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Broward Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment increased by 22 basis points year over year to 3.2% at the end of August 2024. The rate remains unchanged on a quarter-over-quarter basis and remains well below the national average of 4.2%.
- Despite recent national economic headwinds, jobs in Broward grew by 2.5% year over year to 938,100 jobs by the end of August 2024.
- Seven of the 10 employment sectors reported growth, with the other services sector leading job gains at 12.2% over the past 12 months.
- The industrial-using trade/transportation/utilities sector reported 210,840 employees as of the end of August 2024, reflecting a 1.9% year-over-year increase. Mining and construction jobs grew by 9.1% year over year to 57,780 employees. However, manufacturing employment decreased by 1.5% year over year to 30,050 jobs.

Major Transactions

- ONTIC Engineering & Manufacturing inked the quarter's largest deal, leasing 63,860 SF, which accounts for 24.3% of Miramar Centre Business Park's Building A.
- Three of the top five largest deals were new leases, suggesting continued demand for new space.
- The Pompano Beach submarket was the favored location with three of the top five largest deals signed in the submarket.

Leasing Market Fundamentals

- The market reported 32,925 SF of positive absorption in the third quarter of 2024, compared with negative 56,212 SF reported in the previous quarter.
- After the second quarter reported no new supply, deliveries were 171,983 SF in the third quarter. Due to supply outpacing demand, the vacancy rate increased by 10 basis points quarter over quarter to 4.1%.
- Overall asking rental rates in the third quarter of 2024 increased 1.8% quarter over quarter to $14.59/SF, following two consecutive quarterly declines.
- The under-construction pipeline increased 94.5% quarter over quarter to 334,457 SF, which remains far below the historical average of 1.1 MSF for the 2008 to 2023 period.

Outlook

- The Broward industrial market will continue to see relatively low levels of deliveries given the limited under-construction pipeline, potentially leading demand to outpace supply in the near term.
- Vacancy rates are expected to remain largely flat, or potentially decrease as the low levels of supply are outpaced by occupancies.
- Asking rents will likely continue to increase, albeit at a slower pace, driven by low available inventory and a small pipeline of quality new product commanding higher pricing.

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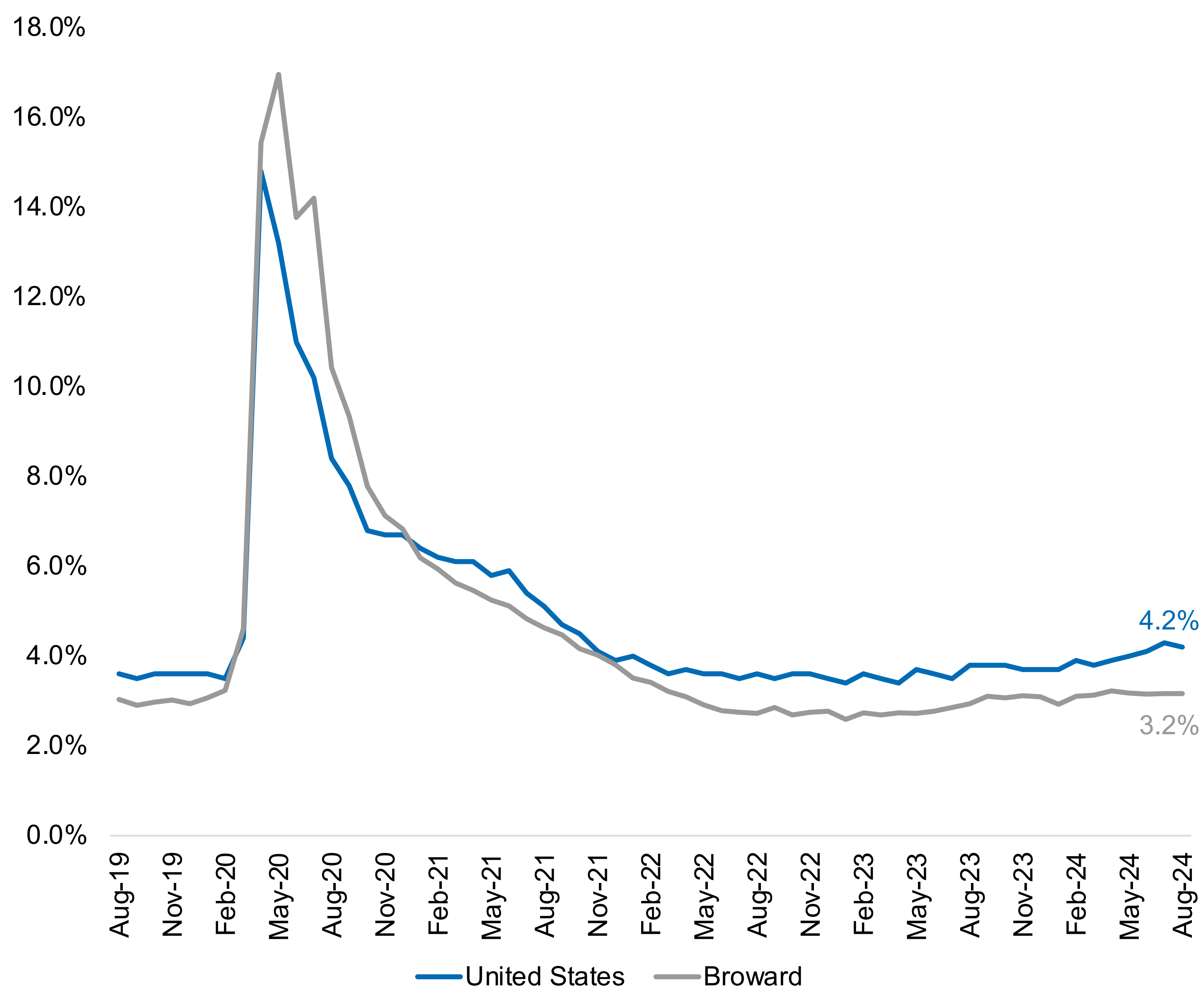
Economy

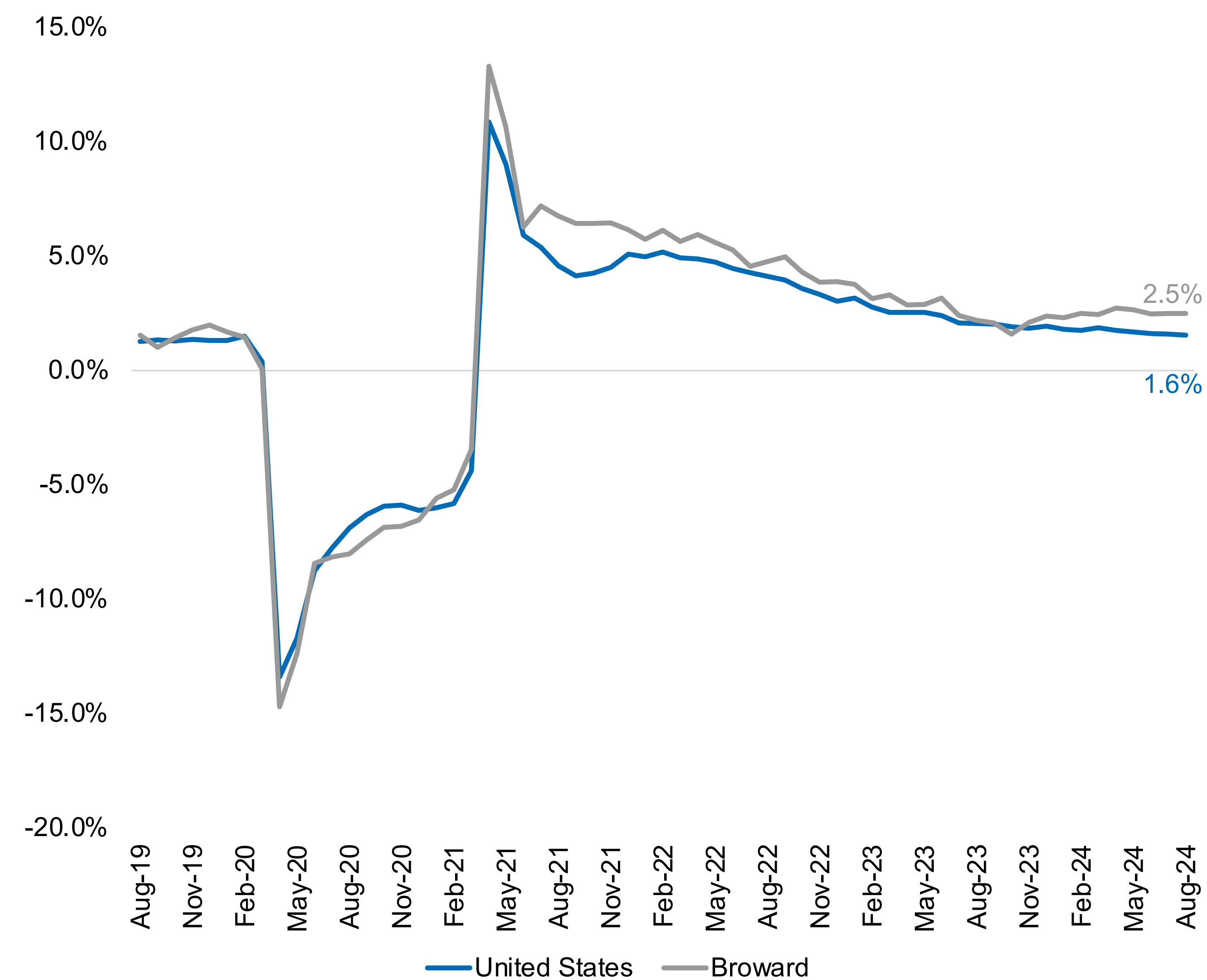
Metro Employment Trends Remains Resilient

The Broward market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. Despite employment growth continuing to slow growth nationally, the region's unemployment rate held steady, remaining unchanged at 3.2% from April through August 2024. This rate is 104 basis points below the national rate. The market's year-over-year employment growth rate increased by 30 basis points to 2.5% in August 2024.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

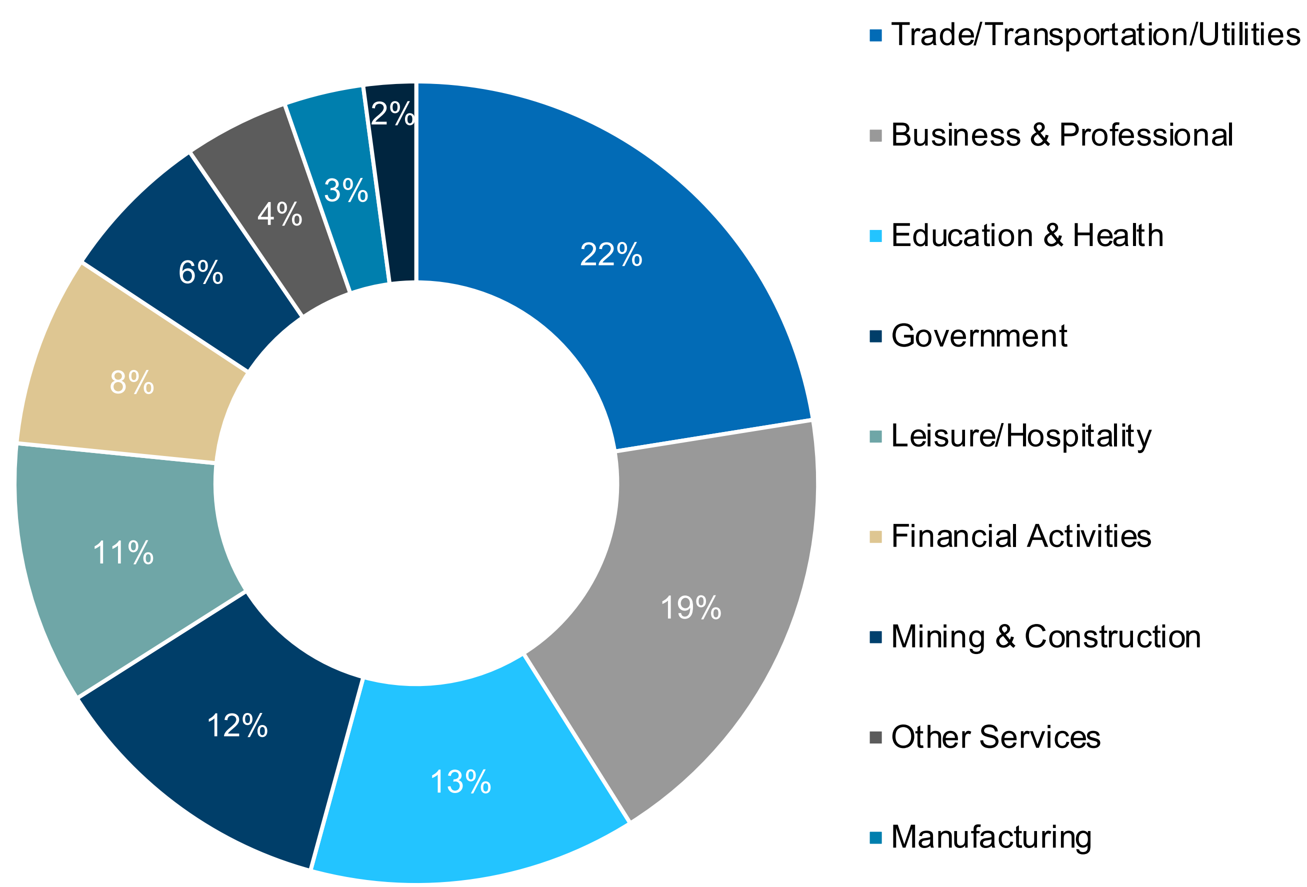


Source: U.S. Bureau of Labor Statistics, Broward County

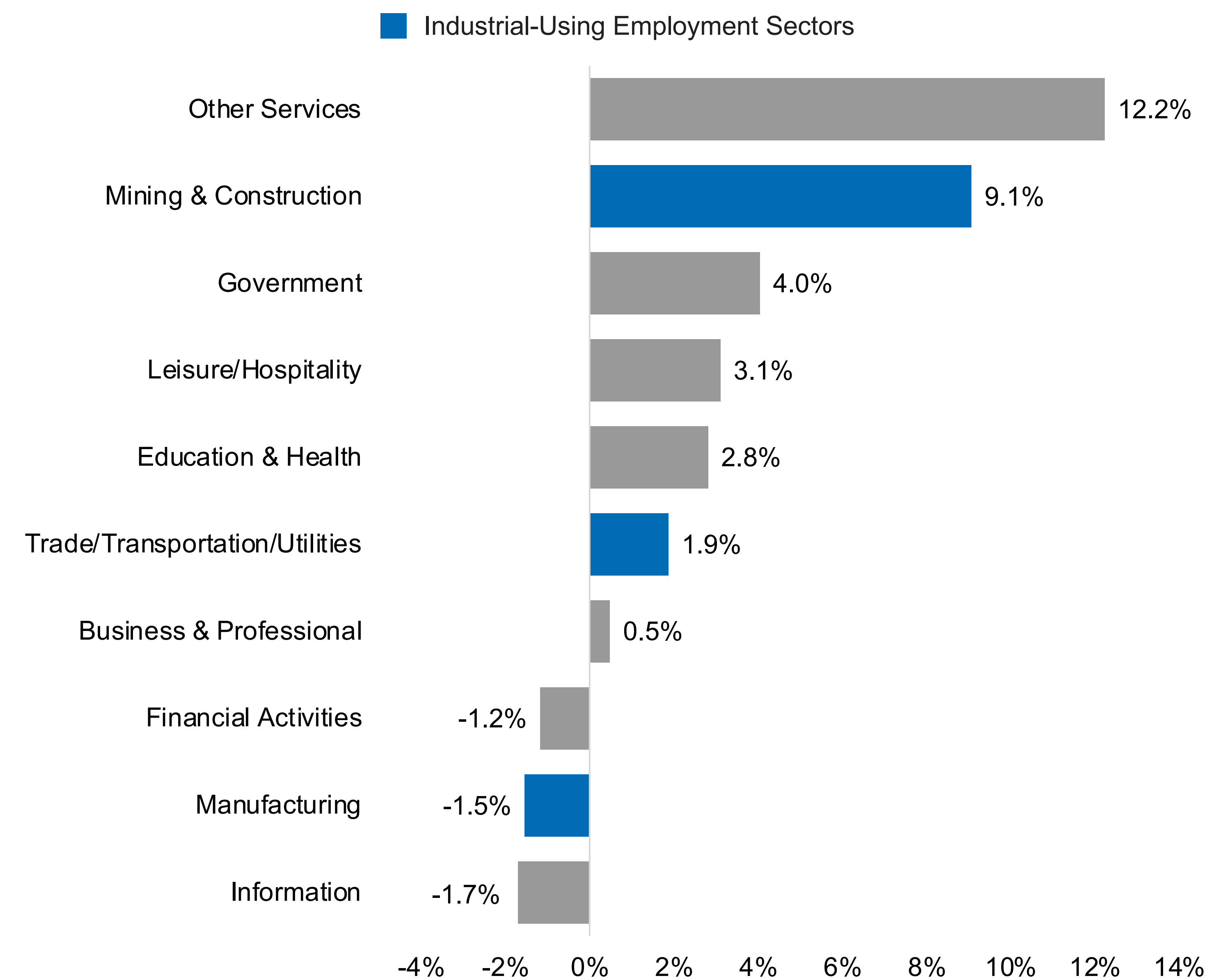
Employment Growth Continues In Most Sectors

The Broward market is highly diverse, with the top two industries comprising only 41.1% of the market's employment share. The industrial-using trade/transportation/utilities sector is the largest at 22.5%. While seven out of ten employment sectors grew, the industrial-using manufacturing sector's jobs declined by 1.5% year over year. In contrast, the trade/transportation/utilities sector grew by 1.9%, and the mining and construction sector by 9.1%.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

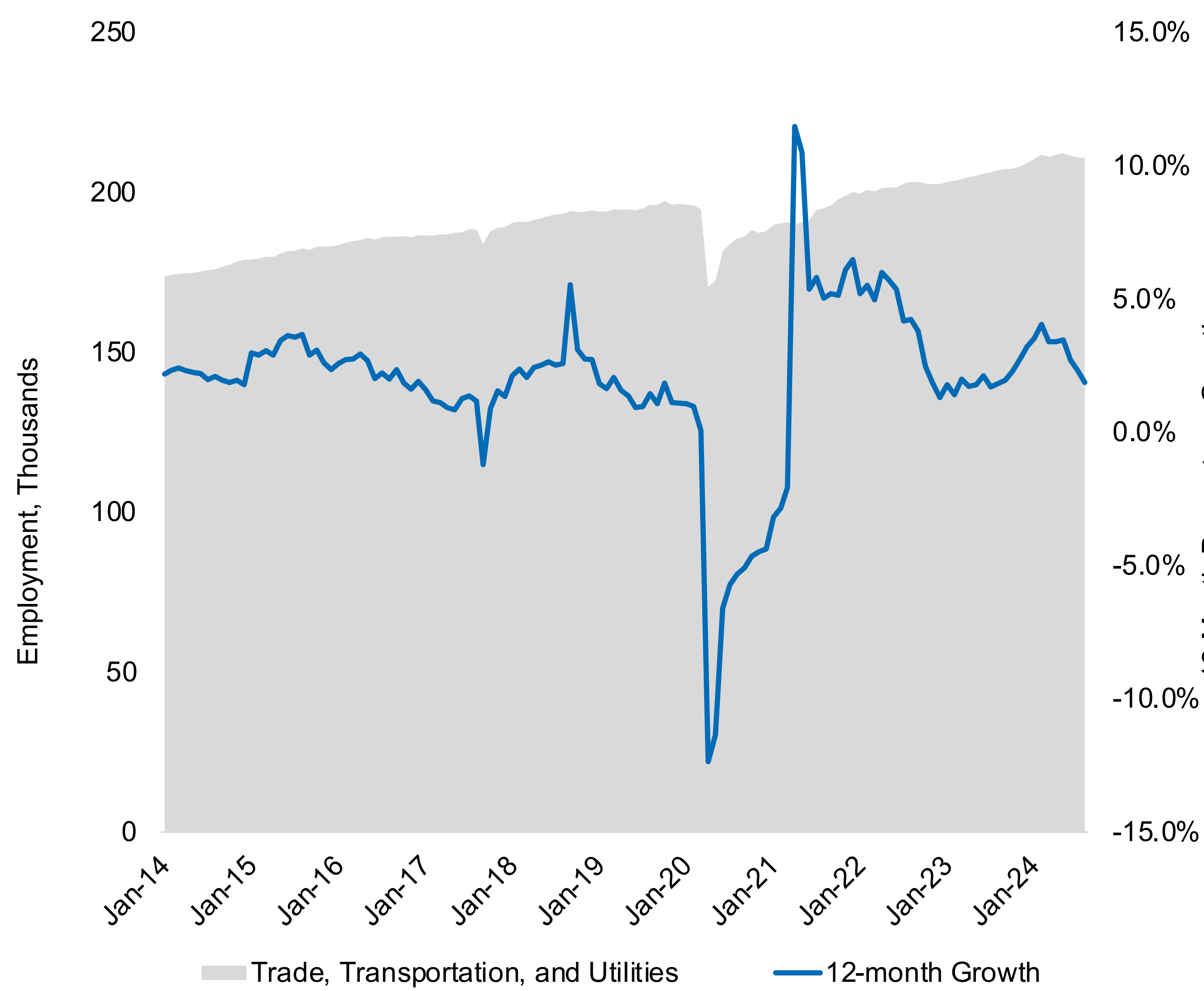


Source: U.S. Bureau of Labor Statistics, Broward County

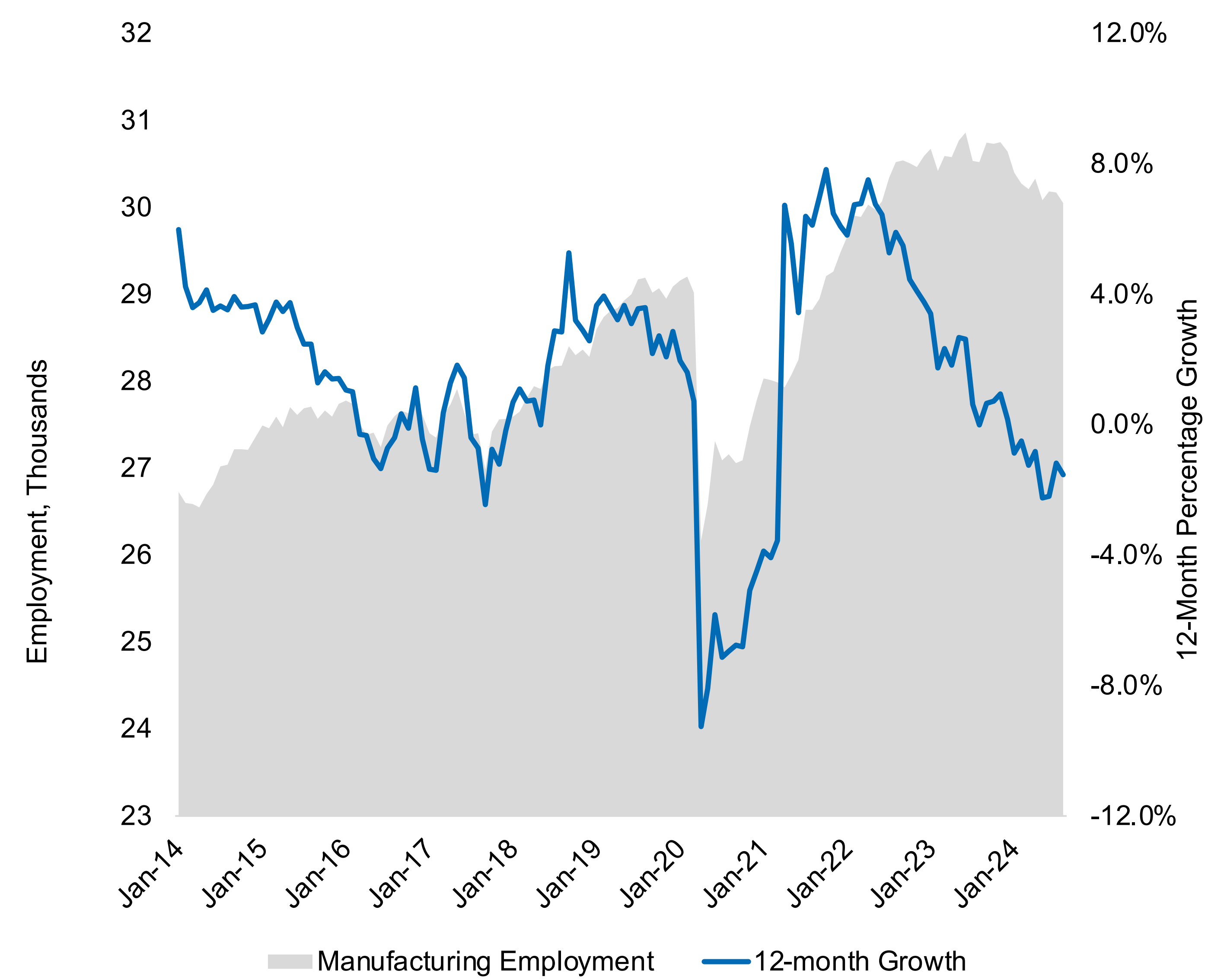
Employment Growth Continues Across Most Industrial-Using Sectors

Trade/transportation/utilities employment in Broward reported 210,840 employees as of August 2024, a 1.9% year-over-year increase. Manufacturing employment in the same period reported 30,050 employees, a 1.5% decline year over year and a 2.6% decline from the historical high of 30,860 employees reported in June 2023. The trends indicate that trade/transportation/utilities job growth remains resilient, while manufacturing employment continues to soften modestly.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Broward County

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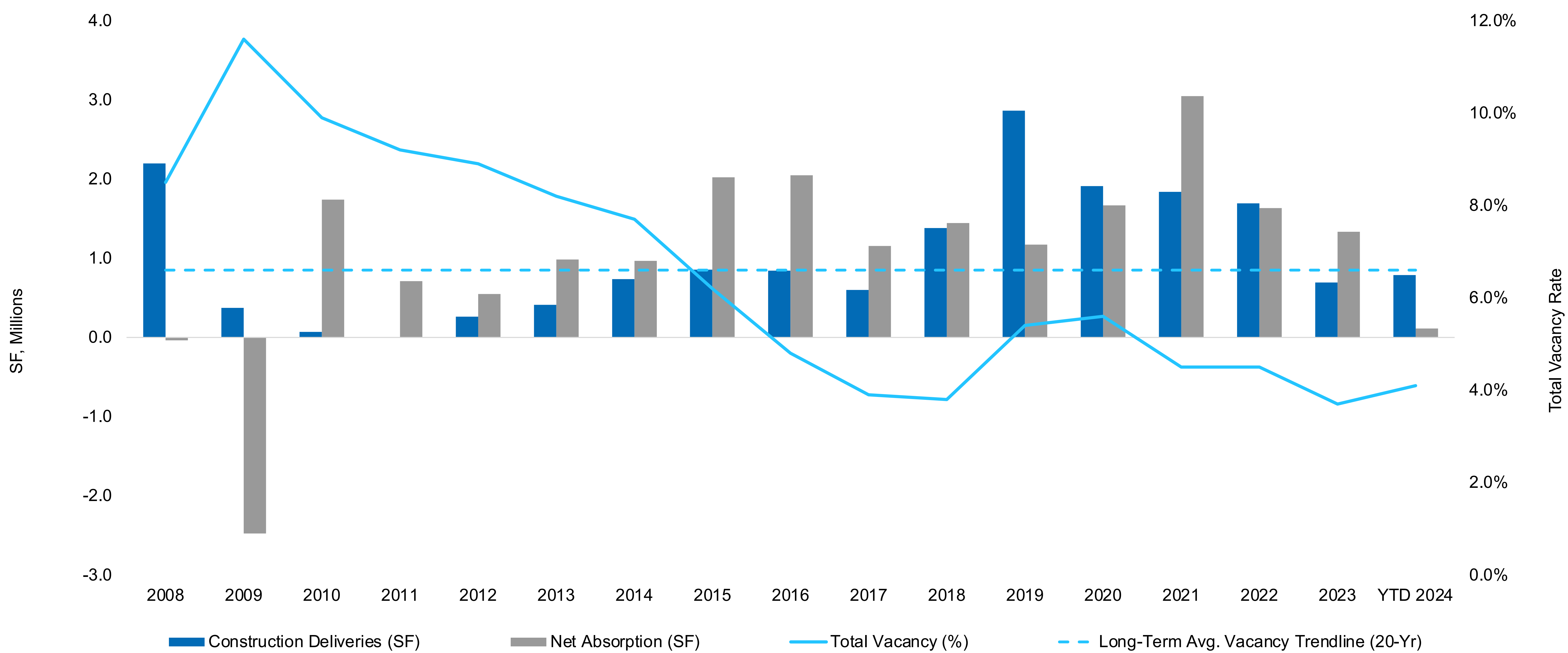
Leasing Market Fundamentals

Supply Outpaces Demand, Leading to Uptick in Vacancy

Net absorption ended the third quarter of 2024 at 32,925 SF, improving on the negative 56,212 SF reported in the previous quarter. Move-ins initially planned for the second quarter but delayed due to buildout issues, took occupancy as expected. Deliveries in the third quarter was 171,983 SF, compared with zero the previous quarter. As a result of supply outpacing demand in the third quarter of 2024, the vacancy rate increased by 10 basis points quarter over quarter to 4.1%.

Historical Construction Deliveries, Net Absorption, and Vacancy

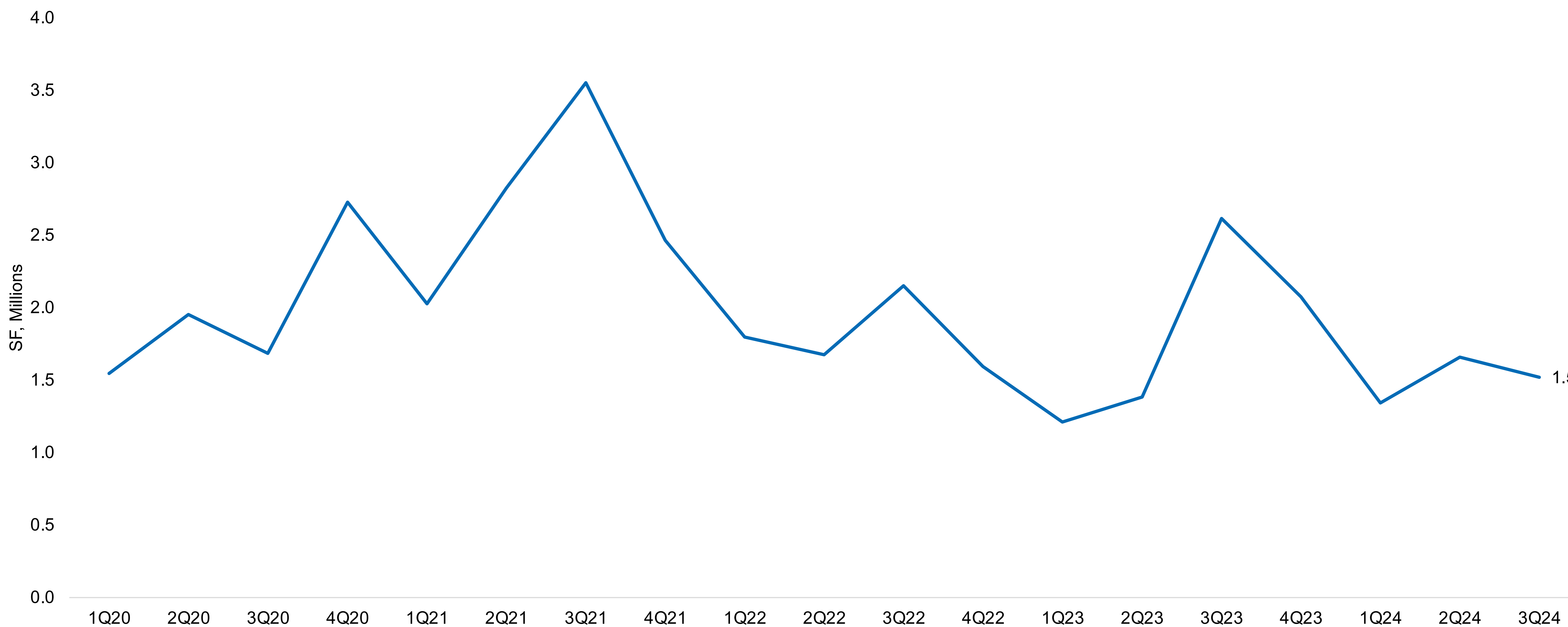


Source: Newmark Research, CoStar

Industrial Leasing Activity Declines to Long-Run Historical Quarterly Average

Leasing activity decreased by 8.4% quarter over quarter to 1.5 MSF. Although leasing volumes have decelerated from historical highs reported post pandemic, volume in the quarter was in line with the 20-year quarterly averages of 1.5 MSF reported between 2003 and 2023.

Total Leasing Activity (SF)

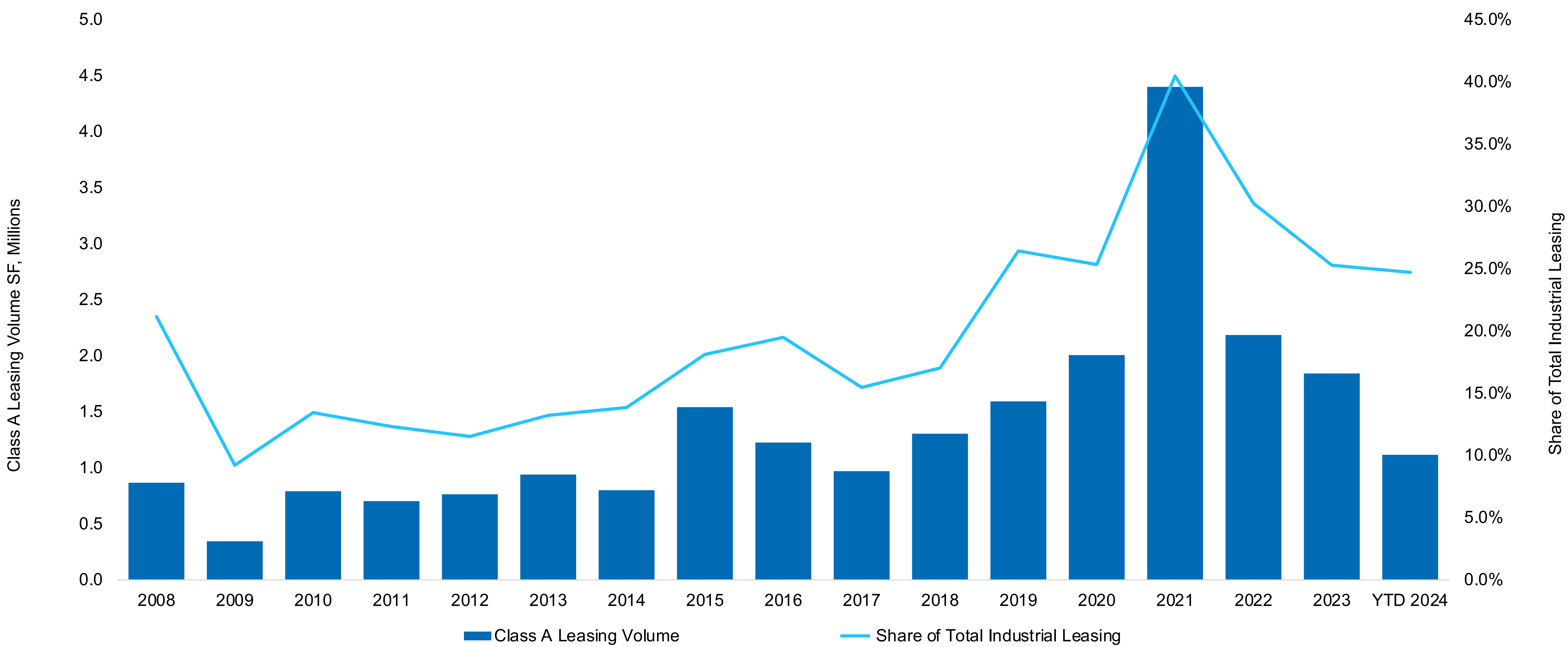


Source: Newmark Research, CoStar

Class A Warehouse Leasing Down, Still Higher than Pre-Pandemic Average

In the third quarter of 2024 Class A leasing activity declined by 36.8% quarter over quarter to 263,866 SF. However, the quarter was 6.9% higher in leasing volume than the quarterly average activity of 246,783 SF between 2008 and 2019. Class A activity constituted 24.7% share of all leasing activity so far this year.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

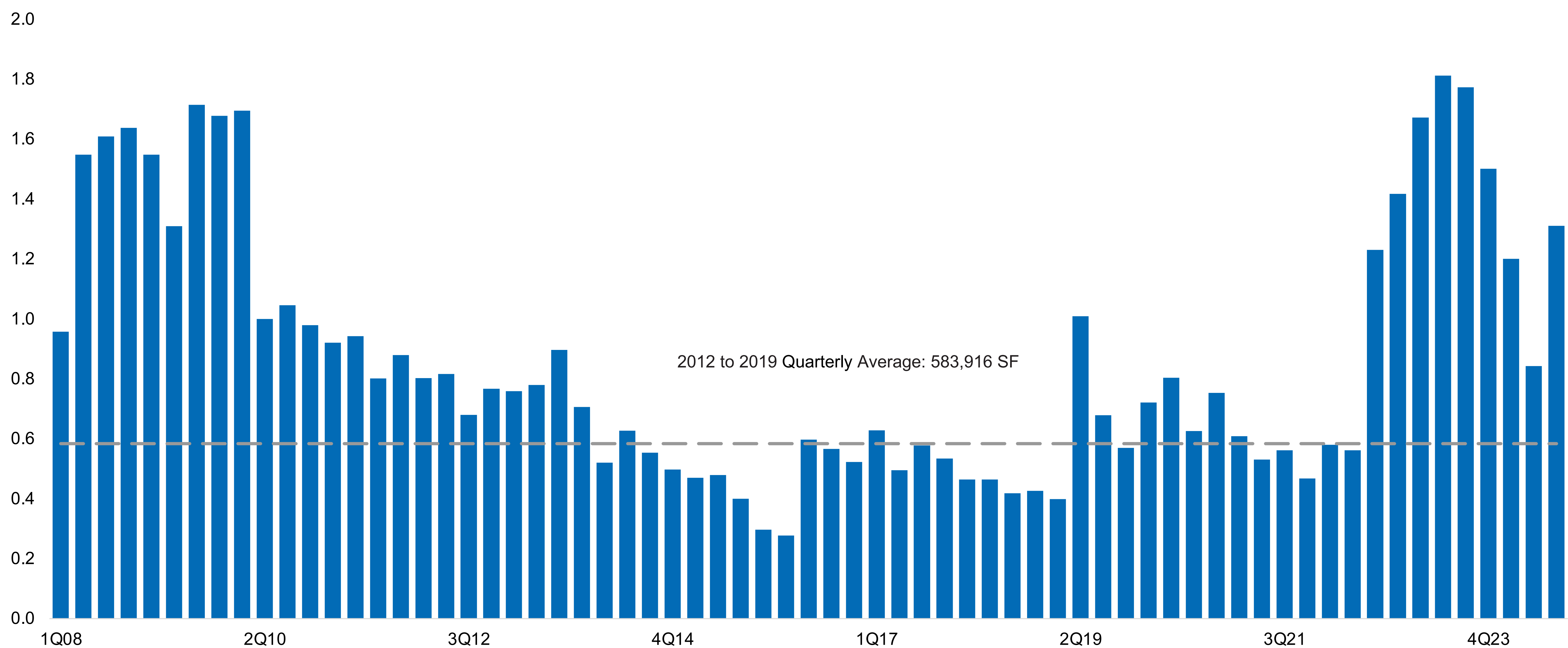


Source: Newmark Research, CoStar

Sublease Availability Spikes Following Four Consecutive Quarterly Declines

Sublease volume ended the third quarter of 2024 at 1.3 MSF, reflecting a 55.5% increase quarter over quarter. The increase follows four consecutive quarterly declines, with Miramar Centre Business Park's 228,428 SF increase in sublet availability being a major contributor to the spike during the third quarter. Sublease levels are now more than double the 2012 to 2019 average, likely driven by still elevated interest rates and slowing consumer demand.

Available Industrial Sublease Volume (msf)

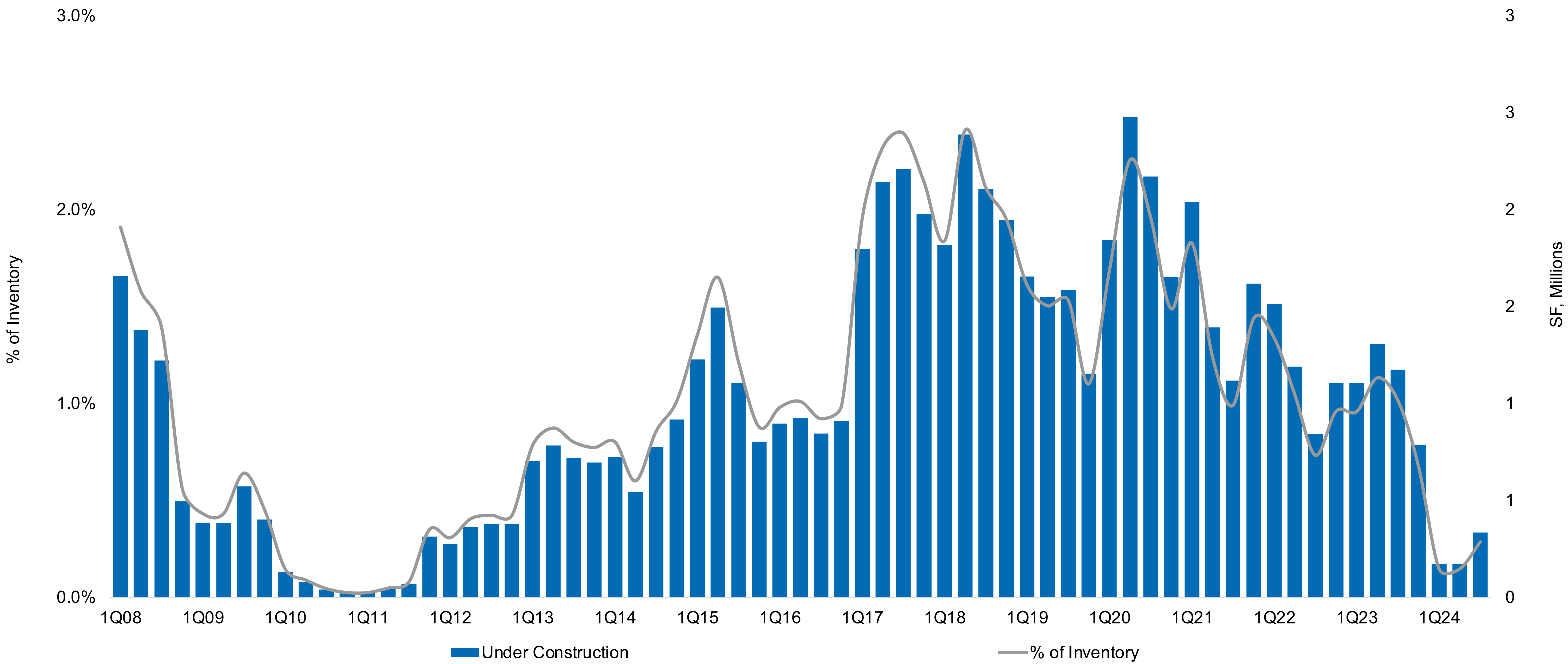


Source: Newmark Research, CoStar

Industrial Supply Pipeline Increases, Remains Below Historical Averages

At the end of the third quarter of 2024, the under-construction pipeline increased 94.5% quarter over quarter to 334,457 SF. Despite the increase, the pipeline represents only 0.3% of current inventory and remains far below the historical average of 1.1 MSF for the 2008 to 2023 period. Slowing new development could lead to supply constraints as economic conditions improve in late 2025.

Industrial Under Construction and % of Inventory

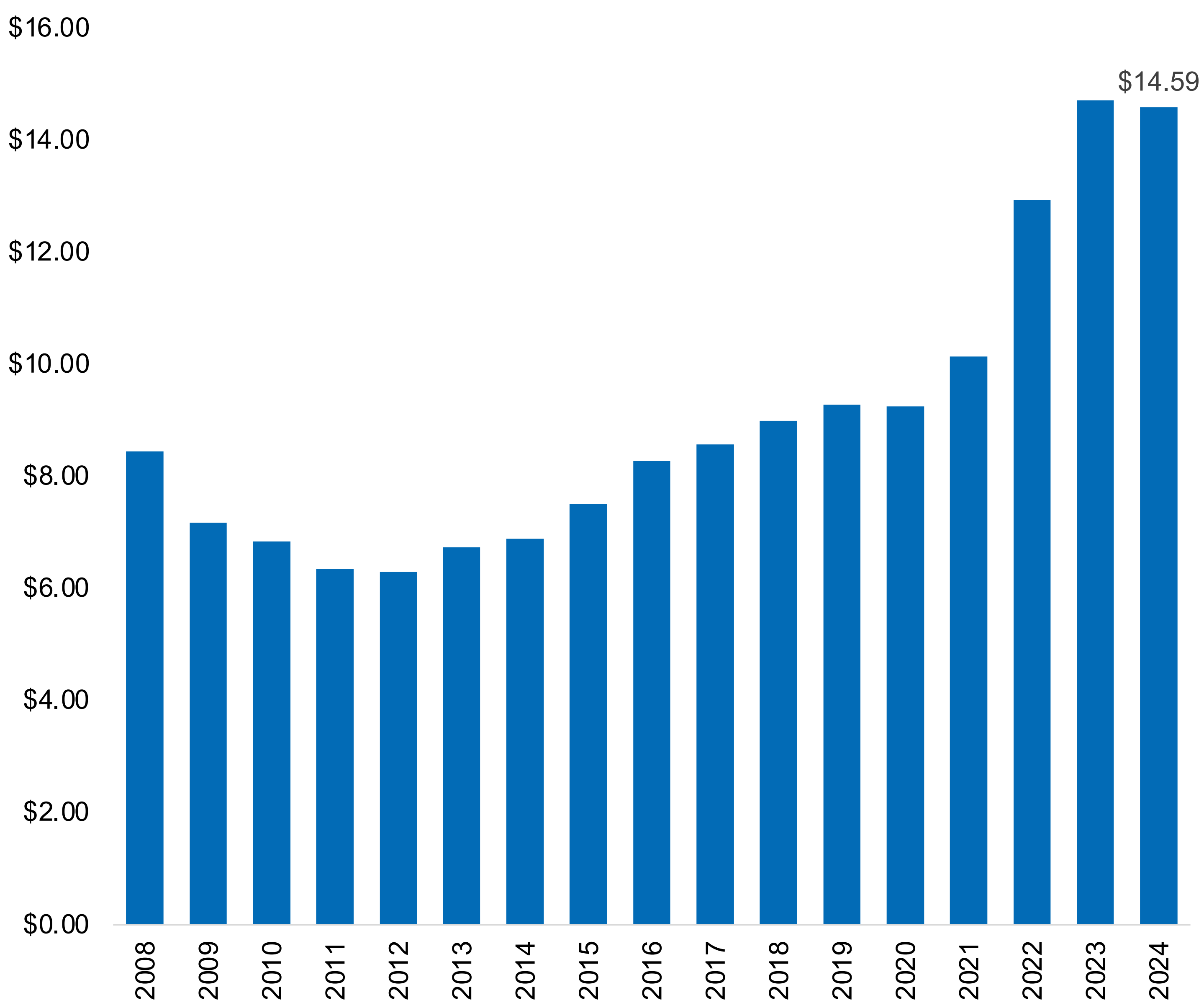


Source: Newmark Research, CoStar

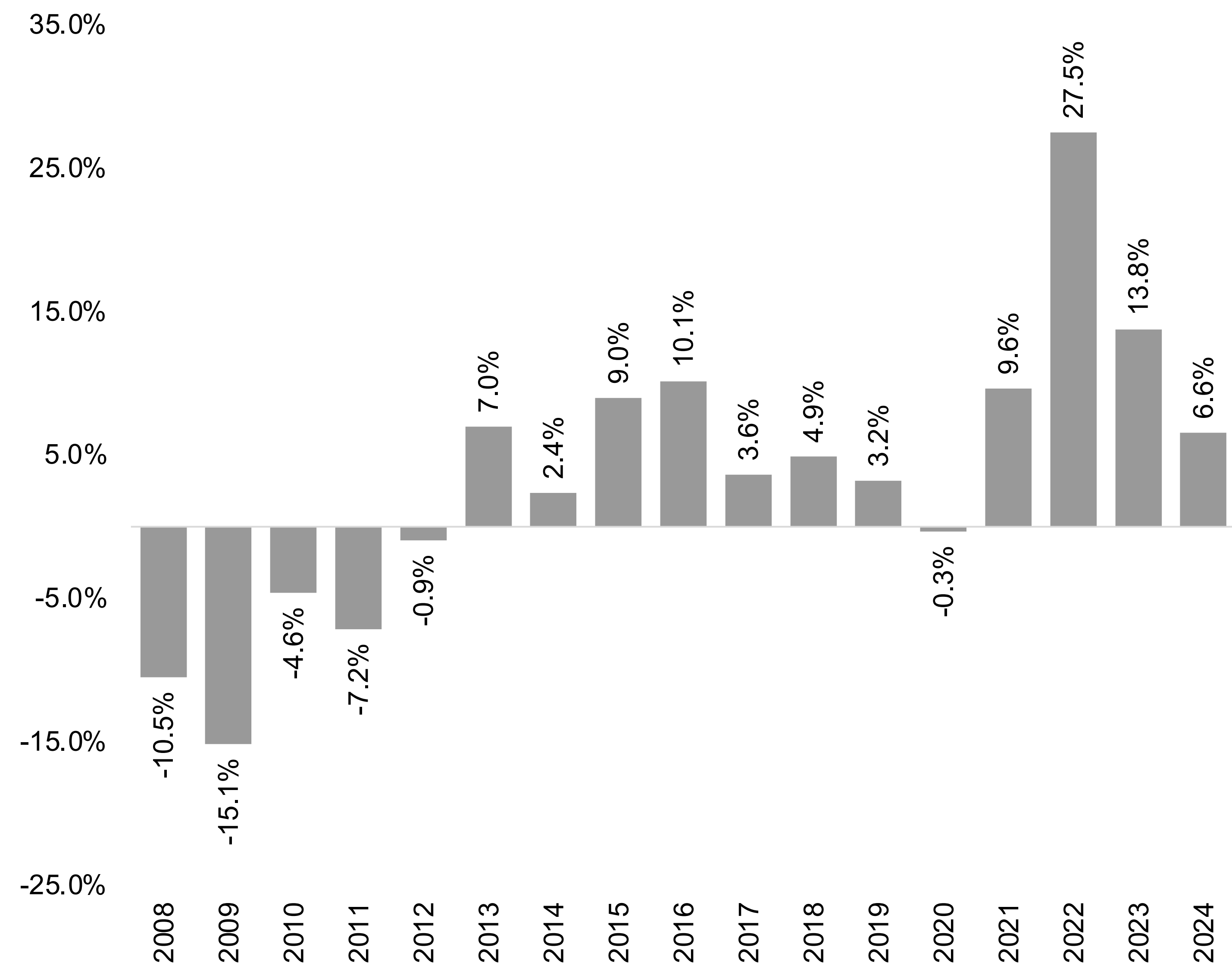
Asking Rents Increases but Remain Below the Year-End 2023 All-Time High

In the third quarter of 2024, industrial average asking rents rose 1.8% quarter over quarter to $14.59/SF, following two consecutive quarterly declines. The uptick represents a 6.6% increase year over year, although it eased by 0.8% from the all-time high of $14.71/SF reported in the fourth quarter of 2023. While rent growth spiked post-pandemic, peaking at 27.8% year over year, rent growth has since moderated.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

New Leases Lead Largest Deals in the Third Quarter

The top five largest deals in the third quarter of 2024 included three new leases, suggesting continued demand for new space. The Pompano Beach submarket was the favored location capturing three of the top five largest leases. As of the end of the third quarter of 2024, projects under construction were 9.1% preleased.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
ONTIC Engineering & Manufacturing	15701 SW 29th St – Miramar Center Bldg. A	Central Broward	Direct New	63,860
ONTIC, a global supplier of aircraft parts based in the United Kingdom, leased 24.3% of Miramar Centre Business Park's Building A.				
Safelite Fullfillment Inc.	3201 SW 22nd St – Prologis Seneca Park - 400	Southeast Broward	Direct New	38,630
The auto glass services company will occupy 22.9% of Prologis' Seneca Park – Building 400. The company has been a tenant in the market since at least 2007.				
Integrated Opening Solutions	2500 NW 19th St	Pompano Beach	Direct New	33,290
The company provides commercial and residential door solutions, with several locations in Florida. They are relocating from 1501 Green Road within the same submarket, where they had leased 15,161 SF.				
Couture Jardin LLC	2025 NW 15th Ave	Pompano Beach	Sublease	32,715
The furniture wholesaler sublet space originally leased by Pros and Tools. The lease is expected to expire in the third quarter of 2026.				
LKQ Southeast	2004-2044 NW 25th Ave – Pompano Business Center	Pompano Beach	Renewal	31,463
LKQ renewed their lease at Pompano Business Center, which they first occupied in 2017. The company is a provider of alternative aftermarket specialty salvage and recycled auto parts.				

Source: Newmark Research

Broward Industrial Submarket Overview

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