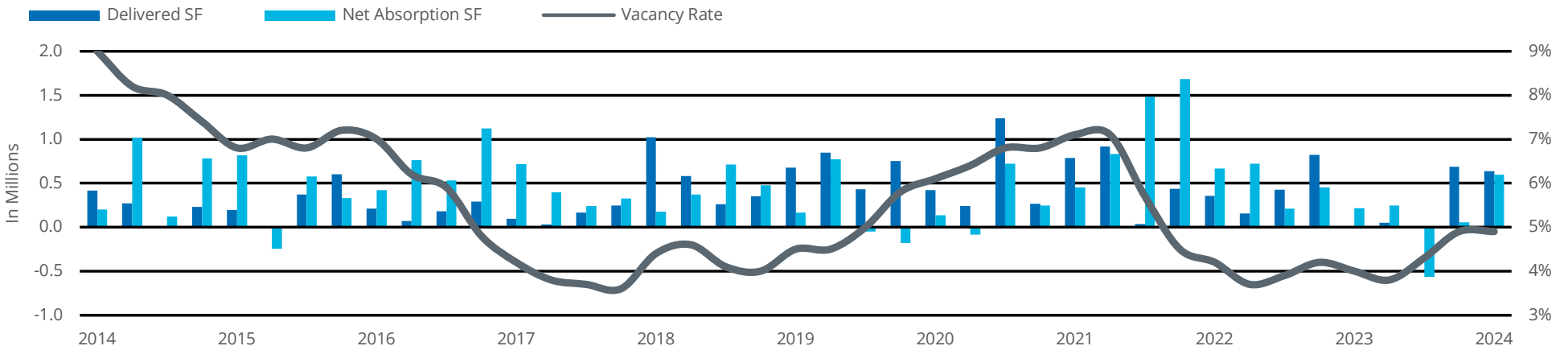
Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

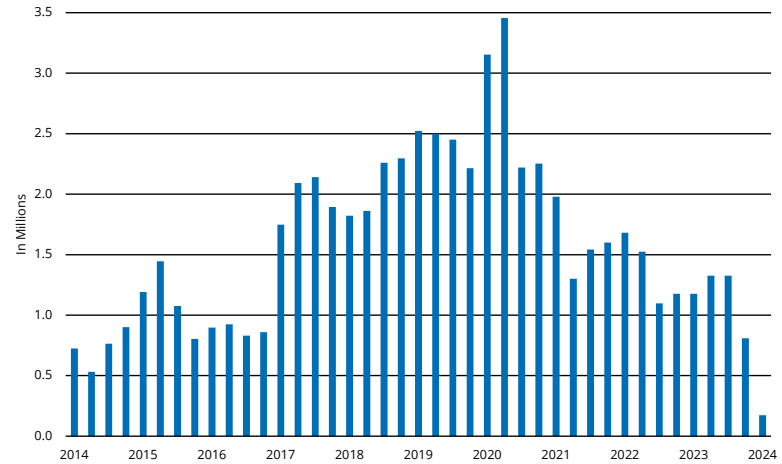


### UNDER CONSTRUCTION

#### Supply is Expected to Remain Scarce

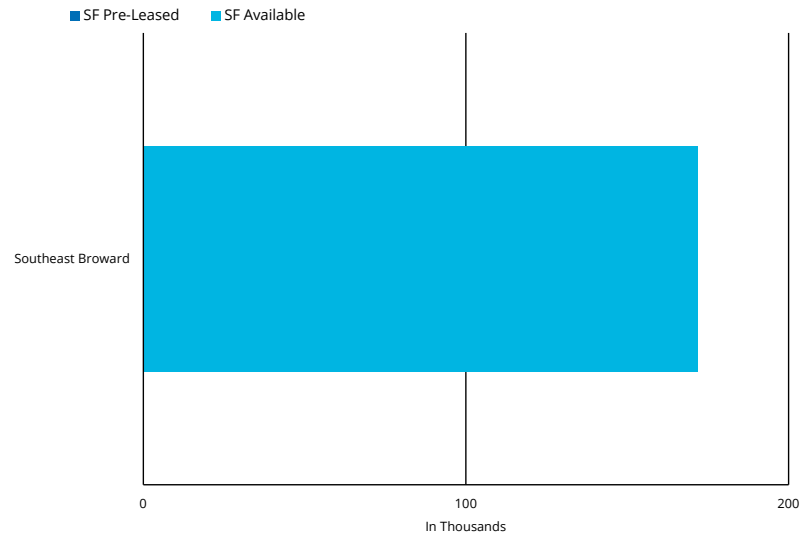
- Broward’s construction levels cooled to the lowest level in a decade as developers have responded quickly to moderating market conditions. This comes after 1.3 million SF of product delivered in the past two quarters combined.
- Bridge Point Port Everglades in Southeast Broward accounts for the 172,000 SF left in the pipeline, which remains available for lease and is expected to be delivered in June 2024.
- Notable deliveries in Q1 2024 include two buildings in Osprey Logistics Park, each spanning over 211,000 SF, and an 186,000 SF warehouse in Prologis Seneca Park.
- With no new groundbreaking in Q1 and one building in the development pipeline, modern logistics space remains scarce, which should keep vacancies in check and rental rates high.
- Long-term market fundamentals remain strong, though a challenging debt market has subdued the pace of proposed new projects. However, developers continue to seek opportunities to bring more high-quality product online.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

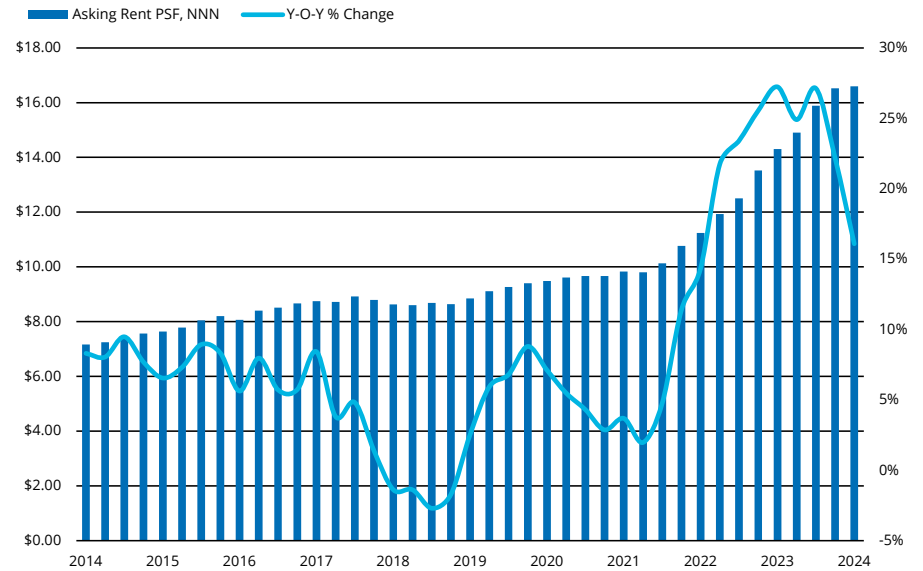


### RENTAL RATES

#### Continued, but Moderated Growth

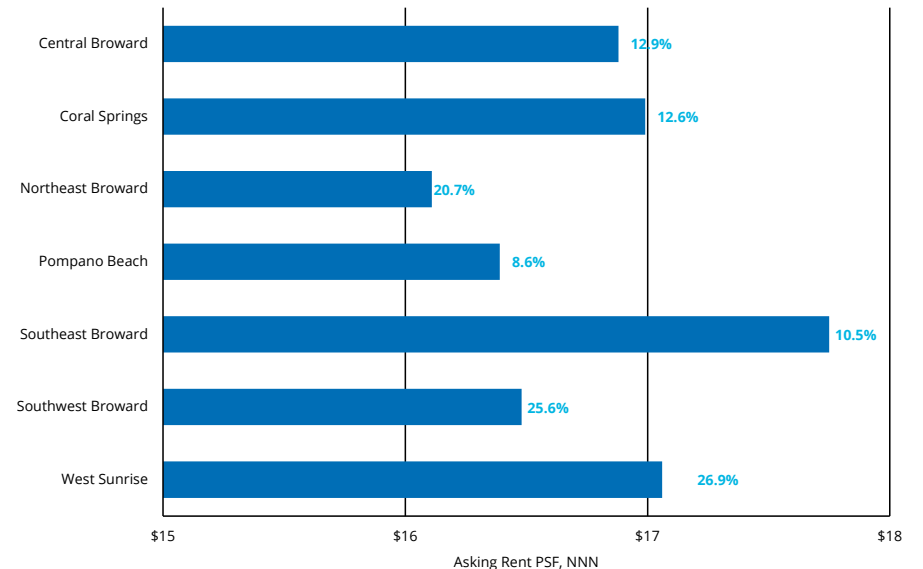
- The average asking rent has continued its upward trend for five consecutive years, reaching a record high of \$16.60/SF in 2024.
- Quarterly rent growth has moderated to less than one percent after maintaining an average of 4.8% since the first quarter of 2021. However, year-over-year rent growth remained robust at 16.1% in Q1 2024, following seven consecutive quarters of growth exceeding 21%.
- While nearly all of Broward’s submarkets experiencing double-digit year-over-year growth, notable spikes of 21-27% were observed in West Sunrise, Southwest Broward, and Northeast Broward since Q1 2023.
- Pricing across Broward’s submarkets remains tight, with asking rents ranging between \$16.11/SF and \$17.75/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 are anticipated to sustain rent growth, albeit at a slower pace.

### ASKING RENT



Source: CoStar, Transwestern

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



Source: CoStar, Transwestern

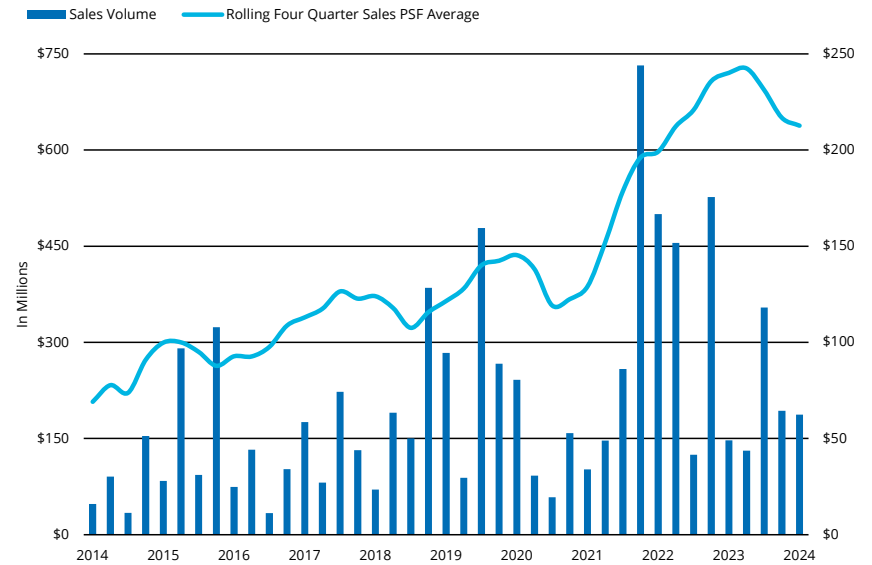


### SALES

#### Hindered, but Not Extinguished

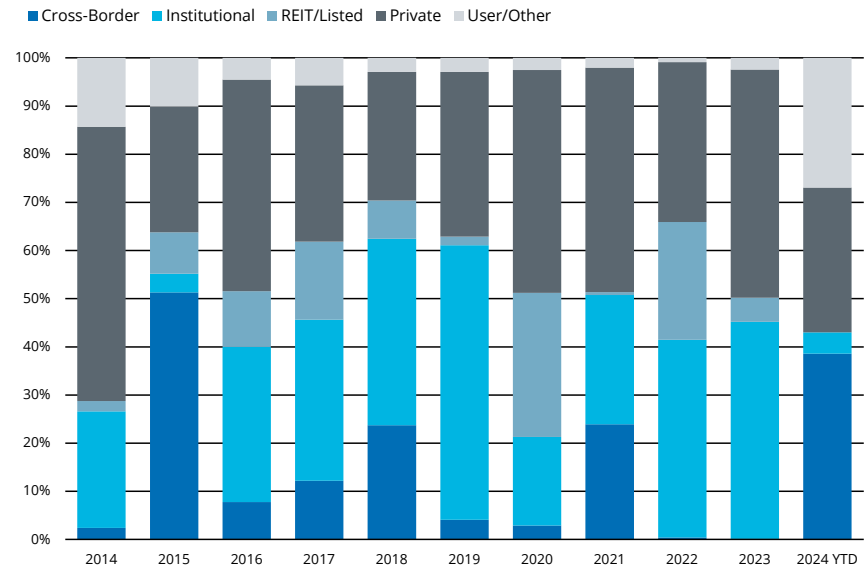
- Despite the persistent impact of high-interest rates on sales volume, investment activity in Broward’s industrial market remains resilient, albeit somewhat constrained.
- While facing high-interest rates and decreasing cap rates, 2023 saw a more moderate but still substantial \$823 million in sales volume, securing its place as the fourth-highest in the past decade. With \$187.4 million of volume in Q1 2024, the market paced slightly ahead of Q1 2023, highlighting South Florida’s status as a robust institutional market.
- After peaking at \$243/SF in Q2 2023, the average sale price retreated to \$213/SF in Q1 2024, aligning with Q2 2022 levels. This change reflects sustained high-interest rates and the corresponding increase in cap rates. Even with an 11% year-over-year decrease, prices remain significantly above pre-2022 levels.
- 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
INFORMA	1700 Eller Dr	Southeast Broward	New	199,624
PROPULSION TECHNOLOGIES INTERNATIONAL	Miramar Centre Business Park 15301 SW 29th St	Southwest Broward	Renewal	125,293
VITAS HEALTHCARE	Miramar Park of Commerce 3200 Commerce Pky	Southwest Broward	New	41,500
SYNTHETIC GREENS WAREHOUSE FLORIDA LLC	Gateway Industrial Center 6501 NW 12th Ave	Pompano Beach	New	41,405
SCIENS LOGISTICS	Quiet Waters Business Park 740 S Powerline Rd	Northeast Broward	New	31,455

Source: CoStar, Real Capital Analytics, Transwestern

**NOTABLE SALES**

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
MERIDIAN BUSINESS CENTER 3225 MERIDIAN PKY	Southwest Broward	\$50,500,000	201,845	\$250	Chick-Fil-A, Inc.	Cabot Properties
THE CORPORATE PARK OF CORAL SPRINGS 3900 CORAL RIDGE DR	Coral Springs	\$12,500,000	81,960	\$153	Mars Real Estate LLC	Elion Partners
*DECKER CENTER 2003-2033 W MCNAB RD	Pompano Beach	\$9,175,000	43,850	\$209	Industrial Commercial Specialist, Inc.	Infinity Properties USA
1051 NW 3RD ST - BLDG 1	Southeast Broward	\$9,000,000	29,569	\$304	AIDS Healthcare Foundation	Beachfront Realty, Inc.
THE TRAIL COMMERCE PARK 508 S MILITARY TRL	Northeast Broward	\$8,300,000	37,489	\$221	EQT Exeter	Boca Lighting and Controls

*\*Property bought within a portfolio/bulk deal.*

Source: CoStar, Real Capital Analytics, Transwestern

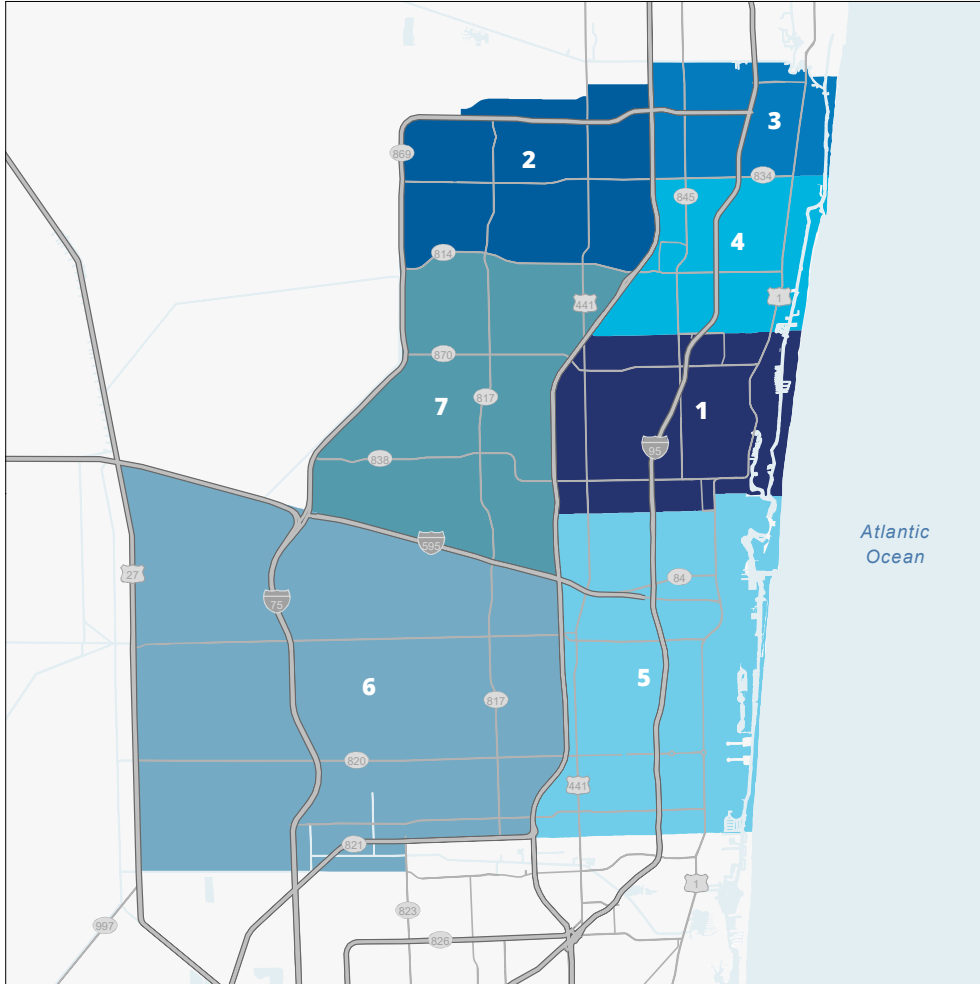


**MARKET INDICATORS**

All Property Types | Q1 2024

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>	12,128,200	557,866	4.6%	27,303	585,169	4.8%	0	(10,404)	(108,071)	\$17.06	\$15.62
<b>CORAL SPRINGS</b>	7,344,598	318,054	4.3%	0	318,054	4.3%	0	230,907	352,701	\$16.94	\$20.00
<b>NORTHEAST BROWARD</b>	11,758,641	656,501	5.6%	25,682	682,183	5.8%	0	71,190	127,043	\$15.79	\$18.79
<b>POMPANO BEACH</b>	26,399,442	1,175,914	4.5%	63,594	1,239,508	4.7%	0	126,425	(111,660)	\$16.35	\$16.38
<b>SOUTHEAST BROWARD</b>	23,170,386	1,061,436	4.6%	84,100	1,145,536	4.9%	171,983	(42,105)	(150,791)	\$17.74	\$18.00
<b>SOUTHWEST BROWARD</b>	19,403,753	311,297	1.6%	615,179	926,476	4.8%	0	98,167	132,119	\$16.78	\$15.00
<b>WEST SUNRISE</b>	9,758,006	332,309	3.4%	157,200	489,509	5.0%	0	121,565	94,492	\$16.73	\$18.31
<b>TOTAL</b>	<b>109,963,026</b>	<b>4,413,377</b>	<b>4.0%</b>	<b>973,058</b>	<b>5,386,435</b>	<b>4.9%</b>	<b>171,983</b>	<b>595,745</b>	<b>335,833</b>	<b>\$16.58</b>	<b>\$16.73</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 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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