

# BROWARD INDUSTRIAL MARKET

Q2 2024



## TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.0	2.6	↑	4.7	↑
NET ABSORPTION (MSF)	0.0	0.2	↓	0.4	↓
OVERALL VACANCY RATE	4.5%	3.5%	↑	5.1%	↓
OVERALL VACANT SF (MSF)	5.0	3.8	↑	5.4	↓
UNDER CONSTRUCTION (MSF)	0.5	1.3	↓	1.7	↑
ASKING RENT, NNN (PSF)	\$16.30	\$14.89	↑	\$12.07	↑
SALES VOLUME (MILLIONS)	\$282.9	\$131.2	↑	\$275.9	↑

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

## FUNDAMENTALS MODERATE

A moderating economy and elevated interest rates have prompted caution among tenants and investors, leading to lukewarm results for Broward’s market fundamentals over the past four quarters. Following a strong showing in Q1, Broward recorded a negative absorption of 33,000 SF during the second quarter. In addition to moderate absorption so far this year, limited new deliveries have helped Broward’s vacancy rate hold steady at 4.5% for the third consecutive quarter in Q2 2024. Construction activity in 2024 has been minimal, with only 483,000 SF currently underway in Q2, one of the lowest levels in the past decade. While asking rents remain near record highs, signs of moderation have emerged, with rates averaging \$16.30/SF in Q2 2024, marking the metro’s first quarterly decline since 2018.

On the sales front, Broward is on track to surpass 2023, with \$548 million in volume already recorded, doubling the amount exchanged in the first half of last year, highlighting South Florida’s status as a robust institutional market. At \$243/SF in Q2 2023, the average sale price has also increased during the past two quarters after slightly cooling to \$217/SF in Q4 2023.



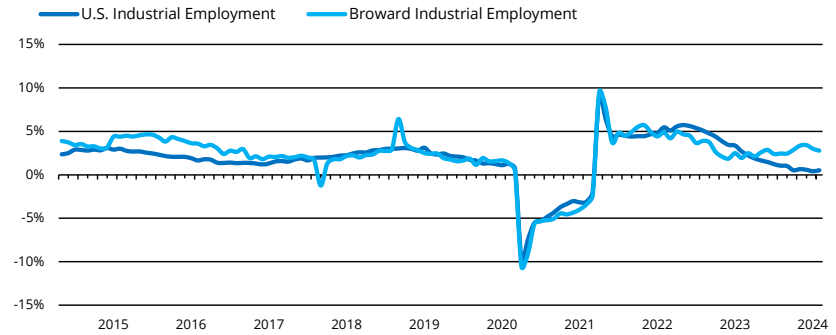
### ECONOMY

#### Job Growth and Unemployment Rate Settles

- The U.S. unemployment rate edged up to an average of 4.0% during Q2, marking its first time crossing the 4.0% threshold since Q4 2021. However, it remains relatively low compared to historical rates and shadows the healthy levels seen before the pandemic.
- U.S. industrial employment has continued its positive year-over-year growth since Q2 2021. Although it continued to reach record highs in Q2 2024, the growth rate has cooled to below 1.0% over the past three quarters.
- Broward's unemployment rate averaged 3.0% in Q1, consistent with the two-year average, but still historically low.
- Despite a slowdown in Broward's industrial employment growth, labor participation continues to reach record highs. The market has not experienced a year-over-year decline in employment growth since March 2021. As of February 2024, Broward's industrial employment growth stands at 2.1% year-over-year, which is 150 basis points higher than the U.S. average growth rate, a trend it has maintained since November 2022.

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

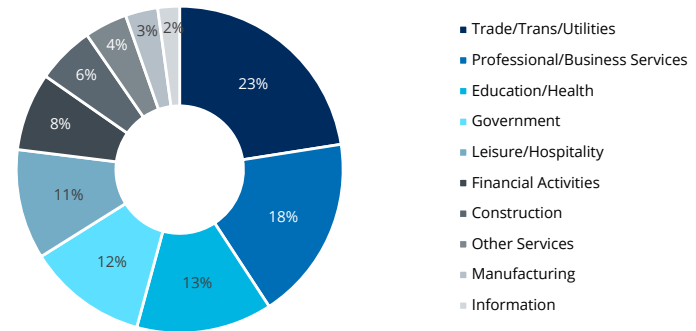
Broward | May 2024



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

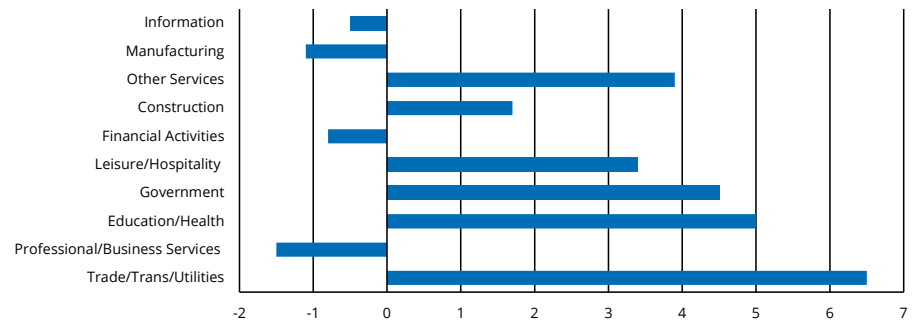
Broward | May 2024



Source: Bureau of Labor Statistics, Transwestern

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

Broward | May 2024



Source: Bureau of Labor Statistics, Transwestern

In Thousands

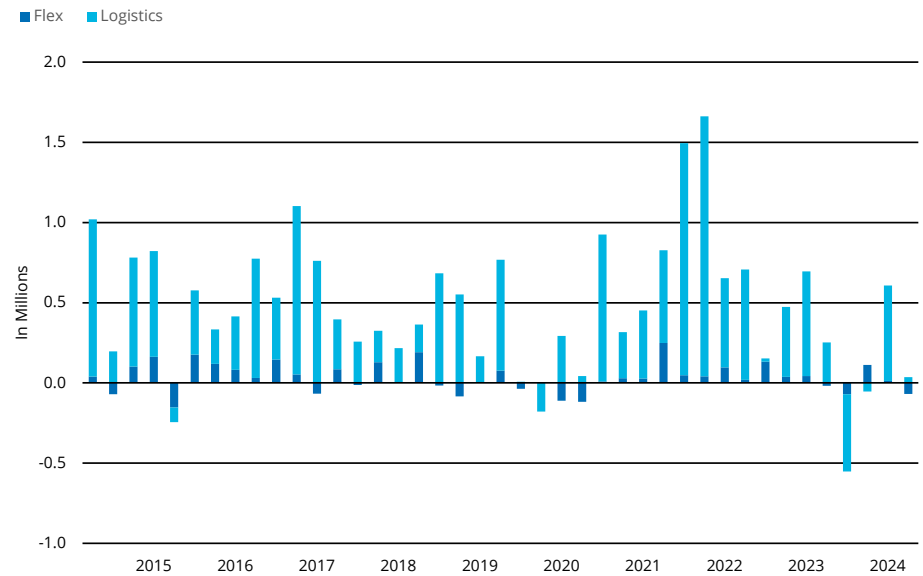


### NET ABSORPTION

#### A Mixed Showing in 2024

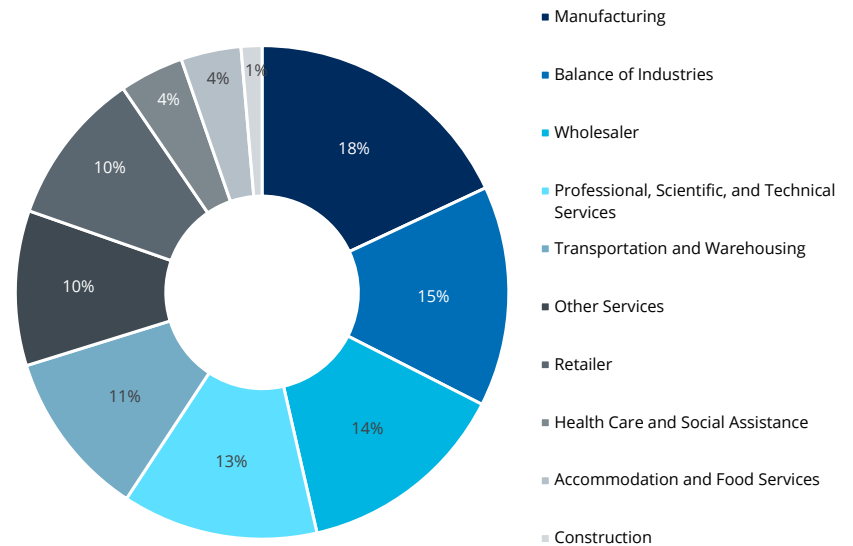
- After a strong performance in Q1, Broward recorded a negative absorption of 33,000 SF in Q2 2024, continuing a mixed showing within the past four quarters. Despite this, year-over-year absorption still claims a modest 80,000 SF of positive absorption. Modest cooling was expected from the market's six-year average of 1.8 million SF of annual net absorption as less lease roll and dampened economic growth affected the market.
- Absorption trends in Broward's submarkets were varied, with three submarkets achieving occupancy growth and four experiencing losses. Coral Springs, the smallest submarket, led with 252,000 SF of positive year-over-year absorption, despite a Q2 2024 loss of 52,000 SF. On a quarterly basis, only Pompano Beach and West Sunrise saw absorption gains in Q2 2024.
- Looking ahead, absorption is expected to remain moderate as construction activity slows, 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 coming quarters.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

### SHARE OF LEASING ACTIVITY BY INDUSTRY



Source: CoStar, Transwestern

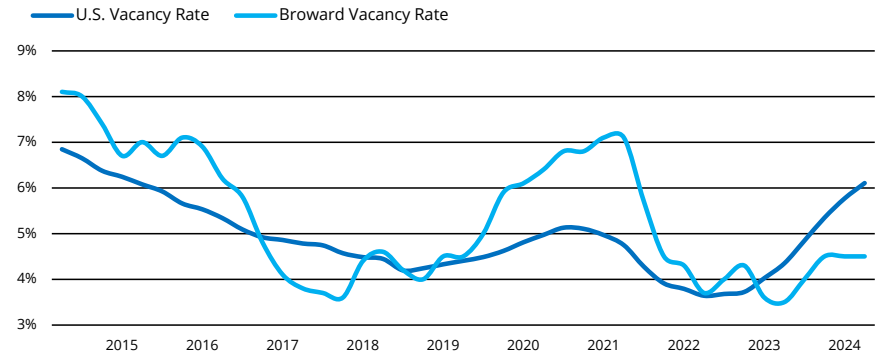


### VACANCY

#### Previous Upward Trend Haults

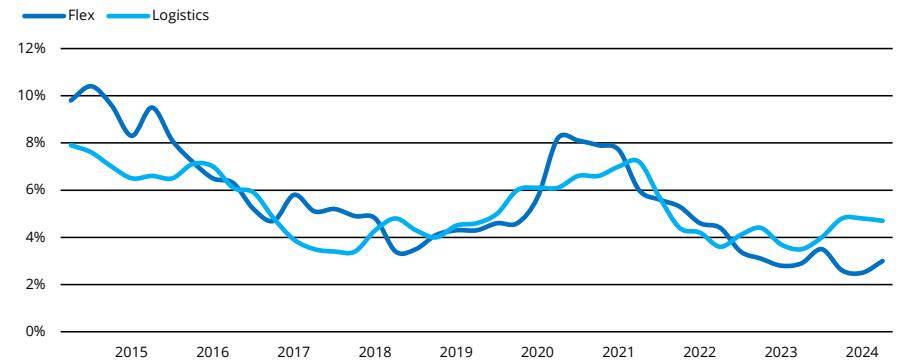
- Moderate absorption and limited new deliveries contributed to Broward's vacancy rate holding steady at 4.5% for the third consecutive quarter. Although this marks a 100 basis point increase year-over-year, it remains slightly below the metro average from 2016-2019 and is 160 basis points below the U.S. average.
- Despite elevated vacancy rates, most Broward submarkets experienced relatively stable conditions since during Q2, with increases of no more than 30 basis points. Pompano Beach and West Sunrise recorded tightened vacancies during the quarter, helping maintain the metro's overall vacancy rate. As Broward's smallest submarket, Coral Springs shows more volatility from tenancy changes; its vacancy rose 70 basis points from Q1 2024, attributed to only 50,000 SF of added vacant space. Southwest Broward remains the tightest submarket, boasting a rate of 2.3%.
- Despite a moderating economy and slower leasing activity, Broward's vacancy remains low thanks to South Florida's balanced economy and robust local demand. With limited construction underway, supply-related pressures are expected to

### OVERALL VACANCY RATE



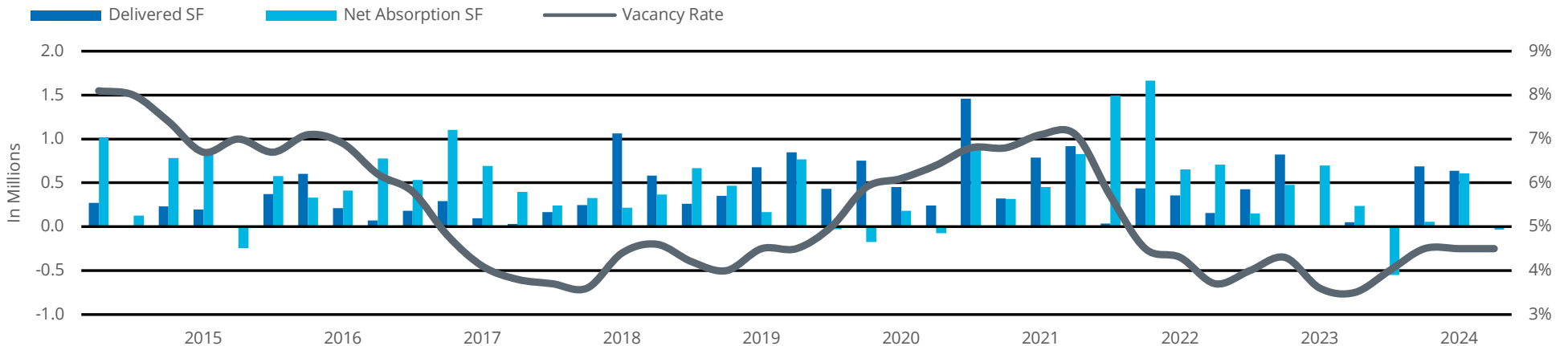
Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

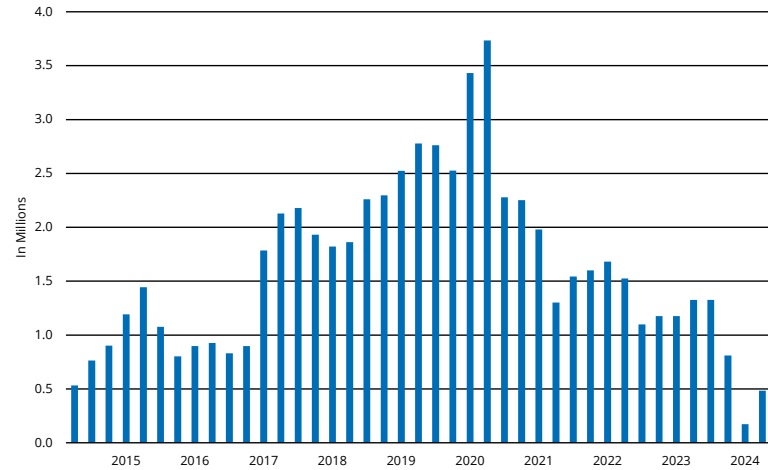


### UNDER CONSTRUCTION

#### Supply is Expected to Remain Scarce

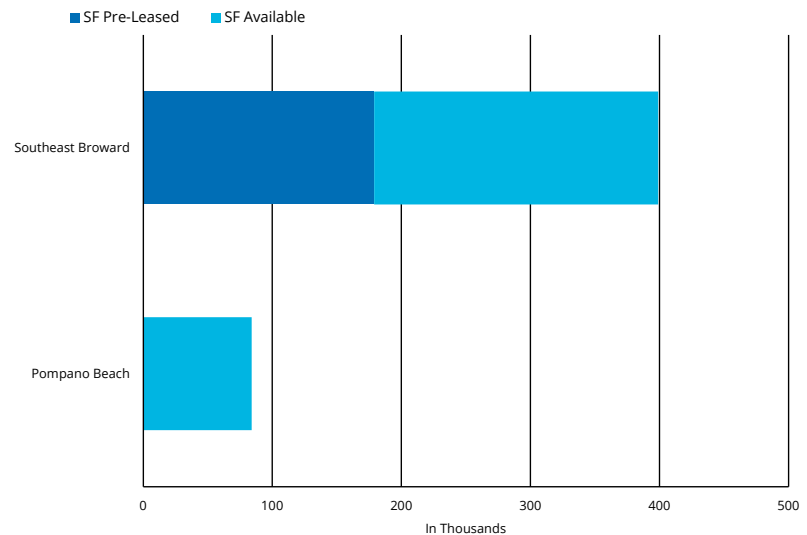
- Despite 311,000 SF breaking ground in Q2 2024, Broward’s construction levels remain near their lowest in a decade as developers swiftly adjusted to moderating market conditions. Since Q4 2023, 1.3 million SF was delivered, although no product was delivered in Q2 2024.
- Bridge Point Port Everglades in Southeast Broward, accounting for 172,000 SF, is slated for delivery in July 2024 and remains available for lease. Additionally, Davie Industrial Center and Andrew Logistics commenced construction on 227,000 SF and 84,000 SF, respectively, during the quarter.
- With limited new groundbreakings in 2024 and only three developments in the pipeline, modern logistics space remains scarce, which should keep vacancies in check and rental rates higher.
- Long-term market fundamentals remain robust, though a challenging debt market has subdued the pace of new projects breaking ground. Nevertheless, developers continue to seek opportunities to bring more high-quality product online.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

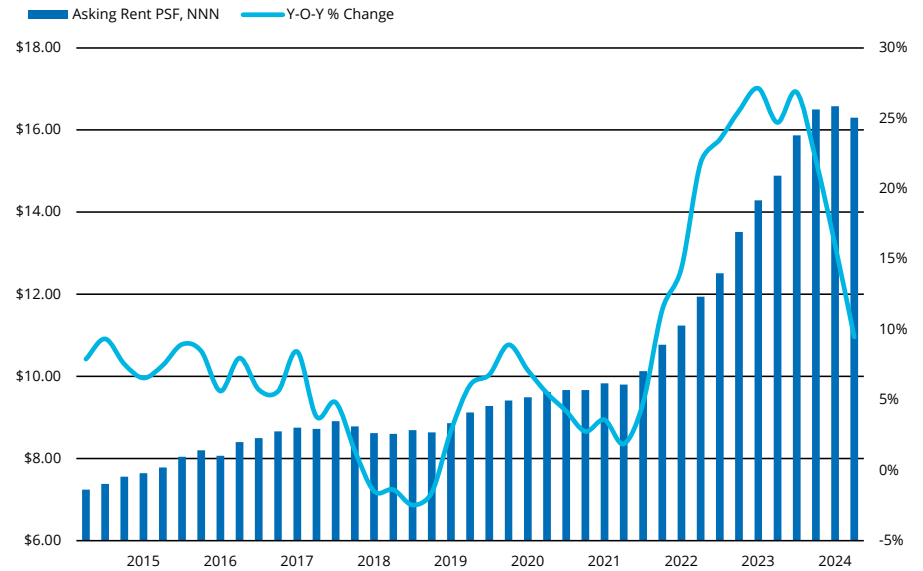


### RENTAL RATES

#### Although Still Near Record Highs, Rates Have Slightly Cooled

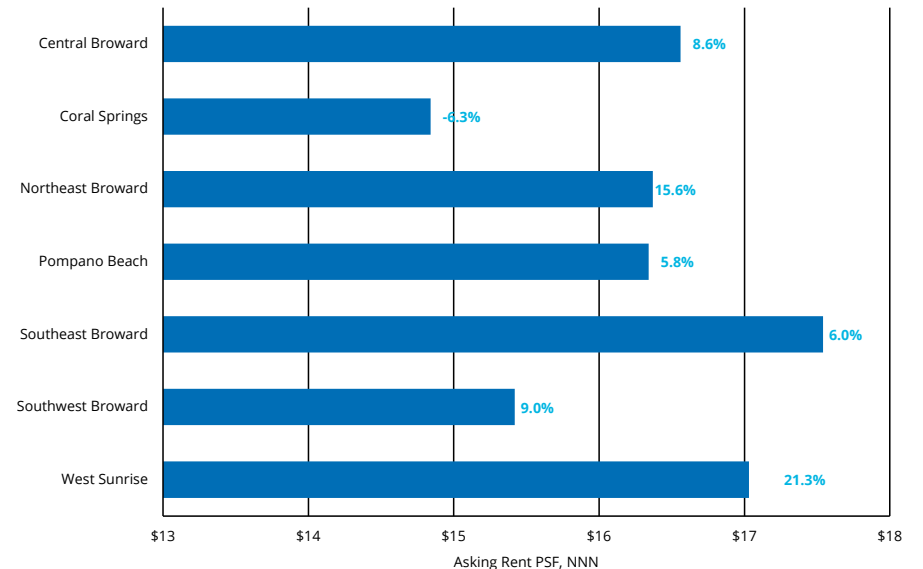
- The average asking rent continued its upward trend for five consecutive years, reaching a record high of \$16.58/SF in Q1 2024. However, signs of moderation have emerged, with rates averaging \$16.30/SF in Q2 2024, marking the metro’s first quarterly decline since 2018. Before 2024, quarterly rent growth maintained an average of 5.3% since Q2 2021.
- Despite this cooling, year-over-year rent growth remained robust at 9.5% in Q2 2024, following eight consecutive quarters of annual growth averaging 21%. This is expected to continue moderating in the remaining balance of 2024.
- Although nearly all of Broward’s submarkets are experiencing strong rent growth, Coral Springs recorded a 6.3% decline, falling to \$14.84/SF in Q2 2024 from \$15.83/SF in Q2 2023. In contrast, West Sunrise saw a 21% year-over-year increase, transforming from the least expensive to the second most expensive submarket at \$17.03/SF, just behind Southeast Broward, which averaged \$17.54/SF in Q2 2024.
- Transwestern anticipates that rental rates will remain stable near historic highs over the next few quarters. Miami’s recent economic growth, bolstered by both local and international demand fundamentals, are expected to help the market navigate this phase of moderation effectively.

### ASKING RENT



Source: CoStar, Transwestern

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



Source: CoStar, Transwestern

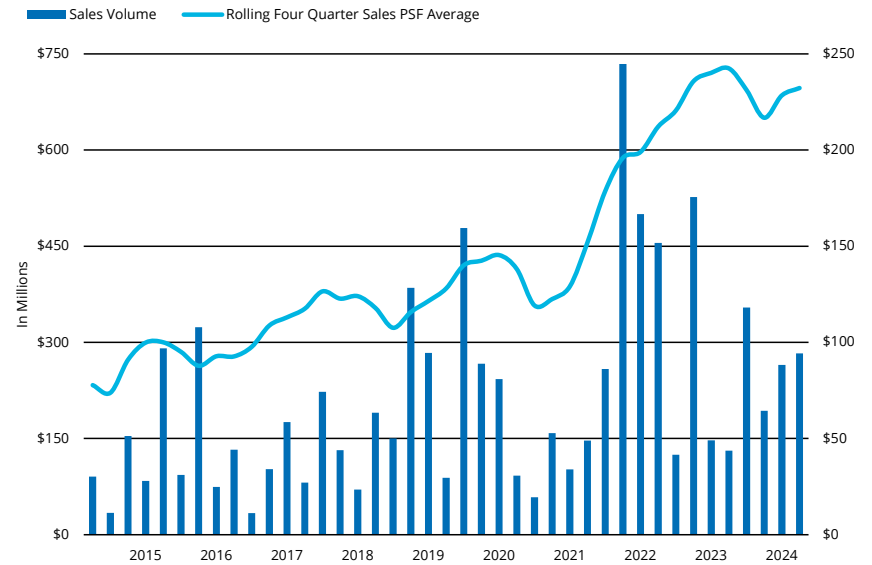


## SALES

### Continued Activity

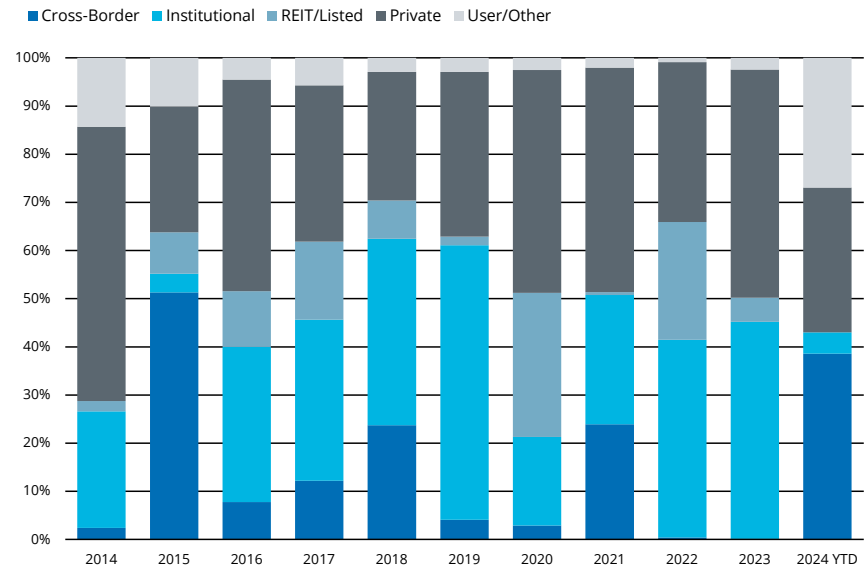
- Despite the persistent impact of high interest rates on sales volume, Broward’s industrial market investment activity remains resilient, averaging nearly \$1.1 billion in sales over the past five years. Although sales volume cooled moderately in 2023 to \$826 million, it marks the fourth-highest annual sales volume in the past decade for the metro area.
- Midway through 2024, Broward is on pace to surpass 2023’s figures, with \$548 million in sales already recorded—double the amount exchanged in the first half of last year, underscoring South Florida’s strength as a robust institutional market.
- After peaking at \$243/SF in Q2 2023, the average sale price slightly cooled to \$217/SF by the end of the year. However, rates have since rebounded, with asking prices averaging \$232/SF in Q2 2024, reflecting the strong demand in the land-constrained South Florida market amid challenges of sustained high interest rates and rising cap rates.
- While stringent lending conditions are expected to create challenges for many prospective buyers, Broward’s strong industrial market fundamentals continue to attract both institutional and private investors.

## 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>PEPSICO BEVERAGE NORTH AMERICA</b>	Coral Springs Distribution Center I 4000 NW 126th Ave	Coral Springs	New	215,486
<b>UNIVERSAL TECHNICAL INSTITUTE</b>	I-75 Distribution Center 2601 SW 145th Ave	Southwest Broward	Renewal	83,200
<b>COMPASS GROUP, USA</b>	Fairway Business Center 7601 Riviera Blvd	Southwest Broward	New	69,679
<b>COLEMAN WORLD GROUP</b>	East Davie Commerce Center 2405 College Ave	Southwest Broward	New	49,655
<b>MARC REFRIGERATION</b>	Coral Springs Corporate Park 3850 NW 126th Ave	Coral Springs	New	31,068

Source: CoStar, Real Capital Analytics, Transwestern

**NOTABLE SALES**

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
<b>*ROCK LAKE BUSINESS CENTER 3150 &amp; 3250 NW 33RD ST</b>	Southwest Broward	\$100,150,000	256,000 Existing, 243,000 Proposed	\$201	Tishman Speyer	IDI Logistics
<b>*1280-1300 NW 22ND ST, 2151 BLOUNT RD</b>	Pompano Beach	\$23,850,000	94,106	\$253	Invesco Real Estate	Ares Industrial Real Estate Income Trust Inc.
<b>THE SHADE ROOM 3141 SW 10TH ST</b>	Pompano Beach	\$20,700,000	93,873	\$221	Link Logistics Real Estate	Elion Partners
<b>THE CORPORATE PARK OF CORAL SPRINGS 3900 CORAL RIDGE DR</b>	Coral Springs	\$12,500,000	81,960	\$153	Mars Real Estate LLC	Elion Partners
<b>*1901 MEARS PARKWAY 1925-1947 &amp; 1901-1923 MEARS PKY</b>	Coral Springs	\$11,000,000	48,000	\$229	The STRO Companies, The KRE Group	Industry Capital

*\*Portfolio/bulk deal*

Source: CoStar, Real Capital Analytics, Transwestern

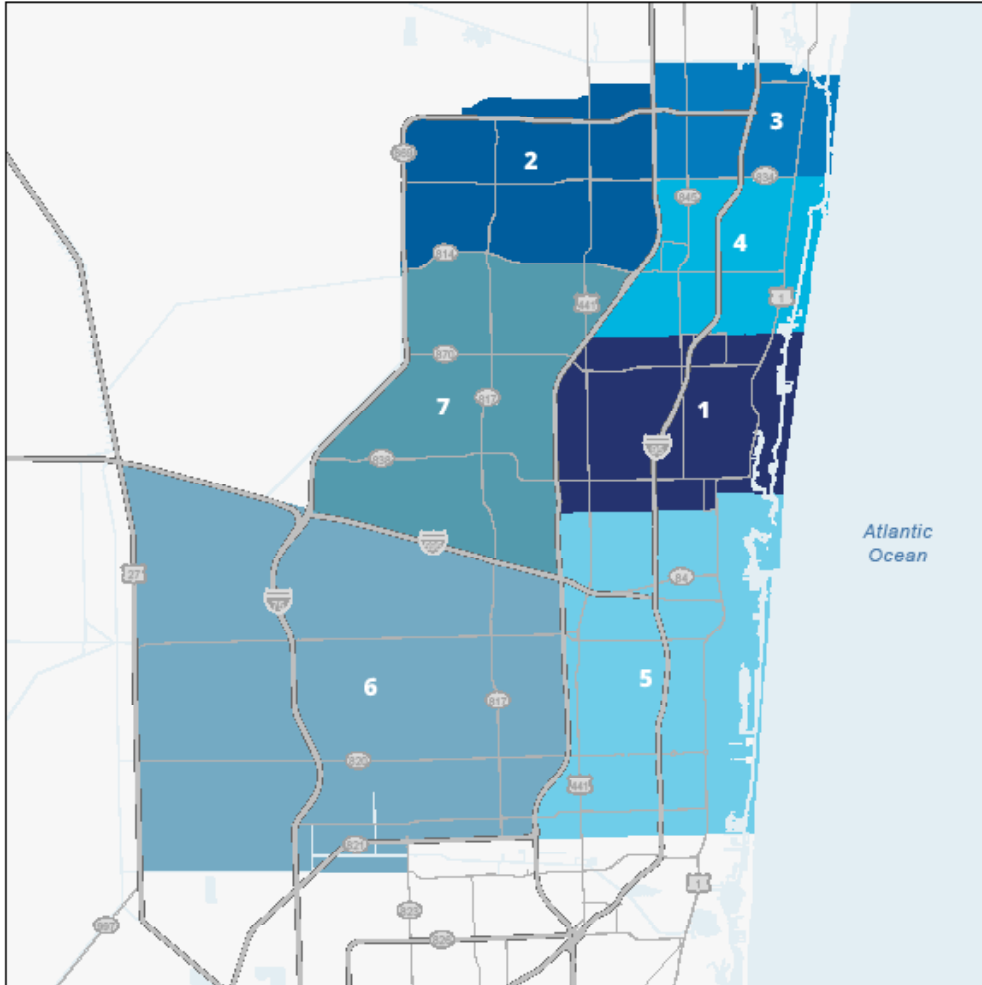


**MARKET INDICATORS**

All Property Types | Q2 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>	11,954,288	649,920	5.4%	38,400	688,320	5.8%	0	(30,202)	(158,010)	\$16.63	\$16.17
<b>CORAL SPRINGS</b>	7,450,544	370,319	5.0%	0	370,319	5.0%	0	(52,265)	252,189	\$14.78	\$20.00
<b>NORTHEAST BROWARD</b>	12,242,832	682,588	5.6%	35,132	717,720	5.9%	0	(35,537)	(15,193)	\$16.09	\$18.80
<b>POMPANO BEACH</b>	26,375,405	1,128,466	4.3%	21,295	1,149,761	4.4%	84,000	134,269	(2,902)	\$16.33	\$16.94
<b>SOUTHEAST BROWARD</b>	22,742,635	1,059,402	4.7%	89,600	1,149,002	5.1%	398,940	(52,066)	(238,222)	\$17.54	\$18.00
<b>SOUTHWEST BROWARD</b>	19,435,772	272,524	1.4%	168,432	440,956	2.3%	0	(4,158)	106,217	\$15.49	\$14.93
<b>WEST SUNRISE</b>	9,789,850	322,004	3.3%	161,000	483,004	4.9%	0	6,505	135,696	\$16.50	\$18.97
<b>TOTAL</b>	<b>109,991,326</b>	<b>4,485,223</b>	<b>4.1%</b>	<b>513,859</b>	<b>4,999,082</b>	<b>4.5%</b>	<b>482,940</b>	<b>(33,454)</b>	<b>79,775</b>	<b>\$16.21</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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