Broward closes the year with the lowest vacancy rate in Florida

▲ 4.5%	▼ 40,328	▲ 1,372,054	▲ 0	▲ $15.29
Total Vacancy (Q4 2024)	SF Net Absorption (Q4 2024)	SF Construction (Q4 2024)	SF Delivered (Q4 2024)	NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

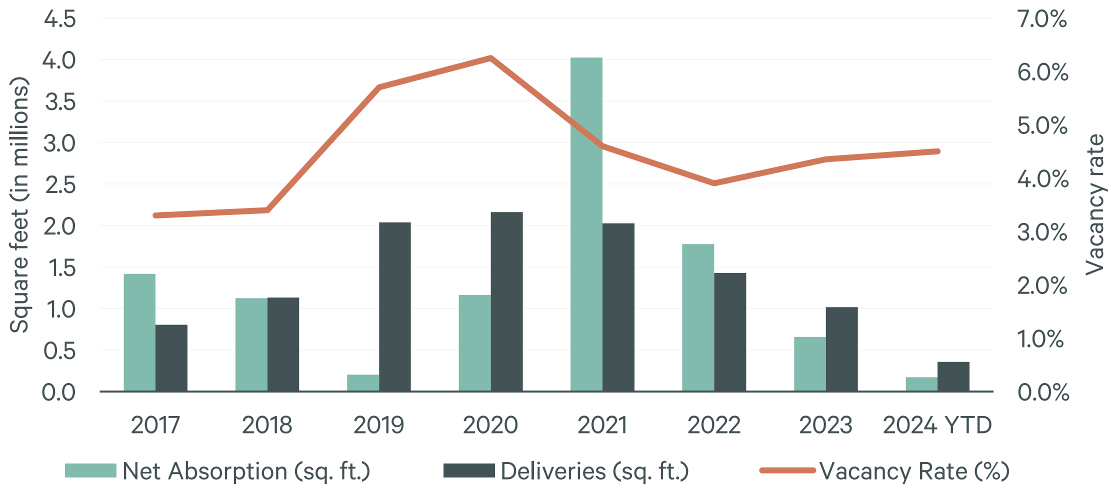
Market highlights

- The Broward industrial market closed the year with 172,000 sq. ft. of positive net absorption, extending its impressive streak of over a decade of consecutive annual gains. However, absorption levels have been on a downward trend since their 2021 peak, signaling a transition to a more moderated market environment.

- Construction activity has also responded to shifting market dynamics. Despite net absorption reaching its lowest point since 2019, over 1.0 million sq. ft. of new development broke ground, with most of the activity concentrated in the Pompano region.

- Rents increased by 3.0% over the past year, supported by an overall vacancy rate of 4.5%, the lowest in the Florida market. With more than 1.0 million sq. ft. of new developments scheduled for completion by 2025, rents are projected to sustain their upward momentum, bringing higher-tier rates to the market.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



*Asking rates have been revised historically
Source: CBRE.com

DEMAND

After several years of strong performance, 2024 marked a period of stabilization and normalization for the industrial market nationwide. Broward concluded the year with 3.9 million sq. ft. of new leases signed, reflecting a 16.3% decline compared to the previous year. Notably, there were more large deals exceeding 100,000 sq. ft. signed last year, with six compared to only one in 2024, which significantly contributed to the drop in overall demand.

The largest transaction this quarter was a significant renewal by Restoration Hardware at the Pompano Beach Distribution Center in the Northeast Broward submarket. This lease, exceeding 100,000 sq. ft., underscores the growing trend in renewals over the past year, which have risen by 6.8%. Additional noteworthy renewals during the quarter included Renew Life Holdings (55,897 sq. ft.), A.P.P. Group (53,116 sq. ft.), and Rexel USA (36,000 sq. ft.), reflecting robust tenant commitment to the market.

VACANCY & PRICING

The market continues to be driven by a strong preference for Class A assets, which have maintained positive net absorption since late 2020. However, the surge in speculative development during the pandemic—fueled by robust demand and historically low interest rates—has resulted in a modest rise in vacancy rates as newly constructed buildings enter the market. Despite this increase, overall vacancy remains healthy at under 5.0%, outperforming the state and national averages by 300 and 100 basis points, respectively, highlighting the region's resilience.

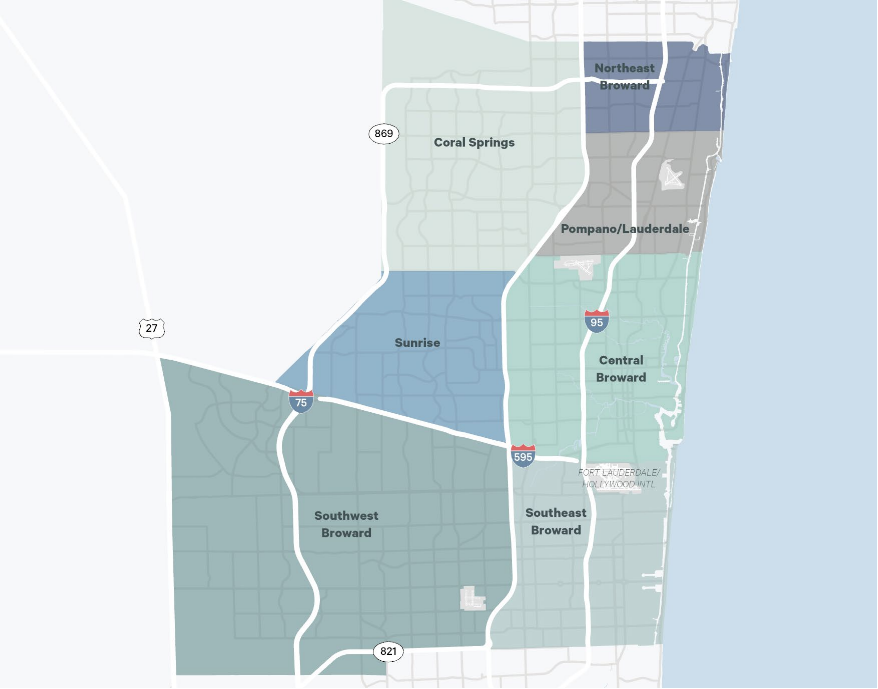
Rent growth has returned to its pre-pandemic average, recording a 3.0% year-over-year increase. As vacancy levels stabilize with the addition of new supply, rents are anticipated to continue rising at a steady and sustainable pace in the coming quarters.

FIGURE 2: Statistical Snapshot Q4 2024

Submarket	Total Inventory (SF)	Vacancy Rate	Q4 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Q4 2024 Deliveries (SF)	Avg. Asking Lease Rate ($/NNN)
Central Broward	18,576,151	3.99 %	11,001	(186,420)	0	0	$16.36
Coral Springs	9,274,627	4.22 %	(58,649)	374,596	0	0	$15.07
Northeast Broward	11,596,543	5.22 %	(73,567)	10,750	0	0	$16.02
Pompano/Lauderdale	25,246,959	4.22 %	(27,346)	(146,820)	765,154	0	$14.55
Southeast Broward	16,851,183	6.09 %	209,290	113,227	325,900	0	$15.41
Southwest Broward	17,856,891	3.69 %	(8,159)	189,572	281,000	0	$15.04
Sunrise	5,806,974	4.39 %	(12,242)	(182,900)	0	0	$20.14*
Grand Total	105,209,328	4.5 %	40,328	172,005	1,372,054	0	$15.29

All stated rents are estimates subject to size, credit, TI, and term.
* Larger warehouse space is averaging $15-$16 NNN. Larger amount of small bay availability is pushing market averages higher.

Market Area Overview



CBRE Economic House View

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters

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